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Quarterly information (ITR)

at September 30, 2022 and independent
auditor's report on review of quarterly
information





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Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of São Martinho S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2022, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes.

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

Scope of review

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

Conclusion on the interim information

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



São Martinho S.A.

Other matters

Statements of value added

The quarterly information referred to above includes the parent company and consolidated statements of value added for the six-month period ended September 30, 2022. These statements are the responsibility of the Company's executive board and are presented as supplementary information under IAS 34. These statements have been subjected to review procedures performed together with the review of the interim accounting information for the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and consistent with the parent company and consolidated interim accounting information taken as a whole.

Ribeirão Preto, November 7, 2022

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

Maurício Cardoso de Moraes
Contador CRC 1PRO35795/O-1 "T" SP

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Balance sheet

At September 30 and March 31, 2022

All amounts in thousands of reais

(A free translation of the original in Portuguese)

ASSETS	Note	Parent company		Consolidated	
		September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
CURRENT ASSETS					
Cash and cash equivalents	4	127,939	114,874	130,568	114,903
Financial investments	4	1,548,657	2,663,681	1,744,590	2,857,864
Trade receivables	5	408,244	181,878	448,218	225,707
Derivative financial instruments	23	101,359	228,718	101,359	228,718
Inventories and advances to suppliers	6	2,231,317	758,732	2,205,738	764,576
Biological assets	7	1,028,173	1,219,281	1,028,173	1,219,281
Taxes recoverable	8	202,282	60,158	202,520	60,303
Income tax and social contribution	20	17,771	65,210	17,774	65,232
Other assets		39,088	16,501	39,653	16,958
TOTAL CURRENT ASSETS		5,704,830	5,309,033	5,918,593	5,553,542
NON-CURRENT ASSETS					
Long-term receivables					
Financial investments	4	9,276	11,374	9,276	11,374
Inventories and advances to suppliers	6	186,284	146,986	186,284	146,986
Related parties	9	14,000	-	-	-
Deferred income tax and social contribution	20	-	-	47	-
Derivative financial instruments	23	200,026	169,679	200,026	169,679
Trade receivables	5	-	-	45,817	26,872
Taxes recoverable	8	237,677	176,716	239,505	177,844
Income tax and social contribution	20	8,617	8,617	8,617	8,617
Judicial deposits	22	789,368	749,120	789,381	749,361
Other assets		156,471	156,471	156,471	156,471
Total long-term receivables		1,601,719	1,418,963	1,635,424	1,447,204
Investments					
Property, plant and equipment	10	1,750,400	1,751,559	46,540	45,565
Intangible assets	11	4,984,975	4,956,635	6,811,348	6,771,209
Right-of-use assets	12	429,511	423,888	455,464	457,313
	13	3,199,637	3,084,312	3,199,637	3,084,312
TOTAL NON-CURRENT ASSETS		11,966,242	11,635,357	12,148,413	11,805,603
TOTAL ASSETS		17,671,072	16,944,390	18,067,006	17,359,145

LIABILITIES AND EQUITY	Note	Parent company		Consolidated	
		September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
CURRENT LIABILITIES					
Borrowings	14	1,206,694	581,507	1,206,862	581,515
Leases payable	13	123,543	82,475	123,543	82,475
Agricultural partnership payable	13	581,854	500,376	581,854	500,376
Derivative financial instruments	23	248,880	245,145	248,880	245,145
Trade payables	15	661,220	412,656	630,687	415,082
Payables to Copersucar	16	9,075	12,753	9,075	12,753
Salaries and social charges		209,444	190,737	210,639	191,786
Taxes payable		22,023	33,396	25,681	34,871
Income tax and social contribution payable	20	-	-	15,589	7,597
Dividend payable	18	30	5,971	30	5,971
Advances from customers		83,825	27,226	83,868	27,269
Acquisition of ownership interests	9 and 17	3,670	3,669	3,670	3,669
Other liabilities		17,559	52,498	20,170	66,546
TOTAL CURRENT LIABILITIES		3,167,817	2,148,409	3,160,548	2,175,055
NON-CURRENT LIABILITIES					
Borrowings	14	4,854,735	5,286,808	4,893,440	5,306,834
Leases payable	13	703,456	539,057	703,456	539,057
Agricultural partnership payable	13	1,794,846	1,884,943	1,794,846	1,884,943
Derivative financial instruments	23	8,590	34,585	8,590	34,585
Payables to Copersucar	16	157,123	161,277	157,123	161,277
Deferred income tax and social contribution	20	661,666	743,797	1,025,372	1,111,225
Provision for contingencies	22	100,124	86,351	100,916	87,006
Taxes with suspended payment	16(b)	767,219	725,834	767,219	725,834
Other liabilities		3,474	14,904	3,474	14,904
TOTAL NON-CURRENT LIABILITIES		9,051,233	9,477,556	9,454,436	9,865,665
EQUITY					
Share capital	18	3,161,384	2,681,571	3,161,384	2,681,571
Treasury shares		(139,997)	(139,997)	(139,997)	(139,997)
Carrying value adjustments		1,039,429	1,100,474	1,039,429	1,100,474
Revenue reserves		1,168,559	1,676,377	1,168,559	1,676,377
Retained earnings		222,647	-	222,647	-
TOTAL EQUITY		5,452,022	5,318,425	5,452,022	5,318,425
TOTAL LIABILITIES AND EQUITY		17,671,072	16,944,390	18,067,006	17,359,145

The accompanying notes are an integral part of this quarterly information

Statement of income

Periods ended September 30, 2022 and 2021

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company			
		September 30, 2022		September 30, 2021	
		Quarter	Six-month period	Quarter	Six-month period
Revenue	27	1,529,634	3,184,906	1,329,348	2,560,004
Cost of goods sold	28	(1,066,221)	(2,195,067)	(788,975)	(1,593,525)
Gross profit		463,413	989,839	540,373	966,479
Operating income (expenses)					
Selling expenses	28	(48,663)	(91,978)	(31,672)	(72,836)
General and administrative expenses	28	(54,362)	(107,787)	(64,557)	(142,905)
Equity in the results of investees	10	61,227	111,370	88,283	154,730
Other revenue, net	29	8,995	43,253	14,091	16,253
		(32,803)	(45,142)	6,145	(44,758)
Operating profit		430,610	944,697	546,518	921,721
Finance income (costs)	30				
Finance income		65,766	139,848	52,923	61,897
Finance costs		(178,521)	(440,065)	(124,984)	(213,185)
Monetary and foreign exchange variations, net		(35,144)	(167,684)	(32,870)	(63,291)
Derivatives		(32,256)	(19,551)	48,335	22,799
		(180,155)	(487,452)	(56,596)	(191,780)
Profit before income tax and social contribution		250,455	457,245	489,922	729,941
Income tax and social contribution	20(a)				
Current		(66,486)	(77,289)	(80,365)	(81,772)
Deferred		28,627	54,219	(41,145)	(89,666)
Profit for the period		212,596	434,175	368,412	558,503
Basic and diluted earnings per share - R\$	31	0.6138	1.2535	1.0636	1.6116

The accompanying notes are an integral part of this quarterly information



Statement of income

Periods ended September 30, 2022 and 2021

All amounts in thousands of reais

(continued)

	Note	Consolidated			
		September 30, 2022		September 30, 2021	
		Quarter	Six-month period	Quarter	Six-month period
Revenue	27	1,581,795	3,279,254	1,417,805	2,705,584
Cost of goods sold	28	(1,048,244)	(2,164,641)	(789,024)	(1,585,678)
Gross profit		533,551	1,114,613	628,781	1,119,906
Operating income (expenses)					
Selling expenses	28	(51,394)	(97,565)	(35,302)	(78,752)
General and administrative expenses	28	(61,116)	(116,522)	(69,666)	(149,011)
Equity in the results of investees	10	1,458	2,627	1,627	3,302
Other revenue, net	29	16,586	51,752	19,327	21,490
		(94,466)	(159,708)	(84,014)	(202,971)
Operating profit		439,085	954,905	544,767	916,935
Finance income (costs)	30				
Finance income		72,541	155,945	60,594	75,343
Finance costs		(178,721)	(441,095)	(124,985)	(213,214)
Monetary and foreign exchange variations, net		(35,144)	(167,684)	(32,870)	(63,291)
Derivatives		(32,256)	(19,551)	48,335	22,799
		(173,580)	(472,385)	(48,926)	(178,363)
Profit before income tax and social contribution		265,505	482,520	495,841	738,572
Income tax and social contribution	20(a)				
Current		(82,279)	(103,666)	(87,392)	(92,095)
Deferred		29,370	55,321	(40,037)	(87,974)
Profit for the period		212,596	434,175	368,412	558,503
Basic and diluted earnings per share - R\$	31	0.6138	1.2535	1.0636	1.6116

The accompanying notes are an integral part of this quarterly information



Statement of comprehensive income
Periods ended September 30, 2022 and 2021
All amounts in thousands of reais

(A free translation of the original in Portuguese)

Parent company and Consolidated	September 30, 2022		September 30, 2021	
	Quarter	Six-month period	Quarter	Six-month period
Profit for the period	212,596	434,175	368,412	558,503
Items that will be subsequently reclassified to profit or loss				
Changes in the period:				
Changes in fair value				
Commodity derivatives - Futures, options and forward contracts	10,411	16,148	(36,253)	(75,275)
Foreign exchange derivatives - Options / NDF	10,765	(106,179)	(128,824)	86,520
Foreign exchange differences on borrowings (Trade Finance)	3,501	39,897	(70,248)	132,478
	24,677	(50,134)	(235,325)	143,723
Recognized in operating income				
Commodity derivatives - Futures, options and forward contracts	(20,173)	12,318	12,592	69,659
Foreign exchange derivatives - Options / NDF	(29,093)	(56,453)	(18,769)	(26,021)
Foreign exchange differences on borrowings (Trade Finance)	-	5,321	500	28,563
	(49,266)	(38,814)	(5,677)	72,201
Write-off due to ineffectiveness				
Commodity derivatives - Futures, options and forward contracts	-	-	(4,070)	(6,791)
Foreign exchange derivatives - Options / NDF	6,853	6,853	-	-
	6,853	6,853	(4,070)	(6,791)
Total changes in the period				
Commodity derivatives - Futures, options and forward contracts	(9,762)	28,466	(27,731)	(12,407)
Foreign exchange derivatives - Options / NDF	(11,475)	(155,779)	(147,593)	60,499
Foreign exchange differences on borrowings (Trade Finance)	3,501	45,218	(69,748)	161,041
Deferred taxes on the items above	6,030	27,912	83,323	(71,106)
	(11,706)	(54,183)	(161,749)	138,027
Total comprehensive income for the period	200,890	379,992	206,663	696,530

The accompanying notes are an integral part of this quarterly information



Statements of changes in equity
Six-month periods ended September 30, 2022 and 2021
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Share capital	Treasury shares	Carrying value adjustments				Revenue reserves					Retained earnings	Total
				Deemed cost		Hedge accounting	Others	Legal	Revaluation reserve	Unrealized profit reserve	Tax incentive reserve	Additional dividends		
				Parent	Investees									
At March 31, 2021		2,071,819	(139,997)	116,187	1,029,113	(594,814)	564	188,733	885,731	27,960	203,834	197,459	-	3,986,589
Capital increase with reserves	18(a)	609,752	-	-	-	-	-	-	(487,851)	-	(121,901)	-	-	-
Realization of surplus on revaluation of deemed cost	18 (c. i)	-	-	(8,080)	(1,248)	-	-	-	-	-	-	-	9,328	-
Transfer to tax incentive reserve	18(d)	-	-	-	-	-	-	-	-	-	60,267	-	(60,267)	-
Carrying value adjustments of investees	-	-	-	-	-	-	83	-	-	-	-	-	-	83
Gain (loss) on derivate transactions - hedge accounting	18 (c. ii)	-	-	-	-	138,027	-	-	-	-	-	-	-	138,027
Payment of prior year's additional dividends	18(e)	-	-	-	-	-	-	-	-	-	-	(197,459)	-	(197,459)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	558,503	558,503
At September 30, 2021		2,681,571	(139,997)	108,107	1,027,865	(456,787)	647	188,733	397,880	27,960	142,200	-	507,564	4,485,743
At March 31, 2022		2,681,571	(139,997)	106,799	1,183,641	(190,610)	644	262,776	1,030,260	21,989	229,887	131,465	-	5,318,425
Capital increase with reserves	18(a)	479,813	-	-	-	-	-	-	(397,880)	-	(81,933)	-	-	-
Realization of surplus on revaluation of deemed cost	18 (c. i)	-	-	(6,996)	64	-	-	-	-	-	-	-	6,932	-
Transfer to tax incentive reserve	18(d)	-	-	-	-	-	-	-	-	-	103,460	-	(103,460)	-
Carrying value adjustments of investees	-	-	-	-	-	-	70	-	-	-	-	-	-	70
Gain (loss) on derivate transactions - hedge accounting	18 (c. ii)	-	-	-	-	(54,183)	-	-	-	-	-	-	-	(54,183)
Interest on capital paid in advance	18(e)	-	-	-	-	-	-	-	-	-	-	-	(115,000)	(115,000)
Payment of prior year's additional dividends	18(e)	-	-	-	-	-	-	-	-	-	-	(131,465)	-	(131,465)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	434,175	434,175
At September 30, 2022		3,161,384	(139,997)	99,803	1,183,705	(244,793)	714	262,776	632,380	21,989	251,414	-	222,647	5,452,022

The accompanying notes are an integral part of this quarterly information.

Statement of cash flows

Six-month periods ended September 30, 2022 and 2021

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Cash flows from operating activities					
Profit for the period		434,175	558,503	434,175	558,503
Adjustments					
Depreciation and amortization	28	463,161	322,968	466,315	326,196
Biological assets harvested	28	485,153	395,322	485,153	395,322
Changes in the fair value of biological assets, agricultural produce, and CBIOS	28	18,640	(14,599)	18,640	(14,599)
Amortization of electric power supply contracts		-	-	5,007	5,180
Equity in the results of investees	10	(111,370)	(154,730)	(2,627)	(3,302)
Gains (losses) on investments and PP&E written off	11	(1,375)	(1,259)	(1,375)	(1,259)
Interest, monetary and foreign exchange variations, net		293,433	112,390	279,801	109,151
Derivative financial instruments		(19,217)	49,314	(19,217)	49,396
Setup of provision for contingencies, net	22.1	17,952	11,463	18,009	11,581
Income tax and social contribution	20 b	23,070	171,438	48,345	180,069
Taxes with suspended payment		41,384	18,034	41,384	18,034
Adjustment to present value and other adjustments		136,956	92,617	138,504	92,617
		1,781,962	1,561,461	1,912,114	1,726,889
Changes in assets and liabilities					
Trade receivables		(232,387)	(279,320)	(247,902)	(404,447)
Inventories		(967,133)	(762,229)	(935,532)	(715,860)
Taxes recoverable		(151,483)	(6,382)	(152,297)	(6,934)
Derivative financial instruments		(28,022)	(21,353)	(28,022)	(21,353)
Other assets		(20,777)	(2,741)	(20,646)	(2,829)
Trade payables		275,509	424,203	242,549	493,004
Salaries and social charges		18,708	43,634	18,853	43,418
Taxes payable		(99,092)	(52,293)	(99,372)	(50,043)
Payables to Copersucar		(10,268)	(6,270)	(10,268)	(6,270)
Provision for contingencies - settlement	22.1	(12,313)	(11,743)	(12,313)	(11,743)
Other liabilities		10,220	(4,410)	(1,219)	(17,918)
Cash from operations		564,924	882,557	665,945	1,025,914
Payment of interest on borrowings and financing	14	(166,093)	(57,803)	(166,313)	(57,803)
Deferred income tax and social contribution		(6,335)	(25,163)	(22,295)	(30,259)
Net cash provided by operating activities		392,496	799,591	477,337	937,852
Cash flow from investing activities					
Investment of funds		(223)	(287)	(223)	(287)
Additions to property, plant and equipment and intangible assets		(450,667)	(381,138)	(465,771)	(395,263)
Additions to biological assets (planting and crop treatments)	10 and 11	(651,953)	(539,272)	(651,953)	(539,272)
Financial investments		1,248,971	32,213	1,260,711	(19,874)
Proceeds from sale of property, plant and equipment	11	3,599	7,773	3,599	6,331
Advance for future capital increase		(14,000)	-	-	-
Dividends received		112,600	70,643	1,723	1,394
Net cash used in investing activities		248,327	(810,068)	148,086	(946,971)
Cash flows from financing activities					
Payments of lease agreements and partnerships	13	(328,402)	(322,710)	(328,402)	(322,710)
Proceeds from borrowings - third parties	14	70,000	1,201,530	88,000	1,201,530
Repayment of borrowings - third parties	14	(133,515)	(611,250)	(133,515)	(611,250)
Payment of dividends		(235,841)	(299,993)	(235,841)	(299,993)
Net cash used in financing activities		(627,758)	(32,423)	(609,758)	(32,423)
Net increase (decrease) in cash and cash equivalents		13,065	(42,900)	15,665	(41,542)
Cash and cash equivalents at the beginning of the period	4	114,874	287,652	114,903	288,350
Cash and cash equivalents at the end of the period	4	127,939	244,752	130,568	246,808
Additional information					
Balance of financial investments (current assets)	4	1,548,657	935,882	1,744,590	1,104,526
Total available funds	4	1,676,596	1,180,634	1,875,158	1,351,334

The accompanying notes are an integral part of this quarterly information.

Statement of value added
Six-month periods ended September 30, 2022 and 2021
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue				
Gross sales of goods and products	3,286,187	2,727,715	3,389,890	2,885,119
Revenue from construction of own assets	643,974	443,453	644,152	443,453
Other income	5,245	5,340	5,139	5,034
	<u>3,935,406</u>	<u>3,176,508</u>	<u>4,039,181</u>	<u>3,333,606</u>
Inputs acquired from third parties				
Cost of products and goods sold	(891,789)	(667,788)	(839,136)	(608,921)
Material, electricity, third-party services, and other operating expenses	(755,914)	(571,499)	(785,568)	(629,929)
	<u>(1,647,703)</u>	<u>(1,239,287)</u>	<u>(1,624,704)</u>	<u>(1,238,850)</u>
Gross value added	2,287,703	1,937,221	2,414,477	2,094,756
Depreciation and amortization	(463,161)	(322,968)	(466,315)	(326,196)
Biological assets harvested	(485,153)	(395,322)	(485,153)	(395,322)
Net value added generated by the entity	1,339,389	1,218,931	1,463,009	1,373,238
Value added received in transfer				
Equity in the results of investees	111,370	154,730	2,627	3,302
Finance income	363,978	431,928	380,248	450,337
Others	32,989	11,999	41,593	14,739
Total value added to be distributed	<u>1,847,726</u>	<u>1,817,588</u>	<u>1,887,477</u>	<u>1,841,616</u>
Distribution of value added				
Personnel and payroll charges				
Direct compensation	308,047	238,459	308,743	238,572
Benefits	114,088	80,369	114,742	80,827
Government Severance Indemnity Fund for Employees (FGTS)	28,291	22,964	28,358	22,973
Management compensation	(15,743)	28,998	(15,030)	29,637
Taxes, charges and contributions				
Federal	99,200	233,891	134,970	251,474
State	24,236	27,897	24,400	28,127
Municipal	1,346	741	1,646	762
Financing entities				
Interest	429,544	206,527	430,780	210,972
Rentals	2,485	2,373	2,496	2,373
Foreign exchange variations	311,454	318,010	311,500	318,470
Others	110,603	98,856	110,697	98,926
Dividends and interest on capital payments	235,841	-	235,841	-
Retained profits for the period	198,334	558,503	198,334	558,503
Value added distributed	<u>1,847,726</u>	<u>1,817,588</u>	<u>1,887,477</u>	<u>1,841,616</u>

The accompanying notes are an integral part of this quarterly information.

Notes to the quarterly information

September 30, 2022

All amounts in thousands of reais unless otherwise stated

1. Operations

São Martinho S.A. (the "Company" or "Parent Company") is a listed corporation headquartered in Pradópolis, State of São Paulo. The Company and its subsidiaries (together referred to as "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 manufacture of products comes from plantations on land owned by either the Company, its stockholders, related companies or agricultural partnerships. The remaining 30% is supplied by third parties. The sugar-ethanol sector is subject to seasonal trends based on the sugarcane growth cycle in the Center-South region of Brazil, which typically begins in April and ends in December, resulting in fluctuations in the Company's inventories. Raw material supplies may also be affected by adverse climate conditions. Sugarcane crop takes up to 18 months to mature and harvest runs, in general, from April to December, which is also the period when sugar and ethanol are produced and electric power is co-generated.

São Martinho is a subsidiary of the holding company LJM Participações S.A. ("LJM"), which holds 53.74% interest in the Company's voting capital.

The issue of this financial Information was authorized by the Board of Directors on November 7, 2022.

Effects of the Coronavirus pandemic on the quarterly information

The macroeconomic effects of the Coronavirus pandemic (COVID-19) are reflected in the estimates and judgments used in the preparation of this quarterly information.

In addition to impacting the general health of the population, in financial markets the interest and exchange rates, and consequently the measurement of assets, liabilities and profit or loss, were affected.

The Company has monitored these factors and, at September 30, 2022, management determined that no uncertainties had a material adverse effect on its financial position nor placed its operations at risk.



Armed conflict between Russia and Ukraine

The conflict between Russia and Ukraine has affected the global economy, including the sugar-energy sector, threatening supply disruptions and affecting the price of inputs, mainly fertilizers, oil, and other commodities.

The Company is monitoring these events and is adopting measures to optimize its resources, protect revenues, and ensure the availability of inputs for its production processes.

Financial risk management

In common with others in the agribusiness sector and rural producers, São Martinho is subject to climate risks, including from prolonged droughts, frost and fire. These risks are constantly monitored and mitigating measures taken to minimize their impact.

2. Summary of significant accounting policies

2.1 Statement of compliance and basis of preparation

The interim accounting information was prepared in accordance with the Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting, issued by the Brazilian Accounting Pronouncements Committee (CPC), and the International Accounting Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and is presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information. The parent company and consolidated quarterly information complies with both IFRS and accounting practices adopted in Brazil (BRGAAP).

This quarterly information has been prepared under the historical cost convention, as modified to adjust to the deemed cost of property, plant and equipment at transition to IFRS/CPC, and certain derivative financial instruments and biological assets measured at fair value. The interim accounting information discloses all applicable information of significance to the quarter, which is consistent with that utilized by management in the performance of its duties.

The significant accounting practices are described in specific notes corresponding to the items presented, and those affecting various aspects of the interim accounting information are described below.

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

Notes to the quarterly information

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All amounts in thousands of reais unless otherwise stated

2.2 Basis of consolidation and investments in subsidiaries

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

The balances reflect the equity interest in the following wholly-owned companies:

Company	Core activity
São Martinho Terras Agrícolas S.A. ("SM Terras Agrícolas")	Exploitation of land through agricultural lease and partnership, rental and sale of real estate.
São Martinho 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")	Co-generation of electric power
Bioenergética Santa Cruz S.A. ("Bio SC")	Co-generation of electric power
Bioenergética Boa Vista S.A. ("Bio BV")	Co-generation of electricity
Bioenergia São Martinho ("Bioenergia SM")	Co-generation of electric power
São Martinho Logística e Participações S.A. ("SM Logística")	General product storage
São Martinho Inova S.A. ("SM Inova")	Investment in other companies

- (i) SM Terras Imobiliárias and its subsidiaries, all Special-Purpose Entities (SPEs), are engaged in real estate development activities.

2.3 Functional and presentation currency

The financial information is presented in Brazilian Real/Reais (R\$), which is the currency of the primary economic environment in which the Company operates ("functional currency"). All information presented in Brazilian Reais has been rounded off to the nearest thousand, unless otherwise stated.

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 forward-looking approach that covers both expected and incurred losses and requires relevant 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 fulfill the contractual obligations.

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

a) Financial assets

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

b) Financial liabilities

The Company's financial liabilities include trade payables, borrowings, leases, agricultural partnerships, payables to related parties, and other payables, which are measured at 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 amortization, under the effective interest rate method.

c) Derivative financial instruments

Derivatives are measured at fair value, with gains and losses recognized in the statement of income, unless 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 the strategy for undertaking hedging transactions.

The effective portion of changes in the 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" 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.

For business combinations 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 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.

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



After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is allocated as from the acquisition date 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.

3. Significant accounting estimates and judgments

Accounting estimates and judgments are continually assessed 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 were determined based on value-in-use calculations. These calculations 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 the expected net cash flows from biological assets, which is calculated using discounted cash flow assumptions (Note 7).

c) Income tax, social contribution and other taxes

The Company recognizes provisions for situations where it is probable that additional taxes will be due. When the 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 an active market is determined through valuation techniques, which include the discounted cash flow model. The assumptions used in 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 with respect to data such as liquidity, credit risk, and volatility.

e) Provision for contingencies

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

f) ICMS tax benefits

The Company benefits from ICMS tax incentives from 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, providing regulations on 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 the supporting documentation with the Executive Secretariat of the National Council of Fiscal Policy (CONFAZ), as provided for in Clause 4 of ICMS Agreement 190/2017.

The executive board, together with its legal advisors, monitors these through the Treasury Department of Goiás.

g) Incremental borrowing rate on leases and agricultural partnerships

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 under equivalent terms and conditions, also considering the lessee's credit risk, the term of the agreement, and the collateral offered.



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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 highly liquid short-term investments with 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	September 30, 2022	March 31, 2022	Annual yield	September 30, 2022	March 31, 2022
Cash and banks - in Brazil		274	142		2,903	171
Cash and banks - abroad (US Dollar)	1.6% p.a.	127,665	114,732	1.6% p.a.	127,665	114,732
Total cash and cash equivalents		127,939	114,874		130,568	114,903
Financial investments						
. Investment fund	104.2% of CDI	1,323,914	2,459,996	104.3% of CDI	1,519,161	2,653,534
. Bank Deposit Certificate (CDB)	103.5% of CDI	224,743	203,685	103.5% of CDI	225,429	204,330
. Other (i)	100.0% of CDI	9,276	11,374	100.0% of CDI	9,276	11,374
Total financial investments		1,557,933	2,675,055		1,753,866	2,869,238
Total cash and cash equivalents and financial investments		1,685,872	2,789,929		1,884,434	2,984,141
In non-current assets		9,276	11,374		9,276	11,374
Total available funds		1,676,596	2,778,555		1,875,158	2,972,767

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

5. Trade receivables

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

The balance of trade receivables is as follows:

	Parent company		Consolidated	
	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
Domestic market customers	188,859	56,901	275,366	128,355
Foreign market customers	219,412	125,059	219,412	125,059
(-) Expected credit losses	(27)	(82)	(743)	(835)
	408,244	181,878	494,035	252,579
Current assets	(408,244)	(181,878)	(448,218)	(225,707)
Non-current assets	-	-	45,817	26,872

The accompanying notes are an integral part of this quarterly information.

Notes to the quarterly information

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All amounts in thousands of reais unless otherwise stated

The aging list of trade receivables is as follows:

	Parent company		Consolidated	
	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
Falling due:	408,165	181,719	493,496	252,248
Overdue and not provided for				
Up to 30 days	8	7	356	41
Over 31 days	71	152	183	290
	408,244	181,878	494,035	252,579

Includes amounts from related parties of R\$ 5,228 and R\$ 607 in the Parent company and Consolidated, respectively (R\$ 1,833 and R\$ 1,284, respectively, on March 31, 2022) (Note 9).

6. Inventories and advances to suppliers

	Parent company		Consolidated	
	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
Current				
Finished products and work-in-process	1,479,933	290,998	1,445,739	290,997
Raw Material - Corn	277,409	-	277,409	-
Advances - purchases of corn	62,864	-	62,864	-
Advances - purchases of sugarcane	87,589	75,449	90,293	75,449
Advances - purchases of inputs and finished products	120,369	184,909	120,369	184,909
RenovaBio - CBIOS(i)	8,694	16,603	8,694	16,603
Land subdivisions	-	-	5,911	5,845
Inputs, maintenance materials and other	194,459	190,773	194,459	190,773
	2,231,317	758,732	2,205,738	764,576
Non-current				
Advances - purchases of sugarcane	186,284	146,986	186,284	146,986
	186,284	146,986	186,284	146,986
	2,417,601	905,718	2,392,022	911,562

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.

- (i) On September 30, 2022, the Company had 137,000 registered decarbonization credits (CBIOS) carried at fair value (249,000 CBIOS on March 31, 2022).

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7. Biological assets

Biological assets are agricultural products under cultivation (standing sugarcane) from 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 as there is little market activity, or prices or valuation techniques to support inputs in a thin, nonexistent, or illiquid market (non-observable inputs).

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 levied on positive cash flows.

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

Parent company and Consolidated	September 30, 2022	March 31, 2022
Estimated total harvested area (ha)	242,795	242,241
Amount of TRS per hectare	11.38	11.50
Projected average price of TRS (in R\$)	1.14	1.09

For the quarterly information, a discount rate of 12.3% p.a. was used to calculate the fair value of biological assets (10.3% p.a. on March 31, 2022).

Based on estimates of revenue and costs, the Company determines the discounted cash flows adjusts these to present value through a discount rate compatible with the return on investment. Changes in the fair value are recorded within "Biological assets", with a corresponding entry to "Changes in the fair value of biological assets" within "Cost of goods sold" in the statement of income.



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

	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Historical cost	1,263,787	1,040,629	1,263,787	1,040,629
Fair value	(44,506)	(51,089)	(44,506)	(51,089)
Biological assets - opening balance:	1,219,281	989,540	1,219,281	989,540
Increases arising from crop treatments	441,490	361,596	441,490	361,596
Transfer from property, plant and equipment	140,377	268,942	140,377	268,942
Changes in fair value	4,201	25,314	4,201	25,314
Decreases resulting from harvest	(777,176)	(785,858)	(777,176)	(785,858)
Biological assets - closing balance:	1,028,173	859,534	1,028,173	859,534
Comprised of:				
Historical cost	1,068,478	885,309	1,068,478	885,309
Fair value	(40,305)	(25,775)	(40,305)	(25,775)
Biological assets - closing balance:	1,028,173	859,534	1,028,173	859,534

Sugarcane cultivation is 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 purposes of the sensitivity analysis, the Company assessed the impact on the fair value of its biological assets on September 30, 2022, considering an 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\$ 86,315. For production volumes, the same 5% variation (up or down) would result in an increase or decrease of R\$ 83,538.

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8. Taxes recoverable

Balances of taxes recoverable:

	Parent company		Consolidated	
	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
Current				
PIS and COFINS (i)	178,006	52,683	178,006	52,768
ICMS (ii)	22,207	6,252	22,223	6,282
Others	2,069	1,223	2,291	1,253
	202,282	60,158	202,520	60,303
Non-current				
PIS and COFINS (i)	107,588	119,286	107,588	119,286
ICMS (ii)	113,534	38,763	115,362	39,891
IOF on derivatives	9,383	9,076	9,383	9,076
INSS	7,172	6,923	7,172	6,923
Reintegra	-	1,991	-	1,991
Others	-	677	-	677
	237,677	176,716	239,505	177,844
	439,959	236,874	442,025	238,147

- (i) Pursuant to Complementary Law 194, sale of ethanol are zero rated for PIS and Cofins. Credits will be partially used to offset other federal taxes.
- (ii) Pursuant to Constitutional Amendment 123/22, grants credit for ICMS on ethanol. The amount recorded was R\$ 44,322 under net revenue - reduction in ICMS expense (Note 27), and the same amount appropriated to a reserve in equity (Note 18d).

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 10/1/2023 to 09/30/2024	147,682	148,858
From 10/1/2024 to 09/30/2025	26,016	26,233
From 10/1/2025 to 09/30/2026	24,240	24,457
From 10/1/2026 to 09/30/2027	23,724	23,941
From 10/1/2027 to 09/30/2028	1,763	1,763
From 10/1/2028 onwards	14,252	14,253
	237,677	239,505

The accompanying notes are an integral part of this quarterly information.

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9. Related parties

a) Parent company and consolidated balances:

	Parent company		Consolidated	
	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
Current assets				
Trade receivables (i)				
Bio BV	2,599	105	-	-
Bio SM	1,116	222	-	-
Bio SC	864	10	-	-
SM Terras Imobiliárias	70	120	-	-
Luiz Ometto Participações S.A.	80	169	80	169
SM Terras Agrícolas	12	182	-	-
CTC - Centro de Tecnologia Canavieira S.A.	-	870	109	991
Others	487	155	418	124
	5,228	1,833	607	1,284
Non-current assets				
Advance for future capital increase				
Bioenergia São Martinho Ltda.	14,000	-	-	-
	14,000	-	-	-
Current liabilities				
Trade payables				
SM Terras Agrícolas	39,015	5,899	-	-
Bio SC	289	191	-	-
CTC - Centro de Tecnologia Canavieira S.A.	9,165	477	9,165	477
SM Terras Imobiliárias	-	296	-	-
Others	59	58	59	58
	48,528	6,921	9,224	535
Leases and agricultural partnerships payable				
From stockholders and related parties	747,665	515,136	506,922	515,136
Current and non-current liabilities				
(Acquisition of ownership interest)				
Luiz Ometto Participações S.A. (Note 17)	3,670	3,669	3,670	3,669

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

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

	Parent company		Consolidated	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Sales revenue				
Bio BV	6,591	8,495	-	-
Bio SM	5,607	4,161	-	-
Bio SC	4,850	6,306	-	-
	17,048	18,962	-	-
Reimbursed expenses / Lease revenue (purchase of products and services)				
SM Terras Agrícolas	(55,171)	(82,579)	-	-
SM Terras Imobiliárias	(14,456)	(3,447)	-	-
CTC - Centro de Tecnologia Canavieira S.A.	(16,896)	(21,075)	(16,172)	(20,376)
Bio SC	(743)	(1,060)	-	-
Bio BV	59	28	-	-
Bio SM	52	16	-	-
	(87,155)	(108,117)	(16,172)	(20,376)
Shareholders and related parties				
Sugarcane purchases / land leases / reimbursed expenses				
Agro Pecuária Boa Vista S/A	(30,586)	(25,060)	(30,586)	(25,060)
Others	(12,437)	(16,574)	(12,637)	(16,574)
	(43,023)	(41,634)	(43,223)	(41,634)

Sales revenue relates 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 refer to the apportionment of administrative service costs calculated based on agreements among the parties.

c) Management compensation:

The compensation paid or payable for management's services is as below:

	Parent company		Consolidated	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Fixed and variable compensation, and benefits	17,934	28,296	19,113	29,363
Social security contributions	3,490	2,265	3,696	2,265
Total compensation and charges	21,424	30,561	22,809	31,628

São Martinho offers its executive officers a virtual stock option plan, which provides for cash settlement of the positive difference between the market value on the day before the exercise and the price set in each program.

On December 13, 2021, the Board of Directors approved the granting of 563,175 new options, through the 13th Stock Option Plan, which is regulated by the same terms as those defined in previously approved plans of the Company.

The accompanying notes are an integral part of this quarterly information.

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The carrying amount of the liability relating to the new fair value calculation of the Virtual Option Plan is R\$ 8,793 (R\$ 36,496 on March 31, 2022).

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

Plan	8th Plan	9th Plan	10th Plan	11th Plan	12th Plan	13th Plan	Total
Plan issue date	12/12/2016	05/02/2018	12/10/2018	12/09/2019	12/14/2020	12/13/2021	
Deadline for exercise (i)	2023	2024	2025	2026	2027	2028	
Number of virtual options granted	727,273	882,074	1,133,513	1,072,712	754,980	563,175	5,133,727
Number of virtual options exercised	(712,063)	(848,100)	(708,265)	(356,423)	(33,730)	-	(2,658,581)
Number of virtual options to be exercised	15,210	33,974	425,248	716,289	721,250	563,175	2,475,146
Exercise price (R\$)	17.70	17.76	19.07	19.38	24.22	37.17	

The 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, always in compliance with each plan's deadline. The limit approved at the Annual General Meeting relates 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:

Company	Ownership interest %	Equity		Book value of investment		Equity in the results of investees	
		September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022	September 30, 2022	September 30, 2021
Classified as Investments							
SM Terras Agrícolas	100.00%	843,300	837,044	816,624	837,044	25,581	37,442
SM Terras Imobiliárias	100.00%	686,053	687,891	679,935	688,238	7,297	32,022
Bio SC	100.00%	71,379	62,059	83,165	78,933	23,232	44,335
Bio BV	100.00%	49,337	42,415	49,337	42,415	32,922	29,564
SM Inova	100.00%	42,155	39,486	42,155	39,486	2,597	3,180
Bio SM	100.00%	47,053	33,358	47,053	33,358	19,695	7,873
Bioenergia SM	100.00%	31,080	31,070	31,080	31,070	10	381
SM Logística	100.00%	1,051	1,015	1,051	1,015	36	(67)
Total classified as Investments		1,771,408	1,734,338	1,750,400	1,751,559	111,370	154,730

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				Consolidated			
Company	Ownership interest %	Equity		Book value of investment		Equity in the results of investees	
		September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022	September 30, 2022	September 30, 2021
Classified as Investments							
CTC - Centro de Tecnologia Canavieira S.A. (i)	5.41%	839,427	822,949	45,451	44,558	2,544	3,258
Others		-	-	1,089	1,007	83	44
Total classified as Investments		839,427	822,949	46,540	45,565	2,627	3,302

(i) 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 crossholdings between the parent company and the investees.

11. Property, plant and equipment

The assets' net book values and useful lives, as well as the depreciation methods, are reviewed at each 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 replace parts that suffer wear and tear during the crop period are recorded as assets and 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 the bearer plants for growing sugarcane. Sugarcane is classified as a permanent crop and its economically productive cycle lasts, on average, eight years from the first harvest. Interest charges on loans 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.

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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, 2021	96,099	416,133	1,172,051	354,100	227,003	324,217	1,375,872	160,366	46,955	4,172,796
Acquisitions	-	39	4,250	681	31,593	22,051	178,793	274,589	2,871	514,867
Transfer of PP&E/biological assets	-	-	-	-	-	-	(268,942)	-	-	(268,942)
Cost of sale	-	-	(3)	-	(1,494)	(5,017)	-	-	-	(6,514)
Transfer between groups	-	6,745	15,660	-	290	(4,727)	6,078	(27,386)	3,340	-
Depreciation	-	(9,234)	(77,541)	(315,562)	(17,344)	(33,591)	-	-	(7,212)	(460,484)
At September 30, 2021	96,099	413,683	1,114,417	39,219	240,048	302,933	1,291,801	407,569	45,954	3,951,723
Total cost	96,099	536,388	1,950,464	354,781	433,525	678,813	1,291,801	407,569	191,186	5,940,626
Accumulated depreciation	-	(122,705)	(836,047)	(315,562)	(193,477)	(375,880)	-	-	(145,232)	(1,988,903)
Net book value	96,099	413,683	1,114,417	39,219	240,048	302,933	1,291,801	407,569	45,954	3,951,723
At March 31, 2022	96,046	418,728	1,147,128	416,916	257,270	331,240	1,521,169	724,727	43,411	4,956,635
Acquisitions	-	41	2,044	15,836	14,588	16,319	212,835	375,024	2,652	639,339
Transfer of PP&E/biological assets	-	-	-	-	-	-	(140,377)	-	-	(140,377)
Cost of sale	-	-	(13)	-	(377)	(1,804)	(30)	-	-	(2,224)
Transfer between groups	-	61,485	48,501	-	402	(3,886)	3,886	(111,277)	889	-
Depreciation	-	(8,866)	(67,288)	(337,634)	(17,498)	(30,681)	-	-	(6,431)	(468,398)
At September 30, 2022	96,046	471,388	1,130,372	95,118	254,385	311,188	1,597,483	988,474	40,521	4,984,975
Total cost	96,046	607,119	2,046,563	432,752	471,906	721,321	1,597,483	988,474	195,754	7,157,418
Accumulated depreciation	-	(135,731)	(916,191)	(337,634)	(217,521)	(410,133)	-	-	(155,233)	(2,172,443)
Net book value	96,046	471,388	1,130,372	95,118	254,385	311,188	1,597,483	988,474	40,521	4,984,975
Residual value:										
Historical cost	24,759	412,165	966,037	95,118	238,553	293,568	1,597,483	988,474	40,521	4,656,678
Surplus on revaluation	71,287	59,223	164,335	-	15,832	17,620	-	-	-	328,297
Annual average depreciation rates/ Transfer of biological assets	-	3%	5%	100%	7%	9%	14%	-	13%	

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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, 2021	1,814,977	419,482	1,238,940	354,831	227,002	324,219	1,375,871	160,364	46,958	5,962,644
Acquisitions	(3)	39	4,250	681	31,593	22,051	178,793	289,145	2,871	529,420
Cost of sale	(383)	-	(3)	-	(1,494)	(5,017)	-	-	-	(6,897)
Transfer from Inventories to Sales	(409)	-	-	-	-	-	-	-	-	(409)
Transfer of biological assets	-	-	-	-	-	-	(268,942)	-	-	(268,942)
Transfer between groups	-	6,745	15,660	-	290	(4,727)	6,078	(27,386)	3,340	-
Depreciation	-	(9,340)	(80,156)	(316,114)	(17,344)	(33,591)	-	-	(7,211)	(463,756)
At September 30, 2021	1,814,182	416,926	1,178,691	39,398	240,047	302,935	1,291,800	422,123	45,958	5,752,060
At March 31, 2022	1,816,933	419,701	1,210,856	418,110	257,269	331,241	1,521,168	752,518	43,413	6,771,209
Acquisitions	-	41	2,044	15,973	14,588	16,319	212,835	390,134	2,652	654,586
Cost of sale	(178)	-	(13)	-	(377)	(1,804)	(29)	-	(1)	(2,402)
Transfer of biological assets	-	-	-	-	-	-	(140,377)	-	-	(140,377)
Transfer between groups	-	61,485	48,501	-	402	(3,886)	3,886	(111,277)	889	-
Depreciation	-	(8,904)	(69,577)	(338,576)	(17,499)	(30,682)	-	-	(6,430)	(471,668)
At September 30, 2022	1,816,755	472,323	1,191,811	95,507	254,383	311,188	1,597,483	1,031,375	40,523	6,811,348
Total cost	1,816,755	610,173	2,146,925	434,083	471,905	721,321	1,597,483	1,031,375	195,765	9,025,785
Accumulated depreciation	-	(137,850)	(955,114)	(338,576)	(217,522)	(410,133)	-	-	(155,242)	(2,214,437)
Net book value	1,816,755	472,323	1,191,811	95,507	254,383	311,188	1,597,483	1,031,375	40,523	6,811,348
Residual value:										
Historical cost	167,067	412,253	1,013,902	95,507	238,551	293,568	1,597,483	1,031,375	40,523	4,890,229
Surplus on revaluation	1,649,688	60,070	177,909	-	15,832	17,620	-	-	-	1,921,119
Annual average depreciation rates/ Transfer of biological assets	-	3%	5%	100%	7%	9%	14%	-	13%	

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The amount recorded within "Construction in progress" refers primarily to the construction of the corn ethanol plant and the cogeneration thermoelectric power plant (UTE) phase II.

Under the terms of certain borrowing agreements entered into by São Martinho, items of property, plant and equipment totaling R\$ 925,712 were pledged as collateral, of which R\$ 32,364 relates to rural properties (1,243 hectares of land).

Financial charges capitalized during the period amounted to R\$ 6,915 (R\$ 2,606 on September 30, 2021).

12. Intangible assets

Contractual relationships have a finite lives, being amortized in proportion to the volume 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	
	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
Goodwill based on future profitability (i)	374,632	374,632	374,632	374,632
Software	41,820	41,820	41,820	41,820
Accumulated amortization	(33,821)	(32,895)	(33,821)	(32,895)
Software in progress	27,417	20,107	27,417	20,107
Rights on sugarcane contracts (ii)	42,443	42,443	42,443	42,443
Amortization of rights on sugarcane contracts (ii)	(24,343)	(23,545)	(24,343)	(23,545)
Cost of rights on electricity contracts (iii)	-	-	103,401	103,401
Amortization of rights on electric power contracts (iii)	-	-	(89,105)	(81,518)
Other assets	1,363	1,326	13,020	12,868
	429,511	423,888	455,464	457,313

- (i) Goodwill related to prior years' business combinations 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 with Bio SC, effective up to 2025 (business combination).

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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.

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 identified. Annual impairment tests are performed at the end of March. In order to determine an impairment loss, assets are grouped into Cash-Generating Units (CGU), which correspond to the smallest group of assets generating cash flows that are clearly independent from those generated by another CGU.

On March 31, 2022, 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-tax cash flow projections, based on financial budgets approved by management. The growth rate does not exceed the long-term average growth rate of the sector in which the CGU operates.

The main assumptions and estimates relate to sugar and ethanol sales prices, electric power costs and other macroeconomic data.

Main assumptions used by the Company (data from March 31, 2022):

Cash-generating Units	Nominal perpetuity growth rate	Nominal discount rate
São Martinho production unit	5.00%	11.33%
Santa Cruz production unit	5.00%	11.33%

The 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

a) Leases

São Martinho adopts 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 payment obligations in liabilities. Additionally, in compliance with CVM Resolution 859, management asserts that there have been no changes and/or reassessments in its lease agreements as a result of the COVID-19 pandemic.

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Definitions used:

b) Lease - as provided by IFRS 16 (CPC 06 (R2))

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

c) 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 agreements; and (ii) assets: comprised of the amount equivalent to the liabilities adjusted to present value. The right-of-use assets and balance payable are remeasured at the reporting date, based on the index disclosed by the Council of Sugarcane, Sugar and Alcohol Producers of the State of São Paulo (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.

d) The Company as the Lessor

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

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

Right-of-use assets	Parent company and Consolidated			
	Vehicles	Agricultural partnership	Agricultural lease	Total
At March 31, 2021	16,498	1,415,829	437,069	1,869,396
New contracts	3,339	75,627	10,056	89,022
Contract update	-	20,873	44	20,917
Write-offs	(2,609)	(21,473)	(4,749)	(28,831)
Depreciation	(7,356)	(119,137)	(23,123)	(149,616)
At September 30, 2021	9,872	1,371,719	419,297	1,800,888
At March 31, 2022	4,439	2,452,464	627,409	3,084,312
New contracts	6,546	146,589	244,395	397,530
Write-offs	(32)	-	-	(32)
Depreciation	(3,847)	(227,455)	(50,871)	(282,173)
At September 30, 2022	7,106	2,371,598	820,933	3,199,637
Useful lives (years)	1 to 2	2 to 29	2 to 20	

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

Leases and agricultural partnerships payable	Parent company and Consolidated		
	Leases	Agricultural partnerships	Total
At March 31, 2021	473,950	1,438,682	1,912,632
Offset of advances	-	22,850	22,850
Additions arising from new agreements	10,056	75,627	85,683
Updated contracts	3,382	20,873	24,255
Write-offs	(9,176)	(21,775)	(30,951)
Payments made	(58,203)	(264,505)	(322,708)
Financial charges	20,433	76,071	96,504
At September 30, 2021	440,442	1,347,823	1,788,265
At March 31, 2022	621,532	2,385,319	3,006,851
Offset of advances	-	(11,796)	(11,796)
New contracts	250,941	146,589	397,530
Write-offs	(43)	-	(43)
Payments made	(78,008)	(250,394)	(328,402)
Financial charges	32,577	106,982	139,559
At September 30, 2022	826,999	2,376,700	3,203,699
Total in current liabilities	123,543	581,854	705,397
Total in non-current liabilities	703,456	1,794,846	2,498,302
At September 30, 2022	826,999	2,376,700	3,203,699

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

Maturity	Parent company and Consolidated
From 10/1/2023 to 09/30/2024	617,538
From 10/1/2024 to 09/30/2025	578,187
From 10/1/2025 to 09/30/2026	545,140
From 10/1/2026 to 09/30/2027	430,196
From 10/1/2027 to 09/30/2028	337,947
From 10/1/2028 to 09/30/2029	249,522
From 10/1/2029 to 09/30/2030	203,829
From 10/1/2030 onwards	877,575
(-) Adjustment to present value	(1,341,632)
	2,498,302

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

Parent company and Consolidated	Agricultural lease	Adjustment to present value
Lease payment	1,301,391	430,291
Potentially recoverable PIS/COFINS (9.25%)	(91,058)	(29,321)
September 30, 2022	1,210,333	400,970

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

Parent company and Consolidated	
Contract terms	Incremental rate
2 years	8.32%
3 years	8.50%
4 years	8.70%
5 years	8.73%
6 years	9.54%
7 years	9.50%
8 years	9.67%
9 years	9.24%
10 years	9.50%
11 years	8.67%
From 12 to 30 years	9.42%

Pursuant to IFRS 16, the Company 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.

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 six-month period ended September 30, 2022 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:

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Parent company and Consolidated	From 10/1/2022 to 9/30/2023	From 10/1/2023 to 9/30/2024	From 10/1/2024 to 9/30/2025	From 10/1/2025 to 9/30/2026	From 10/1/2026 to 9/30/2027	From 10/1/2027 to 9/30/2032	From 10/1/2032 to 9/30/2037	From 10/1/2037 to 9/30/2042
Right-of-use assets								
IFRS 16	2,658,648	2,187,545	1,751,867	1,344,791	1,033,213	304,665	63,323	-
CVM Official Letter	3,151,866	2,603,045	2,097,290	1,626,636	1,253,098	380,965	89,992	-
	18.55%	18.99%	19.72%	20.96%	21.28%	25.04%	42.12%	N/A
Liabilities of leases and agricultural partnerships								
IFRS 16	2,453,608	2,011,580	1,602,593	1,221,072	931,102	290,751	55,390	-
CVM Official Letter	3,039,410	2,514,638	2,028,291	1,573,879	1,213,793	467,331	117,803	-
	23.88%	25.01%	26.56%	28.89%	30.36%	60.73%	112.68%	N/A
Amortization expense								
IFRS 16	(533,883)	(471,103)	(435,677)	(407,076)	(311,579)	(728,547)	(241,342)	(63,323)
CVM Official Letter	(639,734)	(548,821)	(505,755)	(470,654)	(373,538)	(872,133)	(290,973)	(89,992)
	19.83%	16.50%	16.08%	15.62%	19.89%	19.71%	20.56%	42.12%
Interest expenses								
IFRS 16	(176,138)	(173,741)	(170,172)	(165,801)	(143,491)	(486,959)	(188,789)	(80,628)
CVM Official Letter	(241,371)	(239,322)	(235,605)	(231,057)	(196,508)	(756,123)	(265,702)	(135,497)
	37.04%	37.75%	38.45%	39.36%	36.95%	55.27%	40.74%	68.05%

	IFRS 16/CPC 06	CVM Official Letter
Amortization expense	(3,192,530)	(3,791,600)
Interest expenses	(1,585,719)	(2,301,185)
	(4,778,249)	(6,092,785)

14. Borrowings

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

Type	Annual charges		Parent company		Consolidated	
	Rate	Index	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
In local currency						
BNDES credit facility	2.1%	+TJLP	113,388	123,886	113,388	123,886
BNDES credit facility	3.6%	+IPCA	626,945	534,084	665,818	554,118
BNDES credit facility	5.2%	Fixed rate	158,181	177,352	158,181	177,352
FINEP	4.0%	Fixed rate	33,770	43,905	33,770	43,905
Rural credit	8.0%	Fixed rate	323,216	307,986	323,216	307,986
Agribusiness Receivable Certificate (CRA)	98.6%	CDI	1,157,925	1,160,354	1,157,925	1,160,354
Agribusiness Receivable Certificate (CRA) (iii)	4.9%	+IPCA	538,748	526,839	538,748	526,839
Debentures (iii)	5.6%	+IPCA	1,644,206	1,596,996	1,644,206	1,596,996
International Finance Corporation (IFC)	1.5%	CDI	311,961	306,672	311,961	306,672
Other securitized credits	3.0%	+IGP-M/ Fixed rate	32	31	32	31
Total in local currency	100.2%	CDI	4,908,372	4,778,105	4,947,245	4,798,139
In foreign currency						
Export prepayment (PPE) (V)	1.7%	6M Libor	460,148	402,323	460,148	402,323
Export prepayment (PPE)	1.6%	6M Sofr	164,318	190,395	164,318	190,395
International Finance Corporation (IFC) (v)	1.5%	6M Libor	527,070	493,455	527,070	493,455
FINEM	2.6%	Currency Basket	1,521	4,037	1,521	4,037
Total in foreign currency	3.8%		1,153,057	1,090,210	1,153,057	1,090,210
TOTAL (i)			6,061,429	5,868,315	6,100,302	5,888,349
Total in current liabilities			1,206,694	581,507	1,206,862	581,515
Total in non-current liabilities			4,854,735	5,286,808	4,893,440	5,306,834
			6,061,429	5,868,315	6,100,302	5,888,349

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

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- (ii) 100% of the Agribusiness Receivable Certificates (CRAs) is linked to 117.8% of the DI rate, through a swap contract.
- (iii) 33% debentures are linked to the DI rate + 1.1% p.a., and the remaining 67% to 108.2% of the DI rate, through a swap contract.
- (iv) 29% of the borrowing with *International Finance Corporation* (IFC) is linked to the DI rate + 1.15% p.a., and 34% is linked to a fixed rate of 5.0%, through a swap contract.
- (v) 100% of the Export Credit Note (PPE) amount tied to LIBOR is linked to the DI rate + 1.3% p.a., through a swap contract.

Changes in borrowings during the period were as follows:

	Parent company		Consolidated	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Changes in debt				
Balance at the beginning of the year	5,868,315	4,050,963	5,888,349	4,050,963
Proceeds from borrowings	70,000	1,201,530	88,000	1,201,530
Repayment of principal	(133,515)	(611,250)	(133,515)	(611,250)
Payment of interest	(166,093)	(57,803)	(166,313)	(57,803)
Inflation adjustment	274,023	102,643	275,082	102,643
Foreign exchange variation	148,699	(83,287)	148,699	(83,287)
Balance at the end of the period	6,061,429	4,602,796	6,100,302	4,602,796

Long-term borrowings mature as follows:

Parent company and Consolidated	Parent company	Consolidated
From 10/1/2023 to 09/30/2024	430,397	431,238
From 10/1/2024 to 09/30/2025	1,022,107	1,023,833
From 10/1/2025 to 09/30/2026	628,372	630,159
From 10/1/2026 to 09/30/2027	219,934	221,785
From 10/1/2027 to 09/30/2028	389,696	391,613
From 10/1/2028 to 09/30/2029	203,312	205,297
From 10/1/2029 to 09/30/2030	193,165	195,220
From 10/1/2030 to 09/30/2031	185,953	188,082
From 10/1/2031 to 09/30/2032	697,066	699,271
From 10/1/2032	884,733	906,942
	4,854,735	4,893,440

São Martinho's debt, of R\$ 925,712, is collateralized as follows: 96% by liens on equipment, vehicles, properties and buildings, approximately 3% by land, and less than 1% by receivables from electric power trading and stockholders' sureties.

At the reporting date, the carrying amounts of borrowings approximate their fair value. The fair values are based on cash flows discounted using the borrowing rate of 12.3% (11.6% on March 31, 2022) and are classified within Level 2 of the fair value hierarchy.

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All amounts in thousands of reais unless otherwise stated

Covenants

Borrowings of R\$ 4,046,611 include financial covenants determined and measured annually. The Company was in compliance with the covenants for the periods presented.

15. Trade payables

	September 30, 2022	March 31, 2022	September 30, 2022	March 31, 2022
Sugarcane	250,194	55,931	212,151	49,736
Corn	62,843	-	62,843	-
Materials, services, and others	348,183	356,725	355,693	365,346
	661,220	412,656	630,687	415,082

Includes trade payables due to related parties of R\$ 48,528 in the parent company and R\$ 9,224 in the consolidated (R\$ 6,921 and R\$ 535, respectively, on March 31, 2022) (Note 9).

16. Obligations and rights with Copersucar

As part of the withdrawal process from Copersucar, the Company entered into an agreement for obligations and rights that have not yet prescribed. The main obligations and rights are as below:

a) Obligations:

Copersucar provided funds, through bills of exchange, to its members, including the Company during the period of its association, for the purpose of financing their operations. The funds were obtained by the Cooperative and relate 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 as non-current liabilities. However, in the event of unfavorable outcomes in the lawsuits, the Company may be required to reimburse the amount within 120 days.

The liabilities include Excise Taxes (IPI) for which the constitutionality is being challenged in court by the Cooperative and tax liabilities included in the Tax Recovery Program (REFIS) of Copersucar, as shown below:

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All amounts in thousands of reais unless otherwise stated

Parent company and Consolidated	September 30, 2022	March 31, 2022
REFIS - Copersucar - Interest accruals based on the SELIC rate	27,232	32,867
Exchange Bill (LC) - Interest accruals based on the SELIC rate	75,235	73,754
Exchange Bill (LC) - Transfer of funds without imposition of charges	52,356	52,356
Expenses with tax proceedings	9,075	12,753
Others	2,300	2,300
	<u>166,198</u>	<u>174,030</u>
Current liabilities	<u>(9,075)</u>	<u>(12,753)</u>
Non-current liabilities	<u>157,123</u>	<u>161,277</u>

All the Company's liabilities to Copersucar are backed by bank sureties. In addition, in accordance with the terms negotiated upon withdrawal from Copersucar, the Company remains liable for any obligations in proportion to its interest in Copersucar from previous harvests, resulting from tax assessments that may arise when 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 through to December 31, 2008, of which the amount attributed to the Company would be approximately R\$ 250 million. Copersucar is confident that its position will prevail and it will successfully defend against fines; the Company's legal counsel has assessed this as a possible risk of loss.

b) Rights:

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

Included among the lawsuits to which Copersucar is an active party is a claim against the Federal Government to compensate for damages arising from a mandatory freeze of prices of sugar and ethanol in the 1980s.

In June 2017, the first court-ordered debt security of R\$ 5.6 billion was issued (of which R\$ 730.5 million is due to the Company), and on June 2018, a supplementary court-ordered debt security of R\$ 10.6 billion (of which R\$ 1.4 billion is due to the Company) was issued. The excess of R\$ 2.2 billion claimed by the Federal Government (of which R\$ 286.3 million is due to the Company) is still under dispute.

Copersucar transferred to the Company the amounts received from the Federal Government in connection with this lawsuit, as shown below:

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

	2019	2020	2021	2022
Copersucar rights	March 2019	December 2019	September 2020	October 2021
1st Court-ordered debt security	906,287	1,059,956	1,083,223	1,174,400
Supplementary court-ordered debt security	-	1,724,797	1,974,578	2,138,858
Court-ordered debt securities - Copersucar	906,287	2,784,753	3,057,801	3,313,258
PIS/COFINS withheld - Copersucar	(13,927)	(42,794)	(46,990)	(50,915)
Transfer to Luiz Ometto Participações S.A.	(3,313)	(24,119)	(26,700)	(28,697)
Other withholdings and expenses	(26,824)	(46,665)	(51,266)	(55,348)
Other net revenue - SMSA	106,499	349,056	383,040	415,476

Upon transferring the funds, Copersucar withheld a portion to cover legal costs and the levy of PIS and COFINS taxes, while undertaking to transfer the corresponding amounts in the event of a favorable outcome. On September 30, 2022, the balance receivable from Copersucar totaled R\$ 154,626, recognized within "Other non-current assets". The Company, in line 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 in liabilities, within: "Taxes with suspended payment"

As established in the Agreement for Purchase and Sale of Shares of Santa Cruz S.A. Açúcar e Alcool ("USC"), the Company transferred R\$ 82,829 to Luiz Ometto Participações S.A.

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

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

Parent company and Consolidated	Additions	Disposals	Net balance
	Usina Santa Cruz	Agro Pecuária Boa Vista	
At March 31, 2021	(93,739)	78,451	(15,288)
Inflation adjustment	(1,870)	1,565	(305)
Repayment of interest	1,756	(1,469)	287
At September 30, 2021	(93,853)	78,547	(15,306)
At March 31, 2022	(62,745)	59,076	(3,669)
Inflation adjustment	(3,841)	3,617	(224)
Repayment of interest	3,817	(3,594)	223
At September 30, 2022	(62,769)	59,099	(3,670)
		Current liabilities	(3,670)
			(3,670)

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All amounts in thousands of reais unless otherwise stated

The amounts, adjusted based on the CDI rate, are paid annually and mature as follows:

Maturity dates	(Acquisition) / Disposal
From 10/1/2023 to 09/30/2024	(11,620)
From 10/1/2024 to 09/30/2025	(11,620)
From 10/1/2025 to 09/30/2026	19,570
	<u>(3,670)</u>

18. Equity

a) Share capital

Share capital at the reporting date amounted to R\$ 3,161,384 (R\$ 2,681,571 on March 31, 2022), represented by 354,011,329 registered common shares without par value.

The Company is authorized to increase capital up to the limit of 372,000, common shares, without requiring prior amendment to its bylaws, upon a resolution of the Board of Directors determining the share issue conditions, including price and payment term.

At the Extraordinary General Meeting held on July 29, 2022, the stockholders approved a capital increase of R\$ 479,813, by capitalizing R\$ 397,880 from the Capital Budget Reserve and R\$ 81,933 from the Tax Incentive Reserve.

b) Treasury shares

As repurchased equity instruments, treasury shares are recognized at acquisition cost 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.

c) Carrying value adjustments

Deemed cost

These are the surplus increment on revaluation of the 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 made through depreciation, write-off, or sale of the related assets. The realized amounts are transferred to "Retained earnings".

Hedge accounting fair value

This relates to the results of unrealized/settled transactions with derivative financial instruments, classified as hedge accounting. This balance is reversed from equity to the results of operations, over time, as the related transactions mature, or the shipments take place.

d) Revenue reserves

Legal reserve

The legal reserve is credited annually with 5% of profit for the year and cannot exceed 20% of the capital. The legal reserve is intended to preserve equity for funding and can only be used to offset losses and increase capital.

Capital budget reserve

This reserve is for future funding of investments to increase the production capacity and other improvement processes, and for working capital purposes.

Unrealized profit reserve

This reserve arises from unearned income plus the results of the of the interest in Agro Pecuária Boa Vista S/A, sale of properties in real estate developments and effects of changes in shareholdings.

Tax incentive reserve

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

The benefit related to ICMS reduction 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 at the amount determined for the grant, with a corresponding entry to "Retained earnings".

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

At the reporting date, the incentive benefit amounted to R\$ 103,460 in the parent company and consolidated (R\$ 60,267 on September 30, 2021), of which R\$59,138 refers to ICMS Produzir and R\$44,322 refers to the credit granted (note 8).

e) Dividends and interest on capital

In accordance with the Compensation Policy (Dividends), the stockholders are entitled to a dividend and/or interest on capital of at least 40% of the annual cash profit, calculated as per the framework disclosed by the Company, or 25% of the profit for the year, after deduction of the accumulated deficit and appropriations to the legal reserve, whichever is greater.

The stockholders are entitled to a minimum dividend of 25% on profit for the year, after the deduction of accumulated losses, and transfer to the legal reserve.

At the Annual General Meeting held on July 30, 2021, the stockholders approved the payment of additional dividends of R\$ 197,459, as proposed by the executive board for the year ended March 31, 2021.

At the Annual General Meeting held on November 8, 2021, the prepayment of stockholder's compensation was approved, in the gross amount of R\$ 507,564, of which R\$ 135,000 was paid as interest on capital, and R\$ 372,564 as advance payment of dividends; furthermore, the Board of Directors' meeting held on June 20, 2022, approved the advance payment of shareholders' compensation in the gross amount of R\$ 115,000, paid as interest on capital.

At the Annual General Meeting held on July 29, 2022, the stockholders approved the payment of additional dividends of R\$ 131,465, as proposed by the executive board for the year ended March 31, 2022.

19. Profit sharing

As part of its policy, the Company manages a profit-sharing program for its employees, linked to a pre-agreed plan of operating and financial targets. The amounts of profit sharing for the period ended September 30, 2022 totaled R\$ 34,659 in the Parent company and R\$ 34,710 in the Consolidated (R\$ 67,578 and R\$ 67,681 in the Parent company and Consolidated, respectively, on March 31, 2022).

20. Income tax and social contribution

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

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All amounts in thousands of reais unless otherwise stated

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

The Company has adopted IFRIC 23/ICPC 22 - Uncertainty over Income Tax Treatments, which addresses the accounting for income taxes in cases where the 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. The Company did not identify any effects from the adoption of this interpretation.

a) Changes in deferred income tax and social contribution

Parent company	June 30, 2022	Quarter		September 30, 2022
		Recognized in profit or loss	Recognized in other comprehensive income	
Income tax and social contribution losses	11,371	(11,371)	-	-
Exclusion of IRPJ/CSLL on tax overpayments (20.1)	6,903	-	-	6,903
Derivative financial instruments	130,906	(6,630)	6,030	130,306
Provision for contingencies	84,343	1,648	-	85,991
Foreign exchange gains	5,704	13,540	-	19,244
Other assets	24,313	11,779	-	36,092
Total deferred income tax and social contribution assets	263,540	8,966	6,030	278,536
Surplus on revaluation of PP&E (deemed cost)	(115,605)	3,795	-	(111,810)
Accelerated depreciation incentive	(543,356)	11,225	-	(532,131)
Tax benefit on merged goodwill	(197,959)	-	-	(197,959)
Foreign exchange losses	(81,103)	1	-	(81,102)
Other liabilities	(21,840)	4,640	-	(17,200)
Total deferred income tax and social contribution liabilities	(959,863)	19,661	-	(940,202)
Deferred income tax and social contribution	(696,323)	28,627	6,030	(661,666)

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

Consolidated	June 30, 2022	Quarter			September 30, 2022
		Recognized in profit or loss	Recognized in other comprehensive income	Consolidation adjustment - Rights on electric power supply contracts	
Income tax and social contribution losses	11,368	(11,368)	-	-	-
Exclusion of IRPJ/CSLL on tax overpayments (20.1)	6,903	-	-	-	6,903
Derivative financial instruments	130,908	(6,631)	6,030	-	130,307
Provision for contingencies	78,658	1,648	-	-	80,306
Provision for other obligations	13,881	-	-	-	13,881
Foreign exchange gains	5,704	13,540	-	-	19,244
Other assets	16,363	11,382	-	-	27,745
Total deferred income tax and social contribution assets	263,785	8,571	6,030	-	278,386
Surplus on revaluation of PP&E (deemed cost)	(468,258)	3,880	-	-	(464,378)
Accelerated depreciation incentive	(543,355)	11,224	-	-	(532,131)
Tax benefit on merged goodwill	(197,959)	-	-	-	(197,959)
Intangible assets	(7,511)	-	-	1,438	(6,073)
Gain from change in interest held in CTC	(5,068)	-	-	-	(5,068)
Foreign exchange losses	(81,103)	1	-	-	(81,102)
Other liabilities	(22,741)	5,694	-	-	(17,047)
Total deferred income tax and social contribution liabilities	(1,325,995)	20,799	-	1,438	(1,303,758)
Deferred income tax and social contribution	(1,062,210)	29,370	6,030	1,438	(1,025,372)

Parent company	March 31, 2022	Six-month period		September 30, 2022
		Recognized in profit or loss	Recognized in other comprehensive income	
Income tax and social contribution losses	16,111	(16,111)	-	-
Exclusion of IRPJ/CSLL on tax overpayments (i)	6,903	-	-	6,903
Derivative financial instruments	128,519	(26,125)	27,912	130,306
Provision for contingencies	81,319	4,672	-	85,991
Foreign exchange gains	(8,088)	27,332	-	19,244
Other assets	24,359	11,733	-	36,092
Total income tax and social contribution assets	249,123	1,501	27,912	278,536
Surplus on revaluation of PP&E (deemed cost)	(118,544)	6,734	-	(111,810)
Accelerated depreciation incentive	(540,756)	8,625	-	(532,131)
Tax benefit on merged goodwill	(197,959)	-	-	(197,959)
Foreign exchange losses	(108,345)	27,243	-	(81,102)
Other liabilities	(27,316)	10,116	-	(17,200)
Total income tax and social contribution liabilities	(992,920)	52,718	-	(940,202)
Deferred income tax and social contribution	(743,797)	54,219	27,912	(661,666)

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Consolidated	March 31, 2022	Six-month period			September 30, 2022
		Recognized in profit or loss	Recognized in other comprehensive income	Consolidation adjustment - Rights on electric power supply contracts	
Income tax and social contribution losses	16,218	(16,218)	-	-	-
Exclusion of IRPJ/CSLL on tax overpayments (20.1)	6,903	-	-	-	6,903
Derivative financial instruments	128,520	(26,125)	27,912	-	130,307
Provision for contingencies	75,634	4,672	-	-	80,306
Provision for other obligations	13,881	-	-	-	13,881
Foreign exchange gains	(8,088)	27,332	-	-	19,244
Other assets	16,010	11,735	-	-	27,745
Total income tax and social contribution assets	249,078	1,396	27,912	-	278,386
Surplus on revaluation of PP&E (deemed cost)	(471,264)	6,886	-	-	(464,378)
Accelerated depreciation incentive	(540,756)	8,625	-	-	(532,131)
Tax benefit on merged goodwill	(197,959)	-	-	-	(197,959)
Intangible assets	(8,693)	-	-	2,620	(6,073)
Gain from change in interest held in CTC	(5,068)	-	-	-	(5,068)
Foreign exchange losses	(108,345)	27,243	-	-	(81,102)
Other liabilities	(28,218)	11,171	-	-	(17,047)
Total income tax and social contribution liabilities	(1,360,303)	53,925	-	2,620	(1,303,758)
Deferred income tax and social contribution	(1,111,225)	55,321	27,912	2,620	(1,025,372)
	(1,111,225)	55,321	27,912	2,620	(1,025,372)

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.

The Company recognizes deferred tax assets based on projections of taxable profit, which do not exceed a period of ten years, and are reviewed annually.

Deferred income tax and social contribution liabilities are realized mainly through the depreciation and disposal of the underlying property, plant and equipment items. The realization of this liability is estimated at the average rate of 15% per year, consistent with 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.

(i) Income tax/social contribution (IRPJ/CSLL) levied on refunds of tax overpayments adjusted by the Selic rate declared unconstitutional

On September 24, 2021, the Supreme Court ("STF") judgment of RE No. 1.063.187, through general repercussion (Topic 962) and, by unanimous vote, ruled that income taxes charged on indexation/interest accruals (Selic rate) on amounts received as a refund for tax overpayments to be unconstitutional.

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Based on this decision, and in accordance with ICPC 22 / IFRIC 23 - Uncertainty over Tax Treatments, the Company recognized R\$ 15,520 as current and deferred income tax assets for the period, as follows: R\$ 8,617 in non-current assets, as income tax and social contribution recoverable related to periods in which the Company recorded taxable profit; and R\$ 6,903 in non-current liabilities, as deferred income tax and social contribution, due to the adjustment of tax loss carryforwards related to periods in which the Company recorded tax losses and the use of tax loss carryforwards increased by the Selic rate.

Reconciliation of the income tax and social contribution expense

Parent company	September 30, 2022		September 30, 2021	
	Quarter	Year-to-date	Quarter	Year-to-date
Profit before taxes	250,455	457,245	489,922	729,941
Income tax and social contribution at nominal rates (34%)	(85,155)	(155,463)	(166,573)	(248,180)
Adjustments for calculation of the effective tax rate:				
. Equity in the results of investees	20,817	37,866	30,016	52,608
. Permanent (additions) exclusions, net	(875)	(1,474)	(540)	(4,515)
. Cbios	1,802	17,527	2,578	6,690
. Interest on capital	-	39,100	-	-
. State subsidy / Credit granted (Note 27)	21,612	35,177	11,697	20,490
. Tax incentives	1,365	1,617	1,307	1,450
. Adjustment to the calculation relating to subsidiary taxed based on deemed pr	2,569	2,569	-	-
. Others	6	11	5	19
Income tax and social contribution expenses	(37,859)	(23,070)	(121,510)	(171,438)
Income tax and social contribution at the effective rate	15.1%	5.0%	24.8%	23.5%
Current income tax and social contribution	(66,486)	(77,289)	(80,365)	(81,772)
Deferred income tax and social contribution	28,627	54,219	(41,145)	(89,666)

Consolidated	September 30, 2022		September 30, 2021	
	Quarter	Year-to-date	Quarter	Year-to-date
Profit before taxes	265,505	482,520	495,841	738,572
Income tax and social contribution at nominal rates (34%)	(90,272)	(164,057)	(168,586)	(251,114)
Adjustments for calculation of the effective tax rate:				
. Equity in the results of investees	496	893	553	1,123
. Permanent (additions) exclusions, net	(881)	(1,491)	(540)	(4,514)
. Cbios	1,802	17,527	2,578	6,690
. Interest on capital	-	39,100	-	-
. State subsidy / Credit granted (Note 27)	21,612	35,177	11,697	20,490
. Tax incentives	1,367	1,622	1,307	1,450
. Adjustment to the calculation relating to subsidiary taxed based on deemed pr	10,379	20,273	25,583	45,815
. Recognition of income tax and social contribution credits from prior years (i)	2,569	2,569	-	-
. Others	19	42	(21)	(9)
Income tax and social contribution expenses	(52,909)	(48,345)	(127,429)	(180,069)
Income tax and social contribution at the effective rate	19.9%	10.0%	25.7%	24.4%
Current income tax and social contribution	(82,279)	(103,666)	(87,392)	(92,095)
Deferred income tax and social contribution	29,370	55,321	(40,037)	(87,974)

21. Commitments

The Company assumes various commitments in the ordinary course of its business, among which:

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

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

Sales commitments

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

	Up to one year	From two to three years	More than three years
Ethanol (m³)	310,270	136,156	624,000
Sugar (metric tons)	1,171,773	1,113,663	2,450,000
Electric power (Mwh)	745,266	1,193,430	6,055,646

Purchases of inputs

The Company regularly enters into purchase agreements for the acquisition inputs intended for crop maintenance throughout the crop season. These transactions are generally carried out through purchase for future delivery.

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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 date.

22.1 Probable losses

Supported by its legal counsel's assessment of probable losses, the Company's management recorded the following provisions for contingencies classified as involving probable risk of losses (include interest/indexation accruals):

	Parent company			
	Tax claims	Civil and environmental claims	labor claims	Total
At March 31, 2021	14,514	22,452	64,734	101,700
Additions	1,694	1,526	11,385	14,605
Reversals	(183)	(1,126)	(1,833)	(3,142)
Utilization	(1,435)	(3,151)	(7,157)	(11,743)
Interest/indexation accruals	51	1,763	1,640	3,454
At September 30, 2021	14,641	21,464	68,769	104,874
At March 31, 2022	14,779	3,983	67,589	86,351
Additions	431	2,381	18,999	21,811
Reversals	(13)	(134)	(3,712)	(3,859)
Utilization	(20)	(460)	(11,833)	(12,313)
Interest/indexation accruals	959	2,398	4,777	8,134
At September 30, 2022	16,136	8,168	75,820	100,124

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	Consolidated			
	Tax claims	Civil and environmental claims	Labor claims	Total
At March 31, 2021	14,514	23,008	64,734	102,256
Additions	1,812	1,527	11,384	14,723
Reversals	(183)	(1,126)	(1,833)	(3,142)
Utilization	(1,436)	(3,152)	(7,155)	(11,743)
Interest/indexation accruals	51	1,807	1,640	3,498
At September 30, 2021	14,758	22,064	68,770	105,592
At March 31, 2022	14,779	4,638	67,589	87,006
Additions	431	2,438	18,999	21,868
Reversals	(13)	(134)	(3,712)	(3,859)
Utilization	(20)	(460)	(11,833)	(12,313)
Interest/indexation accruals	959	2,478	4,777	8,214
At September 30, 2022	16,136	8,960	75,820	100,916

The nature of the main lawsuits was as follows (Parent company and Consolidated):

Tax lawsuits:

Relate to success fees payable to lawyers defending the Company's interests in the related lawsuits.

Civil and environmental lawsuits:

Relate to: (i) general indemnities; (ii) redress for environmental damages caused by the burning of sugarcane fields, which is being challenged by the Company and supported by judicial deposits; and (iii) success fees payable to the legal counsel for defending related lawsuits.

Labor lawsuits:

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

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22.2 Judicial deposits

	Parent company			Consolidated		
	IAA (i)	Others	Total	IAA (i)	Others	Total
At March 31, 2021	458,480	26,299	484,779	458,480	26,549	485,029
Additions	-	15,361	15,361	-	15,361	15,361
Utilization	-	(6,815)	(6,815)	-	(6,815)	(6,815)
Interest/indexation accruals	7,905	480	8,385	7,905	480	8,385
At September 30, 2021	466,385	35,325	501,710	466,385	35,575	501,960
At March 31, 2022	715,277	33,843	749,120	715,277	34,084	749,361
Additions	-	1,927	1,927	-	3,346	3,346
Utilization	-	(3,720)	(3,720)	-	(5,377)	(5,377)
Interest/indexation accruals	40,768	1,273	42,041	40,768	1,283	42,051
At September 30, 2022	756,045	33,323	789,368	756,045	33,336	789,381

(i) Note 16 (b))

Judicial deposits relate to contingent assets and liabilities, accruing interest, and are recorded as non-current assets.

22.3 Possible risk of losses

São Martinho is a party to a number of litigation proceedings of a tax, environmental, civil and labor nature, for these proceedings the risk of loss is classified as possible. The nature and estimated amounts are:

Nature		Parent company				Consolidated			
		September 30, 2022		March 31, 2022		September 30, 2022		March 31, 2022	
		Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
Environmental		100	8,601	98	8,470	100	8,601	98	8,470
Civil		67	21,426	65	21,025	125	28,409	110	26,697
Labor claims		37	6,006	31	4,532	37	6,006	31	4,532
Tax claims									
Social security contribution	(i)	11	112,577	11	106,044	11	112,577	11	106,044
Computation of IRPJ/CSLL	(ii)	5	248,433	5	234,012	5	248,433	5	234,012
Offset of federal taxes	(iii)	107	201,326	107	191,853	113	201,884	113	192,385
ICMS	(iv)	16	72,091	14	68,620	16	72,091	14	68,620
Federal taxes	(v)	1	662,891	1	662,891	1	662,891	1	662,891
Other lawsuits	(vi)	30	556,016	27	548,016	35	569,556	32	561,522
Total		374	1,889,367	359	1,845,463	443	1,910,448	415	1,865,173

Tax lawsuits:

- (i) These 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 eligible for the exemptions set out in Article 149, paragraph 2, of the Brazilian Federal Constitution.
- (ii) These lawsuits relate to deductibility from the income tax and social contribution tax base, of expenses related to securitized financing, as well as those arising from incentivized accelerated depreciation, as provided for in Article 325 of 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) This lawsuit relates to the levy of IRPJ/CSLL/PIS/COFINS on court-ordered debt payment received pursuant to the Sugar Pricing Lawsuit filed against the Sugar and Alcohol Institute (IAA) (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 compensation claims for damage, in general arising from (i) traffic accidents; (ii) review of contracts; and (iii) fires.

Environmental proceedings relate to assessment notices issued by the Environmental Company of São Paulo State (CETESB) and/or environmental police for fires caused by sugarcane burning, as well as annulment actions to cancel the fines imposed by the entities.

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

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22.4 Assets - Exclusion of ICMS from the PIS/COFINS tax base

The Company has filed three lawsuits challenging the inclusion of ICMS in the Social Integration Program (PIS) and COFINS tax base, two of which have already been ruled final and unappealable.

On March 31, 2021, the Company recognized credits of R\$ 1,353, in connection with claims for which final and unappealable decisions were handed down. These credits were computed based on the ICMS paid in the accrual months, which was the understanding of the Brazilian Federal Revenue Service at that date and considering that there were motions for clarification still pending judgment.

On May 13, 2021, the Federal Supreme Court (STF) concluded the judgment confirming that the ICMS amount to be excluded from the PIS/COFINS tax base is that displayed on the invoice and not the amount paid. The effects of this decision were modified to apply only as from March 15, 2017, the date of judgment on the merits of the matter, except for judicial and administrative measures that had been filed before that date.

São Martinho engaged tax experts to assist in assessing the impacts arising from STF's decision and to measure the credits to be accounted for. On September 30, 2022, the amount recorded in assets was R\$ 44,107 (R\$ 49,109 at March 31, 2022). Changes in the balance are shown below:

	Consolidated
Computed credits (principal amount)	21,931
Inflation adjustment	31,650
Tax credits offset	(4,472)
At March 31, 2022	49,109
Computed credits (principal amount)	212
Inflation adjustment	1,153
Tax credits offset	(6,367)
At September 30, 2022	44,107

The Company's right to credits related to the special regime for ethanol ("ad rem") is still under dispute in court, and therefore, these credits have not yet been recognized.

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. The executive board 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.

23.1 Market risks

a) Foreign exchange risk

Management's policy requires the Company to manage its foreign exchange risk to reduce the adverse effects of a possible currency mismatch.

The Company manages its foreign exchange risk through currency non-deliverable forward contracts ("NDFs"), options strategies, swaps, and natural hedges (such as debt or purchases in foreign currency). 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 on the balance sheet:

Consolidated	September 30, 2022	Equivalent to thousands of US\$
Current and non-current assets		
Cash and cash equivalents (banks - demand deposits)	127,665	23,615
Trade receivables	219,412	40,587
Derivative financial instruments	301,385	55,750
(+) Total assets	648,462	119,952
Current and non-current liabilities:		
Borrowings	1,153,057	213,268
Derivative financial instruments	257,470	47,621
(-) Total liabilities	1,410,527	260,889
Subtotal assets (liabilities)	(762,065)	(140,937)
Borrowings in foreign currency	1,153,057	213,268
Assets - net exposure	390,992	72,331

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Borrowings in foreign currency are not included in the calculation of net exposure, since these will be settled with resources from future export revenue and are, therefore, covered by the Company's hedging policy.

These assets and liabilities were adjusted and recorded at the exchange rate in effect at the reporting date: R\$ 5.4060 per US\$ 1.00 for assets, and R\$ 5.4066 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.

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, the risk of interest rate and currency fluctuation is mitigated through offshore financial investments, exports, and derivative instruments, such as swaps.

d) Market risk sensitivity analysis

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

Consolidated	Risk factor	Impacts on P/L		
		Probable scenario 5%	Possible scenario 25%	Possible scenario 50%
Cash and cash equivalents	Decrease in exchange rate - R\$/US\$	(6,357)	(31,785)	(63,569)
Trade receivables	Decrease in exchange rate - R\$/US\$	(10,972)	(54,859)	(109,718)
Borrowings	Increase in exchange rate - R\$/US\$	(106)	(530)	(1,060)
Derivative financial instruments				
Currency forward contracts	Increase in exchange rate - R\$/US\$	(77)	(387)	(774)
Futures price (sugar and ethanol)	Increase in commodity futures prices	(102)	(512)	(1,024)
Swap contracts	Decrease in exchange rate - R\$/US\$ and increase in the yield curve	(8,227)	(20,782)	(42,292)
Net exposure		(25,841)	(108,855)	(218,437)

The sensitivity analysis of changes in interest rates 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. The impact on the result for other risk factors corresponds to changes of 5%, 25% and 50% in the respective market curve of their associated risk, described above (foreign exchange and commodities prices).

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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 crop seasons from 2022/2019 to 2025/26 and were classified as cash flow hedges of highly probable expected transactions (future sales).

Prospective and retrospective tests carried out to verify the hedge accounting effectiveness showed that the hedge-designated instruments qualify as highly effective hedges against the effects of price fluctuations on the value of future sales.

Derivatives designated as cash flow hedges mitigate the effects of changes in future sales of sugar. These transactions are carried out on the New York - Intercontinental Exchange (ICE Futures US), with top-tier financial institutions through OTC 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), option strategies, swaps, and foreign currency borrowings from top-tier financial institutions, following the Risk Management criteria (Note 23.2).

At the reporting date and on March 31, 2022, the balances of assets and liabilities related to transactions involving derivative financial instruments and the respective maturity dates were as follows:

Parent company and Consolidated	September 30, 2022			
	Contracted amount/ volume	Average price/rate	Notional value - R\$	Fair value - R\$
<u>In current assets - Gain</u>				
Margin deposit				1,419
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	60,099	17.73	127,009	5,329
. Purchase commitment	8,586	17.61	18,022	73
Commodity futures contracts - Ethanol				
. Purchase commitment	600	3,200.00	1,920	-
Commodity forward contracts - Sugar #11				
. Sale commitment	16,866	18.50	37,191	3,567
Currency forward contracts (NDF) - US Dollar - OTC				
. Sale commitment	217,521	5.82	1,265,972	68,234
. Purchase commitment	1,712	5.29	9,056	252
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	20,321	20.00	48,443	630
. Bidding position in put options	146,260	17.59	306,655	16,692
Interest rate swap contracts - OTC				5,163
Total derivative financial instruments in current assets				101,359
<u>In non-current assets - Gain</u>				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	11,380	17.20	23,331	528
Currency forward contracts (NDF) - US Dollar - OTC				
. Sale commitment	10,558	5.93	62,609	880
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in put options	15,596	16.84	31,305	2,577
Interest rate swap contracts - OTC				196,041
Total derivative financial instruments in non-current assets				200,026

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Parent company and Consolidated	September 30, 2022			
	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	457	17.56	957	7
. Purchase commitment	32,514	18.32	70,999	4,005
Currency forward contracts (NDF) - US Dollar - OTC				
. Sale commitment	200,827	5.41	1,086,474	30,942
. Purchase commitment	245	5.47	1,340	15
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Short position in call options	150,985	22.39	402,945	3,126
Interest rate swap contracts - OTC				210,785
Total derivative financial instruments in current liabilities				248,880
In non-current liabilities - Loss				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	3,099	16.78	6,198	10
Currency forward contracts (NDF) - US Dollar - OTC				
. Sale commitment	50,479	5.69	287,195	6,182
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Short position in call options	15,596	18.00	33,461	1,804
Interest rate swap contracts - OTC				594
Total derivative financial instruments in non-current liabilities				8,590

Parent company and Consolidated	March 31, 2022			
	Contracted amount/ volume	Average price/rate	Notional value - R\$	Fair value - R\$
In current assets - Gain				
Margin deposit				3,943
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	14,123	19.55	28,839	90
. Purchase commitment	87,990	18.05	165,890	12,849
Commodity futures contracts - Ethanol				
. Purchase commitment	3,600	3,205.00	11,538	8
Currency forward contracts (NDF) - US Dollar - OTC				
. Sale commitment	302,280	5.69	1,719,973	197,704
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	131,883	20.13	277,296	5,235
. Bidding position in put options	183,041	17.64	337,254	8,793
Flex option contracts - US dollar - OTC				
. Bidding position in put options	1,000	4.79	4,790	96
Total derivative financial instruments in current assets				228,718
In non-current assets - Gain				
Interest rate swap contracts - OTC				169,679
Total derivative financial instruments in non-current assets				169,679

Parent company and Consolidated	March 31, 2022			
	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	76,661	16.84	134,843	20,776
. Purchase commitment	2,693	19.59	5,510	31
Commodity forward contracts - Sugar #11				
. Sale commitment	8,789	14.66	13,458	4,428
Currency forward contracts (NDF) - US Dollar - OTC				
. Sale commitment	3,268	4.88	15,948	14
. Purchase commitment	5,343	5.35	28,585	2,107
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Short position in call options	273,927	23.15	662,363	10,319
Flex option contracts - US dollar - OTC				
. Short position in call options	1,000	5.09	5,090	62
Interest rate swap contracts - OTC				207,408
Total derivative financial instruments in current liabilities				245,145
In non-current liabilities - Loss				
Interest rate swap contracts - OTC				34,585
Total derivative financial instruments in non-current liabilities				34,585

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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, and also to secure outstanding contracts and net remittances in relation to daily adjustments resulting from fluctuations in contract prices in the futures and options market.

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

At the reporting date, financial instruments designated for hedge accounting were as follows:

Parent company and Consolidated	Assets	Liabilities	Total in other comprehensive income
Financial instruments:			
Commodity derivatives - Futures, options and forward contracts	20,745	4,576	16,169
Foreign exchange derivatives - Options / NDF	68,140	36,978	31,162
Foreign exchange differences on borrowings (Trade Finance)	10,837	429,066	(418,229)
	99,722	470,620	(370,898)
Deferred taxes on the items above	(33,906)	(160,011)	126,105
	65,816	310,609	(244,793)

f) Estimated realization

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

Parent company and Consolidated	22/23 crop season	23/24 crop season	24/25 crop season	25/26 crop season	Total
Derivative financial instruments:					
Commodity derivatives - Futures, options and forward contracts	9,077	7,092	-	-	16,169
Foreign exchange derivatives - Options / NDF	48,570	(17,408)	-	-	31,162
Foreign exchange differences on borrowings (Trade Finance)	(24,906)	(132,017)	(134,351)	(126,955)	(418,229)
	32,741	(142,333)	(134,351)	(126,955)	(370,898)
Deferred taxes on the items above	(11,132)	48,393	45,679	43,165	126,105
	21,609	(93,940)	(88,672)	(83,790)	(244,793)

23.2 Credit risk

Credit risk is managed by contracting operations 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 financial institution's rating and equity.

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With respect to customers' default, the credit risk associated with each individual customer is assessed annually, and whenever a new customer is included in the Company's customer base, for which an individual credit limit is established, 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 actively traded in the market.

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

The table below presents the financial liabilities by maturity groupings based on undiscounted future cash flows basis:

Parent company	Up to 1 year	From 2 to 3 years	More than 3 years	Total
At September 30, 2022				
Borrowings	1,169,814	2,243,785	4,641,014	8,054,613
Leases payable	181,830	327,216	750,847	1,259,893
Agricultural partnership payable	768,122	868,509	1,893,362	3,529,993
Derivative financial instruments	248,880	8,590	-	257,470
Trade payables	661,220	-	-	661,220
Acquisition of ownership interest	11,609	(10,779)	-	830
Other liabilities	17,559	3,474	-	21,033
	3,059,034	3,440,795	7,285,223	13,785,052
At March 31, 2022				
Borrowings	768,937	3,104,215	4,082,923	7,956,075
Leases payable	96,717	280,416	518,640	895,773
Agricultural partnership payable	463,671	1,152,328	1,240,853	2,856,852
Derivative financial instruments	245,145	34,585	-	279,730
Trade payables	412,656	-	-	412,656
Acquisition of ownership interest	11,826	10,558	(21,315)	1,069
Other liabilities	52,498	14,904	-	67,402
	2,051,450	4,597,006	5,821,101	12,469,557

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Consolidated	Up to 1 year	From 2 to 3 years	More than 3 years	Total
At September 30, 2022				
Borrowings	1,170,379	2,248,188	4,689,727	8,108,294
Leases payable	181,830	327,216	750,847	1,259,893
Agricultural partnership payable	768,122	868,509	1,893,362	3,529,993
Derivative financial instruments	248,880	8,590	-	257,470
Trade payables	630,687	-	-	630,687
Acquisition of ownership interest	11,609	(10,779)	-	830
Other liabilities	20,170	3,474	-	23,644
	3,031,677	3,445,198	7,333,936	13,810,811
At March 31, 2022				
Borrowings	768,937	3,104,215	4,082,923	7,956,075
Leases payable	96,717	280,416	518,640	895,773
Agricultural partnership payable	463,671	1,152,328	1,240,853	2,856,852
Derivative financial instruments	245,145	34,585	-	279,730
Trade payables	415,082	-	-	415,082
Acquisition of ownership interest	11,826	10,558	(21,315)	1,069
Other liabilities	66,546	14,904	-	81,450
	2,067,924	4,597,006	5,821,101	12,486,031

23.4 Capital management

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

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

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24 Classification and fair value of financial instruments

24.1 Classification

Financial assets and liabilities are classified as follows:

Parent company			
	Classification	September 30, 2022	March 31, 2022
Financial assets			
Cash and cash equivalents	Amortized cost	127,939	114,874
Financial investments	Fair value through profit or loss	1,557,933	2,675,055
Trade receivables	Amortized cost	408,244	181,878
	Fair value through other comprehensive income	100,181	228,718
Derivative financial instruments	Fair value through profit or loss	201,204	169,679
Judicial deposits	Amortized cost	789,368	749,120
Other assets, except prepayments	Amortized cost	170,349	162,186
		3,355,218	4,281,510
Financial liabilities			
Borrowings	Fair value through profit or loss	32	31
Borrowings	Amortized cost	6,061,397	5,868,284
	Fair value through other comprehensive income	46,091	37,737
Derivative financial instruments	Fair value through profit or loss	211,379	241,993
Leases and agricultural partnerships payable	Amortized cost	3,203,699	3,006,851
Trade payables	Amortized cost	661,220	412,656
Acquisition of ownership interests	Amortized cost	3,670	3,669
Other liabilities	Amortized cost	21,033	67,402
		10,208,521	9,638,623
Consolidated			
	Classification	September 30, 2022	March 31, 2022
Financial assets			
Cash and cash equivalents	Amortized cost	130,568	114,903
Financial investments	FVPL	1,753,866	2,869,238
Trade receivables	Amortized cost	494,035	252,579
Derivative financial instruments	FVOCI	100,181	228,718
Derivative financial instruments	FVPL	201,204	169,679
Judicial deposits	Amortized cost	789,381	749,361
Other assets, except prepayments	Amortized cost	170,560	162,254
		3,639,795	4,546,732
Financial liabilities			
Borrowings	FVPL	32	31
Borrowings	Amortized cost	6,100,270	5,888,318
Derivative financial instruments	FVOCI	46,091	37,737
Derivative financial instruments	FVPL	211,379	241,993
Trade payables	Amortized cost	630,687	415,082
Leases and agricultural partnerships payable	Amortized cost	3,203,699	3,006,851
Acquisition of ownership interests	Amortized cost	3,670	3,669
Other liabilities	Amortized cost	23,644	81,450
		10,219,472	9,675,131

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.

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

25 Fair value

The Company measures and determines fair value through the use of 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.

Parent company	September 30, 2022			March 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial investments	-	1,557,933	-	-	2,675,055	-
Derivative financial instruments	23,252	278,133	-	26,975	371,422	-
Biological assets	-	-	1,028,173	-	-	1,219,281
	23,252	1,836,066	1,028,173	26,975	3,046,477	1,219,281
Liabilities						
Derivative financial instruments	4,022	253,448	-	25,235	254,495	-
Borrowings	-	32	-	-	31	-
	4,022	253,480	-	25,235	254,526	-

Consolidated	September 30, 2022			March 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial investments	-	1,753,866	-	-	2,869,238	-
Derivative financial instruments	23,252	278,133	-	26,975	371,422	-
Biological assets	-	-	1,028,173	-	-	1,219,281
	23,252	2,031,999	1,028,173	26,975	3,240,660	1,219,281
Liabilities						
Derivative financial instruments	4,022	253,448	-	25,235	254,495	-
Borrowings	-	32	-	-	31	-
	4,022	253,480	-	25,235	254,526	-

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 as the difference between the price of the derivative in the contract and the market closing price on the base date, which is 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 platform 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 to the maturity of the contracts.

Forward contracts

The fair values of forward contracts, both for foreign exchange and sugar, contracted in the OTC market with leading banks, are calculated using discounted future cash flow methods, which are based on observable market data, specifically the DI, LIBOR, exchange coupon interest curves published by the B3, PTAX 800 published by the Brazilian Central Bank, and sugar futures prices disclosed by ICE Exchange.

Other financial assets and liabilities

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

26 Segment information (Consolidated)

Management has determined the Company's operating segments based on the reports used for strategic decisions and reviewed by the chief 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 businesses;
- (v) Yeast; and
- (vi) 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.

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

Consolidated result by segment

September 30, 2022								
Consolidated	Sugar	Ethanol	Electric power	Real estate businesses	Yeast	Other products	Not by segment	Total
Gross revenue								
Domestic market	108,742	1,264,253	153,920	3,474	38,953	169,013	-	1,738,355
Foreign market	933,460	677,142	-	-	7,370	-	-	1,617,972
Gain/loss on derivatives	41,897	(3,871)	-	-	788	-	-	38,814
Amortization of electricity supply contract	-	-	-	-	-	-	(5,008)	(5,008)
(-) Taxes, contributions, and deductions on sales	(7,513)	(56,834)	(11,096)	(2,735)	(4,910)	(27,791)	-	(110,879)
Net revenue	1,076,586	1,880,690	142,824	739	42,201	141,222	(5,008)	3,279,254
Cost of goods sold	(794,658)	(1,231,775)	(35,816)	62	(17,072)	(66,742)	-	(2,146,001)
Change in the market value of biological assets, agricultural produce, and CBIOS	-	-	-	-	-	(25,329)	6,689	(18,640)
Gross profit	281,928	648,915	107,008	801	25,129	49,151	1,681	1,114,613
Gross margin	26.2%	34.5%	74.9%	108.4%	59.5%	34.8%	-	34.0%
Selling expenses	(54,204)	(35,951)	(7,406)	-	-	(4)	-	(97,565)
Other operating expenses, net	-	-	-	-	-	-	(62,143)	(62,143)
Operating profit	227,724	612,964	99,602	801	25,129	49,147	(60,462)	954,905
Operating margin	21.2%	32.6%	69.7%	108.4%	59.5%	34.8%	-	29.1%
Other income and expenses not by segment	-	-	-	-	-	-	(520,730)	(520,730)
Profit for the period	-	-	-	-	-	-	-	434,175

September 30, 2021								
Consolidated	Sugar	Ethanol	Electric power	Real estate businesses	Yeast	Other products	Not by segment	Total
Gross revenue								
Domestic market	114,388	1,244,131	198,796	26,782	39,519	60,900	-	1,684,516
Foreign market	1,132,804	143,652	-	-	2,566	-	-	1,279,022
Gain/loss on derivatives	(79,820)	7,619	-	-	-	-	-	(72,201)
Amortization of electricity supply contract	-	-	-	-	-	-	(5,179)	(5,179)
(-) Taxes, contributions, and deductions on sales	(7,205)	(138,293)	(12,770)	(2,211)	(4,945)	(15,150)	-	(180,574)
Net revenue	1,160,167	1,257,109	186,026	24,571	37,140	45,750	(5,179)	2,705,584
Cost of goods sold	(774,906)	(721,232)	(63,561)	(1,017)	(17,276)	(22,285)	-	(1,600,277)
Changes in the market value of biological assets, and agricultural produce	-	-	-	-	-	-	14,599	14,599
Gross profit	385,261	535,877	122,465	23,554	19,864	23,465	9,420	1,119,906
Gross margin	33.2%	42.6%	65.8%	95.9%	53.5%	51.3%	-	41.4%
Selling expenses	(61,101)	(10,440)	(7,211)	-	-	-	-	(78,752)
Other operating income, net	-	-	-	2,497	-	-	(126,716)	(124,219)
Operating profit	324,160	525,437	115,254	26,051	19,864	23,465	(117,296)	916,935
Operating margin	27.9%	41.8%	62.0%	106.0%	53.5%	51.3%	-	33.9%
Other income and expenses not by segment	-	-	-	-	-	-	(358,432)	(358,432)
Profit for the period	-	-	-	-	-	-	-	558,503

On September 30, 2022, net revenue from CBIOS (decarbonization credits), amounting to R\$ 44,213, (R\$ 16,876 on September 30, 2021) is recorded within "Other products".

Consolidated operating assets by segment

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

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

September 30, 2022							
	Sugar	Ethanol	Electric power	Real estate businesses	Yeast	Not by segment	Total
Trade receivables	191,253	149,932	39,626	55,434	2,419	55,371	494,035
Inventories and advances to suppliers	957,037	1,409,398	-	5,906	1,363	18,318	2,392,022
Biological assets	410,882	617,291	-	-	-	-	1,028,173
Property, plant and equipment	2,972,100	3,652,587	148,954	-	37,707	-	6,811,348
Intangible assets	260,121	181,047	14,296	-	-	-	455,464
Right-of-use assets	1,580,596	1,619,041	-	-	-	-	3,199,637
Total assets allocated	6,371,989	7,629,296	202,876	61,340	41,489	73,689	14,380,679
Other unallocated assets	-	-	-	-	-	3,686,327	3,686,327
Total	6,371,989	7,629,296	202,876	61,340	41,489	3,760,016	18,067,006

March 31, 2022							
	Sugar	Ethanol	Electric power	Real estate businesses	Yeast	Not by segment	Total
Trade receivables	93,956	64,414	6,015	63,320	-	24,874	252,579
Inventories and advances to suppliers	375,665	450,134	-	5,844	76	79,843	911,562
Biological assets	513,788	705,493	-	-	-	-	1,219,281
Property, plant and equipment	3,152,288	3,445,694	135,011	-	38,216	-	6,771,209
Intangible assets	257,226	178,203	21,884	-	-	-	457,313
Right-of-use assets	1,543,593	1,540,719	-	-	-	-	3,084,312
Total assets allocated	5,936,516	6,384,657	162,910	69,164	38,292	104,717	12,696,256
Other unallocated assets	-	-	-	-	-	-	4,662,889
Total	5,936,516	6,384,657	162,910	69,164	38,292	104,717	17,359,145

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 by-products, since all the performance obligations are fulfilled at the time the final product is delivered, which is also the time when revenue is recognized.

For the real estate development segment, the Company adopts the provisions of Technical Interpretation 02 (OCPC 04), in accordance with guidance from the Brazilian Securities Commission (CVM), recognizing revenue over time (Percentage of Completion (PoC) method). No revenue under the PoC method was recorded to September 30, 2022 (R\$ 18,198 on September 30, 2021).

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.

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

a) Sale of goods and rendering of services

São Martinho sells sugar, ethanol, electric power and yeast, 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, which comprises the following steps: identification of contracts with customers, identification of performance obligations under the contracts, determination of the transaction price, and allocation of the transaction price.

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

At the reporting date, the Company had clients representing more than 10% of its net revenue. The Company's three largest customers of sugar sales account for about 21% of net revenue; for the ethanol sold, the three largest customers account for 30% of net revenue.

b) Sale of plots of land and land subdivisions (Real Estate Developments)

Sales revenue and cost of land inherent in real estate developments are recognized in profit or loss to the extent that the infrastructure work progresses, as directed by the CVM and detailed above.

For sales in installments of land with completed infrastructure projects, 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 revenues were as follows:

	Parent company			
	September 30, 2022		September 30, 2021	
	Quarter	Six-month period	Quarter	Six-month period
Gross sales revenue				
Domestic market	623,051	1,627,485	836,216	1,522,920
Foreign market	856,213	1,617,972	575,712	1,279,022
Gain/loss on derivatives	49,266	38,814	5,677	(72,201)
	1,528,530	3,284,271	1,417,605	2,729,741
Taxes, contributions, and deductions on sales	1,104	(99,365)	(88,257)	(169,737)
	1,529,634	3,184,906	1,329,348	2,560,004

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

	Consolidated			
	September 30, 2022		September 30, 2021	
	Quarter	Six-month period	Quarter	Six-month period
Gross sales revenue				
Domestic market	683,932	1,738,355	934,414	1,684,516
Foreign market	856,213	1,617,972	575,712	1,279,022
Gain/loss on derivatives	49,266	38,814	5,677	(72,201)
	<u>1,589,411</u>	<u>3,395,141</u>	<u>1,515,803</u>	<u>2,891,337</u>
Amortization of electric power supply contract (i)	(2,745)	(5,008)	(2,785)	(5,179)
	<u>1,586,666</u>	<u>3,390,133</u>	<u>1,513,018</u>	<u>2,886,158</u>
Taxes, contributions, and deductions on sales	(4,871)	(110,879)	(95,213)	(180,574)
	<u>1,581,795</u>	<u>3,279,254</u>	<u>1,417,805</u>	<u>2,705,584</u>

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

(ii) R\$44,322 refers to the credit granted (Note 8)

28 Costs and expenses by nature

The presentation of expenses by nature is as follows:

Parent company	September 30, 2022		September 30, 2021	
	Quarter	Six-month period	Quarter	Six-month period
Depreciation and amortization (including biological assets harvested)	(436,729)	(948,314)	(354,225)	(718,290)
Raw materials and consumables	(380,149)	(777,386)	(300,385)	(591,794)
Personnel expenses	(109,354)	(239,381)	(114,898)	(252,665)
Maintenance parts and services	(36,455)	(81,476)	(30,297)	(63,632)
Freight on sales	(38,346)	(74,442)	(29,973)	(66,863)
Material for resale	(77,559)	(111,482)	(8,094)	(11,394)
Third-party services	(22,139)	(42,731)	(19,018)	(35,547)
Litigation	(8,630)	(17,719)	(5,730)	(10,649)
Other expenses	(41,798)	(83,261)	(35,504)	(73,031)
Changes in the fair value of biological assets, agricultural produce, and CBIOs	(18,087)	(18,640)	12,920	14,599
	<u>(1,169,246)</u>	<u>(2,394,832)</u>	<u>(885,204)</u>	<u>(1,809,266)</u>
Classified as:				
Cost of goods sold	(1,066,221)	(2,195,067)	(788,975)	(1,593,525)
Selling expenses	(48,663)	(91,978)	(31,672)	(72,836)
General and administrative expenses	(54,362)	(107,787)	(64,557)	(142,905)
	<u>(1,169,246)</u>	<u>(2,394,832)</u>	<u>(885,204)</u>	<u>(1,809,266)</u>

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

Consolidated	September 30, 2022		September 30, 2021	
	Quarter	Six-month period	Quarter	Six-month period
Depreciation and amortization (including biological assets harvested)	(438,552)	(951,468)	(355,939)	(721,518)
Raw materials and consumables	(360,045)	(741,844)	(275,166)	(550,995)
Personnel expenses	(111,183)	(242,747)	(116,017)	(254,759)
Maintenance parts and services	(36,540)	(81,644)	(30,370)	(63,855)
Freight on sales	(38,346)	(74,442)	(29,973)	(66,863)
Material for resale	(78,361)	(113,688)	(29,731)	(29,731)
Third-party services	(22,659)	(43,630)	(18,520)	(35,170)
Litigation	(8,629)	(17,775)	(5,727)	(10,765)
Other expenses	(48,375)	(92,912)	(44,539)	(93,367)
Changes in the fair value of biological assets, agricultural produce, and CBOs	(18,087)	(18,640)	12,920	14,599
Cost of land sales	23	62	(930)	(1,017)
	(1,160,754)	(2,378,728)	(893,992)	(1,813,441)
Classified as:				
Cost of goods sold	(1,048,244)	(2,164,641)	(789,024)	(1,585,678)
Selling expenses	(51,394)	(97,565)	(35,302)	(78,752)
General and administrative expenses	(61,116)	(116,522)	(69,666)	(149,011)
	(1,160,754)	(2,378,728)	(893,992)	(1,813,441)

29 Other income, net

In this quarterly information, consolidated Other income includes R\$ 32,844 for out-of-period tax credits for expenses now treated as being essential to the production process (based on legal understanding).

30 Finance income (costs)

Parent company	September 30, 2022		September 30, 2021	
	Quarter	Six-month period	Quarter	Six-month period
Finance income				
Interest received and earned	64,180	139,951	17,940	25,818
Other income	4,778	6,686	37,531	39,058
PIS/COFINS on finance income	(3,192)	(6,789)	(2,548)	(2,979)
	65,766	139,848	52,923	61,897
Finance costs				
Interest on borrowings	(92,595)	(270,604)	(68,987)	(101,020)
Adjustment to present value (i)	(71,817)	(136,740)	(45,383)	(92,659)
Interest paid	(6,627)	(15,768)	(7,785)	(13,318)
Bank guarantee commission	(2,073)	(4,268)	(1,999)	(2,358)
Payables to Copersucar	(1,728)	(3,463)	(830)	(2,860)
Other expenses	(3,681)	(9,222)	-	(970)
	(178,521)	(440,065)	(124,984)	(213,185)
Exchange and monetary variation, net				
Trade receivables and payables	3,152	7,147	9,505	(10,517)
Available funds	1,020	13,768	18,007	(3,581)
Borrowings	(39,316)	(188,599)	(60,382)	(49,193)
	(35,144)	(167,684)	(32,870)	(63,291)
Derivatives - not designated for hedge accounting				
Gain/loss on swap transactions	(36,555)	(32,730)	27,941	(17,919)
Gain (loss) on ethanol transactions	(312)	(521)	4,070	7,171
Foreign exchange variation, net	579	2,689	5,426	(2,694)
Gain (loss) on sugar transactions	4,035	5,947	25,449	30,597
Gain (loss) on foreign exchange transactions	197	5,516	(14,034)	6,787
Cost of stock exchange transactions	(200)	(452)	(517)	(1,143)
	(32,256)	(19,551)	48,335	22,799
Finance income (costs)	(180,155)	(487,452)	(56,596)	(191,780)

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

Consolidated	September 30, 2022		September 30, 2021	
	Quarter	Six-month period	Quarter	Six-month period
Finance income				
Interest received and earned	71,478	155,186	22,559	32,827
Other income	4,320	7,731	40,677	45,680
PIS/COFINS on finance income	(3,257)	(6,972)	(2,642)	(3,164)
	72,541	155,945	60,594	75,343
Finance costs				
Interest on borrowings	(71,817)	(271,664)	(68,987)	(101,020)
Adjustment to present value (i)	(92,790)	(136,740)	(45,382)	(92,208)
Interest paid	(6,592)	(15,595)	(7,787)	(13,322)
Bank guarantee commission	(2,075)	(4,272)	(1,999)	(2,358)
Payables to Copersucar	(1,728)	(3,463)	(830)	(2,860)
Other expenses	(3,719)	(9,361)	-	(1,446)
	(178,721)	(441,095)	(124,985)	(213,214)
Exchange and monetary variation, net				
Trade receivables and payables	3,152	7,147	9,505	(10,517)
Available funds	1,020	13,768	18,008	(3,580)
Borrowings	(39,316)	(188,599)	(60,383)	(49,194)
	(35,144)	(167,684)	(32,870)	(63,291)
Derivatives - not designated for hedge accounting				
Gain/loss on swap transactions	(36,555)	(32,730)	27,941	(17,919)
Gain (loss) on ethanol transactions	(312)	(521)	4,070	7,171
Foreign exchange variation, net	579	2,689	5,426	(2,694)
Gain (loss) on sugar transactions	4,035	5,947	25,449	30,597
Gain (loss) on foreign exchange transactions	197	5,516	(14,034)	6,787
Cost of stock exchange transactions	(200)	(452)	(517)	(1,143)
	(32,256)	(19,551)	48,335	22,799
Finance income (costs)	(173,580)	(472,385)	(48,926)	(178,363)

(i) Mainly leases and agricultural partnerships payable.

31 Earnings per share

	September 30, 2022		September 30, 2021	
	Quarter	Six-month period	Quarter	Six-month period
Profit for the period attributed to stockholders of the Company	212,596	434,175	368,412	558,503
Weighted average number of common shares in the period - in thousands	346,375	346,375	346,375	346,548
Basic and diluted earnings per share - R\$	0.6138	1.2535	1.0636	1.6116

Notes to the quarterly information on September 30, 2022

All amounts in thousands of reais unless otherwise stated

32 Insurance coverage

São Martinho maintains a standard program of safety, training and quality program for all units, which aims at reducing the risks of accidents, among other purposes. Insurance policies are taken out at amounts considered sufficient to cover potential 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 Item	Insured risks	Maximum coverage (i)
Operational Risks (ii)	Any material damage to buildings, facilities, inventories, agricultural and industrial machinery and equipment.	1,137,061
Loss of Income	Loss of income due to material damages to facilities, buildings, industrial machinery and equipment, and electric power generation.	1,037,031
Civil Liability	Damages caused to third parties as a result of professional errors or omissions (E&O insurance).	2,370,210
Environmental Responsibility	Environmental accidents that may lead to breaches of environmental laws.	30,000

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

(ii) Insurance coverage against material damages (operating risks) to vehicles are excluded, using the Economic Research Institute (FIPE) table.

* * *