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Quarterly information (ITR) at September 30, 2019 and report on review of quarterly information

Report on review of quarterly information

To the Board of Directors and Stockholders
São Martinho S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of São Martinho S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2019, comprising the balance sheet at September 30, 2019 and the statements of income and comprehensive income (loss) for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently did not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

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São Martinho S.A.

Other matters

Statements of value added

The quarterly information referred to above includes the parent company and consolidated statements of value added for the six-month period ended September 30, 2019. These statements are the responsibility of the Company's management and are presented as supplementary information under IAS 34. These statements have been subjected to review procedures performed together with the review of the quarterly information for the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and consistent with the parent company and consolidated interim accounting information taken as a whole.

Audit of prior-year and prior-period information

The financial statements for the year ended March 31, 2019 and the interim accounting information for the quarter and six-month period ended September 30, 2018, presented for comparison purposes, were audited and reviewed, respectively, by another firm of auditors whose reports, dated June 24, 2019 and November 6, 2018, respectively, expressed an unqualified opinion/conclusion on those statements.

Ribeirão Preto, November 11, 2019

PricewaterhouseCoopers
PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Maurício Cardoso de Moraes
Contador CRC 1PR035795/O-1 "T" SP

Balance sheet
At September 30, and March 31, 2019
All amounts in thousands of reais

ASSETS	Note	Parent company September 30, 2019	Parent company March 31, 2019	Consolidated September 30, 2019	Consolidated March 31, 2019
CURRENT ASSETS					
Cash and cash equivalents	4	47,416	197,170	48,618	197,607
Financial investments	4	1,219,435	1,790,855	1,304,427	1,838,261
Trade receivables	5	208,833	145,134	253,665	163,412
Derivative financial instruments	22	56,692	53,967	56,692	53,967
Inventories and advances to suppliers	6	1,247,059	224,170	1,229,068	232,322
Biological assets	10	614,450	657,057	614,450	657,057
Taxes recoverable	7	40,649	19,150	40,656	20,124
Income tax and social contribution	19	81,171	79,759	81,171	79,759
Other assets		20,114	9,276	20,351	10,191
TOTAL CURRENT ASSETS		3,535,819	3,176,538	3,649,098	3,252,700
NON-CURRENT ASSETS					
Financial investments	4	55,086	49,681	58,735	53,345
Inventories and advances to suppliers	6	15,562	131,881	15,562	131,881
Derivative financial instruments	22	2,273	229	2,273	229
Trade receivables	5	-	-	21,827	22,488
Receivables from Copersucar		10,017	10,017	10,017	10,017
Taxes recoverable	7	87,044	79,790	88,018	79,790
Judicial deposits	21	87,193	27,035	87,380	27,210
Related parties	8	5	9	-	-
Other assets		14,366	14,366	14,366	14,366
		271,546	313,008	298,178	339,326
Investments	9	1,387,101	1,345,290	34,451	33,537
Property, plant and equipment	11	3,670,719	3,979,304	5,332,612	5,644,660
Intangible assets	12	414,816	417,845	468,266	478,499
Right-of-use assets	13	1,745,826	-	1,745,826	-
		7,218,462	5,742,439	7,581,155	6,156,696
TOTAL NON-CURRENT ASSETS		7,490,008	6,055,447	7,879,333	6,496,022
TOTAL ASSETS		11,025,827	9,231,985	11,528,431	9,748,722

LIABILITIES AND EQUITY	Note	Parent company September 30, 2019	Parent company March 31, 2019	Consolidated September 30, 2019	Consolidated March 31, 2019
CURRENT LIABILITIES					
Borrowings	14	688,573	754,999	688,573	754,999
Leases payable	13	50,585	-	50,585	-
Land partnerships payable	13	143,894	-	143,894	-
Derivative financial instruments	22	41,754	37,369	41,754	37,369
Trade payables	15	315,935	155,492	304,089	152,713
Payables to Copersucar	16	9,094	9,094	9,094	9,094
Salaries and social charges		163,017	133,598	163,614	134,372
Taxes payable		14,976	38,907	18,876	40,833
Income tax and social contribution	19	-	-	7,151	4,178
Dividends payable		2	81,077	2	81,077
Advances from customers		9,777	4,246	9,826	4,295
Acquisitions of ownership interests	8 and 31	11,703	11,715	11,703	11,715
Other liabilities		13,337	21,216	13,432	27,020
TOTAL CURRENT LIABILITIES		1,462,647	1,247,713	1,462,593	1,257,665
NON-CURRENT LIABILITIES					
Borrowings	14	3,804,102	3,697,601	3,804,102	3,697,601
Leases payable	13	406,519	-	406,519	-
Land partnerships payable	13	1,046,717	-	1,046,717	-
Derivative financial instruments	22	31,721	13,520	31,721	13,520
Payables to Copersucar	16	196,076	201,498	196,076	201,498
Taxes payable		4,521	2,998	4,521	2,998
Deferred income tax and social contribution	19	454,270	482,442	956,436	988,760
Provision for contingencies	21	100,635	103,350	101,127	103,817
Acquisitions of ownership interests	8 and 31	26,890	26,890	26,890	26,890
Taxes with suspended payment	16	58,313	58,313	58,313	58,313
Other liabilities		6,650	6,650	6,650	6,650
TOTAL NON-CURRENT LIABILITIES		6,136,414	4,593,262	6,639,072	5,100,047
EQUITY	17				
Share capital		1,696,652	1,696,652	1,696,652	1,696,652
Capital reserve		9,418	9,418	9,418	9,418
Treasury shares		(91,334)	(234,100)	(91,334)	(234,100)
Carrying value adjustments		960,026	1,016,355	960,026	1,016,355
Revenue reserves		741,614	902,685	741,614	902,685
Retained earnings		110,390	-	110,390	-
TOTAL EQUITY		3,426,766	3,391,010	3,426,766	3,391,010
TOTAL LIABILITIES AND EQUITY		11,025,827	9,231,985	11,528,431	9,748,722

The accompanying notes are an integral part of these financial statements.

São Martinho

Statement of income
Periods ended September 30, 2019 and 2018
All amounts in thousands of reais unless otherwise stated

					Parent company
		September 30, 2019		September 30, 2018	
	Note	Quarter	Six-month period	Quarter	Six-month period
Revenue	26	717,265	1,441,776	603,488	1,329,593
Cost of goods sold	27	(540,302)	(1,101,145)	(460,052)	(967,434)
Gross profit		176,963	340,631	143,436	362,159
Operating income (expenses)					
Selling expenses	27	(36,775)	(61,671)	(18,362)	(41,630)
General and administrative expenses	27	(47,672)	(98,717)	(51,393)	(94,697)
Equity in the results of investees	9	47,296	83,111	40,593	78,521
Other operating income (expenses), net		442	10,221	3,162	6,935
		(36,709)	(67,056)	(26,000)	(50,871)
Operating profit		140,254	273,575	117,436	311,288
Finance income (costs)	28				
Finance income		27,571	72,258	27,090	50,392
Finance costs		(108,685)	(204,000)	(79,761)	(158,090)
Monetary and exchange variations, net		10,820	(5,197)	15,002	43,754
Derivatives		(11,190)	(11,348)	(22,935)	(38,831)
		(81,484)	(148,287)	(60,604)	(102,775)
Profit before income tax and social contribution		58,770	125,288	56,832	208,513
Income tax and social contribution	19 (b)				
Current		(33)	27,958	4,097	19,985
Deferred		3,245	199	(2,382)	(65,992)
Profit for the period		61,982	153,445	58,547	162,506
Basic and diluted earnings per share - R$	29	0.1845	0.4603	0.1792	0.4973

The accompanying notes are an integral part of these financial statements.

All amounts in thousands of reais unless otherwise stated

					Consolidated
		September 30, 2019		September 30, 2018	
	Note	Quarter	Six-month period	Quarter	Six-month period
Revenue	26	766,665	1,518,394	638,709	1,395,893
Cost of goods sold	27	(538,010)	(1,091,041)	(452,516)	(952,669)
Gross profit		228,655	427,353	186,193	443,224
Operating income (expenses)					
Selling expenses	27	(37,234)	(62,706)	(18,756)	(42,586)
General and administrative expenses	27	(51,265)	(103,196)	(56,089)	(100,291)
Equity in the results of investees	9	800	1,208	594	(255)
Other operating income (expenses), net		444	11,142	4,594	8,845
		(87,255)	(153,552)	(69,657)	(134,287)
Operating profit		141,400	273,801	116,536	308,937
Finance income (costs)	28				
Finance income		29,542	76,905	30,319	57,458
Finance costs		(109,322)	(204,026)	(79,989)	(158,560)
Monetary and exchange variations, net		10,820	(5,197)	15,001	43,753
Derivatives		(11,190)	(11,348)	(22,935)	(38,831)
		(80,150)	(143,666)	(57,604)	(96,180)
Profit before income tax and social contribution		61,250	130,135	58,932	212,757
Income tax and social contribution	19 (b)				
Current		(3,117)	22,096	1,549	14,848
Deferred		3,849	1,214	(1,934)	(65,099)
Profit for the period		61,982	153,445	58,547	162,506
Basic and diluted earnings per share - R$	29	0.1845	0.4603	0.1792	0.4973

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income
Periods ended September 30, 2019 and 2018
All amounts in thousands of reais

Parent company and Consolidated	September 30, 2019		September 30, 2018	
	Quarter	Six-month period	Quarter	Six-month period
Profit for the period	61,982	153,445	58,547	162,506
Items to be subsequently reclassified to profit or loss				
Changes in the period:				
Changes in fair value				
Commodity derivatives - Futures, options and forward contracts	39,305	48,827	40,439	69,922
Foreign exchange derivatives - Options / NDF	(56,483)	(42,120)	(10,779)	(79,824)
Foreign exchange differences on borrowing agreements (Trade Finance)	(122,516)	(92,841)	(48,078)	(215,330)
	(139,694)	(86,134)	(18,418)	(225,232)
Recognition in operating income				
Commodity derivatives - Futures, options and forward contracts	(10,630)	(11,405)	(399)	(34,940)
Foreign exchange derivatives - Options / NDF	13,403	14,788	3,082	9,876
Foreign exchange differences on borrowing agreements (Trade Finance)	185	627	1,050	11,354
	2,958	4,010	3,733	(13,710)
Write-off due to ineffectiveness				
Commodity derivatives - Futures, options and forward contracts	(177)	(149)	374	374
Foreign exchange derivatives - Options / NDF			9,262	9,262
	(177)	(149)	9,636	9,636
Total changes for the period				
Commodity derivatives - Futures, options and forward contracts	28,498	37,273	40,416	35,356
Foreign exchange derivatives - Options / NDF	(43,080)	(27,332)	1,565	(60,686)
Foreign exchange differences on borrowing agreements (Trade Finance)	(122,331)	(92,214)	(47,030)	(203,976)
Deferred taxes on the items above	46,549	27,973	1,718	77,965
	(90,364)	(54,300)	(3,331)	(151,341)
Total comprehensive income (loss) for the period	(28,382)	99,145	55,216	11,165

The accompanying notes are an integral part of these financial statements.

Statements of changes in equity
Periods ended September 31, 2019 and 2018
All amounts in thousands of reais

						Carrying value adjustments									
						Deemed cost			Revenue reserve						
	Note	Share capital	Capital reserve	Treasury shares	Options granted	Parent	Investees	Hedge accounting	Legal reserve	Capital budget	Unrealized revenue reserve	Tax incentive reserve	Additional dividends	Retained earnings	Total
At March 31, 2018	17	1,549,302	9,418	(234,100)	11,578	185,691	992,484	(57,856)	94,725	411,441	46,954	248,479	31,659	-	3,289,775
Capital increase with reserves		147,350	-	-	-	-	-	-	-	(147,350)	-	-	-	-	-
Realization of surplus on revaluation of deemed cost	17 (c. i)	-	-	-	-	(5,548)	(277)	-	-	-	-	-	-	5,825	-
Gain (loss) on derivate transactions - hedge accounting	17 (c. ii)	-	-	-	-	-	-	(151,341)	-	-	-	-	-	-	(151,341)
Payment of prior year's additional dividends		-	-	-	-	-	-	-	-	-	-	-	(31,659)	-	(31,659)
Transfer to tax incentive reserve		-	-	-	-	-	-	-	-	-	-	28,427	-	(28,427)	-
First-time adoption of CPC 48 (IRFS 9) for investees		-	-	-	-	-	-	-	-	-	-	-	-	(620)	(620)
Change in the Options Plan	8 (d)	-	-	-	(11,578)	-	-	-	-	-	-	-	-	-	(11,578)
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	162,506	162,506
At September 30, 2018	17	1,696,652	9,418	(234,100)	-	180,143	992,207	(209,197)	94,725	264,091	46,954	276,906	-	139,284	3,257,083
At March 31, 2019	17	1,696,652	9,418	(234,100)	-	172,822	989,265	(145,732)	110,427	357,124	40,463	365,748	28,923	-	3,391,010
Realization of surplus on revaluation of deemed cost	17 (c. i)	-	-	-	-	(8,379)	6,350	-	-	-	-	-	-	2,029	-
Gain (loss) on derivate transactions - hedge accounting	17 (c. ii)	-	-	-	-	-	-	(54,300)	-	-	-	-	-	-	(54,300)
Share buyback	17 b	-	-	(34,466)	-	-	-	-	-	-	-	-	-	-	(34,466)
Payment of prior year's additional dividends	17 g	-	-	-	-	-	-	-	-	-	-	-	(28,923)	-	(28,923)
Cancellation of treasury shares	17 b	-	-	177,232	-	-	-	-	-	(177,232)	-	-	-	-	-
Transfer to tax incentive reserve	17 (d. iv)	-	-	-	-	-	-	-	-	-	-	45,084	-	(45,084)	-
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	153,445	153,445
At September 30, 2019	17	1,696,652	9,418	(91,334)	-	164,443	995,615	(200,032)	110,427	179,892	40,463	410,832	-	110,390	3,426,766

The accompanying notes are an integral part of these financial statements.

São Martinho

Statement of cash flows
Periods ended September 30, 2019 and 2018
All amounts in thousands of reais

	Note	Parent company		Consolidated	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Cash flows from operating activities					
Profit for the period		153,445	162,506	153,445	162,506
Adjustments					
Depreciation and amortization	27	289,124	154,079	291,350	156,464
Biological assets harvested	27	250,602	232,860	250,602	232,860
Change in the fair value of biological assets	27	422	412	422	412
Amortization of energy contracts	26	-	-	6,010	7,345
Equity in the results of investees	9	(83,111)	(78,521)	(1,208)	255
Gains (losses) on investments and PP&E written off	11	2,294	2,664	(14,770)	2,879
Interest, monetary and exchange variations, net		93,568	90,649	90,457	86,358
Derivative financial instruments		15,358	25,121	15,358	25,121
Setup of provision for contingences, net	21.1	4,904	6,321	4,921	6,321
Income tax and social contribution	19 (b)	(28,157)	46,007	(23,310)	50,251
Adjustment to present value and other adjustments		37,913	7,074	36,916	5,527
		736,362	649,172	810,193	736,299
Changes in assets and liabilities:					
Trade receivables		(64,601)	(30,416)	(71,914)	(59,312)
Inventories		(549,712)	(602,633)	(523,197)	(578,500)
Taxes recoverable		(17,927)	52,708	(17,928)	52,709
Derivative financial instruments		13,027	19,332	13,027	19,332
Other assets		(69,900)	4,925	(69,237)	5,241
Trade payables		148,925	127,122	140,889	122,331
Salaries and social charges		29,419	2,808	29,243	2,556
Taxes payable		5,527	34,279	7,166	37,136
Payables to Copersucar		(7,381)	(6,632)	(7,381)	(6,632)
Provision for contingencies - settlement	21.1	(10,110)	(9,916)	(10,128)	(9,916)
Other liabilities		1,100	(18,037)	(4,610)	(27,291)
Cash from operations		214,729	222,712	296,123	293,953
Payment of interest on borrowings	14	(97,447)	(92,504)	(97,447)	(92,933)
Income tax and social contribution paid		-	-	(2,554)	(2,372)
Net cash provided by operating activities		117,282	130,208	196,122	198,648
Cash flows from investing activities					
Investment of funds	31	(1,193)	(1,584)	(1,193)	(1,584)
Purchases of property, plant and equipment and intangible assets		(101,149)	(74,215)	(105,348)	(77,810)
Additions to biological assets (planting and crop treatments)	10 and 11	(391,489)	(350,382)	(391,489)	(350,382)
Financial investments		617,381	278,781	582,303	262,265
Proceeds from sale of property, plant and equipment	11	2,126	3,919	4,337	3,919
Cash and cash equivalents of subsidiary		-	156	-	-
Advance for future capital increase		(5)	(509)	-	(500)
Dividends received		41,309	46,589	294	-
Net cash provided by (used in) investing activities		166,980	(97,245)	88,904	(164,092)
Cash flows from financing activities					
Amortization of lease and partnership agreements	13	(191,016)	-	(191,015)	
Proceeds from borrowings – third parties	14	416,431	1,137,239	416,431	1,137,239
Repayment of borrowings - third parties	14	(514,966)	(933,078)	(514,966)	(934,835)
Acquisition of treasury shares	17 b	(34,466)	-	(34,466)	
Payment of dividends		(109,999)	(180,000)	(109,999)	(180,000)
Net cash provided by (used in) financing activities		(434,016)	24,161	(434,015)	22,404
Increase (decrease) in cash and cash equivalents		(149,754)	57,124	(148,989)	56,960
Cash and cash equivalents at the beginning of the period	4	197,170	139,622	197,607	140,865
Cash and cash equivalents at the end of the period	4	47,416	196,746	48,618	197,825
Additional information					
Funds invested (Current Assets)	4	1,219,435	998,988	1,304,427	1,081,116
Total available funds	4	1,266,851	1,195,734	1,353,045	1,278,941

The accompanying notes are an integral part of these financial statements.

Statement of value added
Periods ended September 30, 2019 and 2018
All amounts in thousands of reais

	Parent company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue				
Gross sales of goods and products	1,570,332	1,467,185	1,704,896	1,525,055
Revenue from construction of own assets	389,388	347,968	389,388	347,968
Other income	1,355	15,365	2,253	17,243
	1,961,075	1,830,518	2,096,537	1,890,266
Inputs acquired from third parties				
Cost of products and goods sold	(438,775)	(463,904)	(441,194)	(423,267)
Material, electricity, third-party services, and other operating exp	(412,861)	(377,333)	(431,017)	(390,794)
	(851,636)	(841,237)	(872,211)	(814,061)
Gross value added	1,109,439	989,281	1,224,326	1,076,205
Depreciation and amortization	(289,124)	(154,079)	(291,350)	(156,464)
Biological assets harvested	(250,602)	(232,860)	(250,602)	(232,860)
Net value added generated by the entity	569,713	602,342	682,374	686,881
Value added received in transfer				
Equity in the results of investees	83,111	78,521	1,208	(255)
Finance income	170,894	186,768	175,546	193,825
Other	9,600	23	9,624	56
Total value added to be distributed	833,318	867,654	868,752	880,507
Distribution of value added				
Personnel and payroll charges				
Direct compensation	221,121	211,399	221,246	211,515
Benefits	79,118	66,899	79,476	67,235
Government Severance Indemnity Fund for Employees (FGTS)	20,963	19,642	20,973	19,650
Management compensation	10,707	17,649	11,285	18,201
Taxes, charges and contributions				
Federal	10,293	91,190	22,073	102,233
State	17,981	11,017	18,331	11,337
Municipal	831	661	936	661
Financing entities				
Interest	195,050	140,405	195,050	140,839
Rentals	1,574	1,157	23,675	1,157
Foreign exchange variations	89,685	85,123	89,685	85,123
Other	32,550	60,006	32,577	60,050
Retained profits for the period	153,445	162,506	153,445	162,506
Value added distributed	833,318	867,654	868,752	880,507

The accompanying notes are an integral part of these financial statements.

1. Operations

São Martinho S.A. (the "Company" or "Parent Company") a listed corporation headquartered in Pradópolis, state of São Paulo, has its shares traded on the listing segment of B3 S.A. - Brazil, Stock Exchange, OTC ("B3"). The Company, its subsidiaries and jointly-controlled subsidiaries (together, "São Martinho", or the "Group") are primarily engaged in planting sugarcane and production and sale of sugar, ethanol and other sugarcane byproducts; cogeneration of electricity; development of real estate ventures; agricultural production; import and export of goods, products and raw materials, and investment in other companies.

Approximately 70% of the sugarcane used in the production harvested from plantations owned by the Company, its shareholders, related companies, and agricultural partnerships. The remaining 30% is supplied by third parties. The sugar-ethanol sector is subject to seasonal trends based on the sugarcane growth cycle in the Center-South region of Brazil, which typically begins in April and ends in December, it causes Company inventories to fluctuate over the year. Raw material supplies may be impacted by adverse climate conditions. The sugarcane crop takes up to 18 months to mature, harvest begins and runs, in general, from April to December, being the period when sugar and ethanol are produced and electricity is cogenerated.

The Company is a subsidiary of the holding company LJN Participações S.A. ("LJN"), which holds a 53.74% interest in its voting capital. The owners of LJN are the family holding companies: Luiz Ometto Participações S.A., João Ometto Participações S.A., and Nelson Ometto Participações Ltda.

The issue of this quarterly information was authorized by the Board of Directors on November 11, 2019.

2. Summary of significant accounting policies

2.1 Statement of compliance and basis of preparation

The interim financial information contained in this individual and consolidated quarterly information was prepared in accordance with the Technical pronouncement CPC 21 (R1) - Interim Financial Reporting, with international accounting standard IAS 34 - Interim Financial Reporting, International Accounting Standards Board (IASB) and the rules and regulations of the Brazilian Securities Commission (CVM), for quarterly information - ITR. The individual and consolidated quarterly financial information comply with BRGAAP and IFRS.
The interim financial information was prepared considering historical cost as the basis of value adjusted to reflect deemed cost of property, plant and equipment at the date of transition to IFRS/CPC, except for certain derivative financial instruments and biological assets measured at their fair

values. They disclose all (and only) relevant interim financial information, which is consistent with that used by management for its operations.

The significant accounting practices adopted by the Company are described in respective notes to these financial statements as per interim reporting requirements.

The Company records the dividends received from its subsidiaries as cash flows from investing activities, since it considers these dividends to be returns on investments made.

2.2 Basis of consolidation and investments in subsidiaries

Subsidiaries are all entities over which the Company has control. They are fully consolidated from the date on which control is transferred to the Company, and are deconsolidated from the date control ceases.

The consolidated balances in this interim accounting information represent 100% of the equity interest held in the following companies:

Company	Core activity
São Martinho Terras Imobiliárias S.A. ("SM Terras Imobiliárias") (i)	Sale and purchase of properties, development and exploitation of real estate and mining enterprises
Bioenergética São Martinho S.A. ("Bio SM") (ii)	Cogeneration of electricity
Bioenergética Santa Cruz S.A. ("Bio SC") (ii)	Cogeneration of electricity
São Martinho Inova S.A. ("SM Inova")	Investment in other companies
São Martinho Terras Agrícolas S.A. ("SM Terras Agrícolas")	Exploitation of land through agricultural lease and partnership, rental and sale of real estate
São Martinho Logística e Participações S.A. ("SM Logística")	General product storage

(i) São Martinho Terras Imobiliárias ("SM Terras Imobiliárias"): includes its subsidiaries engaged in development and exploitation of real estate enterprises, established as Special-Purpose Entities (SPEs).

(ii) Formerly named São Martinho Energia S.A. and Cia Bioenergética Santa Cruz 1, respectively; names changed at the Annual General Meeting held on July 25, 2019.

2.3 Functional and presentation currency

This quarterly information is presented in Brazilian Real/Reais (R$), which is the currency of the primary economic environment in which the Company operates ("the functional currency").

2.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the statement of income, except when deferred in equity, as qualifying cash flow hedges.

2.5 Financial instruments

The Company adopts IFRS 9 (CPC 48) Financial Instruments (except for items related to hedge accounting), and classifies its financial assets as: measured at amortized cost, measured at fair value through other comprehensive income, and measured at fair value through profit or loss.

Impairment of financial instruments is calculated based on a prospective model, a hybrid of expected and incurred losses, which requires significant judgment in determining how changes in economic factors affect the expected credit losses. The corresponding provisions are calculated for: (i) 12-month expected credit losses, (ii) lifetime expected credit losses, i.e. credit losses that result from all default events over the expected life of a financial instrument, and (iii) credit losses incurred due to failure to make the contractual payments for the financial instrument.

As permitted by IFRS 9, the Company continues to adopt the requirements of IAS 39 / CPC 38 for hedge accounting.

a) Financial assets

Financial assets are classified as: (i) measured at amortized cost; (ii) measured at fair value through other comprehensive income, and (iii) measured at fair value through profit or loss. The measurement of financial assets depends on their classification.

b) Financial liabilities

The Company's financial liabilities include trade payables, borrowings, leases, agricultural partnerships, payables to related parties, and other payables, which are classified as borrowings.

After initial recognition, borrowings are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the statement of income when the liabilities are derecognized and through amortization, under the effective interest rate method.

c) Derivative financial instruments

Derivatives are measured at fair value, with gains and losses recognized in the statement of income, unless hedge accounting is applied.

At the inception of the transaction, the Company documents the relationship between the hedging instruments and hedged items, for the purpose of managing the risk and strategy for undertaking hedging transactions.

The effective portion of changes in fair value of derivatives designated as cash flow hedges is classified as "Carrying value adjustments" in equity. The ineffective portion of such changes is recorded as "Finance income (costs)" in the statement of income. Amounts carried in equity are reclassified to the statement of income for the year when the hedged item affects profit or loss, and the related effects are recognized as "Net sales revenue" in order to minimize changes in the hedged item.

2.6 Business combinations and goodwill

Business combinations are accounted for under the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is valued based on the acquisition-date fair value.

Goodwill is initially measured at cost for the amount that exceeds (a) the consideration transferred in exchange for the acquiree's control; (b) the amount of any non-controlling interest in the acquiree; and (c) the fair value of the interest previously held by the acquirer in the acquiree (if any) that exceeds the net amount of identifiable assets acquired and liabilities assumed, measured at fair value on the acquisition date. If, after remeasurement, the Group's interest in the fair value of net identifiable assets acquired exceeds (a), (b) and (c) above, the excess amount is immediately recognized in the statement of income as a gain arising from a bargain purchase.

Goodwill corresponding to consolidated entities is recorded within "Intangible assets" in the parent company and consolidated balance sheet.

In each business combination, any non-controlling interest in the acquired entity is measured at the fair value of this ownership or proportionally to the fair value of the identifiable net assets acquired.

Acquisition costs incurred are accounted for as expenses

When acquiring a business, the Group assesses the financial assets and liabilities assumed so as to correctly classify and designate them in accordance with the contractual terms, economic circumstances and relevant conditions on the acquisition date, including the segregation, by the acquiree, of embedded derivatives existing in host contracts.

If the business combination is carried out in steps, the acquisition-date carrying amount of the ownership interest previously held by the acquirer in the acquiree is remeasured at fair value through profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, as from the acquisition date, allocated to each of the Group's cash generating units (CGUs) that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are attributed to these units.

2.7 Leases

From April 1, 2019, the Company adopted IFRS 16 (CPC 06 (R2)) - Leases, which introduces a single accounting model for leases and agricultural partnerships in the balance sheet. Right-of-use assets were recognized in assets with corresponding lease liabilities. The comparative information presented for March 31, 2019 follows CPC 06 / IAS 17 and related interpretations, based on the modified retrospective approach. Changes in accounting policies are detailed below:

a) Lease Definition provided by IFRS 16 (CPC 06 R2)

The Company adopted the lease definition provided by ICPC 03 / IFRIC 4 - Complementary Aspects of Leasing Operations. Upon adoption of IFRS 16, a lease is considered as any contract that, upon consideration, transfers the right to control the use of an asset for a certain period. The agricultural partnership agreements, as legal arrangements, were accounted for as leases, in accordance with the new accounting standard.

b) The Company as the Lessee

The Company adopted the modified retrospective approach under the following criteria: (i) liabilities: remaining contract balances on the date of initial adoption, net of advance payments, discounted based on the Group's real borrowing rate of interest (weighted average annual rate of 4.10%); and (ii) assets: amount equivalent to the liability adjusted to present value.
No assets or liabilities were recognized for low value (computers, telephones and IT equipment in general) and/or short-term contracts (up to 12 months). Payments associated with these contracts were recorded as expenses on a straight-line basis.

c) The Company as the Lessor

There were no changes in the accounting for contracts in which the Company is the lessor.

The impacts arising from the adoption of the new standard are described in Note 13.

3. Significant accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a) Impairment losses

Goodwill is tested for impairment annually. The recoverable amounts of cash-generating units (CGUs) were determined based on value-in-use calculations, which require the use of estimates.

b) Fair value of biological assets

This represents the present value of expected net cash flows from biological assets, determined through the use of assumptions established in discounted cash flow models.

c) Income tax, social contribution and other taxes

The Group recognizes provisions when it is probable that additional taxes will be due. When the final result of these circumstances is different from those initially estimated and recorded, these differences will change the current and deferred tax assets and liabilities for the period in which the definitive amount is determined.

d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques. Management uses its judgment to select a variety of methods, and makes assumptions that are mainly based on market conditions existing at the balance sheet date.

In addition, certain financial assets and liabilities are discounted to present value. Management estimates the most appropriate discount rates for each circumstance and period.

e) Provision for contingencies

São Martinho is a party to labor, civil and tax claims at different judicial levels. Provisions for contingencies, set up to cover probable losses arising from unfavorable outcomes of ongoing lawsuits, are determined and adjusted for interest accruals based on management's assessment under advice of legal counsel, which requires a high degree of judgment.

f) Business combination and acquisition of ownership interest

Management contracts independent appraisers to calculate the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed, and to determine the Purchase Price Allocation (PPA).

The assumptions used to determine the PPA are mainly based on market conditions existing on the date of acquisition. No business combinations took place during the current quarter.

g) ICMS tax benefits

As disclosed in Note 17(d), the Company has ICMS tax incentives granted by Goiás state government. On August 7, and December 15, 2017, the Complementary Law 160/2017 and ICMS Agreement 190/2017, respectively, were published, regulating the granting of tax benefits in disagreement with item "g", subsection XII, paragraph 2 of Art. 155 of the Federal Constitution.

The state of Goiás published a list of all the rulings that granted the tax benefits under Decree 9,193/2018 and subsequent amendments, and Decree 9,358/2018. In addition, registered and filed with the Executive Secretariat of the National Council of Fiscal Policy (CONFAZ), the supporting documentation, as provided for in Clause 4 of ICMS Agreement 190/2017.

The Company's management, together with its legal advisors, follows up the matter, through the Treasury Department of Goiás.

h) Real borrowing rate on leases and agricultural partnerships

The right-of-use assets and corresponding liabilities for leases and agricultural partnerships are measured at present value based on discounted cash flows using real borrowing rates. This weighted average real borrowing rate involves estimates since it is the rate that the lessee would have to pay on a borrowing to raise the funds required to obtain an asset of similar value in a similar economic environment, and with equivalent terms and conditions.

All amounts in thousands of reais unless otherwise stated

4. Cash and cash equivalents and financial investments

Cash and cash equivalents comprise cash, bank deposits, and short-term investments with high liquidity and original maturities of three months or less, which are readily convertible into known amounts of cash, and are subject to immaterial risk of change in value.

	Parent company			Consolidated		
	Annual income	September 30, 2019	March 31, 2019	Annual income	September 30, 2019	March 31, 2019
Cash and banks (in Brazil)		674	156		1,876	593
Cash and banks (abroad) (US Dollar)	1.75% p.a.	46,742	197,014	1.75% p.a.	46,742	197,014
Total cash and cash equivalents		**47,416**	**197,170**		**48,618**	**197,607**
Financial investments						
. Investment fund	101,47% of CDI	1,219,435	1,790,855	101,47% of CDI	1,304,427	1,838,261
. Funds - Financial Treasury Bills (LFT) (i)	100.0% of SELIC	26,723	25,917	100.0% of SELIC	26,723	25,917
. Bank Deposit Certificate (CDB)	98,30% CDI	28,363	23,764	98,30% CDI	28,364	23,765
. Other (i)		-	-	100,0% CDI	3,648	3,663
Total financial investments		**1,274,521**	**1,840,536**		**1,363,162**	**1,891,606**
In non-current assets		**55,086**	**49,681**		**58,735**	**53,345**
Total available funds		**1,266,851**	**1,988,025**		**1,353,045**	**2,035,868**

(i) Resources pledged as collateral for loans obtained from BNDES and brokers, with redemption restriction until the maturity of the contracts.

5. Trade receivables

Trade receivables are initially stated at present value, less provision for impairment, where applicable.

The balance of trade receivables is as follows:

	Parent company		Consolidated	
	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
Local customers	88,465	118,229	155,577	159,603
Foreign customers	120,368	26,905	120,368	26,905
Expected impairment loss on trade receivables	-	-	(453)	(608)
	208,833	**145,134**	**275,492**	**185,900**
Current assets	**208,833**	**145,134**	**253,665**	**163,412**
Non-current assets	**-**	**-**	**21,827**	**22,488**

The aging list of these trade receivables is as follows:

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
Falling due:	208,430	144,282	274,997	184,857
Overdue and not provisioned				
Up to 30 days	5	12	41	82
Over 31 days	398	840	454	961
	208,833	**145,134**	**275,492**	**185,900**

Of the amount receivable, R$ 1,652 and R$ 71 in the Parent company and Consolidated, respectively (R$ 5,130 and R$ 109, respectively, at March 31, 2019), refer to related parties, in Note 8.

6. Inventories and advances to suppliers

	Parent company		Consolidated	
	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
Current				
Finished products and work-in-progress	1,083,916	47,825	1,057,566	47,825
Advances - purchases of sugarcane	38,381	52,413	38,381	52,413
Advances - purchases of inputs	52,253	55,746	52,253	55,746
Land subdivisions	-	-	8,359	8,152
Inputs, maintenance materials and other	72,509	68,186	72,509	68,186
	1,247,059	**224,170**	**1,229,068**	**232,322**
Non-current				
Advances - purchases of sugarcane	15,562	131,881	15,562	131,881
	15,562	**131,881**	**15,562**	**131,881**
	1,262,621	**356,051**	**1,244,630**	**364,203**

Inventories are carried at average acquisition or production cost, adjusted, when necessary, by a provision for impairment. Inventories of land (land subdivisions) refer to real estate developments and are stated at acquisition cost, increased by the surplus on revaluation of the deemed cost.

The Company entered into agreements to purchase sugarcane planted on third-party properties (including agricultural partnerships), a portion of which will only be delivered in future years.

7. Taxes recoverable

Breakdown of taxes recoverable:

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
Current				
PIS / COFINS	26,531	12,139	26,531	12,164
ICMS	13,174	6,129	13,174	7,071
Others	944	882	951	889
	40,649	**19,150**	**40,656**	**20,124**
Non-current				
PIS / COFINS	43,009	46,419	43,033	46,419
Reintegra	5,143	4,495	5,143	4,495
IOF on derivatives	8,541	8,388	8,541	8,388
ICMS	23,862	13,616	24,812	13,616
INSS	6,489	6,369	6,489	6,369
Others	-	503	-	503
	87,044	**79,790**	**88,018**	**79,790**
	127,693	**98,940**	**128,674**	**99,914**

PIS/COFINS - Social Integration Program/Social Contribution on Revenues
ICMS – State Value-Added Tax
Reintegra - Brazilian Special Regime for Reinstatement of Taxes for Exporters
IOF – Tax on Financial Transactions
INSS – National Institute of Social Security

The balances of taxes recoverable arise from commercial transactions and tax prepayments, adjusted to present value where applicable.

The expected realization of the long-term tax credits is as follows:

	Parent company	Consolidated
From 10/1/2010 to 9/30/2021	47,140	48,113
From 10/1/2021 to 9/30/2022	7,956	7,957
From 10/1/2022 to 9/30/2023	7,034	7,034
From 10/1/2023 to 9/30/2024	6,658	6,658
From 10/1/2024 to 9/30/2025	3,427	3,427
From 10/1/2025 onwards	14,829	14,829
	87,044	**88,018**

8. Related parties

a) Parent company and consolidated balances

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
Current assets				
Trade receivables (i)				
São Martinho Terras Imobiliárias S.A.	20	329	-	-
Bioenergética Santa Cruz S.A.	772	7	-	-
Bioenergética São Martinho S.A.	778	4,661	-	-
São Martinho Terras Agrícolas S.A.	7	14	-	-
Others	75	119	71	109
	1,652	**5,130**	**71**	**109**
Inventories - purchases of sugarcane from shareholders and related parties	-	6,545	-	6,616
Non-current assets				
Advance for future capital increase				
São Martinho Inova S.A.	5	9	-	-
Current liabilities				
Trade payables				
Luiz Ometto Participações S.A. (ii)	-	3,313	-	3,313
São Martinho Terras Imobiliárias S.A.	661	47	-	-
Bioenergética Santa Cruz S.A.	315	634	-	-
Bioenergética São Martinho S.A.	19	-	-	-
São Martinho Terras Agrícolas S.A.	15,823	4,544	-	-
Others	167	167	167	167
	16,985	**8,705**	**167**	**3,480**
Leases and agricultural partnerships payable (iii) to shareholders and related parties	324,231	824	6,219	824
Current and non-current liabilities				
Acquisition of ownership interest				
Luiz Ometto Participações S.A. (Note 31)	38,593	38,605	38,593	38,605

(i) Relate to the apportionment of expenses with the Shared Services Center and sale of steam to BIO SC and BIO SM.

(ii) Relate to the transfer of an indemnity claim, (Note16 (b).

(iii) Relate contracts with related parties recorded within Leases and Agricultural Partnership payable.

b) Parent company and consolidated significant transactions in the period:

	Parent company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Sales revenue				
Bioenergética Santa Cruz S.A.	4,405	4,946	-	-
Bioenergética São Martinho S.A.	3,892	4,137	-	-
	8,297	**9,083**	**-**	**-**
Reimbursed expenses/(purchase of products and services)				
São Martinho Terras Imobiliárias S.A.	(1,934)	(1,773)	-	-
São Martinho Terras Agrícolas S.A.	(44,447)	(39,581)	-	-
Bioenergética Santa Cruz S.A.	(1,780)	(1,923)	-	-
Bioenergética São Martinho S.A.	163	152	-	-
Agro Pecuária Boa Vista S/A	78	71	78	71
	(47,920)	**(43,054)**	**78**	**71**
Shareholders and related parties				
Sugarcane purchases / agricultural partnership and land lease				
Agro Pecuária Boa Vista S/A	(15,537)	(16,078)	(15,537)	(16,078)
Others	(12,430)	(11,219)	(12,430)	(11,219)
	(27,967)	**(27,297)**	**(27,967)**	**(27,297)**

Sales revenue relate to sale of steam. Purchases of products and services relate to purchase of sugarcane, electricity and steam manufacturing service. Expenses reimbursed by investees relate to expenditures with the Shared Services Center, the Board of Directors, and the corporate office. Apportionments are supported by agreements between the parties.

All amounts in thousands of reais unless otherwise stated

c) Key management personnel compensation

Key management includes directors and officers. The compensation paid or payable for their services is shown below:

	Parent company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Salaries, fees and bonus	12,963	28,951	13,830	29,779
Social security contributions	3,889	2,905	4,156	3,071
Others	907	834	1,010	933
	17,759	**32,690**	**18,996**	**33,783**

d) Stock option plan (virtual options)

During the year ended March 31, 2019, changes to the current Stock Option Plan was made and approved at a Board of Directors' meeting held on May 2, 2018. The plan will provide for cash settlement of the positive difference between the market value on the day before exercise and the price set in each program. The other terms in the new plans will remain unchanged. Therefore, the comparability between the current and prior period's results is significantly affected.

In accordance with IFRS 2 (CPC 10), following the change in the plans' settlement method, from payment through equity instruments to payment in cash, the balance of virtual options was transferred to the "Salaries and charges payable" line item, in current liabilities.

Accordingly, in this quarterly information, the carrying amount of the new fair value calculation liability for the Virtual Options Plan is R$ 4,753 (R$ 3,501 at March 31, 2019).

At the Board of Directors meeting held on December 10, 2018, the 10th. Stock Option Plan was approved. The new plan regulations will govern the characteristics of all other plans.

The balances of virtual options plans issued and their changes during the current period are shown below:

Plan	6th Plan	7th Plan	8th Plan	9th Plan	10th Plan	Total
Plan issue date	15/12/2014	14/12/2015	12/12/2016	02/05/2018	10/12/2018	
Deadline for exercise *(i)*	2021	2022	2023	2024	2025	
Number of virtual options granted	835,725	696,465	727,273	882,074	1,133,513	4,275,050
Number of virtual options exercised	(636,921)	(270,555)	(72,764)	-	-	(980,240)
Number of virtual options to be exercised	**198,804**	**425,910**	**654,509**	**882,074**	**1,133,513**	**3,294,810**
Exercise price (R$)	12.04	15.87	17.70	17.76	19.07	

All amounts in thousands of reais unless otherwise stated

(i) Each plan's virtual options may be exercised following their respective grace periods, as follows: 1/3 after the 2nd year of the grant, 1/3 after the 3rd year of the grant and 1/3 after the 4th year of the grant, in accordance with the deadlines established in each plan.

9. Investments

The parent company and consolidated balance of investments in other companies is shown below.

There are no cross-holdings between the parent company and the investees.

							Parent company
		Investee's adjusted equity		Book value of investment		Equity in the results of investees	
Company	Ownership interest %	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019	September 30, 2019	September 30, 2018
Classified as Investments							
São Martinho Terras Imobiliárias S.A.	100.00%	159,540	147,924	158,448	147,925	15,722	4,396
Bioenergética São Martinho S.A.	100.00%	38,974	25,387	38,974	25,387	18,587	21,707
São Martinho Inova S.A.	100.00%	27,121	25,911	27,121	25,911	1,202	307
São Martinho Terras Agrícolas S.A.	100.00%	1,071,498	1,044,247	1,047,053	1,044,247	16,980	15,011
São Martinho Logística e Participações S.A.	100.00%	2,763	2,828	2,763	2,828	(65)	(66)
Bioenergética Santa Cruz S.A.	100.00%	110,883	97,133	110,883	97,133	30,685	37,737
Others		-	-	1,859	1,859	-	-
Total classified as Investments		**1,410,779**	**1,343,430**	**1,387,101**	**1,345,290**	**83,111**	**79,092**
Classified as non-current liabilities							
Usina Santa Luiza S.A. (i)		-	-	-	-	-	(571)
Total classified as non-current liabilities		**-**	**-**	**-**	**-**	**-**	**(571)**
Closing balance		**1,410,779**	**1,343,430**	**1,387,101**	**1,345,290**	**83,111**	**78,521**

							Consolidated
		Investee's adjusted equity		Book value of investment		Equity in the results of investees	
Company	Ownership interest %	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019	September 30, 2019	September 30, 2018
Classified as Investments							
CTC - Centro de Tecnologia Canavieira S.A. (ii)	5.41%	601,934	579,620	32,592	31,678	1,208	316
Others		-	-	1,859	1,859	-	-
Total classified as Investments		**601,934**	**579,620**	**34,451**	**33,537**	**1,208**	**316**
Classified as non-current liabilities							
Usina Santa Luiza S.A. (i)		-	-	-	-	-	(571)
Total classified as non-current liabilities		**-**	**-**	**-**	**-**	**-**	**(571)**
Closing balance		**601,934**	**579,620**	**34,451**	**33,537**	**1,208**	**(255)**

(i) Merged investee, Note 10.4 to the financial statements for the year ended March 31, 2019.
(ii) Unconsolidated investees, valued based on the equity method.

10. Biological assets

Biological assets correspond to agricultural products under development (standing sugarcane) produced by the bearer plants, which will be used as raw material in the production of sugar and ethanol upon harvesting. These assets are carried at fair value less costs to sell.

The measurement at fair value of biological assets is classified as Level 3 - Assets and liabilities for which there is little, if any, market activity, or whose prices or valuation techniques are supported by inputs from a thin, nonexistent, or illiquid market (non-observable inputs).

All amounts in thousands of reais unless otherwise stated

The fair value of biological assets was determined based on the discounted cash flow method, basically:

a) Cash inflows obtained by multiplying the *(i)* estimated production measured in kilograms of Total Recoverable Sugar (TRS) for the sugarcane; by *(ii)* sugarcane futures market price, which is projected based on publicly-available data and price estimates of sugar and ethanol; and

b) Cash outflows represented by the estimated *(i)* costs necessary for the biological transformation of sugarcane (crop treatments) up to the harvest; *(ii)* harvesting/cutting, loading, and transportation costs; *(iii)* capital costs (land and machinery and equipment); *(iv)* costs of leases and agricultural partnerships; and *(v)* taxes on positive cash flows.

The following key assumptions were used in determining the fair value:

Parent company and Consolidated	September 30, 2019	March 31, 2019
Total estimated harvest area (ha)	238,583	237,080
Expected yield (metric ton/ha)	85.24	85.74
Amount of TRS per metric ton of sugar (kg)	133.13	133.50
Projected average price of TRS (R$)	0.6550	0.6171

In this quarterly information, the discount rate used to calculate the fair value of biological assets was 6.90% p.a. (7.88% p.a. at March 31, 2019).

Based on estimates of revenue and costs, the Company determines the future cash flows to be generated and adjusts them to present value, using a discount rate compatible with the remuneration of the investment in the circumstances. Changes in fair value are accounted for within "Biological assets", with a corresponding entry to the sub-account “Changes in the fair value of biological assets", within “Cost of sales” in the statement of income.

Changes in the fair value of biological assets for the period were as follows:

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Historical cost	742,524	518,751	742,524	686,591
Fair value	(85,467)	(99,018)	(85,467)	(104,866)
Biological assets - opening balance:	**657,057**	**419,733**	**657,057**	**581,725**
Changes:				
Increases arising from crop treatments	241,872	224,141	241,872	224,141
Transfer from property, plant and equipment	186,719	161,211	186,719	171,387
Changes in fair value	21,534	30,527	21,534	30,527
Merger of Usina Boa Vista	-	172,170	-	-
Decreases resulting from harvest	(492,732)	(503,652)	(492,732)	(503,650)
Biological assets - closing balance:	**614,450**	**504,130**	**614,450**	**504,130**
Comprised of:				
Historical cost	678,336	578,469	678,336	578,469
Fair value	(63,886)	(74,339)	(63,886)	(74,339)
Biological assets - closing balance:	**614,450**	**504,130**	**614,450**	**504,130**

The operating activities of sugarcane cultivation are exposed to the risk of damage caused by climate changes, pests and diseases, forest fires, and other forces of nature. Consequently, future harvest results may be impacted, positively or negatively.

Fair value sensitivity analysis

For the purpose of the sensitivity analysis, the Company assessed the impact on the fair value of its biological assets considering the increase/decrease in the following variables: (i) price of the sugarcane metric ton; and (ii) sugarcane production volume, with the other variables held constant. Accordingly, at September 30, 2019, a 5% increase or decrease in the price of sugarcane metric ton would result in an increase or decrease of R$ 53,477. For production volume: the same 5% change would result in an increase or decrease of R$ 49,927.

11. Property, plant and equipment

The assets' net book values and useful lives, and the depreciation methods are reviewed at year-end, and adjusted prospectively, where applicable. Depreciation is calculated using the straight-line method; for production equipment, the accelerated depreciation method is applied, taking into consideration the crushing season.

Maintenance costs that extend the useful lives of property, plant and equipment items are capitalized, and replacement items, which suffer wear and tear during the crop period are recorded as assets, are depreciated during the subsequent crop period. Maintenance costs that do not extend the useful lives of the assets are recognized as expenses when incurred. Items replaced are written-off.

Sugarcane plantations use bearer plants exclusively to grow sugarcane. Sugarcane is classified as a permanent crop and its economic productive cycle lasts, on average, eight years after the first harvest.

The costs of charges on borrowings taken to finance the construction of property, plant and equipment are capitalized during the period required to construct and prepare the asset for its intended use.

All amounts in thousands of reais unless otherwise stated

Parent company	Land	Buildings and outbuildings	Manufacturing equipment and facilities	Intercrop maintenance	Vehicles	Agricultural machinery and implements	Other PP&E	Construction in progress	Sugarcane plantations	Total
At March 31, 2018	**155,808**	**242,754**	**791,117**	**218,044**	**165,957**	**232,021**	**22,389**	**45,351**	**805,673**	**2,679,114**
Total cost	155,808	287,935	1,174,304	390,839	243,282	402,273	66,177	45,351	805,673	3,571,642
Accumulated depreciation	-	(45,181)	(383,187)	(172,795)	(77,325)	(170,252)	(43,788)	-	-	(892,528)
Residual value	**155,808**	**242,754**	**791,117**	**218,044**	**165,957**	**232,021**	**22,389**	**45,351**	**805,673**	**2,679,114**
Acquisition	4,297	1,044	10,062	303,863	24,031	16,710	1,051	137,410	303,215	801,683
Transfer of biological assets	-	-	-	-	-	-	-	-	(167,925)	(167,925)
Cost of sale	(64)	(2,097)	(1,297)	-	(2,634)	(3,384)	(194)	-	(290)	(9,960)
Merger of Usina Boa Vista	49,198	161,880	413,287	60,568	61,980	80,845	38,537	4,044	222,663	1,093,002
Merger of Usina Santa Luiza	57	1,021	92	-	-	1	-	-	-	1,171
Merger of Pulisic	-	-	-	-	-	-	-	-	10,742	10,742
Transfer between groups	-	8,591	44,304	4,098	886	(10,419)	2,031	(66,041)	16,550	-
Depreciation	-	(11,361)	(77,705)	(280,151)	(20,654)	(28,298)	(10,354)	-	-	(428,523)
At March 31, 2019	**209,296**	**401,832**	**1,179,860**	**306,422**	**229,566**	**287,476**	**53,460**	**120,764**	**1,190,628**	**3,979,304**
Total cost	209,296	490,357	1,775,974	306,422	363,639	565,861	170,003	120,764	1,190,628	5,192,944
Accumulated depreciation	-	(88,525)	(596,114)		(134,073)	(278,385)	(116,543)	-	-	(1,213,640)
Residual value	**209,296**	**401,832**	**1,179,860**	**306,422**	**229,566**	**287,476**	**53,460**	**120,764**	**1,190,628**	**3,979,304**
Acquisition	5,871	286	3,339	6,285	9,497	34,220	583	48,596	149,617	258,294
Transfer of biological assets	-	-	-	-	-	-	-	-	(186,719)	(186,719)
Cost of sale	-	-	(8)	-	(1,625)	(2,378)	(373)	-	(36)	(4,420)
Transfer between groups	-	4,054	29,669	-	643	(3,764)	1,483	(37,827)	5,357	(385)
Depreciation	-	(7,918)	(63,264)	(256,705)	(13,685)	(27,047)	(6,736)	-	-	(375,355)
At September 30, 2019	**215,167**	**398,254**	**1,149,596**	**56,002**	**224,396**	**288,507**	**48,417**	**131,533**	**1,158,847**	**3,670,719**
Total cost	215,167	494,697	1,808,951	313,647	371,142	594,333	171,443	131,533	1,158,847	5,259,760
Accumulated depreciation	-	(96,443)	(659,355)	(257,645)	(146,746)	(305,826)	(123,026)	-	-	(1,589,041)
Residual value	**215,167**	**398,254**	**1,149,596**	**56,002**	**224,396**	**288,507**	**48,417**	**131,533**	**1,158,847**	**3,670,719**
Residual value										
Historical cost	56,963	329,550	934,543	56,002	197,686	242,672	48,417	131,533	1,158,847	3,156,213
Surplus on revaluation	158,204	68,704	215,053	-	26,710	45,835	-	-	-	514,506
Weighted average annual depreciation rates/ Transfer of biological assets	-	3%	5%	100%	7%	9%	14%	-	14%	

All amounts in thousands of reais unless otherwise stated

Consolidated	Land	Buildings and outbuildings	Manufacturing equipment and facilities	Intercrop maintenance	Vehicles	Agricultural machinery and implements	Improvements and other PPE	Construction in progress	Sugarcane plantations	Total
At March 31, 2018	**1,807,778**	**408,526**	**1,264,994**	**278,974**	**227,935**	**312,867**	**60,933**	**49,393**	**1,038,512**	**5,449,912**
Total cost	1,807,778	487,450	1,805,071	508,634	342,980	552,539	167,013	49,393	1,038,512	6,759,370
Accumulated depreciation	-	(78,924)	(540,077)	(229,660)	(115,045)	(239,672)	(106,080)	-	-	(1,309,458)
Residual value	**1,807,778**	**408,526**	**1,264,994**	**278,974**	**227,935**	**312,867**	**60,933**	**49,393**	**1,038,512**	**5,449,912**
Acquisition	8,388	1,044	10,062	304,430	24,031	16,710	1,051	137,410	304,250	807,376
Cost of sale	(1,342)	(2,097)	(1,297)	-	(2,634)	(3,384)	(193)	-	(290)	(11,237)
Merger of Pulisic	-	-	-	-	-	-	-	-	15,984	15,984
Merger of Usina Santa Luiza	57	1,021	92	-	-	1	-	-	-	1,171
Transfer from Inventories to Sales	(2,542)	-	-	-	-	-	-	-	-	(2,542)
Transfer of biological assets	-	-	-	-	-	-	-	-	(184,379)	(184,379)
Transfer between groups	-	8,591	44,292	4,110	886	(10,419)	2,031	(66,041)	16,550	-
Depreciation	-	(11,542)	(80,263)	(280,512)	(20,654)	(28,298)	(10,356)	-	-	(431,625)
At March 31, 2019	**1,812,339**	**405,543**	**1,237,880**	**307,002**	**229,564**	**287,477**	**53,466**	**120,762**	**1,190,627**	**5,644,660**
Total cost	1,812,339	496,594	1,857,960	307,158	363,637	565,861	170,003	120,762	1,190,627	6,884,941
Accumulated depreciation	-	(91,051)	(620,080)	(156)	(134,073)	(278,384)	(116,537)	-	-	(1,240,281)
Residual value	**1,812,339**	**405,543**	**1,237,880**	**307,002**	**229,564**	**287,477**	**53,466**	**120,762**	**1,190,627**	**5,644,660**
Acquisition	6,632	286	3,339	6,302	9,497	34,220	584	48,596	149,617	259,073
Cost of sale	(334)	-	(8)	-	(1,625)	(2,378)	(373)	-	(36)	(4,754)
Transfer of biological assets	-	-	-	-	-	-	-	-	(186,719)	(186,719)
Transfer between groups	-	4,054	29,669	-	643	(3,380)	1,483	(37,827)	5,358	-
Transfer from Inventories to Sales	(1,643)	-	-	-	-	-	-	-	-	(1,643)
Depreciation	-	(8,020)	(65,043)	(257,090)	(13,685)	(27,432)	(6,735)	-	-	(378,005)
At September 30, 2019	**1,816,994**	**401,863**	**1,205,837**	**56,214**	**224,394**	**288,507**	**48,425**	**131,531**	**1,158,847**	**5,332,612**
Total cost	1,816,994	500,933	1,890,936	314,243	371,140	594,333	171,450	131,531	1,158,847	6,950,407
Accumulated depreciation	-	(99,070)	(685,099)	(258,029)	(146,746)	(305,826)	(123,025)	-	-	(1,617,795)
Residual value	**1,816,994**	**401,863**	**1,205,837**	**56,214**	**224,394**	**288,507**	**48,425**	**131,531**	**1,158,847**	**5,332,612**
Residual value										
Historical cost	165,347	332,184	976,302	56,214	197,685	242,672	48,425	131,531	1,158,847	3,309,207
Surplus on revaluation	1,651,647	69,679	229,535	-	26,709	45,835	-	-	-	2,023,405
Weighted average annual depreciation rates/ Transfer of biological assets	-	3%	5%	100%	7%	9%	14%	-	14%	

São Martinho

All amounts in thousands of reais unless otherwise stated

The amount recorded within "Work in progress" relates mainly to projects for the implementation of data transmission technology (4G), fire prevention and expansion of ethanol storage and shipping.

Under the terms of certain Group borrowing agreements, property, plant and equipment totaling R$ 665,971 were pledged as collateral, of which R$ 64,503 relates to rural properties (2,097 hectares of land).

The Group capitalized finance charges of R$ 1,058 at September 30, 2019 (R$ 780 at September 30, 2018).

12. Intangible assets

Contractual relationships have a defined useful life. Amortization is calculated on the quantity of sugarcane harvested over the term of the agreement with the partner or supplier.

Goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment.

	Parent company		Consolidated	
	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
Goodwill based on expected future profitability (i)	374,633	374,633	374,633	374,633
Software	37,502	37,359	37,502	37,359
Accumulated amortization	(27,696)	(26,398)	(27,696)	(26,398)
Rights on sugarcane contracts (ii)	42,443	42,443	42,443	42,443
Amortization of rights on sugarcane contracts (ii)	(16,144)	(13,500)	(16,144)	(13,500)
Rights on electricity contracts (iii)	-	-	103,402	103,401
Amortization of rights on electricity contracts (iii)	-	-	(61,461)	(52,354)
Other assets	4,078	3,308	15,587	12,915
	414,816	**417,845**	**468,266**	**478,499**

(i) Goodwill related to prior years' business combination of companies merged;
(ii) Relates to the acquisition of rights on agreements for agricultural partnership and sugarcane supply;
(iii) Relates to the fair value of agreements for electricity supply entered into with BIO SC, effective up to 2025 (business combination).

Impairment of non-financial assets

In accordance with the provisions of CPC 01 (IAS 36) - Impairment of assets, goodwill, property, plant and equipment, and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year, or more frequently if evidence of impairment is found. Annual impairment tests are performed at the end of March. In order to determine impairment loss, assets are grouped into CGUs, which correspond to the smallest group of assets generating cash flows, clearly independent from those generated by another CGU.

All amounts in thousands of reais unless otherwise stated

At March 3, 2019, the Company had tested non-current assets for impairment. The assessment was based on calculations of the value in use of each cash-generating unit, using pre-tax cash flow projections based on financial budgets approved by management. The growth rate does not exceed the long-term average growth rate of the industry in which the CGU operates.

The main assumptions and estimates involved are for sugar and ethanol prices, energy-related costs and other macroeconomic data.

Main assumptions used by the Company (March 31, 2019):

Cash-generating Units	Average growth rate of net operating revenue	Nominal perpetuity growth rate	Nominal discount rate
São Martinho and Iracema production units	9.8%	5.0%	8.6%
Santa Cruz production unit	8.9%	5.0%	8.6%

13. Right-of-use assets and leases and agricultural partnerships payable

São Martinho adopted IFRS 16 (CPC 06 (R2)) on April 1, 2019 (Note2.7).

Changes in right-of-use assets and leases and agricultural partnerships payable in the period were as follows:

	Parent company and Consolidated				
	Vehicles	Buildings	Agricultural partnership	Lease agreements	Right-of-use assets
Firts-time adoption on April 1, 2019	18,654	4,600	1,452,930	454,926	1,931,110
Adjustments	354	-	16,133	-	16,487
Amortization	(8,113)	(251)	(162,184)	(31,223)	(201,771)
September 30, 2019	**10,895**	**4,349**	**1,306,879**	**423,703**	**1,745,826**
Useful life (years)	1 to 2	9 to 14	1 to 21	1 to 21	

	Parent company and Consolidated			
	Balance of lease agreements	Balance of advance payments	Adjustment to present value	Lease liabilities
First-time adoption on April 1, 2019	2,357,144	-	(426,034)	1,931,110
Clearing of advances	-	(156,413)	-	(156,413)
Contract update	19,910	-	(3,424)	16,486
Payments made	(191,016)	-	-	(191,016)
Financial charges	-	-	47,548	47,548
September 30, 2019	**2,186,038**	**(156,413)**	**(381,910)**	**1,647,715**
Current				194,479
Non-current				1,453,236
				1,647,715

All amounts in thousands of reais unless otherwise stated

The balance of long-term lease agreements and agricultural partnerships payable is as follows:

Parent company and Consolidated	Maturity
From 10/1/2010 to 9/30/2021	218,616
From 10/1/2021 to 9/30/2022	184,052
From 10/1/2022 to 9/30/2023	168,577
From 10/1/2023 to 9/30/2024	150,953
From 10/1/2024 to 9/30/2025	136,854
From 10/1/2025 to 9/30/2026	122,594
From 10/1/2026 to 9/30/2027	92,899
From 10/1/2027 onwards	378,691
	1,453,236

14. Borrowings

Borrowings are recognized at fair value, net of transaction costs incurred, and are carried at amortized cost.

	Annual charges		Parent company		Consolidated	
Type	Rate	Index	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
In local currency						
Export Credit Note	105.19%	CDI	162,677	264,793	162,677	264,793
BNDES credit facility	2.46%	+ TJLP	197,706	207,172	197,706	207,172
BNDES credit facility	5.75%	+ IPCA	1,694	1,697	1,694	1,697
BNDES credit facility	3.75%	-	201,168	233,738	201,168	233,738
BNDES credit facility	3.95%	SELIC	203	242	203	242
Rural credit (ii)	6.63%	-	377,393	369,542	377,393	369,542
FINEP	4.00%	-	94,555	104,697	94,555	104,697
Agribusiness Receivable Certificate (CRA) *(a)*	98.05%	CDI	1,454,721	1,363,353	1,454,721	1,363,353
Agribusiness Receivable Certificate (CRA) *(a)*	4.88%	+ IPCA	438,080	431,343	438,080	431,343
Other securitized credits	4.31%	+IGP-M/PRE	9,574	16,496	9,574	16,496
Total in local currency	**99.57%**	**CDI**	**2,937,771**	**2,993,073**	**2,937,771**	**2,993,073**
In foreign currency						
Export prepayment	4.15%	eign exchange variat	841,340	787,160	841,340	787,160
Export prepayment	1.35%	6M Libor	317,258	297,087	317,258	297,087
International Finance Corporation (IFC)	1.70%	6M Libor	380,957	356,738	380,957	356,738
FINEM	2.74%	Currency Basket	15,349	18,542	15,349	18,542
Total in foreign currency	**2.05%**	**-**	**1,554,904**	**1,459,527**	**1,554,904**	**1,459,527**
TOTAL (i)			**4,492,675**	**4,452,600**	**4,492,675**	**4,452,600**
Current			688,573	754,999	688,573	754,999
Non-current			3,804,102	3,697,601	3,804,102	3,697,601

Total costs of liabilities in local and foreign currency were calculated based on the terms of the portfolios, and Interbank Deposit (DI) and LIBOR curves.

In this quarterly information, 71% of the rural credit amount is linked to 95.70% of the DI interest rate, through swap contract.

a) Agribusiness Receivable Certificates (CRAs)

During the year ended March 31, 2019, the Company raised new funding in the capital markets, through the issuance of Agribusiness Receivable Certificates

All amounts in thousands of reais unless otherwise stated

(CRAs), on a continuous offering basis, in the total amount of R$ 842,123, with annual interest payments, equivalent to 98.5% of the cumulative CDI rate and repayment of principal in two equal installments in April 2025 and April 2026. Underwriting started on March 25, 2019 and was completed in 60 days, with the exercise of the overallotment option.

The table below shows the changes in borrowings during the period:

	Parent company and Consolidated	Parent company	Consolidated
Changes in debt	**September 30, 2019**	**September 30, 2018**	
Previous balance	4,452,600	3,620,568	3,924,897
Proceeds from borrowings	416,431	1,137,239	1,137,239
Repayment of principal amount	(514,966)	(933,078)	(934,835)
Repayment of interest	(97,447)	(92,504)	(92,933)
Monetary adjustment	132,338	182,906	183,340
Foreign exchange variation	103,719	165,743	165,743
Merger of Usina Boa Vista	-	291,200	-
	4,492,675	**4,372,074**	**4,383,451**

Long-term borrowings mature as follows:

Parent company and Consolidated	Maturity
From 10/1/2010 to 9/30/2021	621,803
From 10/1/2021 to 9/30/2022	439,639
From 10/1/2022 to 9/30/2023	848,877
From 10/1/2023 to 9/30/2024	348,547
From 10/1/2024 to 9/30/2025	969,893
From 10/1/2025 to 9/30/2026	506,627
From 10/1/2026 to 9/30/2027	21,057
From 10/1/2027 onwards	47,659
	3,804,102

In this quarterly information, R$ 665,971 of São Martinho's debt is collateralized as follows: 85% by equipment, properties, and buildings, 10% by land, and 4% by receivables from electricity trading and shareholders' sureties.

Covenants

The Company's contracts have financial and/or social and environmental covenants amounting to R$ 1,882,253, which are measured annually.

All amounts in thousands of reais unless otherwise stated

15. Trade payables

	Parent company		Consolidated	
	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
Sugarcane	225,670	62,142	209,628	57,482
Materials, services, and others	90,265	93,350	94,461	95,231
	315,935	**155,492**	**304,089**	**152,713**

In this quarterly information, of the total trade payables, R$ 16,985 in the parent company, and R$ 167 in the consolidated (R$ 9,529 and R$ 4,304, respectively, at March 31, 2019) refer to related parties, (Note 8).

16. Agreements with Copersucar

Uppon withdrawing from the Copersucar arrangement, the Company entered into an agreement that provides for rights and obligations that have not yet expired. The main obligations and rights are described below.

a) Obligations:

Copersucar provided funds to member companies, through bills of exchange, for the purpose of financing their operations. The funds were obtained by the Cooperative and related to temporary cash surpluses arising from preliminary injunctions in lawsuits claiming suspension of the enforceability of taxes. These cash surpluses were recorded by the Cooperative as provisions for contingencies in non-current liabilities. However, in the event of unfavorable outcomes in the lawsuits, the Company could be required to reimburse the amount within 120 days. The main amounts included in these liabilities arose from Excise Tax (IPI), the constitutionality and lawfulness of which the Cooperative challenged in court, and from tax liabilities included in the Tax Recovery Program (REFIS) of Copersucar, as shown below.

Parent company and Consolidated	September 30, 2019	March 31, 2019
REFIS - Copersucar - Restated by reference to SELIC rate	70,899	77,036
Exchange Bill (LC) - Restated by reference to SELIC rate	70,521	69,805
Exchange Bill (LC) - Transfer of funds without imposition of charges	52,356	52,356
Expenses with tax proceedings	9,094	9,094
Others	2,300	2,301
Total	**205,170**	**210,592**
Current	**9,094**	**9,094**
Non-current	**196,076**	**201,498**

All the liabilities of the Company to Copersucar are guaranteed by bank sureties. In addition, in accordance with the terms negotiated for the withdrawal from Copersucar, the Company remains liable for the payment of any obligations, in proportion to its interest in Copersucar in previous harvests, which result from tax assessments that may arise and that relate to periods in which the Company was a cooperative member.

Copersucar has been served delinquency notices with respect to State Value-Added Tax (ICMS) on sales of fuel and industrial ethanol made through to December 31, 2008, of which the amount attributed to the Company would be R$ 269,026 (estimated and indexed up to September 30, 2019). Copersucar is vigorously defending itself against the fines imposed and believes its arguments will prevail. Under advice of legal counsel risk of loss is considered possible.

b) **Rights:**

Copersucar is also a plaintiff in legal proceedings claiming the refund/overpayment of various taxes or indemnities. The Company, as a former cooperative member, will be entitled to a proportion of these credits, if any, and will inform the market when its legal right to these amoiunts is secured.

Copersucar's financial statements at March 31, 2019 disclose that it calculated and transferred to Cooperative Members the first installment (R$906 million) of the court-ordered debt payment issued in June 2017, in the total amount of R$5.6 billion (Company's share amounting to R$730.5 million), under the court ruling that ordered the Federal Government to pay damages arising from fixing a ceiling for sugar and ethanol prices for sales made in the 1980s. Upon transferring the funds (held during March, 19), Copersucar withheld a portion for litigation seeking damages and the levy of PIS and COFINS taxes, while undertaking to transfer the corresponding amounts in the event of a favorable outcome.

The lawsuit also files for a supplementary claim of R$12.8 billion (Company's share R$1.7 billion), thought the federal government claims an overestimation of R$2.2 billion (Company's share R$286.3 million). In June 2018, a supplementary court-ordered debt payment of R$10.6 billion was issued (Company's share R$1.4 billion).

On April 29, 2019, the second installment of the first court-ordered debt payment and the first installment of the supplementary court-ordered debt payment were deposited in court by the Federal Government. The release of these funds is pending court procedures and the balance of the court-ordered debt payments already issued will follow the apropriate legal procedures.

The Company, in coordination with Copersucar, also filed a lawsuit, supported by a judicial deposit, claiming the suspension of the enforceability of IRPJ/CSLL/PIS/COFINS payment. The judicial deposit, of R$ 58,313, was recorded in liabilities, as "Taxes with suspended payment". An amount of R$3,313 was transferred to Luiz Ometto Participações S.A. ("LOP"), as provided for in the Agreement for Purchase and Sale of Shares of Santa Cruz S.A. Açúcar e Álcool ("USC"). After the transfer and withholding of the amounts related to court expenses and taxes under litigation, the balance of R$106,499 was recorded within "Other expenses (income), net". Although management classifies the receipt of the remainder credit as probable, the amount has not been recorded, since its receipt is not under the Company's control.

All amounts in thousands of reais unless otherwise stated

17. Equity

a) Share capital

The share capital at September 30 and March 31, 2019 totaling R$ 1,696,652 and comprised 354,011,329 registered common shares with no par value.

The Company is authorized to increase its capital up to three hundred and seventy-two million common shares, without need to amend its bylaws, upon issue of a resolution by the Board of Directors determining the share issue conditions, including price and payment term.

b) Treasury shares

Treasury shares, repurchased own equity instruments, are recognized at acquisition cost as a reduction to equity. No gain or loss is recognized in the statement of income upon the purchase, sale, issue or cancellation of the Company's equity instruments.

The Board of Directors' meeting held on June 24, 2019 approved the cancellation of 10 million treasury shares, and launch of the 6th Share Buyback Program limited to 10 million shares. Changes in the quarter were as follows:

	March 31, 2019	Acquisition of shares	Cancellation of shares	September 30, 2019
Quantity	13,208,663	1,937,400	(10,000,000)	5,146,063
Average price	17.72	17.79	(17.72)	17.75
Total amount	**234,100**	**34,466**	**(177,232)**	**91,334**

c) Carrying value adjustments

(i) Deemed cost

This corresponds to the surplus on revaluation of deemed cost of land, buildings and industrial facilities, vehicles and machinery, and agricultural implements. The amounts are recorded net of tax effects and their realization is based on the depreciation, write-off or sale of the related assets. The realized amounts are transferred to the "Retained earnings".

(ii) **Hedge accounting fair value**

This relates to the results of unrealized/settled derivative financial instrument transactions that qualify for hedge accounting. The balance is reversed over time from equity, as the related transactions mature/are shipped.

d) **Revenue reserve**

Legal reserve

The legal reserve is credited annually with 5% of the profit for the year, up to the limit of 20% of the capital. The legal reserve has the purpose of preserving the integrity of capital and can only be used to offset losses and increase capital.

Capital budget reserve

The capital budget reserve is intended to fund investments to increase the production capacity or for improving processes.

Unrealized profit reserve

This reserve refers to unearned income from the sale of an ownership interest in Agro Pecuária Boa Vista S/A, sale of properties arising from real estate developments and from changes in shareholdings.

Tax incentive reserve

The Company benefits from a tax incentive program of the State of Goiás, effective until 2033, in the form of deferral of ICMS payment - the "Goiás Industrial Development Program - Produzir" - which provides for a partial tax discount. The use of this benefit is conditional upon compliance with all the obligations set forth in the program, all of which are under the Company's control.

The benefit related to the reduction in the payment of ICMS is calculated on the debt balance determined for each calculation period, by applying the discount percentage granted by the tax incentive.

The amount of this grant calculated for the period was recorded in the statement of income in "Deductions from gross revenue", reducing the "ICMS payable" account. Since this amount may not be destined as dividends, a reserve for tax incentives is set up in the amount of the grant, with a corresponding entry to "Retained earnings".
The incentive amount that impacted the result in this quarterly information was R$ 45,084 in the parent and consolidated, (R$ 28,429 at September 30, 2018).

e) Stock option plan

During the year ended March 31, 2019, the change was made to current the Stock Option Plan (Note 8(d)), as approved at a Board of Directors' meeting held on May 2, 2018. The corresponding balance was transferred to current liabilities.

f) Capital reserve

This refers to the valuation at market value of the Company's shares issued at the exchange of shares with non-controlling shareholders.

g) Dividends

Shareholders are entitled to a minimum dividend of 25% of the profit for the year, after the deduction of any accumulated deficit, and the transfer to the legal reserve and tax incentive reserve.

At the Annual General Meeting held on July 26, 2019, the shareholders approved the payment of additional dividends in the amount of R$ 28,923, as proposed by management in the year ended March 31, 2019.

18. Profit sharing program

The Company manages a profit-sharing program for its employees linked to a prior plan that includes operating and financial targets. The amounts of profit sharing for the current period and for the period ended September 30, 2018, recorded as operating costs or expenses in the statement of income, totaled R$ 28,136 and R$ 28,164, respectively, in the parent company (R$ 28,260 and R$ 21,170, respectively, in the consolidated).

19. Income tax and social contribution

Deferred income and social contribution taxes are calculated on income and social contribution tax losses, and corresponding temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset temporary differences and/or tax losses, considering projections of future profitability based on internal assumptions and future economic scenarios, which may, therefore, suffer changes.

The Company has adopted IFRIC 23/ICPC 22 - Uncertainty over Income Tax Treatments, which addresses the accounting of income taxes in cases where tax treatments involve uncertainty that affects IAS 12 (CPC 32), to determine whether there are uncertain tax treatments, separately or in conjunction, for one or more cases. The approach that best predicts the resolution of uncertainties should be followed. The Company did not identify any impacts from the adoption of this interpretation.

All amounts in thousands of reais unless otherwise stated

a) Changes in deferred income tax and social contribution

		Quarter		
Parent company	June 30, 2019	Recognized in profit or loss	Recognized in other comprehensive income	September 30, 2019
income tax and social contribution losses	37,054	(17,639)	-	19,415
Derivative financial instruments	64,857	2,126	46,549	113,532
Provision for contingencies	39,809	(1,654)	-	38,155
Biological assets and agricultural product (fair value)	32,187	3,297	-	35,484
Provision for other obligations	12,575	4,449	-	17,024
Foreign exchange variation	55,402	(69)	-	55,333
Land leases and partnerships	997	18,825	-	19,822
Other assets	3,798	(1,903)	-	1,895
Total income and social contribution tax assets	**246,679**	**7,432**	**46,549**	**300,660**
Surplus on revaluation of PP&E (deemed cost)	(179,708)	4,588	-	(175,120)
Accelerated depreciation incentive	(332,166)	(7,137)	-	(339,303)
Tax benefit on merged goodwill	(165,714)	(5,537)	-	(171,251)
Gain on bargain purchase/surplus on revaluation of PPA	(24,629)	1,642	-	(22,987)
Foreign exchange variation	(25,391)	-	-	(25,391)
Divesture with deferred taxation	(16,262)	-	-	(16,262)
Securitized financing	(6,841)	2,225	-	(4,616)
Adjustment to present value	(32)	32	-	-
Total income and social contribution tax liabilities	**(750,743)**	**(4,187)**	**-**	**(754,930)**
Deferred income tax and social contribution	**(504,064)**	**3,245**	**46,549**	**(454,270)**

		Quarter			
Consolidated	June 30, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Consolidation adjustment - Rights on electricity contracts	September 30, 2019
income tax and social contribution losses	37,053	(17,639)	-	-	19,414
Derivative financial instruments	64,857	2,126	46,549	-	113,532
Provision for contingencies	39,810	(1,654)	-	-	38,156
Biological assets and agricultural product (fair value)	32,189	3,297	-	-	35,486
Provision for other obligations	13,064	4,449	-	-	17,513
Foreign exchange variation	55,402	(69)	-	-	55,333
Land leases and partnerships	997	18,825	-	-	19,822
Other assets	3,433	(1,374)	-	-	2,059
Total income and social contribution tax assets	**246,805**	**7,961**	**46,549**	**-**	**301,315**
Surplus on revaluation of PP&E (deemed cost)	(661,375)	4,663	-	-	(656,712)
Accelerated depreciation incentive	(332,166)	(7,137)	-	-	(339,303)
Tax benefit on merged goodwill	(165,714)	(5,537)	-	-	(171,251)
Gain on bargain purchase/surplus on revaluation of PPA	(24,629)	1,642	-	-	(22,987)
Foreign exchange variation	(25,391)	-	-	-	(25,391)
Divesture with deferred taxation	(16,262)	-	-	-	(16,262)
Securitized financing	(6,841)	2,226	-	-	(4,615)
Adjustment to present value	(31)	31	-	-	-
Intangible assets	(17,320)	-	-	1,697	(15,623)
Gain on change of interest held in CTC	(5,068)	-	-	-	(5,068)
Total income and social contribution tax liabilities	**(1,254,797)**	**(4,112)**	**-**	**1,697**	**(1,257,212)**
Deferred income tax and social contribution	**(1,007,992)**	**3,849**	**46,549**	**1,697**	**(955,897)**
Other deferred taxes	**(539)**	**-**	**-**	**-**	**(539)**

All amounts in thousands of reais unless otherwise stated

Parent company	March 31, 2019	Year-to-date: Recognized in profit or loss	Year-to-date: Recognized in other comprehensive income	September 30, 2019
income tax and social contribution losses	37,333	(17,918)	-	19,415
Derivative financial instruments	80,673	4,886	27,973	113,532
Provision for contingencies	39,035	(880)	-	38,155
Biological assets and agricultural product (fair value)	35,340	144	-	35,484
Provision for other obligations	8,001	9,023	-	17,024
Foreign exchange variation	53,357	1,976	-	55,333
Land leases and partnerships	-	19,822	-	19,822
Other assets	4,004	(2,109)	-	1,895
Total income and social contribution tax assets	**257,743**	**14,944**	**27,973**	**300,660**
Surplus on revaluation of PP&E (deemed cost)	(183,539)	8,419	-	(175,120)
Accelerated depreciation incentive	(319,571)	(19,732)	-	(339,303)
Tax benefit on merged goodwill	(160,177)	(11,074)	-	(171,251)
Gain on bargain purchase/surplus on revaluation of PPA	(26,271)	3,284	-	(22,987)
Foreign exchange variation	(25,391)	-	-	(25,391)
Divesture with deferred taxation	(16,262)	-	-	(16,262)
Securitized financing	(8,761)	4,145	-	(4,616)
Adjustment to present value	(213)	213	-	-
Total income and social contribution tax liabilities	**(740,185)**	**(14,745)**	**-**	**(754,930)**
Deferred income tax and social contribution	**(482,442)**	**199**	**27,973**	**(454,270)**

Consolidated	March 31, 2019	Year-to-date: Recognized in profit or loss	Year-to-date: Recognized in other comprehensive income	Year-to-date: Consolidation adjustment - Rights on electricity contracts	September 30, 2019
income tax and social contribution losses	37,332	(17,918)	-	-	19,414
Derivative financial instruments	80,674	4,886	27,973	-	113,533
Provision for contingencies	39,036	(880)	-	-	38,156
Biological assets and agricultural product (fair value)	35,342	144	-	-	35,486
Provision for other obligations	8,490	9,023	-	-	17,513
Foreign exchange variation	53,357	1,976	-	-	55,333
Land leases and partnerships	-	19,822	-	-	19,822
Other assets	3,358	(1,299)	-	-	2,059
Total income and social contribution tax assets	**257,589**	**15,754**	**27,973**	**-**	**301,316**
Surplus on revaluation of PP&E (deemed cost)	(665,336)	8,624	-	-	(656,712)
Accelerated depreciation incentive	(319,571)	(19,732)	-	-	(339,303)
Tax benefit on merged goodwill	(160,177)	(11,074)	-	-	(171,251)
Gain on bargain purchase/surplus on revaluation of PPA	(26,271)	3,284	-	-	(22,987)
Foreign exchange variation	(25,391)	-	-	-	(25,391)
Divesture with deferred taxation	(16,262)	-	-	-	(16,262)
Securitized financing	(8,761)	4,146	-	-	(4,615)
Adjustment to present value	(212)	212	-	-	-
Intangible assets	(18,761)	-	-	3,137	(15,624)
Gain on change of interest held in CTC	(5,068)	-	-	-	(5,068)
Total income and social contribution tax liabilities	**(1,245,810)**	**(14,540)**	**-**	**3,137**	**(1,257,213)**
Deferred income tax and social contribution	**(988,221)**	**1,214**	**27,973**	**3,137**	**(955,897)**
Other deferred taxes	**(539)**	**-**	**-**	**-**	**(539)**

The deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them with current taxes due the same tax authority.

The Group recognizes deferred tax assets based on projections of taxable profit. These projections, which cover a period up to ten years are reviewed annually.

All amounts in thousands of reais unless otherwise stated

Deferred income tax and social contribution liabilities are realized mainly through the depreciation and disposal of the property, plant and equipment items that gave rise to them. The realization of these liabilities is estimated at the average rate of 15% per year, according to the depreciation rates of the respective property, plant and equipment items, except for the deferred tax liabilities on surplus on revaluation of land, which are realized upon disposal.

b) Reconciliation of the income tax and social contribution expense

				Parent company
	September 30, 2019		September 30, 2018	
	Quarter	Year-to-date	Quarter	Year-to-date
Profit before taxes	58,770	125,288	56,832	208,513
Income tax and social contribution at nominal rates - 34%	**(19,982)**	**(42,598)**	**(19,323)**	**(70,894)**
Adjustments for calculation of the effective tax rate:				
. Equity in the results of subsidiaries	16,081	28,258	13,802	26,697
. Permanent (additions) exclusions, net	(527)	(856)	3,139	9,639
. State subsidy	7,605	15,328	4,097	(11,118)
. Tax incentives	-	-	-	(325)
. Recognition of income tax and social contribution credits from prior years (i)	35	28,025	-	-
. Others	-	-	-	(6)
Income tax and social contribution expense	**3,212**	**28,157**	**1,715**	**(46,007)**
Income tax and social contribution at the effective rate	-5.5%	-22.5%	-3.0%	22.1%
Current income tax and social contribution	(33)	27,958	4,097	19,985
Deferred income tax and social contribution	3,245	199	(2,382)	(65,992)

				Consolidated
	September 30, 2019		September 30, 2018	
	Quarter	Year-to-date	Quarter	Year-to-date
Profit before taxes	61,250	130,135	58,932	212,757
Income tax and social contribution at nominal rates - 34%	**(20,825)**	**(44,246)**	**(20,037)**	**(72,337)**
Adjustments for calculation of the effective tax rate:				
. Equity in the results of subsidiaries	272	411	202	(87)
. Permanent (additions) exclusions, net	(527)	(857)	3,140	9,639
. State subsidy	7,605	15,328	-	-
. Adjustment to the calculation relating to subsidiary taxed based on deemed p	14,177	24,653	12,215	23,984
. Recognition of income tax and social contribution credits from prior years (i)	35	28,026	4,097	(11,118)
. Tax incentives	-	-	-	(323)
. Others	(5)	(5)	(2)	(9)
Income tax and social contribution expense	**732**	**23,310**	**(385)**	**(50,251)**
Income tax and social contribution at the effective rate	-1.2%	-17.9%	0.7%	23.6%
Current income tax and social contribution	(3,117)	22,096	1,549	14,848
Deferred income tax and social contribution	3,849	1,214	(1,934)	(65,099)

(i) Following the enactment of Complementary Law 160/2017, which amended Law 12,973 / 2014, the Company started to record the credit granted by the State of Goiás as an investment subsidy, which resulted in an extemporaneous IRPJ/ CSLL credit for the period ended September 30, 2019.

20. Commitments

The Group assumes various commitments in the ordinary course of its business, among are the following:

Forests in Environmental Protection and Legal Reserve areas

São Martinho has uncultivated areas, restricted to assure preservation of native vegetation in the process of regeneration or enrichment, for forests under environmental protection and legal reserves. This is designed to achieve an ecological balance, contributing to the preservation of biodiversity and sustainability of agricultural activities.

São Martinho's commitment to maintaining best environmental practices and sustainable action is evidenced by its compliance with the Forest Code and other environmental legislation regarding Permanent Preservation Areas (PPA) and Legal Reserve (LR). For the existing vegetation on its properties, the Group carries out enhanced regeneration planting to preserve the biodiversity and provide sustainability for its operations. The registration of all the Group's properties with the Rural Environmental Register (CAR) and adhesion to the Environmental Regularization Program (PRA), is awaiting legal regulation to be implemented.

The amounts and time required to comply with these environmental regulations, as well as the manner in which the process will be carried out, are not measurable at the moment. Investments in preservation areas, and other activities in connection with environmental regularization, when made, are recorded in property, plant and equipment.

Ethanol supply agreement

Through a sale and purchase agreement, the Company has agreed to supply industrial ethanol to Mitsubishi Corporation for 30 years, up to the 2038/2039 crop, under market conditions.

Supply of electricity

The Company, Bio SC and BIO SM entered into commitments to sell the surplus of their production through the Electric Energy Trade Chamber (CCEE) both in the regulated market (auctions) and in the free market (sales contracts with third parties).

Purchases of inputs

The Company continually executes purchase agreements for the acquisition of agricultural inputs to be used in the maintenance of its crops during the harvest. These transactions are generally carried out through purchase for future delivery.

All amounts in thousands of reais unless otherwise stated

21. Provisions for contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are set up, reviewed and adjusted to reflect management's best estimate at the reporting dates.

21.1 Probable losses

The Group, based on the advice of its legal counsel's assessment of probable losses, has recorded the following provisions for contingencies (with interest/indexation accruals):

					Parent company
	Tax	Civil and environmental	Labor	TOTAL	Judicial deposits
At March 31, 2019	15,370	27,173	60,807	103,350	27,035
Additions	110	932	11,733	12,775	65,535
Reversals	(175)	(1,055)	(6,641)	(7,871)	-
Utilization	(162)	(695)	(9,253)	(10,110)	(5,967)
Restatements	372	138	1,981	2,491	590
At September 30, 2019	**15,515**	**26,493**	**58,627**	**100,635**	**87,193**

					Consolidated
	Tax	Civil and environmental	Labor	TOTAL	Judicial deposits
At March 31, 2019	15,370	27,640	60,807	103,817	27,210
Additions	110	948	11,733	12,791	65,547
Reversals	(175)	(1,054)	(6,641)	(7,870)	-
Utilization	(163)	(712)	(9,253)	(10,128)	(5,967)
Restatements	372	164	1,981	2,517	590
At September 30, 2019	**15,514**	**26,986**	**58,627**	**101,127**	**87,380**

Judicial deposits include interest/indexation accruals and presented in non-current assets.

At the date of this quarterly information, the nature of the main lawsuits included in the provisions above is as follows (parent company and consolidated):

Tax lawsuits:
Relate to: (a) taxes for which payment is being challenged in court by the Group; the amounts challenged have been deposited in court; and (b) success fees payable to legal counsel for defenses in tax lawsuits.

Civil and environmental lawsuits:
Relate to: (i) general indemnities; (ii) redress for damages caused by cases of post-harvest sugarcane burning in the fields; (iii) environmental issues and (iv) success fees payable to legal counsel for defenses in civil and environmental lawsuits.

All amounts in thousands of reais unless otherwise stated

Labor lawsuits:
Relate mainly to claims for: (i) overtime; (ii) commuting hours; (iii) indemnity for elimination of the break between shifts; (iv) hazardous duty and health hazard premiums; (v) refund of payroll deductions such as union dues; (vi) night shift premium; and (vii) recognition of employment relationship with the consequent payment of the 13th month salary and vacation pay, plus 1/3 vacation bonus.

21.2 Possible losses

São Martinho is a party to various litigations involving tax, environmental and civil matters that were assessed by legal counsel as involving possible losses. The nature and the amounts thereof are as follows:

		Parent company				Consolidated			
		September 30, 2019		March 31, 2019		September 30, 2019		March 31, 2019	
Nature		Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
Environmental		56	7,781	59	8,485	56	7,781	59	8,485
Civil									
Indemnities		41	26,769	40	25,811	41	26,769	40	25,811
Review of contracts		12	2,365	11	7,385	13	2,385	12	7,404
Other proceedings		17	178	21	160	19	221	21	160
Labor		48	8,726	47	1,582	48	8,726	47	1,582
Tax									
Social security contribution	(i)	16	222,322	16	215,618	16	222,322	16	215,618
Computation of IRPJ/CSLL	(ii)	5	285,890	5	277,268	5	285,890	5	277,268
Offset of federal taxes	(iii)	62	97,541	61	93,590	63	101,526	61	93,590
ICMS	(iv)	13	27,897	13	27,834	13	27,897	13	27,834
Other proceedings	(v)	14	1,881	15	2,456	14	1,881	15	2,456
TOTAL		**284**	**681,350**	**288**	**660,189**	**288**	**685,398**	**289**	**660,208**

Tax lawsuits:

(i) The lawsuits relate to the levy of the Social Security Contribution (INSS) on export revenue, under the allegation that the exports carried out through the intermediation of a cooperative are not covered by the exemption in article 149, paragraph 2, of the Federal Constitution.

(ii) The lawsuits relate to the exclusion from the income tax and social contribution calculation basis, expenses related to securitized financing, as well as expenses from accelerated tax-incentive depreciation benefit, as provided for in Article 325 of the Income Tax Regulations (RIR)/2018.

(iii) The lawsuits relate to requests to offset IRPJ, CSLL, PIS, COFINS, and other federal taxes as a result of overpayments and/or tax losses, and tax credits proportional to the export revenue, which have been rejected by the Brazilian Federal Revenue Service (RFB), and are currently pending judgment of protest letters/voluntary appeals.

(iv) These lawsuits address allegedly undue ICMS credit, based on the Control of ICMS Credit on Permanent Assets (CIAP).

(v) These lawsuits relate to disputes involving other tax matters, such as, among others, tax delinquency notices related to a fine arising from disallowed offset, Municipal Real Estate Tax (IPTU) collection claims, contribution to the National

Service for Industrial Training (SENAI), and the fee payable to the National Department of Mineral Research (DNPM).

Civil proceedings comprise lawsuits for damage, in general arising from *(i)* traffic accidents and *(ii)* review of contracts.

The environmental lawsuits relate to assessment notices from the Environmental Entity of São Paulo State (CETESB) and/or for breach of environmental policy due to sugarcane burning, as well as annulment actions to cancel the fines imposed by the aforementioned entities.

The labor lawsuits are mainly related to notices of infraction drawn up by the Ministry of Labor and/or annulment actions to cancel these notices.

22. Risk management and derivative financial instruments

The Company is exposed to market risks, including foreign exchange risk, commodity price volatility risk, interest rate risk, credit risk and liquidity risk. Management believes that risk management is fundamental to: (i) monitor, on a continuous basis, the exposure levels relating to the sales volumes contracted; (ii) estimate the value of each risk, based on the established limits of foreign exchange exposure and sugar sales prices; and (iii) prepare future cash flow forecasts and define the approval authority levels for taking out financial instruments designed to protect product prices and hedge sales performance against foreign exchange fluctuation, price volatility and interest rate.

Derivative financial instruments are contracted exclusively for the purpose of pricing and hedging the Company's exports of sugar, ethanol and other products against foreign exchange risk, price fluctuation, and interest rate variations. São Martinho does not enter into financial instruments for speculative purposes.

22.1 Market risk

a) Foreign exchange risk

Management's policy requires that the Group companies manage their foreign exchange risk to reduce the adverse effects of a possible currency mismatch.

Non-Derivable Forwards (NDF) and swap and options strategies are used to manage this risk. The Group's financial risk management policy defines guidelines that establish the protection for expected cash flows, mainly those related to export sales.

<u>Assets and liabilities subject to foreign exchange variations</u>

All amounts in thousands of reais unless otherwise stated

The table below summarizes foreign currency-denominated assets and liabilities (in U.S. dollars - US$), recorded in the balance sheet at September 30, 2019:

Consolidated	September 30, 2019	Equivalent to thousands of US$
Current and non-current assets		
Cash and cash equivalents (banks - demand deposits)	46,742	11,226
Trade receivables	120,368	28,908
Derivative financial instruments	58,965	14,161
Total assets	226,075	54,295
Current and non-current liabilities:		
Borrowings	1,554,904	373,380
Derivative financial instruments	73,475	17,644
Total liabilities	1,628,379	391,024
Subtotal assets (liabilities)	(1,402,304)	(336,729)
(-) Borrowings linked to exports - ACC and PPE	1,554,904	373,380
Net exposure - assets	**152,600**	**36,651**

These assets and liabilities were adjusted based on the September 30, 2019 exchange rate: R$ 4.1638 per US$ 1.00 for assets and R$ 4.1644 per US$ 1.00 for liabilities.

b) Commodity price volatility risk

São Martinho is exposed to the risk of changes in commodity prices of manufactured products such as sugar and ethanol. At September 30, 2019, the price of 510,209 metric tons of sugar was determined with commercial partners for delivery in the 19/20 crop, priced at an average of 13.54 ¢/lb (cents per pound weight), and 201.027 tons priced at an average of 13.61 ¢/lb for delivery in the 20/21 crop, including the polarization premium.

c) Cash flow and fair value interest rate risk

The Group's practice is to enter into borrowings at floating rates. Regarding borrowings in local currency, the risk of fluctuation in interest rates is mitigated naturally since all financial investments are linked to floating rates. For foreign currency, swaps may be contracted to mitigate possible interest-rate fluctuations (Libor).

d) Market risk sensitivity analysis

The following table provides a sensitivity analysis of the effects of changes in the relevant risk factors to which the Company is exposed. The analysis considers only instruments that are not designated for hedge accounting.

All amounts in thousands of reais unless otherwise stated

		Impacts on P/L		
Consolidated	**Risk factor**	**Probable scenario 5%**	**Possible scenario 25%**	**Possible scenario 50%**
Cash and cash equivalents	Decrease in exchange rate - R$/US$	(2,337)	(11,685)	(23,370)
Trade receivables	Decrease in exchange rate - R$/US$	(6,019)	(30,096)	(60,193)
Borrowings	Increase in exchange rate - R$/US$	(521)	(2,604)	(5,209)
Derivative financial instruments				
Currency forward contracts	Increase in exchange rate - R$/US$	(28)	(138)	(276)
Swap contracts	Decrease in exchange rate - R$/US$ and increase in the yield curve	(195)	(487)	(974)
Net exposure		**(9,100)**	**(45,011)**	**(90,022)**

The sensitivity analysis of variations in interest curves considers the effects of an increase or decrease of 5bps, 25bps and 50bps (basis points) in the pricing curve of the derivative instrument. The exposure to rates relates exclusively to variations in the Interbank Deposit (DI) interest rate curve.

e) Financial instruments

São Martinho elected to use hedge accounting to record the following derivative financial instruments: a) derivatives of sugar, ethanol and foreign currency - US dollar; and b) foreign currency debts - US dollar - that cover sales of the 2018/2019 to 2024/2025 crops, and were classified as cash flow hedge of highly probable expected transactions (future sales).

In order to apply hedge accounting, prospective tests were carried out to verify effectiveness. These tests showed that the hedge-designated instruments qualify as highly effective hedges against the effects of price fluctuations on the value of future sales.

In the case of sugar hedges, the derivatives were designated as a protection of cash flow variations arising from future sales of sugar. These transactions are carried out on the New York - Intercontinental Exchange (ICE Futures US), with top-tier financial institutions, through over-the-counter contracts or directly with customers.

In the case of foreign exchange hedges, derivative and non-derivative financial instruments were designated as cash flow hedges in respect of future sales in foreign currency. These hedges are contracted through Non-Deliverable Forwards (NDFs), swap and option strategies as well as foreign currency borrowings from top-tier financial institutions.

In this quarterly information and at March 31, 2019, the balances of assets and liabilities related to transactions involving derivative financial instruments and the maturity dates were as follows:

All amounts in thousands of reais unless otherwise stated

Parent company and Consolidated	September 30, 2019 Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Margin deposit				23,177
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	185,073	13.37	227,175	11,012
. Purchase commitment	30,532	12.14	34,030	1,445
Commodity futures contracts - Ethanol				
. Sale commitment	3,900	1,814.23	7,075	59
Commodity forward contracts - Sugar #11				
. Sale commitment	2,540	13.81	3,220	269
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	65,146	4.2554	277,222	5,018
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in put options	78,490	13.85	99,805	10,948
Flex option contracts - US dollar - OTC				
. Bidding position in call options	613	3.9061	2,394	199
. Bidding position in put options	13,004	3.8148	49,608	278
Interest rate swap contracts - OTC				4,287
Total derivative financial instruments in current assets				**56,692**
In non-current assets - Gain				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	22,455	13.93	28718	839
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	4,384	4.3031	18865	151
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in put options	25,401	12.5	29151	1,283
Total derivative financial instruments in non-current assets				**2,273**

Parent company and Consolidated	September 30, 2019 Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current liabilities - Loss				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	125,634	12.59	145,218	2,561
. Purchase commitment	7,366	13.03	8,812	257
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	130,471	3.9564	516,195	29,180
. Purchase commitment	5,479	4.1800	22,902	109
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Short position in call options	78,490	15.11	108,884	1,141
Flex option contracts - US dollar - OTC				
. Short position in call options	13,616	3.9338	53,563	3,907
Interest rate swap contracts - OTC				4,599
Total derivative financial instruments in current liabilities				**41,754**
In non-current liabilities - Loss				
Interest rate swap contracts - OTC				26,657
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	3,810	13.4700	4,712	19
Currency forward contracts (NDF) - US dollar - OTC				
. Purchase commitment	1,413	4.2918	6,064	34
. Sale commitment	27,470	4.1463	113,899	3,670
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Short position in call options	25,401	14.7500	34,398	1,341
Total derivative financial instruments in non-current liabilities				**31,721**

All amounts in thousands of reais unless otherwise stated

Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
				March 31, 2019
In current assets - Gain				
Margin deposit				17,383
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	225,207	13.25	256,347	8,769
. Purchase commitment	21,439	12.08	22,249	877
Commodity forward contracts - Sugar #11				
. Sale commitment	58,423	13.08	65,648	1,591
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	51,615	4.2462	219,168	13,514
. Purchase commitment	166	3.7403	621	30
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in put options	97,287	13.53	113,079	8,471
Flex option contracts - US dollar - OTC				
. Bidding position in call options	613	3.9061	2,394	177
. Bidding position in put options	26,586	3.8293	101,806	3,155
Total derivative financial instruments in current assets				**53,967**
In non-current assets - Gain				
Interest rate swap contracts - OTC				229
Total derivative financial instruments in non-current assets				**229**

Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
				March 31, 2019
In current liabilities - Loss				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	125,380	12.09	130,222	9,047
. Purchase commitment	1,575	12.82	1,735	29
Commodity forward contracts - Sugar #11				
. Sale commitment	2,032	13.79	2,407	2
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	131,240	3.8425	504,290	15,511
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Short position in call options	97,287	14.83	123,944	3,693
Flex option contracts - US dollar - OTC				
. Short position in call options	27,198	3.9651	107,843	5,335
Interest rate swap contracts - OTC				3,752
Total derivative financial instruments in current liabilities				**37,369**
In non-current liabilities - Loss				
Interest rate swap contracts - OTC				13,520
Total derivative financial instruments in non-current liabilities				**13,520**

Margin deposit balances relate to funds maintained in current accounts with brokers to cover the initial margins and variation established by the Commodities Exchange on which the contracts are signed, for the purpose of ensuring outstanding contracts and net remittances related to daily adjustments resulting from price fluctuations in the futures and options market.

The potential results of futures, options and forward contracts relate to the cumulative positive (negative) effect of the fair value of derivative financial instruments, in the corresponding categories.

All amounts in thousands of reais unless otherwise stated

At September 30, 2019, financial instruments designated for hedge accounting are broken down as follows:

Parent company and Consolidated	Assets	Liabilities	Total in other comprehensive income
Financial instruments:			
Commodity derivatives - Futures, options and forward contracts	50,511	7,919	42,592
Foreign exchange derivatives - Options / NDF	5,301	35,876	(30,575)
Foreign exchange differences on borrowing agreements (Trade Finance)	-	315,097	(315,097)
	55,812	358,892	(303,080)
Deferred taxes on the items above	(18,976)	(122,024)	103,048
	36,836	**236,868**	**(200,032)**

f) Estimated realization

The impacts recorded in the Company's equity at September 30, 2013 and the estimated realization in profit or loss are as follows:

Parent company and consolidated	19/20 crop season	20/21 and 21/22 crop seasons	22/23 and 23/24 crop seasons	24/25 to 25/26 crop seasons	TOTAL
Derivative financial instruments:					
Commodity derivatives - Futures, options and forward contracts	41,462	1,130	-	-	42,592
Foreign exchange derivatives - Options / NDF	(24,706)	(5,869)	-	-	(30,575)
Foreign exchange differences on borrowing agreements (Trade Finance)	(75,156)	(54,244)	(100,064)	(85,633)	(315,097)
	(58,400)	(58,983)	(100,064)	(85,633)	(303,080)
Deferred taxes on the items above	19,855	20,055	34,022	29,116	103,048
	(38,545)	**(38,928)**	**(66,042)**	**(56,517)**	**(200,032)**

22.2 Credit risk

Credit risk is managed by contracting top-tier financial institutions as counter parties which meet the Group's risk assessment criteria. São Martinho controls, on a monthly basis, its exposure in derivatives and financial investments, using maximum concentration criteria, based on the rating of the financial institution.

With respect to customers default risk, the credit risk associated with each customer is assessed annually, and whenever a new customer is included in the Group's customer base, when an individual credit limit based on the risk identified is established.

22.3 Liquidity risk

The Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure that it has sufficient cash to meet operating needs and short-term debt.

Cash surplus in local currency is invested in repurchase agreements backed by corporate bonds, Bank Deposit Certificates (CDB) and investment funds pegged to the CDI interest rate, with high liquidity and active trading in the market.

All amounts in thousands of reais unless otherwise stated

Cash surplus in foreign currency is invested with daily liquidity at fixed rates previously established.

The table below analyzes the financial liabilities into relevant maturity groupings, based on the remaining period from the balance sheet date to the contractual maturity date.

Parent company	Up to 1 year	From 1 to 3 years	More than 3 years	Total
At September 30, 2019				
Borrowings	269,430	2,443,997	2,879,994	5,593,421
Leases payable	60,580	139,354	392,306	592,240
Land partnership payable	201,880	446,091	789,414	1,437,385
Derivative financial instruments	41,754	31,721	-	73,475
Trade payables	315,935	-	-	315,935
Acquisition of ownership interest	12,471	25,088	1,984	39,543
Other liabilities	13,337	390	6,260	19,987
	915,387	**3,086,641**	**4,069,958**	**8,071,986**
At March 31, 2019				
Borrowings	754,999	1,202,101	2,495,500	4,452,600
Derivative financial instruments	37,369	13,520	-	50,889
Trade payables	155,492	-	-	155,492
Acquisition of ownership interest	11,715	23,240	3,650	38,605
Other liabilities	21,216	390	6,260	27,866
	980,791	**1,239,251**	**2,505,410**	**4,725,452**

Consolidated	Up to 1 year	From 1 to 3 years	More than 3 years	Total
At September 30, 2019				
Borrowings	269,430	2,443,997	2,879,994	5,593,421
Leases payable	60,580	139,354	392,306	592,240
Land partnership payable	201,880	446,091	789,414	1,437,385
Derivative financial instruments	41,754	31,721	-	73,475
Trade payables	304,089	-	-	304,089
Acquisition of ownership interest	12,471	25,088	1,984	39,543
Other liabilities	13,432	390	6,260	20,082
	903,636	**3,086,641**	**4,069,958**	**8,060,235**
At March 31, 2018				
Borrowings	754,999	1,202,101	2,495,500	4,452,600
Derivative financial instruments	37,369	13,520	-	50,889
Trade payables	152,713	-	-	152,713
Acquisition of ownership interest	11,715	23,240	3,650	38,605
Other liabilities	27,020	390	6,260	33,670
	983,816	**1,239,251**	**2,505,410**	**4,728,477**

All amounts in thousands of reais unless otherwise stated

22.4 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may take actions to ensure the achievement of the objectives mentioned above, as permitted by the Brazilian Corporation Law.

23. Classification and fair value of financial instruments

23.1 Classification

Financial assets and liabilities are classified as follows:

			Parent company
	Classification	September 30, 2019	March 31, 2019
Financial assets			
Cash and cash equivalents	Amortized cost	47.416	197.170
Financial investments	Fair value through profit or loss	1.274.521	1.840.536
Trade receivables	Amortized cost	208.833	145.134
Derivative financial instruments	Fair value through other comprehensive income	208.838	145.143
Derivative financial instruments	Fair value through profit or loss	58.965	54.196
Related parties	Amortized cost	5	9
Other assets, except prepayments	Amortized cost	23.481	18.268
		1.822.059	**2.400.456**
Financial liabilities			
Borrowings	Fair value through profit or loss	9.574	16.496
Borrowings	Amortized cost	4.483.101	4.436.104
Derivative financial instruments	Fair value through other comprehensive income	38.549	33.617
Derivative financial instruments	Fair value through profit or loss	34.926	17.272
Trade payables	Amortized cost	315.935	155.492
Acquisitions of ownership interests	Amortized cost	38.593	38.605
Other liabilities	Amortized cost	19.987	27.866
		4.940.665	**4.725.452**

All amounts in thousands of reais unless otherwise stated

			Consolidated
	Classification	September 30,2019	March 31, 2019
Financial assets			
Cash and cash equivalents	Amortized cost	48,618	197,607
Financial investments	Fair value through profit or loss	1,363,162	1,891,606
Trade receivables	Amortized cost	275,492	185,900
Derivative financial instruments	Fair value through other comprehensive income	253,665	163,412
Derivative financial instruments	Fair value through profit or loss	58,965	54,196
Other assets, except prepayments	Amortized cost	23,718	19,183
		2,023,620	**2,511,904**
Financial liabilities			
Borrowings	Fair value through profit or loss	9,574	16,496
Borrowings	Amortized cost	4,483,101	4,436,104
Derivative financial instruments	Fair value through other comprehensive income	38,549	33,617
Derivative financial instruments	Fair value through profit or loss	34,926	17,272
Trade payables	Amortized cost	304,089	152,713
Acquisitions of ownership interests	Amortized cost	38,593	38,605
Other liabilities	Amortized cost	20,082	33,670
		4,928,914	**4,728,477**

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There is no history of significant default in the Group.

24. Fair value

For measuring and determining fair value, the Company uses various methods including market approaches, of income or cost, in order to estimate the value that market participants would use to price the asset or liability. Financial assets and liabilities carried at fair value are classified and disclosed within the following fair value hierarchy levels:

Level 1 - Quoted prices (unadjusted) in active, liquid and visible markets, for identical assets and liabilities that are readily available at the measurement date;
Level 2 - Quoted prices (which may be adjusted or not) for similar assets or liabilities in active markets; and
Level 3 - Assets and liabilities for which there is little, if any, market activity, or whose prices or valuation techniques are supported by inputs from a thin, nonexistent, or illiquid market (non-observable inputs).

During the reporting period, there were no reclassification of assets and liabilities at fair value to or from level 1, 2 or 3.

All amounts in thousands of reais unless otherwise stated

Parent company	September 30, 2019 Level 1	Level 2	Level 3	March 31, 2019 Level 1	Level 2	Level 3
Assets						
Financial investments	-	1,274,521	-	-	1,840,536	-
Derivative financial instruments	24,747	34,218	-	18,117	36,079	-
Biological assets	-	-	614,450	-	-	657,057
	24,747	**1,308,739**	**614,450**	**18,117**	**1,876,615**	**657,057**
Liabilities						
Derivative financial instruments	5,319	68,156	-	12,769	38,120	-
Borrowings	-	9,574	-	-	16,496	-
	5,319	**77,730**	**-**	**12,769**	**54,616**	**-**

Consolidated	September 30, 2019 Level 1	Level 2	Level 3	March 31, 2019 Level 1	Level 2	Level 3
Assets						
Financial investments	-	1,363,162	-	-	1,891,606	-
Derivative financial instruments	24,747	34,218	-	18,117	36,079	-
Biological assets	-	-	614,450	-	-	657,057
	24,747	**1,397,380**	**614,450**	**18,117**	**1,927,685**	**657,057**
Liabilities						
Derivative financial instruments	5,319	68,156	-	12,769	38,120	-
Borrowings	-	9,574	-	-	16,496	-
	5,319	**77,730**	**-**	**12,769**	**54,616**	**-**

Futures and Options - ICE

The fair value of futures traded on the New York - Intercontinental Exchange (ICE Futures US) and B3 - Brazil, Stock Exchange, OTC is calculated by the difference between the price of the derivative in the contract and the market closing price on the base date, obtained from quotations in the active market, and reconciled with creditor or debtor balances with the brokers. The fair value of options traded on the ICE is obtained from quotations in the market.

Currency options

The fair value of currency options is obtained by using the Black-76 Model, based on public market data and characteristics thereof, specifically the price of the underlying asset, strike of options, volatility, yield curve, and time remaining until the maturity of the agreements.

Forward contracts

The fair values of forward contracts, both for foreign exchange and sugar, contracted in the over-the-counter market with leading banks, are calculated using discounted future cash flow methods, which are based on market data on the date of each contract, specifically the DI and DDI interest curves published by the BM&F, PTAX 800 published by the Brazilian Central Bank, and ICE sugar futures prices.

Other financial assets and financial liabilities

The carrying amounts less impairment provision, or adjustment to present value, where applicable, of trade receivables, notes receivable, trade payables and notes payable are assumed to approximate their fair values.

All amounts in thousands of reais unless otherwise stated

25. Segment information (consolidated)

Management has determined the Group's operating segments based on the reports used for strategic decisions, which are reviewed by the main decision-makers, namely: the Executive Board, the CEO and the Board of Directors.

The analyses are made by business segment, as described below, based on the products sold by the Group:

(i) Sugar;
(ii) Ethanol;
(iii) Electricity;
(iv) Real estate developments; and
(v) Other less relevant products and by-products.

The analyses of operating segment performance are based on the results of operations of each product, focusing on profitability. The operating assets related to these segments are all located in Brazil.

Consolidated results by segment

							September 30, 2019
Consolidated	**Sugar**	**Ethanol**	**Electricity**	**Real estate ventures**	**Other products**	**Not by segment**	**Total**
Gross revenue							
Domestic market	61,639	724,477	157,217	18,649	52,586	-	1,014,568
Foreign market	411,283	237,581	-	-	-	-	648,864
Gain/loss on derivatives	3,974	(7,984)	-	-	-	-	(4,010)
Amortization of electricity supply contract	-	-	-	-	-	(6,010)	(6,010)
(-) Taxes, contributions, and deductions on sales	(3,698)	(109,319)	(12,555)	(1,378)	(8,068)	-	(135,018)
Net revenue	**473,198**	**844,755**	**144,662**	**17,271**	**44,518**	**(6,010)**	**1,518,394**
Cost of goods sold	(376,509)	(650,130)	(31,871)	(1,437)	(30,672)	-	(1,090,619)
Change in the market value of biological assets	-	-	-	-	-	(422)	(422)
Gross profit	**96,689**	**194,625**	**112,791**	**15,834**	**13,846**	**(6,432)**	**427,353**
Gross margin	20.43%	23.04%	77.97%	91.68%	31.10%	-	28.15%
Selling expenses	(33,814)	(23,502)	(5,390)		-		(62,706)
Other operating expenses, net						(90,846)	(90,846)
Operating profit	**62,875**	**171,123**	**107,401**	**15,834**	**13,846**	**(97,278)**	**273,801**
Operating margin	13.29%	20.26%	74.24%	91.68%	31.10%	-	18.03%
Other income and expenses not by segment	-	-	-	-	-	(120,356)	(120,356)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**153,445**

							September 30, 2018
Consolidated	**Sugar**	**Ethanol**	**Electricity**	**Real estate ventures**	**Other products**	**Not by segment**	**Total**
Gross revenue							
Domestic market	72,305	826,398	171,776	3,144	36,776	-	1,110,399
Foreign market	377,417	46,655	-	-	-	-	424,072
Gain/loss on derivatives	14,503	(793)	-	-	-	-	13,710
Amortization of electricity supply contract	-	-	-	-	-	(7,344)	(7,344)
(-) Taxes, contributions, and deductions on sales	(4,300)	(118,750)	(14,506)	(878)	(6,510)	-	(144,944)
Net revenue	**459,925**	**753,510**	**157,270**	**2,266**	**30,266**	**(7,344)**	**1,395,893**
Cost of goods sold	(392,568)	(515,692)	(25,078)	(183)	(18,736)	-	(952,257)
Change in the market value of biological assets	-	-	-	-	-	(412)	(412)
Gross profit	**67,357**	**237,818**	**132,192**	**2,083**	**11,530**	**(7,756)**	**443,224**
Gross margin	14.65%	31.56%	84.05%	91.92%	38.10%	-	31.75%
Selling expenses	(28,353)	(7,819)	(6,037)	-	(377)	-	(42,586)
Other operating income, net	-	-	-	-	-	(91,701)	(91,701)
Operating profit	**39,004**	**229,999**	**126,155**	**2,083**	**11,153**	**(99,457)**	**308,937**
Operating margin	8.48%	30.52%	80.22%	91.92%	36.85%	-	22.13%
Other income and expenses not by segment	-	-	-	-	-	(146,431)	(146,431)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**162,506**

All amounts in thousands of reais unless otherwise stated

Consolidated operating assets by segment

The main operating assets of the Group were segregated by segment based on the cost centers to which they are allocated and/or the apportionment criterion that takes into consideration the share of each product in relation to total production. This allocation could, therefore, vary from one period to another.

						September 30, 2019
	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade receivables	76,464	76,988	68,510	44,590	8,940	275,492
Inventories and advances to suppliers	483,809	744,353	-	8,358	8,110	1,244,630
Biological assets	324,248	290,202	-	-	-	614,450
Property, plant and equipment	2,177,931	3,014,090	137,087	-	3,504	5,332,612
Intangible assets	249,705	176,620	41,941	-	-	468,266
Right-of-use assets	724,468	1,017,009	-	-	4,349	1,745,826
Total assets allocated	**4,036,625**	**5,319,262**	**247,538**	**52,948**	**24,903**	**9,681,276**
Other unallocated assets	-	-	-	-	1,847,155	1,847,155
Total	**4,036,625**	**5,319,262**	**247,538**	**52,948**	**1,872,058**	**11,528,431**

						March 31, 2019
	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade receivables	40,482	72,055	36,354	31,221	5,788	185,900
Inventories and advances to suppliers	157,256	189,932	-	8,153	8,862	364,203
Biological assets	222,024	435,033	-	-	-	657,057
Property, plant and equipment	2,211,348	3,291,965	130,163	-	11,184	5,644,660
Intangible assets	249,864	177,587	51,048	-	-	478,499
Total assets allocated	**2,880,974**	**4,166,572**	**217,565**	**39,374**	**25,834**	**7,330,319**
Other unallocated assets	-	-	-	-	2,418,403	2,418,403
Total	**2,880,974**	**4,166,572**	**217,565**	**39,374**	**2,444,237**	**9,748,722**

Taking into consideration that the decision-makers analyze liabilities on a consolidated basis, the segment information relating to liabilities is not being disclosed.

26. Revenue

São Martinho recognizes revenue by reflecting the consideration it expects to receive in exchange for the control of goods and services.

There are no estimated losses in relation to sales of sugar and ethanol and other derivative products, since all performance obligations are fulfilled at the time the final product is delivered, which is also the time when revenue is recognized.

For the real estate development segment, the Company applies OCPC 04 - Application of Technical Interpretation 02, in accordance with CVM guidance, recognizing revenue over time (POC – percentage of completion). In the current interim financial information, the accumulated amount recorded is R$ 466 (as of September 30, 2018 - R$ 2,268).

All amounts in thousands of reais unless otherwise stated

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

a) Sales of goods and rendering of services

São Martinho sells sugar, ethanol, electricity, and sugarcane bagasse, among other products. Sales are recognized when the products are delivered to the customer. In order for revenue to be recognized, the Company follows the conceptual framework of the standard practice, thus: identification of contracts with customers, identification of performance obligations under contracts, determination of the transaction price, and transaction price allocation.

São Martinho renders planting, mechanization and logistics services. These services are priced according to the time incurred and the materials used, and are recognized as rendered.
At the reporting date, the Company had clients representing more than 10% of its net revenue. The Company's three largest customers of sugar sales account for about 33% of net revenue; in relation to ethanol, the three largest customers account for 21%.

b) Sale of plots of land and land subdivisions (real estate developments)

Sales revenue and cost of land inherent in the development are recognized in the statement of income to the extent that infrastructure work progresses, as directed by CVM and detailed above.

In relation of sales in installments of land whose infrastructure projects are completed, revenue is recognized when the sale is made, regardless of the receipt of the contractual amount, and is measured at the fair value of the consideration received and receivable. The amounts receivable are adjusted to present value.

	Parent company			
	September 30, 2019		September 30, 2018	
	Quarter	Six-month period	Quarter	Six-month period
Gross sales revenue				
Domestic market	409,716	926,291	512,917	1,031,298
Foreign market	367,893	648,864	161,572	424,072
Gain/loss on derivatives	(2,958)	(4,010)	(3,733)	13,710
	774,651	1,571,145	670,756	1,469,080
Taxes, contributions, and deductions on sales	(57,386)	(129,369)	(67,268)	(139,487)
	717,265	**1,441,776**	**603,488**	**1,329,593**

All amounts in thousands of reais unless otherwise stated

	Consolidated			
	September 30, 2019		September 30, 2018	
	Quarter	Six-month period	Quarter	Six-month period
Gross sales revenue				
Domestic market	465,737	1,014,568	554,693	1,110,399
Foreign market	367,893	648,864	161,572	424,072
Gain/loss on derivatives	(2,958)	(4,010)	(3,733)	13,710
	830,672	1,659,422	712,532	1,548,181
Amortization of electricity supply contract *(i)*	(3,247)	(6,010)	(3,668)	(7,344)
	827,425	1,653,412	708,864	1,540,837
Taxes, contributions, and deductions on sales	(60,760)	(135,018)	(70,155)	(144,944)
	766,665	**1,518,394**	**638,709**	**1,395,893**

(i) Amortization of the electricity supply contracts entered into with BIO SC.

27. Costs and expenses by nature

The reconciliation of expenses by nature is as follows::

	Parent company			
	September 30, 2019		September 30, 2018	
	Quarter	Year-to-date	Quarter	Year-to-date
Raw materials and consumables	179,503	334,336	168,509	369,144
Personnel expenses	83,407	187,397	83,564	175,342
Depreciation and amortization (including biological assets harveste	250,440	539,726	188,466	386,939
Third-party services	43,365	73,050	23,765	54,959
Maintenance parts and services	21,755	48,890	18,751	42,834
Litigation	(212)	3,905	4,006	5,548
Changes in the fair value of biological assets	9,696	422	5,843	412
Resale material	7,605	12,683	6,195	11,015
Other expenses	29,190	61,124	30,708	57,568
	624,749	**1,261,533**	**529,807**	**1,103,761**
Classified as:				
Cost of goods sold	540,302	1,101,145	460,052	967,434
Selling expenses	36,775	61,671	18,362	41,630
General and administrative expenses	47,672	98,717	51,393	94,697
	624,749	**1,261,533**	**529,807**	**1,103,761**

	Consolidated			
	September 30, 2019		September 30, 2018	
	Quarter	Year-to-date	Quarter	Year-to-date
Raw materials and consumables	159,391	314,230	160,294	351,572
Personnel expenses	84,211	188,915	84,215	176,696
Depreciation and amortization (including biological assets harveste	263,297	541,952	189,735	389,324
Third-party services	42,637	71,621	23,049	53,366
Maintenance parts and services	21,926	49,100	18,811	42,992
Litigation	(212)	3,922	4,006	5,549
Changes in the fair value of biological assets	9,696	422	5,843	412
Resale material	-	-	6,195	12,657
Realization of surplus on revaluation of inventories (PPA)	32,507	65,324	-	-
Cost of land sales	1,399	1,437	-	-
Other expenses	11,657	20,020	35,213	62,978
	626,509	**1,256,943**	**527,361**	**1,095,546**
Classified as:				
Cost of goods sold	538,010	1,091,041	452,516	952,669
Selling expenses	37,234	62,706	18,756	42,586
General and administrative expenses	51,265	103,196	56,089	100,291
	626,509	**1,256,943**	**527,361**	**1,095,546**

28. Finance income (costs)

	Parent company				Consolidated			
	September 30, 2019		September 30, 2018		September 30, 2019		September 30, 2018	
	Quarter	Year-to-date	Quarter	Year-to-date	Quarter	Year-to-date	Quarter	Year-to-date
Finance income								
Interest received and earned	26,325	69,019	24,529	46,538	28,142	72,647	26,471	50,799
PIS/COFINS on finance income	(1,338)	(2,993)	(1,320)	(2,456)	(1,341)	(3,015)	(1,335)	(2,526)
Other income	2,584	6,232	3,881	6,310	2,741	7,273	5,183	9,185
	27,571	**72,258**	**27,090**	**50,392**	**29,542**	**76,905**	**30,319**	**57,458**
Finance costs								
Adjustment to present value	(34,587)	(48,172)	(184)	(800)	(35,213)	(48,172)	(184)	(800)
Interest on borrowings	(64,527)	(134,298)	(63,590)	(128,153)	(64,527)	(134,298)	(63,800)	(128,585)
Interest paid	(6,839)	(13,464)	(5,703)	(11,369)	(6,839)	(13,464)	(5,703)	(11,371)
Bank guarantee commission	(287)	(406)	(1,119)	(1,535)	(287)	(406)	(1,119)	(1,535)
Payables to Copersucar	(1,549)	(3,361)	(1,496)	(3,691)	(1,549)	(3,361)	(1,496)	(3,691)
Other expenses	(896)	(4,299)	(7,669)	(12,542)	(907)	(4,325)	(7,687)	(12,578)
	(108,685)	**(204,000)**	**(79,761)**	**(158,090)**	**(109,322)**	**(204,026)**	**(79,989)**	**(158,560)**
Exchange and monetary variation, net								
Available funds	3,762	(580)	15,735	39,217	3,762	(580)	15,734	39,217
Trade receivables and payables	7,027	1,221	(8)	6,561	7,027	1,221	(8)	6,561
Borrowings	31	(5,838)	(725)	(2,024)	31	(5,838)	(725)	(2,025)
	10,820	**(5,197)**	**15,002**	**43,754**	**10,820**	**(5,197)**	**15,001**	**43,753**
Derivatives - not designated for hedge accounting								
Gain (loss) on sugar transactions	(1,040)	(1,242)	(179)	(1,838)	(1,040)	(1,242)	(179)	(1,838)
Gain (loss) on ethanol transactions	177	208	(265)	(265)	177	208	(265)	(265)
Gain (loss) on foreign exchange transactions	(6,965)	(968)	(21,766)	(29,274)	(6,965)	(968)	(21,766)	(29,274)
Gain/loss on swaps	(5,480)	(10,702)	(420)	(7,209)	(5,480)	(10,702)	(420)	(7,209)
Cost of stock exchange transactions	(200)	(501)	(78)	(136)	(200)	(501)	(78)	(136)
Foreign exchange variation, net	2,318	1,857	(227)	(109)	2,318	1,857	(227)	(109)
	(11,190)	**(11,348)**	**(22,935)**	**(38,831)**	**(11,190)**	**(11,348)**	**(22,935)**	**(38,831)**
Finance income (costs)	**(81,484)**	**(148,287)**	**(60,604)**	**(102,775)**	**(80,150)**	**(143,666)**	**(57,604)**	**(96,180)**

29. Earnings per share

	September 30, 2019		September 30, 2018	
	Quarter	Six-month period	Quarter	Six-month period
Profit for the period attributed to shareholders of the Company	61,982	153,445	58,547	162,506
Weighted average number of common shares in the period - in thousands *(i)*	335,996	333,338	326,779	326,779
Basic and diluted earnings per share - R$	**0.1845**	**0.4603**	**0.1792**	**0.4973**

All amounts in thousands of reais unless otherwise stated

30. Insurance coverage

São Martinho maintains a standard program of safety, training, and quality in its units, which aims, among other things, to reduce the risks of accidents. In addition, it maintains insurance contracts at amounts considered sufficient to cover any significant losses, if any, on its assets and liabilities The amounts covered by the insurance policies in effect at the reporting date are as follows:

Parent company and Consolidated Risks covered	Maximum coverage *(i)*
Civil liability	3,973,867
Fire, lightning strike, and explosion	2,020,000
Theft or robbery	272,404
Other coverage	2,560,116
Electrical damage	1,732,402
Natural phenomena, impacts of air or ground vehicles, etc.	192,000
Loss of profit	3,303,561

(i) Corresponds to the maximum coverage amount for the various assets and locations insured.

Coverage related to vehicles, mainly civil liability, is also included, except for material damages to the vehicle, which use as reference, on average, 100% of the Economic Research Institute (FIPE) table.

31. Acquisition and disposal of ownership interest – payables and receivables

The balance of net payables relate to the acquisition and disposal of ownership interest, and is broken down as follows:

	Acquisition of ownership interest	Disposal of ownership interest	
Parent company and Consolidated	Santa Cruz	Agro Pecuária Boa Vista	Net balance
At March 31, 2019	(156,434)	117,829	(38,605)
Monetary adjustment	(4,786)	3,605	(1,181)
Amortization of interest	4,836	(3,643)	1,193
At September 30, 2019	**(156,384)**	**117,791**	**(38,593)**
		Current liabilities	(11,703)
		Non-current liabilities	(26,890)
			(38,593)

The amounts are indexed by reference to the CDI, paid on an annual basis, and maturing until 2025.

* * *

São Martinho