CTC
CENTRO DE
TECNOLOGIA CANAVIEIRA

Earnings Release for the first quarter (1Q21) 2020/21 Crop Year

CTC announces the results for the 1st Quarter - 2020/21 Crop (1Q21)

EBITDA has doubled in the period, as a result of the 31% growth in revenues, expansion in plantation market share and reduction in costs and expenses

The research pipeline has remained unchanged

Piracicaba, August 14, 2020 – (*Bovespa Mais* (CTCA3), not subject to trading) CTC Centro de Tecnologia Canavieira, leader in genetic improvement solutions for the sugarcane sector in Brazil, and one of the most world-renowned centers for biotechnology applied to sugarcane, today announced the results for the first quarter of the 2020/21 Crop (1Q21). The financial and operational information contained herein, except where otherwise indicated, is presented in Brazilian Reais (R$), in compliance with the International Financial Reporting Standards (IFRS), the Brazilian Corporations Law and the accounting guidelines laid out by the CPC (*Comitê de Pronunciamentos Contábeis*, or Brazilian Accounting Pronouncements Committee).

HIGHLIGHTS

- **Average Yield:** 85.9 tons of sugarcane (up 1.6% vs. 1Q20) per hectare, for the crop harvested since the beginning of the 2020/2021 crop.
- **Net Revenues:** R$ 64.6 million (up 30.9% vs. 1Q20), fueled by the increase in the plantation market share from 34% to 36%, as well as by a greater share of premium varieties, which yield a higher productivity to clients.
- **EBITDA**: totaled R$ 35.1 million in 1Q21 (up 100.2% vs. 1Q20), with an EBITDA margin of 54.3% (up 18.8 p.p. vs. 1Q20), deriving from the combination of both the growth in revenues and cost optimization.
- **Cash and Debt**: cash position stood at R$ 276.9 million at the end of 1Q21, evidencing that the balance of cash and cash equivalents was greater than the Company's overall debt.

In R$ million	1Q21	1Q20	Chg. % 1Q21x1Q20	4Q20	Chg. % 1Q21x4Q20
Net Revenues	64.6	49.4	30.9%	65.6	-1.5%
EBITDA	35.1	17.5	100.2%	29.2	20.2%
EBITDA Margin	54.3%	35.5%	52.9%	44.5%	22.1%
Net Income	18.7	7.5	149.7%	(20.1)	-193.3%
Net Margin	29.0%	15.2%	90.8%	-30.6%	-194.7%

MESSAGE FROM MANAGEMENT

By defining itself as a technology company, CTC has been focusing its efforts on research and development, in areas that may bring forth significant productivity gains to sugarcane, thus seeking a larger global scale in its production.

In 1Q21, we have proceeded with our strategy to speed up gains in market share of our premium varieties and genetically modified varieties, besides ensuring progress towards the development of our technology platforms, which have been advancing on three fronts, two of them in the field of genomics: (i) transgenics, which will make it possible to develop and launch new varieties that carry the features enjoyed by other species; and (ii) genome editing, which will use new technologies to activate or deactivate those characteristics that are already present in the genetic code of sugarcane itself, reinforcing or alleviating the traits that affect the plant performance in terms of resistance, maturation, sucrose content and others, as required.

The third front, and perhaps the most disruptive one, is the artificial seed segment, which will free the farmers from the restrictions imposed by the intrinsic characteristics of sugarcane and exponentially increase crop efficiency.

By associating the knowledge in this area - both already acquired and to be developed - with new fronts of studies in the field of information technology, CTC will use the power of data to lever the gains of biotechnology, bringing forth benefits to the sugar-alcohol sector that go far beyond those held in the plants themselves - enabling, for example, a more accurate adjustment of the farming to the characteristics of each property.

As a result, productivity gains and cost savings will be outstanding, with a direct impact on farmers' profitability. For this reason, the acceptance of our varieties by growers, evidenced by the steady expansion in the areas planted with them, as well as the greater share of premium and genetically modified varieties in our product mix, have been the main drivers that enabled the improvement of our financial and operational performance. EBITDA performance reflects not only incremental share gains, but also the higher added value of products at the beginning of commercial rollover.

It is also worth highlighting the environmental factor: the gains in productivity with transgenic varieties help the environment due to the lesser use of pesticides and herbicides. Growing productivity does not require expansion of cultivated areas, which ensures a reduction in deforestation and maintenance of wild areas.

In face of the pandemic, CTC continues to focus on its long-term strategic planning, with a solid cash position and no debts, alongside with mapped technological advances, evolving to remain as the only Brazilian Company with the necessary infrastructure for sugarcane genetic improvement in Brazil.

OUR BUSINESS

Having set a benchmark due to the innovations it has pioneered in the sugar-energy industry, CTC is a biotechnology Company, whose main goal is to develop and market sugarcane strains that meet producers' needs, by taking into account the specific crop season features of each Brazilian region. To develop our sugarcane varieties, we have a team of highly skilled professionals, who specialize in enhancing gene pools and biotechnologies, allowing us to offer products specially designed to meet the market requirements. The Company consistently seeks to introduce genetically modified sugarcane varieties that enable us to improve the sugar-energy industry’s fundamentals and productivity.

SUGAR-ENERGY SECTOR

Brazil is the world's largest sugarcane producer and the largest exporting country, demonstrating the size and relevance of the potential market for CTC.

Productivity data obtained by the Company point to an average yield of 85.9 tons of sugar cane per hectare, for the accumulated production since the beginning of the harvest of the 2020/2021 crop. This figure is 1.6% higher than that registered for the same period of the previous crop year.

As for the quality of raw material, from the volume accumulated since the beginning of the harvest up to July 16, the concentration of Total Recoverable Sugars (TRS) per ton of raw material harvested reached 132.91 kg, versus 126.35 kg in the 2019/2020 crop year.

According to the latest market analysis released by Única and Rabobank (July 2020), the volume of sugarcane processed by sugar mills and distilleries in the Center-South region totaled 275.95 million tons, representing a 6.52% growth when compared with the figure registered in the same period of the previous year (259.05 million tons).

In 2020, Brazil shall regain its dominant position in the sugar market, by increasing its share by approximately 10%. Brazil is estimated to account for 44% of global sugar exports this year.

ECONOMIC AND FINANCIAL PERFORMANCE

Financial Summary

In R$ million	1Q21	1Q20	Chg. % 1Q21 x 1Q20	4Q20	Chg. % 1Q21 x 4Q20
Net revenues	64.6	49.4	30.9%	65.6	-1.5%
Costs	21.2	25.1	-15.7%	26.1	-18.9%
Costs over Net revenues	32.8%	50.9%	-35.6%	39.8%	-17.6%
Operating expenses	14.9	15.8	-5.5%	20.9	-28.6%
EBITDA	35.1	17.5	100.2%	29.2	20.2%
EBITDA margin	54.3%	35.5%	52.9%	44.5%	22.1%
Net income	18.7	7.5	149.7%	(20.1)	-193.3%
Net margin	29.0%	15.2%	90.8%	-30.6%	-194.7%
Investment in R&D (including intangibles)	26.6	34.1	-22.2%	34.7	-23.4%

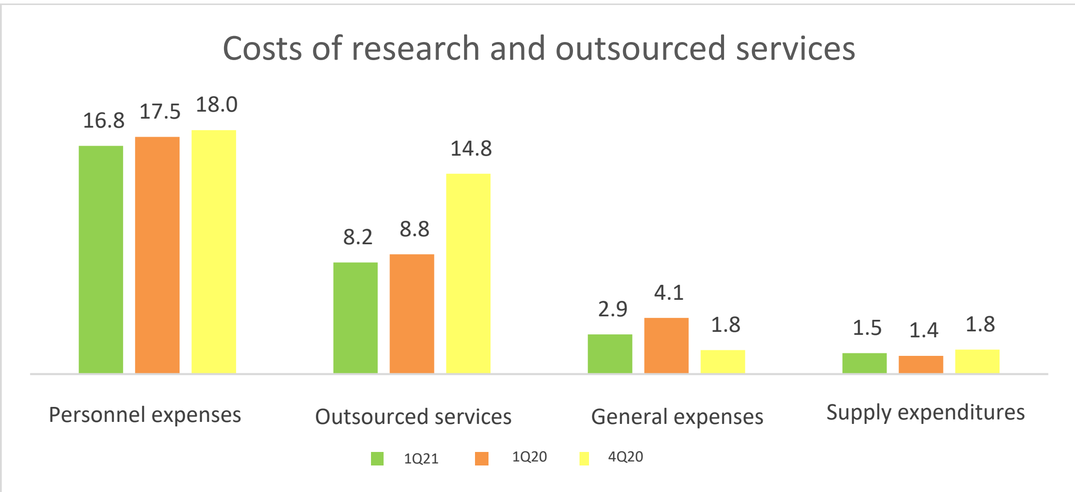
Net Revenues

Revenues from technology licensing royalties recognized by the Company refer to the sugarcane varieties that are marketed to clients, and are booked in the income statement for the respective fiscal year, based on the crop area existing at the beginning of the crop year, multiplied by the amount laid down in an agreement entered into between the parties.

In 1Q21, net revenues amounted to R$ 64.6 million, representing a 30.9% growth year-over-year.

The rise in revenue in 1Q21 was driven by the expansion in the crop market share (from 34% to 36%), as well as the larger share in sales of premium varieties, which provide greater productivity to clients.

Costs of research and outsourced services / Operating expenses and others

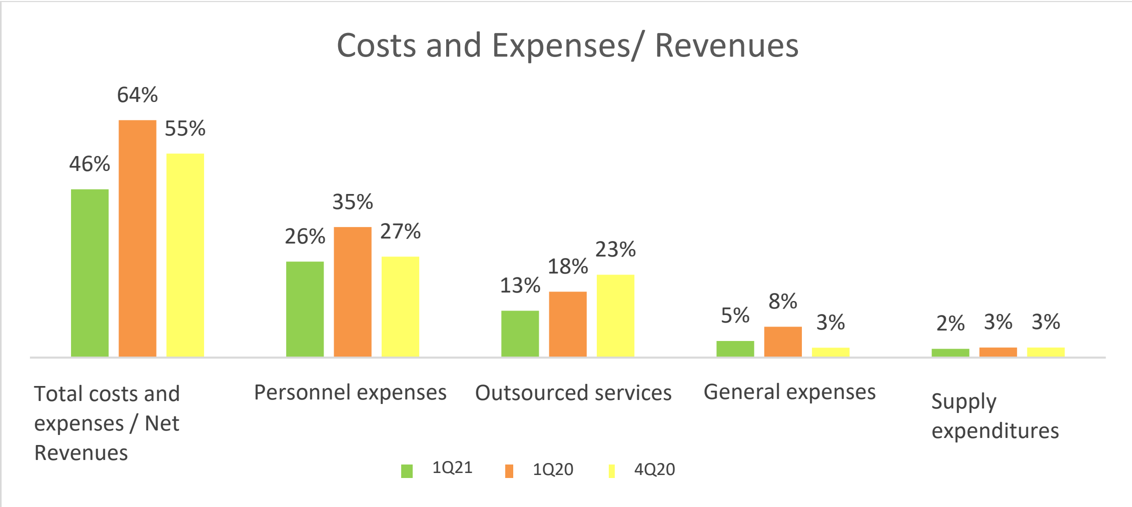


Costs of R&D and outsourced services allocated in the quarterly result totaled R$ 21.2 million, a 15.7% drop when compared to R$ 25.1 million in the same period of the previous year. This decrease is related to the optimization of R&D-related expenditures due to the COVID-19 pandemic.

The Company adopted the strategy of streamlining the laboratories and processes involved, working in scale or rotation, prioritizing the health and well-being of our employees. Due to the measures implemented, we were able to keep our research pipeline unchanged.

Operating expenses totaled R$ 14.9 million in 1Q21, representing a 5.5% decrease in relation to the same period in the previous year. This drop is also a reflection of the Company's planning measures taken during the pandemic, such as home-office backup areas (HR, Financial, among others).

The increase in revenues also contributed to the higher dilution of R&D costs, which accounted for 32.8% of net revenues in 1Q21, compared to 50.9% in the previous crop year.



EBITDA and EBITDA Margin

Increased operating income, notably resulting from both an upturn in sales (as compared to 1Q20) and streamlining of activities, led to a rise in both gross margin and operating cash generation as measured by EBITDA, which amounted to R$ 35.1 million in 1Q21, up 100.2% from R$ 17.5 million in 1Q20. EBITDA margin stood at 54.3%, representing an increase of 18.8 p.p. when compared with the same period of the previous year.

Calculation of EBITDA (pursuant to CVM Ruling No. 527/12)

In R$ million	1Q21	1Q20	Change %
Net revenues	64.6	49.4	30.9%
Cost of goods sold	(21.2)	(25.1)	-15.7%
Gross profit	43.4	24.2	79.3%
Operating expenses	(14.9)	(15.8)	-5.5%
(+) Depreciation and amortization	6.6	9.1	-27.8%
EBITDA	35.1	17.5	100.2%

EBITDA is not an accounting metric under the International Accounting Standards (IFRS). It should not be considered separately or as an alternative to net income to assess operating performance, or as an alternative to operating cash flow to assess liquidity. Other companies may calculate EBITDA in a different manner from the one herein presented.

The method used by CTC for the calculation of EBITDA considers the guidelines set up by CVM Ruling No. 527/12, which aims at improving the level of understanding of the information provided, by taking into account only the figures included in the financial statements.

Financial result

In R$ million	1Q21	1Q20	Chg. % 1Q21 x 1Q20	4Q20	Chg. % 1Q21 x 4Q20
Income from financial investments	1.9	4.1	-54.9%	3.2	-41.0%
Other financial income	0.6	1.2	-52.9%	0.6	-9.0%
Bank charges	(0.8)	(0.8)	-6.5%	(0.8)	3.7%
Interest on loans	(1.1)	(1.5)	-30.2%	(1.1)	-6.1%
Other financial expenses	(0.0)	(0.0)	-42.6%	0.1	-118.5%
Net financial result	0.5	2.9	-81.1%	2.0	-73.0%

Net financial result was positive in the amount of R$ 0.5 million, representing an 81.1% drop when compared to 1Q20, deriving mainly from the lower Income from financial investments, as a result of the change in the Selic rate (Brazil's prime rate) during the period.

Net income

Net income for 1Q21 came to R$ 18.7 million, representing a remarkable increase when compared with the same period of the previous year, when net income had stood at R$ 7.5 million. The most relevant factor that determined that change was the growth in the Company's revenues by 30.9%, together with the optimization of the project-related costs, and the general and administrative expenses. Our risk management model, alongside with our capital discipline and conservative cash management, have been fundamental in protecting our Financial Statements. As a result, there has been a reduction in the costs related to the optimization of our R&D processes, thus maximizing efforts to meet our pipeline and prioritizing costs and expenses that could impact it. The result of this planning was the reduction in expenses, with a consequent rise in Net Income.

Net Debt

In R$ million	06/30/2020	03/31/2020
Loans and Financing		
Current Liabilities	49.7	50.1
Non-current Liabilities	57.8	66.6
Operational Financing	-	
Current Liabilities	10.2	11.5
Non-current Liabilities	-	-
Gross Debt	117.6	128.2
Dividends Payable	5.7	5.7
Cash, Cash Equivalents and Financial Investments	276.9	304.9
Net Cash	153.6	171.0
EBITDA from Operations	35.1	30.5
Net Cash/ EBITDA from Operations	4.4	5.6

CTC has access to special lines of credit from banks and development agencies, given the research and innovation nature of its activities. At the end of 1Q21, net cash amounted to R$ 276.9 million, meaning that the amount of cash and cash equivalents resulted in excess of the Company's total debt.

Social Responsibility and the Novel Coronavirus Pandemic (Covid-19) ("Pandemic")

On March 11, 2020, the World Health Organization (WHO) declared that the outbreak of coronavirus (COVID-19) was a pandemic. CTC has adopted a contingency plan to ensure the preservation of the physical and mental health of its employees, as well as the safety and continuity of essential operations, maintaining close contact with authorities, suppliers, clients and other stakeholders, in order to make the best possible decisions considering the challenges and levels of uncertainty involved.

The "home office" working regime was adopted for employees of the administrative areas of all companies (CTC-Br and CTC Genomics LLC - US). All the facilities and processes have been adapted to assure the integrity of the professionals who need to be in the workfield, guaranteeing the continuity of our services. In addition, all employees who belong to the risk groups have been advised to adopt specific measures of isolation, care and monitoring and work on a "home office" basis.

In face of with this challenging scenario, CTC remains committed to prevention and the well-being of its stakeholders. Considering all the actions taken, so far approximately R$ 0.4 million has been spent on prevention measures and maintenance of ideal working conditions.

We anticipate that COVID-19 will have a minimal impact on our business throughout 2020/21, with some effect on the planting area, which may be offset by the use of our latest varieties (Premium and Genetically Modified). However, it is not yet possible to safely assess any positive and negative effects that shall occur over the year.

Relationship with Independent Auditors

Pursuant to Instruction Ruling No. 381, of January 14th, 2003, regarding the need for disclosure by the audited Entities of the information related to services provided by independent auditors other than external auditing, CTC hereby states that the Company's policy for hiring independent auditors for services unrelated to independent audit is designed to ensure there are no conflicts of interests, loss of independence or objectivity, and is based on principles that preserve auditors' independence.

The results for the quarter ended June 30, 2020 (1Q21) were audited by Ernst & Young Auditores Independentes, who provided no services unrelated to auditing during that period.

Disclaimer

 The statements contained herein comprise forecasts and estimates ("forward-looking statements", as laid down by Section 27A of the United States Securities Act of 1933, and all subsequent amendments). Thus, such statements merely reflect management's expectations regarding the Company's future business performance, based on current circumstances and information available on this date, without any guarantee that these results will actually occur, or any obligation to update or revise it. Although being based on reasonable assumptions, the estimates contained herein are subject to a number of risks and uncertainties, including, among other things: (1) general economic, political, demographic and market conditions, which may have an impact on the industry and on the countries where we operate; (2) inflation, depreciation, and local currency devaluation; (3) changes on the competitive environment (including, but not limited to, the sugar-ethanol industry); (4) our ability to implement our capital expenditure plan, including our capacity to raise financing, whenever necessary and on reasonable terms; (5) our competitive skills and ability to carry out our business in the future; (6) change in consumer demand; (7) change in our business; (8) government interventions, deriving from changes in both the economy and the legislation (regulatory, tax, among others), which may have an impact on our businesses; and (9) other factors that may affect our financial situation, liquidity and operating results.

The Company's financial information contained herein was prepared in compliance with the standards laid down by the Brazilian Securities Commission (CVM), along with the standards set out by the Brazilian Accounting Standards Committee (CPC), and is also in accordance with the standards laid down by the International Accounting Standards Board (IASB), as well as in agreement with the accounting practices adopted in Brazil.

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Balance sheets
June 30, 2020 and March 31, 2020
(In thousands of Reais)

		Consolidated		Parent Company	
	Note	06/30/2020	03/31/2020	06/30/2020	03/31/2020
Assets					
Cash and cash equivalents	3	241,081	265,971	240,321	265,893
Accounts receivable	5	76,618	22,185	76,618	22,185
Inventories		2,884	2,381	2,884	2,381
Recoverable taxes		295	127	295	127
Biological assets		671	671	671	671
Current tax assets		3,867	3,700	3,867	3,700
Other accounts receivable	6	2,644	463	2,634	442
Total current assets		328,060	295,498	327,290	295,399
Financial instruments	4	35,807	38,898	35,807	38,898
Accounts receivable	5	6,650	10,167	6,650	10,167
Other accounts receivable	6	10,862	10,853	10,862	10,853
Recoverable taxes		1,032	913	1,032	913
Deferred tax assets	7	43,812	54,146	43,812	54,146
Total non-current assets		98,163	114,977	98,163	114,977
Investments	8	-	-	4,368	5,512
Property, plant and equipment	9	73,001	75,320	66,894	69,238
Right-of-use	10	26,113	27,550	23,214	24,613
Intangible assets	11	284,721	278,325	283,284	276,932
Total non-current assets		481,998	496,172	475,923	491,272
Total assets		810,058	791,670	803,213	786,671

CTC - Centro de Tecnologia Canavieira S.A.

Balance sheets
June 30, 2020 and March 31, 2020
(In thousands of Reais)

	Note	Consolidated		Parent Company	
		06/30/2020	03/31/2020	06/30/2020	03/31/2020
Liabilities					
Suppliers	12	10,207	11,497	7,792	8,258
Leasing obligations	11	5,301	4,301	4,251	4,301
Loans and financing	14	49,664	50,063	49,664	50,063
Taxes and contributions payable		9,571	2,895	9,571	2,895
Salaries, vacation and payroll charges	13	27,993	23,328	27,014	22,553
Dividends payable		5,654	5,712	5,654	5,712
Unearned revenues		2,930	2,930	2,930	2,930
Other accounts payable		2,725	2,769	2,794	5,345
Total current liabilities		114,045	103,495	109,670	102,057
Leasing obligations	11	21,497	23,799	19,027	20,238
Loans and financing	14	57,766	66,642	57,766	66,642
Provision for lawsuits	15	1,791	1,791	1,791	1,791
Total non-current liabilities		81,054	92,232	78,584	88,671
Shareholders' equity	16				
Capital		562,203	562,203	562,203	562,203
Legal Reserve		2,113	2,113	2,113	2,113
Reserve of shareholders’ equity		30,108	30,108	30,108	30,108
Accumulated earnings		18,731	-	18,731	-
Accumulated translation adjustments		1,804	1,519	1,804	1,519
Total shareholders' equity		614,959	595,943	614,959	595,943
Total liabilities		195,099	195,727	188,254	190,728
Total liabilities and shareholders' equity		810,058	791,670	803,213	786,671

CTC - Centro de Tecnologia Canavieira S.A.

Statements of income
Three-month periods ended June 30, 2020 and 2019
(In thousands of Reais)

	Note	Consolidated		Parent Company	
		04/01/2020 to 06/30/2020 (3 months)	04/01/2019 to 06/30/2019 (3 months)	04/01/2020 to 06/30/2020 (3 months)	04/01/2019 to 06/30/2019 (3 months)
Operating revenues	18	64,610	49,350	64,610	49,350
Cost of research and services rendered	19	(21,178)	(25,129)	(20,684)	(25,129)
Gross profit		43,432	24,221	43,926	24,221
Administrative and selling expenses	19	(14,945)	(15,796)	(13,973)	(14,579)
Equity from net income of subsidiaries	8	-	-	(1,430)	(1,184)
Other operating revenues (expenses)		30	85	(17)	52
Result before net financial income (expenses) and taxes		28,517	8,510	28,506	8,510
Financial income	20	2,420	5,308	2,420,00	5,308
Financial expenses	20	(1,871)	(2,403)	(1,860)	(2,403)
Net financial result	20	549	2,905	560	2,905
Income before income tax and social contribution		29,066	11,415	29,066	11,415
Income tax and social contribution					
Deferred assets	7	(10,335)	627	(10,335)	627
Current	7	-	(4,515)	-	(4,515)
Net income for the period		18,731	7,527	18,731	7,527
Net basic and diluted earnings per share in the period	16	23.35	9.39	23.35	9.39

CTC - Centro de Tecnologia Canavieira S.A.

Statements of cash flows – Indirect method
Three-month periods ended June 30, 2020 and 2019
(In thousands of Reais)

		Consolidated		Parent Company	
	Note	04/01/2020 to 06/30/2020	04/01/2019 to 06/30/2019	04/01/2020 to 06/30/2020	01/04/2019 a 30/06/2019
Cash flow from operating activities					
Net income for the period		18,731	7,527	18,731	7,527
Adjustments for:					
Depreciation and amortization	9 10,11	6,572	9,095	6,167	9,095
Provision for profit sharing	13	3,110	3,456	3,110	3,456
Equity in net income of subsidiaries	8	-	-	1,429	1,184
Provisions for interest	14	1,105	1,473	1,105	1,473
Income tax and social contribution		10,335	(627)	10,335	(627)
		39,853	20,924	40,877	22,108
Changes in assets and liabilities					
(Increase) decrease in accounts receivable		(50,916)	(34,044)	(50,916)	(34,044)
(Increase) in inventories		(503)	(654)	(503)	(654)
(Increase) decrease in recoverable taxes and current tax assets		(454)	3,943	(454)	3,943
Increase in other accounts receivable		(2,190)	(1,686)	(2,201)	(1,686)
(Decrease) increase in suppliers		(1,290)	(1,130)	(466)	(1,130)
(Decrease) in lease and right-of-use		(1,302)	-	(1,261)	-
Increase (decrease) in taxes and contributions payable and current tax liabilities		6,676	(41)	6,676	(41)
(Decrease) increase in salaries, vacation and charges payable		1,555	1,511	1,351	1,511
(Decrease) or increase in other accounts payable		(122)	(218)	(2,628)	553
Cash from operating activities		(8,693)	(11,395)	(9,525)	(9,440)
Taxes paid		-	(2,490)	-	(2,490)
Interest paid	14	(1,057)	(1,349)	(1,057)	(1,349)
Net cash flow from operating activities		(9,750)	(15,234)	(10,582)	(13,279)
Cash flow from investment activities					
Redemptions (investments) of financial instruments		3,091	101,259	3,091	101,259
Acquisition of property, plant and equipment	9	(3,834)	(4,149)	(3,534)	(3,956)
Biological assets		-	(354)	-	(354)
Investments in subsidiary		-	-	-	(5,095)
Intangible assets	11	(5,359)	(9,041)	(5,224)	(9,041)
Net cash flow from (used in) investment activities		(6,102)	87,715	(5,667)	82,813
Cash flow from financing activities					
Loans paid	14	(9,323)	(9,346)	(9,323)	(9,346)
Net cash flow (used in) from financing activities		(9,323)	(9,346)	(9,323)	(9,346)
Effect of changes in exchange rate on cash and cash equivalents		285	8	-	-
Increase (Decrease) increase in cash and cash equivalents		(24,890)	63,143	(25,572)	60,188
Cash and cash equivalents at the beginning of the year		265,971	151,631	265,893	151,131
Cash and cash equivalents at the end of the period		241,081	214,774	240,321	211,319
Increase (Decrease) increase in cash and cash equivalents		(24,890)	63,143	(25,572)	60,188