3SB Produtos Agrícolas S.A.

Financial statements December 31, 2016

Contents

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Independent auditors' report on the financial statements

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

Opinion
We have examined financial statements of 3SB Produtos Agrícolas S.A. (“Company”), comprising the balance sheet as of December 31, 2016 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other clarifying information.

In our opinion, the individual aforementioned financial statements present fairly, in all material respects, the financial position of 3SB Produtos Agrícolas S.A. as of December 31, 2016, the performance of its operations and its cash flows for the year then ended, in conformity with accounting practices adopted in Brazil.

Basis for opinion
Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibilities, in compliance with such standards, are described in the following section, titled “Responsibilities of the auditors regarding the audit of Financial Statements.” We are independent in relation to the Company, according to the relevant ethical principles established in the Accountants’ Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of management for the financial statements
The Management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and the internal controls it deemed necessary to enable the preparation of financial statements free of material misstatements, regardless of whether caused by fraud or error.

In preparing the financial statements, Management is responsible for evaluating the Company’s ability to continue operating, and disclosing - where applicable - matters related to its going concern and the use of this accounting basis in the preparation of the

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financial statements, unless Management intends to liquidate the Company or cease its operations, or has no realistic alternative to avert closing down operations.

Those responsible for the governance of the Company are the ones with responsibility for overseeing the preparation process of financial statements.

Responsibilities of the auditor regarding the audit of financial statements
Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatements, regardless of whether any such misstatement is caused by fraud or error, and issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted pursuant to Brazilian and international auditing standards will always detect any existing material misstatements. Misstatements may be due to fraud or error and are considered material when, individually or jointly, they may - from a reasonable perspective - influence the economic decisions of the users made based on the respective financial statements.

As part of the audit conducted according to Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the financial statements (regardless of whether any such misstatement is caused by fraud or error), we plan and perform audit procedures in response to such risks, and we obtain audit evidence that is appropriate and sufficient to underpin our opinion. The risk of not detecting material misstatement resulting from fraud is higher than that from error, as fraud may involve the act of cheating internal controls, collusion, falsification, omission or intentional misrepresentations.

- We obtain an understanding of the internal controls relevant to the audit to design auditing procedures suitable to the circumstances, but not with the aim of expressing an opinion on the effectiveness of the Company's Firm's internal controls.

- We evaluated the adequacy of the adopted accounting policies and the reasonableness of the accounting estimates and the respective disclosures made by management.

- We reach a conclusion as to the suitability of Management's use of the accounting basis for going concern and, based on the audit evidence obtained, as to whether there is a material uncertainty regarding events or conditions that could raise a significant doubt regarding the Company's capacity for going concern. If we conclude that there is material uncertainty, we will call attention in our audit report to the respective disclosures in the financial statements or include any change in our opinion, if the disclosures are inappropriate. Our conclusions are based on the audit evidences obtained through our reporting date. However, future events or conditions may cause the Company not to continue as going concern.

- We assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that is consistent with the objective of proper reporting.

We communicate with Management regarding, among other things, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal controls that we identify during our work.

São Carlos, March 31, 2017

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3SB Produtos Agropecuários S.A.

Balance sheets at December 31, 2016 and 2015

(In thousands of reais)

	Note	2016	2015
Assets			
Cash and cash equivalents	4	1,186	215
Trade accounts receivable	5	1,052	-
Inventories	6	33,228	4,917
Biological assets	7	93,272	104,516
Advances for purchase of inventories		669	967
Advances to suppliers		97	1,158
Recoverable taxes		1,011	497
Income and social contribution tax recoverable		27	1
Prepaid expenses		329	87
Other credits		753	9
Total current assets		**131,624**	**112,367**
Financial loans	8	44,751	40,149
Other credits		2,209	1,173
Total long-term assets		**46,960**	**41,322**
Investment property	9	14,200	14,200
Investments		5	2
Property, plant and equipment	10	44,562	59,168
Intangible assets		36	45
Total non-current assets		**58,803**	**73,415**
Total assets		**237,387**	**227,104**

	Note	2016	2015
Liabilities			
Suppliers	11	41,458	65,335
Financial loans	8	90,986	-
Advances from clients		6,361	12,202
Income and social contribution tax payable		-	157
Taxes and contributions payable		4,805	265
Social charges and labor legislation obligations		3,149	2,050
Other accounts payable	12	20,422	18,901
Total current liabilities		**167,181**	**98,910**
Deferred income and social contribution taxes	13	4,065	7,242
Other accounts payable	12	50,401	62,105
Total non-current liabilities		**54,466**	**69,347**
Shareholders' equity			
Capital	14	52,006	52,006
Profit reserve		342	342
Profit reserve to be allocated		-	6,499
Accumulated losses		(36,608)	-
Total shareholders' equity		**15,740**	**58,847**
Total liabilities and shareholders' equity		**237,387**	**227,104**

See the accompanying notes to the financial statements.

3SB Produtos Agropecuários S.A.

Statements of income

Year ended December 31, 2016 and nine-month and nine day period ended December 31, 2015

(In thousands of reais)

	Note	2016	2015
Net operating income	15	147,137	-
Variation in the fair value of biological assets	7	12,011	20,251
Cost of products sold	16	(186,901)	-
Gross income (loss)		**(27,753)**	**20,251**
General and administrative expenses	16	(11,208)	(9,944)
Other operating income (expenses), net	16	(3,786)	(30)
Income (loss) before financial income (loss) and income taxes		**(42,747)**	**10,277**
Financial income		5,920	3,124
Financial expenses		(12,266)	(208)
Net foreign exchange rate		2,809	1,047
Financial income (loss)	17	**(3,537)**	**3,963**
Net income (loss) before income taxes		**(46,284)**	**14,240**
Deferred income and social contribution taxes	13	3,177	(7,242)
Current income and social contribution taxes		-	(157)
Net income (loss) for the year/period		**(43,107)**	**6,841**

See the accompanying notes to the financial statements.

3SB Produtos Agropecuários S.A.

Statements of comprehensive income

Year ended December 31, 2016 and nine-month and nine day period ended December 31, 2015

(In thousands of reais)

	2016	2015
Net Income (loss) for the year/period	(43,107)	6,841
Other comprehensive income	-	-
Total comprehensive income	**(43,107)**	**6,841**

See the accompanying notes to the financial statements.

3SB Produtos Agropecuários S.A.

Statements of changes in shareholders' equity

Year ended December 31, 2016 and nine-month and nine day period ended December 31, 2015

(In thousands of reais)

	Capital	Capital to be paid-up	Proft reserve	Profit reserve to be allocated	Accumulated losses	Total
Balances at January 1, 2015	-	-	-		-	-
Company’s formation as of March 09, 2015	6	(6)	-	-	-	-
Paid-up capital at March 09, 2015	-	1	-	-	-	**1**
Paid-up capital at June 26, 2015	-	5	-	-	-	**5**
Capital increase as minutes of Special Shareholders’ Meeting on June 29, 2015.	52,000	-	-	-	-	**52,000**
Net income for the period	-	-	-	-	6,841	**6,841**
Distribution of income:						
Legal reserve	-	-	342	-	(342)	-
Profit reserves to be allocated	-	-	-	6,499	(6,499)	-
Balances at December 31, 2015	**52,006**	**-**	**342**	**6,499**	**-**	**58,847**
Income (loss) for the year	-	-	-	-	(43,107)	**(43,107)**
Absorption of reserves	-	-	-	(6,499)	6,499	-
Balances at December 31, 2016	**52,006**	**-**	**342**	**-**	**(36,608)**	**15,740**

See the accompanying notes to the financial statements.

3SB Produtos Agropecuários S.A.

Statements of cash flows – Indirect method

Year ended December 31, 2016 and nine-month and nine day period ended December 31, 2015

(In thousands of reais)

	2016	2015
Cash flow from operating activities		
Income (loss) for the year/period	**(43,107)**	**6,841**
Adjustments on income (loss) for the year/period		
Deferred income and social contribution taxes	(3,177)	7,242
Adjustment in fair value of biological assets	(12,011)	(20,251)
Interest and foreign exchange rates incurred on loans and loan agreements	6,884	(2,899)
Depreciation and amortization	16,183	4
Residual value of sold property, plant and equipment	2,783	-
Adjustment to present value	26	-
	(32,419)	**(9,063)**
(Increase)/decrease in assets		
Trade accounts receivable	(1,077)	-
Inventories	(28,311)	(4,917)
Biological assets	23,255	(83,261)
Advances for purchase of inventories	298	(967)
Advances to suppliers	1,061	(1,158)
Recoverable taxes	(514)	(497)
Income and social contribution tax recoverable	(26)	(1)
Prepaid expenses	(242)	(87)
Other credits	(1,780)	(1,182)
	(7,336)	**(92,070)**
Increase/(decrease) in liabilities		
Suppliers	(23,877)	67,641
Taxes and contributions payable	4,540	265
Income and social contribution tax payable	(157)	157
Advances from clients	(5,841)	12,202
Social charges and labor legislation obligations	1,099	2,050
Other accounts payable	(10,183)	18,901
	(34,419)	**101,216**
Cash flow (invested in) from operating activities	**(74,174)**	**83**
Cash flow from investment activities		
Acquisition of property, plant and equipment and intangible assets	(4,352)	(422)
Loan granted to related parties	-	(37,250)
Acquisition of other investments	(3)	(2)
Acquisition of investment property	-	(14,200)
Cash flow invested in investment investing activities	**(4,355)**	**(51,874)**
Cash flow from financing activities		
Loan received from related parties	79,500	-
Paid-in capital	-	52,006
Cash flow from financing activities	**79,500**	**52,006**
Increase in cash and cash equivalents	**971**	**215**
Cash and cash equivalents at the beginning of the year/period	215	-
Cash and cash equivalents at the end of year/period	1,186	215
Increase in cash and cash equivalents	**971**	**215**

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of reais)

1 Operations

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

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

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

2 Preparation basis

a. Statement of compliance

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

The issue of financial statements was authorized by the Management on March 31, 2017.

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

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

b. Measuring basis

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

- Biological assets measured at fair value; and

- Non-derivative financial instruments measured at fair value through profit or loss.

c. Functional and presentation currency

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

d. Use of estimates and judgments

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

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

(i) Uncertainties on assumptions and estimates

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

- Note 7 **-** Biological assets.

Measurement at fair value

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

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

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

- **Level 1:** Prices quoted (not adjusted) in active markets for identical assets and liabilities.

- **Level 2:** Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).

- **Level 3:** Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

All of the Company’s financial instruments **-** assets and liabilities **-** are classified as “Level 2”.

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

- **Note 18 -** Financial instruments; and

- **Note 7 -** Biological assets.

3 Significant accounting policies

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

a. Foreign currency

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

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

b. Financial instruments

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

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

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

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

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

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

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

(ii) Non-derivative financial assets - measurement

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

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

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

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

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

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

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

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

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

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

g. Property, plant and equipment

(i) Recognition and measurement

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

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

- The cost of materials and direct labor;

- Any other costs directly attributable to bringing the assets to and condition required for them to operate in the manner intended by the Management; and

- The costs for dismantling and restoration of the site where these assets are located.

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The useful lives estimated for the year are as follows:

Class of assets	**Average useful life - in years**
Aircrafts	10
Agricultural machinery and equipment	10
Machinery and equipment	10
Vehicles	5

h. Impairment

(i) Non-derivative financial assets

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

Objective evidences of financial assets’ impairment include:

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

Financial assets measured at amortized cost

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

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

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

(ii) Non-financial assets

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

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

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

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

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

i. Provisions

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

j. Adjustment to present value

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

k. Operating income

(i) Sale of agricultural products

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

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

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

l. Financial income and expenses

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

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

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

m. Income and social contribution taxes

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

(i) Current income tax and social contribution expense

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

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

(ii) Deferred income and social contribution tax expenses

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

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

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

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

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

n. New standards and interpretations not yet effective

Several new standards, amendments to standards and interpretations will become effective for the years started after January 1, 2016. The Company did not adopt these changes for preparation of financial statements. The Company does not plan to adopt these standards in advance.

Disclosure Initiative (Amendments to CPC 26 / IAS 7)

The changes require additional disclosures that allow users of financial statements to understand and assess changes in liabilities arising from financing activities, whether arising from cash flow and other changes.

Changes are effective in years starting on or after January 1, 2017. Early adoption is permitted only for financial statements in accordance with IFRS.

The Company is evaluating the potential impact on its financial statements. Thus far, the Company does not expect any significant impact.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to CPC 32 / IAS 12)

The changes clarify the accounting of deferred tax assets for unrealized losses on debt instruments measured at fair value.

Changes are effective in years starting on or after January 1, 2017, and early adoption is allowed only to financial statements, pursuant to IFRSs.

The Company is evaluating the potential impact on its financial statements. Thus far, the Company does not expect any significant impact.

IFRS 15 - Income from Contracts with Clients

IFRS 15 introduces a comprehensive framework for determining whether and when income is recognized, and how income is measured. IFRS 15 replaces current income recognition standards, including CPC 30 Income, CPC 17 Construction Contracts, and CPC 30 Interpretation A (IFRIC 13) Client Loyalty Programs.
IFRS 15 becomes effective for annual periods starting on or after January 1, 2018. Early adoption is permitted only for financial statements in accordance with IFRS.

The Company is evaluating the potential impact on its financial statements. Thus far, the Company does not expect any significant impact.

IFRS 9 Financial Instruments

IFRS 9 replaces guidelines of IAS 39 (CPC 38) Financial Instruments: Recognition and measurement. IFRS 9 includes new models for the classification and measurement of financial instruments and measurement of expected credit losses for financial and contractual assets, and new requirements on hedge accounting. The new standard maintains the IAS 39 guidelines about acknowledging and disacknowledging financial instruments.

IFRS 9 will become effective for annual periods starting on or after January 1, 2018, with early adoption allowed only to financial statements, pursuant to IFRSs.

The effective impact of the adoption of IFRS 9 on the Company's financial statements in 2018 cannot be estimated with confidence, as it will depend on the financial instruments held by the Company and the economic conditions in 2018, as well as accounting decisions and judgment calls that the Company will make in the future. The new standard will require the Company to review its accounting procedures and internal controls related to the classification and measurement of financial instruments, and these changes are not yet finalized.

The Company is evaluating the potential impact on its financial statements.

IFRS 16 Leases

IFRS 16 introduces a single model for bookkeeping leases in lessees' balance sheets. A lessee recognizes a right of use asset that represents its right to use leased asset, and a lease liability that represents its obligation to pay for the lease. Optional exemptions are available for short-term leases and low-value items. Lessor's bookkeeping remains the same as current standard, that is, lessors continue to classify leases into financial or operating.

IFRS 16 replaces existing lease standards, including CPC 06 (IAS 17) Lease Transactions and ICPC 03 (IFRIC 4, SIC 15 e SIC 27) Supplementary Aspects of Lease Transactions.

This standard is effective for annual periods started as of or after January 1, 2019. Early adoption is permitted only for financial statements in accordance with IFRS's and only for entities that apply IFRS 15 Income from Contracts with Clients upon or before first-time adoption of IFRS 16.

The Company is evaluating the potential impact on its financial statements.

Other changes

The following new rules or changed are not expected to have a significant impact on the Company's financial statements.

Changes to CPC 10 (IFRS 2) Share-based payments in relation to classification and measurement of certain transactions with share-based payments.

Changes to CPC 36 Consolidated Statements (IFRS 10) and CPC 18 Investment in Associated Company (IAS 28) in relation to sales or contributions of assets between an investor and its associate company or its jointly-owned subsidiary.

The Accounting Pronouncements Committee has not yet issued any accounting pronouncement or amendments in current pronouncements corresponding to all new IFRSs. Therefore, early adoption of IFRS is not allowed for entities that disclose their financial statements in accordance with accounting practices adopted in Brazil.

4 Cash and cash equivalents

	2016	2015
Cash	558	45
Bank deposits	524	153
Interest earnings bank deposits	104	17
	1,186	**215**

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

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

The Company's exposure to interest rate risks and a sensitivity analysis of financial assets and liabilities are disclosed in Note 18.

5 Trade accounts receivable

	2016	2015
Accounts receivable	1,077	-
(-) Adjustment to present value	(25)	-
	1,052	**-**

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

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

Company exposure to credit and currency risks and impairment losses related to trade accounts receivable are disclosed in Note 18.

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

Overdue - in days	**2016**	**2015**
Up to 30	935	-
31-60	13	-
61-90	130	-
	1,077	-

6 Inventories

	2016	**2015**
Pesticides	19,688	2,723
Fertilizers	5,320	432
Cotton fiber	2,793	-
Micronutrients	2,755	775
Fuels and lubricants	782	509
Packaging	431	-
Other	1,459	478
	33,228	**4,917**

7 Biological assets

On December 31, 2016 Company's biological assets is formed by Soya 16/17.

Changes in biological assets are as follow:

Balance at March 09, 2015	-
Formation cost of crops in progress	84,265
Change in fair value	20,251
Balance at December 31, 2015	**104,516**
Products harvested and transferred to inventories	(104,516)
Formation cost of crops in progress	81,261
Change in fair value	12,011
Balance at December 31, 2016	**93,272**

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

Soybean - 2016/2017 crop	**2016**
Estimated harvest area (hectares)	38,992
Average expected yield (bags/hectares)	55
Amount in R$ of bag	62.93

The Company is exposed to risks related to its plantations:

Regulatory and environmental risks

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

Supply and demand risk

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

Climatic risks and others

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

8 Related parties

Parent company

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

Compensation of key management personnel

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

Impact on balance sheet

	2016	**2015**
Loans - assets		
Marcos Antônio Vimercati *(i)*	44,751	40,149
	44,751	**40,149**
Advances from customers		
Sinagro Produtos Agropecuários S.A.	1,963	12,202
	1,963	**12,202**
Trade accounts payable (Note 11)		
UPL do Brasil Industria e Comércio	14,659	-
Sinagro Produtos Agropecuários S.A.	9,899	66,466
Seara Comercial Agrícola S.A.	462	-
Marcos Antônio Vilmercati	79	-
	25,099	**66,466**
Other accounts payable (Note 12)		
Marcos Antônio Vilmercati *(ii)*	28,956	34,174
Sinagro Produtos Agropecuários S.A. *(iii)*	21,445	27,931
	50,401	**62,105**
Financial loan liabilities		
UPL do Brasil Industria e Comércio S.A. *(iv)*	90,986	-

	90,986	**-**

(i) It derives from financial loan remitted to shareholder as of June 29, 2015 maturing on March 31, 2020. This balance bears interest of 15% p.a. less remuneration the Company will receive for lease of Marajá farm - acquired from the same shareholder also on June 29, 2015 for book value, and is currently leased to third parties. Shareholders pledged agricultural properties as guarantee.

(ii) Refers to purchase of property, plant and equipment that will be settled in 2020. As per the statement of Indemnification signed between shareholders and Sinagro group companies, Marcos Antonio Vilmercati has assigned the amount receivable by him from the Company to Sinagro Produtos Agropecuários S.A.

(iii) Refers to purchase of property, plant and equipment from Sinagro Produtos Agropecuários S.A., amounting to R$28,283, and that will be settled for the amount of R$21,243. Gains are being recognized in the Company's income as the period for payment of negotiation is elapsing. Payment period will extend for 5 years.

(iv) Refers to working capital loan raised on June 16, 2016 at interest rate of 8.33% p.a. flat rate and variable rate is CDI., with payment expected in 2017.

Significant transactions that influenced income (loss) for the year ended December 31, 2016 were income from sale of commodities in the amount of R$116,123, acquisition of input for planting, in the amount of R$32,273, interest on related-party transactions recorded under financial income, in the amount of R$4,602, and recorded under financial expenses, in the amount of R$986.

9 Investment property

The balance on December 31, 2016 is R$ 14,200 (R$ 14,200, on December 31, 2015) is related to Marajá farm acquired from shareholders in 2015. Presently, the farm is leased to third parties until 2022, under operating lease.

The Company's Management did not identify any evidence that would justify the need of provision for recoverability on December 31, 2016.

The fair value of the investment properties as of December 31, 2016 are about R$ 50,000.

10 Property, plant and equipment

Cost	**Balance at January 1, 2016**	**Additions**	**Write-off**	**Transfers**	**Balance at December 31, 2016**
Aircrafts	2,467	90	-	-	2,557
Agricultural machinery and equipment	52,537	3,523	(72)	(11)	55,977
Machinery and equipment	3,575	94	(2,723)	1	947
Vehicles	3,805	124	-	-	3,929
Works in progress	-	237	-	(70)	167
Other	93	284	(81)	80	376
	62,477	**4,352**	**(2,876)**	**-**	**63,953**
Depreciation					
Aircrafts	(123)	(452)	-	-	(575)

Agricultural machinery and equipment	(2,626)	(14,277)	64	(180)	(17,019)
Machinery and equipment	(179)	(179)	7	176	(175)
Vehicles	(381)	(1,233)	2	4	(1,608)
Other	-	(33)	19	-	(14)
	(3,309)	**(16,174)**	**92**	**-**	**(19,391)**
Net book value	**59,168**				**44,562**

11 Suppliers

	2016	**2015**
Suppliers - related parties (Note 8)	25,099	66,466
Suppliers - Third parties	17,824	1,472
(-) Adjustment to present value	(1,465)	(2,603)
	41,458	**65,335**

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

12 Other accounts payable

	2016	**2015**
Acquisition of property, plant and equipment - Related parties - (note 8)	50,401	62,105
Agricultural partnerships	8,719	450
Agricultural leases	8,244	16,471
Spare parts - property, plant and equipment	-	1,933
Other accounts payable - Fuel	282	-
Other accounts payable - Freight	26	-
Other	3,151	47
	70,823	**81,006**
Current liabilities	20,422	18,901
Non-current liabilities	50,401	62,105
	70,823	**81,006**

13 Deferred taxes

	2016	**Income (loss)**	**2015**
Biological assets	3,586	3,298	6,884
Adjustment to present value of suppliers	498	(140)	358
Foreign exchange variation	(11)	11	-
Adjustment to present value of clients	(8)	8	-
Total	**4,065**	**3,177**	**7,242**

Effective rate reconciliation	**2016**
Loss for the year before taxes	

	(46,284)
Nominal rate	34%
Tax credit at nominal rate	15,737
Adjustment of income and social contribution taxes	
Net permanent expenses	(57)
Temporary additions, net	3,177
Other	558
Taxes loses and negative bases	11.945
Deferred tax	3,177
Effective rate	7%

14 Shareholders' equity

Capital

Subscribed and paid-in capital in domestic currency is R$52,006, represented by 10,000 common, nominative shares with no par value.

S3B Fundo de Investimento em Participações has 60% of the entity's shares, and United Phosphorus Holdings Brazil B.V. has 40% of the entity's shares.

Dividends

In compliance with shareholders' agreement clause 6, in 2015, the Company's management did not recognize minimum mandatory dividends in current liabilities.

15 Net income

	2016	**2015**
Domestic market		
Soy	112,635	-
Corn	26,638	-
Other	20,550	-
Gross income	**159,823**	**-**
(-) Sales tax	(8,540)	-
(-) Returns	(4,121)	-
(-) Adjustment to present value of accounts receivable	(25)	
Net income	**147,137**	**-**

16 Expenses per type

	2016	**2015**
Cost of products sold	(186,901)	-
Rural leases	-	(7,570)
Rural Partnerships	-	(207)
Freight	(5,895)	(101)
Losses with washout	(3,577)	-
Salaries and wages	(2,273)	(1,056)
Directors fee	(765)	(240)
Electric power	(299)	(321)

Maintenance	(190)	(104)
Notary services	(87)	(123)
Other	(1,908)	(252)
	(202,052)	**(9,974)**
Classified as		
Cost of products sold	(186,901)	-
General and administrative expenses	(11,208)	(9,944)
Other operating income (expenses), net	(3,786)	(30)
	(202,052)	**(9,974)**

17 Financial income (loss)

	2016	**2015**
Financial income		
Interest	4,686	2,899
Gains in lease operations - related parties	704	-
Other	530	225
	5,920	**3,124**
Financial expenses		
Interest on loans and financing	(8,445)	-
IOF	(1,485)	(202)
Other	(2,336)	(6)
	(12,266)	**(208)**
Net foreign exchange rate	**2,809**	**1,047**
	2,809	**1,047**
Net financial income	**(3,537)**	**3,963**

18 Financial instruments

a. Overview

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

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

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

b. Risk management structure

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

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

Credit risk

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

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

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

	2016	**2015**
Cash and cash equivalents	1,186	215
Trade accounts receivable	1,052	-
Financial loans	44,751	40,149
Other credits	2,962	1,182
	49,951	**41,546**

Liquidity risk

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

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

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

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

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

In December 2015	**Book value**	**Up to 12 months**	**1-2 years**	**2-5 years**	**>5 years**
Suppliers	65,335	65,335	-	-	-
Other accounts payable	81,006	18,901	-	-	62,105
	146,341	**84,236**	**-**	**-**	**62,105**

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

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

Cash flow sensitivity analysis for variable rate instruments
Due to low volume of financial investments (the only balance sheet item exposed to variable rates as of December 31, 2016), sensitivity analysis for this risk was not prepared, as its impacts, in case of volatilities, would be irrelevant to financial statements.

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

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

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

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

market, are substantially close to their corresponding market values.

Statement of financial instruments and their respective category classification

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

December 31, 2016

	Note	Fair value through profit or loss	Loans and receivables	Other liabilities
Cash and cash equivalents	4	-	1,082	-
Interest earnings bank deposits	4	104	-	-
Trade accounts receivable	5	-	1,052	-
Financial loans	8	-	44,751	-
Other credits		-	2,962	-
Suppliers	11	-	-	41,458
Financial loans	8	-	-	90,986
Other accounts payable	12	-	-	70,823
		104	**49,847**	**203,267**

December 31, 2015

	Note	Fair value through profit or loss	Loans and receivables	Other liabilities
Cash and cash equivalents	4	-	198	-
Interest earnings bank deposits	4	17	-	-
Financial loans		-	40,149	-
Other credits	8	-	1,182	-
Suppliers	11	-	-	65,335
Other accounts payable	8	-	-	81,006
		17	**41,529**	**146,341**

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

Derivative financial instruments

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

19 Commitments with contracts

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

	2016	2015
<1 year	21,891	20,713
1-5 years	84,013	85,454
Total	**105,904**	**106,167**

20 Adittional information

a. Reversal of adjustments to present value

In compliance with the need for shareholder United Phosphorus Brazil Holdings BV, the Company has been presenting the accounting entries regarding the adjustments to present values carried in these financial statements that need to be reversed if the adjustment to present value should be eliminated:

Entries to be passed on December 31, 2016:

(i) Accounts payable

D - Biological assets	
C - Accounts payable	1.465
D - Deferred taxes on profit or loss	
C - Deferred taxes as liabilities	498

(ii) Accounts receivable

D - Accounts receivable	
C - Gross revenue	24
D - Deferred taxes as assets	
C - Deferred taxes on profit or loss	8