



Message from Management

The year 2020 will remain unforgettable, one in which the world was stunned by a pandemic (covid-19 that brought major impacts on our lives. With such a huge challenge, an unprecedented opportunity has been placed in front of us to reinvent ourselves and innovate. Our business and our employees were resilient, overcoming challenges and allowing important results for the company in the period. We entered 2021 more strengthened and prepared for the challenges, new or continuous, that this new time will bring.

Asset light growth

In november 2020, we disclosed to the market through a Material Fact notice the planned business combination with Terra Santo Agro S.A., which was approved by Brazil's antitrust agency CADE and is in the due diligence process. The business is aligned with and accelerates significantly our Asset Light growth strategy, and will support important synergies given the geographic proximity of the production units of Terra Santa and SLC Agrícola in Mato Grosso state. Based on the current planting intentions for the 2020/21 crop year disclosed by Terra Santa, the potential exists to expand our planted area by approximately 130,000 hectares.

Efficiency and distancing from industry average

In line with our strategy to maximize operating efficiency, we registered, for the third straight year, a record yield for the soybean crop, of 3,900 kg /ha, 8.1% higher than the initial projection and 15.4% higher than the Brazilian average (Feb/21 estimate from CONAB). Meanwhile, our average yield for cotton (first and second crops) was 1,749kg/ha, 2.9% lower than the Brazilian average. However, our cost per hectare was more competitive in the period, compared to the February 2021 estimate by CONAB (3.7% lower). Regarding second-crop corn, the yield was 7,333 kg/ha, 34.4% higher than the national average (Feb/2021 estimate from CONAB).

Financial Solidity and Creating Value for Shareholders

In 2020, Net Revenue surpassed for the first time the mark of R\$3 billion, growing 22.1% on 2019. The increase was mainly due to the higher prices of the soybean and corn invoiced, as well as the higher volume of cotton invoiced, compared to the levels in 2019. Adjusted EBITDA set a new record, of R\$960.3 million, with adjusted EBITDA margin expanding 2.8 p.p. to 31%. Net Income also set a new record, of R\$510.9 million, with margin of 16.5%. The operation delivered, for



another straight year, positive cash generation, of R\$415.1 million, with a low leverage ratio of 0.74x (Net Debt/Adjusted EBITDA).

We ended 2020 with excellent levels of profitability and robust free cash generation. Cash generation in the year enabled the distribution of R\$147.5 million in dividends and R\$32.3 million in interest on equity, as well as the maintenance of very low financial leverage, which assures us the capacity to grow with financial solidity. A highlight was the significant increase in another important indicator, Return on Invested Capital, which ended the year at 13.6%, compared to 9.7% in 2019.

Innovation Strategy

In the revision of the 2020 Strategic Planning with the Directors, Officers and Managers, we approved a plan for investments in new businesses with a digital focus that adopt the latest technological trends in our agro-industry. The initiative confers a new mandate to our Innovation Strategy with the aim of renewing the business with a long-term vision, and complements the various efforts already being adopted to reinforce the existing business (early-adopter of new technologies). The vehicle for these investments will be SLC Ventures.

Leadership in ESG

In 2020, we made our first issue of green bonds, in the form Agri-business Receivables Certificates (CRA), with a second-party opinion and report, in the amount of R\$480 million. The notes are due in 2025 and all proceeds will be used in eligible projects approved and included in the Digital Agriculture, Low Carbon and Soil Conservation, and Green Fertilizer programs.

Covid-19

In the face of the new coronavirus pandemic, we take assertive actions in order to minimize the impacts on our employees and our business. One of these important actions was the rapid creation of a Crisis Committee, which was responsible for preparing and monitoring continuously the “Covid-19 Contingency Plan” and the “Guide to Combating Covid-19”. We also created a work protocol for identifying suspected cases of Covid-19. We did have cases of Covid-19 among employees, but our operations were not affected and continued normally. During the first half of 2020, a total of R\$1.6 million was donated to support measures to combat the pandemic, through the newly created SLC Institute.

Outlook 2020/21 Crop Year

The 2020/21 crop year started with some delay due to below-average rainfall, especially in western Mato Grosso state. However, we set a new record of planted area for the current cycle, 468,200 hectares, which represents expansion of 4.4% on 2019/20. The delay in the start of rains in the Midwest led to a revision of the agricultural plan, in order to optimize the window for planting second-crop cotton and corn. Despite this, our expectation is positive, especially for the delivery of the expected productivity in soybeans and cotton.

In recent months, international cotton, soybean and corn prices have improved significantly, which, combined with the BRL/USD exchange rate remaining above R\$5.00, supported an advance in the hedge



position of all crops. We also made progress in procuring inputs for the 2021/22 crop year. Considering the current scenario for dollar-denominated costs and prices, our expectation is for the good levels of profitability to be maintained for 2021/22.

Closing Message

The successful execution of our strategy in 2020 reflects our solid pillar formed by People, Technology/Innovation and Processes. The goal of our strategy is to obtain the best business opportunities and to remain a reference in our business of producing food and fibers, while allocating the capital invested efficiently and creating value for our shareholders. All this combined with a strong ESG pillar to protect the environment and consequently future generations.

We want to thank especially our employees who, despite facing a challenging scenario marked by physical distancing, rapidly adapted to ensure the continuity of our operations with the same efficiency. Lastly, we thank our other stakeholders for yet another year of success.

The Management



Aurélio Pavinato, CEO from SLC Agrícola