São Martinho

Individual and Consolidated Financial Statements in March 31st, 2019

With independent auditor's report

A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers

São Martinho S.A.

Pradópolis - SP

Opinion

We have audited the individual and consolidated financial statements of São Martinho S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at March 31, 2019, and the statement of income , of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of São Martinho S.A. as at March 31, 2019, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Measurement of biological assets

The Company measured their biological assets, which correspond to the agricultural products under development, based on their fair value, calculated based on the discounted cash flow of the crop under development. As described in Note 11, this measurement is a significant estimate based on various assumptions and methodologies adopted by Company Management, for which internal and external information were used, mainly related to the productivity, prices and interest rates for discounts of cash flows. At March 31, 2019, the Company had a balance of R$657,057 thousand under biological assets, in individual and consolidated current assets.

The monitoring of this issue was considered a key audit matter due to the materiality of the biological asset amounts recorded by the Company and the uncertainties inherent to this type of estimate, as well as the necessary judgment that must be exercised by Management in determining the assumptions for calculating its fair value.

How our audit conducted this matter:

Our audit procedures included, among others, the involvement of subject matter experts to assist us in assessing the assumptions and methodology used by the Company, in particular those related to the estimates of productivity, sugar and ethanol future prices and interest rates for discounts of cash flows. We also focused on the adequacy of disclosures made by the Company on the assumptions used in calculating the measurement of respective fair value of current assets, as well as their impacts in the income statement.

In addition, we have evaluated the disclosures in the financial statements in relation to biological assets.

Based on the results of the audit procedures performed on the recognition and measurement of biological assets, which is consistent with management's assessment, we consider that the fair value criteria and assumptions related to biological assets, as well as the respective disclosures in note 11, are acceptable, in the context of the financial statements taken as a whole.

Derivative financial instruments

In order to hedge the risks of commodity price volatility, exchange rates and interest rates, the Company takes out derivative financial instruments and, for part of them, Management uses hedge accounting. These derivative financial instruments totaled R$18,646 thousand, R$164,378 thousand and a debt balance of R$145,732 thousand (net of tax effects) in assets, liabilities and equity, respectively, as at March 31, 2019. To be able to apply the hedge accounting method, the Company shall comply with certain requirements set forth in the accounting standards, including, but not limited to, the formal documentation of the designation for hedge accounting, realization of effectiveness test and accounting for any ineffectiveness in the income statement.

Given the technical requirements applicable to the adoption of hedge accounting, as well as in case of designation or proof of ineffectiveness with potential risk of misstatement in the financial statements, we consider this a key audit matter.

How our audit conducted this matter:

With the involvement of our experts in derivative financial instruments, our audit procedures included, among others and on a sample basis, reviewing contracts, sending confirmation letters to the counterparties of the respective contracts, reviewing the policies and memoranda that formalize the designation for hedge accounting and examining prospective and retrospective effectiveness tests to assess whether the hedging relationships are effective and whether they were adequately calculated.

We analyzed the adequacy of the Company's disclosures in Notes 22 and 23 to the financial statements.

Based on the results of the audit procedures performed on the recognition of derivative financial instruments subject to hedge accounting, which is consistent with Management's assessment, we consider the criteria used and documentation maintained by the Company for the use of hedge accounting, as well as the related disclosures in the explanatory notes mentioned in the paragraph above, are acceptable, in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended March 31, 2019, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by CPC 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Campinas, June 24, 2019

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP034519/O-6

José Antonio de A. Navarrete
Accountant CRC 1SP198698/O-4

Statement of financial position
Years ended March 31, 2019 and 2018
In thousands of reais

ASSETS	Note	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
CURRENT ASSETS					
Cash and cash equivalents	5	197,170	139,622	197,607	140,865
Short-term investments	5	1,790,855	953,900	1,838,261	1,320,851
Trade accounts receivable	6	145,134	66,813	163,412	177,893
Derivative financial instruments	22	53,967	66,345	53,967	69,173
Inventories and advances to suppliers	7	224,170	260,209	232,322	334,654
Biological assets	11	657,057	419,732	657,057	581,725
Taxes recoverable	8	19,150	23,802	20,124	36,093
Income and social contribution taxes (IRPJ e CSLL)	19	79,759	5,795	79,759	9,687
Dividends receivable	9	-	3,211	-	-
Other assets		9,276	16,654	10,191	16,917
TOTAL CURRENT ASSETS		3,176,538	1,956,083	3,252,700	2,687,858
NONCURRENT ASSETS					
Short-term investments	5	49,681	24,591	53,345	50,669
Inventories and advances to suppliers	7	131,881	88,430	131,881	111,135
Transactions with related parties	9	9	6,527	-	5,834
Derivative financial instruments	22	229	3,617	229	3,617
Trade accounts receivable	6	-	-	22,488	24,869
Receivables from Copersucar		10,017	9,355	10,017	9,355
Taxes recoverable	8	79,790	111,677	79,790	122,200
Income and social contribution taxes (IRPJ e CSLL)	19	-	117,442	-	117,442
Judicial deposits	21	27,035	24,150	27,210	28,673
Other assets		14,366	439	14,366	439
		313,008	386,228	339,326	474,233
Investments	10	1,345,290	2,704,518	33,537	32,552
Property, plant and equipment	12	3,979,304	2,679,114	5,644,660	5,449,912
Intangible assets	13	417,845	399,008	478,499	470,157
		5,742,439	5,782,640	6,156,696	5,952,621
TOTAL NONCURRENT ASSETS		6,055,447	6,168,868	6,496,022	6,426,854
TOTAL ASSETS		9,231,985	8,124,951	9,748,722	9,114,712

LIABILITIES AND EQUITY	Note	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
CURRENT LIABILITIES					
Borrowings	14	754,999	574,569	754,999	686,630
Derivative financial instruments	22	37,369	8,862	37,369	8,862
Trade accounts payables	15	155,492	111,893	152,713	154,146
Payables to Copersucar	16	9,094	8,583	9,094	8,583
Salaries and social charges		133,598	109,711	134,372	137,155
Taxes payable		38,907	9,289	40,833	16,877
Income and social contribution taxes (IRPJ e CSLL)	19	-	-	4,178	4,167
Dividends payable		81,077	148,341	81,077	148,341
Advances from customers		4,246	14,526	4,295	16,406
Acquisition of ownership interests	9 e 31	11,715	11,746	11,715	11,746
Other liabilities		21,216	18,693	27,020	28,287
TOTAL CURRENT LIABILITIES		1,247,713	1,016,213	1,257,665	1,221,200
NONCURRENT LIABILITIES					
Borrowings	14	3,697,601	3,045,999	3,697,601	3,238,267
Derivative financial instruments	22	13,520	930	13,520	930
Payables to Copersucar	16	201,498	201,787	201,498	201,787
Taxes in installments		2,998	2,656	2,998	2,656
Deferred income and social contribution taxes	19	482,442	444,443	988,760	1,007,923
Provision foe contingencies	21	161,663	70,096	162,130	99,122
Acquisition of ownership interests	9 e 31	26,890	38,510	26,890	38,510
Other liabilities	10	6,650	14,542	6,650	14,542
TOTAL NONCURRENT LIABILITIES		4,593,262	3,818,963	5,100,047	4,603,737
EQUITY					
Capital	17				
Capital Reserve		1,696,652	1,549,302	1,696,652	1,549,302
Treasury Shares		9,418	9,418	9,418	9,418
Stock options granted		(234,100)	(234,100)	(234,100)	(234,100)
Equity adjustments		-	11,578	-	11,578
Income reserves		1,016,355	1,120,319	1,016,355	1,120,319
Retained earnings		902,685	833,258	902,685	833,258
TOTAL EQUITY		3,391,010	3,289,775	3,391,010	3,289,775
TOTAL LIABILITIES AND EQUITY		9,231,985	8,124,951	9,748,722	9,114,712

See accompanying notes.

Statement of income
Years ended March 31, 2019 and 2018
In thousands of reais

		Company		Consolidated	
	Note	2019	2018	2019	2018
Revenues	25	3,268,557	2,497,718	3,360,362	3,435,700
Cost of sales	26	(2,524,100)	(1,858,049)	(2,488,932)	(2,336,341)
Gross profit		744,457	639,669	871,430	1,099,359
Operating income (expenses)					
Selling expenses	26	(94,828)	(105,275)	(97,367)	(119,778)
General and administrative expenses	26	(187,050)	(141,196)	(194,925)	(180,070)
Equity pickup in subsidiaries	10	121,407	334,474	(240)	(2,994)
Other revenues, net	28	117,262	2,441	119,124	3,164
		(43,209)	90,444	(173,408)	(299,678)
Operating income		701,248	730,113	698,022	799,681
Finance income (costs)	27				
Finance income		92,912	88,987	103,718	122,702
Finance costs		(310,330)	(290,971)	(311,154)	(333,519)
Monetary variations and foreign exchange difference		(35,007)	34,181	(35,008)	31,858
Derivatives		(76,344)	(1,003)	(76,344)	1,824
		(328,769)	(168,806)	(318,788)	(177,135)
Income before income and social contribution taxes		372,479	561,307	379,234	622,546
Income and social contribution taxes (IRPJ and CSLL)	19(b)				
Current		(24,455)	(41,292)	(31,606)	(71,218)
Deferred		(33,979)	(28,309)	(33,583)	(59,622)
Net income for the period		314,045	491,706	314,045	491,706
Basic earnings per share (in reais)	29	0.9610	1.4748	0.9610	1.4748
Diluted earnings per share (in reais)	29	0.9610	1.4709	0.9610	1.4709

See accompanying notes.

Statements of comprehensive income
Years ended March 31, 2019 and 2018
In thousands of reais

Company and Consolidated	2019	2018
Net income for the period	314,045	491,706
Items that will be reclassified subsequently to P&L		
Changes for the period:		
Changes in fair value:		
Commodity derivatives - Future, options and forward contracts	46,647	157,622
Foreign exchange derivatives - Options / NDF	(37,249)	11,275
Foreign exchange differences on borrowing agreements (Trade Finance)	(97,799)	(76,111)
	(88,401)	92,786
Recognition in operating income		
Commodity derivatives - Future, options and forward contracts	(91,382)	(184,534)
Foreign exchange derivatives - Options / NDF	23,912	(96,546)
Foreign exchange differences on borrowing agreements (Trade Financial)	13,148	178,078
	(54,322)	(103,002)
Write-off due to ineffectiveness		
Commodity derivatives - Future, options and forward contracts	316	3,356
Foreign exchange derivatives - Options / NDF	9,260	1,671
Foreign exchange differences on borrowing agreements (Trade Finance)	-	(3,167)
	9,576	1,860
Total changes for the year		
Commodity derivatives - Future, options and forward contracts		
Foreign exchange derivatives - Options / NDF	(4,077)	(83,600)
Foreign exchange differences on borrowing agreements (Trade Finance)	-	(3,167)
Swap contracts	-	-
Deferred taxes on the items above	45,271	2,840
	41,194	(83,927)
Comprehensive income for the period	355,239	407,779

See accompanying notes.

Statement of changes in equity in years ended March 31, 2019 and 2018

In thousands of reais

							Equity adjustments			Income reserve						
							Deemed cost									
	Note	Capital	Capital reduction	Capital reserve	Treasury shares	Options granted	Own	Of investees	*Hedge accounting*	Legal	Capital budget	Unrealized income reserve	Tax incentive reserve	Additional dividends	Retained earnings	Total
Balance at March 31, 2017	17	1,494,334	(55,662)	10,057	(92,134)	8,284	198,331	1,286,252	(52,340)	70,140	257,984	78,515	173,801	25,758	-	3,403,320
Capital increase with capital reserve	17 (a)	54,968	55,662	-	-	-	-	-	-	-	(110,630)	-	-	-	-	-
Realization of deemed cost surplus	17 (c.i)	-	-	-	-	-	(12,640)	(7,443)	-	-	-	-	-	-	20,083	-
Deferred tax set up/in subsidiary		-	-	-	-	-	-	(286,325)	-	-	-	-	-	-	-	(286,325)
Realization of income reserve through payment of dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	(31,561)	-	-	-	(31,561)
Additional dividends from the previous year, paid		-	-	-	-	-	-	-	-	-	-	-	-	(25,758)	-	(25,758)
Constitution of tax incentive reserve - reflex		-	-	-	-	-	-	-	-	-	-	-	74,678	-	(74,678)	-
Gain (loss) on derivate transactions - hedge accounting	17 (c.ii)	-	-	-	-	-	-	-	(5,516)	-	-	-	-	-	-	(5,516)
Acquisition of own shares		-	-	-	(145,756)	-	-	-	-	-	-	-	-	-	-	(145,756)
Stock options granted		-	-	-	-	4,083	-	-	-	-	-	-	-	-	-	4,083
Stock options exercised		-	-	(639)	3,790	(789)	-	-	-	-	-	-	-	-	-	2,362
Net income for the year		-	-	-	-	-	-	-	-	-	-	-	-	-	491,706	491,706
Profit destination																
Constitution of Reserves		-	-	-	-	-	-	-	-	24,585	264,087	-	-	-	(288,672)	-
Mandatory minimum dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	(116,780)	(116,780)
Additional dividends		-	-	-	-	-	-	-	-	-	-	-	-	31,659	(31,659)	-
Balance 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 capital reserve	17 (a)	147,350	-	-	-	-	-	-	-	-	(147,350)	-	-	-	-	-
Realization of deemed cost surplus	17 (c.i)	-	-	-	-	-	(12,869)	(3,219)	-	-	-	-	-	-	16,088	-
Realization of income reserve through payment of dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	(6,491)	-	-	-	(6,491)
Additional dividends from the previous year, paid		-	-	-	-	-	-	-	-	-	-	-	-	(31,659)	-	(31,659)
Constitution of tax incentive reserve		-	-	-	-	-	-	-	-	-	-	-	117,269	-	(117,269)	-
Gain (loss) on derivate transactions - hedge accounting	17 (c.ii)	-	-	-	-	-	-	-	(87,876)	-	-	-	-	-	-	(87,876)
CPC 48 (IFRS 9) initial adoption		-	-	-	-	-	-	-	-	-	-	-	-	-	(620)	(620)
Options plan change	9 (d)	-	-	-	-	(11,578)	-	-	-	-	-	-	-	-	-	(11,578)
Net income for the year		-	-	-	-	-	-	-	-	-	-	-	-	-	314,045	314,045
Profit destination																
Constitution of Reserves		-	-	-	-	-	-	-		15,702	93,033	-	-	-	(108,735)	-
Mandatory minimum dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	(74,586)	(74,586)
Additional dividends		-	-	-	-	-	-	-	-	-	-	-	-	28,923	(28,923)	-
Balance 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

See accompanying notes.

Statement of cash flows
Years ended March 31, 2019 and 2018
In thousands of reais

	Note	Company		Consolidated	
		2019	2018	2019	2018
Cash flow from operating activities					
Net income for the period		314,045	491,706	314,045	491,706
Adjustments					
Depreciation and amortization	26	426,446	255,691	430,032	356,202
Biological assets harvested	26	606,589	395,522	606,589	539,380
Change in fair value of biological assets	26	(5,075)	69,361	(5,151)	63,064
Amortization of energy contracts		-	-	8,153	8,210
Equity pickup in subsidiaries	10	(121,407)	(334,474)	240	2,994
Capital gain on jointly controlled investment		-	-	(306)	-
Income (loss) from investiment and PPE written off	12	4,827	1,054	6,757	1,276
Interest, monetary variations and foreign exchanges differences, net		274,896	176,550	268,188	188,823
Derivative financial instruments		22,021	(101,999)	22,021	(104,827)
Setup of provision for contingences, net	21.1	71,397	13,042	71,413	10,964
Income and social contribution taxes (IRPJ e CSLL)	19 (b)	58,434	69,601	65,189	130,840
Present value adjustment and other		13,377	5,941	10,662	2,536
		1,665,550	1,041,995	1,797,832	1,691,168
Changes in assets and liabilities					
Trade accounts receivables		24,759	67,435	26,468	(9,547)
Inventories		56,767	(48,418)	56,957	(60,371)
Taxes recoverable		112,085	65,460	112,075	69,888
Derivative financial instruments		2,323	203,359	2,323	203,359
Other assets		1,802	1,244	1,389	2,708
Trade accounts payable		(7,890)	6,023	(1,094)	13,252
Salaries and social contributions		(22,306)	13,217	(22,249)	15,491
Taxes Payable		(550)	(54,513)	(1,126)	(60,618)
Payables to Copersucar		(13,549)	(43,666)	(13,549)	(43,666)
Provision for contingences - settlements	21.1	(21,400)	(18,039)	(21,400)	(25,452)
Other liabilities		(16,407)	12,783	(21,041)	11,835
Cash from operating activities		1,781,184	1,246,880	1,916,585	1,808,047
Payment of interest on borrowings	14	(228,676)	(231,428)	(229,410)	(277,361)
Income and social contribution taxes paid		-	-	(6,201)	(25,535)
Net cash provided from operating activities		1,552,508	1,015,452	1,680,974	1,505,151
Cash flow from investing activities					
Investiment of funds	31	(30,580)	(16,751)	(30,580)	(17,451)
Additions to PPE and intangible assets		(505,149)	(350,886)	(527,027)	(459,670)
Additions to PPE (planting and cultivation)	11 and 12	(757,556)	(534,233)	(760,927)	(706,133)
Short-term investments		(474,109)	(373,110)	(453,858)	(232,999)
Funds from the sale of PPE	12	5,133	2,732	5,133	6,553
Cash and cash equivalents of subsidiary		2,464	-	2,259	-
Future capital contribution		(23,334)	(5,527)	(833)	(4,834)
Dividends receipts		133,446	121,667	-	4
Net cash used in investing activities		(1,649,685)	(1,156,108)	(1,765,833)	(1,414,530)
Cash flow from financing activities					
Financing taken out from third parties	14	1,876,608	1,622,533	1,876,608	1,746,615
Amortizations of financing - third parties	14	(1,541,883)	(1,240,882)	(1,555,007)	(1,595,432)
Purchase of treasury shares		-	(145,756)	-	(145,756)
Disposal of treasury shares		-	2,362	-	2,362
Payment of dividends		(180,000)	(99,999)	(180,000)	(99,999)
Net cash from financing activities		154,725	138,258	141,601	(92,210)
Net increase (decrease) in cash and cash equivalents		57,548	(2,398)	56,742	(1,589)
Cash and cash equivalents at beginning of period	5	139,622	142,020	140,865	142,454
Cash and cash equivalents at end of period	5	197,170	139,622	197,607	140,865
Additional information					
Balances in short-term investiments	5	1,790,855	953,900	1,838,261	1,320,851
Total avaiable funds	5	1,988,025	1,093,522	2,035,868	1,461,716

See accompanying notes.

São Martinho

Statement of value addes
Years ended March 31, 2019 and 2018
In thousands of reais

	Company		Consolidated	
	2019	2018	2019	2018
Revenues				
Gross sales of goods and products	3,626,102	2,651,839	3,738,840	3,721,324
Revenue related to construction of own assets	1,056,568	747,169	1,060,507	977,347
Other revenues	15,932	2,525	17,412	2,215
	4,698,602	3,401,533	4,816,759	4,700,886
Inputs acquired from third parties				
Costs of sales	(1,202,563)	(931,163)	(1,156,682)	(1,086,064)
Materials, energy, third-party services and other operating expenses	(1,003,739)	(730,897)	(1,034,009)	(969,570)
	(2,206,302)	(1,662,060)	(2,190,691)	(2,055,634)
Gross value added	2,492,300	1,739,473	2,626,068	2,645,252
Depreciation and amortization	(426,446)	(255,691)	(430,032)	(356,202)
Biological assets harvested	(606,589)	(395,522)	(606,589)	(539,380)
Net value added produced by the entity	1,459,265	1,088,260	1,589,447	1,749,670
Value addeded received in transfer				
Equity pickup in subsidiaries	121,407	334,474	(240)	(2,994)
Finance income	447,172	383,091	457,967	425,167
Other	124,288	(12,489)	124,686	(11,237)
Total value added to be distributed	2,152,132	1,793,336	2,171,860	2,160,606
Distribution of value added				
Personnel and charges				
Direct compensation	574,001	442,739	574,228	551,562
Benefits	184,025	139,801	184,744	171,532
Unemployment Compensation Fund (FGTS)	50,989	42,077	51,005	52,166
Management compensation	27,071	19,059	28,432	20,801
Taxes, charges and contributions				
Federal	151,712	119,234	167,628	271,796
State	75,403	1,397	75,862	13,271
Municipal	1,035	607	1,221	852
Creditors				
Interest	282,977	266,087	283,732	306,622
Leases	2,845	2,573	2,845	2,928
Foreign exchange differences	356,418	145,467	356,418	151,468
Other	131,611	122,589	131,700	125,902
Retained profits for the period	74,586	116,780	74,586	116,780
	239,459	374,926	239,459	374,926
Value added distributed	2,152,132	1,793,336	2,171,860	2,160,606

See accompanying notes.

São Martinho

1. Operations

São Martinho S.A. (the "Company" or "Parent Company") is a listed corporation headquartered in Pradópolis, State of São Paulo, registered in – B3 - - Brazil, Stock Exchange and Over-the-Counter Market,. The Company, its subsidiaries and jointly-controlled subsidiaries (together, "São Martinho") are primarily engaged in planting sugarcane and producing and selling sugar, ethanol and other sugarcane byproducts; cogenerating 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 of the goods derives from the Company's own plantations, from shareholders, related companies and agricultural partnerships, and the remaining 30% from third-party suppliers. Sugar alcohol business is subject to seasonal trends based on the sugarcane growing cycle in the South and Central region of Brazil. The annual sugarcane crop period in the South and Central region of Brazil typically begins in April and ends in December. This creates fluctuations in the Company's inventories. Raw material supply can suffer from the impact of adverse climate conditions. Sugarcane requires an 18-month period for maturing and for the beginning of the harvest. The harvest generally takes place between April and December, which is also 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 controlling interest of 52.26% in its voting capital. In turn, the owners of LJN are the following family holding companies: Luiz Ometto Participações S.A., João Ometto Participações S.A. and Nelson Ometto Participações Ltda.

As disclosed in Note 10.2, at the Extraordinary General Meeting held on April 1st, 2018, the acquisition and merge of Usina Boa Vista S.A. ("UBV") was approved. Therefore, the comparability between the current and the same prior period of the subsidiary is significantly affected.

The issue of March 31st, 2019 financial statements ("present financial statements") was approved by the Company's Board of Directors on June 24, 2019.

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil by the Brazilian Financial Accounting Standards Board ("CPC") and CPC technical interpretations ("ICPCs") and guidance ("OCPCs") approved by the Brazilian SEC ("CVM"). The financial statements were prepared under the historical cost convention, except for certain derivative financial instruments and biological assets, measured at fair value.

Significant accounting practices adopted by the Company are described in the specific notes to these financial statements related to the items reported, and those generally applicable, in different respects, to the financial statements, are described below.

The Company records dividends received from its subsidiaries on its cash flow used in investing activities since it considers these dividends as return on investments made.

2.2 Basis of consolidation and investments in subsidiaries

Subsidiaries are all companies controlled by the Company, fully consolidated from the date on which control is transferred to the Company. Consolidation is ceased as from the date the Company loses control of the investee.

The consolidated balances in the current financial statements represent 100% of the capital stock of the following companies:

Company	Main Activities
São Martinho Terras Imobiliárias S.A. ("SM Terras Imobiliárias") (i)	Exploitation of land through agricultural lease and partnership, rental and sale of real estate.
São Martinho Energia S.A. ("SME")	Cogeneration of electricity.
Cia Bioenergética Santa Cruz 1 ("Bio")	Cogeneration of electricity.
São Martinho Inova S.A. ("SM Inova")	Hold interest in companies.
São Martinho Terras Agrícolas S.A. ("SM Terras Agrícolas")	Exploitation of land through agricultural lease and partnership, rental and sale of real estate.
Pulisic Participações ("Pulisic")	Exploitation of land through agricultural lease and partnership, rental and sale of real estate.

(i) São Martinho Terras Imobiliárias ("SM Terras Imobiliárias"): includes its susidiaries, which possess activities of incorporation and exploration of real estate developments, constituted through SPEs (Specific Purpose Company).

Contractual investment arrangements whereby two or more parties have joint control of the venture are classified as jointly-controlled operations or joint ventures, according to rights and obligations of the parties thereto. Joint control is the sharing, contractually agreed, of the business control that exists only when decisions on the significant activities require the unanimous consent from the parties that share the control. These investments are accounted for under the equity method.

In thousands of reais, unless otherwise stated

Company	Main activities
Jointly-controlled subsidiaries - direct:	
Usina Santa Luiza S/A ("USL")	Storage Services

As disclosed in Note 10.4, as of February 1st, 2019, Santa Luiza S/A ("USL") has been incorporated by the Company. In March 31st, 2018, the Company held 66,67% of its capital stock.

2.3 Functional and reporting currency

The financial statements are presented in Brazilian real (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 converted into the functional currency using the exchange rates prevailing at the corresponding transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currency are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

2.5 Financial instruments

The Company has adopted IFRS 9 (CPC 48) Financial Instruments (except for items related to hedge accounting) and did not opt for the restatement of comparative information.

The new standard brings together the three aspects of financial instruments accounting:

(i) Classification and measurement of financial assets

IFRS 9 contains a new approach to the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics and contains three main classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and at fair value through profit or loss. The standard eliminates existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

(ii) Reduction on the recoverable value (*Impairment*)

The new standard replaces the "incurred losses" model of CPC 38 (IAS 39) with a prospective "expected credit loss" model. This requires a relevant judgment on how changes in economic factors affect expected credit losses. Such provisions will be measured in expected 12-month credit losses and expected credit losses for a lifetime, that is, credit losses that result from all possible default events over the expected life of a financial instrument. The Company manages credit risk, as mentioned in Note 22.2, contracting operations only with first-tier financial institutions. Management periodically monitors credit risk and notes no material impacts on the present financial statements.

The Company has recorded in its financial statements the amount of R$ 620, referring to the calculation of expected credit losses in the real estate segment. This adjustment has been registered deducting "Accounts receivable from customers" account against the "Retained earnings" account.

(iii) Hedge Accounting

The Company will continue to adopt the requirements of IAS 39 / CPC 38, as permitted by IFRS 9.

(a) Financial assets

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

(b) Financial liabilities

The Company's financial liabilities include trade accounts payable, borrowings, 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 income statement when the liabilities are derecognized and through the amortization process under the effective interest rate method.

(c) Derivative financial instruments

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

The Company documents, at inception, the relation between the hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking the hedging transactions.

The effective portion of changes in fair value of derivatives designated as cash flow hedges is classified as "Equity adjustments" in equity. The ineffective portion of such changes is recorded as "Finance income (costs)" in income for the years. The amounts accumulated in equity are reclassified in the income statement for the year when the hedged item affects income statement, and the related effects are recognized as "Net revenue from sales", in order to minimize undesired 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 evaluated based on the acquisition-date fair value.

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

Goodwill corresponding to consolidated entities is recorded under specific "Goodwill" account in the consolidated statement of financial position.

In each business combination, the acquirer shall measure any noncontrolling interests in the acquiree at fair value of these interests or a portion assignable to them in the fair value of net identifiable assets of the acquiree.

Acquisition costs incurred are accounted for as expenses.

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

In case the business combination is performed in stages, the carrying amount on the acquisition date of the controlling interest previously held by the acquirer in the acquiree is remeasured at fair value on acquisition date through income statement.

After initial recognition, goodwill is recorded at cost, less accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is, as of acquisition date, allocated to each of São Martinho's cash-generating units, which shall be benefit from such combination synergy, regardless of other assets or liabilities of the acquiree being attributed to these units.

2.7 Leasings

Leasings in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leasings. Operating leasing payments (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

3. Standands, interpretations and amendments to standards that are not yet effective

IFRS 16 (CPC 06) – Leasing

The standard practice establishes that leasings are to be recognized in the balance sheet of the lessee, as a liability is for future payments and an intangible asset for the right of use. The definition of lease covers all contracts that give the right to use and control of an identifiable asset, including lease agreements and, potentially, some components of contracts for services. The standard is effective as of fiscal years beginning on or after January 1, 2019. The Company detains relevant commitments, as disclosed in Note 11.a) and is evaluating the impact on its financial statements.

IFRIC 23 Interpretation - Uncertainty about the income tax treatment

The Interpretation (so far with no equivalent correspondence issued by the CPC) addresses the accounting of income taxes in cases where tax treatments involve uncertainty that affects the application of IAS 12 (CPC 32). The entity shall determine whether it considers each tax treatment to be uncertain separately or together with one or more uncertain tax treatment. The best approach to solving uncertainty should be followed. The interpretation will be effective for fiscal years beginning on or after January 1, 2019. The Company is evaluating the impact on its financial statements.

4. 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, which are believed to be reasonable under the circumstances.

Estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next financial year are listed below:

(a) Impairment

São Martinho tests goodwill for impairment annually. The recoverable amounts of Cash-Generating Units (CGUs) were determined based on calculations of the value in use, based on estimates.

(b) Fair value of biological assets

This represents the present value of expected net cash flows from these assets, which is determined based on assumptions used in the discounted cash flow method.

(c) Income tax, social contribution and other taxes

São Martinho recognizes provisions for situations in which it is probable that additional tax amounts shall 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 year 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 an active market is determined using valuation techniques. São Martinho uses its judgment to select a variety of methods and to make assumptions based mainly on market conditions existing at the statement of financial position date.

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

(e) Provision for contingencies

São Martinho is party to labor, civil and tax lawsuits at various court levels. The provisions for contingencies to cover losses arising from proceedings pending judgment are set up and restated based on management's assessment, according to the opinion of its legal advisors, and require a high level of judgment on the matters involved.

(f) Business combination and acquisition of ownership interest

Management contracted independent experts to measure fair value of the identifiable assets acquired, the liabilities and the contingent liabilities assumed, in addition to the determination of the purchase pricing allocation (PPA).

The assumptions for determining the PPA are primarily based on the market conditions existing at the acquisition date. During the fiscal years ended March 31, 2019 and 2018, there were no Business Combinations.

(g) ICMS tax benefits

As described in Note 17 (d), the Company has ICMS tax incentives granted by Goiás state government. On August 7, 2017, the Complementary Law No. 160/2017 was published regulating the granting of tax benefits in disagreement with item "g" of subsection XII of paragraph 2 of art. 155 of the Federal Constitution.

The States and the Federal District shall regularize/ratify their benefits in this context, by registering and depositing with the Executive Secretariat of the National Council for Fiscal Policy - CONFAZ, the supporting documentation corresponding to the concessionary acts of the fiscal benefits granted by them.

In thousands of reais, unless otherwise stated

The Company's management has been accompanying, along with its legal advisors, the evolution of the fulfillment of the obligations by the Finance Department of Goiás.

5. Caixa e equivalentes de caixa e aplicações financeiras

Cash and cash equivalents include cash on hand, bank deposits and other highly-liquid short-term investments with original maturity within three months, readily convertible into a known cash amount and subject to insignificant risk of change in value.

			Company			Consolidated
	Yield	2019	2018	Yield	2019	2018
Cash and banks (in Brazil)		156	7,217		593	8,461
Cash and banks - abroad (US Dollar)	2,3% a.a.	197,014	132,405	2,3% a.a.	197,014	132,404
Total cash and cash equivalents		197,170	139,622		197,607	140,865
Short-term investments						
. Investment fund	101,28% CDI	1,790,855	953,900	101,28% CDI	1,838,261	1,320,851
. Funds - Financial Treasury Bills (LFT) (i)	100% SELIC	25,917	4,159	100% SELIC	25,917	24,371
. Bank Deposit Certificate (CDB)*	98,11% CDI	23,764	19,873	98,11% CDI	23,765	19,873
. Other *(i)*	100% CDI	-	559	100% CDI	3,663	6,425
Total financial investiments		1,840,536	978,491		1,891,606	1,371,520
In noncurrent assets		49,681	24,591		53,345	50,669
Total avaiable funds		1,988,025	1,093,522		2,035,868	1,461,716

(i) Funds given as guarantee for financing operations with BNDES and brokerswith redemption restriction until the maturity of the contracts.

6. Trade accounts receivable

Trade accounts receivable are stated at present value, net of allowance for doubtful accounts, as applicable.

The balance of trade accounts receivable is broken down as follows:

		Company		Consolidated
	2019	2018	2019	2018
Domestic Customers	118,229	66,583	158,995	202,532
Foreign market customers	26,905	230	26,905	230
	145,134	66,813	185,900	202,762
Current assets	145,134	66,813	163,412	177,893
Noncurrent assets	-	-	22,488	24,869

As mentioned in Note 2.5, the amount receivable from customers is net of a provision for impairment in the amount of R$ 608, arising from the adoption of IFRS 9. This provision is derived from the real estate segment business.

In thousands of reais, unless otherwise stated

The aging list of these trade accounts receivable is as follows:

	Company		Consolidated	
	2019	2018	2019	2018
Falling due:	144,282	66,813	184,857	201,441
Overdue and not provisioned:				
Within 30 days	12	-	82	276
Over 31 days	840	-	961	1,045
	145,134	66,813	185,900	202,762

Out of the amount receivable, R$ 5.130 e R$109, Company and Consolidated, respectively (R$ 7.594 e R$ 297, Company and Consolidated, respectively, at March 31st, 2018), refer to related parties, as detailed in Note 9.

7. Inventories and advances to suppliers

	Company		Consolidated	
	2019	2018	2019	2018
Current				
Finished products and work-in-process	47,825	117,654	47,825	136,531
Advances - purchases of sugarcane	52,413	60,895	52,413	71,163
Advances - purchases of inputs	55,746	42,030	55,746	62,176
Land subdivisions	-	-	8,152	5,820
Inputs, anciallary materials for maintenance and other	68,186	39,630	68,186	58,964
	224,170	260,209	232,322	334,654
Noncurrent				
Advances - purchases of sugarcane	131,881	88,430	131,881	111,135
	131,881	88,430	131,881	111,135
	356,051	348,639	364,203	445,789

Inventories are stated at average acquisition or production costs, adjusted, when applicable, by the provision for write-down to their realizable value. The land inventory balance (land slots) is stated at acquisition cost, increased by the deemed cost surplus of land.

The balance classified as "Land slots" refers to real estate developments.

The Company entered into partnerships to purchase sugar cane grown on third-party rural properties (including agricultural partnerships), of which part of the delivery will only occur in future years.

8. Taxes recoverable

Breakdown of taxes recoverable is as follows:

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	2019	2018	2019	2018
Current				
PIS / COFINS	12,139	12,423	12,164	13,793
ICMS	6,129	10,383	7,071	21,184
Others	882	996	889	1,116
	19,150	23,802	20,124	36,093
Noncurrent				
PIS / COFINS	46,419	26,421	46,419	34,807
Brazilian Special Regime for Reinstatement of Taxes for Exporters (REINTEGRA)	4,495	62,100	4,495	62,100
IOF on derivatives	8,388	8,054	8,388	8,054
ICMS	13,616	9,010	13,616	11,143
Social Security Tax (INSS)	6,369	6,092	6,369	6,096
Others	503	-	503	-
	79,790	111,677	79,790	122,200
	98,940	135,479	99,914	158,293

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

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

Company and Consolidated	2019
From 04/01/2020 to 03/31/2021	36,207
From 04/01/2021 to 03/31/2022	8,365
From 04/01/2022 to 03/31/2023	7,439
From 04/01/2023 to 03/31/2024	7,065
From 04/01/2024 to 03/31/2025	4,209
As of 04/01/2025	16,505
	79,790

In thousands of reais, unless otherwise stated

9. Related parties

(a) Company and consolidated balances:

	Company		Consolidated	
	2019	2018	2019	2018
Current assets				
Trade accounts receivable (i)				
São Martinho Terras Imobiliárias S.A.	329	155	-	-
Cia Bioenergética Santa Cruz 1	7	5	-	-
São Martinho Energia S.A.	4,661	803	-	-
São Martinho Terras Agrícolas S.A.	14	32	-	-
Usina Boa Vista S/A	-	6,296	-	-
Usina Santa Luiza S/A	-	63	-	63
Others	119	240	109	234
	5,130	7,594	109	297
Inventories - purchase of sugarcane				
From shareholders / related parties	6,545	7,672	6,616	7,672
Dividends receivable				
São Martinho Terras Imobiliárias S.A.	-	3,211	-	-
	-	3,211	-	-
Noncurrent assets				
Advance for future capital increase				
São Martinho Inova S.A.	9	693	-	-
Usina Santa Luiza S/A	-	5,834	-	5,834
	9	6,527	-	5,834
Current liabilities				
Trade account payables				
Luiz Ometto Participações S.A. (ii)	3,313	-	3,313	-
São Martinho Terras Imobiliárias S.A.	47	402	-	-
Cia Bioenergética Santa Cruz 1	634	135	-	-
São Martinho Energia S.A.	-	254	-	-
São Martinho Terras Agrícolas S.A.	4,544	4,535	-	-
Others	167	172	167	172
	8,705	5,498	3,480	172
Rental of lands				
From shareholders / related parties	824	2,458	824	2,586
Current liabilities and noncurrent liabilities				
Acquisition of equity interest				
Luiz Ometto Participações S.A. (Note 31)	38,605	50,256	38,605	50,256

(i) Refers substantially to the apportionment of expenses with the Shared Services Center.

(ii) Refers to the transfer of the indemnification process as detailed in Note 16 (b).

In thousands of reais, unless otherwise stated

(b) Company and Consolidated significant transactions in the year:

	Company		Consolidated	
	2019	2018	2019	2018
Sales revenue				
Cia Bioenergética Santa Cruz 1	5,868	6,502	-	-
São Martinho - Energia S.A.	6,924	7,512	-	-
	12,792	14,014	-	-
Reimbursed expenses/(purchase of products and services)				
São Martinho Terras Imobiliárias S.A.	(1,921)	(7,017)	-	-
São Martinho Terras Agrícolas S.A.	(48,088)	(46,918)	-	-
Cia Bioenergética Santa Cruz 1	(2,213)	(2,392)	-	-
São Martinho Energia S.A.	284	305	-	-
Agro Pecuária Boa Vista S/A	132	186	132	186
Usina Boa Vista S/A	-	23,839	-	-
	(51,806)	(31,997)	132	186
Shareholders and Related Parties Sugarcane purchases / agricultural partnership and land lease				
Agro Pecuária Boa Vista S/A	(31,059)	(30,348)	(31,059)	(30,348)
Others	(13,558)	(12,938)	(13,558)	(13,205)
	(44,617)	(43,286)	(44,617)	(43,553)

Sales revenue refers to sale of steam. Purchases of products and services are derived from purchase of sugarcane, electricity and steam manufacturing service. Expenses reimbursed by investees refer to the costs of the Shared Service Center, the Board of Directors, and the corporate office. Apportionments are supported by agreements between the parties.

(c) Key management personnel compensation:

Key management personnel include directors and officers. Compensation paid or to be paid for the year is stated as follows:

	Company		Consolidated	
	2019	2018	2019	2018
Salaries, fees and bonus	42,180	22,625	44,079	25,211
Social security and social contributions	5,601	4,481	5,915	4,998
Other	1,783	1,541	1,982	1,784
	49,564	28,647	51,976	31,993

Variation on Salaries, Fees and Bonus is related to the exercise of virtual stock options approved by the shareholder's meeting in previous years, and exercised during the current period.

(d) Stock option plan (virtual options)

During the fiscal year ended March 31st , 2019, the change in the balances of the current Stock Option Plan, which was approved at a Board of Directors' meeting held on May 2nd, 2018, was defined. The referred plan will rule by the cash liquidation rule of the positive difference between the market value on the day before the exercise versus the price set in each program. The other terms determined in the new plans will be the same as already established by the previously agreed contracts. Therefore, the comparability of the current period's results with the same prior period is significantly affected.

In thousands of reais, unless otherwise stated

In accordance with IFRS 2 (CPC 10), due to the change in the form of liquidation of the plans, whjch were previously settled with equity instruments and are now settled in cash, the balance provisioned on March 31st, 2018 referring to the Virtual Options was transferred to item of "Salaries and Charges payable", in current liabilities.

The carrying amount of the liability in the current financial statements for the new calculation of the fair value of the Virtual Option Plan is R $ 3,501.

At the Board of Directors meeting held on December 10th, 2018, the 10th Stock Option Plan was approved. The regulation of the new plan will govern al ofl the characteristics of the other plans already existing in the Company.

The balances of the virtual options plans issued and their movement during the current financial statements 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	
Options granted	835,725	696,465	727,273	882,074	1,133,513	4,275,050
Options exercised (ii)	(616,923)	(241,071)	(57,447)	-	-	(915,441)
Outstanding stock options	218,802	455,394	669,826	882,074	1,133,513	3,359,609
Year Price	12.04	15.87	17.70	17.76	19.07	

(i) virtual options for each of the plans may be exercised after their respective grace periods, which generally follow the following system: 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, all with deadlines as established in each plan.

10. Investments

10.1 Subsidiaries, jointly-controlled subsidiaries and affiliates

The balance of investments in other companies, Company and Consolidated, is as follows:

In thousands of reais, unless otherwise stated

Company / % ownership interest (current)	% capital stock participation (current)	Adjusted equity of investee		Book value of investments		Equity pickup	
				Company			
		2019	2018	2019	2018	2019	2018
Classified in investment							
São Martinho Terras Imobiliárias S.A.	100.00%	147,924	148,494	147,925	148,494	5,497	12,844
São Martinho - Energia S.A.	100.00%	25,387	26,214	25,387	26,214	29,173	25,999
São Martinho Inova S.A.	100.00%	25,911	24,360	25,911	24,360	857	1,790
São Martinho Terras Agrícolas S.A.	100.00%	1,044,247	1,042,766	1,044,247	1,042,766	45,838	42,326
São Martinho Logística e Participações S.A.	100.00%	2,828	2,952	2,828	2,952	(124)	(126)
Usina Boa Vista S.A. (Note 10.2)	100.00%	-	1,353,646	-	1,353,646	-	206,369
Companhia Bioenergética Santa Cruz 1	100.00%	97,133	104,227	97,133	104,227	43,339	49,637
Pulisic Participações Ltda (Note 10.3)		-	-	-	-	(2,252)	-
Others		-	-	1,859	1,859	-	-
Total classified in investment		1,343,430	2,702,659	1,345,290	2,704,518	122,328	338,839
Classified in noncurrent liabilities							
Usina Santa Luiza S.A. (i) (Note 10.4)		-	(21,812)	-	(14,542)	(921)	(4,365)
Total classified in noncurrent liabilities		-	(21,812)	-	(14,542)	(921)	(4,365)
Closing balance		1,343,430	2,680,847	1,345,290	2,689,976	121,407	334,474

There are no cross-holdings between the Company and its investees.

Company / % ownership interest (current)	% capital stock participation (current)	Adjusted equity of investee		Book value of investments		Equity pickup	
				Consolidated			
		2019	2018	2019	2018	2019	2018
Classified in investment							
CTC - Centro de Tecnologia Canavieira S.A. (i)	5.41%	579,620	566,850	31,678	30,693	681	1,371
Others		-	-	1,859	1,859	-	-
Total classified in investment		579,620	566,850	33,537	32,552	681	1,371
Classified in noncurrent liabilities							
Usina Santa Luiza S.A. (i) (Note 10.4)		-	(21,812)	-	(14,542)	(921)	(4,365)
Total classified in noncurrent liabilities		-	(21,812)	-	(14,542)	(921)	(4,365)
Closing balance		579,620	545,038	33,537	18,010	(240)	(2,994)

(i) Investees are not consolidated and these investments are reported in the consolidated financial statements under the equity method.

10.2 Acquisition and merger of Usina Boa Vista S.A.

At the Extraordinary Shareholders' Meeting held on April 2nd, 2018 the incorporation of Usina Boa Vista S.A. by the Company, was approved, in accordance with a material fact published on February 28, 2018 and approved by the Board of Directors on the same date.

The Merger is justified insofar as the combination of the UBV's assets with the Company's assets under a single legal entity will allow the structuring and more efficient use of the assets and the agroindustrial operations of the companies involved in order to concentrate in the Company all of the activities developed by UBV. This procedure will lead to the unification of the management and activities of the two companies, generating greater efficiency, synergy and rationalization of administrative and financial costs.

10.3 Merger of Pulisic Participações Ltda

On October 11th, 2018, the Company carried out the partial acquisition of assets of Usina Açucareira Furlan S.A. through Pulisic Participações Ltda. ("Pulisic") for the amount of R $ 15,984.

As of the date of acquisition, the Company now holds 100% of Pulisic's shares and fully consolidates its results in its consolidated financial statements.

At the Extraordinary General Meeting held on February 1, 2019, the merger of Pulisic into the Company was approved.

Its incorporation allows the more efficient use of assets, generating synergy and rationalization of administrative-financial costs.

10.4 Merger of Usina Santa Luiza S.A.

At the Extraordinary Shareholders' Meeting held on February 1st, 2019, the total spin-off and incorporation of the spun-off portions of the Santa Luiza S.A. Power Plant were approved, with its consequent extinction.

The operation is justified since USL is not an operating company, its total spin-off and subsequent incorporation of the Company's spin-off shares, aims to efficiently segregate its net assets into each of its shareholders, reducing administrative costs.

The spin-off did not result in any alterations in the Company's capital stock, where the spun-off assets were fully incorporated in the following disproportionate manner: (i) 66.67% of Copersucar's assets and liabilities and Advances for Future Capital Increase, (ii) 100% of other known assets and liabilities at USL. In addition, the Company was contractually obligated to make a financial repayment to Cosan SA, related to a 33.33% portion of property, plant and equipment at the time it is sold, or within a maximum period of 3 years from the merger date.

11. Biological assets

Biological assets correspond to agricultural products under development (standing cane) produced in sugarcane plantations (bearer plant), to be used as raw material in the production of sugar and ethanol upon its harvest. These assets are carried at fair value less costs to sell.

Measurement at fair value of biological assets is classified as Level 3 - Assets and liabilities whose prices do not exist, or whose prices or valuation techniques are supported by a small, nonexistent or illiquid market and unobservable market inputs.

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

a) Cash inflows obtained from the multiplication of (i) the estimated production, measured in kilograms of Total Sugar Recoverable (ATR); and (ii) the future market price of sugarcane, which is estimated based on public data and estimates of the future prices of sugar and ethanol; and

In thousands of reais, unless otherwise stated

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

The following significant assumptions were used to determine fair value:

	Company		Consolidated	
	2019	2018	2019	2018
Estimated harvest total area (ha)	237,080	172,762	237,080	227,343
Expected productivity (ton/ha)	85.74	88.74	85.74	88.23
Number of Total Recoverable Sugar (ATR) per sugar cane to	133.50	132.56	133.50	133.42
Projected average price of ATR (R$)	0.6171	0.5759	0.6171	0.5757

At the present financial statements, the discount rate used to calculate the fair value of biological assets is 7.88% a.a. (7.48% p.a. at March 31, 2018).

Based on the 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 recorded as biological assets with a corresponding entry to the sub account "Changes in fair value of biological assets", under "Cost of sales" in the income statement for the year.

Changes in fair value of biological assets for the year are as follows:

	Controladora		Consolidado	
	Company and C	Company	Consolidated	Company
Agricultural partnership:	518,751	467,314	686,592	628,164
Within 1 year	(99,018)	(29,658)	(104,866)	(41,802)
More than 1 year and less than 5 years	419,733	437,656	581,726	586,362
More than 5 years				
(-) Present value adjustment				
Increase resulting from cultivation	454,341	325,273	456,677	427,540
Transfers from property, plant and equipment	167,925	127,822	184,379	171,298
Lease agreements:	5,076	(69,360)	7,720	(74,927)
Within 1 year	-	-	-	11,863
More than 1 year and less than 5 years	8,688	-	-	-
More than 5 years	172,170	-	-	-
(-) Present value adjustment	(570,876)	(401,659)	(573,445)	(540,411)
Closing balance of biological assets:	657,057	419,732	657,057	581,725
Represented by:				
Historical cost	742,524	518,750	742,524	686,591
Fair value	(85,467)	(99,018)	(85,467)	(104,866)
Closing balance of biological assets:	657,057	419,732	657,057	581,725

The operating activities of sugarcane cultivation are at risk of damage due to climate change, pests and diseases, forest fires and other natural forces. Consequently, future harvest results may be impacted, being increased or reduced.

In thousands of reais, unless otherwise stated

a) Agricultural partnerships and lease agreements

The Company entered into agreements of agricultural partnerships to purchase sugarcane produced in the rural properties of third parties, maturing between six and twelve years, renewable upon termination. In addition, the Company has lease agreements for the production of sugarcane.

The amounts to be disbursed in respect of these agreements are determined at the end of each crop by the price of a metric ton of sugarcane established by CONSECANA. At the present financial statements, the total estimated payments (nominal value) are as follows:

	2019	2018	
	Company and Consolidated	Company	Consolidated
Agricultural partnership:			
Within 1 year	255,265	250,931	316,488
More than 1 year and less than 5 years	873,691	713,263	933,683
More than 5 years	902,374	499,431	794,881
(-) Present value adjustment	(621,643)	(423,772)	(627,247)
	1,409,687	1,039,853	1,417,805
Lease agreements:			
Within 1 year	54,750	51,647	52,550
More than 1 year and less than 5 years	205,028	193,973	197,586
More than 5 years	432,722	423,542	428,394
(-) Present value adjustment	(274,046)	(284,875)	(288,064)
	418,454	384,287	390,466

12. Property, Plant and Equipment (PPE)

The residual value, useful lives of the assets and depreciation methods used are reviewed, and adjusted prospectively, at year end. Depreciation is calculated using the straight-line method, and 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 items that replace others which suffer wear and tear during the crop period are recorded as assets, and 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. Replaced items are written off.

Sugarcane plantations correspond to bearer plants that are solely used to cultivate sugarcane. Sugarcane is classified as a permanent crop and its economically 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 of time required to execute and prepare the asset for its intended use.

In thousands of reais, unless otherwise stated

Company	Land	Buildings and outbuildings	Equipment and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Leasehold improvements and other PPE	Contruction in Progress	Sugarcane plantation	Total
Balances at March 31, 2017	156,520	245,656	799,206	170,488	165,210	230,906	16,552	34,100	715,925	2,534,563
Acquisition	-	54	2,909	220,351	13,019	34,944	966	73,597	208,960	554,800
Transfer to biological assets	-	-	-	-	-	-	-	-	(127,822)	(127,822)
Cost of sale	(712)	-	(151)	-	(759)	(2,082)	(82)	-	-	(3,786)
Transfers between groups	-	4,790	46,573	-	1,822	(7,599)	8,150	(62,346)	8,610	-
Depreciation	-	(7,746)	(57,420)	(172,795)	(13,335)	(24,148)	(3,197)	-	-	(278,641)
Balances 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 to biological assets	-	-	-	-	-	-	-	-	(167,925)	(167,925)
Cost of sale	(64)	(2,097)	(1,297)	-	(2,634)	(3,384)	(194)	-	(290)	(9,960)
Usina Boa Vista S/A Incorporation	49,198	161,880	413,287	60,568	61,980	80,845	38,537	4,044	222,663	1,093,002
Usina Santa Luiza Incorporation	57	1,021	92	-	-	1	-	-	-	1,171
Pulisic Incorporation	-	-	-	-	-	-	-	-	10,742	10,742
Transfers 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)
Balances 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
Residual values:										
Historical cost	51,063	331,111	950,819	306,422	201,351	234,520	53,460	120,764	1,190,628	3,440,138
Surplus	158,233	70,721	229,041	-	28,215	52,956	-	-	-	539,166
Annual average depreciation rates	-	3%	5%	100%	7%	9%	14%	-	14%	-

In thousands of reais, unless otherwise stated

Consolidated	Land	Buildings and outbuildings	Equipment and manufacturing facilities	Inter-crop maintenance	Vehicles	Agricultural machinery and farming implements	Leasehold improvements of third part and other PPE	Construction in progress	Sugarcane plantation	Total
Balances at March 31, 2017	1,808,281	397,378	1,289,764	226,638	226,889	311,971	61,654	45,805	920,170	5,288,550
Acquisition	2,381	280	4,099	281,996	18,705	50,996	1,530	90,804	278,593	729,384
Cost of sale	(2,884)	-	(176)	-	(845)	(5,366)	(90)	-	-	(9,361)
Transfer to biological assets	-	-	-	-	-	-	-	-	(171,298)	(171,298)
Transfers between groups	-	22,414	51,108	-	2,265	(9,904)	8,363	(85,293)	11,047	-
Transfer to intangible assets	-	-	-	-	-	-	-	(1,923)	-	(1,923)
Depreciation	-	(11,546)	(79,801)	(229,660)	(19,079)	(34,830)	(10,524)	-	-	(385,440)
Balances 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)
Acquisition - Pulisic	-	-	-	-	-	-	-	-	15,984	15,984
Usina Santa Luiza Incorporation	57	1,021	92	-	-	1	-	-	-	1,171
Transfer to inventories for sale	(2,542)	-	-	-	-	-	-	-	-	(2,542)
Transfer to biological assets	-	-	-	-	-	-	-	-	(184,379)	(184,379)
Transfers 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)
Balances at March 31, 2018	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
Residual values:										
Historical cost	158,749	333,816	993,876	307,002	201,350	234,520	53,466	120,762	1,190,627	3,594,168
Surplus	1,653,590	71,727	244,004	-	28,214	52,957	-	-	-	2,050,492
Annual average depreciation rates	-	3%	5%	100%	7%	9%	14%	-	14%	

São Martinho

In thousands of reais, unless otherwise stated

Under the terms of certain borrowing agreements of São Martinho property, plant and equipment totaling R$ 1688,231(consolidated) were pledged as collateral, of which R$ 64,503 refers to rural properties (2,097 hectares of land).

São Martinho has capitalized financial charges amounting to R$ 2,338 for the year ended March 31, 2018 (R$ 2,343 for March 31, 2018).

13. Intangible assets

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

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

	Company		Consolidated	
	2019	2018	2019	2018
Goodwill on future profitability (i)	374,633	374,633	374,633	374,633
Software	37,359	27,025	37,359	29,725
Accumulated amortization	(26,398)	(21,174)	(26,398)	(23,748)
Rights on sugarcane contracts (ii)	28,943	8,780	28,943	8,780
Rights on electricity agreements (iii)	-	-	103,401	103,401
Rights on electricity agreements - amortization (iii)	-	-	(52,354)	(40,001)
Other assets	3,308	9,744	12,915	17,367
	417,845	399,008	478,499	470,157

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

Impairment of nonfinancial assets

Under 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 whether evidence of impairment is found. Annual impairment tests are performed at the end of March. To determine whether there was impairment loss, assets are grouped into Cash-Generating Units (CGU), which correspond to the smallest group of assets generating cash flows clearly independent from those generated by another CGU.
At the present financial statements, the Company has tested noncurrent assets for impairment. The assessment was based on calculations of the value

In thousands of reais, unless otherwise stated

in use of each cash-generating unit. These calculations use cash flow projections, before calculation of income and social contribution taxes, 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.
Main assumptions and estimates involved are estimates of sugar and ethanol sales prices, costs related to energy and other macroeconomic data.
Main assumptions used by the Company are as follows:

	2019		2018	
Cash-Generating Units	UGC São Martinho & Iracema	UGC Santa Cruz	UGC São Martinho & Iracema	UGC Santa Cruz
Average growth rate of net operating income	9.8%	8.9%	3.3%	3.3%
Nominal growth rate for perpetuity	5.0%	5.0%	4.5%	4.5%
Discount rate	8.6%	8.6%	8.5%	8.5%

14. Borrowings

Borrowings are recognized at fair value, net of transaction costs incurred, and on their maturity dates they are carried at amortized cost.

	Encargos anuais vigentes		Controladora		Consolidado	
Type	Taxa	Indexador	2019	2018	2019	2018
Local currency						
Export credit notes	105.11%	CDI	264,793	397,336	264,793	397,336
BNDES credit facilities	2.46%	+TJLP	207,172	99,706	207,172	154,399
BNDES credit facilities	5.75%	+IPCA	1,697	-	1,697	-
BNDES credit facilities	3.84%	-	233,738	249,405	233,738	366,064
BNDES credit facilities	3.97%	+SELIC	242	71	242	258
Rural credit (ii)	6.63%	-	369,542	339,314	369,542	444,573
FINEP	4.00%	-	104,697	83,508	104,697	83,508
Agribusiness Receivables Certificate (CRA)	98.15%	CDI	1,363,353	947,472	1,363,353	947,472
Agribusiness Receivables Certificate (CRA)	4.88%	+IPCA	431,343	413,077	431,343	413,077
Other securitized credits	4.53%	+IGP-M/PRE	16,496	29,274	16,496	29,274
Total in local currency	97.63%	CDI	2,993,073	2,559,163	2,993,073	2,835,961
In foreign currency						
Pre-export financing (PPE)	4.15%	Var. cambial	787,160	-	787,160	-
Pre-export financing (PPE)	1.35%	Libor 6M	297,087	734,471	297,087	734,471
International Finance Corporation (IFC)	1.70%	Libor 6M	356,738	303,797	356,738	303,797
FINEM	2.93%	Cesta Moedas	18,542	15,036	18,542	42,567
Export credit notes (NCE)			-	8,101	-	8,101
Total in foreign currency	4.37%	-	1,459,527	1,061,405	1,459,527	1,088,936
TOTAL			4,452,600	3,620,568	4,452,600	3,924,897
Current			754,999	574,569	754,999	686,630
Noncurrent			3,697,601	3,045,999	3,697,601	3,238,267

(i) Total costs of liabilities in national and international currency are calculated on the basis of the portfolios duration and DI and LIBOR charts at the present financial statements.

(ii) 71% of the rural credit amount is indexed to 95.70% DI via SWAP contract.

In thousands of reais, unless otherwise stated

a) Agribusiness Receivables Certificate (CRA)

During the year, the Company has started a new fund raising through the capital markets, through the issuance of CRA's Agribusiness Receivables Certificates, which were distributed through a continuous offering, in the amount of R$ 842,000, completed in May 2019. This funding will have annual interest payments, equivalent to 98.5% of the accumulated variation of the CDI rate and principal amortization in two equal portions in April 2025 and April 2026.

Subscriptions started on March 25, 2019, reaching the amount of R $ 418,293 on March 31st, 2019, and they end on 135 calendar days.

The following table shows the changes in loans and financing in the year:

	Company		Consolidated	
Changes in debt	2019	2018	2019	2018
Balance at March 31	3,620,568	3,174,394	3,924,897	3,719,060
Financing taken out	1,876,608	1,622,533	1,876,608	1,746,615
Amortization of principal	(1,541,883)	(1,240,882)	(1,555,007)	(1,595,432)
Amortization of taxes	(228,676)	(231,428)	(229,410)	(277,361)
Monetary restatement	310,171	236,801	310,900	270,543
Foreign exchange differences	124,612	59,150	124,612	61,472
Usina Boa Vista Incorporation	291,200	-	-	-
	4,452,600	3,620,568	4,452,600	3,924,897

The balances of loans and financing in the long term have the following maturity composition:

Company and Consolidated	Maturity
From 04/01/2020 to 03/31/2021	501,761
From 04/01/2021 to 03/31/2022	700,340
From 04/01/2022 to 03/31/2023	640,254
From 04/01/2023 to 03/31/2024	536,452
From 04/01/2024 to 03/31/2025	529,397
From 04/01/2025 to 03/31/2026	501,441
From 04/01/2026 to 03/31/2027	230,520
As of 2027	57,436
	3,697,601

As of the financial statements, R$ 702,907of São Martinho’s debt is charged, with 69% in equipment, edifications and buildings, 16% in electric energy receivables, 8% in corporate guarantee and 7% in land.

In thousands of reais, unless otherwise stated

Covenants

The Company has financial and/or socio-environmentalcovenants amounting to R$ 1,688,402, which are required and determined annually, the conditions of which are met for the year ended March 31, 2018.

15. Trade accounts payable

	Company		Consolidated	
	2019	2018	2019	2018
Sugarcane	62,142	55,031	57,482	71,540
Materials, services and others	93,350	56,862	95,231	82,606
	155,492	111,893	152,713	154,146

Out of the total trade accounts payable, R$9,529 and R$4,304 Company and Consolidated, respectively (R$7,956 and R$2,586, Company and Consolidated, respectively, at March 31, 2017), refer to related parties, as detailed in Note 9.

16. Agreements with Copersucar

In Copersucar withdrawal process, the Company entered into a contract providing for rights and obligations that have not yet expired. Significant obligations and rights are as follows:

(a) Obligations:

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

In thousands of reais, unless otherwise stated

Company and Consolidated	2019	2018
REFIS - Copersucar - Restated by reference to SELIC	77,036	89,197
Exchange Bill (LC) - Restated by reference to SELIC	69,805	62,004
Exchange Bill (LC) - Transfer of funds without incurring losses	52,356	48,547
Expenses with tax proceedings	9,094	8,583
Other	2,301	2,039
Total	210,592	210,370
Current liabilities	9,094	8,583
Noncurrent liabilities	201,498	201,787

Bank sureties guarantee all the Company's obligations with Copersucar. In addition, in accordance with the terms negotiated for the withdrawal of Copersucar, the Company remains liable for obligations, proportionate to its investment in Copersucar in previous crops, which result from tax assessments that may arise and that relate to periods in which the Company was a cooperative member.

During the year ended March 31, 2018, Copersucar joined the PERT (Special Tax Regularization Program), including debts that were being discussed in court. The total amount disbursed by the Company is R$ 30,777.

Copersucar has been served delinquency notices with respect to State VAT (ICMS) on fuel and industrial ethanol sales made up to December 31, 2008, which amount attributed to Company would be R$ 246,020 (estimated amount and updated up to March 31, 2018).

Copersucar believes that it has solid arguments to support the success of the defenses of the fines imposed on them in these assessments and its legal advisors evaluate the aforementioned causes as a possible loss risk.

(b) Rights:

Copersucar also is a plaintiff in lawsuits claiming the reimbursement/overpayment of various taxes or indemnifications. The Company, as a former cooperative member, is entitled to the proportionate transfer of any credits and will inform the market when such rights become liquidated and certain.

Copersucar's Financial Statements as of March 31, 2019 state that it has calculated and transferred to Cooperative Members the first installment (R$906 million) of the registered warrant (precatory) issued in June 2017, in the aggregate amount of R$5.6 billion (Company's share R$730.5 million), under the court ruling that ordered the federal government to pay damages arising from the lagged setting of sugar and ethanol sales prices in the 1980s. Upon transferring the funds, Copersucar withheld a portion for litigation seeking damages and for payment of PIS and COFINS taxes, while undertaking to transfer them in the event of a successful ruling.

The lawsuit also claims the payment of a complementary balance of R$12.8 billion (Company's share R$1.7 billion), with the federal government claiming an excess of R$2.2 billion (Company's share R$286.3 million). In this context, in June 2018, a complementary registered warrant was issued in the amount of R$10.6 billion (Company's share R$1.4 billion).

On April 29, 2019, the second installment of the first registered warrant and the first installment of the complementary registered warrant were deposited into court by the federal government. The release of these funds is pending court procedures and the balance of the registered warrants already issued is following the procedure for judicial registered warrants.

The Company, in coordination with Copersucar's actions, also filed a lawsuit involving IRPJ/CSLL/PIS/COFINS taxes with a judicial deposit for suspending the enforceability of these taxes. Furthermore, it transferred R$3,313 thousand to Luiz Ometto Participações S.A. ("LOP"), in accordance with the Agreement for Purchase and Sale of Shares in Santa Cruz S.A. Açúcar e Álcool ("USC"). After the transfer and withholding of court expenses and the taxes in litigation, the balance of R$106,499 thousand was recorded under "other expenses (income), net". The remainder of this credit continues to be classified by the Company's Management as probable, but not under its control, which is why it remains unrecorded.

17. Equity

(a) Capital

As of the present financial statements, capital amounted to R$ 1,696,652 (R$ 1,549,302 at March 31st, 2018), and is represented by 364,011,329 common registered shares, with no par value.

The Company is authorized to increase its capital up to the limit of 372,000,000 (three hundred and seventy-two million) common shares, regardless of amendments to bylaws, upon resolution by the Board of Directors, which will determine the share issue conditions, including price and payment term.

In Special General Shareholders' Meeting held on July 27, 2018, shareholders approved capital increase amounting to R$ 147,350, without the issuance of new commom shares, through the use of the capital budget reserve amounting to R$ 110,630, after deduction of R$ 55,662 previously recognized as capital reducing account.

(b) Treasury shares

Since these are equity instruments that are repurchased, they are recognized at acquisition cost and recognized in a reduction account of Shareholders' Equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of equity instruments owned by the Company.

During the exercise of the current financial statements, there were no changes in treasury shares, remaining the balance of de 13,208,663 shares.

(c) Equity adjustments

(i) Deemed cost

This corresponds to the deemed cost surplus of land, buildings and premises, equipment and manufacturing facilities, vehicles and machinery, and agricultural implements. Amounts are recorded net of tax effects and their realization is based on depreciation, write-offs or sale of related assets. Realized amounts are transferred to "Retained earnings".

(ii) Hedge accounting fair value

This refers 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) Income reserve

Legal reserve

Legal reserve is annually set up with allocation of 5% of net income for the year, capped at 20% of capital. The purpose of the legal reserve is to ensure maintenance of adequate capital level and may only be used to absorb losses and increase capital.

Capital investment reserve

The capital investment reserve is intended to fund investments in increasing production capacity and in several projects intended for improving processes.

In thousands of reais, unless otherwise stated

Unrealized income reserve

This reserve refers to unearned income, comprising the sale of equity interest held in Agro Pecuária Boa Vista S/A, sale of properties arising from real estate developments gain results due to change in equity interest.

Tax incentive reserve

The Company benefits from a state tax incentive program, effective until 2033, with Goiás State, in the form of deferral of the ICMS payment, named "Goiás Industrial Development Program - Produzir", with partial reduction on such tax. The use of this benefit is conditional upon compliance with all obligations set forth in the program, whose conditions refer to factors under the Company's control.

The benefit related to the reduction in the payment of this tax is calculated on the debt balance determined in 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 profit or loss under "Deductions from gross revenue", reducing the "ICMS payable" account. Since this amount may not be allocated as dividends, a reserve for tax incentives is set up, matched against "Retained earnings", in the amount determined for the grant.

The amount of the incentive that impacted the result in the current financial statements was R$ 117,269, at Company and Consolidated (R$ 74,678 as of March 31st, 2018, Consolidated).

(e) Dividends

Shareholders are entitled to receive a minimum dividend of 25% on net income for the year, after the deduction of any accumulated losses and the allocation to the legal reserve.

	2019	2018
Net profit	314,045	491,706
Legal reserve constitution - 5%	(15,702)	(24,585)
Mandatory minimum dividends calculation basis	298,343	467,121
Mandatory minimum dividends - 25%	74,586	116,780
Realization of reserve for unrealized profits	6,491	31,561
Total dividends	81,077	148,341
Dividends per share	0.2311	0.4137
Net treasury stock quantity	350,803	358,580

At the Board of Directors meeting held on June 24, 2019 an additional distribution of dividends in the amount of R$28,923 (R$ 0.0824 per share) was proposed and is to be ratified at the Annual Shareholder's Meeting.

(f) Stock option plan

During the current financial statements, as detailed in Note 9 (d), the change in the balances of the current Stock Option Plan, which was approved at a meeting of the Board of Directors held on May 2, 2018, was defined. The referred balance was transferred to current liabilities.

(g) Capital reserve

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

18. Profit sharing program

The Company manages, as part of its policy, a profit sharing program based on operating and financial targets previously agreed upon with its employees. The amount of profit sharing for the current year and March 31st, 2018, , recorded as operating costs or expenses in the income statement totaled R$54,614 and R$ 51,639 Company and R$ 54,647 and R$ 65,424 Consolidated, respectively.R$

19. Income and social contribution taxes

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 deferred income projections prepared and based on internal assumptions and future economic scenarios which may, therefore, be subject to changes.

In thousands of reais, unless otherwise stated

(a) Composition of balances

	Company		Consolidated	
	2019	2018	2019	2018
Current Assets				
. Income and social contribution taxes (IRPJ and CSLL) antecipation	3,224	5,795	3,224	9,687
. Income and social contribution taxes (IRPJ and CSLL) recoverable	76,535	-	76,535	-
	79,759	**5,795**	**79,759**	**9,687**
Noncurrent Assets				
. Income and social contribution taxes (IRPJ and CSLL) recoverable	-	117,442	-	117,442
In current liabilities - current debits				
. Income and social contribution taxes (IRPJ and CSLL)	-	-	4,178	4,167

(b) Changes in deferred income and social contribution taxes

Consolidated	2018	Recognized in P&L	UBV and USL Incorporation / PERT tax loss reversal	Recognized in compreehensive income	2019
Income and social contribution tax losses	24,206	9,803	3,324	-	37,333
Derivative financial instruments	27,727	7,675	-	45,271	80,673
Provision for contingencies	23,197	13,980	1,858	-	39,035
Biological assets and agricultural product (change in fair value)	35,159	3,656	(3,475)	-	35,340
Provision for other obligations	7,175	807	19	-	8,001
Exchange rate variation	-	53,357	-	-	53,357
Other assets	6,429	(2,392)	(33)	-	4,004
Total income and social contribution tax assets	123,893	86,886	1,693	45,271	257,743
. Surplus of PPE (Deemed cost)	(162,391)	(19,765)	(1,383)	-	(183,539)
. Accelerated depreciation incentive	(180,591)	(89,466)	(49,514)	-	(319,571)
. Tax benefit on merged goodwill	(130,858)	(29,319)	-	-	(160,177)
. Gain on bargain purchase/surplus value - PPA	(52,669)	26,398	-	-	(26,271)
. Foreign exchange differences	(8,667)	(16,724)	-	-	(25,391)
. Divestiture with deferred taxation	(18,973)	2,711	-	-	(16,262)
. Securitized financing	(13,587)	4,913	(87)	-	(8,761)
. Present value adjustment	(600)	387	-	-	(213)
Total income and social contribution tax liabilities	(568,336)	(120,865)	(50,984)	-	(740,185)
Deferred income and social contribution taxes	(444,443)	(33,979)	(49,291)	45,271	(482,442)

São Martinho

In thousands of reais, unless otherwise stated

Consolidado	2018	Reconhecido no resultado	Reconhecido em outros resultados abrangentes	Incorporação USL / Reversão prej. fiscal no PERT	Ajuste consolidação - Direitos sobre contratos energia	2019
Prejuízos fiscais/Base negativa de CSLL	24,205	9,803	-	3,324	-	37,332
Instrumentos financeiros derivativos	27,728	7,675	45,271	-	-	80,674
Provisão para contingências	25,056	13,980	-	-	-	39,036
Ativos biológicos e Produto agrícola (valor justo)	31,686	3,656	-	-	-	35,342
Participação de empregados no resultado e bônus	508	(508)	-	-	-	-
Provisão para outras obrigações	7,175	1,315	-	-	-	8,490
Variação Cambial	-	53,357	-	-	-	53,357
Outros Ativos	5,905	(2,547)		-	-	3,358
Total do IR e CS ativo	122,263	86,731	45,271	3,324	-	257,589
Mais-valia de ativo imobilizado (Deemed cost)	(646,075)	(19,261)	-	-	-	(665,336)
Depreciação acelerada incentivada	(230,105)	(89,466)	-	-	-	(319,571)
Benefício fiscal sobre ágio incorporado	(130,858)	(29,319)	-	-	-	(160,177)
Ganho por compra vantajosa / mais-valia PPA	(52,669)	26,398	-	-	-	(26,271)
Variação Cambial	(8,667)	(16,724)	-	-	-	(25,391)
Alienação de investimento com tributação diferida	(18,973)	2,711	-	-	-	(16,262)
Financiamentos securitizados	(13,587)	4,913	-	(87)	-	(8,761)
Ajuste a valor presente	(599)	387	-	-	-	(212)
Outros passivos	(151)	151	-	-	-	-
Ativo Intangivel	(23,012)	-	-	-	4,251	(18,761)
Ganho por mudança de participação relativa CTC	(4,964)	(104)	-	-	-	(5,068)
Total do IR e CS passivo	(1,129,660)	(120,314)	-	(87)	4,251	(1,245,810)
Saldo do IR e CS Diferidos	(1,007,397)	(33,583)	45,271	3,237	4,251	(988,221)
Outros tributos Diferidos	(526)	-	-	-	-	(539)

Deferred tax assets and liabilities are presented net in the statement of financial position, by company, when there is a legally enforceable right and the intention to offset them on the calculation of current taxes and when related to the same tax authority.

São Martinho recognizes deferred tax assets based on projection of taxable profit in subsequent years. This projection is revised on an annual basis and within ten years.
Deferred income and social contribution tax liabilities are realized mainly through the depreciation and disposal of property, plant and equipment items that gave rise to them. Realization of this liability 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 the surplus of land, which will be realized if sold.

The recovery of all deferred tax credits, calculated under the terms of CVM Rule No. 371/02, indicates that the projections of taxable income approved by management, including expected realization of temporary differences, is estimated as follows:

Consolidated	Realization expectancy
19/20 Crop	35,732
20/21 Crop	63,680
21/22 Crop	42,176
22/23 Crop	9,187
23/24 Crop	36,553
As of 24/25 Crop	70,261
	257,589

In thousands of reais, unless otherwise stated

(c) Reconciliation of income and social contribution taxes

	Company		Consolidated	
	2019	2018	2019	2018
Pretax income	372,479	561,307	379,234	622,546
Income and social contribution taxes at nominal rates (34%)	(126,643)	(190,844)	(128,940)	(211,666)
Adjustments for calculation of effective tax rate:				
. Equity	41,278	113,721	(82)	(1,018)
. Exclusion/(Additions) net	(1,050)	6,737	(1,050)	6,383
. State subvention	33,241	-	33,241	25,391
. IRPJ and CSLL previously unused credits recorded	(5,769)	-	(5,769)	-
. Calculation adjustment - subsidiary taxed by presumed profit	-	-	36,687	41,989
. State Subsidy	182	-	182	6,326
. Others	327	785	542	1,755
Income and social contribution tax expense	(58,434)	(69,601)	(65,189)	(130,840)
Current income and social contribution taxes	(24,455)	(41,292)	(31,606)	(71,218)
Deferred income and social contribution taxes	(33,979)	(28,309)	(33,583)	(59,622)
Income and social contribution tax effective rate	15.7%	12.4%	17.2%	21.0%

20. Commitments

São Martinho assumes various commitments in the ordinary course of its business. Significant commitments to be disclosed in these financial statements are as follows:

Riparian forests and land for legal reserve

São Martinho has uncultivated areas covered by conserved native vegetation in the process of regeneration or enrichment, corresponding to riparian forests and land for legal reserve, intended to ensure the ecological balance of the environment, contributing to the preservation of biodiversity and the sustainability of agricultural activities, strictly observing the provisions in the Forest Code in relation to the preservation of the Permanent Preservation Areas (“APP”) and Legal Reserve (“RL”).

São Martinho has already provided for the registry of its properties with the Environmental Rural Registry (“CAR”) and will join the Program for Environmental Regularization (“PRA”). The manner in which investments for environmental regularization, if any, will be performed as well as the time required for their execution are not measurable at this time. Investments in preservation areas and other environmental regularization activities, when made, are recorded under property, plant and equipment.

Ethanol supply agreement

Under a sale and purchase agreement, the Company has agreed to supply industrial ethanol to Mitsubishi Corporation, until the 2038/2039 crop, under market conditions.

In thousands of reais, unless otherwise stated

<u>Electricity supply</u>

The Company, Bio and SME have commitments for sale of part 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).

<u>Purchase of inputs</u>

The Company has commitments for the purchase of inputs intended for maintenance of the plantation over the crop. The referred to operation is performed through purchase for future delivery.

21. Provision for contingencies

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

21.1 Probable losses

São Martinho, based on legal advisors' assessment of probable losses, has the following provisions for contingencies (amounts monetarily restated):

					Company
	Tax	Civil and environmental	Labor	TOTAL	Judicial deposits
	12,665	5,698	51,733	70,096	24,150
UBV Incorporation	3,194	21,420	4,011	28,625	4,349
USL Incorporation	-	32	315	347	172
Additions *(i)*	59,390	863	19,522	79,775	6,213
Reversals	(807)	(1,268)	(6,303)	(8,378)	-
Utilization	(5,825)	(1,124)	(14,451)	(21,400)	(9,562)
Restatements	5,066	1,552	5,980	12,598	1,713
Balance as of March 31, 2019	73,683	27,173	60,807	161,663	27,035

					Consolidated
	Tax	Civil and environmental	Labor	TOTAL	Judicial deposits
Balance as of March 31, 2018	15,868	27,511	55,743	99,122	28,673
USL Incorporation	-	32	315	347	172
Adições *(i)*	59,390	884	19,522	79,796	6,213
Additions *(i)*	(811)	(1,268)	(6,304)	(8,383)	-
Reversals	(5,825)	(1,124)	(14,451)	(21,400)	(9,561)
Utilization	5,062	1,605	5,981	12,648	1,713
Balance as of March 31, 2019	73,684	27,640	60,806	162,130	27,210

In thousands of reais, unless otherwise stated

(i) Of the amount added on tax contingencies, R$ 58,313 are levied on the indemnification amount, as detailed in Note 16 (b).

Judicial deposits are monetarily restated and reported in noncurrent assets.

As of the present financial statement date, the nature of the main lawsuits included in the above provisions is as follows (Company and consolidated):

Tax proceedings:
These refer to: (a) taxes whose payment has been challenged in court by São Martinho; the amounts challenged have been deposited in court; and (b) success fees payable to legal advisors for defenses in tax proceedings.

Civil and environmental proceedings:
These refer to: (i) general indemnities; (ii) redress for damages caused by the burning of sugarcane straw; (iii) environmental issues and (iv) success fees to be paid to lawyers hired to defend the company in civil and environmental proceedings

Labor claims:
These refer 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 monthly salary and vacation pay, plus 1/3 vacation bonus.

21.2 Possible losses

São Martinho is party to various lawsuits involving tax, environmental and civil matters that were assessed by legal advisors as possible losses. The nature and the amounts involved in these lawsuits are as follows:

		Company				Consolidated			
		2019		2018		2019		2018	
Nature		Number of proceedings	Amount	Number of roceedings	Amount	Number of roceedings	Amount	Number of roceedings	Amount
Environmental		59	8,485	43	7,645	59	8,485	43	7,645
Civil									
Indemnities		40	25,811	15	4,211	40	25,811	15	4,211
Review of contracts		11	7,385	4	5,857	12	7,404	8	5,912
Other civil proceedings		21	160	14	70	21	160	15	71
Labor		47	1,582	17	61	47	1,582	20	61
Tax									
Social security contribution	(i)	16	215,618	15	199,114	16	215,618	15	199,114
Calculation of IRPJ/CSLL	(ii)	5	277,268	5	258,010	5	277,268	5	258,010
Offset of federal taxes	(iii)	61	93,590	65	89,061	61	93,590	66	89,214
ICMS	(iv)	13	27,834	9	12,832	13	27,834	10	24,352
Other tax proceedings	(v)	15	2,456	10	1,373	15	2,456	11	1,373
TOTAL		288	660,189	197	578,234	289	660,208	208	589,963

Tax proceedings:

(i) These refer to the levy of Social Security Tax (INSS) on export revenue, under the allegation that exports carried out through intermediation of a

cooperative are not included in the exemption established in article 149, paragraph 2, of the Brazilian Federal Constitution.

(ii) These refer to exclusion of expenses on securitized financing, as well as expenses arising of accelerated tax-incentive depreciation as provided in art. 314 of the RIR / 99.

(iii) The proceedings refer to requests to offset IRPJ, CSLL, Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) and other federal taxes as a result of overpayments and/or tax losses proportional to export credits whose offset has been rejected by the Brazilian IRS (RFB) and which are pending judgment of protest letters/voluntary appeals.

(iv) These proceedings address allegedly undue ICMS credit arising from capital expenditures control register (CIAP).

These proceedings refer to disputes involving other tax cases, including, among others, tax delinquency notices related to a fine arising from lack of approval of offset, Municipal Real Estate Tax (IPTU) collection claims, contribution to the National Service for Industrial Training (SENAI) and the fee to the National Department of Mineral Research (DNPM).

Civil proceedings deal with lawsuits in general arising from (i) traffic accidents and (ii) review of contracts.

The environmental lawsuits deal with tax assessments of CETESB and / or environmental police resulting from the burning of sugarcane straw, as well as annulment actions to cancel the fines imposed by the aforementioned entities.

.The labor lawsuits have as main motive the Acts of Infringement drawn up by the Ministry of Labor and / or annulment actions to cancel these mentioned cases.

22. Derivative financial instruments and risk management

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

Derivative financial instruments are taken out exclusively for the purpose of pricing and hedging the Company’s sugar, ethanol and other product export transactions against foreign exchange risk, sugar price fluctuation and interest rate variations. No transactions with financial instruments are carried out for speculative purposes.

In thousands of reais, unless otherwise stated

22.1 Market risks

(a) Currency risk

Management has established a policy that requires that Group companies manage their currency risk to reduce the potential impact entailed by this currency mismatch.

Non-Derivable Forwards (NDF) and swap and options strategies are used to manage currency risk. The Group's financial risk management policy defines guidelines that establish the adequate hedge volume of expected cash flows, particularly those related to export sales.

Assets and liabilities subject to foreign exchange difference

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US$), recorded in the consolidated statement of financial position at the present financial statement:

Consolidated	2019	Thousands of US$ equivalent
Current and noncurrent assets		
Cash and cash equivalents (banks - demand deposits)	197,014	50,567
Trade accounts receivable	26,905	6,906
Derivative financial instruments	54,196	13,910
Total assets	278,115	71,383
Current and noncurrent liabilities:		
Loans and financing	1,459,527	374,555
Derivative financial instruments	50,889	13,060
Total liabilities	1,510,416	387,615
Subtotal assets (liabilities)	(1,232,301)	(316,232)
(-) Borrowings linked to exports - ACC and PPE	653,825	167,789
Net exposure - assets	(578,476)	(148,443)

These assets and liabilities were restated and recorded in the present financial statements at the exchange rate in effect on that date, of R$ 3.8961 per US$ 1.00 for assets and R$ 3.8967per US$ 1.00 for liabilities.

(b) Commodity price volatility risk

São Martinho is exposed to the risk of changes in commodity price of manufactured products such as sugar and ethanol. At the present financial statement, the prices of 573,306 tons of sugar had been determined with commercial partners for delivery in 19/20 crop, priced at an average of 13.54 ¢/lb (US dollar cents per pound weight), including polarization premium.

In thousands of reais, unless otherwise stated

(c) Cash flow or fair value risk associated with interest rate

São Martinho takes out borrowings at floating rates. Regarding borrowings in local currency, the risk of fluctuation in interest rates is mitigated naturally since investments are all remunerated at floating rates. As regards 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. Such analysis considers only instruments that are not designated for hedge accounting.

		Impacts on P&L		
Consolidated	Risk factor	Probable scenarios - 5%	Possible scenarios - 25%	Possible scenarios - 50%
Cash and cash equivalents	Queda na taxa de câmbio R$/US$	(9,852)	(49,261)	(98,521)
Trade accounts receivable	Queda na taxa de câmbio R$/US$	(1,345)	(6,727)	(13,455)
Borrowings	Alta na taxa de câmbio R$/US$	(487)	(2,436)	(4,877)
Derivative financial instruments				
Currency forward contracts	Alta na taxa de câmbio R$/US$	(1)	(7)	(15)
Swap contracts	Queda na taxa de câmbio R$/US$ e alta na curva de juros	(328)	(820)	(1,641)
Net exposure		(12,013)	(59,251)	(118,509)

(a) 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 instruments. The exposure to rates refers exclusively to variations in the Interbank Deposit (DI) curve.

(e) Financial instruments

São Martinho opted for hedge accounting to recognize part of its financial instruments. The instruments elected for designation are: a) derivatives of sugar, ethanol and foreign currency - US dollar; and b) foreign currency debts - US dollar - that cover sales of the 2018/2018 to 2024/2025crops 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 thousands of reais, unless otherwise stated

In the case of sugar hedges, the derivatives were designated as a cash flow hedge in respect of future sales of sugar. These transactions are carried out in the New York - Intercontinental Exchange (ICE Futures US) and 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 a cash flow hedge in respect of future sales in foreign currency. These hedges are reviewed upon contracting of Non-Deliverable Forwards (NDFs), swap and option strategies as well as debt in foreign currency taken out with top-tier financial institutions.

The balances of assets and liabilities at the present financial statements date and March 31st, 2018 relating to transactions with derivative financial instruments and their maturities are as follows:

				2019
Company and Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Margin deposit				17,383
Merchandise 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
Merchandise future contracts - Sugar #11				
. Sale commitment	58,423	13.08	65,648	1,591
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	51,615	4.2462	219,168	13,514
. Purchase commitment	166	3.7403	621	30
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in puts options	97,287	13.53	113,079	8,471
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in calls options	613	3.9061	2,394	177
. Bidding position in puts options	26,586	3.8293	101,806	3,155
Total derivative financial instruments in current assets				53,967
In noncurrent assets - Gain				
Swap contracts - interest - OTC				229
Total derivative financial instruments in current assets				229
In current liabilities - Loss				
Merchandise 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
Merchandise futures contracts - Sugar #11				
. Sale commitment	2,032	13.7900	2,407	2
Merchandise forward currency contracts (NDF) - Dollar - OTC				
. Sale commitment	131,240	3.8425	504,290	15,511
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	97,287	14.83	123,944	3,693
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in call options	27,198	3.9651	107,843	5,335
Swap contracts - interest - OTC				3,752
Total derivative financial instruments in current liabilities				37,369
In noncurrent liabilities - Loss				
Swap contracts - interest - OTC				13,520
Total derivative financial instruments in noncurrent liabilities				13,520

In thousands of reais, unless otherwise stated

Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
				2019
In current assets - Gain				
Margin deposit				824
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	330,571	14.90	322,256	48,446
Merchandise futures contracts - Ethanol				
. Sale commitment	6,300	1,560.24	328	23
Merchandise forward contracts - Sugar #11				
. Sale commitment	29,973	15.28	29,964	5,418
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	67,819	3.3972	230,395	3,157
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in puts options	22,861	14.56	21,777	2,189
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in puts options	12,900	3.2977	42,570	1,217
Swap contracts - interest - OTC				7,899
Total derivative financial instruments in current assets				69,173
In noncurrent assets - Gain				
Swap contracts - interest - OTC				3,617
Total derivative financial instruments in noncurrent assets				3,617
In current liabilities - Loss				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	57,915	13.98	52,972	293
. Purchase commitment	63,452	13.59	56,418	4,808
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	53,876	3.2918	177,349	2,325
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	22,861	15.94	23,842	772
Merchandise flexive options contracts - Dollar - OTC				
. Bidding position in call options	12,900	3.5568	45,924	646
Swap contracts - interest - OTC				18
Total derivative financial instruments in current liabilities				8,862
In noncurrent liabilities - Loss				
Swap contracts - interest - OTC				930
Total derivative financial instruments in noncurrent liabilities				930

Margin deposit balances refer to funds maintained in current accounts with brokers to cover the initial margins and variation established by the Commodities Exchange in which the contracts are executed, with the objective of guaranteeing open contracts and net remittances in relation to daily adjustments resulting from fluctuations in contract prices in the futures and options market.

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

At the present financial statement date, financial instruments designated for hedge accounting are broken down as follows:

In thousands of reais, unless otherwise stated

Company and Consolidated	Assets	Liabilities	TOTAL in other comprehensive income
Financial instruments:			
Commodity derivatives - Futures, options and forward contracts	14,460	9,140	5,320
Foreign exchange derivatives - Options / NDF	13,791	17,033	(3,242)
Foreign exchange differences on borrowing agreements (Trade Finance)	-	222,883	(222,883)
	28,251	249,056	(220,805)
Deferred taxes on the items above	(9,605)	(84,678)	75,073
	18,646	164,378	(145,732)

(f) Estimated realization

At the present financial statement date, impacts reported in the Company's equity and estimated realization in the income statement are as follows:

Company and Consolidated	19/20 Crop	20/21 and 21/22 Crops	22/23 and 23/24 Crops	24/25 and 25/26 Crops	TOTAL
Derivative financial instruments:					
Commodity derivatives - Futures, options and forward contracts	5,320	-	-	-	5,320
Foreign exchange derivatives - Options / NDF	(3,242)	-	-	-	(3,242)
Foreign exchange differences on borrowing agreements (Trade Finance)	(81,486)	(33,597)	(60,760)	(47,040)	(222,883)
	(79,408)	(33,597)	(60,760)	(47,040)	(220,805)
Deferred taxes on the items above	26,999	11,423	20,658	15,993	75,073
	(52,409)	(22,174)	(40,102)	(31,047)	(145,732)

22.2 Credit risk

Credit risk management consists of contracting only with top-tier financial institutions 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, São Martinho assesses the credit risk associated with each customer annually, and whenever a new customer is included in its base, establishing an individual credit limit based on the risk identified.

22.3 Liquidity risk

The Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational 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.

In thousands of reais, unless otherwise stated

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

The following table analyzes the Group's financial liabilities, by maturity ranges, corresponding to the remaining period in the statement of financial position to the contractual maturity date.

Company	Within 1 year	From 1 to 3 years	Above 3 years	Total
At March 31st, 2019				
Loans and financing	754,999	1,202,101	2,495,500	4,452,600
Derivative financial instruments	37,369	13,520	-	50,889
Trade accounts payable	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
At March 31st, 2018				
Loans and financing	574,569	1,627,291	1,418,708	3,620,568
Derivative financial instruments	8,862	930	-	9,792
Trade accounts payable	111,893	-	-	111,893
Acquisition of ownership interest	11,746	23,240	15,270	50,256
Other liabilities	18,693	-	14,542	33,235
	725,763	1,651,461	1,448,520	3,825,744

Consolidated	Within 1 year	From 1 to 3 years	Above 3 years	Total
At March 31st, 2019				
Loans and financing	754,999	1,202,101	2,495,500	4,452,600
Derivative financial instruments	37,369	13,520	-	50,889
Trade accounts payable	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
At March 31st, 2018				
Loans and financing	686,630	1,779,745	1,458,522	3,924,897
Derivative financial instruments	8,862	930	-	9,792
Trade accounts payable	154,146	-	-	154,146
Acquisition of ownership interest	11,746	23,240	15,270	50,256
Other liabilities	28,287	-	14,542	42,829
	889,671	1,803,915	1,488,334	4,181,920

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 return for shareholders and benefits for other stakeholders and to maintain an optimal target capital structure to reduce the cost of capital.

To maintain or adjust its capital structure, the Company, under the Brazilian Corporation Law, may take actions to ensure the objectives mentioned above.

In thousands of reais, unless otherwise stated

23. Financial instrument classification and fair value

23.1 Classification

Financial assets and liabilities are classified as follows:

		Company	
	Classification	2019	2018
Financial assets			
Cash and cash equivalents	Amortized Cost	197,170	139,622
Short-term investments	Fair value through profit or loss	1,840,536	978,491
Trade accounts receivable	Amortized Cost	145,134	66,813
Derivative financial instruments	Fair value through Other comprehensive income	145,143	58,446
Derivative financial instruments	Fair value through profit or loss	54,196	11,516
Transactions with related parties	Amortized Cost	9	6,527
Other assets, except for prepayments	Amortized Cost	18,268	9,082
		2,400,456	1,270,497
Financial liabilities			
Borrowings	Fair value through profit or loss	16,496	29,274
Borrowings	Amortized Cost	4,436,104	3,591,294
Derivative financial instruments	Fair value through Other comprehensive income	33,617	8,844
Derivative financial instruments	Fair value through profit or loss	17,272	948
Trade accounts payable	Amortized Cost	155,492	111,893
Acquisition of ownership interests	Amortized Cost	38,605	50,256
Other liabilities	Amortized Cost	27,866	33,235
		4,708,956	3,825,744

		Consolidated	
	Classification	2019	2018
Financial assets			
Cash and cash equivalents	Amortized Cost	197,607	140,865
Short-term investments	Fair value through profit or loss	1,891,606	1,371,520
Trade accounts receivable	Amortized Cost	185,900	202,762
Derivative financial instruments	Fair value through Other comprehensive income	163,412	61,274
Derivative financial instruments	Fair value through profit or loss	54,196	11,516
Other assets, except for prepayments	Amortized Cost	19,183	7,080
		2,511,904	1,795,017
Financial liabilities			
Borrowings	Fair value through profit or loss	16,496	29,274
Borrowings	Amortized Cost	4,436,104	3,895,623
Derivative financial instruments	Fair value through Other comprehensive income	33,617	8,844
Derivative financial instruments	Fair value through profit or loss	17,272	948
Trade accounts payable	Amortized Cost	152,713	154,146
Acquisition of ownership interests	Amortized Cost	38,605	50,256
Other liabilities	Amortized Cost	33,670	42,829
		4,711,981	4,181,920

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.

23.2 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:

In thousands of reais, unless otherwise stated

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 whose prices do not exist, or whose prices or valuation techniques are supported by a small, nonexistent or illiquid market and unobservable market inputs.

At the present financial statements, there is no reclassification of assets and liabilities at fair value from or to Level 1, 2 or 3.

As per statement of financial position - Consolidated			2019			2018
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Short-term investments	-	1,891,606	-	-	1,371,520	-
Derivative financial instruments	18,117	36,079	-	50,658	22,132	-
Biological assets	-	-	657,057	-	-	581,725
	18,117	1,927,685	657,057	50,658	1,393,652	581,725
Liabilities - Derivative financial instruments	12,769	38,120	-	5,873	3,919	-

Futures and Options in the ICE

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

Foreign exchange options

The fair value of foreign exchange options is obtained 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 expiration of the agreements.

Forward contracts

The fair value of forward contracts, both for foreign exchange and sugar, contracted in the OTC market with top-tier banks, are calculated using the discounted future cash flow method, based on observable market inputs, specifically the DI interest curves and foreign exchange coupons published by the BM&F, PTAX published by the Central Bank of Brazil (BACEN), and prices of sugar futures published by Ice Futures in the ICE.

In thousands of reais, unless otherwise stated

Other financial assets and liabilities

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

24. Segment reporting (consolidated)

Management has determined São Martinho'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 segmenting the business based on the products sold by São Martinho, into the following segments:

(i) Sugar;
(ii) Ethanol;
(iii) Electricity;
(iv) Real estate transactions; and
(v) Other products,and by-products of lesser importance.

The operating segment performance is analyzed based on the statement of operations by product, focusing on profitability. The operating assets related to these segments are located in Brazil only.

Consolidated income statement by segment

							2019
Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total
Gross revenue							
Domestic market	140,706	2,223,752	230,458	4,277	62,725	-	2,661,918
Foreign market	916,677	106,300	-	-	-	-	1,022,977
Gain/loss on derivatives	47,072	7,250	-	-	-	-	54,322
Amortization of electric power supply agreement	-	-	-	-	-	(8,152)	(8,152)
(-)Taxes, contributions and deductions on sales	(9,311)	(328,250)	(21,377)	(1,547)	(10,218)	-	(370,703)
Net revenue	1,095,144	2,009,052	209,081	2,730	52,507	(8,152)	3,360,362
Cost of sales	(845,175)	(1,568,684)	(43,064)	(207)	(36,953)		(2,494,083)
Change in market value of biological assets	-	-	-	-	-	5,151	5,151
Gross profit	249,969	440,368	166,017	2,523	15,554	(3,001)	871,430
Gross margin	22.83%	21.92%	79.40%	92.42%	29.62%	-	25.93%
Selling expenses	(72,110)	(13,791)	(10,652)	-	(814)	-	(97,367)
Other operating expenses	-	-	-	-	-	(76,041)	(76,041)
Operating income	177,859	426,577	155,365	2,523	14,740	(79,042)	698,022
Operating margin	16.24%	21.23%	74.31%	92.42%	28.07%	-	20.77%
Other income and expenses not by segment	-	-	-	-	-	(383,977)	(383,977)
Net income for the year	-	-	-	-	-	-	314,045

In thousands of reais, unless otherwise stated

Consolidated	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment	Total 2018
Gross revenue							
Domestic market	204,016	1,854,686	224,285	9,973	58,999	-	2,351,959
Foreign market	1,313,574	27,807	-	-	4,738	-	1,346,119
Gain/loss on derivatives	103,540	(637)	-	-	99	-	103,002
Amortization of electric power supply agreement	-	-	-	-	-	(8,210)	(8,210)
(-)Taxes, contributions and deductions on sales	(17,665)	(309,846)	(16,992)	(1,554)	(11,113)	-	(357,170)
Net revenue	1,603,465	1,572,010	207,293	8,419	52,723	(8,210)	3,435,700
Cost of sales	(1,054,010)	(1,137,574)	(38,421)	(639)	(42,633)	-	(2,273,277)
Change in market value of biological assets	-	-	-	-	-	(63,064)	(63,064)
Gross profit	549,455	434,436	168,872	7,780	10,090	(71,274)	1,099,359
Gross margin	34.27%	27.64%	81.47%	92.41%	19.14%	-	32.00%
Selling expenses	(101,537)	(7,758)	(9,974)	-	(509)	-	(119,778)
Other operating expenses	-	-	-	-	-	(179,900)	(179,900)
Operating income	447,918	426,678	158,898	7,780	9,581	(251,174)	799,681
Operating margin	27.93%	27.14%	76.65%	92.41%	18.17%	-	23.28%
Other income and expenses not by segment	-	-	-	-	-	(307,975)	(307,975)
Net income for the year	-	-	-	-	-	-	491,706

Consolidated operating assets by segment

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

2019	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade accounts receivable	40,482	72,055	36,354	31,221	5,788	185,900
Inventories	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

2018	Sugar	Ethanol	Electricity	Real estate ventures	Not by segment	Total
Trade accounts receivable	17,543	116,920	32,695	34,109	1,495	202,762
Inventories	175,109	259,191	-	5,820	5,669	445,789
Biological assets	210,838	370,887	-	-	-	581,725
Property, plant and equipment	2,125,566	3,177,537	134,485	-	12,324	5,449,912
Intangible assets	237,612	169,019	63,400	126	-	470,157
Total assets allocated	2,766,668	4,093,554	230,580	40,055	19,488	7,150,345
Other unallocated assets	-	-	-	-	1,964,367	1,964,367
Total	2,766,668	4,093,554	230,580	40,055	1,983,855	9,114,712

Since the main decision-makers analyze liabilities on a consolidated basis, information on liabilities is not reported by segment.

25. Revenues

São Martinho has adopted IFRS 15 (CPC 47) - Revenue from contract with customers. The new standard sets forth the principles that an entity will apply to determine the measurement of revenue and when it should be recognized, requiring recognition of the amount of revenue to reflect the consideration it expects to receive in return for control of those goods or services.

The referred standard practice supersedes all current revenue recognition requirements in accordance with IFRS.

In relation to sales in the sugar and alcohol market and other derivative products, which substantially represent the Company's revenues, there were no impacts with the adoption of IFRS 15, since all performance obligations are concluded upon delivery of the final product, which is also the recognition of revenue.

Regarding the real estate development segment, the Company maintains the application of of OCPC 04 - Application of Technical Interpretation 02, in accordance with CVM guidance, recognizing revenue over time (POC).

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

***(a)* Sales of products and rendering of services**

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

São Martinho renders planting, mechanization and logistics services. These services are priced according to the time incurred and materials used, and are recognized as they occur.

As of the present financial statement date, the Company had clients representing more than 10% of its net revenues. The Company's three largest customers of sugar sales account for about 24% of net revenue; while for the ethanol sold, the three largest customers account for 21%.

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

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

In thousands of reais, unless otherwise stated

In time sales of land with completed infrastructure projects, revenue is recognized when the sale is made, regardless of the receipt of the contractual amount, with revenues measured at the fair value of the consideration received and receivable. The Company takes into consideration the present value adjustment to the amounts receivable recorded.

	Company		Consolidated	
	2019	2018	2019	2018
Gross sales revenue				
Domestic market	2,554,457	1,284,911	2,661,918	2,351,959
Foreign market	1,022,977	1,346,119	1,022,977	1,346,119
Gain/loss on derivatives	54,322	103,002	54,322	103,002
	3,631,756	2,734,032	3,739,217	3,801,080
Amortization of electric power supply agreement (i)	-	-	(8,152)	(8,210)
	3,631,756	2,734,032	3,731,065	3,792,870
Taxes, contributions and deductions on sales	(363,199)	(236,314)	(370,703)	(357,170)
	3,268,557	2,497,718	3,360,362	3,435,700

(i) Amortization of the energy supply contracts of BIO and UBV.

26. Costs and expenses by nature

Reconciliation of expenses by nature is as follows:

	Company		Consolidated	
	2019	2018	2019	2018
Raw material and consumer and in-use materials	957,196	760,740	908,642	858,991
Personnel expenses	418,625	329,389	421,424	406,906
Depreciation and amortization (including biological assets harvested)	1,033,035	651,213	1,036,621	895,582
Third-party services	135,702	146,042	134,166	155,385
Maintenance services and parts	110,652	82,006	110,833	113,550
Litigation	12,021	7,642	12,038	5,593
Change in fair value of biological assets	(5,075)	69,361	(5,151)	63,064
Materials for resale	19,526	13,495	30,713	23,343
Realization of inventory capital gains (PPA)	-	-	207	-
Cost with land sales	-	-	-	639
Other expenses	124,296	44,632	131,731	113,136
	2,805,978	2,104,520	2,781,224	2,636,189
Classified as:				
Cost of sales	2,524,100	1,858,049	2,488,932	2,336,341
Selling expenses	94,828	105,275	97,367	119,778
General and administrative expenses	187,050	141,196	194,925	180,070
	2,805,978	2,104,520	2,781,224	2,636,189

In thousands of reais, unless otherwise stated

27. Finance income

	Controladora		Consolidado	
	2019	2018	2019	2018
Finance income				
Interest received and earned	84,174	83,036	91,885	115,268
Interest Recovery - PERT 11.941	-	4,604	-	4,604
PIS/COFINS on finance income	(4,327)	(5,277)	(4,404)	(6,487)
Other revenues	13,065	6,624	16,237	9,317
	92,912	88,987	103,718	122,702
Finance costs				
Present value adjustment	(1,141)	(2,185)	(1,141)	(2,185)
Interest on borrowings	(253,105)	(235,075)	(253,833)	(268,647)
Interest paid and earned	(29,658)	(25,620)	(29,685)	(29,981)
Bank surety commission	(2,294)	(7,717)	(2,294)	(9,256)
Copersucar bonds	(6,871)	(10,969)	(6,871)	(10,969)
Other expenses	(17,261)	(9,405)	(17,330)	(12,481)
	(310,330)	(290,971)	(311,154)	(333,519)
Exchange and monetary variation, net				
Availability	34,022	20,338	34,022	20,338
Customers and Suppliers	9,286	(51)	9,286	(52)
Borrowings	(78,315)	13,894	(78,316)	11,572
	(35,007)	34,181	(35,008)	31,858
Derivatives - not designated for hedge accounting				
Gain (loss) on sugarcane transactions	(1,677)	(3,350)	(1,677)	(3,350)
Gain (loss) on ethanol transactions	(182)	(1,655)	(182)	(1,655)
Income from foreign exchange transactions	(63,674)	(1,587)	(63,674)	(1,587)
Gain (loss) on swap	(10,912)	6,650	(10,912)	9,477
Cost of stock exchange transactions	(414)	(632)	(414)	(632)
Foreign exchange differences, net	515	(429)	515	(429)
	(76,344)	(1,003)	(76,344)	1,824
Finance income	(328,769)	(168,806)	(318,788)	(177,135)

28. Other income and expenses

At the present financial statements, of the total balance in other income and expenses, R$ 106,499 refer to indemnification received by Copersucar, as detailed in Note 16.b.

29. Earnings per share

	2019	2018	
	earnings	Basic earnings	Diluted earnings
Income for the period attributed to Company shareholders	314,045	491,706	491,706
Weighted average number of common shares for the period - in thousand (i)	326,779	333,408	334,292
Earnings per share (in reais)	0.9610	1.4748	1.4709

(i) Weighted average of March 31st, 2018, included potentially dilutive call options.

In thousands of reais, unless otherwise stated

30. Insurance coverage

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

Company and Consolidated	
Covered perils	**Maximum coverage (i)**
Civil liability	4,505,811
Fire, lightning and explosion of any nature	2,020,000
Theft or larceny	401,026
Other insurance coverage	2,584,727
Electric damages	1,730,997
Natural phenomena, vehicle or aircraft crash, etc.	192,000
Loss of profits	3,303,561

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

The vehicle coverage, mainly civil liability, is also included above, except for property damage, which has as reference, on average, 100% of the Economic Research Institute (FIPE) table.

31. Acquisition and divestiture – payable and receivables

Net balance payable refers to the acquisition and disposal of equity investment and is as follows:

	Acquisition of ownership interest	Divestiture	
Company and Consolidated	Santa Cruz	Agro Pecuária Boa Vista	Net balance
Balance at March 31, 2018	(187,730)	137,474	(50,256)
Principal amortization	31,210	(19,590)	11,620
Monetary restatement	(11,152)	8,207	(2,945)
Amortization (interest)	11,238	(8,262)	2,976
Balance at March 31st, 2019	**(156,434)**	**117,829**	**(38,605)**

Current Liabilities	(11,715)
Noncurrent Liabilities	(26,890)
	(38,605)

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

32. Subsequent event

As disclosed through Relevant Fact on July 24th, 2019, the Board of Directors has approved: (i) cancellation, without capital share reduction, of 10,000,000 (ten million) nominative common shares, held as book entries and with no nominal value, kept in treasury, acquired in accordance with 4th and 5th Share Repurchase Program; and (ii) the opening of the 6th Share Repurchase Program, with a limit of up to 10,000,000 (ten million) common shares, with a maximum term of up to 18 months from the date of approval.

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