

Financial Statements

3SB Produtos Agrícolas S.A.

December 31, 2017
with Independent Auditor's Report

3SB Produtos Agrícolas S.A.

Financial statements

December 31, 2017

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A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil

Independent auditor's report on financial statements

To the Quotaholders and Directors of
3SB Produtos Agrícolas S.A.
Primavera do Leste - Mato Grosso

Opinion

We have audited the financial statements of 3SB Produtos Agrícolas S.A. ("Company"), which comprise the balance sheet as of December 31, 2017 and the related statements of income, comprehensive income, changes in quotaholders' equity and cash flows for the year then ended, and explanatory notes to financial statements, including a summary of significant accounting practices.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of 3SB Produtos Agrícolas S.A. as at December 31, 2017, the performance of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

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 financial statements" section of our report. We are independent of the Company and comply with the relevant ethical set forth in the Code of Ethics for Professional Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.

Other matters

Audit of prior year amounts

The financial statements for the year ended December 31, 2016 were audited by other independent auditors, who issued an unmodified audit opinion, thereon dated March 31, 2017.

Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, 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 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 other realistic alternative but to do so.

Auditor's responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 jointly, they could reasonably be expected to influence the economic decisions of users made based on these financial statements.

As part of the audit conducted in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

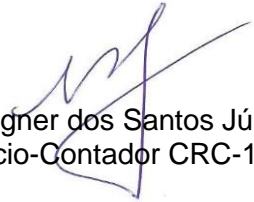
- Identify and assess risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations;
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- 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 substantial doubt as to the Companies' 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 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; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.



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 controls that we identify during our audit.

Goiânia, April 12 2018.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6



Wagner dos Santos Júnior
Sócio-Contador CRC-1SP216386/O-T

3SB Produtos Agrícolas S.A.

Balance sheets
December 31, 2017 and 2016
(In thousands of reais)

	Note	2017	2016
Ativo			
Cash and cash equivalents	4	1,448	1,186
Trade accounts receivable	5	1,740	1,052
Inventories	6	34,382	33,228
Biological Assets	7	73,595	93,272
Advances for purchase of inventories	6	7,547	669
Advances to suppliers		1,645	97
Recoverable taxes		2,795	1,011
Income and social contribution tax recoverable		65	27
Prepaid expenses		124	329
Others		1,478	753
Total current assets		124,819	131,624
Financial loans	8	-	44,751
Others		2,236	2,209
Total long-term assets		2,236	46,960
Investment Property		-	14,200
Investments	9	105,003	5
Property, plant and equipment	10	29,256	44,562
Intangible assets		32	36
Total non-current assets		136,527	58,803
Total Assets		261,346	237,387

	Note	2017	2016
Liabilities			
Suppliers	11	63,095	41,458
Loans and financing	12	57,632	
Financial Loans	8	27,927	90,986
Advances from clients		7,822	6,361
Taxes and contributions payable	14	9,874	4,805
Social charges and labor legislation obligations		4,718	3,149
Other accounts payable	13	20,195	20,422
Total current liabilities		191,263	167,181
Deferred income and social contribution taxes	14	3,543	4,065
Other accounts payable	13	42,841	50,401
Total non-current liabilities		46,384	54,466
Shareholders' equity			
Capital	15	63,706	52,006
Capital reserve		-	342
Accumulated losses		(40,007)	(36,608)
Total shareholders' equity		23,699	15,740
Total liabilities and shareholders' equity		261,346	237,387

See accompanying notes.

3SB Produtos Agrícolas S.A.

Statements of income
December 31, 2017 and 2016
(In thousands of reais)

	Note	2017	2016
Net operating income	16	158,068	147,137
Fair value of biological assets	7	9,501	12,011
Cost of products sold	17	(185,635)	(186,901)
Gross income		(18,066)	(27,753)
General and administrative expenses	17	(10,071)	(11,208)
Other operating income and (expenses)	17	36,363	(3,786)
Operating income before financial income and expenses		8,226	(42,747)
Financial income		1,048	5,920
Financial expenses		(13,899)	(12,266)
Net foreign exchange variation		368	2,809
Net financial income (loss)	18	(12,483)	(3,537)
Income before income and social contribution taxes		(4,257)	(46,284)
Deferred income and social contribution taxes	14	522	3,177
Current income and social contribution taxes		-	-
Net income (loss) for the year		(3,735)	(43,107)

See accompanying notes.

3SB Produtos Agrícolas S.A.

Statements of comprehensive income
December 31, 2017 and 2016
(In thousands of reais)

	<u>2017</u>	<u>2016</u>
Net income (loss) for the year	(3,735)	(43,107)
Other comprehensive income	-	-
Total comprehensive income	<u>(3,735)</u>	<u>(43,107)</u>

See accompanying notes.

3SB Produtos Agrícolas S.A.

Statements of changes in shareholders' equity
December 31, 2017 and 2016
(In thousands of reais)

	Capital	Legal reserve	Profit reserve	Accumulated losses	Total
Balances at December 31, 2015	52,006	342	6,499	-	58,847
Net income (loss) for the year	-	-	-	(43,107)	(43,107)
Realization of profit reserve			(6,499)	6,499	-
Balances at December 31, 2016	52,006	342	-	(36,608)	15,740
Capital increase	11,700	-	-	-	11,700
Net income (loss) for the year	-	-	-	(3,735)	(3,735)
Realization of legal reserve	-	(342)	-	342	-
Others	-	-	-	(6)	(6)
Balances at December 31, 2017	63,706	-	-	(40,007)	23,699

See accompanying notes.

3SB Produtos Agrícolas S.A.

Statements of cash flows - Indirect method
December 31, 2017 and 2016
(In thousands of reais)

	2017	2016
Cash flow from operating activities		
Income (loss) for the year/period	(3,735)	(43,107)
Adjustments on income (loss) for the year/period		
Deferred income and social contribution taxes	(522)	(3,177)
Adjustment in fair value of biological assets	(9,501)	(12,011)
Provision for expired inventories	1,332	-
Interest and foreign exchange rates incurred on loans and loan agreements	8,780	6,884
Depreciation and amortization	15,965	16,183
Residual value of sold property, plant and equipment	14,858	2,783
Adjustment to present value	(639)	26
	26,538	(32,419)
(Increase)/decrease in assets		
Trade accounts receivable	(680)	(1,077)
Inventories	(2,486)	(28,311)
Biological assets	29,178	23,255
Advances for purchase of inventories	(6,878)	298
Advances to suppliers	(1,548)	1,061
Recoverable taxes	(1,784)	(514)
Income and social contribution tax recoverable	(38)	(26)
Prepaid expenses	205	(242)
Other credits	(752)	(1,780)
	(15,217)	(7,336)
Increase/(decrease) in liabilities		
Suppliers	22,268	(23,877)
Taxes and contributions payable	5,069	4,540
Income and social contribution tax payable	-	(157)
Advances from clients	1,461	(5,841)
Social charges and labor legislation obligations	1,569	1,099
Other accounts payable	(7,787)	(10,183)
	22,580	(34,419)
Cash flow (invested in) from operating activities	64,335	(74,174)
Cash flow from investment activities		
Acquisition of property, plant and equipment and intangible assets	(1,313)	(4,352)
Acquisition of other investments	(104,998)	(3)
Cash flow invested in investment investing activities	(106,311)	(4,355)
Cash flow from financing activities		
Loans and Financing	48,852	
Loan received from related parties	(18,314)	79,500
Paid-in capital	11,700	-
Cash flow from financing activities	42,238	79,500
Increase in cash and cash equivalents	262	971
Cash and cash equivalents at the beginning of the year/period	1,186	215
Cash and cash equivalents at the end of year/period	1,448	1,186
Increase in cash and cash equivalents	262	971

See accompanying notes.

3SB Produtos Agrícolas S.A.

Notes to the financial statements
December 31, 2017 and 2016
(In thousands of reais)

1. Operations

3SB Produtos Agrícolas S.A. (the “Company”), created on March 9, 2015, is engaged in planting, cultivating and trading temporary crop agricultural products (cotton, beans, rice, corn, soy bean, millet, sorghum and sunflower) and in exploring agricultural activities in its own land or in third parties’ land, through partnerships or leases. Today, it is present in Mato Grosso State in the municipalities of Primavera do Leste, São Felix do Araguaia, Canabrava do Norte, Novo São Joaquim and Campo Verde.

The purpose of the Company’s strategic planning is to implement Financial Management, Budget Management and improve Governance based on the Bylaws; and the Company is administrated by the Board of Directors and Executive Board. The Company is seeking to improve its internal controls by reducing costs, and we expect that, next crop, we do not have a break such as that of last year, when soy bean, corn and cotton production was below expected yield.

Cultivation activities are developed in areas of approximately 40 thousand hectares, with regular soy bean crop and off-season crop of corn, cotton and beans.

2. Preparation basis

a) Statement of compliance

These financial statements were prepared according to the accounting practices adopted in Brazil (BR GAAP) in conformity with the pronouncements, guidance and interpretations issued by the Accounting Pronouncement Committee - CPC.

The issue of financial statements was authorized by the Management on April 12, 2018.

Details on the Company’s significant accounting policies are shown in Note 3.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by company Management.

b) Measuring basis

The financial statements were prepared based on the historical cost, except for the following material items recognized in the balance sheet:

- Biological assets measured at fair value; and
- Non-derivative financial instruments measured at fair value through profit or loss.

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

2. Preparation basis (Continued)

c) Functional and presentation currency

These financial statements are being presented in Brazilian in thousands, functional currency of the Company. All balances have been rounded to the nearest value, except otherwise indicated.

d) Use of estimates and judgments

The preparation of these financial statements, Management used judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews of estimates are recognized on a prospective basis.

i) *Uncertainties on assumptions and estimates*

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment within the year to end at December 31, 2017 are included in the following note:

Note 7 - Biological assets

- Measurement at fair value

A series of company accounting policies and disclosures requires the measurement of fair values, for financial and non-financial assets and liabilities.

The Management periodically reviews unobservable data considered significant and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the CPC requirements, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring fair value of an asset or liability, the Company uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

2. Preparation basis (Continued)

d) Use of estimates and judgments (Continued)

i) *Uncertainties on assumptions and estimates* (Continued)

Note 7 - Biological assets (Continued)

• Measurement at fair value (Continued)

- Level 1: Prices quoted (not adjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).
- Level 3: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

All of the Company's financial instruments - assets and liabilities - are classified as "Level 2".

Additional information on the assumptions adopted in the measurement of fair values is included in the following notes:

Note 19 - Financial instruments; and

Note 7 - Biological assets.

3. Significant accounting policies

The accounting policies described in detail below have been consistently applied to all the years and periods presented in these financial statements.

a) Foreign currency

Transactions in foreign currency are translated into the respective functional currency of the Company at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated and calculated in foreign currencies on the balance sheet date are reconverted into the functional currency at the foreign exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the foreign exchange rate on the date the fair value was determined. Non-monetary items that are measured based on the historical cost in foreign currency are translated using the rate of the transaction date. Exchange differences arising from the translated are recognized in income (loss).

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

3. Significant accounting policies (Continued)

b) Financial instruments

The Company classifies non-derivative financial assets in the following categories: financial instruments measured at fair value through profit or loss and loans and receivables.

The Company classifies non-derivative financial liabilities in the category of other financial liabilities.

i) *Non-derivative financial assets and liabilities - recognition and derecognition*

The Company initially recognizes the loans, receivables and debt instruments on the date that they are originated. All other financial assets and liabilities are initially recognized on the date of the negotiation when the Entity becomes a party to the instrument's contractual provisions.

The Company fails to recognize a financial asset when the contractual rights to the cash flow of the asset expire, or when the Company transfers the rights to the reception of contractual cash flows over a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

Financial assets and liabilities are offset, and the net value reported in the balance sheet only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

ii) *Non-derivative financial assets - measurement*

Financial assets recorded at fair value through profit or loss

A financial asset is classified as measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition.

The transaction costs are recognized in income (loss) as incurred. These assets are measured at fair value and changes in the fair value, including gains with interest, are recognized in the income (loss) for the year.

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

3. Significant accounting policies (Continued)

b) Financial instruments (Continued)

ii) *Non-derivative financial assets - measurement* (Continued)

Loans and receivables

Such assets are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, loans, accounts receivable and receivables are measured at amortized cost using the effective interest rate method, reduced by any impairment losses.

iii) *Non-derivative financial liabilities - Measurement*

A financial liability is classified as measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. The transaction costs are recognized in income (loss) as incurred. These financial liabilities are measured at fair value and changes in the fair value, including gains with interest and dividends, which are recognized in the income (loss) for the year.

Other non-derivative financial liabilities are initially measured at fair value less any transaction costs directly assignable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

iv) *Capital*

The Company's capital is comprised of common shares that are classified as shareholders' equity.

c) Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories cost is based on moving weighted average principle. The cost of grains transferred from biological assets is at its fair value less selling expenses, calculated on the harvest date.

d) Biological assets

Biological assets are measured at fair value, less sales expenses, and any changes are recognized in income (loss).

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

3. Significant accounting policies (Continued)

e) Investment property

Investment property is property held to earn rentals or for capital appreciation or both, but not for sale in the ordinary course of business. It is measured at cost method.

f) Leased assets

Leased assets (land) are recognized as operating leases and, as such, are not recognized in the Company's balance sheet, being recognized in expenses as lease period elapses, at the straight-line method.

g) Property, plant and equipment

i) *Recognition and measurement*

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses, when applicable.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets constructed by the Company itself include:

- The cost of materials and direct labor;
- Any other costs directly attributable to bringing the assets to and condition required for them to operate in the manner intended by the Management; and
- The costs for dismantling and restoration of the site where these assets are located.

Gains and losses on disposal of a property, plant and equipment item (determined by comparing the proceeds from disposal with the book value of property, plant and equipment) are recognized in other operating income (expenses) in profit or loss.

ii) *Subsequent costs*

Subsequent expenditures are capitalized in accordance with the probability that associated future benefits may be earned by the Company. Maintenance expenses and recurring repairs are recorded in the income.

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

3. Significant accounting policies (Continued)

g) Property, plant and equipment (Continued)

iii) *Depreciation*

Fixed asset items are depreciated from the date they are available for use, or, in the case of assets constructed by the Company, as of the date the construction is concluded, and the asset is available for use.

Depreciation is calculated to amortize the cost of items of fixed asset items, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items. Depreciation is recognized in income (loss), unless the amount is included in the book value of another asset. Land is not depreciated.

The useful lives estimated for the year are as follows:

<u>Class of assets</u>	<u>Average useful life - in years</u>
Aircrafts	10
Agricultural machinery and equipment	10
Machinery and equipment	10
Vehicles	5

h) Impairment

i) *Non-derivative financial assets*

Financial assets not classified as financial assets at fair value through profit or loss is assessed at each balance sheet date for objective evidence of impairment loss.

Objective evidences of financial assets' impairment include:

- Debtor's default or delays;
- Restructuring of an amount owed to the Company at conditions that would not be accepted under normal conditions;
- Indications that the debtor or issuer will face bankruptcy/court-ordered reorganization;
- Negative changes in payment situation of debtors or issuers;
- The disappearance of an active market for an instrument due to financial distress; or
- Observable data indicating that expected cash flow measurement of a group of financial assets decreased.

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

3. Significant accounting policies (Continued)

h) Impairment (Continued)

i) *Non-derivative financial assets* (Continued)

Financial assets measured at amortized cost

The Company considers as evidence of impairment of assets measured by amortized cost both individually and on an aggregate basis. All individually significant assets are assessed for impairment. Those non-impaired on an individual basis are collectively assessed for any impairment loss not yet identified. Assets that are not individually significant are collectively evaluated for impairment based on group of assets with similar risk characteristics.

When assessing impairment on an aggregate basis the Company makes use of historical trends of the recovery term and the amounts of losses incurred, adjusted to reflect the management's judgment if the current economic and credit conditions are such that the actual losses will probably be higher or lower than those suggested by historical trends.

An impairment of a financial asset measured at amortized cost is calculated as the difference between the asset's book and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The losses are recognized in income (loss) and included in provision account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When the Company considers that it is not possible to reasonably expect recovery, amounts are written-off. When subsequent event indicates an impairment loss, provision is reversed through profit or loss.

ii) *Non-financial assets*

The book values of the Company's non-financial assets, except for biological assets, inventories, biological assets and deferred tax assets are reviewed at each balance sheet date for indication of impairment. If such indication exists, the asset's recoverable value is determined.

For impairment tests, assets are grouped at the lowest possible group of assets that generates cash inflows for their continued use, these entries that are largely independent of the cash inflows from other assets or CGU (cash generating units).

The recoverable value of an CGU asset is the greater of its value in use and its fair value less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions as to the recoverability period of capital and the risks specific to the asset or CGU.

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

3. Significant accounting policies (Continued)

h) Impairment (Continued)

ii) *Non-financial assets* (Continued)

An impairment loss is recognized when the book value of an asset or its CGU exceeds its recoverable value.

Impairment losses are recognized in profit or loss. Impairment losses are reversed only with the condition that the book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

i) Provisions

A provision is set up when the Company has a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation.

j) Adjustment to present value

When relevant, the Company presents assets and liabilities at present value, in accordance with CPC 12 - Adjustment to present value. Adjustment to present value is calculated by the Company on a timely basis and recorded, if relevant; it is detailed in notes referring to assets and liabilities that generated the adjustment. Assumptions considered for adjustment to present value calculation are as follows: (i) amount to be discounted; (ii) realization and settlement dates; and (iii) discount rate. The discount rate used considered the current market assessments of the time value of money and the risks specific to each asset and liability.

k) Operating income

i) *Sale of agricultural products*

The operating income from sales of agricultural products in the normal course of business is measured by the fair value of the installment received or receivable.

Operating income is recognized when (i) the most significant risks and rewards inherent to the ownership of the assets have been transferred to the purchaser, (ii) it is probable that the financial economic benefits will flow to the Company, (iii) the costs related and potential return of goods can be reliably estimated, (iv) there is no continued involvement with the goods sold, and (v) the amount of operating income can be reliably measured. In the event that it is probable that discounts will be granted, and their amounts can be reliably measured, discounts are recognized as a reduction to sales. Income is measured net of returns, trade discounts and bonus.

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

3. Significant accounting policies (Continued)

k) Operating income (Continued)

i) *Sale of agricultural products* (Continued)

The correct moment for the transfer of risks and benefits varies depending on the individual conditions of the sales agreement. For sales of products: soybean, soy meal, corn and seeds: transfer normally takes place when the product is delivered in the client's warehouse.

l) Financial income and expenses

The financial income and expenses of the Company comprise the following:

- Interest income;
- Gains in lease operations - and
- Interest on loans and financing

Interest income and expenses are recognized in income at the effective interest method.

m) Income and social contribution taxes

The income and social contribution taxes, both current and deferred for the year/period, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R\$ 240 (annual basis) for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of income tax loss carryforward and negative basis of social contribution, limited to 30% of the annual taxable income for the year.

i) *Current income tax and social contribution expense*

Current tax expense is the tax payable or receivable on the taxable income or loss for the year and any adjustments to taxes payable in relation to prior years. The amount of current taxes payable or receivable is recognized on the balance sheet as a tax asset or liability, according to the best estimate of the expected amount of the taxes to be paid or received, which reflects the uncertainties relating to the calculation thereof, if any. It is measured based on rates enacted at the balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
(In thousands of reais)

3. Significant accounting policies (Continued)

m) Income and social contribution taxes (Continued)

ii) *Deferred income and social contribution tax expenses*

Deferred tax assets and liabilities are recognized in relation to the temporary differences between the book values of assets and liabilities for financial statement purpose and used for taxation purposes.

A deferred tax asset is recognized in relation to tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be subject to taxation will be available against which they will be used. Deferred tax assets are reviewed at each reporting date and will be reduced to the extent their realization is no longer probable.

Deferred tax assets and liabilities are measured at tax rates expected to be applied to temporary differences when they are reversed, based on rates enacted or decreed up to the date of balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences in a manner in which the Company expect to recover or settle its assets and liabilities.

The deferred tax assets and liabilities are offset only if certain criteria are met.

n) New standards and interpretations not yet effective

The pronouncements and interpretations issued by the Brazilian Financial Accounting Standards Board (CPC) applicable to the Company that were not yet effective as at the date of these financial statements are described below. The Company intend to adopt these pronouncements once they become effective in Brazil.

- CPC 47 (IFRS 15) - Revenue Recognition - specifies how and when to recognize revenue from contracts with customers and requires an entity to provide users of financial statements with more informative and relevant information.
- CPC 48 (IFRS 9) - Financial Instruments - aims to replace CPCs 38, 39 and 40 (IAS 39) and establishes principles for disclosure of financial assets and liabilities, as well as adds a new impairment model and limited changes to the classification and measurement requirements by introducing a valuation criterion at "fair value through equity adjustments" for certain simple debt instruments.

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
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3. Significant accounting policies (Continued)

n) New standards and interpretations not yet effective (Continued)

The Company assessed the effects from implementing the above regulations in its financial statements and concluded that the impacts will not be significant. Additionally, the cumulative method was defined as the transition method.

Applicable on or after January 1, 2019:

- CPC 06 (R2) (IFRS 16) - Leases (new pronouncement) - aims to introduce requirements for recognition, measurement, presentation and disclosure of leases. The pronouncement provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. There are no significant changes for lessor accounting, and lessors should continue to classify leases as operating or finance, as defined in the standard.

The Company has not yet concluded the evaluation of the effects and disclosures arising from this standard in its financial statements.

4. Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
Cash	6	558
Bank deposits	1,295	524
Interest earnings bank deposits	147	104
	<u>1,448</u>	<u>1,186</u>

The cash balance arises from receipts of business transactions and are resources available to meet the immediate cash needs of the Company. All funds are deposited in prime bank institutions.

Interest earning bank deposits are convertible into a known sum of cash and subject to an insignificant risk of change of value.

The Company's exposure to interest rate risks and a sensitivity analysis of financial assets and liabilities are disclosed in Note 19.

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Notes to the financial statements (Continued)
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5. Trade accounts receivable

	<u>2017</u>	<u>2016</u>
Accounts receivable	1,757	1,077
(-) Adjustment to present value	(17)	(25)
	<u>1,740</u>	<u>1,052</u>

The credit risk of accounts receivable is derived from the possibility of the Company not receiving amounts resulting from sale operations. To mitigate this risk, the Company adopts the practice of analyzing in detail its clients' economic and financial condition, defines credit limits.

The reserve is mostly for securities over 180 days past due and having a remote expectation of realization and is considered sufficient to cover possible losses on receivables. For clients classified in this criterion and balances overdue for less than 180 days, we applied a progressive table from 15% to 50% of balances to supplement the allowance for doubtful accounts.

Company exposure to credit and currency risks and impairment losses related to trade accounts receivable are disclosed in Note 19.

The breakdown of balances by maturity age may be presented as follows:

<u>Overdue - in days</u>	<u>2017</u>	<u>2016</u>
Up to 30	1,657	935
31-60	12	13
61-90	88	130
	<u>1,757</u>	<u>1,077</u>

6. Inventories

	<u>2017</u>	<u>2016</u>
Pesticides	13,174	19,688
Soy	1,451	-
Corn	225	-
Fertilizers	3,959	5,320
Micronutrients	2,096	2,755
Packaging	932	431
Cotton fiber	6,120	2,793
Seeds	3,650	-
Others	2,775	2,241
	<u>34,382</u>	<u>33,228</u>
Advances for purchase of inventories (*)	<u>7,547</u>	<u>669</u>

(*) Advances for purchase of inventory are financial onlendings to suppliers related to future purchases, mainly in the purchase of pesticides products.

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7. Biological assets

On December 31, 2017 Company's biological assets is formed by Soya 17/18.

Changes in biological assets are as follow:

Balance at December 31, 2015	<u>104,516</u>
Products harvested and transferred to inventories	(104,516)
Formation cost of crops in progress	81,261
Change in fair value	<u>12,011</u>
Balance at December 31, 2016	93,272
Products harvested and transferred to inventories	(98,961)
Formation cost of crops in progress	69,783
Change in fair value	9,501
Balance at December 31, 2017	<u><u>73,595</u></u>

The following assumptions were used in the determination of the fair value:

Soybean - 2016/2017 crop	<u>2017</u>	<u>2016</u>
Estimated harvest area (hectares)	33,194	38,992
Average expected yield (bags/hectares)	51	55
Amount in R\$ of bag	61,40	62,93

The Company is exposed to risks related to its plantations:

Regulatory and environmental risks

The Company established environmental policies and procedures focused on the compliance with environmental laws and others. The Management carries out regular analyses to identify environmental risks and assure that systems under operation are appropriate to manage those risks.

Supply and demand risk

The Company is exposed to risks resulting from the prices fluctuation and sales volume of its plantations. Whenever possible, the Company manages this risk by aligning its extraction volume to the market's offer and demand. The Management analyzes on a regular basis the trend of the industry to ensure that a price structure of the Company is in accordance with market and to ensure that estimated volumes of extraction are consistent with expected demand.

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Notes to the financial statements (Continued)
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7. Biological assets (Continued)

Climatic risks and others

The Company's plantations are exposed to the risk of damage due to climate changes, pests and diseases, forest fires and other forces of nature. The Company has extensive processes in place geared towards the monitoring and the reduction of these risks, including regular inspections of forest health and analyses of diseases and pests. The Company also secures against natural disasters such as floods and hurricanes.

8. Related parties

Parent company

The Company's final parent companies are S3B - Fundo de Investimentos em Participações and United Phosphorus Holdings Brazil B.V.

Compensation of key management personnel

Management key personnel is comprised of the Executive Board. The Directors' fees are defined in the Shareholders' Meeting and the amounts paid in the year as regards to compensation totaled R\$ 490 as of December 31, 2017. (R\$765 in 2016)

8. Related parties (Continued)

Impact on balance sheet

	<u>2017</u>	<u>2016</u>
Loans - assets		
Marcos Antônio Vimercati (i)	-	44,751
	-	44,751
Advances from customers		
Sinagro Produtos Agropecuários S.A.	-	1,963
	-	1,963
Trade accounts receivable		
Sinagro Produtos Agropecuários S.A.	219	-
	219	-
Trade accounts payable (Note 12)		
UPL do Brasil Industria e Comércio	23,708	14,659
Sinagro Produtos Agropecuários S.A.	13,368	9,899
Seara Comercial Agrícola S.A.	262	462
Marcos Antônio Vilmercati	-	79
	37,338	25,099

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Notes to the financial statements (Continued)
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Other accounts payable (Note 13)

Marcos Antônio Vilmercati (ii)	9,464	11,481
Ademir Ortiz de Goes (ii)	15,802	17,475
Sinagro Produtos Agropecuários S.A. (iii)	17,575	21,445
	<u>42,841</u>	<u>50,401</u>

Financial loan liabilities

UPL do Brasil Industria e Comércio S.A. (iv)	27,407	90,986
Sinagro Produtos Agropecuário S. A	520	-
	<u>27,927</u>	<u>90,986</u>

- (i) It derives from financial loan remitted to shareholder as of June 29, 2015 maturing on March 31, 2020. This balance bears interest of 15% p.a. less remuneration the Company will receive for lease of Marajá farm - acquired from the same shareholder also on June 29, 2015 for book value and is currently leased to third parties. Shareholders pledged agricultural properties as guarantee. This financing was settle during 2017.
- (ii) Refers to purchase of property, plant and equipment that will be settled in 2020. As per the statement of Indemnification signed between shareholders and Sinagro group companies, Marcos Antonio Vilmercati and Ademir Ortiz de Goes has assigned the amount receivable by him from the Company to Sinagro Produtos Agropecuários S.A.
- (iii) Refers to purchase of property, plant and equipment from Sinagro Produtos Agropecuários S.A., amounting to R\$28,283, and that will be settled for R\$21,243. Gains are being recognized in the Company's income as the period for payment of negotiation is elapsing. Payment period will extend for 5 years.
- (iv) Refers to working capital loan raised on June 16, 2016 at interest rate of 8.33% p.a. flat rate and variable rate is CDI., with payment expected in 2018.

Significant transactions that influenced income (loss) for the year ended December 31, 2017 were income from sale of commodities in the amount of R\$104,927 (R\$116,123 in 2016), acquisition of input for planting, in the amount of R\$12,481, (R\$32,273 in 2016).

9. Investment

The Company invested the total amount of R\$104,998 in Sinagro Produtos Agropecuários S.A., through monetary deposits and credit clearing, thus acquiring 3 preferred shares recognized as investment available for sale in accordance with IAS 39. The Company's Management performed an analysis of the fair value of the investment at December 31, 2017, using the discounted cash flow method and projections of the business plan. As a result, it did not identify a significant reduction between the book value and the fair value of the investment.

3SB Produtos Agrícolas S.A.

Notes to the financial statements (Continued)
December 31, 2017 and 2016
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10. Property, plant and equipment

Cost	Balance at December 31, 2016	Additions	Write-off	Transfers	Balance at December 31, 2017
Aircrafts	2,557	-	-	-	2,557
Agricultural machinery and equipment	55,977	180	(517)	-	55,640
Machinery and equipment	947	47	(8)	-	986
Vehicles	3,929	851	(652)	-	4,128
Works in progress	167	44	-	-	211
Other	376	191	(1)	-	566
	63,953	1,313	(1,178)	-	64,088
Depreciation					
Aircrafts	(575)	(256)	-	-	(831)
Agricultural machinery and equipment	(17,019)	(13,979)	178	-	(30,820)
Machinery and equipment	(175)	(171)	2	-	(344)
Vehicles	(1,608)	(1,503)	343	-	(2,768)
Other	(14)	(56)	1	-	(69)
	(19,391)	(15,965)	(524)	-	(34,832)
Net book value	44,562				29,256

11. Suppliers

	2017	2016
Suppliers - related parties (Note 8)	37,338	25,099
Suppliers - Third parties	27,853	17,824
(-) Adjustment to present value	(2,096)	(1,465)
	63,095	41,458

Amounts payable to suppliers are basically related to purchase of input applied to corn and cotton crops (16/16) and soya (16/17).

12. Loans and financing

Modality	Currency	Avg Interest Rate 2017	Due date	2017	2016
Credit note (Working Capital)	R\$	100% CDI + Spread 2,50 & 9,20%	2018	57,632	-
				57,632	-

The guarantees provided are constituted by means of promissory notes and endorsements. The company has no restrictive clauses in contracts.

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Notes to the financial statements (Continued)
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13. Other accounts payable

	<u>2017</u>	<u>2016</u>
Acquisition of property, plant and equipment - Related parties - (note 8)	42,841	50,401
Agricultural partnerships	2,029	8,719
Agricultural leases	14,893	8,244
Other accounts payable - Fuel	301	282
Other accounts payable - Freight	13	26
Other	2,959	3,151
	<u>63,036</u>	<u>70,823</u>
Current liabilities	20,195	20,422
Non-current liabilities	42,841	50,401
	<u>63,036</u>	<u>70,823</u>

14. Taxes and Deferred Taxes

a) Taxes

	<u>2017</u>	<u>2016</u>
FETHAB/FACS	1,353	1,256
Funrural	7,852	3,133
Others	669	416
	<u>9,874</u>	<u>4,805</u>

b) Deferred Taxes

	<u>2017</u>	<u>Profit</u>	<u>2016</u>
Biological assets	3,230		3,586
Adjustment to present value of suppliers	713		498
Foreign exchange variation	(394)		(11)
Adjustment to present value of clients	(6)		(8)
Total	<u>3,543</u>	<u>522</u>	<u>4,065</u>

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Notes to the financial statements (Continued)
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14. Taxes and Deferred Taxes (Continued)

c) Effective rate reconciliation

	<u>2017</u>	<u>2016</u>
Effective rate reconciliation		
Loss for the year before taxes	(4,257)	(46.284)
Nominal rate	34%	34%
Tax credit at nominal rate	1,447	15.737
Adjustment of income and social contribution taxes		
Net permanent expenses	(6)	(57)
Temporary additions, net	-	3,177
Other	(919)	558
Net permanent expenses	522	3,177
Deferred tax	522	3,177

15. Shareholders' equity

According to the minutes of Ordinary General Meetings, the Company increased its Shareholders Capital by, R\$11.700, through the issuance of 1.765 shares.

The subscribe and paid-up capital in Brazilian currency is R\$ 63,706 (Sixty-three million, seven hundred and six thousand reais), represented by 11,765 (eleven hundred and sixty-five thousand) shares, without face value.

	<u>2017</u>		<u>2016</u>	
	<u>Quotas</u>	<u>%</u>	<u>Quotas</u>	<u>%</u>
S3B Fundo de Investimento em Participações	6,000	51,00%	6,000	60,00%
United Phosphorus Holdings Brazil B.V.	5,765	49,00%	4,000	40,00%
	11,765	100%	10,000	100%

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Notes to the financial statements (Continued)
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16. Net income

	<u>2017</u>	<u>2016</u>
Domestic market		
Soy	121,414	112,635
Corn	29,570	26,638
Cotton	15,691	20,550
Other	1,302	-
Gross income	<u>167,977</u>	159,823
(-) Sales tax	(8,650)	(8,540)
(-) Returns	(1,266)	(4,121)
(-) Adjustment to present value of accounts receivable	7	(25)
Net income	<u>158,068</u>	<u>147,137</u>

17. Expenses per type

	<u>2017</u>	<u>2016</u>
Cost of products sold	(185,635)	(186,901)
Gains on sales of investment assets (i)	35,800	-
Freight	(244)	(5,895)
Losses with washout	(18)	(3,577)
Salaries and wages	(2,634)	(2,273)
Directors fee	(490)	(765)
Electric power	(173)	(299)
Maintenance	(523)	(190)
Notary services	(53)	(87)
Other	(5,373)	(2,065)
	<u>(159,343)</u>	<u>(202,052)</u>
Classified as		
Cost of products sold	(185,635)	(186,901)
General and administrative expenses	(10,071)	(11,208)
Other operating income (expenses), net	36,363	(3,943)
	<u>(159,343)</u>	<u>(202,052)</u>

- (i) Refers to the sale of Fazenda Marajá, registered as investment property in the cost amount of R\$14,200, which was sold for the sale value of R\$50,000 to IBI Brasil Empreendimentos e Participações SA, obtaining a result of R\$35,800.

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Notes to the financial statements (Continued)
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18. Financial income (loss)

	<u>2017</u>	<u>2016</u>
Financial income		
Interest	34	4,686
Gains in lease operations - related parties	704	704
Other	310	530
	<u>1,048</u>	5,920
Financial expenses		
Interest on loans and financing	(9,148)	(8,445)
Discounts given	(351)	-
Others interest	(2,479)	-
IOF	<u>(561)</u>	(1,485)
Other	<u>(1,360)</u>	(2,336)
	<u>(13,899)</u>	(12,266)
Net foreign exchange rate	<u>368</u>	2,809
	<u>368</u>	2,809
Net financial income	<u>(12,483)</u>	(3,537)

19. Financial instruments

a) Overview

The Company is exposed to the following risks from the use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operating risk.

This note presents information on the Company's exposure to each one of the abovementioned risks, the goals, policies and processes for the measurement and management of risk, and the Company's capital management.

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19. Financial instruments (Continued)

b) Risk management structure

Risk management is conducted by the Company's treasury, which, together with the directors, identifies, evaluates and seeks to minimize the financial risks arising from commercial and operating activities. The strategies adopted in relation to debts are discussed and approved at monthly Board of Directors meetings. Other strategies adopted are presented at the shareholders' meeting, where they are informed of decisions taken. The Executive Board establishes guidelines for the future, mainly based on harvest production planning and sales strategies.

The risk management policies, albeit not formally documented, reflect the risk management principles defined by the Executive Board.

Credit risk

The Company's policy considers the level of credit risk it is willing to accept in the course of its business. In this context, the Company has no losses recorded in assets.

Regarding financial investments, the Company's policy is working with the most reputable financial institutions.

The maximum value exposed by the Company to credit risk is as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	1,448	1,186
Trade accounts receivable	1,740	1,052
Financial loans	-	44,751
Other credits	3,714	2,962
	<u>6,902</u>	<u>49,951</u>

Liquidity risk

Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset.

The Company's management manages liquidity risks to ensure compliance with obligations associated to financial liabilities, either by settlement in cash or in other financial assets, always maintaining a plan to comply with these obligations at regular market conditions or at specific conditions, according to risk level.

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Notes to the financial statements (Continued)
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19. Financial instruments (Continued)

b) Risk management structure (Continued)

Liquidity risk (Continued)

The Company's cash flow estimate continuously monitors liquidity. This estimate considers the Company's debt financing plans and compliance with its goals.

We present below the contractual maturities of financial liabilities including payment of estimated interest and excluding, the impact of the negotiation agreements of currencies by the net position.

In December 2017	Book value	Up to 12 months	1-2 years	2-5 years	>5 years
Financial loans	27,927	27,927	-	-	-
Loans and Financing	57,632	57,632	-	-	-
Suppliers	63,095	63,095	-	-	-
Other accounts payable	63,036	20,195	-	42,841	-
	211,690	168,849	-	42,841	-

In December 2016	Book value	Up to 12 months	1-2 years	2-5 years	>5 years
Financial loans	90,986	90,986	-	-	-
Suppliers	41,458	41,458	-	-	-
Other accounts payable	70,823	20,422	-	50,401	-
	203,267	152,866	-	50,401	-

Market risk

Market risks are mainly related to the risk of changes in prices of products and services offered by the Company, as well as foreign exchange and interest rates, and other rates that may influence its income, as well as assets and liabilities' values. Management objective is to manage and control the Company's exposure to market risks, within compatible limits, secluding obstacles to business growth.

Interest rate risk

The Company seeks to keep its exposure to changes in interest rates at acceptable levels. The exposure to that risk is related to investments.

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Notes to the financial statements (Continued)
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19. Financial instruments (Continued)

b) Risk management structure (Continued)

Operational risks

Operating risks are direct and indirect loss risks deriving from several causes associated to the Company's processes, as well as to employees, technology and infrastructure, in addition to external market and liquidity factors, as those deriving from lawsuits and regulatory requirements.

The objective of the Company is to manage operational risks and avoid financial losses and damage to its reputation through policies and procedures aligned with its activities and business.

The Company's Executive Board is responsible for developing, implementing and monitoring controls to address operating risks area, mainly regarding internal controls and policies' periodic reviews, to ensure proper implementation and operation.

Fair value vs. book value

The book values referring to the financial instruments contained in the balance sheet, when compared with the amounts that could be obtained in their trading in an asset market or, in the absence hereof, with the net present value adjusted with a basis on the current interest rate in the market, are substantially close to their corresponding market values.

Statement of financial instruments and their respective category classification

All the operations with financial instruments are classified and recognized in the financial statements of the Company, as the tables below:

December 31, 2017	Note	Fair value through profit or loss	Loans and receivables	Other liabilities
Cash and cash equivalents	4	1,448		
Trade accounts receivable	5		1,740	
Financial loans	8			
Other credits			3,714	
Suppliers	11			63,095
Loans and Financing	12			57,632
Financial loans	8			27,927
Other accounts payable	13			63,036
		1,448	5,454	211,690

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Notes to the financial statements (Continued)
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19. Financial instruments (Continued)

b) Risk management structure (Continued)

Statement of financial instruments and their respective category classification (Continued)

<u>December 31, 2016</u>	<u>Note</u>	<u>Fair value through profit or loss</u>	<u>Loans and receivables</u>	<u>Other liabilities</u>
Cash and cash equivalents	4	1,186	-	-
Trade accounts receivable	5	-	1,052	-
Financial loans	8	-	44,751	-
Other credits		-	2,962	-
Suppliers	11	-	-	41,458
Financial loans	8	-	-	90,986
Other accounts payable	13	-	-	70,823
		<u>1,186</u>	<u>48,765</u>	<u>203,267</u>

During the year, there was no changes regarding classifications presented in the chart above.

Derivative financial instruments

The Company did not carry out operations with derivative financial instruments in the periods of such financial statements.

20. Commitments with contracts

Leases of land and agricultural partnerships are expected to be paid as follows:

	<u>2017</u>	<u>2016</u>
<1 year	17,914	21,891
1-5 years	54,574	84,013
Total	72,488	105,904

21. Subsequent events

On February 23, 2018 3SB Produtos Agrícolas S.A. authorized an increase in the Company's Capital through the issuance of 54,902 of ordinary shares without nominal value at the total issue price of R\$ 100,000.00 and price of issuance per share of R\$ 0.54902. The shareholder equity increases from R\$ 63,706,000.00 divided into 11,765 ordinary shares to R\$ 63,806,000.00 divided into 66,667 ordinary shares.

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Notes to the financial statements (Continued)
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21. Subsequent events (Continued)

The new shares are subscribed and paid up as follows:

- (a) The shareholder UNITED PHOSPHORUS HOLDING BRAZIL B.V, subscribes 24,235 of ordinary shares and without nominal value at the total price of R\$44,000.00 that was paid up in national currency on February 28, 2018.
- (b) IBI BRASIL EMPREENDIMENTOS E PARTICIPAÇÕES S.A., with the Headquarter in Libero Badaró street, nº 293, 21º floor, block 21D, room 56, zip code nº 01009-000 registered under CNPJ/MF nº 20.917.749/0001-05, joining the company, subscribes 30,667 ordinary shares without nominal value at the price of R\$56,000.00 that was paid up in national currency on February 28, 2018.

The new Shareholder Equity structure is shown in the figure below:

	2017		2018	
	Shares	%	Shares	%
S3B Fundo de Investimento em Participações	6.000	51,00%	6.000	9,00%
United Phosphorus Holdings Brazil B.V.	5.765	49,00%	30.000	45,00%
IBI Brasil Empreendimentos e Participações S.A.	-	-	30.667	46,00%
	11.765	100%	66.667	100%