Serra Bonita Sementes S.A.

Financial statements
December 31, 2017 and 2016

Contents

KPMG Auditores Independentes
Passeio das Castanheiras, 431 - Salas 407 a 411
Condomínio Tríade - Torre Nova York - Parque Faber Castell
13561-384 - São Carlos/SP - Brazil
Caixa Postal 708 - CEP 13560-970 - São Carlos/SP - Brazil
Telephone +55 (16) 2106-6700, Fax +55 (16) 2106-6767
www.kpmg.com.br

Independent auditors' report on the financial statements

The Executive Board and Shareholders of
Serra Bonita Sementes S.A.
Buritis - MG

Opinion
We have audited the financial statements of Serra Bonita Sementes S.A. ("Company"), which comprise the balance sheet as at December 31, 2017 the statements of income, other comprehensive income, changes in shareholder´s equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Serra Bonita Sementes S.A. as at December 31, 2017, and of its financial performance 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profssional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

Related parties transactions
We draw attention to the fact that substantial part of the operations of the Company is held with related party, as mentioned in Notes 1 and 27 to the financial statements. Therefore, the aforementioned financial statements should be read in this context. Our opinion is not qualified in respect of this matter.

Responsibility of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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 realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 Company' 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 significant doubt on the Company' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

We 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 Carlos, April 2, 2018

KPMG Auditores Independentes
CRC 2SP014428/O-6

Rafael Henrique Klug
Accountant CRC 1SP246035/O-7

Serra Bonita Sementes S.A.

Balance sheets as of December 31, 2017 and 2016

(In thousands of Reais)

Assets	Note	2017	2016
Current assets			
Cash and cash equivalents	8	201	99
Accounts receivable	9	1,791	1,155
Inventories	10	12,770	5,609
Biological assets	11	42,711	52,133
Advances to suppliers		430	133
Recoverable taxes	12	117	778
Other receivables	13	2,768	1,234
Total current assets		60,788	61,141
Non-current assets			
Long-term assets			
Recoverable taxes	12	3,818	1,502
Other receivables	13	2,534	6,761
Total non-current assets		6,352	8,263
Property, plant and equipment	14	317,744	323,050
Intangible assets		2,041	2,071
Total non-current assets		326,137	333,384
Total assets		386,925	394,525

Liabilities	Note	2017	2016
Current liabilities			
Suppliers	15	24,607	35,657
Loans and financing	16	20,563	12,076
Social charges and labor legislation obligations		365	339
Taxes payable		1,376	1,400
Advance from clients	17	3,517	13,187
Dividends payable	19	621	96
Other liabilities		5,779	2,952
Total current liabilities		56,828	65,707
Non-current liabilities			
Suppliers	15	2,239	3,327
Loans and financing	16	9,095	8,622
Provision for tax, labor and civil risks	18	162	70
Deferred tax liabilities	22	4,349	4,230
Total non-current liabilities		15,845	16,249
Shareholders' equity	19		
Capital		309,049	309,049
Profit reserve		2,128	2,018
Additional dividends proposed		3,075	1,502
Shareholders' equity		314,252	312,569
Total liabilities		72,673	81,956
Total liabilities and shareholders’ equity		386,925	394,525

See the accompanying notes to the financial statements.

Serra Bonita Sementes S.A.

Statements of income

Years ended December 31, 2017 and 2016

(In thousands of Reais)

	Note	2017	2016
Net operating income	23	110,413	96,508
Fair value of biological assets and net realizable value		(7,600)	7,828
Cost of products sold	24	(97,887)	(91,733)
Gross income		4,926	12,603
Sales expenses	24	(696)	(374)
Administrative and general expenses	24	(2,346)	(2,238)
Other operating income (expenses), net	26	4,412	1,095
Income before financial income (expenses), net of taxes		6,296	11,086
Financial income	25	83	1,416
Financial expenses	25	(4,052)	(8,181)
Net financial income (expenses)	25	(3,969)	(6,765)
Income before income and social contribution taxes		2,327	4,321
Deferred income and social contribution taxes	22	(119)	(1,719)
Net income for the year		2,208	2,602

See the accompanying notes to the financial statements.

Serra Bonita Sementes S.A.

Statements of comprehensive income

Years ended December 31, 2017 and 2016

(In thousands of Reais)

	2017	**2016**
Net income for the year	2,208	2,602
Other comprehensive income	-	-
Comprehensive income for the year	2,208	2,602

See the accompanying notes to the financial statements.

Serra Bonita Sementes S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2017 and 2016

(In thousands of Reais)

	Capital	Legal reserve	Profit reserve	Advances for future capital increase	Retained earnings (losses)	Additional dividends proposed	Total
Balances at January 1, 2016	309,049	97	1,837	-	(920)	-	310,063
Net income for the year	-	-	-	-	2,602	-	2,602
Profit destination:							
Legal reserve constitution	-	84	-	-	(84)	-	-
Statutory dividends	-	-	-	-	(96)	-	(96)
Additional dividends proposed	-	-	-	-	(1,502)	1,502	-
Balances at December 31, 2016	309,049	181	1,837	-	-	1,502	312,569
Net income for the year	-	-	-	-	2,208	-	2,208
Profit destination:							
Legal reserve constitution	-	110	-	-	(110)	-	-
Statutory dividends	-	-	-	-	(525)	-	(525)
Additional dividends proposed	-	-	-	-	(1,573)	1,573	-
Balances at December 31, 2017	309,049	291	1,837	-	-	3,075	314,252

See the accompanying notes to the financial statements.

Serra Bonita Sementes S.A.

Statements of cash flows – Indirect method

Years ended December 31, 2017 and 2016

(In thousands of Reais)

	Note	2017	2016
Cash flows from operating activities			
Net income for the year		2,208	2,602
Adjustments on income (loss) for the year			
Depreciation and amortization		6,644	6,819
Fair value of biological assets and net realizable value		7,600	(7,828)
Net value of sold/written-off fixed assets		157	1,836
Provision for tax, labor, and civil risks		92	70
Interest on loans	16	3,434	4,244
Interest on suppliers		50	375
Deferred income and social contribution taxes	22	119	1,719
(Increase) decrease in assets			
Accounts receivable		(636)	1,389
Inventories		(7,161)	15,800
Biological assets		1,822	(10,669)
Advances to suppliers		(297)	488
Recoverable taxes		(1,655)	730
Other receivables		2,693	3,343
Increase (decrease) in liabilities			
Suppliers		(12,138)	(2,019)
Social charges and labor legislation obligations		118	(347)
Taxes payable		(24)	627
Advance from clients		(9,670)	11,054
Other liabilities		2,822	2,179
Cash (invested in) from operating activities		(3,822)	32,412
Interest paid	16	(2,300)	(5,301)
Cash flow (invested in) from operating activities		(6,122)	27,111
Cash flows from investment activities			
Additions in Property, plant and equipment	14	(1,622)	(1,556)
Addition to intangible assets		-	(2,100)
Cash flow invested in investment activities		(1,622)	(3,656)
Cash flows from financing activities			
Loans and financing paid	16	(13,657)	(27,204)
Loans and financing obtained	16	21,502	3,797
Cash flow from (invested in) financing activities		7,845	(23,407)
Net increase in cash and cash equivalents		101	48
Cash and cash equivalents at January 1		99	51
Cash and cash equivalents at December 31		201	99
		102	48

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais)

1 Operations

Serra Bonita Sementes S.A. (the "Company") is headquartered at Rod. MG 400 KM 03 S/N - Fazenda Gado Bravo, Zona Rural, in the municipality of Buritis, MG, with branches located at Rod. MG 400, km 12 S/N - Fazenda São Miguel, Zona Rural, in the municipality of Unaí, Minas Gerais State, and its administrative office in Formosa, GO, and is mainly engaged in producing certified soy bean and corn seeds, producing soy beans, corn grains, sorghum grains, millet grains and beans.

Established on April 27, 2012, its operations started on February 01, 2013, the Company is a joint venture controlled by three important Brazilian agribusiness groups: Boa Safra Sementes, Fiagril and Advanta Seeds. For the year ended December 31, 2017, 67% of the net revenue come from related parties.

The Company has total own area of 12,854 hectares (3,600 hectares of irrigated area, 3,500 hectares of non-irrigated area and 5,754 hectares of reserve area) and total leased area of 10,000 hectares, where it cultivates 5,400 hectares of non-irrigated area. Their plantations are one of the most fertile soils of the country, due to climate adapted to the production of soy bean, corn and beans seeds.

With commercial structure of Agronomists and investments in its own force sales, the Company should hopes to achieve around 1.000 thousands of seeds bags and is present in several States of Brazil, taking high-technology, safety and quality seeds to producers.

Company's strategic plan

As of December 31, 2017, the Company's net working capital is no longer mismatched in relation to the position of 2016, which showed a significant improvement over the previous year. In this way, the Company will continue with its strategic plan, seeking to increase its sales of soybeans for the 2017/2018 harvest, to jump from 450,000 bags sold, reached in the 2016/2017 harvest for a total of 650 thousand bags of 40kgs.

On the customers' side, if you use the good performance shown in the vintages you have already made, you will be intensifying the advance sale mode, where you expect to balance the revenue receiving stream throughout the year, avoiding concentration, which is a characteristic of the sowing sector.

2 Preparation basis

Statement of conformity regarding amendments in Accounting Pronouncement Committee (CPC) standards

The individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil (BR GAAP), comprising the Brazilian Corporation Law, Statements, Guidance and Interpretations issued by Accounting Pronouncement Committee (CPC).

The financial statements were approved by the Management on April 2, 2018. Once the financial statements have been issued, only the shareholders have the power to change them.

Details on the Company's significant accounting policies are shown in Note 6.

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

3 Functional and presentation currency

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

4 Use of estimates and judgments

The preparation of financial statements, Management used judgments, estimates and assumptions that affect the application of Company's accounting policies 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.

Information referring to the use of adopted estimates and judgments that present effects on the amounts recognized in the Company's financial statements are included in the following note:

- **Note 21 -** Financial instruments.

a. 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, 2018 are included in the following notes:

- **Note 6 f (iii) -** Useful life of the fixed asset;
- **Note 11 -** measurement of fair value less biological assets selling expenses; and
- **Note 22 -** Recognition of deferred tax assets: Availability of future taxable income against which tax losses may be used.

(i) Measurement of fair value

A series of Company's accounting policies and disclosures requires the measurement of fair value, for financial and non-financial assets and liabilities.

The Company established a control structure related to measurement of fair values. This includes a valuation team which has overall responsibility for overseeing all significant fair value measurements.

The Company periodically reviews unobservable data considered significant and valuation adjustments. If third-party information, such as brokerage firm quotes or pricing services, is used to measure fair values, 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:

- **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).

The Company recognizes transfers between fair value hierarchic levels at the end of the financial statements period in which changes occurred.

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

- **Note 21 -** Financial instruments.

5 Measuring basis

The financial statements were prepared based on the historical cost, except for non-derivative financial instruments measured at fair value through profit or loss which are measured at fair value.

6 Significant accounting policies

The Company adopted accounting policies described below have been consistently applied to all the years presented in these financial statements.

a. Operating income

Sale of goods

The operating income from sales of goods in the normal course of business is measured by the fair value of the installment received or receivable. Operating income is recognized when there is convincing evidence that the risks and rewards inherent to the ownership of the assets have been transferred to the purchaser, it is probable that the financial economic benefits will flow to the Company, the related costs and potential return of goods can be reliably estimated, there is no continued involvement with the goods sold, and the amount of operating income can be reliably measured.

The correct moment for the transfer of risks and benefits varies depending on the individual conditions of each sales agreement. Regarding the sales of inventories, the transfer is normally carried out when the good is delivered in the client's premises of when it is picked up by the client in the Company's premises.

Rendering of services
Operating income from the provision of services of maintenance of agricultural machinery and implements is recognized in income (loss), based on the proportion of services rendered up to the balance sheet date.

b. Employee benefits

(i) Short-term employee benefits
Obligations for short-term employee benefits are recognized as personnel expenses as the related service is rendered. The liability is recognized at the amount expected to be paid, if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

c. Financial income and expenses
The Company's financial income and expenses comprise:

- yields on investment;
- discounts obtained;
- interest on assets;
- monetary restatement - assets;
- interest on liabilities;
- granted discounts and bank fees; and
- other financial expenses.

Financial income and expenses are recognized in income (loss) under the effective interest rate method.

d. Income and social contribution taxes
The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 (annual basis) thousand for income tax and 9% on taxable income for social contribution on net income, and consider the offset of income tax loss carryforward and negative basis of social contribution, without any limitation to agricultural activity.

Income tax and social contribution expense comprises both current and deferred income and social contribution taxes. Current taxes and deferred taxes are recognized in income (loss) unless they are related to items directly recognized in shareholders' equity or in other comprehensive income.

(i) Current income and social contribution tax expense
The current tax expense is taxes 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 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 tax rates decreed up to the balance sheet date.

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

(ii) Deferred income and social contribution tax expense

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 the related amounts used for taxation purposes. The changes in deferred assets and liabilities of the year are recognized as deferred income and social contribution tax expense.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits will be utilized. Deferred tax assets are reviewed at each balance sheet date and reduced when 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 substantively decreed up to the balane sheet date.

Measuring deferred tax assets and liabilities reflect tax consequences resulting from the manner in which the Company expects to recover or to settle its assets and liabilities.

Deferred tax assets and liabilities are offset only when certain criteria are met.

e. Inventories

Inventories of agricultural products are valued at net realizable value. The Company establishes a provision for reduction to net realizable value, when necessary. Other items in inventories are measured at the lower of cost and net realizable value. Inventory costs are valued at the average cost of purchase or production and include expenses incurred in the acquisition of inventories and other costs incurred in bringing them to their current locations and conditions.

The net realizable value is the estimated price at which inventories can be realized in the normal course of business, less the estimated completion costs and sales expenses.

f. 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 any impairment losses.

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 attributable to bringing the assets to the location 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.

When significant parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal a property, plant and equipment item are recognized in income (loss).

(ii) Subsequent costs

Subsequent costs are capitalized in accordance with the probability that associated future economic benefits may be earned by the Company. Maintenance expenses and recurring repairs are recorded in the income (loss) as incurred.

(iii) Depreciation

Depreciation is calculated to amortize the cost of items of property, plant and equipment, 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).

The estimated useful lives of the property, plant and equipment are as follows:

	Useful life
Buildings	25 years
Machinery and equipment	10 years
Furniture and fixtures	10 years
IT equipment	05 years
Vehicles	from 04 to 05 years
Soil improvements	05 years
Other	from 04 to 05 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

g. Intangible assets

(i) Other intangible assets

Intangible assets acquired by the Company with finite useful lives are carried at cost, less accumulated amortization and impairment losses.

(ii) Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated to amortize the cost of items of intangible assets, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items.

Amortization is recognized in income (loss).

Amortization methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

Estimated useful life of intangible assets is:

	Useful life
Software	5 years

h. Biological assets

Biological assets are measured at fair value less sales expenses.

Changes in fair value less sales expenses are recognized in results.

Sale costs include all costs that are necessary to sell the assets, including transport expenses.

i. Financial instruments

The Company classifies non-derivative financial instruments 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

The Company initially recognizes the loans and receivables and deposits on the date that they are originated. All other financial assets are initially recognized on the date of the negotiation under which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes 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 such 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 offset 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 measured at fair value through profit or loss
A financial asset is classified as measured at fair value through profit or loss if it is classified as for trading or is designated as such upon initial recognition. The transaction costs are recognized in income (loss) as incurred. They 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.

Loans and receivables
Such assets are initially recognized at fair value plus any transaction costs directly attributable. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method.

Cash and cash equivalents
In cash flow statements, cash and cash equivalents are immediately receivable and an integral part of the Company's cash management.

(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 attributable transaction costs. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

j. Capital

The shares representing the capital are classified as shareholders' equity.

k. Impairment

(i) Non-derivative financial assets

Financial assets not classified as financial assets at fair value through profit or loss are evaluated at each balance sheet date to determine if there are objective impairment loss evidences.

Objective evidences of financial assets' impairment include:

- debtor's default or delays;
- restructuring of an amount owed to the Company under conditions that would not be accepted as 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.

  Company's management did not identify any evidence that would justify the need of provision for recoverability of non-derivative financial assets on December 31, 2017.

(ii) Non-financial assets

The book values of the Company's non-financial assets, except for inventories 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 estimated.

For impairment tests, assets are grouped into cash generating units (CGUs), that is, the smallest identifiable group of assets that can generate cash inflows by continuous use, which are highly independent from cash inflows referring to other assets or CGUs.

Recoverable value or CGU of an asset is the higher of value in use and fair value less selling costs. Value in use is based on estimated future cash flows discounted to present value using a discount rate before taxes that reflects current market evaluations of times value of money and the specific risks of the assets or CGU.

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

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

Company's management did not identify any evidence that would justify the need of provision for recoverability of non-financial assets on December 31, 2017.

l. Provisions

Provisions are determined by discounting the estimated future cash flows at a pre-tax rate which reflects the current market evaluations as to the value of the cash over time and the specific risks of the liability. The derecognition effects of discount for overtime are recognized in income (loss) as financial expense.

m. Measurement of fair value

Fair value is the price that would be received upon the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date, on the primary market or, in the absence thereof, on the most advantageous market to which the Company has access on such date. The liability fair value reflects its non-performance risk. Non-performance risk includes the Company's own credit risk.

A series of Company's accounting policies and disclosures requires the measurement of fair values, for financial and non-financial assets and liabilities (see Note 4(a)).

When available, the Company measures the fair value of a security using the price quoted on an active market for such securities. A market is considered as active if the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no price quoted on an active market, the Company uses valuation techniques that maximize the use of relevant observable data and minimize the use of non-observable data. The chosen valuation technique incorporates all the factors market participants would take into account when pricing a transaction.

In case an asset or liability measured at fair value has a purchase price and a sales price, the Company measures assets based on purchase price and liabilities based on sales price.

The best evidence of a financial instrument fair value at initial recognition is normally the transaction price, that is, fair value of given or received compensation. If the Company determines that fair value at initial recognition differs from transaction price and fair value is not evidenced, not even by price quoted in an active market for an identical asset or liability, nor based on an appraisal technique according to which any non-observable data is judged as insignificant in relation to measurement, then financial instrument is initially measured at adjusted fair value to defer the difference between fair value at initial recognition and transaction price. Subsequently, that difference is recognized in income (loss) on a proper base over instrument life, or up to the time in which evaluation is fully supported by observable market data or transaction is closed, whichever occurs first.

7 New standards and interpretations not yet effective

Several new standards, amendments to standards and interpretations will become effective for the years started after January 1, 2018. The Company did not adopt these changes in the financial statements. The Company does not plan to adopt this standard in advance.

The following standards are expected to have an impact on the Company's financial statements in the period of initial adoption.

CPC 48 - "Financial Instruments" addresses the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was published in July 2014, effective January 1, 2018, and replaces the guidance in CPC38, which refers to the classification and measurement of financial instruments. The main changes that CPC 48 brings are: (i) new criteria for classification of financial assets; (ii) new model of impairment for financial assets, a hybrid of expected and incurred losses, replacing the current model of losses incurred; and (iii) easing the requirements for adoption of hedge accounting. Management evaluated the new pronouncement and:

- No relevant impact is expected on the classification, measurement and evaluation of financial assets and liabilities, including recognition and derecognition of financial instruments;

- The new rules on hedge accounting are aligned with the Company's risk management practices. The current hedging relationships will remain classified as hedges after the adoption of CPC 48;

- As regards the new impairment model for financial assets, management does not expect a significant increase in the allowance for doubtful accounts, as well as losses on investments held at amortized cost.

  Therefore, considering its financial assets and liabilities, Management did not identify changes that could have a material impact on the Company's financial statements.

  Transition effects: The Company will use the exemption that allows it not to restate comparative information from prior periods arising from changes in the classification and measurement of financial instruments (including expected credit losses). The differences in the accounting balances of financial assets and liabilities resulting from the adoption of CPC 48 will generally be recognized in retained earnings and reserves as of January 1, 2018.

  CPC 47 - "Customer Contract Revenue" - This new standard sets forth the principles that an entity will apply to determine the measurement of revenue and when it is recognized. This rule is based on the principle that revenue is recognized when the control of a good or service is transferred to a customer, so the control principle will replace the principle of risks and benefits. It will enter into force on January 1, 2018 and replaces CPC 17 - "Construction Contracts" and CPC 30 - "Revenues" and corresponding interpretations. The Company has income generating operations as follows:

- Sale of soybean production;
- Sale of soybean seed;
- Sale of corn production;
- Sale of bean production;
- Resale of goods;
- Resale of inputs and materials that are left over from the agricultural operation;
- Sale of used assets with a depleted useful life (agricultural machinery and implements, vehicles, trucks, etc.).

  Management has evaluated this new standard and in its opinion should not have a material effect on its financial statements, considering the nature of its sales transactions, where performance obligations are clear and the transfer of control of goods and services is not complex.

  On the other hand, possibly some transactions that occur very occasionally, such as fixed price sales, may have a different online classification than the asset. Instead of recognizing a "receivable" asset in the "Accounts Receivable from Customer" line, you will use the "Asset Agreement" account or equivalent to recognize such assets.

  The Company plans to use the practical files for concluded contracts. This means that completed contracts that started and ended in the same comparative presentation period, as well as contracts that are contracts concluded at the beginning of the earliest period presented, will not be resubmitted.

CPC 06 (R2) - "Leasing Operations" - with this new standard, lessees will have to recognize the liability of future payments and the right to use the leased asset for practically all lease agreements, including operating leases , and certain short-term or small-value contracts may fall outside the scope of this new standard. The criteria for recognizing and measuring leases in the lessees' financial statements are substantially maintained. CPC 06 (R2) enters into force for fiscal years beginning on or after 1 st. of January 2019 and replaces CPC 06 - "Leasing Operations" and corresponding interpretations. Management is evaluating the impacts of adopting the standard, since it maintains the lease of third-party lands for the purpose of cultivating biological assets.

Management has completed the initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of the application of CPC 06 (R2) on the financial statements in the initial period of application will depend on future economic conditions, including the Company's indebtedness ratio on January 1, 2019, the composition of the lease portfolio at that date, it will exercise any lease renewal options and the extent to which it will choose to use practical expedients and exemptions from recognition.

In addition, the nature of the expenses related to these leases will now change, CPC 06 (R2) replaces the operating lease line expense with a cost of depreciation of use rights assets and interest expense on lease obligations.

Transition effects: The Company will apply CPC 06 (R2) initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of the adoption of IFRS CPC 06 (R2) will be recognized as an adjustment to the opening balance of retained earnings on January 1, 2019, without updating the comparative information. When applying the modified retrospective approach to leases previously classified as operating leases in accordance with CPC 06, the lessee may elect, for each lease, a series of practical expedients applied in the transition. The Company is evaluating the potential impact of the use of these practical records.

8 Cash and cash equivalents

	2017	**2016**
Cash	2	6
Bank deposits	64	54
Interest earning bank deposits	135	39
	201	**99**

Highly liquid short-term interest earning bank deposits are promptly convertible into a known sum of cash and subject to an insignificant risk of change of value.

Interest earning bank deposits refer substantially to bank deposit certificates (CDB), remunerated at rates of 92% of the Interbank Deposit Certificate - CDI. They are made with prime institutions for the purpose of minimizing credit risk, according to these financial assets' risk management policy.

The Company's exposure to rate risks and a sensitivity analysis of financial assets and liabilities are disclosed in note 21.

9 Accounts receivable

	2017	2016
Seeds	1,283	827
Soybean	-	17
Related parties (Note 26)	508	311
	1,791	**1,155**

10 Inventories

	2017	2016
Finished products		
Soybean and seeds	2,870	1,133
Soybean and seeds - adjustment to net realizable amount	1,518	-
Other	280	133
	4,668	1,266
Inputs		
Fertilizers	1,445	1,369
Insecticides	1,238	,51
Fungicides	3,350	1,373
Herbicides	1,036	485
Seeds	382	24
Storeroom	651	541
	8,102	4,343
	12,770	**5,609**

Agricultural products are carried at net realizable amount and inputs are carried at weighted average acquisition cost, and, on the base date, these financial statements were composed as shown above.

11 Biological assets

Inventories are carried at weighted average acquisition cost, and, on the base date, these financial statements were composed as shown above.

Balances as of December 31, 2015	**33,636**
Increase due to new plantations	71,913
(-) Decrease due to the harvest	(61,244)
Change in fair value	7,828
Balances as of December 31, 2016	**52,133**
Increase due to new plantations	85.298
(-) Decrease due to the harvest	(87,312)
Change in fair value	(7,408)
Balances as of December 31, 2017	**42,711**

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

	2017	2016
Soybean		
Estimated harvest area (hectares)	6,719	5,086
Average expected yield (bags/hectares)	60.00	62.00
Amount in R$ of the bag	64.00	67.2
Seed		
Estimated harvest area (hectares)	5,497	7,629
Average expected yield (bags/hectares)	60.00	62.00
Amount in R$ of the bag	120.17	178.4
Total area	12,216	12,715
Soybean productivity	45.00%	40.00%
Seed productivity	55.00%	60.00%

The Company adopted Technical Pronouncement CPC 29 - Biological Assets, its biological assets of soybean and seed are now measured at fair value less sales expenses upon initial recognition and at the end of each accrual year.

The Company's biological assets are realized in the crop that follows (2016/2017). In order to comply with CPC 29 - Biological Assets, the Company calculates fair value under discounted future cash flow method for biological assets related to generating crop. In accordance with accounting practices, these two components should be presented as a single asset in the balance sheet, as the agricultural production cannot be recognized separately from the biological asset to which it refers, until the harvest. As they do not qualify for the current asset definition in accordance with Technical Pronouncement CPC 26 - Presentation of Financial Statements, item 66, biological assets are classified as current.

Regulatory and environmental risks

The Company is subject to laws and regulations pertinent to its activities. The Company has established environmental policies and procedures which seek to comply with environmental laws. The management periodically carries out analysis to identify environmental risks and to ensure that the existing systems are sufficient to manage these risks.

Climatic risks and others

The agricultural cycles are exposed to risks of damages caused by climatic changes, diseases, and other forces of nature. There are processes for monitoring and mitigating these risks.

Supply and demand risks

The Company is exposed to risks arising from price fluctuations and sales volume of soybean and corn produced in the field. Whenever possible, the Company manages these risks by aligning its production volume to market supply and demand. Management conducts regular trend analyses to guarantee that operating strategies are in line with market trends and ensure that estimated production volumes are consistent with expected demand.

12 Recoverable taxes

	2017	2016
ICMS recoverable (i)	1,458	1,947
Pis and Cofins recoverable (ii)	2,395	
IRRF (Withholding income tax) recoverable	75	68
Other	7	265
	3,935	**2,280**
Current	117	778
Non-current	3,818	1,502
	3,935	**2,280**

(i) Credit from acquisition of machinery and equipment.

(ii) Arising from the recognition of extemporaneous credits based on a study carried out by a specialized company.

13 Other receivables

	2017	2016
Prepaid expenses (i)	5,151	7,850
Other	151	145
	5,302	**7,995**
Current	2,768	1,234
Non-current	2,534	6,761
	5,302	**7,995**

(i) Prepaid expenses refer to soil improvements and contemplate application of limestone, plaster and other materials to the soil, which will last an average of five years and whose purpose is to increase crop profitability and soil durability. Balance is amortized over the same period in which that application benefits the soil.

14 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Furniture and fixtures	IT equipment	Vehicles	Construction in progress	Other	Total
Cost									
Balance at January 1, 2016	**256,183**	**40,048**	**33,305**	**48**	**112**	**1,231**	**567**	**3,447**	**334,941**
Additions	-	1,147	409	-	-	-	-	-	1,556
Write-offs	-	(712)	-	-	-	-	-	(420)	(1,132)
Transfer	-	469	98	-	-	-	(567)	-	-
Balance at December 31, 2016	**256,183**	**40,952**	**33,812**	**48**	**112**	**1,231**	-	**3,027**	**335,365**
Additions	-	876	579	6	-	-	-	-	1,461
Transfer	-	**(476)**	**476**	-	-	-	-	-	-
Balance at December 31, 2017	**256,183**	**41,352**	**34,867**	**54**	**112**	**1,231**	-	**3,027**	**336,827**
Depreciation									
Balance at January 1, 2016	**-**	**(2,910)**	**(1,927)**	**(18)**	**(26)**	**(409)**	**-**	**(670)**	**(5,960)**
Additions	-	(2,138)	(3,553)	(18)	(18)	(325)	-	(303)	(6,355)
Balance at December 31, 2016	-	**(5,048)**	**(5,480)**	**(36)**	**(44)**	**(734)**	-	**(973)**	**(12,315)**
Additions	-	(2,467)	(3,495)	(14)	(21)	(335)	-	(280)	(6,612)
Balance at December 31, 2017	**-**	**(7,515)**	**(8,975)**	**(50)**	**(65)**	**(1,069)**	**-**	**(1,253)**	**(18,927)**
As of January 1, 2016	**256,183**	**37,138**	**31,378**	**30**	**86**	**822**	**567**	**2,777**	**328,981**
December 31, 2016	**256,183**	**35,904**	**28,332**	**12**	**68**	**497**	-	**2,054**	**323,050**
December 31, 2017	**256,183**	**33,183**	**25,892**	**4**	**47**	**162**	**-**	**1,774**	**317,744**

Provision for impairment

In accordance with CPC 01 (R1) Asset Impairment, at each year's end, the Company evaluates possible indications of its assets' devaluation that could give rise to the need of conducting tests for impairment. Evaluation was based on external and internal information sources, considering interest rate variations, change in market conditions, among others.

The result of this appraisal revealed no need for provision for impairment of these assets, therefore, there are no impairment losses to be recognized in the statement of income for the year.

Land

The Company was established on April 27, 2012 with pay-up of agricultural areas through agreement among shareholders; pay-up of areas occurred gradually.

Lands come from shareholder Agropecuária Gado Bravo, which, after pay-up, distributes them to other shareholders through corporate action, in accordance with shareholding structure described in note 19.

15 Suppliers

	2017	**2016**
Royaties	10,194	8,350
Inputs	3,173	7,048
Services	1,172	317
Property, plant and equipment	197	3,393
Leases	-	1,946
Other	290	5,720
Provision for interest	53	253
Related parties (Note 27)	11,767	11,957
	26,846	**38,984**
Current	24,607	35,657
Non-current	2,239	3,327
	26,846	**38,984**

Interest rate used to calculate adjustment to present value is 2.1% p.a. as of December 31, 2017, based on history of interest paid on suppliers' overdue trade notes.

The Company's exposure to liquidity risks and fair value measurement related to suppliers and other accounts payable is disclosed in note 21.

16 Loans and financing

This note provides information on contract terms of financing bearing interest, which are measured at the amortized cost. For more information on the Company's interest, currency and liquidity risk exposure, measurement of fair value, and a sensitivity analysis from these loans and financing, see Note 21.

Description	Currency	Average annual interest rate	Maturity	2017	2016
Working capital	R$	13% p.a.	September 2020	25,016	10,629
Finame	R$	2.5- 6% p.a.	May 2020	4,642	9,669
Secured account	R$	20% p.a.		-	400
				29,658	**20,698**
Current				20,563	12,076
Non-current				9,095	8,622
				29,658	**20,698**

On December 31, 2017 and 2016, the portions classified in non-current liabilities have the following payment schedule:

December 31, 2017	Book value	Up to 12 months	12-24 months	>24 months
Working capital	25,016	19,796	5,220	-
Finame	4,642	1,999	1,906	737
	29,658	21,189	7,1426	737

December 31, 2016	Book value	Up to 12 months	12-24 months	>24 months
Working capital	10,629	9,180	4,022	-
Finame	9,669	2,538	2,143	2,457
Secured account	400	358	-	-
	20,698	12,076	6,165	2,457

Description	2017	Interest paid on borrowing	Interest expenses	Repayment of borrowings	Proceeds from borrowings	2016
Working capital	25,016	(1,811)	3,145	(11,503)	21,502	10,629
Finame	4,642	(489)	289	(2,154)	-	9,669
	29,658	**2,300**	**3,434**	**13,657**	**21,502**	**20,698**

a. Contractual obligations

The Company does not have contract obligations from loans and financing contracts, related to the maintenance of some financial and non-financial ratios that were defined in those contracts (covenants).

b. Guarantees

The guarantees offered by the Company to Finame are financed assets themselves and sureties of the shareholders for working capital.

17 Advance from clients

	2017	2016
Advance from clients - seeds	2,779	173
Advance from clients - Related parties (Note 26)	738	13,014
	3,517	**13,187**

18 Provision for contingencies

The likelihood of lawsuit losses and the determination of involved amounts was performed considering claimers' requests, previous court decisions on the matter, and the opinion of legal counsel of the Company. The Company considers that there are effective labor risks and recorded, as of December 31,2017 (R$162) and December 31, 2016 (R$70).

	2017	2016
Opening balance	70	-
Additions	92	70
Closing balance	162	70

Unrecognized contingent liabilities in financial statements are civil, labor and environmental nature, assessed as possible losses by legal advisors and amount to R$ 1 (R$845 on December 31, 2016) for which no provision was recognized since the accounting practices adopted in Brazil do not require their recognition.

The Company also discusses the taxation of Funrural and Senar on revenues in the amount R$9,542. Currently, the Company does not pay Funrural and Senar on its revenues, but pays the INSS - employers' share on the payroll. The Company does not recognize a contingency provision considering the opinion of its legal advisors.

19 Shareholders' equity

a. Capital

The capital is represented by 309,048,644 shares (same as of December 31, 2016), amounting to R$ 1.00 each.

	2017 (Shares)		2016 (Shares)	
	Quantity	**Percentage**	**Quantity**	**Percentage**
Sinagro Produtos Agropecuários S.A	-		103.016.215	33%
Advanta Comércio de Sementes Ltda.	103.016.215	33%	-	
Fiagril Participações Ltda.	103.016.215	33%	103.016.215	33%
Agropecuária Gado Bravo Ltda.	103.016.215	33%	103.016.215	33%
	309.048.644	**100%**	**309.048.644**	**100%**

Common shares

All shares have the same rights with respect to the residual net assets of the Company. Holders of common shares have the right to receive dividends as defined in the Company's bylaws. Common shares entitle holders to one vote per share in the Company's decisions.

On July 10, 2017, an Extraordinary General Meeting was held, which approved the sale of the shares that Sinagro Produtos Agropecuarios SA holds in the Company to Advanta Comércio de Sementes Ltda.

b. Legal reserve

In compliance with article 193 of Law No. 6.404/76 and subsequent amendments, the rate of 5% of the net income for the year has no limit over the capital.

c. Profit reserves

Destination will be established in a shareholders' meeting, with the approval of financial statements.

d. Dividends

As provided for in the Company's Bylaws, dividends will be paid after calculation of net income for the year. The Company's bylaws do not provide a minimum compulsory percentage for dividend distribution; thus, shareholders are entitled to a minimum dividend of 25 % on the net income for the year, adjusted in accordance with article 202, item I of Law No. 6.404/76.

Net income as of December 31, 2017	2,208
Legal reserve	(110)
Basis for minimun mandatory dividends	2,098
Minimun mandatory dividends	(525)
Additional dividends proposed	(1,573)

20 Capital management

The Company's capital management is conducted so as to balance own and third parties' fund sources, balancing the return to shareholders and the risk to shareholders and creditors.

The Company's debt for adjusted ratio of capital at the end of the year is presented below:

	2017	**2016**
Total liabilities	72,673	81,956
(-) Cash and cash equivalents	(201)	(99)
(=) Net liabilities (A)	72,472	81,857
Total shareholders' equity (B)	314,252	312,569
Net debt ratio at adjusted shareholders' equity (A/B)	0.23	0.26

21 Financial instruments

a. Accounting classification and fair values

The following table shows the carrying and fair values of financial assets and liabilities, including their fair value classifications. It does not include information on the fair value of financial assets and liabilities not measured at fair value if the book value is a reasonable approximation of fair value.

		Book value				Fair value
December 31, 2017	**Note**	**Designated at fair value**	**Loans and receivables**	**Amortized cost**	**Total**	**Level 2**
Financial assets measured at fair value						
Interest earning bank deposits	8	66	135	-	201	201
Financial assets not measured at fair value						
Accounts receivable	9	-	1,791	-	1,791	-
Other receivables	13	-	151	-	151	-
		66	2,077	-	2,143	-
Financial liabilities measured at fair value						
Loans and financing	16	-	-	29,658	29,658	29,658
Financial liabilities not measured at fair value						
Suppliers	15	-	-	26,846	26,846	-
Advances from clients	17		-	3,517	3,517	-
		-	-	60,021	60,021	-

		Book value				Fair value
December 31, 2016	**Note**	**Designated at fair value**	**Loans and receivables**	**Amortized cost**	**Total**	**Level 2**
Financial assets measured at fair value						
Interest earning bank deposits	8	60	39	-	99	99
Financial assets not measured at fair value						
Accounts receivable	9	-	1,155	-	1,155	
Other receivables	13	-	145	-	145	-
		60	1,339	-	1,399	-
Financial liabilities measured at fair value						
Loans and financing	16	-	-	20,698	20,698	20,698
Financial liabilities not measured at fair value						
Suppliers	15	-	-	38,984	38,984	-
Advances from clients	17	-	-	13,187	13,187	-
		-	-	59,682	59,682	-

b. Measurement of fair value

The fair value of other financial liabilities determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the financial statements.

Other 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 active 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.

c. Financial risk management

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

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

(i) Risk management structure

The Company's directors are responsible for the follow-up of the Company's risk management policies and managers of each area regularly report to the Executive Board on their activities.

The risk management policies of the Company were established to identify and analyze risks which the Company is exposed, to define proper risk limits and controls, and to monitor risks and compliance with limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and in the Company's activities. The Company seeks to develop, upon its training and management standards and procedures, a discipline and control environment in which all employees are aware of their assignments and obligations.

(ii) Credit risk

Credit risk is the risk of the Company incurring losses due to a client or financial instrument counterparty, resulting from failure in complying with contract obligations.

Such risk is mainly from Company's accounts receivable and financial instruments.

The book value of financial assets classified as loans and receivables represent the maximum credit exposure.

Accounts receivable and other receivables

Currently, the Company has receivables from sale of products and rendering of services.
The credit risk of accounts receivable is derived from the possibility of the Company not receiving amounts resulting from sale operations. In order to minimize this risk, the Company adopts the practice of conducting a detailed analysis of the financial situation of its clients, establishing a credit limit, permanently monitoring their debt balance and obtaining effective guarantees.

Cash and cash equivalents

Credit risk deriving from cash and cash equivalents is mitigated by the fact that the Company maintains its balances with prime banks and financial institutions.

Loans and receivables

The Company's exposure to credit risk is mainly influenced by the individual characteristics of each client. In addition, sales are evenly distributed throughout the corporate year which allows that the Company interrupts deliveries to clients which are considered as a "possible credit risk".

Credit risk exposure

The book value of financial assets classified as loans and receivables represent the maximum credit exposure. The maximum credit risk exposure on the date of financial statements' date was:

	Note	2017	2016
Cash and cash equivalents	8	201	99
Trade accounts receivable	9	1,791	1,155
Other receivables	13	151	145
Total		2,143	1,399
Current assets		2,143	1,399

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

	2017	2016
Falling due	1,642	787
Overdue - in days:		
1-30	15	274
31-60	6	45
61-90	4	33
121-180	124	17
	149	368
	1,791	**1,155**

The reserve is calculated based on credit risk analysis, which contemplates loss history, individual situation of clients, situation of the corporate group to which they belong, real guarantees for debts and the assessment of the legal counsel, and is considered sufficient to cover possible losses on amounts receivable.

The breakdown by maturity of trade accounts receivable recorded in current assets as of the financial statements for which no impairment loss was recognized was as follows.

(iii) 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 responsibility for the management of liquidity risk lies with the Company's management and its Executive Board, which manages the liquidity risk in short, medium and long terms, maintaining credit lines of funding according to its cash needs, combining the profiles of its financial asset and liability maturities.

Liquidity risk exposure

The book value of financial liabilities with liquidity risk is as follows:

	Note	2017	2016
Suppliers	15	26,846	38,984
Loans and financing	16	29,658	20,698
Advances from clients	17	3,517	13,178
Total		60,021	72,860
Current liabilities		48,687	60,911
Non-current liabilities		11,334	11,949

We present below the contractual maturities of financial liabilities including payment of estimated interest and excluding, the impact of the agreements of offsetting.

December 31, 2017	Book value	Contractual cash flow	Up to 12 months	12-24 months	>24 months
Suppliers	26,845	26,845	25,872	532	441
Loans and financing	29,658	31,689	23,642	4,606	3,441
Advances from clients	3,517	3,517	3,517	-	-
Total	60,021	62,051	53,031	5,138	3,882

December 31, 2016	Book value	Contractual cash flow	Up to 12 months	12-24 months	>24 months
Suppliers	38,984	38,984	35,657	3,327	-
Loans and financing	20,698	23,763	15,099	6,207	2,457
Advances from clients	13,178	13,178	13,178	-	-
Total	72,860	75,925	63,934	9,534	2,457

Cash flows included in the maturity analysis are not expected to occur significantly earlier, or at different amounts.

(iv) Market risk

Market risk is the risk that changes in market prices, interest rates will impact the Company's gains or the value of its financial instruments. The objective of market risk management is to manage and control exposures to market risks, within acceptable parameters, and at the same time to optimize the return.

(v) Interest rate risk

The Company is exposed to risks related to interest rates, by virtue of loans and financing, primarily exposed to variations in the CDI. The Company's Executive Board monitors the fluctuations in variable interest rates linked to its debts. As of December 31, 2017, no derivative was contracted to cover the interest rate risk.

	Note	2017	2016
Financial assets			
Interest earning bank deposits	8	135	39

Cash flow sensitivity analysis for variable rate instruments

Based on balance of financial investments, other investments and indebtedness, on disbursement schedule and on interest rates of loans and financing and assets, we performed a sensitivity analysis on the increase (decrease) in shareholders' equity and income (loss) for the year, according to the following amounts. Scenario 1 corresponds to the scenario considered as the most probable for interest rates on the date of financial statements. Scenario 2 corresponds to a change of 25% on rates, and Scenario 3 corresponds to a change of 50% in rates. We have segregated effects into rate appreciation and depreciation, according to tables below.

Interest rate risk on financial assets and liabilities - Appreciation of rates

			Scenarios					
			Probable		Index variation by 25%		Index variation by 50%	
Instruments	**Exposure on 2017**	**Risk**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
Financial assets								
Interest earning bank deposits	135	CDI	9,93%	13	12,4%	17	14,9%	20
Loans and financing	(29,658)	CDI	9,93%	(2,947)	12,4%	(3,684)	14,9%	(4,420)
Net financial liability	(29,523)	-	-	(2,934)	-	(3,667)	-	(4,400)
Impact on income (loss) and shareholders' equity	-	-	-	-	-	(733)	-	(1,467)

Interest rate risk on financial assets and liabilities - Depreciation of rates

			Scenarios					
			Probable		Index variation by 25%		Index variation by 50%	
Instruments	**Exposure on 2017**	**Risk**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
Financial assets								
Interest earning bank deposits	135	CDI	9,93%	13	7,4%	10	5,0%	7
Loans and financing	(29,658)	CDI	9,93%	(2,947)	7,4%	(2,210)	5,0%	(1,473)
Net financial liability	(29,523)	-	-	(2,934)	-	(2,200)	-	(1,467)
Impact on income (loss) and shareholders' equity	-	-	-	-	-	733	-	1,467

Sources: CDI information was extracted from CETIP's (clearinghouse for the custody and financial settlement of securities) base with last business day of December 2017 as base date.

22 Deferred tax assets and liabilities

The Company recognized deferred income and social contribution taxes on the following amounts:

	Balance at January 1, 2016	Recognized in income (loss)	Balance at December 31, 2016	Recognized in income (loss)	Balance at December 31, 2017
Provision for interest - Suppliers	-	342	342	(342)	-
Tax loss and negative basis	2,456	601	3,057	(2,230)	827
Net realizable amount of agricultural products	-	-	-	456	456
Fair value of agricultural products	-	-	-	(658)	(658)
Fair value of biological assets	(4,967)	(2,662)	(7,629)	2,655	(4,974)
Non-current liabilities, net	**(2,511)**	**(1,719)**	**(4,230)**	**(119)**	**(4,349)**

The reconciliation between the tax expense as calculated at tax rate and income and social contribution tax expense charged to income is presented below:

	2017	2016
Income before income and social contribution taxes	**2,323**	**4,321**
Combined statutory rate	34%	34%
Income and social contribution taxes at tax rate	(790)	(1,469)
Tax losses from income tax and negative basis of social contribution	1,291	-
Permanent additions/exclusions	(386)	(250)
Deferred income and social contribution taxes	**(119)**	**(1,719)**
Effective rate	**5%**	**40%**

23 Net operating income

The Company's operating income consists of sale of goods, rendering of service.

We reproduce below the reconciliation between gross income for tax purposes and the income presented in the income (loss) for the period:

	2017	2016
Operating income:		
Soybean	39,912	29,770
Corn partnership	16,873	16,724
Millet	2,602	2,147
Soybean seeds	51,847	48,178
Beans Sorghum	3,121	5,920
Resale of inputs	218	319
Gross tax income (i)	114,573	103,057
Less:	(4,162)	(6,549)
Sales tax		
Total net income	**110,411**	**96,508**

(i) The Company's sales income derives basically from sales to related parties, as follows:

	2017	2016
Related-party transactions (Note 27)	76,517	70,188
Income from clients	38,056	32,869
	114,573	103,057

24 Operating costs and expenses by type

	2017	2016
Despesas operacionais por natureza:		
Personnel costs	(16,269)	(13,428)
Royaties	(21,301)	(23,087)
Outsourced Services	(6,798)	(8,639)
Depreciation costs	(17,794)	(15,942)
Fuel costs	(8,566)	(7,520)
Maintenance and energy	(13,565)	(13,849)
Leasing	(12,335)	(10,671)
Taxes and rates	(1,047)	(1,851)
Personnel expenses	(910)	(959)
Depreciation and amortization	(37)	(33)
Expenses with commissions and representations	(169)	(161)
Maintenance expenses	(3)	(9)
Expenses with Outsourced Services	(868)	(735)
Expenses with taxes and rates	(91)	(73)
Corporate expenses	(963)	(642)
	(100,929)	**(94,345)**
Reconciliation with operating expenses classified per function:		
Cost of products sold	(97.887)	(91,733)
Sales expenses	(696)	(374)
Administrative and general	(2.346)	(2,238)
	(100.929)	**(94,345)**

25 Net financial

	2017	2016
Financial income		
Yields from interest earning bank deposits	46	205
Asset foreign exchange fluctuation	37	585
Interest	-	434
Others	-	192
	83	**1,416**
Financial expenses		
Interest recognized on financing	(3,269)	(5,664)
Interest on suppliers	(585)	(1,570)
IOF	(33)	(38)
Liability foreign exchange fluctuations	(119)	(470)
Other	(64)	(439)
	(4,052)	**(8,181)**
Net	**(3,969)**	**(6,765)**

26 Other operating income

	2017	2016
Scrape revenues	37	16
Tax recuperation (i)	4,220	914
Other revenues	155	165
	4,412	**1,095**

(i) The recovery of taxes arising from the recognition of extemporaneous credits based on a study carried out by a specialized company.

27 Related parties

a. Remuneration of key management personnel

Management key personnel is comprised of members of the executive board. The Directors' fees in the year total R$ 108 (R$ 88 in 2016). The Company do not grant long-term benefits to key management personnel.

b. Employee benefits

The Company provides to its employees benefits that encompass basically: life insurance, health and dental care, provision of food vouchers and transportation vouchers.

c. Other related party transactions

The main balances of assets and liabilities as of December 31, 2017 and 2016 as well as transactions that influenced income (loss) for the year, related to operations with related parties, result mainly from transactions with shareholders and associated companies of the same economic group.

Transactions with related parties, made under the following conditions, are summarized in the tables shown below, and include the following:

	Assets	
	2017	**2016**
Accounts receivable (Note 9)		
Sinagro Produtos Agropecuários S.A.	129	-
Cereais Sul Industria e Comercio de Cereais Ltda.	-	276
Fiagril Participações Ltda.	379	33
Ademir Bau Meller	-	2
Total	**508**	**311**

	Liabilities	
	2017	**2016**
Suppliers - (Note 15)		
Fiagril Ltda.	6,287	8,061
Advanta Seeds Ltda	600	-
UPL do Brasil Ind. e Com. de Prod. Agropecuários	2,527	-
Boa Safra Sementes Ltda.	399	249
Camila Stefani Colpo	368	768
Marino Stefani Colpo	1,586	2,803
Sinagro Produtos Agropecuários S.A.	-	75
Nobre Alimentos Ltda.	-	1
Total	**11,767**	**11,957**

	Liabilities	
	2017	**2016**
Advance from clients (Note 17)		
Boa Safra Sementes Ltda.	409	4,399
Fiagril Ltda.	2,779	7,840
Sinagro Produtos Agropecuários S.A.	329	775
Total	**3,517**	**13,014**

Transactions affecting income (loss)

The significant transactions that affected the income (loss) for years were:

	2017	**2016**
Sales of seeds and grains (Note 23)		
Ademir Bau Meller		2
Cereais Sul Industria e Comercio de Cereais Ltda.	33,858	20,182
Nobre Alimentos Ltda.	149	821
Boa Safra Sementes Ltda.	11,799	22,071
Fiagril Ltda.	21,000	7,550
Sinagro Produtos Agropecuários S.A.	9,221	15,607
Marino Jose Franz	490	3,955
	76,517	**70,188**

	2017	**2016**
Purchase of seeds and grains		
Advanta Comércio de Sementes Ltda.	600	-
Boa Safra Sementes Ltda.	641	2,586
João Carlos Colpo	29	-
UPL do Brasil Ind. e Com. de Prod. Agropecuários Ltda.	2,527	-
	3,797	2,586

28 Environmental aspects

The Company's production facilities are subject to environmental regulations. The Company reduces the risks associated with environmental matters, by operational procedures and controls and investments in pollution control equipment and systems. The Company believes that no provision for losses relating to environmental matters is required at present, based on the current laws and regulations in force.

The Company, as a related party of Colpo Group, took part in the process to validate its practices for the environment and practices for manufacturing Environment friendly products, and was rewarded with certification granted by INPRA (Instituto Internacional de Pesquisas e Responsabilidades Socioambiental Chico Mendes - Chico Mendes international institute of social-environmental research and responsibilities), known as “Selo Verde” (Green Stamp), which we will start to use in our goods.

29 Subsequent events

According to the Minutes of the Ordinary and Extraordinary Shareholders' Meeting held on March 6, 2018, the Company approved the capital increase in the amount of R $ 1,682 without issuing new shares arising from (i) R$ 84 Legal Reserve, (ii) R$ 96 of mandatory minimum dividend and (iii) R $ 1,502 of Profit Reserve, all arising from the result for the year ended December 31, 2016. Due to the deliberate and approved capitalization of the Company's capital stock, which was R$ 309,049, amounts to R$ 310,647.