SMTO
B3 LISTED NM

(A free translation of the original in Portuguese)

Parent company and consolidated financial statements

at March 31, 2020

and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

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

Opinion

We have audited the accompanying parent company financial statements of São Martinho S.A. ("Company" or "Parent company"), which comprise the balance sheet as at March 31, 2020 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of São Martinho S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at March 31, 2020 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

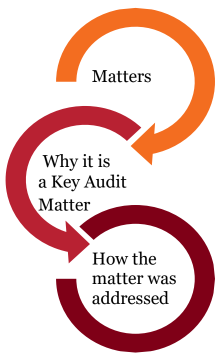
In our opinion, the parent company and consolidated financial statements referred to above present fairly, in all material respects, the financial position of São Martinho S.A. and of São Martinho S.A. and its subsidiaries as at March 31, 2020, and the parent company's financial performance and cash flows for the year then ended, as well as the consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as 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 parent company and consolidated financial statements section of our report. We are independent in relation to the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, 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 audit opinion.

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 our audit of the parent company and consolidated financial statements, taken as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.



Why it is a Key Audit Matter	How the matter was addressed in the audit
Measurement of the fair value of biological assets (Note 7)	
The Company's biological assets (sugarcane) are measured at the fair value less costs to sell, calculated based on the discounted cash flows of the harvest in formation, since there is no active market for these assets. As disclosed in Note 7 to the financial statements, the fair value measurement of these biological assets is determined through valuation techniques because of an unobservable and illiquid market (Level 3), which assumptions consider internal and external inputs, mainly those related to expected productivity, Total Sugar Recoverable (ATR), projected average prices and cash flow discount rates. Additionally, due to the coronavirus pandemic (COVID-19), uncertainties involving the determination of assumptions have become greater than usual, mainly with regard to future price projections, which may affect the estimate of fair value of the biological assets. This matter was selected for attention in our audit, particularly because of the risks inherent from the subjective nature of certain assumptions that require management to exercise its judgment that could significantly affect the determination of the fair value of biological assets and, consequently, the statement of income for the year and the financial position of the Parent company and Consolidated.	Our procedures included, among others, understanding the main internal controls used for measuring the biological asset, as well as for analyzing the model used to estimate the fair value of biological asset, net of selling expenses. We tested the consistency of the information and main assumptions used to project the cash flows by comparing them with the Company's information and internal data approved by management and data that is public and/or market restricted, as well as the methodologies used by management. Additionally, we compared the data used with management's key indicators used for monitoring external data disclosed for the sugarcane-based sugar and ethanol industry. Finally, we compared the data from these assessments to the related disclosures, including the description of the main factors influencing the determination and changes in the fair value less costs to sell of biological assets. Our audit procedures indicated that the judgments applied and assumptions used by management were reasonable, and that the disclosures were consistent with the data and information obtained.
First-time adoption of the accounting standard IFRS 16/CPC 06 (02) - Leasing - Notes 2.7 and 13	
The Company has farm partnership and land lease agreements that are within the scope of IFRS 16/CPC 06 (R2) - Leases, which became effective as from January 1, 2019. The first-time adoption of this standard resulted in the accounting recognition of right-of-use assets and corresponding lease liabilities of R$ 1,587,561 thousand on April 1, 2019. Management opted to adopt the cumulative effect simplified approach, which permits that prior-period comparative information not be restated.	Our audit procedures included, among others, understanding the internal controls and processes implemented by management for the adoption of IFRS 16/CPC 06 (R2) - Leases, as well as of the practical expedients adopted as permitted under the standard. We assessed the completeness of the agreements database and the procedures applied by management to identify the agreements subject to the scope of the standard.

Why it is a Key Audit Matter	How the matter was addressed in the audit
The first-time adoption of the accounting standard was considered as a Key Audit Matter due to its complexity and significance, as it involved (i) analysis of a significant volume of land lease and farm partnership agreements; and (ii) the use of significant judgment by management in defining the assumptions, such as: the incremental rate of loans and the determination of the lease terms, in addition to the adoption of the practical expedients allowed by the new standard, among others.	We checked, for a sample of agreements, the determination of estimates for the land lease/farm partnerships and reperformed the calculations. Additionally, we evaluated, from a quantitative and qualitative perspective, the main assumptions and estimates used by management to measure the financial liability of the land lease/farm partnership and the right-of-use assets, as well as the postings in the accounting records. We reviewed the criteria for recording the right-of-use asset and depreciation thereof, as well as of the land lease/farm partnership liability and the appropriation of interest, settlements and remeasurements using the indexes established in the agreements. Additionally, we read the notes to the financial statements, including required disclosures of the Brazilian Securities Commission (CVM) of the effects of inflation on the lease liability flow of future considerations using nominal rates. Based on these procedures, we consider that the judgments and assumptions used by management to measure the right-of-use assets and land lease/farm partnership liabilities to be reasonable and disclosures consistent with the data and information obtained.

Other matters

Statements of value added

The parent company and consolidated statements of value added for the year ended March 31, 2020, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements were reconciled with the financial statements and accounting records, as applicable, and if their form and content were in accordance with the criteria defined in Technical Pronouncement CPC 09 of the Brazilian Accounting Pronouncements Committee - "Statement of Value Added". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

Prior-year information

The financial statements for the year ended March 31, 2019, presented for comparison purposes, were audited by another firm of auditors whose report, dated June 24, 2019, expressed an unqualified opinion on those statements.

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

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company 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 parent company and consolidated 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 in the Management Report, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the IFRS as 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 from material misstatement, whether due to fraud or error.

In preparing the parent company 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 financial reporting process of the Company and its subsidiaries.

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

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements, as a whole, are free from 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:

- Identify and assess the risks of material misstatement of the parent company 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 could involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

São Martinho S.A.

- Obtain 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 internal control of the Company and its subsidiaries.

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

- Conclude 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 ability of the Company 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 parent company 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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, 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 to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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.

Ribeirão Preto, June 29, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

(A free translation of the original in Portuguese)

Balance sheet.......... 2
Statement of income 3
Statement of comprehensive income 4
Statement of changes in equity.......... 5
Statement of cash flows 6
Statement of value added..........7
1. Operations.......... 8
2. Summary of significant accounting policies.......... 9
3. Significant accounting estimates and judgments 14
4. Cash and cash equivalents and financial investments.......... 16
5. Trade receivables 16
6. Inventories and advances to suppliers.......... 17
7. Biological assets 17
8. Taxes recoverable 20
9. Related parties.......... 21
10. Investments.......... 23
11. Property, plant and equipment 24
12. Intangible assets 28
13. Right-of-use assets, and lease and agricultural partnerships payable 29
14. Borrowings 32
15. Trade payables.......... 34
16. Obligations and rights with Copersucar.......... 34
17. Acquisition and disposal of ownership interest – payables and receivables.......... 36
18. Equity.......... 37
19. Profit sharing 40
20. Income tax and social contribution 41
21. Commitments.......... 44
22. Provision for contingencies.......... 45
23. Risk management and derivative financial instruments 47
24. Classification and fair value of financial instruments.......... 55
25. Fair value 56
26. Segment information (consolidated) 58
27. Revenue 59
28. Costs and expenses by nature.......... 61
29. Other income (expenses), net 61
30. Finance income (costs).......... 62
31. Earnings per share 62
32. Insurance coverage.......... 63

Balance sheet
at March 31, 2020 and 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

ASSETS	Note	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
CURRENT ASSETS					
Cash and cash equivalents	4	91,998	197,170	92,066	197,607
Financial investments	4	1,775,640	1,790,855	1,831,504	1,838,261
Trade receivables	5	125,531	145,134	165,829	163,412
Derivative financial instruments	23	224,635	53,967	224,635	53,967
Inventories and advances to suppliers	6	357,890	224,170	366,177	232,322
Biological assets	7	713,547	657,057	713,547	657,057
Taxes recoverable	8	12,303	19,150	12,303	20,124
Income tax and social contribution	20	71,257	79,759	71,257	79,759
Other assets		8,581	9,276	8,832	10,191
TOTAL CURRENT ASSETS		3,381,382	3,176,538	3,486,150	3,252,700
NON-CURRENT ASSETS					
Financial investments	4	35,011	49,681	38,494	53,345
Inventories and advances to suppliers	6	49,916	131,881	49,916	131,881
Derivative financial instruments	23	28,977	229	28,977	229
Trade receivables	5	-	-	27,192	22,488
Receivables from Copersucar		10,017	10,017	10,017	10,017
Taxes recoverable	8	80,051	79,790	81,046	79,790
Judicial deposits	22	270,872	27,035	271,060	27,210
Related parties	9	255	9	-	-
Other assets		57,159	14,366	57,159	14,366
		532,258	313,008	563,861	339,326
Investments	10	1,462,223	1,345,290	33,868	33,537
Property, plant and equipment	11	4,058,484	3,979,304	5,844,505	5,644,660
Intangible assets	12	413,075	417,845	465,689	478,499
Right-of-use assets	13	1,719,453	-	1,719,453	-
		7,653,235	5,742,439	8,063,515	6,156,696
TOTAL NON-CURRENT ASSETS		8,185,493	6,055,447	8,627,376	6,496,022
TOTAL ASSETS		11,566,875	9,231,985	12,113,526	9,748,722

LIABILITIES AND EQUITY	Note	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
CURRENT LIABILITIES					
Borrowings	14	591,024	754,999	591,024	754,999
Leases payable	13	40,168	-	40,168	-
Agricultural partnership payable	13	203,835	-	203,835	-
Derivative financial instruments	23	406,473	37,369	406,473	37,369
Trade payables	15	176,848	155,492	174,524	152,713
Payables to Copersucar	16	10,892	9,094	10,892	9,094
Salaries and social charges		149,263	133,598	150,249	134,372
Taxes recoverable		32,477	38,907	34,730	40,833
Income tax and social contribution payable	20	-	-	4,985	4,178
Dividends payable	18	54,694	81,077	54,694	81,077
Advances from customers		34,662	4,246	34,710	4,295
Acquisition of ownership interests	9 and 17	11,664	11,715	11,664	11,715
Other liabilities		10,310	21,216	18,527	27,020
TOTAL CURRENT LIABILITIES		1,722,310	1,247,713	1,736,475	1,257,665
NON-CURRENT LIABILITIES					
Borrowings	14	4,223,418	3,697,601	4,223,418	3,697,601
Leases payable	13	377,954	-	377,954	-
Agricultural partnership payable	13	1,053,956	-	1,053,956	-
Derivative financial instruments	23	79,022	13,520	79,022	13,520
Payables to Copersucar	16	179,189	201,498	179,189	201,498
Taxes recoverable		7,283	2,998	7,283	2,998
Deferred income tax and social contribution	20	214,220	482,442	746,226	988,760
Provision for contingencies	22	99,793	103,350	100,283	103,817
Acquisition of ownership interests	9 and 17	15,270	26,890	15,270	26,890
Taxes with suspended payment	16 (b)	242,188	58,313	242,188	58,313
Other liabilities		5,596	6,650	5,586	6,650
TOTAL NON-CURRENT LIABILITIES		6,497,889	4,593,262	7,030,375	5,100,047
EQUITY	18				
Share capital		1,696,652	1,696,652	1,696,652	1,696,652
Capital reserve		9,418	9,418	9,418	9,418
Treasury shares		(131,361)	(234,100)	(131,361)	(234,100)
Carrying value adjustments		607,022	1,016,355	607,022	1,016,355
Revenue reserves		1,164,945	902,685	1,164,945	902,685
TOTAL EQUITY		3,346,676	3,391,010	3,346,676	3,391,010
TOTAL LIABILITIES AND EQUITY		11,566,875	9,231,985	12,113,526	9,748,722

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

Statement of income

Years ended March 31, 2020 and 2019

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2020	2019	2020	2019
Revenue	27	3,579,088	3,268,557	3,693,860	3,360,362
Cost of goods sold	28	(2,563,599)	(2,524,100)	(2,516,996)	(2,488,932)
Gross profit		1,015,489	744,457	1,176,864	871,430
Operating income (expenses)					
Selling expenses	28	(136,108)	(94,828)	(138,197)	(97,367)
General and administrative expenses	28	(208,352)	(187,050)	(216,869)	(194,925)
Equity in the results of investees	10	153,449	121,407	625	(240)
Other income (expenses), net	29	361,935	117,262	363,410	119,124
		170,924	(43,209)	8,969	(173,408)
Operating profit		1,186,413	701,248	1,185,833	698,022
Finance income (costs)	30				
Finance income		107,969	92,912	117,003	103,718
Finance costs		(415,748)	(310,330)	(415,979)	(311,154)
Monetary and foreign exchange variations, net		(35,891)	(35,007)	(35,891)	(35,008)
Derivatives		(117,292)	(76,344)	(117,292)	(76,344)
		(460,962)	(328,769)	(452,159)	(318,788)
Profit before taxation		725,451	372,479	733,674	379,234
Income tax and social contribution	20 (c)				
Current		(116,257)	(24,455)	(124,725)	(31,606)
Deferred		29,816	(33,979)	30,061	(33,583)
Profit for the year		639,010	314,045	639,010	314,045
Basic and diluted earnings per share - R$	31	1.8339	0.9610	1.8339	0.9610

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

Statement of comprehensive income
Years ended March 31, 2020 and 2019

All amounts in thousands of reais (A free translation of the original in Portuguese)

Parent company and consolidated	2020	2019
Profit for the year	639,010	314,045
Items to be subsequently reclassified to profit or loss		
Changes in the year:		
Changes in fair value		
Commodity derivatives - Futures, options and forward contracts	43,054	46,647
Foreign exchange derivatives - Options / NDF	(291,828)	(37,249)
Foreign exchange differences on borrowing agreements (Trade Finance)	(398,912)	(97,799)
	(647,686)	(88,401)
Recognition in operating income		
Commodity derivatives - Futures, options and forward contracts	(42,598)	(91,382)
Foreign exchange derivatives - Options / NDF	67,226	23,912
Foreign exchange differences on borrowing agreements (Trade Finance)	1,113	13,148
	25,741	(54,322)
Write-off due to ineffectiveness		
Commodity derivatives - Futures, options and forward contracts	7,544	316
Foreign exchange derivatives - Options / NDF	127	9,260
	7,671	9,576
Total changes in the year		
Commodity derivatives - Futures, options and forward contracts	8,000	(44,419)
Foreign exchange derivatives - Options / NDF	(224,475)	(4,077)
Foreign exchange differences on borrowing agreements (Trade Finance)	(397,799)	(84,651)
Deferred taxes on the items above	208,855	45,271
	(405,419)	(87,876)
Comprehensive income for the year	233,591	226,169

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

Statements of changes in equity

All amounts in thousands of reais

(A free translation of the original in Portuguese)

						Carrying value adjustments			Revenue reserve						
						Deemed cost									
	Note	Share capital	Revaluation budget	Treasury shares	Options granted	Parent	Investees	Hedge accounting	Legal reserve	Capital reserve	Unrealized revenue reserve	Tax incentive reserve	Supplementary dividends	Retained earnings	Total
At March 31, 2018	18	1,549,302	9,418	(234,100)	11,578	185,691	992,484	(57,856)	94,725	411,441	46,954	248,479	31,659	-	3,289,775
Capital increase with reserves	18 (a)	147,350	-	-	-	-	-	-	-	(147,350)	-	-	-	-	-
Realization of surplus on revaluation of deemed cos	18 (c. i)	-	-	-	-	(12,869)	(3,219)	-	-	-	-	-	-	16,088	-
Realization of revenue reserve through payment of dividends	18 (e)	-	-	-	-	-	-	-	-	-	(6,491)	-	-	-	(6,491)
Payment of prior year's additional dividends		-	-	-	-	-	-	-	-	-	-	-	(31,659)	-	(31,659)
Transfer to tax incentive reserve	18 (d)	-	-	-	-	-	-	-	-	-	-	117,269	-	(117,269)	-
Gain (loss) on derivate transactions - hedge accour	18 (c. ii)	-	-	-	-	-	-	(87,876)	-	-	-	-	-	-	(87,876)
First-time adoption of CPC 48 (IRFS 9) for investees		-	-	-	-	-	-	-	-	-	-	-	-	(620)	(620)
Changes in the stock option plan	9 (c)	-	-	-	(11,578)	-	-	-	-	-	-	-	-	-	(11,578)
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	314,045	314,045
Allocation of profit:															-
Transfer to reserves	18 (d)	-	-	-	-	-	-	-	15,702	93,033	-	-	-	(108,735)	-
Mandatory minimum dividends		-	-	-	-	-	-	-	-	-	-	-	-	(74,586)	(74,586)
Supplementary dividends		-	-	-	-	-	-	-	-	-	-	-	28,923	(28,923)	-
At March 31, 2019	18	1,696,652	9,418	(234,100)	-	172,822	989,265	(145,732)	110,427	357,124	40,463	365,748	28,923	-	3,391,010
Realization of surplus on revaluation of deemed cos	18 (c. i)	-	-	-	-	(10,366)	6,272	-	-	-	-	-	-	4,094	-
Realization of revenue reserve through payment of dividends	18 (e)	-	-	-	-	-	-	-	-	-	(6,332)	-	-	-	(6,332)
Payment of prior year's additional dividends		-	-	-	-	-	-	-	-	-	-	-	(28,923)	-	(28,923)
Capital contribution to subsidiary with PP&E items		-	-	-	-	(36,136)	36,136	-	-	-	-	-	-	-	-
Adjustment of deferred taxes - capital contribution to subsidiaries		-	-	-	-	180	-	-	-	-	-	-	-	-	180
Share buyback		-	-	(74,493)	-	-	-	-	-	-	-	-	-	-	(74,493)
Transfer to tax incentive reserve	18 (d)	-	-	-	-	-	-	-	-	-	-	121,902	-	(121,902)	-
Gain (loss) on derivate transactions - hedge accour	18 (c. ii)	-	-	-	-	-	-	(405,419)	-	-	-	-	-	-	(405,419)
Cancellation of treasury shares		-	-	177,232	-	-	-	-	-	(177,232)	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	639,010	639,010
Allocation of profit:															
Transfer to reserves	18 (d)	-	-	-	-	-	-	-	31,950	307,959	-	-	-	(339,909)	-
Interest on equity	18 (e)	-	-	-	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Mandatory minimum dividends	18 (e)	-	-	-	-	-	-	-	-	-	-	-	-	(48,357)	(48,357)
Supplementary dividends		-	-	-	-	-	-	-	-	-	-	-	12,936	(12,936)	-
At March 31, 2020	18	1,696,652	9,418	(131,361)	-	126,500	1,031,673	(551,151)	142,377	487,851	34,131	487,650	12,936	-	3,346,676

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

Statement of cash flows
Years ended March 31, 2020 and 2019
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
Cash flows from operating activities					
Profit for the year		639,010	314,045	639,010	314,045
Adjustments					
Depreciation and amortization	28	633,579	426,446	636,816	430,032
Biological assets harvested	28	613,101	606,589	613,101	606,589
Change in the fair value of biological assets	28	30,602	(5,075)	30,602	(5,151)
Amortization of electric power contracts		-	-	6,574	8,153
Equity in the results of investees	10	(153,449)	(121,407)	(625)	240
Capital gain on jointly-controlled investment		-	-	-	(306)
(Gains) losses on investments and PP&E written off	11	2,863	4,827	(15,734)	6,757
Interest, monetary and exchange variations, net		248,896	274,896	243,479	268,188
Derivative financial instruments		143,322	22,021	143,322	22,021
Setup of provision for contingences, net	22.1	10,912	71,397	10,915	71,413
Income tax and social contribution	20 (b)	86,441	58,434	94,664	65,189
Taxes with suspended payment		42,794	-	42,794	-
Adjustment to present value and other adjustments		108,720	13,377	106,348	10,662
		2,406,791	1,665,550	2,551,266	1,797,832
Changes in assets and liabilities:					
Trade receivables		32,296	24,759	26,347	26,468
Inventories		(95,975)	56,767	(95,738)	56,957
Taxes recoverable		37,361	112,085	37,324	112,075
Derivative financial instruments		(123,495)	2,323	(123,495)	2,323
Other assets		(283,982)	1,802	(283,333)	1,389
Trade payables		15,236	(7,890)	13,563	(1,094)
Salaries and social charges		15,665	(22,306)	15,878	(22,249)
Taxes recoverable		34,104	(550)	33,694	(1,126)
Payables to Copersucar		(25,832)	(13,549)	(25,832)	(13,549)
Provision for contingencies - settlement	22.1	(19,899)	(21,400)	(19,924)	(21,400)
Other liabilities		21,897	(16,407)	24,314	(21,041)
Cash from operations		2,014,167	1,781,184	2,154,064	1,916,585
Payment of interest on borrowings	14	(178,303)	(228,676)	(178,303)	(229,410)
Income tax and social contribution paid		(11,960)	-	(18,882)	(6,201)
Net cash provided by operating activities		1,823,904	1,552,508	1,956,879	1,680,974
Cash flow from investing activities					
Investment of funds	17	(13,621)	(30,580)	(13,621)	(30,580)
Purchases of property, plant and equipment and intangible assets		(523,673)	(505,149)	(532,117)	(527,027)
Additions to biological assets (planting and crop treatments)	7 and 11	(852,931)	(757,556)	(852,931)	(760,927)
Financial investments		105,693	(474,109)	101,276	(453,858)
Proceeds from sale of property, plant and equipment	11	3,923	5,133	9,119	5,133
Cash and cash equivalents of subsidiary		-	2,464	-	2,259
Advance for future capital increase		(256)	(23,334)	-	(833)
Dividends received		126,229	133,446	294	-
Net cash used in investing activities		(1,154,636)	(1,649,685)	(1,287,980)	(1,765,833)
Cash flows from financing activities					
Amortization of lease and partnership agreements	13	(276,168)	-	(276,168)	-
Proceeds from borrowings – third parties	14	546,107	1,876,608	546,107	1,876,608
Repayment of borrowings - third parties	14	(739,887)	(1,541,883)	(739,887)	(1,555,007)
Acquisition of treasury shares	18 (b)	(74,493)	-	(74,493)	-
Payment of dividends and interest on capital		(229,999)	(180,000)	(229,999)	(180,000)
Net cash provided by (used in) financing activities		(774,440)	154,725	(774,440)	141,601
Increase (decrease) in cash and cash equivalents		(105,172)	57,548	(105,541)	56,742
Cash and cash equivalents at the beginning of the year	4	197,170	139,622	197,607	140,865
Cash and cash equivalents at the end of the year	4	91,998	197,170	92,066	197,607
Additional information					
Balance of financial investments (current assets)	4	1,775,640	1,790,855	1,831,504	1,838,261
Total available funds	4	1,867,638	1,988,025	1,923,570	2,035,868

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

Statement of value added
Years ended March 31, 2020 and 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2020	2019	2020	2019
Revenue				
Gross sales of goods and products	3,939,711	3,626,102	4,102,611	3,738,840
Revenue from construction of own assets	1,142,445	1,056,568	1,142,445	1,060,507
Other income	3,108	15,932	4,557	17,412
	5,085,264	4,698,602	5,249,613	4,816,759
Inputs acquired from third parties				
Cost of products and goods sold	(981,960)	(1,202,563)	(946,746)	(1,156,682)
Materials, electric power, third-party services, and other operating expenses	(1,186,677)	(1,003,739)	(1,215,916)	(1,034,009)
	(2,168,637)	(2,206,302)	(2,162,662)	(2,190,691)
Gross value added	2,916,627	2,492,300	3,086,951	2,626,068
Depreciation and amortization	(633,579)	(426,446)	(636,816)	(430,032)
Biological assets harvested	(613,101)	(606,589)	(613,101)	(606,589)
Net value added generated by the entity	1,669,947	1,459,265	1,837,034	1,589,447
Value added received in transfer				
Equity in the results of investees	153,449	121,407	625	(240)
Finance income	418,336	447,172	427,393	457,967
Other	403,811	124,288	403,835	124,686
Total value added to be distributed	2,645,543	2,152,132	2,668,887	2,171,860
Distribution of value added				
Personnel and payroll charges				
Direct compensation	588,380	574,001	588,558	574,228
Benefits	203,797	184,025	204,540	184,744
Government Severance Indemnity Fund for Employees (FGTS)	52,151	50,989	52,165	51,005
Management compensation	28,490	27,071	29,814	28,432
Taxes, charges and contributions				
Federal	174,357	151,712	193,898	167,628
State	75,646	75,403	76,200	75,862
Municipal	1,286	1,035	2,028	1,221
Financing entities				
Interest	396,745	282,977	396,918	283,732
Rentals	3,563	2,845	3,563	2,845
Foreign exchange variations	318,218	356,418	318,218	356,418
Other	163,900	131,611	163,975	131,700
Payment of dividends and interest on capital	151,765	74,586	151,765	74,586
Profit reinvested in the year	487,245	239,459	487,245	239,459
Value added distributed	2,645,543	2,152,132	2,668,887	2,171,860

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

1. Operations

São Martinho S.A. (the "Company" or "Parent Company") is a listed corporation headquartered in Pradópolis, state of São Paulo, with its shares traded on the listing segment of B3 S.A. - Brazil, Stock Exchange, OTC ("B3"). The Company and its subsidiaries (together, "São Martinho") are primarily engaged in the cultivation of sugarcane, and production and sale of sugar, ethanol and other sugarcane byproducts; co-generation of electric power; 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 plantations on land owned by the Company, its stockholders, related companies, or agricultural partnerships. The remaining 30% is supplied by third parties. The sugar-ethanol sector in the Center-South region of Brazil is typified by seasonal trends reflecting the sugarcane growth cycle which begins in April and ends in December, resulting in fluctuations in the Company's inventories. Raw material supply may be affected by adverse climate conditions. A sugarcane crop takes up to 18 months to mature, and harvest begins, in general, from April to December, which is also the period when sugar and ethanol are produced, and electric power is co-generated.

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

The Board of Directors authorized the issue of these financial statements on June 29, 2020.

RenovaBio - CBIOs

At March 31, 2020, the Company had issued 227 thousand pre-CBIOs. Once registered, the decarbonization credits (CBIOs) may be traded mainly with fuel distributors under acquisition targets established in the RenovaBio program. As there was no active market for trading CBIOs at the end of the reporting period, it was not possible to reliably measure and estimate the market or fair values for these assets.

RenovaBio background:

RenovaBio, the National Biofuel Policy introduced by Law 13,576/2017, establishes annual national decarbonization targets for the fuel sector, with a view to stimulating an increase in biofuel production and its contribution to the transport energy matrix in Brazil.

Fuel distributors will be required to prove compliance with individual mandatory targets through the purchase of CBIOs, which are publicly traded financial assets derived from the certification of the biofuel production process, based on the respective levels of efficiency achieved in relation to their emissions.

Effect of Coronavirus on the financial statements

The potential impacts of the Coronavirus pandemic (Covid-19) are reflected in the estimates and judgments used in the preparation of these financial statements, notably those relating to the fair value of biological assets, derivative financial instruments with foreign exchange exposure, and impairment test for goodwill, which may affect the Company's future results.

On the date the Board of Directors authorized the issue of these financial statements, management concluded that there were no material uncertainties which might cast doubt on the Company's ability to continue as a going concern, and had not identified any issues that could affect the financial statements for the year ended March 31, 2020.

2. Summary of significant accounting policies

2.1 Statement of compliance and basis of preparation

The parent company and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil (BR GAAP)and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil by the Accounting Pronouncements Committee (CPC) through its technical interpretations (ICPC) and guidelines (OCPC), as approved by the Brazilian Securities Commission (CVM). The financial statements have been prepared under the historical cost convention, except for certain derivative financial instruments and biological assets measured at fair value. We further state that the parent company and consolidated financial statements comply with both BR GAAP and IFRS.

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, while it is not required by IFRS. The Statement of Value Added was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". Therefore, under IFRS, the presentation of such statements is considered supplementary information.

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

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2 Basis of consolidation and investments in subsidiaries

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

The consolidated balances in these financial statements represent 100% of the equity interest held in the following companies:

Company	Core activity
São Martinho Terras Imobiliárias S.A. ("SM Terras Imobiliárias") (i)	Sale and purchase of real estate, development and exploitation of real estate and mining enterprises.
Bioenergética São Martinho S.A. ("Bio SM") (ii)	Co-generation of electric power
Bioenergética Santa Cruz S.A. ("Bio SC") (ii)	Co-generation of electric power
São Martinho Inova S.A. ("SM Inova")	Investment in other companies
São Martinho Terras Agrícolas S.A. ("SM Terras Agrícolas")	Exploitation of land through agricultural lease and partnerships, rental and sale of real estate.
São Martinho Logística e Participações S.A. ("SM Logística")	General product storage
Bioenergia São Martinho ("Bioenergia SM")	Co-generation of electric power
Bioenegética Boa Vista S.A. ("Bioenergética UBV")	Co-generation of electric power

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

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

2.3 Functional and presentation currency

The financial statements are presented in Brazilian Real/Reais (R$), which is the currency of the primary economic environment in which the Company operates (the "functional currency").

2.4 Foreign currency translation

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

2.5 Financial instruments

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

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

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

a) Financial assets

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

b) Financial liabilities

The Company's financial liabilities include trade payables, borrowings, leases, agricultural partnerships, related parties, and other payables, which are classified as amortized cost. After initial recognition, borrowings are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the statement of income when the liabilities are derecognized and through 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 statement of income, unless the derivative has been designated as a hedging instrument and qualifies for hedge accounting.

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

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

2.6 Business combinations and goodwill

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

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

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

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

Acquisition costs incurred are accounted for as expenses

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

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

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

2.7 Leases

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

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

The Company and its subsidiaries consider as lease any contract that, upon consideration, transfers the right to control the use of an asset for a certain period. Accordingly, the agricultural partnership agreements, although having a different legal form, were accounted for as leases.

b) The Company as the Lessee

The Company adopted the simplified cumulative effect approach and the following criteria: (i) liabilities: comprised of remaining balances of the contracts in force on the date of initial adoption, net of advance payments, and discounted at the average rate of DI futures contracts (nominal interest coupon), with terms equivalent to those of partnership and lease contracts; and (ii) assets: comprised of the amount equivalent to the liabilities adjusted to present value. Right-of-use assets and the balance payable are remeasured at year-end, based on the index disclosed by CONSECANA.

No assets or liabilities were recognized for low value (computers, telephones and IT equipment in general) and/or short-term lease agreements (up to 12 months). Payments associated with these agreements were recorded as expenses on a straight-line basis.

c) **The Company as the Lessor**

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

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

3. Significant accounting estimates and judgments

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

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

a) **Impairment losses**

Goodwill is tested for impairment annually. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations, which require the use of estimates and budget projections approved by management (Note 12).

b) **Fair value of biological assets**

This represents the present value of expected net cash flows from biological assets, determined through the use of assumptions established in discounted cash flow models (Note 7).

c) Income tax, social contribution and other taxes

São Martinho recognizes provisions for situations where it is probable that additional taxes will be due. When the final outcome of these matters differs from the amounts initially estimated and recorded, such differences will affect current and deferred tax assets and liabilities in the year in which the ultimate amount is determined.

d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in active markets is determined through the use of valuation techniques, including discounted cash flow models. The assumptions underlying these valuation techniques are based primarily on market conditions existing at the balance sheet date, if available. Where this is not feasible, a certain level of judgment is required to determine fair value, taking into consideration data such as liquidity, credit risk and volatility.

e) Provision for contingencies

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

f) ICMS tax benefits

The Company has ICMS tax incentives granted by the State of Goiás (Note 18(d)). On August 7, and December 15, 2017, Complementary Law 160/2017 and ICMS Agreement 190/2017, respectively, were published, regulating the granting of tax benefits in disagreement with item "g", subsection XII, paragraph 2 of Art. 155 of the Federal Constitution.

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

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

g) Incremental borrowing rate on leases and agricultural partnership

Right-of-use assets, lease liabilities, and agricultural partnerships are measured at present value based on cash flows discounted using the incremental borrowing rates. This weighted average borrowing rate involves estimation, since it is the rate that the lessee would have to pay on a borrowing to raise the funds required to obtain an asset of similar value in a similar economic environment, and with equivalent terms and conditions, which also takes into consideration the lessee's credit risk, the term of the agreement, and the collateral offered.

All amounts in thousands of reais unless otherwise stated

4. Cash and cash equivalents and financial investments

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

	Parent company			Consolidated		
	Annual yield	2020	2019	Annual yield	2020	2019
Cash and banks (in Brazil)		180	156		248	593
Cash and banks (abroad) (US Dollar)	1.76% p.a.	91,818	197,014	1.76% p.a.	91,818	197,014
Total cash and cash equivalents		**91,998**	**197,170**		**92,066**	**197,607**
Financial investments						
. Investment fund	99.45% of CDI	1,693,054	1,790,855	99.27% of CDI	1,748,918	1,838,261
. Funds - Financial Treasury Bills (LFT) (i)	100% of SELIC	19,301	25,917	100% of SELIC	19,301	25,917
. CDB (i)	100.57% of CDI	82,586	23,764	100.57% of CDI	82,586	23,765
. Other (i)	98.5% of CDI	15,710	-	99.31% of CDI	19,193	3,663
Total financial investments		**1,810,651**	**1,840,536**		**1,869,998**	**1,891,606**
Total cash and cash equivalents and financial investments		**1,902,649**	**2,037,706**		**1,962,064**	**2,089,213**
In non-current assets		**35,011**	**49,681**		**38,494**	**53,345**
Total available funds		**1,867,638**	**1,988,025**		**1,923,570**	**2,035,868**

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

5. Trade receivables

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

The balance of trade receivables is as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Domestic market customers	120,101	118,229	188,100	159,603
Foreign market customers	5,430	26,905	5,430	26,905
Expected impairment loss on trade receivables	-	-	(509)	(608)
	125,531	**145,134**	**193,021**	**185,900**
Current assets	**125,531**	**145,134**	**165,829**	**163,412**
Non-current assets	**-**	**-**	**27,192**	**22,488**

All amounts in thousands of reais unless otherwise stated

The aging list of trade receivables is as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Falling due:	124,557	144,282	191,911	184,857
Overdue and not provisioned				
Up to 30 days	69	12	112	82
Over 31 days	905	840	998	961
	125,531	**145,134**	**193,021**	**185,900**

Of the amount receivable, R$ 1,612 and R$ 626 in the Parent company and Consolidated, respectively (R$ 5,286 and R$ 333, respectively, at March 31, 2019), refer to related parties (Note 9).

6. Inventories and advances to suppliers

	Parent company		Consolidated	
	2020	2019	2020	2019
Current				
Finished products and work-in-process	139,599	47,825	139,599	47,825
Advances - purchases of sugarcane	61,238	52,413	61,238	52,413
Advances - purchases of inputs	71,254	55,746	71,254	55,746
Land subdivisions	-	-	8,287	8,152
Inputs, ancillary materials for maintenance and other	85,799	68,186	85,799	68,186
	357,890	**224,170**	**366,177**	**232,322**
Non-current				
Advances - purchases of sugarcane	49,916	131,881	49,916	131,881
	49,916	**131,881**	**49,916**	**131,881**
	407,806	**356,051**	**416,093**	**364,203**

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

7. Biological assets

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

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

All amounts in thousands of reais unless otherwise stated

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

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

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

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

Parent company and Consolidated	2020	2019
Estimated total harvest area (ha)	239,774	237,080
Expected yield (metric ton/ha)	91.35	85.74
Amount of TRS per metric ton of sugarcane (kg)	133.30	133.50
Projected average price of TRS (R$)	0.6038	0.6171

In these financial statements, the discount rate of 7.22% p.a. was used to calculate the fair value of biological assets (7.88% p.a. at March 31, 2019).

Based on estimates of revenue and costs, the Company determines the discounted cash flows to be generated, adjusting these to present value through the use of a discount rate compatible with the return on investment in the circumstances. Changes in fair value are accounted for under "Biological assets", with a corresponding entry to the sub-account "Changes in the fair value of biological assets", within "Cost of sales" in the statement of income.

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

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2020	2019	2020	2019
Historical cost	742,524	518,751	742,524	686,592
Fair value	(85,467)	(99,018)	(85,467)	(104,866)
Biological assets - opening balance:	**657,057**	**419,733**	**657,057**	**581,726**
Changes:				
Increases arising from crop treatments	513,543	454,341	513,543	456,677
Transfer of PP&E/biological assets	188,814	167,925	188,814	184,379
Changes in fair value	(30,602)	5,076	(30,602)	7,720
Merger of Pulisic	-	8,688	-	-
Merger of Usina Boa Vista	-	172,170	-	-
Decreases resulting from harvest	(615,265)	(570,876)	(615,265)	(573,445)
Biological assets - closing balance:	**713,547**	**657,057**	**713,547**	**657,057**
Comprised of:				
Historical cost	829,616	742,524	829,616	742,524
Fair value	(116,069)	(85,467)	(116,069)	(85,467)
Biological assets - closing balance:	**713,547**	**657,057**	**713,547**	**657,057**

The operating activities of sugarcane cultivation are exposed to the risk of damage caused by climate changes, pests and diseases, forest fires, and other forces of nature, which may impact, either by increasing or reducing future harvest results.

Fair value sensitivity analysis

For the purpose of the sensitivity analysis, the Company assessed the impact on the fair value of its biological assets at March 31, 2020, considering the increase/decrease in the following variables: (i) price of the sugarcane metric ton; and (ii) sugarcane production volume. The other variables were held constant. Accordingly, a 5% increase or decrease in the price of sugarcane metric ton would result in an increase or decrease of R$ 63,502. Regarding the production volume, the same 5% variation (up or down) would result in an increase or decrease of R$ 56.743.

All amounts in thousands of reais unless otherwise stated

8. Taxes recoverable

	Parent company		Consolidated	
	2020	2019	2020	2019
Current				
PIS / COFINS	4,031	12,139	4,031	12,164
ICMS	7,407	6,129	7,407	7,071
Others	865	882	865	889
	12,303	**19,150**	**12,303**	**20,124**
Non-current				
PIS / COFINS	44,832	46,419	44,864	46,419
Reintegra	4,870	4,495	4,870	4,495
IOF on derivatives	8,653	8,388	8,653	8,388
ICMS	15,117	13,616	16,080	13,616
INSS	6,579	6,369	6,579	6,369
Others	-	503	-	503
	80,051	**79,790**	**81,046**	**79,790**
	92,354	**98,940**	**93,349**	**99,914**

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

The balances of taxes recoverable arise from commercial transactions and tax prepayments.

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

	Parent company	Consolidated
From 4/1/2021 to 3/31/2022	45,418	46,406
From 4/1/2022 to 3/31/2023	6,608	6,608
From 4/1/2023 to 3/31/2024	5,581	5,581
From 4/1/2024 to 3/31/2025	5,326	5,327
From 4/1/2025 to 3/31/2026	3,128	3,127
From 4/1/2026 onwards	13,990	13,997
	80,051	**81,046**

All amounts in thousands of reais unless otherwise stated

9. Related parties

a) Parent company and consolidated balances:

	Parent company		Consolidated	
	2020	2019	2020	2019
Current assets				
Trade receivables (i)				
São Martinho Terras Imobiliárias S.A.	22	329	-	-
Bioenergética Santa Cruz S.A.	9	7	-	-
Bioenergética São Martinho S.A.	1,014	4,661	-	-
São Martinho Terras Agrícolas S.A.	14	14	-	-
CTC - Centro de Tecnologia Canavieira S.A.	447	156	528	224
Others	106	119	98	109
	1,612	**5,286**	**626**	**333**
Inventories - purchases of sugarcane from shareholders and related parties	-	6,545	-	
Non-current assets				
Advance for future capital increase				
São Martinho Inova S.A.	5	9	-	-
Bioenergia São Martinho Ltda.	250	-	-	-
	255	**9**	**-**	**-**
Current liabilities				
Trade payables				
Luiz Ometto Participações S.A. (ii)	-	3,313	-	3,313
São Martinho Terras Imobiliárias S.A.	168	47	-	-
Bioenergética Santa Cruz S.A.	258	634	-	-
São Martinho Terras Agrícolas S.A.	5,423	4,544	-	-
CTC - Centro de Tecnologia Canavieira S.A.	346	208	346	208
Others	9	167	9	167
	6,204	**8,913**	**355**	**3,688**
Leases and agricultural partnerships payable from shareholders and related parties	291,281	824	291,281	824
Current and non-current liabilities				
Acquisition of ownership interest				
Luiz Ometto Participações S.A. (Note 17)	26,934	38,605	26,934	38,605

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

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

All amounts in thousands of reais unless otherwise stated

b) Significant parent company and consolidated transactions in the year:

	Parent company		Consolidated	
	2020	2019	2020	2019
Sales revenue				
Bioenergética Santa Cruz S.A.	6,134	5,868	-	-
Bioenergética São Martinho S.A.	7,969	6,924	-	-
	14,103	**12,792**	**-**	**-**
Reimbursed expenses/(purchase of products and services)				
São Martinho Terras Imobiliárias S.A.	(2,104)	(1,921)	-	-
São Martinho Terras Agrícolas S.A.	(60,061)	(48,088)	-	-
Bioenergética Santa Cruz S.A.	(2,332)	(2,213)	-	-
CTC - Centro de Tecnologia Canavieira S.A.	(17,205)	(14,536)	(16,366)	(13,799)
Bioenergética São Martinho S.A.	176	284	-	-
Agro Pecuária Boa Vista S/A	173	132	173	132
	(81,353)	**(66,342)**	**(16,193)**	**(13,667)**
Shareholders and related parties				
Sugarcane purchases / agricultural partnership and land lease				
Agro Pecuária Boa Vista S/A	(33,128)	(28,657)	(33,128)	(28,657)
Others	(16,653)	(13,558)	(16,653)	(13,558)
	(49,781)	**(42,215)**	**(49,781)**	**(42,215)**

Sales revenue relate to sale of steam. Purchases of products and services relate to purchase of sugarcane, electric power, steam production service, and royalties. Expenses reimbursed by subsidiaries or related parties relate to expenditures incurred with the Shared Services Center, the Board of Directors, and the corporate office. Apportionments are supported by agreements signed by the parties.

c) Management compensation

The compensation paid or payable for management’s services is shown below:

	Parent company		Consolidated	
	2020	2019	2020	2019
Fixed and variable compensation, and benefits	27,543	25,599	29,461	27,438
Social security contributions	5,535	5,601	5,878	5,915
Total compensation and charges	**33,078**	**31,200**	**35,339**	**33,353**

Virtual options refer to the amounts paid during the year ended March 31, 2020: R$ 13,790 in the Parent company and R$ 13,959 in the Consolidated (R$ 18,364 in the Parent company and R$ 18,623 in the Consolidated at March 31, 2019) in relation to Virtual Stock Option Plans approved in previous years.

During the fiscal year ended March 31, 2019, the change in the balances of the current Stock Option Plan, approved at a Board of Directors' meeting held on May 2, 2018, was defined. The plan provides for cash settlement of the positive difference between the market value on the day before exercise and the price set in each program. The other terms determined for the new plans are the same as those defined in previously agreed contracts.

All amounts in thousands of reais unless otherwise stated

On December 9, 2019, the Board of Directors approved the granting of 1,072,712 new options, in the amount of R$ 7,015, through the 11th Stock Option Plan, governed by a regulation consistent with other existing Company plans.

The carrying amount of the liability relating to the new fair value calculation of the Virtual Stock Option Plan is R$ 82 (R$ 3,501 at March 31, 2019).

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

Plan	6th Plan	7th Plan	8th Plan	9th Plan	10th Plan	11th Plan	Total
Plan issue date	12/15/2014	12/14/2015	12/12/2016	05/02/2018	12/10/2018	12/09/2019	
Deadline for exercise *(i)*	2021	2022	2023	2024	2025	2026	
Number of virtual options granted	835,725	696,465	727,273	882,074	1,133,513	1,072,712	5,347,762
Number of virtual options exercised	(807,951)	(655,515)	(410,383)	(108,066)	-	-	(1,981,915)
Number of virtual options to be exercised	**27,774**	**40,950**	**316,890**	**774,008**	**1,133,513**	**1,072,712**	**3,365,847**
Exercise price (R$)	12.04	15.87	17.70	17.76	19.07	19.38	

Each plan's virtual options may be exercised after their respective grace periods, as follows: 1/3 after the second year of the grant, 1/3 after the third year of the grant, and 1/3 after the fourth year of the grant, complying with the deadlines established for each plan. The limit approved at the Annual General Meeting refers to the virtual options to be granted in that year.

10. Investments

The parent company and consolidated balance of investments in other companies is as follows:

				Parent company			
Company	Ownership interest %	Investee's adjusted equity		Book value of investment		Equity in the results of investees	
		2020	2019	2020	2019	2020	2019
Classified as Investments							
SM Terras Imobiliárias	100.00%	159,086	147,924	159,086	147,925	19,607	5,497
Bio SM	100.00%	37,381	25,387	37,381	25,387	31,995	29,173
SM Inova	100.00%	26,870	25,911	26,870	25,911	1,201	857
SM Terras Agrícolas	100.00%	1,144,494	1,044,247	1,144,494	1,044,247	55,815	45,838
SM Logística	100.00%	2,703	2,828	2,703	2,828	(125)	(124)
Bio SC	100.00%	61,941	97,133	91,688	97,133	45,489	43,339
Bioenergética UBV	100.00%	1	-	1	-	-	-
Pulisic Participações Ltda	100.00%	-	-	-	-	-	(2,252)
Others		-	-	-	1,859	(533)	-
Total classified as Investments		**1,432,476**	**1,343,430**	**1,462,223**	**1,345,290**	**153,449**	**122,328**
Classified as non-current liabilities							
Usina Santa Luiza S.A. (i)		-	-	-	-	-	(921)
Total classified as non-current liabilities		**-**	**-**	**-**	**-**	**-**	**(921)**
Closing balance		**1,432,476**	**1,343,430**	**1,462,223**	**1,345,290**	**153,449**	**121,407**

All amounts in thousands of reais unless otherwise stated

Company	Ownership interest %	Investee's adjusted equity		Book value of investment (Consolidated)		Equity in the results of investees (Consolidated)	
		2020	2019	2020	2019	2020	2019
Classified as Investments							
CTC - Centro de Tecnologia Canavieira S.A. (ii)	5.41%	601,912	579,620	32,590	31,678	1,206	681
Others		-	-	1,278	1,859	(581)	-
Total classified as Investments		**601,912**	**579,620**	**33,868**	**33,537**	**625**	**681**
Classified as non-current liabilities							
Usina Santa Luiza S.A. (i)		-	-	-	-	-	(921)
Total classified as non-current liabilities		**-**	**-**	**-**	**-**	**-**	**(921)**
Closing balance		**601,912**	**579,620**	**33,868**	**33,537**	**625**	**(240)**

(i) Merged investee (Note 10.1).
(ii) Pursuant to item 16 of CPC 18 (R2), the interest held by the Company in CTC is accounted for under the equity method, since the Company has significant influence over the investee.

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

10.1 Merger of Usina Santa Luiza S.A.

The Extraordinary General Meeting held on February 1, 2019 approved the full spin-off of Usina Santa Luiza S.A. (USL), which was dissolved after the merger of its spun-off assets into the Company.

The transaction was justified since USL was not an operating company, and the spin-off and subsequent merger of spun-off portion into the Company aimed to segregate efficiently its net assets in each shareholder company, reducing administrative costs.

The spin-off did not result in any change to the Company's share capital, and the spun-off assets were fully merged as follows: (i) 66.67% of the portion of assets and liabilities arising from Copersucar advances for future capital increase; and (ii) 100% of other known assets and liabilities of USL. In addition, the Company was contractually obligated to transfer to Cosan S.A. the amount corresponding to 33.33% of the fixed assets at the time of their sale, or within a maximum period of three years from the date of the merger.

11. Property, plant and equipment

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

Maintenance costs that extend the useful lives of property, plant and equipment items are capitalized and items that replace others that suffer wear and tear during the crop period are recorded as assets, and are depreciated during the subsequent crop season. Maintenance costs that do not affect 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 exclusively used to grow 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 required to construct and prepare the asset for its intended use.

All amounts in thousands of reais unless otherwise stated

Parent company	Land	Buildings and facilities	Manufacturing equipment and facilities	Intercrop maintenance	Vehicles	Agricultural machinery and implements	Sugarcane plantations	Construction in progress	Other PP&E	Total
At March 31, 2018	**155,808**	**242,754**	**791,117**	**218,044**	**165,957**	**232,021**	**805,673**	**45,351**	**22,389**	**2,679,114**
Total cost	155,808	287,935	1,174,304	390,839	243,282	402,273	805,673	45,351	66,177	3,571,642
Accumulated depreciation	-	(45,181)	(383,187)	(172,795)	(77,325)	(170,252)	-	-	(43,788)	(892,528)
Net book value	**155,808**	**242,754**	**791,117**	**218,044**	**165,957**	**232,021**	**805,673**	**45,351**	**22,389**	**2,679,114**
Acquisition	4,297	1,044	10,062	303,863	24,031	16,710	303,215	137,410	1,051	801,683
Transfer of biological assets	-	-	-	-	-	-	(167,925)	-	-	(167,925)
Cost of sale	(64)	(2,097)	(1,297)	-	(2,634)	(3,384)	(290)	-	(194)	(9,960)
Merger of Usina Boa Vista	49,198	161,880	413,287	60,568	61,980	80,845	222,663	4,044	38,537	1,093,002
Merger of Usina Santa Luiza	57	1,021	92	-	-	1	-	-	-	1,171
Merger of Pulisic	-	-	-	-	-	-	10,742	-	-	10,742
Transfer between groups	-	8,591	44,304	4,098	886	(10,419)	16,550	(66,041)	2,031	-
Depreciation	-	(11,361)	(77,705)	(280,151)	(20,654)	(28,298)	-	-	(10,354)	(428,523)
At March 31, 2019	**209,296**	**401,832**	**1,179,860**	**306,422**	**229,566**	**287,476**	**1,190,628**	**120,764**	**53,460**	**3,979,304**
Total cost	209,296	490,357	1,775,974	306,422	363,639	565,861	1,190,628	120,764	170,003	5,192,944
Accumulated depreciation	-	(88,525)	(596,114)		(134,073)	(278,385)	-	-	(116,543)	(1,213,640)
Net book value	**209,296**	**401,832**	**1,179,860**	**306,422**	**229,566**	**287,476**	**1,190,628**	**120,764**	**53,460**	**3,979,304**
Acquisition	5,871	286	7,393	302,757	15,950	59,151	339,388	125,690	6,252	862,738
Capital contribution to subsidiary (i)	(119,064)	-	-	-	-	-	-	-	-	(119,064)
Transfer of PP&E/biological assets	-	-	-	-	-	-	(188,814)	-	-	(188,814)
Cost of sale	-	-	(35)	-	(2,497)	(3,835)	(47)	-	(372)	(6,786)
Transfer between groups	-	5,607	58,566	-	1,918	(6,848)	9,771	(71,515)	2,501	-
Depreciation	-	(12,438)	(79,024)	(307,868)	(21,186)	(37,689)	-	-	(10,689)	(468,894)
At March 31, 2020	**96,103**	**395,287**	**1,166,760**	**301,311**	**223,751**	**298,255**	**1,350,926**	**174,939**	**51,152**	**4,058,484**
Total cost	96,103	496,251	1,841,782	301,311	377,559	617,139	1,350,926	174,939	178,131	5,434,141
Accumulated depreciation	-	(100,964)	(675,022)	-	(153,808)	(318,884)	-	-	(126,979)	(1,375,657)
Net book value	**96,103**	**395,287**	**1,166,760**	**301,311**	**223,751**	**298,255**	**1,350,926**	**174,939**	**51,152**	**4,058,484**
Residual value										
Historical cost	24,817	327,585	954,550	301,311	197,918	255,827	1,350,926	174,939	51,152	3,639,025
Surplus on revaluation	71,286	67,702	212,210	-	25,833	42,428	-	-	-	419,459
Annual average depreciation rates/ Transfer of biological assets	-	3%	5%	100%	7%	9%	14%	-	14%	

(i) On December 9, 2019, capital contribution in the subsidiaries SMTI and SMTA was approved, through transfer of assets in the amount of R$1,087 and R$117,977 respectively.

All amounts in thousands of reais unless otherwise stated

Consolidated	Land	Buildings and facilities	Manufacturing equipment and facilities	Intercrop maintenance	Vehicles	Agricultural machinery and implements	Sugarcane plantations	Construction in progress	Improvements and other PPE	Total
At March 31, 2018	**1,807,778**	**408,526**	**1,264,994**	**278,974**	**227,935**	**312,867**	**1,038,512**	**49,393**	**60,933**	**5,449,912**
Total cost	1,807,778	487,450	1,805,071	508,634	342,980	552,539	1,038,512	49,393	167,013	6,759,370
Accumulated depreciation	-	(78,924)	(540,077)	(229,660)	(115,045)	(239,672)	-	-	(106,080)	(1,309,458)
Net book value	**1,807,778**	**408,526**	**1,264,994**	**278,974**	**227,935**	**312,867**	**1,038,512**	**49,393**	**60,933**	**5,449,912**
Acquisition	8,388	1,044	10,062	304,430	24,031	16,710	304,250	137,410	1,051	807,376
Cost of sale	(1,342)	(2,097)	(1,297)	-	(2,634)	(3,384)	(290)	-	(193)	(11,237)
Merger of Pulisic	-	-	-	-	-	-	15,984	-	-	15,984
Merger of Usina Santa Luiza	57	1,021	92	-	-	1	-	-	-	1,171
Transfer from Inventories to Sales	(2,542)	-	-	-	-	-	-	-	-	(2,542)
Transfer of biological assets	-	-	-	-	-	-	(184,379)	-	-	(184,379)
Transfer between groups	-	8,591	44,292	4,110	886	(10,419)	16,550	(66,041)	2,031	-
Depreciation	-	(11,542)	(80,263)	(280,512)	(20,654)	(28,298)	-	-	(10,356)	(431,625)
At March 31, 2019	**1,812,339**	**405,543**	**1,237,880**	**307,002**	**229,564**	**287,477**	**1,190,627**	**120,762**	**53,466**	**5,644,660**
Total cost	1,812,339	496,594	1,857,960	307,158	363,637	565,861	1,190,627	120,762	170,003	6,884,941
Accumulated depreciation	-	(91,051)	(620,080)	(156)	(134,073)	(278,384)	-	-	(116,537)	(1,240,281)
Net book value	**1,812,339**	**405,543**	**1,237,880**	**307,002**	**229,564**	**287,477**	**1,190,627**	**120,762**	**53,466**	**5,644,660**
Acquisition	11,782	286	7,393	303,851	15,950	59,151	339,388	125,690	6,252	869,743
Cost of sale	(334)	-	(35)	-	(2,497)	(3,835)	(47)	-	(373)	(7,121)
Transfer of biological assets	-	-	-	-	-	-	(188,814)	-	-	(188,814)
Transfer between groups	-	5,607	58,566	-	1,918	(6,848)	9,771	(71,515)	2,501	-
Transfer from Inventories to Sales	(1,782)	-	-	-	-	-	-	-	-	(1,782)
Depreciation	-	(12,619)	(81,542)	(308,456)	(21,186)	(37,689)	-	-	(10,689)	(472,181)
At March 31, 2020	**1,822,005**	**398,817**	**1,222,262**	**302,397**	**223,749**	**298,256**	**1,350,925**	**174,937**	**51,157**	**5,844,505**
Total cost	1,822,005	502,487	1,923,767	303,017	377,558	617,139	1,350,925	174,937	178,135	7,249,970
Accumulated depreciation	-	(103,670)	(701,505)	(620)	(153,809)	(318,883)	-	-	(126,978)	(1,405,465)
Net book value	**1,822,005**	**398,817**	**1,222,262**	**302,397**	**223,749**	**298,256**	**1,350,925**	**174,937**	**51,157**	**5,844,505**
Residual value										
Historical cost	170,427	330,150	995,717	302,397	197,917	255,827	1,350,925	174,937	51,157	3,829,454
Surplus on revaluation	1,651,578	68,667	226,545	-	25,832	42,429	-	-	-	2,015,051
Annual average depreciation rates/ Transfer of biological assets	-	3%	5%	100%	7%	9%	14%	-	14%	

All amounts in thousands of reais unless otherwise stated

The amount recorded within "Construction in progress" relates mainly to projects for the implementation of data transmission technology (4G), construction of a plant for production of hydrolyzed yeast, firefighting/prevention, and expansion of ethanol storage and shipping.

Under the terms of certain borrowing agreements entered into by São Martinho, property, plant and equipment items totaling R$ 662,348 were pledged as collateral, of which R$ 64,503 relates to rural properties (2,097 hectares of land).

Financial charges capitalized during the year amounted to R$ 2,145 (R$ 2,338 at March 31, 2019).

12. Intangible assets

Contractual relationships have a finite useful life, and their amortization is calculated based 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 and is tested annually for impairment.

	Parent company		Consolidated	
	2020	2019	2020	2019
Goodwill based on future profitability (i)	374,632	374,633	374,633	374,633
Software	37,492	37,359	37,492	37,359
Accumulated amortization	(28,821)	(26,398)	(28,821)	(26,398)
Rights on sugarcane contracts (ii)	42,443	42,443	42,443	42,443
Amortization of rights on sugarcane contracts (ii)	(17,026)	(13,500)	(17,026)	(13,500)
Rights on electric power contracts (iii)	-	-	103,401	103,401
Amortization of rights on electric power contracts (iii)	-	-	(62,315)	(52,354)
Other assets	4,355	3,308	15,882	12,915
	413,075	**417,845**	**465,689**	**478,499**

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

Impairment of non-financial assets

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

All amounts in thousands of reais unless otherwise stated

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

At March 31, 2020, the Company tested its non-current assets for impairment. The assessment was based on calculations of the value in use of each CGU, which use pre-income tax and social contribution cash flow projections, based on financial budgets approved by management. The growth rate does not exceed the long-term average growth rate of the industry in which the CGU operates.

The main assumptions and estimates involved are estimates of sugar and ethanol sales prices, costs related to energy and other macroeconomic data.

Main assumptions used by the Company:

Cash-generating Units	Average growth rate of net operating revenue	Nominal perpetuity growth rate	Nominal discount rate
São Martinho and Iracema production units	4.7%	4.5%	6.6%
Santa Cruz production unit	4.9%	4.5%	6.6%

The effects of the Coronavirus (Covid-19) pandemic did not have a significant impact on the estimates used to assess impairment.

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

São Martinho adopted IFRS 16 (CPC 06 (R2)) on April 1, 2019 (Note 2.7).

Changes in right-of-use assets during the period were as follows:

	Parent company and Consolidated			
Right-of-use assets	Vehicles	Agricultural partnership	Agricultural lease	Total
Adoption on April 1, 2019	18,368	1,194,692	374,501	1,587,561
New/updated contracts	349	116,390	12,276	129,015
Annual remeasurement	-	175,049	47,408	222,457
Depreciation	(16,034)	(170,838)	(32,708)	(219,580)
March 31, 2020	**2,683**	**1,315,293**	**401,477**	**1,719,453**
Useful life (years)	1 to 2	2 to 21	2 to 21	

All amounts in thousands of reais unless otherwise stated

Changes in lease and agricultural partnership liabilities during the year were as follows:

	Parent company and Consolidated			
Leases and agricultural partnerships payable	Balance of lease agreements	Balance of advance payments	Adjustment to present value	Total
Adoption on April 1, 2019	2,439,375	(94,649)	(851,814)	1,492,912
Offset of advances	-	(14,173)	-	(14,173)
New contracts/contract update	179,233	-	(50,218)	129,015
Annual remeasurement	321,529	-	(99,072)	222,457
Payments made	(276,168)	-	-	(276,168)
Financial charges	-	-	121,870	121,870
March 31, 2020	**2,663,969**	**(108,822)**	**(879,234)**	**1,675,913**

Current liabilities	**244,003**
Leases payable	40,168
Land partnership payable	203,835
Non-current liabilities	**1,431,910**
Leases payable	377,954
Land partnership payable	1,053,956
	1,675,913

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

Parent company and Consolidated	Maturity
From 4/1/2021 to 3/31/2022	308,309
From 4/1/2022 to 3/31/2023	283,663
From 4/1/2023 to 3/31/2024	259,765
From 4/1/2024 to 3/31/2025	235,404
From 4/1/2025 to 3/31/2026	214,892
From 4/1/2026 to 3/31/2027	181,374
From 4/1/2026 to 3/31/2028	135,778
From 4/1/2028 onwards	581,465
(-) Adjustment to present value	(768,740)
	1,431,910

The table below shows the potential right to PIS/COFINS recoverable included in lease payments:

	Parent company and Consolidated	
	Agricultural lease	Adjustment to present value
Lease payment	691,687	282,762
Potentially recoverable PIS/COFINS (9.25%)	(45,644)	(18,337)
March 31, 2020	646,043	264,425

All amounts in thousands of reais unless otherwise stated

São Martinho's nominal incremental borrowing rates were based on the risk-free interest rates observed in the market for the terms of its contracts, and adjusted to its economic reality:

Parent company and consolidated	
Contract terms	Incremental rate
2 years	6.73%
3 years	7.50%
4 years	8.05%
5 years	8.41%
6 years	8.67%
7 years	8.86%
8 years	9.04%
9 years	9.17%
10 years	9.26%
11anos	9.29%
From 12 to 21 years	9.33%

Pursuant to IFRS 16, the Company measured and remeasured its lease liabilities and right-of-use assets using the discounted cash flow technique, without considering the projected future inflation in the flows to be discounted, prohibited by the standard.

Additionally, in compliance with CVM Circular Letter 02/2019, comparative information on lease and agricultural partnership liabilities, right-of-use assets, deferred taxes, depreciation expense and finance costs for the year ended March 31, 2020 and future periods is presented below, using a discounted cash flow that considers future inflation projected in the payment flows, and discounted at the nominal rates presented above:

All amounts in thousands of reais unless otherwise stated

Parent company and Consolidated	2020	2021	2022	2023	2024	2025 to 2031	2032 to 2043
Right-of-use assets							
IFRS 16	1,719,453	1,471,544	1,240,908	1,033,414	847,193	155,009	-
CVM Official Letter	2,151,216	1,857,411	1,582,024	1,331,592	1,104,346	220,580	-
	25.11%	26.22%	27.49%	28.85%	30.35%	42.30%	
Liabilities of leases and agricultural partnerships							
IFRS 16	1,675,913	1,419,101	1,201,896	1,004,130	824,781	148,515	-
CVM Official Letter	2,044,292	1,773,071	1,515,993	1,279,860	1,064,437	211,733	-
	21.98%	24.94%	26.13%	27.46%	29.06%	42.57%	
Depreciation expenses							
IFRS 16	(217,748)	(247,910)	(230,635)	(207,494)	(186,221)	(692,184)	(155,009)
CVM Official Letter	(243,320)	(293,805)	(275,387)	(250,432)	(227,246)	(883,766)	(220,580)
	11.74%	18.51%	19.40%	20.69%	22.03%	27.68%	42.30%
Interest expense							
IFRS 16	(118,353)	(86,960)	(86,241)	(84,351)	(81,530)	(399,770)	(140,381)
CVM Official Letter	(133,073)	(124,436)	(118,511)	(115,210)	(112,614)	(573,487)	(214,604)
	12.44%	43.09%	37.42%	36.58%	38.13%	43.45%	52.87%

	IFRS 16/ CPC 06	CVM Official Letter
Depreciation expenses	(1,937,201)	(2,394,535)
Interest expenses	(997,586)	(1,391,934)
	(2,934,787)	(3,786,470)

14. Borrowings

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

Type	Annual charges		Parent company and consolidated	
	Rate	Index	2020	2019
In local currency				
Export Credit Note (NCE)	105.19%	CDI	131,780	264,793
BNDES credit facility	2.46%	+ TJLP	162,873	207,172
BNDES credit facility	6.47%	+ IPCA	-	1,697
BNDES credit facility	3.48%	-	160,039	233,738
BNDES credit facility		SELIC	-	242
Rural credit (ii)	6.63%	-	278,497	369,542
FINEP	4.00%	-	84,433	104,697
Agribusiness Receivable Certificate (CRA)	98.07%	CDI	1,474,171	1,363,353
Agribusiness Receivable Certificate (CRA) (a) (iii)	4.88%	+ IPCA	448,743	431,343
Other securitized credits	4.54%	+IGP-M/PRE	8,389	16,496
Total in local currency	**105.85%**	**CDI**	**2,748,925**	**2,993,073**
In foreign currency				
Export prepayment	4.15%	Foreign exchange variation	1,050,150	787,160
Export prepayment	1.35%	6M Libor	394,865	297,087
International Finance Corporation (IFC)	1.70%	6M Libor	474,334	356,738
Export Credit Note (NCE) (iv)	2.27%	Foreign exchange variation	130,057	-
FINEM	2.74%	Currency Basket	16,111	18,542
Total in foreign currency	**4.23%**		**2,065,517**	**1,459,527**
TOTAL (i)			**4,814,442**	**4,452,600**
Current			591,024	754,999
Non-current			4,223,418	3,697,601

(i) Total costs of liabilities in local and foreign currency were calculated based on the terms of the portfolios, and Interbank Deposit (DI) and LIBOR curves.
(ii) 100% of the rural credit amount is linked to 95.70% of the DI rate, through a swap contract.

All amounts in thousands of reais unless otherwise stated

(ii) 51% of the Agribusiness Receivable Certificates (CRAs) is linked to 121.87% of the DI rate, through a swap contract.
(ii) 100% of the Export Credit Note (NCE) amount is linked to the DI rate +1.40% p.a., through a swap contract.

a) Agribusiness Receivable Certificates (CRAs)

During the year ended March 31, 2019, the Company raised new funds in the capital markets, through the issuance of Agribusiness Receivable Certificates (CRAs) in the amount of R$ 842,123, on a continuous offering basis, accruing annual interest equivalent to 98.5% of the accumulated CDI rate variation and repayment of principal in two equal installments, in April 2025 and April 2026. Underwriting started on March 25, 2019, and was completed in 60 calendar days, with the exercise of the overallotment option.

Changes in borrowings during the year were as follows:

Changes in debt	Parent company		Consolidated	
	2020	2019	2020	2019
Previous balance	4,452,600	3,620,568	4,452,600	3,924,897
Proceeds from borrowings	546,107	1,876,608	546,107	1,876,608
Repayment of principal amount	(739,887)	(1,541,883)	(739,887)	(1,555,007)
Repayment of interest	(178,303)	(228,676)	(178,303)	(229,410)
Monetary adjustment	245,971	310,171	245,971	310,900
Foreign exchange variation	487,954	124,612	487,954	124,612
Merger of Usina Boa Vista	-	291,200	-	-
	4,814,442	4,452,600	4,814,442	4,452,600

Long-term borrowings mature as follows:

Maturity	Parent company and Consolidated
From 4/1/2021 to 3/31/2022	918,098
From 4/1/2022 to 3/31/2023	730,166
From 4/1/2023 to 3/31/2024	644,113
From 4/1/2024 to 3/31/2025	640,372
From 4/1/2025 to 3/31/2026	796,763
From 4/1/2026 to 3/31/2027	436,442
From 4/1/2027 to 3/31/2028	21,011
From 4/1/2028 onwards	36,453
	4,223,418

All amounts in thousands of reais unless otherwise stated

São Martinho debt of R$ 662,348 is collateralized as follows: 90% by liens on equipment, properties, and buildings, approximately 10% by land, and 1% by receivables from electric power trading and stockholders' sureties.

At the reporting date, carrying amounts of borrowings approximate their fair value. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.7% (6.99% at March 31, 2019), and are classified within Level 2 of the fair value hierarchy.

Covenants

The contracts of R$ 1,942,130 include financial covenants determined and measured annually. These covenants had been complied with in the reporting periods.

15. Trade payables

	Parent company		Consolidated	
	2020	2019	2020	2019
Sugarcane	74,749	62,142	69,158	57,482
Materials, services, and other	102,099	93,350	105,366	95,231
	176,848	**155,492**	**174,524**	**152,713**

Of the total amount of trade payables, R$ 5,858 in the parent company, and R$ 9 in the consolidated (R$ 9,529 and R$ 4,304, respectively, at March 31, 2019) refer to related parties (Note 9).

16. Obligations and rights with Copersucar

As part of the Copersucar withdrawal process, the Company entered into an agreement that established obligations and rights that have not yet expired. The main obligations and rights are described below.

a) **Obligations:**

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

All amounts in thousands of reais unless otherwise stated

Parent company and Consolidated	2020	2019
REFIS - Copersucar - Restated by reference to SELIC rate	53,456	77,036
Exchange Bill (LC) - Restated by reference to SELIC rate	71,077	69,805
Exchange Bill (LC) - Transfer of funds without imposition of charges	52,356	52,356
Expenses with tax proceedings	10,892	9,094
Others	2,300	2,301
Total	**190,081**	**210,592**
Current liabilities	**10,892**	**9,094**
Non-current liabilities	**179,189**	**201,498**

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

Copersucar has been served tax assessment notices with respect to State Value-Added Tax (ICMS) levied on sales of fuel and industrial ethanol made up to December 31, 2008, of which the amount attributed to the Company would be R$ 258,420. Copersucar is confident its position will prevail and it will successfully defend against fines; under the advice of legal counsel, the risk of loss is considered to be possible.

b) **Rights:**

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

Among the lawsuits to which Copersucar is an active party, of note is the claim against the Federal Government to compensate for damages arising from the freezing of prices of sugar and ethanol, causing a price lag during the 1980s.

In June 2017, the first court ordered debt security of R$ 5.6 billion (R$ 730.5 million proportion due the Company) was issued, and in June 2018, the supplementary court ordered debt security amounting to R$ 10.6 billion (R$ 1.4 billion proportion due the Company) was issued.

The excess of R$ 2.2 billion alleged by the Federal Government (R$ 286.3 million proportion due the Company) is still under dispute.

All amounts in thousands of reais unless otherwise stated

In March 2019, Copersucar received and transferred to the Cooperative members the first installment of the first court ordered debt security (R$ 906 million). Additionally, in December 2019, the second installment of the first court-ordered debt security (R$ 1.06 billion) and the first installment of the supplementary court ordered debt security (R$ 1.725 billion) were collected.

Upon transfer of the funds, Copersucar withheld a portion to cover litigation seeking damages and the levy of PIS and COFINS taxes, while undertaking to transfer the corresponding amounts in the event of a favorable outcome.

The Company, in coordination with the measures taken by Copersucar, also filed a lawsuit, supported by a judicial deposit, claiming the suspension of the enforceability of IRPJ/CSLL/PIS/COFINS payment. The judicial deposit was provided for within: "Taxes with suspended payment" As established in the Agreement for Purchase and Sale of Shares of Santa Cruz S.A. Açúcar e Álcool ("USC")., the Company transferred R$ 27,432 to Luiz Ometto Participações S.A.

After the transfer and withholding of the amounts related to court expenses and taxes under litigation, the balance of R$ 349,056 was recorded within "Other expenses (income), net". Management classifies the receipt of the remaining credit as probable, but not virtually certain, and therefore, the amount has not been recorded.

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

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

	Acquisition of ownership interest	Disposal of ownership interest	
Parent company and Consolidated	**Santa Cruz**	**Agro Pecuária Boa Vista**	**Net balance**
At March 31, 2019	(156,434)	117,829	(38,605)
Repayment of the principal amount	31,210	(19,590)	11,620
Monetary adjustment	(8,034)	6,084	(1,950)
Amortization of interest	8,215	(6,214)	2,001
At March 31, 2020	**(125,043)**	**98,109**	**(26,934)**

Current liabilities	(11,664)
Non-current liabilities	(15,270)
	(26,934)

All amounts in thousands of reais unless otherwise stated

The amounts include interest accruals by reference to the CDI rate, and mature as follows:

Maturity	(Acquisition) / Disposal of ownership interest
From 4/1/2021 to 3/31/2022	(11,620)
From 4/1/2022 to 3/31/2023	(11,620)
From 4/1/2023 to 3/31/2024	(11,620)
From 4/1/2024 to 3/31/2025	19,590
	(15,270)

18. Equity

a) Share capital

Share capital at March 31, 2020 totaled R$ 1,696,652, represented by 354,011,329 registered common shares with no par value (364,011,329 shares at March 31, 2029).

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

b) Treasury shares

Since these are repurchased equity instruments, treasury shares are recognized at acquisition cost in an account reducing Equity. No gain or loss is recognized in the statement of income on purchase, sale, issue, or cancellation of the Company's equity instruments.

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

	2019	Acquisition of shares	Cancellation of shares	2020
Quantity	13,208,663	4,058,400	(10,000,000)	7,267,063
Average price	17.72	18.36	(17.72)	18.08
Total amount	**234,100**	**74,493**	**(177,232)**	**131,361**

c) Carrying value adjustments

(i) Deemed cost

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

On December 9, 2019, a capital contribution in the subsidiaries SMTI and SMTA was approved, through transfer of assets in the amount of (deemed cost) R$531 and R$35,605, respectively (Note 11).

(ii) **Hedge accounting fair value**

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

d) Revenue reserves

Legal reserve

The legal reserve is credited annually with 5% of the profit for the year and cannot exceed 20% of the capital. The legal reserve has the purpose of preserving capital, and can only be used to offset losses and increase capital.

Capital budget reserve

This reserve is intended to fund investments to increase the production capacity and other projects for process improvement.

Unrealized profit reserve

This reserve arises from unearned income and comprises the sale of ownership interest held in Agro Pecuária Boa Vista S/A, sale of properties arising from real estate developments and earnings resulting from changes in shareholding.

Tax incentive reserve

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

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

The amount of this tax incentive computed for the period was recorded in the statement of income within "Deductions from gross revenue", reducing the "ICMS payable" account. Since this amount may not be allocated as dividends, a tax incentive reserve is set up in the amount determined for the grant, with a corresponding entry to "Retained earnings".

The incentive amount affecting results at the reporting date was R$ 121,902 in the parent and consolidated, (R$ 117,269 at March 31, 2019).

e) Stock option plan

During the fiscal year ended March 31, 2019 (Note 9(c)), the change in the current Stock Option Plan was agreed and approved at a Board of Directors' meeting held on May 2, 2018. The balance was transferred to current liabilities, within "Salaries and social charges".

f) Capital reserve

This reserve is made up adjustment to market value of the Company's shares issued at the time of exchanging shares with non-controlling interests.

g) Dividends and interest on capital

At the Board of Directors' meeting held on December 9, 2019, a new dividend policy was established, whereby stockholders are entitled to a dividend and/or interest on capital equivalent to 40% of cash profit, as calculated and disclosed by the Company, or 25% of the profit for the year, after deduction of accumulated deficit and transfer to the legal reserve, whichever is greater.

The minimum distribution of 40% of the cash profit may be restricted, upon recommendation of the Board of Directors, in the following hypotheses:

• use of material capital in business investments, share buyback program, and/or mergers and acquisitions;
• debt indicators, such as a ratio of net debt to adjusted EBITDA of more than 2 x, determined at year-end, seeking to maintain the investment grade rating assigned by S&P;
• changes in tax legislation; and
• transfer to mandatory reserves, or restrictions on the distribution of a portion of these reserves, which could affect the distribution of profits.

All amounts in thousands of reais unless otherwise stated

At the Board of Directors' meeting of December 9, 2019, the payment of interest on capital of R$ 120,000 was approved, of which R$16,592 related to income tax withheld at source (IRRF).

The table below shows the proposed distribution of dividends for the year ended March 31, 2020. At the Board of Directors' meeting held on June 29, 2020, the proposal for additional distribution of dividends of R$ 12,936 (R$ 0.0373 per share) was approved, to be ratified at the Annual General Meeting.

	2020	2019
Profit for the year	639,010	314,045
Transfer to legal reserve - 5%	(31,950)	(15,702)
Minimum mandatory dividend calculation basis	607,060	298,343
Mandatory Minimum dividends - 25%	151,765	74,586
Interest on equity	120,000	-
Taxes of Interest on equity	(16,592)	-
Mandatory minimum dividends	48,357	-
Realization of reserve for unrealized profits	6,332	6,491
Supplementary dividends	12,936	28,923
Total	171,033	110,000
Dividends per share	0.4933	0.3136
Net treasury stock quantity	346,744	350,803

Accordingly, the proposed total dividends amount to R$ 171,033, or approximately 28% of the profit for the year after deducting the legal reserve, or 24% of cash profit.

In view of the uncertainties and high volatility in the market, mainly resulting from the effects of the COVID-19 pandemic from March, 2020 onwards, the Company's Board of Directors proposes a shareholders' compensation which, at this moment, prioritizes the preservation of cash in the short term in order to protect the Company's business.

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

19. Profit sharing

As part of its policy, the Company manages a profit-sharing program for its employees, linked to a pre-approved plan of operating and financial targets. The amounts of profit sharing for the current year and the year ended March 31, 2019, recorded as operating costs or expenses in the statement of income, totaled R$ 70,497 and R$ 54,614, respectively, in the parent company (R$ 70,583 and R$ 54,647, respectively, in the consolidated).

All amounts in thousands of reais unless otherwise stated

20. Income tax and social contribution

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

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

The Company adopted IFRIC 23/ICPC 22 - Uncertainty over Income Tax Treatments, which addresses the accounting of income taxes in cases where tax treatments involve uncertainty that affects the application of IAS 12 (CPC 32). The Company determines whether it considers each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that best predicts the resolution of uncertainties is followed. No impacts were identified from the adoption of this interpretation.

a) Balance breakdown

	Parent company		Consolidated	
	2020	2019	2020	2019
Current assets				
. Prepaid income tax and social contribution	6,418	3,224	6,418	3,224
. Income tax and social contribution recoverable	64,839	76,535	64,839	76,535
	71,257	**79,759**	**71,257**	**79,759**
Debts in current liabilities				
. Income tax and social contribution payable	-	-	4,985	4,178

All amounts in thousands of reais unless otherwise stated

b) Changes in deferred income tax and social contribution

Parent company	2019	Recognized in the statement of income	Recognized in other comprehensive income	Contribution in land	2020
Income tax and social contribution losses	37,333	804	-	-	38,137
Derivative financial instruments	80,673	15,512	208,855	-	305,040
Provision for contingencies	34,300	13,644	-	-	47,944
PIS/COFINS on receipt from IAA	4,735	-	-	-	4,735
Biological assets and agricultural product (fair value)	35,340	10,405	-	-	45,745
Provision for other obligations	8,001	(2,316)	-	-	5,685
Foreign exchange variation	53,357	(28,013)	-	-	25,344
Leases and agricultural partnerships	-	12,299	-	-	12,299
Other assets	4,004	802	-	-	4,806
Total income and social contribution tax assets	**257,743**	**23,137**	**208,855**	**-**	**489,735**
Surplus on revaluation of PP&E (deemed cost)	(183,539)	11,183	-	29,551	(142,805)
Accelerated depreciation incentive	(319,571)	(26,844)	-	-	(346,415)
Tax benefit on merged goodwill	(160,177)	(20,232)	-	-	(180,409)
Gain on bargain purchase/surplus on revaluation of PPA	(26,271)	6,567	-	-	(19,704)
Foreign exchange variation	(25,391)	25,391	-	-	-
Divesture with deferred taxation	(16,262)	2,710	-	-	(13,552)
Securitized financing	(8,761)	7,691	-	-	(1,070)
Adjustment to present value	(213)	213	-	-	-
Total income and social contribution tax liabilities	**(740,185)**	**6,679**	**-**	**29,551**	**(703,955)**
Deferred income tax and social contribution	**(482,442)**	**29,816**	**208,855**	**29,551**	**(214,220)**

Consolidated	2019	Recognized in the statement of income	Recognized in other comprehensive income	Contribution in land	Consolidation adjustment - Rights on electric power contracts	2020
Income tax and social contribution losses	37,332	804	-	-	-	38,136
Derivative financial instruments	80,674	15,512	208,855	-	-	305,041
Provision for contingencies	34,300	13,644	-	-	-	47,944
PIS/COFINS on receipt from IAA	4,735	-	-	-	-	4,735
Biological assets and agricultural product (fair value)	35,342	10,405	-	-	-	45,747
Provision for other obligations	8,490	(2,316)	-	-	-	6,174
Foreign exchange variation	53,357	(28,013)	-	-	-	25,344
Land leases and partnerships	-	12,299	-	-	-	12,299
Other assets	3,359	802	-	-	-	4,161
Total income and social contribution tax assets	**257,589**	**23,137**	**208,855**	**-**	**-**	**489,581**
Surplus on revaluation of PP&E (deemed cost)	(665,336)	11,428	-	180	-	(653,728)
Accelerated depreciation incentive	(319,571)	(26,844)	-	-	-	(346,415)
Tax benefit on merged goodwill	(160,177)	(20,232)	-	-	-	(180,409)
Gain on bargain purchase/surplus on revaluation of PPA	(26,271)	6,567	-	-	-	(19,704)
Foreign exchange variation	(25,391)	25,391	-	-	-	-
Divesture with deferred taxation	(16,262)	2,710	-	-	-	(13,552)
Securitized financing	(8,761)	7,691	-	-	-	(1,070)
Adjustment to present value	(212)	213	-	-	-	1
Intangible assets	(18,761)	-	-	-	3,438	(15,323)
Gain from change in interest held in CTC	(5,068)	-	-	-	-	(5,068)
Total income and social contribution tax liabilities	**(1,245,810)**	**6,924**	**-**	**180**	**3,438**	**(1,235,268)**
Deferred income tax and social contribution	**(988,221)**	**30,061**	**208,855**	**180**	**3,438**	**(745,687)**
Other deferred taxes	**(539)**	**-**	**-**	**-**	**-**	**(539)**

Deferred tax assets and liabilities are presented net in the balance sheet, by legal entity, when there is a legally enforceable right and the intention to offset them upon computation of current taxes, and when related to the same tax authority.

All amounts in thousands of reais unless otherwise stated

The Company recognizes deferred tax assets based on projections of taxable profit for the following years. These projections, which do not exceed ten years, are reviewed annually.

Deferred income tax and social contribution liabilities are realized mainly through the depreciation and disposal of the property, plant and equipment items that gave rise to them. The realization of 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 value of land, which will be realized if sold.

The expected recovery of deferred tax credits, calculated in accordance with CVM Instruction 371/02, indicates that the projections of taxable income approved by management, including the expectation of realization of temporary differences, are as follows:

Parent company	Expected realization value
20/21 crop season	111,328
21/22 crop season	85,867
22/23 crop season	86,553
23/24 crop season	78,588
24/25 crop season	62,418
From 25/26 crop season onwards	64,981
	489,735

These projections were not significantly affected by the Coronavirus pandemic (Covid-19).

c) Reconciliation of the income tax and social contribution expense

	Parent company		Consolidated	
	2020	2019	2020	2019
Profit before taxes	725,451	372,479	733,674	379,234
Income tax and social contribution at nominal rates - 34%	**(246,653)**	**(126,643)**	**(249,449)**	**(128,940)**
Adjustments for calculation of the effective tax rate:				
. Equity in the results of subsidiaries	52,173	41,278	212	(82)
. Permanent (additions) exclusions, net	(1,731)	(1,050)	(1,731)	(1,050)
. Interest on capital	40,800	-	40,800	-
. State subsidy	41,446	33,241	41,446	33,241
. Tax incentives	324	182	324	182
. Adjustment to the calculation relating to subsidiary taxed based on deemed profit	-	-	46,534	36,687
. Recognition of income tax and social contribution credits from prior years	27,190	(5,769)	27,190	(5,769)
. Others	10	327	10	542
Income tax and social contribution expense	**(86,441)**	**(58,434)**	**(94,664)**	**(65,189)**
Income tax and social contribution at the effective rate	11.9%	15.7%	12.9%	17.2%
Current income tax and social contribution	(116,257)	(24,455)	(124,725)	(31,606)
Deferred income tax and social contribution	29,816	(33,979)	30,061	(33,583)

All amounts in thousands of reais unless otherwise stated

(i) After the publication of Complementary Law 160/2017, which amended Law 12,973 / 2014, the Company started to recognize the credit granted by the State of Goiás as an investment subsidy, which resulted in out of period IRPJ / CSLL credits for the year ended March 31, 2020.

21. Commitments

In the ordinary course of its business, the Company assumes various commitments, among which the following are highlighted:

Riparian forests and Legal Reserve areas

São Martinho has uncultivated areas, covered by preserved native vegetation, which are in the process of regeneration or enrichment, intended to protect the biodiversity and ensure the sustainability of agricultural activities.

São Martinho's commitment to the best environmental practices and sustainable actions is evidenced by its compliance with the Forest Code and other environmental legislation regarding Permanent Preservation Areas (PPA) and Legal Reserve (LR). The Company has registered all its properties with the Rural Environmental Register and adhered to the Environmental Regularization Program, which awaits legal regulation to be implemented.

Investments in Permanent Preservation Areas, Legal Reserve, and other activities in connection with environmental regularization are recorded in property, plant and equipment.

Sale commitments

At the reporting date, the Company's commitments for sale of sugar, ethanol and electric power, were as follows:

	Up to 1 year	From 2 to 3 years	More than 3 years
Ethanol (m^3)	116,549	96,000	816,000
Sugar (metric tons)	1,008,663	314,372	-
(Mwh)	567,920	1,135,840	3,768,040

Purchases of inputs

The Company regularly enters into purchase agreements for the acquisition of agricultural inputs to be used in the maintenance of its crops throughout the crop season. These transactions are generally carried out through purchase for future delivery.

All amounts in thousands of reais unless otherwise stated

22. Provision for contingencies

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

22.1 Probable losses

Based on its legal counsel's assessment of probable losses, São Martinho has recorded the following provisions for contingencies involving probable losses (include interest/indexation accruals):

					Parent company
	Tax	Civil and environmental	Labor	TOTAL	Judicial deposits
At March 31, 2019	15,370	27,173	60,807	103,350	27,035
Additions	161	1,153	21,308	22,622	253,181
Reversals	(303)	(1,346)	(10,061)	(11,710)	-
Utilization	(372)	(783)	(18,744)	(19,899)	(10,474)
Restatements	102	1,386	3,942	5,430	1,130
At March 31, 2020	**14,958**	**27,583**	**57,252**	**99,793**	**270,872**

					Consolidated
	Tax	Civil and environmental	Labor	TOTAL	Judicial deposits
At March 31, 2019	15,370	27,640	60,807	103,817	27,210
Additions	162	1,176	21,308	22,646	253,194
Reversals	(303)	(1,367)	(10,061)	(11,731)	-
Utilization	(373)	(807)	(18,744)	(19,924)	(10,474)
Restatements	102	1,431	3,942	5,475	1,130
At March 31, 2020	**14,958**	**28,073**	**57,252**	**100,283**	**271,060**

Judicial deposits include interest/indexation accruals and are presented in non-current assets (Note 16 (b)).

At the reporting date, the nature of the main lawsuits included in the above provisions was as follows (parent company and consolidated):

Tax lawsuits:
Relate to: (*i*) taxes of which the payment is being challenged by the Company, with the respective amounts deposited in court; and (*ii*) success fees payable to the lawyers hired to defend the Company in tax lawsuits.

All amounts in thousands of reais unless otherwise stated

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

Labor lawsuits:
Relate mainly to claims for: (i) overtime; (ii) indemnity for elimination of the break between shifts; (iii) hazardous duty and health hazard premiums; and (iv) refund of payroll deductions, such as union dues.

22.2 Possible losses

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

		Parent company				Consolidated			
		2020		2019		2020		2019	
Nature		Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
Environmental		91	6,120	59	8,485	91	6,120	59	8,485
Civil									
Indemnities		51	28,353	40	25,811	53	28,787	40	25,811
Review of contracts		11	2,472	11	7,385	12	2,493	12	7,404
Other proceedings		13	15,187	21	160	16	15,260	21	160
Labor		36	3,246	47	1,582	36	3,246	47	1,582
Tax									
Social security contribution	(i)	16	227,621	16	215,618	16	227,621	16	215,618
Computation of IRPJ/CSLL	(ii)	5	292,703	5	277,268	5	292,703	5	277,268
Offset of federal taxes	(iii)	76	110,047	61	93,590	77	114,032	61	93,590
ICMS	(iv)	13	36,399	13	27,834	13	36,399	13	27,834
Federal taxes	(v)	1	242,188	-	-	1	242,188	-	-
Other proceedings	(vi)	21	473,442	15	2,456	26	486,861	15	2,456
TOTAL		**334**	**1,437,778**	**288**	**660,189**	**346**	**1,455,710**	**289**	**660,208**

Tax lawsuits:

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

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

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

(iv) These lawsuits have challenged the ICMS credits, based on the Control of ICMS Credit on Permanent Assets (CIAP).
(v) The lawsuits relate to the levy of IRPJ/CSLL/PIS/COFINS about indemnity (precatory) received in the context of the IAA Price Action (Note 16).
(vi) The proceedings deal with other tax disputes such as: (a) Public Civil Action disputing the legality of the decrees of the State of Goiás that granted ICMS credits under the PRODUZIR Program; (b) tax assessment notices related to a fine for lack of approval of offset; (c) contribution to the National Service for Industrial Training (SENAI); (d) fee payable to the National Department of Mineral Research (DNPM); (e) levy of Property Transfer Tax (ITBI) on merger transaction; and (f) Municipal Real Estate Tax (IPTU) collection claims.

Other proceedings:

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

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

Labor claims relate mainly to assessment notices drawn up by the Ministry of Labor and/or annulment actions to cancel these notices.

23. Risk management and derivative financial instruments

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

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

All amounts in thousands of reais unless otherwise stated

23.1 Market risks

a) Foreign exchange risk

Management's policy requires the Company to manage their foreign exchange risk to reduce currency volatility and a possible currency mismatch.

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

Assets and liabilities exposed to exchange variation

The table below summarizes the assets and liabilities denominated in foreign currency (U.S. dollars), recorded in the balance sheet at March 31, 2020:

Consolidated	2020	Equivalent to thousands of US$
Current and non-current assets		
Cash and cash equivalents (banks - demand deposits)	91,818	17,664
Trade receivables	5,430	1,045
Derivative financial instruments	253,612	48,789
Total assets	350,860	67,498
Current and non-current liabilities		
Borrowings	2,065,517	397,314
Derivative financial instruments	485,495	93,388
Total liabilities	2,551,012	490,702
Subtotal assets (liabilities)	(2,200,152)	(423,204)
(-) Borrowings linked to exports (ACC and PPE)	1,575,072	302,974
Liabilities - net exposure	**(625,080)**	**(120,230)**

These assets and liabilities were adjusted and recorded in these financial statements at the exchange rate in effect on March 31, 2020: R$ 5.1981 per US$ 1.00 for assets and R$ 5.1987 per US$ 1.00 for liabilities.

b) Commodity price volatility risk

São Martinho is exposed to the risk of fluctuations in commodity prices in the processes of producing sugar and ethanol. At March 31, 2020, the price of 872,737 metric tons of sugar was determined with commercial partners for delivery in the 2020/2021 crop season, priced at an average of 13.54 ¢/lb (US dollar cents per pound weight), and 24,284 metric tons with an average price of 14.90 ¢/lb for the 2021/2022 crop season, including the polarization premium.

All amounts in thousands of reais unless otherwise stated

c) Cash flow and fair value interest rate risk

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

d) Market risk sensitivity analysis

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

		Impacts on P/L		
Consolidated	Risk factor	Probable scenarios 5%	Possible scenarios 25%	Possible scenarios 50%
Cash and cash equivalents	Decrease in exchange rate - R$/US$	(4,591)	(22,957)	(45,914)
Trade receivables	Decrease in exchange rate - R$/US$	(272)	(1,358)	(2,716)
Borrowings	Increase in exchange rate - R$/US$	(622)	(3,110)	(6,221)
Derivative financial instruments				
Currency forward contracts	Increase in exchange rate - R$/US$	(158)	(792)	(1,585)
Swap contracts	Decrease in exchange rate - R$/US$ abd increase in the yield curve	(1,179)	(2,956)	(5,943)
Net exposure		**(6,822)**	**(31,173)**	**(62,379)**

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

e) Financial instruments

São Martinho elected to use hedge accounting to record the following derivative financial instruments: a) derivatives of sugar, ethanol and foreign currency - US dollar; and b) foreign currency debts - US dollar - that cover sales of the 2020/2021 to 2025/2026 crop seasons and were classified as cash flow hedge of highly probable forecast transactions (future sales).

In order to apply hedge accounting, prospective and retrospective tests were carried out to verify their 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.

All amounts in thousands of reais unless otherwise stated

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

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

At March 31, 2020 and 2019, the balances of assets and liabilities related to transactions involving derivative financial instruments and the maturity dates were as follows:

	2020			
Parent company and Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Margin deposit				43,596
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	483,334	13.02	721,252	124,016
. Purchase commitment	3,607	11.08	4,581	32
Commodity futures contracts - Ethanol				
. Sale commitment	1,200	1,645	1,974	-
Commodity forward contracts - Sugar #11				
. Sale commitment	15,546	13.11	23,359	4,310
Currency forward contracts (NDF) - US dollar - OTC				
. Purchase commitment	2,607	4.49	11,705	1,985
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in put options	134,576	13.91	214,547	45,344
Interest rate swap contracts - OTC				5,352
Total derivative financial instruments in current assets				**224,635**
In non-current assets - Gain				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	10,160	14.44	16815	3,612
. Purchase commitment	762	11.29	986	4
Interest rate swap contracts - OTC				25,361
Total derivative financial instruments in non-current assets				**28,977**

All amounts in thousands of reais unless otherwise stated

Parent company and Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
				2020
In current liabilities - Loss				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Purchase commitment	434,767	13.99	697,112	161,629
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	283,168	4.43	1,254,434	226,984
Flex option contracts - US dollar - OTC				
. Short position in call options	134,576	15.34	236,604	3,567
Interest rate swap contracts - OTC				14,293
Total derivative financial instruments in current liabilities				**406,473**
In non-current liabilities - Loss				
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	7,697	4.53	34,871	5,891
Interest rate swap contracts - OTC				73,131
Total derivative financial instruments in non-current liabilities				**79,022**

Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
				2019
In current assets - Gain				
Margin deposit				17,383
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	225,207	13.25	256,347	8,769
. Purchase commitment	21,439	12.08	22,249	877
Commodity forward contracts - Sugar #11				
. Sale commitment	58,423	13.08	65,648	1,591
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	51,615	4.25	219,168	13,514
. Purchase commitment	166	3.74	621	30
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in put options	97,287	13.53	113,079	8,471
Flex option contracts - US dollar - OTC				
. Bidding position in call options	613	3.91	2,394	177
. Bidding position in put options	26,586	3.83	101,806	3,155
Total derivative financial instruments in current assets				**53,967**
In non-current assets - Gain				
Interest rate swap contracts - OTC				229
Total derivative financial instruments in non-current assets				**229**

All amounts in thousands of reais unless otherwise stated

Consolidated				2019
	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current liabilities - Loss				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	125,380	12.09	130,222	9,047
. Purchase commitment	1,575	12.82	1,735	29
Commodity forward contracts - Sugar #11				
. Sale commitment	2,032	13.79	2,407	2
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	131,240	3.84	504,290	15,511
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Short position in call options	97,287	14.83	123,944	3,693
Flex option contracts - US dollar - OTC				
. Short position in call options	27,198	3.97	107,843	5,335
Interest rate swap contracts - OTC				3,752
Total derivative financial instruments in current liabilities				**37,369**
In non-current liabilities - Loss				
Interest rate swap contracts - OTC				13,520
Total derivative financial instruments in non-current liabilities				**13,520**

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

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

At March 31, 2020, financial instruments designated for hedge accounting are as follows:

Parent company and Consolidated	Assets	Liabilities	TOTAL in other comprehensive income
Financial instruments:			
Commodity derivatives - Futures, options and forward contracts	166,855	153,532	13,323
Foreign exchange derivatives - Options / NDF	-	227,718	(227,718)
Foreign exchange differences on borrowing agreements (Trade Finance)	-	620,682	(620,682)
	166,855	1,001,932	(835,077)
Deferred taxes on the items above	(56,731)	(340,657)	283,926
	110,124	**661,275**	**(551,151)**

f) Estimated realization

The impacts recorded in the Company's equity at March 31, 2020, and the estimated realization in profit or loss are shown below:

All amounts in thousands of reais unless otherwise stated

Parent company and consolidated	21/22 crop season	22/23 crop season	25/26 crop seasons	27/28 crop seasons	TOTAL
Derivative financial instruments:					
Commodity derivatives - Futures, options and forward contracts	9,706	3,617	-	-	13,323
Foreign exchange derivatives - Options / NDF	(221,829)	(5,889)	-	-	(227,718)
Foreign exchange differences on borrowing agreements (Trade Finance)	(10,372)	(123,645)	(130,400)	(356,265)	(620,682)
	(222,495)	(125,917)	(130,400)	(356,265)	(835,077)
Deferred taxes on the items above	75,648	42,812	44,336	121,130	283,926
	(146,847)	**(83,105)**	**(86,064)**	**(235,135)**	**(551,151)**

23.2 Credit risk

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

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

23.3 Liquidity risk

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

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

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

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

All amounts in thousands of reais unless otherwise stated

Parent company	Up to 1 year	From 2 to 3 years	More than 3 years	Total
At March 31, 2020				
Borrowings	695,444	2,125,151	2,949,233	5,769,828
Leases payable	66,110	119,929	517,511	703,550
Agricultural partnership payable	281,961	507,585	1,173,327	1,962,873
Derivative financial instruments	406,473	79,022	-	485,495
Trade payables	176,848	-	-	176,848
Acquisition of ownership interest	12,687	12,283	1,872	26,842
Other liabilities	10,310	-	5,596	15,906
	1,649,833	**2,843,970**	**4,647,539**	**9,141,342**
At March 31, 2019				
Borrowings	754,999	1,202,101	2,495,500	4,452,600
Derivative financial instruments	37,369	13,520	-	50,889
Trade payables	155,492	-	-	155,492
Acquisition of ownership interest	11,715	23,240	3,650	38,605
Other liabilities	21,216	390	6,260	27,866
	980,791	**1,239,251**	**2,505,410**	**4,725,452**

Consolidated	Up to 1 year	From 2 to 3 years	More than 3 years	Total
At March 31, 2020				
Borrowings	695,444	2,125,151	2,949,233	5,769,828
Leases payable	66,110	119,929	517,511	703,550
Agricultural partnership payable	281,961	507,585	1,173,327	1,962,873
Derivative financial instruments	406,473	79,022	-	485,495
Trade payables	174,524	-	-	174,524
Acquisition of ownership interest	12,687	12,283	1,872	26,842
Other liabilities	18,527	-	5,586	24,113
	1,655,726	**2,843,970**	**4,647,529**	**9,147,225**
At March 31, 2019				
Borrowings	754,999	1,202,101	2,495,500	4,452,600
Derivative financial instruments	37,369	13,520	-	50,889
Trade payables	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**

23.4 Capital management

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

All amounts in thousands of reais unless otherwise stated

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

24. Classification and fair value of financial instruments

24.1 Classification

Financial assets and liabilities are classified as follows:

		Parent company	
	Classification	2020	2019
Financial assets			
Cash and cash equivalents	Amortized cost	91,998	197,170
Financial investments	Fair value through profit or loss	1,810,651	1,840,536
Trade receivables	Amortized cost	125,531	145,134
Derivative financial instruments	Fair value through other comprehensive income	222,899	145,143
Derivative financial instruments	Fair value through profit or loss	30,713	54,196
Judicial deposits	Amortized cost	270,872	27,035
Related parties	Amortized cost	255	9
Other assets, except prepayments	Amortized cost	60,826	18,268
		2,613,745	**2,427,491**
Financial liabilities			
Borrowings	Fair value through profit or loss	8,389	16,496
Borrowings	Amortized cost	4,806,053	4,436,104
Derivative financial instruments	Fair value through other comprehensive income	398,071	33,617
Derivative financial instruments	Fair value through profit or loss	87,424	17,272
Leases and Agricultural partnership payable	Amortized cost	1,675,913	-
Trade payables	Amortized cost	176,848	155,492
Acquisition of ownership interests	Amortized cost	26,934	38,605
Other liabilities	Amortized cost	15,906	27,866
		7,195,538	**4,725,452**

All amounts in thousands of reais unless otherwise stated

		Consolidated	
	Classification	2020	2019
Financial assets			
Cash and cash equivalents	Amortized cost	92,066	197,607
Financial investments	Fair value through profit or loss	1,869,998	1,891,606
Trade receivables	Amortized cost	193,021	185,900
Derivative financial instruments	Fair value through other comprehensive income	222,899	163,412
Derivative financial instruments	Fair value through profit or loss	30,713	54,196
Judicial deposits	Amortized cost	271,060	27,210
Other assets, except prepayments	Amortized cost	60,879	19,183
		2,740,636	**2,539,114**
Financial liabilities			
Borrowings	Fair value through profit or loss	8,389	16,496
Borrowings	Amortized cost	4,806,053	4,436,104
Derivative financial instruments	Fair value through other comprehensive income	398,071	33,617
Derivative financial instruments	Fair value through profit or loss	87,424	17,272
Trade payables	Amortized cost	174,524	152,713
Leases and Agricultural partnership payable	Amortized cost	1,675,913	-
Acquisition of ownership interests	Amortized cost	26,934	38,605
Other liabilities	Amortized cost	24,113	33,670
		7,201,421	**4,728,477**

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

25. Fair value

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

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

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

All amounts in thousands of reais unless otherwise stated

Parent company	2020 Level 1	2020 Level 2	2020 Level 3	2019 Level 1	2019 Level 2	2019 Level 3
Assets						
Financial investments	-	1,810,651	-	-	1,840,536	-
Derivative financial instruments	173,008	80,604	-	18,117	36,079	-
Biological assets	-	-	713,547	-	-	657,057
	173,008	**1,891,255**	**713,547**	**18,117**	**1,876,615**	**657,057**
Liabilities						
Derivative financial instruments	161,629	323,866	-	12,769	38,120	-
Borrowings	-	8,389	-	-	16,496	-
	161,629	**332,255**	**-**	**12,769**	**54,616**	**-**

Consolidated	2020 Level 1	2020 Level 2	2020 Level 3	2019 Level 1	2019 Level 2	2019 Level 3
Assets						
Financial investments	-	1,869,998	-	-	1,891,606	-
Derivative financial instruments	173,008	80,604	-	18,117	36,079	-
Biological assets	-	-	713,547	-	-	657,057
	173,008	**1,950,602**	**713,547**	**18,117**	**1,927,685**	**657,057**
Liabilities						
Derivative financial instruments	161,629	323,866	-	12,769	38,120	-
Borrowings	-	8,389	-	-	16,496	-
	161,629	**332,255**	**-**	**12,769**	**54,616**	**-**

Futures and Options - ICE

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

Currency options

The fair value of currency options is obtained through the use of the Garman & Kohlhagen model, which is based on public market data and characteristics thereof, specifically the underlying asset price, strike of options, volatility, yield curve, and the time remaining until the maturity of the contracts.

Forward contracts

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

Other financial assets and financial liabilities

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

All amounts in thousands of reais unless otherwise stated

26. Segment information (consolidated)

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

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

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

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

Consolidated results by segment

							2020
Consolidated	Sugar	Ethanol	Electric power	Real estate ventures	Other products	Not by segment	Total
Gross revenue							
Domestic market	129,475	2,111,315	237,618	22,556	86,653	-	2,587,617
Foreign market	1,130,559	379,365	-	-	-	-	1,509,924
Gain/loss on derivatives	(10,567)	(15,174)	-	-	-	-	(25,741)
Amortization of electric power supply contract	-	-	-	-	-	(6,574)	(6,574)
(-) Taxes, contributions, and deductions on sales	(8,501)	(328,465)	(19,174)	(2,449)	(12,777)	-	(371,366)
Net revenue	**1,240,966**	**2,147,041**	**218,444**	**20,107**	**73,876**	**(6,574)**	**3,693,860**
Cost of goods sold	(895,081)	(1,488,660)	(48,268)	(1,648)	(52,737)	-	(2,486,394)
Change in the market value of biological assets	-	-	-	-	-	(30,602)	(30,602)
Gross profit	**345,885**	**658,381**	**170,176**	**18,459**	**21,139**	**(37,176)**	**1,176,864**
Gross margin	*27.87%*	*30.66%*	*77.90%*	*91.80%*	*28.61%*	-	*31.86%*
Selling expenses	(85,277)	(41,672)	(11,248)	-	-	-	(138,197)
Other operating expenses, net	-	-	-	-	-	147,166	147,166
Operating profit	**260,608**	**616,709**	**158,928**	**18,459**	**21,139**	**109,990**	**1,185,833**
Operating margin	21.00%	28.72%	72.75%	91.80%	28.61%	-	32.10%
Other income and expenses not by segment	-	-	-	-	-	(546,823)	(546,823)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**639,010**

							2019
Consolidated	Sugar	Ethanol	Electric power	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 contract	-	-	-	-	-	(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 goods sold	(845,175)	(1,568,684)	(43,064)	(207)	(36,953)	-	(2,494,083)
Change in the 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 income, net	-	-	-	-	-	(76,041)	(76,041)
Operating profit	**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)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**314,045**

All amounts in thousands of reais unless otherwise stated

<u>Consolidated operating assets by segment</u>

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 share of each product in relation to total production. This allocation could, therefore, vary from one period to another.

						2020
	Sugar	Ethanol	Electric power	Real estate ventures	Not by segment	Total
Trade receivables	17,277	70,340	56,885	42,941	5,578	193,021
Inventories and advances to suppliers	154,786	245,954	-	8,287	7,066	416,093
Biological assets	246,388	467,159	-	-	-	713,547
Property, plant and equipment	2,305,220	3,387,443	148,538	-	3,304	5,844,505
Intangible assets	248,545	176,057	41,087	-	-	465,689
Right-of-use assets	685,740	1,033,713	-	-	-	1,719,453
Total assets allocated	**3,657,956**	**5,380,666**	**246,510**	**51,228**	**15,948**	**9,352,308**
Other unallocated assets	-	-	-	-	2,761,218	2,761,218
Total	**3,657,956**	**5,380,666**	**246,510**	**51,228**	**2,777,166**	**12,113,526**

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

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

27. Revenue

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

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

Regarding the real estate development segment, the Company adopts the provisions of the Technical Interpretation 02 (OCPC 04), in accordance with CVM guidance, recognizing revenue over time (Percentage of Completion (PoC). The year-to-date amount recognized at March 31, 2020 totaled R$ 1,690 (R$ 2,732 at March 31, 2019).

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

a) **Sale of goods and rendering of services**

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

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

At the reporting date, the Company had customers that represented over 10% of its net revenue. 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 15%.

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

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

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

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2020	2019	2020	2019
Gross sales revenue				
Domestic market	2,457,507	2,554,457	2,587,617	2,661,918
Foreign market	1,509,924	1,022,977	1,509,924	1,022,977
Gain/loss on derivatives	(25,741)	54,322	(25,741)	54,322
	3,941,690	3,631,756	4,071,800	3,739,217
Amortization of electric power supply contract (i)	-	-	(6,574)	(8,152)
	3,941,690	3,631,756	4,065,226	3,731,065
Taxes, contributions, and deductions on sales	(362,602)	(363,199)	(371,366)	(370,703)
	3,579,088	**3,268,557**	**3,693,860**	**3,360,362**

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

28. Costs and expenses by nature

The reconciliation of expenses by nature is as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Raw materials and consumables	765,327	957,196	702,956	908,642
Personnel expenses	425,029	418,625	428,169	421,424
Depreciation and amortization (including biological assets harvested)	1,246,680	1,033,035	1,249,917	1,036,621
Third-party services	167,732	135,702	166,275	134,166
Maintenance parts and services	114,142	110,652	114,466	110,833
Litigation	8,578	12,021	8,582	12,038
Changes in the fair value of biological assets	30,602	(5,075)	30,602	(5,151)
Resale material	22,685	19,526	35,011	30,713
Realization of surplus on revaluation of inventories (PPA)	-	-	-	207
Cost of land sales	-	-	1,648	-
Other expenses	127,284	124,296	134,436	131,731
	2,908,059	**2,805,978**	**2,872,062**	**2,781,224**
Classified as:				
Cost of goods sold	2,563,599	2,524,100	2,516,996	2,488,932
Selling expenses	136,108	94,828	138,197	97,367
General and administrative expenses	208,352	187,050	216,869	194,925
	2,908,059	**2,805,978**	**2,872,062**	**2,781,224**

29. Other income (expenses), net

Of the total recorded within other income (expenses), R$ 349,056 (R$ 106,499 at March 31, 2020) relates to the indemnity received from Copersucar (Note16b).

30. Finance income (costs)

	Parent company		Consolidated	
	2020	2019	2020	2019
Finance income				
Interest received and earned	103,700	84,174	109,974	91,885
PIS/COFINS on finance income	(4,729)	(4,327)	(4,797)	(4,404)
Other income	8,998	13,065	11,826	16,237
	107,969	**92,912**	**117,003**	**103,718**
Finance costs				
(-) Adjustment to present value (i)	(118,980)	(1,141)	(118,980)	(1,141)
Interest on borrowings	(249,441)	(253,105)	(249,441)	(253,833)
Interest paid	(27,351)	(29,658)	(27,523)	(29,685)
Bank guarantee commission	(870)	(2,294)	(870)	(2,294)
Payables to Copersucar	(6,908)	(6,871)	(6,908)	(6,871)
Other expenses	(12,198)	(17,261)	(12,257)	(17,330)
	(415,748)	**(310,330)**	**(415,979)**	**(311,154)**
Exchange and monetary variation, net				
Available funds	25,468	34,022	25,468	34,022
Trade receivables and payables	19,322	9,286	19,322	9,286
Borrowings	(80,681)	(78,315)	(80,681)	(78,316)
	(35,891)	**(35,007)**	**(35,891)**	**(35,008)**
Derivatives - not designated for hedge accounting				
Gain (loss) on sugar transactions	(4,131)	(1,677)	(4,131)	(1,677)
Gain (loss) on ethanol transactions	(7,227)	(182)	(7,227)	(182)
Gain (loss) on foreign exchange transactions	(77,838)	(63,674)	(77,838)	(63,674)
Gain/loss on swaps	(42,025)	(10,912)	(42,025)	(10,912)
Cost of stock exchange transactions	(1,119)	(414)	(1,119)	(414)
Foreign exchange variation, net	15,048	515	15,048	515
	(117,292)	**(76,344)**	**(117,292)**	**(76,344)**
Finance income (costs)	**(460,962)**	**(328,769)**	**(452,159)**	**(318,788)**

(i) Mainly represented by leases and agricultural partnerships payable

31. Earnings per share

	2020	2019
Profit for the year attributed to owners of the parent	639,010	314,045
Weighted average number of common shares in the year - in thousands	348,443	326,779
Basic and diluted earnings per share - R$	**1.8339**	**0.9610**

32. Insurance coverage

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

Parent company and Consolidated Risks covered	Maximum coverage *(i)*
Loss of profits	3,691,545
Civil liability	3,180,391
Other coverage	2,762,898
Fire, lightning strike, and explosion of any nature	2,020,000
Electrical damage	1,931,667
Theft or robbery	228,145
Natural phenomena, impacts of air or ground vehicles, etc.	192,000

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

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

* * *