Manual for Financial Modeling

January - 2017

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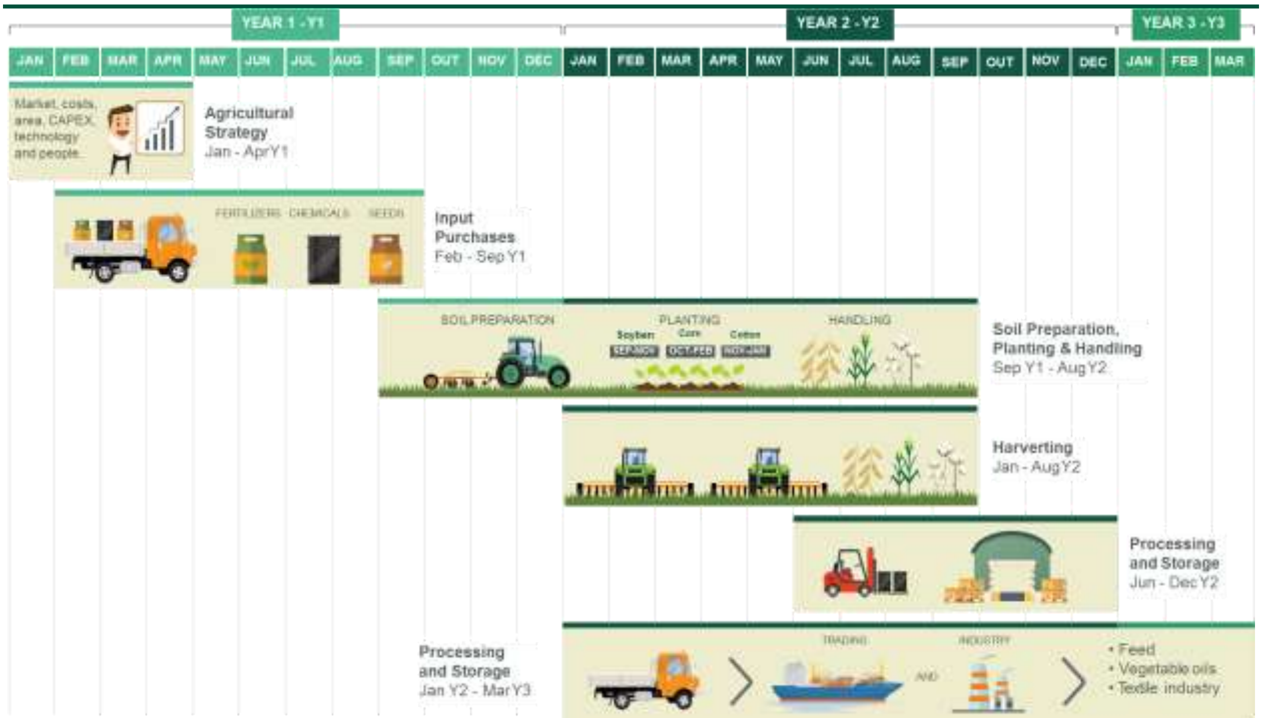
DEFINITION OF CROP YEAR

Although the Company's financial results are reported in terms of calendar year (i.e. the first quarter results pertain to the period from January to March, and so on) the planted area and yields are reported in terms of "crop year". For SLC Agrícola, the crop year extends from the beginning of planting (in September) until the end of harvest, in mid-August of the following year, with the end of the harvest of cotton, the final product to be harvested. The image below illustrates the flow of the crop year. Instructions on reconciling the crop year production to the calendar year are provided later on.



AGRICULTURAL WEIGHTS AND MEASURES (FOR CONVERSIONS)

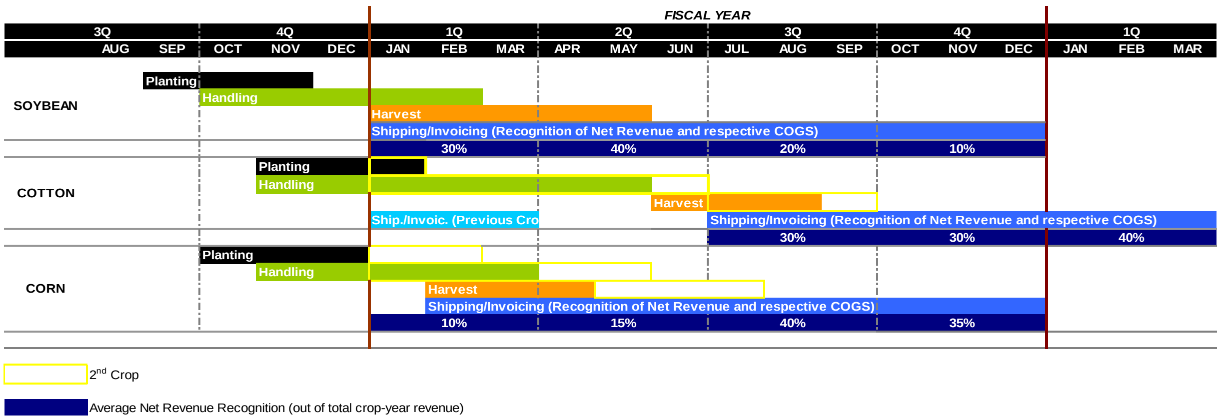
The process of building SLC Agrícola's model will probably require the conversion of units. The following table provides a summary of the most common conversions. We suggest using standard units in the model (for example, converting revenues and costs to "R$/ton"), since the international units for each product vary.

Weigtgs and Measures		
1 kg	2.20462 lb	
1 lb	0.45359 kg	
1 acre	0.40469 hectares	
1 hectare (ha)	2.47105 acres	
1 hectare (ha)	10,000 m²	
Soybeans and Wheat		
1 bushel of soybean	60 lb	27.2155 kg
1 bag of soybean	60 kg	2.20462 bushels
1 bushel/acre	67.25 kg/ha	
1,00 US$/bushel	2.2046 US$/bag	
Corn		
1 bushel of corn	56 lb	25.4012 kg
1 bag of corn	60 kg	2.36210 bushels
1 bushel/acre	62.77 kg/ha	
1,00 US$/bushel	2.3621 US$/bag	
Cotton		
1 bale	480 lb	217.72 kg
1 arroba	14.68 kg*	

DISTRIBUTION OF SALES BY YEAR AND BY QUARTER

Of the products of the crop year, soybean and corn are usually invoiced 100% within the calendar year of the harvest. For example: for the 2016/17 crop year (planted at the end of 2016 and harvested throughout 2017), virtually 100% of the soybean and corn produced were harvested and invoiced in 2015 itself (there are exceptions but these are insignificant).

In line with its sales policy, the Company retains a part of the grain production in inventory during the first half of the year (grain harvest season) to sell it in the second half, when the market generally pays a premium (off-season) for the product. In the case of cotton, on account of the harvest period (mid-year) and the time necessary to process it, on average 60% of the cotton harvested is invoiced within the harvest year and the balance 40% is invoiced in the first two quarters of the following year (40% carry-over). The following table illustrates this.



Crop Mix

SLC Agrícola's historical planted area crop mix is 53% soybean, 30% cotton, 15% corn and 2% other crops, as the table shows. The Company indicates that the mix should remain roughly the same in the future.

Crop-Year (ha)	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17[1]
Soybean	82,557	116,821	120,411	118,134	114,158	150,778	185,223	208,693	212,586	228,704
Cotton	55,120	63,458	64,775	84,716	95,270	76,580	93,775	98,563	93,405	87,445
Corn	28,792	36,405	34,826	20,422	35,166	49,273	50,471	43,407	66,975	76,267
Corn 1st crop	3,440	2,372	7,140	7,350	12,723	14,521	13,571	5,127	1,294	1,057
Corn 2nd crop	25,352	34,033	27,686	13,072	22,443	34,752	36,900	38,280	65,681	75,210
Others*	3,993	2,982	2,722	3,296	3,239	5,842	10,702	19,363	4,293	3,986
K Planted hectares	**170,462**	**219,666**	**222,734**	**226,568**	**247,833**	**282,473**	**340,171**	**370,026**	**377,259**	**396,402**

**Trigo, Girassol, Sorgo, Milho Semente e Cana-de-açúcar.*
[1] estimativa

Participation											Average
Soybean (%)	48%	53%	54%	52%	46%	53%	54%	56%	56%	58%	**53%**
Cotton (%)	32%	29%	29%	37%	38%	27%	28%	27%	25%	22%	**30%**
Corn (%)	17%	17%	16%	9%	14%	17%	15%	12%	18%	15%	**15%**
Others (%)	2%	1%	1%	1%	1%	2%	3%	5%	1%	1%	**2%**

PLANTING BY "TYPE OF AREA"

The "type of area" impacts the building of a model and we recommend they be analyzed separately, given their varying returns and costs. SLC Agrícola currently operates the following types of areas: (i) own area; (ii) leased area; (iii) 2nd crop; (iv) SLC LandCo; and (v) joint ventures – with the groups Soares Penido and Mitsui Co. (the latter two formed in 2013, thus being included in our planted area from the 2013/14 crop year). The following table shows the breakdown of these types of area. In our earnings releases, the planted area is broken down in the same manner.

Area Mix	Planted Area 2015/16	Planted Area 2016/17	Share 2016/17 %	Δ%
	----------------- ha	-----------------		
1st crop	**290,351**	**292,470**	**73.8**	**0.7**
Owned Area	*124,807*	*120,008*	30.3	-3.8
Leased Area	*93,867*	*97,934*	24.7	4.3
Joint Ventures Area (1)	*41,375*	*38,739*	9.8	-6.4
LandCo Area	*30,301*	*35,789*	9.0	18.1
2nd crop	**86,908**	**103,932**	**26.2**	**19.6**
Owned Area	*49,318*	*59,254*	14.9	20.1
Leased Area	*24,533*	*24,993*	6.3	1.9
Joint Ventures Area (1)	*7,570*	*10,554*	2.7	39.4
LandCo Area	*5,486*	*9,131*	2.3	66.4
Total Area	**377,259**	**396,402**	**100.0**	**5.1**

(1) Dois Vales and Mitsui Group

More details on creating models for each of these types of areas will be provided further on. At this moment, it is important to also note that the Company has a "landbank" that will be used for agricultural production in the coming years. These were lands acquired recently in their undeveloped state (native *cerrado* vegetation), which will be converted into croplands, thus supporting the planned expansion of the planted area and generating gains in the land development/conversion process. The landbank may be further divided into "Own Landbank" and "SLC LandCo Landbank" (as they yield different returns for the Company, since our interest in SLC LandCo is currently 81.23%), as follows:

Farms of SLC Agrícola	Areas in transformation process (ha)	Areas in licensing process (ha)
Palmares	-	601
Parnaíba	-	1,464
Parnaguá	1,005	5,347
Parceiro	9,162	6,698
Paineira	2,553	-
Sub Total	**12,720**	**14,110**
Farms of SLC LandCo	**Areas in transformation process (ha)**	**Areas in licensing process (ha)**
Parnaíba (1)	-	4,749
Piratini	9,993	-
Parceiro (1)	1,115	1,530
Sub Total	**11,108**	**6,279**
Total	**23,828**	**20,389**

(1) Áreas adcquired by SLC LandCo, that will be operated jointly with those farms.
Obs: Areas in licensing process may change due to georeferencing process.

YIELD

Yield per hectare for the ongoing crop is disclosed on a quarterly basis. The Company also provides historical yield figures in its website ("Fundamentals and Spreadsheets"). The Company expects an increase of around 1% p.a. in yield for all crops as a result of improved seeds, planting techniques, technology applied in cultivation and better performing machinery.

We suggest measuring the yield of all crops in kilograms per hectare (which is the unit used by the Company in all of its disclosures) to facilitate modeling and avoid unnecessary conversion.

The table below provides an example of yield per crop (in kilograms per hectare).

Yields (kg/ha)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17[1]
Cotton lint 1st crop	1,515	1,613	1,745	1,515	1,558	1,758	1,522	1,410	1,619
Cotton lint 2nd crop	1,599	1,467	1,274	1,478	1,285	1,545	1,671	1,560	1,570
Cotton Seed (avg. 1° and 2°crop)	1,999	2,012	2,176	1,934	1,975	2,223	1,785	1,887	2,055
Soybean	2,817	2,946	3,317	3,141	2,640	2,914	3,082	2,610	3,077
Corn 1st crop	9,652	10,134	11,070	9,634	7,385	8,345	5,708	7,620	7,236
Corn 2nd crop	6,268	5,740	6,026	6,811	6,857	7,516	7,029	6,180	6,877

It is important to note that harvested cotton originates two products: cotton lint (whose reference price is the international market price) and cotton seed. Production per hectare of both products is reported to the market in the quarterly releases (around 39% of total cotton harvested corresponds to lint and 51% to seed, while the rest are impurities which are not sold). For cotton seed, there are not many market price references available, and the Company informs the current trading price for this product for modeling purposes. Currently, the price range is close to R$550/ton. The apportionment of production costs between cotton lint and seed is provided in the section "Production Costs".

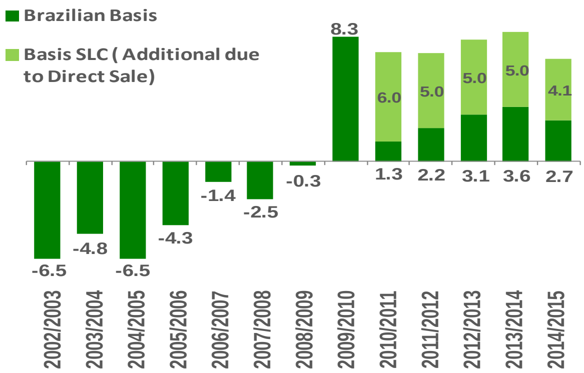
PRICING

The reference prices for SLC Agrícola's products are the market prices of commodities.

For soybean, the reference price used by the Company to sell its products is the (spot and/or future) price at the Chicago Board of Trade (CBOT), measured in U.S. dollars per bushel.

For cotton lint, the reference price is the price on the New York Intercontinental Exchange (ICE), measured in USD cents (¢) per pound.

The cotton has a premium above de price Nova Yorque (ICE), due to quality. SLC in average get a 5 cents per pound historically, as you can see in the picture below:



For corn, the closest reference price is the one disclosed by the Luiz de Queiroz College of Agriculture (ESALQ), usually priced in Brazilian real per 60-kg bag.

However, to determine the closing billing price, the Company has to make certain adjustments:

- For soybean, since the Company mostly ships the product “FOB Farm”, a discount must be applied to the CBOT price to arrive at the closing billing price for modeling purposes.

This discount is today close to R$260/ton, which primarily reflects the freight costs weighted by the distance between all of the company’s farms and the most common destination (ports);

- For corn and cotton lint, the trading strategy is different. In most cases, the company itself pays the freight, so the billing price is the “full” ICE referenced price (ESALQ in the case of corn). However, freight costs will be recorded under “Selling Expenses/Freight”, guidelines to projection, see Selling Expenses on page 8.

HEDGING POLICY

As already mentioned, selling prices of the products are based on the prices at commodity exchanges (the Company is a “price-taker”). Soybean and cotton are traded mainly in U.S. dollar and the Company, in order to mitigate risks and distribute sales throughout the year, maintains a price hedging policy with clients based on the future prices in agricultural commodity exchanges.

The evolution of the percentage production that has been “locked” and the hedge prices are reported to the market on a quarterly basis, usually for the current year or for the following year (prices are usually hedged up to a horizon of 15 to 18 months, at most).

For a longer horizon, for modeling purposes, the commodity price forecast by the analyst/institution should be used (usually the perpetuation of future commodity prices from the time of modeling).

Since cotton and soybean are traded in U.S. dollar, the Company is also exposed to exchange variation between the pricing date and the date of payment by the client.

To reduce this exposure, the company uses foreign exchange derivatives (foreign currency hedge through non-deliverable forwards contracted with banking institutions in the over-the-counter market), which are pegged to sales in U.S. dollar.

The exchange hedge position is also reported on a quarterly basis, thus enabling the market to adjust the revenue in Brazilian real for the current year and the following year (periods during which the company usually maintains currency hedge). For a longer horizon, we recommend using the foreign exchange forecast by the institution/analyst.

In the case of corn, there is no significant liquidity in Brazil for price hedges (the correlation between domestic corn prices and CBOT prices is usually low but for a few exceptions).

As a result, the Company usually does not contract hedges for corn prices and sales are concentrated in the short term (spot market). Moreover, corn is mostly traded in Brazilian real and, hence, does not involve foreign exchange exposure.

The table below show the 3Q16 hedged position:

Fiscal Year	2016		2017	
FX Rate [1]	**Hedge (%)**	**R$ / US$**	**Hedge (%)**	**R$ / US$**
FX Hedge	91,1	3,5665	49,3	3,82994
Commitments[1]	7,4	1,8425	5,5	1,8790
Total	**98,5**	**3,4368**	**54,8**	**3,6330**
Cotton	**Hedge (%)**	**US¢ / Pound[2]**	**Hedge (%)**	**US¢ / Pound[2]**
Commercial Hedge	99,8	70,1	55,2	71,3
Financial Hedge[4]	0,2	74,5	30,2	74,4
Cotton- Total Hedge	**100,0**	**70,1**	**85,5**	**72,4**
Soybean	**Hedge (%)**	**US$ / bushel[2]**	**Hedge (%)**	**US$ / bushel[2]**
Commercial Hedge	99,2	10,5	41,0	10,5
Financial Hedge[4]	-	-	-	-
Commitments[3]	-	-	7,2	-
Soybean – Total Hedge	**99,2**	**10,5**	**48,2**	**10,5**

[1] Commitments with debt payments in U.S. dollar.
[2] Based on FOB Port (prices at our production units are also influenced by transport expenses).
[3] Natural hedge with payments related to land acquisitions and leasing in soybean bags.
[4] Includes transactions involving swaps and accumulators. Reference price on November 07, 2016: Cotton ICE DEZ/16 US$/¢/ Pound 68.57, Cotton ICE DEZ/17 US$/¢/ Pound 68.75, Soybean CBOT Nov/16 US$/ bushel 9,91, Soybean CBOT MAY/17 US$/ bushel10.12.

SALES TAXES

Once the premises of prices and production volumes are imputed and allocated within the calendar year (or quarter), the gross revenue per product can be determined. From the gross revenue, deduct the following sales tax percentages from each crop to arrive at the net revenue (which is the revenue officially reported by the company). The following percentages do not account for ICMS tax (since this tax is added to the price of the product to be deducted later so that, for simplification purposes, we exclude this tax from the calculation and highlight only the taxes that would be levied directly on gross revenue).

Products	Aliquot	Taxes	Obs:
Soybean	2.85%	FUNRURAL	Assumes sale of 100% of production for indirect export
Corn	3.30%	FUNRURAl and Others	Assumes sale of 100% of production for Internal Market
Cotton Internal Market	13.10%	FUNRURAL, PIS/COFINS and Others	Represents on average 15% of the volume invoiced
Cotton Export	0.25%	SENAR	Represents on average 85% of the volume invoiced
Cotton Seed	2.85%	FUNRURAL	Assumes sale of 100% of production for Internal Market

PRODUCTION COSTS

The Company reports almost every quarter the updated estimate of production costs per hectare and per crop, which may be converted into unit cost by dividing it by yield per hectare (also reported on a quarterly basis).

For future projections, we recommend using a fixed cost based on the most recent cost figures reported, provided these are correlated with the forecast commodity prices (for instance, if the analyst is bullish about commodity prices, a proportional adjustment to the variable portion of production costs is appropriate).

In the case of cotton, the production cost per hectare, for the purposes of obtaining the unit cost at the time of billing, is distributed proportionally to revenue. Usually, about 90% of the revenue comes from lint and 10% from seed.

Costs are appropriated in accordance with the same metric (i.e. if the production cost per hectare of cotton is R$4,000.00, 90% of this amount will be allocated to lint and 10% to seed when calculating the unit cost at the time of billing these products).

Following is an example of how we report our production costs.

Total Production Cost (R$/ha)	Achieved 2015/16	Budget 2016/17 [1]	Δ%
Cotton 1st crop	7,096	7,155	0.8%
Cotton 2nd crop	5,868	6,164	5.0%
Soybean	2,206	2,251	2.0%
Corn 1st crop	3,011	2,789	-7.4
Corn 2nd crop	1,548	1,781	15.1%

[1] Based on the position at May 11,2016. Figures may suffer changes by the end of the processing of cotton and the sale of grains.

Below, the table with breakdown production cost:

	%	Cotton	Soybean	Corn	Avg. 2016/17	Avg. 2016/17
Fixed in:	**Variable Costs**	79.8	71.1	80.7	76.2	77.0
USD	Seeds	9.5	14.9	22.8	12.7	11.0
USD	Fertilizers	17.3	16.6	32.5	18.1	19.3
USD	Defensives	28.8	22.9	11.3	24.9	28.1
R$	Air Spraying	1.5	1.7	2.2	1.6	1.5
R$	Fuels and lubricants	3.8	4.3	4.0	4.0	4.1
R$	Labor	1.3	0.7	0.4	1.0	0.9
R$	Ginning	9.1	1.6	2.3	5.6	4.7
R$	Maintenance of machines and instruments	4.2	5.3	3.7	4.6	4.4
R$	Others	4.2	3.0	1.4	3.6	3.1
	Fixed Costs	20.2	28.9	19.3	23.8	23.0
R$	Labor	8.9	10.8	7.9	9.6	9.3
R$	Depreciations and amortizations	4.4	8.3	5.3	6.0	6.5
USD	Leasing	4.9	7.0	4.1	5.8	4.9
R$	Others	2.1	2.8	2.0	2.3	2.3

WORKING CAPITAL

To calculate the working capital at the end of the year, the Company uses the metrics in the following table. Year-end inventory consists substantially of cotton (around 40% of the year's production not yet invoiced) and inputs to be used in cultivation. Moreover, at the end of the year, a substantial part of the crop is already in the growing stage, whose value is booked under "Biological Assets" in Assets (prior to the adoption of IFRS, this account was called "Growing Crops").

Current Assets	
Clients - days of sales	20
Biological Assets - days of cost	130
Inventories - days of cost	220
Current Liabilities	
Suppliers – days of cost	100

SELLING EXPENSES

Selling Expenses may be modeled as a percentage of Net Renevue:

Selling Expenses % of Net Revenue					
Products	**Cotton**	**Soybean**	**Corn**	**Others**	**Total**
2013	4.2%	0.5%	0.7%	0.0%	**5.4%**
2014	4.0%	0.7%	1.3%	0.4%	**6.4%**
2015	4.4%	0.8%	1.0%	0.02%	**6.2%**
Average	**4.2%**	**0.6%**	**1.0%**	**0.14%**	**6.0%**

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES AND PROFIT SHARING

General and administrative expenses may be modeled as a percentage of net revenue. They usually correspond to around 3.5% of net revenue with a tendency of decreasing in the long term due to the growth in billing.

Employee profit sharing (PPR), which could also be included under G&A or calculated separately, is calculated at 9% of the net income from the period.

INCOME TAXES

30% of the net income before taxes (there could be variations on a quarterly analysis since one of the Company's subsidiaries is taxed under the presumed profit tax regime; nevertheless, this percentage is a fair benchmark for long-term projections).
For cash flow purposes, the value of machinery acquired during the year is deducted from the income tax calculation base (benefit of accelerated depreciation), resulting in deferred income tax.

BIOLOGICAL ASSETS

Gross margin from the crops is also "marked" in net revenue during the harvest season and this amount is also included in the "Biological Assets" account under Assets in accordance with IFRS standards. The Company has a presentation specifically on Biological Assets in its website, as well as an Excel spreadsheet containing the theoretical calculation of the biological assets to be used in the model. The Company suggests that analysts first build the model without "Biological Assets" and later incorporate it in the model using a separate support spreadsheet. It is important to note that the value of biological assets has no cash effect and taxation on these amounts is deferred.

CAPEX – METRICS

Historically, the Company has considered maintenance CAPEX metric as US$130 per hectare of planted area. (Here, include the crops planted in own and leased areas, without considering newly cleared areas and 2nd crop areas).

There is also the expansion CAPEX, which follows certain metrics that are directly related to the type of growth (growth in own or leased area, for instance) and to the costs related thereto.

For growth in own areas (land acquisition), considering that the Company's focus is to acquire uncleared (undeveloped) land, we have the following figures:

Land acquisition: US$1,500/ha - US$2,000/ha (current average price for acquiring uncleared land in the *cerrado* region).

Costs for clearing the area: US$1,000/ha- US$1,300/ha (this amount is usually disbursed 50% in the first year, 30% in the second year and 20% in the third year), which includes the contracting of labor and machinery for cleaning the area, limestone and fertilizers for soil correction.

At present, SLC LandCo is responsible for the Company's land acquisitions.

Moreover, there is CAPEX necessary for the development of the Company's current landbank (as previously mentioned under "Planting by type of area"). For this development, the same US$1,000-1,300/ha can be considered as area clearing costs.

In addition to costs with land acquisition and development, we have CAPEX for machinery acquisition and infrastructure to sustain the Company's growth (regardless of the expansion of own area/ landbank or leased area), whose metrics follow:

Infrastructure: R$1.900/ha (silos and overall farm infrastructure)
Machinery and implements for grains: R$1,530/ha (all machinery and implements necessary)
Machinery and implements for cotton: R$1,650/ha of cotton (all machinery and implements necessary)

Soil upgrade for cotton: R$2,800/ha (improvement in soil correction to receive the cotton crop)
Cotton gin: R$1,700/ha of cotton (cotton post-harvest benefitting unit)

FINANCING

The main financing lines used offer interest rates that are lower than the benchmark interest rate (Selic), since these are specifically designed for the sector. The main financing lines we use are Constitutional Funds (distributed by Banco do Nordeste and Banco do Brasil), Rural Credit (distributed by Brazil's leading banks using demand deposits and savings accounts) and investment-oriented BNDES credit facilities (for acquisition of machinery and infrastructure). Each quarter, the Company discloses to the market the breakdown of net debt and interest rates for each financing line, as follows.

		Average Interest rates (%)		Consolidated	
(R$ thd)	**Index**	**3Q16**	2Q16	**3Q16**	2Q16
Applied in Fixed Assets					
Finame – BNDES	Pré e TJLP[1]	**7.04**	6.99	**173,668**	178,711
Constitutional Funds[2]	Pré	**7.23**	7.32	**6,838**	7,099
Financing of Investments	US$ + Libor[3]	**6.30**	5.97	**7,582**	7,517
				188,088	193,327
Applied in working capital					
Rural Credit	Pré	**12.86**	10.89	**316,718**	334,666
Constitutional Funds[2]	Pré	**10.50**	10.50	**303,002**	119,596
Working Capital	Pré	**15.5**	15.46	**20,732**	19,168
Working Capital	CDI	**15.20**	15.20	**363,418**	375,961
External Loans	CDI	**15.33**	15.32	**449,676**	447,966
External Loans	US$, Libor[3]+Pré	**5.42**	5.09	**155,982**	155,620
				1,609,528	1,452,977
Total Indebtedness		**12.33**	12.09	**1,797,616**	1,646,304
Gaind and losses with derivates connected with applications and debts [5]					
(=) Adjusted Debt				**1,814,274**	1660,492
(-) Cash				**596,886**	489,428
(=) Adjusted debt				**1,217,388**	1,171,064
EBITDA of last 12 months				**246.481**	261.877
Adjusted Net Debt/Adjusted EBITDA[4]				**5.05x**	4.47x
Adjusted Net Debt/NAV				**27.2%**	32.0%

INCLUDING JOINT VENTURES IN THE MODEL

SLC LandCo

In mid-2012, SLC Agrícola concluded the LandCo Project, by which a subsidiary was created (called SLC LandCo., 100% consolidated into SLC Agrícola) to which the Company contributed three farms and the British private equity fund Valiance started contributing cash in proportion to the market value of the farms (based on an independent valuation report).

The Valiance contributed USD 53 million that were used to land acquisition (28,000 hectares acquired). Currently SLC Agrícola has 81.23% of SLC LandCo and Valiance has 18.77%.

Transaction overview

SLC Landco is responsible for:

- Land Acquisition;
- Opening and cleaning areas;
- Correction application;
- Infrastructure building
- SLC leases and manages – pay market prices – the land of SLC LandCo, as per will be ready to plant.

SLC Agrícola pays leasing fees to SLC LandCo to cultivate its lands and this generates additional revenue for SLC LandCo, which will also be reinvested to pay for the abovementioned expenses. The lease amount paid by SLC Agrícola to SLC LandCo is 3.25% of the value of all lands in operation, determined annually. Since the farms contributed by SLC Agrícola to SLC LandCo (Piratini, Planeste and Panorama Farms) are already operational (the Piratini Farm is only partially operational), SLC LandCo already has leasing revenue (recorded under “Non-Controlling Interest" in the Company’s AIncome Statement).

To include SLC LandCo in the model, the following must be considered:

1) All the lands owned by SLC LandCo will be operated by SLC Agrícola. This is the first benefit of the transaction, since the Company could monetize a part of its land portfolio without losing the ability to continue operating these lands. In other words, the Planeste, Piratini and Panorama farms (contributed farms) continue to be operated by SLC Agrícola. The only problem is that the cost of leasing these farms today is only 17.7% of a regular leasing agreement (since SLC Agrícola holds 81.23% of LandCo, it is partially paying the lease amount to itself, which is eliminated at the time of consolidation). To calculate the leasing cost, just apply a rate of 3.25% on the annual valuation report of the farms owned by SLC LandCo (as listed in the earnings releases on a quarterly basis). The land valuation is usually reported in the middle of the year.

2) There will also be a real estate gain, which, according to the Company, should be added to the valuation of SLC LandCo. Considering the cost of US$2,000/ha for land acquisition, US$1,000-1,300/ha for development, and US$550/ha for infrastructure and a selling price of US$4,500-5,000/ha .

3) The long-term objective of SLC LandCo is to sell all the contributed farms and others that will be acquired in the project.

Joint venture with Grupo Dois Vales (Pioneira Farm)

On May 29, 2013, the joint venture with Grupo Soares Penido was made official.

The joint venture (currently a subsidiary of SLC Agrícola) will produce and sell agricultural commodities on an area located in Querência, Mato Grosso, which was named “Fazenda Pioneira” (Pioneira Farm).

Transaction overview

- Dois Vales Group available 20,000 hectares in Querência City, MT;
- The joint venture manages land an pay leased to Dois Vales group;
- Earnings and CAPEX are share 50% to once partnership;
- Dead-line is 15 years;
- SLC Agricola receive a management fee;
- Planted area 2016/17: 30,084ha.

As per the agreement, SLC Agrícola will hold 50% of the joint venture and Grupo Dois Vales the other 50%. The joint venture will have an agricultural partnership agreement with Agropecuária Roncador (a subsidiary of Soares Penido Obras, Construções e Investimentos S.A.), which owns the lands. SLC Agrícola will manage the joint venture, for which it will receive an annual fee.

Considering that SLC Agrícola will retain 50% of the profits of the subsidiary, for modeling purposes, analysts may choose one of the following:

1) Consider only 50% of the area to be planted through the joint venture, out of the total planted area of the Company; or
2) Consider 100% of the planted area, deducting the share pertaining to Grupo Soares Penido (50% of profits) from the net income (through “Non-Controlling Interests”). The specific results of this joint venture will be reported in the Appendix of quarterly releases to enable such segregation. This is the official method by which the joint venture will be accounted for (100% consolidated in SLC Agrícola).

Joint venture with Mitsui (Paladino Farm)

The joint venture (currently a subsidiary of SLC Agrícola) will produce and sell agricultural commodities on an area of 21,898 hectares already developed (net of legal reserves) located in São Desidério, Bahia, owned by Mitsui &CO. Ltda, and 16,213 hectares in Porto dos Gaúchos, MT City , owned by SLC Agrícola. The area was named “Fazenda Paladino” (Paladino Farm).

Transaction overview:

- The joint venture manages the land and pay lease to own the land;
- The gains and CAPEZ area share proportionally;
- Dead-line is 99 years
- SLC Agrícola receive a management fee.

As per the agreement, SLC Agrícola will hold 50.1% of the joint venture and Mitsui the other 49.9%. The joint venture will have an agricultural partnership agreement with Agrícola Xingu (subsidiary of Mitsui), which owns the lands. SLC Agrícola will manage the joint venture, for which it will receive an annual fee.

Considering that SLC Agrícola will be entitled to 50.1% of the profits of the subsidiary, for modeling purposes, analysts may choose one of the following:

1) Consider only 50% of the area to be planted through the joint venture, out of the total planted area of the Company; or
2) Consider 100% of the planted area, deducting the share pertaining to Grupo Soares Penido (50% of profits) from the net income (through “Non-Controlling Interests”). The specific results of this joint venture will be reported in the Appendix of quarterly releases to enable such segregation. This is the official method by which the joint venture will be accounted for (100% consolidated SLC Agrícola).

PROPERTY APPRAISAL

The Company conducts an independent appraisal of its land portfolio (and the lands of SLC LandCo, as already mentioned) in order to monitor the evolution in the value of its assets. This appraisal also serves as an additional instrument to ascertain the Company’s value while determining the value of the business from this viewpoint. One commonly used valuation method is the sale-leaseback method, which simulates a hypothetical sale of 100% of the land, followed by the leasing of the same (100% leased cash flow). This way, it is possible to sum up the current market value of the land (net of sales taxes) and the cash generated by agricultural activities.

We present below updated figures on the value of the company's properties, which was prepared internally based on an independent appraisal in the case of the farms of SLC LandCo, and on other market sources in the case of the other farms, including data from brokerages and specialty magazines, among other independent sources.

The average hectare of property owned by the Company appreciated 5.2% from the previous year, excluding variations in areas.

Including the land acquisitions between the periods (notably the 13,268 hectares acquired by SLC LandCo in 2015, as announced in a Notice to the Market on September 24, 2015), the total value of the company's own land portfolio stands at **R$3,685,361 thousand.**

	2015 Appraisal			2016 Appraisal		
Region	**Total land Appraisal(ha)**	**R$ thd**	**R$/ha**	**Total land Appraisal(ha)**	**R$ thd**	**R$/ha**
Midwest	114,159	1,706,260	14,946	127,426	1,911,925	15,004
Northeast	194,561	1,695,580	8,715	195,103	1,733,436	9,090
Total	**308,719**	**3,401,840**	**11,019**	**322,529**	**3,685,361**	**11,426**

HISTORICAL PLANTED AREA

The historical planted area can be access in our website in Financial Information – Interactive Sheets.

HISTORICAL FINANCIAL INFORMATION

The historical financial information (Finance Statements, releases, quarter information…) can be access in our website in Financial Information – Interactive Sheets.

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