

**PADRÃO**  
**AUDITORIA S/S**

e-mail:padrao@padraoauditoria.com.br

Rua Major Maragliano, 341

Fone/Fax 5080-5855

CEP 04017-030

São Paulo - SP

C.V.M. 05711  
CRC-2SP 016.650/O-7

C.N.P.J. 67.185.280/0001-20

C.C.M. 2.028.854-9

O.C.B. 669

# **ADVANTA COMÉRCIO DE SEMENTES LTDA.**

## **FINANCIAL STATEMENTS**

**MARCH 31, 2018**

**WITH INDEPENDENT AUDITOR'S REPORT**



PA – 15.275/18

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

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## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

To  
Shareholders, Board of Directors and Officers  
**Advanta Comércio de Sementes Ltda.**  
Ituverava - SP

### **Opinion**

We have audited the financial statements of Advanta Comércio de Sementes Ltda., which comprise the statement of financial position as at March 31, 2018, and the statement of changes in negative equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Advanta Comércio de Sementes Ltda. ("the Company") as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRSs), issued by International Accounting Standards Board (IASB).

### **Basis for Opinion**

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company within the meaning of ethical requirements, applicable law, regulation and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management 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 IFRSs, 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. Management is responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

The objectives of our audit are to obtain reasonable assurance about whether the 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 ISAs 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,



PA – 15.275/18

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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement 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 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

We are required to communicate with Management 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.

São Paulo, April 16, 2018.

**PADRÃO AUDITORIA S/S**  
**CRC-2SP 016.650/O-7**

**YUKIO FUNADA**  
**Accountant CRC 1 SP 043.351/O-8**

Yukio Funada  
Contador CRC 1 SP 043351/O-8  
CPF 056 172.868-20

**67.185.280/0001-20**

PADRÃO AUDITORIA S/S

Rua Major Maragliano, 341  
Vila Mariana - CEP: 04017-030

**SÃO PAULO - SP**

**ADVANTA COMÉRCIO DE SEMENTES LTDA.**  
**C.N.P.J. nº 10.922.107/0001-40**

**BALANCE SHEETS**  
**March 31, 2018 AND 2017**  
**(In thousands of Reais)**

| <b>ASSETS</b>                                  |                   |                   |
|------------------------------------------------|-------------------|-------------------|
|                                                | <b>31.03.2018</b> | <b>31.03.2017</b> |
| <b>CURRENT</b>                                 | <b>86,440</b>     | <b>90,712</b>     |
| Cash and cash equivalents (Note 4)             | 3,671             | 1,871             |
| Trade accounts receivable (Note 5)             | 42,068            | 68,135            |
| Tax recoverable                                | 3,123             | 408               |
| Inventories (Note 6)                           | 37,056            | 17,551            |
| Derivative financial instruments (Note 18.2 b) | 280               | -                 |
| Other receivables                              | 242               | 2,747             |
| <b>NON-CURRENT</b>                             | <b>165,275</b>    | <b>2,278</b>      |
| Property and equipment (Note 7)                | 2,074             | 1,528             |
| Intangible assets (Note 8)                     | 4,083             | 750               |
| Investments (Note 9)                           | 159,118           | -                 |
| <b>TOTAL ASSETS</b>                            | <b>251,715</b>    | <b>92,990</b>     |
| <b>LIABILITIES AND EQUITY</b>                  |                   |                   |
|                                                | <b>31.03.2018</b> | <b>31.03.2017</b> |
| <b>CURRENT</b>                                 | <b>122,012</b>    | <b>83,581</b>     |
| Trade accounts payable                         | 7,176             | 5,057             |
| Salaries and charges                           | 1,549             | 1,389             |
| Tax liabilities                                | 859               | 1,186             |
| Loans and financing (Note 12)                  | 69,389            | 36,152            |
| Related parties (Note 10)                      | 27,934            | 26,668            |
| Other liabilities (Note 9)                     | 15,105            | 13,129            |
| <b>NON-CURRENT</b>                             | <b>134,490</b>    | <b>78,129</b>     |
| Related parties (Note 10)                      | 88,757            | 78,129            |
| Loans and financing (Note 12)                  | 278               | -                 |
| Provision for contingencies (Note 13)          | 1,392             | -                 |
| Other liabilities (Note 9)                     | 44,063            | -                 |
| <b>EQUITY</b>                                  | <b>(4,787)</b>    | <b>(68,720)</b>   |
| Social capital (Note 14)                       | 113,675           | 6,255             |
| Retained losses                                | (118,462)         | (74,975)          |
| <b>TOTAL LIABILITIES AND EQUITY</b>            | <b>251,715</b>    | <b>92,990</b>     |

See accompanying notes.

**ADVANTA COMÉRCIO DE SEMENTES LTDA.**  
**C.N.P.J. nº 10.922.107/0001-40**

**INCOME STATEMENTS**  
**YEARS ENDED MARCH 31, 2018 AND 2017**  
**(In thousands of Reais)**

|                                                         | <b>31.03.2018</b> | <b>31.03.2017</b> |
|---------------------------------------------------------|-------------------|-------------------|
| Net operating revenue                                   | 45,621            | 74,098            |
| Cost of sales (Note 15)                                 | (44,119)          | (50,729)          |
| <b>Gross profit</b>                                     | <b>1,502</b>      | <b>23,369</b>     |
| <b>Operating income (expenses)</b>                      |                   |                   |
| Selling expenses (Note 15)                              | (6,021)           | (3,833)           |
| General and administrative expenses (Note 15)           | (24,218)          | (22,715)          |
| Taxes and charges                                       | (479)             | (976)             |
| Equity method results (Note 9)                          | 580               | -                 |
| Operating income (expenses), net                        | (1,064)           | 3,126             |
|                                                         | <b>(31,202)</b>   | <b>(24,398)</b>   |
| <b>Financial results (Note 16)</b>                      |                   |                   |
| Financial income                                        | 3,721             | 23,161            |
| Financial expenses                                      | (20,710)          | (25,022)          |
|                                                         | <b>(16,989)</b>   | <b>(1,861)</b>    |
| <b>Loss before income and social contribution taxes</b> | <b>(46,689)</b>   | <b>(2,890)</b>    |
| Income and social contribution taxes                    |                   |                   |
| Current (Note 17)                                       | 3,202             | (2,277)           |
| Deferred tax                                            | -                 | (19,982)          |
| <b>Total income and social contribution taxes</b>       | <b>3,202</b>      | <b>(22,259)</b>   |
| <b>Loss for the year</b>                                | <b>(43,487)</b>   | <b>(25,149)</b>   |

The Company has no other comprehensive income.

See accompanying notes.



**ADVANTA COMÉRCIO DE SEMENTES LTDA.**  
**C.N.P.J. nº 10.922.107/0001-40**

**STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED MARCH 31, 2018 AND 2017**  
**(In thousands of Reais)**

| <b>EVENTS</b>               | <b>SOCIAL<br/>CAPITAL</b> | <b>RETAINED<br/>LOSSES</b> | <b>TOTAL</b>    |
|-----------------------------|---------------------------|----------------------------|-----------------|
| <b>As of March 31, 2016</b> | <b>6,255</b>              | <b>(49,826)</b>            | <b>(43,571)</b> |
| Loss for the year           | -                         | (25,149)                   | (25,149)        |
| <b>As of March 31, 2017</b> | <b>6,255</b>              | <b>(74,975)</b>            | <b>(68,720)</b> |
| Capital increase            | 107,420                   | -                          | 107,420         |
| Loss for the year           | -                         | (43,487)                   | (43,487)        |
| <b>As of March 31, 2018</b> | <b>113,675</b>            | <b>(118,462)</b>           | <b>(4,787)</b>  |

See accompanying notes.

**ADVANTA COMÉRCIO DE SEMENTES LTDA.**  
**C.N.P.J. nº 10.922.107/0001-40**

**CASH FLOW STATEMENTS**  
**YEARS ENDED MARCH 31, 2018 AND 2017**  
**(In thousands of Reais)**

|                                                                                                    | <b>31.03.2018</b> | <b>31.03.2017</b> |
|----------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Cash flow from operating activities</b>                                                         |                   |                   |
| Loss for the year                                                                                  | (43,487)          | (25,149)          |
| Adjustments to reconcile net income to cash and cash equivalents provided by operating activities: |                   |                   |
| Depreciation and amortization                                                                      | 875               | 206               |
| Pre-paid expenses                                                                                  | -                 | 51                |
| Allowance for doubtful accounts                                                                    | (60)              | 65                |
| Provision for contingencies                                                                        | 1,392             | -                 |
| Deferred tax                                                                                       | -                 | 19,982            |
| Changes in operating assets:                                                                       |                   |                   |
| Trade accounts receivable                                                                          | 26,127            | (43,291)          |
| Advances for third parties                                                                         | -                 | (395)             |
| Advances for employees                                                                             | -                 | 37                |
| Taxes recoverable                                                                                  | (2,715)           | 1,458             |
| Inventories                                                                                        | (19,505)          | (12,495)          |
| Derivative financial instruments                                                                   | (280)             | -                 |
| Other receivables                                                                                  | 2,505             | (2,447)           |
| Changes in operating liabilities:                                                                  |                   |                   |
| Trade accounts payable                                                                             | 2,119             | 2,968             |
| Salaries and charges                                                                               | 160               | 228               |
| Tax liabilities                                                                                    | (327)             | 373               |
| Related parties                                                                                    | 1,266             | -                 |
| Other liabilities                                                                                  | 46,039            | 8,362             |
| <b>Net cash provided by operating activities</b>                                                   | <b>14,109</b>     | <b>(50,047)</b>   |
| <b>Cash flows from investing activities</b>                                                        |                   |                   |
| Purchase of property, equipment                                                                    | (844)             | (187)             |
| Purchase of intangible assets                                                                      | (3,910)           | (673)             |
| Investment acquisition                                                                             | (159,118)         | -                 |
| <b>Net cash used in investing activities</b>                                                       | <b>(163,872)</b>  | <b>(860)</b>      |
| <b>Cash flows from financing activities</b>                                                        |                   |                   |
| Capital increase                                                                                   | 107,420           | -                 |
| Increase and settlement of loans and financing, net                                                | 33,515            | 36,150            |
| Loans and financing from related parties                                                           | 10,628            | 13,577            |
| <b>Net cash provided by financing activities</b>                                                   | <b>151,563</b>    | <b>49,727</b>     |
| <b>Increase (decrease) in cash and cash equivalents</b>                                            | <b>1,800</b>      | <b>(1,180)</b>    |
| Cash and cash equivalents                                                                          |                   |                   |
| Cash and cash equivalents at the beginning of the year                                             | 1,871             | 3,051             |
| Cash and cash equivalents at the end of the year                                                   | 3,671             | 1,871             |

See accompanying notes.



**ADVANTA COMÉRCIO DE SEMENTES LTDA.**  
**C.N.P.J. nº 10.922.107/0001-40**

**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**  
**(In thousands of Reais)**

**1. Operations**

Advanta Comércio de Sementes Ltda. (“Company” or “Advanta”) is located in Ituverava city on Sao Paulo state. It has a branch located in Cachoeirinha city, located in Rio Grande do Sul state, two branches in Uberlândia city in Minas Gerais state, Cuiabá city in Mato Grosso state, Aparecida de Goiânia in Goiás state and Campinas city in Sao Paulo state. The main activities are production and commercialization of certified seeds of corn, sunflower, soy, sorghum and canola. The Company started its activities on June 15, 2009.

**2. Basis for preparation and presentation of financial statements**

The financial statements were prepared in accordance with several assessment bases used in the accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors, and in line with management’s judgment to determine the appropriate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include selection of useful lives of property and equipment and their recoverability on operations in operations, measurement of financial assets at fair value and under the present value method, credit risk analysis to determine the allowance for doubtful accounts, as well as other risk analysis to determine other provisions, including provision for contingencies.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the probability treatment inherent to the estimation process. The Company reviews its estimates and assumptions at least once a year.

The financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise the Brazilian Corporation Laws, the standards issued by the Brazilian Securities and Exchange Commission (CVM), and pronouncements, interpretations and guidance issued by the Brazilian FASB (CPC), as well as in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

**3. Accounting practices**

**3.1 Translation of foreign currency-denominated balances**

**3.1.1 Functional and reporting currency**

The Company’s functional currency is the Brazilian real, same currency for preparation and presentation of the financial statements.



### 3.1.2 Transactions denominated in foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency (Real) using the exchange rate of balance sheet date. Gains and losses resulting from the restatement of these assets and liabilities due to exchange rate variation between transaction date and year end are recognized as financial income or financial expenses in the income statement.

## 3.2 **Revenue recognition**

Revenues are stated on the accrual basis of accounting. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and when it can be reliably measured.

## 3.3 **Taxation**

### 3.3.1 Sales taxes

Sales revenues are subject to the taxes and social contributions below, at the following statutory rates:

- ICMS – State value added tax on sales of products and certain services - 0% (duty free) to 17%.

### 3.3.2 Current income and social contribution taxes

Taxable profit comprises income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a surtax of 10% on taxable profit exceeding R\$240 over 12 months, whereas social contribution tax is computed at a rate of 9% on taxable profit, both recognized on an accrual basis; therefore additions to book income of temporarily nondeductible expenses or exclusions of temporarily non-taxable income upon determination of current taxable profit generate deferred tax assets or liabilities.

Prepaid or recoverable taxes are stated in current or non-current assets, according to the forecast of realization thereof.

## 3.4 **Cash and cash equivalents**

These include cash, bank account balances and short-term investments redeemable within 90 days from the transaction dates, subject to insignificant risk of change in their market value. Short-term investments included in cash equivalents are mostly classified as "financial assets at fair value through profit or loss".

## 3.5 **Property and equipment**

These are recorded at acquisition cost. Depreciation of assets is calculated on a straight-line basis and takes into consideration the estimated economic useful lives of assets.

A property and equipment item is written off when sold or when no future economic benefit is expected to arise from its use or sale. Gains or losses arising from derecognition of an asset (measured as the difference between the net disposal proceeds and the carrying amount of the asset) are recognized in the statement of income in the period which the asset is derecognized.

The net book value and useful lives of the assets and the depreciation methods are reviewed at year end, and adjusted prospectively, when applicable.

After calculating net book value of property and equipment for financial statement purposes, the Company determines whether it is necessary to recognize additional loss of property and equipment value aggregated with other assets, such as investments and intangible assets in cash-generating units.

### **3.6 Intangible assets**

Intangible assets acquired separately are measured at cost upon their initial recognition. After initial recognition, intangible assets are stated at cost, less accumulated amortization and impairment. Intangible assets are represented by software and licenses, which were amortized in 5 years.

The useful life of intangible assets is considered finite or indefinite.

Intangible assets with finite useful life are amortized along the economic useful life and evaluated in relation to impairment losses whenever there is indication of asset impairment. The amortization period and method for an intangible asset with finite life are reviewed at least every year end. Amortization of intangible assets with finite life is recognized in the income statement in a category consistent with use of the intangible asset.

In the years ended March 31, 2018 and 2017, the Company did not have intangible assets with indefinite useful life.

Gains and losses from disposal of intangible assets are measured as the difference between the net sales value and book value of the asset, recognized in P&L upon their disposal.

### **3.7 Impairment of assets**

Management annually reviews the net book value of assets in order to evaluate events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment. When such evidence is identified and the net book value exceeds the recoverable value, a provision for impairment is setup, adjusting the net book value to the recoverable value.

The recoverable value of an asset or group of assets is defined as the higher of value in use or the net sales value.

In estimating the asset's value in use, the estimated future cash flows are discounted to their present value, using a discount rate before taxes that reflects the weighted average cost of capital for the segment where the cash-generating unit operates. Whenever possible, the net sales value is determined based on firm sale agreements in transactions made on an arm's length basis between knowledgeable and willing parties, adjusted by expenses attributed to asset sales or, when there is no firm sale agreement, based on the market price of an active market, or the most recent transaction price with similar assets.



### 3.8 Provisions

#### 3.8.1 General

Provisions are recognized when the Company has a legal or constructive obligation due to a past event, it is probable that economic resources will be required to settle it and a reliable estimate of the obligation amount may be made. When the Company expects that the amount of a provision will be refunded, in full or in part, the refund is recognized as a separate asset, but only when the refund is virtually certain. The expense related to any provision is stated in the income statement, net of any refund.

#### 3.8.2 Provision for litigation

The Company is a party in several judicial and administrative proceedings. Provisions are set up for all judicial proceedings involving probable cash outlays to settle them and that may be reliably estimated, if applicable.

The assessment of the likelihood of loss includes analysis of available evidence, hierarchy of laws, available case law, recent court decisions and their relevance for the legislation in force, as well as the opinion of the Company's outside legal counsel.

These provisions are reviewed and adjusted to consider changes in circumstances, such as applicable statute-barring period, conclusions of tax audits or additional exposures found based on new issues or court decisions, if applicable.

The provision for contingencies is determined by management based on expected amount of loss involved by each contingency based on the opinion of the Company's legal advisors, for amounts considered sufficient to cover losses and risks, if applicable.

### 3.9 Financial instruments

The Company's financial instruments comprise trade accounts receivable, other receivables, trade accounts payable, other liabilities, loans, financing and related parties.

The instruments are only recognized as from the date the Company becomes a party to the contractual provisions of financial instruments.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, excepting financial assets and liabilities classified as at fair value through profit or loss, when such costs are directly posted to income statement for the year. They are subsequently measured at each balance sheet date in accordance with the rules established for each type of classification of financial assets and liabilities.

3.9.1 Financial assets: These are classified in the following categories based on the purpose for which they were acquired or issued:

- a) *Financial assets at fair value through profit or loss*: These include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading when acquired with the objective of sale in the short term.

Financial assets at fair value through profit or loss are stated in the balance sheet at fair value and the related gains or losses are recognized in the income statement.

The Company has not classified any financial assets as through profit or loss upon initial recognition. The Company evaluated its financial assets at fair value through profit or loss since it intends to trade them within short term.

When the Company is in no condition to trade these financial assets due to inactive markets, and management's intention to sell them in the short term substantially changes, the Company may elect to reclassify these financial assets under certain circumstances. The reclassification to loans and trade accounts receivable, available for sale or held to maturity depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option when these are stated.

- b) *Loans and receivables*: Loans and receivables are non-derivative financial assets, with fixed or determinable payments, not quoted in an active market. After initial measurement, these financial assets are stated at amortized cost, using effective interest rate method, less impairment loss. Trade accounts receivable and other receivables were classified in this category.

3.9.2 Financial liabilities: These are classified in the following categories based on the nature of financial instruments taken out or issued:

- a) *Financial liabilities at fair value through profit or loss*: These include financial liabilities held for trading and liabilities designated upon initial recognition at fair value through profit or loss.

They are classified as held for trading when acquired with the objective of sale or repurchase in the short term. Derivative financial instruments are classified as held for trading. They are measured at fair value at every balance sheet date, if applicable.

Interest, monetary restatement, exchange variation and variations resulting from fair value valuation are recognized in P&L when incurred in financial income or expenses.

- b) *Loans and financing*: Non-derivative financial liabilities that are not usually traded before maturity. After initial recognition, they are subsequently measured at amortized cost using the effective interest rate method. Interest, monetary and exchange variation, as applicable, are recognized in P&L when incurred. Trade accounts payable, other liabilities, loans and financing were classified in this category.

3.9.3 Market value: The market value of financial instruments actively traded in organized markets is determined based on quoted values in the market at balance sheet date. In case there is no active market, market value is determined through valuation techniques. These techniques include the use of recent market transactions between unrelated parties, reference to market value of similar financial instruments, analysis of discounted cash flows or other valuation models.

### **3.10 Present value adjustment of assets and liabilities**

Non-current monetary assets and liabilities are adjusted at present value, and also current ones but only when the effect is considered significant in relation to the overall financial statements. Present value adjustment is calculated taking into consideration contractual cash flows and the express interest rate and, in certain cases, the implicit interest rate of the related

assets and liabilities. As such, embedded interest in revenues, expenses and costs related to these assets and liabilities is discounted in order to be recognized on the accrual basis of accounting.

Subsequently, such interest is relocated in the lines of financial expenses and financial income in the income statement using the effective interest rate method in relation to the contractual cash flows. Applied implicit interest rates were determined based on assumptions and are considered accounting estimates.

### **3.11 Significant accounting judgments, estimates and assumptions**

The Company's financial statements were prepared considering different valuation bases used in accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on objective and subjective factors, considering management's judgment to determine the appropriate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the selection of the useful life of property and equipment items and their recoverability in operations; the evaluation of financial assets at fair value; assessment of the credit risk for the determination of the allowance for doubtful accounts, as well as the analysis of other risks to determine other provisions, including the provisions for guarantees, realization of tax credits and contingencies. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the probabilistic treatment inherent to the estimate process. The Company periodically reviews its estimates and assumptions at least once a year.

#### **3.11.1 Impairment of non-financial assets**

Impairment loss exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. The calculation of fair value less cost to sell is based on information available on sale transactions of similar assets or market price less additional costs to dispose of the asset.

#### **3.11.2 Taxes**

There are uncertainties regarding the interpretation of complex tax regulations and the amount and term of future taxable income. The long-term nature and the complexity of existing contractual instruments, differences between actual results and assumptions adopted, or future changes in these assumptions could require future adjustments in the already recorded revenue and tax expenses. The Company sets up provisions, based on reasonable estimates of the possible consequences of audits by tax authorities in respective jurisdictions in which it operates.

The value of these provisions is based on various factors such as previous experience of tax audits and differing interpretations of tax regulations by the taxed entity and the respective tax authority. These differences of interpretation may arise on a wide variety of subjects depending on conditions prevailing in the Company's domicile.

Significant judgment from management is required to determine the value of deferred tax assets that can be recognized based on the probable term and level of future taxable income together with future tax planning strategies.



### 3.11.3 Provision for litigation

The Company recognizes provision for civil, tax and labor proceedings, as applicable. The assessment of the chances of loss includes analysis of available evidence, hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of the Company's outside legal counsel. These provisions are reviewed and adjusted to consider changes in circumstances, such as applicable statute-barring period, conclusions of tax audits or additional exposures found based on new issues or court decisions.

### 3.12 **Cash flow statements**

Cash flow statements were prepared by the indirect method and are presented in accordance with CPC 03 (R2) IAS 7 - Cash Flow Statements, issued by Brazilian FASB (CPC).

### 3.13 **Inventories**

Inventories are registered at the acquisition or production average cost, which do not exceed the market value or the realizable value. The provisions for slow-moving and obsolescence are set up by local management when applicable.

### 3.14 **Adoption of new standards, amendments to and interpretations of existing standards issued by the IASB and standards issued but not yet effective**

#### 3.14.1 New and revised standards already issued but not yet adopted

The Company has not early adopted the following new and revised IFRSs already issued and not yet effective:

| <b>Pronouncement</b>                                                                                                                     | <b>Description</b>                                                                                                                                                                                                      | <b>Applicable to annual periods beginning on or after</b> |
|------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| IFRS 9 (CPC 48) - Financial Instruments                                                                                                  | Several changes in classification and measurement, measurement of impairment and hedge accounting.                                                                                                                      | January 1 <sup>st</sup> , 2018                            |
| IFRS 15 (CPC 47) - Revenue from contracts with customers                                                                                 | Implements a principle-based model and a definitive guide as when to recognize revenue. It also introduces new disclosures.                                                                                             | January 1 <sup>st</sup> , 2018                            |
| IFRS 16 (CPC 6 - R2) - Leases                                                                                                            | Requires a review on lease arrangements for both lessors and lessees, replacing IAS 17 (CPC 6). The definition of finance lease disappear, except for short-term leases and for contracts involving immaterial amounts. | January 1 <sup>st</sup> , 2019                            |
| IFRS 2 (CPC 10 - R1) - Classification and measurement of share based payment                                                             | Between other changes describes modifications of settled options of shares.                                                                                                                                             | January 1 <sup>st</sup> , 2018                            |
| IFRS 10 (CPC 36 - R3) and IAS 28 (CPC 18 - R2) improvements – Sell or asset contribution between investor and associate or Joint Venture | In case of assets sell or contribution between investor and associates or joint venture, the transaction effect only be recognized in profit and loss while the transaction be with a not related third party.          | January 1 <sup>st</sup> , 2018                            |
| IAS 7 (CPC 3 – R2) - Initiatives to improvement the statements                                                                           | Describes about disclosures that enable users to measure the changes in liabilities related to financing activities.                                                                                                    | January 1 <sup>st</sup> , 2017                            |
| IAS 12 (CPC 32) - Deferred tax                                                                                                           | Describes the treatment of temporary                                                                                                                                                                                    | January 1 <sup>st</sup> , 2017                            |

income recognize for unrealized differences.  
losses

The Company is analyzing the impacts of the standards and does not expect significant effects on their adoption.

#### 4. Cash and cash equivalents

|                        | <u>31.03.2018</u> | <u>31.03.2017</u> |
|------------------------|-------------------|-------------------|
| Cash and banks         | 1                 | 10                |
| Short term investments | 3,670             | 1,861             |
|                        | <u>3,671</u>      | <u>1,871</u>      |

#### 5. Trade accounts receivable

|                                 | <u>31.03.2018</u> | <u>31.03.2017</u> |
|---------------------------------|-------------------|-------------------|
| Accounts receivable             | 43,681            | 68,932            |
| Allowance for doubtful accounts | (737)             | (797)             |
| Punctuality discount provision  | (876)             | -                 |
|                                 | <u>42,068</u>     | <u>68,135</u>     |

#### 6. Inventories

|                            | <u>31.03.2018</u> | <u>31.03.2017</u> |
|----------------------------|-------------------|-------------------|
| Finished goods             | 32,029            | 9,020             |
| Production in process      | 5,442             | 8,531             |
| Provision for obsolescence | (415)             | -                 |
|                            | <u>37,056</u>     | <u>17,551</u>     |

#### 7. Property and equipment

|                                     | <u>Improvements</u> | <u>Machines and equipments</u> | <u>Furniture and fixtures</u> | <u>Vehicles</u> | <u>Others</u> | <u>Total</u> |
|-------------------------------------|---------------------|--------------------------------|-------------------------------|-----------------|---------------|--------------|
| <b>Cost</b>                         |                     |                                |                               |                 |               |              |
| Balances at March 31, 2016          | 310                 | 1,214                          | 117                           | 8               | 265           | 1,914        |
| Additions                           | 18                  | 103                            | 19                            | -               | 47            | 187          |
| Disposals                           | -                   | -                              | -                             | -               | -             | -            |
| Balances at March 31, 2017          | <u>328</u>          | <u>1,317</u>                   | <u>136</u>                    | <u>8</u>        | <u>312</u>    | <u>2,101</u> |
| Additions                           | 9                   | 771                            | 22                            | -               | 42            | 844          |
| Disposals                           | -                   | -                              | -                             | -               | -             | -            |
| Balances at March 31, 2018          | <u>337</u>          | <u>2,088</u>                   | <u>158</u>                    | <u>8</u>        | <u>354</u>    | <u>2,945</u> |
| <b>Depreciation</b>                 |                     |                                |                               |                 |               |              |
| Balances at March 31, 2016          | (19)                | (270)                          | (17)                          | (7)             | (64)          | (377)        |
| Depreciation in the year            | (13)                | (125)                          | (13)                          | (1)             | (44)          | (196)        |
| Disposals                           | -                   | -                              | -                             | -               | -             | -            |
| Balances at March 31, 2017          | <u>(32)</u>         | <u>(395)</u>                   | <u>(30)</u>                   | <u>(8)</u>      | <u>(108)</u>  | <u>(573)</u> |
| Depreciation in the year            | (62)                | (190)                          | (14)                          | -               | (32)          | (298)        |
| Disposals                           | -                   | -                              | -                             | -               | -             | -            |
| Balances at March 31, 2018          | <u>(94)</u>         | <u>(585)</u>                   | <u>(44)</u>                   | <u>(8)</u>      | <u>(140)</u>  | <u>(871)</u> |
| <b>Net value</b>                    |                     |                                |                               |                 |               |              |
| Balances at March 31, 2016          | 291                 | 944                            | 100                           | 1               | 201           | 1,537        |
| Balances at March 31, 2017          | <u>296</u>          | <u>922</u>                     | <u>106</u>                    | <u>-</u>        | <u>204</u>    | <u>1,528</u> |
| Balances at March 31, 2018          | <u>243</u>          | <u>1,503</u>                   | <u>114</u>                    | <u>-</u>        | <u>214</u>    | <u>2,074</u> |
| Average rate of annual depreciation | 4%                  | 10%                            | 10%                           | 20%             | 5% to 20%     |              |



## 8. Intangible assets

The Company recognized as intangible assets the amount of R\$3,039 related to development and extension of use of seeds types of soy, corn and sunflower. These costs of development will improve the seed's agronomic protocol in order to demand other markets and regions. Additionally, has recorded an amount of R\$1,044 related to SAP software implementation.

## 9. Investments

In July 2017, the Company acquired 33% of Serra Bonita Sementes S.A. shares, which represents 100% of Sinagro Produtos Agropecuário S.A. (Related party) stake in this company.

| Investment                 | 31.03.2018             |            |                  |     |                |                      |
|----------------------------|------------------------|------------|------------------|-----|----------------|----------------------|
|                            | Subsidiary information |            |                  |     | Participation  |                      |
|                            | Equity                 | Net income | Number of shares | %   | Equity         | Equity method result |
| <u>Subsidiary:</u>         |                        |            |                  |     |                |                      |
| Serra Bonita Sementes S.A. | 320,257 (i)            | 1,757 (i)  | 103,016          | 33% | <b>105,685</b> | <b>580</b>           |

(i) February 28, 2018 figures.

As of March 31, 2018, the Company has recorded an amount of R\$53,433 related to debentures issued in order to acquire Serra Bonita shares. The accounts payable has an amount of R\$10,609 which was recorded on current liabilities and R\$42,435 recorded on non-current liabilities.

## 10. Related parties

|                                                       | 31.03.2018     | 31.03.2017      |
|-------------------------------------------------------|----------------|-----------------|
| <u>Current liabilities – Related parties</u>          |                |                 |
| Advanta Semillas SAIC (i)                             | 2,590          | 4,574           |
| Advanta US – Inc. (i)/(iv)                            | 15,277         | 11,863          |
| Pacific Seeds Pty Ltd (i)                             | 3,662          | 3,403           |
| Advanta Limited (i)                                   | -              | 7               |
| Advanta Seeds International (i)                       | 5,783          | 5,648           |
| UPL do Brasil Indústria e Comércio (ii)               | 622            | 1,173           |
|                                                       | <b>27,934</b>  | <b>26,668</b>   |
| <u>Non-current liabilities – Related parties</u>      |                |                 |
| Advanta Holdings B.V. (iii)                           | 76,509         | 67,348          |
| Advanta Seeds International (iii)                     | 12,248         | 10,781          |
|                                                       | <b>88,757</b>  | <b>78,129</b>   |
| <u>Profit and loss transactions – Related parties</u> |                |                 |
| <u>Purchases</u>                                      |                |                 |
| Advanta Semillas SAIC                                 | (2,503)        | (1,953)         |
| Advanta US – Inc.                                     | (381)          | (6,736)         |
| Pacific Seeds Pty Ltd                                 | (88)           | -               |
| Advanta Seeds International                           | -              | (5,363)         |
| UPL do Brasil Indústria e Comércio                    | (809)          | (1,162)         |
|                                                       | <b>(3,781)</b> | <b>(15,214)</b> |



|                                              |  |                |                 |
|----------------------------------------------|--|----------------|-----------------|
| <u>Interest on loans</u> (Note 16)           |  |                |                 |
| Advanta Holdings B.V.                        |  | (6,747)        | (5,837)         |
| Advanta Seeds International                  |  | (1,038)        | (641)           |
|                                              |  | <u>(7,785)</u> | <u>(6,478)</u>  |
| <u>Management fee</u>                        |  |                |                 |
| Advanta US – Inc. (iv)                       |  | (2,300)        | -               |
|                                              |  | <u>(2,300)</u> | <u>-</u>        |
| <u>Exchange variation on loans</u> (Note 16) |  |                |                 |
| Advanta Holdings B.V.                        |  | (2,414)        | (10,222)        |
| Advanta Seeds International                  |  | (429)          | (539)           |
|                                              |  | <u>(2,843)</u> | <u>(10,761)</u> |
| <u>Exchange variation on purchase, net</u>   |  |                |                 |
| Advanta Semillas SAIC                        |  | (13)           | (197)           |
| Advanta US – Inc.                            |  | (596)          | 660             |
| Pacific Seeds Pty Ltd                        |  | (161)          | 421             |
| Advanta Limited                              |  | 1              | 1               |
| Advanta Seeds International                  |  | (266)          | 97              |
|                                              |  | <u>(1,035)</u> | <u>982</u>      |

- (i) Related to purchases of sorghum, canola and sunflower seeds;  
(ii) Related to acquisition of pesticides;  
(iii) Intercompany loans with interest rates set on 8% to 12% (Annual interests);  
(iv) Related to management fee (Global R&D – recharge);

### Remuneration of key management

Expenses related to remuneration of key management personnel of the Company, recognized in P&L, totaled R\$1,638 at March 31, 2018 (R\$1,254 at March 31, 2017).

## 11. Employees benefits

|                     | <u>31.03.2018</u> | <u>31.03.2017</u> |
|---------------------|-------------------|-------------------|
| Employee benefits   | 917               | 701               |
| Number of employees | 53                | 42                |

## 12. Loans and financing

|                                | <u>Average annual interest</u> | <u>Beginning date</u> | <u>Maturity date</u> | <u>31.03.2018</u> | <u>31.03.2017</u> |
|--------------------------------|--------------------------------|-----------------------|----------------------|-------------------|-------------------|
| <u>Current liabilities</u>     |                                |                       |                      |                   |                   |
| Bank ABC                       | 100% CDI+2.2%-2.6%             | 24/08/2017            | 20/08/2018           | 30,774            | 26,799            |
| Bank Votorantim                | 100% CDI+2.7%                  | 13/06/2017            | 08/06/2018           | 4,345             | 9,353             |
| Bank Itaú (i)                  | 100% CDI+1.6%-1.9%             | 06/03/2018            | 28/02/2019           | 33,900            | -                 |
| Bank Alfa (Finame)             | 100% TJLP+4.2%-4.8%            | 12/04/2017            | 15/04/2022           | 370               | -                 |
|                                |                                |                       |                      | <u>69,389</u>     | <u>36,152</u>     |
| <u>Non-current liabilities</u> |                                |                       |                      |                   |                   |
| Bank Alfa (Finame)             | 100% TJLP+4.2%-4.8%            | 12/04/2017            | 15/04/2022           | 278               | -                 |
|                                |                                |                       |                      | <u>278</u>        | <u>-</u>          |

- (i) The loans are indexed by derivative financial instruments. Refer to note 18.2 (b).

### 13. Provision for contingencies

The Company, in the normal course of its operations, is a party to judicial proceedings of tax, labor and civil nature. Management, based on information from its legal advisors and the analysis of judicial proceedings pending judgment, concluded and set up a provision amounting to R\$1,392 related to labor causes classified as probable loss risk assessment.

### 14. Equity

At March 31, 2018, the social capital is represented by 113,675 (One hundred thirteen millions, six hundred, seventy five thousands) shares amounts to R\$1.00 recorded as follows:

| <u>Shareholders</u>               | <u>31.03.2018</u> | <u>31.03.2017</u> |
|-----------------------------------|-------------------|-------------------|
| Advanta Holdings B.V.             | 113,674           | 6,254             |
| Advanta Netherlands Holdings B.V. | 1                 | 1                 |
|                                   | <u>113,675</u>    | <u>6,255</u>      |

### 15. Expenses by nature

In compliance with CPC 26 / IAS 1 (approved by CVM Rule No. 595 - Presentation of Financial Statements), the Company presents the following information on operating expenses by nature for the years ended March 31, 2018 and 2017.

|                                     | <u>31.03.2018</u> | <u>31.03.2017</u> |
|-------------------------------------|-------------------|-------------------|
| Cost of product                     | (21,183)          | (35,265)          |
| Manufacturing cost                  | (17,539)          | (12,337)          |
| Warehousing                         | (3,164)           | (978)             |
| Freight expenses                    | (2,663)           | (2,149)           |
| Personnel expenses                  | (7,808)           | (11,370)          |
| Consulting expenses                 | (1,469)           | (752)             |
| Outsourcing services                | (3,097)           | (1,354)           |
| Sales commissions                   | (1,039)           | (825)             |
| Research expenses                   | (2,321)           | (211)             |
| Labor contingencies                 | (1,391)           | -                 |
| Vehicles rent                       | (1,071)           | (1,031)           |
| Royalties expenses                  | (7,270)           | (14,806)          |
| ICMS self-report (i)                | (2,522)           | -                 |
| Insurance                           | (406)             | (493)             |
| Others                              | (1,415)           | (7,076)           |
|                                     | <u>(74,358)</u>   | <u>(77,277)</u>   |
| Cost of sales                       | (44,119)          | (50,729)          |
| General and administrative expenses | (24,218)          | (22,715)          |
| Selling expenses                    | (6,021)           | (3,833)           |
|                                     | <u>(74,358)</u>   | <u>(77,277)</u>   |

(i) In July 2017, the Company identified some divergences on billing process related to ICMS tax benefit (State value added tax on sales of products and certain products) and consequently these criteria to quality it were not observed. The Company performed the self-report process and it was already recognized by Tax Authorities. The amount of R\$2,522 was accrued against P&L. Until March 31, 2018, there were 51 (total 60) monthly installments to be paid.

## 16. Financial results

|                                                         | <u>31.03.2018</u>      | <u>31.03.2017</u>     |
|---------------------------------------------------------|------------------------|-----------------------|
| <b>Financial income:</b>                                |                        |                       |
| Income short term investments                           | 85                     | 198                   |
| Exchange variation on loans                             | -                      | 19,256                |
| Exchange variation on operations                        | -                      | 3,597                 |
| Debentures                                              | 3,433                  | -                     |
| Others                                                  | 203                    | 110                   |
|                                                         | <u>3,721</u>           | <u>23,161</u>         |
| <b>Financial expenses:</b>                              |                        |                       |
| Discount granted                                        | (865)                  | (2,092)               |
| Interest on bank loans                                  | (5,692)                | (2,970)               |
| Interest on loans - related parties (Note 10)           | (7,785)                | (6,478)               |
| Exchange variation on bank loans                        | (1,190)                | -                     |
| Exchange variation on loans – related parties (Note 10) | (2,843)                | (10,761)              |
| Exchange variation on operations                        | (1,205)                | (2,498)               |
| Others                                                  | (1,130)                | (223)                 |
|                                                         | <u>(20,710)</u>        | <u>(25,022)</u>       |
|                                                         | <u><b>(16,989)</b></u> | <u><b>(1,861)</b></u> |

## 17. Income tax and social contribution

### Reconciliation of effective tax rate:

|                                                     | <u>31.03.2018</u>   |
|-----------------------------------------------------|---------------------|
| Tax losses carried forward                          | (46,789)            |
| Income tax rate                                     | 25%                 |
| Social contribution tax rate                        | 9%                  |
| (*)                                                 | -                   |
| <u>Current tax</u>                                  | <u><b>3,202</b></u> |
| (-) Income tax expenses as of March 31, 2017        | <u>(2,277)</u>      |
| (-) Income tax paid with tax losses carried forward | <u>(925)</u>        |

(\*) The Company recognized income tax expense in the total amount of R\$3,202 in the corporate year. However, the Company did not generate tax profit at the year closing. In this scenario, the amounts paid in advance became tax credit to be compensated in the future. The reconciliation of effective tax rate is not applicable as the Company did not recognize tax profit and also deferred taxes.

## 18. Financial instrument and risk management

### 18.1 Risk management

As mentioned in Note 1, the Company primarily engaged in production and commercialization of certified seeds.

The key market risks faced by the Company in the normal course of its businesses are as follows:

- Credit risk: arises from possible difficulty in settling accounts receivable from customers. This risk is managed by means of a credit analysis policy.
- Exchange rate risk: the possibility of the Company incurring losses due to fluctuations in exchange rates, which would increase the liability balances with external suppliers. This risk is covered by the sales transactions made in foreign currency.
- Market risk: Advanta is exposed to the behavior of various market risk factors that may impact your cash flow. The assessment of this potential impact, arising from the volatility of the risk factors and their correlations, is carried out periodically to support the decision making process, support the growth strategy of the Company, ensure its financial flexibility and monitor the volatility of future cash flows. Therefore, if necessary, market risk mitigation strategies are evaluated and implemented in line with these objectives.

## 18.2 Financial instruments

### (a) Financial instruments

The main financial instruments and their amounts recorded in the financial statements, by category, are shown below. The cost value date of these financial instruments is equivalent to their fair value.

|                                  | <b>Book value</b> | <b>Fair value</b> |
|----------------------------------|-------------------|-------------------|
| <b>Financial assets</b>          | <b>31.03.2018</b> | <b>31.03.2018</b> |
| Cash and cash equivalents        | 3,671             | 3,671             |
| Trade accounts receivable        | 42,068            | 42,068            |
| Tax recoverable                  | 3,123             | 3,123             |
| Derivative financial instruments | 280               | 280               |
| Other receivables                | 242               | 242               |
|                                  | <b>49,384</b>     | <b>49,384</b>     |
| <b>Financial liabilities</b>     | <b>31.03.2018</b> | <b>31.03.2018</b> |
| Trade accounts payable           | 7,772             | 7,772             |
| Tax liabilities                  | 859               | 859               |
| Loans and financing              | 69,667            | 69,667            |
| Related parties                  | 116,095           | 116,095           |
| Salaries and charges             | 1,549             | 1,549             |
| Other liabilities                | 59,168            | 59,168            |
|                                  | <b>255,110</b>    | <b>255,110</b>    |

### (b) Derivatives

In accordance with the accounting policies as set out in CPC 38, 39 and 40 (IAS 39) all derivative financial instruments with hedging purposes are measured at fair value and recorded in the balance sheet against income for the year.



The derivative financial instruments held by the Company are intended to protect its future raw material purchases of the effects of changes in foreign currency, and are not used for speculative purposes. At March 31, 2018, outstanding contracts Non-Deliverable Forwards (NDFs) were:

| Type                          | 2018           |                                 |                          |
|-------------------------------|----------------|---------------------------------|--------------------------|
|                               | Nominal amount | Fair value (market value - R\$) | Gain (Unrealized) – 2018 |
| NDF – Assets                  |                |                                 |                          |
| Foreign currency - US\$10,136 | 33,900         | 33,620                          | 280                      |
|                               |                |                                 | <b>280</b>               |
| Current assets                |                |                                 | 280                      |
| Non-current assets            |                |                                 | -                        |

The unrealized loss or gain represent the difference between the value of the instrument by the curve and fair value (market) and were recorded at March 31, 2018 in the "Financial results" line.

#### 19. Insurance coverage (unaudited)

At March 31, 2018 and 2017, insurance coverage taken out is considered sufficient by management to cover losses, if any. As these refer to immaterial amounts, they were not audited.

#### 20. Capital management

Management's objective is to ensure reduced exposure to market risk in order to attain the growth and return objective.

Following the global management policy, in order to reduce any risks, the Company maintains relationships only with first tier financial institutions.