



Prosperity

Our financial results confirm the assertiveness of our strategy. In 2019, despite a challenging scenario, the gains in productivity of soybean and corn, record net revenue and land sale in Maranhão were noteworthy



SECTORIAL CONTEXT

Brazil is one of the largest exporters of agricultural commodities worldwide and the agribusiness strongly contributes to the country's economic growth. According to projection disclosed by the Central Bank by the end of 2019, the national GDP (Gross Domestic Product) grew 1.2% last year, chiefly driven by the farming and cattle raising sector, which expanded 2%.

Agricultural exports generate significant wealth, despite the global scenario of low economic growth and commodities' price reduction. In 2019, the sector's trade balance recorded surplus of US\$ 83 billion, which ensured positive balance to Brazil in the accumulated result between external sales and imports, according to data disclosed by São Paulo Industries' Federation (Fiesp).

In the global grain and fiber trade, Brazil holds outstanding position. It is the larger soy exporter worldwide and the second corn and cotton exporter. China, main importer of agribusiness products, reduced purchase volume by 12.5% against 2018, chiefly due to the reduction of soybean grains imports.

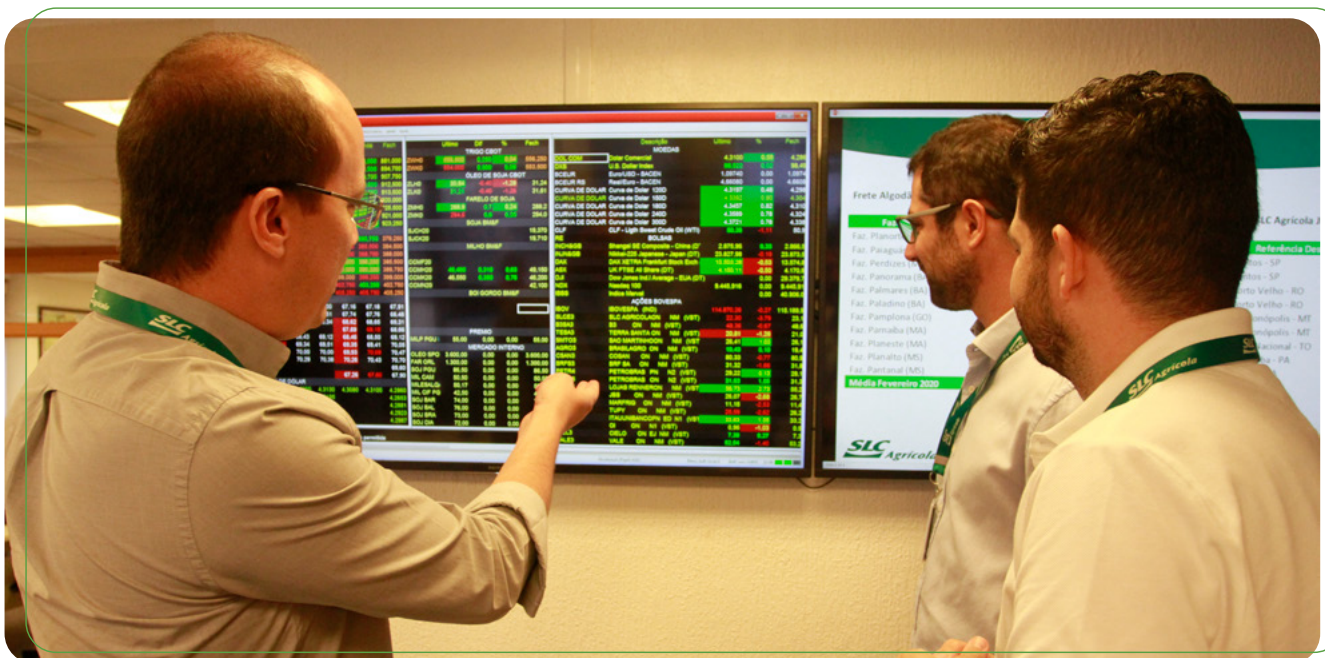
Exports to Japan and Mexico, on the other hand, increased significantly in annual comparison. In 2019, Asian expenses with Brazilian farming and cattle raising products increased 41.3%. Large part of this increment occurred due to the growth of corn exportation to these countries.

In the cotton segment, the main buyers are still Asian countries, where large industries are installed that supply global textile chains. China and Vietnam are the main destinations of national fibers.

International quotation for the main commodities we trade (soy, corn and cotton) varied negatively in the 2018/2019 crop, due to larger global supply. In the beginning of the 2019/2020 crop, prices presented signs of recovery after a re-balance between production and consumption.

Brazilian exports in 2019	Amount (thousand t)			Average price (US\$/t)		
	2018	2019	Variation (%)	2018	2019	Variation (%)
Soybean grains	83,247	74,029	-11.1	397	353	-11.1
Corn	22,941	43,254	88.5	171	170	-0.6
Cotton	974	1,611	65.4	1,731	1,638	-5.4

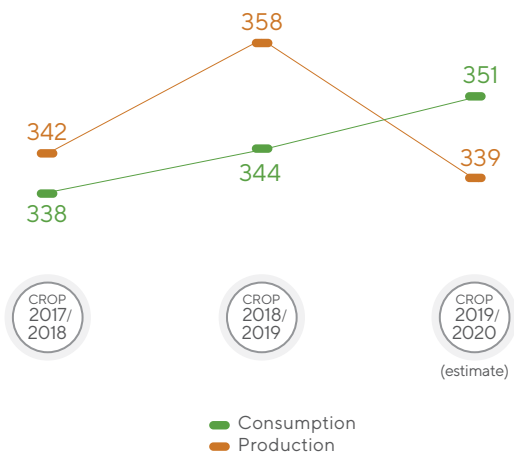




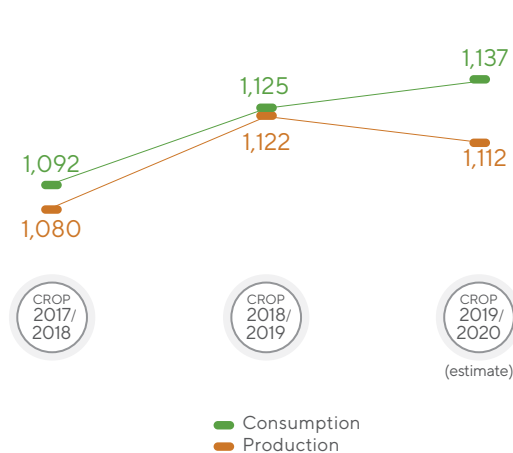
↑ increase in exports of
Brazilian corn and cotton

↓ reduction in average price
of the three commodities

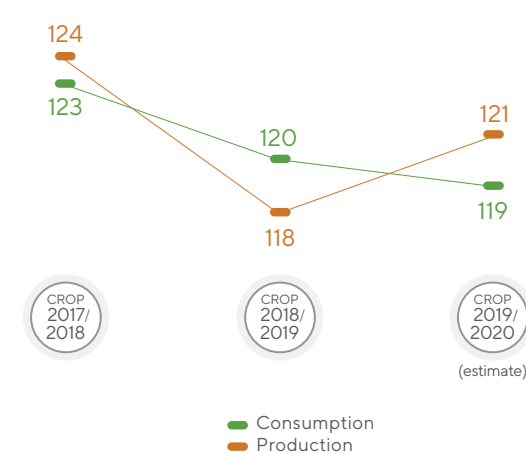
World soy supply and demand (millions of tons)



World corn supply and demand (millions of tons)



World cotton supply and demand (millions of bales)



Source: USDA (fev/2020).

OPERATIONAL PERFORMANCE

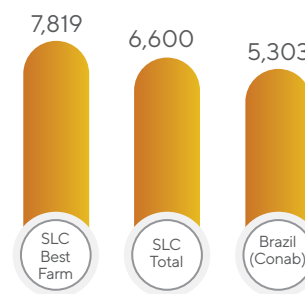
With standardized management of processes in all agricultural units, efficiency in the strategy execution and operations management considering climate variables to better use conditions in field, our company has reached productivity levels above the national average. This is one of the main competitive advantages of our business model.

In the 2018/2019 crop, we reached an average productivity which was 7% superior to that of Brazil in both soybean crop and cotton lint. In corn, this distance was of 24.5%. These evolutions are fruit of an increasingly more precise planning and execution. Plantation and harvest average time is continuously being reduced, which shows our capacity to use the best windows for sowing in each culture and harvest efficiency, particularly with outsourcing of equipment, minimizing plantations exposure to extreme weather conditions.

In addition to increasing production in arable area reducing the need of investments in new lands, we also seek to be more efficient in the use of inputs and resources in plantations. One of the indicators to assess this evolution is the relation of machines per hectare planted (HP/ha). Reduction in this index indicates that fewer tractors are being required for the operation and, therefore, there is maximization of assets' use.

Portfolio diversity and system intensification with maximization of areas in second crop are drivers of our operational excellence. In one same culture we can work with different cultivation cycles, which improves operations' scaling, reducing exposure to risk and maximizing the use of the infrastructure. Besides, cultures scaling leads to better use of market favorable conditions. Cotton culture, with higher added value, has obtained increasingly more relevance in the generation of income and operational margin.

Corn 2nd crop yield comparison (kg/ha)*

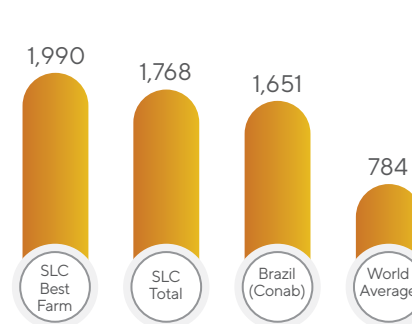


*Crop average from 2016/2017 to 2018/2019
Source: Conab and SLC Agricola

Maximization of resources use (tractors - HP/ha)

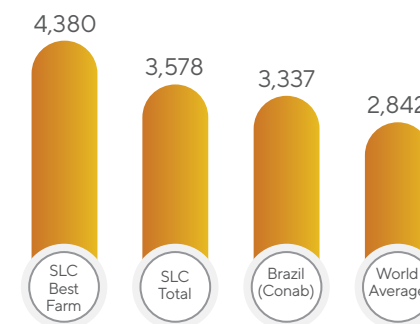


Cotton lint yield comparison (kg/ha)*



*Crop average from 2016/2017 to 2018/2019
Source: USDA, Conab and SLC Agricola

Soybean yield comparison (kg/ha)*



*Crop average from 2016/2017 to 2018/2019
Source: USDA, Conab and SLC Agricola

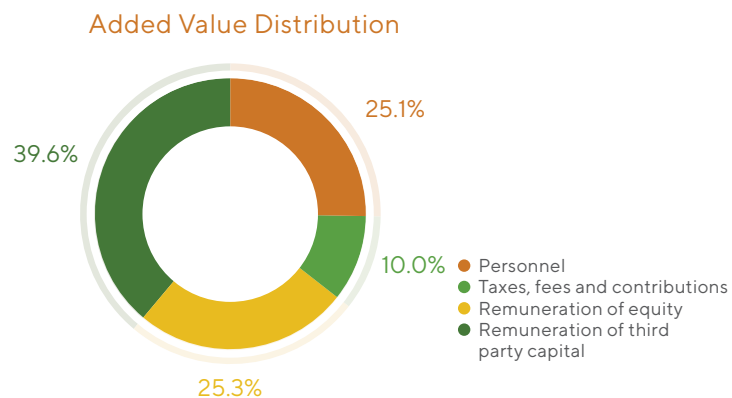
FINANCIAL PERFORMANCE

Our strategy efficiency is proved by the financial results reached in the period. In 2019, we recorded a new record in net income, which amounted to R\$ 2.5 billion, 20.8% above that of the previous year. This evolution results from the increase in planted area, higher productivity of soy and corn and higher prices practiced in the market for all commodities.

Our adjusted EBITDA totalled R\$ 795.5 million. Two factors contributed to this performance. In agriculture, we recorded a record of this indicator, because the factors mentioned above compensated the increases in costs per hectare and lower cotton productivity. Besides, we concluded in 2019 sales of lands in Maranhão (learn more on page 19), that positively impacted the adjusted EBITDA.

Nevertheless, the net profit of R\$ 315 million in the year was 22.5% lower in the annual comparison, chiefly due to more reduced margins for cotton in the 2018/2019 crop.

The direct economic value generated and distributed was R\$ 1.2 million, 13.5% lower than that of 2018, mainly due to income increase. In the added value distribution, remuneration of third parties' capitals and own capitals, which responded, respectively, for 39.6% and 25.3% of the total, are outstanding.



Debt

In 2019, we issued for the second time an Agribusiness Receivables Certificate (CRA), amounting to R\$ 360 million, which contributed to the extension of the debt profile in attractive costs. The net debt remained stable, around R\$ 974 million, and around 63% of maturities are provided in the long term.



We reached a **record net revenue** of R\$2.5 billion and kept **indebtedness stable** and mostly in the long term