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(A free translation of the original in Portuguese)

Parent company and consolidated financial statements

at March 31, 2021

and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report on the parent company and consolidated financial statements

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

Opinion

We have audited the accompanying parent company financial statements of São Martinho S.A. ("Company" or "Parent company"), which comprise the balance sheet as at March 31, 2021 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of São Martinho S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at March 31, 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

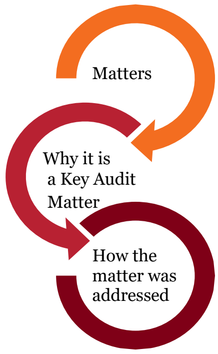
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of São Martinho S.A. and of São Martinho S.A. and its subsidiaries as at March 31, 2021, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the parent company and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



São Martinho S.A.

Our audit for the current year was planned and performed on the basis that the operations of the Company and its subsidiaries did not present significant changes in relation to the prior year. We added a key audit matter to address the exclusion of Value-added Tax on Sales and Services (ICMS) from the Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) tax calculation bases and excluded the key audit matter on the measurement of the fair value of biological assets (due to the uncertainties in selecting measurement assumptions at a time the coronavirus pandemic (COVID-19) was declared), and the first-time adoption of IFRS 16/CPC 06 (R2) - Leases (due to first-time adoption of the accounting standard).

Why it is a Key Audit Matter	How the matter was addressed in the audit
Exclusion of Value-added Tax on Sales and Services (ICMS) from the Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) tax bases - Note 22.3	
At March 31, 2021, the Company and its subsidiaries recognized R$ 1.4 million of tax credits referring to final and unappealable decisions on lawsuits related to the exclusion of the ICMS from the PIS and COFINS calculation base. This represents the overpaid ICMS plus accruals for the portion considered by the Company's management to be uncontroversial. Management's measurement of overpaid tax involved complex calculations and significant judgment, mainly because: (i) the calculation method and bases are not explicitly stated in the court decisions favorable to the Company and its subsidiaries; (ii) motions for clarification of the general repercussion proceeding had not yet been judged by the Federal Supreme Court (STF) by March 31, 2021, consequently criteria for exclusion of ICMS had not defined as being either the amount paid or the amount displayed on the invoice; (iii) PIS and COFINS tax rate on the sale of ethanol per cubic meter (*ad rem*), in Brazilian Reais; and (iv) the periods included in the Company's and subsidiaries' lawsuits cover the periods in which they were cooperative members of Copersucar. On May 13, 2021, the STF finalized its judgment on the motions for clarification determining that ICMS should be excluded from the PIS and COFINS calculation base. The STF clarified that the ICMS overpaid is that specified on the invoice, rather than the tax effectively paid.	Our audit approach considered, among others, the procedures below: • Understanding management's main internal controls used to calculate the tax credits; • With the support of our tax specialists, we read and analyzed the court decisions rendered for the Company and its subsidiaries, discussed these with management and its tax advisors, and obtained a technical memorandum on the criteria and judgments adopted in the calculation of the tax credits; • Analysis of the STF decision rendered on May 13, 2021; • Analysis of management's understanding that further PIS and COFINS credits arising from this issue on the sale of ethanol at a pertinent (*ad rem)* tax rate are still contingent and, therefore, were not recorded. • We checked, on a test basis, the calculations for completeness and accuracy of amounts paid by the Company and its subsidiaries, which were used as a basis for the calculation of the tax credits, plus accruals up to March 31, 2021; and • Evaluation of the appropriateness of the disclosures in the parent company and consolidated financial statements.
We considered this issue to be a key audit matter because of the complexity and judgments required to determine the tax credits recognized by the Company and its subsidiaries.	Our audit procedures indicated the judgment and criteria used by management to be reasonable and the disclosures consistent with the information obtained.

Other matters

Statements of value added

The parent company and consolidated statements of value added for the year ended March 31, 2021, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ribeirão Preto, June 21, 2021

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

Contents

Balance sheet
at March 31, 2021 and 2020
All amounts in thousands of reais

(A free translation of the original in Portuguese)

ASSETS	Note	Parent company 2021	Parent company 2020	Consolidated 2021	Consolidated 2020
CURRENT ASSETS					
Cash and cash equivalents	4	287,652	91,998	288,350	92,066
Financial investments	4	952,142	1,775,640	1,062,154	1,831,504
Trade receivables	5	170,554	125,531	215,659	165,829
Derivative financial instruments	23	139,904	224,635	139,904	224,635
Inventories and advances to suppliers	6	441,257	357,890	446,313	366,177
Biological assets	7	989,540	713,547	989,540	713,547
Taxes recoverable	8	11,980	12,303	12,062	12,303
Income tax and social contribution	20	42,248	71,257	42,250	71,257
Other receivables		9,131	8,581	9,376	8,832
TOTAL CURRENT ASSETS		3,044,408	3,381,382	3,205,608	3,486,150
NON-CURRENT ASSETS					
Financial investments	4	10,166	35,011	13,644	38,494
Inventories and advances to suppliers	6	106,838	49,916	106,838	49,916
Related parties	9	30,000	255	-	-
Derivative financial instruments	23	48,639	28,977	48,639	28,977
Trade receivables	5	-	-	24,189	27,192
Taxes recoverable	8	95,315	80,051	96,241	81,046
Judicial deposits	22	484,779	270,872	485,029	271,060
Other receivables		113,935	67,176	113,935	67,176
		889,672	532,258	888,515	563,861
Investments	10	1,486,725	1,462,223	39,951	33,868
Property, plant and equipment	11	4,172,796	4,058,484	5,962,644	5,844,505
Intangible assets	12	409,093	413,075	451,742	465,689
Right-of-use assets	13	1,869,396	1,719,453	1,869,396	1,719,453
		7,938,010	7,653,235	8,323,733	8,063,515
TOTAL NON-CURRENT ASSETS		8,827,682	8,185,493	9,212,248	8,627,376
TOTAL ASSETS		11,872,090	11,566,875	12,417,856	12,113,526

LIABILITIES AND EQUITY	Note	Parent company 2021	Parent company 2020	Consolidated 2021	Consolidated 2020
CURRENT LIABILITIES					
Borrowings	14	674,504	591,024	674,504	591,024
Leases payable	13	66,264	40,168	66,264	40,168
Agricultural partnership payable	13	285,308	203,835	285,308	203,835
Derivative financial instruments	23	218,685	406,473	218,685	406,473
Trade payables	15	229,644	176,848	221,707	174,524
Payables to Copersucar	16	9,075	10,892	9,075	10,892
Salaries and social charges		170,917	149,263	171,883	150,249
Taxes payable		21,979	32,477	24,229	34,730
Income tax and social contribution payable	20	-	-	7,480	4,985
Dividends payable	18	102,552	54,694	102,552	54,694
Advances from customers		17,393	34,662	17,436	34,710
Acquisition of ownership interests	9 and 17	11,638	11,664	11,638	11,664
Other payables		17,126	10,310	30,812	18,527
TOTAL CURRENT LIABILITIES		1,825,085	1,722,310	1,841,573	1,736,475
NON-CURRENT LIABILITIES					
Borrowings	14	3,376,459	4,223,418	3,376,459	4,223,418
Leases payable	13	399,157	377,954	399,157	377,954
Agricultural partnership payable	13	1,161,905	1,053,956	1,161,905	1,053,956
Derivative financial instruments	23	80,227	79,022	80,227	79,022
Payables to Copersucar	16	167,121	179,189	167,121	179,189
Deferred income tax and social contribution	20	306,100	214,220	834,822	746,226
Provision for contingencies	22	101,700	99,793	102,256	100,283
Acquisition of ownership interests	9 and 17	3,650	15,270	3,650	15,270
Taxes with suspended payment	16 (b)	458,480	242,188	458,480	242,188
Other payables		5,617	12,879	5,617	12,869
TOTAL NON-CURRENT LIABILITIES		6,060,416	6,497,889	6,589,694	7,030,375
EQUITY	18				
Share capital		2,071,819	1,696,652	2,071,819	1,696,652
Capital reserve		-	9,418	-	9,418
Treasury shares		(139,997)	(131,361)	(139,997)	(131,361)
Carrying value adjustments		551,050	607,022	551,050	607,022
Revenue reserves		1,503,717	1,164,945	1,503,717	1,164,945
TOTAL EQUITY		3,986,589	3,346,676	3,986,589	3,346,676
TOTAL LIABILITIES AND EQUITY		11,872,090	11,566,875	12,417,856	12,113,526

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

Statement of income
Years ended March 31, 2021 and 2020
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Revenue	27	4,210,492	3,579,088	4,305,083	3,693,860
Cost of goods sold	29	(2,804,465)	(2,563,599)	(2,750,835)	(2,516,996)
Gross profit		1,406,027	1,015,489	1,554,248	1,176,864
Operating income (expenses)					
Selling expenses	29	(170,897)	(136,108)	(173,154)	(138,197)
General and administrative expenses	29	(248,925)	(208,352)	(257,158)	(216,869)
Equity in the results of investees	10	160,542	153,449	5,776	625
Other revenue, net	28	409,344	361,935	421,202	363,410
		150,064	170,924	(3,334)	8,969
Operating profit		1,556,091	1,186,413	1,550,914	1,185,833
Finance income (costs)	30				
Finance income		48,227	107,969	63,279	117,003
Finance costs		(392,797)	(415,748)	(392,914)	(415,979)
Monetary and foreign exchange variations, net		(14,867)	(35,891)	(14,867)	(35,891)
Derivatives		2,390	(117,292)	2,390	(117,292)
		(357,047)	(460,962)	(342,112)	(452,159)
Profit before income tax and social contribution		1,199,044	725,451	1,208,802	733,674
Income tax and social contribution	20 (a)				
Current		(157,183)	(116,257)	(167,151)	(124,725)
Deferred		(114,737)	29,816	(114,527)	30,061
Profit for the year		927,124	639,010	927,124	639,010
Basic and diluted earnings per share - R$	31	2.6766	1.8339	2.6766	2.6766

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

All amounts in thousands of reais

Parent company and consolidated	2021	2020
Profit for the year	927,124	639,010
Items that will be subsequently reclassified to profit or loss		
Changes in the year:		
Changes in fair value		
Commodity derivatives - Futures, options and forward contracts	(154,959)	43,054
Foreign exchange derivatives - Options / NDF	(124,288)	(291,828)
Foreign exchange differences on borrowing agreements (Trade Finance)	(136,034)	(398,912)
	(415,281)	(647,686)
Recognition in operating income		
Commodity derivatives - Futures, options and forward contracts	69,808	(42,598)
Foreign exchange derivatives - Options / NDF	274,745	67,226
Foreign exchange differences on borrowing agreements (Trade Finance)	2,376	1,113
	346,929	25,741
Write-off due to ineffectiveness		
Commodity derivatives - Futures, options and forward contracts	2,197	7,544
Foreign exchange derivatives - Options / NDF	-	127
	2,197	7,671
Total changes in the period		
Commodity derivatives - Futures, options and forward contracts	(82,954)	8,000
Foreign exchange derivatives - Options / NDF	150,457	(224,475)
Foreign exchange differences on borrowing agreements (Trade Finance)	(133,658)	(397,799)
Deferred taxes on the items above	22,492	208,855
	(43,663)	(405,419)
Comprehensive income for the year	883,461	233,591

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

Statements of changes in equity
Years ended March 31, 2021 and 2020
All amounts in thousands of reais

(A free translation of the original in Portuguese)

					Carrying value adjustments										
					Deemed cost				Revenue reserve						
	Note	Share capital	Capital reserves	Treasury shares	Parent	Investees	Hedge accounting	Others	Legal	Capital expenditure budget	Unrealized revenue reserve	Tax incentive reserve	Supplementary dividends	Retained earnings	Total
At March 31, 2019	18	1,696,652	9,418	(234,100)	172,822	989,265	(145,732)	-	110,427	357,124	40,463	365,748	28,923	-	3,391,010
Realization of surplus on revaluation of deemed cost	18 (c. i)	-	-	-	(10,366)	6,272	-	-	-	-	-	-	-	4,094	-
Realization of revenue reserve through payment of dividends	18 (e)	-	-	-	-	-	-	-	-	-	(6,332)	-	-	-	(6,332)
Payment of prior year's additional dividends		-	-	-	-	-	-	-	-	-	-	-	(28,923)	-	(28,923)
Capital contribution to subsidiary with PP&E items		-	-	-	(36,136)	36,136	-	-	-	-	-	-	-	-	-
Adjustment of deferred taxes - capital contribution to subsidiaries		-	-	-	180	-	-	-	-	-	-	-	-	-	180
Share buyback		-	-	(74,493)	-	-	-	-	-	-	-	-	-	-	(74,493)
Transfer to tax incentive reserve	18 (d)	-	-	-	-	-	-	-	-	-	-	121,902	-	(121,902)	-
Gain (loss) on derivate transactions - hedge account	18 (c. ii)	-	-	-	-	-	(405,419)	-	-	-	-	-	-	-	(405,419)
Cancellation of treasury shares		-	-	177,232	-	-	-	-	-	(177,232)	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	639,010	639,010
Allocation of profit:															-
Transfer to reserves	18 (d)	-	-	-	-	-	-	-	31,950	307,959	-	-	-	(339,909)	-
Interest on capital paid	18 (e)	-	-	-	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Mandatory minimum dividends	18 (e)	-	-	-	-	-	-	-	-	-	-	-	-	(48,357)	(48,357)
Supplementary dividends		-	-	-	-	-	-	-	-	-	-	-	12,936	(12,936)	-
At March 31, 2020	18	1,696,652	9,418	(131,361)	126,500	1,031,673	(551,151)	-	142,377	487,851	34,131	487,650	12,936	-	3,346,676
At March 31, 2020	18	1,696,652	9,418	(131,361)	126,500	1,031,673	(551,151)	-	142,377	487,851	34,131	487,650	12,936	-	3,346,676
Capital increase with reserves	18 a	375,167	(9,418)	-	-	-	-	-	-	-	-	(365,749)	-	-	-
Realization of surplus on revaluation of deemed cost	18 (c. i)	-	-	-	(10,313)	(2,560)	-	-	-	-	-	-	-	12,873	-
Realization of revenue reserve through payment of dividends	18 (e)	-	-	-	-	-	-	-	-	-	(6,171)	-	-	-	(6,171)
Payment of prior year's additional dividends		-	-	-	-	-	-	-	-	-	-	-	(12,936)	-	(12,936)
Share buyback		-	-	(8,636)	-	-	-	-	-	-	-	-	-	-	(8,636)
Transfer to tax incentive reserve	18 (d)	-	-	-	-	-	-	-	-	-	-	81,933	-	(81,933)	-
Carrying value adjustments of investees		-	-	-	-	-	-	564	-	-	-	-	-	-	564
Gain (loss) on derivate transactions - hedge account	18 (c. ii)	-	-	-	-	-	(43,663)	-	-	-	-	-	-	-	(43,663)
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	927,124	927,124
Allocation of profit:		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserves	18 (d)	-	-	-	-	-	-	-	46,356	397,880	-	-	-	(444,236)	-
Interest on capital paid	18 (e)	-	-	-	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Mandatory minimum dividends	18 (e)	-	-	-	-	-	-	-	-	-	-	-	-	(96,369)	(96,369)
Supplementary dividends		-	-	-	-	-	-	-	-	-	-	-	197,459	(197,459)	-
At March 31, 2021	18	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

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

Statement of cash flows
Years ended March 31, 2021 and 2020
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company 2021	Parent company 2020	Consolidated 2021	Consolidated 2020
Cash flows from operating activities					
Profit for the year		927,124	639,010	927,124	639,010
Adjustments					
Depreciation and amortization	29	667,301	633,579	671,008	636,816
Biological assets harvested	29	715,282	613,101	715,282	613,101
Change in the fair value of biological assets	29	(64,979)	30,602	(64,979)	30,602
Amortization of electricity contracts		-	-	6,579	6,574
Equity in the results of investees	10	(160,542)	(153,449)	(5,776)	(625)
Gains (losses) on investments and PP&E written off	11	687	2,863	7,547	(15,734)
Interest, monetary and exchange variations, net		178,930	248,896	171,495	243,479
Derivative financial instruments		345,018	143,322	345,018	143,322
Setup of provision for contingencies, net	22.1	13,784	10,912	13,798	10,915
Income tax and social contribution	20 b	271,920	86,441	281,678	94,664
Taxes with suspended payment		216,292	42,794	216,292	42,794
Adjustment to present value and other adjustments		123,532	108,720	120,587	106,348
		3,234,349	2,406,791	3,405,653	2,551,266
Changes in assets and liabilities					
Trade receivables		(31,340)	32,296	(40,178)	26,347
Inventories		(102,691)	(95,975)	(101,404)	(95,738)
Taxes recoverable		20,258	37,361	20,267	37,324
Derivative financial instruments		(396,656)	(123,495)	(396,656)	(123,495)
Other receivables		(254,458)	(283,982)	(254,455)	(283,333)
Trade payables		43,076	15,236	46,726	13,563
Salaries and social charges		21,655	15,665	21,635	15,878
Taxes payable		(152,551)	34,104	(152,671)	33,694
Payables to Copersucar		(13,792)	(25,832)	(13,792)	(25,832)
Provision for contingencies - settlement	22.1	(15,476)	(19,899)	(15,489)	(19,924)
Other payables		(9,009)	21,897	(3,545)	24,314
Cash from operations		2,343,365	2,014,167	2,516,091	2,154,064
Payment of interest on borrowings	14	(212,512)	(178,303)	(212,512)	(178,303)
Income tax and social contribution paid		(22,997)	(11,960)	(30,354)	(18,882)
Net cash provided by operating activities		2,107,856	1,823,904	2,273,225	1,956,879
Cash flow from investing activities					
Investment of funds	31	(12,192)	(13,621)	(12,192)	(13,621)
Return of capital		-	-	8	-
Purchases of PP&E and intangible assets		(585,392)	(523,673)	(590,604)	(532,117)
Additions to biological assets (planting and crop treatments)	10 and 11	(917,711)	(852,931)	(917,711)	(852,931)
Financial investments		865,758	105,693	814,115	101,276
Proceeds from sale of property, plant and equipment	11	3,720	3,923	16,041	9,119
Advance for future capital increase		(30,000)	(256)	-	-
Dividends received		150,462	126,229	249	294
Net cash provided by (used in) investing activities		(525,355)	(1,154,636)	(690,094)	(1,287,980)
Cash flows from financing activities					
Payments of lease agreements and partnerships	13	(295,975)	(276,168)	(295,975)	(276,168)
Proceeds from borrowings – third parties	14	212,479	546,107	212,479	546,107
Repayment of borrowings - third parties	14	(1,107,098)	(739,887)	(1,107,098)	(739,887)
Acquisition of treasury shares	17 b	(8,636)	(74,493)	(8,636)	(74,493)
Payment of dividends		(187,617)	(229,999)	(187,617)	(229,999)
Net cash used in financing activities		(1,386,847)	(774,440)	(1,386,847)	(774,440)
Increase (decrease) in cash and cash equivalents		195,654	(105,172)	196,284	(105,541)
Cash and cash equivalents at the beginning of the year	4	91,998	197,170	92,066	197,607
Cash and cash equivalents at the end of the year	4	287,652	91,998	288,350	92,066
Additional information					
Balance of financial investments (current assets)	4	952,142	1,775,640	1,062,154	1,831,504
Total available funds	4	1,239,794	1,867,638	1,350,504	1,923,570

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

Statement of value added
Years ended March 31, 2021 and 2020
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2021	2020	2021	2020
Revenue				
Gross sales of goods and products	4,539,247	3,939,711	4,640,446	4,102,611
Revenue from construction of own assets	1,227,260	1,142,445	1,227,260	1,142,445
Other income	7,858	3,108	19,804	4,557
	5,774,365	5,085,264	5,887,510	5,249,613
Inputs acquired from third parties				
Cost of products and goods sold	(1,144,387)	(981,960)	(1,049,716)	(946,746)
Material, electricity, third-party services, and other operating expenses	(1,185,924)	(1,186,677)	(1,226,886)	(1,215,916)
	(2,330,311)	(2,168,637)	(2,276,602)	(2,162,662)
Gross value added	3,444,054	2,916,627	3,610,908	3,086,951
Depreciation and amortization	(667,301)	(633,579)	(671,008)	(636,816)
Biological assets harvested	(715,282)	(613,101)	(715,282)	(613,101)
Net value added generated by the entity	2,061,471	1,669,947	2,224,618	1,837,034
Value added received in transfer				
Equity in the results of investees	160,542	153,449	5,776	625
Finance income	799,644	418,336	815,079	427,393
Others	451,032	403,811	450,945	403,835
Total value added to be distributed	3,472,689	2,645,543	3,496,418	2,668,887
Distribution of value added				
Personnel and payroll charges				
Direct compensation	608,033	588,380	608,208	588,558
Benefits	234,227	203,797	235,091	204,540
Government Severance Indemnity Fund for Employees (FGT	54,796	52,151	54,809	52,165
Management compensation	55,565	28,490	56,911	29,814
Taxes, charges and contributions				
Federal	362,421	174,357	382,797	193,898
State	68,457	75,646	68,692	76,200
Municipal	1,540	1,286	1,811	2,028
Financing entities				
Interest	309,065	396,745	309,470	396,918
Rentals	4,455	3,563	4,455	3,563
Foreign exchange variations	595,568	318,218	595,568	318,218
Others	251,438	163,900	251,482	163,975
Interest on capital	120,000	151,765	120,000	151,765
Retained profits of exercise	807,124	487,245	807,124	487,245
Value added distributed	3,472,689	2,645,543	3,496,418	2,668,887

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

1. Operations

São Martinho S.A. (the "Company" or "Parent Company") is a listed corporation headquartered in Pradópolis, State of São Paulo, 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; cogeneration of electricity; development of real estate ventures; agricultural production; import and export of goods, products and raw materials, and investment in other companies.

Approximately 70% of the sugarcane used in the production of goods derives from plantations on land owned by either the Company, its stockholders, related companies, or agricultural partnerships. The remaining 30% of sugarcane is supplied by third parties. Businesses in the sugar-ethanol sector are 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 supply may be impacted by adverse climate conditions. Sugarcane crop takes up to 18 months to mature, and harvest begins, in general, from April to December, which is also the period when sugar and ethanol are produced, and electricity is cogenerated.

The Company is a subsidiary of the holding company LJN Participações S.A. ("LJN"), which holds 53.74% interest in its voting capital.

The issue of these financial statements was authorized by the Board of Directors on June 26, 2021.

RenovaBio - Cbios

At March 31, 2021, the Company had 408,599 decarbonization credits (Cbios) issued and not yet sold. During this crop season, 832 thousand Cbios were traded, with the proceeds classified within net revenue. Once issued and registered, these credits are mainly sold to fuel distributors to meet their acquisition targets established by the RenovaBio program.

Effects of the Coronavirus pandemic on the financial statements

The potential impacts of the Coronavirus pandemic (COVID-19) are reflected in the estimates and judgments used in the preparation of these financial statements, notably in those relating to the fair value of biological assets, derivative financial instruments with foreign exchange exposure, and goodwill impairment tests at March 31, 2021, which may affect the Company's future results.

Up to the date of the issue of these financial statements was authorized by the Board of Directors, management had not identified any material uncertainties which might cast doubt on the Company's ability to continue as a going concern, or any situation that could affect the financial statements for the year ended March 31, 2021.

2. Summary of significant accounting policies

2.1 Statement of compliance and basis of preparation

The parent company and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as well as with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil by the Accounting Pronouncements Committee (CPC) through its technical interpretations (ICPC) and guidelines (OCPC), as approved by the Brazilian Securities Commission (CVM).

These financial statements were prepared under the historical cost convention, as modified to reflect the deemed cost of property, plant and equipment items on the date of transition to IFRS/CPC, except for certain derivative financial instruments and biological assets measured at fair value, and disclose all information of significance to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

The presentation of the parent company and consolidated Statement of Value Added, which is required under Brazilian corporate legislation and by accounting practices adopted in Brazil for publicly-held companies, was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Value Added. Under the IFRS the presentation of this statement is not required, being considered supplementary information, and not part of the set of IFRS financial statements.

The significant accounting practices adopted by the Company are described in specific notes related to the items presented, and those generally applicable to different aspects of the financial statements are described below.

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

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

2.2 New Accounting Policies and Disclosures

The following accounting standards were adopted from April 1, 2020:

- Definition of 'material': modification in IAS 1/CPC 26 "Financial Statement Presentation" and IAS 8/CPC 23 "Accounting Policies, Changes in Estimates e Error rectification";
- Business definition: modification of IFRS 3/CPC 15 "Business Combination";
- IBOR Renovation: modification in IFRS 9/CPC 48, IAS 39/CPC 38 and IFRS 7/CPC 40 - "Financial Instruments";
- Conceptual Structure Reviewed for Financial Reports; and
- Benefits Related to COVID-19 Granted to Leasees: modifications in IFRS 16/CPC 06(R2) "Lease"

These new policies had no material effects on the financial statements.

2.3 Modifications to new standards not yet in effect

The following changes issued by IASB were not yet mandatory at March 31, 2020. Early adoption, though encouraged by the IASB is not permitted by the CPC.

- **Modifications to IFRS 9, IAS 39, IFRS 7 "Financial Instruments", IFRS 4 "Insurance Contract and IFRS 16 "Lease":** Phase 2 IBOR's renovation predicted modifications approach questions that can affect financial demonstrations during the changes on the referential interest rate, including the effects of changes on the contractual cash flow or hedge relations due to substitution or an alternative referential interest rate. Starting from January 1st, 2021 these changes need to be applied. The contracts bunded to EURIBOR and LIBOR are being reviewed between and will be updated by the respective alternative disclosure rates plus a spread. The administration estimates that updated cash flows will be economic equivalent to the originals and having no expectations in material impacts relate to this substitution.

- **Modifications in IAS 16 "Permanent Asset"**: On May 2020, IASB issued a modification that forbids an entity to deduce from the permanent costs the values received from sales of produced items while the asset is being prepared for your specified use. Those related revenues and costs must be recognized in the income for the exercise. The effective date to apply this modification is set to begin in the social exercise of January 1st, 2022.

- **Modifications in IAS 37 "Provision, Contingency Liability e Contingency Assets**": **"**: On May 2020, IASB issued a modification to enlighten that to evaluate if a contract can be considered onerous, the contract costs must include incremental costs and an allocation for other costs that are directly related to the fulfillment of the same. The effective date to apply this modification is set to begin in the social exercise of January 1st, 2022

- **Modifications in IFRS 3 "Business Combination"**: Issued on May 2020, with the goal to substitute the references of the old version to the newest conceptual structure. The changes to IFRS 3 is set to begin in the social exercise of January 1st, 2022.

- **Annual Improvements - cycle 2018-2020**: On May 2020, IASB issued the following modifications as part of the annual improvements, applicable to the social exercises starting on January 1st, 2022:

  (i) IFRS 9 - "Financial Instruments" - explains which fee must be included on the 10% write-off for financial liability test.
  (ii) IFRS 16 - "Lease" - Modification to example 13 in order to delete the following text related to the payments of lessor related to improvements made on the leased property.
  (iii) IFRS 1 "Initial Adoption of International Financial Reporting Standards" - simplifies the application for the referred standard that a subsidiary that adopts the IFRS for the first time after the parent company, according to the measurement of the accumulated amount of currency oscillations.
  (iv) IAS 41 - "Biological Assets" - removal of exigency to delete from taxes cash flows when measuring the fair value of biological assets, aligning the demands of fair value measurement in IAS 41 and other IFRS standards.

  There are no other IFRS standards or IFRI interpretations that aren't in vigorati1on and can have significative impacts on the financial demonstration of São Martinho and the subsidiaries companies.

2.4 Basis of consolidation and investments in subsidiaries

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

The consolidated balances in these financial statements represent equity interests held 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 electricity
Bioenergética Santa Cruz S.A. ("Bio SC")	Co-generation of electricity
Bioenegética Boa Vista S.A. ("Bio BV")	Co-generation of electricity
Bioenergia São Martinho ("Bioenergia SM")	Co-generation of electricity
São Martinho Logística e Participações S.A. ("SM Logística")	General product storage
São Martinho Inova S.A. ("SM Inova")	Investment in companies.

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

2.5 Functional and presentation currency

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

2.6 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.

2.7 Financial instruments

The Company adopts IFRS 9 (CPC 48) Financial Instruments (except for items related to hedge accounting), under which its financial assets are classified 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 hybrid expected and incurred loss model, which 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 of the issuer of the instrument to make the contractual payments.

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

a) Financial assets

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

b) Financial liabilities

The Company's financial liabilities include trade payables, borrowings, leases, agricultural partnerships, 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 also through the amortization process, under the effective interest rate method.

c) Derivative financial instruments

Derivatives are measured at fair value, with gains and losses recognized in the statement of income, unless the derivative has been designated as a hedging instrument and qualifies for hedge accounting.

At the inception of the transaction, the Company documents the relationship between the hedging instruments and hedged items, for the purpose of managing the risk and 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" in order to minimize changes in the hedged item.

2.8 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 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 from a bargain purchase. Goodwill corresponding to consolidated entities is recorded within "Intangible assets" in the parent company and consolidated balance sheet.

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

Acquisition costs incurred accounted for as expenses

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

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

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

3. Significant accounting estimates and judgments

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

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

a) Impairment losses

Goodwill is tested for impairment annually. The recoverable amounts of cash-generating units were determined based on value-in-use calculations. These calculations require the use of estimates and budgetary projections approved by management (Note 12).

b) Fair value of biological assets

This represents the present value of expected net cash flows from biological assets, which is determined through the use of assumptions established in discounted cash flow models (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 final outcome of these matters differs from the amounts initially estimated and recorded, such differences will affect current and deferred tax assets and liabilities in the year in which the ultimate amount is determined.

d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, which include the discounted cash flow model. Whenever possible, these techniques are based on market conditions existing at the balance sheet date. When this is not possible, a certain level of judgment is required to determine the 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 claims, filed at different judicial levels. Provisions for contingencies, set up to cover probable losses arising from unfavorable outcome of ongoing lawsuits, are determined and updated based on management's assessment, under the advice of legal counsel, which requires a high degree of judgment.

f) ICMS tax benefits

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

(All amounts in thousands of reais unless otherwise stated)

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

g) Incremental borrowing rate on leases and agricultural partnerships

Right-of-use leased 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, which also takes into consideration the lessee's credit risk, the term of the agreement, and the collateral offered.

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	2021	2020	Annual yield	2021	2020
Cash and banks (in Brazil)		1,133	180		1,831	248
Cash and banks (abroad) (US Dollar)	0.30% p.a.	286,519	91,818	0.30% p.a.	286,519	91,818
Total cash and cash equivalents		**287,652**	**91,998**		**288,350**	**92,066**
Financial investments						
. Investment fund	86.02% of CDI	864,527	1,693,054	86.17% of CDI	973,933	1,748,918
. Funds - Financial Treasury Bills (LFT)	100% of SELIC	-	19,301	100% of SELIC	-	19,301
. Bank Deposit Certificate (CDB)	100.78% of CDI	87,615	82,586	100.78% of CDI	88,221	82,586
. Other (i)	98.26% of CDI	10,166	15,710	98.70% of CDI	13,644	19,193
Total financial investments		**962,308**	**1,810,651**		**1,075,798**	**1,869,998**
Total cash and cash equivalents and financial investments		**1,249,960**	**1,902,649**		**1,364,148**	**1,962,064**
In non-current assets		**10,166**	**35,011**		**13,644**	**38,494**
Total available funds		**1,239,794**	**1,867,638**		**1,350,504**	**1,923,570**

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

(All amounts in thousands of reais unless otherwise stated)

5. Trade receivables

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

The balance of trade receivables is broken down as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Domestic market customers	75,236	120,101	145,351	188,100
Foreign market customers	95,318	5,430	95,318	5,430
Expected impairment loss on trade receivables		-	(821)	(509)
	170,554	**125,531**	**239,848**	**193,021**
Current assets	**170,554**	**125,531**	**215,659**	**165,829**
Non-current assets	**-**	**-**	**24,189**	**27,192**

The aging list of trade receivables is as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Falling due:	170,419	124,557	239,487	191,911
Overdue and not provided for				
For 30 days	10	69	51	112
Over 31 days	125	905	310	998
	170,554	**125,531**	**239,848**	**193,021**

Of the amount receivable, R$ 4,214 and R$ 665 in the Parent company and Consolidated, respectively (R$ 1,612 and R$ 626, respectively, at March 31, 2020), refer to related parties (Note 9).

6. Inventories and advances to suppliers

	Parent company		Consolidated	
	2021	2020	2021	2020
Current				
Finished products and work-in-process	175,325	139,599	175,325	139,599
Advances - purchases of sugarcane	73,937	61,238	73,937	61,238
Advances - purchases of inputs	79,323	71,254	79,323	71,254
RenovaBio - CBIOs(i)	8,256	-	8,256	-
Land subdivisions	-	-	5,056	8,287
Inputs, ancillary materials for maintenance and other	104,416	85,799	104,416	85,799
	441,257	**357,890**	**446,313**	**366,177**
Non-current				
Advances - purchases of sugarcane	106,838	49,916	106,838	49,916
	106,838	**49,916**	**106,838**	**49,916**
	548,095	**407,806**	**553,151**	**416,093**

(All amounts in thousands of reais unless otherwise stated)

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 revaluation surplus of the deemed cost.

(ii) At March 31, 2021, the Company had 408,599 registered Cbios carried at fair value.

7. Biological assets

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

The fair value measurement of biological assets is classified within Level 3 of fair value hierarchy - 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).

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	2021	2020
Estimated total harvest area (ha)	241,479	239,774
Expected yield (metric ton/ha)	88.11	91.35
Amount of TRS per metric ton of sugar (kg)	134.81	133.30
Projected average price of TRS (R$)	0.8550	0.6038

In these financial statements, the discount rate of 6.10% p.a. was used to calculate the fair value of biological assets (7.22% p.a. at March 31, 2020).

(All amounts in thousands of reais unless otherwise stated)

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

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

	Parent company		Consolidated	
	2021	2020	2021	2020
Historical cost	829,616	742,524	829,616	742,524
Fair value	(116,069)	(85,467)	(116,069)	(85,467)
Biological assets - opening balance:	**713,547**	**657,057**	**713,547**	**657,057**
Changes:				
Increases arising from crop treatments	559,969	513,543	559,969	513,543
Transfer from property, plant and equipment	359,821	188,814	359,821	188,814
Changes in fair value	64,979	(30,602)	64,979	(30,602)
Decreases resulting from harvest	(708,776)	(615,265)	(708,776)	(615,265)
Biological assets - closing balance:	**989,540**	**713,547**	**989,540**	**713,547**
Comprised of:				
Historical cost	1,040,629	829,616	1,040,629	829,616
Fair value	(51,089)	(116,069)	(51,089)	(116,069)
Biological assets - closing balance:	**989,540**	**713,547**	**989,540**	**713,547**

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

Fair value sensitivity analysis

For the purpose of the sensitivity analysis, the Company assessed the impact on the fair value of its biological assets at March 31, 2021, 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$ 87,663. Regarding the production volume, the same 5% variation (up or down) would result in an increase or decrease of R$ 80.065.

(All amounts in thousands of reais unless otherwise stated)

8. Taxes recoverable

Breakdown of taxes recoverable:

	Parent company		Consolidated	
	2021	2020	2021	2020
Current				
PIS / COFINS	6,236	4,031	6,278	4,031
ICMS	4,975	7,407	5,015	7,407
Others	769	865	769	865
	11,980	**12,303**	**12,062**	**12,303**
Non-current				
PIS / COFINS	59,778	44,832	59,778	44,864
Reintegra program	1,851	4,870	1,851	4,870
IOF on derivatives	8,762	8,653	8,762	8,653
ICMS	18,255	15,117	19,184	16,080
INSS	6,669	6,579	6,666	6,579
	95,315	**80,051**	**96,241**	**81,046**
	107,295	**92,354**	**108,303**	**93,349**

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

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

	Parent company	Consolidated
From 4/1/2022 to 3/31/2023	61,316	62,242
From 4/1/2023 to 3/31/2024	7,025	7,025
From 4/1/2024 to 3/31/2025	5,995	5,995
From 4/1/2025 to 3/31/2026	5,052	5,052
From 4/1/2026 to 3/31/2027	2,463	2,463
From 4/1/2027 onwards	13,464	13,464
	95,315	**96,241**

(All amounts in thousands of reais unless otherwise stated)

9. Related parties

a) Parent company and consolidated balances:

	Parent company		Consolidated	
	2021	2020	2021	2020
Current assets				
Trade receivables (i)				
CTC - Centro de Tecnologia Canavieira S.A.	468	447	578	528
Bioenergética São Martinho S.A.	2,800	1,014	-	-
Bioenegética Boa Vista S.A.	792	-	-	-
São Martinho Terras Imobiliárias S.A.	36	22	-	-
Bioenergética Santa Cruz S.A.	15	9	-	-
São Martinho Terras Agrícolas S.A.	8	14	-	-
Others	95	106	87	98
	4,214	**1,612**	**665**	**626**
Non-current assets				
Advance for future capital increase				
Bioenergia São Martinho Ltda.	30,000	250	-	-
São Martinho Inova S.A.	-	5	-	-
	30,000	**255**	**-**	**-**
Current liabilities				
Trade payables				
CTC - Centro de Tecnologia Canavieira S.A.	415	346	415	346
São Martinho Terras Agrícolas S.A.	7,786	5,423	-	-
Bioenegética Boa Vista S.A.	2,298	-	-	-
Bioenergética Santa Cruz S.A.	310	258	-	-
São Martinho Terras Imobiliárias S.A.	259	168	-	-
Luiz Ometto Participações S.A.	43	-	43	-
Others	11	9	11	9
	11,122	**6,204**	**469**	**355**
Leases and agricultural partnerships payable by stockholders and related parties	313,822	291,281	313,822	291,281
Current and non-current liabilities (Acquisition of ownership interest)				
Luiz Ometto Participações S.A. (Note 17)	15,288	26,934	15,288	26,934

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

(All amounts in thousands of reais unless otherwise stated)

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

	Parent company		Consolidated	
	2021	2020	2021	2020
Sales revenue				
Bioenergética Santa Cruz S.A.	8,400	6,134	-	-
Bioenergética São Martinho S.A.	5,982	7,969	-	-
Bioenegética Boa Vista S.A.	792	-	-	-
	15,174	**14,103**	**-**	**-**
Reimbursed expenses/ Lease revenue (purchase of products and services)				
CTC - Centro de Tecnologia Canavieira S.A.	(24,681)	(17,205)	(23,680)	(16,366)
São Martinho Terras Agrícolas S.A.	(77,172)	(60,061)	-	-
São Martinho Terras Imobiliárias S.A.	(2,444)	(2,104)	-	-
Bioenergética Santa Cruz S.A.	(1,239)	(2,332)	-	-
Bioenergética São Martinho S.A.	50	176	-	-
	(105,486)	**(81,526)**	**(23,680)**	**(16,366)**
Stockholders and related parties				
Sugarcane purchases / land leases / reimbursed expenses				
Agro Pecuária Boa Vista S/A	(38,980)	(32,955)	(38,980)	(33,128)
Others	(20,582)	(16,653)	(20,582)	(16,653)
	(59,562)	**(49,608)**	**(59,562)**	**(49,781)**

Sales revenue relate to sale of steam. Purchases of products and services relate to purchase of sugarcane, electricity, steam production service, and royalties. The expenses reimbursed by subsidiaries or related parties refer to the apportionment of administrative service costs, which is calculated based on agreements signed by the parties.

c) Management compensation

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

	Parent company		Consolidated	
	2021	2020	2021	2020
Fixed and variable compensation, and benefits	34,737	27,543	36,733	29,461
Social security contributions	7,708	5,535	8,064	5,878
Total compensation and charges	**42,445**	**33,078**	**44,797**	**35,339**

São Martinho makes 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 14, 2020, the Board of Directors approved the granting of 754,980 new options, through the 12th Stock Option Plan, whose regulation is consistent with the other Company's plans.

The carrying amount of the liability relating to the new fair value calculation of the Virtual Stock Option Plan is R$ 18,259 (R$ 82 at March 31, 2020).

(All amounts in thousands of reais unless otherwise stated)

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	Total
Plan issue date	12/12/2016	05/02/2018	12/10/2018	12/09/2019	12/14/2020	
Deadline for exercise *(i)*	2023	2024	2025	2026	2027	
Number of virtual options granted	727,273	882,074	1,133,513	1,072,712	754,980	4,570,552
Number of virtual options exercised	(712,063)	(561,168)	(322,815)	-	-	(1,596,046)
Number of virtual options to be exercised	**15,210**	**320,906**	**810,698**	**1,072,712**	**754,980**	**2,974,506**
Exercise price (R$)	17.70	17.76	19.07	19.38	24.22	

The virtual options for each plan 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:

						Parent company	
Company	Ownership interest %	Equity		Book value of investment		Equity in the results of investees	
		2021	2020	2021	2020	2021	2020
Classified as Investments							
SM Terras Imobiliárias	100.00%	165,439	159,086	165,439	159,086	18,853	19,607
Bio SM	100.00%	26,539	37,381	26,539	37,381	8,457	31,995
SM Inova	100.00%	33,205	26,870	33,205	26,870	5,766	1,201
SM Terras Agrícolas	100.00%	1,150,050	1,144,494	1,150,050	1,144,494	81,713	55,815
SM Logística	100.00%	2,572	2,703	2,572	2,703	(132)	(125)
Bio SC	100.00%	71,368	61,941	94,436	91,688	45,256	45,489
Bioenergética BV	100.00%	14,250	1	14,250	1	636	-
Bioenergia SM	100.00%	234	-	234	-	(7)	-
Others		-	-	-	-	-	(533)
Total classified as Investments		**1,463,657**	**1,432,476**	**1,486,725**	**1,462,223**	**160,542**	**153,449**

						Consolidated	
Company	Ownership interest %	Equity		Book value of investment		Equity in the results of investees	
		2021	2020	2021	2020	2021	2020
Classified as Investments							
CTC - Centro de Tecnologia Canavieira S.A. (i)	5.41%	714,746	601,912	38,699	32,590	5,795	1,206
Others		-	-	1,252	1,278	(19)	(581)
Total classified as Investments		**714,746**	**601,912**	**39,951**	**33,868**	**5,776**	**625**

(i) As regulated by 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.

(All amounts in thousands of reais unless otherwise stated)

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

10.1 Capital payment and capital increase in Bio BV

On February 8, 2021, the Board of Directors approved a capital subscription in the subsidiary Bioenergética Boa Vista S.A. ("Bio BV"), by contribution of assets. The subsidiary's share capital was increased by R$13,614, from R$1 (one thousand reais) to R$13,615 through the issue of 13,614 new common nominative shares with no par value, at an issue price of R$1.00 per share.

	Bio BV
Non-current assets	
Property, plant and equipment	13,977
Non-current liabilities	
Deferred taxes	(363)
Net assets paid in	**13,614**

11. Property, plant and equipment

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

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

Sugarcane plantations correspond to bearer plants that are exclusively used to grow sugarcane. Sugarcane is classified as a permanent crop and its economically productive cycle lasts, on average, eight years after the first harvest. The costs of charges on borrowings taken to finance the construction of property, plant and equipment are capitalized during the period required to construct and prepare the asset for its intended use.

(All amounts in thousands of reais unless otherwise stated)

Parent company	Land	Buildings and outbuildings	Manufacturing equipment and facilities	Intercrop maintenance	Vehicles	Agricultural machinery and implements	Sugarcane plantations	Construction in progress	Other PP&E	Total
At March 31, 2019	**209,296**	**401,832**	**1,179,860**	**306,422**	**229,566**	**287,476**	**1,190,628**	**120,764**	**53,460**	**3,979,304**
Total cost	209,296	490,357	1,775,974	306,422	363,639	565,861	1,190,628	120,764	170,003	5,192,944
Accumulated depreciation	-	(88,525)	(596,114)	-	(134,073)	(278,385)	-	-	(116,543)	(1,213,640)
Net book value	**209,296**	**401,832**	**1,179,860**	**306,422**	**229,566**	**287,476**	**1,190,628**	**120,764**	**53,460**	**3,979,304**
Acquisitions	5,871	286	7,393	302,757	15,950	59,151	339,388	125,690	6,252	862,738
Capital contribution to subsidiary (i)	(119,064)	-	-	-	-	-	-	-	-	(119,064)
Transfer of biological assets	-	-	-	-	-	-	(188,814)	-	-	(188,814)
Cost of sale	-	-	(35)	-	(2,497)	(3,835)	(47)	-	(372)	(6,786)
Transfer between groups	-	5,607	58,566	-	1,918	(6,848)	9,771	(71,515)	2,501	-
Depreciation	-	(12,438)	(79,024)	(307,868)	(21,186)	(37,689)	-	-	(10,689)	(468,894)
At March 31, 2020	**96,103**	**395,287**	**1,166,760**	**301,311**	**223,751**	**298,255**	**1,350,926**	**174,939**	**51,152**	**4,058,484**
Total cost	96,103	496,251	1,841,782	301,311	377,559	617,139	1,350,926	174,939	178,131	5,434,141
Accumulated depreciation	-	(100,964)	(675,022)		(153,808)	(318,884)	-	-	(126,979)	(1,375,657)
Net book value	**96,103**	**395,287**	**1,166,760**	**301,311**	**223,751**	**298,255**	**1,350,926**	**174,939**	**51,152**	**4,058,484**
Acquisitions	-	361	13,392	354,100	20,698	63,089	358,822	142,304	3,341	956,107
Capital contribution to subsidiary (i)			(13,977)							(13,977)
Transfer of PP&E/biological assets	-	-	-	-	-	-	(359,821)	-	-	(359,821)
Cost of sale	(4)	(512)	(81)	-	(1,905)	(1,888)	(16)	-	(1)	(4,407)
Transfer between groups	-	33,935	94,148	-	11,331	(12,099)	25,961	(156,877)	3,601	-
Depreciation	-	(12,938)	(88,191)	(301,311)	(26,872)	(23,140)	-	-	(11,138)	(463,590)
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**
Total cost	96,099	529,604	1,930,596	354,100	405,478	681,399	1,375,872	160,366	185,050	5,718,564
Accumulated depreciation	-	(113,471)	(758,545)	-	(178,475)	(357,182)	-	-	(138,095)	(1,545,768)
Net book value	**96,099**	**416,133**	**1,172,051**	**354,100**	**227,003**	**324,217**	**1,375,872**	**160,366**	**46,955**	**4,172,796**
Residual value										
Historical cost	24,812	351,584	978,446	354,100	207,703	291,358	1,375,872	160,366	46,955	3,791,196
Surplus on revaluation	71,287	64,549	193,605	-	19,300	32,859	-	-	-	381,600
Annual average depreciation rates/ Transfer of biological assets	-	3%	5%	100%	7%	9%	14%	-	14%	

(i) Payment of capital through transfer of property, plant and equipment items to the subsidiary Bioenergética Boa Vista S.A. (Note 10.1).

(All amounts in thousands of reais unless otherwise stated)

Consolidated	Land	Buildings and outbuildings	Manufacturing equipment and facilities	Intercrop maintenance	Vehicles	Agricultural machinery and implements	Sugarcane plantations	Construction in progress	Improvements and other PP&E	Total
At March 31, 2019	**1,812,339**	**405,543**	**1,237,880**	**307,002**	**229,564**	**287,477**	**1,190,627**	**120,762**	**53,466**	**5,644,660**
Total cost	1,812,339	496,594	1,857,960	307,158	363,637	565,861	1,190,627	120,762	170,003	6,884,941
Accumulated depreciation	-	(91,051)	(620,080)	(156)	(134,073)	(278,384)	-	-	(116,537)	(1,240,281)
Net book value	**1,812,339**	**405,543**	**1,237,880**	**307,002**	**229,564**	**287,477**	**1,190,627**	**120,762**	**53,466**	**5,644,660**
Acquisitions	11,782	286	7,393	303,851	15,950	59,151	339,388	125,690	6,252	869,743
Cost of sale	(334)	-	(35)	-	(2,497)	(3,835)	(47)	-	(373)	(7,121)
Transfer from Inventories to Sales	(1,782)	-	-	-	-	-	-	-	-	(1,782)
Transfer of biological assets	-	-	-	-	-	-	(188,814)	-	-	(188,814)
Transfer between groups	-	5,607	58,566	-	1,918	(6,848)	9,771	(71,515)	2,501	-
Depreciation	-	(12,619)	(81,542)	(308,456)	(21,186)	(37,689)	-	-	(10,689)	(472,181)
At March 31, 2020	**1,822,005**	**398,817**	**1,222,262**	**302,397**	**223,749**	**298,256**	**1,350,925**	**174,937**	**51,157**	**5,844,505**
Total cost	1,822,005	502,487	1,923,767	303,017	377,558	617,139	1,350,925	174,937	178,135	7,249,970
Accumulated depreciation	-	(103,670)	(701,505)	(620)	(153,809)	(318,883)	-	-	(126,978)	(1,405,465)
Net book value	**1,822,005**	**398,817**	**1,222,262**	**302,397**	**223,749**	**298,256**	**1,350,925**	**174,937**	**51,157**	**5,844,505**
Acquisitions	2,575	361	13,392	354,829	20,698	63,089	358,822	142,304	3,340	959,410
Cost of sale	(11,545)	(513)	(81)	-	(1,904)	(1,887)	(16)	-	(1)	(15,947)
Transfer from Inventories to Sales	1,942	-	-	-	-	-	-	-	-	1,942
Transfer of biological assets	-	-	-	-	-	-	(359,821)	-	-	(359,821)
Transfer between groups	-	33,935	94,148	-	11,331	(12,099)	25,961	(156,877)	3,601	-
Depreciation	-	(13,118)	(90,781)	(302,395)	(26,872)	(23,140)	-	-	(11,139)	(467,445)
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**
Total cost	1,814,977	535,840	2,030,958	355,950	405,479	681,400	1,375,871	160,364	185,062	7,545,901
Accumulated depreciation	-	(116,358)	(792,018)	(1,119)	(178,477)	(357,181)	-	-	(138,104)	(1,583,257)
Net book value	**1,814,977**	**419,482**	**1,238,940**	**354,831**	**227,002**	**324,219**	**1,375,871**	**160,364**	**46,958**	**5,962,644**
Residual value										
Historical cost	161,562	354,011	1,030,556	354,831	207,702	291,360	1,375,871	160,364	46,958	3,983,215
Surplus on revaluation	1,653,415	65,471	208,384	-	19,300	32,859	-	-	-	1,979,429
Annual average depreciation rates/ Transfer of biological assets	-	3%	5%	100%	7%	9%	14%	-	14%	

(All amounts in thousands of reais unless otherwise stated)

The amount recorded within "Construction in progress" relates mainly to projects for the implementation of data transmission technology (4G), construction of a corn ethanol plant, and fire prevention.

Under the terms of certain borrowing agreements entered into by the Company, items of property, plant and equipment totaling R$ 853,228 were pledged as collateral, of which R$ 31,168 relates to rural properties (1,243 hectares of land).

Financial charges capitalized by the Company during the year amounted to R$ 1,402 (R$ 2,145 at March 31, 2020).

12. Intangible assets

Contractual relationships have a finite useful life, and amortization is calculated based on the 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	
	2021	2020	2021	2020
Goodwill based on future profitability (i)	374,632	374,632	374,633	374,633
Software	40,437	37,492	40,437	37,492
Accumulated amortization	(30,999)	(28,821)	(30,999)	(28,821)
Rights on sugarcane contracts (ii)	42,443	42,443	42,443	42,443
Amortization of rights on sugarcane contracts (ii)	(20,285)	(17,026)	(20,285)	(17,026)
Cost of rights on electricity contracts (iii)	-	-	103,401	103,401
Amortization of rights on electricity contracts (iii)	-	-	(72,280)	(62,315)
Other receivables	2,865	4,355	14,392	15,882
	409,093	**413,075**	**451,742**	**465,689**

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

Impairment of non-financial assets

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

(All amounts in thousands of reais unless otherwise stated)

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

On March 3, 2021, 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 industry in which the CGU operates.

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

Main assumptions used by the Company (March 31, 2021):

Cash-generating Units	Average growth rate of net operating revenue	Nominal perpetuity growth rate	Nominal discount rate
São Martinho and Iracema production units	0.8%	4.5%	6.5%
Santa Cruz production unit	1.3%	4.5%	6.5%

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

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

a) Leases

From April 1, 2019, the Company adopted IFRS 16 (CPC 06 (R2)) - Leases, which introduced a single accounting model for leases and agricultural partnerships in the balance sheet. Right-of-use assets were recognized in assets and lease liabilities, in liabilities. Additionally, in compliance with CVM Resolution 859, the Company affirms that there have been no changes and/or reassessments in its lease agreements as a result of the COVID-19 pandemic.

b) Lease. Definition provided by IFRS 16 (CPC 06 R2)

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

(All amounts in thousands of reais unless otherwise stated)

c) The Company as the Lessee

The Company adopted the simplified approach recognizing the cumulative effect, under the following criteria: (i) liabilities: comprised of remaining balances of the agreements 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. Right-of-use assets and the balance payable are remeasured at year-end, 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 leased assets during were as follows:

	Parent company and Consolidated			
Right-of-use assets	**Vehicles**	**Agricultural partnership**	**Agricultural lease**	**Total**
First-time adoption on April 1, 2019	**18,368**	**1,194,692**	**374,501**	**1,587,561**
Adjustments	349	291,439	59,684	351,472
Amortization	(16,034)	(170,838)	(32,708)	(219,580)
March 31, 2020	**2,683**	**1,315,293**	**401,477**	**1,719,453**
At March 31, 2020	**2,683**	**1,315,293**	**401,477**	**1,719,453**
New agreements	28,385	190,440	24,581	243,406
Contract update	3,614	(18,482)	(9,017)	(23,885)
Write-offs	-	168,950	68,313	237,263
Depreciation	(3,636)	(30,875)	(11,746)	(46,257)
Annual remeasurement	(14,548)	(209,497)	(36,539)	(260,584)
At March 31, 2021	**16,498**	**1,415,829**	**437,069**	**1,869,396**
Useful lives (years)	1 to 2	2 to 29	2 to 20	

(All amounts in thousands of reais unless otherwise stated)

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

	Parent company and Consolidated			
Leases and agricultural partnerships payable	**Balance of lease agreements**	**Balance of advance payments**	**Adjustment to present value**	**Total**
First-time adoption on April 1, 2019	**2,439,375**	**(94,649)**	**(851,814)**	**1,492,912**
Offset of advances	-	(14,173)	-	(14,173)
Additions arising from new agreements	179,233	-	(50,218)	129,015
Contract update	321,529	-	(99,072)	222,457
Payments made	(276,168)	-	-	(276,168)
Financial charges	-	-	121,870	121,870
March 31, 2020	**2,663,969**	**(108,822)**	**(879,234)**	**1,675,913**
At March 31, 2020	**2,663,969**	**(108,822)**	**(879,234)**	**1,675,913**
Offset of advances	-	(4,812)	-	(4,812)
New agreements	334,575	-	(91,169)	243,406
Contract update	(33,436)	-	9,551	(23,885)
Write-offs	(69,661)	-	15,400	(54,261)
Payments made	(295,975)	-	-	(295,975)
Financial charges	-	-	134,985	134,985
Annual remeasurement	355,555	-	(118,292)	237,263
At March 31, 2021	**2,955,027**	**(113,634)**	**(928,759)**	**1,912,634**
Current liabilities				**351,572**
Leases payable				66,264
Land partnership payable				285,308
Non-current liabilities				**1,561,062**
Leases payable				399,157
Land partnership payable				1,161,905
				1,912,634

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

Maturity	Parent company and Consolidated
From 3/1/2022 to 3/31/2023	349,866
From 4/1/2023 to 3/31/2024	317,997
From 4/1/2024 to 3/31/2025	291,998
From 4/1/2025 to 3/31/2026	269,370
From 4/1/2026 to 3/31/2027	237,533
From 4/1/2027 to 3/31/2028	187,034
From 4/1/2028 to 3/31/2029	144,148
From 4/1/2029 onwards	564,405
(-) Adjustment to present value	(801,289)
	1,561,062

(All amounts in thousands of reais unless otherwise stated)

The potential right to PIS/COFINS recoverable included in lease payments are:

Parent company and Consolidated	Agricultural lease	Adjustment to present value
Lease payment	751,113	293,987
Potentially recoverable PIS/COFINS (9.25%)	(50,198)	(19,280)
March 31, 2021	700,915	274,707

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

	Parent company and Consolidated
Contract terms	Incremental rate
2 years	7.85%
3 years	8.42%
4 years	8.63%
5 years	8.66%
6 years	8.49%
7 years	8.64%
8 years	8.53%
9 years	8.69%
10 years	9.06%
11anos	9.22%
rom 12 to 30 years	9.14%

In full compliance with IFRS 16, the Company measured and remeasured its lease liabilities and right-of-use assets using the discounted cash flow technique, excluding projected future inflation consistent with the standard.

Additionally, in compliance with CVM Circular Letter 02/2019, comparative information on lease and agricultural partnership liabilities, right-of-use assets, deferred taxes, depreciation expense and finance costs for the year ended March 31, 2021 and future periods is presented below, using a discounted cash flow that considers future inflation projected in the payment flows, and discounted at the nominal rates presented above:

(All amounts in thousands of reais unless otherwise stated)

Parent company and Consolidated	From 4/1/2021 to 3/31/2022	From 4/1/2022 to 3/31/2023	From 4/1/2023 to 3/31/2024	From 4/1/2024 to 3/31/2025	From 4/1/2025 to 3/31/2026	From 4/1/2026 to 3/31/2031	From 4/1/2031 to 3/31/2036	From 4/1/2036 to 3/31/2041
Right-of-use assets								
IFRS 16	1,572,906	1,320,396	1,091,891	885,765	698,266	193,607	21,874	-
CVM Official Letter	2,059,857	1,738,101	1,446,880	1,182,374	940,546	270,795	31,906	-
	30.96%	31.63%	32.51%	33.49%	34.70%	39.87%	45.86%	N/A
Liabilities of leases and agricultural partnerships								
IFRS 16	1,557,079	1,306,635	1,079,971	874,829	688,311	230,544	32,803	-
CVM Official Letter	1,976,833	1,673,180	1,395,436	1,141,731	909,170	322,609	49,252	-
	26.96%	28.05%	29.21%	30.51%	32.09%	39.93%	50.14%	N/A
Depreciation expenses								
IFRS 16	(279,992)	(252,511)	(228,504)	(206,126)	(187,499)	(504,659)	(171,733)	(21,874)
CVM Official Letter	(360,275)	(321,756)	(291,221)	(264,505)	(241,828)	(669,751)	(238,889)	(31,906)
	28.67%	27.42%	27.45%	28.32%	28.98%	32.71%	39.10%	45.86%
Interest expense								
IFRS 16	(97,568)	(96,171)	(93,724)	(90,454)	(86,742)	(339,031)	(113,116)	(11,542)
CVM Official Letter	(128,164)	(126,740)	(124,175)	(120,633)	(116,505)	(481,174)	(173,620)	(20,407)
	31.36%	31.79%	32.49%	33.36%	34.31%	41.93%	53.49%	76.81%

	IFRS 16/CPC 06	CVM Official Letter
Depreciation expenses	(1,852,898)	(2,420,131)
Interest expense	(928,348)	(1,291,418)
	(2,781,246)	(3,711,549)

14. Borrowings

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

	Annual charges		Consolidated	
Type	Rate	Index	2021	2020
In local currency				
Export Credit Note (NCE)	0%	CDI	-	131,780
BNDES credit facility	2.20%	+ TJLP	145,682	162,873
BNDES credit facility	3.28%	-	117,845	160,039
Rural credit	0%	-	-	278,497
FINEP	4.00%	-	64,169	84,433
Agribusiness Receivable Certificate (CRA)	98.06%	CDI	1,442,018	1,474,171
Agribusiness Receivable Certificate (CRA) (a) (iii)	4.88%	+ IPCA	475,325	448,743
Other securitized credits	3.00%	+IGP-M/PRE	36	8,389
Leases	5.98%	Fixed rate	180	-
Total in local currency	**102.07%**	**CDI**	**2,245,255**	**2,748,925**
In foreign currency				
Export prepayment (PPE)	0%	FX variation	-	1,050,150
Export prepayment (PPE)	1.55%	6M Libor	1,307,281	394,865
International Finance Corporation (IFC)	1.80%	6M Libor	344,468	474,334
Export Credit Note (NCE) (iii)	2.27%	FX variation	142,513	130,057
FINEM	2.73%	Currency basket	11,446	16,111
Total in foreign currency	**3.22%**		**1,805,708**	**2,065,517**
TOTAL (i)			**4,050,963**	**4,814,442**
Current			674,504	591,024
Non-current			3,376,459	4,223,418

(All amounts in thousands of reais unless otherwise stated)

(i) Total costs of liabilities in local and foreign currency were calculated based on the terms of the portfolios, and on Interbank Deposit (DI) and LIBOR curves.
(ii) 51% of the Agribusiness Receivable Certificates (CRAs) is linked to 121.87% of the DI rate, through a swap contract.
(ii) 100% of the Export Credit Note (NCE) amount is linked to the DI rate +1.40% p.a., through a swap contract.

Changes in borrowings during the year were as follows:

Changes in debt	Parent company and	
	2021	2020
Previous balance	4,814,442	4,452,600
Proceeds from borrowings	212,479	546,107
Repayment of principal amount	(1,107,098)	(739,887)
Repayment of interest	(212,512)	(178,303)
Inflation adjustment	165,155	245,971
Foreign exchange variation	178,497	487,954
	4,050,963	**4,814,442**

Long-term borrowings mature:

Parent company and Consolidated	Maturity
From 4/1/2022 to 3/31/2023	531,395
From 4/1/2023 to 3/30/2024	803,943
From 3/1/2024 to 3/31/2025	706,066
From 4/1/2025 to 3/31/2026	839,063
From 4/1/2026 to 3/31/2027	437,509
From 4/1/2027 to 3/30/2028	21,349
From 3/1/2028 to 3/31/2029	19,663
From 14/1/2029 onwards	17,471
	3,376,459

In these financial statements, R$ 853,228 of São Martinho's debt is collateralized as follows: 96% by equipment, properties, and buildings, approximately 4% by land, and 1% by receivables from electricity 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 5.3% (4.7% at March 31, 2020), and are classified within Level 2 of the fair value hierarchy.

(All amounts in thousands of reais unless otherwise stated)

Covenants

The Company's contracts include financial and/or social and environmental covenants amounting to R$ 1,666,905, which are determined and required annually. These covenants were complied with in the reporting period.

15. Trade payables

	Parent company		Consolidated	
	2021	2020	2021	2020
Sugarcane	64,026	74,749	55,980	69,158
Materials, services, and other	165,618	102,099	165,727	105,366
	229,644	**176,848**	**221,707**	**174,524**

Of the total amount of trade payables, R$ 11,122 in the parent company, and R$ 469 in the consolidated (R$ 6,204 and R$ 355, respectively, at March 31, 2020) refer to related parties, as detailed in Note 9.

16. Obligations and Rights with Copersucar

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

a) Obligations:

Copersucar provided funds, through bills of exchange, to its members, including the Company during the period of 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 within non-current liabilities. However, in the event of unfavorable outcomes in the lawsuits, the Company could be required to reimburse the amount within 120 days. The main amounts included in these liabilities arise from Excise Tax (IPI), the constitutionality and legality of which were challenged in court by the Cooperative, and from tax liabilities included in the Tax Recovery Program (REFIS) of Copersucar, as shown below.

(All amounts in thousands of reais unless otherwise stated)

Parent company and Consolidated	2021	2020
REFIS - Copersucar - Restated by reference to SELIC rate	40,896	53,456
Exchange Bill (LC) - Restated by reference to SELIC rate	71,569	71,077
Exchange Bill (LC) - Transfer of funds without imposition of charges	52,356	52,356
Expenses with tax proceedings	9,075	10,892
Others	2,300	2,300
Total	**176,196**	**190,081**
Current liabilities	**9,075**	**10,892**
Non-current	**167,121**	**179,189**

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

Copersucar has been served delinquency notices with respect to State Value-Added Tax (ICMS) levied on sales of fuel and industrial ethanol made up to December 31, 2008, of which the amount attributed to the Company would be approximately R$ 260 million. Copersucar is confident it has a legal basis to defend itself against the fines and the risk of loss involved was classified by its legal advisors as possible.

b) **Rights:**

Copersucar is also a plaintiff in legal proceedings claiming the refund of overpaid tax 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 in the lawsuits in which Copersucar is a plaintiff, is a claim against the Federal Government for financial damages from price controls for sugar and ethanol sales in the 1980s.

In June 2017, the first court-ordered debt security was issued for the amount of R$ 5.6 billion (of which the Company is entitled to R$ 730.5 million), and in June 2018, the supplementary court-ordered debt security amounting to R$ 10.6 billion (of which the Company is entitled to R$ 1.4 billion) was issued.

The balance of R$ 2.2 billion contested by the Federal Government (of which the Company is entitled to R$ 286.3 million) is still under dispute.

(All amounts in thousands of reais unless otherwise stated)

In March 2019, Copersucar received and transferred to the Cooperative members the first installment of the first court-ordered debt security (R$ 906 million). Additionally, in December 2019, the second installment of the first court-ordered debt security (R$ 1.06 billion) and the first installment of the supplementary court-ordered debt security (R$ 1.725 billion) were collected. Subsequently, in September 30, 2020, the third installment of the first-court ordered debt security (R$ 1.08 billion) and the second installment of the supplementary court-ordered debt security (R$ 1.975 billion) were collected.

In transferring the funds, Copersucar withheld a portion for future litigation for damages and the payment of PIS and COFINS taxes, while undertaking to transfer the corresponding amounts in the event of a favorable outcome. On March 31, 2021 the credits from the amount receivable was R$ 103,710 and is registered as other receivables in non-current assets.

The Company, consistent with the measures taken by Copersucar, has also filed a lawsuit, supported by a judicial deposit, claiming the suspension of the payment of IRPJ/CSLL/PIS/COFINS. The judicial deposit was provided for within the line item: "Taxes with suspended payment" As provided for in the Agreement for Purchase and Sale of Shares of Santa Cruz S.A. Açúcar e Álcool ("USC"), the Company transferred R$ 54,132 to Luiz Ometto Participações S.A.

Following the transfer and withholding of the amounts related to court expenses and taxes under litigation, the balance of R$ 383,040 was recorded within "Other income, net". As management considers the receipt of the remainder credit to be probable, but not practically certain, the related amount has not been recorded.

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

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

	Acquisitions	Disposals	
Parent company and Consolidated	**Usina Santa Cruz**	**Agro Pecuária Boa Vista**	**Net balance**
At March 31, 2020	(125,043)	98,109	(26,934)
Repayment of the principal amount	31,210	(19,590)	11,620
Inflation adjustment	(2,625)	2,079	(546)
Repayment of interest	2,719	(2,147)	572
At March 31, 2021	**(93,739)**	**78,451**	**(15,288)**

Current liabilities	(11,638)
Non-current liabilities	(3,650)
	(15,288)

(All amounts in thousands of reais unless otherwise stated)

The amounts include interest accrued at the CDI rate, and paid on an annual basis, according to the following schedule:

Maturities	(Acquisition) / Disposal
From 4/1/2021 to 3/30/2022	(11,620)
From 4/1/2022 to 3/30/2023	(11,620)
From 4/1/2023 to 3/30/2024	(11,620)
From 4/1/2024 to 3/30/2025	19,590
	(15,270)

18. Equity

a) Share capital

Share capital at the balance sheet date amounted to R$ 2,071,819 (R$ 1,696,652 at March 31, 2020), represented by 364,011,329 registered common shares without par value.

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

At the Extraordinary General Meeting held on July 31, 2020, the stockholders approved a capital increase of R$ 375,167, through the transfer of R$ 9,418 from the Capital Reserve, and R$ 365,749 from the Tax Incentive Reserve.

b) Treasury shares

Since these are repurchased own 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.

	2020	Acquisition of shares	2021
Number	7,267,063	369,200	7,636,263
Average price (in R$)	18.08	23.39	18.33
Total amount	**131,361**	**8,636**	**139,997**

c) Carrying value adjustments

Deemed cost

These adjustments correspond to the surplus 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 is based on the 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. The balance is reversed over time from equity, as the related transactions mature/are shipped.

d) Revenue reserves

Legal reserve

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

Capital I expenditure budget

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

At March 31, 2021, R$487,851 relates to completed projects, the capitalization of which will be proposed by the Board of Directors at the next Annual General Meeting of the Company.

Unrealized profit reserve

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

Tax incentive reserve

The Company benefits from a tax incentive program introduced by the State of Goiás and effective until 2033, in the form of deferral of ICMS payment, named "Goiás Industrial Development Program - Produzir", which provides for a partial reduction on such tax. The use of this benefit is conditional upon compliance with all 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 as "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".

The incentive amount that impacted the result at the reporting date was R$ 81,933 in the parent and consolidated (R$ 121,902 at March 31, 2020).

e) Dividends and interest on capital

At the Annual General Meeting held on July 31, 2020, the stockholders approved the payment of additional dividends of R$ 12,936, as proposed by management for the year ended March 31, 2020.

The Board of Directors' meetings held on November 9, 2020 approved the payment of interest on capital in the gross amount of R$ 120,000.

The Company`s Stockholder Remuneration Policy (Dividends) ensures the payment of a dividend and/or interest on capital equivalent to 40% of cash profit, as defined, to the stockholders, calculated as presented below and as disclosed by the Company, or 25% of the profit for the year, after offsetting the greater of the accumulated deficit and appropriations to the legal reserve.

The minimum distribution of 40% of the cash profit will not occur if recommended by the Board of Directors, considering the needs for:

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

(All amounts in thousands of reais unless otherwise stated)

The table below shows the dividends calculated under this policy:

Calculation of cash profit	2021
EBT	1,208,802
IR/CS - book value	(281,679)
Profit for the year	927,123
Non-cash effect of IFRS on EBT	37,940
IR/CS - book value	281,678
IR/CS paid	(30,354)
Judicial deposit (IR/CS IAA)	(154,905)
Adjustment to biological assets	(64,979)
Cash profit	**996,503**
Dividend policy (41.5% of cash profit)	**413,829**
Unrealized profit reserve	6,171
Total profit to be distributed	**420,000**

The table below, demonstrates the proposed allocation of profit for the year. The Board of Directors' meeting held on June 21, 2021 approved the proposal for additional distribution of dividends of R$ 197,459 (R$ 0.5701 per share), to be ratified at the Annual General Meeting.

	2021	2020
Profit for the year	927,123	639,010
Transfer to legal reserve - 5%	(46,356)	(31,950)
Transfer to tax incentive reserve	(81,933)	-
Minimum mandatory dividend calculation basis	798,834	607,060
Minimum mandatory dividend - 25%	199,709	151,765
Interest on capital	120,000	120,000
IRRF on interest on capital	(16,660)	(16,592)
Mandatory minimum dividends	96,369	48,357
Recognition of unrealized profit reserve	6,171	6,332
Supplementary dividends	197,459	12,936
Total	403,339	171,033
Dividends per share	1.1645	0.4933
Quantity of shares, net of treasury shares - March 31	346,375	346,744

19. Profit sharing

The Company provides a profit-sharing program for its employees, linked to previously agreed operating and financial targets. In the current year, profit sharing totaled R$ 65,318 in the Parent company and R$ 65,386 in the Consolidated (R$ 70,497 and R$ 70,583 in the Parent company and Consolidated, respectively, at March 31, 2021).

(All amounts in thousands of reais unless otherwise stated)

20. Income tax and social contribution

Deferred income and social contribution taxes are calculated on income 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.

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

The Company has adopted IFRIC 23/ICPC 22 - Uncertainty over Income Tax Treatments, which addresses the accounting for income taxes in cases where the tax treatments involve uncertainties that affect the application of IAS 12 (CPC 32). It reviews each uncertain tax treatment separately or in groups applying an approach that best predicts the resolution of uncertainties. The Company did not identify any effects from the adoption of this interpretation.

In the year to March 31 2021 the Company (Parent) paid advances for taxes on income of R$ 22.997 leaving a receivable of R$ 2.285 at year end recoverable through tax credits; the Company's subsidiaries made payments of IRPJ / CSLL of R$7,357.

a) Balance breakdown

	Parent company		Consolidated	
	2021	2020	2021	2020
Current assets				
. Prepaid income tax and social contribution	-	6,418	-	6,418
. Income tax and social contribution recoverable	42,248	64,839	42,250	64,839
	42,248	**71,257**	**42,250**	**71,257**
Debts in current liabilities				
. Income tax and social contribution payable	-	-	7,480	4,985

(All amounts in thousands of reais unless otherwise stated)

b) Changes in deferred income tax and social contribution

Parent company	2020	Recognized in the statement of income	Realization of revaluation increment from deemed cost	Recognized in other comprehensive income	2021
Income tax and social contribution losses	38,137	25,156	-	-	63,293
Derivative financial instruments	305,040	(9,912)	-	22,492	317,620
Provision for contingencies	58,364	16,558	-	-	74,922
Foreign exchange gains	25,344	(2,599)	-	-	22,745
Other receivables	62,850	(4,463)	-	-	58,387
Total income and social contribution tax assets	**489,735**	**24,740**	**-**	**22,492**	**536,967**
Surplus on revaluation of PP&E (deemed cost)	(142,805)	12,508	-	-	(130,297)
Accelerated depreciation incentive	(346,415)	(77,602)	-	-	(424,017)
Tax benefit on merged goodwill	(180,409)	(17,550)	-	-	(197,959)
Foreign exchange losses	-	(67,182)	-	-	(67,182)
Other payables	(34,326)	10,349	365	-	(23,612)
Total income and social contribution tax liabilities	**(703,955)**	**(139,477)**	**365**	**-**	**(843,067)**
Deferred income tax and social contribution	**(214,220)**	**(114,737)**	**365**	**22,492**	**(306,100)**

Consolidated	2020	Recognized in the statement of income	Recognized in other comprehensive income	Consolidation adjustment - Rights on electricity contracts	2021
Income tax and social contribution losses	38,136	25,156	-	-	63,292
Derivative financial instruments	305,041	(9,912)	22,492	-	317,621
Provision for contingencies	52,679	16,558	-	-	69,237
Provision for other obligations	6,174	7,707	-	-	13,881
Foreign exchange gains	25,344	(2,599)	-	-	22,745
Other receivables	62,207	(12,169)	-	-	50,038
Total income and social contribution tax assets	**489,581**	**24,741**	**22,492**	**-**	**536,814**
Surplus on revaluation of PP&E (deemed cost)	(653,728)	12,716	-	-	(641,012)
Accelerated depreciation incentive	(346,415)	(77,602)	-	-	(424,017)
Tax benefit on merged goodwill	(180,409)	(17,550)	-	-	(197,959)
Intangible assets	(15,323)	-	-	3,439	(11,884)
Gain from change in interest held in CTC	(5,068)	-	-	-	(5,068)
Foreign exchange losses	-	(67,182)	-	-	(67,182)
Other payables	(34,325)	10,350	-	-	(23,975)
Total income and social contribution tax liabilities	**(1,235,268)**	**(139,268)**	**-**	**3,439**	**(1,371,097)**
Deferred income tax and social contribution	**(745,687)**	**(114,527)**	**22,492**	**3,439**	**(834,283)**
Other deferred taxes	**(539)**	**-**	**-**	**-**	**(539)**
	(746,226)	**(114,527)**	**22,492**	**3,439**	**(834,822)**

The 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 when they relate to the same tax authority.

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

Deferred income tax and social contribution liabilities are realized mainly through the depreciation and disposal of the property, plant and equipment items that gave rise to them. The average depreciation rate is 15% per year, for the respective property, plant and equipment items; the deferred tax liabilities on the surplus on revaluation of land will be realized if the land is sold.

(All amounts in thousands of reais unless otherwise stated)

The expected recovery of deferred tax assets, based on the projections of taxable income approved by management, including the expectation of realization of temporary differences, are as follows:

Parent company	Expectation realization value
21/22 crop season	139,975
22/23 crop season	104,960
23/24 crop season	96,349
24/25 crop season	65,412
25/26 crop season	80,962
From 26/27 crop season onwards	49,309
	536,967

c) Reconciliation of the income tax and social contribution expense

	Parent company		Consolidated	
Parent company	2021	2020	2021	2020
Profit before taxes	1,199,044	725,451	1,208,802	733,674
Income tax and social contribution at nominal rates - 34%	**(407,675)**	**(246,653)**	**(410,993)**	**(249,449)**
Adjustments for calculation of the effective tax rate:				
. Equity in the results of investees	54,584	52,173	1,964	213
. Permanent (additions) exclusions, net	8,171	(1,731)	8,171	(1,731)
. Interest on capital	40,800	40,800	40,800	40,800
. State subsidy	27,857	41,446	27,857	41,446
. Tax incentives	201	324	201	324
. Adjustment to calculation relating to subsidiary taxed based on deemed profit	-	-	46,188	46,534
. Recognition of prior years' income tax and social contribution credits	4,118	27,190	4,118	27,190
. Others	24	10	16	9
Income tax and social contribution expenses	**(271,920)**	**(86,441)**	**(281,678)**	**(94,664)**
Income tax and social contribution at the effective rate	22.7%	11.9%	23.3%	12.9%
Current income tax and social contribution	(157,183)	(116,257)	(167,151)	(124,725)
Deferred income tax and social contribution	(114,737)	29,816	(114,527)	30,061

21. Commitments

In the ordinary course of its business, the Company assumes various commitments, including:

<u>Riparian forests and Legal Reserve areas</u>

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

São Martinho's commitment to follow best environmental practices and sustainable actions is evidenced by its compliance with the Forest Code and other environmental legislation regarding Permanent Preservation Areas (PPA) and Legal

(All amounts in thousands of reais unless otherwise stated)

Reserve (LR). 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.

Sale commitment

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 3 years
Ethanol (m^3)	1,016,578	222,977	720,000
Sugar (metric tons)	1,488,664	1,810,253	1,300,000
Electricity (Mwh)	572,240	1,275,352	7,168,180

Purchases of inputs

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

22. Provision for contingencies

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

(All amounts in thousands of reais unless otherwise stated)

22.1 Probable losses

Under the advice of its legal counsel, management has recorded provisions for probable risk of loss contingencies (including accruals) as follows:

	Parent company				
	Tax claims	Civil and environmental claims	Labor claims	TOTAL	Judicial deposits
At March 31, 2020	14,958	27,583	57,252	99,793	270,872
Additions	123	1,378	21,606	23,107	205,770
Reversals	(515)	(2,914)	(5,894)	(9,323)	-
Utilization	(240)	(1,547)	(13,689)	(15,476)	(7,778)
Restatements	188	(2,048)	5,459	3,599	15,915
At March 31, 2021	**14,514**	**22,452**	**64,734**	**101,700**	**484,779**

	Consolidated				
	Tax claims	Civil and environmental claims	Labor claims	TOTAL	Judicial deposits
At March 31, 2020	14,958	28,073	57,252	100,283	271,060
Additions	135	1,380	21,606	23,121	205,780
Reversals	(515)	(2,914)	(5,894)	(9,323)	-
Utilization	(252)	(1,548)	(13,689)	(15,489)	(7,787)
Restatements	188	(1,983)	5,459	3,664	15,976
At March 31, 2021	**14,514**	**23,008**	**64,734**	**102,256**	**485,029**

Judicial deposits bear interest/indexation adjustments and are presented in non-current assets. Additions recorded in the period are shown in Note 16 (b).

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

Tax lawsuits:

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

Civil and environmental lawsuits:

Relate to: (i) compensation amounts, in general; (ii) environmental administrative penalties for the event of a fire in a sugarcane crop area, the legality of which is being challenged by the Company, with the respective amounts deposited in court; (iii) success fees payable to the lawyers hired to defend the Company in the related lawsuits.

(All amounts in thousands of reais unless otherwise stated)

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.

22.2 Possible losses

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

		Parent company				Consolidated			
		2021		2020		2021		2020	
Nature		Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount	Number of proceedings	Amount
Environmental claims		86	5,863	91	6,120	86	5,863	91	6,120
Civil claims									
Indemnities		45	23,376	51	28,353	45	23,376	53	28,787
Review of contracts		11	1,480	11	2,472	11	1,480	12	2,493
Other lawsuits		17	15,550	13	15,187	20	15,585	16	15,260
Labor claims		47	3,914	36	3,246	48	3,914	36	3,246
Tax claims									
Social security contribution	(i)	16	167,132	16	227,621	16	167,132	16	227,621
Computation of IRPJ/CSLL	(ii)	5	264,754	5	292,703	5	264,754	5	292,703
Offset of federal taxes	(iii)	101	173,629	76	110,047	106	177,854	77	114,032
ICMS	(iv)	14	56,317	13	36,399	14	56,317	13	36,399
Federal taxes	(v)	1	444,083	1	242,188	1	444,083	1	242,188
Other lawsuits	(vi)	23	509,520	21	473,442	28	522,999	26	486,861
TOTAL		**366**	**1,665,618**	**334**	**1,437,778**	**380**	**1,683,357**	**346**	**1,455,710**

Tax lawsuits:

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

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

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

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

(v) The 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) Other tax disputes include: (a) Public Civil Action on 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 arising from the disallowance of offset; (c) contribution to the National Service for Industrial Training (SENAI)I; (d) fee payable to the National Department of Mineral Research (DNPM); (e) levy of Property Transfer Tax (ITBI) on merger transaction. and (f) Municipal Real Estate Tax (IPTU) collection claims.

Other proceedings:

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

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

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

22.3 Assets - ICMS exclusion from PIS/COFINS tax bases

The Company has filed three lawsuits to exclude ICMS from the PIS and COFINS tax calculation bases, on which two have been granted a favorable final and unappealable ruling.

On March 31, 2021, the Company recognized income of R$ 1.4 million following the favorable final and unappealable decision, using for calculation purposes, the ICMS overpaid in the respective months, since the Federal Supreme Court had not yet determined the calculation basis.

On May 13, 2021, the Federal Supreme Court (STF) concluded the judgment of the motions for clarification in the lawsuit reiterating that the ICMS should be excluded from the PIS and COFINS tax base and that the overpaid amount 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 the judgment on the merits of the action, except for judicial and administrative measures filed before that date.

The Company has hired tax experts to assess the criteria and determine other recoverable credits and their respective accounting, which will be made when the amounts can be reliably measured.

(All amounts in thousands of reais unless otherwise stated)

23. Risk management and derivative financial instruments

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

Derivative financial instruments are contracted exclusively for the purpose of pricing and hedging the Company's exports of sugar, ethanol and other products against foreign exchange risk, price fluctuation, and interest rate variations.

23.1 Market risk

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.

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

Assets and liabilities exposed to exchange variation

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

Consolidated	2021	Equivalent to thousands of US$	2020	Equivalent to thousands of US$
Current and non-current assets				
Cash and cash equivalents (banks - demand deposits	286,519	50,296	91,818	17,664
Trade receivables	95,318	16,732	5,430	1,045
Derivative financial instruments	188,543	33,097	253,612	48,789
Total assets	570,380	100,125	350,860	67,498
Current and non-current liabilities				
Borrowings	1,805,708	316,941	2,065,517	397,314
Derivative financial instruments	298,912	52,466	485,495	93,388
Total liabilities	2,104,620	369,407	2,551,012	490,702
Subtotal assets (liabilities)	(1,534,240)	(269,282)	(2,200,152)	(423,204)
(-) Borrowings in foreign currency	1,805,708	316,941	1,575,072	302,974
Net currency exposure	**271,468**	**47,659**	**(625,080)**	**(120,230)**

(All amounts in thousands of reais unless otherwise stated)

The net exposure is calculated excluding borrowings denominated in foreign currency, since these will be settled with resources from future export revenue and are, therefore, protected by the Company's natural hedging policy.

Assets and liabilities were adjusted and recorded in these financial statements at the exchange rate in effect on March 31, 2021: R$ 5.6967 per US$ 1.00 for assets and R$ 5.6973 per US$ 1.00 for liabilities.

b) Commodity price volatility risk

As a manufacturer of sugar and ethanol, São Martinho is exposed to the risk of fluctuations in commodity prices.

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 naturally mitigated since all financial investments are linked to floating rates. For borrowings in foreign currency, swaps may be contracted to mitigate possible interest-rate fluctuations (LIBOR).

d) Market risk sensitivity analysis

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

		Impacts on P/L		
Consolidated	Risk factor	Probable scenarios 5%	scenarios 25%	scenarios 50%
Cash and cash equivalents	Decrease in exchange rate - R$/US$	(14,330)	(71,651)	(143,301)
Trade receivables	Decrease in exchange rate - R$/US$	(4,766)	(23,832)	(47,664)
Borrowings	Increase in exchange rate - R$/US$	(127)	(637)	(1,275)
Derivative financial instruments				
Currency forward contracts	Increase in exchange rate - R$/US$	(239)	(1,195)	(2,389)
Futures price (sugar and ethanol)	Increase in commodity futures prices	(60)	(300)	(600)
Swap contracts	Decrease in exchange rate - R$/US$ and increase in the yield curve	(941)	(2,357)	(4,732)
Net exposure		**(20,463)**	**(99,972)**	**(199,961)**

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

e) Financial instruments

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

(All amounts in thousands of reais unless otherwise stated)

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

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

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

At March 31, 2021, the balances of assets and liabilities related to transactions involving derivative financial instruments and the respective maturity dates were as follows:

				2021
Parent company and Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
In current assets - Gain				
Margin deposit				55,372
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	75,543	15.51	147,166	7,014
. Purchase commitment	229,728	13.06	376,843	50,035
Commodity futures contracts - Ethanol				
. Sale commitment	8,130	2,248.08	18,277	36
. Purchase commitment	16,560	2,345.00	38,833	-
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	74,925	5.73	429,320	5,589
. Purchase commitment	669	5.36	3,586	200
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	25,604	13.85	44,541	4,348
. Bidding position in put options	151,747	13.16	250,830	6,385
Interest rate swap contracts - OTC				10,925
Total derivative financial instruments in current assets				**139,904**
In non-current assets - Gain				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Purchase commitment	14,021	12.95	22,806	1,520
Commodity forward contracts - Sugar #11				
. Sale commitment	8,789	14.66	16,184	364
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	16,757	6.13	102,720	1,363
. Purchase commitment	625	5.73	3581	125
Interest rate swap contracts - OTC				45,267
Total derivative financial instruments in non-current assets				**48,639**

(All amounts in thousands of reais unless otherwise stated)

Parent company and Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
				2021
In current liabilities - Loss				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	266,662	12.10	405,275	90,427
. Purchase commitment	89,666	15.51	174,680	8,158
Commodity futures contracts - Ethanol				
. Sale commitment	3,300	2,231.82	7,365	1
Commodity forward contracts - Sugar #11				
. Sale commitment	19,102	13.05	31,311	4,117
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	254,249	5.48	1,393,285	63,054
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Short position in call options	172,068	14.60	315,541	26,648
. Bidding position in put options	5,283	12.00	7,963	60
Interest rate swap contracts - OTC				26,220
Total derivative financial instruments in current liabilities				**218,685**
In non-current liabilities - Loss				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	21,439	12.93	34,818	2,375
Currency forward contracts (NDF) - US dollar - OTC				
. Sale commitment	76,854	5.82	446,914	16,425
. Purchase commitment	900	6.05	5,447	30
Interest rate swap contracts - OTC				61,397
Total derivative financial instruments in non-current liabilities				**80,227**

Parent company and Consolidated	Contracted amount/volume	Average price/rate	Notional value - R$	Fair value - R$
				2020
In current assets - Gain				
Margin deposit				43,596
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	483,334	13.02	721,252	124,016
. Purchase commitment	3,607	11.08	4,581	32
Commodity futures contracts - Ethanol				
. Sale commitment	1,200	1,645.00	1,974	-
Commodity forward contracts - Sugar #11				
. Sale commitment	15,546	13.11	23,359	4,310
Currency forward contracts (NDF) - US dollar - OTC				
. Purchase commitment	2,607	4.49	11,705	1,985
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Bidding position in put options	134,576	13.91	214,547	45,344
Interest rate swap contracts - OTC				5,352
Total derivative financial instruments in current assets				**224,635**
In non-current assets - Gain				
Commodity futures contracts - Sugar #11 - Commodities Exchange				
. Sale commitment	10,160	14.44	16815	3,612
. Purchase commitment	762	11.29	986.00	4
Currency forward contracts (NDF) - US dollar - OTC				
Interest rate swap contracts - OTC				25,361
Total derivative financial instruments in non-current assets				**28,977**

(All amounts in thousands of reais unless otherwise stated)

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

Margin deposit balances relate to funds maintained in current accounts with brokers to cover the initial and variation margins established by the Commodities Exchange on which the contracts are signed, for the purpose of guaranteeing outstanding contracts and net remittances related to daily adjustments to reflect 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 current balance sheet date, financial instruments designated for hedge accounting are broken down as follows:

Parent company and Consolidated	Assets	Liabilities	Total in other comprehensive income
Financial instruments:			
Commodity derivatives - Futures, options and forward contracts	61,519	131,150	(69,631)
Foreign exchange derivatives - Options / NDF	3,160	80,423	(77,263)
Foreign exchange differences on borrowing agreements (Trade Finar	1,549	755,888	(754,339)
	66,228	967,461	(901,233)
Deferred taxes on the items above	(22,518)	(328,937)	306,419
	43,710	**638,524**	**(594,814)**

f) Estimated realization

The impacts recorded in the Company's equity at March 31, 2021, and the estimated realization in profit or loss are shown below:

(All amounts in thousands of reais unless otherwise stated)

Parent company and consolidated	20/21 crop year	21/22 crop year	22/23 and 23/24 crop years	24/25 to 25/26 crop years	TOTAL
Derivative financial instruments:					
Commodity derivatives - Futures, options and forward contracts	(69,143)	(488)	-	-	(69,631)
Foreign exchange derivatives - Options / NDF	(62,254)	(15,009)	-	-	(77,263)
Foreign exchange differences on borrowing agreements (Trade Financ	(143,694)	(148,243)	(155,526)	(306,876)	(754,339)
	(275,091)	(163,740)	(155,526)	(306,876)	(901,233)
Deferred taxes on the items above	93,531	55,672	52,879	104,337	306,419
	(181,560)	**(108,068)**	**(102,647)**	**(202,539)**	**(594,814)**

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.

With respect to trade receivables, the credit risk associated with each individual customer is assessed annually, and whenever a new customer is included in the Company's customer base, 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 active trading in the market.

Cash surpluses in foreign currency are invested with daily liquidity at fixed rates.

The table below analyzes the financial liabilities by maturity groupings, which correspond to the remaining period from the balance sheet date to the contractual maturity date, based on undiscounted future cash flows.

(All amounts in thousands of reais unless otherwise stated)

Parent company	Up to 1 year	From 2 to 3 years	More than 3 years	Total
At March 31, 2021				
Borrowings	735,737	1,546,631	2,258,785	4,541,153
Leases payable	68,300	63,669	456,352	588,321
Agricultural partnership payable	279,041	254,328	1,162,543	1,695,912
Derivative financial instruments	218,685	80,227	-	298,912
Trade payables	229,644	-	-	229,644
Acquisition of ownership interest	12,156	22,665	(20,781)	14,040
Other payables	17,126	-	5,617	22,743
	1,560,689	**1,967,520**	**3,862,517**	**7,390,725**
At March 31, 2020				
Borrowings	695,444	2,125,151	2,949,233	5,769,828
Leases payable	66,110	119,929	517,511	703,550
Agricultural partnership payable	281,961	507,585	1,173,327	1,962,873
Derivative financial instruments	406,473	-	-	406,473
Trade payables	176,848	-	-	176,848
Acquisition of ownership interest	12,687	12,283	1,872	26,842
Other payables	10,310	-	12,879	23,189
	1,649,833	**2,764,948**	**4,654,822**	**9,069,603**

Consolidated	Up to 1 year	From 2 to 3 years	More than 3 years	Total
At March 31, 2021				
Borrowings	735,737	1,546,631	2,258,785	4,541,153
Leases payable	68,300	63,669	456,352	588,321
Agricultural partnership payable	279,041	254,328	1,162,543	1,695,912
Derivative financial instruments	218,685	80,227	-	298,912
Trade payables	221,707	-	-	221,707
Acquisition of ownership interest	12,156	22,665	(20,781)	14,040
Other payables	30,812	-	5,617	36,429
	1,566,438	**1,967,520**	**3,862,517**	**7,396,474**
At March 31, 2020				
Borrowings	695,444	2,125,151	2,949,233	5,769,828
Leases payable	66,110	119,929	517,511	703,550
Agricultural partnership payable	281,961	507,585	1,173,327	1,962,873
Derivative financial instruments	406,473	79,022	-	485,495
Trade payables	174,524	-	-	174,524
Acquisition of ownership interest	12,687	12,283	1,872	26,842
Other payables	18,527	-	12,869	31,396
	1,655,726	**2,843,970**	**4,654,812**	**9,154,508**

(All amounts in thousands of reais unless otherwise stated)

23.4 Capital management

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

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

24. Classification and fair value of financial instruments

24.1 Classification

Financial assets and liabilities are classified as follows:

		Parent company	
	Classification	2021	2020
Financial assets			
Cash and cash equivalents	Amortized cost	287,652	91,998
Financial investments	Fair value through profit or loss	962,308	1,810,651
Trade receivables	Amortized cost	170,554	125,531
Derivative financial instruments	Fair value through other comprehensive income	132,351	222,899
Derivative financial instruments	Fair value through profit or loss	56,192	30,713
Judicial deposits	Amortized cost	484,779	270,872
Related parties	Amortized cost	30,000	255
Other assets, except prepayments	Amortized cost	114,777	70,843
		2,238,613	**2,623,762**
Financial liabilities			
Borrowings	Fair value through profit or loss	216	8,389
Borrowings	Amortized cost	4,050,747	4,806,053
Derivative financial instruments	Fair value through other comprehensive income	211,295	398,071
Derivative financial instruments	Fair value through profit or loss	87,617	87,424
Leases and agricultural partnerships payable	Amortized cost	1,912,634	1,675,913
Trade payables	Amortized cost	229,644	176,848
Acquisition of ownership interests	Amortized cost	15,288	26,934
Other payables	Amortized cost	22,743	23,189
		6,530,184	**7,202,821**

(All amounts in thousands of reais unless otherwise stated)

		Consolidated	
	Classification	2021	2020
Financial assets			
Cash and cash equivalents	Amortized cost	288,350	92,066
Financial investments	Fair value through profit or loss	1,075,798	1,869,998
Trade receivables	Amortized cost	239,848	193,021
Derivative financial instruments	Fair value through other comprehensive income	132,351	222,899
Derivative financial instruments	Fair value through profit or loss	56,192	30,713
Judicial deposits	Amortized cost	485,029	271,060
Other assets, except prepayments	Amortized cost	114,862	70,896
		2,392,430	**2,750,653**
Financial liabilities			
Borrowings	Fair value through profit or loss	216	8,389
Borrowings	Amortized cost	4,050,747	4,806,053
Derivative financial instruments	Fair value through other comprehensive income	211,295	398,071
Derivative financial instruments	Fair value through profit or loss	87,617	87,424
Trade payables	Amortized cost	221,707	174,524
Leases and agricultural partnerships payable	Amortized cost	1,912,634	1,675,913
Acquisition of ownership interests	Amortized cost	15,288	26,934
Other payables	Amortized cost	36,429	31,396
		6,535,933	**7,208,704**

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 the counterparties' default rates. There is no history of significant default in the Company.

25. Fair value

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

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

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

(All amounts in thousands of reais unless otherwise stated)

Parent company	2021 Level 1	2021 Level 2	2021 Level 3	2020 Level 1	2020 Level 2	2020 Level 3
Assets						
Financial investments	-	962,308	-	-	1,810,651	-
Derivative financial instruments	24,892	163,651	-	173,008	80,604	-
Biological assets	-	-	989,540	-	-	713,547
	24,892	**1,125,959**	**989,540**	**173,008**	**1,891,255**	**713,547**
Liabilities						
Derivative financial instruments	92,863	206,049	-	161,629	323,866	-
Borrowings	-	216	-	-	8,389	-
	92,863	**206,265**	**-**	**161,629**	**332,255**	**-**

Consolidated	2021 Level 1	2021 Level 2	2021 Level 3	2020 Level 1	2020 Level 2	2020 Level 3
Assets						
Financial investments	-	1,075,798	-	-	1,869,998	-
Derivative financial instruments	24,892	163,651	-	173,008	80,604	-
Biological assets	-	-	989,540	-	-	713,547
	24,892	**1,239,449**	**989,540**	**173,008**	**1,950,602**	**713,547**
Liabilities						
Derivative financial instruments	92,863	206,049	-	161,629	323,866	-
Borrowings	-	216	-	-	8,389	-
	92,863	**206,265**	**-**	**161,629**	**332,255**	**-**

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, and exchange coupon interest curves published by the B3, PTAX 800 published by the Brazilian Central Bank, and sugar futures prices disclosed by ICE Futures on ICE Exchange.

Other financial assets and financial 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.

(All amounts in thousands of reais unless otherwise stated)

26. Segment information (Consolidated)

Management determines its operating segments based on the reports used for strategic decisions and reviewed by the chief operating 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) Electricity;
(iv) Real estate businesses;
(v) Yeast; and
(vi) Other less relevant products and by-products.

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

Consolidated result by segment

								2021
Consolidated	**Sugar**	**Ethanol**	**Electricity**	**Real estate businesses**	**Yeast**	**Other products**	**Not by segment**	**Total**
Gross revenue								
Domestic market	162,806	1,920,806	217,461	15,040	51,017	106,869	-	2,473,999
Foreign market	2,121,033	401,362	-	-	-	-	-	2,522,395
Gain/loss on derivatives	(335,190)	(11,739)	-	-	-	-	-	(346,929)
Amortization of electricity supply contract	-	-	-	-	-	-	(6,578)	(6,578)
(-) Taxes, contributions, and deductions on sales	(12,678)	(278,258)	(17,186)	(1,605)	(7,574)	(20,503)	-	(337,804)
Net revenue	**1,935,971**	**2,032,171**	**200,275**	**13,435**	**43,443**	**86,366**	**(6,578)**	**4,305,083**
Cost of goods sold	(1,260,552)	(1,434,539)	(69,585)	(1,288)	(14,792)	(35,058)	-	(2,815,814)
Change in the market value of biological assets	-	-	-	-	-	-	64,979	64,979
Gross profit	**675,419**	**597,632**	**130,690**	**12,147**	**28,651**	**51,308**	**58,401**	**1,554,248**
Gross margin	*34.89%*	*29.41%*	*65.26%*	*90.41%*	*65.95%*	*59.41%*	-	*36.10%*
Selling expenses	(120,816)	(39,433)	(12,600)	-	(305)	-	-	(173,154)
Other operating income, net	-	-	-	12,209	-	-	157,611	169,820
Operating profit	**554,603**	**558,199**	**118,090**	**24,356**	**28,346**	**51,308**	**216,012**	**1,550,914**
Operating margin	28.65%	27.47%	58.96%	181.29%	65.25%	59.41%	-	36.03%
Other income and expenses not by segment	-	-	-	-	-	-	(623,790)	(623,790)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**927,124**

								2020
Consolidated	**Sugar**	**Ethanol**	**Electricity**	**Real estate businesses**	**Yeast**	**Other products**	**Not by segment**	**Total**
Gross revenue								
Domestic market	129,475	2,111,315	237,618	22,556	27,166	59,487	-	2,587,617
Foreign market	1,130,559	379,365	-	-	-	-	-	1,509,924
Gain/loss on derivatives	(10,567)	(15,174)	-	-	-	-	-	(25,741)
Amortization of electricity supply contract	-	-	-	-	-	-	(6,574)	(6,574)
(-) Taxes, contributions, and deductions on sales	(8,501)	(328,465)	(19,174)	(2,449)	(3,376)	(9,401)	-	(371,366)
Net revenue	**1,240,966**	**2,147,041**	**218,444**	**20,107**	**23,790**	**50,086**	**(6,574)**	**3,693,860**
Cost of goods sold	(895,081)	(1,488,660)	(48,268)	(1,648)	(9,007)	(43,730)	-	(2,486,394)
Change in the market value of biological assets	-	-	-	-	-	-	(30,602)	(30,602)
Gross profit	**345,885**	**658,381**	**170,176**	**18,459**	**14,783**	**6,356**	**(37,176)**	**1,176,864**
Gross margin	*27.87%*	*30.66%*	*77.90%*	*91.80%*	*62.14%*	*12.69%*	-	*31.86%*
Selling expenses	(85,277)	(41,672)	(11,248)	-	-	-	-	(138,197)
Other operating income, net	-	-	-	-	-	-	147,166	147,166
Operating profit	**260,608**	**616,709**	**158,928**	**18,459**	**14,783**	**6,356**	**109,990**	**1,185,833**
Operating margin	21.00%	28.72%	72.75%	91.80%	62.14%	12.69%	-	32.10%
Other income and expenses not by segment	-	-	-	-	-	-	(546,823)	(546,823)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**639,010**

(All amounts in thousands of reais unless otherwise stated)

At March 31, 2021, net revenue from Cbios (decarbonization credits), amounting to R$ 27,719, 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, present variations.

							2021
	Sugar	Ethanol	Electricity	Real estate businesses	Yeast	Not by segment	Total
Trade receivables	109,133	34,661	43,630	41,037	721	10,666	239,848
Inventories and advances to suppliers	270,296	259,856	-	5,056	17	17,926	553,151
Biological assets	421,222	568,318	-	-	-	-	989,540
Property, plant and equipment	2,904,233	2,891,509	125,183	-	39,274	2,445	5,962,644
Intangible assets	247,568	173,054	31,120	-	-	-	451,742
Right-of-use assets	950,912	918,484	-	-	-	-	1,869,396
Total assets allocated	**4,903,364**	**4,845,882**	**199,933**	**46,093**	**40,012**	**31,037**	**10,066,321**
Other unallocated assets	-	-	-	-	-	2,351,535	2,351,535
Total	**4,903,364**	**4,845,882**	**199,933**	**46,093**	**40,012**	**2,382,572**	**12,417,856**

							2020
	Sugar	Ethanol	Electricity	Real estate businesses	Yeast	Not by segment	Total
Trade receivables	17,277	70,340	56,885	42,941	2,345	3,233	193,021
Inventories and advances to suppliers	154,786	245,954	-	8,287	1	7,065	416,093
Biological assets	246,388	467,159	-	-	-	-	713,547
Property, plant and equipment	2,302,517	3,384,846	148,538	-	5,300	3,304	5,844,505
Intangible assets	248,545	176,057	41,087	-	-	-	465,689
Right-of-use assets	685,740	1,033,713	-	-	-	-	1,719,453
Total assets allocated	**3,655,253**	**5,378,069**	**246,510**	**51,228**	**7,646**	**13,602**	**9,352,308**
Other unallocated assets	-	-	-	-	-	2,761,218	2,761,218
Total	**3,655,253**	**5,378,069**	**246,510**	**51,228**	**7,646**	**2,774,820**	**12,113,526**

Taking into consideration 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 for 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 at which revenue is recognized.

For the real estate development segment, the Company adopts the provisions of Technical Interpretation 02 (OCPC 04), in accordance with CVM guidance, recognizing revenue over time (Percentage of Completion (PoC)). The year-to-date amount recognized at March 31, 2021 totaled R$ 7,720 (R$ 2,732 at March 31, 2020).

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

a) Sale of goods and rendering of services

São Martinho sells sugar, ethanol, electricity, 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 customers representing over 10% of its net revenue. The Company's three largest customers of sugar sales account for about 38% of net revenue, while for ethanol sales, the three largest customers account for 18%.

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 as the infrastructure work progresses on a PoC basis.

In relation to installment sales of land with completed infrastructure projects, revenue is recognized when the sale is made, regardless of the term for receiving the contractual amount, and is measured at the fair value of the consideration received and receivable. The amounts receivable is adjusted to present value.

(All amounts in thousands of reais unless otherwise stated)

Sales revenue is broken down as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Gross sales revenue				
Domestic market	2,365,363	2,457,507	2,473,999	2,587,617
Foreign market	2,522,395	1,509,924	2,522,395	1,509,924
Gain/loss on derivatives	(346,929)	(25,741)	(346,929)	(25,741)
	4,540,829	3,941,690	4,649,465	4,071,800
Amortization of electricity supply contract *(i)*	-	-	(6,578)	(6,574)
	4,540,829	3,941,690	4,642,887	4,065,226
Taxes, contributions, and deductions on sales	(330,337)	(362,602)	(337,804)	(371,366)
	4,210,492	**3,579,088**	**4,305,083**	**3,693,860**

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

28. Other income, net

Of the total recorded within Other income (expenses), R$ 383,040 relates to the indemnity received from Copersucar and transferred to the Company (Note16.b).

29. Costs and expenses by nature

An analysis of expenses by nature is as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Raw materials and consumables	938,580	765,327	858,731	702,956
Personnel expenses	475,373	425,029	478,633	428,169
Depreciation and amortization (including biological assets harves	1,382,583	1,246,680	1,386,290	1,249,917
Third-party services	60,002	61,516	59,720	60,059
Freights on sales	142,934	106,216	142,934	106,216
Maintenance parts and services	130,249	114,142	132,613	114,466
Litigation	12,382	8,578	12,396	8,582
Changes in the fair value of biological assets	(64,979)	30,602	(64,979)	30,602
Material for resale	24,294	22,685	43,187	35,011
Cost of land sales	-	-	1,288	1,648
Other expenses	122,869	127,284	130,334	134,436
	3,224,287	**2,908,059**	**3,181,147**	**2,872,062**
Classified as:				
Cost of goods sold	2,804,465	2,563,599	2,750,835	2,516,996
Selling expenses	170,897	136,108	173,154	138,197
General and administrative expenses	248,925	208,352	257,158	216,869
	3,224,287	**2,908,059**	**3,181,147**	**2,872,062**

30. Finance income (costs)

	Parent company		Consolidated	
	2021	2020	2021	2020
Finance income				
Interest received and earned	32,948	103,700	37,704	109,974
PIS/COFINS on finance income	(2,046)	(4,729)	(2,272)	(4,797)
Other income	17,325	8,998	27,847	11,826
	48,227	**107,969**	**63,279**	**117,003**
Finance costs				
Adjustment to present value (i)	(123,533)	(118,980)	(123,533)	(118,980)
Interest on borrowings	(167,121)	(249,441)	(167,132)	(249,441)
Interest incurred	(19,109)	(27,351)	(19,117)	(27,523)
Bank guarantee commission	(1,082)	(870)	(1,082)	(870)
Payables to Copersucar	(8,017)	(6,908)	(8,017)	(6,908)
Other expenses	(73,935)	(12,198)	(74,033)	(12,257)
	(392,797)	**(415,748)**	**(392,914)**	**(415,979)**
Exchange and monetary variation, net				
Available funds	17,560	25,468	17,560	25,468
Trade receivables and payables	3,172	19,322	3,172	19,322
Borrowings	(35,599)	(80,681)	(35,599)	(80,681)
	(14,867)	**(35,891)**	**(14,867)**	**(35,891)**
Derivatives - not designated for hedge accounting				
Gain (loss) on sugar transactions	(9,141)	(4,131)	(9,141)	(4,131)
Gain (loss) on ethanol transactions	551	(7,227)	551	(7,227)
Gain (loss) on foreign exchange transactions	(13,365)	(77,838)	(13,365)	(77,838)
Gain/loss on swap transactions	18,229	(42,025)	18,229	(42,025)
Cost of stock exchange transactions	(1,364)	(1,119)	(1,364)	(1,119)
Foreign exchange variation, net	7,480	15,048	7,480	15,048
	2,390	**(117,292)**	**2,390**	**(117,292)**
Finance income (costs)	**(357,047)**	**(460,962)**	**(342,112)**	**(452,159)**

(i) These are mainly represented by leases and agricultural partnerships payable;

31. Earnings per share

	2021	2020
Profit for the year attributed to stockholders of the Company	927,123	639,010
Weighted average number of common shares in the period - in thousands	346,375	348,443
Basic and diluted earnings per share - R$	**2.6766**	**1.8339**

32. Insurance coverage

São Martinho maintains a standard program of safety, training and quality in its units, which, among other purposes, aims at reducing the risks of accidents. Insurance coverage is considered sufficient to cover potential losses, if any, on its assets and liabilities. The amounts covered by the insurance policies in effect at the current balance sheet date are as follows:

Parent company and Consolidated Item	Risks covered	Maximum coverage *(i)*
Operational Risks (ii)	Any material damage to buildings, facilities, inventories, agricultural and industrial machinery and equipment.	1,182,917
Loss of Profit	Loss of profit due to material damages to facilities, buildings, industrial machinery and equipment, and power generation.	1,023,706
Civil Liability	Covers for damages caused to third parties as a result of professional errors or omissions (E&O insurance).	2,512,969
Environmental Responsibility	Protection against environmental accidents that may lead to breaches of environmental laws.	30,000

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

(ii) Insurance coverage against material damages (operating risks) to vehicles are excluded. A reference value of 100% of the Economic Research Institute (FIPE) table is used.

*   *   *