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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 20-F**

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☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-35723

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**BRASILAGRO – COMPANHIA BRASILEIRA DE**  
**PROPRIEDADES AGRÍCOLAS**

(Exact name of Registrant as specified in its charter)

**BrasilAgro - Brazilian Agricultural Real Estate Company**  
(Translation of Registrant's name into English)

**The Federative Republic of Brazil**  
(Jurisdiction of incorporation or organization)

**Av. Brigadeiro Faria Lima, 1309, 5th floor, São Paulo - SP 01452-002, Brazil**  
(Address of principal executive offices)

**Gustavo Javier Lopez**  
**Chief Administrative Officer and Investor Relations Officer,**  
**Tel.: +55 11 3035 5350, Email: ri@brasil-agro.com**

**Av. Brigadeiro Faria Lima, 1309, 5th floor**  
**São Paulo - SP 01452-002, Brazil**  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one ordinary share, no par value	New York Stock Exchange
Ordinary Shares*	New York Stock Exchange*

\* Not for trading, but only in connection with the registration of American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares, no par value	56,888,916
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BrasilAgro – Companhia Brasileira de Propriedades Agrícolas is an emerging growth company as defined in Section 3(a) of the Securities Exchange Act of 1934.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ (Note: None required for registrant)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ☐                      Accelerated filer ☒                      Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐                      International Financial Reporting Standards as issued by the International Accounting Standards Board ☒                      Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes ☐ No ☒

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Unless the context otherwise requires, the term “BrasilAgro” refers to BrasilAgro – Companhia Brasileira de Propriedades Agrícolas and its consolidated subsidiaries; and unless indicated otherwise, the terms “we,” the “Company,” “our” or “us” refer to BrasilAgro. The term “Brazil” refer to The Federative Republic of Brazil.

**Presentation of Financial Information**

All references herein to “real,” “Reais” or “R\$” are to the Brazilian real, the official currency of Brazil. All references to “dollars” or “US\$” are to U.S. dollars.

On June 30, 2017, the end of our last fiscal year, the exchange rate for *Reais* into U.S. dollars was R\$3.3082 to US\$1.00, based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank. On June 30, 2016, the selling rate was R\$3.2098 to US\$1.00. The selling rate was R\$3.1026 to US\$1.00 on June 30, 2015, R\$2.2025 to US\$1.00 on June 30, 2014, and R\$2.2156 to US\$1.00 on June 30, 2013, in each case, as reported by the Central Bank. The *Real*/U.S. dollar exchange rate fluctuates widely, and the selling rate on June 30, 2017 may not be indicative of future exchange rates. On September 30, 2017, the selling rate was R\$3.1625 to US\$1.00, as reported by the Central Bank. See “Item 3—Key Information—Exchange Rates” for information regarding exchange rates for the Real since June 30, 2013.

**Financial Statements**

We maintain our books and records in Reais. Our fiscal year is from July 1 of each year to June 30 of the following year. Our consolidated financial statements as of June 30, 2017, 2016 and 2015 and for the years ended June 30, 2017, 2016 and 2015 have been audited.

We prepare our annual consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB.

In fiscal year ended June 30, 2017, we applied the amendments to IAS 16, *Property, Plant and Equipment* (“IAS 16”) and IAS 41, *Agriculture* (“IAS 41”), which changed the accounting requirements for biological assets that fall within the definition of “bearer plants.” The effects of the application of such amendments have been retroactively applied as of July 1, 2014. See Note 2.27.1 to the audited consolidated financial statements.

**Crop Year, Harvest and Planting Season**

Our agricultural production is based on the crop year, which varies according to each crop. The crop year for sugarcane is from January 1 to December 31 of the same year, and the crop year for grains is from July 1 to June 30 of the following year. We also make reference to the planting season and the harvest season, or harvest period. In Brazil, the planting season for grains is from September to December, and the planting season for sugarcane is from February to May. The harvesting period in Brazil for grains is from February to July, and such period for sugarcane is from April to November.

**Market Information**

The market information included herein concerning the Brazilian economy and the domestic and international agriculture industry was obtained from market research, publicly available information and industry publications from established public sources, such as the Central Bank, the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or the IBGE, the Brazilian Food Supply Company (*Companhia Nacional de Abastecimento*), or Conab, a state-owned company, the Brazilian Ministry of Agriculture, Livestock and Food Supply (*Ministério da Agricultura, Pecuária e Abastecimento*), or MAPA, the U.S. Department of Agriculture, or USDA, the U.S. Food and Agriculture Organization, or FAO, the United Nations, and the Organization for Economic Cooperation and Development, or OECD, as well as from other public institutions and independent sources as indicated throughout this Annual Report. We believe that such information is true and accurate as of the date they were made, although we have not independently verified it.

[Table of Contents](#)**Rounding**

Some percentages and amounts included herein have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregations of the figures that precede them.

**Emerging Growth Company Status**

We are an “emerging growth company,” as defined in Section 3(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as modified by the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As such, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, or any Public Company Accounting Oversight Board, or “PCAOB,” rules, that, if adopted in the future, would require mandatory audit firm rotation and auditor discussion and analysis and any future audit rule promulgated by the PCAOB (unless the U.S. Securities and Exchange Commission, or the SEC, determines otherwise). We take advantage of the exemption to provide an auditor’s attestation report and may decide to rely on other exemptions in the future, such as compliance with certain PCAOB rules. We do not know if some investors will find our common stock less attractive as a result. The result may be a less active trading market for our common stock and our stock price may be more volatile.

We could remain an “emerging growth company” until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed US\$1 billion, (b) the last day of our fiscal year following the fifth anniversary of the date of our first sale of our common equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the Securities Act, (c) the date on which we have issued more than US\$1 billion in non-convertible debt during the preceding three-year period, or (d) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter.

**Forward-Looking Statements**

This Annual Report on Form 20-F includes statements that constitute forward-looking statements. These statements are based on the beliefs and assumptions of our management and on information available to management at the time such statements were made. Forward-looking statements include, but are not limited to: (a) information concerning possible or assumed future results of our operations, earnings, industry conditions, demand and pricing for our services and other aspects of our business described under “Item 4—Information on the Company,” “Item 5—Operating and Financial Review and Prospects” and “Item 11—Quantitative and Qualitative Disclosures About Market Risk”; and (b) statements that are preceded by, followed by or include the words “believes,” “expects,” “anticipates,” “intends,” “is confident,” “plans,” “estimates,” “may,” “might,” “could,” “will,” “would,” the negatives of such terms or similar expressions.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations. Many of the factors that will determine these results are beyond our ability to control or predict.

Any of the risk factors described under “Item 3—Key Information—Risk Factors” and those described elsewhere in this Annual Report on Form 20-F or in our other filings with the SEC, among other things, could cause our results to differ from any results or conditions that might be projected, forecasted or estimated by us in any such forward-looking statements.

We undertake no obligation to publicly update any forward-looking statement, whether because of new information, future events or otherwise, except as required by applicable law or stock exchange regulation. Investors are cautioned not to put undue reliance on any forward-looking statements.

**ITEM 1—IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

[Table of Contents](#)**ITEM 2—OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3—KEY INFORMATION****A. Selected Consolidated Financial Data**

We prepare our annual consolidated financial statements in accordance with IFRS as issued by the IASB.

Due to the nature of our business and the harvesting periods in the locations where we operate, our fiscal year ends on June 30 of each year. References in this Annual Report on Form 20-F to a specific fiscal year relate to the fiscal year ended on June 30 of that calendar year, unless indicated otherwise.

The selected financial data has been derived from our audited consolidated financial statements as of June 30, 2017, 2016, 2015, 2014 and 2013, and for each of the five years ended June 30, 2017. The information set forth below is qualified by reference to, and should be read in conjunction with, our audited consolidated financial statements and the notes thereto and also “Item 5—Operating and Financial Review and Prospects” included in this Annual Report.

***Effects of the adoption of the amendments to IAS 41 and IAS 16***

In 2014, the IASB amended IAS 16 and IAS 41, which distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of property, plant and equipment and under the scope of IAS 16, rather than other biological assets under the scope of IAS 41. However, the agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less cost to sell. The amendments were applicable for our fiscal year ended June 30, 2017.

Our sugarcane plantations qualify as bearer plants under the new definition in IAS 41. As required under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors,” we effected the change in accounting policy retrospectively as of July 1, 2014. Consequently, effective our fiscal year commencing on July 1, 2016, our sugarcane was reclassified to property, plant and equipment, measured at cost and depreciated over their useful life on a straight-line basis. We adopted the transitional rule provided for in the amendment, which allowed us to apply the fair value of bearer plants as their deemed cost as of July 1, 2014. Accordingly, we revised the comparative financial data amounts for the years ended June 30, 2016 and 2015. Financial data for the years ended June 30, 2014 and 2013 have not been revised, and are not comparable to the financial data for the years ended June 30, 2017, 2016 and 2015.

For further information, and an analysis of the impact of the adoption of the amendments to IAS 41 and IAS 16, please see Note 2.27.1 our Consolidated Financial Statements.

	Year ended June 30,				
	2017	2016	2015	2014(*)	2013(*)
	(R\$ thousand, except share and per share information)				
<b>CONSOLIDATED STATEMENT OF OPERATIONS</b>					
Net revenue	146,911	147,128	174,351	131,314	185,647
Gain on sale of farms	26,716	—	193,464	21,845	54,815
Changes in fair value of biological assets and agricultural products	12,266	(12,632)	18,194	1,092	2,289
(Provision for) reversal of impairment of net realizable value of agricultural products after harvest, net	(1,655)	659	(3,038)	(2,043)	1,659
Cost of sales	(136,362)	(134,714)	(170,489)	(138,535)	(170,643)
Gross profit	47,876	441	212,482	13,673	73,767
Selling expenses	(6,676)	(2,732)	(9,006)	(10,239)	(14,028)
General and administrative expenses	(30,941)	(28,944)	(29,360)	(30,378)	(29,233)
Other operating income (expenses), net	(6,019)	2,812	(3,422)	285	(3,539)
Share of loss of a joint venture	(4,425)	(511)	(4,355)	(704)	—
Operating (loss) income	(185)	(28,934)	166,339	(27,363)	26,967
Financial income	110,090	192,644	122,552	40,051	38,000
Financial expenses	(76,646)	(154,270)	(89,914)	(41,611)	(38,591)
Financial income (expense), net	33,444	38,374	32,638	(1,560)	(591)
Profit (loss) before income and social contribution taxes	33,259	9,440	198,977	(28,923)	26,376
Income and social contribution taxes	(5,949)	(1,451)	(12,619)	15,561	2,351
Profit (loss) for the year	27,310	7,989	186,358	(13,362)	28,727
Profit (loss) attributable to equity holders of the parent	27,310	7,989	186,358	(13,362)	28,727
Loss attributable to non-controlling interests..	—	—	—	—	—
Issued shares at the fiscal year end	56,888,916	58,226,600	58,226,600	58,422,400	58,422,400
Basic earnings (loss) per share	0.48	0.14	3.20	(0.23)	0.49
Diluted earnings (loss) per share	0.47	0.14	3.20	(0.23)	0.49
<b>CONSOLIDATED CASH FLOW</b>					
Net cash flows from (used in) operating activities	65,051	(6,440)	8,491	22,880	(46,472)
Net cash flows (used in) from investing activities	(13,527)	149,773	286	(9,850)	54,085
Net cash flows (used in) from financing activities	(61,930)	(164,749)	(19,902)	(1,979)	617

(Decrease) increase in cash and cash equivalents	(10,406)	(21,416)	(11,125)	11,051	8,230

(\*) 2014 and 2013 figures have not been revised to give effect to the adoption of the amendments of IAS 41 and IAS 16. See “Effects of the adoption of the amendments to IAS 41 and IAS 16.”

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	2017	2016	Year ended June 30, 2015	2014(*)	2013(*)
			(R\$ thousand)		
<b>CONSOLIDATED BALANCE SHEET</b>					
<b>Assets</b>					
Current assets					
Cash and cash equivalents	43,798	54,204	75,620	86,745	75,694
Marketable securities	6,972	113,559	273,258	21,532	9,244
Accounts receivable and others	54,026	31,072	56,575	69,201	139,187
Inventories	22,658	18,197	27,406	40,210	28,805
Biological assets	38,260	22,285	17,348	1,421	1,201
Derivative financial instruments	4,090	24,497	13,498	18,255	17,081
Transactions with related parties	1,298	1,065	856	723	347
Total current assets	171,102	264,879	464,561	238,087	271,559
Non-current assets					
Biological assets	13,435	5,241	-	31,202	36,656
Restricted marketable securities	17,088	20,353	1,468	13,782	17,988
Transactions with related parties	35,640	44,363	39,060	26,068	-
Deferred taxes	53,780	55,594	41,048	43,554	25,216
Derivative financial instruments	1	-	408	63	1,714
Accounts receivable and others	44,605	42,497	53,215	67,302	59,465
Investment properties	389,799	287,867	288,347	334,803	339,108
Investments in unquoted equity instruments	101,426	102,955	99,729	50,369	70
Property, plant and equipment	54,745	27,803	30,268	13,542	14,851
Intangible assets	1,672	3,450	3,792	4,966	2,570
Total non-current assets	712,191	590,123	557,335	590,295	499,271
Total assets	883,293	855,002	1,021,896	828,382	770,830
<b>Liabilities and equity</b>					
Current liabilities					
Trade accounts payable and others	55,615	26,602	81,931	29,722	14,170
Loans and financing	56,620	51,615	50,900	62,253	44,929
Labor obligations	11,513	8,856	11,215	8,730	8,752
Derivative financial instruments	3,978	2,165	5,655	204	2,860
Payables for purchase of farms	24,646	22,261	48,840	44,820	43,650
Transactions with related parties	4,784	536	480	33,237	183
Total current liabilities	157,156	112,035	199,021	179,545	114,544
Non-current liabilities					
Trade accounts payable and others	1,520	1,402	2,180	3,449	6,435
Loans and financings	55,555	48,230	59,179	57,909	56,924
Derivative financial instruments	-	4,392	1,670	-	1,140
Provision for legal claims	1,594	1,455	3,684	3,573	4,802
Total non-current liabilities	58,669	55,479	66,713	64,931	69,301
<b>Equity</b>					
Attributable to equity holders of the parent:					
Capital	584,224	584,224	584,224	584,224	584,224
Capital reserve	1,525	1,771	2,349	4,201	3,385
Income reserves	68,615	91,158	93,212	-	2,374
Treasury shares	(36,797)	(37,203)	(224)	(1,934)	-
Additional dividends proposed	6,486	7,533	40,333	-	3,922
Other comprehensive income (loss)	43,415	40,005	36,268	8,403	(6,920)
	667,468	687,488	756,162	583,906	586,985
Non-controlling interests	-	-	-	-	-
	667,468	687,488	756,162	583,906	586,985
Total liabilities and equity	883,293	855,002	1,021,896	828,382	770,830

(\*) 2014 and 2013 figures have not been revised to give effect to the adoption of the amendments of IAS 41 and IAS 16. See "Effects of the adoption of the amendments to IAS 41 and IAS 16."



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We have included information with respect to dividends and/or interest on shareholders' equity paid to holders of our common shares and preferred shares since the fiscal year ended June 30, 2013 in Reais and in U.S. dollars translated from Reais at the commercial market selling rate in effect as of the payment date under the caption "Item 8—Financial Information—Dividends and Dividend Policy—Recent Dividend Payments."

### Exchange Rates

Our dividends, when paid in cash, are denominated in *Reais*. As a result, exchange rate fluctuations have affected and will affect the U.S. dollar amounts received by holders of ADSs on conversion of such dividends by The Bank of New York, as the ADS depository. The Bank of New York converts dividends it receives from *Reais* into U.S. dollars upon receipt, by sale or such other manner as it has determined and distributes such U.S. dollars to holders of ADSs, net of The Bank of New York's expenses of conversion, any applicable taxes and other governmental charges. Exchange rate fluctuations may also affect the U.S. dollar price of the ADSs.

The Brazilian government may impose temporary restrictions on the conversion of *Reais* into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. Brazilian law permits the government to impose these restrictions whenever it determines there is an imbalance in Brazil's balance of payments or reason to expect that one will occur.

The following tables show, for the periods and dates indicated, certain information regarding the *Real*/U.S. dollar exchange rate. On June 30, 2017, the *Real*/U.S. dollar exchange rate was R\$3.3082 per US\$1.00. On September 30, 2017, the *Real*/U.S. dollar exchange rate was R\$3.1625 per US\$1.00. The information below is based on the noon buying rate in the City of New York for wire transfers in Brazilian *Reais* as certified for U.S. customs purposes by the Federal Reserve Bank of New York.

Year ended June 30,	Average Rate(1) (R\$ per US\$1.00)
2013	2.038
2014	2.297
2015	2.678
2016	3.695
2017	3.225

(1) The average rate is calculated as the average of the noon buying rates on the last day of each month during the period.

Period	High (R\$ per US\$1.00)	Low
April 2017	3.1847	3.0935
May 2017	3.3758	3.0969
June 2017	3.3427	3.2457
July 2017	3.3097	3.1213
August 2017	3.1937	3.1137
September 2017	3.1932	3.0872

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Not applicable.

**C. Reasons for the offer and use of proceeds**

Not applicable.

**D. Risk Factors****Risks Relating to our Business and Industry**

*Our ability to implement our business strategy successfully may be adversely affected by numerous factors beyond our control, which may materially and adversely affect our business, financial condition and results of operations.*

Our business strategy depends on our ability to acquire, develop, operate and sell our agricultural properties on a profitable basis. Our strategy is based on our ability to acquire agricultural properties at attractive prices, develop them into efficient and profitable operations and sell them at a profit in the medium and long term. These factors are essential for our prospects of success, but are subject to significant uncertainties, contingencies and risks within our economic, competitive, regulatory and operational environment, many of which are beyond our control. Our ability to execute our business strategy successfully is uncertain and may be adversely affected by any one or more of the following:

- failure to acquire and sell agricultural properties at attractive prices;
- changes in market conditions or our failure to anticipate and adapt to new trends in Brazil's rapidly evolving agricultural real estate sector;
- inability to overcome certain limitations on the acquisition of land in Brazil by foreigners, as provided in the opinion of the Federal Attorney General, as further detailed in this Annual Report;
- failure to expand our operations within the originally proposed time frame;
- failure to maintain the fiscal structure of our subsidiaries;
- inability to develop infrastructure and attract personnel in a timely and effective manner;
- inability to identify service providers for our agricultural properties and projects;
- increased competition for suitable land from other agricultural real estate owners or developers which increases our costs and adversely affects our margins;
- inability to develop and operate our agricultural properties profitably that may result from inaccurate estimates regarding the cost of infrastructure, other investments or operating costs;

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- failure, delays or difficulties in obtaining necessary environmental and regulatory permits;
- the failure of purchasers of our properties to comply with their payment obligations to us;
- increased operating costs, including the need for improvements to fixed assets, insurance premiums and property and utility taxes and fees that affect our profit margins;
- global climate conditions, such as global warming, which may contribute to the frequency of unpredictable and previously rare meteorological phenomena such as hurricanes and typhoons, as well as unpredictable and unusual patterns of rainfall, among others;
- unfavorable climate conditions in Brazil, particularly in the regions where we carry out our activities;
- the economic, political and business environment in Brazil, and specifically in the geographic regions where we invest;
- inflation, fluctuating interest rates and exchange rates;
- disputes and litigation relating to our agricultural properties; and labor, environmental, civil and pension liabilities.

### ***We may not be able to continue acquiring suitable agricultural properties on attractive terms.***

In recent years, investments in Brazil's agriculture sector have increased substantially. As a result, demand and valuations for the kind of properties we seek to acquire have escalated significantly. We believe that prices for such properties are likely to continue to increase in the medium and long-term, perhaps significantly as demand is expected to remain high. We compete with local and foreign investors, many of whom are larger and have greater financial resources than we do. Such investors may be able to incur operating losses for a sustained period, retain their real estate investments for a longer period than we can or accept lower returns on such investments. As a result, such investors may be willing to pay substantially higher prices for agricultural properties than we are able or willing to do, depriving us of opportunities to acquire the best agricultural properties and/or increasing our acquisition costs. As a result of the foregoing, we cannot assure you that we will be able to locate and acquire suitable investments on reasonable terms or at all, and our inability to do so would have a material adverse effect on us.

### ***The imposition of restrictions on acquisitions of agricultural properties by non-Brazilian nationals may materially restrict the development of our business.***

In August 2010, the then-president of Brazil approved the opinion of the Federal Attorney General affirming the constitutionality of Brazilian Law No. 5,709/71, which imposes important limitations on the acquisition and lease of land in Brazil by foreigners and by Brazilian companies controlled by foreigners. Pursuant to this legislation, companies that are majority-owned by foreigners are not permitted to acquire agricultural properties in excess of 100 indefinite exploration modules, or MEI (which are measurement units adopted by the National Institute of Agrarian Development (*Instituto Nacional de Colonização e Reforma Agrária*) or INCRA, within different Brazilian regions, and which range from five to 100 hectares) absent the prior approval of the Brazilian Congress, while the acquisition of areas measuring less than 100 MEIs by such companies requires the prior approval of INCRA. In addition, agricultural areas that are owned by foreigners or companies controlled by foreigners shall not exceed 25% of the surface area of the relevant municipality, of which area up to 40% shall not belong to foreigners or companies controlled by foreigners of the same nationality, meaning that the sum of agricultural areas that belong to foreigners or companies controlled by foreigners of the same nationality shall not exceed 10% of the surface area of the relevant municipality. In addition, INCRA is also required to verify if the agricultural, cattle-raising, industrial or colonization projects to be developed in such areas were previously approved by the relevant authorities. After that analysis, INCRA will issue a certificate allowing the acquisition or rural lease of the property. The purchase and/or rural lease of agricultural properties that do not comply with the aforementioned requirements need to be authorized by the Brazilian Congress. In both cases, it is not possible to determine an estimated time frame for the approval procedure, since at the date of this Annual Report, there are no known cases on the granting of such certificates.

On September 30, 2017, approximately 73.0% of our common shares were held by foreigners. Bearing that in mind, the implementation of Law No. 5,709/71 may impose on us additional procedures and approvals in connection with our future acquisitions of land, which may result in material delays and/or our inability to obtain needed approvals. There is also a judgement pending on the Supreme Court (*Supremo Tribunal Federal, or STF*) regarding the Opinion No. 461/2012-E, issued by São Paulo's General Controller of Justice (*Corregedoria Geral de Justiça do Estado de São Paulo*), which has established that entities providing notary and registrar services located in the State of São Paulo are exempt from observing certain restrictions and requirements imposed by Law No.

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5,709/71 and Decree No. 74,965/74. Moreover, on April 16, 2015, the Brazilian Rural Society filed a request for non-compliance of basic principles (ADPF) at the Supreme Court, in order to (i) rule that paragraph 1, article 1, of Law No. 5,709/71 was not accepted by the 1988 Federal Constitution and (ii) reverse the opinion enacted by the Federal Attorney General (AGU) of 2010. As of the date hereof, we are not able to provide an estimate of the timeframe for a final judgment to be issued by the STF in both cases.

Depending on the final decisions of these pending lawsuits, we may need to modify our business strategy and intended practices in order to be able to acquire agricultural properties. For example, we currently have control over the properties we own, and we would need to acquire properties in partnership with local companies in which we relinquish our right to exercise control over the entities acquiring such properties. This might have the effect of increasing the number of transactions we must complete, which would add transaction costs. It might also require the execution of joint ventures or shareholder agreements, which increases the complexity and risks associated with such transactions.

Any regulatory limitations and restrictions could materially limit our ability to acquire agricultural properties, increase the investments, transaction costs or complexity of such transactions, or complicate the regulatory procedures required, any of which could materially and adversely affect us and our ability to successfully implement our business strategy. For more information, see “Item 4—Information on the Company—Business Overview—Ownership of Agricultural Land in Brazil by Foreigners.”

***A substantial portion of our assets consist of agricultural properties which are illiquid.***

Our business strategy is based on the appreciation of the capital invested in our agricultural properties and the liquidity of those investments. We cannot assure you that the value of our agricultural properties will increase in the short-, medium- or long-term, or at all, or that we will be able to monetize our agricultural investments successfully. Agricultural real estate assets are, as a general rule, illiquid and have volatile values, and agricultural properties in Brazil are especially illiquid and volatile. As a result, it may be difficult for us to promptly adjust our portfolio of properties in response to changes in economic or business conditions, and we may be unable to find purchasers willing to acquire our agricultural properties at prices deemed favorable to us. Lack of liquidity and volatility in local market conditions would adversely affect our ability to execute property dispositions on a timely and profitable basis which would have a material adverse effect on us.

***We may not be profitable or our cash flow may not be positive for a number of years.***

We expect to incur significant capital and operating expenses for several years on account of our continuing development activities. Due to the capital intensive and long-term nature of our real estate development activities, many of our properties will not generate immediate cash flows or provide a short-term return on investment. Therefore, we may not achieve positive cash flows or profitability for a number of years, and even if we do, we cannot assure you that such positive cash flows or profitability will be sustained in the future. Should we fail to achieve and sustain profitability, our business, financial condition and results of operations and the market value of our common shares would be adversely affected.

***Fluctuation in market prices for our agricultural products could adversely affect us.***

We are not able to obtain hedging protection or minimum price guarantees for the entirety of our production and therefore we are exposed to significant risks associated with the level and volatility of crop prices. The prices we are able to obtain for our agricultural products from time to time will depend on many factors beyond our control, including:

- global commodity prices, which historically have been subject to significant fluctuations over relatively short periods of time, depending on worldwide supply and demand as well as speculation;
- weather conditions, or natural disasters in areas where agricultural products are cultivated;
- worldwide inventory levels (i.e., supply or stock of commodities carried over from year to year);
- the business strategies adopted by other major companies operating in the agricultural and agribusiness sectors;
- changes in agriculture subsidies with regard to certain important producers (mainly in the United States and the European Economic Community), trade barriers with regard to certain important consumer markets and the adoption of other government policies affecting market conditions and prices;

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- available transportation methods and infrastructure development in the regions where we operate or in remote areas serving local markets and which affect the local prices of our crops;
- cost of raw materials; and supply of and demand for competing commodities and substitutes.

In addition, we believe there is a close relationship between the value of our agricultural properties and market prices of the commodities we produce which are affected by global economic and other conditions. A decline in the prices of grains, sugar or related by-products below their current levels for a sustained period would significantly reduce the value of our land holdings and materially and adversely affect our business, financial condition and results of operations.

***Substantially all of our revenue is derived from a small number of clients, and we currently face a risk of default by our main customer.***

We currently sell a substantial portion of our total crop production to a small number of clients who have substantial bargaining power. For instance, during the year ended June 30, 2017, our two largest customers accounted for 58.3 % of our total revenue and the three largest customers represented 65.3% of our total revenue. Furthermore, we entered into a supply contract and a leasing contract with Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), controlled by Odebrecht S.A., pursuant to which we currently supply them with 100% of our sugarcane production from Alto Taquari and Araucaria and Partnership III farms. The term of this supply contract covers two full crop cycles, which consists of six crop years and five harvests, and therefore is scheduled to expire in crop year 2021/2022. The term of this leasing contract covers a total area of 4,263 hectares which we will explore and operate until March 31, 2026. In addition, the strong competition between a relatively fragmented sector of agricultural producers in the internal and external markets further increases the bargaining power of our highly concentrated client base. Thus, we may not be able to maintain or form new relationships with customers, which could have a material adverse effect on our business, financial condition and results of operations.

Concentration among our client base also increases the adverse consequences to us should we lose any of our clients or if any of our clients default on their obligations to us, either in the form of non-payment or through a breach of any contractual provision or obligation, such as failure to ship a product purchased or delays in shipment. Noncompliance with the time of shipment of our products could directly affect the planning of our harvest, which could generate losses and result in additional costs.

We currently run the risk of default by Brenco, our main customer, due to the fact that its controlling shareholder, Odebrecht S.A., is being investigated for corruption in the operation called “Lava Jato” (Car Wash). Odebrecht’s CEO has been arrested and the company has been facing the following issues: difficulties to access the credit market, decrease in its business activities, early maturity of debts, among others. Therefore, Brenco’s controlling shareholder has been cutting costs, which can adversely affect Brenco, its business and its ability to meet its payments due to us.

***We are dependent on third-party service providers and recent changes in Brazilian labor legal framework.***

In addition to our own personnel, we are highly dependent on third-party contractors to develop and cultivate our agricultural properties, and to provide the machinery and equipment needed for such purpose. As a result, our future success depends on the skill, experience, knowledge and efforts of our third-party service providers. We cannot assure you that we will be able to hire the desired third-party service providers for our agricultural properties or that such providers will have the ability to ensure quality agricultural production in an efficient manner, and at competitive prices. Our failure to hire the desired service providers for our agricultural properties, or their failure to provide quality services, or the revocation or termination or our failure to renew our service contracts or negotiate new contracts with other service providers at comparable prices and terms, would adversely affect us.

Our dependence on third-party contractors also subjects us to the risk of labor lawsuits alleging that an employment relationship exists between us and our contractors’ personnel, and that as a result we have joint and several or secondary liability for our contractors’ labor and social security payment obligations, lease payments or other obligations. Such lawsuits could be brought independently by such third-party employees, or could arise as a result of inspections by governmental authorities.

Despite different interpretations per our courts and scholars, in the past, the Brazilian Supreme Labor Court (*Tribunal Superior do Trabalho*) had an understanding that outsourcing was legally permissible with respect to specialized services not related to the company’s core business, such that an employment relationship is not formed between the outsourcer and the workers providing the non-core services. In addition, pursuant to the aforementioned court’s decision, companies hiring third-party contractors in violation of such standard would be held secondarily liable for labor and social security contingent liabilities of the employees of such third-party contractors.

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Without prejudice to the foregoing, the Brazilian Senate has recently approved Law No. 13,467/17 (the “New Labor Law”) to amend the Brazilian Labor Code (*Consolidação das Leis do Trabalho – CLT*) and related regulation, thereby governing the services provided by means of outsourced manpower (“*terceirização*”), allowing outsourcing of core business activities. The New Labor Law therefore allows outsourcing to any kind of labor, central or otherwise to the company’s services (both the so-called “supporting activities”, as well as the “leading activities”). In addition, there have been changes regarding prevalence of collective bargaining agreements, amendments to temporary workers’ rights, and changes to the rules of temporary contracts, among other.

We may be required to adapt our current outsourcing strategy with regard to the use of third-party service providers and, in a worst-case scenario, acknowledge the existence of an employment relationship between us and the employees of our third-party service providers. The coming into effect of such New Labor may, therefore, entail a possible adverse effect on our business, financial condition and results of operations.

The amendments introduced by the New Labor Law will take effect within 120 days following the Law’s enactment (which was on July 14, 2017), during which period an organization’s labor law practices and policies should be adjusted to accommodate the new requirements provided by the terms of the New Labor Law.

Although the New Labor Law has been signed by the President, there is a chance that the Brazilian government issues a new Provisional Measure aiming to change certain controversial provisions set forth in the New Labor Law, such as the provisions concerning working hours and certain issues related to pregnant woman working rules.

Moreover, pursuant to Brazilian environmental law, we are jointly and severally liable, together with our contractors, for all environmental damages caused by our third-party contractors, irrespective of our fault for such damages. Such obligations or our costs for defending against any such allegations are potentially significant and could have a material adverse effect on us if we were deemed responsible for their payment.

***Changes in government policies involving biofuels may adversely affect our business, financial condition and results of operations.***

Government policies for encouraging biofuels as a response to environmental concerns have shown, and are likely to continue to show, an impact on grain prices. The nature and scope of future legislation and regulations affecting our markets are unpredictable, and we cannot assure you that current concessions, prices or market protections involving biofuels will be maintained in their current form for any finite period. Any reduction in the support for biofuels by the United States government or any other government may result in stagnation or decline in the market prices of certain agricultural commodities and consequently on the price of our agricultural properties, which may adversely affect our business, financial condition and results of operations.

***We are subject to extensive environmental regulation.***

Our business activities in Brazil are subject to extensive federal, state and municipal laws and regulations concerning environmental protection, which impose on us various environmental obligations, such as environmental licensing requirements, minimum standards for the release of effluents, use of agrochemicals, management of solid waste, protection of certain areas (legal reserve and permanent preservation areas), and the need for a special authorization to use water, among others. The failure to comply with such laws and regulations may subject the violator to administrative fines, mandatory interruption of activities and criminal sanctions, in addition to the obligation to cure and pay environmental and third-party damage compensation, without any caps. In addition, Brazilian environmental law adopts a joint and several and strict liability system for environmental damages, which makes the polluter liable even in cases where it is not negligent and would make us jointly and severally liable for the obligations of our contractors, producers or off-takers. If we become subject to environmental liabilities, any costs we may incur to rectify possible environmental damage would lead to a reduction in the financial resources which would otherwise remain at our disposal for current or future strategic investment, thus causing an adverse impact on our business, financial condition and results of operations.

As environmental laws and their enforcement become increasingly stringent, our expenses for complying with environmental requirements are likely to increase in the future. Furthermore, the possible implementation of new regulations, changes in existing regulations or the adoption of other measures could cause the amount and frequency of our expenditures on environmental preservation to vary significantly compared to present estimates or historical costs. Any unplanned future expenses could force us to reduce or forego strategic investments and as a result could materially and adversely affect our business, financial condition and results of operations.

[Table of Contents](#)***If we fail to innovate and utilize modern agricultural technologies and techniques to enhance production and yields of our acquired agricultural properties, we may be adversely affected.***

Our business model is focused on our acquiring underdeveloped or underutilized agricultural properties and improving them by applying evolving agricultural technologies and techniques. Therefore, our strategy depends to a large extent on our ability to obtain and apply modern agricultural techniques and technologies to enhance the value of the properties we acquire. If we are unable to apply in a timely manner the most advanced technologies and farming techniques required to add value to our agricultural properties and make our products competitive and attractive to local and international investors, our business, financial condition and results of operations would be adversely affected.

***We may experience difficulties implementing our investment projects, which may affect our growth.***

Part of our strategy with regard to our agricultural properties consists of investing in support infrastructure in order to increase the value of such agricultural properties. In implementing our investment projects, we may face a number of challenges, including: (i) failures or delays in acquiring necessary equipment or services; (ii) higher costs than those originally estimated; (iii) difficulties securing the necessary environmental and government licenses; (iv) changes in market conditions, which could render the projects less profitable than originally estimated; (v) impossibility or delays in acquiring land at attractive prices, or an increase in the land prices on account of growing demand for land by our competitors; (vi) impossibility of, and delay in identifying and acquiring land that is in compliance with Brazilian real estate property laws; (vii) lack of capacity to develop infrastructure and attract qualified labor on a timely and efficient basis; (viii) disputes and litigation relating to the land we acquire; (ix) cultural challenges deriving from the integration of new management and employees in our organization; and (x) the need to update accounting systems, administrative data and human resources. Our inability to manage these risks would adversely affect us.

***Property values in Brazil could decline significantly.***

Property values in Brazil are influenced by a wide variety of factors beyond our control, and therefore we cannot assure you that property values will continue to increase or that property values will not decline. A significant decline in property values in Brazil could adversely affect the value of our properties.

***Our growth depends on our ability to attract and retain qualified personnel.***

We are highly dependent on the services of our technical and administrative staff. If we lose any of our senior management, or require additional management personnel, we will have to attract similarly qualified administrative and technical personnel. There is significant demand for high-level, technical personnel with the skills and know-how required to operate our business, and we compete for this talent in the context of a global market. The availability of attractive opportunities in Brazil and other countries may adversely affect our ability to hire or retain highly-qualified personnel. If we fail to attract and retain the professionals we need to expand and manage our operations, our business may be materially and adversely affected.

***Adverse weather conditions may have an adverse impact on our agricultural properties and products and, to a lesser extent, our cattle production.***

The occurrence of severe weather conditions, including droughts, floods, heavy rainfall, hail, frost or extremely high temperatures is unpredictable and has had and could have in the future a potentially devastating impact on our agricultural properties or production and, to a lesser extent, our cattle production. Adverse weather conditions may be exacerbated by the effects of climate change. In recent years, different regions in Brazil have been affected by extreme weather conditions, and the regions where our properties are located have also experienced high temperatures and severe drought in recent years. The effect of severe weather conditions may materially reduce the productivity of our farms, impairing our revenue and cash flow, and requiring higher levels of investment or significant increases in our operating costs, any of which could have a material and adverse impact on us.

***Diseases may affect our crops and cattle, potentially destroying all or part of our production.***

The occurrence and effect of diseases can be unpredictable and devastating on crops, potentially rendering useless all or a significant portion of the affected crops. The cost of preventing and treating crop disease tends to be high. For example, diseases, such as Asian soybean rust (*Phakopsora pachyrhizi*) and pests, like corn earworm (*helioverpa zea*) and cotton bollworm (*Helicoverpa armigera*), can spread and may result in lower crop yields and higher operating costs. Currently, Asian soybean rust, corn earworm and cotton bollworm can only be controlled, not eliminated.



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Diseases affecting our cattle herds, such as tuberculosis, brucellosis and foot-and-mouth disease, can render cows unable to produce meat for human consumption. Outbreaks of cattle diseases may also result in the closure of certain important markets for our cattle products, such as the United States. Although we abide by national veterinary health guidelines, which include laboratory analyses and vaccination, to control diseases among the herds, especially foot-and-mouth disease, we cannot assure that future outbreaks of cattle diseases will not occur. A future outbreak of diseases among our cattle herds may adversely affect our cattle sales which could adversely affect our financial condition and results of operation.

The origination and spread of diseases may occur for many reasons beyond our control, including the failure of other producers to comply with applicable health and environmental regulations. The appearance of new diseases or the mutation or proliferation of existing diseases could damage or completely destroy our crops and cattle herds, which would materially and adversely affect our business, financial condition and results of operations.

***Fires and other accidents may affect our agricultural properties and adversely affect us.***

Our operations are subject to various risks affecting our agricultural properties and agricultural installations, including destruction of farms and crops by fire and other natural disasters or events, and theft or other unexpected loss of grains or fertilizers and supplies. We could be materially and adversely affected if any of these risks were to occur.

***Widespread uncertainties and fraud involving ownership of real estate in Brazil may adversely affect us.***

Under Brazilian law, ownership of real estate is conveyed only upon proper registration and filing of the relevant public deeds at the applicable Real Estate Registry Office of the location where the rural property is being purchased. In certain locations in Brazil, it is frequent to come across real estate registry errors, including duplicate or fraudulent certificates of enrollment and legal challenges. Lawsuits that have as subject matter litigation on the lawful title of real estate are prevalent in Brazil, as a result there is a risk that such errors, fraud or challenges adversely affect our business, financial condition and results of operations, thereby causing the loss of all or substantially all our agricultural properties.

***We depend on international trade and economic and other conditions in our key export markets.***

Brazil's current agricultural production capacity is greater than the demands of its domestic agricultural market. Agriculture exports account for an increasingly significant portion of our revenue, especially as our rehabilitated farm properties gain crop production capabilities and increased yield. Therefore, our results of operations increasingly depend on political, economic and regulatory conditions in our principal export markets. The ability of our products to effectively compete in these export markets may be adversely affected by a number of factors beyond our control including the deterioration of macroeconomic conditions, the volatility of exchange rates, the imposition of tariffs or other trade barriers or other factors in those markets such as regulations relating to the chemical content of agricultural products and safety and health regulations.

Due to the growing market share of Brazilian agricultural and beef products in the international markets, Brazilian exporters are increasingly being affected by tariffs and other barriers imposed by importing countries, all in order to, among other things, protect local producers by limiting access of Brazilian companies to their markets. For example, the European Union charges protective tariffs designed to mitigate the effects of Brazil's lower production costs on local European producers. Developed countries also sometimes use direct and indirect subsidies to enhance the competitiveness of their producers in other markets. The adoption of measures by a given country or region, such as restrictions, import quotas or suspension of imports could substantially affect the export volume of agricultural products and, consequently, our volume of exports and results of operations. If the competitiveness of our products in one or more of our significant markets were to be affected by any one of these events, we may not be able to reallocate our products to other markets on comparable terms, which could therefore adversely affect our business, financial condition and results of operations.

***Fluctuations in the value of the Real in relation to the U.S. dollar could adversely affect us.***

Foreign exchange fluctuations, particularly of the Brazilian *Real* against the U.S. dollar, may significantly affect our results of operations given that: (1) our products and the basic supplies used in our production are traded internationally; (2) soybean prices are defined based on prices prevalent on the Chicago Board of Trade, or CBOT; and (3) most markets are served by several suppliers from different countries, and competitiveness of farm products abroad may increase in relation to ours in light of the appreciation of the Brazilian currency in relation to the U.S. dollar. Fluctuations in the value of the *Real* in relation to the U.S. dollar could impact our export revenue, our sales in U.S. dollars in the Brazilian market and our financial expenses and operating costs, which may adversely affect our business, financial condition and results of operations.



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The *real* has suffered frequent depreciations and appreciations in relation to the U.S. dollar and other foreign currencies during the past decade. The Brazilian government has in the past utilized different exchange rate regimes, including sudden devaluations, periodic mini devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Since 1999, Brazil has adopted a floating exchange rate system with interventions by the Central Bank in buying or selling foreign currency. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian *real* and the U.S. dollar and other currencies. The devaluations in more recent time periods resulted in significant fluctuations in the exchange rates of the *real* against the U.S. dollar and other currencies.

In 2014, the *real* depreciated by 13.39% against the U.S. dollar and on December 31, 2014, the *real*/U.S. dollar exchange rate was R\$2.6562 per US\$1.00. In 2015, the *real* depreciated by 47.01% against the U.S. dollar and on December 31, 2015, the *real*/U.S. dollar exchange rate was R\$3.9048. In 2016, the *real* appreciated by 16.3% against the U.S. dollar, and the *real*/U.S. dollar exchange rate was R\$3.2591 on December 31, 2016. On September 11 2017, the *real*/U.S. dollar exchange rate was R\$3.0852 per US\$1.00. There can be no assurance that the *real* will not depreciate or appreciate against the U.S. dollar in the future.

We also hold derivative financial instruments to hedge risks relating to revenue from exports and operating costs denominated in foreign currencies. If we fail to manage these instruments properly, we may be adversely affected by our exposure to these risks, which may have a material adverse effect on our financial condition and results of operations.

***Our business is seasonal, and our revenue may fluctuate significantly depending on the growing cycle of our crops.***

Agribusiness operations are predominantly seasonal in nature. In Brazil, the harvest of soybean and corn generally occurs from February to June. The annual sugarcane harvesting period in Brazil normally begins in April and ends in November. As a result, our results of operations are likely to continue to significantly fluctuate between the planting and harvesting periods of each crop which cause fluctuations in our cash flows as a result of disparities between our revenue stream and our fixed expenses. In addition, seasonality creates limited windows of opportunity for our producers to complete required tasks at each stage of crop cultivation. Should events such as adverse weather conditions (including deluges of rain as has recently been the case throughout Brazil) or transportation interruptions occur during these seasonal windows, we may be faced with the possibility of reduced revenue without an opportunity to recover until the following crop's planting. Finally, because of the effects of seasonality, our quarterly results may not be indicative of our annual result.

***Our growth will require additional capital which may not be available on terms and conditions acceptable to us or at all.***

Our operations require a significant amount of capital. We may need to seek additional capital by issuing shares or debt securities, or by incurring indebtedness. Our ability to raise capital will depend on our future profitability, which is currently uncertain, and on political and economic conditions in Brazil and the international agricultural and real estate markets. Depending on these and other factors, many of which are beyond our control, additional capital may not be available at all or on conditions that are favorable or acceptable to us. If we are required to finance our activities through indebtedness, it is likely that the terms of that debt will impose upon us obligations or covenants, financial or otherwise, that could restrict our operational flexibility. Should we fail to raise additional capital under conditions that are acceptable to us, our business, financial condition and results of operations could be adversely affected.

***We plan to continue to use financial derivative instruments which may result in substantial losses.***

We plan to continue to use derivative financial instruments, mainly commodity hedge derivatives, foreign exchange derivatives and exchange rate swaps. If we enter into such hedging agreements and future prices of the underlying commodities differ from our expectations, we may incur substantial losses which could have an adverse effect on our financial condition and results of operations.

Furthermore, our hedging strategies may not properly take account of the effects of foreign exchange or commodity variations on our financial position. On entering into forward exchange and commodity agreements, we will be subject to the risk that our counterparties could fail to fulfill the conditions of the respective agreement. We may not be able to receive compensation for losses and damages from any defaulting counterparty through legal remedies, on account of laws protecting against bankruptcy or other similar protections for insolvent debtors, foreign laws restricting cross-border legal remedies, or for other reasons, which may adversely affect our business, financial condition and results of operations.

[Table of Contents](#)***We may not be successful in our future partnerships and strategic relationships.***

We have entered into strategic partnerships and alliances in order to benefit from certain business opportunities. We cannot predict if such strategic partnerships and alliances will be successful or if more partnerships and alliances will take place. Our ability to successfully expand our business by means of strategic partnerships and alliances depends on various factors, including our ability to negotiate favorable conditions for such partnerships and alliances, in addition to factors beyond our control, such as our partners' compliance with obligations arising from the partnership. Furthermore, our expectations regarding the benefits of these partnerships may not materialize. If we are unable to develop successful strategic partnerships and alliances, we could also be adversely affected.

***Cresud, our controlling shareholder, and certain members of our board of directors may have interests that differ from those of our other shareholders.***

As of September 30, 2017, Cresud holds 40.69% of our common shares. Cresud has other numerous investments and may have other priorities that may conflict with those of our other shareholders, and as a result thereof, significant conflicts of interest may arise between Cresud and our other shareholders. In addition, five of our nine directors have been nominated by Cresud and certain members of our management, including our Chief Administrative Officer and Investor Relation Officer, were previously employed by Cresud. This situation may give rise to actual or apparent conflicts of interest as such directors and officers may have fiduciary duties or other interests owed to both us and Cresud or any of its affiliates. It may also limit the ability of such directors and officers to participate in certain matters.

In addition, as a result of Cresud's ownership interest in us, conflicts of interest could arise with respect to transactions involving our ongoing business activities, and the resolution of these conflicts may not be favorable to us. Specifically, business opportunities, including but not limited to potential targets for rural property acquisitions, may be attractive to both Cresud and us. We may not be able to resolve any potential conflicts and, even if we do so, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.

***Increases in the price of raw materials and oil may adversely affect us.***

Our agricultural properties are located in Brazil's savannah region, a location where the soil is mostly acidic and not very fertile, requiring the use of lime and fertilizers. Our operations require other raw materials such as pesticides and seeds which we acquire from local and international suppliers. We do not have long-term supply contracts for these raw materials and therefore are exposed to the risk of cost increases. A significant increase in the price of lime, fertilizers or other raw materials we use would likely reduce our profitability or otherwise adversely affect our business operations as these are not costs that can readily be passed on to our customers. In addition, certain of our production costs, including fertilizers and the cost of leasing agricultural machinery, are linked to the international price of oil and its derivatives. Therefore, if the price of oil increases significantly, our results of operations could be adversely affected.

***Delays or failures in the delivery of raw materials used by us and our suppliers could have an adverse effect on us.***

We depend on suppliers to provide us with fertilizers, seeds, other raw materials and machinery services. Possible delays in the delivery of such items may delay our planting efforts until we are able to establish agreements with other suppliers, or may delay our harvest in case of delay in delivery of machinery. Accordingly, any delays, failures or defects in the delivery of raw materials or inputs or with regard to the provision of services to us by our suppliers could adversely affect our business and results of operations.

***Some of our agricultural products contain genetically modified organisms (GMOs), and risks associated with GMOs remain uncertain.***

The totality of our products, including soybean and corn, contain genetically modified organisms, or GMOs in varying proportions depending on the crop year. Production and consumption of GMOs remain controversial, and adverse publicity and consumer resistance have led to the adoption of certain governmental regulations limiting sales of GMO products in important markets including the European Union. If GMOs were determined to present risks to human health or to the environment, demand for our GMO products could collapse, and we could face potentially significant liability for harm caused by such products, all of which could materially and adversely affect our business, financial condition and results of operations.

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***Lack of transportation, storage and processing infrastructure in Brazil represents an important challenge for the Brazilian agricultural and agricultural real estate sectors.***

We depend on efficient access to transportation and port infrastructure for the growth of Brazilian agriculture in general, and our operations in particular. We may decide to acquire agricultural properties in areas where existing transportation infrastructure is inadequate and where improvements may be required to make our agricultural production more accessible to export centers at competitive prices. A substantial portion of Brazilian agricultural production is currently transported by trucks, which is significantly more expensive than transportation by rail cars. Given that our dependence on road transportation prevents us from being considered a low-cost producer, our ability to compete on the world market may be impaired, especially as the price of fuel increases. As a result, we may not be able to secure efficient transportation for our production to reach major markets in a cost-efficient manner or at all, which may adversely affect our business, financial condition and results of operations.

***Competition in the markets for our products may affect us.***

We face significant domestic and international competition in each of our markets and in many of our production lines. The global market for agricultural products is highly competitive and sensitive to changes in industrial capacity, product inventories and cyclical changes in the world economy, any one or more of which may affect to a significant degree the selling price of our products and therefore our profitability. Since many of our products are agricultural commodities, such products compete in international markets almost exclusively based on price. Many other producers of such commodities are larger than us and possess greater financial and other resources. Furthermore, many other producers receive subsidies in their respective countries that generally are not available in Brazil. Such subsidies may afford producers lower production costs or enable them to operate in an environment with sharp price reductions, constrained margins and operating losses for longer periods. Any increased competitive pressure with respect to our products could materially and adversely affect our business, financial condition and results of operations.

***Social movements may affect the use of our agricultural properties or cause damage to them.***

Social movements such as the Landless Rural Workers' Movement (*Movimento dos Trabalhadores Rurais Sem Terra*) and the Pastoral Land Commission (*Comissão Pastoral da Terra*) are active in Brazil and advocate land reform and property redistribution by the Brazilian government. Invasion and occupation of agricultural land by large numbers of people is a common practice among the members of such movements and, in certain regions, including those where we currently invest, remedies such as police protection or eviction procedures are inadequate or non-existent. As a result, we cannot assure you that our agricultural properties will not be subject to invasion or occupation by any social movement. Any invasion or occupation may materially impair the use of our lands and adversely affect our business, financial condition and results of operations.

***We made investments in farmland in Paraguay, and we may possibly make investments in other countries in and outside Latin America, in which case we would be subject to the associated economic, legal, political and regulatory risks.***

Currently, we conduct our activities in Brazil and Paraguay. Nevertheless, we are in the process of considering our expansion into other countries in and outside Latin America, although we currently have no definitive commitments or specific plans with respect thereto. Accordingly, in the future we may expand our activities into other countries in Latin America or elsewhere if we decide that international expansion would be appropriate to achieve our objectives. The success in other countries of the business strategy and business model that we apply in Brazil would be subject to a high level of uncertainty and depend on numerous factors beyond our control; and therefore we cannot assure you that any such expansion would be profitable or enable us to obtain the expected returns on our investments, or even recoup our investments. Any international expansion of our activities would be subject to political, economic and regulatory risks in the relevant country and to risks inherent to the management of a transnational company, including:

- challenges caused by distance, language, local business practices and cultural differences (i.e. lack of financing; longer payment cycles in the relevant country; difficulties in forming partnerships or strategic alliances with local parties; conflicting or redundant practices in respect to tax, regulatory, legal and administrative aspects);
- negative effects of currency fluctuations or the imposition of exchange controls or restrictions on repatriation of capital;
- adverse changes in laws and local policies, particularly those relating to import tariffs, labor practices, environment, investment, acquisition of agricultural property by foreign companies or companies controlled by foreigners;
- difficulty of enforcement of contracts and collection or enforcing of debts, or difficulties or restrictions imposed by local courts;

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- expropriation of private domain, imposition of legal or administrative limitations to the exercise of the property right as a result of changes in laws or applicable regulations;
- difficulty in obtaining licenses, permits or other approvals from local government authorities;
- political disputes, social unrest and deteriorating local economic conditions;
- transnational conflicts or disputes involving Brazil and the relevant country;
- terrorism or military conflicts; and natural disasters, epidemics, riots and insurrections.

Our inability to recognize and respond to these differences, challenges and risks could adversely affect any operations we may undertake in markets outside of Brazil, which could have a material adverse effect on our business, financial condition and results of operations.

**Risks Relating to Brazil**

***The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy, which, combined with Brazilian political and economic conditions, may adversely affect us.***

We may be adversely affected by the following factors, as well as the Brazilian federal government's response to these factors:

- economic and social instability;
- increase in interest rates;
- exchange controls and restrictions on remittances abroad;
- restrictions and taxes on agricultural exports;
- exchange rate fluctuations;
- inflation;
- volatility and liquidity in domestic capital and credit markets;
- expansion or contraction of the Brazilian economy, as measured by GDP growth rates;
- allegations of corruption against political parties, elected officials or other public officials, including allegations made in relation to the Lava Jato investigation;
- government policies related to our sector; and
- fiscal or monetary policy and amendments to tax legislation; and other political, diplomatic, social or economic developments in or affecting Brazil.

Historically, the Brazilian government has frequently intervened in the Brazilian economy and has occasionally made significant changes in economic policies and regulations, including, among others, the imposition of a tax on foreign capital entering Brazil (IOF tax), changes in monetary, fiscal and tax policies, currency devaluations, capital controls and limits on imports.

The Brazilian economy has been experiencing a slowdown – GDP growth rates were 3.9%, 1.8%, 2.7% and 0.1%, in 2011, 2012, 2013 and 2014, respectively, and GDP decreased 3.8% in 2015, 3.6% in 2016 and remained stable in the first six months of 2017. In addition, unemployment and interest rates have increased more recently.

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As a result of the *Lava Jato* (Car Wash) operation related to corruption in Brazil, a number of senior politicians, including congressmen, and executive officers of some of the major state-owned companies in Brazil have resigned or been arrested while others are being investigated for allegations of unethical and illegal conduct. The matters that have come, and may continue to come, to light as a result of, or in connection with, the *Lava Jato* operation and other similar operations have adversely affected, and we expect that they will continue to adversely affect, the Brazilian economy, markets and trading prices of securities issued by Brazilian issuers in the near future.

Furthermore, the Brazilian economy continues to be subject to the effects of the outcome of the impeachment proceedings against former President Dilma Rousseff. On August 31, 2016, following a trial by the Senate, the former President was formally impeached. Vice-President Michel Temer was sworn in as the new President of Brazil until the next presidential election, due to take place in 2018. The president of Brazil has powers to determine policies and governmental acts relating to the Brazilian economy and, as a result, the operations and financial performance of companies may be affected, including ours. Political uncertainty remains as to whether Mr. Temer will gain the support of Congress for future policies announced by his cabinet. In addition, Mr. Temer has been the target of general protests throughout Brazil and is also currently under investigation for alleged unethical and illegal behavior under the *Lava Jato* investigation and alleged illegal campaign financing during Mr. Temer's 2014 campaign for endorsing the bribing of the former head of the Congress who has been convicted, which could result in his removal from office. In addition, a number of requests for impeachment have been filed against Mr. Temer, as well as criminal charges by the Brazilian Federal Prosecutor's Office, which could also result in his removal from office, after allegations surfaced that Mr. Temer had allegedly been leading a political corruption related criminal organization.

The ultimate outcome of these investigations is uncertain, but they have already had an adverse effect on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy, the political environment and the Brazilian capital markets. The development of these investigations has affected and may continue to adversely affect us. We cannot predict if these investigations will bring further political or economic instability to Brazil, or if new allegations will be raised against high-level members of the Brazilian federal government. In addition, we cannot predict the results of these investigations, nor their effects on the Brazilian economy.

***Inflation, coupled with the Brazilian government's measures to fight inflation, may hinder Brazilian economic growth and increase interest rates, which could have a material adverse effect on us.***

Brazil has in the past experienced significantly high rates of inflation. As a result, the Brazilian government adopted monetary policies that resulted in Brazilian interest rates being among the highest in the world. The Central Bank's Monetary Policy Committee (*Comitê de Política Monetária do Banco Central*), or COPOM, establishes an official interest rate target for the Brazilian financial system based on the level of economic growth, inflation rate and other economic indicators in Brazil. Between 2004 and 2010, the official Brazilian interest rate varied from 19.75% to 8.75% per year. In response to an increase in inflation in 2010, the Brazilian government increased the official Brazilian interest rate, the SELIC rate, which was 10.75% per year on December 31, 2010. The SELIC rate has increased since then and, as of June 30, 2017, it was 10.81% per year. The inflation rates, as measured by the General Market Price Index (*Índice Geral de Preços-Mercado*), or IGP-M, and calculated by *Fundação Getúlio Vargas*, or FGV, were 3.67% in 2014, 10.54% in 2015, and 7.18% in 2016. Cumulative inflation in the first six months of 2017, calculated by the same index, was 1.96%.

Inflation and the government measures to fight inflation have had and may continue to have significant effects on the Brazilian economy and our business. In addition, the Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and slowing economic growth. On the other hand, an easing of monetary policies of the Brazilian government may trigger increases in inflation. In the event of an increase in inflation, we may not be able to adjust our daily rates to offset the effects of inflation on our cost structure, which may materially and adversely affect us.

An increase in interest rates may have a significant adverse effect on us. In addition, as of June 30, 2017, certain of our loans were subject to interest rate fluctuations such as the Brazilian long-term interest rate (*Taxa de Juros de Longo Prazo*), or TJLP, and the interbank deposit rate (*Certificados de Depósitos Interbancários*), or CDI. In the event of an abrupt increase in interest rates, our ability to comply with our financial obligations may be materially and adversely affected.

***A deterioration in general economic and market conditions or in perceptions of risk in other countries, principally in emerging countries or the United States, may have a negative impact on the Brazilian economy and us.***

Economic and market conditions in other countries, including United States and Latin American and other emerging market countries, may affect the Brazilian economy and the market for securities issued by Brazilian companies. Although economic conditions in these countries may differ significantly from those in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other emerging market countries could dampen investor enthusiasm for securities of Brazilian issuers, including ours, which could adversely affect the market price of our common shares. In the past, the adverse development of economic conditions in emerging markets resulted in a significant flow of funds out of the country and a decrease in the quantity of foreign capital invested in Brazil. Changes in the prices of securities of public companies, lack of available credit, reductions in spending, general slowdown of the global economy, exchange rate instability and inflationary pressure may adversely affect, directly or indirectly, the Brazilian economy and securities market. Global economic downturns and related instability in the international financial system have had, and may continue to have, a negative effect on economic growth in Brazil. Global economic downturns reduce the availability of liquidity and credit to fund the continuation and expansion of business operations worldwide.

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In addition, the Brazilian economy is affected by international economic and market conditions generally, especially economic conditions in the United States. Share prices on B3 S.A. – Brasil, Bolsa, Balcão, or B3, for example, have historically been sensitive to fluctuations in U.S. interest rates and the behavior of the major U.S. stock indexes. An increase in interest rates in other countries, especially the United States, may reduce global liquidity and investors' interest in the Brazilian capital markets, adversely affecting the price of our common shares.

**Risks Relating to our American Depositary Shares and Common Shares**

*A holder of American Depositary Shares may face disadvantages compared to a common shareholder when attempting to exercise voting rights.*

Holders of our American Depositary Shares, or ADSs, may instruct the depositary to vote the common shares underlying the ADSs. For the depositary to follow the voting instructions, it must receive them on or before the date specified in our voting materials. The depositary must try, as far as practical, subject to Brazilian law and our articles of association, to vote the common shares as instructed. In most cases, if the ADS holder does not give instructions to the depositary, it may vote the common shares in favor of proposals supported by our board of directors, or, when practicable and permitted, give a discretionary proxy to a person designated by us. We cannot be certain that ADS holders will receive voting materials in time to ensure that they can instruct the depositary to vote the underlying common shares. Also, the depositary is not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that ADS holders may not be able to exercise their right to vote and there may be nothing they can do if their common shares or other deposited securities are not voted as requested.

*Holders of our common shares or ADSs may not receive any dividends or interest on shareholders' equity.*

According to our by-laws, we must generally pay our shareholders at least 25% of our annual net income as dividends or interest on shareholders' equity, as calculated and adjusted under Brazilian corporate law. This adjusted net income may be capitalized, used to absorb losses or otherwise retained as allowed under Brazilian corporate law and may not be available to be paid as dividends or interest on shareholders' equity. Additionally, Brazilian corporate law allows a publicly-traded company like ours to suspend the mandatory distribution of dividends in any particular year if our board of directors informs our shareholders that such distributions would be inadvisable in view of our financial condition or cash availability. Holders of our common shares or ADSs may not receive any dividends or interest on shareholders' equity in any given year if our board of directors makes such a determination or if our operations fail to generate net income.

*Holders of our common shares or ADSs in the United States may not be entitled to the same preemptive rights as Brazilian shareholders, pursuant to Brazilian legislation, in the subscription of shares resulting from capital increases made by us.*

Under Brazilian law, if we issue new shares in exchange for cash or assets as part of a capital increase, subject to certain exceptions, we must grant our shareholders preemptive rights at the time of the subscription of shares, corresponding to their respective interest in our share capital, allowing them to maintain their existing shareholding percentage. We may not legally be permitted to allow holders of our common shares or ADSs in the United States to exercise any preemptive rights in any future capital increase unless (i) we file a registration statement for an offering of shares resulting from the capital increase with the SEC, or (ii) the offering of shares resulting from the capital increase qualifies for an exemption from the registration requirements of the Securities Act. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement for an offering of shares with the SEC and any other factors that we consider important in determining whether to file such a registration statement. We cannot assure the holders of our common shares or ADSs in the United States that we will file a registration statement with the SEC to allow them to participate in any of our capital increases. As a result, the equity interest of such holders in our company may be diluted.



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***If holders of our ADSs exchange them for common shares, they may risk temporarily losing, or being limited in, the ability to remit foreign currency abroad and certain Brazilian tax advantages.***

The Brazilian custodian for the common shares underlying our ADSs must obtain an electronic registration number with the Central Bank to allow the depository to remit U.S. dollars abroad. ADS holders benefit from the electronic certificate of foreign capital registration from the Central Bank obtained by the custodian for the depository, which permits it to convert dividends and other distributions with respect to the common shares into U.S. dollars and remit the proceeds of such conversion abroad. If holders of our ADSs decide to exchange them for the underlying common shares, they will only be entitled to rely on the custodian's certificate of registration with the Central Bank for five business days after the date of the exchange. Thereafter, they will be unable to remit U.S. dollars abroad unless they obtain a new electronic certificate of foreign capital registration in connection with the common shares, which may result in expenses and may cause delays in receiving distributions. See "Item 10—Additional Information—Exchange Controls."

Also, if holders of our ADSs that exchange them for our common shares do not qualify under the foreign investment regulations, they will generally be subject to less favorable tax treatment of dividends and distribution on, and the proceeds from any sale of, our common shares. See "Item 10—Additional Information—Exchange Controls" and "Item 10—Additional Information—Taxation-Brazilian Tax Considerations."

***Holders of our ADSs may face difficulties in protecting their interests because, as a Brazilian company, we are subject to different corporate rules and regulations and our shareholders may have fewer and less well-defined rights.***

Holders of our ADSs are not direct shareholders of our company and are unable to enforce the rights of shareholders under our by-laws and Brazilian corporate law.

Our corporate affairs are governed by our by-laws and Brazilian corporate law, which differ from the requirements that would apply if we were incorporated in a jurisdiction in the United States, such as the State of Delaware or New York, or elsewhere outside Brazil. Even if a holder of our ADSs surrenders its ADSs and becomes a direct shareholder, its rights as a holder of our common shares under Brazilian corporate law to protect its interests relative to actions by our board of directors may be fewer and less well-defined than under the laws of those other jurisdictions.

**Holders of our ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.**

We are organized under the laws of Brazil, and all of the members of our board of directors, our executive officers and our independent registered public accountants reside or are based in Brazil. The vast majority of our assets and those of these other persons are located in Brazil. As a result, it may not be possible for holders of our ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. In addition, because substantially all of our assets and all of our directors and officers reside outside the United States, any judgment obtained in the United States against us or any of our directors or officers may not be collectible within the United States. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions by us or our board of directors or executive officers than would shareholders of a U.S. corporation.

Although insider trading and price manipulation are crimes under Brazilian law, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of our common shares and ADSs at a potential disadvantage. Corporate disclosures also may be less complete or informative than those of a public company in the United States or in certain other countries.

***Our status as a foreign private issuer allows us to follow local corporate governance practices, which may limit the protections afforded to investors.***

We are a foreign private issuer, as defined by the SEC for purposes of the U.S. Securities and Exchange Act of 1934, as amended, or the Exchange Act. As a result, for so long as we remain a foreign private issuer, we will be exempt from most of the corporate governance requirements of stock exchanges located in the United States; accordingly, you will not be provided with the benefits or have the same protections afforded to shareholders of U.S. public companies.

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The standards applicable to us are considerably different from the standards applied to U.S. domestic issuers. Although Rule 10A-3 under the Exchange Act generally requires that a listed company have an audit committee of its board of directors composed solely of independent directors, as a foreign private issuer, we are relying on a general exemption from this requirement that is available to us as a result of the features of Brazilian law applicable to our fiscal council. In addition, we are not required to, among other things:

- have a majority of the board be independent;
- have a compensation committee or a nominating/corporate governance committee of our board of directors;
- have regularly scheduled executive sessions with only non-management directors; or have at least one executive session of solely independent directors each year.

***We are an emerging growth company within the meaning of the Exchange Act and, if we decide to take advantage of certain exemptions from various reporting requirements applicable to emerging growth companies, our common stock could be less attractive to investors.***

We are an “emerging growth company” within the meaning of the rules under the Exchange Act. We are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with any PCAOB rules, that, if adopted in the future, would require mandatory audit firm rotation and auditor discussion and analysis and any future audit rule promulgated by the PCAOB (unless the U.S. Securities and Exchange Commission, or the SEC, determines otherwise). In addition, we are not subject to the additional level of review of our internal control over financial reporting as may occur when outside auditors attest as to our internal control over financial reporting. As a result, our stockholders may not have access to certain information they may deem important. We will remain an emerging growth company for up to five years from the date of our initial public offering of securities under an effective registration statement under the Securities Act, though we may cease to be an emerging growth company earlier under certain circumstances. We take advantage of the exemption from the auditor attestation report requirement and may decide to rely on other exemptions in the future. We do not know if some investors will find our common stock less attractive as a result. The result may be a less active trading market for our common stock, and our stock price may be more volatile.

***Brazilian tax laws may have an adverse impact on the taxes applicable to the disposition of our common shares and ADSs.***

Under Law No. 10,833, enacted on December 29, 2003, the gain on the disposition or sale of assets located in Brazil by a non-Brazilian resident, whether to another non-Brazilian resident or to a Brazilian resident, may be subject to income tax withholding in Brazil. With respect to the disposition of our common shares, as they are assets located in Brazil, a non-Brazilian resident should be subject to income tax on the gains assessed, regardless of whether the transactions are conducted in Brazil or with a Brazilian resident. With respect to our ADSs, although the matter is not entirely clear, arguably the gains realized by a non-Brazilian resident upon the disposition of ADSs to another non-Brazilian resident will not be taxed in Brazil, on the basis that ADSs are not “assets located in Brazil” for the purposes of Law No. 10,833. We cannot assure you, however, that the Brazilian tax authorities or the Brazilian courts will agree with this interpretation. As a result, gains on a disposition of ADSs by a non-Brazilian resident to a Brazilian resident, or even to a non-Brazilian resident, in the event that courts determine that ADSs would constitute assets located in Brazil, may be subject to income tax in Brazil. See “Item 10—Additional Information—Taxation—Brazilian Tax Considerations.”

***The relative volatility and illiquidity of the Brazilian securities markets may adversely affect holders of our common shares and ADSs.***

The Brazilian securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. The B3, which is the principal Brazilian stock exchange, had a market capitalization of R\$2.32 trillion (US\$0.71 trillion) at December 31, 2016 and an average daily trading volume of R\$7.4 billion (US\$2.27 billion) for 2016. In comparison, aggregate market capitalization of the companies (including U.S. and non-U.S. companies) listed on the NYSE was US\$20.2 trillion at December 31, 2016 and the NYSE recorded an average daily trading volume of US\$10.8 trillion for 2016. There is also significantly greater concentration in the Brazilian securities markets. The ten largest companies in terms of market capitalization represented approximately 72.0% of the aggregate market capitalization of the B3 at December 31, 2016. The ten most widely traded stocks in terms of trading volume accounted for approximately 43.0% of all shares traded on the B3 in 2016. These market characteristics may substantially limit the ability of holders of our ADSs to sell the common shares underlying our ADSs at a price and at a time when they wish to do so and, as a result, could negatively impact the market price of our ADSs themselves.



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***The imposition of IOF taxes may indirectly influence the price and volatility of our ADSs and our common shares.***

Brazilian law imposes the Tax on Foreign Exchange Transactions, or the IOF/Exchange tax, on the conversion of Brazilian Reais into foreign currency and on the conversion of foreign currency into reais. Brazilian law also imposes the Tax on Transactions Involving Bonds and Securities, or the IOF/Securities tax, due on transactions involving bonds and securities, including those carried out on a Brazilian stock exchange.

The IOF/Exchange tax was raised from zero to 6% on October 20, 2009. As of December 1, 2011, certain investments were excluded from the 6% tax and subject instead to a 2% IOF/Exchange tax. In 2009, the IOF/Securities tax was increased from zero to 1.5% on shares issued by a Brazilian company and listed on a Brazilian stock exchange for the purpose of allowing depositary receipts traded outside Brazil to be issued. In 2011, the IOF/Securities tax was increased from zero to 1% on currency-related derivative transactions resulting in an increase of the short position exposure in foreign currency or in a decrease of the long position in foreign currency. Since June 30, 2013, the IOF/Exchange tax and the IOF/Securities tax rates have been zero.

The imposition of these taxes may discourage foreign investment in shares of Brazilian companies, including our company, due to higher transaction costs, and may negatively impact the price and volatility of our ADSs and common shares if they become listed on a stock exchange in the United States, as well as on the B3.

***We may be classified as a passive foreign investment company, which could result in adverse U.S. tax consequences for U.S. investors.***

We may be classified as a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes. Such characterization could result in adverse U.S. tax consequences to you if you are a U.S. Holder (as defined in “Item 10—Additional Information—Taxation—U.S. Federal Income Tax Considerations”) of our common shares or ADSs. For example, if we are a PFIC, U.S. Holders of our common shares or ADSs may become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to burdensome reporting requirements. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, for any taxable year we will be classified as a PFIC for U.S. tax purposes if either (i) 75% or more of our gross income in that taxable year is passive income or (ii) the average percentage of our assets by value in that taxable year which produce or are held for the production of passive income is at least 50%. For this purpose, income from commodities transactions is generally considered passive unless such income is derived in the active conduct of a commodities business.

See “Item 10—Additional Information—Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company.”

## **ITEM 4—INFORMATION ON THE COMPANY**

### **A. History and Development of the Company**

#### **Overview**

Our legal and commercial name is BrasilAgro—Companhia Brasileira de Propriedades Agrícolas. We are a corporation (*sociedade por ações*) organized under the laws of Brazil, and were incorporated on September 23, 2005. Our principal offices are located at Avenida Brigadeiro Faria Lima, 1309, 5th floor, São Paulo, SP 0145-002, Brazil, and our telephone number is +55 11 3035 5350.

We are focused on the acquisition, development and exploitation of agricultural properties that we believe possess significant potential for cash flow generation and value appreciation. We seek to transform our acquired properties through investments in infrastructure and technologies which permit cultivation of high value-added crops (soybean, corn, sugarcane and others) and cattle raising and from time to time sell our developed properties in order to realize capital gains.

Since our initial public equity offering and listing in Brazil on the B3 stock exchange in April 2006, or the IPO, and the subsequent commencement of our operations until the date hereof, we acquired 12 agricultural properties in seven Brazilian states, one of which is still in the process of registration of ownership, aggregating 199,114 hectares, of which 129,366 hectares were arable but less than 10% of which were cultivated when acquired and 69,748 hectares were protected by environmental regulation. We also acquired a 50% interest in Cresca S.A., a company owning 141,931 hectares of rural land in Paraguay, of which approximately 71,000 were arable but less than 12,000 hectares of which were cultivated when acquired and approximately 71,000 hectares were protected by environmental regulation. Since then, four of our agricultural properties were fully sold and two of our agricultural properties were partly sold, representing in the aggregate a total area of 77,711 hectares. As of the date hereof, we hold 253,342 hectares, including 11,718 hectares leased and 117,307 hectares through our joint venture in Cresca S.A. Of this total, however, we are not the legal owner of one property representing 21,148 hectares, as the registration of ownership process for this property has not been finalized.

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On October 5, 2016, we entered into an agreement with Carlos Casado S.A. ("Carlos Casado"), our partner in Cresca at the time, pursuant to which we agreed to try to sell all the land that Cresca owned for a 120-day period as of the execution date of the aforementioned agreement. Further to the provisions of the agreement, we and Carlos Casado also agreed to split ownership of the land among us and Carlos Casado if either party failed to dispose of the totality of the land within the 120-day period.

As the properties were not sold to third-parties, on June 6 and June 8, 2017, we and Carlos Casado decided to proceed with the spin-off of Cresca, whereby we will separate and divide the assets and liabilities of Cresca and Cresca will distribute them to us and to Carlos Casado. As of June 30, 2017, Cresca owns 117,307 hectares of which approximately 60,000 hectares are suitable for agricultural purposes. We plan to contribute such assets and liabilities to our newly incorporated wholly owned subsidiary, Agropecuaria Moroti S.A. ("Moroti"). Further, we created a company called Palmeiras S.A. to operate the piece of land that is currently owned by Cresca which will eventually be distributed to us and contributed to Moroti.

We are currently waiting for the conclusion of the registration of Moroti with the proper local governmental authorities in Paraguay. Once registration is complete, the assets and liabilities will be transferred to Moroti and we will own 59,490 hectares of which 29,745 are suitable for agricultural purposes. During the planting season for our 2016/2017 crop year, we planted 2,321 hectares of soybean, 1,737 hectares of corn, 3,206 hectares of other grains and 2,167 hectares of pasture in the farm in Paraguay, which will be contributed to Moroti.

We invested more than R\$717.0 million since the IPO to acquire, develop and transform agricultural properties, of which R\$24.6 million (as of June 30, 2017) are committed to pay the remaining purchase price of the acquired properties.

We will continue the investments to develop and transform our agricultural properties in Brazil and Paraguay. In this regard, we will continue to apply for financing with government development banks.

From July 1, 2014 until the date hereof:

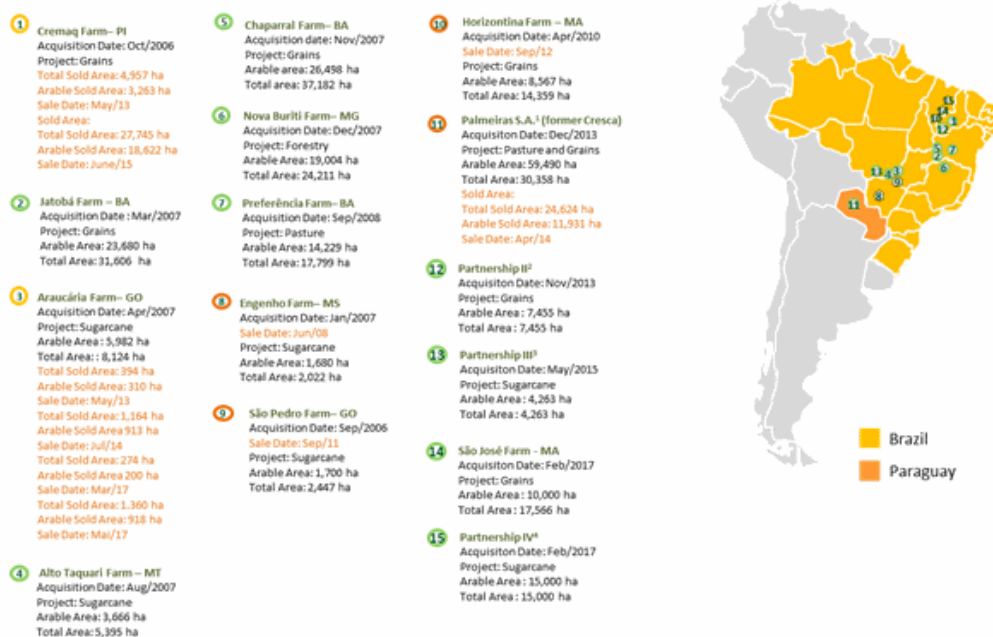
- in June 2017, we sold an area in the Jatobá Farm, a rural property located in the State of Bahia. A total of 625 hectares (500 hectares of arable land) were sold, worth 300 soybean bags per hectare of arable land or R\$10.1 million (approximately R\$20,180/ha).
- in June 2017, we decided to proceed with the spin-off of Cresca, pursuant to which we will separate and divide the assets and liabilities of Cresca into two new companies called Casado Agropecuaria S.A. and Agropecuaria Moroti S.A.
- in March 2017 and May 2017, we sold two areas in the Araucaria Farm, a rural property located in the State of Goias. In March 2017, 274 hectares (200 hectares of arable land) were sold in the amount of 1,000 soybean bags per hectare of arable land or R\$12.5 million (R\$13.2 million nominal value/approximately R\$66,227/ha). The second area, sold in May 2017, totaled 1,360 hectares (918 hectares of arable land), worth 280 soybean bags per hectare of arable land or R\$17.0 million (approximately R\$18,535/ha). It is important to highlight that this area includes a lowland area and, therefore, the value of the sale per hectare of arable land is lower compared to the sale held in the same farm in March, which consisted of a plateau area.
- we conducted a purchase and agricultural partnership for a property in state of Maranhão, whereby we acquired 17,566 hectares, 10,137 hectares of arable land in February 2017, that has already been developed, and will be used for the planting of grain crops. The other 7,566 hectares are permanent preservation and legal reserve areas. The acquisition price is R\$100.0 million (R\$10 thousand/hectare of arable land) and the agricultural partnership consists of 15,000 of arable and developed land, already planted mostly with sugarcane. The Agricultural Partnership has a term of 15 years, which may be extended for the same period.
- during 2016/2017 crop year, we developed 5,117 hectares of our 199,114 hectares of arable land through the cultivation of soybeans and other value-added crops;

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- on October 5, 2016, we entered into an agreement with Carlos Casado, our partner in Cresca, to try to sell all the land that Cresca owned or to split ownership of the land between us and Carlos Casado if a 120 day period since execution of the agreement lapsed;
- during 2015/2016 crop year, we developed 6,572 hectares of our 163,431 hectares of arable land through the cultivation of soybeans and other value-added crops;
- during 2015/2016 crop year, we began cattle-raising operations at the Preferência Farm, in Bahia, initially consisting of breeding and fattening activities. We have acquired 4,836 head of cattle, which are distributed over 5,052 hectares of already active pasture; and we entered into a partnership to explore an area of 4,263 hectares in the municipalities of Alto Taquari and Alto Araguaia, in the State of Mato Grosso ("Partnership III"). These areas are close to Alto Taquari farm and will be used for sugarcane by March 31, 2026;
- we sold the remaining 27,745 hectares of the Cremaq farm and related assets in the State of Piauí in June 2015 for a total of R\$270.0 million. The value of the land and related assets sold in June 2015 as recorded in the Company's books was R\$63.6 million (acquisition plus investments, net of depreciation);
- we made capital increase in Cresca S.A. in the year ended June 30, 2015 in the amount of R\$25.9 million (R\$14.5 million in the year ended June 30, 2014);
- we sold 1,164 hectares of the Araucária farm in the State of Goiás for a total amount of R\$41.3 million (the equivalent of 735 thousand bags of soybean) in June 2014 (payable in four installments over a period of four years), five years after acquiring them for R\$10.7 million;
- our joint venture, Cresca S.A., sold 24,624 hectares of rural land in Paraguay for a total of US\$14.8 million in April 2014 (payable in three installments over a period of three years), four months after acquiring them for US\$8.6 million, which was recognized on July 14, 2014, when ownership of the land was transferred; and

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The map below indicates the location of our agricultural properties, their arable areas, their current or intended production activities and the sold areas as of June 30, 2017:



(1) New social denomination of the operation in Paraguay.

(2) BrasilAgro signed a partnership in “Partnership II Farm” for up to 11 crops and up to 10,000 hectares.

(3) BrasilAgro signed a partnership in “Partnership III Farm,” which will expire on March 31, 2026.

(4) BrasilAgro signed a partnership in “Partnership IV Farm” has a term of 15 years, renewable for another 15 years

We have a policy of performing annual appraisals of the fair market value of our agricultural properties. We estimate the market value of our agricultural properties based on each property’s level of development, soil quality and maturity and agricultural potential. For more information concerning our estimates of the fair market value of our agricultural properties, see Note 10 of our financial statements for the fiscal year ended June 30, 2017.

Our estimates of the market value of our agricultural properties are based on several assumptions, methodologies, estimates and subjective judgments, all of which are inherently subject to significant commercial, economic, competitive and operational uncertainties, most of which are beyond our control and unforeseeable and therefore no assurance can be given that they are correct. Furthermore, market values of real estate are subject to significant fluctuations and are also subject to significant commercial, economic and competitive uncertainties, most of which are beyond our control, and thus such estimates should not be considered as indicative of the values that we will or may be able to receive in exchange for such properties. For more information on the risks we are exposed to, see “Item 3—Key Information—Risk Factors.” The table below indicates the historical cost of acquisition of the land and of subsequent improvements, as well as the estimated fair market value, with respect to our agricultural properties, as of June 30, 2017.

Property	Location	Acquisition Date	Total Area (ha)	Land & Improvements Cost on June 30, 2017 <sup>(1)</sup> (R\$ million)	Estimated Fair Market Value on June 30, 2017	Appreciation <sup>(2)</sup>
Jatobá Farm	Jaborandi/BA	Mar/07	30,981	59.1	360.8	511%
Alto Taquari Farm	Alto Taquari/MT	Aug/07	5,394	35.8	119.7	235%
Araucária Farm	Mineiros/GO	Apr/07	6,493	53.0	172.3	225%
Chaparral Farm	Correntina/BA	Nov/07	37,184	79.8	352.4	342%
Nova Buriti Farm	Januária/MG	Dec/07	24,212	22.0	23.4	6%
Preferência Farm	Barreiras/BA	Sep/08	17,799	30.1	64.4	114%
São José Farm	São Raimundo das Mangabeiras/MA	Feb/17	17,566	105.1	157.0	49%
Total			139,629	384.9	1,250.0	225%

(1) Consists of land and capital expenditures, including building, infrastructure and other improvements to the property, net of depreciation expenses.

(2) This appreciation does not exclude the impact of inflation in the period covered.

[Table of Contents](#)**B. Business Overview**

We are focused on the acquisition, development and exploitation of agricultural properties that we believe possess significant potential for cash flow generation and value appreciation. We seek to transform our acquired properties through investments in infrastructure and technologies which permit cultivation of high value-added crops (soybean, corn, sugarcane and other) and cattle raising and from time to time sell our developed properties in order to realize capital gains. We are currently involved in several farming activities, including grains and sugarcane production and cattle raising.

**Agricultural Activities and Products*****Independent Production***

As of June 30, 2017, we were the operators with respect to our entire portfolio of agricultural properties. In the context of our independent operations, we maintain exclusive control over our production and exclusive responsibility for the acquisition of inputs, raw materials and equipment, hiring and oversight of employees, and infrastructure investment. We currently sell a substantial portion of our production to a small number of import/export companies or clients who have substantial bargaining power. Our net revenue was R\$146.9 million for the year ended June 30, 2017 and R\$147.1 million for the year ended June 30, 2016. All of our sales are to clients located in Brazil.

We enter into short-term contractual arrangements with third-party contractors, at all stages of the production process, for the provision of services (including our workforce), equipment, and infrastructure needs. We believe that this allows us to be more agile in adapting to market conditions as they unfold.

Our agricultural properties are managed by local managers, either on a regional level or for specific properties, depending on the location and size of each property. On June 30, 2017, we had one manager at São José Farm, Partnership II and Partnership IV farm, one regional manager for the Chaparral, Jatobá and Preferência farms and one regional manager for the Araucária, Alto Taquari and Partnership III farms.

***Leases***

As an alternative to independent production, we leased in the past, and may lease again in the future, our agricultural properties to third parties. Generally, our leases are subject to different obligations depending on the stage of development of the subject property. With respect to leases of our properties on which the land is undeveloped, lessees are subject to several terms and conditions, including requirements to invest and to use the techniques and equipment that we believe are necessary and appropriate for the preparation and correction of the soil in order to facilitate agricultural production. In addition to leases of land, we may also lease individual farmhouses or warehouses to lessees, pursuant to which we receive a portion of the agricultural production, in kind, produced by the lessee. Our leases generally last between three to ten years. Under Brazilian law, lessees have a right of first refusal to purchase farms that were previously leased by them.

***Grains***

The planting season for grains runs from September to December, and harvest occurs between February and May. During the planting season for our 2016/2017 crop year, we planted 26,081 hectares of grains at our grain farms in Brazil. For the years ended June 30, 2017 and 2016, net revenue from sale of grains constituted 35.5% and 43.8% of our net revenue, respectively.

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During the planting season for our 2016/2017 crop year, Palmeiras planted 4,058 hectares of grains at their farms located in Paraguay.

All distribution of production from the farms is through road transportation. We enter into third-party service contracts with trucking companies to transport production from our farms to our storage facilities or to our clients.

***Sugarcane***

The sugarcane planting season runs from February to May, and harvest occurs between April and November. On June 30, 2017, we had 26,698 hectares planted with sugarcane at our Araucária, Alto Taquari, São José Farm, Partnership III and Partnership IV farms.

We entered into a supply contract with Brenco, pursuant to which we currently supply the entirety of our sugarcane production from our Alto Taquari, Araucária, and Partnership III farms to them. The term of this supply contract covers two full crop cycles, which consists of six crop years and five harvests, and is scheduled to expire in 2021/2022. We currently run the risk of default by Brenco, our main customer, associated with the fact that its controlling shareholder, Odebrecht S.A., is being investigated for corruption in the operation called “Lava Jato” (Car Wash).

On May 8, 2015, we entered into a lease agreement with respect to a property located in the municipalities of Alto Taquari and Alto Araguaia, in the state of Mato Grosso (“Partnership III”), where we have the right to operate an area of 4,263 hectares by March 31, 2026. The properties are close to Alto Taquari Farm, a region that has had excellent sugarcane production results. This transaction allows us to make use of the operational structure and team already present in the region and ensure greater property management flexibility.

We entered into a supply contract with AgroSerra, pursuant to which we currently supply the entirety of our sugarcane production from our Partnership IV farm to them. The term of this supply contract is 15 years, renewable for another 15 years.

For the years ended June 30, 2017 and 2016, net revenue from the sale of sugarcane accounted for 38.1% and 61.9% of our net revenue, respectively. This decrease was due to the sale of certain farms and the increase in the net revenues from sale of grains and net revenue from leases.

Our farm output is distributed through road transportation. We enter into third-party service contracts with trucking companies to transport production from our farms to our clients’ sugar and ethanol refineries.

***Livestock***

On June 30, 2017, we had 8,644 head of cattle distributed over 11,206 hectares of active pasture. We currently have 9,454 head of cattle, which are distributed over 11,208 hectares of active pasture.

***Others***

On June 30, 2017, we had 24,211 hectares of farmland at our Nova Buriti farm. We are currently in the process of obtaining the necessary permits in order to begin operations. Due to the difficulties we have been facing in regard to obtaining licenses for the farm, we are studying alternatives for the property. One such option is to sell the farm to offset the legal reserve, a mechanism contemplated in the environmental code pursuant to which holders of a legal reserve deficit can acquire another area to solve certain issues.

***Investment properties***

On June 30, 2017, the net book value of our investment properties was R\$389.8 million, of which R\$300.5 million represented land acquisition costs and R\$89.3 million (net of accumulated depreciation) represented improvements, including building and infrastructure improvements and costs of clearing and preparing the land. For the year ended June 30, 2016 we did not sell any farm, for the year ended June 30, 2017, gain on farm sales accounted for R\$26.7 million.

[Table of Contents](#)***Agricultural Properties***

On June 30, 2017, we owned six agricultural properties, totaling 156,084 hectares of arable land (not including environmental preservation areas in accordance with Brazilian environmental law), including 26,718 hectares of leased area and 29,745 hectares of Palmeiras Farm, located in the Brazilian States of Mato Grosso, Goiás, Minas Gerais, Maranhão, Bahia, Piauí and in Paraguay. During the planting season for our 2016/2017 crop year, we planted 22,549 hectares of soybean, 7,590 hectares of corn, 29,698 hectares of sugarcane, 12,611 hectares of other grains (sesame, sorghum and others) and 16,425 hectares of pasture. Except for part of the Nova Buriti farm, we acquire and hold our agricultural properties through subsidiaries, a structure we believe will simplify the future sale of such properties in accordance with Brazilian law. In addition, we entered into rural partnerships to operate agricultural properties, the Partnerships II, III and IV.

***São José Farm:*** On February 2017, the São José farm was acquired by our subsidiary Imobiliária Ceibo Ltda. with a total area of 17,566 hectares for R\$100.0 million. The property is located in the State of Maranhão, in the Northeastern region of Brazil.

We acquired 17,566 hectares, 10,137 hectares of which are arable and have already been developed, and will be used for the planting of grain crops. The other 7,429 hectares are permanent preservation and legal reserve areas. The acquisition price is R\$100.0 million (R\$10 thousand/arable hectare).

The agricultural partnership consists of 15,000 hectares of arable and developed land, already planted mostly with sugarcane. The agricultural partnership has a term of 15 years, which may be extended for the same period.

***Jatobá Farm:*** The Jatobá Farm has an area of 30,981 hectares and was acquired by us, in partnership with Grupo Maeda, in 2007 for R\$33.0 million. On May 12, 2012, we acquired Grupo Maeda's partnership stake in and became 100% owners of the Jatobá farm, through our subsidiary Jaborandi Propriedades Agrícolas. The property is located in the Municipality of Jaborandi, State of Bahia, in the Northeastern region of Brazil, which we believe to be advantageous for export purposes due to the presence of the Port of Candeias in the State of Bahia.

Prior to our acquisition, the Jatobá farm was used for pine reforestation. Since the acquisition until June 30, 2017, we invested R\$26.3 million (net of accumulated depreciation) in the development of support infrastructure, such as the construction of houses for our employees and service providers, an administrative office, roads and loading docks, the division of farmable areas into plots to facilitate capacity for cultivation, in addition to having invested in land development and preparation of the soil for agricultural production. We have also invested in the installation of farm equipment, mainly including tractors that operate by GPS and machines that monitor and collect data with respect to our crops and transmit such data to our headquarters. During the planting season for our 2016/2017 crop year, we planted 3,818 hectares of soybean, 3,059 hectares of corn, 4,504 hectares of pasture and 7,651 hectares of others grains at the Jatobá farm.

On June 30, 2017, we sold 625 hectares of our Jatobá farm, 500 of which are arable, for a total sale price of R\$10.1 million, equivalent to 300 soybean bags. After the sales, the area of Jatobá farm held by us was 30,981 hectares, of which approximately 24,226 hectares are arable.

***Alto Taquari Farm:*** The Alto Taquari farm has an area of 5,394 hectares and was acquired by our subsidiary Imobiliária Mogno in August 2007 for R\$33.2 million. The deed was granted in September 2015 after we paid the outstanding balance of R\$27.4 million. Prior to our acquisition, the Alto Taquari farm was used for grain cultivation and cattle raising. As of June 30, 2017, we had 3,554 hectares planted with sugarcane. The 2009/2010 crop year marked the beginning of our obligations in compliance with our supply contract with Brenco, under which we supply the entirety of our sugarcane production from the Alto Taquari farm to them for a term of two complete crop cycles (six crop years and five harvests), which is expected to end in 2020. The property is located in the Municipality of Alto Taquari, State of Mato Grosso.

***Araucária Farm:*** The Araucária farm was acquired by our subsidiary Imobiliária Araucária in April 2007, in partnership with Brenco, in the proportion of 75% and 25%, respectively, for the total amount of R\$80.0 million. The deed for Araucária farm was granted on November 20, 2008, and it was registered on November 24, 2008, upon which date our partnership with Brenco was terminated and from which point we were the sole owners of 9,682 hectares of the Araucária farm, equivalent to R\$70.7 million. The property is located in the Municipality of Mineiros, State of Goiás, and is primarily used for the cultivation of sugarcane and grain.

Prior to our acquisition, the Araucária farm was used for grain cultivation. Since the acquisition until June 30, 2017, we invested R\$3.0 million (net of accumulated depreciation) in infrastructure improvements. We also invested in installation of farm



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equipment, mainly including tractors that operate by GPS and machines that monitor and collect data with respect to our crops and transmit such data to our headquarters.

On March 27, 2017, we sold 274 hectares of our Araucária Farm, 200 of which are arable, for a total sale price of R\$12.5 million or (R\$13.2 million nominal value, equivalent to 1,000 soybean bags). On May 30, 2017, we sold 1,360 hectares of our Araucária Farm, 918 of which are arable, for a total sale price of R\$17.0 million, equivalent to 280 soybean bags. On April 25, 2013, we sold 394 hectares of our Araucária farm, 310 of which are arable, for a total sale price of R\$10.3 million, equivalent to 48,000 soybean bags, and on June 27, 2014, we sold 1,164 hectares of our Araucária Farm, 913 of which are arable, for a total purchase price of R\$41.3 million, equivalent to 735,000 soybean bags. After the sales, the area of Araucária farm held by us was 8,124 hectares, of which approximately 5,982 hectares are arable.

The 2009/2010 crop year marked the beginning of our obligations under our supply contract with Brenco to supply the entirety of our sugarcane production from the Araucária farm to them for a term of two complete crop cycles (six crop years and five harvests), which is expected to end in 2020.

**Chaparral Farm:** The Chaparral farm has an area of 37,184 hectares and was acquired by our subsidiary Imobiliária Cajueiro in November 2007 for R\$47.9 million. The deed was granted on September 29, 2008 and was registered on December 12, 2008. Since the acquisition until June 30, 2017, we invested R\$32.5 million (net of accumulated depreciation) in infrastructure improvements. During the planting season for our 2016/2017 crop year, we planted 9,518 hectares of soybean and 2,235 of corn, 3,052 hectares of pasture, and 1,754 hectares of others grains there. The property is located in the Municipality of Correntina, State of Bahia.

**Nova Buriti Farm:** The Nova Buriti farm has an area of 24,212 hectares and was acquired in December 2007 for the total amount of R\$22.0 million. The transfer of 3,064 hectares was made in May 2010 to our subsidiary Imobiliária Flamboyant Ltda. and the remaining 21,147 hectares was transferred to us in August 2017, upon the payment of the balance of the price of the amount of R\$12.8 million, with the exclusion of the monetary correction as negotiated with the seller. Our subsidiary Imobiliária Flamboyant Ltda. holds a 13% interest in the property, and we hold the remaining 87%. The property is located in the municipality of Bonito de Minas and Cônego Marinho, State of Minas Gerais in the Southeastern region of Brazil, which is in close proximity to major iron producers who utilize large quantities of biofuel, especially from eucalyptus wood, to generate electricity.

We are currently in the process of obtaining the necessary permits in order to begin operations. Due to the difficulties we have been facing in regard to obtaining licenses for the farm, we are studying alternatives for the property. One such option is to sell the farm to offset the legal reserve, a mechanism contemplated in the environmental code pursuant to which holders of a legal reserve deficit can acquire another area to solve certain issues.

**Preferência Farm:** The Preferência farm has an area of 17,799 hectares and was acquired in September 2008 by our subsidiary Imobiliária Cajueiro for R\$9.6 million. The deed was granted on September 4, 2009, and registration was made on February 24, 2010. The property is located in the Municipality of Barreiras, State of Bahia. We use the property for cattle raising and grain cultivation. Since the acquisition until June 30, 2017, we invested R\$19.3 million (net of accumulated depreciation) in infrastructure improvements to the property and have 6,702 hectares of pasture.

On June 30, 2017, we had 7,894 head of cattle, distributed through over 11,206 hectares of active pasture.

**Partnership II:** On October 11, 2013, we entered into a partnership with respect to Partnership II farm for up to 11 harvests, which is expected to end in October 2024. The Partnership II farm is located in the municipality of Ribeiro Gonçalves, in the state of Piauí, which has had excellent grain production results. We operate an area of 7,181 hectares, which is suitable for grain crops. During the planting season for our 2016/2017 crop year, we planted 6,892 hectares of soybean and 559 hectares of corn at the Partnership II farm.

**Partnership III:** On May 8, 2015, we entered into a lease agreement with respect to a property located in the municipalities of Alto Taquari and Alto Araguaia, in the state of Mato Grosso ("Partnership III"), where we have the right to operate an area of 4,263 hectares until March 31, 2026. The properties are close to the Alto Taquari Farm, a region that has had excellent sugarcane production results. This transaction allows us to make use of the operational structure and team already present in the region and ensure greater property management flexibility.

**Partnership IV:** On February 7, 2017, we entered into a lease agreement with respect to a property located in the municipalities of São Raimundo das Mangabeiras, in the state of Maranhão ("Partnership IV"), where we have the right to operate an area of 15,000 hectares. The agricultural partnership is already planted mostly with sugarcane and has a term of 15 years, renewable for another 15 years.



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**Cresca** Cresca is a company that invests in agricultural and cattle raising land in Paraguay. On December 12, 2013, we entered into an agreement with Cresud, our controlling shareholder, for: (i) the acquisition of its interest in Cresca S.A., representing a 50% interest of the company, (ii) the assumption of Cresud credits with Cresca, and (iii) the execution of an advisory service agreement, pursuant to which Cresud agreed to render services to Cresca in exchange for the payment of fees. The total consideration of the transaction was US\$19.8 million.

On the purchase date, Cresca had approximately 81,000 hectares and had a contract for the right to purchase approximately 61,000 additional hectares of agricultural land in the region of Mariscal Estigarribia in Paraguay. Pursuant to this agreement, Cresca purchased 35,864 hectares on July 9, 2014, and the remaining 24,753 hectares on January 20, 2015.

On April 4, 2014, Cresca sold 24,624 hectares in Paraguay, 12,312 of which are arable, for a total price of US\$14.8 million (US\$600 per hectare). The purchaser made an initial payment of US\$1.9 million, and paid the first installment in the amount of US\$4.3 million upon the execution of the property transfer deed and the sold area possession transfer. The purchaser made payments totaling the amount of US\$3.7 million in 2015 and a final payment of US\$4.9 million on July 20, 2016.

On October 5, 2016, we entered into an agreement with Carlos Casado, our partner in Cresca at the time, pursuant to which we agreed to try to sell all the land that Cresca owned for a 120-day period as of the execution date of the aforementioned agreement. Further to the provisions of the agreement, we and Carlos Casado also agreed to split ownership of the land among us and Carlos Casado if either party failed to dispose of the totality of the land within the 120-day period.

As the properties were not sold to third-parties, on June 6 and June 8, 2017, we and Carlos Casado decided to proceed with the spin-off of Cresca, whereby we will separate and divide the assets and liabilities of Cresca, and Cresca will distribute them to us and to Carlos Casado. As of June 30, 2017, Cresca owns 117,307 hectares of which approximately 60,000 hectares are suitable for agricultural purposes. We plan to contribute such assets and liabilities to our newly incorporated wholly owned subsidiary, Agropecuaria Morotí S.A. Further, we created a company called Palmeiras S.A. to operate the piece of land that is currently owned by Cresca which will eventually be distributed to us and contributed to Morotí.

We are currently waiting for the conclusion of the registration of Morotí with the proper local governmental authorities in Paraguay. Once registration is complete, the assets and liabilities will be transferred to Morotí and we will own 59,490 hectares of which 29,745 are suitable for agricultural purposes. During the planting season for our 2016/2017 crop year, we planted 2,321 hectares of soybean, 1,737 hectares of corn, 3,206 hectares of other grains and 2,167 hectares of pasture in the farm in Paraguay, which will be contributed to Morotí.

## **Investment in Brenco – Companhia Brasileira de Energia Renovável**

In March 2007, we acquired an indirect minority interest in Brenco, controlled by Odebrecht S.A., through our 40.65% investment in Green Ethanol LLC (previously known as Tarpon All Equities Fund LLC), which we acquired for a purchase price of US\$2.5 million. Green Ethanol LLC held 2.47% of the capital stock of Brenco, including 7,600,000 warrants issued by Brenco. In March 2008, we signed contracts for the exclusive supply to Brenco of the entirety of our sugarcane production over two full crop cycles. See “Item 4—Information On the Company—Material Agreements.”

In September 2008, Green Ethanol LLC decreased its shareholding in Brenco to 1.55% of Brenco’s capital stock, which percentage was subsequently increased to 3.8% in December 2008. In February 2010, ETH Bioenergia acquired substantially all of the capital stock of Brenco, thereby diluting our indirect ownership interest (held through Green Ethanol LLC) to 0.046% of Brenco’s capital stock as of December 31, 2010. As a result of the losses incurred by Brenco and of the significant level of debt, we carried out an impairment analysis of our investment interest in Brenco. As a result of such assessment, we recorded an impairment loss on our investment of R\$6.6 million as of July 1, 2009.

## **Commodity Futures Contracts**

We enter into sales contracts for the future sale and physical delivery of our agricultural commodities to international import/export companies. Such contracts are primarily with respect to soybean, but also include sugarcane in connection with our exclusive supply agreement with Brenco. In the case of soybean, we may contract a fixed price for all or part of the volume to be delivered. The price is determined according to a contractual formula based on the soybean quotation at the Chicago Board of Trade (CBOT). The price established in U.S. dollars is paid at the end of the commitment period, in *Reais*, according to contractually defined exchange rates prevailing a few days before settlement. The terms of the agreements subject us to fines in the event that we fail to deliver the previously-committed volumes to the purchaser.

[Table of Contents](#)**Material Agreements*****Agroserra***

On February 7, 2017, through our subsidiary Imobiliária Ceibo Ltda., we entered into a partnership agreement with Agro Pecuária e Industrial Serra Grande Ltda., which consists of a sugarcane exploration agreement on an area of 15 thousand hectares of developed and cultivable land during a period of 15 years, with the option to renew the agreement for the same period.

***Brenco – Companhia Brasileira de Energia Renovável***

In March 2008, we signed two contracts for the exclusive supply to Brenco of the entirety of our sugarcane production over two full crop cycles (for sugarcane, one full crop cycle consists of six agricultural years and five harvests). They are expected to expire in 2020, but are renewable upon the agreement of the parties. One of the contracts refers to our cultivation from an area of approximately 5,718 hectares at our Araucária farm and the other refers to approximately 3,669 hectares at our Alto Taquari farm. The price per ton, for the purpose of these agreements, is determined based on Total Recoverable Sugar (ATR) price per ton of sugarcane effectively delivered, with ATR corresponding to the quantity of sugar available in the raw material, minus sugar content lost during the production process, multiplied by the market prices of sugar and ethanol sold by regional plants in the internal and external market, in each case, as determined by the Counsel of Sugarcane, Sugar and Alcohol Producers in São Paulo (*Conselho de Produtores de Cana, Açúcar e Alcool de São Paulo*), or CONSECANA. For the year ended June 30, 2017, net revenues of our sugarcane production to Brenco were R\$58.0 million, representing 78.7% of our total revenue. The purpose of the contracts is not to secure a more favorable price than the market price, since we expect that the ATR price as determined by CONSECANA will be generally equivalent to the market price, but rather to secure the sale of our sugarcane production over the long term. We believe this gives us the predictability that makes it practicable for us to grow and commercialize sugarcane, given that sugarcane crops have a productive cycle lasting six years from the first harvest.

On May 8, 2015, we executed three agreements with Brenco:

The first agreement consists of a rural sub partnership to operate nine farms located in the municipalities of Alto Araguaia and Alto Taquari, in the state of Mato Grosso. The sub partnership started at the date of its signature and is estimated to end on March 31, 2026. The areas are to be used for the plantation and cultivation of sugarcane, which cannot exceed the duration of the contract. This contractual partnership meets the definition of an operating leasing. The payment must always be in kind (tons of sugarcane) and delivered at the mill owned by Brenco, which is located in the vicinities of the farms, during the harvest period of the product. The quantity to be paid for the duration of the contract shall be established in tons per hectare and varies according to the area being explored. According to this contract, the quantity to be paid in the long term corresponds to 529,975 tons of sugarcane, of which 174,929 tons will be paid within one to five years and 355,046 tons will be paid after more than five years up to the expiration of the agreement.

The second agreement deals with the regulation of rights and obligations between agricultural partners from whom BrasilAgro acquired the crops of sugarcane planted by Brenco in the properties subject to the sub partnership agreement described above. This contract meets the definition of a financial leasing. The payment must always be in kind (tons of sugarcane) and delivered at the mill owned by Brenco during the harvest period of the product. According to this contract, the quantity to be paid in the long term corresponds to 127,699 tons of sugarcane, of which 41,470 tons will be paid within one year and 86,229 tons will be paid within one to five years.

For the year ended June 30, 2017, we delivered a total of 50.6 million tons of sugarcane pursuant to both agreements described above.

The third agreement regulates the exclusive supply to Brenco of the total sugarcane production in the properties included in the sub partnership agreement for two crop cycles, one cycle shall be effective until the depletion of the already existing sugarcane crops and the other cycle consists of the sugarcane being planted by BrasilAgro.

We currently run the risk of default by Brenco, our main customer, associated with the fact that its controlling shareholder, Odebrecht S.A., is being investigated for corruption in the operation called “Lava Jato” (Car Wash). Odebrecht’s CEO has been

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arrested and the company has been facing the following issues: difficulties to access the credit market, decrease in its business activities, early maturity of debts, among others. Therefore, Brenco's controlling shareholder has been cutting costs, which can adversely affect Brenco, its business and its ability to meet its payments due to us.

**Cresca**

On October 5, 2016, we entered into an agreement with Carlos Casado, our partner in Cresca at the time, pursuant to which we agreed to try to sell all the land that Cresca owned for a 120-day period as of the execution date of the aforementioned agreement. Further to the provisions of the agreement, we and Carlos Casado also agreed to split ownership of the land among us and Carlos Casado if either party failed to dispose of the totality of the land within the 120-day period.

As the properties were not sold to third-parties, on June 6 and June 8, 2017, we and Carlos Casado decided to proceed with the spin-off of Cresca, whereby we will separate and divide the assets and liabilities of Cresca and Cresca will distribute them to us and to Carlos Casado. As of June 30, 2017, Cresca owns 117,307 hectares of which approximately 60,000 hectares are suitable for agricultural purposes. We plan to contribute such assets and liabilities to our newly incorporated wholly owned subsidiary, Agropecuaria Moroti S.A. Further, we created a company called Palmeiras S.A. to operate the piece of land that is currently owned by Cresca which will eventually be distributed to us and contributed to Moroti.

We are currently waiting for the conclusion of the registration of Moroti with the proper local governmental authorities in Paraguay. Once registration is complete and the assets and liabilities will be transferred to Moroti and we will own 59,490 hectares of which 29,745 are suitable for agricultural purposes. During the planting season for our 2016/2017 crop year, we planted 2,321 hectares of soybean, 1,737 hectares of corn, 3,206 hectares of other grains and 2,167 hectares of pasture in the farm in Paraguay, which will be contributed to Moroti.

**Raw Material Acquisition Risks**

For the acquisition of farming inputs, our primary risks are foreign-exchange variations, the supply and demand of each input, farming commodity prices and freight prices. Our dependence on imported raw materials is also subject to supply and customs clearance delays. We are also subject to risks regarding the availability of the specific varieties of seeds we use, which are affected by weather conditions, among other factors.

In addition, the price of diesel fuel, which is the primary fuel used in farming machinery and trucks, is affected by the variation in oil prices as well as by the price-control policies adopted by the Brazilian government.

**Customers**

We currently sell a substantial portion of our total crop production to a small number of clients who have substantial bargaining power. For the year ended June 30, 2017, our three largest customers accounted for 65% of our total revenue. See "Item 3—Key Information—Risk Factors—Substantially all of our revenue is derived from a small number of clients, and we currently face a risk of default by our main customer."

**Competition**

The agriculture industry is composed of widely traded commodities, where the prices are freely determined based on supply and demand. The supply side is characterized by a large number of producers, each contributing a small part of the total production and thus having minimal influence over commodity prices, which are generally determined by indexes or exchanges in international markets, as is the case with soybean, the price of which is largely determined by the CBOT. Agricultural commodity producers therefore compete largely based on their production costs, and their scale of production. At the domestic level, producers compete on similar conditions, whereas at the international level, competition is affected significantly by, among other factors, government policies such as subsidies to agricultural producers, which can be substantial in developed countries.

Land acquisition is subject to intense competition. In this case, we compete to acquire the most appropriate land for cultivating our agricultural products. We believe that this process has contributed to an increase in land prices over the years and that the strongest competition has been from the larger groups having in-depth knowledge of the sector, management excellence and continuous objectives to increase their agricultural area portfolio. We understand that these large groups are mainly SLC Participações, operating in four Brazilian states; and Terra Santa Agro. In addition, we may face significant competition from large international companies which have greater financial resources than we do.

## Seasonality

Our principal products are subject to seasonality variations between the crop season and the off-season. The off-season occurs between the end of the harvest of a crop year and the beginning of the harvest of the following crop year. Such period occurs at different parts of the year depending on the agricultural product, as follows: (i) the off-season for grains in Brazil typically occurs between August and January; (ii) the off-season for sugarcane in Brazil typically occurs between December and March; and (iii) the off-season for cattle-raising in Brazil typically occurs between September and January. Because of the reduced supply of agricultural products during each product's respective off-season, prices for such products are typically higher during that time.

Throughout the year, our working capital needs vary significantly depending on the harvest period of grains, sugarcane and other crops in Brazil. Changes in the harvest periods, resulting from unfavorable weather or financial restrictions on us, have a direct impact on our inventory levels, advances to producers, loans and sales volume during the year.

## Insurance

Our businesses are generally subject to a number of risks and hazards, which could result in damage to individuals, or destruction of properties, facilities and equipment. As a general rule, we believe that our insurance coverage against risks that are typical in our business is adequate and consistent with the usual practices adopted by other companies operating in the same sector in Brazil. Nevertheless, we cannot guarantee that the coverage set forth in our insurance policies will suffice for purposes of protecting us from all losses and damages that may occur.

The Company has a civil liability insurance which is intended to ensure us, as the insured party, up to the maximum limit of the insurance policy, R\$5 million, from expenses for which the Company may be held liable by virtue of compensation for damages caused to third parties. This policy is currently in force and shall expire on November 19, 2017.

We also have a business insurance (rural multi-risk) for machinery located at our farm named "Fazenda Chaparral" located at in the City of Correntina, State of Bahia, at Rodovia BR 349 - Km 228.

We have also contracted a Directors and Officers (D&O) insurance police, also currently in force, which, by its turn has as insured parties members of our board of directors, executive board, audit board or any other statutory body or body created by our Bylaws or any natural person who has proper powers to represent the Company before third parties or whose position or function implies in such representation of fact or right. This insurance has coverage against civil liability up to the total amount of R\$30 million and also expires on November 19, 2017.

We have already started the negotiations with both our broker and insurance companies regarding the aforementioned insurances to have timely renewal prior to their expiry dates.

## Intellectual Property

In Brazil, title to a patent or trademark is obtained by means of the registration with the National Institute of Industrial Property (Instituto Nacional de Propriedade Industrial, or INPI). When such right is granted, the titleholder is ensured the exclusive use right thereof all over Brazil for a period of ten years, which may be renewed for successive equal periods indefinitely, as long as there is an interest in maintaining the trademark ownership.

Pursuant to the Brazilian legal framework, a trademark can be categorized as either a product, service, certification or collective mark. With regards to its presentation in local law, the trademarks can be nominative, mixed, figurative or three-dimensional. During the registration process, the depositor has an expectation of right to use the deposited trademarks, which he may avail himself from in order to identify its products or services until the registration process is ultimately concluded.

We have filed three trademark registration applications at the INPI for the trademark name (which corresponds to our current corporate name) "BrasilAgro – Companhia Brasileira de Propriedades Agrícolas", applications No. 828045089, 828045097 and 828045100. The analysis of trademark application No. 828045089 is currently postponed pending the final decision of another trademark registration application in order to avoid conflict of interest between the Company and other third parties. By its turn, service trademark application No. 828045097 in NCL(8) 35 marketing, distribution, importation and export of agricultural and livestock products was approved by the INPI on June 5, 2012 and expires on June 5, 2022. Finally, application No. 828045100, for NCL (8) 31 products related to agriculture and livestock, such as agricultural products, vegetables, forestry, grains and animals, fruits, vegetables, seeds, plants and natural flowers and food for animal was granted to the Company by the INPI on September 20, 2016 and expires on September 20, 2026.

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We also have filed three trademark registration applications for the trademark name “BrasilAgro – Companhia Brasileira de Propriedades Agropecuárias”, application No. 827971575, 827971567 and 827971583. One of such applications, No. 827971567, was rejected based on INPI’s considerations of previously filed trademark applications. We filed an appeal and await a final decision from the INPI regarding this particular application. Our business has not been affected by the refusal of this trademark registration application given that such application has as subject matter the trademark name “BrasilAgro – Companhia Brasileira de Propriedades Agropecuárias,” which is not our actual corporate name (our actual corporate name is “BrasilAgro – Companhia Brasileira de Propriedades Agrícolas”) and was filed at the time as a cautionary measure when we were in the process of deciding our corporate name. In addition, the other two applications, No. 827971575 and 827971583, were approved on June 14, 2011, expiring on June 14, 2021 and on January 28, 2014, expiring on January 28, 2024, respectively.

In addition, we filed three trademark registration applications for the single name “BrasilAgro.” The first one, filed at INPI under No. 829541870 is a service trademark, refers to NCL (9) 35 - marketing, distribution, importation and export of agricultural and livestock products, was approved on November 1, 2011 and expires on November 1, 2021. The second one, filed under No. 829541853, refers to a product trademark, on NCL (9) 31, involving products related to agriculture and livestock, such as agricultural products, vegetables, forestry, grains and animals, fruits, vegetables and fresh vegetables, seeds, plants and natural flowers, animal food and malt, was approved on September 20, 2016 and remains in force until September 20, 2026. Finally, the third trademark registration application for the name “BrasilAgro” had the analysis thereof postponed by means of a decision dated June 28, 2011 and is currently halted given that it is pending of evaluation of another prior trademark registration application by the INPI.

**Risk Management**

We analyze and monitor the various risks to which our business and operations are exposed. In addition to monitoring the specific factors that directly affect our agricultural production and business operations, we also monitor the risks derived from commodity price variations for our individual agricultural products, as well as foreign-exchange variations. Through our risk management policy coordinated among our Strategic Planning department, Risk Management Committee and board of directors, we hedge our exposure to commodity price risks for our transactions through over-the-counter instruments including options and futures contracts negotiated in the commodity market and maintain our exposures within pre-established limits.

**Cash Management**

To the extent we are unable or decide not to deploy our capital through agricultural property acquisitions or other investments, we maintain any uninvested cash and cash equivalents in an investment fund, which holds investments in fixed income securities in short-term, liquid investments (such as bank certificates of deposit, government securities and other cash-equivalents).

**Regulation**

In addition to the descriptions of regulatory matters set forth below, see the description of certain legal proceedings, including judicial and administrative proceedings relating to regulatory matters, set forth in “Item 8—Financial Information—Legal Proceedings.”

**Environmental Regulation**

The development of our agribusiness activities depends on a number of federal, state and municipal laws and regulations related to environmental protection. We may be subject to criminal and administrative penalties, besides being obligated to restore the environment and reimburse third parties for possible damages arising from non-compliance with such laws and regulations.

***Administrative Liability***

Administrative liability derives from an action or omission that results in violation of the standards of preservation, protection or restoration of the environment. Federal Decree No. 6,514 of July 22, 2008 establishes a set of sanctions that may be imposed as a result of breach of environmental regulation. Such sanctions include warning, fine, destruction of the product, suspension of activities, termination of tax benefits and credit lines granted by public institutions. Fines are determined based on the relevance and economic impact of the breach and can reach R\$50.0 million. See “Item 3—Key Information—Risk Factors.”

[Table of Contents](#)***Civil Liability***

Under civil law, the offender is strictly liable for any environmental damage and subject to an objective standard of care, which creates liability regardless of negligence by the offender. Consequently, we are jointly liable with any third parties providing services for us to the extent their activities cause environmental damage. Environmental regulation also permits the regulator to recover damages from the controlling entity through the chain of share ownership if the direct offender is unable to pay the related damage.

***Criminal Liability***

Our officers, directors, employees and agents who engage in environmental crimes are subject to criminal sanctions, including fines, prison sentences and the imposition of community service requirements.

[Table of Contents](#)***Environmental Licenses***

Environmental licensing is required for activities utilizing environmental resources that are considered potentially pollutant, or those that may in any way cause environmental degradation. Some Brazilian states and Paraguay require licenses for agricultural and animal-raising activities.

The environmental licensing procedure includes “prior,” “installation” and “operating” licenses. A “prior” license is granted during the preliminary phase of planning the enterprise or activity to authorize its location and concept and attesting to its environmental feasibility. An “installation” license authorizes the installation of an enterprise or activity in accordance with the specifications stated in approved plans, programs and projects. An “operating” license authorizes an activity or enterprise to operate after the conditions stated in the “prior” licenses are fulfilled and verified, with environmental protection measures and certain conditions for operations. This last license must be renewed at the end of its period of validity, which is determined by the competent environmental agency depending on the activity being developed.

For the Paraguay farm, we obtained the approval of the environmental impact study and we are in the process of obtaining the licenses for the suppression of vegetation for the remaining area.

For the Nova Buriti farm, we are studying and analyzing some alternative options, such as: environmental servitude, quota of environmental reserve and compensation of legal reserve.

Agriculture and livestock activities are currently required by law to obtain a special environmental license. We obtained such a license for the Jatobá and Chaparral farm and we must obtain one for the Preferência farm by 2021.

**Legal Reserve**

All rural properties in Brazil are required by law to maintain legal reserve areas. A legal reserve area is an area of each rural property where deforestation is not allowed and that is necessary for the sustainable use of natural resources, conservation and rehabilitation of ecological processes, conservation of biodiversity and shelter and protection for native fauna and flora. These areas are required in perpetuity and in some cases are recorded as such in the real estate registry.

It is mandatory to maintain as legal reserve at least 80% of an agricultural property located in Floresta biome within Amazonia Legal, 35% for an agricultural property in the savannah region within Amazonia Legal and 20% for an agricultural property located in other forms of native vegetation in other regions of Brazil. In Paraguay, it is mandatory to maintain as legal reserve at least 25% of all agricultural property with more than 20 hectares in forest regions and also a corridor of native vegetation of at least 100 meters for every 100 hectares of agricultural or livestock.

All of our properties have legal reserve areas, although a part thereof has legal reserves that are in the process of being recorded at the offices of the applicable government agency. At the date of this Annual Report, none of our current landholdings are located in Floresta biome within Amazonia Legal. Legal reserve vegetation may not be suppressed, and may be used only under a regime of sustainable forest stewardship in accordance with technical and scientific criteria set forth in the regulations. Agricultural properties that fail to record the legal reserve are subject to daily fines. A total of 52,051 hectares, or approximately 23.5% of the total area of our properties, consist of legal reserves.

**Permanent Preservation Areas**

Permanent preservation areas are spaces, in both public domain and private domain, where the exercise of property rights has been limited. Permanent preservation areas include the margins of any water streams, the surroundings of headwaters and of natural water reservoirs, as well as lands inclined more than 45°. It will only be possible to modify these areas through previous authorization by the competent state environmental body. A total of 13,433 hectares, or 6% of the total area of our properties, consist of permanent preservation areas.

**Suppression of Vegetation**

We are in the process of obtaining authorization for suppression of vegetation with respect to 6.6% of our current land holdings upon which we have not yet commenced crop cultivation operations and that are not part of our legal reserve or permanent preservation areas, from the relevant environmental authorities in the locations where required. Accordingly, with respect to such areas where such authorization is required, we will not be able to commence crop cultivation operations until such authorizations are obtained. Because such authorizations depend upon governmental agencies, we are not able to provide an estimate of the time frame for receiving such approvals.

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## Rural Environmental Register (CAR)

In Brazil, all rural properties are required by law (Law No. 12.651/12 and Decrees Nos. 7.830/2012 and 8.235/2014) to register at the rural environmental register (CAR). This electronic registration integrates environmental information regarding the property, deforestation control, the monitoring and combating of forests and other forms of native vegetation, as well as environmental and economic planning of rural properties. The CAR gathers environmental information for each property regarding the situation of permanent preservation areas, legal reserve areas, forests and remnants of native vegetation, restricted use areas, consolidated areas, etc.

This register requires the rural proprietary to regularize their environmental situation. It is a requirement to have access to credit, however, sanctions are not imposed for those who are not registered with CAR.

All of our properties have this register.

## Ownership of Agricultural Land in Brazil by Foreigners

On August 23, 2010, opinion No. LA-01, of August 19, 2010, issued by the Federal Attorney General (AGU) was approved by the President of Brazil. The opinion addresses the purchase and lease of agricultural properties by Brazilian companies controlled by foreign individuals or legal entities holding the control of the capital stock of a company that owns land in Brazil. The Federal Attorney General's opinion provides that Brazilian companies controlled by non-Brazilians require prior authorization to purchase agricultural properties and are subject to restrictions, including the following:

- i. the agricultural properties shall be used for agricultural, cattle raising or industrial activities, and shall be previously approved by the Ministry of Agrarian Development or by the Ministry of Development, Industry and Foreign Trade;
- ii. the total area of agricultural properties owned by foreigners shall not exceed the greater of (A) one fourth of the area of the municipality where the property is located; or (B) the sum of the areas held by foreigners of the same nationality shall not exceed 40% of the area of the municipality where the property is located; and
- iii. the acquisition shall not exceed 100 indefinite exploration modules, which are measurement units defined by INCRA. The MEI is subject to alterations by INCRA in case of changes in the economic conditions of a given region. Currently the size of the MEI range from five to 100 hectares, depending on the region.

New acquisitions or new lease agreements of agricultural properties by companies controlled by non-Brazilians within the above-mentioned limits must be previously approved by INCRA. The request for the approval must be filed at the Regional Branch of INCRA (*Superintendência Regional*) of the State where the property is located. After that, INCRA will analyze the compliance with the above-mentioned requirements and if the transaction is approved by INCRA, it will issue a certificate of approval. The purchase and lease of agricultural properties beyond the limits of areas and percentages mentioned above require prior authorization from the Brazilian Congress.

In both cases, it is not possible to determine an estimated time frame for the approval procedure, since up to the date of the issuance hereof, there is no report involving the issuance of such a certificate. Moreover, for the time being, Brazilian courts have not yet ruled on the effectiveness and constitutionality of the contents of the aforementioned Attorney General's Opinion.

As of June 30, 2017, approximately 71.83% of our common shares were held by foreigners.

On December 11, 2012, São Paulo's General Comptroller of Justice (*Corregedoria Geral de Justiça do Estado de São Paulo*) issued Opinion nº 461/2012-E, establishing that entities providing notary and registrar services located in the State of São Paulo are exempt from observing certain restrictions and requirements imposed by Brazilian Federal Law No. 5,709/71 and Decree No. 74,965/74, regarding Brazilian companies with the majority of the capital stock comprised by foreigners residing outside of Brazil or legal entities incorporated abroad. In April 2013, the Regional Federal Court for the Third Region (*Tribunal Regional Federal da 3ª Região – TRF*) granted an injunction in the context of a claim brought by INCRA and the Federal Government against São Paulo's General Comptroller of Justice Opinion nº 461/2012-E, suspending the effects of such opinion. In August 2013, the Regional Federal Court of the Third Region acknowledged its lack of jurisdiction to rule on such claim and sent the court records of the case to São Paulo State Appeals Court (*Tribunal de Justiça do Estado de São Paulo*). As a consequence of such decision, the injunction granted by the Regional Federal Court of the Third Region was set aside, and both INCRA and the Federal Government had declined on the claim. Since then, entities providing notary and registry services located in the State of São Paulo are, over again, exempt from observing certain restrictions and requirements imposed by Law No. 5,709/71 and Decree No. 74,965/74.



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On June 25, 2014, the AGU and INCRA filed a suit at the Higher Federal Court (STF) against the State of São Paulo due to the decision ruled by São Paulo State Appeals Court which judged the Opinion 1 issued by AGU in 2010, unconstitutional. In this suit the stay of the preliminary order was required and, in the end, the definite annulment of Opinion 461-12-E of the Inspector General Office of São Paulo, issued on December 03, 2012. On August 7, 2014, the decision issued by Justice Marco Aurélio Mello, rapporteur of the process, was published, denying the injunction required by AGU and INCRA, on the basis that the period of more than 1 year and 7 months from the opinion of the Inspector General Office of São Paulo and the file of the suit in STF shows that there is no urgency in the analysis of the injunction request. In September 2016, Justice Marco Aurélio Mello suspended the effects of said decision issued by the São Paulo Justice Court that considered that the Opinion 1 issued by the AGU in 2010 as unconstitutional.

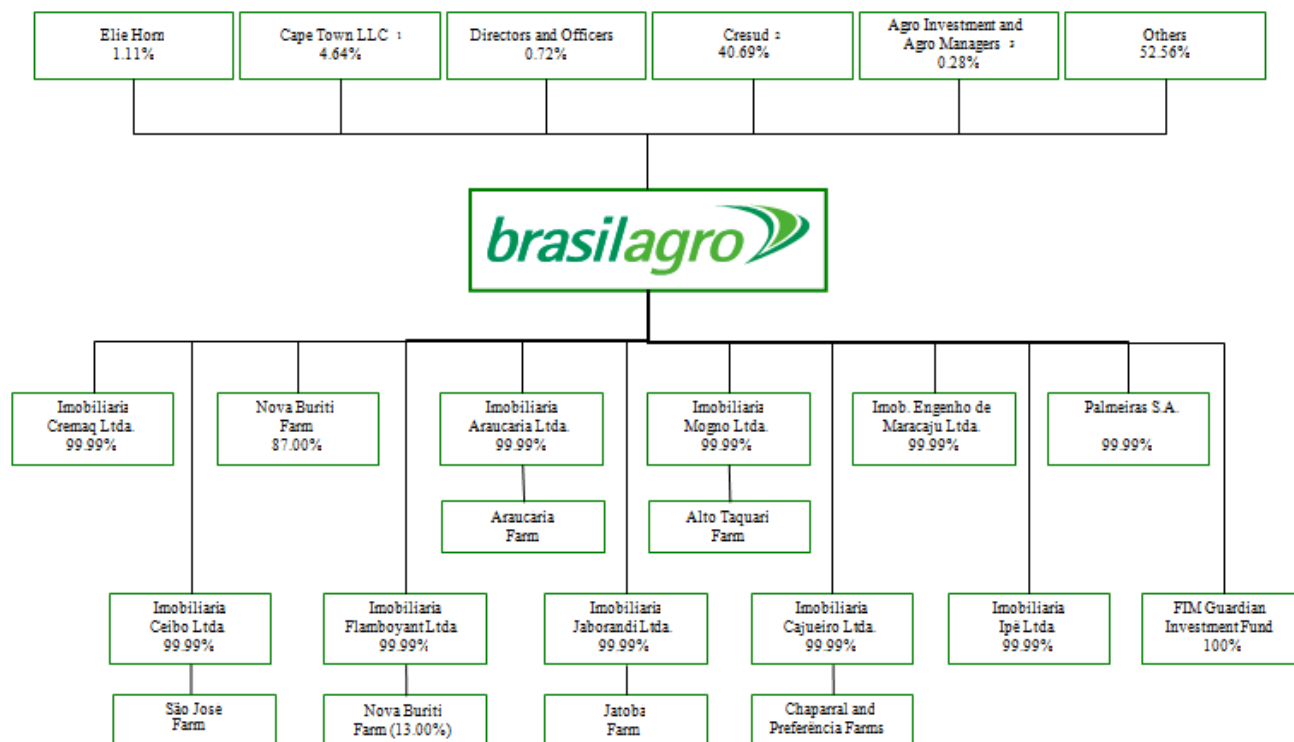
In addition, on April 16, 2015, the Brazilian Rural Society filed a request for non-compliance of basic principles (ADPF) at the Higher Federal Court in order to (i) declare that the paragraph 1 of article 1 of Law No. 5,709/1971 was not received by the 1988 Federal Constitution and (ii) reverse the opinion of the Federal Attorney General of 2010.

As of the date hereof, we are not able to provide an estimate of the timeframe for a final judgment in any of these lawsuits to be ruled by the STF.

### C. **Organizational Structure**

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The diagram below illustrates our corporate structure as of the date hereof. All of our subsidiaries are incorporated in Brazil. Our investee Cresca S.A. is incorporated in Asunción, Paraguay.



- (1) Cape Town LLC is controlled by Mr. Elie Horn.
- (2) A portion of our common shares held by Cresud are deposited in The Bank of New York Mellon in the form of ADRs (American Depositary Receipts).
- (3) Agro Investment and Agro Managers are companies organized under the laws of Argentina, controlled by Cresud's controlling shareholder (Mr. Eduardo Elstain) and Cresud, respectively.
- (4) In June 2017, we and Carlos Casado decided to proceed with the spin-off of Cresca, whereby we will separate and divide the assets and liabilities of Cresca and Cresca will distribute them to us and to Carlos Casado. As of June 30, 2017, Cresca owns 117,307 hectares of which approximately 60,000 hectares are suitable for agricultural purposes. We plan to contribute such assets and liabilities to our newly incorporated wholly owned subsidiary, Agropecuaria Moroti S.A. Further, we created a company called Palmeiras S.A. to operate the piece of land that is currently owned by Cresca which will eventually be distributed to us and contributed to Moroti. We are currently waiting for the conclusion of the registration of the aforementioned new companies with the proper local governmental authorities. Once registration is complete and the assets and liabilities will be transferred to Moroti and we will own 59,490 hectares of which 29,745 are suitable for agricultural purposes.

#### D. Property, Plants and Equipment

See "—History and Development of the Company—Overview," "—Business Overview—Agricultural Activities and Products," "—Business Overview—Leases," "—Business Overview—Investment Properties," "—Business Overview—Agricultural Properties," "—Business Overview—Environmental Regulation" and "—Business Overview—Environmental Licenses."

#### ITEM 4A—UNRESOLVED STAFF COMMENTS

There are no unresolved staff comments as of the date of this Annual Report.

#### ITEM 5—OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion in conjunction with our audited consolidated financial statements and the accompanying notes included elsewhere in this report. Our audited annual consolidated financial statements have been prepared in accordance with IFRS as issued by IASB.

#### A. Operating Results

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**Business Drivers and Measures**
**Brazilian Macroeconomic Environment**

Our financial condition and results of operations are influenced by the Brazilian economic environment.

Brazilian GDP increased 0.1% in 2014 and decreased 3.8% in 2015, 3.6 % in 2016, and remained stable in the first six months of 2017. The forecast is a growth in the Brazilian GDP for 2017 and 2018. Inflation, as measured by the Broad Consumer Price Index, or IPCA, published by the IBGE, was 6.4%, 10.7%, 6.28% per annum in 2014, 2015, 2016, respectively, and 1.62% in the first six months of 2017. The dollar appreciated 13.4%, 45.0% against the Real in 2014 and 2015, respectively and depreciated 16.5 % against the Real in 2016. From January 1 through June 30, 2017, the Real depreciated approximately 2.3% against the U.S. dollar. Unemployment increased from 6.8% in January 2014 to 13.0% in July 2017. International reserves held by the Central Bank of Brazil increased from US\$376.7 billion on September 30, 2016 to US\$381.2 billion on September 30, 2017.

The long-term credit rating for Brazil was downgraded by Standard & Poor's from BBB- to BB, by Moody's from "Baa2" to "Ba2" and by Fitch Ratings from BBB- to BB, placing Brazil back to speculative investment grade level ("junk").

The current scenario is that the external vulnerability of Brazil may grow in the coming years, which may result in a deficit in the current account, since the entry of direct foreign investments may not be sufficient to cover the foreign debt.

**Other Factors Affecting our Business**

*Market price variations for commodities:* our principal products are subject to changes in commodities prices, including those of indexes such as the Intercontinental Exchange and the CBOT, exchange rates, as well as other indexes linked to our debts. Commodity prices are generally influenced by international, domestic and local supply and demand, which are in turn influenced by climactic and weather conditions, technology, and economic, commercial and political conditions, as well as exchange rates and transportation costs. For more information, see "Item 3—Key Information—Risk Factors—Risks Relating to our Business and Industry—Fluctuation in market prices for our agricultural products could adversely affect us" and "—Qualitative Evaluation of Market Risks."

*Foreign exchange:* a portion of our income (loss) is linked to the exchange rate between the *Real* and the U.S. dollar, and consequently our revenue is sensitive to foreign exchange fluctuations. Certain of our commodities, such as soybean may be priced in *Reais* or in U.S. dollars. In addition, certain of the raw materials necessary for farming activities, such as chemicals, pesticides and fertilizers, are priced in or based on the U.S. dollar. See "Item 3—Key Information—Exchange Rates."

*Inflation:* inflation does not directly affect our revenue because our products are commodities whose prices are determined by reference to international commodity exchanges. Nevertheless, our labor and other operating costs are affected by inflation which directly affects our results of operations.

The table below sets forth certain market indices that affect our operating and financial results:

	Year Ended June 30,			Source
	2017	2016	2015	
Price of Soybean (Paranaguá)(R\$/bag)				
Closing	69.88	92.01	70.15	Bloomberg
Exchange rate		(R\$ per US\$ 1.00)		
Beginning	3.23	3.12	2.21	Bloomberg
Closing	3.31	3.21	3.10	Bloomberg
Average	3.22	3.69	2.68	Bloomberg
ATR (R\$/Kg of ATR)(1)	0.62	0.59	0.48	<a href="http://www.udop.com.br/index.php?i">http://www.udop.com.br/index.php?i</a>
Closing IGP-M (%) (2)	-0.78%	12.22%	5.58%	Bloomberg
IPCA(3)	3.0%	8.84%	8.89%	Bloomberg
CDI(4)	12.81%	14.09%	11.76%	<a href="http://www.cetip.com.br/astec/series_v05/pagir">www.cetip.com.br/astec/series_v05/pagir</a>
NPK(5) (R\$/Ton)	957.79	1,104.81	1.265.45	Bloomberg

(1) ATR or Total Recoverable Sugar corresponds to the quantity of sugar available in the raw material subtracted from the losses in the industrial process.

(2) IGP-M: General Index of Market prices is published monthly by Fundação Getúlio Vargas.

(3) IPCA: National Index of Broad Consumer Prices published monthly by the Brazilian Statistics Institute (IBGE).

(4) The CDI rate is the average of the rates of inter-bank deposits charged during the day in Brazil (accumulated in the period).

(5) NPK is the chemical compound of farming fertilizers made up of nitrogen, phosphorus and potassium combined at a ratio of 2:20:20.

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***Effects of the adoption of the amendments to IAS 41 and IAS 16***

In 2014, the IASB amended IAS 16 and IAS 41, which distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of property, plant and equipment and under the scope of IAS 16, rather than other biological assets under the scope of IAS 41. However, the agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less cost to sell. The amendments were applicable for our fiscal year ended June 30, 2017.

Our sugarcane plantations qualify as bearer plants under the new definition in IAS 41. As required under IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors," we effected the change in accounting policy retrospectively as of July 1, 2014. Consequently, effective our fiscal year commencing on July 1, 2016, our sugarcane was reclassified to property, plant and equipment, measured at cost and depreciated over their useful life on a straight-line basis. We adopted the transitional rule provided for in the amendment, which allowed us to apply the fair value of bearer plants as their deemed cost as of July 1, 2014. Accordingly, we revised the comparative financial data amounts for the years ended June 30, 2016 and 2015. Financial data for the years ended June 30, 2014 and 2013 have not been revised, and are not comparable to the financial data for the years ended June 30, 2017, 2016 and 2015.

For further information, and an analysis of the impact of the adoption of IAS 41 and the amendments IAS 16, please see Note 2.27.1 our Consolidated Financial Statements.

**Principal Components of Our Statement of Operations**
***Revenue***

Our operating revenue is derived mainly from the sale of (i) grains (comprised of soybean, corn, and sorghum); and (ii) sugarcane and other farming products.

***Taxes on sales***

Taxes on sales vary depending on the product and the market, as follows:

<u>Tax</u>	<u>Direct Export</u>	<u>Sale to Importer/Exporter</u>	<u>Domestic market</u>
ICMS	Not levied	Not levied	Levied
PIS	Not levied	Not levied	Levied
COFINS	Not levied	Not levied	Levied
FUNRURAL	Not levied	Levied	Levied

These are the primary taxes on sales:

*ICMS (Value-Added Tax on Sales and Services):* ICMS is a state tax levied on the price of a product at an average rate of 18% for transactions within a state and 7% to 12% for transactions across states. ICMS payments are not applicable to exports of goods and services.

*Federal Social Integration Program (Programa de Integração Social, or PIS) and Social Security Financing Contribution (Contribuição para o Financiamento da Seguridade Social, or COFINS):* PIS and COFINS tax payments, levied at (i) 0.65% and 3.0% of gross revenue, respectively (cumulative) or (ii) 1.65% and 7.6%, respectively, after certain deductions (non-cumulative), depending on the business conducted and the nature of revenue earned, among other factors. On June 30, 2017, we, Jaborandi Agrícola Ltda and Imobiliária Cremaq. were subject to noncumulative assessment for such payments, and our other subsidiaries were subjected to cumulative assessment. PIS and COFINS payments are not applicable to exports of goods and services, or sales to import/export companies located in Brazil. Since we sell the entirety of our soybean production to such companies, such activities are not subject to PIS or COFINS payments. Brazilian law also exempts PIS and COFINS payments upon the sale of sugarcane used for the production of ethanol or biofuel and sale of maize to rural producers and manufacturers of animal feed and food.

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*Rural Workers Assistance Fund (Fundo do Produtor Rural, or FUNRURAL):* Agricultural producers are subject to a tax of 2.3% to 2.85%, levied on total output sold. The FUNRURAL tax is not payable on exports of goods and services, but applies on sales to import/export companies located in Brazil.

***Gain (loss) on sale of farms***

Upon the sale of investment property, such as our farms, we recognize in the statement of operations a gain (loss) for the difference between the sale proceeds and the carrying amount of the property sold. We account for our investment properties at cost.

***Changes in fair value of biological assets***

Our biological assets consist mainly of the cultivation of soybean, corn, sorghum, sugarcane and cattle raising (see livestock), which are measured at fair value less cost to sell.

The fair value of biological assets is determined upon their initial recognition and at each subsequent balance sheet date. Gains and losses arising from the changes in fair value of biological assets is determined as the difference between fair value and the costs incurred in the plantation and treatment of crops of biological assets at the balance sheet date, and are recorded in the statement of operations in "Changes in fair value of biological assets". In certain circumstances, the estimated fair value less cost to sell approximate cost incurred at that moment, especially when only a minor biological transformation has taken place or when no material impact is expected from that biological transformation on the price. Biological assets continue to be recorded at their fair value.

The sugarcane crop productive cycle is five years on average, and for a new cycle to start depends on the completion of the previous cycle. In this regard, the current cycle is classified as biological asset in current assets, and the amount of the constitution of the bearer plant (bearer of the other cycles) are classified as permanent culture in property, plant and equipment. The calculation to estimate the value of the biological asset "sugarcane" was the discounted cash flow at a rate reflecting the risks and the terms of the operation. As such, we projected the future cash flows in accordance with the projected productivity cycle, taking into consideration the estimated useful life of each area, the prices of total sugar recoverable, estimated productivity and the related estimated costs of production, including the cost of land, harvest, loading and transportation for each hectare planted. The soybean, corn and sorghum are temporary cultures, in which the agricultural product is harvested after a period of time spanning from 110 to 180 days after the planting date, depending on the cultivation, variety, geographic location and climate conditions. The calculation methodology used to estimate the value of the grains was the discounted cash flows at a rate reflecting the risk and terms of operations. As such, we projected the future cash flows taking into consideration the estimated productivity, costs to be incurred based on the Company's budget or on new internal estimates and market prices. The commodities' prices available in futures markets, were obtained from quotes on the following boards of trade: CBOT ("Chicago Board of Trade"), BM&F (*Bolsa de Mercadorias e Futuros*), and NYBOT ("New York Board of Trade"). For the agricultural products not quoted in these markets, we used the prices obtained through direct market surveys or disclosed by specialized companies. We considered the related logistic expenses and tax discounts in order to arrive at the prices of each of these products in each production unit of the Company.

As mentioned above, the fair value of the biological assets disclosed in the balance sheet was determined using valuation techniques – the discounted cash flows method. The data used in these methods is based on the information observed in the market, whenever possible, and if unavailable, a certain level of judgment is required to establish such fair value. Judgment is used the data to be used, e.g. price, productivity and production cost. Changes in the assumptions on these inputs might affect the fair value of biological assets.

***Livestock***

In 2016 the we began cattle raising operations, which typically consists of producing and selling beef calves after weaning, which characterizes the activity as breeding.

For segregation purposes, when applicable, the Company classifies its cattle herd into: beef cattle (current assets), which can be sold as a biological asset for meat production; and dairy cattle (non-current assets), which is used in farm operations to generate other biological assets. Up to the reporting date the Company only had beef cattle, which includes calves, heifers, cows and bulls.

The fair value of beef cattle is determined based on market prices, given the existence of an active market. Gain or loss from changes in the fair value of beef cattle is recognized in profit or loss for the period. The Company considered the prices in the cattle market in Bahia state and the metrics used in the market. Accordingly, beef and dairy cattle are measured based on arroba and the age bracket of animals.

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***(Impairment) reversal of impairment of net realizable value of agricultural products after harvest***

Agricultural products from biological assets are measured at fair value when they are ready to be harvested, less selling expenses, when they are reclassified from biological assets to inventories.

A provision for adjustment of agricultural products to net realizable value of recognized when the fair value recorded in inventories is higher than the net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell. Adjustments to net realizable value are recognized in the statement of operations in “Impairment of net realizable value of agricultural products after harvest”.

***Cost of sales***

Cost of sales for sugarcane and grains includes: (i) the historical cost of the inventories including costs of raw materials such as seeds, fertilizers, pesticides, fuels and lubricants, as well as labor, maintenance of machines and agricultural equipment, depreciation and amortization and (ii) the difference between such historical cost and the fair value of the grains and sugarcane at the time of harvest.

***Operating expenses***

- *Selling expenses:* selling expenses refer mainly to shipping, storage, commissions, classification of products and other related expenses.
- *General and administrative expenses:* general and administrative expenses refer mainly to personnel, legal counsel, depreciation and amortization, lease payments and expenses related to our headquarters.

***Financial income and expenses***

Financial income and expenses consist mainly of interest from financial investments, foreign exchange variations, monetary variations, interest on financial assets and liabilities and realized and unrealized gains (losses) with derivative financial instruments.

***Income and social contribution-current and deferred taxes***

Current and deferred income and social contribution taxes refer to taxes on net profits. We and our subsidiaries Jaborandi Agricola Ltda. and Cremaq Ltda. assess such taxes under the taxable income regime, with a maximum rate of 34%, consisting of: (i) income tax, at a rate of 15% of profits; (ii) income tax surcharge of 10% levied upon profits exceeding R\$240,000 per year; (iii) social contribution tax on net profit, at a rate of 9%; and (iv) deferred income and social contribution taxes.

Our other subsidiaries assess such taxes under the presumed profit regime under which the tax base is computed as a percentage of revenue. This consists of income and social contribution taxes at a rate of 15% (plus a 10% surcharge for amounts exceeding R\$240,000 per year) and 9%, respectively, levied on (i) 8% and 12%, respectively, of property sales; (ii) 32% of leases and services; and (iii) other revenue and capital gains.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with IFRS. We summarize our significant accounting policies, judgments and estimates in Note 2 to our audited consolidated financial statements.

The critical accounting policies described herein are important to the presentation of our financial condition and results of operations, requiring the most difficult, subjective and complex judgments by our management, often as a result of the need to make estimates and assumptions about matters that are inherently uncertain. While preparing our financial statements, our management uses estimates and assumptions to record assets, liabilities and transactions. Our financial statements include different subjective and complex estimates regarding, among others, accounting for revenue recognition for grains and farm sales and related accounts receivable, determining the fair value of derivatives, biological assets and accounting for investments in investment properties, warrant, residual value and useful life of property, plant and equipment, deferred taxes, share base payment and legal claims. In order to provide a better understanding of how our management makes its judgments about future events, including the variables and assumptions underlying such estimates, we have identified the following critical accounting policies.

[Table of Contents](#)***Fair value of biological assets***

The fair value of biological assets is determined using valuation techniques, including the discounted cash flows method. The inputs for estimates are based on market information, whenever possible, and when such inputs are not available, a certain level of judgment is required to estimate the fair value. Judgment involves, for example, price, productivity, crop cost and production cost. Changes in the assumptions involving any of these factors may affect the fair value calculations of biological assets.

With regard to cattle, the Company values its breeding stock at fair value based on market price for the region.

***Residual value and useful life of property, plant and equipment and investment properties***

The value and useful life of assets are assessed and adjusted when necessary at the end of each reporting period. The carrying amount of the asset is immediately reduced to its recoverable value if the carrying amount is estimated to exceed the recoverable value.

***Legal claims***

We are party to judicial and administrative lawsuits, as described in Item 8-Financial Information-Legal Proceedings. Provisions are recorded for contingencies related to judicial lawsuits that are estimated to represent probable losses (present obligations resulting from past events where an outflow of resources is probable and can be reliably estimated). The evaluation of the probability of loss includes the opinion of external legal advisors. Management believes that these contingencies are properly recorded and presented in the financial statements.

***Revenue recognition***

We recognize our revenue when the amount of revenue can be reliably measured, is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of our activities. We perform our estimations based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each sale.

***Sale of goods***

Our revenue from grain and sugarcane sales is recognized when the significant risks and benefits of ownership of the goods are transferred to the purchaser, usually when the products are delivered to the purchaser at a certain location, according to the agreed sales terms.

In the case of grains, we normally perform forward contracts where the price is set up by us for the total or partial volume of grains to be sold at the delivery date, based on the calculations agreed on the selling contracts. Certain selling contracts are established in U.S. dollars where the amount in Reais is also established based on the foreign exchange rate according to the sale terms. The price can also be adjusted by other factors, such as humidity and other technical characteristics of grains. Upon the grains delivery, the revenue is recognized based on the price established with each purchaser considering the foreign exchange rate on the delivery date. After the grains are delivered to the addressee, the quality and final weight are evaluated, thus determining the final price of the transaction, and adjusting the contractual amounts in accordance with such factors as well as by the foreign exchange rate variation up to the settlement date.

As for the sale of sugarcane, the Company generally enters into sales contracts for future delivery where data such as volume and minimum ATR are pre-fixed. The price of sugarcane takes into account the amount of ATR per ton of sugar cane delivered, and the value of the ATR, released monthly by Consecana.

***Sale of farms***

Sales of farms are not recognized as revenue until (i) the sale is completed, (ii) we determine that it is probable the buyer will pay, (iii) the amount of revenue can be measured reliably, and (iv) we have transferred all risks and rewards to the buyer. The result from sales of farms is presented in the statement of operations as "Gain on sale of farm" at net value of the related cost.



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***Revenue from leasing of land***

The revenues from operating lease of land are recognized on a straight line basis over the leasing period. When the lease price is defined in quantities of agricultural products or livestock, the lease amount is recognized considering the price of the agricultural product or livestock effective at the balance sheet date or at the date established in contract. The amounts received in advance as leasing, where applicable, are recognized in current liabilities. Leasing revenues in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases.

***Investment properties***

The land of rural properties purchased by us is measured at acquisition cost, which does not exceed its net realizable value and is presented in "Non-current assets". The fair value of the investment properties are obtained through valuation reports of the farms prepared by internal experts. The valuation is carried out according to market practices. Certain factors such as location, type of soil, climate of the region, calculation of the improvements, presentation of the elements and calculation of the land value are all taken into account during the valuation process.

***Deferred income and social contribution taxes***

Deferred income and social contribution taxes are calculated to take into account all tax timing differences as follows: (1) income or expenses which are not yet taxable or deductible, such as gain on fair value of biological assets and provisions for contingencies, respectively; and (2) tax loss carryforwards, which have no expiration, when realization or recovery in future periods is considered probable.

Deferred tax assets are generated under the taxable income regime only, based on our business plan. The business plan includes consideration of a variety of factors including the 30% annual limitation for utilizing tax loss carryforwards and changes in the Brazilian economic conditions. We evaluate whether a valuation allowance is required for these assets and deferred tax assets are recognized only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized, otherwise a valuation allowance is recorded. We also include in our evaluation the limitation of utilizing up to only 30% of annual taxable income in connection with recognition of tax loss carryforwards.

***Fair value of financial instruments***

When the fair value of the financial assets and liabilities presented in the balance sheet cannot be obtained in the active market, it is determined using valuation techniques, including the discounted cash flow method. The data for such methods is based on those practiced in the market, when possible; however, when it is not viable, a certain level of judgment is required to establish the fair value. The judgment includes considerations on the data used, such as liquidity risk, credit risk, and volatility. Changes in the assumptions about these factors may affect the presented fair value of financial instruments.

***Transactions with share-based payment***

We measure the cost of transactions to be settled with shares with employees based on the fair value of equity instruments on the grant date. The estimate of the fair value of share-based payments requires the determination of the most adequate pricing model to grant equity instruments, which depends on the grant terms and conditions. It also requires the determination of the most adequate data for the pricing model, including the expected option life, volatility and dividend yield, and the corresponding assumptions.

***New standards, alterations and interpretations of standards***

At the date of preparation of this Annual Report, the following amendments in IFRS had been issued but are not yet effective:

- IFRS 9 – Financial Instruments: The ultimate aim of this standard is to replace IAS 39 – Financial Instruments: Recognition and Measurement. The key changes expected are: (i) all financial assets must initially be recognized at their fair value; (ii) the standard classifies all financial assets, which are currently under IAS 39, into two groups: amortized cost and fair value; (iii) available for sale and held to maturity categories of IAS 39 were eliminated; and (iv) the concept of embedded derivatives in IAS 39 was replaced by the concepts provided in the new standard. The standard will come into effect on January 1, 2018.

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- IFRS 15 – Revenue from Contracts with Customers: The new standard provides the principles to be applied by an entity to determine the measurement of revenue and when it must be recognized. The standard is effective as from January 1, 2018.
- IFRS 16 – Leases: It establishes that leases be recognized in the lessee's balance sheet, recognizing a liability amount for future payments and an intangible asset for the right of use. The definition of lease covers all agreements that grant the right of use and control of an identifiable asset, including lease agreements and, possibly, some components of service agreements. The standard is applicable as of January 1, 2019.

The project to implement the new pronouncements IFRS 9 - Financial Instruments, IFRS 15 - Revenue from contract with clients and IFRS 16 - Leases, in addition to the preliminary analysis carried out by the company's management in 2016, will include the assistance of external specialists in the identification and measurement of the final effects on the date of initial adoption, identification of the needs for changes in the systems used, the design and implementation of internal controls, adequate policies and procedures to collect and disclose the information requested in these new pronouncements.

Until the date of the issuance of these financial statements, company's management did not finalize the assessment of the effects of these new pronouncements, being unable to disclose such effects.

### JOBS Act

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain requirements for qualifying public companies.

Subject to certain conditions set forth in the JOBS Act, if, as an “emerging growth company”, we choose to rely on such exemptions, we may not be required to, among other things, provide an auditor's attestation report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act to comply with any PCAOB rules, that, if adopted in the future, would require mandatory audit firm rotation and auditor discussion and analysis and any future audit rule promulgated by the PCAOB. These exemptions apply until we are no longer an “emerging growth company.” The JOBS Act also provides “emerging growth companies” an election to comply with new or revised accounting standards on a delayed basis for those standards that have a different effective date for public and private companies. However, such election is limited to companies that prepare their financial statements and report in accordance with accounting principles generally accepted in the United States of America. As our financial statements are prepared in accordance with IFRS, such accommodation is not available to us, and we will be required to apply new or revised accounting standards under IFRS as from the effective date established in the corresponding standard.

### Results of Operations

The following discussion of our results of operations is based on our consolidated financial statements prepared in accordance with IFRS. The discussion of the results of our business segments is based upon financial information reported for each of the segments of our business, as presented in the table below.

The following tables set forth operating results of each of our segments and the reconciliation of these results to our consolidated statement of operations.

	Year Ended June 30, 2017					
	Total	Grains	Sugarcane	Real Estate	Livestock	Others Not allocated
				(R\$ thousand)		
Net revenue	146,911	68,971	73,658	—	369	3,913
Gain on sale of farms	26,716	—	—	26,716	—	—
Changes in fair value of biological assets and agricultural products	12,266	4,302	11,532	—	(3,568)	—
Impairment of net realizable value of agricultural products after harvest, net	(1,655)	(1,652)	—	—	—	(3)
Cost of sales	(136,362)	(59,770)	(74,498)	—	(156)	(1,938)
<b>Gross profit (loss)</b>	<b>47,876</b>	<b>11,851</b>	<b>10,692</b>	<b>26,716</b>	<b>(3,355)</b>	<b>1,972</b>
<b>Operating income (expenses)</b>						
Selling expenses	(6,676)	(6,144)	—	(8)	(80)	(444)
General and administrative expenses	(30,941)	—	—	—	—	(30,941)
Other operating income net	(6,019)	—	—	—	—	(6,019)
Share of loss of a joint venture	(4,425)	—	—	—	—	(4,425)
Financial income	110,090	9,901	8,254	8,276	—	1,292
Financial expenses	(76,646)	(8,881)	(921)	(8,057)	—	(9,097)
Profit (loss) before income and social contribution taxes	33,259	6,727	18,025	26,927	(3,435)	(8,708)
Income and social contribution taxes	(5,949)	(2,287)	(6,128)	(9,155)	1,168	2,134
<b>Profit (loss) for the year</b>	<b>27,310</b>	<b>4,440</b>	<b>11,897</b>	<b>17,772</b>	<b>(2,267)</b>	<b>(839)</b>

	Year Ended June 30, 2016				
	Total	Grains	Sugarcane	Real Estate	Other Not allocated
				(R\$ thousand)	
Net revenue	147,128	59,372	83,628	—	4,128

Gain on sale of farms	—	—	—	—	—	—
Changes in fair value of biological assets and agricultural products	(12,632)	(32,165)	19,533	—	—	—
(Impairment) Reversal of net realizable value of agricultural products after harvest, net	659	659	—	—	—	—
Cost of sales	(134,714)	(52,995)	(75,605)	—	(6,114)	—
<b>Gross profit (loss)</b>	<b>441</b>	<b>(25,129)</b>	<b>27,556</b>	<b>—</b>	<b>(1,986)</b>	<b>—</b>
<b>Operating income (expenses)</b>						
Selling expenses	(2,732)	(2,680)	—	—	(52)	—
General and administrative expenses	(28,944)	—	—	—	—	(28,944)
Other operating income net	2,812	—	—	—	—	2,812
Share of loss of a joint venture	(511)	—	—	—	—	(511)
Financial income	192,644	12,739	—	21,781	—	158,124
Financial expenses	(154,270)	(12,971)	—	(13,945)	—	(127,354)
Profit (loss) before income and social contribution taxes	9,440	(28,041)	27,556	7,836	(2,038)	4,127
Income and social contribution taxes	(1,451)	9,534	(9,369)	(2,664)	693	355
Profit (loss) for the year	7,989	(18,507)	18,187	5,172	(1,345)	4,482

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	Year Ended June 30, 2015					Not allocated
	Total	Grains	Sugarcane	Real Estate	Other	
			<i>(R\$ thousand)</i>			
Net revenue	174,351	116,289	52,925	—	5,137	—
Gain on sale of farms	193,464	—	—	193,464	—	—
Changes in fair value of biological assets and agricultural products	18,194	6,031	12,459	—	(296)	—
(Impairment) reversal of impairment of net realizable value of agricultural products after harvest, net	(3,038)	(3,036)	—	—	(2)	—
Cost of sales	(170,489)	(112,714)	(52,799)	—	(4,976)	—
Gross profit (loss)	212,482	6,570	12,585	193,464	(137)	—
Operating income (expenses)						
Selling expenses	(9,006)	(5,762)	—	(3,168)	(76)	—
General and administrative expenses	(29,360)	—	—	—	—	(29,360)
Other operating expense net	(3,422)	—	—	—	—	(3,422)
Share of loss of a joint venture	(4,355)	—	—	—	—	(4,355)
Financial income	122,552	15,693	—	5,099	—	101,760
Financial expenses	(89,914)	(17,598)	—	(6,338)	—	(65,978)
Profit (loss) before income and social contribution taxes	198,977	(1,097)	12,585	189,057	(213)	(1,355)
Income and social contribution taxes	(12,619)	373	(4,279)	(7,347)	72	(1,438)
Profit (loss) for the year	186,358	(724)	8,306	181,710	(141)	(2,793)

The table below shows a summary of our statement of operations for the years indicated.

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	2017	Year ended June 30, 2016	2015
		(R\$ thousand)	
Net revenue	146,911	147,128	174,351
Gain on sale of farms	26,716	-	193,464
Changes in fair value of biological assets and agricultural products	12,266	(12,632)	18,194
Reversal of impairment (Impairment) of net realizable value of agricultural products after harvest	(1,655)	659	(3,038)
Cost of sales	(136,362)	(134,714)	(170,489)
Gross profit	47,876	441	212,482
Selling expenses	(6,676)	(2,732)	(9,006)
General and administrative expenses	(30,941)	(28,944)	(29,360)
Other operating (expenses) income, net	(6,019)	2,812	(3,422)
Share of loss of a joint venture	(4,425)	(511)	(4,355)
Operating (loss) income	(185)	(28,934)	166,339
Financial income	110,090	192,644	122,552
Financial expenses	(76,646)	(154,270)	(89,914)
Financial income (expense), net	33,444	38,374	32,638
Profit (loss) before income and social contribution taxes	33,259	9,440	198,977
Income and social contribution taxes	(5,949)	(1,451)	(12,619)
Profit (loss) for the year	27,310	7,989	186,358
Profit (loss) attributable to:			
Equity holders of the parent	27,310	7,989	186,358
Non-controlling interests	-	-	-
Issued shares at the year end	56,888,916	58,226,600	58,226,600
Basic earnings (loss) per share in R\$	0.48	0.14	3.20
Diluted earnings (loss) per share in R\$	0.47	0.14	3.20

**Year Ended June 30, 2017 Compared to Year Ended June 30, 2016****Net revenue**

Net revenue decreased R\$0.2 million from R\$147.1 million for the year ended June 30, 2016 to R\$146.9 million for the year ended June 30, 2017. This decrease was mainly due to the following:

- i. *Revenue from sugarcane sales:* revenue from sugarcane sales decreased R\$9.9 million from R\$83.6 million (reflecting sales of 1,075,183 tons at an average price of R\$77.78 per ton) for the year ended June 30, 2016 to R\$73.7 million (reflecting sales of 865,384 tons at an average price of R\$85.31 per ton) for the year ended June 30, 2017. This represents a decrease of 11.9% over the previous year, mainly resulting from the decrease in sales volume. The reduction in the number of tons of sugarcane sold was mainly due to the decrease in the yields from 92.48 tons per hectare to 76.82 tons per hectare. The increase in the price of sugarcane per ton was due to a 5.0% increase in TRS (total recoverable sugar) price per kilo, from 0.59 R\$/kg for the year ended June 30, 2016 to 0.62 R\$/kg for the year ended June 30, 2017.
- ii. *Revenue from grain sales:* revenue from grain sales increased R\$9.6 million from R\$59.4 million for the year ended June 30, 2016 (reflecting sales of 81,409 tons at an average price of R\$726.70 per ton) to R\$69.0 million for the year ended June 30, 2017 (reflecting sales of 62,977 tons at an average price of R\$1,095.18 per ton). This represents an increase of 16% over the previous year resulting from an increase in price partially offset by a decrease in sales volume.
  - *Revenue from soybean sales:* revenue from soybean sales increased R\$21.6 million from R\$41.7 million (sale of 38,132 tons at R\$1,095.37 per ton) for the year ended June 30, 2016 to R\$63.3 million (sale of 51,262 tons at R\$1,234.54 per ton) for the year ended June 30, 2017. This represents an increase of 51.8% over the previous year resulting from an increase in sales volume and an increase in price.
  - *Revenue from corn sales:* revenue from corn sales decreased R\$11.9 million from R\$17.4 million (sale of 43,278 tons at R\$401.77 per ton) for the year ended June 30, 2016 to R\$5.5 million (sale of 11,715 tons at R\$467.45 per ton) for the year ended June 30, 2017. This represents a decrease of 68.5% over the previous year, resulting from a decrease in sales volume partially offset by an increase in price.

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	Harvest (hectare)		Productivity (tons)		Revenue (R\$ thousand)	
	2017	2016	2017	2016	2017	2016
Grain	30,139	29,087	62,977	81,409	68,971	59,372
Sugarcane	13,217	12,117	865,384	1,075,183	73,658	83,628

### ***Gain on sale of farms***

For the year ended June 30, 2017, we sold 2,259 hectares of the Araucária and Jatobá farms in the State of Goiás and Bahia, respectively for R\$32.0 million with a cost of R\$9.1 million. In addition, a total of R\$3.8 million was recorded related to the sale of Fazenda Cremaq in 2015, relating to an area of 6,020 hectares that was in the process of a geo-referencing dismemberment which caused registration of the real estate to be pending. Once the registration was effected, the amount was released. For the year ended June 30, 2016, we did not sell any farms.

### ***Changes in fair value of biological assets and agricultural products***

Changes in fair value of biological assets and agricultural products varied from a loss of R\$12.6 million for the year ended June 30, 2016 to a profit of R\$12.3 million for the year ended June 30, 2017. This variation resulted mainly from the increase in the fair value of biological assets and agricultural products of grains from a loss of R\$32.2 million for the year ended June 30, 2016 to a profit of R\$4.3 million for the year ended June 30, 2017. Such variation was mainly due to increase in the soybean and corn yields in relation to the previous year which was impacted from a severe drought that hit the farms in Bahia, and had a direct impact in the soybean yield from the farms in Bahia as well as the first corn crop. In addition, the fair value of biological assets and agricultural products of sugarcane changed from a profit of R\$19.5 million for the year ended June 30, 2016 to a profit of R\$11.5 million for the year ended June 30, 2017. Such variation was a result mainly from a decrease in sugarcane yield (from 92.48 tons per hectare to 76.82 tons per hectare).

In fiscal year ended June 30, 2017, we applied the amendments to IAS 16, Property, Plant and Equipment (“IAS 16”) and IAS 41, Agriculture (“IAS 41”), which changed the accounting requirements for biological assets that fall within the definition of “bearer plants.” The effects of the application of such amendments have been retroactively applied as of July 1, 2014. See Note 2.27.1 to the audited consolidated financial statements.

### ***(Impairment) reversal of impairment of net realizable value of agricultural products after harvest***

We recognized a reversal of net realizable value of agricultural products after harvest of R\$659 thousand for the year ended June 30, 2016. For the year ended June 30, 2017, we recognized an impairment of net realizable value of agricultural products after harvest of R\$1.7 million. Such variations resulted from the reduction in the corn and soybean prices from the harvest time to the end of the respective fiscal year.

### ***Cost of sales***

Cost of sales increased R\$1.6 million from R\$134.7 million for the year ended June 30, 2016 to R\$136.4 million for the year ended June 30, 2017. Changes in costs year-over-year are directly linked to the market prices of commodities at the time of harvest as well as the harvested volumes (tons), as explained below:

- i. *Cost of soybean sold:* the cost of soybean sold increased by R\$16.9 million. Our average cost per ton of soybean sold increased 9.3% from R\$948.46 per ton (corresponding to 38,132 tons at a total cost of R\$36.2 million) for the year ended June 30, 2016 to R\$1,036.61 per ton (corresponding to 51,262 tons at a total cost of R\$53.1 million) for the year ended June 30, 2017.
- ii. *Cost of corn sold:* the cost of corn sold decreased by R\$10.8 million. Our average cost per ton of corn sold increased 27.8% from R\$381.98 per ton (corresponding to 43,278 tons at a total cost of R\$16.5 million) for the year ended June 30, 2016 to R\$488.32 per ton (corresponding to 11,715 tons at a total cost of R\$5.7 million) for the year ended June 30, 2017.
- iii. *Cost of sugarcane sold:* the cost of sugarcane decreased by R\$1.1 million. Our average cost per ton of sugarcane sold increased 22.4% from R\$70.32 per ton (corresponding to 1,075,183 tons at a total cost of R\$75.6 million) for the

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year ended June 30, 2016 to R\$86.09 per ton (corresponding to 865,384 tons at a total cost of R\$74.5 million) for the year ended June 30, 2016.

- iv. *Cost of leasing:* For the year ended June 30, 2016 there was a decrease in the cost of leasing of R\$3.7 million in connection with Partnership I. As Partnership I had terminated in the year ended June 30, 2016, for the year ended June 30, 2017, we did not have any comparable costs of leasing.

***Gross profit***

For the reasons mentioned above, our gross profit for the year ended June 30, 2017 was R\$47.9 million, representing an increase of R\$47.4 million as compared to R\$441 thousand for the year ended June 30, 2016.

***Selling expenses***

Selling expenses increased R\$3.9 million from R\$2.7 million for the year ended June 30, 2016 to R\$6.7 million for the year ended June 30, 2017, primarily as a result of the increase in freight and storage and processing expenses which reflects the amount of grain sold in the period from R\$2.6 million for the year ended June 30, 2016 to R\$5.3 million for the year ended June 30, 2017 and the reversal of provisions for onerous contracts totaling R\$579 thousand in fiscal year 2016.

***General and administrative expenses***

General and administrative expenses increased R\$1.9 million from R\$28.9 million for the year ended June 30, 2016 to R\$30.9 million for the year ended June 30, 2017. This increase was primarily a result of the of expenses regarding the operation in Paraguay, which is under spin-off processing and will be consolidated by BrasilAgro and 26.8% increase in professional fees paid to an independent appraisal report for valuation of land.

***Other operating income (expenses), net***

For the year ended June 30, 2016, other operating income, net amounted to R\$2.8 million, which included a R\$2.3 million gain for the discount obtained in the balance payable for the Alto Taquari Farm and R\$2.2 million for the provision for legal proceedings partially offset by R\$1.2 million of reversal of taxes. For the year ended June 30, 2017, other operating expenses, net, amounted to R\$ 6.0 million, mainly due to the management fee reversal of Cresca, totaling R\$3.3 million, and termination costs incurred in the period, referring to the resignation of the Chief Executive Officer.

***Share of loss of a joint venture***

For the year ended June 30, 2017, we recorded a loss of R\$4.4 million related to the results in our investment in Cresca (a loss of R\$511 thousand for the year ended June 30, 2016).

***Financial income (expenses), net***

Financial income decreased R\$82.6 million from R\$192.6 million for the year ended June 30, 2016 to R\$110.1 million for the year ended June 30, 2017 and financial expenses decreased R\$77.6 million from R\$154.3 million for the year ended June 30, 2016 to R\$76.6 million for the year ended June 30, 2017. The change in financial income (expenses), net is attributable mainly to:

- i. The decrease in the gain on remeasurement of receivables from the sale of farms and machinery from R\$22.5 million for the year ended June 30, 2016 to R\$15.8 million for the year ended June 30, 2017 and the decrease in the loss on remeasurement of receivables from the sale of farms and machinery from R\$12.6 million for the year ended June 30, 2016 to R\$7.8 million for the year ended June 30, 2017, which related mainly to the adjustment to the present value of such receivables. The net gain on remeasurement of receivables from the sale of farms and machinery of R\$8.0 million was mainly due to an increase in the soybean price as well as the impact of the appreciation of the dollar on the soybean price used to calculate the fair value of receivables from sales of farms.
- ii. The increase in foreign exchange income from R\$8.9 million for the year ended June 30, 2016 to R\$11.2 million for the year ended June 30, 2017 and the increase in foreign exchange expenses from R\$8.7 million for the year ended



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June 30, 2016 to R\$10.9 million for the year ended June 30, 2017, which resulted in a net gain of R\$249 thousand for the year ended June 30, 2017. This increase in foreign exchange income, net refers mainly to the impact of the appreciation of the dollar on accounts receivable from Cresca.

- iii. The decrease of R\$53.9 million of realized and unrealized derivatives transactions income from R\$116.2 million for the year ended June 30, 2016 to R\$62.2 million for the year ended June 30, 2017 and the decrease of R\$65.4 million of realized and unrealized derivatives transactions (expenses) from R\$110.2 million for the year ended June 30, 2016 to R\$44.8 million for the year ended June 30, 2017, which resulted in a net gain of R\$5.9 million for the year ended June 30, 2016 and R\$17.4 million for the year ended June 30, 2017. This variation reflects the commodities hedge operations result from an income of R\$5.7 million for the year ended June 30, 2016 to R\$9.7 million for the year ended June 30, 2017 and the impact of the exchange variation on cash from an income of R\$11.6 million for the year ended June 30, 2016 to R\$7.7 million for the year ended June 30, 2017. We partially converted cash into dollars in order to maintain purchasing power with regards to inputs, investments and new acquisitions, which have positive correlations with the U.S. currency.
- iv. The decrease in interest on marketable securities and receivables from R\$45.0 million for the year ended June 30, 2016 to R\$20.8 million for the year ended June 30, 2017 in connection with the decrease of the cash position and the impact of the U.S. dollar exchange appreciation on the Cresca's receivables.
- v. The decrease in interest on marketable securities charges from R\$9.9 million for the year ended June 30, 2016 to R\$2.6 million for the year ended June 30, 2017 in connection with the decrease of the total amount of the long-term loans and financing to develop the farms.

### ***Income and social contribution taxes***

We recognized income and social contribution tax expenses of R\$6.0 million for the year ended June 30, 2017 and of R\$1.5 million for the same period in 2016. Current income and social contribution tax expenses decreased from R\$16.0 million for the year ended June 30, 2016 to R\$4.1 million for the year ended June 30, 2017, which was offset by a deferred income and social contribution tax gain of R\$14.6 million for the year ended June 30, 2016, mainly related to the recognition of deferred loss tax carryforwards and a deferred income and social contribution tax loss of R\$1.8 million for the year ended June 30, 2017.

### ***Profit (loss) for the year***

As a result of the above, profit for the year ended June 30, 2017, amounted to R\$27.3 million as compared to R\$8.0 million for the same period in 2016.

### **Year Ended June 30, 2016 Compared to Year Ended June 30, 2015**

#### ***Net revenue***

Net revenue decreased R\$27.3 million from R\$174.4 million for the year ended June 30, 2015 to R\$147.1 million for the year ended June 30, 2016. This decrease was mainly due to the following:

- i. *Revenue from grain sales:* revenue from grain sales decreased R\$57.1 million from R\$116.3 million for the year ended June 30, 2015 (reflecting sales of 160,386 tons at an average price of R\$725.05 per ton) to R\$59.4 million for the year ended June 30, 2016 (reflecting sales of 81,410 tons at an average price of R\$726.70 per ton). This represents a decrease of 49.1% over the previous year resulting from a decrease in sales volume partially offset by a slight increase in price. The decrease in sales volume of grains is a result of the reduction in the planted area from 61,376 hectares for the year ended June 30, 2015 to 29,087 hectares for the year ended June 30, 2016 and the reduction in the corn and soybean yields by 49% and 50%, respectively, impacted by the low rainfall levels during the season.
- *Revenue from soybean sales:* revenue from soybean sales decreased R\$59.9 million from R\$101.7 million (sale of 113,172 tons at R\$898.28 per ton) for the year ended June 30, 2015 to R\$41.7 million (sale of 38,132 tons at R\$1,095.37 per ton) for the year ended June 30, 2016. This represents a decrease of 58.9% over the previous year resulting from a decrease in sales volume partially offset by an increase in price.

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- *Revenue from corn sales:* revenue from corn sales increased R\$2.8 million from R\$14.6 million (sale of 47,213 tons at R\$309.82 per ton) for the year ended June 30, 2015 to R\$17.4 million (sale of 43,278 tons at R\$401.77 per ton) for the year ended June 30, 2016. This represents an increase of 18.9% over the previous year, resulting from the increase in price partially offset by a decrease in sales volume.
- ii. *Revenue from sugarcane sales:* revenue from sugarcane sales increased R\$30.7 million from R\$52.9 million (reflecting sales of 830,204 tons at an average price of R\$63.75 per ton) for the year ended June 30, 2015 to R\$83.6 million (reflecting sales of 1,075,183 tons at an average price of R\$77.78 per ton) for the year ended June 30, 2016. This represents an increase of 58.0% over the previous year, resulting from the increase in price and sales volume. The growth in the amount of tons of sugarcane was mainly due to the increase in the period harvest area from 8,196 hectares to 12,117 hectares. The increase in the price of sugarcane per ton was due to a 3.0% increase in average TRS (total recoverable sugar) kilo per ton harvested, from 134.14 kg/ton for the year ended June 30, 2015 to 137,56 kg/ton for the year ended June 30, 2016.

	Harvest (hectare)		Productivity (tons)		Revenue (R\$ thousand)	
	2016	2015	2016	2015	2016	2015
Grain	29,087	61,376	81,409	160,386	59,372	116,289
Sugarcane	12,117	8,196	1,075,183	830,204	83,628	52,925

### ***Gain on sale of farms***

For the year ended June 30, 2016, we did not sell any farm. On June 10, 2015, we sold 27,745 hectares of the Cremaq farm in the State of Piauí for R\$270.0 million.

### ***Changes in fair value of biological assets and agricultural products***

Changes in fair value of biological assets and agricultural products varied from a profit of R\$18.2 million for the year ended June 30, 2015 to a loss of R\$12.6 million for the year ended June 30, 2016. This variation resulted mainly from the decrease in the fair value of biological assets and agricultural products of grains from a profit of R\$6.0 million for the year ended June 30, 2015 to a loss of R\$32.2 million for the year ended June 30, 2016. Such variation was mainly due to a severe drought in 2015 that hit the farms in Bahia and Piauí, and had a direct impact in the soybean yield from the farms in Bahia and Piauí as well as the first corn crop. In addition, the fair value of biological assets and agricultural products of sugarcane change from a gain of R\$12.5 million for the year ended June 30, 2015 to a profit of R\$19.5 million for the year ended June 30, 2016. Such variation was a result mainly from an increase in sugarcane areas (from 27,909 hectares to 28,018 hectares), adjustments in price (from R\$71.03 to R\$73.16) and assumptions of the cutting, carrying and transportation costs of sugarcane (from R\$55.67 to R\$54.99).

In fiscal year ended June 30, 2017, we applied the amendments to IAS 16, *Property, Plant and Equipment* (“IAS 16”) and IAS 41, *Agriculture* (“IAS 41”), which changed the accounting requirements for biological assets that fall within the definition of “bearer plants.” The effects of the application of such amendments have been retroactively applied as of July 1, 2014. See Note 2.27.1 to the audited consolidated financial statements.

### ***(Impairment) reversal of impairment of net realizable value of agricultural products after harvest***

We recognized an impairment of net realizable value of agricultural products after harvest of R\$3.0 million for the year ended June 30, 2015. While for the year ended June 30, 2016, we recognized a reversal of impairment of net realizable value of agricultural products after harvest of R\$659 thousand. Such variations resulted from the reduction in the corn and soybean prices from the harvest time to the end of the respective fiscal year.

### ***Cost of sales***

Cost of sales decreased R\$35.8 million from R\$170.5 million for the year ended June 30, 2015 to R\$134.7 million for the year ended June 30, 2016. Changes in costs year-over-year are directly linked to the market prices of commodities at the time of harvest as well as the harvested volumes (tons), as explained below:

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- iii. *Cost of soybean sold:* the cost of soybean sold decreased by R\$63.0 million. Our average cost per ton of soybean sold increased 8.2% from R\$876.87 per ton (corresponding to 113,172 tons at a total cost of R\$99.2 million) for the year ended June 30, 2015 to R\$948.46 per ton (corresponding to 38,132 tons at a total cost of R\$36.2 million) for the year ended June 30, 2016.
- iv. *Cost of corn sold:* the cost of corn sold increased by R\$3.0 million. Our average cost per ton of corn sold increased 33.8% from R\$285.42 per ton (corresponding to 47,213 tons at a total cost of R\$13.5 million) for the year ended June 30, 2015 to R\$381.98 per ton (corresponding to 43,278 tons at a total cost of R\$16.5 million) for the year ended June 30, 2016.
- v. *Cost of sugarcane sold:* the cost of sugarcane increased by R\$22.8 million. Our average cost per ton of sugarcane sold increased 10.6% from R\$63.60 per ton (corresponding to 830,204 tons at a total cost of R\$52.8 million) for the year ended June 30, 2015 to R\$70.32 per ton (corresponding to 1,075,183 tons at a total cost of R\$75.6 million) for the year ended June 30, 2016.

**Gross profit**

For the reasons mentioned above, our gross profit for the year ended June 30, 2016 was R\$441 thousand, representing a decrease of R\$212.0 million as compared to R\$212.5 million for the year ended June 30, 2015.

**Selling expenses**

Selling expenses decreased R\$6.3 million from R\$9.0 million for the year ended June 30, 2015 to R\$2.7 million for the year ended June 30, 2016, primarily as a result of the reduction in freight and storage and processing expenses which reflects the decrease in the amount of grain sold in the period from R\$5.7 million for the year ended June 30, 2015 to R\$2.6 million for the year ended June 30, 2016, the reversal of provisions for onerous contracts totaling R\$579 thousand in fiscal 2016 and the decrease in commissions on farm sales from R\$263.5 thousand for the year ended June 30, 2015 to R\$42.2 thousand for the year ended June 30, 2016.

**General and administrative expenses**

General and administrative expenses decreased R\$0.5 million from R\$29.4 million for the year ended June 30, 2015 to R\$28.9 million for the year ended June 30, 2016. This decrease was primarily a result of the renegotiation of service contracts, which generated a reduction of R\$1.1 million, or 27.0%, in expenses with service providers, but was partially offset by an increase in other expenses. The R\$1.5 million, or 40.3%, increase in other expenses primarily refer to expenses with travel, telephone, building maintenance and systems, among others, and was mainly due to ITR (rural property tax) and expenses with the leasing of servers, now located in the cloud, partially offset by reduced depreciation and amortization. In addition, in fiscal 2015, there was a reversal of R\$0.5 million related to the termination of the leasing agreement for the Parceria I Farm, in Bahia.

**Other operating income (expenses), net**

For the year ended June 30, 2015, other operating expenses, net amounted to R\$3.4 million, which included the partial write-off of intangible assets from the sale of 24,000 hectares related to the Cresca land and exploration rights contract of R\$612 thousand; and a payment related to a hereditary rights lawsuit in relation to Horizontina farm of R\$1.2 million. For the year ended June 30, 2016, other operating income, net, amounted to R\$2.8 million, which included a R\$2.3 million gain for the discount obtained in the balance payable for the Alto Taquari Farm, partially offset by R\$2.2 million for the provision for legal proceedings.

**Share of loss of a joint venture**

For the year ended June 30, 2016, we recorded a loss of R\$511 thousand related to the results in our investment in Cresca (a loss of R\$4.4 million for the year ended June 30, 2015).

**Financial income (expenses), net**

Financial income increased R\$70.0 million from R\$122.6 million for the year ended June 30, 2015 to R\$192.6 million for the year ended June 30, 2016 and financial expenses increased R\$64.4 million from R\$89.9 million for the year ended June 30, 2015 to R\$154.3 million for the year ended June 30, 2016. The change in financial income (expenses), net is attributable mainly to:

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- vi. The decrease in the gain on remeasurement of receivables from the sale of farms and machinery from R\$41.5 million for the year ended June 30, 2015 to R\$22.5 million for the year ended June 30, 2016 and the decrease in the loss on remeasurement of receivables.
- vii. The sale of farms and machinery from R\$23.2 million for the year ended June 30, 2015 to R\$12.6 million for the year ended June 30, 2016, which related mainly to the adjustment to the present value of such receivables. The net gain on remeasurement of receivables from the sale of farms and machinery of R\$9.8 million was mainly due to an increase in the soybean price as well as the impact of the appreciation of the dollar on the soybean price used to calculate the fair value of receivables from sales of farms.
- viii. The decrease in foreign exchange income from R\$14.7 million for the year ended June 30, 2015 to R\$8.9 million for the year ended June 30, 2016 and the increase in foreign exchange expenses from R\$8.1 million for the year ended June 30, 2015 to R\$8.7 million for the year ended June 30, 2016, which resulted in a net gain of R\$195 thousand for the year ended June 30, 2016. This increase in foreign exchange income, net refers mainly to the impact of the appreciation of the dollar on accounts receivable from Cresca.
- ix. The increase of R\$63.9 million of realized and unrealized derivatives transactions income from R\$52.3 million for the year ended June 30, 2015 to R\$116.2 million for the year ended June 30, 2016 and the increase of R\$70.3 million of realized and unrealized derivatives transactions (expenses) from R\$39.9 million for the year ended June 30, 2015 to R\$110.2 million for the year ended June 30, 2016, which resulted in a net gain of R\$12.4 million for the year ended June 30, 2015 and R\$5.9 million for the year ended June 30, 2016. This variation reflects the commodities hedge operations result from an income of R\$10.5 million for the year ended June 30, 2015 to an expense of R\$5.7 million for the year ended June 30, 2016 and the impact of the exchange variation on cash from an income of R\$1.9 million for the year ended June 30, 2015 to R\$11.6 million for the year ended June 30, 2016. We partially converted cash into dollars in order to maintain purchasing power with regards to inputs, investments and new acquisitions, which have positive correlations with the U.S. currency.
- x. The increase in interest on marketable securities and receivables from R\$14.0 million for the year ended June 30, 2015 to R\$45.0 million for the year ended June 30, 2016 in connection with the increase of the interest on returns on cash investments and the impact of the U.S. dollar exchange variation on the Cresca's receivables.
- xi. The increase in interest on marketable charges from R\$66 thousand for the year ended June 30, 2015 to R\$9.9 million for the year ended June 30, 2016 in connection with the increase of the interest rates in the long-term loans and financing to develop the farms.

***Income and social contribution taxes***

We recognized income and social contribution tax expenses of R\$1.5 million for the year ended June 30, 2016 and of R\$12.6 million for the same period in 2015. Current income and social contribution tax expenses increased from R\$9.3 million for the year ended June 30, 2015 to R\$16.0 million for the year ended June 30, 2016, which was offset by a deferred income and social contribution tax gain of R\$14.6 million for the year ended June 30, 2016, mainly related to the recognition of deferred loss tax carryforwards.

***Profit (loss) for the year***

As a result of the above, profit for the year ended June 30, 2016, amounted to R\$8.0 million as compared to R\$186.4 million for the same period in 2015.

**B. Liquidity and Capital Resources**

As of June 30, 2017, we hold R\$67.9 million in cash and cash equivalents and marketable securities. We usually hold cash and cash equivalents in Certificate of Deposits and Repurchase Agreements issued by banks rated at least AA by Moody's and Brazilian and American government bonds. Of the total amount of cash and cash equivalents, approximately R\$9.9 million was held in jurisdictions outside Brazil and as a result there may be tax consequences if such amounts were moved out of these jurisdictions or repatriated to Brazil. We regularly review the amount of cash and cash equivalents held outside of Brazil to determine the amounts necessary to fund the current operations of our foreign operations and their growth initiatives and amounts needed to service our Brazilian indebtedness and related obligations.

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Throughout the year, our working capital needs vary significantly depending on the harvest period of grains, sugarcane and other crops in Brazil. See “Item 4. Information on the Company – B. Business Overview – Seasonality.”

We believe that our current capital resources, together with our ability to obtain loans and credit facilities and, when appropriate, to raise equity in the capital markets, are sufficient to meet our present cash flow needs.

### ***Sources and Uses of Funds***

We finance our investments both by using our own resources as well as through loans and credit facilities with development banks and governmental development agencies, under which interest rates are lower than market rates, due to the fact that such credit facilities have long-term characteristics. Our principal sources of financing are discussed below under the heading “Indebtedness and cash and cash equivalents” and our main uses of funds include acquisition of land, cultivation of sugarcane, improvements and acquisition of machinery and vehicles.

The investments made in the fiscal year ended June 30, 2017 totaled R\$18.3 million, all of which were used for the development of land for cultivation of grains.

### ***Cash Flows***

Our cash flow generation from operating activities may vary from period to period depending on fluctuations in our sales and service revenue, costs of goods sold and operating income (expenses), and may also vary within such periods as a result of seasonality. Operating activities primarily refer to revenue generated from the sale of grains and sugarcane.

Investing activities primarily refer to the acquisition of agricultural properties, developing of such properties for cultivation, purchasing machines, and remodeling, construction and improvements to agricultural properties and sale of farms.

Financing activities primarily refer to loans and credit facilities, principally from development banks, for the development of new projects and the purchase of machines and equipment.

The table below presents our cash flows for the periods indicated.

	2017	Year ended June 30, 2016 (R\$ thousand)	2015
CONSOLIDATED CASH FLOW			
Net cash flows from (used in) operating activities	65,051	(6,440)	8,491
Net cash flows from (used in) investment activities	(13,527)	149,773	286
Net cash flows from (used in) financing activities	(61,930)	(164,749)	(19,902)
Net change in cash and cash equivalents	(10,406)	(21,416)	(11,125)

### ***Years ended June 30, 2017 and 2016***

*Operating activities:* Net cash generated from operating activities was R\$65.0 million for the year ended June 30, 2017 compared to a net cash used of R\$6.4 million for the year ended June 30, 2016. This change was primarily due to: (i) increase in the derivative financial instruments from a cash used of R\$9.7 million for the year ended June 30, 2016 to a cash generated of R\$19.0 million for the year ended June 30, 2017; (ii) increase in cash generated on suppliers from R\$6.5 million for the year ended June 30, 2016 to R\$25.0 million for the year ended June 30, 2017; and (iii) decrease in unrealized foreign exchange loss, monetary variation and financial charges, net from a cash used of R\$24.0 million for the year ended June 30, 2016 to R\$8.5 million for the year ended June 30, 2016.

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**Investing activities:** Net cash used in investing activities was R\$13.5 million for the year ended June 30, 2017 compared to a net cash generated of R\$149.8 million for the year ended June 30, 2016. This change was mainly due to the increase of R\$100.0 million in the cash used as a result of the acquisition of São José Farm in 2017.

**Financing activities:** Net cash used in financing activities was R\$61.9 million for the year ended June 30, 2017 compared to R\$164.8 million in the same period in 2016. This decrease in net cash used was primarily due to: (i) a decrease of R\$48.7 million of dividends paid to R\$32.0 million in fiscal year 2017 from R\$80.7 million in fiscal year 2016, (ii) a decrease in payments of installments of financed acquisition of farm from R\$27.4 million in fiscal year 2016 to no such payments in fiscal year 2017; and (iii) a decrease of R\$24.9 million in treasury stock acquired to R\$14.7 million in the year ended June 30, 2017 (R\$39.7 million in fiscal year 2016).

#### Years ended June 30, 2016 and 2015

**Operating activities:** Net cash used in operating activities was R\$6.4 million for the year ended June 30, 2016 compared to cash generated of R\$8.5 million for the year ended June 30, 2015. This decrease net cash generated was primarily due to: (i) a decrease in gain (loss) on sale of farm from a loss of R\$193.5 million in fiscal year 2015, which did not occur in fiscal year 2016, and (ii) an increase in cash generated on trade accounts receivables from R\$12.3 million for the year ended June 30, 2015 to R\$46.9 million for the year ended June 30, 2016; which were partially offset by (iii) an increase in cash used in derivative financial instruments from a cash generated of R\$5.9 million for the year ended June 30, 2015 to a cash used of R\$9.7 million for the year ended June 30, 2016; and (iv) an increase in cash used in the taxes and social contribution from a cash generated of R\$18.5 million for the year ended June 30, 2015 to a cash used of R\$7.4 million for the year ended June 30, 2016.

**Investing activities:** Net cash generated from investing activities was R\$149.8 million for the year ended June 30, 2016 compared to R\$0.3 million for the year ended June 30, 2015. This change was mainly due to the increase in cash generated from the redemption of (investment in) marketable securities to a cash generated of R\$173.0 million in fiscal year 2016 from a cash used of R\$27.5 million in fiscal year 2015, which was partially offset by cash received from sales of farms and assets from R\$105.8 million in fiscal year 2015, which did not occur in fiscal year 2016.

**Financing activities:** Net cash used in financing activities was R\$164.7 million for the year ended June 30, 2016 compared to R\$19.9 million in the same period in 2015. This increase was primarily due to (i) a R\$80.7 million of dividends paid in fiscal year 2016, which did not occur in fiscal 2015, (ii) an increase of R\$39.5 million in treasury stock acquired to R\$39.7 million in the year ended June 30, 2016 (R\$0.2 million in fiscal year 2015), and (iii) a decrease in proceeds from loans financing to R\$71.6 million in the year ended June 30, 2016 (R\$97.4 million in fiscal year 2015), which were partially offset by a decrease in payments of loans and financing to R\$82.3 million in the year ended June 30, 2016 (R\$101.4 million in fiscal year 2015).

#### Indebtedness and Cash and Cash Equivalents

Our total consolidated indebtedness (loans and financing) was R\$112.2 million as of June 30, 2017, as compared to R\$99.9 million as of June 30, 2016. Our short-term indebtedness as of June 30, 2017 amounted to R\$56.6 million, as compared to R\$51.6 million as of June 30, 2016. Our long-term indebtedness as of June 30, 2017 was R\$55.6 million, as compared to R\$48.2 million on June 30, 2016. Of the total indebtedness outstanding as of June 30, 2017, 49.5% consisted of medium and long-term debt, as compared to 48.3% as of June 30, 2015.

Our indebtedness is primarily composed of loans and credit facilities with development banks and government agencies, by means of direct or indirect disbursements, and acquisitions payable with regard to our agricultural properties. Interest rates are generally lower than prevailing rates in Brazil, due to the fact that these credit facilities have long-term characteristics and other terms specific to the development agencies.

All loans and financing agreements listed below are in Reais and have specific terms and conditions defined in the respective contracts with governmental economic and development agencies (including the Brazilian Development Bank – BNDES and the Northeastern Development Bank – BNB) that directly or indirectly grant those loans. There is also a financing in U.S. dollars which gathers conditions defined in contracts with local commercial banks. As of June 30, 2017, and 2016, our financing agreements had no financial covenants, but rather only operating clauses, and we are in compliance with all such operating clauses in all material respects.

The table below summarizes our material outstanding loans and financing agreements as of June 30, 2017.

Type of credit transaction	Creditor/ Transfer agent	Amount disbursed (R\$ thousand)	Outstanding Balance (R\$ thousand)	Interest rate	Final maturity	Current (R\$ thousand)	Noncurrent (R\$ thousand)
Financing for Agricultural Costs	Banco do Nordeste Brasil S.A. –BNB/ Banco Itaú Unibanco S.A.	35,087	10,703	9.50% to 12.75%/year	Nov-17	10,703	-
Working capital	Banco Safra	-	15,782	2.30% + 100% CDI/year	Jul-17	15,782	-
Working capital (USD)	Banco Itaú Unibanco S.A.	-	5,031	3,4875%/year TJLP + 2.70% to 12.75%/year	Aug-17	5,031	-
Financing of Sugarcane	Banco Santander	1,772	9,273		Feb-20	8,248	1,025
Financing of Machinery and Equipment	Banco Itaú Unibanco S.A./Banco Rabobank	0,114	1,209	TJLP + 3.73%/year	May-22	1	1,208
Sugarcane Financing Leasing	Partnership III	5,773	3,284	6.92%/year	Nov-18	1,619	1,665
Financing Bahia Project	Banco HSBC	11,616	9,625	4.00% to 7.50%/year TJLP + 3.45 and 4.45	Oct-20	3,131	6,494
Financing Bahia Project (Jaborandi)	Banco do Nordeste do Brasil S.A. – BNB/Banco Itaú Unibanco S.A.	45,483	36,473	SELIC + 3,45 8.50%/year	Oct-20	12,105	24,368
Sugarcane Financing Leasing	Partnership IV	-	20,795	R\$/Kg 0,6462	Jan-32	-	20,795
<b>Total</b>		<b>99,845</b>	<b>112,175</b>	-	-	<b>56,620</b>	<b>55,555</b>

[Table of Contents](#)**Capital Expenditures**

We are focused on the acquisition, development and exploitation of agricultural properties and the acquisition and development of properties that we believe have significant potential for cash flow generation and value appreciation. Our total capital expenditures related to these assets for the year ended June 30, 2017 were R\$121.7 million, of which R\$17.9 million refer to construction in progress, mostly for the clearance of areas, R\$100.0 million refer to acquisition of São José Farm in Maranhão and R\$328 thousand refer to the opening and preparation of areas for cultivation.

**Equity**

Our total equity excluding non-controlling interest amounted to R\$667.5 million as of June 30, 2017 and R\$687.5 million as of June 30, 2016.

**C. Research and Development, Patents and Licenses, etc.**

We do not currently have research and development policies and have not incurred in research and development expenditures in prior years.

**D. Trend Information**

We will continue to operate in a highly competitive and regulated environment that will pose continued risks and threats to our existing businesses, placing the profitability of our assets under pressure. We expect our business to continue to be subject to the risks and uncertainties discussed in “Item 3—Key Information—Risk Factors.”



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According to a report released in September 2017 by the United States Department of Agriculture (“USDA”), the soybean global production is forecast at a record 348.4 million tons for 2017 as Brazilian production estimate is raised to a record of 107.0 million tons on a larger area as lower prices are offset by the weaker exchange rate of the Real. Also, the Real depreciation continues to provide farmers with an incentive for continued expansion of planted area in South America despite higher financing costs.

In addition to the information set forth in this section, additional information about the trends affecting our business can be found in “Item 5. Operating and Financial Review and Prospects — Operating Results—Business Drivers and Measures.”

We are not aware of any other trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information to not necessarily be indicative of future operating results or financial condition.

#### E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### F. Tabular Disclosure of Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as of June 30, 2017:

	Maturities per period				Total
	Less than One Year	One to Two Years	Three to Five Years (R\$ thousand)	More than Five Years	
Trade accounts payables	37,805	—	—	—	37,805
Derivative financial instruments	3,978	—	—	—	3,978
Loans and financing <sup>(1)</sup>	55,001	14,763	15,129	3,203	88,096
Lease obligations	1,619	1,665	—	20,795	24,079
Payables for purchase of Nova Buriti	24,646	—	—	—	24,646
Transactions with related parties <sup>(2)</sup>	4,784	—	—	—	4,784

(1) Interest on variable interest rate loans and financing has been computed considering the interest rate as of June 30, 2017. See “Indebtedness and Cash and Cash Equivalents.”

(2) See “Item 7.B. Related Party Transactions.”

On May 8, 2015, we executed three agreements with Brenco, controlled by Odebrecht S.A.:

The first agreement consists of a rural sub partnership to operate nine farms located in the state of Mato Grosso. The sub partnership started at the date of its signature and is estimated to end on March 31, 2026. This contractual partnership meets the definition of an operating leasing. The payment shall always be in kind (tons of sugarcane). According to this contract, the quantity to be paid in the long term corresponds to 529,975 tons of sugarcane, of which 174,929 tons will be paid within one to five years and 355,046 tons will be paid after more than five years up to the expiration of the agreement.

The second agreement deals with the regulation of rights and obligations between agricultural partners from whom BrasilAgro acquired the crops of sugarcane planted by Brenco in the properties subject to the sub partnership agreement described above. This contract meets the definition of a financial leasing. The payment shall always be in kind (tons of sugarcane) and delivered at the mill owned by Brenco during the harvest period of the product. According to this contract, the quantity to be paid in the long term corresponds to 82,118 tons of sugarcane, of which 33,588 tons will be paid within one year and 48,530 tons will be paid within one to five years.

The third agreement regulates the exclusive supply to Brenco of the total sugarcane production in the properties included in the sub partnership agreement for two crop cycles, one cycle must be effective until the depletion of the already existing sugarcane crops and the other cycle consists of the sugarcane being planted by BrasilAgro.

#### G. Safe harbor

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See “Forward-Looking Statements.”

## ITEM 6—DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

#### Board of Directors

Our board of directors is responsible for establishing our overall business plan, guidelines and policies, including our long-term strategy, and for overseeing our performance. Our board of directors is also responsible for the supervision of our executive officers.

Pursuant to our bylaws, our board of directors consists of a minimum of five and a maximum of nine members. Election of our directors is made at annual shareholders’ meetings. At the date of this Annual Report, five of our directors, namely Eduardo Elsztain, Saul Zang, Alejandro G. Elsztain, Gabriel Pablo Blasi and David Alberto Perednik were nominated by our controlling shareholder Cresud. The members of our board are elected at the shareholders’ meeting for a term of approximately two years, with reelection permitted. A director must remain in office until replaced by a successor. However, any director may be removed by the shareholders before the end of such director’s term. Under *Novo Mercado* regulations and our bylaws, a minimum of 20% of the members of our board of directors must be independent (as such term is defined under *Novo Mercado* regulations). However, three directors must be independent if nine members are elected to our board. Prior to taking office, our board members are required to sign an agreement to comply with the *Novo Mercado* regulation.

Our board of directors holds mandatory meetings six times a year, and may hold other meetings, as necessary. Meetings of our board of directors are convened only if a majority of the directors are present and all board decisions are taken by a 2/3 or 3/4 majority, or by simple majority, depending on the nature of the specific matters brought to discussion.

Brazilian corporate law and CVM Regulation No. 282 of June 26, 1998 allow the adoption of a cumulative vote process by the request of shareholders representing a minimum of 5% of our capital stock. Brazilian corporate law allows minority shareholders that, individually or as a group, hold at least 15% of our common shares to appoint one director, by means of a separate vote. Brazilian corporate law does not allow for the election of a member to our board of directors, unless waived by our shareholders, if that person is an employee or senior manager of one of our competitors or has an interest conflicting with ours.

Our board of directors is currently comprised of nine members, all of whom were elected at the general shareholders’ meeting held on October 2, 2017, and whose terms expire at our annual shareholders’ meeting to be held in 2017. The table below sets forth the name, title and date of election of each current member of our board of directors:

<u>Directors</u>	<u>Title</u>	<u>Date of election</u>	<u>Age</u>
Eduardo S. Elsztain	Chairman	October 2, 2017	57
Alejandro G. Elsztain	Director	October 2, 2017	51
Saul Zang	Director	October 2, 2017	71
Isaac Selim Sutton	Independent Director*	October 2, 2017	56
Carlos Maria Blousson	Director	October 2, 2017	54
Alejandro Casaretto	Director	October 2, 2017	65
João de Almeida Sampaio Filho	Independent Director*	October 2, 2017	52
Robert Gibbins	Independent Director*	October 2, 2017	48
Ricardo de Santos Freitas	Independent Director*	October 2, 2017	50

\* Independent director as defined under the *Novo Mercado* regulations.

Below is a brief biographical description of each member of our board of directors:

**Eduardo S. Elsztain**- has been engaged in the real estate business for more than twenty years. He founded Consultores Asset Management (formerly called Dolphin Fund Management). Currently, he is Chairman of the Board of Cresud, IRSA- Inversiones y Representaciones Sociedad Anónima and Irsa Popriedades Comerciales S.A., among other positions. IRSA Inversiones y Representaciones Sociedad Anónima and Irsa Popriedades Comerciales S.A. are considered two of the largest real estate companies in Argentina, highlighted by their commercial, residential, shopping malls and hotels ventures. He is also the Chairman of Banco Hipotecário S.A. and IDB Development Corporation Ltd. He studied Economic Sciences at Universidad de Buenos Aires. He is Alejandro G. Elsztain’s brother.

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**Alejandro G. Elsztain-** is the Chief Executive Officer of Cresud and the Chairman of the Board of Fibesa S.A.; vice-president of the Board of Directors of Nuevas Fronteras S.A. and Inversora Bolivar S.A.; second vice president of IRSA - Inversiones y Representaciones Sociedad Anónima; and executive vice-president of Irsa Propiedades Comerciales S.A., among others. Mr. Alejandro Elsztain holds a degree in Agricultural and Livestock Engineering from the University of Buenos Aires. He is Eduardo S. Elsztain's brother.

**Saul Zang-** is the founder of the law firm Zang, Bergel & Viñes. He is a member of the International Bar Association and the Interamerican Federation of Lawyers. Currently he is the first vice-chairman of IRSA- Inversiones y Representaciones Sociedad Anónima and Irsa Propiedades Comerciales S.A. Chairman of Puerto Retiro Board of Directors; vice president of Fibesa S.A. Board of Directors; director of Banco Hipotecario S.A., Nuevas Fronteras S.A., and IDB Development Corporation Ltd., among others. Mr. Zang holds a degree in law from Universidad de Buenos Aires.

**Isaac Selim Sutton-** holds a degree in economics from the Universidade de São Paulo (USP). He was an executive officer at the Safra Group's holding company from 1994 to 2009. He is currently a member of the Fiscal Council of Bardella S.A. Indústrias Mecânicas. He has also served on the Boards of Bardella S/A, DPVAT S/A, Telenorte Celular, TIM Participações S/A, Veracel Celulose S/A, BR Properties S/A, Gevisa S/A and Celma S/A, and on the Fiscal Councils of TIM Sul, Têxtil Renaux and TIM Nordeste.

**Carlo Maria Blousson-** holds a degree in agronomy from the University of Buenos Aires. He has held several positions at Cresud SACIFy A. since 1996. At the beginning of his career at that company, he held a position in the commercial department until his appointment as Commercial Director in 1999. Afterwards, he was responsible for the expansion of the company for the region until he was finally promoted to the post of International Chief Executive Officer in 2008. He was subsequently appointed Managing Director for operations in Argentina and Brazil, a position he has held since 2012. Prior to joining Cresud, Mr. Blousson worked at Vanexa Bursátil as a farm manager and technical consultant at Leucon S.A.

**Alejandro Gustavo Casaretto-** joined Cresud S.A.C.I. A. A. in 1979, having held several positions related to the management of the company in matters related to agribusiness since his entry into the Company. Mr. Casaretto was appointed as director in several companies, such as Sociedad Anónima Carnes Pampeanas S.A. and Agro Uranga S.A.

**João de Almeida Sampaio Filho-** holds a degree in Economics from the Fundação Armando Álvares Penteado (FAAP) and is an agricultural producer in the states of Paraná, São Paulo and Mato Grosso. He was President of the National Natural Rubber Commission of the Brazilian Confederation of Agriculture and Livestock (CNA) and President of the National Natural Rubber Sector Chamber. He was a member of the National Council of Agricultural Policy and the National Agricultural Academy. Mr. Sampaio was President of the Brazilian Farmers' Association (SRB) between 2002 and 2007, President of FARM – Mercosul's Federation of Rural Associations and São Paulo State Secretary for Agriculture and Supply between 2007 and 2011. He is currently a Member of Advisory and Managing Boards of companies in Brazil and the USA, Minerva S.A.'s Chief Officer of Institutional Relations and Chairman of FIESP Agribusiness Higher Council.

**Robert Gibbins-** holds a B.S. in Economics from the Wharton School at the University of Pennsylvania. Robert has been advising and managing global macro and emerging market portfolios and investments for over 20 years and as the head portfolio manager for Autonomy's global macro, private equity and real estate strategies is responsible for all of Autonomy's investment activities. Previously, he was the head of Emerging Markets and Global Macro Proprietary Trading at Lehman Brothers from 1996 to 2003; from 1994 to 1996 he was responsible for FX and Interest rate trading within Northern Europe at Lehman Brothers. He began his career at JP Morgan in 1992.

**Ricardo de Santos Freitas-** holds a degree in Law and Ph.D. in Commercial Law from the University of São Paulo, is a founding partner at Freitas & Leite Law Firm, and specialized in financing and capital markets, as well as tax matters. Mr. Freitas worked as a lawyer at Hedging-Griffo Corretora de Valores S.A. and as a statutory executive responsible for the management of customer's assets at Banco Interacap S.A. Currently he is the CEO and Chairman of Semp Toshiba Amazonas, where he also acted as administrative and financial vice president.

## **Board Committees**

Pursuant to our bylaws, our board of directors shall elect among its members three directors to compose the Compensation Committee and a minimum of three and a maximum of four directors to compose the Executive Committee. In addition to these two statutory committees, our board of directors may establish other technical or advisory committees for a specific purpose and with specific duties, which members may or may not include our directors or executive officers. Our board of directors shall establish the rules applicable to these committees, including rules on their composition, term of office, compensation and operation. Such committees are advisory and non-deliberative in nature. The following advisory committees are currently established and active:

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### Compensation Committee

The Compensation Committee was established on March 1, 2012, and is composed of the following members of our board of directors, all elected on October 28, 2015 and whose terms expire at our annual shareholders meeting to be held in 2017: (i) Alejandro G. Elsztain, (ii) Saul Zang and (iii) Isaac Selim Sutton. In accordance with our bylaws, the Compensation Committee performs consultative assistance to the Board of Directors, including with respect to the determination of the compensation and benefits to be received by our directors and executive officers. Its activities include (i) submitting proposals to the Board of Directors with respect to director and executive officer compensation, (ii) advising the Board of Directors with respect to the granting of stock options or subscription warrants to our officers and employees, and (iii) advising the Board of Directors with respect to profit sharing plans involving our executive officers and employees.

### Executive Committee

The Executive Committee was established on December 13, 2011, and is composed of the following members of our board of directors, all elected on October 28, 2015 and whose terms expire at our annual shareholders meeting to be held in 2017: (i) Eduardo S. Elsztain, (ii) Alejandro G. Elsztain and (iii) Saul Zang. In accordance with our bylaws, the Executive Committee performs consultative assistance to the Board of Directors with respect to its role as a supervisory body, advising the Board of Directors on, or periodically reviewing, certain strategic or financial aspects of our business. Its activities include (A) advising the Board of Directors with respect to (i) our business plan, (ii) changes to our authorized capital, (iii) strategic initiatives, our growth plan and investment initiatives and (iv) any investments or dispositions over R\$700 thousand; (B) reviewing annually (i) our financing initiatives, including with respect to our securities, (ii) the financial implications of our financing strategy and (iii) our dividend policy; and (C) reviewing and supervising periodically (i) the necessary financing for investments or activities in excess of R\$700 thousand and (ii) our accessing of the capital markets.

### Executive Officers

Pursuant to our bylaws, we must have two to six executive officers who may or may not be shareholders and must all be Brazilian. Our executive officers are elected by our board of directors. We currently have two executive officers, who hold the following titles: chief executive officer and chief operating officer, and chief administrative officer and investor relations officer. Our executive officers are elected for a one-year term with the possibility of reelection, and they are required to remain in office until the election of their successors. Under *Novo Mercado* regulation, our executive officers are also required to sign an agreement to comply with the rules of the *Novo Mercado* prior to taking office.

Our executive officers are our legal representatives and are responsible for our day-to-day management, implementation of the policies and directives set by our board of directors and other duties assigned to them under the law and our bylaws. Our executive officers are authorized to take all actions required for the operation of our business, unless the law or our bylaws specifically delegate such authority to the shareholders' meeting or our board of directors.

The table below indicates the name, title, date of election and term of office of each of our current executive officers:

<u>Executive Officers</u>	<u>Title*</u>	<u>Date of most recent election</u>	<u>End of term of current office</u>	<u>Age</u>
André Guillaumon	Chief executive officer and Chief operating officer	November 7, 2016	Late October, 2017**	43
Gustavo Javier Lopez	Chief administrative officer and Investor relations officer	November 7 2016	Late October, 2017**	50

\* On August 18, 2016, after the resignation of our former Chief Executive and Investor Relations Officer, Julio Toledo Piza, André Guillaumon and Gustavo Javier Lopez were appointed by the Board of Directors to replace him as Chief Executive Officer and Investor Relations Officer, respectively. Afterwards, by means of the Board Meeting held on November 7, 2016, both André Guillaumon and Gustavo Javier Lopez were once again elected as Chief Executive Officer and Investor Relations Officer, respectively, for the current fiscal year.

\*\* The officers shall remain in office until the Directors' Meeting to be held within five days from the Annual and Extraordinary General Meeting to be held on October 2, 2017.

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Below is a brief biographical description of our executive officers:

**André Guillaumon**- Mr. Guillaumon holds a bachelor's degree in Agricultural Engineering from the Escola Superior de Agricultura Luiz de Queiroz (ESALQ) of the Universidade de São Paulo in Piracicaba, Brazil. In 1996, he began his career at Fertibrás S.A., where he worked directly in preparing and implementing fertilizer production and sales strategies. Mr. Guillaumon also represented Fertibrás S.A. in technical forums, such as the 25th International Fertilizer Management Seminar (Chicago, USA) and at the Fertilizer Quality Commission (ANDA). Mr. Guillaumon joined our Company in August 2007 as our Chief operating officer. He became our Chief executive officer and Chief operating officer in August 2016.

**Gustavo Javier Lopez**- Mr. Lopez joined Cresud in 1999 as budget manager. Since 2004, he has served as budget manager of IRSA. Prior to joining IRSA, Mr. Lopez also worked for the Argentine company Estancias Unidas del Sud as its budget analyst and as accountant for Loma Negra. He received an accounting degree from the Universidad de Buenos Aires. Mr. Lopez joined our Company in 2005 as our Chief administrative officer. He became our Chief administrative officer and Investor relations officer in August 2016.

#### **Agreements with our Directors and Executive Officers**

We are not party to any agreement or obligations involving the members of our board of directors and our executive officers.

#### **Family Relationship among our Directors and Officers**

Eduardo S. Elsztain, the chairman of our board of directors, and Alejandro G. Elsztain, a member of our board of directors, are brothers.

### **B. Compensation**

Pursuant to our bylaws, the total amount of compensation paid to the members of our board of directors, fiscal council and executive officers, in the aggregate, is set annually at the general shareholders' meeting. Our directors, pursuant to the recommendation of the compensation committee, allocate the aggregate compensation among our executive officers and directors. Although our executive officers and board of directors are entitled to fixed compensation and a bonus depending on individual and company performance, the compensation of the fiscal council members is fixed. The bonus is paid to our executive officers and directors based on the achievement of certain individual and company targets.

The aggregate compensation paid to our executive officers and members of our board of directors (including for service as members of the compensation committee and executive committee) in the 2017 fiscal year was R\$9.5 million, comprised of a fixed amount of R\$3.5 million and a bonus paid to our executive officers and members of our board of directors in the amount of R\$6.0 million. The bonus to the board was paid based on a recommendation of our compensation committee. The fixed amount paid to the members of our fiscal council in the 2017 fiscal year was R\$0.2 million.

Neither we nor our subsidiaries have set aside any amount to provide pension, retirement or similar benefits.

#### **Stock Option Plan**

Our stock option plan was approved on October 29, 2008 for the benefit of the directors, executive officers and selected employees of our company and our directly and indirectly controlled entities, and is limited to (2%) of our capital stock, including all outstanding stock options (vested and unvested). Our board of directors manages our stock option plan and grants stock options subject to the limits and restrictions of applicable regulation, our by-laws and the guidelines set forth in the shareholders' meeting that approved it. Our board of directors approved our first grant of stock options under the plan on August 11, 2010, with options with an exercise price of R\$8.97 per share, which vested on August 11, 2012 and could be exercised within three years thereafter. Our board of directors approved our second grant of stock options under the plan on July 3, 2012, with options with an exercise price of R\$8.25 per share, which vested on July 3, 2012 and may be exercised within five years thereafter. Our board of directors approved our third grant of stock options under the plan on September 4, 2012, with options with an exercise price of R\$8.52 per share, which vested on September 4, 2014, and may be exercised within three years thereafter. No stock options have been granted since September 5, 2012. In August 2015, our executive officers exercised stock options granted in the first tranche representing 233,689 shares of our capital stock, which were delivered to them in October 2015. As of June 30, 2017, no stock options have been exercised under either the second or third tranches. In September 2017, our executive officers exercised stock options representing 218,108 shares of our capital stock, representing the remaining stock options granted from the first, second and third tranches, which were delivered to them on October 2017. We do not expect to grant any further stock options under our stock option plan.

[Table of Contents](#)**Long Term Incentive Plan based on Shares**

Our Long-Term Stock-Based Incentive Plan ("LTIP" or "Plan") was approved in August 2017, by the remuneration committee and the Company's board of directors. Executive officers and other employees are eligible for the Plan, however members of the Board of Directors are not eligible.

In establishing the Plan, the Company seeks to strengthen the participants' commitment in achieving the annual goals, resulting in a short-term alignment of interests. Since the participants receive a bonus in our common shares, this causes the participants to aim at improving the results the Company and appreciation of the price of our common shares, aligning mid-term interests with the Company. Finally, there is a long-term alignment of interests, since the vesting period and the potential for valuation of our common shares under the LTIP Plan also encourage participants to generate better long-term results, as well as remain in the Company. The Plan helps retain key executives and key employees for a longer period, which is fundamental to the Company's long-term management and strategies.

**C. Board Practices**

For information about the date of expiration of the current term of office and the period during which each director and executive officer has served in such office, see "Item 6—Directors, Senior Management and Employees—A. Directors and Senior Management."

Neither we nor any of our subsidiaries have entered into a service contract with any of our directors that provide for benefits upon termination of employment.

**Fiscal Council**

Under Brazilian corporate law, the *Conselho Fiscal*, or fiscal council, is a corporate body independent of our management and our independent auditors. Its primary responsibilities are monitoring management activities, reviewing our financial statements, and reporting its findings to our shareholders.

Under an exemption pursuant to Rule 10A-3 under the Exchange Act regarding the audit committees of listed companies, a fiscal council may exercise the required duties and responsibilities of a U.S. audit committee to the extent permissible under the Brazilian corporate law.

To comply with Rule 10A-3, the fiscal council must meet certain standards, including the following: (i) it must be separate from the full board of directors; (ii) no executive officer may be a member; and (iii) Brazilian law must set forth standards for the independence of the members. The fiscal council must also, to the extent permitted by Brazilian law, among other things: (A) be responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing; (B) have the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties; and (C) receive appropriate funding from the company for payment of compensation to the external auditors and advisors as well as ordinary administrative expenses.

We have modified our fiscal council to comply with the exemption requirements. Accordingly, the fiscal council operates pursuant to its charter (*regimento interno*), which contemplates the activities described above to the extent permitted by Brazilian law and is compliant with the requirements of the Sarbanes-Oxley Act and the applicable regulations and requirements of the SEC. Because Brazilian corporate law does not permit the board of directors to delegate responsibility for the appointment and removal of the external auditors and does not provide the fiscal council with the authority to resolve disagreements between management and the external auditors regarding financial reporting, the fiscal council cannot perform these functions. However, the fiscal council's charter (*regimento interno*) provides the fiscal council with the authority to submit recommendations to the board of directors for the appointment or removal of the external auditors and their compensation.



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Pursuant to our bylaws, our fiscal council is permanent. The fiscal council's members are elected at the annual shareholders' meeting with a term of office that extends through the following annual shareholders' meeting. Our fiscal council shall be composed of three to five effective members and their alternates, who may or may not be shareholders. All members of our fiscal council are also required to sign an agreement to comply with the *Novo Mercado* rules prior to assuming their roles.

In addition, minority shareholders representing a minimum of 10% of our voting shares are entitled to elect one fiscal council member and his or her alternate by a separate vote. Our fiscal council must not have members of our board of directors, our executive officers, or our employees or of any subsidiary or a company under common control with us, or spouses or close family members of our directors and officers. Brazilian corporate law requires fiscal council members to receive a remuneration of at least 10% of the average annual amount paid to our officers, which excludes benefits and other allowances, or profit sharing, if any.

Our fiscal council is currently composed of three members and three alternates.

The table below indicates the name, title, date of election and term of office of each current member of our fiscal council:

<b><u>Fiscal Council Members</u></b>	<b><u>Position</u></b>	<b><u>Date of Election</u></b>	<b><u>End of Current Term</u></b>
Fabiano Nunes Ferrari	Fiscal Council member	October 2, 2017	October 2, 2018
Ivan Luvisotto Alexandre	Fiscal Council member	October 2, 2017	October 2, 2018
Débora de Souza Morsch	Fiscal Council member	October 2, 2017	October 2, 2018
Daniela Gadben	Fiscal Council alternate member	October 2, 2017	October 2, 2018
Marcos Paulo Passoni	Fiscal Council alternate member	October 2, 2017	October 2, 2018
Luciana Terezinha Simão Villela	Fiscal Council alternate member	October 2, 2017	October 2, 2018

Below is a brief biography of each member and alternate member of our fiscal council:

**Fabiano Nunes Ferrari-** holds a Law degree from the Catholic University of São Paulo (PUC-SP) and is a partner at Suchodolski Law Firm, specialized in the fields of Corporate Law, International Law, Foreign Investments, Mergers and Acquisitions and Contracts and Agreements. In the corporate law area, he has worked in several takeovers of companies and/or assets, due diligences, shareholders' agreements, joint ventures and corporate restructuring. He was formerly a lawyer at the Bryan Cave LLP law firm in New York and is a member of the International Bar Association.

**Ivan Luvisotto Alexandre-** holds a Law degree from the University of São Paulo (USP) and a specialist degree in Accountability applied to Law from the Getúlio Vargas Foundation in São Paulo (FGV-SP), as well as a specialist degree in Information Technology Law from the Fundação Getúlio Vargas in São Paulo (FGV-SP). He is a partner at Suchodolski Law Firm, with extensive experience in corporate planning and consultancy, M&As, international agreements and transactions, having assisted Brazilian and foreign companies in structuring their investments in Brazil or abroad. He has also been the Legal Director of the Brazil-Israel Chamber of Commerce and Industry since 2010.

**Marcos Paulo Passoni-** holds a Law degree from the Catholic University of São Paulo and a Master degree in Diffuse Rights from Unimes. He is a partner at Suchodolski Law Firm and specializes in the fields of Civil Law and Litigation. He was a member of the board of OAB-SP (the Bar Association of the State of São Paulo). He is also a professor of Civil Litigation Procedure in the Superior School of Advocacy.

**Daniela Gadben-** holds a Law degree from the University of São Paulo (USP) and an LLM degree from the London School of Economics and Political Science. She is an attorney at Suchodolski Law Firm, specializing in the fields of Corporate Law and International Law.

**Débora de Souza Morsch-** graduated in Civil Engineering and Administration from Universidade Federal do Rio Grande do Sul (UFRGS). Ms. Morsch has a specialist degree in Capital Markets from Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais (Apimec-UFRGS) and in Construction Management from UFRGS. Ms. Morsch is a partner and director at Zenith Asset Management and has been a member of the board of Electro Aço Altona S/A.

**Luciana Terezinha Simão Villela-** holds a Law degree from the Catholic University of São Paulo and a Master degree in Tax. She is an associate attorney at Suchodolski Law Firm, and specializes in the fields of Taxes and Administrative Law.



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All the current members and alternates of our fiscal council are up for reelection at the shareholder meeting held on October 2, 2017.

For information about the compensation committee, see “Item 6—Directors, Senior Management and Employees—Directors and Senior Management—Board Committees.”

#### D. Employees

The table below shows the evolution in our fiscal year-end total number of employees from 2015 to 2017:

Location	2015	As of June 30, 2016	2017
Head Offices/São Paulo	53	58	51
Cremaq Farm (and Partnership II Farm)	32	-	-
Araucária Farm	12	11	9
Alto Taquari Farm (and Partnership III Farm)	7	8	8
Chaparral Farm	22	23	42
Nova Buriti Farm	3	3	2
Jatobá Farm	15	14	23
Preferência Farm	4	5	18
Partnership I	—	—	—
Partnership III	5	16	13
São José Farm (and Partnership IV Farm)	—	—	146
Total	153	138	312

The table below shows the evolution in the fiscal year-end total number of employees in each State where our farms are located from 2015 to 2017:

Location	2015	As of June 30, 2016	2017
Goiás	12	11	9
Mato Grosso	7	8	8
Bahia	41	42	83
Piauí	37	16	13
Maranhão	—	—	146
Minas Gerais	3	3	2
Total	100	80	261

The increase in the total number of employees for the year ended June 30, 2017 was mainly due to the fact that the São José farm was purchased and the Chaparral and Preferência farms needed several temporary employees to prepare the land for cultivation.

All of our employees are located in Brazil, and we do not employ a material number of temporary employees.

#### Compensation and benefits

Our compensation policy for our employees is based on legal and market rates of compensation, as well as merit-based increases in individual employees' compensation, based on individual goals set for such employees and administered and monitored by our human resources department. We are also party to agreements, entered into with unions representing our employees, providing for employee profit-sharing arrangements (*programa de participação nos resultados*), pursuant to which all of our employees receive annual bonuses based on our financial and operating results, as well as personal goals set for individual employees. Finally, we also seek to retain quality personnel through offering benefits such as health and dental care, life insurance, meal vouchers, transportation and lodging, as well as job and technical training and subsidies for post-graduate, business administration and language courses. We also employ security officers at each of our agricultural properties, in an effort to maintain safe working conditions for employees contracted through our third-party service providers, including through regular workplace safety training programs.

#### Relationship with unions

We believe we have good relationships with our employees and the unions that represent them. The table below summarizes the agreements entered into between us and the unions representing our employees as of June 30, 2017.

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Branch Office	Union	Agreement(s)	Agreement Expiration Date
Head Office	Sindicato dos Trabalhadores Rurais de São Paulo	Profit Sharing Program Overtime compensation <sup>(2)</sup>	09/30/2018 <sup>(3)</sup> 11/30/2017 <sup>(3)</sup>
Chaparral	FETAG-BA <sup>(1)</sup>	Profit Sharing Program Overtime compensation <sup>(2)</sup>	09/30/2018 <sup>(3)</sup> 08/22/2018 <sup>(3)</sup>
Jatobá	FETAG-BA	Profit Sharing Program Overtime compensation <sup>(2)</sup>	09/30/2018 <sup>(3)</sup> 08/22/2018 <sup>(3)</sup>
Preferência	FETAG-BA	Profit Sharing Program Overtime compensation <sup>(2)</sup>	09/30/2018 <sup>(3)</sup> 08/22/2018 <sup>(3)</sup>
Partnership II	Sindicato dos Trabalhadores Rurais de Ribeiro Gonçalves	Profit Sharing Program Overtime compensation <sup>(2)</sup>	08/23/2018 <sup>(3)</sup> 08/22/2018 <sup>(3)</sup>
Araucária	Sindicato dos Trabalhadores Rurais de Mineiros	Profit Sharing Program Overtime compensation <sup>(2)</sup>	03/19/2018 03/19/2018
Alto Taquari	Sindicato dos Trabalhadores Rurais de Alto Araguaia	Profit Sharing Program Overtime compensation <sup>(2)</sup>	05/12/2018 <sup>(3)</sup> 05/12/2018 <sup>(3)</sup>
São José	Sindicato dos Trabalhadores Rurais de Fortaleza dos Nogueiras	Profit Sharing Program Overtime compensation <sup>(2)</sup>	04/26/2018 <sup>(3)</sup> Not yet signed <sup>(3)</sup>

(1) State of Bahia Federation of Agricultural Workers (Federação dos Trabalhadores Agricultura do Estado da Bahia, or FETAG-BA).

(2) Refers to offsetting overtime with down time instead of paying overtime compensation (“banco de horas”) in accordance with Brazilian law.

(3) Under negotiation with the respective union.

### E. Share Ownership

The following table indicates the number of our common shares and stock options directly held by each of our directors, executive officers and members of fiscal council as of September 30, 2017.

Name	Number of Common Shares	Percentage of Shares Outstanding	Stock Options awarded and not exercised
<i><u>Executive Officers</u></i>			
Gustavo Javier Lopez	109,213	*	0
André Guillaumon	109,054	0	0
<i><u>Directors</u></i>			
Eduardo S. Elsztain <sup>(1)</sup>	23,291,629	40.94	0
Alejandro G. Elsztain	189,400	*	0
Saul Zang	100	*	0
Isaac Selim Sutton	100	*	0
Gabriel Pablo Blasi	100	*	0
João de Almeida Sampaio Filho	100	*	0
David Alberto Perednik	0	0	0
Ricardo de Santos Freitas	0	0	0
Fábio Schuler Medeiros	0	0	0
<i><u>Fiscal Council Members</u></i>			
Fabiano Nunes Ferrari	0	0	0
Ivan Luvisotto Alexandre	0	0	0
Débora de Souza Morsch	0	0	0

\* Represents less than 1%.

(1) Includes shares held of record by Cresud and Agro Investment. See “Item 7—Major Shareholders and Related Party Transactions.”

Our directors, executive officers and members of our Fiscal Council do not have different voting rights.

For information about our Stock Option Plan, see “Item 6—Directors, Senior Management and Employees—Compensation—Stock Option Plan.

[Table of Contents](#)**ITEM 7—MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS** The table below sets forth information relating to the ownership of our common shares as of September 30, 2017.

Shareholder	Number of Common Shares	Percentage (%)	Number of Common Shares (including warrants) <sup>(5)</sup>	Percentage (%) (including warrants) <sup>(4)</sup>
Cresud <sup>(1)</sup>	23,150,050	40.69	32,983,610	46.38
Agro Investment and Agro Managers <sup>(2)</sup>	141,471	0.25	383,916	0.54
Autonomy Capital (Jersey) LP <sup>(3)</sup>	5,468,210	9.61	5,468,210	7.69
Elie Horn/Cape Town <sup>(4)</sup>	3,274,600	5.76	6,830,157	9.60
Cape Town LLC	2,640,300	4.64	6,195,857	8.71
Elie Horn	634,300	1.11	634,300	0.89
Directors and Executive Officers (other than Mr. Eduardo Elsztain)	247,267	0.43	247,267	0.35
Treasury	3,086,748	5.43	3,086,748	4.34
Others	21,520,570	37.83	22,111,237	31.09
Total	56,888,916	100.0	71,111,145	100.0

(1) As of September 30, 2017, Mr. Eduardo S. Elsztain holds (through companies controlled by him and proxies) a majority voting power in IFIS Limited, which owns 100% of the capital stock of IFISA, which holds 30.79% of the capital stock of Cresud. Because of his ownership interest in IFIS Limited and IFISA, Mr. Eduardo Elsztain may appoint the majority of our board of directors and the board of directors of Cresud, as well as determine the substantive outcome of all decisions requiring shareholder approval with respect to Cresud. Accordingly, Mr. Elsztain may be deemed to beneficially own the shares held by Cresud and hold the sole voting and dispositive power with respect to these shares.

(2) Includes 21 shares held by Agro Investment, a company controlled by Cresud's controlling shareholder (Mr. Eduardo Elsztain), and 141,450 shares held by Agro Managers, a company owned by Cresud. Mr. Eduardo Elsztain may be deemed to hold the sole voting and dispositive power with respect to the shares held of record by Agro Investment, and Cresud may be deemed to hold the sole voting and dispositive power with respect to the shares held of record by Agro Managers.

(3) Autonomy Master Fund Limited is controlled by Autonomy Capital (Jersey) LP, which is managed by Robert Gibbins, a member of our board of directors.

(4) Includes shares jointly held by Elie Horn and Cape Town LLC. Elie Horn is the principal shareholder of Cape Town LLC.

(5) Gives effect to the potential issuance of 14,222,229 common shares in connection with the 256,000 first issuance warrants that may be exercised until April 27, 2021. All warrants are held by Cresud, Agro Investment, Agro Managers and Cape Town LLC. See "Item 10—Additional Information—Description of Outstanding Warrants."

For information about stock options held by our directors and executive officers, see "Item 6.E. Directors, Senior Management and Employees – Share Ownership."

Our controlling and major shareholders do not have different voting rights.

**Controlling Shareholder*****Cresud***

Cresud was organized in December 1936 under the laws of Argentina. Cresud's principal operating activities consist of the acquisition, development and sale of agricultural properties in Argentina, and the production of agricultural products. Its shares are listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and on the Nasdaq (under the symbol CRESY).

As of September 30, 2017, Mr. Eduardo S. Elsztain holds (through companies controlled by him and proxies) a majority voting power in IFIS Limited, which owns 100% of the capital stock of IFISA, which holds 30.88% of the capital stock of Cresud. Because of his ownership interest in IFIS Limited and IFISA, Mr. Eduardo Elsztain may appoint the majority of our board of directors and the board of directors of Cresud, as well as determine the substantive outcome of all decisions requiring shareholder approval with respect to Cresud.

As a result of Cresud's ownership interest in us, conflicts of interest could arise with respect to transactions involving our ongoing business activities, and the resolution of these conflicts may not be favorable to us. Specifically, business opportunities, including but not limited to potential targets for rural property acquisitions may be attractive to both Cresud and us. In addition, five of our nine directors have been nominated by Cresud. This situation may give rise to conflicts of interest. We may not be able to resolve any potential conflicts and, even if we do so, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.

**A. Other Major Shareholders**

[Table of Contents](#)***Autonomy Capital (Jersey) L.P.***

Asset management founded in 2003 by Robert Gibbins with six offices across the world.

***Elie Horn and Cape Town LLC***

Elie Horn is the sole shareholder of E.H. Capital Management Ltd., which is the principal shareholder of Cape Town LLC, a company organized under the laws of the State of Delaware. Elie Horn is the president and controlling shareholder of Cyrela Brazil Realty S.A., and has more than 40 years of experience in construction and management of commercial buildings in São Paulo and Rio de Janeiro, Brazil, as well as in selling and leasing luxury and high-technology business offices, and finally, to a lesser extent, in the leasing and management of shopping malls. In recent years, Mr. Horn has also been involved in the development of residential condominiums. Mr. Horn previously served as a member of our board of directors, elected at the general shareholders' meeting held on October 27, 2011, and retired from the board on July 3, 2012.

***Agro Investment and Agro Managers***

Agro Investment and Agro Managers are companies organized under the laws of Argentina, controlled by Cresud's controlling shareholder (Mr. Eduardo Elsztein) and Cresud, respectively. Agro Investment and Agro Managers hold 0.25% of our shares and Agro Managers holds 1.70% of our warrants.

***Major Changes in Share Ownership******Purchase and Sale of our Common Shares by Banco Fator***

On April 15, 2013, Banco Fator bought 1,090,800 of our common shares through the B3. Prior to the acquisition, Banco Fator held 1,995,700, or 3.4%, of our outstanding common shares. Immediately after the acquisition, it held 3,086,500, or 5.3%, of our outstanding common shares.

On February 14, 2014, Banco Fator S.A. sold 670,000 of our common shares through the BM&FBOVESPA. Prior to the sale, Banco Fator S.A. held 3,257,800, or 5.6%, of our outstanding common shares. Immediately after the sale, it held 2,587,800, or 4.4%, of our outstanding common shares.

***Purchase and Sale of our Common Shares by CSHG Commodities Fundo de Investimento Multimercado - Crédito Privado***

On October 23, 2014, CSHG Commodities Fundo de Investimento Multimercado - Crédito Privado bought 2,126,900 of our common shares through the B3. Prior to the acquisition, it held 870,500, or 1.5% of our outstanding common shares. Immediately after the acquisition, it held 2,997,400, or 5.1%, of our outstanding common shares.

On December 16, 2015, CSHG Commodities Fundo de Investimento Multimercado - Crédito Privado sold 1,611,000 of our common shares through the B3. Prior to the sale, it held 3,652,900, or 3.4% of our outstanding common shares. Immediately after the sale, it held 2,041,900, or 3.5%, of our outstanding common shares.

***Purchase and Sale of our Common Shares by Autonomy Capital (Jersey) LP***

On November 13, 2015, Autonomy Capital (Jersey) LP ("Autonomy Capital") bought 1,668,800 of our common shares through the B3. Prior to the acquisition, Autonomy held 2,231,500, or 3.8%, of our outstanding common shares. Immediately after the acquisition, it held 3,900,300, or 6.7%, of our outstanding common shares.

On February 10, 2016, Autonomy Capital bought 4,330,000 of our common shares through the B3. Prior to the acquisition, Autonomy held 4,455,300, or 7.7%, of our outstanding common shares. Immediately after the acquisition, it held 8,785,300, or 15.1%, of our outstanding common shares.

On April 27, 2016, Autonomy Capital sold 79,400 of our common shares through the B3. Prior to the sale, Autonomy held 8,785,300 or 15.1%, of our outstanding common shares. Immediately after the sale, it held 8,705,900, or 15.0%, of our outstanding common shares.

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On September 19, 2017, Autonomy Capital sold 600,000 of our common shares through the B3. Prior to the sale, Autonomy held 5,765,200 or 10.13%, of our outstanding common shares. Immediately after the sale, it held 5,165,200 or 9.08%, of our outstanding common shares.

On September 22, 2017, Autonomy Capital bought 2,566,800 of our common shares through the B3. Prior to the sale, Autonomy held 5,165,200 or 9.08%, of our outstanding common shares. Immediately after the sale, it held 7,732,000 or 13.59%, of our outstanding common shares.

On October 6, 2017, Autonomy Capital sold 2,263,790 of our common shares through the B3. Prior to the sale, Autonomy held 7,732,000 or 13.59%, of our outstanding common shares. Immediately after the sale, it held 5,468,210 or 9.61%, of our outstanding common shares.

*Purchase and Sale of our Common Shares by JP Morgan Whitefriars Inc.*

On November 13, 2015, JP Morgan Whitefriars bought 1,668,800 of our common shares through the B3. Prior to the acquisition, JP Morgan Whitefriars held 2,231,500, or 3.8%, of our outstanding common shares. Immediately after the acquisition, it held 3,900,300, or 6.7%, of our outstanding common shares.

On February 18, 2016, JP Morgan Whitefriars sold 3,900,300 of our common shares through the B3. Prior to the sale, JP Morgan Whitefriars held 3,900,300 or 3.8%, of our outstanding common shares. Immediately after the sale, it held zero, or 0.0%, of our outstanding common shares.

**ADRs**

On September 30, 2017, we had 1,461,728 shares representing ADRs, which were held in the United States by one holder of record.

**B. Related Party Transactions**

We adhere to the corporate governance practices recommended and required under applicable law, including under the rules and regulations of the *Novo Mercado* and the B3 and Brazilian corporate law.

Decisions made regarding our operations are supervised by our board of directors and fiscal council in accordance with our bylaws and applicable law. Our bylaws provide that provision of services and consulting contracts entered into among us or our affiliates, on the one hand, and shareholders that, individually or in the aggregate, own at least 10% of our capital stock shall be submitted by our board of directors for shareholder approval at our general meeting.

Contracts entered into with related parties are negotiated individually and are analyzed in comparison with the market conditions of the applicable region. Along these lines, all transactions entered into with related parties should be documented, including their principal terms such as price, term limit, interest rates, and the respective rights and obligations of the parties, and such terms should be consistent with those prevailing in the market.

We, our shareholders, our directors and officers, and the members of our fiscal council, when active, should submit to arbitration for any dispute relating to the application, legality, effectiveness, interpretation, violation and effects of violation of the provisions in the agreement for participation in the *Novo Mercado* listing segment, and to the *Novo Mercado* listing rules, the arbitration regulation instituted by the B3, the provisions of Brazilian corporate law, our bylaws, the rules of the National Monetary Council, or Conselho Monetário Nacional (“CMN”) and the Central Bank, the regulations of the Securities Commission, or Comissão de Valores Mobiliários (“CVM”), and the B3 and other rules generally applicable to the Brazilian capital markets. Any such dispute should be settled by arbitration carried out before B3 Arbitration Chamber.

According to Chapter 12 of these rules, the parties may consent to agree to use another arbitration chamber or forum to resolve their disputes.

***Cresca Acquisition and dissolution***

*Purchase of interest in joint venture, debts and advisory contract with Cresca S.A.*

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On December 12, 2013, BrasilAgro executed contracts with Cresud for: (i) the acquisition of 50% interest in Cresca S.A., (ii) the assumption of Cresud credits from Cresca, and (iii) the execution of an advisory contract pursuant to which Cresud has agreed to render services in the forest agricultural exploration to Cresca in exchange for payments of fees.

Cresca is a company that invests in agricultural and cattle raising land in Paraguay. At the purchase date, it owned approximately 81,000 hectares and a contract for the right to purchase approximately 61,000 additional hectares of agricultural land in the region of Mariscal Estigarribia in Paraguay. Pursuant to the agreement, Cresca purchased 35,864 hectares on July 9, 2014 and the remaining 24,753 on January 20, 2015.

On April 7, 2014, Cresca sold 24,624 undeveloped hectares.

On October 5, 2016, we entered into an agreement with Carlos Casado, our partner in Cresca at the time, pursuant to which we agreed to try to sell all the land that Cresca owned for a 120-day period as of the execution date of the aforementioned agreement. Further to the provisions of the agreement, we and Carlos Casado also agreed to split ownership of the land among us and Carlos Casado if either party failed to dispose of the totality of the land within the 120-day period.

As the properties were not sold to third-parties, on June 6 and June 8, 2017, we and Carlos Casado decided to proceed with the spin-off of Cresca, whereby we will separate and divide the assets and liabilities of Cresca, and Cresca will distribute them to us and to Carlos Casado. As of June 30, 2017, Cresca owns 117,307 hectares of which approximately 60,000 hectares are suitable for agricultural purposes. We plan to contribute such assets and liabilities to our newly incorporated wholly owned subsidiary, Agropecuaria Morotí S.A. Further, we created a company called Palmeiras S.A. to operate the piece of land that is currently owned by Cresca which will eventually be distributed to us and contributed to Morotí.

We are currently waiting for the conclusion of the registration of Morotí with the proper local governmental authorities in Paraguay. Once registration is complete, the assets and liabilities will be transferred to Morotí and we will own 59,490 hectares of which 29,745 are suitable for agricultural purposes. During the planting season for our 2016/2017 crop year, we planted 2,321 hectares of soybean, 1,737 hectares of corn, 3,206 hectares of other grains and 2,167 hectares of pasture in the farm in Paraguay, which will be contributed to Morotí.

For more information, see Note 1.6 to the financial statements included in this Annual Report on Form 20-F.

**C. Interests of experts and counsel**

Not applicable.

**ITEM 8—FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information**

See “Item 18—Financial Statements” below.

**Legal Proceedings**

We and our subsidiaries are subject to legal and administrative proceedings involving environmental, labor, civil, tax and criminal matters. As of June 30, 2017, we were plaintiffs or defendants in 85 pending legal and administrative proceedings, of which 6 are environmental proceedings, 52 are labor proceedings, 11 are tax proceedings, 16 are civil proceedings, and one is criminal.

As of June 30, 2017, we had total provisions of R\$1.6 million for probable losses, including R\$1.4 million for labor proceedings and R\$195 thousand for tax proceedings. We believe that our provisions for contingencies are sufficient for purposes with covering probable losses that may result from the proceedings to which our Company and our subsidiaries are parties, based on the opinion of our external legal advisors.

The labor proceedings include claims filed by former employees and third party contractors. In most cases, the Company and its subsidiaries are vicariously liable for claims by third party contractors, since the discussion involves possible rights between outsourcing companies and their former employees.

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As of June 30, 2017, we reverted a provision at the amount of R\$1.1 million based on the opinion of external legal advisors who identified favorable court precedents with respect to the alleged levy of social contribution taxes on the compensation paid to our members of the Board who are foreigners. This amount is represented both by judicial proceedings (labor and fiscal matters) that have probable chances of loss and by processes with possible chances of loss.

We do not expect probable losses to result from our civil, environmental and criminal proceedings currently in progress.

Among our legal and administrative proceedings as of June 30, 2017, we have identified the following material contingencies in view of the adverse effects that they could have on our activities and/or the amount involved in the claims (we considered material for this purpose all legal and administrative proceedings involving amounts exceeding R\$500 thousand):

***Civil Proceedings***

We are defendants in a civil claim filed on June 10, 2009 by Mr. José Pereira de Souza and others in the Judicial District Court of Correntina, State of Bahia, for the annulment of the deed of sale and purchase of agricultural property executed by and among our Company and others. We have filed our defense and await the decision. The total amount involved in the claim is R\$4.3 million and our chance of loss is estimated as possible. If we are unsuccessful we could be required to relinquish the equivalent of 2,561,681 hectares of land corresponding to 6.9% of the total area of Chaparral farm. We have not made any provision in connection with this proceeding.

We are co-defendants in an action for damages brought on March 14, 2013 by Liliana Marchio Silva, widow of Hailton Paz da Silva, who died in a car accident on August 29, 2011 involving a truck used by one of our service providers for the cutting, loading and transportation of sugar-cane produced in our Araucaria farm. We filed our defense on March 19, 2013, and we are waiting for the summoning of Mr. Ronaldo Rodrigues de Souza to be co-defendant on the proceeding. We are also waiting for the decision that will start the evidence phase in the proceedings. The total amount involved in the suit, as claimed by the plaintiff, is R\$1.3 million and our chances of loss have been classified as possible. We have not made any provision in connection with this proceeding.

In April 2014, BrasilAgro was summoned in suits for damages filed by Lindeval Ribeiro do Bonfim. The plaintiff claims repair for alleged material and moral damages, loss of profits, life alimony support and esthetical damages arising from labor accident occurred at Cremaq Farm. We presented a plea for the case files to be remitted to the Labor Judge. On April 12, 2017 the parties reached an agreement to settle the dispute between the parties. Brasilagro accepted to pay the amount of R\$ 472,500 to Mr. Lindeval, and on June 22, 2017, Brasilagro filed a motion proving the payment of the total amount due pursuant to the agreement and requested the dismissal of the case.

***Tax Proceedings***

On June 30, 2017, the Company has judicial and administrative tax claims in the amount of R\$4.3 million mainly related to proceedings whose merit is related to: (i) demonstration of noncompliance aiming to reform the decision order which has partially approved the credit of negative balance of income tax related to the fourth quarter of 2007 and, as a consequence, has not approved offsets carried out by the Company relating to such credits; (ii) Annulment action filed aiming to the annulment of tax credit related to monthly estimates of IRPJ and CSLL for the period of January 2012; (iii) Notice of infraction drafted aiming to the collection of tax credit related to ICMS levying on products exported by the Company; (iv) Notice of Infraction drafted aiming to the collection of tax credit; (v) Notice of Infraction drafted aiming to the collection of tax credit related to ICMS, and (vi) Notice of Infraction drafted aiming to the collection of tax credit of ICMS, to the understanding that the Company would have remitted primary products to exporter companies with the specific purpose of export, alleging that such products would not have been remitted abroad in the period of 180 days from the shipment of goods.

***Environmental Proceedings***

We were defendants in an environmental administrative claim filed on November 25, 2009 by the Environmental Protection Board for the Brazilian Institute for the Environment and Natural Renewable Resources (IBAMA) involving the total historical amount of R\$3.2 million under the argument that we have deforested a permanent preservation area. The IBAMA notified us on October 8, 2012 that it had rejected our defense. In October 2012, we filed an appeal to this decision, which was also rejected. On September 13, 2013, we filed a lawsuit before the federal courts of Goiás, for annulment of the infraction notice and cancellation of the fine. On October 15, 2013, we placed a court deposit on the amount equivalent to the fine imposed, in order to obtain the granting of injunction relief to suspend the payment of the fine until the end of the lawsuit. Due to the court deposit, the payment of the fine is suspended until final judgment in the case. In June 2015, a favorable decision was enacted in the first instance, decreasing the annulment of the infraction notice and cancellation of the fine. Ibama has submitted an appeal in order to revert such decision. On March 30, 2016, we filed a petition requesting the replacement of the deposit for a letter of guarantee corresponding to the amount of R\$7.94 million (updated value of the deposit plus 30%, according to the article 848 of the Brazilian Civil Procedure Code). On August 29, 2016, the court granted the replacement of the guarantee. IBAMA filed an appeal which is also pending for judgment. Despite of the file of the appeal, we have succeeded in withdrawing the amount from the Court's account (R\$5.75 million). For the time being, we are awaiting the judgment of IBAMA's appeals. Considering there has been a favorable decision at the lower court level in this particular lawsuit, our chances of loss have been classified as remote.



[Table of Contents](#)***Administrative Proceedings involving our Controlling Shareholder and Directors***

On July 1, 2017, the Office of Public Company Supervision of the CVM pressed charges relating to insider trading against the Company and two of its executive officers, due to transactions with shares issued by the Company during the so-called “blackout period” set forth under paragraph 4, article 13, of CVM Rule No. 358/2002. According to said charges, considering the moment of the transaction (just before the disclosure of the Company’s earnings releases for the quarter ended on September 30, 2016), it would be possible to “assume that the transactions were made based on information that could be considered material”, which would have generated an alleged and potential financial profit to the Company of less than \$7,000.00 ( seven thousand reais). Based on that, the Company has submitted, along with the executive officers, the defense on September 6, 2017, by means of which we explained the reasons why we believe there was no use of material information, nor was there the intention of gaining profit based on that information. In this same opportunity, and pursuant Law No. 6.385, of December 8, 1976, and the CVM Resolution No 390, of May 8, 2001, we kept open the possibility to eventually present a proposal of settlement agreement. In case the proposal of settlement agreement is presented, this administrative proceeding will be suspended while the CVM analyzes its acceptance or refusal, and until its effective execution, if it is accepted. On the other hand, in the event a settlement agreement is not entered into, the CVM’s Board of Commissioners will analyze the case and will decide on the matter. Afterwards, it is still possible to submit an appeal to the Council of Appeals of the National Financial System.

There is no amount provisioned for this administrative proceeding.

Our controlling shareholder, Cresud, and some of our directors are involved in some legal proceedings, which may have a material adverse effect on us. A brief description of these proceedings is provided below:

On April 29, 2016, a putative shareholder class action was filed against Cresud and its officers and directors and, on May 9, 2016, a putative shareholder class action was filed against IRSA, Cresud and their officers and directors (some of which are also our directors), in both cases in the United States District Court for the Eastern District of Pennsylvania. The complaints assert violations of the federal securities laws on behalf of persons that purchased ADRs issued by IRSA and/or Cresud (as the case may be) during a certain period of time and allege that defendants made materially false and misleading statements and omissions relating to the investment of those companies in IDB Development Corp Ltd. (or IDBD). These class actions were transferred to the United States District Court for the Southern District of New York on July 14, 2016, and were referred to Judge Vernon S. Broderick on July 19, 2016. In each action, a putative class representative has filed a motion to be appointed as lead plaintiff and to appoint class counsel. Both such motions remain pending before the Court.

In June 2015, an application for a Israeli court to approve the commencement of a class action against IDBD, IDBD’s directors (some of which are also our directors), Dolphin Netherlands B.V. and C.A.A Extra Holdings Ltd. was filed by individuals who argue that IDBD’s controlling shareholders and board of directors acted in concert to frustrate the sale of shares of Clal Insurance Enterprises Holdings Ltd (or Clal) to JT Capital Fund. The applicants argue that this caused them material damages as, under the terms of the debt restructuring of IDBD’s holding company, IDB Holdings Corporation Ltd., with its creditors, they would have been entitled to receive a larger payment had the above mentioned sale been consummated. Furthermore, they allege that the 2014 and 2015 rights offerings of IDBD discriminated against the minority shareholders. On March 21, 2016, the respondents filed a motion to dismiss this class action application. On June 2, 2016, the Court partially accepted this motion, and ordered the applicants to file an amended class action application that would include only the arguments and remedies with respect to the said Clal transaction. On August 2, 2016, the respondents filed a motion to appeal (regarding the decision not to dismiss the arguments concerning the Clal transaction) and, on August 14, 2016, the applicants filed an appeal (regarding the decision to dismiss the arguments concerning the rights offering) both before the Israeli Supreme Court.



[Table of Contents](#)**Distributions to Shareholders*****Amounts Available for Distribution***

At each annual shareholders' meeting, our board of directors is required to submit to shareholder approval its proposal on the allocation of our net income for the preceding year. Pursuant to Brazilian corporate law, the proposal of the board of directors has to be evaluated by the fiscal council (conselho fiscal), if in operation. Brazilian corporate law defines "net income" for any fiscal year as the results in a given year after the deduction of accrued losses from prior years, the provisions for income and social contribution taxes for that year, and any amounts allocated to profit-sharing payments to the employees and management (provided, however, that such payments will only be disbursed after payment of the mandatory dividend to the company's shareholders). All calculations in connection with net income and its allocation to reserves are based on the audited financial statements for the preceding fiscal year.

Our bylaws provide that an amount equal to at least 25% of our adjusted net income for any given year should be available for distribution as a mandatory dividend or interest on shareholders' equity. Adjusted net income is calculated by adjusting net income as follows: (i) deducting amounts allocated to legal reserve, statutory reserve, contingency reserve, retained earnings and unrealized profit reserve, as applicable; (ii) adding amounts reversed from the contingency reserve; and (iii) adding unrealized profit reserve amounts, upon their realization and if not offset by subsequent losses, if any. Such amount represents the minimum mandatory dividend, or mandatory dividend. The allocation of amounts to the mentioned reserves cannot be made to the detriment of the payment of the mandatory dividend. Moreover, the minimum mandatory dividend may be limited to the 'realized' portion of net income. Our calculation of net income and allocations to reserves for any year, as well as the amounts available for distribution, are determined on the basis of our financial statements prepared in accordance with Brazilian corporate law. For more information, see "Item 8—Financial Information—Payment of Dividends and Interest on Shareholders' Equity" below.

The distribution of dividends for the year ended June 30, 2017 was approved at our shareholders' meeting held on October 2, 2017 in the amount of R\$12.9 million, or R\$0.27 (or US\$0.07) per share. The payment of dividends shall be paid to shareholders on October 30, 2017, for holders of record of our shares as of October 2, 2017.

**Reserve Accounts**

Brazilian corporate law provide for two main categories of reserve accounts, which may be used for purposes of dividend payments: income reserve accounts and capital reserve account.

***Income Reserve Accounts***

Pursuant to Brazilian corporate law, our income reserve accounts are comprised of the legal reserve, the contingency reserve, the fiscal subsidies reserve, the investment and expansions reserve and the retained earnings reserve.

The balance of the income reserves, except for the balances of contingency, fiscal subsidies and unrealized profit reserves, may not exceed the amount of our capital stock. In case of excess, our shareholders shall decide at a shareholders' meeting whether the excess amount will be used to pay or increase our capital stock or pay dividends.

**Legal reserve:** Under Brazilian corporate law, we are required to maintain a legal reserve to which we must allocate 5% of our net income for each fiscal year until the aggregate amount of the reserve equals 20% of our capital stock. However, we are not required to make any allocations to our legal reserve in a year in which the legal reserve, when added to our other capital reserves, exceeds 30% of our capital stock. The amounts allocated to such reserve must be approved by our shareholders in a shareholders' meeting, and may only be used to increase our capital stock or to offset net losses. As of June 30, 2017, we had R\$10.4 million allocated to legal reserve.

**Contingency reserve:** Pursuant to Brazilian corporate law, a percentage of our net income may be allocated to a contingency reserve for anticipated losses that are deemed probable in future years, if their amount may be estimated. This allocation has to be proposed by the company's management and approved at a shareholders' meeting. The management's proposal must indicate the cause of the anticipated loss and justify the need for such allocation. Any amount so allocated must be reversed in the fiscal year in which a loss that had been anticipated fails to occur as projected or charged off in the event that the anticipated loss occurs. As of June 30, 2017, we had no contingency reserve.

**Fiscal subsidies reserve:** The part of net income corresponding to amounts granted by the government to our company for investment purposes may be allocated to the fiscal subsidies reserve. Pursuant to Brazilian corporate law, this allocation is only permitted if proposed by our management and approved at a shareholders' meeting. Such amounts will not be taken into account for purposes of the calculation of the mandatory dividend. As of June 30, 2017, we had no fiscal subsidies reserve.

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*Investment and expansion reserve:* Pursuant to Brazilian corporate law, the amount by which the mandatory dividend exceeds the realized net income in any given year may be allocated to other earnings reserve or investment and expansion reserve, and the mandatory dividends may be limited to the realized portion of the net income. Brazilian corporate law defines realized net income as the amount by which our net income exceeds the sum of our net positive results, if any, from the equity method of accounting; and the income, gains or profits resulting from transactions that occurred in the relevant fiscal year but that will be received by us after the end of the next year. Profits recorded as earnings reserve must be added to the next mandatory dividend distributed after the realization of such profits, if not absorbed by losses in subsequent years. As of June 30, 2017, we had R\$58.2 million allocated to investment and expansion reserve.

*Retained earnings reserve:* Pursuant to Brazilian corporate law, we are permitted to allocate part of our net income to discretionary reserve accounts that may be established in accordance with our bylaws, which must also indicate the purpose, allotment criteria and maximum amount of the reserve. The allocation of net income to retained earnings reserve accounts may not be made if it affects the payment of the minimum mandatory dividend. As of June 30, 2017, we had no funds allocated to retained earnings reserves.

### ***Capital Reserve Account***

Pursuant to Brazilian corporate law, we may maintain capital reserves in which we may record goodwill paid in connection with the subscription of our shares, mergers, sale of warrants, subscription bonds, participation certificates (which are not applicable to us), debentures, donations, stock option granted and governmental granting for investments. These reserves may only be used for the following purposes: (i) to offset losses that exceed the retained earnings and income reserves, (ii) to redeem, repay or purchase shares of our capital stock, and (iii) to increase our capital stock. The amounts allocated to our capital reserve account are not considered for purposes of the calculation of mandatory dividends. As of June 30, 2017, we had R\$1.5 million allocated to a capital reserve.

### **Payment of Dividends and Interest on Shareholders' Equity**

Brazilian corporate law requires that the bylaws of a Brazilian corporation specify a minimum percentage of the income available for the annual distribution of dividends, known as mandatory dividend, which must be paid to shareholders as either dividends or interest on shareholders' equity. The basis of the mandatory dividend is a percentage of the net income, as adjusted pursuant to Brazilian corporate law. Under our bylaws, a minimum of 25% of our adjusted net income should be intended for the distribution and payment to our shareholders as mandatory dividend. However, the payment of mandatory dividends to our shareholders may be limited to the amount of realized net income in a given year, provided the difference should be recorded as unrealized income reserve. Our calculation of net income and allocations to reserves for any year, as well as the amounts available for distribution, are determined on the basis of our non-consolidated financial statements prepared in accordance with Brazilian corporate law. The mandatory dividend may also be paid as interest on shareholders' equity, in which event it is deemed a deductible expense for purposes of income and social contribution taxes on revenue.

In addition, our board of directors may advise our shareholders that additional dividends may be distributed from other income or reserves legally available for distribution. Brazilian corporate law allows, however, a company to suspend such dividend distribution if its board of directors reports at our annual shareholders' meeting that the distribution would be inadvisable given the company's financial condition. The fiscal council, if in place at the time, should review any suspension of the mandatory dividend. In addition, our management should submit a report to the CVM setting forth the reasons for the suspension. Net income not distributed by virtue of a suspension is allocated to a separate reserve and, if not absorbed by subsequent losses, is required to be distributed as dividends as soon as the financial condition of the company should permit such payment.

Our board of directors may distribute interim dividends on the basis of monthly, bi-monthly, quarterly or semi-annual financial statements. Our dividend policy has to comply at all times with the mandatory dividend requirements under Brazilian corporate law.

Shareholders have a three-year period from the date of the payment to claim the dividends or interest on shareholders' equity with respect to their common shares, as applicable, after which the aggregate amount of any unclaimed amounts legally reverts to us.

[Table of Contents](#)***Dividends***

The distribution of dividends in any given fiscal year is proposed by our executive officers (Diretoria) to the board of directors, which then submits a detailed proposal to shareholders at a shareholders' meeting. In preparing this proposal, the board of directors will take into account our business strategy, investment plans, financial condition and the recommendations of the fiscal council. The proposal for distribution of dividends is then submitted to our annual shareholders' meeting, in which a majority of the voting shareholders is necessary to approve it. We may distribute additional dividends if so deemed adequate by our board of directors in view of our capital structure. Our board of directors may revise or modify our dividend policy at any time.

We are required by Brazilian corporate law and our bylaws to hold an annual shareholders' meeting no later than four months after the end of each fiscal year, at which time the allocation of the results of operations in any year and the distribution of an annual dividend are reviewed. The distribution of annual dividends is based on our audited financial statements prepared for the immediately preceding fiscal year.

Any holder of record of common shares at the time a dividend is declared is entitled to receive dividends. Under Brazilian corporate law, dividends are generally required to be paid within 60 days following the date on which the dividend is declared, unless the shareholders' resolution established another payment date, which, in any event, must occur before the end of the year in which the dividend is declared. Our bylaws do not require that dividend payments be adjusted for inflation.

***Interest on Shareholders' Equity***

Since January 1, 1996, Brazilian companies have been authorized to pay interest on shareholders' equity to shareholders, and to treat those payments as deductible expenses for purposes of calculating corporate income tax and, since 1997, the social contribution tax, as well. The amount of the tax deduction in each year is limited to the greater of (i) 50.0% of our net income (after the deduction of social contribution tax on net profit, but before taking into account the provision for corporate income tax and the amounts attributable to shareholders as interest on shareholders' equity) for the period in respect of which the payment is made; and (ii) 50.0% of our accumulated profits and income reserves at the beginning of the relevant period. The rate applied in calculating interest on shareholders' equity cannot exceed the pro rata daily variation of the TJLP.

Payments of interest on shareholders' equity to our shareholders, whether or not residing in Brazil, are subject to Brazilian withholding tax at the rate of 15%. A tax rate of 25% applies if the shareholder receiving such interest on shareholders' equity resides at a Tax Haven Jurisdiction, which is defined under Brazilian tax laws as a country where income tax is not levied, or levied at a maximum rate lower than 17%, or where the local legislation does not allow access to information related to shareholding composition of legal entities or to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents. See "Item 10—Additional Information—Taxation—Brazilian Tax Considerations—Interest on Shareholders' Equity."

Amounts paid as interest on shareholders' equity, net of withheld income tax, can be taken into consideration for purposes of distribution of the mandatory dividend. If a distribution of interest on shareholders' equity in any given fiscal year is not recorded as part of the mandatory dividend distribution, we will not withhold the applicable income tax, which will have to be paid by our shareholders.

Pursuant to Law No. 9,249, dated December 26, 1995, as amended, interest on shareholders' equity paid or payable to our shareholders should be computed in our results for the year under financial expenses. For purposes of the presentation of financial statements, however, these amounts revert to the statement of income charged to accumulated earnings as profit distribution.

We have never paid interest on shareholders' equity since the beginning of our operations.

**Recent Dividend Payments**

The distribution of dividends for the year ended June 30, 2017 was approved at our shareholders' meeting held on October 2, 2017 in the amount of R\$13.0 million, or R\$0.27 (or US\$0.07) per share. The payment of dividends shall be paid to shareholders on October 30, 2017, for holders of record of our shares as of October 2, 2017.

The distribution of dividends for the year ended June 30, 2016 was approved at our shareholders' meeting held on October 21, 2016 in the amount of R\$10.0 million, or R\$0.18 (or US\$0.06) per share and at our extraordinary shareholders' meeting held on November 07, 2016 in the amount of R\$22.0 million, or R\$0.40 (or US\$0.12) per share, totaling the amount of R\$32.0 million or R\$0.58 (or US\$ 0.18) per share.

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The distribution of dividends for the year ended June 30, 2015 was approved at our shareholders' meeting held on October 28, 2015 in the amount of R\$80.7 million, or R\$1.3977 (or US\$0.3603) per share.

The distribution of dividends for the year ended June 30, 2013 was approved at our shareholders' meeting held on October 29, 2013 in the amount of R\$5.9 million, or R\$0.10 (or US\$0.05) per share.

For the year ended June 30, 2014 there was no distribution of dividends to our shareholders as we recorded a loss.

## B. Significant Changes

The Company is not aware of any changes bearing upon its financial condition since the date of the financial statements included in this Annual Report.

## ITEM 9—THE OFFER AND LISTING

### A. Offer and listing details Price History of our Common Shares and ADRs

Our common shares began trading on the *Novo Mercado* market segment of the B3 on May 15, 2006 under the symbol AGRO3. The ISIN for our common shares is BRAGROACNOR7.

The following table shows the low and high trading prices of our common shares for the five most recent full fiscal years:

Year ended June 30,	B3	
	High	Low
	(in R\$ per common share)	
2013	11.63	9.45
2014	10.44	6.86
2015	11.19	6.91
2016	13.28	8.75
2017	13.03	11.01

Source: Bloomberg

The following table shows the low and high trading prices of our common shares for each calendar quarter since July 1, 2015:

Quarterly period ended	B3	
	High	Low
	(in R\$ per common share)	
March 31, 2015	9.07	8.20
June 30, 2015	11.80	8.60
September 30, 2015	11.49	10.26
December 31, 2015	13.89	10.20
March 31, 2016	11.48	8.71
June 30, 2016	12.70	10.90
September 30, 2016	13.29	10.75
December 31, 2016	11.50	9.40
March 31, 2017	12.88	10.85
June 30, 2017	13.06	10.90
September 30, 2017	13.70	11.61

Source: Bloomberg

The following table shows the low and high trading prices of our common shares for each month indicated below:

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Monthly period	B3	
	High	Low
	(in R\$ per common share)	
April 2017	12.85	11.87
May 2017	13.06	11.90
June 2017	12.39	11.61
July 2017	12.44	11.65
August 2017	12.44	11.65
September 2017	13.70	12.15

Source: Bloomberg

In September 2010, we established a Level 1 American Depositary Receipt (ADR) program in the United States, which, as of September 20, 2010, has allowed our ADRs to be traded on the over-the-counter (OTC) market in the United States under the symbol “BRCPY.”

In November 2012, we established a Level 2 American Depositary Receipt (ADR) program in the United States, which, as of November 8, 2012, has allowed our ADRs to be traded on the New York Stock Exchange (NYSE) under the symbol “LND”.

The following table shows the low and high trading prices of our ADRs for each fiscal year since our ADRs were listed on the NYSE:

Year ended June 30,	NYSE	
	High	Low
	(in US\$ per ADR)	
2014	5.47	3.84
2015	4.40	2.60
2016	3.60	2.20
2017	4.06	3.65

Source: Bloomberg

The following table shows the low and high trading prices of our ADRs since July 1, 2015:

Quarterly period ended	NYSE	
	High	Low
	(in US\$ per ADR)	
September 30, 2015	3.93	2.70
December 31, 2015	3.70	2.66
March 31, 2016	3.29	2.15
June 30, 2016	3.69	2.99
September 30, 2016	4.11	3.25
December 31, 2016	3.66	2.72
March 31, 2017	4.09	3.04
June 30, 2017	4.19	3.45
September 30, 2017	4.30	3.56

Source: Bloomberg

The following table shows the low and high trading prices of our ADRs for each month indicated below:

Monthly period	NYSE	
	High	Low
	(in US\$ per ADR)	
April 2017	4.10	3.70
May 2017	4.19	3.45
June 2017	3.98	3.66
July 2017	3.84	3.56
August 2017	3.90	3.69
September 2017	4.30	3.83

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Source: Bloomberg

As of June 30, 2017, we had 9,691,978 ADRs outstanding, with no par value. There are no restrictions on ownership of our ADRs by individuals or legal entities domiciled outside Brazil.

**Investments in our Common Shares by Non-residents of Brazil**

Investors residing outside Brazil are authorized to purchase equity instruments, including our common shares, on the B3, provided that they comply with the registration requirements set forth in Resolution No. 4,373 and CVM Instruction 325.

Except for certain limited exceptions, Resolution No. 4,373 sets forth that investors are permitted to carry out any type of transaction in the Brazilian financial capital market involving a security traded on a Brazilian stock, futures or organized OTC market. Investments and remittances outside Brazil of gains, dividends, profits or other payments derived from our common shares are made by means of the foreign exchange market.

In order to become a Resolution No. 4,373 investor, an investor residing outside Brazil must:

- appoint a representative in Brazil with powers to take actions relating to the investment;
- obtain a taxpayer identification number from the Brazilian tax authorities;
- appoint an authorized custodian in Brazil for the investments, which must be a financial institution duly authorized by the Central Bank and CVM; and
- by means of its representative, register himself as a foreign investor at CVM and the investment at the Central Bank.

Securities and other financial assets held by foreign investors pursuant to Resolution No. 4,373 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM. In addition, securities trading by foreign investors are as a general rule restricted to transactions involving securities listed on the Brazilian stock exchanges or traded in organized OTC markets licensed by the CVM.

Foreign direct investors under Law No. 4,131, dated September 3, 1962, as amended, or Law No. 4,131, may sell their shares in both private and open market transactions, but these investors are currently subject to less favorable tax treatment on gains. Particularly in this regard, please refer to “Item 10—Additional Information—Taxation—Brazilian Tax Considerations—Taxation of Gains.”

A foreign direct investor under Law No. 4,131 must:

- register himself as a foreign direct investor at the Central Bank;
- obtain a taxpayer identification number from the Brazilian tax authorities;
- appoint a tax representative in Brazil; and appoint a representative in Brazil for service of process in respect of suits based on the Brazilian corporate law.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our common shares are traded on the *Novo Mercado* listing segment of B3 under the symbol “AGRO3.” Our ADRs are traded on New York Stock Exchange (NYSE) under the symbol “LND”.

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## Trading on the B3

B3 concentrates all trading activities of shares and commodities in Brazil. Trading on the exchange is conducted by authorized members. Trading sessions take place every business day, from 10:00 a.m. to 5:00 p.m. (local time) on an electronic trading system called Megabolsa. Trading is also conducted between 5:30 p.m. and 6:00 p.m. (local time) in an after-market system connected to both traditional broker dealers and brokerage firms operating on the Internet. This after-market trading is subject to regulatory limits on price volatility of securities traded by investors operating on the Internet.

In order to maintain control over the fluctuation of the B3 index, the B3 has adopted a “circuit breaker” system pursuant to which trading sessions may be suspended for a period of 30 minutes or one hour whenever the B3 index falls below 10% or 15%, respectively, in relation to the closing index levels of the previous trading session. In addition, in case the B3 index falls below the 20% mark, the B3 may suspend trading sessions for a period of time to be established at its discretion at the time said lower mark is reached.

When investors trade shares on the B3, the trade is settled in three business days after the trade date, without adjustments to the purchase price. The seller is ordinarily required to deliver the shares to the exchange on the third business day following the trade date. Delivery of and payment for shares are made through the facilities of an independent clearing house, the Central Depository B3, which handles the multilateral central counterparty settlement of both financial obligations and transactions involving securities. According to the regulations of the B3, financial settlement is carried out through the system of transfer of funds of the Central Bank and the transactions involving the sale and purchase of shares are settled through the B3 custody system. All deliveries against final payment are irrevocable.

## The *Novo Mercado* segment

The *Novo Mercado* is a stock market segment of the B3 intended for companies meeting certain requirements and agreeing to adhere to heightened corporate governance rules. The principal *Novo Mercado* rules and requirements are summarized as follows:

- capital stock should be exclusively composed of common shares, and the issuance or maintenance of so called founder’s shares is prohibited;
- public float of shares should represent at least 25% of the capital stock;
- in the event of a transfer of control, even if through a series of successive sales, the transfer should be subject to the minority shareholders being granted the same conditions offered to any controlling shareholders, including the same price, through a tender offer for the acquisition of shares (tag-along rights);
- the board of directors should be composed of at least five members, of which at least 20% should be independent directors elected during the shareholders’ meeting for a term of up to two years, with reelection permitted;
- new members of the board of directors and the executive officers are required to sign an agreement, the Management’s Consent Statement (*Termo de Anuência dos Administradores*), that makes their taking of office subject to the execution of this agreement, through which the new directors and executive officers of the company take personal responsibility to act in accordance with the listing agreement with the *Novo Mercado*, the rules of the Market Arbitration Chamber (*Câmara de Arbitragem do Mercado*) and the *Novo Mercado* regulation;
- a statement of cash flow (both the company’s and consolidated) must be included in the quarterly financial reports and annual financial statements;
- the schedule of corporate events should be disclosed annually to the shareholders, by the end of the month of January;
- delisting from the *Novo Mercado*, as well as the decision to cancel the registration as a public company, should be subject to any controlling shareholders’ making a public tender offer for the acquisition of all outstanding shares of the company, at a minimum price of their economic value determined in a valuation report prepared by a specialized institution or company with recognized experience and independent from persons with the power to make decisions within a company, such as directors or any controlling shareholders, in addition to meeting the requirements set forth in Article 4 of the Brazilian corporate law; and the issuer, any controlling shareholders, management and members of the fiscal council should submit to the Market Arbitration Chamber under the terms of its regulation, any dispute or controversies that may arise among themselves, relating to and resulting from, specifically, the application, validity, effectiveness, interpretation, violation and effects of the arrangements contained in the Brazilian corporate law, our bylaws, the rules and regulations of the CMN, the Central Bank, and the CVM, as well as additional rules and regulations applicable to the capital markets, *Novo Mercado* regulation, the rules of the Market Arbitration Chamber and the listing agreement with the *Novo Mercado*.

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The Brazilian securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. The B3, which is the principal Brazilian stock exchange, had a market capitalization of R\$2.32 trillion (US\$0.71 trillion) at December 31, 2016 and an average daily trading volume of R\$7.4 billion (US\$2.27 billion) for 2016. In comparison, aggregate market capitalization of the companies (including U.S. and non-U.S. companies) listed on the NYSE was US\$20.2 trillion at December 31, 2016 and the NYSE recorded an average daily trading volume of US\$10.8 billion for 2016. There is also significantly greater concentration in the Brazilian securities markets. The ten largest companies in terms of market capitalization represented approximately 72.0% of the aggregate market capitalization of the B3 at December 31, 2016. The ten most widely traded stocks in terms of trading volume accounted for approximately 43.0% of all shares traded on the B3 in 2016. These market characteristics may substantially limit the ability of holders of our ADSs to sell the common shares underlying our ADSs at a price and at a time when they wish to do so and, as a result, could negatively impact the market price of our ADSs themselves.

#### Regulation of Brazilian securities markets

The Brazilian securities market is governed by the CVM, as provided for by Law No. 6,385, dated December 7, 1976, as amended, or the Brazilian Securities Exchange Law, and Brazilian corporate law. The CVM is responsible for granting licenses to brokerage firms to govern their incorporation and operation, and regulating foreign investment and exchange transactions, as provided for by the Brazilian Securities Exchange Law and Law No. 4,595, dated December 31, 1964, as amended. These laws and regulations provide for, among other things, disclosure requirements, criminal sanctions for insider trading and price manipulation, protection of minority shareholders, the procedures for licensing and supervising brokerage firms and the governance of Brazilian stock exchanges.

Under Brazilian corporate law, a company is required to be publicly held, or *companhia aberta*, before listing its shares. All publicly held companies are registered with the CVM and are subject to reporting requirements in order to periodically disclose information and material facts. A company registered with the CVM may trade its securities either on the Brazilian exchange markets, including the B3, or in the Brazilian OTC market. Shares of companies listed on B3 may not simultaneously trade on the Brazilian OTC market. The OTC market consists of direct trades between persons in which a financial institution registered with the CVM serves as an intermediary.

No special application, other than registration with the CVM (or, in case of organized OTC markets, registration with the applicable one), is necessary for securities of a public company to be traded in this market. To be listed on the B3, a company must apply for registration at the B3 and the CVM.

The trading of securities on B3 may be suspended at the request of a company in anticipation of a material announcement. Trading may also be suspended upon the initiative of the B3 or the CVM based on or due to a belief that a company has provided inadequate information regarding a significant event or has provided inadequate responses to inquiries raised by the CVM or the B3, among other reasons.

#### D. Selling Shareholders

Not applicable.

#### E. Dilution

Not applicable.

#### F. Expenses of the Issue

Not applicable.



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Not applicable.

**B. Memorandum and Articles of Association****Organization, Register and Entry Number**

We are a publicly-listed corporation, or *sociedade por ações de capital aberto*, organized in accordance with Brazilian law. Our registered office is located at Avenida Faria Lima, 1309, 5th floor, in the city of São Paulo, State of São Paulo, Brazil. We are registered with the Commercial Registry of the state of São Paulo (*Junta Comercial do Estado de São Paulo*) under NIRE No. 35.300.326.237, and with the CVM under No. 20036.

On April 10, 2006, we and our principal shareholders entered into the *Novo Mercado* Participation Agreement (*Contrato de Participação no Novo Mercado*) with B3. Also, as required under the *Novo Mercado* listing regulations, all our directors, officers and members of our fiscal council have undertaken to abide by the rules set forth in the *Novo Mercado* Participation Agreement and by the *Novo Mercado* listing segment rules and regulations applicable to each of them.

Our common shares are traded on the *Novo Mercado* listing segment of B3 under the symbol “AGRO3.” In September 2010, we established a Level 1 American Depositary Receipt (ADR) program in the United States, which, as of September 20, 2010, has allowed our ADRs to be traded on the over-the-counter (OTC) market in the United States under the symbol “BRCPY.” In November 2012, we established a Level 2 American Depositary Receipt (ADR) program in the United States, which, as of November 8, 2012, has allowed our ADRs to be traded on New York Stock Exchange (NYSE) under the symbol “LND”.

**Capital Stock**

On June 25, 2015, we approved the buyback program of common shares up to the limit of 698,310 common shares, not exceeding the balance of profits reserve available, included in our balance sheet on March 30, 2015.

On September 3, 2015, we approved changes in the buyback program as of June 25, 2015, increasing the limit from 698,310 to 3,491,550 common shares, not exceeding the balance of profits reserve available, included in our balance sheet on June 30, 2015.

During the fiscal year ended June 30, 2015, we acquired 20,000 common shares under the share buyback program, which account for 0.03% of our outstanding shares (excluding the shares held by the controlling shareholder).

During the fiscal year ended June 30, 2016, we acquired 3,557,900 common shares under the share buyback program, which account for 6.14% of our outstanding shares (excluding the shares held by the controlling shareholder).

As of June 30, 2017, our fully paid capital stock was R\$584.2 million, divided into 56,888,916 registered book-entry common shares, without par value. Our bylaws authorize our board of directors to increase our capital stock up to R\$3.0 billion without shareholder approval. Any capital increase in excess of such amount must be approved at a shareholders’ meeting.

**Corporate Purpose**

Article 3 of our bylaws define our corporate purposes as including: (i) the development of agricultural and forestry activities and the rendering of services directly or indirectly related thereto; (ii) the purchase, sale and/or lease of real estate properties in agricultural and/or urban areas; (iii) the import and export of agricultural products, supplies and inputs; (iv) the brokering of real estate transactions of any kind; (v) the holding equity investments in other companies and business ventures of any kind related to our corporate purpose, either in Brazil or abroad; and (vi) the management of our own or third-party assets.

**Share Register**

Banco Bradesco S.A. holds the book-entry register of our common shares. Share transfers are made upon written instructions of the transferor or court order, by charging the transferor’s share account and crediting the transferee’s account by the appropriate amount.

[Table of Contents](#)**Rights of Common Shares**

Our capital stock consists exclusively of common shares. Each of our common shares entitles its holder to one vote at our shareholders' meetings, and to receive pro rata dividends or other distributions. See "Item 8—Financial Information—Dividends and Dividend Policy" for a description of distribution rights in connection with our common shares. Holders of our common shares also have the right, subject to certain exceptions provided for in Brazilian corporate law, but not the obligation, to subscribe to our future capital increases. Our shareholders are also entitled to share ratably our remaining assets in case we are liquidated, after payment of all our liabilities.

Brazilian corporate law awards our shareholders the following rights, which cannot be circumvented by bylaws amendments or majority resolutions at shareholders' meetings: (i) the right to participate in the distribution of profits; (ii) the right to participate equally and ratably in any remaining residual assets in the event of liquidation of the company; (iii) preemptive rights in the event of issuance of shares, convertible debentures or subscription warrants, except in certain specific circumstances, as set forth in Brazilian corporate law (see "Item 10—Additional Information—Preemptive rights"); (iv) the right to hold our management accountable, in accordance with the provisions of Brazilian corporate law; and (v) the right to withdraw in the cases specified in Brazilian corporate law, including in the events of merger or consolidation, such as those described in "Item 10—Additional Information—Withdrawal and Redemption Rights—Withdrawal Rights."

Furthermore, pursuant to our bylaws and in accordance with CVM and *Novo Mercado* rules and regulations, the direct or indirect transfer of our control, either through one or a series of related transactions, is contingent upon the acquirer making a tender offer to acquire all of our shares.

As long as we are listed on the *Novo Mercado*, we may not issue preferred shares or participation certificates, and should we decide to delist from the *Novo Mercado*, we must carry out a tender offer to acquire all shares traded on stock markets. For further information, see "Item 10—Additional Information—Delisting from the *Novo Mercado*" below.

**Warrants**

On March 15, 2006, our board of directors approved the issuance of warrants to our founding shareholders proportionally to their subscription of shares during our capital increases. See "Item 10—Additional Information—Description of Outstanding Warrants."

**Shareholders' Meetings**

Pursuant to Brazilian corporate law, our shareholders have the power to take any action and approve any resolutions related to our activities at shareholders' meetings, provided that such meetings have been convened pursuant to the terms and procedures described in Brazilian corporate law and in our bylaws. It is the exclusive prerogative of the annual shareholders' meeting (*assembleia geral ordinária*) to review management's account of corporate activities; approve our financial statements; and determine the allocation of our net income and the payment of dividends with respect to the previous fiscal year. Members of our board of directors and fiscal council are also usually appointed at the annual shareholders' meeting, although such appointments may also take place at special shareholders' meetings.

Our shareholders may also convene special shareholders' meetings, which may be held concurrently with the annual shareholders' meeting or at any time of the year.

The following actions, among others, may be taken exclusively at shareholders' meetings: (i) approval of amendments to the bylaws; (ii) approval of management accounts and financial statements; (iii) appointment and dismissal of members of our board of directors and fiscal council; (iv) the establishment of the aggregate compensation of the board of directors, executive officers and fiscal council; (v) approval of the company's dissolution, motion for bankruptcy or judicial or out-of-court reorganization proceedings, liquidation, merger, spin-off, or consolidation with any other company, and any share mergers; (vi) approval of *pro rata* share distributions to current shareholders, stock splits and reserve stock splits; (vii) approval of stock option plans and similar arrangements for our management and employees, and for the managers and employees of our direct or indirect subsidiaries; (viii) approval of management's proposals regarding allocation of net income and distribution of dividends; (ix) approval of capital increase over the limit authorized in our bylaws; (x) appointment of liquidators and members of the fiscal council during liquidation proceedings; (xi) approval of the cancellation of our registration as a publicly-held company at CVM; (xii) approval of our delisting from the *Novo Mercado* listing segment; (xiii) approval of engagement of an appraiser to evaluate the value of our shares in case of cancellation of our registration as a public company at CVM or our delisting from the *Novo Mercado* listing segment; and (xiv) the passing of resolutions on any matter submitted to the shareholders' meeting by our board of directors.

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Shareholders' meetings are not allowed to circumvent certain specific shareholder rights enumerated in Brazilian corporate law. See "Item 10—Additional Information—Rights of Common Shares," above.

***Quorum***

As a general rule, Brazilian corporate law provides the need of shareholders representing at least 25% of our voting capital stock in order for a company to be able to convene a shareholders' meeting on first call, except if the meeting is called to amending our bylaws, in which case two thirds of our voting capital stock shall be required on first call. In either case, if the applicable quorum is not reached on first call, any percentage will suffice to convene the meeting on second call.

Approval of resolutions at shareholders' meetings generally requires the affirmative vote of shareholders representing at least the majority of common shares attending the meeting, either in person or represented by a proxy. Non-voting shares are disregarded for purposes of calculating the majority.

The *Novo Mercado* listing rules require, for the approval of certain issues, such as to retain a specialized firm to prepare a valuation report with respect to the value of our common shares in the event of delisting from the Mercado Novo listing segment or cancelling our registration as a publicly-held company, the affirmative vote of shareholders representing at least the majority of our issued and outstanding common shares (the "Outstanding Shares") present at a shareholders' meeting. In such events, the shareholders' meeting must count on the presence of shareholders representing at least 20% of our Outstanding Shares on first call, or on the presence of any percentage of our Outstanding Shares on second call, with blank votes not taken into account and with one vote entitled to each share. For these purposes, Outstanding Shares within the meaning set forth in the *Novo Mercado* Participation Agreement and *Novo Mercado* listing segment regulations means all our issued and outstanding shares, provide, however, with the exclusion of, (i) the shares held by any controlling shareholders or by affiliates of such controlling shareholders, (ii) the shares held by our managers, and (iii) treasury shares. See "Item 10—Additional Information—Delisting from the *Novo Mercado*" for additional information on this matter.

***Notice of Shareholders' Meetings***

Brazilian corporate law requires that previous notice of any shareholders' meeting be published on three different dates on federal or state official gazette and another newspaper of high circulation in the state of the corporate offices. As a general rule, our company publishes meetings notices on the Official Gazette of the state of São Paulo (Diário Oficial do Estado de São Paulo) and the newspaper O Estado de São Paulo. The first notice must be published no later than 15 days prior to the date of when meeting on first call is scheduled to take place, and no later than eight days in advance to the date of the shareholders' meeting on second call. In certain circumstances, the CVM may require that the first notice for the shareholders' meeting to be published no later than 30 days prior to the shareholders' meeting. Nevertheless, CVM may also require, upon shareholder request, up to 15 additional days between such prior notice and any special shareholders' meeting, in order to enable such shareholder to having enough time to analyze the matters to be discussed at the meeting. In addition, our bylaws require that a shareholders' meeting to be convened to decide on the cancellation of our registration as a public company with the CVM or our delisting from the *Novo Mercado* listing segment must be called at least 30 days prior to the shareholders' meeting. The notice on the shareholders' meeting must contain the agenda, date and venue of the meeting, and (if applicable) the nature of the proposed bylaws amendments.

***Venue***

Our shareholders' meetings take place at our head office in the city of São Paulo, in the state of São Paulo. Brazilian corporate law allows our shareholders to hold meetings in another location in the event of force majeure, provided that the meetings are held in the city of São Paulo and the relevant notice includes a clear indication of the place where the meeting will occur.

***Who May Call our Shareholders' Meetings***

As a general rule, Shareholders' meetings are called by our board of directors, although they may also be called by the following: (i) any shareholder, if our directors fail to call a shareholders' meeting within 60 days after the date they were required to do so under applicable laws and our bylaws; (ii) holders of at least 5% of our capital stock, if our directors fail to call a meeting within eight days following receipt of a justified request to call the meeting by those shareholders, indicating the proposed agenda; (iii) holders of at least 5% of our capital stock if our directors fail to call a meeting within eight days after receipt of a request to call the meeting to establish the fiscal council; and (iv) our fiscal council (if already established), if our board of directors fails to call an annual shareholders' meeting within one calendar month after the date it was required to do so under applicable laws. The fiscal council (if already established) may also call a special shareholders' meeting if it believes that there are important or urgent matters to be addressed.

[Table of Contents](#)**Conditions of Admission to a Shareholders' Meeting**

In order to attend and vote at shareholders' meetings, shareholders must identify themselves and, 72 hours before the meeting, provide evidence of proper title to the voting shares, issued by the financial institution responsible for the bookkeeping of our shares, no earlier than five days before expiration of the 72-hour deadline mentioned herein. A shareholder may be represented at a shareholders' meeting by a proxy, provided that such proxy has been appointed less than one year before the meeting. Only attorneys, financial institutions, other shareholders, and our executive officers and directors can act as proxies for our shareholders. An investment fund must be represented by its officers.

**Management and Fiscal Council**

Pursuant to our bylaws, and in accordance with Brazilian corporate law and the *Novo Mercado* listing rules, we are governed by our board of directors (*conselho de administração*) and executive officers (*diretoria*).

Our bylaws require that our board of directors comprise of at least of five and not less than to nine directors. Currently, our board of directors has nine members, of which four are independent directors under the *Novo Mercado* listing rules, unrelated to our principal shareholders or to us. Our board members are elected by our shareholders at the annual shareholders' meeting, for a period of two consecutive years, reelection being permitted. We have also recently suggested the inclusion of two alternate members to comprise the board of directors in the event any of the sitting members resign.

According to our Bylaws, our board of directors may establish one or more technical or advisory committees for specific purpose and with specific duties, whose members may or may not include our officers or executive officers. Our board of directors must establish the rules applicable to those committees, including rules for their composition, mandates, compensation and operation. Such committees are advisory committees and not deliberative by nature.

Brazilian corporate law permits cumulative voting upon the request of holders of at least 10% of our voting capital. Each share is granted as many votes as the number of board seats, and each shareholder has the option to cast his or her votes for one or more candidates. However, pursuant to CVM Instruction 282 dated June 26, 1998, the threshold to trigger multiple voting rights in publicly held corporations may be reduced in proportion to the amount of capital stock, ranging from 5% to 10%. Shareholders representing 5% of our voting capital may request the adoption of cumulative voting rights.

Under applicable law, if there is no request for cumulative voting, the shareholders' meeting will vote based on a previously registered list, assuring shareholders that individually or collectively hold at least 15% of our common shares, in a separate vote, the right to elect one director and his or her alternate. Notwithstanding the foregoing, at a meeting held on November 4, 2006, CVM Board has decided to maintain the interpretation of section 141, fifth paragraph, of Brazilian Federal Law No. 6,404/76 expressed at the meeting held on November 8, 2005 (CVM Case RJ2005/5664), which, in those cases whereupon the Company has only issued shares with voting rights, the majority of holders holding at least 10% of the total voting shares will have the right to elect and remove a member and his alternate from the Board of Directors, by a separate vote at the general meeting, excluding the controlling shareholder.

If cumulative voting is requested, each shareholder may vote for one or more board members. Each common share will entitle its holder to one vote in the relevant shareholders' meeting and each shareholder may cast votes for members as they wish.

Our bylaws require that we have two to six executive officers. At the date of this Annual Report, we have two executive officers. They are elected by our directors for a period of one year, with the possibility of reelection. Pursuant to Brazilian corporate law, executive officers must be residents of Brazil, but do not need to be shareholders.

Pursuant to our bylaws, our fiscal council is permanent, has the powers and attributions conferred upon it by law and is also incumbent upon exercising the role of Audit Committee, in accordance with the Sarbanes Oxley Act and the rules issued by the SEC. The fiscal council members are elected at the annual shareholders' meeting with a term of office that extends through the following annual shareholders' meeting. Our fiscal council shall be comprised by three to five effective sitting members and their alternates, who may or may not be shareholders. All members of our fiscal council are also required to sign an agreement to comply with the *Novo Mercado* rules prior to assuming their roles. The current members of our fiscal council will exercise their duties until the annual shareholders' meeting to be held on October 2, 2017 to approve the management accounts and financial statements for the fiscal year ended June 30, 2017. We have already proposed their reelection for the next annual shareholders' meeting to be held on October 2, 2017.

[Table of Contents](#)**Transactions in Which Directors Have a Conflict of Interest**

Pursuant to Brazilian corporate law, our directors and executive officers may not:

- give any gifts at our expense, except for such reasonable gifts as are for the benefit of our employees or of the community in which we participate, upon approval by our board of directors;
- receive, by virtue of his or her position, any direct or indirect personal benefit from third parties without authorization in our bylaws or by our shareholders at a shareholders' meeting;
- borrow money or property from us or use our property, services or credit for his or her own benefit or for the benefit of a company or third party in which he or she has an interest, without the prior approval of our shareholders at a shareholders' meeting or of our board of directors;
- take part in a corporate transaction in which he or she has an interest that conflicts with our interests or in the deliberations undertaken by our directors on the matter;
- take advantage of any commercial opportunity for his or her own benefit or for the benefit of a third party at the expense of the company when he or she was informed about such opportunity by virtue of his or her position as a director;
- fail to disclose a business opportunity in our interests with a view to exploiting the opportunity for personal gain, or for the benefit of a third party; and
- acquire, in order to resell for profit, a good or right that is essential to our business operations, or that we intend to acquire for ourselves.

The compensation of our directors is determined by our shareholders at the annual shareholders' meeting that approves the previous fiscal year's financial statements.

**Allocation of Net Income and Dividend Distributions**

Before each annual shareholders' meeting, our directors and executive officers are required to recommend how to allocate our net income, from the preceding financial year (if any). This allocation is subject to the approval of our shareholders. Brazilian corporate law defines "net income" for any particular financial year as net income after income and social contribution taxes for that financial year, net of any accumulated losses from prior financial years and any amounts allocated to employees' and management's participation in our net income in such financial year.

According to our bylaws and Brazilian corporate law, net income for any given financial year will be allocated as follows: (i) 5% for the formation of a legal reserve according to Brazilian corporate law, which is subject to a maximum limit of 20% of our capital stock (in addition, if for any given financial year, the total amount of the legal reserve plus any amounts of capital reserves exceed 30% of our capital stock, additional contributions to the legal reserve will not be mandatory); (ii) payment of mandatory dividends, which cannot be less than 25% of our adjusted net income. After payment of mandatory dividends, shareholders may decide to allocate outstanding net income to form a statutory expansion and investment reserve in accordance with the additional requirements provided for in our bylaws; and (iii) the remaining portion of the adjusted net income may be allocated for investment, based on the budget approved by our general shareholders' meeting. However, the remaining balance of the income reserves, excluding reserves for unrealized profits and contingencies, must not exceed the value of our capital stock. If this limit is reached, a general shareholders' meeting will be held to determine whether such excess amount shall be allocated as a capital increase or a distribution of dividends.

The general shareholders' meeting may grant to our directors and executive officers a participation in the distribution of our profits, after deducting accumulated losses and provisions for income and social contribution taxes, in accordance with applicable law.

[Table of Contents](#)**Withdrawal Rights**

According to Brazilian corporate law, shareholders are entitled to withdrawal rights if they dissent from the approval of the following actions at any shareholders' meeting: (i) our spin-off (pursuant to the conditions described below); (ii) reduction in our mandatory dividends; (iii) change of our corporate form or purpose; (iv) our merger into, or consolidation with, another company (as described below); and (v) our participation in a corporate group, as defined in Brazilian corporate law, except in the event our shares are widely held and liquid, as described below; or (vi) our acquisition of the control of any company, if the acquisition price exceeds the limits established by Brazilian corporate law, except in the event our shares are widely held and liquid, as described below.

Our spin-off will only trigger withdrawal rights if it results in one of the following: (i) a change in our corporate purpose, unless the spun-off assets and liabilities are transferred to an entity whose principal business purpose is consistent with our corporate purpose; (ii) a reduction of the minimum mandatory dividend to be paid to shareholders; or (iii) our participation in a corporate group (as defined in Brazilian corporate law).

In cases where we: (i) merge into, or consolidate with, another company; (ii) become part of a corporate group (as defined in Brazilian corporate law); (iii) acquire all shares of a company in order to make such company our wholly-owned subsidiary, or our shareholders sell all of our shares to another company in order to make us a wholly-owned subsidiary of such company, pursuant to Article 252 of Brazilian corporate law; or (iv) acquire control of any company at an acquisition price that exceeds the limits established under Article 256, paragraph 2 of Brazilian corporate law, our shareholders will not be entitled to withdrawal rights, if our common shares are (a) part of the Bovespa Index or another stock exchange index, as defined by the CVM; and (b) widely held, such that any controlling shareholders and their affiliates jointly hold less than 50% of the type or series of shares being withdrawn.

The right to withdraw expires 30 days after the publication of the minutes of the relevant shareholders' meeting. We are entitled to reconsider any action giving rise to withdrawal rights for 10 days after the expiration of the aforementioned period if we determine that the redemption of the shares of dissenting shareholders would jeopardize our financial situation.

Article 45 of Brazilian corporate law describes the amounts to be paid to shareholders who exercise their withdrawal rights. As a general rule, the withdrawing shareholder will receive the value of the shares, based on the most recent audited balance sheet approved by our shareholders, or, if lower, the economic value of the shares, based on an evaluation report prepared in accordance with Brazilian corporate law. If the resolution giving rise to withdrawal rights is passed more than 60 days after the date of our most recent balance sheet, dissenting shareholders may request that the shares be valued in accordance with a new balance sheet dated no more than 60 days prior to the date of the resolution. In such case, we are obligated to pay 80% of the share value according to the most recent balance sheet approved by our shareholders, and the balance within 120 days following the date of the resolution of the shareholders' meeting that gave rise to the withdrawal rights.

**Liquidation**

We may be liquidated in accordance with the provisions of Brazilian law. In the event of our extrajudicial liquidation, a shareholders' meeting will determine the manner of our liquidation, appoint our liquidator and our fiscal council that will function during the liquidation period.

In the event of our liquidation, the assets available for distribution to our shareholders would be distributed to our shareholders in an amount equal to their pro rata share of our legal capital. If the assets to be so distributed are insufficient to fully compensate our all of our shareholders for their legal capital, each of our shareholders would receive a pro rata amount (based on their pro rata share of our legal capital) of any assets available for distribution.

**Redemption**

According to Brazilian corporate law, we may redeem our shares pursuant to a resolution adopted at an extraordinary shareholders' meeting by shareholders representing at least 50% of our capital stock. The redemption may be paid with our retained earnings, revenue reserves or capital reserves.

**Preemptive Rights**

Except as described below, our shareholders have a general preemptive right to participate in any issue of new shares, in proportion to its holding at such time. However, the conversion of debentures into shares, the granting of options to purchase or subscribe for shares and the issue of shares as a result of the exercise of such options, are not subject to preemptive rights. Our shareholders are also entitled to preemptive rights in any issue of convertible debentures or offerings of shares or warranties issued by us. Shareholders have a period of at least 30 days after the publication of notice of the issue of shares, convertible debentures and warrants to exercise their preemptive rights. In addition, such preemptive rights may be transferred or disposed of for value. Under the terms of Article 172 of Brazilian corporate law and our bylaws, our board of directors may exclude preemptive rights or reduce the exercise period with respect to the issue of new shares, debentures convertible into shares and warrants up to the limit of our authorized share capital, if the distribution of those securities is conducted in a stock exchange, or through a public offering, an exchange offer for shares or tender offer the purpose of which is to acquire control of another company. Please refer to "Item 3—Key Information—Risk Factors—Risks Relating to the Offering and Our Common Shares—A holder of our common shares not residing in Brazil might be unable to exercise preemptive rights with respect to the common shares" for additional information on this matter.



[Table of Contents](#)**Insider Trading Regulations**

We comply with the restrictions on insider trading set forth in CVM Instruction No. 358, dated January 3, 2002, as amended. The following paragraphs contain a brief summary of some of such restrictions.

An issuer, any controlling shareholders, directors, officers and other members of management are prohibited from trading in any securities issued by our company or derivatives related to such securities, if (i) they are in possession of material information regarding our business, and such information has not been publicly disclosed; (ii) a transaction is pending for the acquisition or sale of shares of our capital stock, by our company, subsidiaries or affiliates, or an option or mandate has been granted in connection with any of such transactions; or (iii) our company intends to participate in a merger, consolidation or corporate reorganization, or to spin-off assets or change into a different form of legal entity; and (iv) such trading activity would take place in the 15-day period prior to the filing of our quarterly financial statements (ITR) or annual financial statements (DFP) with the CVM.

Individuals who held management positions at the company and gained access to material information originating from developments occurred before their departure from the company are also prohibited from engaging in such trading activities, from the date of their departure from the company until (i) six months after their departure; or (ii) public disclosure of the material information; provided that trading will remain prohibited as long as it may interfere with our business or adversely affect our financial condition or that of our shareholders.

**Acquisition of Treasury Stock**

An issuer cannot acquire shares of its own capital stock, to hold as treasury stock or for cancellation purposes, if this acquisition would: (i) reduce the issuer's capital stock; (ii) require the use of funds in excess of the issuer's profits or available reserves, as described in its most recent balance sheet; (iii) manipulate the stock price, or use of any unfair trading practice; or (iv) acquire shares that had not been fully paid by the respective holder, or that were owned by any controlling shareholders. Furthermore, an issuer may not acquire shares of its own capital stock if a tender offer for its shares is pending.

The amount of shares of our capital stock held by our company, or maintained by our affiliates and subsidiaries in treasury cannot exceed 10% of the total outstanding shares of our capital stock.

We may only purchase shares of our own capital stock at a stock exchange. Private purchases are only permitted if previously approved by the CVM, or if we have cancelled our registration as a public company with the CVM. We can purchase and sell put and call options on our shares without restrictions at any time.

**Restrictions on Activities Inconsistent with our Corporate Purpose**

Any transactions in which we participate that are inconsistent with our corporate purpose are not enforceable against our company, pursuant to Brazilian corporate law, including any forms of collateral or guarantees unrelated to our corporate purpose or in violation of our bylaws.

**Disclosure of Trading of our Shares by an Issuer, any Controlling Shareholders, Directors, Officers or Members of the Fiscal Council**

An issuer's directors and officers and members of its fiscal council, when active, as well as members of any other technical or advisory committee, are required to disclose to its investor relations officer, who will disclose to the CVM and B3, the number and type of securities issued by the issuer, its publicly-held subsidiaries or controlled companies, including derivatives (in case of any controlling shareholders) held by them or by persons related to them, as well as any alteration in their respective interests within 10 days as from the end of the month in which trading takes place.



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In addition, the *Novo Mercado* listing rules require any controlling shareholders to provide the same information in relation to securities issued by the issuer, including derivatives, and to disclose their plans for future trading. Information on trading of an issuer's securities should include:

- name and identification of the acquirer;
- number, price, kind and/or class, in the event of traded shares, or characteristic, in the event of other securities; and
- form of acquisition (private transaction, trading on stock exchange, etc.).

Pursuant to CVM Instruction No. 358, if an issuer's controlling shareholders and/or any person or company, whether individually or together with a group of persons or entities sharing similar interests, should directly or indirectly increase their interest in an issuer's capital stock by at least 5% percent, such persons or entities must disclose to us the following information:

- the name and identification of the person providing the information;
- the number, price, kind and/or class, in the event of acquired shares, or characteristics, in the event of other securities;
- form of acquisition (private transaction, trading on stock exchange, etc.);
- the reasons and purpose of the transaction; and
- information regarding any agreement regulating the exercise of voting rights or the purchase and sale of our securities.

### **Disclosure of Information**

We are subject to the reporting requirements established by Brazilian corporate law and the regulations of the CVM. In addition, as a result of our listing on the *Novo Mercado*, we must comply with the disclosure requirements under *Novo Mercado* regulations.

### **Information Required by the CVM**

Brazilian corporate law, securities regulations of the CVM and the rules for listing on the *Novo Mercado* require that publicly held corporations file the following periodic information with the CVM and the B3:

- financial statements prepared in accordance with accounting principles generally accepted in Brazil ("Brazilian GAAP") and related management and auditors' reports, within three months from the end of the fiscal year or on the date on which they are published or made available to our shareholders, whichever occurs first, together with the Demonstrações Financeiras Padronizadas (a report on a standard form containing relevant financial information derived from our financial statements required to be filled out by us and filed with the CVM);
- notices, filed on the same date as their publication, of our annual shareholders' meeting;
- a summary of the decisions made at annual shareholders' meetings, filed on the day following the meeting;
- a copy of the minutes of the annual shareholders' meeting, filed within ten days from the date the meeting is held;
- ITR, a quarterly report on a standard form containing our relevant quarterly corporate, business and financial information, together with a special review report issued by our independent auditor, filed within 45 days from the end of each quarter (except for the last quarter of each year) or upon disclosure of such information to shareholders or third parties, whichever occurs first;

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- Formulário de Referência, filed within five months from the end of each corporate year and in the event a request to conduct public offering is filed with the CVM;
- Formulário Cadastral, which must be updated within seven business days if any of the information contained therein is modified;
- management report within one month before a shareholders' meeting is scheduled to occur, giving notice that certain management documents, as required by Brazilian corporate law, are available to shareholders; and
- any documents deemed necessary for shareholders to exercise their voting rights.

In addition to the foregoing, we must also file the following information with the CVM and the B3:

- notices, filed on the same date of their publication, of our extraordinary or special shareholders' meetings;
- a summary of the decisions made at extraordinary or special shareholders' meetings, filed on the day following the meeting;
- minutes of our extraordinary or special shareholders' meetings, filed within ten days from the date they are held;
- a copy of any shareholders' agreement, filed on the date on which it is registered with us;
- any press release giving notice of material facts, filed on the date the release is published in the press;
- information on any filing for corporate reorganization, the reason for such filing, special financial statements prepared for obtaining a legal benefit, and, if applicable, any plan for payment of holders of debentures, as well as copies of any judicial decision granting such request, filed concurrently with the corporate reorganization and on the date we take notice of it;
- information on any bankruptcy filing, on the same day we become aware of it, or the filing of a judicial claim, as applicable;
- a copy of any judicial decision granting a bankruptcy request and appointing a bankruptcy trustee, filed on the date we take notice of it; and
- other information as requested by the CVM.

### ***Information Required by the B3 from Companies Listed on the Novo Mercado***

In addition to the disclosure obligations imposed by Brazilian corporate law and the CVM, we also must comply with the following additional disclosure requirements under *Novo Mercado* regulations:

- no later than six months following our listing on the *Novo Mercado*, we must disclose financial statements and consolidated financial statements at the end of each quarter (except the last quarter of each year) and at the end of each fiscal year, including a cash-flow statement which must indicate, at a minimum, the changes in our cash and cash equivalents, divided into operating, finance and investment cash flows;
- from the date on which we release our financial statements relating to the second fiscal year following our listing on the *Novo Mercado* we must, no later than four months after the end of the fiscal year: (i) prepare our annual financial statements and consolidated financial statements, if applicable, in accordance with U.S. GAAP, or IFRS, in Reais or U.S. dollars, in the English language, together with (a) management reports, (b) notes to the financial statements, including information on net income and shareholders' equity calculated at the end of such fiscal year in accordance with Brazilian GAAP, as well as management proposals for allocation of net profits, and (c) our independent auditors' report; or (ii) disclose, in the English language, complete financial statements, management reports and notes to the financial statements, prepared in accordance with Brazilian corporate law, accompanied by (a) an additional explanatory note regarding the reconciliation of year-end net income and shareholders' equity calculated in accordance with Brazilian GAAP and U.S. GAAP or IFRS, as the case may be, which must include the main differences between the accounting principles used, and (b) the independent auditors' report; and

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- from the date on which we release our first financial statements prepared as provided above, no later than 15 days following the term established by law for the publication of quarterly financial information, we must disclose, in its entirety, our quarterly financial information translated into the English language or disclose our financial statements and consolidated financial statements in accordance with Brazilian GAAP, U.S. GAAP or IFRS as provided above, accompanied by the independent auditors' report.

In addition, we must disclose the following information together with our ITR:

- our consolidated balance sheet, consolidated statement of operations, and a discussion and analysis of our consolidated performance, if we are obliged to disclose consolidated financial statements at year-end;
- any direct or indirect ownership interest exceeding 5% of our capital stock, considering any ultimate individual beneficial owner;
- the number and characteristics, on a consolidated basis, of our shares held directly or indirectly by our principal shareholders, members of our board of directors, board of executive officers and fiscal council;
- changes in the numbers of our shares held by the principal shareholders, members of our board of directors, board of executive officers and fiscal council in the immediately preceding 12 months;
- in an explanatory note, our cash-flow statement and consolidated cash-flow statement, which should indicate the cash flow changes in cash balance and cash equivalent, separated into operating, finance and investment cash flows;
- the number of free-float shares, and their percentage in relation to the total number of issued shares; and
- the existence of arbitration provision for disputes arising between us and principal shareholders, directors, executive officers and members of the fiscal council before the Market Arbitration Chamber of B3.

The following information must also be included in the company's *Formulário de Referência*:

- information relating to the ownership interest exceeding 5% of our capital stock, number and characteristics, on a consolidated basis, of the company's shares directly or indirectly held by the principal shareholders and members of the board of directors, executive officers and fiscal council;
- changes in the number of securities held by such persons within the immediately preceding 12 months;
- the number of free-float shares and their respective percentage in relation to the total amount of shares issued; and
- submission to arbitration.

## **Disclosure of Material Information**

According to Law No. 6,385, of December 7, 1976, as amended, and the rules published by the CVM, we must disclose any material information (*fato relevante*) related to our business to the CVM and the B3 and publish a notice of such material information. Material information consists of any decision by the principal shareholders, any resolution taken by our board of directors, by the executive officers or by the shareholders in a shareholders meeting, or any other act or fact of political, technical, managerial, economic or financial nature occurring or related to us that could materially influence the price of our securities, the decision of investors to buy, sell or hold our securities, or the investors' decision to exercise any rights deriving from our securities.

Under special circumstances, we may request confidential treatment by the CVM of certain material developments affecting us.

[Table of Contents](#)**Going Private Process**

A public company may become a private company if it or any controlling shareholders conduct a public tender offer for the acquisition of all of the issuer's outstanding common shares in accordance with the rules and regulations of Brazilian corporate law, the CVM and the *Novo Mercado* listing segment which, among other things, require that the offering price be the fair value of our common shares, as defined pursuant to a valuation report, and that holders of common shares representing more than two thirds of the outstanding common shares should have agreed to the delisting or accepted the offer; provided, however, that for such purposes outstanding common shares shall mean common shares the holders of which shall have enrolled to participate in the offer.

The minimum offering price shall correspond to the fair value of our common shares, as determined in a valuation report prepared by specialized and independent firm of recognized experience.

Pursuant to Brazilian corporate law, fair value is defined as the valuation of our Company, determined based on individually or in the aggregate, shareholders' equity, shareholders' equity valued at market price, discounted cash flow, comparison by multiples, the market price of shares issued by us, or any other valuation method accepted by the CVM. Shareholders holding at least 10.0% of our outstanding common shares may require our management to call a special shareholders' meeting to determine whether to perform another valuation using the same or a different valuation method. This request must be made within 15 days following the disclosure of the price to be paid for the common shares in the public offering. The shareholders that make such request, as well as those voting in its favor, must reimburse us for any costs involved in preparing the new valuation, if the new valuation price is not higher than the original valuation price. If the new valuation price is higher than the original valuation price, the public offering must either be cancelled or carried out at the higher price, and this decision must also be disclosed to the market.

Pursuant to our bylaws and the *Novo Mercado* listing rules, the minimum price per share in the public offer to be conducted to purchase our outstanding common shares for purposes of going private, must correspond to the fair value of our common shares as determined in a valuation report prepared by a specialized and independent firm of recognized experience, chosen at a shareholders' meeting from a list of three institutions presented by our board of directors, pursuant to a decision of our Company, our directors and officers and/or shareholders.

**Delisting from the *Novo Mercado***

We may at any time delist our common shares from the *Novo Mercado*, provided that shareholders representing the majority of our common shares approve the action and that we give at least 30 days written notice to the B3. Our delisting from the *Novo Mercado* would not result in the loss of our registration as a public company with the B3.

If the shareholders' meeting decides to delist in order for an issuer's common shares to be tradable outside the *Novo Mercado*, or as a result of a corporate reorganization in which the surviving company is not listed on the *Novo Mercado*, the issuer's controlling shareholders or group of controlling shareholders should conduct a tender offer to purchase the issuer's outstanding common shares. In any such event, the offering price per common share should be no less than the fair value of our common shares, as determined in a valuation report prepared by a specialized and independent firm of recognized experience, chosen at a shareholders' meeting from a list of three institutions presented by our board of directors, pursuant to a decision of shareholders representing at least the majority of the issuer's outstanding shares present at such a shareholders' meeting, with blank votes not taken into account and with one vote entitled to each share. All the expenses and costs incurred in connection with the preparation of the valuation report must be paid by any controlling shareholders and/or the issuer, as offerors.

In the event of delisting from the *Novo Mercado*, any controlling shareholders must conduct a tender offer to acquire common shares from the other shareholders at fair value, pursuant to the *Novo Mercado* listing rules and according to applicable legislation and regulation. Such tender offer must be disclosed to the B3 and the market immediately after the company receives notice regarding the termination of the agreement for participation in the *Novo Mercado* listing segment.

According to the *Novo Mercado* listing rules, in the event of a transfer of our control within 12 months following our delisting from the *Novo Mercado*, the acquirer of control and the seller of control must offer to purchase the common shares of all other holders of our common shares for the same price, terms and conditions offered to the seller of control, adjusted for inflation. Furthermore, in the event the price received by any controlling shareholders for their common shares is higher than the value of the public offering conducted, the selling controlling shareholders and the acquirer will be required to jointly pay the difference to the acceptors of the respective public offering.

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If our common shares are delisted from the *Novo Mercado*, we will not be permitted to have common shares listed on the *Novo Mercado* for a two-year period following the delisting date, unless there is a change in our control following this delisting from the *Novo Mercado*.

**Public Tender Offers**

Our by-laws provide that if any of the above-mentioned cases occur simultaneously, a single public tender offer will be conducted provided that the procedures of all types of public tender offers are compatible, the target shareholders are not adversely affected and the CVM authorizes it.

In addition, our by-laws permit that we or the shareholders responsible for the public tender offer assure its execution through any shareholder, third party and, if applicable, ourselves. Nevertheless, we or the responsible shareholder, as the case may be, are still responsible for the public tender offer until its completion.

**Arbitration**

We, our shareholders, our directors and officers, and the members of our fiscal council, when active, should submit to arbitration for any dispute relating to the application, legality, effectiveness, interpretation, violation and effects of violation of the provisions in the agreement for participation in the *Novo Mercado* listing segment, and to the *Novo Mercado* listing rules, the arbitration regulation instituted by the B3, the provisions of Brazilian corporate law, our bylaws, the rules of the CMN and the Central Bank, the regulations of the CVM and the B3 and other rules generally applying to the Brazilian capital markets. Any such dispute should be settled by arbitration carried out before B3 Arbitration Chamber.

**Change of Control**

According to the *Novo Mercado* listing rules, the sale of control over an issuer, in one transaction or in a series of successive transactions should contemplate an obligation by the acquirer of control to conduct a tender offer for the acquisition of all other outstanding common shares on the same terms and conditions offered for disposition of control so as to assure equal treatment among all of our shareholders. For such purposes, any selling controlling shareholders and the acquirer shall inform the CVM and the B3 of the price and other conditions of such sale.

A tender offer is also required:

- when there is a significant assignment of share subscription rights or rights in other securities convertible into an issuer's common shares, which results in the transfer of its control;
- in case of an indirect transfer of an issuer's control, through a transfer of control over any controlling shareholders; and
- in case a shareholder acquires the issuer's control pursuant to a private transaction for purchase of its common shares. In this event, the acquiring shareholder must conduct a tender offer for the acquisition of all the issuer's outstanding common shares on the same terms and conditions offered disposition of control and must also reimburse the counterparties from whom it has acquired its common shares on the stock exchange in the six-month period preceding the transaction that resulted in a change in control. The reimbursement amount corresponds to the positive difference between the price paid to the seller of control and the adjusted price paid in transactions carried out on the stock exchange during this six-month period.

The buyer, if applicable, should take all necessary measures to reconstitute the minimum 25% free float within six months of the acquisition.

The controlling shareholders may not transfer the common shares to the purchaser of our control, and the issuer may not register the transfer of such common shares, if the buyer fails to execute the controlling shareholders' consent agreement (*Termo de Anuência dos Controladores*). Moreover, the issuer will not register any shareholders' agreement that regulates the exercise of control rights until the signatories thereto execute the controlling shareholders' consent agreement.

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### **Diffused Control**

Control of us is deemed diffused if exercised by (i) a shareholder holding less than 50% of our capital stock; (ii) shareholders jointly holding more than 50% of our capital stock, provided that each shareholder holds less than 50% of our capital stock, and (a) their respective ownership of our common shares is not subject to voting rights agreement, (b) they are not under common control and (c) do not represent a common interest; and (iii) shareholders holding less than 50% of our capital stock who have executed a shareholders' agreement in respect of their ownership of our common shares.

### **Duties and Responsibilities of Controlling and Others Shareholders**

If one shareholder or group of shareholders exercises in a permanent manner control over us, such shareholder or group of shareholders will be subject to the duties and responsibilities of the Brazilian corporate law. On the other hand, if there is no such shareholder or group of shareholders, we will be subject to diffused control. The diffused control is always transitory and shareholders can exercise their control over us by using their voting rights, if there are shareholders in a sufficient number who can influence the decisions taken at a general shareholders meeting. If our control is diffused according to the Brazilian corporate law, there are no specific liability rules for each group of shareholders even if one shareholder or group of shareholder effectively exercises the diffused control, since this diffused control is exercised with the approval of the other shareholders. Nevertheless, the rules concerning shareholders' liability, such as in abuse of voting rights and conflict of interests, apply to any company, including those with diffused control.

In addition, the rules of the *Novo Mercado* acknowledge that diffused control can involve a specific controlling shareholder, which is the one who actually exercises it. The rules of the *Novo Mercado* also acknowledge the specific liability of a certain shareholder or group of shareholders for misconduct.

According to the definition of diffused control, certain obligations and responsibilities apply to certain groups of shareholders who are not necessarily identified as controlling shareholders, such as the obligation to conduct a tender offer if such group of shareholders votes for delisting from the *Novo Mercado* or if delisting occurs due to non-compliance with the obligations of the *Novo Mercado* listing segment regulations. Therefore, if our control becomes diffused, all shareholders will be subject to the liability rules set forth in the Brazilian corporate law. However, some specific rules and liabilities set forth in the *Novo Mercado* listing segment regulations only apply for those shareholders who have the power to control our business, even though not formally identified as controlling shareholders.

### **Protection against Shareholder Concentration**

Our by-laws contain a provision intended to avoid concentration of our shares in the hands of a small group of investors. This provision requires that any shareholder who becomes an owner of our common shares, or certain other rights, in an amount greater than or equal to 20% of our total capital stock (excluding any involuntary ownership interest additions arising from the cancellation of treasury shares or capital decrease resulting from the cancellation of shares), within 60 days from the date of acquisition, is required to publicly tender for all of our capital stock. Cresud, including the entities controlled by it or under its common control and their legal successors (but excluding any acquirer of shares from Cresud and its successors) are not covered under this obligation, which applies only to investors who acquired our shares after our listing in the *Novo Mercado* segment of B3 as of April 2006.

The percentage of 20% is not applicable to a person who becomes the holder of our shares in a number greater than 20% of the total shares as a result of (i) legal succession, provided that the shareholder sells the exceeding shares no later than 60 days as from the material event; (ii) merger of another company into our company; (iii) merger of shares of another company into our company; or (iv) subscription of shares, conducted in a primary offering, approved at the shareholders meeting, called by our board of directors, which proposal for capital increase has determined the share price based on the economic value calculated according to an economic and financial appraisal report conducted by a specialized company with renowned experience in publicly held companies.

Shareholders that acquire 20% of our common shares are obligated under this provision to: (i) make a tender offer to acquire the entirety our outstanding issued shares; (ii) ensure that the tender offer is conducted in an auction held at the B3 (iii) offer to pay a price per share as described below, and (iv) offer to pay cash in exchange for the shares, in Brazilian Reais.

The tender offer price per share issued, provided that CVM regulations do not require the adoption of calculation criteria that would lead to a greater acquisition price, in which case, such CVM criteria would prevail, shall not be less than the higher amount among: (i) the market value of our share established in an expert valuation report prepared and approved by shareholders in accordance with our bylaws; (ii) 150% of the share price established in the most recent capital increase made through public offering within the 24-month period preceding the date on which the tender offer becomes mandatory, adjusted by the IPC-A index *pro rata* until actual payment; or (iii) 150% of the average listing price of our shares during the 90-day period preceding the tender offer on the stock exchange where they are mostly traded.

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Launch of such a tender offer does not preclude other shareholders, or even us, from launching a competing tender offer in accordance with the applicable regulations.

In the event the acquiring shareholder fails to perform the obligations set forth in our bylaws, our board of directors shall call a special shareholders' meeting to approve the suspension of the shareholder rights of such defaulting shareholder, without prejudice to losses and damages that may be claimed from it.

Any proposed amendment to limit our shareholders' right to conduct a tender offer or to exclude it will impose on the shareholder(s) voting in favor of said amendment or exclusion at such shareholders' meeting, the obligation of conducting such tender offer. Each shareholder shall have the right to one vote in any special shareholders' meeting called to decide on amendments or elimination of such provisions of our bylaws.

**Suspension of Rights of Acquiring Shareholders for Violation of Our Bylaws**

In the event an acquiring shareholder violates the provisions of our by-laws regarding the need to conduct a public tender offer in the event of a change of our control or the acquisition of shares representing 15% or more of our common shares, the rights of such acquiring shareholder will be suspended pursuant to a resolution passed at our shareholders' meeting, which must be convened in the event of such noncompliance. The acquiring shareholder will not be entitled to vote at such meeting.

**Public Meeting with Analysts**

Pursuant to *Novo Mercado* regulations, at least once a year we must hold a public meeting with analysts and any other interested parties to disclose information regarding our projects and forecasts, as well as our economic and financial situation.

**Annual Calendar**

Pursuant to the *Novo Mercado* regulations, we must, by the end of January of each year, publicly disclose and send to the B3 an annual calendar with a schedule of our corporate events. Any subsequent modification to such schedule must be immediately and publicly disclosed and sent to the B3.

**Duty to Disclose Related Party Transactions**

Pursuant to the *Novo Mercado* regulations, we must publicly disclose and send to the B3 information about any contract between us and our related parties or managers of our related parties, whenever the amount of such contract in any one-year period reaches the greater of R\$0.2 million or 1% of our shareholders' equity.

The disclosure must specify the contract's object, term, amount, termination conditions and impact, if any, on our business and management.

Additionally, pursuant to CVM rules, in the event a related party has interest in the approval of any matter by our shareholders at a shareholders' meeting, we must inform our shareholders of at least: the name and qualifications of the related party; the relationship between us and the related party; the amount of our common shares and other securities, directly or indirectly, held by the related party; all credits and amounts outstanding between us and the related party; a description of the transaction submitted to shareholders' meeting approval; management's recommendation in relation to the proposed related party transaction, indicating our advantages and disadvantages; and, in the event of an intercompany transaction, an affirmation by our management that the transaction was conducted at an arms-length basis or that the compensation is appropriate, and analysis of the related party transaction's terms and conditions in relation to the terms and conditions of similar transactions entered into by third parties. See "Item 7—Major Shareholders and Related Party Transactions."

**Description of Outstanding Warrants**

On March 15, 2006, our board of directors approved the issuance to our founding shareholders of two series of warrants to acquire our common shares. The first series of such warrants, or "First Series Warrants," consists of 256,000 warrants, and the second series, or the "Second Series Warrants," consists of an additional 256,000 warrants. Such warrants were delivered to our founding shareholders in proportion to their respective interests in our capital stock on the date such warrants were issued. The First Series Warrants grant their holders the right to acquire such number of our common shares as will represent 20% of our total capital stock on the date such warrants are exercised, and the Second Series Warrants grant their holders the right to acquire such number of our common shares as will represent an additional 20% of our total capital stock on the date such warrants are exercised. We believe that these warrants are an incentive and contribute to ensure our founding shareholders' commitment towards the development of our activities and the implementation of the business plan prepared by them.



[Table of Contents](#)**First Series Warrants**

The First Series Warrants will grant their holders the right to acquire our common shares at an exercise price of R\$1,000 per share which was the issue price per share in our 2006 initial public offering, subject to the price adjustment described below.

We believe that the First Series Warrants represent an efficient mechanism of compensating our founding shareholders as those securities will only represent an economic gain in a scenario of a rising share price for our shares. The remuneration provided by the First Series Warrants will not interfere with our results or financial condition as a gain to our founding shareholders will be generated by market conditions. The principal terms of the First Series Warrants are as follows:

***Series and Right to Acquire Common Shares***

The First Series Warrants were issued in three sub-series, which differ in relation to the date on which their respective rights to acquire shares becomes effective. All three sub-series of the First Series Warrants are currently exercisable and tradable. The First Series Warrants expire on the date 15 years after the publication in Brazil of the notice of completion of our initial public offering (*Anúncio de Encerramento*), which notice was published on May 15, 2006.

***Warrant Shares***

Each lot of 1,000 warrants of the First Series Warrants originally entitled its respective holder to acquire one of our common shares, subject to the adjustments described in “Item 10—Additional Information—Adjustment of the Number of Common Shares for Subscription” below.

***Adjustment of the Number of Common Shares for Subscription***

If we issue shares that do not result from the exercise of the rights conferred under the warrants, the number of shares to which the warrants grant rights will be adjusted. Such increase in the number of shares that may be acquired by the holders of the warrants shall be proportional to such number of shares newly issued by us in relation to the number of shares existing before such issuance. Accordingly, holders of warrants whose rights had not yet been exercised shall be entitled to maintain the right to subscribe the same percentage interest in our capital stock as they were entitled to prior to such new issuance. The number of shares granted upon the exercise of the warrants will also be adjusted in order to reflect capital reductions, stock splits, reverse stock splits and share bonuses transactions, if any. Such adjustments will also apply to the issue of new warrants, debentures or other securities convertible into our common shares.

***Exercise Price***

The exercise price of the First Series Warrants was originally equivalent to the issue price per share in our 2006 initial public offering, i.e., R\$1,000.00 (a thousand reais) per share. However, such exercise price is subject to certain adjustments and restatements as set forth at our board of directors meeting held on March 15, 2006.

If new shares that do not result from the exercise of our warrants are issued, the exercise price of the warrants shall be adjusted to reflect the price per share of such subsequent offerings. Such calculation will be made based on: (i) the total amount in Reais of our capital stock after our 2006 initial public offering, excluding amounts relating to retained profits converted into equity, plus (ii) the total proceeds in Reais received by us from any subsequent issuance of shares after our 2006 initial public offering that do not result from any exercise of our warrants, divided by (iii) the total number of shares outstanding after our 2006 initial public offering in addition to the shares issued thereafter, not including any shares issued as a result of any exercise of our warrants. The exercise price resulting from the application of such rules is also subject to the adjustment procedures set forth in the following paragraph.

### ***Exercise Price Adjustment***

For purposes of adjustment of the exercise price of the First Series Warrants, the amounts set forth in items (1) and (2) in the paragraph above shall be adjusted, respectively, from (a) the date of the announcement of commencement of our 2006 initial public offering and (b) the date of each new issuance of shares made by us that does not result from any exercise of our warrants, based on the Compounded Consumer Price Index (IPC-A), during the period, if such periods are equal to or longer than 12 months. On June 30, 2017, the exercise price of the First Series Warrants was R\$18.75 per share.

### ***Exercise of Rights***

The First Series Warrants may be exercised by their holders upon at least five business day advance notice to us.

### ***Characteristics of the Common Shares for Subscription***

The shares to be acquired pursuant to the First Series Warrants will be entitled to the same rights granted to other shares.

### ***Holders of First Series Warrants***

As of September 30, 2017, the holders of our First Series Warrants are:

<b>Holder</b>	<b>Number</b>	<b>%</b>
Agro Managers	4,364	1.70
Cape Town LLC	64,000	25.00
Cresud	177,004	69.14
Others	10,632	4.15
Total	256,000	100

### ***Second Series Warrants***

The Second Series Warrants grant their holders the right to acquire our common shares only in the event of (i) a transfer of control in accordance with our bylaws, the *Novo Mercado* listing regulations and CVM rules, (ii) the acquisition of a significant interest in our capital stock in accordance with our bylaws, or (iii) a mandatory tender offer in accordance with CVM regulations. In any of these events, a tender offer for the acquisition of all of our shares must be made. The exercise price for the shares underlying the Second Series Warrants will be equal to the price established in such tender offer.

The purpose of creating the Second Series Warrants was to provide our founding shareholders with a mechanism that would allow them under certain circumstances to maintain their interest in our capital stock. The principal terms of the Second Series Warrants are described below.

### ***Series and Right to Acquire Common Shares***

The Second Series Warrants were issued on March 15, 2006. The Second Series Warrants expire on the date 15 years after the publication in Brazil of the notice of completion of our initial public offering (Anúncio de Encerramento), which notice was published on May 15, 2006. The Second Series Warrants may be exercised by their holders only under the following circumstances:

*Transfer of control:* In the event of a transfer of control of our company, as prescribed by articles 41, 42 and 43 of our by-laws, the *Novo Mercado* listing regulations and CVM rules, provided that the resulting business or business group has no direct participation of our founding shareholders or persons related to them. The Second Series Warrants in this case must be exercised within ten business days of the publication of the tender offer made in connection with such transfer of control.

*Acquisition of significant interest:* In the event of an acquisition by any shareholder, individually or jointly with other shareholders, of an interest in our company representing an amount equal to or greater than 20% of our capital stock, as prescribed by article 44 of our by-laws, provided that the resulting business or business group has no direct participation of our founding shareholders or persons related to them. The Second Series Warrants in this case must be exercised within ten business days of the publication of the tender offer made in connection with such acquisition of a significant interest.

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**Mandatory tender offer in accordance with CVM rules:** In the event a mandatory tender offer is made for our shares under CVM regulations, provided that the resulting business or business group has no direct participation of our founding shareholders or persons related to them. The Second Series Warrants in this case must be exercised within ten business days of the publication of such mandatory tender offer.

***Transferability***

The Second Series Warrants may be transferred only among our founding shareholders, their controlling shareholder or their affiliates.

***Warrant Shares***

Each lot of 1,000 warrants of the Second Series Warrants originally entitled its respective holder to acquire one of our common shares, subject to the adjustments described in “Item 10—Additional Information—Adjustment of the Number of Common Shares for Subscription” below.

***Adjustment of the Number of Common Shares for Subscription***

If we issue shares that do not result from the exercise of the rights conferred under the warrants, the number of shares to be issued upon exercise of the warrants will be adjusted. Such increase in the number of shares that may be subscribed by the holders of the warrants shall be proportional to such number of shares newly issued by us in relation to the number of shares existing before such issuance. Accordingly, holders of warrants whose preemptive rights had not yet been exercised shall be entitled to maintain the right to subscribe the same percentage interest in our capital stock as they were entitled to prior to such new issuance. The number of shares granted upon the exercise of the warrants will also be adjusted in order to reflect capital reductions, stock splits, reverse stock splits and share bonuses transactions, if any. Such adjustments will also apply to the issue of new warrants, debentures or other securities convertible into our common shares.

***Exercise Price***

The exercise price of the Second Series Warrants will be equal to the tender offer prices described above under “—Second Series Warrants.”

***Exercise of Rights***

The right conferred by the Second Series Warrants may be exercised by their holders by sending notice to us within ten business days from the date of the public announcement of the applicable tender offer. The Second Series Warrants may be exercised only if our founding shareholders continue to own in the aggregate at least 80% of the number of shares held by them immediately after consummation of our 2006 initial public offering. On the date hereof, our founding shareholders own 100% of the number of shares they held immediately after the consummation of our 2006 initial public offering.

***Characteristics of the Common Shares for Subscription***

The shares to be acquired under the Second Series Warrants will be entitled to the same rights granted to our other shares.

***Holders of Second Series Warrants***

As of the date of this Annual Report, the holders of our Second Series Warrants are:

Holder	Number	%
Agro Managers	4,364	1.70
Cape Town LLC	64,000	25.00
Cresud	177,004	69.14
Others	10,632	4.15
Total	256,000	100

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***Adjustment in the Event of a Corporate Restructuring***

In the event of any corporate restructuring or similar action, apart from such events mentioned above and which may have an impact on or represent a reduction of the rights of the holders of the First Series Warrants or the Second Series Warrants, it is stipulated in the meeting of our board of directors held on March 15, 2006 that we shall use our best efforts to negotiate with the holders of the First Series Warrants and Second Series Warrants, as appropriate, to set forth new exercise conditions, seeking to preserve the rights originally granted to the holders of such warrants, their economic and corporate value, the amount of underlying shares and their exercise price. For the purpose of such negotiation, decisions by the holders of the warrants shall be determined through a majority vote, and the holders of the First Series Warrants and the Second Series Warrants shall negotiate and vote separately. Any disputes will be submitted to the Arbitration Chamber of the B3 (*Câmara de Arbitragem do Mercado*) pursuant to our bylaws.

**C. Material Contracts**

See “Item 4—Information on the Company—Business Overview—Material Agreements.”

**D. Exchange Controls**

There are no restrictions on ownership or voting of our capital stock by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments, interest on shareholders’ equity payments and proceeds from the sale of our capital stock into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation and foreign exchange regulations, which generally require, among other things, the registration of the relevant investment with the Central Bank and the CVM.

Investments in our common shares by (i) a holder not deemed to be domiciled in Brazil for Brazilian tax purposes, (ii) a non-Brazilian holder who is registered with the CVM under Resolution No. 4,373, or (iii) the depositary, are eligible for registration with the Central Bank. This registration (the amount so registered is referred to as registered capital) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized through, dispositions of our common shares. The registered capital per common share purchased in the form of an American Depositary Security, or ADS, or purchased in Brazil and deposited with the depositary in exchange for an ADS, will be equal to its purchase price (stated in U.S. dollars). The registered capital per common share withdrawn upon cancellation of a Common ADS will be the U.S. dollar equivalent of (1) the average price of a common share on the B3 on the day of withdrawal, or (2) if no common shares were traded on that day, the average price on the B3 in the 15 trading sessions immediately preceding such withdrawal. The U.S. dollar equivalent will be determined on the basis of the average commercial market rates quoted by the Central Bank on the relevant dates.

***Annex V Regulations***

Resolution No. 1,927 of the National Monetary Council, as amended, provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. It restates and amends Annex V to Resolution No. 1,289 of the National Monetary Council, known as the Annex V Regulations. The ADS program was approved under the Annex V Regulations by the Central Bank and the CVM prior to the issuance of the ADSs. Accordingly, the proceeds from the sale of ADSs by ADR holders outside Brazil are not subject to Brazilian foreign investment controls, and holders of the ADSs who are not resident in a Tax Haven Jurisdiction are entitled to favorable tax treatment. See “Item 10—Additional Information—Taxation—Brazilian Tax Considerations.”

We pay dividends and other cash distributions with respect to our common shares in Reais. We have obtained an electronic certificate of foreign capital registration from the Central Bank in the name of the depositary with respect to our ADSs to be maintained by the custodian on behalf of the depositary. Pursuant to this registration, the custodian is able to convert dividends and other distributions with respect to our common shares represented by ADSs into foreign currency and remit the proceeds outside Brazil to the depositary so that the depositary may distribute these proceeds to the holders of record of the ADSs.

Investors residing outside Brazil may register their investments in our shares as foreign portfolio investments under Resolution No. 4,373 (described below) or as foreign direct investments under Law No. 4,131 (described below). Registration under Resolution No. 4,373 or Law No. 4,131 generally enables non-Brazilian investors to convert dividends, other distributions and sales proceeds received in connection with registered investments into foreign currency and to remit such amounts outside Brazil. Registration under Resolution No. 4,373 affords favorable tax treatment to non-Brazilian portfolio investors who are not resident in a Tax Haven Jurisdiction. See “Item 10—Additional Information—Taxation—Brazilian Tax Considerations.”

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In the event that a holder of ADSs exchanges those ADSs for the underlying common shares or preferred shares, the holder must:

- sell those shares on the B3 and rely on the depositary's electronic registration for five business days from the date of exchange to obtain and remit U.S. dollars outside Brazil upon the holder's sale of our preferred shares;
- convert its investment in those shares into a foreign portfolio investment under Resolution No. 4,373; or
- convert its investment in those shares into a direct foreign investment under Law No. 4,131.

The custodian is authorized to update the depositary's electronic registration to reflect conversions of ADSs into foreign portfolio investments under Resolution No. 4,373.

If a holder of ADSs elects to convert its ADSs into a foreign direct investment under Law No. 4,131, the conversion will be effected by the Central Bank after receipt of an electronic request from the custodian with details of the transaction. If a foreign direct investor under Law No. 4,131 elects to deposit its common shares or preferred shares into the relevant ADR program in exchange for ADSs, such holder will be required to present to the custodian evidence of payment of capital gains taxes. The conversion will be effected by the Central Bank after receipt of an electronic request from the custodian with details of the transaction. See "Item 10—Additional Information—Taxation—Brazilian Tax Considerations" for details of the tax consequences to an investor residing outside Brazil of investing in our common shares or preferred shares in Brazil.

If a holder of ADSs wishes to convert its investment in our shares into either a foreign portfolio investment under Resolution No. 4,373 or a foreign direct investment under Law No. 4,131, it should begin the process of obtaining its own foreign investor registration with the Central Bank or with the CVM, as the case may be, in advance of exchanging the ADSs for the underlying common shares or preferred shares. A non-Brazilian holder of common shares may experience delays in obtaining a foreign investor registration, which may delay remittances outside Brazil, which may in turn adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder.

Unless the holder has registered its investment with the Central Bank, the holder may not be able to convert the proceeds from the disposition of, or distributions with respect to, such common shares or preferred shares into foreign currency or remit those proceeds outside Brazil. In addition, if the non-Brazilian investor resides in a Tax Haven Jurisdiction or is not an investor registered under Resolution No. 4,373, the investor will be subject to less favorable tax treatment than a holder of ADSs. See "Item 10—Additional Information—Taxation—Brazilian Tax Considerations."

#### **Resolution 4,373**

On September 29, 2014, the CMN issued Resolution No. 4,373, which provides for the new mechanism for non-resident investments in the Brazilian financial and capital markets. Resolution No. 4,373 became effective on March 30, 2015. Resolution No. 4,373 was the prior mechanism for that and its provisions were significantly the same as the ones described below.

All investments made by a non-Brazilian investor under Resolution No. 4,373 are subject to an electronic registration with the Central Bank. This registration permits non-Brazilian investors to convert dividend payments, interest on shareholders' equity payments and proceeds from the sale of our share capital into foreign currency and to remit such amounts outside Brazil.

Under Resolution No. 4,373, non-Brazilian investors registered with the CVM may invest in almost all financial assets and engage in almost all transactions available to Brazilian investors in the Brazilian financial and capital markets without obtaining a separate Central Bank registration for each transaction, provided that certain requirements are fulfilled. Under Resolution No. 4,373, the definition of a non-Brazilian investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered outside Brazil.

Pursuant to Resolution No. 4,373, non-Brazilian investors must:

- appoint at least one representative in Brazil with powers to take action relating to its investments;

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- appoint an authorized custodian in Brazil for its investments, which must be a financial institution duly authorized by the Central Bank and CVM;
- complete the appropriate foreign investor registration forms;
- register as a non-Brazilian investor with the CVM;
- register its investments with the Central Bank; and
- obtain a taxpayer identification number from the Brazilian federal tax authorities.

The securities and other financial assets held by a non-Brazilian investor pursuant to Resolution No. 4,373 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM or be registered in registration, clearing and custody systems authorized by the Central Bank or by the CVM. In addition, the trading of securities held under Resolution No. 4,373 is restricted to transactions carried out on stock exchanges or through organized over-the-counter markets licensed by the CVM.

The offshore transfer or assignment of the securities or other financial assets held by non-Brazilian investors pursuant to Resolution No. 4,373 are prohibited, except for transfers resulting from a corporate reorganization effected abroad by a non-Brazilian investor, or occurring upon the death of an investor by operation of law or will.

**Law 4,131**

To obtain a certificate of foreign capital registration from the Central Bank under Law No. 4,131, a foreign direct investor must:

- register as a foreign direct investor with the Central Bank;
- obtain a taxpayer identification number from the Brazilian tax authorities;
- appoint a tax representative in Brazil; and
- appoint a representative in Brazil for service of process in respect of suits based on the Brazilian corporate law.

Foreign direct investors under Law No. 4,131 may sell their shares in either private or open market transactions, but these investors will generally be subject to less favorable tax treatment on gains with respect to our common or preferred shares. See “Item 10—Additional Information—Taxation—Brazilian Tax Considerations.”

**E. Taxation**

The following discussion contains a description of the material Brazilian and U.S. federal income tax consequences of the acquisition, ownership and disposition of our common shares or ADSs. The following discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, hold or dispose of our common shares or ADSs. This discussion is based upon the tax laws of Brazil and the United States and regulations under these tax laws as currently in effect, which are subject to change.

Although there is at present no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may culminate in such a treaty. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect the U.S. holders of our common shares or ADSs.

Prospective purchasers of our common shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of our common shares or ADSs in their particular circumstances.

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***Brazilian Tax Considerations***

The following discussion contains a description of the material Brazilian tax consequences, subject to the limitations set forth herein, of the acquisition, ownership and disposition of our common shares or ADSs by a holder not deemed to be domiciled in Brazil for purposes of Brazilian taxation, or a Non-Resident Holder. This discussion is based on the tax laws of Brazil and regulations thereunder in effect on the date hereof, which are subject to change (possibly with retroactive effect). This discussion does not specifically address all of the Brazilian tax considerations that may be applicable to any particular Non-Resident Holder. Therefore, each Non-Resident Holder should consult its own tax advisor about the Brazilian tax consequences of an investment in our common shares or ADSs.

Individuals domiciled in Brazil and Brazilian companies are taxed in Brazil on the basis of their worldwide income which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates. The earnings of branches of foreign companies and non-Brazilian residents, or nonresidents, in general are taxed in Brazil only on income derived from Brazilian sources.

***Dividends***

Dividends paid by a Brazilian corporation, such as us, including stock dividends and other dividends paid to a Non-Resident Holder of our common shares or ADSs, are currently not subject to income tax withholding in Brazil to the extent that such amounts are related to profits generated after January 1, 1996. Dividends paid from profits generated before January 1, 1996 may be subject to Brazilian income tax withholding at varying rates, according to the tax legislation applicable to each corresponding year.

On September 16, 2013, Brazilian tax authorities issued Normative Ruling 1,397/13, which, among other things, established rules regarding the withholding tax exemption on dividend distributions. According to Normative Ruling 1,397/13, the withholding tax exemption on dividend income would only be applicable to dividends distributed out of profits determined in accordance with Brazilian accounting rules that were effective until December 31, 2007 (old Brazilian GAAP). In this sense, if (i) taxpayers make dividend distributions based on new Brazilian accounting rules already conforming to IFRS principles, and (ii) such distributions are made in excess of the dividends that could have been distributed had the profits been determined in accordance with Brazilian accounting rules that were effective until December 31, 2007, the "excess distribution" would be deemed as taxable income in the hands of the beneficiary and subject to withholding income tax at the rate of 15% or 25%.

With the enactment of Law 12,973/14, this taxation has been eliminated, since this law determined the exemption of Income Tax on the excess distribution of dividends provided that these have been assessed from 2008 to 2013 and from 2015 onwards. The risk for the dividends paid in excess remains only with respect to profit accrued in 2014 for legal entities that have not opted for the advance of effects of Law 12,973/14 for 2014, due to the provisions of RFB Regulatory Instruction 1,492/14.

***Interest on Shareholders' Equity***

Law No. 9,249, dated December 26, 1995, as amended, allows a Brazilian corporation, such as us, to make distributions to shareholders of interest on shareholders' equity, and treat those payments as a deductible expense for purposes of calculating Brazilian corporate income tax, and, since 1997, social contribution tax on net profit as well, as long as the limits described below are observed. These distributions may be paid in cash. For tax purposes, the deductible amount of this interest is limited to the daily pro rata variation of the TJLP, as determined by the Central Bank from time to time, and the amount of the deduction may not exceed the greater of:

- 50% of net income (after the deduction of social contribution tax on net profit but before taking into account the provision for corporate income tax and the amounts attributable to shareholders as interest on shareholders' equity) for the period in respect of which the payment is made; and
- 50% of the sum of retained profits and income reserves as of the date of the beginning of the period in respect of which the payment is made.

Payment of interest on shareholders' equity to a Non-Resident Holder is subject to withholding income tax at the rate of 15%, or 25% if the Non-Resident Holder is domiciled in (i) a country or location that does not impose income tax, or (ii) where the maximum income tax rate is lower than 20.0%, or (iii) a Tax Haven Jurisdiction. See "Interpretation of the Discussion of the Definition of "Tax Haven Jurisdictions" below.

These payments of interest on shareholders' equity to a Non-Resident Holder may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest on shareholders' equity is so included, we are required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable income tax withholding, plus the amount of declared dividends, is at least equal to the mandatory dividend.



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Payments of interest on shareholders' equity are decided by our shareholders, at our annual shareholders meeting, on the basis of recommendations of our board of directors. No assurance can be given that our board of directors will not recommend that future distributions of profits should be made by means of interest on shareholders' equity instead of by means of dividends.

*Taxation of Gains*

Under Law No. 10,833, enacted on December 29, 2003, the gain on the disposition or sale of assets located in Brazil by a Non-Resident Holder, whether to another non-Brazilian resident or to a Brazilian resident, may be subject to income tax withholding in Brazil.

With respect to the disposition of our common shares, as they are assets located in Brazil, the Non-Resident Holder should be subject to income tax on the gains assessed, following the rules described below, regardless of whether the transactions are conducted in Brazil or with a Brazilian resident.

With respect to our ADSs, although the matter is not entirely clear, arguably the gains realized by a Non-Resident Holder upon the disposition of ADSs to another non-Brazilian resident will not be taxed in Brazil, on the basis that ADSs are not "assets located in Brazil" for the purposes of Law No. 10,833. We cannot assure you, however, that the Brazilian tax authorities or the Brazilian courts will agree with this interpretation. As a result, gains on a disposition of ADSs by a Non-Resident Holder to a Brazilian resident, or even to a non-Brazilian resident, in the event that courts determine that ADSs would constitute assets located in Brazil, may be subject to income tax in Brazil according to the rules applicable to our common shares, described below.

As a general rule, gains realized as a result of a disposition of our common shares or ADSs are the positive difference between the amount realized on the transaction and the acquisition cost of our common shares or ADSs.

Under Brazilian law, however, income tax rules on such gains can vary depending on the domicile of the Non-Resident Holder, the type of registration of the investment by the Non-Resident Holder with the Central Bank and how the disposition is carried out, as described below.

Gains realized on a disposition of shares carried out on a Brazilian stock exchange (which includes the organized over-the-counter market) are:

- exempt from income tax when realized by a Non-Resident Holder that (1) has registered its investment in Brazil with the Central Bank under the rules of Resolution 4,373 (a "4,373 Holder"), and (2) is not a resident in a country or location which is defined as a Tax Haven Jurisdiction for those purposes; or
- subject to income tax at a rate of 15% in the case of gains realized by (A) a Non-Resident Holder that (1) is not a 4,373 Holder and (2) is not a Tax Haven Jurisdiction resident; or by (B) a Non-Resident Holder that (1) is a 4,373 Holder, and (2) is a Tax Haven Jurisdiction resident. In this case, a withholding income tax of 0.005% shall be applicable and withheld by the intermediary institution (i.e. a broker) that receives the order directly from the Non-Resident Holder, which can be later offset against any income tax due on the capital gain earned by the Non-Resident Holder; and
- subject to income tax at a rate of up to 25% in any other case, including a case of gains assessed by a Non-Resident Holder that is not a 4,373 Holder, and is a Tax Haven Jurisdiction resident for this purpose (as described below). In these cases, a withholding income tax of 0.005% of the sale value will be applicable and can be later offset with the eventual income tax due on the capital gain.

In the case of redemption of securities or capital reduction by a Brazilian corporation, such as us, the positive difference between the amount effectively received by the Non-Resident Holder and the corresponding acquisition cost is treated, for tax purposes, as capital gain derived from sale or exchange of shares not carried out on a Brazilian stock exchange market, and is therefore subject to income tax at the rate of 15% or 25%, as the case may be.

The deposit of our common shares in exchange for ADSs will be subject to Brazilian income tax if the acquisition cost of the shares is lower than (1) the average price per share on a Brazilian stock exchange on which the greatest number of such shares were sold on the day of deposit, or (2) if no shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of shares were sold in the 15 trading sessions immediately preceding such deposit. In such case, the difference between the acquisition cost and the average price of the shares calculated as above will be considered to be a capital gain subject to income tax withholding at the rate of 15% or 25%, as the case may be. In some circumstances, there may be arguments to claim that this taxation is not applicable in the case of a Non-Resident Holder that is a 4,373 Holder and is not a resident in a Tax Haven Jurisdiction for this purpose. The availability of these arguments to any specific holder of our common shares will depend on the circumstances of such holder. Prospective holders of our common shares should consult their own tax advisors as to the tax consequences of the deposit of our common shares in exchange for ADSs.

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Any exercise of preemptive rights relating to our common shares or ADSs will not be subject to Brazilian taxation. Any gain on the sale or assignment of preemptive rights relating to our common shares, including the sale or assignment carried out by the depositary, on behalf of Non-Resident Holders of ADSs, will be subject to Brazilian income taxation according to the same rules applicable to the sale or disposition of our common shares.

*Interpretation of the Discussion on the Definition of “Tax Haven Jurisdictions”*

On November 28, 2014 Brazilian tax authorities enacted Normative Instruction No. 488 listing (i) the countries and jurisdictions considered Tax Haven Jurisdictions (countries and jurisdictions that do not tax income or tax it at a rate below 17% or where the local legislation does not allow access to information related to the shareholding composition of legal entities or to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents), and (ii) the privileged tax regimes, which definition is provided by Law No. 11,727, of June 23, 2008. Although we believe that the best interpretation of the current tax legislation could lead to the conclusion that the above mentioned “privileged tax regime” concept should apply solely for purposes of Brazilian transfer pricing and thin capitalization rules, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a “privileged tax regime” provided by Law No. 11,727 will also apply to a Non-Resident Holder on payments potentially made by a Brazilian source.

We recommend prospective investors to consult their own tax advisors from time to time to verify any possible tax consequences arising of Normative Instruction No. 1,037 and Law No. 11,727. If the Brazilian tax authorities determine that the concept of “privileged tax regime” provided by Law No. 11,727 will also apply to a Non-Resident Holder on payments potentially made by a Brazilian source the withholding income tax applicable to such payments could be assessed at a rate up to 25%.

*Tax on Foreign Exchange Transactions (IOF/Exchange Tax)*

Brazilian law imposes the IOF/Exchange Tax on the conversion of Reais into foreign currency and on the conversion of foreign currency into Reais. Foreign exchange agreements entered into as from October 7, 2014 in connection with inflows of funds related to investments carried out by Non-Resident Holders in the Brazilian financial and capital markets are subject to the IOF/Exchange Tax at a zero percent rate. Foreign exchange transactions related to outflows of funds in connection with investments made in the Brazilian financial and capital markets are subject to IOF/Exchange Tax at a zero percent rate. This zero percent rate applies to payments of dividends and interest on shareholders' equity to Non-Resident Holders with respect to investments in the Brazilian financial and capital markets. Other than these transactions, the rate applicable to most foreign exchange transactions is 0.38%. Other rates may apply to particular transactions and the Brazilian government may increase the rate at any time up to 25% on the foreign exchange transaction amount. However, any increase in rates is only authorized to apply to future transactions.

*Tax on Transactions Involving Bonds and Securities (IOF/Securities Tax)*

Brazilian law also imposes the IOF/Securities Tax due on transactions involving bonds and securities, including those carried out on a Brazilian stock exchange. The rate of the IOF/Securities Tax applicable to transactions involving our common shares is currently zero. However, the rate of the IOF/Securities Tax applicable to the transfer of our common shares with the specific purpose of enabling the issuance of ADSs is currently zero. This rate is applied on the product of (1) the number of shares which are transferred, multiplied by (2) the closing price for those shares on the date prior to the transfer or, if such closing price is not available on that date, the last available closing price for those shares. The Brazilian government may increase the rate of the IOF/Securities Tax at any time up to 1.5% per day of the transaction amount, but only in respect of transactions carried out after the increase in rate enters into force.

*Other Brazilian Taxes*

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of our common shares or ADSs by a Non-Resident Holder except for gift and inheritance taxes levied by some states in Brazil. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by Non-Resident Holders of our common shares or ADSs.

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***U.S. Federal Income Tax Considerations***

The following summary describes the material U.S. federal income tax consequences of the purchase, ownership, and disposition of our common shares and ADSs as of the date hereof. Except where noted, this discussion deals only with U.S. Holders (as defined below) that hold our common shares or ADSs as capital assets for U.S. federal income tax purposes (generally, property held for investment). This summary does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person that received our common shares or ADSs as compensation for the performance of services;
- a person holding our common shares or ADSs as part of a hedging, integrated or conversion transaction or a straddle;
- a person deemed to sell common shares or ADSs under the constructive sale provisions of the Internal Revenue Code of 1986, as amended (the “Code”);
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a partnership or other pass-through entity for U.S. federal income tax purposes; or
- a person whose “functional currency” is not the U.S. dollar.

As used herein, “U.S. Holder” means a beneficial owner of our common shares or ADSs that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The discussion below is based upon the provisions of the Code, and regulations, rulings and judicial decisions thereunder at the date hereof, and such authorities may be repealed, revoked or modified (possibly on a retroactive basis) so as to result in U.S. federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

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If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds our common shares or ADSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common shares or ADSs, you should consult your tax advisors.

This summary does not contain a detailed description of all the U.S. federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income or the effects of any state, local or non-U.S. tax laws.

**If you are considering the purchase, ownership or disposition of our common shares or ADSs, you should consult your own tax advisors concerning the U.S. federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other tax jurisdiction.**

*ADSs*

If you hold ADSs, for U.S. federal income tax purposes, you generally will be treated as the owner of the underlying common shares that are represented by such ADSs. Accordingly, deposits or withdrawals of our common shares for ADSs will not be subject to U.S. federal income tax.

*Taxation of Distributions*

Subject to the discussion under “—Passive Foreign Investment Company” below, distributions on our common shares or ADSs (including amounts withheld to reflect Brazilian withholding taxes and distributions of interest on shareholders’ equity, as described above under “—Brazilian Tax Considerations”) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such dividends (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of our common shares, or by the depository, in the case of our ADSs. Such dividends, however, will not be eligible for the dividends received deduction allowed to corporations.

Under current law, dividends received by non-corporate U.S. shareholders of qualified foreign corporations will be subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. A foreign corporation generally is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. U.S. Treasury Department guidance indicates that our ADSs (which are listed on the NYSE), but not our common shares, are readily tradable on an established securities market in the United States. Thus, we do not believe that dividends that we pay on our common shares that are not represented by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your tax advisors regarding the application of this legislation to your particular circumstances.

Notwithstanding the foregoing, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a passive foreign investment company (a “PFIC”) in the taxable year in which such dividends are paid or in the preceding taxable year (as discussed under “—Passive Foreign Investment Company” below).

The amount of any dividend paid in Reais will equal the U.S. dollar value of the Reais received, calculated by reference to the exchange rate in effect at the date the dividend is actually or constructively received by you, in the case of our common shares, or by the depository, in the case of our ADSs, regardless of whether the Reais are converted into U.S. dollars at that time. If the Reais received as a dividend are not converted into U.S. dollars at the date of receipt, you will have a tax basis in the Reais equal to their U.S. dollar value at the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Reais will be treated as U.S. source ordinary income or loss.

Subject to certain conditions and limitations, Brazilian withholding taxes on dividends may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on our common shares or ADSs will be treated as income from sources outside the United States and will generally constitute passive category income. Further, in certain circumstances, if you have held our common shares or ADSs for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on our common shares or ADSs. If you do not elect to claim a U.S. foreign tax credit, you may instead claim a deduction for Brazilian income tax withheld, but only for a taxable year in which you elect to do so with respect to all foreign income taxes paid or accrued in such taxable year. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

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To the extent that the amount of any distribution (including amounts withheld to reflect Brazilian withholding taxes and distributions of interest on shareholders' equity, as described above under "—Brazilian Tax Considerations") exceeds our current and accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of our common shares or ADSs, and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange (as discussed below under "—Taxation of Capital Gains"). However, we do not expect to keep earnings and profits in accordance with U.S. federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Distributions of common shares or ADSs that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

*Passive Foreign Investment Company*

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income, or
- at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For purposes of determining whether we are a PFIC, cash is a passive asset and passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). In addition, income from commodities transactions is generally considered passive unless such income is derived in the active conduct of a commodities business. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

Based on the composition of our income and assets, including goodwill, we do not believe that we were classified as a PFIC for U.S. federal income tax purposes for our most recent taxable year. The rules in this regard are not entirely clear, however, and there can be no assurance that the Internal Revenue Service ("IRS") will not successfully assert a contrary position. In addition, the determination of whether we are a PFIC is made annually. Accordingly, it is possible that our status as a PFIC may change in any future taxable year due to changes in our asset or income composition. Although the determination of whether we are a PFIC is made annually, if we are a PFIC for any taxable year in which you hold our common shares or ADSs, you will be subject to special tax rules discussed below for that year and for each subsequent year in which you hold the common shares or ADSs (even if we do not qualify as a PFIC in such subsequent years). However, if we cease to be a PFIC, you can avoid the continuing impact of the PFIC rules by making a special election (a "Purging Election") to recognize gain in the manner described below as if your common shares or ADSs had been sold on the last day of the last taxable year during which we were a PFIC. In addition, a new holding period would be deemed to begin for your common shares or ADSs for purposes of the PFIC rules. After the Purging Election, your common shares or ADSs with respect to which the Purging Election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC. You are urged to consult your own tax advisor about the availability of this election, and whether making the election would be advisable in your particular circumstances.

If we are a PFIC for any taxable year during which you hold our common shares or ADSs, you will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of common shares or ADSs. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the common shares or ADSs will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the common shares or ADSs,

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- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

You will also generally be required to file IRS Form 8621 if you hold our common shares or ADSs in any year in which we are classified as a PFIC.

If we are a PFIC for any taxable year during which you hold our common shares or ADSs and any of our non-U.S. subsidiaries is also a PFIC, you will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the rules discussed above, with respect to excess distributions and recognized gains, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election may be available to holders of ADSs because the ADSs are listed on the NYSE, which constitutes a qualified exchange, although there can be no assurance that the ADSs will be “regularly traded” for purposes of the mark-to-market election. It should also be noted that only our ADSs and not our common shares are listed on a qualified stock exchange in the United States. Our common shares are listed on the B3, which must meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable U.S. Treasury regulations for purposes of the mark-to-market election, and no assurance can be given that our common shares will be “regularly traded” for purposes of the mark-to-market election.

If you make an effective mark-to-market election, you will include in each year that we are a PFIC as ordinary income the excess of the fair market value of your common shares or ADSs at the end of the year over your adjusted tax basis in the common shares or ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the common shares or ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, in each year that we are a PFIC any gain you recognize upon the sale or other disposition of your common shares or ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

Your adjusted tax basis in the common shares or ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the common shares or ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

Alternatively, you can sometimes avoid the rules described above by electing to treat a PFIC as a “qualified electing fund” under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

You are urged to consult your tax advisors concerning the U.S. federal income tax consequences of holding common shares or ADSs if we are considered a PFIC in any taxable year.

### *Taxation of Capital Gains*

You generally will recognize taxable gain or loss upon the sale, exchange or other taxable disposition of our common shares or ADSs equal to the difference between the amount realized on the sale, exchange or other taxable disposition of such common shares or ADSs and your adjusted tax basis in such common shares or ADSs. Subject to the discussion under “—Passive Foreign Investment Company” above, such gain or loss will generally be capital gain or loss. Capital gains or losses will be long-term capital gain or loss if our common shares or ADSs have been held for more than one year. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

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If a Brazilian income tax is withheld on the sale or other disposition of our common shares or ADSs, your amount realized will include the gross amount of the proceeds of that sale or other disposition before deduction of the Brazilian income tax. Capital gain or loss, if any, realized by you on the sale, exchange or other taxable disposition of our common shares or ADSs generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of gain from the disposition of common shares or ADSs that is subject to Brazilian income tax, you may not be able to benefit from the foreign tax credit for that Brazilian income tax (i.e., because the gain from the disposition would be U.S. source), unless you can apply the credit (subject to applicable limitations) against U.S. federal income tax payable on other income from foreign sources. Alternatively, you may take a deduction for the Brazilian income tax if you do not take a credit for any foreign taxes paid or accrued during the taxable year.

*Other Brazilian Taxes*

You should note that any Brazilian IOF/Exchange Tax or IOF/Securities Tax (as discussed above under “—Brazilian Tax Considerations”) generally will not be treated as a creditable foreign tax for U.S. federal income tax purposes, although you may be entitled to deduct such taxes, subject to applicable limitations under the Code. You should consult your tax advisors regarding the U.S. federal income tax consequences of these taxes.

*Information Reporting and Backup Withholding*

In general, information reporting will apply to dividends (including distributions of interest on shareholders’ equity) in respect of our common shares or ADSs and the proceeds from the sale, exchange or redemption of our common shares or ADSs that are paid to you within the United States (and in certain cases, outside the United States), unless you establish that you are an exempt recipient, such as a corporation. A backup withholding tax may apply to such payments if you fail to provide your correct taxpayer identification number or certification of exempt status or fail to report in full dividend and interest income.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of our common shares or ADSs. Each holder should consult such holder’s own tax advisor concerning the overall tax consequences to it, including the consequences under laws other than U.S. federal income tax laws, of an investment in our common shares or ADSs.**

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

We are subject to the reporting requirements of the Exchange Act, which requires that we file periodic reports and other information with the SEC. As a foreign private issuer, we file annual reports on Form 20-F as opposed to Form 10-K. We do not file quarterly reports on Form 10-Q but furnish reports on Form 6-K.

Our reports and other information filed by us with the SEC are available on the SEC website at <http://www.sec.gov> and may also be inspected and copied by the public at the public reference facilities maintained by the SEC at Station Place, 100 F Street, N.E., Room 1580, Washington, D.C. 20549.

From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information regarding our company is routinely posted on and accessible at [www.brasil-agro.com](http://www.brasil-agro.com). Information on our website is not incorporated by reference in this annual report.

We furnish The Bank of New York, as the depository of our ADSs, with annual reports in English, which include a review of operations and our audited consolidated financial statements prepared in accordance with IFRS, and our Annual Report on Form 20-F. Upon our request, the depository will promptly mail such reports to all record holders of ADSs. We also furnish to the depository, in English, all notices of shareholders’ meetings and other reports and communications that are made generally available to our shareholders. Upon our request, the depository will make such notices, reports and communications available to holders of ADSs and will mail to all record holders of ADSs a notice containing a summary of the information contained in any notice of a shareholders’ meeting it receives.



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As a foreign private issuer, we are exempt from the Exchange Act rules prescribing the furnishing and content of proxy statements. As a foreign private issuer, we are also exempt from the Exchange Act rules relating to short-swing profit disclosure and liability.

## **I. Subsidiary Information**

Not applicable.

### **ITEM 11—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risks arising in the normal course of our business. Market risks are beyond our control and consist of the possibility that changes in interest rates, exchange rates, the market prices of our products and credit risks may adversely affect the value of our financial assets and liabilities or our future cash flows or earnings.

#### ***Raw Material Acquisition Risks***

For the acquisition of farming inputs, our primary risks are foreign-exchange variations, the supply and demand of each input, farming commodity prices and freight prices. Our dependence on imported raw materials is also subject to supply and customs clearance delays. We are also subject to risks regarding the availability of the specific varieties of seeds we use, which are affected by weather conditions, among other factors.

In addition, the price of diesel fuel, which is the primary fuel used in farming machinery and trucks, is affected by the variation in oil prices as well as by the price-control policies adopted by the Brazilian government.

#### ***Foreign Exchange Risks***

Certain of our income is linked to the exchange rate between the real and the U.S. dollar, and consequently our revenues are impacted by foreign exchange fluctuations. Certain of our commodities, such as soybean, may be priced in reais or in U.S. dollars. In addition, certain of the inputs necessary for farming production, such as chemicals, pesticides and fertilizers, may be priced in or based on the U.S. dollar. In order to reduce the impact on revenue, we seek to limit our foreign exchange exposure to 5% of our total expected revenue from commodities typically priced in U.S. dollars.

On June 30, 2017, we had a long position in U.S. dollars in the amount of US\$3.5 million. The result of a hypothetical devaluation of 5% of the real in relation to the dollar would generate a profit before taxes of R\$0.34 million.

#### ***Interest Rate Risks***

Exposure to interest rates subjects us and our subsidiaries to risks arising from the effect of interest rate fluctuations on our financial assets and liabilities. A portion of our indebtedness is subject to fixed rates of interest, while only our financings with BNDES are subject to variable rates indexed to the TJLP rate. We do not engage in hedging transactions with respect to such financings because we believe the interest rates charged thereon are lower than typical rates in the Brazilian market.

If our volume of funds invested in financial instruments indexed to the CDI rate remains the same with June 30, 2017 as a base date, a hypothetical decrease in the CDI rate of 10% would reduce our income by R\$46.4 thousand monthly.

#### ***Farming Commodity Risks***

A reduction in commodity prices would affect our margins and operating results. Commodity price variations are associated with global supply and demand, as well as climatic, technological, commercial and economic conditions and government policies. To reduce these risks to us from commodity price variations, we use financial instruments such as derivatives and over-the-counter instruments including options and futures contracts negotiated in the commodities market throughout the ordinary course of our crop cycles, from the purchase of inputs to crop planting up until harvest. We believe that the maintenance of our current hedging policy is necessary to minimize the risks related to commodity price variations.

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On June 30, 2017, we had a short position in soybean derivatives (CBOT-futures, options and OTC contracts) in the total volume of 254.3 thousand bags.

Considering sales volumes hedged by derivatives and the soybean price as of June 30, 2017, we believe that a hypothetical decrease of 5% in the price of soybean not hedged by derivatives would decrease our expected revenues from grain sales for the next 12 months by R\$3.7 million.

### **Risk Management and Hedging Policies**

We are exposed to risks derived from commodity price variations for such products as soybean, corn, sugarcane, rice and sorghum, as well as foreign-exchange variations. We hedge our exposure to commodity price risks for our transactions through over-the-counter instruments and maintain our exposures within pre-established limits. Such financial instruments include (i) commodity price and exchange rate swap contracts; (ii) currency contracts that provide a fixed exchange rate in Reais for our dollar-denominated receivables and chargeables; (iii) commodity futures contracts for soybean, corn and ethanol that allow us to buy or sell commodities at predetermined prices; and (v) options contracts that allow us to acquire the right to buy or sell an asset at a preset price by a certain date. Since these transactions are normally made in U.S. dollars, we hedge our exposure to foreign-exchange risks by entering into contracts with fixed exchange rates. We have set our limit of foreign-exchange exposure to 5% of the total revenue expected from the sale of each commodity produced by us.

Our risk management policy seeks to protect our cash flows and expenditures, and thus we monitor the volatility and historical patterns of the primary market trends that affect our revenue and production costs, including (i) commodity prices, commonly determined in U.S. dollars; (ii) differences between domestic and international market prices of our commodities; (iii) exchange rates; and (iv) prices impacting our principal production costs, including, fertilizers, pesticides and chemicals.

In addition to monitoring these trends, our strategic planning department analyzes them in light of our exposures and positions in the market and prepares reports on a regular basis analyzing such risks in the light of simulations under various hypothetical situations indicating the effects on our results of different variations in market prices and conditions. Such analysis and reports include the monitoring and assessment of: (i) the status of the commercialization and delivery of our products; (ii) updates regarding our estimated planted area and production volumes; (iii) the distribution of sales by product and type (such as futures contracts, options, fixed term contracts); (iv) market analysis and historical comparisons of the prices, rates and other indices that affect our gross revenue; (v) risk analysis models and simulations such as the Monte Carlo simulation, that analyze the volatility and sensitivity of our assets and the correlations that exist among such assets; and (vi) stress test analyses under different scenarios. Such reports are then delivered to our risk management committee, which develops the goals and limits of our hedging strategy and our hedging policy, which is defined and approved by our board of directors. Our risk management committee then supervises our strategic planning department in the implementation and the execution of our hedging strategy.

### **ITEM 12 — DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

#### **A. Debt Securities**

Not applicable.

#### **B. Warrants and Rights**

Not applicable.

#### **C. Other Securities**

Not applicable.

#### **D. American Depositary Shares**

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The following table sets for the fees and expenses that a holder of ADRs may have to pay pursuant to our Amended and Restated Deposit Agreement, dated as of November 6, 2012 (the “Deposit Agreement”), with The Bank of New York Mellon, as depositary, in connection with our ADS program:

Fee and Reimbursement Provisions		
Fee or Charge		Relating to
1. Taxes and other governmental charges		
2. Registration fees as may be in effect for the registration of transfers of common shares underlying the ADRs on the share register of our company or any Brazilian registrar		The transfer of common shares underlying ADRs to or from the name of the depositary or its nominee or Banco Itaú, S.A., as custodian for the depositary, or its nominee on the making of deposits or withdrawals under the Deposit Agreement
3. Cable, telex and facsimile transmission expenses expressly provided under the Deposit Agreement		
4. Expenses incurred by the depositary in the conversion of foreign currency		Amounts in Reais received by way of dividends or other distributions or the net proceeds from the sale of securities, property or other rights in respect of ADRs
5. U.S.\$5.00 or less per 100 ADRs (or portion thereof)		The delivery of ADRs and the surrender of ADRs, or the distribution of securities or other property to holders of ADRs
6. U.S.\$0.02 or less per ADR (or portion thereof)		Any cash distribution made pursuant to the Deposit Agreement, except for distributions of cash dividends
7. U.S.\$0.02 or less per ADR (or portion thereof) per year, subject to prior consent by the Company		Depositary services
8. Payment of any other charges payable by the depositary, any of the depositary’s agents, including the depositary’s custodian, or the agents of the depositary’s agents in connection with the servicing of shares underlying the American Depositary Shares or other deposited securities		

The fee and reimbursement provisions described in rows seven and eight of the table above may, at the depositary’s discretion, be billed to the holders of ADSs or deducted from one or more cash dividends or other cash distributions. For the year ended June 30, 2016, the annual fee for depositary services was charged to holders of ADSs.

For the year ended June 30, 2017, pursuant to a letter agreement between our company and the depositary, US\$7.4 thousand was reimbursed by the depositary to us in connection with investor relations expenses and listing fees.

A form of the Deposit Agreement is filed as Exhibit 2.01 to this Annual Report on Form 20-F. We encourage you to review this document carefully if you are a holder of ADSs.

#### Payment of Taxes

ADS holders are responsible for any taxes or other governmental charges payable on our ADSs or on the deposited securities represented by any of our ADSs. The depositary may refuse to register any transfer of our ADSs or allow the withdrawal of the deposited securities represented by our ADSs until such taxes or other charges are paid. It may apply payments owed to ADS holders or sell deposited securities represented by ADSs to pay any taxes owed and ADS holders will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

[Table of Contents](#)**PART II****ITEM 13—DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14—MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15—CONTROLS AND PROCEDURES****A. Disclosure Controls and Procedures**

As of the end of the period covered by this Annual Report on Form 20-F, management, with the participation of the Company's Chief Executive Officer and Chief Administrative Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Administrative Officer, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective. Based on this evaluation, our Chief Executive Officer and Chief Administrative Officer, concluded that, as of June 30, 2017, the design and operation of our disclosure controls and procedures were effective at the reasonable assurance level.

**B. Management's Annual Report on Internal Control Over Financial Reporting**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

The Company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and financial officers and effected by the Company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, as issued by IASB.

The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management performed an assessment of the effectiveness of our internal control over financial reporting on June 30, 2017, utilizing the criteria described in the "Internal Control—Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective on June 30, 2017. Based on this assessment, management has concluded that, as of June 30, 2017, the Company's internal control over financial reporting was effective at the reasonable assurance level.

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**C. Attestation Report of the Registered Public Accounting Firm**

Pursuant to applicable SEC rules, this annual report does not include an attestation report of the Company's registered public accounting firm. We will only be required to include this report once we become a large accelerated filer or otherwise cease to be an emerging growth company.

**D. Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the year ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16A—AUDIT COMMITTEE FINANCIAL EXPERT**

For the purposes of the Sarbanes-Oxley Act, our board of directors established a fiscal council ("Fiscal Council"), which convenes at least quarterly, and as often as it determines is appropriate to carry out its responsibilities. This committee has responsibility for planning and reviewing our annual and quarterly reports and accounts with the involvement of our auditors during such process, focusing particularly on compliance with legal requirements and accounting standards. The ultimate responsibility for reviewing and approving our annual and quarterly reports and accounts remains with our board of directors.

Our board of directors has determined that Débora de Souza Morsch, a member of the Company's Fiscal Council, is a "financial expert," as such term is defined in the SEC rules. Ms. Morsch is independent, as such term is defined in the *Novo Mercado* listing rules. Our board of directors has determined that Ms. Morsch is independent under the standards of the NYSE listing rules and Rule 10A-3 under the Exchange Act that would apply if the Company were not relying on the exemption provided in paragraph (c)(3) of Rule 10A-3, as described in "Item 16D—Exemptions from the Listing Standards for Audit Committees." See "Item 6—Directors, Senior Management and Employees—Board Practices" for information regarding Ms. Morsch's experience.

**ITEM 16B—CODE OF ETHICS**

Under Section 303A.10 of the NYSE Listed Company Manual, each U.S. company listed on the NYSE must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers. We are subject to a similar requirement under Brazilian law, and we have adopted a code of ethics that applies to our officers and employees.

Our code of ethics, as well as further information concerning our corporate governance practices and applicable Brazilian law, is available on our website [www.brasil-agro.com](http://www.brasil-agro.com). Information on our website is not incorporated by reference in this Annual Report.

If we make any substantive amendment to the code of ethics or grant any waivers to our executive officers and controller, including any implicit waiver, from a provision of the code of ethics, we intend to disclose the nature of such amendment or waiver on our website. During the year ended June 30, 2017, no such amendment was made or waiver granted.

**ITEM 16C—PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table describes the total amount of fees billed to us by our independent auditors for services performed in the fiscal years ended June 30, 2017 and 2016.

	Year Ended June 30,	
	2017	2016
	<i>(in thousands of Reais)</i>	
Audit fees(1)	924.5	1,102.7
Audit-related fees(2)	279.4	333.2
<b>Total fees</b>	<b>1,203.9</b>	<b>1,435.9</b>

(1) Audit fees in fiscal years 2017 and 2016 are the aggregated fees billed by Ernst & Young Auditores Independentes S.S. for the audit of our consolidated and annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

(2) Audit-related fees in fiscal years 2017 and 2016 were the fees billed by Ernst & Young Auditores Independentes S.S. for interoffice reports regarding: (1) the audit of the consolidated reporting package and internal controls of BrasilAgro for Cresud consolidation purposes, and (2) foreign exchange conversion review work related to BrasilAgro's consolidation process within Cresud consolidated financial statements.

[Table of Contents](#)***Audit Committee Pre-Approval Policies and Procedures***

Our board of directors has established pre-approval policies and procedures for the engagement of registered public accounting firms for audit and non-audit services. Under such pre-approval policies and procedures, our board of directors reviews the scope of the services to be provided by each registered public accounting firm to be engaged in order to ensure that there are no independence issues and the services are not prohibited under applicable rules.

**ITEM 16D—EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

In establishing a permanent Fiscal Council, the Company has availed itself of paragraph (c)(3) of Rule 10A-3 under the Exchange Act, which provides a general exemption from the audit committee requirements for a foreign private issuer (such as the Company) with a Fiscal Council, subject to certain requirements.

NYSE rules require that listed companies have an audit committee that (i) is composed of a minimum of three independent directors who are all financially literate, (ii) meets the SEC rules regarding audit committees for listed companies, (iii) has at least one member who has accounting or financial management expertise and (iv) is governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. However, as a foreign private issuer, the Company may rely on an exemption from the requirement to have an audit committee. The Brazilian corporate law requires companies to have a non-permanent Fiscal Council composed of three to five members who are elected at the general shareholders' meeting. The Fiscal Council operates independently from management and from a company's external auditors. Its main function is to monitor the activities of management, examine the financial statements of each fiscal year and provide a formal report to our shareholders.

The Company has a permanent Fiscal Council that consists of three members and three alternates and which has ordinary meetings every month. The members of the Company's Fiscal Council are all financially literate, and one member has accounting expertise that qualifies her as a financial expert. The Company believes that its Fiscal Council meets the requirements for the exemption available to foreign private issuers under the SEC rules regarding audit committees of listed companies. The Fiscal Council is not the equivalent of, or wholly comparable to, a U.S. audit committee. Among other differences, it is not required to meet the standards of "independence" established in Rule 10A-3 and is not fully empowered to act on matters that are required by Rule 10A-3 to be within the scope of an audit committee's authority. Nonetheless, with the attributions that have been provided to the Fiscal Council to the extent permitted by Brazilian law, the Company believes that its current corporate governance system, taken as a whole, including the ability of the Fiscal Council to consult internal and external experts, is similar to a system having an audit committee functioning as a committee of its Board of Directors, the main difference being that the Fiscal Council does not have authority to appoint our independent auditors. This authority lies with the Company's board of directors. Accordingly, the Company does not believe that its reliance on the exemption in paragraph (c)(3) of Rule 10A-3 materially adversely affects the ability of the Fiscal Council to act independently and to satisfy the other requirements of Rule 10A-3 to the extent permitted by the Brazilian corporate law. For a further discussion of our Fiscal Council, see "Item 6—Directors, Senior Management and Employees—Board Practices—Fiscal Council."

**ITEM 16E—PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

On September 3, 2015, we increased the limit of shares that may be purchased under our share buyback program from 698,310 to 3,491,550 common shares, not exceeding the balance of profits reserve available included in our balance sheet on June 30, 2015.

During the year ended June 30, 2016, we acquired a total of 3,577,900 common shares under our share buyback program, which account for 6.14% of our shares outstanding (excluding the shares held by the controlling shareholder).

On September 20, 2016, we approved a new buyback program of common shares up to the limit of 1,337,684 common shares, not exceeding the balance of profits reserve available included in our balance sheet on June 30, 2016.

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During the year ended June 30, 2017, we acquired a total of 3,577,900 common shares under our share buyback program, which account for 6.14% of our shares outstanding (excluding the shares held by the controlling shareholder).

The table below shows information about the shares purchased in each month of the fiscal year 2017 and the shares that may yet be purchased under our share buyback program.

Issuer Purchases of Equity Securities				
Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of the Publicly Announced Programs	(d) Maximum Number of Shares that May Yet be Purchased Under the Programs
July 2016	-	-	-	-
August 2016	-	-	-	-
September 2016	-	-	-	1,337,684
October 2016	-	-	-	1,337,684
November 2016	172,500	R\$10.02	172,500	1,165,184
December 2016	280,700	R\$10.28	280,700	884,484
January 2017	72,100	R\$11.03	72,100	812,384
February 2017	-	-	-	812,384
March 2017	105,400	R\$11.98	105,400	706,984
April 2017	188,800	R\$12.26	188,800	518,184
May 2017	212,500	R\$12.67	212,500	305,684
June 2017	313,400	R\$12.33	313,400	n/a
July 2017	50,300	R\$12.07	50,300	n/a
<b>Total</b>	<b>4,963,400</b>	<b>R\$11.38</b>	<b>4,963,400</b>	<b>n/a</b>

#### ITEM 16F—CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

None.

#### ITEM 16G—CORPORATE GOVERNANCE

Under Section 303A.11 of the NYSE Listed Company Manual and Item 16G of the Form 20-F, we are required to disclose any significant differences in our corporate governance practices from those required to be followed by U.S. companies under the NYSE listing standards. We have summarized these significant differences below.

We are permitted to follow practices in Brazil in lieu of the provisions of the NYSE corporate governance standards, except that we are required to have a qualifying audit committee under Section 303A.06 of the NYSE Listed Company Manual or avail ourselves of an appropriate exemption. As a foreign private issuer, we have modified our fiscal council in order to avail ourselves of an exemption from the listing standards for audit committees. See “Item 6—Directors, Senior Management and Employees—Board Practices—Fiscal Council.” In addition, our chief executive officer is obligated, under Section 303A.12(b) of the NYSE Listed Company Manual, to promptly notify the NYSE in writing after any of our executive officers becomes aware of any material non-compliance with any applicable provisions of the NYSE corporate governance standards. We are also required under Section 303A.12(c) of the NYSE Listed Company Manual to submit an annual written affirmation of compliance with applicable provisions of the rules and, under certain circumstances, an interim written affirmation of compliance.

##### *Majority of Independent Directors*

Under Section 303A.01 of the NYSE Listed Company Manual, each U.S. company listed on the NYSE must have a majority of directors that meet the independence requirements of the NYSE. Under the *Novo Mercado* rules, at least 20% of our directors must be independent for purposes of those rules, and a majority of our directors currently meet that standard.

##### *Separate Meetings of Non-Management Directors*

Under Section 303A.03 of the NYSE Listed Company Manual, the non-management directors of each U.S. company listed on the NYSE must meet at regularly scheduled executive sessions without management, and independent directors must meet at executive sessions without management at least once a year. We do not have a similar requirement under Brazilian rules, but in any event, all members of our board are non-executive directors. Our independent directors do not meet separately from directors who are not independent.



[Table of Contents](#)*Nominating/Corporate Governance Committee*

Under Section 303A.04 of the NYSE Listed Company Manual, each U.S. company listed on the NYSE must have a nominating/corporate governance committee composed entirely of directors that meet the independence requirements of the NYSE. We are not required to have such a committee under Brazilian law, and accordingly, do not have one.

*Compensation Committee*

Under Section 303A.05 of the NYSE Listed Company Manual, each U.S. company listed on the NYSE must have a compensation committee composed entirely of directors that meet the independence requirements of the NYSE (including additional requirements applicable to compensation committee members). Even though we are not required to have such a committee under Brazilian law, we established one on March 1, 2012. However, our Compensation Committee is not fully independent under the NYSE independence requirements because we are not required to have one under applicable rules, and we believe that the current composition of our Compensation Committee is appropriate for our needs. See “Item 6—Directors, Senior Management and Employees”.

The NYSE also requires (1) listed companies to grant the compensation committee, in its sole discretion, the authority to retain or obtain a compensation adviser, to be directly responsible for the compensation and oversight of any compensation adviser so retained with appropriate funding from the listed company and (3) the compensation committee to assess the independence of any compensation adviser, other than the listed company’s in-house legal counsel. As allowed under the NYSE’s listing standards, we continue our current compensation practices in accordance with the Brazilian corporate law and Brazilian practice.

*Audit Committee*

Under Section 303A.06 of the NYSE Listed Company Manual and the requirements of Rule 10A-3 of the SEC, each U.S. company listed on the NYSE is required to have an audit committee consisting of members that comply with the requirements of Rule 10A-3 and that meet the independent requirements of the NYSE. In addition, the audit committee must have a written charter compliant with the requirements of Section 303.A.07(b) of the NYSE Listed Company Manual, and the listed company must fulfill all other requirements of the NYSE and Rule 10A-3. The SEC has recognized that, for foreign private issuers, local legislation may delegate some of the functions of the audit committee to other bodies. We have availed ourselves of an exemption from certain of the standards for audit committees. See “Item 16D—Exemptions from the Listing Standards for Audit Committees,” which explains how our Fiscal Council differs from an audit committee for a U.S. listed company and is incorporated herein by reference.

*Internal Audit Function*

Under Section 303A.07(c) of the NYSE Listed Company Manual, each listed company must have an internal audit function. We do not have a similar requirement under Brazilian rules and, therefore, do not have internal auditors.

*Corporate Governance Guidelines*

Under Section 303A.09 of the NYSE Listed Company Manual, each U.S. listed company must adopt and disclose their corporate governance guidelines. We do not have a similar requirement under Brazilian law. However, we have listed our common shares on the *Novo Mercado* of the São Paulo Stock Exchange, which requires adherence to the corporate governance standards described under “Item 9. The Offer and Listing-C. Markets-São Paulo Stock Exchange Corporate Governance Standards.”

Further information concerning our corporate governance practices and applicable Brazilian law is available on our website (www.brasil-agro.com). Information on our website is not incorporated by reference in this annual report.

**ITEM 16H—MINE SAFETY DISCLOSURE**

Not applicable.

[Table of Contents](#)**PART III****ITEM 17—FINANCIAL STATEMENTS**

See “Item 18—Financial Statements.”

**ITEM 18—FINANCIAL STATEMENTS**

See our Consolidated Financial Statements beginning at page F-1.

**ITEM 19—EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
1.1	Bylaws of BrasilAgro – Companhia Brasileira de Propriedades Agrícolas (English translation) (incorporated by reference to the Report on Form 6-K furnished to the SEC on November 10, 2015, File No. 001-35723)
2.1	Form of Amended and Restated Deposit Agreement Among BrasilAgro – Companhia Brasileira de Propriedades Agrícolas, the Bank of New York Mellon and Owners and Holders of American Depositary Shares (incorporated by reference to Exhibit 2.01 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)
4.1	Stock Option Plan of BrasilAgro – Companhia Brasileira de Propriedades Agrícolas, approved by the Annual Extraordinary Shareholders’ Meeting held on October 29, 2008 (English translation) (incorporated by reference to Exhibit 4.01 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)
4.2	Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Araucária (incorporated by reference to Exhibit 4.02 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)
4.3	First Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Araucária (incorporated by reference to Exhibit 4.03 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)
4.4	Second Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Araucária (incorporated by reference to Exhibit 4.04 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)
4.5	Third Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Araucária (incorporated by reference to Exhibit 4.05 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)
4.6	Fourth Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Araucária (incorporated by reference to Exhibit 4.06 to the Annual Report on Form 20-F filed with the SEC on October 31, 2013, File No. 001-35723)
4.7	Fifth Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Araucária (incorporated by reference to Exhibit 4.07 to the Annual Report on Form 20-F filed with the SEC on October 31, 2013, File No. 001-35723)
4.8	Sixth Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”) in connection with Fazenda Araucária (incorporated by reference to Exhibit 4.08 to the Registration Statement on Form 20-F filed with the SEC on October 19, 2016, File No. 001-35723)
4.9	Seventh Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Araucária (incorporated by reference to Exhibit 4.08 to the Registration Statement on Form 20-F filed with the SEC on October 19, 2016, File No. 001-35723)
4.10	Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Alto Taquari (incorporated by reference to Exhibit 4.06 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)
4.11	First Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Alto Taquari (incorporated by reference to Exhibit 4.07 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)
4.11	Second Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Alto Taquari (incorporated by reference to Exhibit 4.08 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)

- 4.13 Third Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Alto Taquari (incorporated by reference to Exhibit 4.09 to the Registration Statement on Form 20-F filed with the SEC on October 31, 2012, File No. 001-35723)
- 4.14 Fourth Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Alto Taquari (incorporated by reference to Exhibit 4.12 to the Annual Report on Form 20-F filed with the SEC on October 31, 2013, File No. 001-35723)
- 4.15 Fifth Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Alto Taquari (incorporated by reference to Exhibit 4.13 to the Annual Report on Form 20-F filed with the SEC on October 31, 2013, File No. 001-35723)
- 4.16 Sixth Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Alto Taquari (incorporated by reference to Exhibit 4.08 to the Registration Statement on Form 20-F filed with the SEC on October 19, 2016, File No. 001-35723)
- 4.17 Seventh Amendment to Agreement to Supply Sugarcane, entered into by BrasilAgro and Brenco – Companhia Brasileira de Energia Renovável (“Brenco”), in connection with Fazenda Alto Taquari (incorporated by reference to Exhibit 4.08 to the Registration Statement on Form 20-F filed with the SEC on October 19, 2016, File No. 001-35723)
- 4.18 Assignment of Loan Agreements made as of the 12th day of December 2013 by Helmir S.A. to BrasilAgro Companhia Brasileira de Propriedades Agrícolas (incorporated by reference to Exhibit 4.15 to the Annual Report on Form 20-F filed with the SEC on October 31, 2014, File No. 001-35723)
- 4.19 Assignment of Advisory Agreement made as of the 12th day of December 2013 by Cresud S.A.C.Y.F. y A. to BrasilAgro - Companhia Brasileira de Propriedades Agrícolas (incorporated by reference to Exhibit 4.16 to the Annual Report on Form 20-F filed with the SEC on October 31, 2014, File No. 001-35723)
- 4.20 Private Instrument of Real Properties and Rural Assets Purchase and Sale Commitment and Other Covenants, dated as of May 19, 2015, by and between Imobiliária Cremaq Ltda., BrasilAgro – Companhia Brasileira de Propriedades Agrícolas, Zmacq 3 Agropecuária Ltda. And Cremaq Agropecuária Ltda. (unofficial English translation) (incorporated by reference to Exhibit 4.17 to the Annual Report on Form 20-F filed with the SEC on November 2, 2015, File No. 001-35723)
- 4.21 Summary translation of private instrument for regulation of rights and obligations between Brenco – Companhia Brasileira de Energia Renovável and BrasilAgro – Companhia Brasileira de Propriedades Agrícolas (incorporated by reference to Exhibit 4.18 to the Annual Report on Form 20-F filed with the SEC on November 2, 2015, File No. 001-35723)
- 4.22 Summary translation of agricultural subpartnership agreement between Brenco – Companhia Brasileira de Energia Renovável and BrasilAgro – Companhia Brasileira de Propriedades Agrícolas (incorporated by reference to Exhibit 4.19 to the Annual Report on Form 20-F filed with the SEC on November 2, 2015, File No. 001-35723)
- 4.23 Summary translation of sugarcane purchase and sale agreement between Brenco – Companhia Brasileira de Energia Renovável and BrasilAgro – Companhia Brasileira de Propriedades Agrícolas (incorporated by reference to Exhibit 4.20 to the Annual Report on Form 20-F filed with the SEC on November 2, 2015, File No. 001-35723)
- [4.24 Summary translation of Shareholder Agreement of Cresca S.A. dated as of October 5, 2016, by and between BrasilAgro and Cresca S.A.](#)
- [4.25 Summary translation of the private instrument of real properties and rural assets purchase and sale commitment and other covenants, dated as of January 11, 2017, by and between Imobiliária Ceibo Ltda., Agro Pecuária e Industrial Serra Grande Ltda., BrasilAgro and Jaborandi Agrícola Ltda.](#)
- [4.26 Summary translation of the Private Instrument of Real Properties and Rural Assets Purchase and Sale Commitment and Other Covenants, dated as of March 23, 2017, by and between Imobiliária Araucária Ltda., Fabricio Fries, Celso Fries and BrasilAgro](#)
- [4.27 Summary translation of the private instrument of real properties and rural assets purchase and sale commitment and other covenants, dated as of May 22, 2017, by and between Imobiliária Araucária Ltda., Procópio & Oliveira Ltda. – ME, Marcio Antonio de Oliveira and BrasilAgro](#)
- [4.28 Summary translation of the private instrument of real properties and rural assets purchase and sale commitment and other covenants, dated as of June 30, 2017, by and between Imobiliária Jaborandi Ltda., Hermes Augusto Ferreira, Emerson Denis Cecchin Ferreira and Jaborandi Agrícola Ltda.](#)
- [4.29 Summary translation of the private instrument of real properties and rural assets purchase and sale commitment and other covenants, dated as of September 15, 2017, by and between Jaborandi Agrícola Ltda., Valdeir Ribeiro da Silva and Imobiliária Jaborandi Ltda.](#)
- [4.30 Summary translation of the sugarcane purchase and sale agreement dated as of January 11, 2017, by and between Jaborandi Agrícola Ltda., Agro Pecuária e Industrial Serra Grande Ltda. Imobiliária Ceibo Ltda. and BrasilAgro](#)
- [4.31 Summary translation of the rural partnership agreement, dated as of January 11, 2017, by and between Jaborandi Agrícola Ltda., Agro Pecuária e Industrial Serra Grande Ltda., Imobiliária Ceibo Ltda. and BrasilAgro](#)
- [8.01 List of subsidiaries](#)
- [12.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.](#)

- [12.2](#) [Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.](#)
- [13.1](#) [Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.](#)
- [13.2](#) [Certification of the Chief Administrative Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.](#)

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There are omitted from the exhibits filed with or incorporated by reference into this Annual Report certain promissory notes and other instruments and agreements with respect to our long-term debt, none of which authorizes securities in a total amount that exceeds 10% of our total assets. In addition, certain exhibits to agreements filed with this Annual Report have been omitted. We hereby agree to furnish to the Commission copies of any such omitted promissory notes, other instruments or agreements and exhibits as the Commission requests.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure, other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

**BRASILAGRO – COMPANHIA BRASILEIRA DE PROPRIEDADES AGRÍCOLAS**

Date: October 25, 2017

/s/ ANDRE GUILLAUMON

\_\_\_\_\_  
Name: Andre Guillaumon

Title: Chief Executive Officer and Chief Operating  
Officer

/s/ GUSTAVO JAVIER LOPEZ

\_\_\_\_\_  
Name: Gustavo Javier Lopez

Title: Chief Administrative Officer and Investor  
Relations Officer

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# **Consolidated Financial statements**

## **BrasilAgro – Companhia Brasileira de Propriedades Agrícolas**

As of June 30, 2017, 2016 and 2015

||  
with Report of Independent Registered Public Accounting Firm

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## Consolidated Financial statements

As of June 30, 2017, 2016 and 2015

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The Board of Directors and Shareholders of  
**BrasilAgro – Companhia Brasileira de Propriedades Agrícolas**

We have audited the accompanying consolidated statement of financial position of BrasilAgro – Companhia Brasileira de Propriedades Agrícolas (the “Company”) as of June 30, 2017, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended June 30, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BrasilAgro – Companhia Brasileira de Propriedades Agrícolas as of June 30, 2017, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2017, in conformity with International Financial Reporting Standards (IFRS), as issued by International Accounting Standards Board - IASB.

As discussed in Note 2.27.1 to the consolidated financial statements, the Company changed its method of accounting for biological assets and property, plant and equipment as a result of the adoption of the amendments to IAS 41, “Agriculture”, and IAS 16, “Property, Plant and Equipment”, effective July 1, 2016.

São Paulo (SP), Brazil

October 25, 2017

/s/ Ernst & Young Auditores Independentes S.S.

[Table of Contents](#)**BrasilAgro – Companhia Brasileira de Propriedades Agrícolas**

Consolidated statement of financial position

June 30, 2017, 2016 and 2015

(In thousands of reais)

	Notes	2017	2016	2015
			Revised (Note 2.27)	Revised (Note 2.27)
Assets				
Current assets				
Cash and cash equivalents	5.1	43,798	54,204	75,620
Marketable securities	5.2	6,972	113,559	273,258
Derivative financial instruments	6	4,090	24,497	13,498
Accounts receivable and others	7	54,026	31,072	56,575
Inventories	8	22,658	18,197	27,406
Biological assets	9	38,260	22,285	17,348
Transactions with related parties	27	1,298	1,065	856
		171,102	264,879	464,561
Noncurrent assets				
Biological assets	9	13,435	5,241	-
Restricted marketable securities	5.2	17,088	20,353	1,468
Derivative financial instruments	6	1	-	408
Deferred taxes	16.1	53,780	55,594	41,048
Accounts receivable and others	7	44,605	42,497	53,215
Investment properties	10	389,799	287,867	288,347
Receivables from related parties	27	35,640	44,363	39,060
Investments in unquoted equity instruments	11.a	101,426	102,955	99,729
Property, plant and equipment	12	54,745	27,803	30,268
Intangible assets		1,672	3,450	3,792
		712,191	590,123	557,335
Total assets		883,293	855,002	1,021,896

See accompanying notes.

[Table of Contents](#)**BrasilAgro – Companhia Brasileira de Propriedades Agrícolas**

Consolidated statement of financial position

June 30, 2017, 2016 and 2015

(In thousands of reais)

	<b>Note</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
			<b>Revised (Note 2.27)</b>	<b>Revised (Note 2.27)</b>
Liabilities and equity				
Current liabilities				
Trade accounts payable and others	14	55,615	26,602	81,931
Loans and financing	15	56,620	51,615	50,900
Labor obligations		11,513	8,856	11,215
Derivative financial instruments	6	3,978	2,165	5,655
Payables for purchase of farms	13	24,646	22,261	48,840
Transactions with related parties	27	4,784	536	480
		<u>157,156</u>	<u>112,035</u>	<u>199,021</u>
Noncurrent liabilities				
Trade accounts payable and others	14	1,520	1,402	2,180
Loans and financing	15	55,555	48,230	59,179
Derivative financial instruments	6	-	4,392	1,670
Provision for legal claims	25	1,594	1,455	3,684
		<u>58,669</u>	<u>55,479</u>	<u>66,713</u>
Total liabilities		<u>215,825</u>	<u>167,514</u>	<u>265,734</u>
Equity				
Capital	17.a	584,224	584,224	584,224
Capital reserve		1,525	1,771	2,349
Treasury shares	17.f	(36,797)	(37,203)	(224)
Income reserves		68,615	91,158	93,212
Additional dividends proposed	17.d	6,486	7,533	40,333
Other comprehensive income	17.e	43,415	40,005	36,268
Total equity		<u>667,468</u>	<u>687,488</u>	<u>756,162</u>
Total liabilities and equity		<u>883,293</u>	<u>855,002</u>	<u>1,021,896</u>

See accompanying notes.

[Table of Contents](#)**BrasilAgro – Companhia Brasileira de Propriedades Agrícolas**

Consolidated statement of income

Years ended June 30, 2017, 2016 and 2015

(In thousands of reais, unless stated otherwise)

	<u>Notes</u>	<u>2017</u>	<u>2016</u> <u>Revised</u> <u>(Note 2.27)</u>	<u>2015</u> <u>Revised</u> <u>(Noted 2.27)</u>
Net revenue	19.a	146,911	147,128	174,351
Gain on sale of farms	19.b	26,716	-	193,464
Changes in fair value of biological assets and agricultural products	9	12,266	(12,632)	18,194
(Impairment) reversal of impairment of net realizable value of agricultural products after harvest, net	8.1	(1,655)	659	(3,038)
Cost of sales	20	(136,362)	(134,714)	(170,489)
<b>Gross profit</b>		<u>47,876</u>	<u>441</u>	<u>212,482</u>
Selling expenses	20	(6,676)	(2,732)	(9,006)
General and administrative expenses	20	(30,941)	(28,944)	(29,360)
Other operating (expenses) income, net	22	(6,019)	2,812	(3,422)
Share of loss of a joint venture	11.a	(4,425)	(511)	(4,355)
<b>Operating income (loss)</b>		<u>(185)</u>	<u>(28,934)</u>	<u>166,339</u>
<b>Financial income (expenses)</b>				
Financial income	23	110,090	192,644	122,552
Financial expenses	23	(76,646)	(154,270)	(89,914)
<b>Profit before income and social contribution taxes</b>		<u>33,259</u>	<u>9,440</u>	<u>198,977</u>
Income and social contribution taxes	16.2	(5,949)	(1,451)	(12,619)
<b>Net profit for the year</b>		<u><u>27,310</u></u>	<u><u>7,989</u></u>	<u><u>186,358</u></u>
Basic earnings per share-in reais	24	<u>0.4771</u>	<u>0.1372</u>	<u>3.2002</u>
Diluted earnings per share-in reais	24	<u>0.4742</u>	<u>0.1364</u>	<u>3.1988</u>

See accompanying notes

[Table of Contents](#)**BrasilAgro – Companhia Brasileira de Propriedades Agrícolas**

Consolidated statement of other comprehensive income  
 Years ended June 30, 2017, 2016 and 2015  
 (In thousands of reais)

	<u>2017</u>	<u>2016</u> <b>Revised</b> <b>(Note 2.27)</b>	<u>2015</u> <b>Revised</b> <b>(Note 2.27)</b>
<b>Net profit for the year</b>	27,310	7,989	186,358
Other comprehensive income to be reclassified to statement of operation for the year in subsequent periods:			
Currency translation adjustment from investment (Note 17.e)	3,410	3,737	27,865
<b>Total comprehensive income for the year</b>	<u>30,720</u>	<u>11,726</u>	<u>214,223</u>

See accompanying notes.

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[Table of Contents](#)**BrasilAgro – Companhia Brasileira de Propriedades Agrícolas**

Consolidated statements of changes in equity

Years ended June 30, 2017, 2016 and 2015

(In thousands of reais)

Note	Income reserves								Total equity
	Capital	Capital reserve	Treasury shares	Legal reserve	Reserve for investment and expansion	Additional dividends proposed	Other comprehensive income	Retained earnings / accumulated losses	
<b>At July 1, 2014 – Originally issued</b>	<b>584,224</b>	<b>4,201</b>	<b>(1,934)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,403</b>	<b>(10,988)</b>	<b>583,906</b>
Impacts of changes in IAS 41 and IAS 16	-	-	-	-	-	-	-	(1,492)	(1,492)
<b>At July 1, 2014 – Revised</b>	<b>584,224</b>	<b>4,201</b>	<b>(1,934)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,403</b>	<b>(12,480)</b>	<b>582,414</b>
Share-based payment	-	82	-	-	-	-	-	-	82
Treasury stock acquired	17.f	-	(224)	-	-	-	-	-	(224)
Cancellation of treasury stock	17.f	-	1,934	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	186,358	186,358
Constitution of legal reserve	17.d	-	-	8,491	-	-	-	(8,491)	-
Minimum mandatory dividends	17.d	-	-	-	-	-	-	(40,333)	(40,333)
Additional dividends proposed	17.d	-	-	-	-	40,333	-	(40,333)	-
Constitution of reserve for investment and expansion	-	-	-	-	84,721	-	-	(84,721)	-
Currency translation adjustment from investment in joint venture	-	-	-	-	-	-	27,865	-	27,865
<b>At June 30, 2015 – Revised</b>	<b>584,224</b>	<b>2,349</b>	<b>(224)</b>	<b>8,491</b>	<b>84,721</b>	<b>40,333</b>	<b>36,268</b>	<b>-</b>	<b>756,162</b>
Additional dividends	-	-	-	-	-	(40,333)	-	-	(40,333)
Treasury stock acquired	17.f	-	(39,653)	-	-	-	-	-	(39,653)
Exercise of granted stock	17.f	-	2,674	-	-	-	-	-	2,096
Net profit for the year	-	-	-	-	-	-	-	7,989	7,989
Constitution of legal reserve	17.d	-	-	529	-	-	-	(529)	-
Minimum mandatory dividends	17.d	-	-	-	-	-	-	(2,510)	(2,510)
Additional dividends proposed	17.d	-	-	-	(2,583)	7,533	-	(4,950)	-
Currency translation adjustment from investment in joint venture	17.e	-	-	-	-	-	3,737	-	3,737
<b>At June 30, 2016 – Revised</b>	<b>584,224</b>	<b>1,771</b>	<b>(37,203)</b>	<b>9,020</b>	<b>82,138</b>	<b>7,533</b>	<b>40,005</b>	<b>-</b>	<b>687,488</b>
Additional dividends proposed	17.d	-	-	-	(22,000)	22,000	-	-	-
Payment of additional dividends	17.d	-	-	-	-	(29,533)	-	-	(29,533)
Exercise of granted stock	17.f	-	1,076	-	-	-	-	-	830
Cancellation of treasury stock	17.f	-	14,881	-	(14,881)	-	-	-	-
Treasury stock acquired	17.f	-	(15,551)	-	-	-	-	-	(15,551)
Net profit for the year	-	-	-	-	-	-	-	27,310	27,310
Constitution of legal reserve	17.d	-	-	1,366	-	-	-	(1,366)	-
Minimum mandatory dividends	17.d	-	-	-	-	-	-	(6,486)	(6,486)
Additional dividends proposed	17.d	-	-	-	-	6,486	-	(6,486)	-
Constitution of reserve for investment and expansion	17.d	-	-	-	12,972	-	-	(12,972)	-
Currency translation adjustment from investment	17.e	-	-	-	-	-	3,410	-	3,410
<b>At June 30, 2017</b>	<b>584,224</b>	<b>1,525</b>	<b>(36,797)</b>	<b>10,386</b>	<b>58,229</b>	<b>6,486</b>	<b>43,415</b>	<b>-</b>	<b>667,468</b>

See accompanying notes.



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Consolidated statements of cash flows

Years ended June 30, 2017, 2016 and 2015

(In thousands of reais)

	Notes	2017	2016 Revised (Note 2.27.1)	2015 Revised (Note 2.27.1)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit for the year		27,310	7,989	186,358
<b>Adjustments to reconcile profit for the year</b>				
Depreciation and amortization	20	15,027	21,957	22,222
Gain on sale of farm	19.b	(26,716)	-	(193,464)
Share based compensation plan		-	-	82
Residual value of property, plant and equipment and intangible assets disposed		1,896	208	2,409
Write-off (reversal) of capitalized costs investment properties		8,246	12	(1,405)
Share of a loss of a joint venture	11.a	4,425	511	4,355
Unrealized (gain) loss on derivatives, net	23	(1,513)	(1,196)	5,335
Unrealized foreign exchange loss, monetary variation and financial charges, net		(8,546)	(23,960)	(3,615)
Gain on remeasurement of receivable from sale of farms, net	23	(8,029)	(9,850)	(18,296)
Deferred income and social contribution taxes	16.2	1,814	(14,547)	3,275
(Gain) loss arising from changes in fair value of biological assets and agricultural products	9	(12,266)	12,632	(18,194)
Impairment of net realizable value of agricultural products, net	8.1	1,655	(659)	3,038
Allowance for doubtful accounts	20	(516)	(314)	(2,731)
Onerous contracts		-	-	(579)
Provision (reversal of provision) for legal claims	25	139	(2,229)	111
Loss from investments		-	-	53
Discount on the payment of Alto Taquari farm		-	(2,277)	-
		2,926	(11,723)	(11,046)
<b>Changes in working capital</b>				
Trade accounts receivable		(7,297)	46,895	12,296
Inventories		(6,329)	11,156	6,756
Biological assets		5,576	(19,197)	25,293
Recoverable taxes		2,754	(964)	4,570
Derivative financial instruments		18,996	(9,686)	5,893
Other receivables		3,779	(882)	(482)
Trade accounts payable		24,996	6,544	(4,516)
Related parties		16,714	(1,127)	(36,767)
Taxes payable		(2,769)	(10,216)	(11,317)
Taxes and social contribution		(970)	(7,422)	18,512
Labor obligations		2,657	(2,359)	2,485
Advances from customers		5,353	(7,219)	(2,891)
Other liabilities		(1,335)	(240)	(295)
<b>Net cash flows from (used in) operating activities</b>		65,051	(6,440)	8,491
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Addition to property, plant and equipment and intangible assets		(25,478)	(12,442)	(21,466)
Addition on investment properties		(119,150)	(10,745)	(30,629)
Redemption of (investment in) marketable securities		125,090	172,960	(27,482)
Capital contributions in joint venture	11.a	-	-	(25,903)
Cash received from sales of farms and assets	7.e	6,011	-	105,766
<b>Net cash flows (used in) from investing activities</b>		(13,527)	149,773	286
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Payments of installments of financed acquisition of farm	13	-	(27,394)	-
Proceeds from loans and financing	15	39,469	71,566	97,407
Interest paid on loans and financing	15	(6,327)	(8,425)	(15,682)
Payment of loans and financing	15	(48,308)	(82,270)	(101,403)
Treasury stock acquired		(14,721)	(39,653)	(224)
Proceeds from the exercise of granted stock		-	2,096	-
Dividends paid		(32,043)	(80,669)	-

Net cash flows used in financing activities		(61,930)	(164,749)	(19,902)
Increase (decrease) in cash and cash equivalents		<b>(10,406)</b>	<b>(21,416)</b>	<b>(11,125)</b>
Cash and cash equivalents at beginning of year	5.1	54,204	75,620	86,745
Cash and cash equivalents at end of year	5.1	43,798	54,204	75,620
		<b>(10,406)</b>	<b>(21,416)</b>	<b>(11,125)</b>

See accompanying notes.

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(In thousands of reais, except as stated otherwise)

**1. Operations**

BrasilAgro Companhia Brasileira de Propriedades Agrícolas (“BrasilAgro”) was incorporated on September 23, 2005 and is headquartered at Avenida Brigadeiro Faria Lima, 1309, in São Paulo with branches in the states of Bahia, Goiás, Mato Grosso, Minas Gerais, Maranhão and Piauí, and in Paraguay, in the state of Boquerón.

The Company holds interest in other companies (“subsidiaries”), as mentioned in Note 2.1, and its corporate purpose includes:

- agriculture, cattle raising and forestry activities of any type and nature and rendering directly or indirectly related services;
- the import and export of agricultural products and inputs and those related to cattle raising activity;
- the purchase, sale and/or rental of properties, land, buildings and real estate in rural and/or urban areas;
- real estate brokerage involving any type of operations;
- holding interest, as a member, in other companies and commercial ventures of any nature, in Brazil and/or abroad, directly or indirectly, related to the purposes described herein; and
- management of its own and third-party assets.

The Company and its subsidiaries (collectively, the “Company”) have ten (10) farms in six (6) Brazilian states and one (1) joint-venture farm in Paraguay, with a total area of 286,194 hectares.

**1.1 Acquisition and agricultural partnership in property in Maranhão**

As announced in a press release on February 7, 2017, the Company, through its subsidiary Imobiliária Ceibo, entered into a Purchase Agreement for the acquisition of a property in the city of São Raimundo das Mangabeiras in Maranhão (“São José Farm”), with a total of 17,566 hectares for R\$100,000. In addition, the Company incurred additional acquisition costs (due diligence) totaling R\$2,733. As a result the total transaction price amounted to R\$102,733. This acquisition is classified as an investment property in the financial statements, as disclosed in Note 10.

On the same date, the Company entered into an Agricultural Partnership agreement (“Partnership IV”) (Note 26.d), which involves an arable and developed area of 15,000 hectares, most of which is planted with sugarcane. The Agricultural Partnership is for 15 years and may be renewed for the same term. This agreement meets the definition of a finance lease, where on June 30, 2017 the liabilities assumed through the Agricultural Partnership IV are updated in the total amount of R\$ 20,795 (Note 15). In turn, its assets refer to sugarcane stubble crops, recorded in property, plant and equipment, subject to depreciation, at the net depreciation value of R\$ 9,979 (Note 12) and consolidated biological assets (Note 9), in the amount of R\$ 19,441, both on June 30, 2017.

**1.2 Sale of Araucária Farm**

On March 27, 2017, the Company disclosed the sale of a 274-hectare area (200 arable hectares) of the Araucária Farm for 1,000 soybean bags per usable hectare or R\$12,451. The Company received a down payment of 39,254 soybean bags in the amount of R\$2,124 and the balance will be received in four annual installments (Note 7.1.e – Araucária III).

On May 22, 2017, the Company announced the sale of a 1,360-hectare area (918 hectares of arable land) of the Araucária Farm, for 280 soybean bags per usable hectare or R\$16,987 (Note 7.1.e – Araucária IV). The Company received a down payment of 50,148 soybean bags in the amount of R\$3,008 and the balance will be received in five annual installments. The accounting impacts on results are shown in Note 19.b.

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**1.3 Sale of Cremaq Farm**

On May 19, 2015, the subsidiary Imobiliária Cremaq Ltda. entered into a purchase and sale agreement for the Cremaq Farm. However, as the contractual condition to obtain a licence for an additional area was still pending, a portion of the gain on sales was not recognized. In March 2017, the Company obtained such licence and recognized a gain on sales as disclosed in Notes 14 and 19.b.

At June 30, 2017, the amount of R\$49,703 of the selling price received, which use was restricted, was fully released upon the compliance of all condition precedent related to the original sale agreement. At June 30, 2016, this amount was presented as “Restricted financial investments” and disclosed in Note 5.2 – Marketable Securities.

**1.4 Sale of Jatobá Farm**

At June 30, 2017, the Company completed the sale of a 625-hectare area (500 agricultural hectares) of Jatobá Farm. The area was sold for 300 soybean bags per usable hectare or R\$10,145. The Company received a down payment of 15,000 soybean bags in the amount of R\$878, a second installment of the same amount on July 30, 2017, and the remaining balance will be settled in four annual installments (Note 7.1.e – Jatobá I). The accounting impacts on results are shown in Note 19.b.

**1.5 Incorporation of Palmeiras S.A.**

On December 16, 2016, Palmeiras S.A. (“Palmeiras”) was incorporated in Asunción, the capital city of Paraguay, with partners Jaborandi Agrícola Ltda. holding 1% of the shares and BrasilAgro holding 99% of the shares. Palmeiras was incorporated with the objective to operate the activities of the Company’s investment in Cresca S.A. (“Cresca”).

**1.6 Corporate reorganization of Cresca**

On October 5, 2016, the Company entered into an agreement with Carlos Casado S.A., the other shareholder of the joint venture in Cresca, by which the partners agree to sell all the assets and liabilities, including rural properties, owned by Cresca, to third parties or to distribute them to the partners in equivalent parts within an agreed-upon period.

Since the sale to third parties was not consummated within the period defined, the parties agreed on splitting off Cresca’s assets and liabilities. The procedures required for the performance of the agreement will follow a timetable established by the parties, which should be concluded by the fourth quarter of 2017. Up to June 30, 2017, certain assets, such as cattle and inventories, and agreements (including labor) were already divided and transferred to Palmeiras, a wholly-owned subsidiary of the Company located in Paraguay. On the other hand, at June 30, 2017, certain assets, including agricultural properties and financial debts with shareholders, remained under the exclusive ownership and/or responsibility of Cresca.

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### 2. Basis of preparation and presentation

The significant accounting policies applied when preparing these financial statements are described below. These policies are being consistently applied in all years presented, unless otherwise stated.

#### 2.1. Basis of preparation

On October 25, 2017, Brasilagro's Executive Board, Board of Directors and Fiscal Council approved the Company's consolidated financial statements and authorized their issuance.

The consolidated financial statements have been prepared and are presented in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). All the references to IFRS in these financial statements correspond to the IFRS as issued by the IASB.

The Company's Management affirms that all material information about the Company disclosed in these financial statements, and only that information, is being considered as significant and corresponds to the information used by the management.

The consolidated financial statements have been prepared on the historical cost basis, except where otherwise stated, as described in the summary of significant accounting policies.

Management has not identified any significant uncertainty as to the Company's ability to continue as a going concern in the next 12 months.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires that Management use judgment in the process of application of the Company's accounting policies. Those areas requiring a higher level of judgment and with more complexity, as well as the areas in which assumptions and estimates are significant for the financial statements, are disclosed in Note 3.

Non-financial data included in these financial statements, such as sales volume, planted and leased area, number of farms, insurance and environment were not examined by the independent auditors.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of Brasilagro and its subsidiaries as of June 30, 2017 and 2016, as described below:

	Ownership %	
	2017	2016
Araucária	99.99	99.99
Cremaq	99.99	99.99
Engenho de Maracaju	99.99	99.99
Imobiliária Jaborandi	99.99	99.99
Jaborandi Agrícola Ltda	99.99	99.99
Cajueiro	99.99	99.99
Mogno	99.99	99.99
Ceibo	99.99	99.99
Flamboyant	99.99	99.99
Palmeiras **	99.99	-
Cresca S.A.*	50.00	50.00
FIM Guardian Exclusive Fund	100.00	100.00

\* Joint venture – it is not included in the consolidated results and is recorded as investment and subject to equity method.

\*\* Palmeiras S.A. – wholly-owned subsidiary of the Company located in Paraguay. See Note 1.5.

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The subsidiaries are fully consolidated from the date of acquisition, being consolidated up to the date in which the control no longer exists. The financial statements of the subsidiaries are prepared for the same reporting period of the parent company, using consistent accounting policies. All intergroup balances, revenues and expenses are fully eliminated in the consolidated financial statements.

**2.2. Foreign currency translation****a) Functional and presentation currency**

The Company's financial statement are presented in Brazilian Reais (R\$), which is the Company's functional currency. The items included in the financial statements of the subsidiaries located in Brazil are measured using Brazilian Reais (R\$) as their functional currency. The U.S. Dollar is the functional currency of the joint venture in Cresca S.A. ("Cresca") and the Palmeiras subsidiary, both headquartered in Paraguay.

**b) Transactions and balances in foreign currencies**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

**c) Foreign operations**

In the preparation of the consolidated financial statements, the financial statements of Palmeiras and Cresca, are translated into reais as follows: a) balance sheet at the exchange rate at year end and b) statement of operations, at the quarterly average exchange rate.

The effects from variations in the foreign exchange rate resulting from the translation of foreign operations are presented in "Currency translation adjustment from investment" in the statement of changes in equity and in the statement of comprehensive income.

**2.3. Investment in a joint venture**

Our investments in the joint venture Cresca, is recorded under the equity method.

A joint venture is an agreement whereby the parties sharing joint control are entitled to the net assets of the joint ventures. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control.

**2.4. Cash and cash equivalents and marketable securities**

Cash and cash equivalents includes cash, bank deposits maturing within 90 days from the transaction date and short-term highly liquid repurchase agreements for which there are no fines or other restrictions for their immediate redemption. Cash equivalents are recorded at cost plus earnings accrued up to the balance sheet dates, not exceeding market or realization value.

Marketable securities include exclusive investment funds (FIM Guardian), which are fully consolidated, and financial investments provided as guarantee for loans and financing recorded in current and noncurrent assets based on the maturities of referred to loans and financing.

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Considering the nature of investments held by the Company, there are no significant differences between their book value and the market value. Investments are recorded at the original cost plus earnings accrued through the balance sheet date on a pro-rata temporis basis.

Bank deposit certificates and repo transactions may mature in a term exceeding 90 days, and may have repurchase guarantee contractually provided by the issuer of the security, allowing the redemption of the securities at their original amount invested plus interest, with no penalty. These investments are classified as cash equivalents. Investments in deposit certificates that are not eligible for redemption without penalties are classified as marketable securities.

Certain debt agreements require the Company to keep marketable securities as a guarantee for the outstanding balances. Such investments are restricted while held in guarantee. The Company discloses the purchases and sales of such investments as investment activities in the statement of cash flows.

Fixed-income investments are intended to maintain the value of the resources held by the Company and not yet allocated to rural activities, and are governed by a policy approved by the Board of Directors.

The statement of cash flows in relation to financing and investment activities, include only transactions that have actually impacted cash and cash equivalents.

**2.5. Financial instruments****2.5.1. Classification and measurement**

The Company classifies its financial assets and liabilities in the following classes: measured at fair value through profit or loss, loans and receivables and available for sale.

**a) Financial assets measured at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if: (i) acquired principally for the purpose of selling in the near term (ii) it is a derivative (unless designated as effective hedging instruments) or, (iii) the measurement at fair value reduces or eliminates inconsistencies with the measurement used by the Company's financial management.

The Company designates at initial recognition, certain financial assets at fair value through profit or loss. This designation cannot be changed later. These assets are limited to restricted marketable securities, derivatives and receivables from the sale of farms, which are included in the Consolidated statement of financial position in "Trade accounts receivable".

Changes in fair value related to receivable from the sale of farms designated at fair value through profit or loss are recognized in "Gain (loss) on remeasurement of receivables from the sale of farms" in "financial income and expenses" (Note 23).

**b) Loans and receivables**

The category includes loans granted and receivables which are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. They are included in current assets, except for those with maturities exceeding 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables is comprised of trade receivables, other receivables, and marketable securities given in guarantee on loans and financing and transaction with related parties. Loans and receivables are recorded

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at amortized cost, using the effective interest rate method. Interest income is included in the caption financial income in the statement of operations.

c) Available for sale financial assets

Available for sale financial assets are those non-derivative instruments which are not classified as (a) loans and receivables, (b) investments held to maturity (c) financial assets at fair value through profit or loss. These financial assets include equity instruments and debt securities. Debt securities in this category are those intended to be held for an indefinite period and which may be sold to meet liquidity needs or as response to the changes in market conditions.

After initial recognition, available-for-sale financial assets are measured at fair value, with unrealized gains and losses directly recognized in the available-for-sale reserve in other comprehensive income until the investment is derecognized. Impairment losses, interest income and gains or losses on foreign exchange on monetary assets are recognized in profit or loss for the year.

When the investment is derecognized or when there is an impairment loss, the cumulative gains or losses previously recognized in other comprehensive income (loss) shall be recognized in profit or loss for the year.

d) Financial liabilities

The Company recognizes bonds issued and subordinated liabilities initially on the date when they are originated. Financial liabilities are initially recognized at fair value plus transaction costs. After initial recognition, these financial liabilities are measured at amortized cost through the effective interest rate method. The amortization of the effective interest rate method is included in the financial expenses line in the statement of operations. The Company's financial liabilities mainly include trade accounts payable, loans and financing, financial lease, operations with derivatives and accounts payable for acquisitions.

### 2.5.2. Recognition

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are written-off when the rights to receive cash flow from investments have expired or have been transferred; in the latter case, provided the Company has transferred, significantly, all risks and benefits of ownership.

### 2.5.3 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets and it can be reliably estimated.

The criteria that the Company uses to determine if there is objective evidence of an impairment loss include:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;



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- (iii) the Company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider;
- (iv) it becomes probable that the borrower will go bankrupt or undergo any other financial reorganization;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot be yet identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate to defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment based on an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of operations.

### 2.6. Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. Although the Company uses derivative financial instruments for economic hedge purposes, it has not applied hedge accounting.

Any gains or losses arising from changes in the fair value of derivatives during the year are recognized immediately in the statement of operations (Note 23). The fair value of derivative financial instruments is disclosed in Note 6.

### 2.7. Trade receivables

Trade receivables are amounts due from customers for merchandise and farms sold in the ordinary course of business. If collection is expected in one year or less, trade receivables are classified as current assets, otherwise, they are presented as non-current assets.

Trade receivables not related to the sale of farms are initially recognized at fair value, and subsequently, measured at amortized cost under the effective interest rate method, less an allowance for doubtful accounts, as appropriate.

Trade receivables related to the sale of farms for which the amount of cash receivable is contractually determined in Reais, equivalent to a quantity of soybean bags, are designated at fair value through profit or loss upon initial recognition. The amount of the receivable is subsequently remeasured at each balance sheet date by applying to the contractual committed quantity of sacks of soybean by the quotation of soybean for future delivery at the maturity date of each installment (or based on estimates and quotations of brokers when there is no quotation of soybean for future delivery on a specific maturity date) and by translating the resulting U.S. dollars amount to Reais using the U.S.

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dollar exchange rate for future delivery on the same maturity date (considering that future soybean quotations are denominated in US\$) and finally discounting the resulting amount to present value. The gain (loss) on remeasurement of the receivable is recognized in Financial income and expenses under "Gain (loss) on remeasurement of receivables from sale of farms" (Note 23).

**2.8. Inventories**

Agricultural products from biological assets are measured at fair value when they are ready to be harvested, less selling expenses, when they are reclassified from biological assets to inventories.

Seeds, manures, fertilizers, pesticides, fuel, lubricants, warehouse and sundry materials are measured at average acquisition cost.

Upon identification of the loss of quality of products which affect their sales (either due to storage, load, transportation and other events related to the operation), these products are counted and physically segregated. In addition, an internal process to record, approve, dispose of or allocate inventories, is initiated through the approval of the responsible officers duly formalized in the Company's management system.

A provision for adjustment of agricultural products to net realizable value of recognized when the fair value recorded in inventories is higher than the net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell. Adjustments to net realizable value are recognized in the statement of operations in "Impairment of net realizable value of agricultural products after harvest".

**2.9. Biological assets**

The Company's and its subsidiaries' biological assets consist mainly of the cultivation of soybean, corn, sorghum, sugarcane and beef cattle, which are measured at fair value less costs to sell.

**(a) Agricultural activity**

The fair value of biological assets is determined upon their initial recognition and at each subsequent balance sheet date. Gains and losses arising from the changes in fair value of biological assets is determined as the difference between fair value and the costs incurred in the plantation and treatment of crops of biological assets at the balance sheet date, and are recorded in the statement of operations in "Changes in fair value of biological assets". In certain circumstances, the estimated fair value less cost to sell approximate cost incurred at that moment, especially when only a minor biological transformation has taken place or when no material impact is expected from that biological transformation on the price. Biological assets continue to be recorded at their fair value.

The sugarcane crops productive cycle is five years on average, and for a new cycle to start depends on the completion of the previous cycle. In this regard, the current cycle is classified as biological asset in current assets, and the amount of the constitution of the bearer plant (bearer of the other cycles) are classified as permanent culture in property, plant and equipment. The calculation methodology used estimate the of the biological asset "sugarcane" was the discounted cash flow at a rate reflecting the risks and the terms of the operation. As such, we projected the future cash flows in accordance with the projected productivity cycle, taking into consideration the estimated useful life of each area, the prices of total sugar recoverable, estimated productivity and the related estimated costs of production, including the cost of land, harvest, loading and transportation for each hectare planted.

The soybean, corn and sorghum are temporary cultures, in which the agricultural product is harvested after a period of time spanning from 110 to 180 days after the planting date, depending on the cultivation, variety, geographic location and climate conditions. The calculation methodology used to estimate the value of the grains was the discounted cash flows at a rate reflecting the risk and terms of operations. As such, we projected the future cash flows taking into consideration the estimated productivity, costs to be incurred based on the Company's budget or on new internal estimates and market prices. The commodities prices available in futures markets, were obtained from quotes on the following boards of trade: CBOT ("Chicago Board of Trade"), BM&F (Bolsa de Mercadorias e Futuros), and NYBOT ("New York Board of Trade"). For the agricultural products not quoted in these of markets, we used the prices obtained through direct market surveys or disclosed by specialized companies. We considered the related logistic expenses and tax discounts in order to arrive at the prices of each of these products in each production unit of the Company.

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As mentioned above, the fair value of the biological assets disclosed in the balance sheet was determined using valuation techniques – the discounted cash flows method. The data used in these methods is based on the information observed in the market, whenever possible, and if unavailable, a certain level of judgment is required to establish such fair value. Judgment is used the data to be used, e.g. price, productivity and production cost. Changes in the assumptions on these inputs might affect the fair value of biological assets.

**(b) Cattle raising activity**

On June 14, 2016, the Company started raising cattle, which typically consists of producing and selling beef calves after weaning, which characterizes the activity as breeding.

For segregation purposes, when applicable, the Company classifies its cattle herd into: beef cattle (current assets), which can be sold as a biological asset for meat production; and breeding cattle (non-current assets), which is used in farm operations to generate other biological assets. Up to the reporting date the Company only had beef cattle, which includes calves, heifers, cows and bulls.

The fair value of beef cattle is determined based on market prices, given the existence of an active market. Gain or loss from changes in the fair value of beef cattle is recognized in profit or loss for the period (Note 9). The Company considered the prices in the cattle market in Bahia state and the metrics used in the market. Accordingly, beef and breeding cattle are measured based on weight and the age bracket of animals.

**2.10. Investment properties**

The Company's business strategy aims mainly at the acquisition, development, exploration and sale of rural properties where agricultural activities can be developed. The Company acquires rural properties believed to have significant potential of appreciation in value by means of maintenance of assets and development of profitable agricultural activities. By acquiring rural properties, the Company seeks to implement higher value added crops and transform these rural properties with investments in infrastructure and technology, in addition to entering into lease contracts with third parties. Based on this strategy, whenever the Company considers that its rural properties are profitable, it sells these rural properties to realize capital gains.

The land of rural properties purchased by the Company is measured at acquisition cost, which does not exceed its net realizable value, and is presented in "Non-current assets". The fair value of each property is disclosed in Note 10.

Buildings, improvements and opening of areas in investment properties are measured at historical cost, less accumulated depreciation, following the same criteria described for property, plant and equipment in Note 2.11.

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### 2.11. Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciation. Historical cost includes expenditures directly attributable to the acquisition of the items. Historical cost also includes borrowing costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repair and maintenance costs are recognized in profit or loss, as incurred.

Depreciation is calculated using the straight-line method over their estimated useful lives, at the depreciation rates described below:

	Annual depreciation rates %	
	<u>2017</u>	<u>2016</u>
Buildings and improvements	2-20	2-20
Equipment and facilities	10	10
Vehicles and agricultural machinery	13-20	13-20
Furniture and fixtures	10	10
Opening of areas	10-20	10-20
Permanent cultures	16-27	16-27

The residual amount and useful lives of property, plant and equipment are revised and adjusted, if appropriate, at the end of each year.

An asset carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the sale price with the carrying amount and are recognized in "Other operating income (expenses), net" in the statement of operations.

### 2.12. Intangible assets

Intangible assets includes software license and acquired contractual rights and are amortized over their estimated useful life of 5 years and in accordance with the rendering of services for opening of area, respectively.

Costs associated with software maintenance are recognized as an expense as incurred.

### 2.13. Impairment of non-financial assets

Pursuant to IAS 36 – Impairment of Assets, investment properties, property, plant and equipment and intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their book value may not be recoverable.

Assets with finite useful lives are reviewed for impairment indicators on each balance sheet date and whenever events or changes in circumstances indicate that the book value may not be recoverable. If any indication exists, the assets are tested for impairment. An impairment loss is recognized for the difference between the asset's carrying amount and its recoverable amount.

On June 30, 2017, 2016 and 2015, no indication of impairment of assets was identified.

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**2.14. Trade accounts payables**

Trade account payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Trade accounts payables are classified as current liabilities if payment is due within one year or less, otherwise they are classified as non-current liabilities.

**2.15. Loans and financing**

Loans and financing are recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the settlement value is recognized in the statement of operations over the loans and financing agreement period using the effective interest rate method.

Fees paid in raising credit facilities are recognized as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidation services and amortized over the period of the facility to which it relates.

Loans and financing are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months or longer after the balance sheet date.

**2.16. Provisions**

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Contingent liabilities arising from labor, social security, tax, environmental, contractual, operating obligations and administrative and judicial claims are recorded at their estimated amount when the likelihood of loss is considered probable (Note 3.a).

**2.17. Current and deferred profit and social contribution taxes****(a) Current income tax and social contribution**

Current and deferred income and social contribution taxes are calculated applying a rate of 15%, plus surtax of 10% on taxable profit exceeding R\$240 per annum for income tax, and 9% on taxable profit for social contribution tax on net profit. Income and social contribution tax loss carryforwards can be used to offset the payment of income and social contribution tax payable limited to 30% of annual taxable profit, except for the rural activity which may reach 100% of annual taxable profit. Tax loss carryforwards do not expire. As allowed by the Brazilian tax legislation, certain subsidiaries opted for a regime under which taxable profit is computed as a percentage of revenues. Under this regime, taxable profit for income and social contribution tax is calculated by applying a rate of 8% and 12% on gross revenue, respectively, on which the statutory rates for income and social contribution tax are applied.

**(b) Deferred income tax and social contribution**

Deferred income taxes are recognized for temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. A deferred income tax liability is recognized for all the temporary differences, whereas deferred income tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized, including

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the recognition of a deferred tax asset related to unused tax loss carryforwards. Deferred tax assets and liabilities are classified as non-current. Income tax related to items directly recognized in equity are also recognized in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year where the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Such rates are 25% for income tax and 9% for social contribution tax (Notes 16).

**2.18. Employee benefits**a) Share-based payments.

The Company has a number of equity-settled, share-based payment plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. Employee service cost received in exchange for the grant of the options is recognized as an expense. Amounts received net of any directly attributable transaction costs are credited to capital (nominal value) and share premium, if applicable, when options are exercised.

b) Profit sharing

The Company provides employees with a profit-sharing program, under which all of the employees have the right to receive annual bonuses based on the Company's consolidated financial and operational results, and also on personal goals set for individual employees. Profit sharing is usually recognized at year end, when the amount can be reliably measured by the Company.

**2.19. Capital**

Common shares are recorded in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction of the issued amount, net of taxes.

**2.20. Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities including leases. Revenue is presented net of taxes, returns and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities, as described below. The Company's estimates are based on past experience, taking into consideration the type of customer, the type of transaction and transaction specifics.

a) Sale of goods

Revenue from grain and sugarcane sales is recognized when the significant risks and benefits of ownership of the goods are transferred to the purchaser, usually when the products are delivered to the purchaser at the determined location, according to the agreed sales terms.

In the case of grains, the Company normally enters into forward contracts under which the Company is entitled to determine the sale price for the total or partial volume of grains sold, through the delivery date, based on formulas contractually agreed upon. In some cases, the formulas used to determine the sales price are estimated in U.S. Dollars and the Reais amount is also contractually determined, which is based on the exchange rate applicable a couple of

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days prior to settling the transaction. The price can also be adjusted by other factors, such as humidity and other technical characteristics of grains.

Upon the delivery of grains, revenue is recognized based on the price determined for each client considering the foreign exchange rate on the delivery date. After the grains are delivered to the client, the quality and final weight are assessed, and the final price of the transaction is agreed upon, which result in adjusting the original contractual amounts, in addition to adjusting any foreign exchange rate variation through the settlement date.

**b) Sale of farms**

Gain on sale of farms is not recognized until (i) the sale is completed, (ii) the Company has determined that it is probable the buyer will pay, (iii) the amount of revenue can be measured reliably, and (iv) the Company has transferred all risks and rewards to the buyer, and does not have a continuing involvement. The result from sales of farms is presented in the statement of operations as "Gain on sale of farms" net of the related cost.

**c) Revenue from operating lease of land**

Revenues from operating lease of land are recognized on a straight line basis over the leasing period. When the lease price is defined in quantities of agricultural products or livestock, the lease amount is recognized considering the price of the agricultural product or livestock effective at the balance sheet date or at the date established in the contract, as the case may be. The amounts received in advance are recognized in current liabilities under the caption "Other liabilities".

Leasing arrangements under which a significant portion of the risks and benefits of ownership of the land are retained by the lessor are classified as operating leases.

**2.21. Financial income and expenses**

Includes interest and foreign exchange variations arising from loan and financing contracts, marketable securities, trade accounts receivable, gain (loss) on remeasurement of receivables from sale of farms and machinery, gains and losses for changes in fair value of derivative financial instruments, as well as discounts obtained from suppliers for the prepayment trade accounts payable.

**2.22. Leases**

The Company classifies lease of farms as operating leases to the extent that a significant portion of the risks and benefits of the ownership is held by the lessor and classifies lease of sugarcane crops as financial leases to the extent that a significant portion of the risks and benefits of ownership is transferred to the lessee. The lease expenses are initially recorded as part of biological assets and recorded as cost of sales of agricultural products upon the sale. The lease payments are measured based on a future quotation of soybean and as such, do not have a fixed value, but rather depend on the soybean quotation on a future date, are considered contingent payments.

**2.23. Distribution of dividends and interest on equity**

Distribution of dividends and interest on capital to the Company's stockholders are recognized as a liability in the Company's financial statements at year-end based on the Company's articles of incorporation. Any amount that exceeds the minimum legally required is only approved at the shareholders' general meeting according to the proposal submitted by the Board of Directors. The tax benefit of interest on equity is recognized in the statement of operations.



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**2.24. Adjustment to present value – assets and liabilities**

Assets and liabilities arising from long-term operations and short-term operations for which the financing component could have a material effect, are adjusted to present value.

Accordingly, certain elements of assets and liabilities are adjusted to present value, based on discount rates, which aim to reflect the best estimates of time value of money.

The discount rate used varies depending on the characteristics of the assets and liabilities including the risk and terms of the specific item, and it is based on the average rate of loans and financing obtained by the Company, net of inflationary effects.

**2.25. Basic and diluted earnings per share**

Basic earnings per share is calculated by dividing the available profit by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by dividing the available profit by the weighted average number of common shares outstanding during the year plus the weighted number of additional shares that would be issued on conversion of all dilutive potential common shares into common shares, such as stock options and warrants.

**2.26. Statement of cash flows**

The statement of cash flows is prepared and presented in accordance with IAS 7.

Interest paid and the dividends received are classified as cash flows from financing activities and cash flows from investment activities, respectively, since they are costs for obtaining financial resources and return on the investments, and are not considered operating activities of the Company.

**2.27. New standards, amendments and interpretations**

At the date of the preparation of the consolidated financial statements, the following amendments in IFRS had been issued but are not yet effective:

- IFRS 9 – Financial Instruments: The ultimate aim of this standard is to replace IAS 39 – Financial Instruments: Recognition and Measurement. The key changes expected are: (i) all financial assets must initially be recognized at their fair value; (ii) the standard classifies all financial assets, which are currently under IAS 39, into two groups: amortized cost and fair value; (iii) available for sale and held to maturity categories of IAS 39 were eliminated; and (iv) the concept of embedded derivatives in IAS 39 was replaced by the concepts provided in the new standard. The standard will be effective on January 1, 2018.
- IFRS 15 – Revenue from Contracts with Customers: The new standard provides the principles to be applied by an entity to determine the measurement of revenue and when it must be recognized. The standard is effective as from January 1, 2018.
- IFRS 16 – Leases: It establishes that leases be recognized in the lessee's balance sheet, recognizing a liability amount for future payments and an intangible asset for the right of use. The definition of lease covers all agreements that grant the right of use and control of an identifiable asset, including lease agreements and, possibly, some components of service agreements.



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The standard is applicable as of January 1, 2019.

The project to implement the new pronouncements IFRS 9 - Financial Instruments, IFRS 15 - Revenue from contract with clients and IFRS 16 - Leases, in addition to the preliminary analysis carried out by the Management in 2016, will include the assistance of external specialists in the identification and measurement of the final effects on the date of initial adoption, identification of the needs for changes in the systems used, the design and implementation of internal controls, adequate policies and procedures to collect and disclose the information requested in these new pronouncements.

Until the date of the issuance of these financial statements, Management did not finalize the assessment of the effects of these new pronouncements, being unable to disclose such effects.

**2.27.1. New standards, amendments and interpretations to existing standards adopted in the current fiscal year**

In June 2014, the IASB made amendments to IAS 16, Property, Plant and Equipment and IAS 41, Agriculture, which distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of property, plant and equipment, therefore, they are accounted for under IAS 16. However, agricultural produce growing on bearer plants remain under the scope of IAS 41 and continue to be measured at fair value less cost to sell. The amendments shall be applied for annual periods beginning on or after January 1, 2016. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply.

The main impacts as a result of the adoption of this amendments are as follows:

- Bearer plants are recorded at cost less accumulated depreciation and impairment, instead of at fair value less cost to sell.
- Bearer plants and their accumulated depreciation are now classified as property, plant and equipment instead of as biological assets under noncurrent assets.
- Agricultural produce growing on sugarcane (crop in formation) continue to be measured at fair value less costs to sell and classified as biological assets in current assets.

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting policy was applied retrospectively as of July 1, 2014. As a consequence, the sugarcane planting was reclassified to property, plant and equipment and measured at cost and depreciated over their useful life on straight-line basis, effective July 1, 2016 and comparative figures retrospectively revised accordingly. The Company adopted the transitional rule which allows companies to apply fair value of bearer plants as their deemed cost as of July 1, 2014.

The effects of the initial adoption of the amendments was recorded in retained earnings as the beginning of the fiscal year ended June 30, 2015.

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The impacts of initial adoption of these amendments, including tax effects, as of June 30, 2016 and 2015 and for the years ended June 30, 2016 and 2015 are summarized below:

<b>Assets</b>	<b>At June 30, 2016</b>	<b>Impacts of changes</b>	<b>At June 30, 2016</b>	<b>At June 30, 2015</b>	<b>Impacts of changes</b>	<b>At June 30, 2015</b>
	<b>As reported</b>		<b>Revised</b>	<b>As reported</b>		<b>Revised</b>
Current assets						
Biological assets	-	22,285	22,285	1,624	15,724	17,348
Other current assets	242,594	-	242,594	447,213	-	447,213
	242,594	22,285	264,879	448,837	15,724	464,561
Noncurrent assets						
Biological assets	44,530	(39,289)	5,241	29,245	(29,245)	-
Deferred taxes	56,353	(759)	55,594	43,137	(2,089)	41,048
Property, plant and equipment	8,567	19,236	27,803	10,602	19,666	30,268
Other noncurrent assets	501,485	-	501,485	486,019	-	486,019
	610,935	(20,812)	590,123	569,003	(11,668)	557,335
Total assets	853,529	1,473	855,002	1,017,840	4,056	1,021,896
<b>Liabilities</b>						
Current liabilities	112,035	-	112,035	199,021	-	199,021
Noncurrent liabilities	55,479	-	55,479	66,713	-	66,713
Total liabilities	167,514	-	167,514	265,734	-	265,734
Equity						
Capital	584,224	-	584,224	584,224	-	584,224
Capital reserves	1,771	-	1,771	2,349	-	2,349
Treasury shares	(37,203)	-	(37,203)	(224)	-	(224)
Income reserves	89,685	1,473	91,158	89,156	4,056	93,212
Additional dividends proposed	7,533	-	7,533	40,333	-	40,333
Other comprehensive income	40,005	-	40,005	36,268	-	36,268
Total equity	686,015	1,473	687,488	752,106	4,056	756,162
Total liabilities and equity	853,529	1,473	855,002	1,017,840	4,056	1,021,896
	<b>At June 30, 2016</b>	<b>Impacts of changes</b>	<b>At June 30, 2016</b>	<b>At June 30, 2015</b>	<b>Impacts of changes</b>	<b>At June 30, 2015</b>
	<b>As reported</b>		<b>Revised</b>	<b>As reported</b>		<b>Revised</b>
Net revenue	147,128	-	147,128	174,351	-	174,351
Gain on sale of farms	-	-	-	193,464	-	193,464
Changes in fair value of biological assets and agricultural products	(8,718)	(3,914)	(12,632)	9,788	8,406	18,194
(Impairment) reversal of impairment of net realizable value of agricultural products after harvest, net	659	-	659	(3,038)	-	(3,038)
Cost of sales	(134,714)	-	(134,714)	(170,489)	-	(170,489)
<b>Gross profit</b>	4,355	(3,914)	441	204,076	8,406	212,482
Selling expenses	(2,732)	-	(2,732)	(9,006)	-	(9,006)
General and administrative expenses	(28,944)	-	(28,944)	(29,360)	-	(29,360)
Other operating income (expenses), net	2,812	-	2,812	(3,422)	-	(3,422)
Share of loss of a joint venture	(511)	-	(511)	(4,355)	-	(4,355)
<b>Operating (loss) income</b>	(25,020)	(3,914)	(28,934)	157,933	8,406	166,339
<b>Financial income (expenses)</b>						
Financial income	192,644	-	192,644	122,552	-	122,552
Financial expenses	(154,270)	-	(154,270)	(89,914)	-	(89,914)
<b>Profit before income and social contribution taxes</b>	13,354	(3,914)	9,440	190,571	8,406	198,977
Income and social contribution taxes	(2,782)	1,331	(1,451)	(9,761)	(2,858)	(12,619)
<b>Net profit for the year</b>	10,572	(2,583)	7,989	180,810	5,548	186,358

Basic earnings per share-in reais	0.1816	(0.0444)	0.1372	31.049	0.0953	3.2002
Diluted earnings per share-in reais	0.1805	(0.0441)	0.1364	31.036	0.0952	3.1988

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	2016	Impacts of changes	2016	2015	Impacts of changes	2015
	As reported		Revised	As reported		Revised
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net profit for the year	10,572	(2,583)	7,989	180,810	5,548	186,358
<b>Adjustments to reconcile net profit</b>						
Deferred income and social contribution taxes	(13,216)	(1,331)	(14,547)	417	2,858	3,275
Loss (gain) arising from changes in fair value of biological assets and agricultural products	8,718	3,914	12,632	(9,788)	(8,406)	(18,194)
Other items	(17,797)	-	(17,797)	(182,485)	-	(182,485)
	(11,723)	-	(11,723)	(11,046)	-	(11,046)
<b>Changes in working capital</b>						
Biological assets	(30,535)	11,338	(19,197)	5,627	19,666	25,293
Other items	24,480	-	24,480	(5,756)	-	(5,756)
Net cash flows (used in) from operating activities	(17,778)	11,338	(6,440)	(11,175)	19,666	8,491
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Additions for property, plant and equipment and intangible assets	(1,104)	(11,338)	(12,442)	(1,800)	(19,666)	(21,466)
Other items	162,215	-	162,215	21,752	-	21,752
Net cash flows from (used in) investing activities	161,111	(11,338)	149,773	19,952	(19,666)	286
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Net cash flows used in financing activities	(164,749)	-	(164,749)	(19,902)	-	(19,902)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(21,416)</b>	<b>-</b>	<b>(21,416)</b>	<b>(11,125)</b>	<b>-</b>	<b>(11,125)</b>
Cash and cash equivalents at beginning of year	75,620	-	75,620	86,745	-	86,745
Cash and cash equivalents at end of year	54,204	-	54,204	75,620	-	75,620
	<b>(21,416)</b>	<b>-</b>	<b>(21,416)</b>	<b>(11,125)</b>	<b>-</b>	<b>(11,125)</b>

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**2.27.2. Reclassifications in the statement of financial position**

Management reclassified certain items in the consolidated statement of financial position as of June 30, 2016 and 2015 to conform them to the classification as of June 30, 2017.

The details of these reclassifications on the statement of financial position at June 30, 2016 and July 1, 2015 are summarized below:

Assets	2016	Reclassifications	2016	2015	Reclassifications	2015
	Revised *		Reclassified	Revised *		Reclassified
Current assets						
Accounts receivable and others	-	31.072	31.072	-	56.575	56.575
Trade accounts receivable	18.528	(18.528)	-	46.028	(46.028)	-
Inventories	22.413	(4.216)	18.197	32.225	(4.819)	27.406
Recoverable taxes	7.470	(7.470)	-	5.412	(5.412)	-
Other assets	858	(858)	-	316	(316)	-
Other current assets	215.610	-	215.610	380.580	-	380.580
Noncurrent assets						
Recoverable taxes	21.709	(21.709)	-	24.602	(24.602)	-
Accounts receivable and others	-	42.497	42.497	-	53.215	53.215
Trade accounts receivable	14.411	(14.411)	-	22.802	(22.802)	-
Judicial deposits	6.377	(6.377)	-	5.811	(5.811)	-
Other noncurrent assets	547.626	-	547.626	504.120	-	504.120
Total assets	855.002	-	855.002	1.021.896	-	1.021.896
Liabilities and equity						
Current liabilities						
Trade accounts payable and other liabilities	-	26,602	26,602	-	81,931	81,931
Trade accounts payable	12,073	(12,073)	-	5,545	(5,545)	-
Taxes payable	6,277	(6,277)	-	23,377	(23,377)	-
Dividends payable	2,532	(2,532)	-	40,358	(40,358)	-
Advances to customers	278	(278)	-	8,147	(8,147)	-
Other liabilities	5,442	(5,442)	-	4,504	(4,504)	-
Other current liabilities	85,433	-	85,433	117,090	-	117,090
Noncurrent liabilities						
Taxes payable	970	(970)	-	1,508	(1,508)	-
Trade accounts payable and other liabilities	-	1,402	1,402	-	2,180	2,180
Other liabilities	432	(432)	-	672	(672)	-
Other noncurrent liabilities	54,077	-	54,077	64,533	-	64,533
Total equity	687,488	-	687,488	756,162	-	756,162
Total liabilities and equity	855.002	-	855.002	1.021.896	-	1.021.896

\* The originally presented amounts already include adjustments from IAS41 and IAS16, shown in Note 2.27

**3. Significant accounting estimates and judgments**

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

Based on the assumptions, the Company concerning its future. The resulting accounting estimates will, by definition, seldom equal the related actual amounts. The estimates and assumptions that have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the next year are as follows:

**a) Contingencies**

The Company is party to different legal and administrative proceedings, as described in Note 25. Provisions are set up for all the contingencies related to legal claims that are estimated to represent probable losses (present obligations resulting from past events in which an outflow of resources is probable, and amounts can be reliably estimated). The evaluation of the likelihood of loss includes the opinion of outside legal advisors. Management

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believes that these contingencies are properly recorded and presented in the financial statements.

b) Biological assets

The fair value of biological assets recorded in the balance sheet (Note 9) was determined using valuation techniques, including the discounted cash flows method. The inputs for these estimates are based on those observable in the market, whenever possible, and when such inputs are not available, a certain level of judgment is required to estimate the fair value. Judgment includes considerations on data e.g. price, productivity, crop cost and production cost. Changes in the assumptions on these factors might affect the fair value recognized for biological assets.

An increase or decrease by 1% in the expected productivity of sugarcane and grains would result in an increase or decrease in biological asset by R\$624, and an increase or decrease by 1% in the price of sugarcane and grains would result in an increase or decrease in biological asset by R\$941.

With regard to cattle, the Company values its breeding stock at fair value based on market price for the region.

c) Investment properties

The fair value of investment properties was determined through an appraisal prepared by the Company.

The appraisal was performed by means of standards adopted in the market considering the characteristics, location, type of soil, climate of the region, calculation of improvements, presentation of the elements and calculation of the land value, which may differ based on these variables.

*Methodology used*

At June 30, 2017, investment properties were valued by applying the comparative analysis methodology adjusted by its related features:

- i) The valuation relied, among other aspects, on the following information: (i) location of farms, (ii) total area and its related percentages of opening and use;
- ii) The market value presented for the farm corresponds to the portion of bare land, for payment in cash, not including machinery, equipment, agricultural inputs, cultivation. The soil adjustment factor (preparation of land for planting) was considered in the assessment of prices;
- iii) The value of land for agriculture in the surveyed region, is referenced to the price of soybean bag. The unit amounts of the farms for sale (market researches) were obtained in soybean bags per hectare. Accordingly, the amount in reais (R\$) of the property varies directly due to the variation in the soybean price; and
- iv) The soybean price considered at the base date of the work, June 30, 2017, was R\$68.98 (West Region – Bahia), R\$ 70.94 (Balsas Region – Maranhão), R\$ 65.32 (Alto Taquari Region – Mato Grosso) and R\$ 67.55 (Mineiros Region – Goiás). This amount represents an average in amounts arbitrated by the real estate market of the region due to the great instability in the amount of soybean bag.

d) Deferred income tax

The Company recognizes deferred income tax assets and liabilities, as described in Note 15, on the temporary differences between the carrying amount and the tax basis of assets and liabilities using statutory rates. The Company regularly assesses if the deferred income tax assets recognized are recoverable, considering the taxable profit generated in the past as well as the expected future taxable profit, in accordance with a technical feasibility study performed by the Company.

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**4. Financial risk management****4.1. Financial risk factors**

The Company operates with various financial instruments, including cash and cash equivalents, marketable securities, trade accounts receivables, accounts receivable from the sale of farms, trade accounts payable, accounts payable for the purchase of farms, loans and financing and derivative instruments.

Certain Company's operations expose it to market risks, mainly in relation to exchange rates, interest rates and changes in the prices of agricultural commodities. As a result, the Company also enters into derivative financial instruments, used to hedge its exposures with respect to crops or with respect to assets and liabilities recognized in the balance sheet, depending on the nature of the specific operation.

Excluding derivative financial instruments, fair value is basically determined using the discounted cash flow method. The amounts recorded under current assets and liabilities are either highly liquid or mature within twelve months, as such their carrying value approximates their fair value.

**4.2. Policies approved by the Board of Directors for the use of financial instruments, including derivatives**

The Company's policies with respect to transactions with financial instruments, which have been approved by the Board of Directors, are as follows: (i) Investment Policy which provides guidelines with respect to Company's investment of cash, considering the counterparty risk, the nature of instruments and liquidity, among others; (ii) Derivative financial instrument policy which provides guidelines to manage the Company's exposures to currency risk, interest rate and index risks, and agricultural commodities price risk, always linking the derivative financial instrument to the asset or liability that generates the exposure; and (iii) Risk Policy, which addresses items not covered by the Investment Policy or the Derivative financial instrument Policy including hedge against future cash flows with respect to future production of commodities.

a) Cash and cash equivalents, marketable securities, trade accounts receivable, receivable from sale of farms, loans with related parties and accounts payable. The amounts recorded approximate their estimated fair value.

b) Loans and financing. The book value of loans and financing denominated in reais have its interest rates either fixed or based on the variation of TJLP (Long Term Interest Rate), SELIC (Special System of Clearance and Custody Rate) and exchange rate and approximates their fair value. The Executive Officers report the transactions entered into at the Board of Directors' meetings.

**4.3. Analysis of exposure to financial asset and liability risks****a) Currency risk**

This risk arises from the possibility that the Company may incur losses due to fluctuations in exchange rates, which reduces the nominal amount of assets or increase the amount of liabilities. This risk also arises with respect to commitments to sell products existing in inventories or agricultural products not yet harvested when sales are made at prices to be fixed at a future date, prices which vary depending on the exchange rate.

**b) Interest rate and indices risk**

This risk arises from the possibility that the Company may incur losses due to fluctuations in the interest rates or indices which increase financial expenses related to certain contracts for the acquisition of farms, indexed by inflation, such as the IGP-M rate ("FGV").



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c) Agricultural commodities price risk

This risk arises from the possibility that the Company may incur losses due to fluctuations in the market prices of agricultural products.

**4.4. Objectives and strategies of risk management and of use of derivative instruments**

The Executive Board is responsible for managing financial risks, and evaluates the Company's exposure to foreign currency risk, interest rate and index risk and agricultural commodities price risk with respect to assets, liabilities and transactions of the Company. Considering the exposure to such risks, Company management evaluates the convenience, cost and availability in the market of derivative financial instruments which allow the Company to mitigate such risks. After such assessment, the Executive Board decides whether to enter into derivative financial instruments within the parameters previously approved in the Policies referred to above, and reports it in the Board of Directors' meetings.

**4.5. Risks related to operating strategy**

The use of derivative instruments as an economic hedge reduces the risks of changes in cash flows arising from risks such as foreign currency, interest rate and price index and agricultural commodities prices, currently soybean and corn.

However the change in the fair value of the derivative financial instrument may differ from the change in the cash flows or fair value of the assets, liabilities or forecasted transactions which are being hedged, as a result of different factors, such as, among others, differences between the contract dates, the maturity and settlement dates, or differences in "spreads" on the financial assets and liabilities being hedged and the corresponding spreads in the related legs of the swaps. In the case of the derivative financial instruments strategy to hedge recognized assets and liabilities, management believes that the derivative financial instruments present a high degree of protection with respect to the changes in the assets and liabilities being hedged.

In the case of the strategy to hedge forecasted sales of soybean or to hedge accounts payable/receivable, which are susceptible to changes commodity prices, differences may arise due to additional factors, such as differences between the estimated and actual soybean volume to be harvested, or differences between the quoted price of soybean in the international markets where the derivative financial instruments are quoted and the price of soybean in the markets in which soybean is physically delivered/received by the Company. Should the soybean volume effectively harvested be lower than the amount for which derivative financial instruments were contracted, the Company will be exposed to variations in the price of the commodities by the volume hedged in excess and vice-versa should the soybean volume effectively harvested be higher than the hedged volume.

To the extent that the Company does not set the selling price of soybean through derivative financial instruments, but rather it establishes a range of selling prices through options, the quantity of US dollars to be received from the sale of soybean to customers and from the settlement of the options is a range of amounts. Should the notional amount of futures to sell US dollars entered into be lower than the actual amount of US dollars received, the Company will be exposed to changes in the exchange rate between the U.S. dollar and the Brazilian real for the amount hedged in excess and vice-versa should the notional amount of futures to sell US dollars entered into be higher than the actual amount of U.S. dollars received.

**4.6. Controls over the use of derivative financial instruments**

Additionally, the Company is subject to credit risk with respect to the counterparty of the derivative financial instrument. The Company has contracted derivative financial instruments either traded in on stock exchanges or from

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prime first-tier financial institutions or “trading” companies. The Company understands that, at the balance sheet date, there are no indications of collectability risk with respect to the amounts recognized as assets with respect to derivative financial instruments.

The main controls established on the use of derivative financial instruments are as follows:

- establishment of policies defined by the Board of Directors;
- prohibition to enter into derivative financial instruments that have not been approved by the Executive Officers;
- maintenance by the Executive Officers of a centralized inventory of outstanding derivative financial instruments contracts;
- daily risk report with the consolidated position provided to a group comprising the Executive Officers and designated members of the Board of Directors;
- monthly monitoring by the Executive Officers of the fair values as reported by the counterparties as compared to the amounts estimated by management; and
- the fair value of the derivative financial instruments is estimated based on the market in which they were contracted and also in which the instruments are inserted.

### 4.7. Impact of derivative instruments on the statement of operation

The gains and losses for changes in the fair value of derivative financial instruments are recognized in the statement of operations separately between realized statement of operation (corresponding to derivative financial instruments that have already been settled) and unrealized profit and loss (corresponding to derivative financial instruments not yet settled).

### 4.8. Estimate of fair value of derivative financial instruments

The fair value of derivative financial instruments traded on stock exchanges (BM&FBOVESPA and Chicago Board of Trade) is determined based on the quoted prices at the balance sheet date. To estimate the fair value of derivative financial instruments not traded on stock exchanges the Company uses quotes for similar instruments or information available in the market and uses valuation methodologies widely used and that are also used by the counterparties. The estimates do not necessarily guarantee that such operations may be settled at the estimated amounts. The use of different market information and/or valuation methodologies may have a relevant effect on the amount of the estimated fair value.

Derivative financial instruments entered into by our wholly-owned subsidiary FIM Guardian (foreign currency and indices derivatives) are marked to market by the own investment fund in accordance with the specific rules applicable for investment funds using market curves observed in the B3 S.A. – Brasil, Bolsa, Balcão.

Specific methodologies used for derivative financial instruments entered into by the Company:

- Derivative financial instruments of agricultural commodities - The fair value is obtained by using various market sources, including quotes provided by international brokers, international banks and available on the Chicago Board of Trade (CBOT).
- Derivative financial instruments of foreign currencies - The fair value is determined based on information obtained from various market sources including, as appropriate, B3 S.A. – Brasil, Bolsa, Balcão, local banks, in addition to information sent by the operation counterparty.

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a) Sensitivity analysis

Management identified for each type of derivative financial instrument the conditions for variation in foreign exchange rates, interest rates or commodities prices which may generate loss on assets and/or liabilities which is being hedged or, in the case of derivative financial instruments related to transactions not recorded in the balance sheet, in the fair value of the contracted derivatives.

The sensitivity analysis aims at measuring the impact from the changes in the market variables on the aforementioned financial instruments of the Company, considering all other market indicators comprised. Upon their settlement, such amounts may differ from those stated below, due to the estimates used in their preparation.

This analysis contemplates 5 distinct scenarios that differ due to the intensity of variation in relation to the current market. At June 30, 2017, as reference for probable scenarios I, II, III and IV, a variation in relation to the current market of 0%, -25%, -50%, +25%, +50%, respectively, was considered.

The preparation of the probable scenario took into consideration the market prices of each one of the reference assets of derivative instruments held by the Company at year end. Since all these assets are inserted in competitive and open markets, the current market price is a satisfactory reference for the expected price of these assets. Accordingly, since the current market price was the reference for the calculation of both book value of derivatives and the Probable Scenario, the result of the latter one is equal to zero.

The assumptions and scenarios are as follows:

	2017				
	Devaluation in reais R\$		Appreciation in reais R\$		
	Probable scenario	Scenario I -25%	Scenario II -50%	Scenario III +25%	Scenario IV + 50%
Soybean - R\$ / bag – July 2017 (CBOT)	68.72	51.54	34.36	85.90	103.08
Cattle - R\$ / @ – October 2017 (BMF)	124.58	93.44	62.29	155.73	186.87
Soybean - R\$ / bag – November 2017 (CBOT)	69.64	52.23	34.82	87.05	104.46
Soybean - R\$ / bag – April 2018 (CBOT)	3.60	2.70	1.80	4.50	5.40
Soybean - R\$ / bag – June 2018 (CBOT)	4.44	3.33	2.22	5.55	6.66
Soybean - R\$ / bag – July 2018 (CBOT)	71.31	53.48	35.66	89.14	106.97
U.S. dollar – August 3, 2017	3.33	2.50	1.67	4.16	5.00
U.S. dollar – July 28, 2017	3.33	2.50	1.67	4.16	5.00
U.S. dollar – May 30, 2018	3.49	2.62	1.75	4.36	5.24
	2016				
	Devaluation in reais R\$		Appreciation in reais R\$		
	Probable scenario	Scenario I -25%	Scenario II -50%	Scenario III +25%	Scenario IV + 50%
Soybean - R\$ / bag – August 2016 (CBOT)	83.10	62.33	41.55	103.88	124.65
Soybean - R\$ / bag – November 2016 (CBOT)	81.61	61.21	40.81	102.01	122.42
Soybean - R\$ / bag – July 2017 (CBOT)	76.80	57.60	38.40	96.00	115.20
U.S. dollar – August 1, 2016	3.24	2.43	1.62	4.05	4.86
U.S. dollar – August 22, 2016	3.26	2.45	1.63	4.08	4.89
U.S. dollar – July 29, 2016	3.24	2.43	1.62	4.05	4.86

This sensitivity analysis aims to measure the impact of variable market changes on the aforementioned financial instruments of the Company, considering all other market indicators remain unchanged. Estimated amounts below can significantly differ from amounts eventually settled.

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In addition, the Company presents a summary of possible scenarios for the following 12 months of the Company's loans and receivables. Reliable sources of index disclosure were used for the rates used in the "probable scenario".

		Amounts in thousands reais RS												
		At June 30, 2017			Scenario I - Probable		Scenario I - Possible		Scenario II - Remote		Scenario I - Possible		Scenario II - Remote	
							Decrease	25%	Decrease	50%	Increase	25%	Increase	50%
Operation	Risk	Balance (RS)	Notional	Rate	Balance (RS)	Rate	Balance (RS)	Rate	Balance (RS)	Rate	Balance (RS)	Rate	Balance (RS)	Rate
Investment	CDI	28,639	-	10.14%	(392)	8.77%	(628)	6.58%	(1,256)	4.38%	628	10.96%	1,256	13,16%
Marketable securities	CDI	24,060	-	10.14%	(330)	8.77%	(528)	6.58%	(1,055)	4.38%	528	10.96%	1,055	13,16%
Investment	USD	9,872	2,985	3.31	600	3.51	(2,618)	2.63	(5,236)	1.75	2,618	4.39	5,236	5,26
Total cash, cash equivalents		62,571	2,985		(122)		(3,774)		(7,547)		3,774		7,547	
Financing for Bahia Project	TJLP	(25,987)	-	7.00%	-	7.00%	455	5.25%	910	3.50%	(455)	8.75%	(910)	10,50%
Financing for Bahia Project	SELIC	(5,651)	-	10.15%	78	8.77%	124	6.58%	248	4.38%	(124)	10.96%	(248)	13,16%
Financing for Working Capital	USD	(5,031)	-	3.31	(1,010)	3.51	4,413	2.63	8,825	1.75	(4,413)	4.39	(8,825)	5,26
Financing for Working Capital	CDI	(15,782)	-	10.14%	216	8.77%	346	6.58%	692	4.38%	(346)	10.96%	(692)	13,16%
Financing for Machinery and Equipment – FINAME	TJLP	(1,209)	-	7.00%	-	7.00%	21	5.25%	42	3.50%	(21)	8.75%	(42)	10,50%
Financing for sugarcane	TJLP	(1,537)	-	7.00%	-	7.00%	27	5.25%	54	3.50%	(27)	8.75%	(54)	10,50%
Total financing (b)		(55,197)	-		(716)		5,386		10,771		(5,386)		(10,771)	
Payables to purchase of farms	IGP-M	(22,085)	-	(0.78%)	-	(0.78%)	(43)	(0.58%)	(86)	(0.39%)	43	(0.97%)	86	(1,17%)
Total acquisitions payable		(22,085)	-		-		(43)		(86)		43		86	
Araucária Farma II	Soybean bags	4,398	78,346	61.93	-	61.93	(1,100)	46.45	(2,199)	30.96	1,100	77.41	2,199	92,89
Araucária Farm III	Soybean bags	8,814	160,946	66.93	-	66.93	(2,204)	50.19	(4,407)	33.46	2,204	83.66	4,407	100,39
Araucária Farm IV	Soybean bags	10,975	199,249	67.85	-	67.85	(2,744)	50.89	(5,488)	33.92	2,744	84.81	5,488	101,77
Jatobá Farm Gleba 12A	Soybean bags	7,541	135,000	68.33	-	68.33	(1,885)	51.25	(3,771)	34.17	1,885	85.42	3,771	102,50
Total receivables from farms		31,728	573,541		-		(7,933)		(15,865)		7,933		15,865	
Derivative, net	Grains	(1,758)	(211,245)	(a)	-	(a)	797	(a)	3,351	(a)	(4,312)	(a)	(6,866)	(a)
Derivative, net	Cattle	14	660	(a)	-	(a)	2,358	(a)	4,981	(a)	(2,886)	(a)	(5,509)	(a)
Derivative, net	USD	(213)	(3,530)	(a)	-	(a)	2,358	(a)	4,981	(a)	(2,886)	(a)	(5,509)	(a)
Derivative, net	Swap	89	7,000	(a)	-	(a)	34	(a)	55	(a)	(7)	(a)	(28)	(a)
Margin - Derivatives	USD	-	-	3.31	-	3.51	-	2.63	-	1.75	-	4.39	-	5.26
Margin - LFT Socopa	SELIC	1,118	-	10.15%	(15)	8.77%	(25)	6.58%	(49)	4.38%	25	10.96%	49	13,16%
Margin - LFT Fim Guardian Fund	SELIC	891	-	10.15%	(12)	8.77%	(20)	6.58%	(39)	4.38%	20	10.96%	39	13,16%
Total derivatives		141	(207,115)		(27)		5,502		13,280		(10,046)		(17,824)	
Cresca, net	USD	31,792	9,612	3.31	1,930	3.51	(8,431)	2.63	(16,861)	1.75	8,431	4.39	16,861	5,26
Cresud, net	USD	362	109	3.31	20	3.51	(96)	2.63	(191)	1.75	96	4.39	191	5,26
Total related parties		32,154	9,721		1,950		(8,527)		(17,052)		8,527		17,052	

(\*) SOURCE Risks: Bloomberg

(a) For sensitivity analysis of derivative positions, forward rates and prices at each maturity date of the transaction were used, according to the table above.

(b) The sensitivity analyses do not consider financing transactions with fixed rate.

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**b) Credit risk**

Credit risk refers to the risk of the noncompliance by a counterparty of its contractual obligations, leading the Company to incur financial losses. The risk to which the Company is exposed arises from the possibility of not recovering the amounts receivable from the sale of sugarcane, grains, and from the leasing of land.

To reduce credit risk in commercial transactions, the Company adopts the practice of defining credit limits in which it analyzes factors such as: the counterparty's history, history of its business, commercial references and Credit Protection Institution (Serasa). The Company also constantly monitors the outstanding balances.

Currently, management does not expect losses due to the default of its counterparties and has no significant exposure to any individual counterparty.

**c) Liquidity risk**

The prudent management of liquidity risk implies the maintenance of sufficient cash and marketable securities to comply with its financial commitments, due to the mismatch of terms or volume between the estimated amounts receivables and payables.

The exceeding cash is mainly invested in our wholly-owned FIM Guardian investment fund, classified as a multi-market investment fund, managed by Santander S.A. Bank. The fund has a clear investment policy, with limits to risk concentration in the corresponding investments.

The table below shows the Company's financial liabilities by maturity. The amounts disclosed in the table are the discounted contractual cash flows, in addition to the net derivative financial instruments, whose fair value is disclosed. With respect to payables for the purchase of farms all amounts due at June 30, 2016 and 2015 are payable upon the fulfillment of certain conditions precedent by the sellers and as a result its payment date cannot be determined and have been considered as payable on demand in the table below and no interest or other financial charges have been considered.

	Note	Less than one year	From one to two years	From three to five years	Above five years	Total
<b>At June 30, 2017</b>						
Trade payable	14.1	37,805	-	-	-	37,805
Financial instruments derivatives	6	3,978	-	-	-	3,978
Loans and financing	15	56,620	16,428	15,129	23,998	112,175
Payable for purchase of farms	13	24,646	-	-	-	24,646
Transactions with related parties	27	4,784	-	-	-	4,784
<b>At June 30, 2016</b>						
Trade payable	14.1	12,073	-	-	-	12,073
Financial instruments derivatives	6	2,165	4,392	-	-	6,557
Loans and financing	15	51,615	15,875	32,355	-	99,845
Payable for purchase of farms	13	22,261	-	-	-	22,261
Transactions with related parties	27	536	-	-	-	536

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### 4.9. Capital management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to stockholders, return capital to stockholders or, also, issue new shares or sell assets to reduce, for example, debt.

Consistent with others in the industry, the Company monitors capital based on the leverage ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and financing (including "current and noncurrent loans and financing" as shown in the Consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the Consolidated statement of financial position, plus net debt.

According to the following table, the Company presents net debt of loans, acquisitions payable and trade accounts payables.

	2017	2016
Total loans and financing (Note 15)	112,175	99,845
Total payable for purchase of farms (Note 13)	24,646	22,261
Total trade accounts payables (Note 14.1)	37,805	12,073
Total derivatives (Note 6)	3,978	6,557
	178,604	140,736
Less: cash and cash equivalents (Note 5.1)	(43,798)	(54,204)
Less: marketable securities (Notes 5.2)	(24,060)	(133,912)
	(67,858)	(188,116)
Net debt	110,746	(47,380)
Total equity	667,468	687,488
Financial leverage	16.59%	-

At June 30, 2016, the Company did not have any financial leverage. Capital is managed only at the Consolidated level.

### 4.10. Hierarchy of fair value and financial instruments by category

The carrying amount (less impairment) of trade accounts receivable and payables approximate their fair values. The fair value of financial liabilities, for disclosure purposes, is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

The Company adopted IFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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The following table presents the Company's main assets and liabilities that are measured at fair value, as well as the level of hierarchy:

Consolidated – thousand R\$	June 30, 2017					June 30, 2016				
	Note	Fair value through profit or loss	Loans and receivables	Total	Fair value Level 2	Fair value through profit or loss	Loans and receivables	Total	Fair value Level 2	
Assets										
Current										
Cash equivalents	5.1	28,639	-	28,639	28,639	47,891	-	47,891	47,891	
Marketable securities	5.2	6,972	-	6,972	6,972	113,559	-	113,559	113,559	
Trade accounts receivable, net	7.1	-	35,167	35,167	35,167	-	16,598	16,598	16,598	
Receivable from sale of farm, net	7.1	9,136	-	9,136	9,136	1,930	-	1,930	1,930	
Derivative financial instruments (c)	6	4,090	-	4,090	670	24,497	-	24,497	3,309	
Transactions with related parties	27	-	1,298	1,298	1,298	-	1,065	1,065	1,065	
Noncurrent										
Marketable securities	5.2	17,088	-	17,088	17,088	20,353	-	20,353	20,353	
Trade accounts receivable, net	7.1	-	100	100	100	-	-	-	-	
Receivable from sale of farm	7.1	22,592	-	22,592	22,592	14,411	-	14,411	14,411	
Derivative financial instruments (c)	6	1	-	1	-	-	-	-	-	
Transactions with related parties	27	-	35,640	35,640	35,640	-	44,363	44,363	44,363	
Total		88,518	72,205	160,723	157,302	222,641	62,026	284,667	263,479	

Consolidated – thousand R\$	Note	June 30, 2017				June 30, 2016			
		Designated at fair value through profit or loss	Financial liabilities at amortized cost	Total	Fair value Level 2	Designated at fair value through profit or loss	Financial liabilities at amortized cost	Total	Fair value Level 2
Liabilities									
Current									
Trade accounts payable	14.1	-	37,805	37,805	37,805	-	12,073	12,073	12,073
Loans and financing (a)	15	-	55,001	55,001	55,001	-	49,108	49,108	49,108
Finance lease sugarcane crop - Partnership III (b)	15	1,619	-	1,619	-	2,507	-	2,507	-
Derivative financial instruments (c)	6	3,978	-	3,978	809	2,165	-	2,165	355
Payables for purchase of farms	13	-	24,646	24,646	24,646	-	22,261	22,261	22,261
Noncurrent									
Loans and financing (a)	15	-	33,095	33,095	33,095	-	44,964	44,964	44,964
Finance lease sugarcane crop - Partnerships III and IV (b)	15	22,460	-	22,460	-	3,266	-	3,266	-
Derivative financial instruments (c)	6	-	-	-	-	4,392	-	4,392	-
Total		28,057	150,547	178,604	151,356	12,330	128,406	140,736	128,761

(a) The carrying amount of loans and financing in the financial statements, approximate the fair value, since the rates of these instruments are substantially subsidized and there is no intention of early settlement;

(b) Finance lease is measured at fair value in Level 3.

(c) The Derivative transactions negotiated in an active market are measured at fair value at Level 1, over-the-counter transactions are measured at Level 2, as presented in the table above.

## 5. Cash and cash equivalents and marketable securities

### 5.1. Cash and cash equivalents

	CDI	2017	2016
Cash and banks	-	15,159	6,313
Repurchase agreements (a)	60% to 102.5%	28,639	40,417
Bank deposit certificates	99% to 100%	-	7,474
		<b>43,798</b>	<b>54,204</b>

(a) The Company uses this type of investment for funds that will be redeemed in less than 30 days, according to the projected cash flow and also in case of need to invest funds that were received after banking hours and from the Fim Guardian Fund.

The Company has R\$9,872 (R\$5,893 at June 30, 2016), of bank balances denominated in U.S. dollars which do not bear any interest.



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**5.2. Marketable securities**

	2017	2016
Non-exclusive investment fund shares	2	-
Restricted financial investments (Note 1.3)	-	49,703
Variable income investments	-	21,670
Bank deposit certificates (a)	-	10,058
Banco do Nordeste (BNB)	5,502	-
Treasury financial bills	1,468	32,128
<b>Total current</b>	<b>6,972</b>	<b>113,559</b>
Bank deposit certificates (a)	8,982	8,087
Banco do Nordeste (BNB) (b)	8,106	12,266
<b>Total noncurrent</b>	<b>17,088</b>	<b>20,353</b>
<b>Marketable securities</b>	<b>24,060</b>	<b>133,912</b>

(a) Indexed to rates from 99% to 100% of the CDI – Interbank Deposit Certificate.

(b) The securities in BNB consist of CDBs provided as collateral for financing from BNB Bank, to be held up to the end of the contract in July 2019.

The exclusive investment fund FIM Guardian has the following breakdown as of June 30, 2017 and 2016:

	2017	2016
Treasury financial bills (a)	64	32,128
Variable income investments	-	21,670
Repurchase agreements	-	21,674
Bank deposit certificates	-	7,472
Derivatives financial instruments	891	18,711
Other	(5)	(18)
(b)	<b>950</b>	<b>101,637</b>

(a) Of total investments related to margin deposits provided as collateral for Derivative financial instruments contracted by the Fund, the amount of R\$891 refers to Financial Treasury Bills (LFT) at June 30, 2017 (R\$2,525 refers to LFTs and R\$17,000 refers to CDBs at June 30, 2016). In the consolidated financial statements, the related amount is presented in the caption "Derivative financial instruments" in current assets according to Note 6.

(b) At June 30, 2017, there is no balance invested by Brasilagro (R\$67,555 at June 30, 2016). The amount of R\$950 is maintained in investments by other group companies (R\$34,082 at June 30, 2016).

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(In thousands of reais, except as stated otherwise)

**6. Derivative financial instruments**

				June, 20 2017					
Risk	Maturity	Outstanding derivative instruments	Counter party	Receivable	Payable	Net balance	Notional ('000)	Call option (put option)	Unit
Currency US\$	August-17	BM&F	BM&F	15	-	15	2,000	-	US\$
Currency US\$	July- 7	NDF	FC Stone	423	-	423	(2,000)	-	US\$
Currency US\$	January-18	Options	FC Stone	-	(638)	(638)	(2,500)	-	US\$
Currency US\$	May-18	Accumulator	Macquarie	4	-	4	(30)	-	US\$
Currency US\$	June-18	Options	FC Stone	154	(171)	(17)	(1,000)	-	US\$
Current				596	(809)	(213)	(3,530)	-	US\$
Noncurrent				-	-	-	-	-	US\$
Total US\$ risk				596	(809)	(213)	(3,530)	-	US\$
Soybean CBOT	July-17	Soybean Futures	Trading Companies/Banks/CBOT	1,377	(2,219)	(842)	-	-	Bags
Soybean CBOT	November-17	Soybean Futures	Trading Companies/ Banks /CBOT	5	-	5	-	(24,946)	Bags
Soybean CBOT	April-18	Soybean Options	Trading Companies/ Banks /CBOT	-	(408)	(408)	-	(113,393)	Bags
Soybean CBOT	June-18	Soybean Options	Trading Companies/ Banks /CBOT	-	(514)	(514)	-	(72,571)	Bags
Soybean CBOT	July-18	Soybean Futures	Trading Companies/ Banks /CBOT	1	-	1	-	(335)	Bags
Live Cattle BM&F	October-17	Live Cattle Futures	BM&F	14	-	14	-	660	Heads
Current (bags)				1,382	(3,141)	(1,759)	-	(210,910)	Bags
Current (heads)				14	-	14	-	660	Heads
Noncurrent (bags)				1	-	1	-	(335)	Bags
Total commodities risk				1,397	(3,141)	(1,744)	-	(210,585)	
Interest R\$	November-17	Pre-DI SWAP	Itaú BBA	89	-	89	7,000	-	US\$
Current				89	-	89	7,000	-	US\$
Noncurrent				-	-	-	-	-	US\$
Total interest rate risk				89	-	89	7,000	-	US\$
Daily adjustments – Currency				-	(15)	(15)			
Daily adjustments – Commodities				-	(13)	(13)			
Total risks				2,082	(3,978)	(1,896)	3,470	(210,585)	
Margin deposit				2,009	-	2,009			
Current				4,090	(3,978)				
Noncurrent				1	-				
P&L at June 30, 2017 (Note 23)				62,226	(44,791)				

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June 30, 2017

(In thousands of reais, except as stated otherwise)

				June, 20 2016					
Risk	Maturity	Outstanding derivative instruments	Counterparty	Receivable	Payable	Net balance	Notional ('000)	Call option (put option)	Unit
Currency US\$	August -16	BM&F	BM&F	-	(1,039)	(1,039)	34,750	-	US\$
Currency US\$	August -16	Options	BM&F Options	581	(355)	226	(6,500)	-	US\$
Currency US\$	August -16	NDF	HSBC	314	-	314	(489)	-	US\$
Currency US\$	July -16	NDF	HSBC	1,151	-	1,151	(1,786)	-	US\$
Currency US\$	July -16	NDF	Votorantim	1,263	-	1,263	(1,786)	-	US\$
		<b>Current</b>		<b>3,309</b>	<b>(1,394)</b>	<b>1,915</b>	<b>24,189</b>	-	<b>US\$</b>
		<b>Noncurrent</b>		-	-	-	-	-	<b>US\$</b>
		<b>Total commodities risk</b>		<b>3,309</b>	<b>(1,394)</b>	<b>1,915</b>	<b>24,189</b>	-	<b>US\$</b>
Soybean CBOT	November-16	Futures Soybean	Trading Companies/Banks/CBOT	-	(281)	(281)	-	(106,589)	Bags
Soybean CBOT	August-16	Futures Soybean	Trading Companies/Banks/CBOT	-	(490)	(490)	-	(24,946)	Bags
Soybean CBOT	July-17	Futures Soybean	Trading Companies/Banks/CBOT	-	(4,392)	(4,392)	-	(473,982)	Bags
		<b>Current</b>		-	(771)	(771)	-	(131,535)	<b>Bags</b>
		<b>Noncurrent</b>		-	(4,392)	(4,392)	-	(473,982)	<b>Bags</b>
		<b>Total commodities risk</b>		-	(5,163)	(5,163)	-	(605,517)	<b>Bags</b>
		<b>Total risks</b>		<b>3,309</b>	<b>(6,557)</b>	<b>(3,248)</b>	<b>24,189</b>	<b>(605,517)</b>	
		<b>Margin deposit</b>		<b>21,188</b>	-	<b>21,188</b>		-	
		<b>Current</b>		<b>24,497</b>	<b>(2,165)</b>				
		<b>Noncurrent</b>		-	(4,392)				
		<b>P&amp;L at June 30, 2016 (Note 23)</b>		<b>116,197</b>	<b>(110,228)</b>				

The Company uses derivative financial instruments such as forward currency contracts and forward commodities contracts to hedge against currency risk and commodities prices, respectively.

The margin deposits in operations with derivatives refer to the called margins by counterparties in operations with derivative instruments.

The total fair value of a derivative is classified as noncurrent assets or liabilities if the remaining maturity of the derivative is over 12 months, and as current assets or liabilities if the remaining maturity of the derivative is less than 12 months.

**7. Accounts receivable and others**

	Note	2017	2016	2015
Trade accounts receivable	7.1	44,303	18,528	46,028
Recoverable taxes	7.2	7,126	7,470	5,412
Advances to suppliers		1,866	4,427	4,749
Other receivables		731	647	386
Total current		54,026	31,072	56,575
Trade accounts receivable	7.1	22,692	14,411	22,802
Recoverable taxes	7.2	20,124	21,709	24,602
Judicial deposits	25	1,789	6,377	5,811
Total noncurrent		44,605	42,497	53,215

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**7.1 Trade accounts receivable**

	2017	2016	2015
Sale of sugarcane (c)	23,637	15,085	9,868
Sale of grains (d )	11,958	1,043	17,468
Leases of land	184	813	535
Sale of machinery	249	820	811
Sale of farms (e)	9,136	1,930	21,212
	45,164	19,691	49,894
Allowance for doubtful accounts (a)	(861)	(1,163)	(3,866)
Total current	44,303	18,528	46,028
Sale of machinery	100	-	394
Sale of farms (e)	22,592	14,411	22,408
Total non-current	22,692	14,411	22,802

**a) Changes in the allowance for doubtful accounts:****At June 30, 2014**

Accrual of provision

Write-off or reversal

**At June 30, 2015**

Accrual of provision

Write-off or reversal

**At June 30, 2016**

Accrual of provision

Write-off or reversal

**At June 30, 2017**

1,053
4,250
(1,437)
3,866
297
(3,000)
1,163
49
(351)
861

The estimated losses in allowance for doubtful accounts were recorded as selling expenses in the statement of operations. The allowance for doubtful accounts is based on the analysis of accounts, individually by client, and the amounts included in the allowance are written-off when these amounts are no longer expected to be recovered.

**b) Breakdown of receivable by maturity**

	2017	2016	2015
<b>Falling due:</b>			
Up to 30 days	8,020	10,725	9,195
31 to 90 days	15,025	1,953	21,235
91 to 180 days	100	328	954
181 to 360 days	20,967	5,404	14,160
Over 360 days	22,692	14,411	22,802
<b>Past due:</b>			
Up to 30 days	22	80	484
31 to 90 days	169	38	-
91 to 180 days	5	246	7
181 to 360 days	1	50	8
Over 360 days	855	867	3,851
	67,856	34,102	72,696

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c) Sale of sugarcane

The Company has two sugarcane supply agreements. The first agreement was with Brenco Companhia Brasileira de Energia Renovável and the second agreement is included in the partnership IV Agreement, as mentioned in the Explanatory Note on Commitments, whose credit risks are assessed in accordance with the internal policy, as presented in Note 4.8b.

d) Sale of grains

For the years ended June 30, 2017 and 2016, corn and soybean were sold mainly to the customers Bunge Alimentos, Amaggi, Cargill Agrícola, ADM do Brasil and Agropecuária Sementes Talismã.

e) Receivables from sale of farms

Total amounts sold, collected and receivables from sale of farms are as follows:

	Cremaq	Araucária I	Araucária II	Araucária III	Araucária IV	Jatobá I	São Pedro	Consolidated
<b>At June 30, 2015</b>	6,465	4,498	24,637	-	-	-	5,020	40,620
Receipts	(10,462)	(3,450)	(14,830)	-	-	-	(5,513)	(34,255)
Restatement of nominal value	3,072	513	1,577	-	-	-	(38)	5,124
PVA realization	925	369	3,027	-	-	-	531	4,852
<b>At June 30, 2016</b>	-	1,930	14,411	-	-	-	-	16,341
Sale amount (a)	-	-	-	12,451	16,987	10,145	-	39,583
Receipts	-	(1,950)	(8,188)	(2,124)	(3,009)	(878)	-	(16,149)
Restatement of nominal value	-	(23)	(4,733)	412	273	-	-	(4,071)
PVA realization	-	43	2,913	(1,950)	(3,256)	(1,726)	-	(3,976)
<b>At June 30, 2017</b>	-	-	4,403	8,789	10,995	7,541	-	31,728

(a) Information on sales and the amounts received in the fiscal year ended June 30, 2017 is presented in Notes 1.2 and 1.4.

**7.2 Recoverable taxes**

	2017	2016	2015
Withholding income tax (IRRF) on financial investments to be offset	4,940	4,371	5,011
Income tax losses and social contribution carryforwards	-	-	-
Other taxes and contributions to be offset	2,186	3,099	401
<b>Total current</b>	<b>7,126</b>	<b>7,470</b>	<b>5,412</b>
ICMS recoverable	7,658	7,759	7,892
ICMS recoverable on property, plant and equipment	684	467	468
Non-cumulative PIS and COFINS to be offset	7,031	6,383	12,265
IRRF on financial investments to be offset	4,751	7,100	3,977
<b>Total noncurrent</b>	<b>20,124</b>	<b>21,709</b>	<b>24,602</b>

**8. Inventories**

	2017	2016	2015
Soybean	6,837	6,156	15,744
Corn	6,819	249	6,182
Other harvests	50	959	38
<b>Agricultural products</b>	<b>13,706</b>	<b>7,364</b>	<b>21,964</b>
Raw materials	8,952	10,833	5,442
	<b>22,658</b>	<b>18,197</b>	<b>27,406</b>

The amounts of inventories of agricultural products are disclosed net of the provision, as follows:

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June 30, 2017

(In thousands of reais, except as stated otherwise)

**8.1 Adjustment to recoverable value of inventories of agricultural products****At June 30, 2014**

At beginning of period

Provision for recoverable value of agricultural products, net

Realization as cost of sales

**At June 30, 2015**

Provision for recoverable value of agricultural products, net

Realization as cost of sales

**At June 30, 2016**

Provision for recoverable value of agricultural products, net

Realization as cost of sales

**At June 30, 2017**

(1,644)
(3,038)
3,764
(918)
659
255
(4)
(1,655)
447
(1,212)

**9. Biological assets**

	2017	2016	2015
Production cattle	13,435	5,241	-
Grain plantation	1,385	-	1,624
Sugarcane plantation	36,875	22,285	15,724
<b>Total</b>	<b>51,695</b>	<b>27,526</b>	<b>17,348</b>
Current	38,260	22,285	17,348
Noncurrent	13,435	5,241	-

The amounts of expenditures with plantation and tilling of crops are substantially represented by expenditures with the formation of harvest such as: seeds, fertilizers, pesticides, depreciation and manpowers used in the crops.

The area (hectares) to be harvested corresponding to the biological assets is as follows:

	Planted area (Hectares)	
	2017	2016
Sugarcane (a)	32,286	12,055
	<u>32,286</u>	<u>12,055</u>

(a) For sugarcane the area considered above refers to the total to be harvested in all the future cuts, considered in the cash flow for calculation of fair value of biological assets. This area includes the hectares leased from Brenco and Partnership IV, according to contracts executed on May 8, 2015 and February 7, 2017, respectively.

**Changes in agricultural activity**

	Grains	Sugarcane
<b>At July 1, 2014</b>	<b>1,421</b>	<b>14,904</b>
Expenditures with plantation	102,671	-
Expenditures with tilling (a)	-	39,569
Lease contract - Partnership with Brenco	-	7,707
Fair value variation (a) (Note 18)	5,734	12,460
Harvest of agricultural produce	(108,202)	(58,916)
<b>At July 1, 2015</b>	<b>1,624</b>	<b>15,724</b>
Expenditures with plantation	68,355	-
Expenditures with tilling (a)	-	65,686
Fair value variation (a) (Note 18)	(32,165)	19,533
Harvest of agricultural produce	(37,814)	(78,658)
<b>At June 30, 2016</b>	<b>-</b>	<b>22,285</b>
Expenditures with plantation	98,314	-
Expenditures with tilling	-	63,513

Lease contract – Partnership IV	-	17,479
Fair value variation (a) (Note 18)	4,302	11,532
Harvest of agricultural produce	(101,231)	(77,934)
<b>At June 30, 2017</b>	<u>1,385</u>	<u>36,875</u>

(a) For sugarcane, the area considered above refers to the total to be harvested in all future cuts, considered in the cash flow for calculating the fair value of biological assets. This area includes hectares leased from Brenco as per the agreement signed on May 8, 2015, and hectares related to Partnership IV, as per the agreement signed on February 7, 2017 (Note 1.1).

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Changes in cattle raising activity

	Heads of cattle (in number)	Cattle for production
<b>At July 1, 2015</b>	-	-
Acquisition/birth costs	-	5,241
<b>At June 30, 2016</b>	4,148	5,241
Acquisition/birth costs	4,729	6,476
Cattle-raising costs	-	5,667
Sales	(136)	(312)
Deaths	(97)	(69)
Change in fair value (Note18)	-	(3,568)
<b>At June 30, 2017</b>	8,644	13,435

(a) The amount of R\$4,282 refers to cattle in the subsidiary Palmeiras, whose acquisition was made through the corporate reorganization of joint venture Cresca S.A., as mentioned in Note 1.4.

Quantitative data about cattle raising activity, expressed in heads of cattle

	Work animals
At June 30, 2016	4,148
At June 30, 2017	8,644

Fair value hierarchy at June 30, 2017

	Amount	Fair value
Sugarcane	36,875	Level 3
Cattle	13,435	Level 2
Grains	1,385	Level 3

Changes in fair value in profit or loss

	2017	2016
Grains	4,302	(32,165)
Sugarcane	11,532	19,533
Cattle	(3,568)	-
	12,266	(12,632)

**10. Investment properties – noncurrent**

	Land – Farms	Buildings and improvements	Opening of area	Total in operation	Construction in progress	2017	2016
Opening balance	204,690	23,468	52,690	280,848	7,019	287,867	288,347
Acquisitions (a)	103,341	68	328	103,737	17,935	121,672	10,745
Disposals	(7,544)	(22)	(1,161)	(8,727)	(1)	(8,728)	(12)
Transfers	-	3,671	11,360	15,031	(15,031)	-	-
(-) Depreciation / amortization	-	(816)	(10,196)	(11,012)	-	(11,012)	(11,213)
Net book balance	300,487	26,369	53,021	379,877	9,922	389,799	287,867
<b>At June 30, 2017</b>							
Total cost	300,487	33,059	137,028	470,574	9,922	480,496	367,552
Accumulated depreciation	-	(6,690)	(84,007)	(90,697)	-	(90,697)	(79,685)



Net book balance	300,487	26,369	53,021	379,877	9,922	389,799	287,867
Annual depreciation rates (weighted average) - %	-	4-20	10-20	-	-	-	-

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- (a) On February 7, 2017, the Company signed a Purchase Agreement for São José Farm in São Raimundo das Mangabeiras, in the state of Maranhão, amounting to R\$102,733, as mentioned in Note 1.1. Of the acquisition amount, R\$2,561 is still outstanding (Note 13).

Four farms owned by the Company are held as guarantee for loans and financing according to Note 15, representing 17% of total investment properties. The fair values of the investment properties are as follows:

Farm	State	Hectares		Real estate	Acquisition	Fair value*		Cost value	
		6/30/2017	6/30/2016			6/30/2017	6/30/2016	6/30/2017	6/30/2016
Jatobá	Bahia	30,981	31,606	Jaborandi Ltda	Mar-07	360,758	303,455	59,057	59,208
Alto Taquari	Mato Grosso	5,394	5,395	Mogno Ltda	Aug-07	119,706	120,607	35,783	35,656
Araucária	Goiás	6,493	8,124	Araucária Ltda	Apr-07	172,327	150,881	53,001	58,175
Chaparral	Bahia	37,184	37,183	Cajueiro Ltda	Nov-07	352,391	262,747	79,794	77,898
Nova Buriti	Minas Gerais	24,212	24,211	Flamboyant Ltda	Dec-07	23,407	31,967	21,998	22,006
Preferência	Bahia	17,799	17,799	Cajueiro Ltda	Sep-08	64,392	56,564	30,082	32,959
São José	Maranhão	17,566	-	Ceibo Ltda	Feb-17	156,981	-	105,138	-
		139,629	124,318			1,249,962	926,221	384,853	285,902

(\*) Considered Level 3 for fair value. Independent report prepared by Deloitte Touche Tohmatsu Consultores Ltda.

At June 30, 2017, the cost value of R\$384,853 (R\$285,902 at June 30, 2016) is not comparable to that disclosed in the “Investment properties” note, since the note contemplates Avarandado Farm (leased), which is not an integral part of the Company’s portfolio of owned farms.

**11. Investments**
**a) Changes in investments**
**At June 30, 2015**

Share of loss in a joint venture  
Effect from currency translation adjustment

**At June 30, 2016**

Share of loss in a joint venture  
Effect from currency translation adjustment

**Balance at June 30, 2017**

99,729
(511)
3,737
102,955
(4,425)
2,896
101,426

**b) Interest in Joint Venture**

Cresca’s summarized financial information, based on the financial statements prepared in accordance with IFRS as of and for years ended June 30, 2017 and 2016 and the reconciliation with the book value of the investment in the consolidated financial statements considering the fair value adjustments on the acquisition date are presented below:

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	2017	2016	2015
<b>Assets</b>	<b>281,529</b>	<b>300,583</b>	<b>287,857</b>
Current	9,705	39,003	24,090
Cash and cash equivalents	503	4,957	471
Accounts receivable, inventories and other receivables	8,976	33,827	23,407
Contract of purchase of land	226	219	212
Noncurrent	271,824	261,580	263,767
Recoverable taxes	3,311	-	14,008
Investment properties	268,267	260,455	248,523
Other noncurrent	246	1,125	1,236
<b>Liabilities</b>	<b>78,677</b>	<b>94,673</b>	<b>88,399</b>
Current	1,295	88,006	18,448
Trade payables, taxes and loans	1,295	88,006	18,448
Noncurrent	77,382	6,667	69,951
Including taxes and loans	77,382	6,667	69,951
<b>Total net assets</b>	<b>202,852</b>	<b>205,910</b>	<b>199,458</b>
Company's interest – 50%	50%	50%	50%
<b>Company's interest in net assets at estimated fair value</b>	<b>101,426</b>	<b>102,955</b>	<b>99,729</b>

	2017	2016	2015
Revenue	12,916	32,535	47,725
Cost of products sold	(14,404)	(20,672)	(36,081)
Gross revenue (expenses)	<b>(1,488)</b>	<b>11,863</b>	<b>11,644</b>
Selling expenses	(891)	(3,022)	(2,560)
Administrative expenses	(979)	(3,023)	(3,102)
Other profit/expenses	(92)	(21)	(7)
Finance profit	(578)	-	-
Finance costs	(5,257)	(7,727)	(7,384)
<b>Loss before tax</b>	<b>(9,285)</b>	<b>(1,930)</b>	<b>(1,409)</b>
Income and social contribution taxes	-	-	(1,081)
<b>Loss for the year</b>	<b>(9,285)</b>	<b>(1,930)</b>	<b>(2,490)</b>
Company's interest – 50%	(4,643)	(964)	(1,245)
Write-off appreciation on sale of farm	-	-	(3,426)
Amortization of fair value adjustment on the purchase date (shareholders' loans)	218	453	316
<b>Equity method</b>	<b>(4,425)</b>	<b>(511)</b>	<b>(4,355)</b>

The spin-off process is in progress, and after the required approvals, the Company will conclude the valuation of assets and liabilities to which it is entitled, and the asset is significantly represented by investment property, which market value is approximately R\$143,039 (US\$43,345 thousand), considering the U.S. dollar rate at June 30, 2017.

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(In thousands of reais, except as stated otherwise)

### 12. Property, plant and equip

	Buildings and improvements	Equipment and facilities	Agricultural vehicles and machinery	Furniture and fixtures	Total in operation	Construction in progress	Sugarcane	Total property, plant and equipment
<b>At July 1, 2014</b>								
Opening balance	36	2,717	9,970	819	13,542	-	14,037	27,579
Acquisitions	-	508	222	122	852	156	11,544	12,552
Disposals	-	(723)	(833)	(241)	(1,797)	-	-	(1,797)
Transfers	-	156	-	-	156	(156)	-	-
Depreciation	(4)	(456)	(1,569)	(122)	(2,151)	-	(5,915)	(8,066)
Accounting balance, net	32	2,202	7,790	578	10,602	-	19,666	30,268
<b>At July 1, 2015</b>								
Acquisitions	-	83	394	31	508	45	11,338	11,891
Disposals	-	(58)	(115)	(12)	(185)	-	-	(185)
Transfers	-	41	-	-	41	(41)	-	-
Depreciation	(4)	(410)	(1,887)	(102)	(2,403)	-	(11,768)	(14,171)
Accounting balance, net	28	1,858	6,182	495	8,563	4	19,236	27,803
<b>At June 30, 2016</b>								
Total cost	752	4,799	18,443	1,149	25,143	4	31,126	56,273
Accumulated depreciation	(724)	(2,941)	(12,261)	(654)	(16,580)	-	(11,890)	(28,470)
Accounting balance, net	28	1,858	6,182	495	8,563	4	19,236	27,803
<b>At June 30, 2017</b>								
Acquisitions (a)	-	687	2,633	108	3,428	340	33,012	36,780
Disposals	-	(129)	(324)	(3)	(456)	-	-	(456)
Transfers	169	116	-	-	285	(285)	-	-
Depreciation	(5)	(321)	(755)	(95)	(1,176)	-	(8,206)	(9,382)
Accounting balance, net	192	2,211	7,736	505	10,644	59	44,042	54,745
<b>At June 30, 2017</b>								
Total cost	921	5,473	20,752	1,254	28,400	59	64,138	92,597
Accumulated depreciation	(729)	(3,262)	(13,016)	(749)	(17,756)	-	(20,096)	(37,852)
Accounting balance, net	192	2,211	7,736	505	10,644	59	44,042	54,745
Annual depreciation rates (weighted average) - %	18	10	18	10				

(a) The acquisition value of sugarcane increased by R\$11,500, relating to the Partnership IV Agreement to operate an area of around 15,000 hectares of sugarcane, as per Note 1.1., which, net of depreciation up to reporting date, totaled R\$9,979, with no cash effect on the Company.

### 13. Payables for purchase of farms

	Restatement index	2017	2016
Nova Buriti Farm	*IGP-M	22,085	22,261
São José Farm	-	2,561	-
		24,646	22,261

\* IGP-M –Market General Price Index

The payments related to the purchase of the farms are linked to the fulfillment of certain conditions precedent by the sellers for the obtaining of licenses.



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**14. Trade accounts payable and others**

	Note	2017	2016	2015
Trade accounts payable	14.1	37,805	12,073	5,545
Taxes payable		5,209	6,277	23,377
Dividends payable (a)		6,509	2,532	40,358
Advances to customers		5,631	278	8,147
Other liabilities (b)		461	5,442	4,504
Total current		<u>55,615</u>	<u>26,602</u>	<u>81,931</u>
Taxes payable		1,520	970	1,508
Other liabilities		-	432	672
Total noncurrent		<u>1,520</u>	<u>1,402</u>	<u>2,180</u>

(a) Of the total receivable at June 30, 2017, R\$23 refers to prior years.

(b) At June 30, 2016, the Company had unrealized revenues amounting to R\$4,000, related to the sale of Cremaq farm. In March 2017, all conditions precedent were met and the revenue was recognized, according to Note 1.3.

**14.1 Trade accounts payable**

At June 30, 2017, the Company's balance of trade accounts payable is as follows:

	2017	2016
Raw materials and services	24,618	5,521
Operating lease transactions with third parties	13,187	6,552
	<u>37,805</u>	<u>12,073</u>

**15. Loans and financing**

	Bank	Final Maturity	Annual interest rates and charges -%	Guarantee	2017	2016
<b>Current</b>						
Financing for agricultural costs	BNB and Itaú	November/17	9.5% to 12.75%	Chaparral Farm	10,703	35,087
Bahia Project Financing	BNB, Itaú and HSBC	June/18	TJLP + 3.45 and 4.45 SELIC + 3.45	Preferência and Chaparral Farms	15,236	13,646
Working Capital Financing	Safra	July/17	Fixed rate 4.00 to 8.50	-	15,782	-
Working Capital Financing (USD) (a)	Itaú	August/17	2.30% + 100% of CDI	-	5,031	-
Financing of Machinery and Equipment - FINAME	Itaú and Rabobank	June/18	3.49%	-	1	114
Financing of sugarcane	Santander	August/17	TJLP + 3.73%	Machinery and Equipment	8,248	261
Finance lease sugarcane crop (Note 26.c)	Partnership III	November/17	TJLP + 2.70 and 12.75%	Araucária Farms	1,619	2,507
			6.92%		<u>56,620</u>	<u>51,615</u>
<b>Noncurrent</b>						
Financing of sugarcane	Santander	February/20	TJLP + 2.70 and 12.75%	Araucária Farms	1,025	1,511
Financing of Machinery and Equipment - FINAME	Itaú and Rabobank	May/22	TJLP + 3.73%	Machinery and Equipment	1,208	-
Financing Bahia Project	BNB, Itaú and HSBC	October/20	TJLP + 3.45 and 4.45 SELIC + 3.45	Preferência and Chaparral Farms	30,862	43,453
Finance lease sugarcane crop (Note 26.c)	Partnership III	November/18	Fixed rate 4.00 to 8.50	-	1,665	3,266
Finance lease sugarcane crop (Notes 1.1 and 26.d)	Partnership IV	January/32	6.92%	-	20,795	-
			R\$/Kg 0.6462		<u>55,555</u>	<u>48,230</u>
					<u>112,175</u>	<u>99,845</u>

Keys:

TJLP – Long Term Interest Rate

FINAME – Financing of Machinery and Equipment (BNDES)

BNDES – Banco Nacional de Desenvolvimento

BNB – Banco do Nordeste do Brasil

(a) Financing in U.S. dollars and stated in reais

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Changes in loans and financing during the year ended June 30, 2017 are as follows:

	June 30, 2016	Contracting	Payment of principal	Payment Interest	Appropriation of interest	Foreign exchange difference	PVA	June 30, 2017
Finance for agricultural cost	35,087	10,000	(34,826)	(2,085)	2,527	-	-	10,703
Bahia Project(a) Financing	57,099	1,607	(13,131)	(3,954)	4,477	-	-	46,098
Working Capital Financing	-	15,000	-	(106)	888	-	-	15,782
Working Capital (USD) Financing	-	4,661	-	-	94	276	-	5,031
Financing of Machinery and Equipment – FINAME	114	1,201	(109)	(5)	8	-	-	1,209
Sugarcane Financing	1,772	7,000	(242)	(177)	920	-	-	9,273
Finance Lease - Sugarcane Crop - Partnership III	5,773	-	-	-	-	-	(2,489)	3,284
Finance lease sugarcane crop	-	29,049	-	-	-	-	(8,254)	20,795
	<b>99,845</b>	<b>68,518</b>	<b>(48,308)</b>	<b>(6,327)</b>	<b>8,914</b>	<b>276</b>	<b>(10,743)</b>	<b>112,175</b>

(a) Financing to raise funds for opening of areas and improvements in Jatobá and Chaparral farms.

**Covenants**

All loans and financing contracts above are in Reais and have specific terms and conditions defined in the respective contracts with governmental economic and development agencies that directly or indirectly grant those loans. There is also a financing in U.S. dollars which gathers conditions defined in contracts with local commercial banks. At June 30, 2017 and 2016, the Company's financing had no financial covenants, but rather only operating clauses, on which the Company is not in default.

**16. Income and social contribution taxes****16.1. Deferred taxes**

Deferred income and social contribution tax assets and liabilities are offset when there is a legal right to offset tax credits against tax liabilities, and provided that they refer to the same tax authority and the same legal entity.

The fiscal year for income tax and social contribution calculation purposes is calendar year, which is different from that adopted by the Company for the preparation of its consolidated financial statements, which ends June 30 of each year.

The changes in deferred income tax and social contribution tax assets and liabilities for the periods ended June 30, 2017, 2016 and 2015 and without taking into consideration offsetting of balances in the same tax jurisdiction, are as follows:

	2017	2016	2015
<b>Assets</b>			
<b>Noncurrent</b>			
Tax loss carryforwards (NOL)	58,458	63,278	46,950
Biological assets	2,401	-	-
Contingency, provision for bad debts and bonuses	6,162	8,205	6,794
Hedge	635	827	1,234
Provision for onerous contracts, loss on sale of PPE – useful life	624	448	448
Difference in cost of farms	170	170	170
Provision of other accounts payable and receivable	2,918	-	-
	71,368	72,928	55,596
<b>Liabilities</b>			
<b>Noncurrent</b>			
Biological assets	2,308	2,089	3,128
Provision of residual value and useful life of PPE assets	1,397	1,180	1,607
Accelerated depreciation of assets for rural activity	13,883	14,065	9,813
	17,588	17,334	14,548
<b>Net balance</b>	<b>53,780</b>	<b>55,594</b>	<b>41,048</b>





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The net change in deferred income tax is as follows:

<b>At June 30, 2014</b>	<b>43,554</b>
Tax losses	(7,495)
Adjustments in biological assets and agricultural products	(239)
Provisions for contingency, allowance for doubtful accounts and fair value	(3,530)
Hedge	1,814
Onerous agreements	251
Accelerated depreciation	6,693
<b>At June 30, 2015</b>	<b>41,048</b>
Tax losses	16,328
Adjustments in biological assets and agricultural products	1,040
Provisions for contingency, allowance for doubtful accounts and fair value	1,411
Hedge	(407)
Onerous agreements	-
Accelerated depreciation	(3,826)
<b>At June 30, 2016</b>	<b>55,594</b>
Tax losses	(4,820)
Adjustments in biological assets and agricultural products	2,182
Provisions for contingency and fair value	(2,043)
Hedge	(192)
Allowance for doubtful accounts	176
Provision for other accounts payable and receivable	2,918
Accelerated depreciation	(35)
<b>At June 30, 2017</b>	<b>53,780</b>

The estimated years of realization of deferred tax assets are as follows:

	<b>2017</b>
2018	18,076
2019	13,894
2020	8,145
2021	3,131
2022 to 2027	28,122
	<b>71,368</b>

## 16.2. Income and social contribution tax expenses

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Income before income and social contribution taxes	33,259	9,440	198,977
Combined nominal rate of income tax and social contribution taxes – %	34%	34%	34%
	(11,308)	(3,210)	(67,652)
Share of loss in a Joint Venture	(1,504)	(174)	(1,481)
Management bonus	(2,025)	(1,524)	(1,789)
Nondeductible expenses	(709)	(61)	-
Profit or loss of joint venture abroad	(378)	-	-
Net effect of subsidiaries taxed whose profit is computed as a percentage of gross revenue (*)	10,320	3,931	60,123
Other permanent addition	(345)	(413)	(1,820)
Income and social contribution taxes for the year	(5,949)	(1,451)	(12,619)
Current	(4,135)	(15,998)	(9,344)
Deferred	(1,814)	14,547	(3,275)
	(5,949)	(1,451)	(12,619)
Effective rate	-18%	-15%	-6%



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(\*) For some of our real estate subsidiaries, profit tax is measured based on the regime whereby profit is computed as a percentage of gross revenue, i.e., income tax is determined on a simplified base to calculate the taxable profit (32% for lease revenues, 8% for sale of farms and 100% for other earnings). This results effectively in taxing the profit of subsidiaries at a rate lower than if taxable income were based on accounting records.

### 17. Equity

#### a) Capital (number of shares)

Shareholder	2017	2016
Cresud S.A.C.I.F.Y.A. (a)	23,291,500	23,150,050
Board of Directors	161,900	600
Executive Board	159	130,789
Officers	162,059	131,389
Treasury	3,254,556	3,344,211
Other	30,180,801	31,600,950
Total shares of paid-up capital	56,888,916	58,226,600
Total outstanding shares	30,180,801	31,600,950
Outstanding shares as percentage of total shares (%)	53	54

(a) Of this amount, 140,450 shares are held by Agro Managers S.A. and 1,000 shares are held by Agro Managers, subsidiaries of Cresud S.A.

At June 30, 2017 and 2016, the Company's subscribed and paid-up capital amounted to R\$584,224. The Company is authorized to increase its capital, regardless of amendments to the articles of incorporation, up to the limit of R\$3,000,000, as decided by the Board of Directors.

#### b) Stock option plan

The information on the stock option plan and issue of new grants is described in Note 21.

#### c) Legal reserve and retention for investment and expansion

Pursuant to article 193 of Law No. 6404/76 and article 36, item (a), 5% (five per cent) of the Company's net income at the end of each year must, before any other allocation, be used to set up a legal reserve, which shall not exceed 20% (twenty percent) of capital.

The Company is allowed not to set up the legal reserve for the financial year in which the reserve balance, plus the amount of capital reserve addressed in item 1, of article 182, of Law No. 6404/76, exceeds 30% (thirty per cent) of capital. The legal reserve aims at assuring the integrity of the Company's capital and may only be used to offset loss and increase capital.

According to article 36, item (c), of the Company's articles of incorporation and article 196 of Law No. 6404/76, the Company may allocate the remaining portion of adjusted net income for the year ended, to reserve for investment and expansion.

The balance of the retained profits reserve, except for the reserves of unrealized profit and reserves for contingencies, may not exceed the amount of capital. Once this maximum limit is reached, the General Meeting may resolve on the investment of the exceeding portion in the payment, increase of capital or in dividend distribution.

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d) Dividends

Pursuant to article 36, of the Company's Articles of Incorporation, profit for the year shall be allocated as follows: (a) 5% (five percent) of net profit for the set-up of legal reserve, up to the limit of 20% (twenty percent) of share capital ; (b) 25% (twenty five percent) of adjusted net profit, after the deduction addressed in item (a) above, shall be allocated to the payment of mandatory dividends and (iii) the remaining portion of adjusted net profit, after the deduction addressed in item (b) above, may be allocated to the reserve for investment and expansion.

	2017	2016	2015
Profit for the year (a)	27,310	10,572	180,810
(-) Absorption of accumulated losses	-	-	(10,988)
(-) Constitution of legal reserve (5% of net profit)	(1,366)	(529)	(8,491)
<b>Adjusted net profit</b>	<b>25,944</b>	<b>10,043</b>	<b>161,331</b>
(-) Mandatory minimum dividends - 25% of adjusted net profit	(6,486)	(2,510)	(40,333)
(-) Proposed additional dividends - 25% of adjusted net profit	(6,486)	-	(40,333)
(-) Proposed additional dividends - 75% of adjusted net profit	-	(7,533)	-
<b>Proposed dividends</b>	<b>(12,972)</b>	<b>(10,043)</b>	<b>(80,666)</b>
<b>Set-up of reserve for investments and expansion</b>	<b>12,972</b>	<b>-</b>	<b>80,666</b>
Total paid-in capital (per thousand shares)	56,889	58,227	58,227
(-) Treasury shares (per thousand shares)	(3,255)	(3,344)	(20)
(=) Free float (per thousand shares)	<b>53,634</b>	<b>54,883</b>	<b>58,207</b>
Dividend per share (R\$)	0.24	0.18	1.39

(a) The impacts on profit or loss presented in Note 2.27 did not affect original profit at June 30, 2016 and 2015 for the purpose of dividend distribution.

At June 30, 2017, the total of R\$6,486 was allocated as mandatory minimum dividends and R\$6,486 as additional dividends proposed, to be approved at the Annual Shareholders' Meeting.

On October 2, 2017, the Company approved the distribution of dividends at an Extraordinary Shareholders' Meeting, in the amount of R\$12,972.

On October 21, 2016, the shareholders of the Company approved at the Annual Shareholders' Meeting the distribution of dividends in the amount of R\$10,043, of which R\$2,510 refers to mandatory minimum dividends and R\$7,533 to additional dividends proposed.

The payment of additional dividends proposed in the amount of R\$22,000 was resolved at second call of the Special General Meeting held on November 7, 2016. The amounts paid during the period are shown below:

	2016
Mandatory minimum dividends (25%)	2,510
Additional dividends proposed (75%)	7,533
Interim dividends to the Investment and Expansion Reserve account	22,000
<b>Total</b>	<b>32,043</b>

e) Other comprehensive income

At June 30, 2017, the effects from foreign exchange rate differences arising from the translation of Cresca and Palmeiras financial statements for the year amounted to positive R\$3,410 (R\$3,737 at June 30, 2016 and R\$27,865 at June 30, 2015), and the accumulated effect reached R\$43,415 (R\$40,005 in 2016 and R\$36,268 in 2015).

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f) Treasury shares

On September 20, 2016, the Company disclosed a Material Fact notice to the market announcing the cancellation of one million, three hundred thirty-seven thousand, six hundred eighty-four (1,337,684) common shares held in treasury (“Shares”) in the amount of R\$14,881. The Shares were acquired through a common share repurchase plan, as approved at the meeting of Company’s Board of Directors held on June 25, 2015. On the same date, the Board of Directors approved the plan to repurchase common shares issued to be held in treasury and later disposal or cancellation with no capital decrease.

Changes in treasury shares in the year are as follows:

<b>Treasury shares</b>	<b>Number of shares</b>	<b>Amount (R\$)</b>
At June 30, 2014	195,800	1,934
Acquisitions	20,000	224
Cancellations	(195,800)	(1,934)
At June 30, 2015	20,000	224
Acquisitions	3,557,900	39,653
Transfer to Board of Executive Officers – 1 <sup>st</sup> Grant of Shares	(233,689)	(2,674)
At June 30, 2016	3,344,211	37,203
Acquisitions	1,345,400	15,551
Cancellations	(1,337,684)	(14,881)
Transfer to Board of Executive Officers – 3 <sup>rd</sup> Grant of Shares*	(97,371)	(1,076)
At June 30, 2017	3,254,556	36,797

\* The Company received notice of exercise of stock options and transferred the amount equivalent to R\$1,076 for R\$830, as per Note 21.

The Company’s share capital of R\$584,224 remained unchanged after the cancellation of Shares, and is now divided into the remaining fifty-six million, eight hundred eighty-eight thousand, nine hundred sixteen (56,888,916) common shares.

g) Subscription warrants

On March 15, 2006, the Board of Directors approved the issue of 512,000 share subscription warrants, 256,000 of which for first issue and 256,000 for second issue, which were delivered to the founder shareholders, in proportion to their interest in the Company’s capital at the date of issue of the subscription warrants. Each issue of subscription warrant grants their holders the right to subscribe shares issued by the Company, in an amount equivalent to 20% of its capital after the increase arising from the full exercise of the subscription warrant of each issue.

Subscription warrants of the first issue grant their holders, as from the dates on which they become exercisable, the right to subscribe the shares issued by the Company through the payment of the price per share used in the initial public offering, subject to certain restatement and adjustment rules. The subscription warrants of the first issue were issued in three series, which differ solely as to the date on which the right to subscribe the shares granted by them start.

Exceptionally, the subscription warrants of the first issue may be exercised by their holders in the event of transfer of the Company’s control or acquisition of material interest, as defined in the terms of the corporate documents that decided on the issue of the subscription warrants.

The subscription warrants of the second issue grant the holders the right to subscribe shares issued by the Company for up to 15 years, from the date of publication of the announcement of closing of the initial public offering of shares and solely in the events of transfer or acquisition of material shareholding control in the Company, as defined in the terms of the corporate document that decided on the issue of the subscription warrants. In such events, public offerings for acquisition of all the outstanding shares of the Company shall be presented. For the subscription of shares object of the subscription warrants of second issue, their holders shall be required to pay the same price per share used in the abovementioned public offerings of acquisition of the Company shares.

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The number of shares to be subscribed according to the subscription warrants shall be adjusted in case of split or reverse split of shares. The detailed information of the second issue market value of these subscription warrants is shown in the table below:

<b>BrasilAgro</b>	<b>Second issue</b>	
	<b>2017</b>	<b>2016</b>
Price of share - R\$	12.20	11.97
Maturity (years)	15	15
Maturity (day/month/year)	4/27/2021	4/27/2021
Exercise price at year end - R\$/share	18.75	18.20
Number of existing shares	56,888,916	58,226,600
Percentage of capital shares subject to conversion (percentage of new capital) - %	20	20
Subject to conversion for the year (shares)	61,910	356,984
Number of outstanding shares and stock purchase warrants	256,000	256,000

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**18. Segment information**

Segment information is presented consistently with the internal report provided by the main operating decision maker that is the Executive Board, responsible for allocating resources, assessing the performance of the operating segments, and for making the Company's strategic decisions.

Segment information is based on information used by BrasilAgro Executive Board to assess the performance of the operating segments and to make decisions on the investment of funds. The Company has five segments, namely: (i) real estate, (ii) grains, (iii) sugarcane, (iv) cattle raising and (v) other. The operating assets related to these segments are located only in Brazil. The main activity of the grains segment is the production and sale of soybean and corn.

The Sugarcane segment includes the sale of the raw product. The Real Estate segment presents the Profit and Losses from operations carried out in the Company's subsidiaries. The cattle raising segment consists of producing and selling beef calves after weaning, which characterizes the activity as breeding. The selected P&L, assets e liabilities information by segment, which were measured in accordance with the same accounting practices used in the preparation of the financial statements, are as follows:

	June 30, 2017						
	Total	Real estate	Agricultural activity			Other	Not allocated
			Grains	Sugarcane	Cattle raising		
Net revenue	146,911	-	68,971	73,658	369	3,913	-
Gain on sale of farm	26,716	26,716	-	-	-	-	-
Change in fair value of biological assets and agricultural products (Note 9)	12,266	-	4,302	11,532	(3,568)	-	-
(Impairment) of net realizable value of agricultural products after harvest, net	(1,655)	-	(1,652)	-	-	(3)	-
Cost of sales	(136,362)	-	(59,770)	(74,498)	(156)	(1,938)	-
<b>Gross profit</b>	<b>47,876</b>	<b>26,716</b>	<b>11,851</b>	<b>10,692</b>	<b>(3,355)</b>	<b>1,972</b>	<b>-</b>
<b>Operating profit (expenses)</b>							
Selling expenses	(6,676)	(8)	(6,144)	-	(80)	(444)	-
General and administrative expenses	(30,941)	-	-	-	-	-	(30,941)
Other operating expenses, net	(6,019)	-	-	-	-	-	(6,019)
Share of loss of a joint venture	(4,425)	-	-	-	-	-	(4,425)
<b>Operating profit (loss)</b>	<b>(185)</b>	<b>26,708</b>	<b>5,707</b>	<b>10,692</b>	<b>(3,435)</b>	<b>1,528</b>	<b>(41,385)</b>
<b>Net finance profit</b>							
Finance income	110,090	8,276	9,901	8,254	-	1,292	82,367
Finance expenses	(76,646)	(8,057)	(8,881)	(921)	-	(9,097)	(49,690)
<b>Profit (loss) before income and social contribution taxes</b>	<b>33,259</b>	<b>26,927</b>	<b>6,727</b>	<b>18,025</b>	<b>(3,435)</b>	<b>(6,277)</b>	<b>(8,708)</b>
Income and social contribution taxes	(5,949)	(9,155)	(2,287)	(6,128)	1,168	2,134	8,319
<b>Net profit (loss) for the year</b>	<b>27,310</b>	<b>17,772</b>	<b>4,440</b>	<b>11,897</b>	<b>(2,267)</b>	<b>(4,143)</b>	<b>(389)</b>
Total assets	883,293	421,769	27,938	112,670	5,952	1,257	313,707
Total liabilities	215,825	41,090	10,703	33,353	-	-	130,679

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June 30, 2016							
Revised	Total	Real estate	Agricultural activity				Not allocated
			Grains	Sugarcane	Cattle raising	Other	
Net revenue	147,128	-	59,372	83,628	-	4,128	-
Change in fair value of biological assets and agricultural products (Note 9)	(12,632)	-	(32,165)	19,533	-	-	-
Reversal of impairment of net realizable value of agricultural products after harvest, net	659	-	659	-	-	-	-
Cost of sales	(134,714)	-	(52,995)	(75,605)	-	(6,114)	-
<b>Gross profit</b>	<b>441</b>	<b>-</b>	<b>(25,129)</b>	<b>27,556</b>	<b>-</b>	<b>(1,986)</b>	<b>-</b>
<b>Operating profit (expenses)</b>							
Selling expenses	(2,732)	-	(2,680)	-	-	(52)	-
General and administrative expenses	(28,944)	-	-	-	-	-	(28,944)
Other operating income, net	2,812	-	-	-	-	-	2,812
Share of loss of a joint venture	(511)	-	-	-	-	-	(511)
<b>Operating profit (loss)</b>	<b>(28,934)</b>	<b>-</b>	<b>(27,809)</b>	<b>27,556</b>	<b>-</b>	<b>(2,038)</b>	<b>(26,643)</b>
<b>Net finance profit</b>							
Finance income	192,644	21,781	12,739	-	-	-	158,124
Finance expenses	(154,270)	(13,945)	(12,971)	-	-	-	(127,354)
<b>Profit (loss) before income and social contribution taxes</b>	<b>9,440</b>	<b>7,836</b>	<b>(28,041)</b>	<b>27,556</b>	<b>-</b>	<b>(2,038)</b>	<b>4,127</b>
Income and social contribution taxes	(1,451)	(2,664)	9,534	(9,369)	-	693	355
<b>Net profit (loss) for the year</b>	<b>7,989</b>	<b>5,172</b>	<b>(18,507)</b>	<b>18,187</b>	<b>-</b>	<b>(1,345)</b>	<b>4,482</b>
Total assets	855,002	355,076	10,242	59,848	5,773	1,791	422,272
Total liabilities	167,514	35,907	35,087	49,601	-	-	46,919

June 30, 2015							
	Total	Real Estate	Agricultural activity				Not Allocated
			Grains	Sugarcane	Cattle raising	Other	
Net revenue	174,351	-	116,289	52,925	-	5,137	-
Gain from sale of farm	193,464	193,464	-	-	-	-	-
Change in fair value of biological assets and agricultural products	18,194	-	6,031	12,459	-	(296)	-
(Impairment) of net realizable value of agricultural products after harvest, net	(3,038)	-	(3,036)	-	-	(2)	-
Cost of sales	(170,489)	-	(112,714)	(52,799)	-	(4,976)	-
<b>Gross profit (loss)</b>	<b>212,482</b>	<b>193,464</b>	<b>6,570</b>	<b>12,585</b>	<b>-</b>	<b>(137)</b>	<b>-</b>
<b>Operating profit (expenses)</b>							
Selling expenses	(9,006)	(3,168)	(5,762)	-	-	(76)	-
General and administrative expenses	(29,360)	-	-	-	-	-	(29,360)
Other operating income, net	(3,422)	-	-	-	-	-	(3,422)
Share of loss of a joint venture	(4,355)	-	-	-	-	-	(4,355)
<b>Operating profit (loss)</b>	<b>166,339</b>	<b>190,296</b>	<b>808</b>	<b>12,585</b>	<b>-</b>	<b>(213)</b>	<b>(37,137)</b>
<b>Net financial profit</b>							
Financial income	122,552	5,099	15,693	-	-	-	101,760
Financial expenses	(89,914)	(6,338)	(17,598)	-	-	-	(65,978)



<b>Profit (loss) before income and social contribution taxes</b>	198,977	189,057	(1,097)	12,585	-	(213)	(1,355)
Income and social contribution taxes	(12,619)	(7,347)	373	(4,279)	-	72	(1,438)
<b>Net profit (loss) for the year</b>	<b>186,358</b>	<b>181,710</b>	<b>(724)</b>	<b>8,306</b>	<b>-</b>	<b>(141)</b>	<b>(2,793)</b>
Total assets	1,021,896	532,925	44,414	48,163	-	1,190	395,204
Total liabilities	265,734	111,458	25,595	10,912	-	-	117,769

The balance sheet accounts are mainly represented by “Trade accounts receivables”, “Biological assets”, “Inventories of agricultural products” and “Investment properties”.

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**19. Revenues**a) Operating sales

	2017	2016	2015
Sales of grains	71,272	62,878	121,791
Sales of sugarcane	75,986	85,916	54,396
Lease	2,820	2,260	3,204
Other revenues	2,227	4,347	4,374
<b>Gross operating revenue</b>	<b>152,305</b>	<b>155,401</b>	<b>183,765</b>
<b>Sales deductions</b>			
Taxes on sales	(5,394)	(8,273)	(9,414)
<b>Net revenue</b>	<b>146,911</b>	<b>147,128</b>	<b>174,351</b>

b) Sale of farms

	<u>Jatobá I</u>	<u>Cremaq</u>	<u>Araucária III</u>	<u>Araucária IV</u>	<u>At June 30, 2017</u>	<u>At June 30, 2015</u>
Gross revenue from sale of farm (a)	8,419	4,000	9,866	13,731	36,016	238,000
Sales taxes	(307)	(146)	(360)	(501)	(1,314)	(8,687)
Cost of sale of farm (b)	(1,102)	-	(3,000)	(3,884)	(7,986)	(35,849)
<b>Gain from sale of farm</b>	<b>7,010</b>	<b>3,854</b>	<b>6,506</b>	<b>9,346</b>	<b>26,716</b>	<b>193,464</b>

a) Sales are registered at present value on the transaction date, according to Note 2.20.b.

b) The costs of sale of Cremaq were recognized on the date of its sale, as disclosed in the financial statements at June 30, 2015.

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### 20. Expenses by nature

	<u>Cost of products sold</u>	<u>Selling expenses</u>	<u>General and administrative expenses</u>	<u>Total</u>
Depreciation and amortization	14,326	-	701	15,027
Personnel expenses	4,579	1,058	21,199	26,836
Expenses with service provider	52,706	-	3,772	56,478
Leasing	11,089	-	728	11,817
Cost of agricultural products	50,024	-	-	50,024
Freight and storage	-	5,025	-	5,025
Allowance for doubtful accounts	-	516	-	516
Sale of farm	-	8	-	8
Maintenance, travel expenses and others	3,638	69	4,541	8,248
<b>At June 30, 2017</b>	<b>136,362</b>	<b>6,676</b>	<b>30,941</b>	<b>173,979</b>
Depreciation and amortization	21,211	-	746	21,957
Personnel expenses	7,320	-	19,135	26,455
Expenses with service providers	53,562	-	2,975	56,537
Leasing	7,385	-	788	8,173
Cost of agricultural products	41,924	-	-	41,924
Freight and storage	-	2,418	-	2,418
Allowance for doubtful accounts	-	(2,686)	-	(2,686)
Onerous contracts	-	-	-	-
Losses on receivables	-	3,000	-	3,000
Maintenance, travel expenses and other	3,312	-	5,300	8,612
<b>At June 30, 2016</b>	<b>134,714</b>	<b>2,732</b>	<b>28,944</b>	<b>166,390</b>
Depreciation and amortization	20,973	-	1,249	22,222
Personnel expenses	8,313	-	19,543	27,856
Expenses with service providers	46,829	-	4,077	50,906
Leasing	3,931	-	713	4,644
Cost of agricultural products	86,258	-	-	86,258
Freight and storage	-	6,686	-	6,686
Allowance for doubtful accounts	-	2,731	-	2,731
Onerous contracts	-	(579)	-	(579)
Sale of farm - commission	-	168	-	168
Maintenance, travel expenses and other	4,185	-	3,778	7,963
<b>At June 30, 2015</b>	<b>170,489</b>	<b>9,006</b>	<b>29,360</b>	<b>208,855</b>

### 21. Management compensation

The expenses with Management compensation were recorded under “General and administrative expenses”, as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Board of directors and executive board compensation	3,528	2,756	3,107
Bonuses	5,957	4,483	5,261
Grant of share	-	-	82
Global compensation	<b>9,485</b>	<b>7,239</b>	<b>8,450</b>

The global compensation of the Company’s officers and members of the Board of Directors, for the year ended June 30, 2017 in the amount of R\$11,000, was approved at the Annual General Meeting held on October 21, 2016.

#### Stock option plan

On August 11, 2010, the Board of Directors approved the creation of the Stock Option Program, authorizing the Company’s Board to grant stock options to the beneficiaries then elected. The Plan established the beneficiaries, the number of shares that each one may

acquire upon exercise of the options, the exercise price per share to be paid in cash by the beneficiaries and the conditions of options.

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The stock options to be granted according to the Plan may grant rights on the number of shares no greater, at any time, than the maximum and cumulative amount of 2% of Company shares, respecting the minimum price of the average quote of Company shares on the São Paulo Stock Exchange (BOVESPA), weighted by the volume of trading on the last thirty floors prior to the option grant.

The table below presents the information on the Plan and assumptions used for valuation:

Date of issue	Second grant	Third grant
	03/07/2012	04/09/2012
Exercise price (R\$/share)	8.25	8.52
Quoted market price on grant date (R\$/share)	7.69	8.50
Quoted market price at end of year	11.98	11.98
Free risk interest rate %	9.37%	9.12%
Contractual period for exercise	5 years	5 years
Maturity date	07/03/2017	09/04/2017
Expected dividend yield %	0.50%	0.50%
Volatility of shares in the market - %	41.62%	40.50%
Number of outstanding options	109,054	109,054
Number of options to be exercised	109,054	109,054
Estimated fair value on the grant date (R\$/share)	3.60	4.08

The table below presents the changes in the stock option plan per grant:

	First grant	Second grant	Third grant	Total
Outstanding at July 1, 2014	301,848	260,952	260,952	823,752
Expired	(68,159)	(54,527)	(54,527)	(177,213)
Exercisable at June 30, 2015 (vested)	233,689	206,425	206,425	646,539
Exercised	(233,689)	-	-	(233,689)
Exercisable at June 30, 2016 (vested)	-	206,425	206,425	412,850
Cancelled (a)	-	(97,371)	-	(97,371)
Expired	-	-	(97,371)	(97,371)
Exercisable at June 30, 2017 (vested)	-	109,054	109,054	218,108

(a) On September 16, 2016, one of the participants tendered his resignation from the position held on that date. As a result, the parties agreed to terminate the legal relation executed in the second grant.

On December 9, 2016, the Company received notice of the exercise of all the stock options under the First Program, totaling 97,371 stock options at the exercise price of R\$8.52 per share, corresponding to the total of R\$830.

Consequent to the notice of exercise of stock options by the beneficiary, the Company transferred to the beneficiary the number of shares equivalent to the number of options informed, as applicable, and the shares to be transferred by the Company are currently held in treasury. The beneficiary, in turn, paid the exercise price in cash after the transfer of shares.

## 22. Other operating income (expenses), net

	2017	2016	2015
Gain/loss on sale of PPE	(479)	33	(361)
Reversal of management fee – Cresca (a)	(3,318)	-	(612)
Provision for legal claims (b)	(139)	2,213	(111)
Alto Taquari Farm (c)	34	2,277	-
Horizontina Farm	-	(500)	(1,240)
Other (d)	(2,117)	(1,211)	(1,098)
	<b>(6,019)</b>	<b>2,812</b>	<b>(3,422)</b>

(a) On October 5, 2016, the Company entered into an agreement with the shareholder Carlos Casado S.A., which provides for the termination of the land development consultancy agreement. The termination of this agreement resulted in a reversal of revenue amounting to R\$1,050. At December 31, 2016, the advisory agreement recorded under Intangible Assets, in the amount of R\$1,440, was derecognized. At June 30, 2017, the Company recognized that it should have received amounts net of taxes and recorded a loss of R\$828 related to taxes levied on settlement of the agreement.

(b) The amount recognized in June 2016 refers to the reversal of provision for INSS of foreign members of the Board of Directors.

(c) In June 2016, the Company obtained a discount on the payment of acquisition of Alto Taquari Farm.

(d) The amount in 2017 basically refers to the termination of the Chief Executive Officer's employment contract, as per his resignation tendered at the Board of Directors' Meeting held on August 18, 2016, in the amount of R\$1,394, and to the payment of ICMS fine on undue credit in use and consumption operations, property, plant and equipment, diesel oil and agricultural inputs, in the amount of R\$630.



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### 23. Financial income and expenses

	Notes	2017	2016	2015
<b>Financial income</b>				
Interest on marketable securities		15,383	39,509	9,325
Interest on receivable		4,878	5,506	4,637
Monetary variations (i)		619	-	-
Foreign exchange variation (ii)		11,166	8,933	14,720
Gain on remeasurement of receivables from sale of farms (a)/(iii)		15,818	22,499	41,530
Realized profit from derivative transactions (iv)	6	19,576	77,448	24,204
Unrealized profit from derivative transactions (v)	6	42,650	38,749	28,136
		<u>110,090</u>	<u>192,644</u>	<u>122,552</u>
<b>Financial expenses</b>				
Marketable securities charges		(2,565)	(9,884)	(66)
Bank charges		(1,080)	(1,405)	(1,674)
Interest accrued		(8,963)	(8,202)	(12,672)
Monetary variation (i)		(541)	(3,164)	(4,190)
Foreign exchange variation (ii)		(10,917)	(8,738)	(8,139)
Loss on remeasurement of receivables from sale of farms (a)/(iii)		(7,789)	(12,649)	(23,234)
Realized loss from derivative financial transactions (iv)	6	(3,654)	(72,675)	(6,468)
Unrealized loss from derivative financial transactions (v)	6	(41,137)	(37,553)	(33,471)
		<u>(76,646)</u>	<u>(154,270)</u>	<u>(89,914)</u>
<b>Financial income (expense), net</b>		<u><u>33,444</u></u>	<u><u>38,374</u></u>	<u><u>32,638</u></u>

Net balances are as follows:

	2017	2016	2015
Monetary variations (i)	78	(3,164)	(4,190)
Foreign exchange difference (ii)	249	195	6,581
Realization of present value on balance of accounts receivable (iii)	8,029	9,850	18,296
Income from Derivative financial instruments (iv)	15,922	4,773	17,736
Unrealized profit from Derivative financial instruments (v)	1,513	1,196	(5,335)

### 24. Earnings per share

	2017	2016	2015
Profit attributed to controlling shareholders	27,310	7,989	186,358
Weighted average number of common shares issued (thousands)	57,241	58,227	58,233
Effect from dilution - shares	352	357	26
Weighted average number of common shares issued adjusted by the dilution effect	57,593	58,584	58,259
Basic earnings per share	<u>0.4771</u>	<u>0.1372</u>	<u>3.2002</u>
Diluted earnings per share	<u>0.4742</u>	<u>0.1364</u>	<u>3.1988</u>

### 25. Provision for legal claims

The Company and its subsidiaries are involved in civil, labor, environmental and tax lawsuits and in administrative proceedings of labor, tax and environmental natures. The provision for probable losses arising from these lawsuits is estimated and updated by management, supported by the opinion of the Company's external legal advisors.

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Probable likelihood of loss

	Labor	Tax	Civil	Total
<b>At June 30, 2015</b>	511	3,173	-	3,684
Additions	885	987	-	1,872
Monetary restatement	324	361	-	685
Reversal/payments	(577)	(4,209)	-	(4,786)
<b>At June 30, 2016</b>	<b>1,143</b>	<b>312</b>	<b>-</b>	<b>1,455</b>
Additions	431	-	619	1,050
Monetary restatement	138	-	79	217
Reversal/payments	(313)	(117)	(698)	(1,128)
<b>At June 30, 2017</b>	<b>1,399</b>	<b>195</b>	<b>-</b>	<b>1,594</b>

Possible likelihood of loss

The Company and its subsidiaries are parties to legal suits of civil, labor, environmental and tax natures, and administrative tax proceedings for which no provisions were set up, since they involve risk of loss classified as possible by the Company and its external legal advisors. The contingencies are as follows:

	2017	2016
Civil (a)	10,719	15,743
Tax (b)	4,315	8,848
Labor	1,514	705
Environmental	-	279
	16,548	25,575

(a) The Company reduced the amount of a civil proceeding from R\$5,700 to R\$600, through consent order. The payment was made during the fiscal year.

(b) Based on the opinion of its external legal advisors, who analyzed favorable decisions in similar lawsuits, the Company's estimates were revised to reduce loss expectations by approximately R\$4,000.

Judicial deposits

	2017	2016
Labor	611	456
Tax	1,051	960
Environmental	-	4,838
Civil	127	123
(Note 7)	1,789	6,377

**26. Commitments**a) Contracts of sugarcane supply between BrasilAgro and ETH Bioenergia

For the year ended June 30, 2017, gross sugarcane sales of BrasilAgro to ETH Bioenergia reached R\$59,811, representing 39.3% of the Company's total gross revenue.

	2017		2016		2015	
	Number (tons)	Amount	Number (tons)	Amount	Number (tons)	Amount
Gross revenue from sugarcane – ETH	720,548	59,811	1,075,183	85,916	841,600	54,396

The price of sugarcane ton delivered was calculated on Total Sugar Recoverable (ATR) assessed on the sales date.

There is a future balance of sugarcane to be delivered, the estimated quantity and amounts of which are difficult to be established considering the scenarios of fluctuating market value and crop productivity.



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b) Lease agreement – Partnership (II)

	2017	2016	2015
Lease agreement	2,081	2,150	307

This partnership agreement complies with the definition of operating lease. The payment will always be in kind (soybean grains), to be deposited until June 30 of each crop year. The quantity of bags to be paid during the effectiveness of the agreement may vary due to two variables, namely, the productivity and the area effectively planted. According to such agreement, the minimum quantity to be paid in the long term would correspond to 479,181 bags, of which 59,898 bags of soybean in up to one year, 299,488 bags of soybean from one to five years and 119,795 bags of soybean with more than five years up to the end of the agreement .

c) Sugarcane agricultural partnership agreement

On May 8, 2015, the Company executed three agreements with ETH Bioenergia.

The first agreement was the rural subpartnership agreement to operate nine farms, in the state of Mato Grosso. The subpartnership starts on the date of execution and ends on March 31, 2026. This partnership contract meets the definition of operating lease. The payment shall be always in kind (tons of sugarcane). According to this contract the quantity to be paid in the long term corresponds to 529,975 tons, of which 174,929 tons from one to five years and 355,046 tons for a period longer than five years up to the end of the agreement .

	2017	2016	2015
Operating lease	1,017	127	-

The second agreement deals with the regulation of rights and obligations between agricultural partners, in which BrasilAgro acquired the sugarcane crops planted by ETH Bioenergia in the properties addressed by the subpartnership agreement described above. Such agreement contract meets the definition of financial lease. The payment shall be always in kind (tons of sugarcane), to be delivered at the plant owned by ETH Bioenergia during the harvest period of the product. According to this contract, the quantity to be paid in the long term corresponds to 53,845 tons, of which 18,604 tons in up to one year and 35,241 tons from one to five years.

	2017	2016	2015
Finance lease (sugarcane crop)	3,284	5,773	7,576

d) Sugarcane agricultural partnership agreement (IV) (Note 1.1)

On February 7, 2017, the Company entered into an agricultural partnership agreement involving a property in São Raimundo das Mangabeiras, in the state of Maranhão, named Partnership IV.

The first agreement establishes an agricultural partnership to operate an area of around 15,000 hectares. The agricultural partnership is for 15 years from the date of the agreement and may be renewed for the same period. This partnership agreement meets the definition of operating lease. Payment will always be made in kind (tons of sugarcane).

The quantity to be paid corresponds to 10% of the entire production obtained in the area specified in the agreement and the initial base quantity to be produced in the area during the first year of the agreement was established at 850,000 tons. After this period, spanning between one and five years, the minimum quantity to be produced in the partnership areas is 4,500,000 tons of sugarcane, and from the sixth year to the termination of agreement, minimum production should be 1,250,000 tons of sugarcane per crop year.

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(In thousands of reais, except as stated otherwise)

The second agreement regulates the rights and obligations of the agricultural partners, by which BrasilAgro acquired sugarcane crops planted by the agricultural partner in the areas specified in the partnership agreement described above. This agreement meets the definition of finance lease. As consideration in this agreement, BrasilAgro undertakes to return, at the end of the agreement, the area specified in the partnership agreement together with sugarcane stubble crops with the capacity to produce 850,000 tons of sugarcane, in the crop year subsequent to the termination of the agricultural partnership agreement.

	2017
Finance lease Partnership IV (a) / (b)	<u>20,795</u>

(a) Finance lease as per Note 15.

(b) Amounts adjusted at the price determined by Sugarcane Producers Council (Consecana) at June 30, 2017.

The third agreement deals with sugarcane supply, in which the parties aim to regulate the price and conditions of supply, as well as the obligations of each party in a cyclical system, which involves the need to supply sugarcane, in a certain delivery frequency and schedule that is consistent with buyer's receipt and production capacity.

For the year ended June 30, 2017, gross sugarcane sales to Partnership IV came to R\$16,175 million, representing 10.6% of the Company's total net revenue.

	2017
	Quantity (Tons)
	Amount
Gross sugarcane sales Partnership IV	217,797
	16,175

**27. Transactions with related parties**

	2017	2016	
<u>Current assets</u>			
Cresud (a)	1,298	1,065	
	1,298	1,065	
<u>Noncurrent assets</u>			
Cresca (b)	35,640	44,363	
<u>Current liabilities – trade accounts payable</u>			
Leasing payable (c)	3,451	-	
Cresud (a)	936	536	
Cresca	397	-	
	4,784	536	
	2017	2016	2015
<b>Statement of profit or loss</b>			
Cresud	-	-	(2,383)
Futures and options	-	(7)	(138)
	-	(7)	(2,521)

(a) Expenses and revenue related to Due Diligence of new acquisitions and implementation of the budget and controls system and reimbursement of general expenses;

(b) Receivables from Cresca for assumption of financing during the acquisition, remunerated at a rate of 12% per year. On November 21, 2016, we received from Cresca the amount of R\$11,652, as agreed between the parties on October 5, 2016;

(c) Leases - The real estate agencies entered into lease agreements with the Company on the restatement assumption of the price of soybean quoted in an active market;

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## BrasilAgro – Companhia Brasileira de Propriedades Agrícolas

Notes to the financial statements (Continued)

June 30, 2017

(In thousands of reais, except as stated otherwise)

### 28. Insurance

The Company and its subsidiaries maintain (i) civil liability insurance for all employees working at the farms, (ii) insurance for machinery, (iii) life insurance for all the employees, as well as (iv) insurance for Directors and Officers (D&O) and for other Board members. The coverage amount is considered sufficient by management to cover risks, if any, over its assets and/or liabilities. The Company assessed the risk of farm buildings and facilities owned by the Group, as well as its inventories and biological assets, concluding that there is no need for other types of insurance due to low likelihood of risks.

Below is the table of the liabilities covered by insurance and the related amounts at June 30, 2017:

Insurance type	Coverage - R\$
Civil liability (D&O)	30,000
Civil, professional and general liability	5,000
Machinery	2,850
Fire/lightning/explosion/electrical damage (office)	766
Storage silo (Chaparral Farm)	12,700
	<b>51,316</b>

### 28. Subsequent event

As of June 30, 2017, no stock options have been exercised under either the second or third tranches. In September 2017, our executive officers exercised stock options representing 218,108 shares of our capital stock, which were delivered to them on October 2017.