

Independent auditors' report

Financial statements for the years ended
December 31, 2012 and 2011



Castrolanda





BDO RCS Auditores Independentes S.S.
CRC 2SP 013846/O-1 "S" PR

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the
Management and members of
Castrolanda Cooperativa Agroindustrial Ltda.
Castro-PR

We have audited the financial statements of Castrolanda Cooperativa Agroindustrial Ltda. ("Company") as of December 31, 2012 and the related profit and loss statements, changes in shareholders' equity and cash flows for the year then ended, as well as a summary of the significant accounting practices and other notes.

Management's responsibility for the financial statements

The Company's management is responsible for the fair presentation and preparation of the financial statements in accordance with Brazilian accounting practices and for the internal controls considered necessary to allow the preparation of financial statements free of material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and international auditing standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

FINANCIAL STATEMENTS

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Castrolanda Cooperativa Agroindustrial Ltda. as of December 31, 2012, the results of its operations and its cash flows for the year then ended in conformity with Brazilian accounting practices.

OTHER ISSUES

We have also examined the statements of value added for the year ended December 31, 2012, whose reporting is required by Brazilian corporate law for large companies. These statements were subjected to the same auditing procedures previously described and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The financial statements for the year ended December 31, 2011, presented for comparative purposes, were audited by other Independent auditors, whose the report thereon, dated January 31, 2012, was unqualified.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Castro, January 29, 2013.

BDO BDO RCS Auditores Independentes S.S.
CRC 2SP 013846/O-1 "S" PR

Paulo Sérgio Tufani
Accountant CRC 1 SP 124504/O-9 – S – PR

Gilberto de Souza Schlichta
Accountant CRC 1 PR 35508/O-5

FINANCIAL STATEMENTS

EXHIBIT 1
CASTROLANDA - COOPERATIVA AGROINDUSTRIAL LTDA
BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian Reais)

ASSETS	2012	2011
CURRENT		
Cash and cash equivalents (note 4)	257,952	286,514
Receivables from members (note 5)	185,333	199,435
Trade accounts receivable (note 6)	77,353	78,476
Inventories (note 7)	127,112	92,462
Recoverable taxes (note 8)	13,054	4,322
Other accounts receivables (note 9)	7,396	6,940
Prepaid expenses	206	204
Total Current Assets	668,406	668,353
NON-CURRENT		
Receivables from members (note 5)	34,422	33,430
Trade accounts receivable	57	177
Other accounts receivables (note 10)	10,557	10,331
Investments (note 11)	7,413	2,951
Property, plant and equipment (note 12)	262,786	216,650
Biological assets (note 13)	11,340	11,234
Intangible assets (note 14)	590	-
Total Non-Current Assets	327,165	274,773
TOTAL ASSETS	995,571	943,126

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

EXHIBIT 1
CASTROLANDA - COOPERATIVA AGROINDUSTRIAL LTDA
BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian Reais)

LIABILITIES AND SHAREHOLDERS' EQUITY	2012	2011
CURRENT		
Trade accounts payable (note 15)	34,677	26,986
Loans and financing (note 16)	179,300	241,115
Payables to members (note 5)	120,000	76,250
Social charges and tax liabilities	2,570	2,066
Customers' advances	2,166	4,161
Other accounts payable	2,851	2,515
Accrued liabilities (note 17)	7,959	5,999
Total Current Liabilities	349,523	359,092
NON-CURRENT		
Payables to members (note 5)	7,297	5,978
Loans and financing (note 16)	127,854	148,655
Accrued liabilities (note 17)	45,022	36,283
Total Non-Current Liabilities	180,173	190,916
SHAREHOLDERS' EQUITY		
Realized capital stock (note 18)	84,507	69,855
Surplus reserves (note 18)	320,455	266,673
Surplus available at Annual Shareholders' Meeting (AGO)	60,913	56,590
	465,875	393,118
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	995,571	943,126

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

EXHIBIT 2
CASTROLANDA - COOPERATIVA AGROINDUSTRIAL LTDA
PROFIT AND LOSS STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian Reais)

	2012	2011
GROSS OPERATING REVENUE		
Sales of products and services	1,543,038	1,298,080
DEDUCTIONS		
Taxes on sales	(18,731)	(22,435)
Returns and discounts	(37,072)	(16,707)
NET OPERATING REVENUE (note 19)	1,487,235	1,258,938
COST OF GOODS SOLD AND SERVICES RENDERED	(1,322,104)	(1,111,308)
GROSS SURPLUS	165,131	147,630
OPERATING REVENUES AND EXPENSES		
Selling expenses	(24,048)	(20,734)
General and administrative expenses	(65,118)	(60,803)
Financial expenses (note 20)	(46,061)	(39,300)
Financial revenues (note 20)	47,798	52,387
	(87,429)	(68,450)
NET OPERATING INCOME	77,702	79,180
OTHER OPERATING INCOME (LOSS)	1,552	(827)
SURPLUS BEFORE TAXES	79,254	78,353
Income tax	(4,657)	(5,887)
Social contribution tax	(1,732)	(2,180)
	(6,389)	(8,067)
NET SURPLUS FOR THE YEAR	72,865	70,286
STATUTORY AND BY-LAWS' APPROPRIATION		
Statutory reserve fund	(7,789)	(7,276)
Fund for Technical, Educational and Social Assistance (FATES)	(6,022)	(7,947)
	(13,811)	(15,223)
USE OF FATES FOR THE YEAR	1,859	1,527
SURPLUS AVAILABLE AT A.G.O.	60,913	56,590

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

EXHIBIT 3
CASTROLANDA - COOPERATIVA AGROINDUSTRIAL LTDA
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian Reals)

	Realized capital stock	Surplus reserves			Surplus available at A.G.O.	Total
		Statutory reserve fund	FATES	Development funds		
AS OF DECEMBER 31, 2010	61.554	41.842	23.212	157.331	41.832	325.771
Addition to surplus reserves according to AGO	-	2.335	-	25.035	(27.370)	-
Capital withholdings	2.138	-	-	-	-	2.138
Withholdings for capitalization fund	2.336	-	-	-	-	2.336
Capital contribution	2.919	-	-	-	-	2.919
Write-off of capital for dismissed members/65 years	(1.935)	-	-	-	-	(1.935)
Write-off of capital – membership unit system	(424)	-	-	-	-	(424)
Recognition of development fund	-	-	-	3.222	-	3.222
Capitalization according to AGO	3.267	-	-	-	(3.204)	63
Use of FATES for the year	-	-	(1.527)	-	1.527	-
Distribution of surplus for members according to AGO	-	-	-	-	(11.258)	(11.258)
Net surplus for the year	-	-	-	-	70.286	70.286
Recognition of statutory reserve	-	7.276	-	-	(7.276)	-
FATES	-	-	7.947	-	(7.947)	-
AS OF DECEMBER 31, 2011	69.855	51.453	29.632	185.588	56.590	393.118
Addition to surplus reserves according to AGO	-	3.041	-	31.515	(34.556)	-
Capital withholdings	2.621	-	-	-	-	2.621
Withholdings for capitalization fund	2.308	-	-	-	-	2.308
Capital contribution	7.997	-	-	-	-	7.997
Write-off of capital for dismissed members/65 years	(3.028)	-	-	-	-	(3.028)
Write-off of capital – membership unit system	(909)	-	-	-	-	(909)
Recognition of development fund	-	-	-	7.112	-	7.112
Capitalization according to AGO	5.663	-	-	-	(5.663)	-
Use of FATES for the year	-	-	(1.859)	-	1.859	-
Adjustment of shares UBC/Capitalization funds	-	-	-	-	556	556
Distribution of surplus for members according to AGO	-	-	-	162	(16.927)	(16.765)
Net surplus for the year	-	-	-	-	72.865	72.865
Recognition of statutory reserve	-	7.789	-	-	(7.789)	-
FATES	-	-	6.022	-	(6.022)	-
AS OF DECEMBER 31, 2012	84.507	62.283	33.795	224.377	60.913	465.875

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

EXHIBIT 4
CASTROLANDA - COOPERATIVA AGROINDUSTRIAL LTDA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian Reais)

	2012	2011
1 - CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	72,865	70,286
Adjustments to reconcile income (loss) for the year to cash and cash equivalents generated by operating activities		
Depreciation, amortization and depletion	21,224	18,785
Monetary variation on long-term loans	12,784	13,483
Monetary variation on long-term accounts receivable	(6,478)	(8,174)
Provision for contingencies	10,533	11,323
Write-off of property, plant and equipment	1,883	1,359
	112,811	107,062
Changes in assets:		
Accounts receivable	20,831	(9,841)
Inventories	(34,650)	(5,302)
Others	(9,416)	3,802
	(23,235)	(11,341)
Changes in liabilities:		
Trade accounts payable	7,691	11,051
Payables to members	45,069	16,522
Customers' advances	(1,995)	(1,750)
Social charges and tax liabilities	(5,885)	(7,726)
Payment of income and social contribution taxes	2,506	2,618
Offset of income and social contribution taxes	3,883	5,449
Other accounts payable	336	84
Accrued liabilities	166	(1,538)
	51,771	24,710
NET CASH PROVIDED BY OPERATING ACTIVITIES	141,347	120,431
2 - CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to permanent assets	(74,401)	(43,453)
NET CASH USED IN INVESTING ACTIVITIES	(74,401)	(43,453)
3 - CASH FLOW FROM FINANCING ACTIVITIES		
Increase (decrease) in loans and financings	(95,400)	(13,669)
Recognition of development reserve	7,112	3,222
Statutory appropriations:		
Distribution of surplus for members	(16,765)	(11,258)
Write-off of capital for dismissed members/65 years	(3,028)	(1,935)
Capital withholdings	2,621	2,138
Withholdings for capitalization fund - agriculture	2,308	2,336
Capital contribution	7,088	2,495
Adjustment of shares UBC/Capitalization funds	556	63
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(95,508)	(16,608)
4 - INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,562)	60,370
At beginning of year	286,514	226,144
At end of year	257,952	286,514

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

EXHIBIT 5

CASTROLANDA - COOPERATIVA AGROINDUSTRIAL LTDA
STATEMENT OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian Reais)

	2012	2011
1. REVENUE		
1.1. Sales of merchandise, products and services rendered	1,535,863	1,294,800
1.2. Other operating revenues	7,175	3,280
1.3. Other operating income (loss)	1,552	(827)
1.4. Reversal (allowance) for doubtful accounts	603	2,201
1.5. Returns and discounts	(37,072)	(16,707)
	<u>1,508,121</u>	<u>1,282,747</u>
2. INPUT ACQUIRED FROM THIRD PARTIES		
2.1. Cost of products, merchandise and services sold	1,296,622	1,089,709
2.2. Materials, energy, third-party services and others	47,146	48,383
2.3. Loss / recovery of assets	665	295
	<u>1,344,433</u>	<u>1,138,387</u>
3. GROSS VALUE ADDED (1-2)	163,688	144,360
4. DEPRECIATION, AMORTIZATION AND DEPLETION	21,224	18,785
5. NET VALUE ADDED GENERATED BY THE COMPANY (3-4)	142,464	125,575
6. VALUE ADDED RECEIVED IN TRANSFER		
6.1. Financial revenues	47,798	52,387
	<u>47,798</u>	<u>52,387</u>
7. TOTAL VALUE ADDED TO BE DISTRIBUTED (5+6)	190,262	177,962
8. DISTRIBUTION OF VALUE ADDED		
8.1. Personnel		
8.1.1. Direct compensation	30,926	25,410
8.1.2. Benefits	7,061	5,749
8.1.3. FGTS (Severance Pay Fund)	1,867	1,437
8.2. Taxes, fees and contributions		
8.2.1. Federal	13,183	14,697
8.2.2. State	18,189	20,992
8.2.3. Municipal	110	91
8.3. Return on debt capital		
8.3.1. Interest	29,162	27,148
8.3.2. Other financial expenses	16,899	12,152
8.4. Return on equity capital		
8.4.1. Retained surpluses	72,865	70,286
	<u>190,262</u>	<u>177,962</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian Reais)

NOTE 01 - OPERATIONS

The Company has 754 members (717 in 2011) and its activities mainly consist of:

- a) Marketing members' agricultural and livestock products, keeping silos and warehouses to store agricultural products, and equipment for their drying, processing and standardization.
- b) Processing and selling seeds, beans, feed, potato and dairy products;
- c) Purchasing and storing crop and livestock inputs to be supplied to members;
- d) Rendering crop and livestock technical assistance services to members.

NOTE 02 - PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared and are presented in conformity with Brazilian accounting practices, including the Brazilian Accounting Standards, the Pronouncements, Guidelines and Interpretations issued by the Committee of Accounting Pronouncements (CPC) and the Cooperative Act No. 5.764/71. According to Accounting Standard NBC TE – Cooperative Entities, the Company's financial statements have been standardized for nomenclatures and presentation form.

Laws No. 11.638/07 and No. 11.941/09 changed Law No. 6.404/76 regarding the preparation and disclosure of financial statements.

The financial statements have been prepared at historical cost, which is based on the fair value of the amounts paid in exchange for assets or for the settlement of liabilities.

Functional and reporting currency

These financial statements are presented in Brazilian Reais, which is the Company's functional currency. All financial information presented in Brazilian Reais was rounded to the next unit, except when otherwise stated.

Use of accounting estimates and assumptions

Accounting estimates and assumptions are based on objective and subjective factors and management's judgment for determining the adequate value to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the residual value of property, plant and equipment, allowance for doubtful accounts, inventories, deferred income tax, provision for contingencies, and assets and liabilities related to employee benefits. Transaction settlement involving those estimates may result in amounts significantly different due to the inherent inaccuracy of the estimates when they are determined. The Company reviews these estimates and assumptions annually.

FINANCIAL STATEMENTS

NOTE 03 - SIGNIFICANT ACCOUNTING PRACTICES

CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

Where applicable, current and non-current assets are reduced through provisions at their probable realization values, and financial investments gains are recognized on a pro rata basis. Current and non-current liabilities include charges incurred, when applicable.

SURPLUS AND LOSS FOR THE YEAR

Results of operations are recorded on the accrual basis and take into account:

- earnings, charges and effects of monetary changes, calculated at statutory rates or indexes applied to the Company's assets and liabilities; and
- The effects of asset adjustments to market or realizable value, when applicable.

Sales revenue is recognized in income when all the product's risks and benefits are transferred to the buyer. Service revenues are recognized in the profit and loss statement as they are realized. Revenue whose realization is significantly uncertain is not recognized.

FOREIGN CURRENCY

Monetary assets and liabilities denominated in foreign currencies were translated into Brazilian Reais at the exchange rate of the balance sheet date. Differences arising from currency translation were recognized in the profit and loss statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits and financial investments recorded at cost, plus the net income earned up to the balance sheet date, which does not exceed the market value.

TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are recorded in the balance sheet at their nominal values, plus monetary variations or exchange rates gains (losses), when contracted, discounted to present value, when applicable, and deducted from the allowance for doubtful accounts, calculated according to an individual analysis of the accounts receivable in amounts considered sufficient to cover possible losses on the realization of these credits.

ALLOWANCE FOR DOUBTFUL ACCOUNTS – TRADE ACCOUNTS RECEIVABLE

The allowance for doubtful accounts is recognized in an amount considered sufficient to cover possible losses on the realization of accounts receivable after a detailed analysis of overdue trade notes and according to the opinions of the Company's legal counselors.

ALLOWANCE FOR DOUBTFUL ACCOUNTS – RELATED-PARTY RECEIVABLES

The allowance for doubtful accounts – related-party receivables is recognized in amounts considered sufficient according to each member's payment capacity. Amounts receivable from dismissed, withdrawn or excluded members are fully provided for at each year end.

INVENTORIES

Inventories are stated at average acquisition or production cost, which does not exceed their net realizable values. Cost of inventories is based on average cost methodology and includes acquisition and transportation expenses incurred. The cost of inventories of finished goods and work-in-process includes general manufacturing expenses, based on the Company's normal operational capacity.

FINANCIAL STATEMENTS

ACCOUNTS RECEIVABLE FROM AND PAYABLE TO MEMBERS

The accounting record of transactions with members is made according to the nature of the operations and includes charges incurred to the balance sheet date, when applicable.

INVESTMENTS

Investments are valued at average acquisition cost as they are mainly investments in other cooperatives. Investments in cooperative companies are valued at acquisition cost in conformity with NBC T 10.8. Investments in companies other than cooperatives are valued at acquisition cost in conformity with provisions of Law No. 6.404/76 and the pronouncements issued by the Committee of Accounting Pronouncements, because they are not investments in associated or controlled companies.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition, formation or construction cost. Depreciation is calculated using the straight-line method at rates mentioned in note 12, and takes into account residual value and estimated useful lives of assets, according to the CPC 27 – Fixed Assets.

The Company opted not to adopt the deemed cost to its property, plant and equipments, as allowed by CPC 27 and ICPC 10.

Expenses are capitalized only when there is increase in economic benefits of property, plant and equipment. Any other type of expense is recognized in the profit and loss statement.

INTANGIBLE ASSETS

Intangible assets include amounts paid for software use rights, recorded at the acquisition cost, less amortization.

ASSETS AND LIABILITIES

Assets and liabilities bear finance charges under agreements in effect, in order to reflect the amounts incurred through the balance sheet date.

LOANS AND FINANCINGS

Loans and financings are initially recognized net of transaction costs and stated at amortized cost. They bear finance charges incurred through year end, under the agreements in effect, which are accounted for as financial expenses.

PROVISIONS

A provision is recognized in balance sheet when the Company has a legal obligation or as a result of a past event, and funds are likely to be necessary to settle the obligation. Provisions are recorded according to the best estimates of the risks involved.

FINANCIAL STATEMENTS

OTHER CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

Other current and non-current assets are stated at cost or realizable value, plus, when applicable, income earned. Given the Company's operations, discounts to net present value and/or fair realizable value are not applicable.

Other current and non-current liabilities are stated at known or payable amounts, plus, when applicable, the respective charges, exchange gains (losses), monetary changes and discount to present value, if applicable.

INCOME AND SOCIAL CONTRIBUTION TAXES

Taxes are calculated according to effective income and social contribution tax rates on taxable income: 15% plus a 10% surtax on any excess taxable income for income tax; and 9% of social contribution tax on non-members' activities of the year, considering income and social contribution tax loss carry forwards, up to 30% of taxable income.

IMPAIRMENT LOSS

According to Technical Pronouncement CPC 01 – Impairment, an asset is considered devaluated when its book value exceeds its recoverable value, whether through sale or use in the normal course of operations. The Company shall annually evaluate whether events or circumstances have occurred that indicate possible impairment and recognize the loss in income, if applicable.

Castrolanda annually evaluates internal and external indicators of impairment loss, according to CPC 01 in all its cash generating units.

BIOLOGICAL ASSETS

Pursuant to Pronouncement CPC 29, a biological asset is a live animal or plant. The Company recognizes its biological assets (forests, breeders, and breeder swine) at their fair values.

MEMBER'S ACTIVITIES AND NON-MEMBER'S ACTIVITIES

Pursuant to NBCT 10.8 – Corporative Entities, these shall separately identify the breakdown of income (loss) of a certain period, considering the inflows less expenses of member's activities, and revenues, costs and expenses of non-member's activities, as stated in Note 25.

FINANCIAL STATEMENTS

NOTE 04 - CASH AND CASH EQUIVALENTS

Financial investments are represented as follows:

Description	Rates	2012	2011
		R\$/Thousand	R\$/Thousand
Cash		4,321	2,084
CDB (Bank Certificates of Deposit)/CDI (Interbank Deposit Rate)	From 100% to 103% of CDI	252,021	282,617
Savings account	TR (Benchmark rate) + 0.5% p.m.	1,610	1,813
Total		257,951	286,514

NOTE 05 – RECEIVABLES FROM/ PAYABLES TO MEMBERS

Accounts receivable from members are represented as follows:

R\$ thousand	Assets		Liabilities	
	2012	2011	2012	2011
Short term				
Financings to fund operations	102,832	109,397	-	-
Financings for working capital	37,932	56,229	40,993	22,654
Notes receivable	28,548	14,413	-	-
Production account	7,912	13,347	52,929	25,395
Financing for capital	4,147	3,302	-	-
Financing for investments	2,701	2,365	-	-
Current accounts	1,261	382	14,380	6,239
ICMS (State VAT) payable		-	603	223
Others		-	692	993
Provision for acquisition of agricultural and livestock products		-	10,403	20,746
	185,333	199,435	120,000	76,250
Long term				
Financing for capital	20,075	15,939	-	-
Financing for investments	7,677	8,277	-	-
Financings for working capital	6,670	9,214	-	-
Agricultural mutual fund			7,297	5,978
	34,422	33,430	7,297	5,978
Total	219,755	232,865	127,297	82,228

FINANCIAL STATEMENTS

The caption "financing to fund operations" refers to funds provided to members for investment in crop and livestock farming activities.

The caption "financing to working capital" refers to funds provided to members for improving the cash flow of their crop and livestock farming activities.

The caption "production account" refers to the acquisition of crop and livestock inputs and sale of members' agricultural production.

NOTE 06 – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivables are represented as follows:

Description	2012	2011
	R\$/thousand	R\$/thousand
Notes receivable	79,555	79,965
Checks	406	607
Renegotiated debts	288	576
Others	47	120
(-) Allowance for doubtful accounts	(2,943)	(2,792)
Total	77,353	78,476

FINANCIAL STATEMENTS

NOTE 07 - INVENTORIES

Inventories are represented as follows:

Description	2012	2011
	R\$/thousand	R\$/thousand
Agricultural inputs	54,253	39,203
Agricultural products	14,400	14,010
Dairy products - UBL	10,919	9,115
Feed/raw material	10,839	7,114
Merchandise in warehouses from third parties	9,210	5,290
Crop and livestock farming store	3,307	4,003
Wheat seeds	2,615	1,015
Corn seeds	1,661	594
Bean seeds	1,584	883
Piglet production unit	1,539	1,467
Production of poultry farms	1,054	1,054
Firewood	878	1,110
Potato seeds	867	994
Fried potato unit	644	671
Grazing ground/fodder plant seeds	432	770
Advances to suppliers	9,502	3,598
Others	3,408	1,571
Total	127,112	92,462

Agricultural inputs

These are substantially represented by, pesticides, fertilizers and soil conditioners recorded at cost value that do not exceed their net realizable values.

Agricultural products

These are represented by grains, mainly soybean, corn and wheat acquired from members, linked to sale commitments with grinding companies and not yet billed for them.

NOTE 08 - RECOVERABLE TAXES

These are represented as follows:

Description	2012	2011
	R\$/thousand	R\$/thousand
ICMS	9,494	1,722
IRRF (Withholding income tax) on financial investments	3,556	2,600
Others	4	-
Total	13,054	4,322

ICMS (State VAT) balance refers to acquisition of raw material, fertilizers and pesticides from other states, whose shipment is benefited by deferral in the state of Paraná.

FINANCIAL STATEMENTS

NOTE 09 - OTHER ACCOUNTS RECEIVABLE – CURRENT

These are represented as follows:

Description	2012	2011
	R\$/thousand	R\$/thousand
Related-party receivables	4,168	4,469
Provision for supplementary piglet price UPL	1,429	925
ICMS on acquisition of property, plant and equipment	881	1,039
Third-party receivables	74	208
Others	844	299
Total	7,396	6,940

NOTE 10 - OTHER ACCOUNTS RECEIVABLE – NON-CURRENT

These are represented as follows:

Description	2012	2011
	R\$/thousand	R\$/thousand
Real estate properties for sale	8,413	8,158
ICMS on acquisition of property, plant and equipment	973	1,334
Court deposit	668	67
Others	503	772
Total	10,557	10,331

The amount of R\$ 8,413 thousand refers to properties which were received from third parties and former members resulting from secured debts to the Company, which cannot be used in Company's operations. These amounts are accounted for net of valuation allowance for these properties, whose realizable values are lower than market value.

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NOTE 11 - INVESTMENTS

Investments are represented as follows:

Description	2012	2011
	R\$/thousand	R\$/thousand
Eletrogeração	4,006	-
Sicredi	1,677	1,407
Cooperativa Central de Laticínios do Paraná	1,017	1,017
Coonagro	323	226
Eletrorural	306	218
Other investments	84	83
Total	7,413	2,951

Eletrogeração S/A is engaged in exploring the generation of electricity and other energy sources, in which the Company holds 13.61% ownership interest.

Sicredi is a credit cooperative that operates in the region of Campos Gerais, in which the Company holds ownership interest of 6.75% according to its financial movement with that institution.

Cooperativa Central de Laticínios do Paraná – CCLPL was incorporated to meet common goals of its members (Castrolanda, Batavo and Capal), in which the Company holds ownership interest of 36.53%.

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are represented as follows:

CHANGES IN PROPERTY, PLANT AND EQUIPMENT - 2012

TYPE	DEPRECIATION RATE	BALANCE AS OF 12/31/2011	ADDITIONS	WRITE-OFFS	TRANSFERS	R\$ thousand	
						DEPRECIATION/DEPLETION	BALANCE AS OF 12/31/2012
LANDS		11.281	3.087	-	5.184	-	19.552
BUILDINGS	3.5% and 4%	63.298	200	(35)	17.149	(2.835)	77.777
METALLIC WAREHOUSES	5%	12.156	41	(1)	3.930	(848)	15.278
MACHINERY AND EQUIPMENT	7.5% and 10%	74.105	3.189	(268)	9.580	(10.157)	76.449
VEHICLES	15%	1.791	1.450	(690)	167	(455)	2.263
PACKAGES	20%	254	-	(2)	-	(111)	141
FURNITURE AND FIXTURES	10%	1.543	550	(22)	150	(257)	1.964
TOOLS	10%	1.154	120	(10)	3	(161)	1.106
FACILITIES	8.5% and 10%	23.574	1.144	(2)	7.324	(2.918)	29.122
PAVEMENT	10%	6.709	3	-	3.429	(1.020)	9.121
COMPUTERS AND PERIPHERALS	20%	2.310	1.467	(434)	95	(824)	2.614
ONGOING CONSTRUCTIONS		9.306	20.537	-	(22.038)	-	7.805
ADVANCED BILLING		1.311	549	-	(1.679)	-	181
ADVANCES		5.296	34.847	-	(25.312)	-	14.831
PLOTS OF LAND N/OPER.		2.379	162	(160)	2.018	-	4.399
BUILDINGS -ASSETS N/OPER.		183	-	-	-	-	183
Total		216.650	67.346	(1.624)	-	(19.586)	262.786

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Property, plant and equipment are in line with the Company's growth strategy and several investments were made in 2012. The main investments were:

- Construction of the Bean Business Unit in Castro-PR for bean producing and processing, in the amount of R\$ 14,092 million.
- Beginning of construction of the Meat Industrial Unit in Castro-PR with investments of R\$ 11,252 million;
- Acquisition of a new unit for reception and storage of grains in the municipality of Itaberá-SP in the amount of R\$ 9,437 million;
- Continuity of the works of flow modernization of the Cereal Processing Unit of the Company's headquarters, whose investment was R\$ 5,745 million in 2012;
- Expansion of bulk reception and storage capacity of the Seed Processing Unit of the Company's headquarters, with investments in the amount of R\$ 4,620 million.

NOTE 13 – BIOLOGICAL ASSETS

Biological assets are represented as follows:

	Adjusted Cost	Accumulated Deprec./Depletion	R\$ thousand Total Net	
			2012	2011
Forests	13,636	(6,741)	6,895	6,695
Livestock	4,601	(156)	4,445	4,539
Total	18,237	(6,897)	11,340	11,234

According to Technical Pronouncement CPC 29 – Biological Assets and Agricultural Products, the Company's forests were valued at fair value on the balance sheet date based on an appraisal report prepared by a hired specialized company. Swine and other breeders were valued at fair value based on appraisal reports prepared by internal experts.

On both cases, due to the accounting policy adopted by the Company, there were no significant divergences between the value used and the fair value, therefore, an adjustment is not required.

NOTE 14 - INTANGIBLE ASSETS

The amounts recorded in intangible assets are stated as follows:

	Restated value	Accumulated Amortization	R\$ thousand Residual value	
			2012	2011
Use rights - software	646	(56)	590	-
Total	646	(56)	590	-

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NOTE 15 – TRADE ACCOUNTS PAYABLE

Trade accounts payable are the following:

Description	2012	2011
	R\$/thousand	R\$/thousand
Domestic market suppliers, legal entities	33,691	26,073
Transportation services	964	883
Other liabilities	22	30
Total	34,677	26,986

NOTE 16 - LOANS AND FINANCING

These are represented as follows:

	Currency	Rates	R\$ thousand			
			Short term		Long term	
			2012	2011	2012	2011
Selling EGF	Local currency	5.50 % p.a.	108,413	72,998	0	0
Working capital	Local currency	6.75 % p.a.	36,374	51,727	52,584	77,374
Ad. Exchange contract	Foreign currency	2.50% p.a. + exchange rate gains (losses)	12,562	703	0	0
Agricultural inputs	Local currency	5.50 % p.a.	12,229	95,966	0	0
Acquisition of property, plant and equipment	Local currency	3%-6.75% p.a.	8,583	7,369	57,625	53,065
Other types	Local currency	3%-6.75% p.a.	502	404	3,995	2,828
PESA (Special Asset Recovery Program)	Local currency	IGP-M + 3% p.a.	422	670	11,064	12,624
Transfer to members	Local currency	3%-6.75% p.a.	215	11,278	2,586	2,764
			179,300	241,115	127,854	148,655

The PESA (Special Asset Recovery Program) financing contracts are classified as onlendings to members – local currency and other types – local currency in the amount of R\$ 11,485 thousand (R\$ 13,294 thousand in 2011), and are adjusted by IGP-M (General Market Price Index) issued by Fundação Getúlio Vargas, limited to 0.759% per month upon the payment of contract installments.

The caption “financing for working capital” refers to the credit lines - PRODECOOP GIRO (Cooperative Development Program) and PROCAP GIRO (Livestock Cooperative Capitalization Program) intended to cooperatives for improving their cash flow, with charges of 6.75% p.a. and maximum term of 6 years.

Loans and financings have guarantees offered through: mortgages, commercial pledge, directors' endorsements and promissory notes to pay for agricultural products issued by the members and maturing on October 31, 2025.

Long-term portions for the balance as of December 31, 2012 mature as follows:

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Year	R\$ thousand Balance
2014	26,260
2015	26,260
2016	26,260
After 2016	49,074
Total	127,854

NOTE 17 – ACCRUED LIABILITIES

These are represented as follows:

Description	R\$ thousand			
	Short term		Long term	
	2012	2011	2012	2011
Provision for labor liabilities	7,059	5,824	-	-
Provision for contingencies	-	-	41,905	33,186
Taxes to offset	-	-	3,117	3,097
Provision for adjustment of UBC shares	900	175	-	-
Total	7,959	5,999	45,022	36,283

PROVISION FOR TAX AND LABOR CONTINGENCIES

PROBABLE LOSSES

The Cooperative is party to civil, labor and tax proceedings. These issues are discussed at the administrative and judicial levels, and are supported by court deposits, when applicable. Management, supported by the opinion of its legal counselors, understands that the provision accrued for tax and labor contingencies is sufficient to cover possible future disbursements arising from those issues.

NOTE 18 - SHAREHOLDERS' EQUITY

CAPITAL STOCK

Capital stock totally paid in as of December 31, 2012 amounts to R\$ 84,507 thousand (R\$ 69,855 thousand in 2011), belonging to members residing in Brazil. According to the Cooperative's by-laws, each member is entitled to one vote, regardless of the number of membership units held.

Capital withholdings and contributions in 2012 totaled R\$ 12,926 thousand (R\$ 7,393 thousand in 2011) in addition to incorporation of surpluses to capital in the amount of R\$ 5,663 thousand (R\$ 3,267 thousand in 2011).

The capital amount already reflects the refunds of capital to members dismissed and related to the membership units system in 2012, which amounted to R\$3,937 thousand (R\$2,359 thousand in 2011).

After the appropriations according to the law and by-laws, the year's surplus will be allocated as approved in members' meeting.

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SURPLUS RESERVES AND FUNDS ESTABLISHED ACCORDING TO LAW AND BY-LAWS

These are represented as follows:

Description	2012	2011
	R\$/thousand	R\$/thousand
Development fund	224,377	185,588
Statutory reserve fund	62,283	51,453
Fund for technical, educational and social assistance - FATES	33,795	29,632
Total	320,455	266,673

a) DEVELOPMENT FUND

Development fund per sector intended for strengthening and developing sectors, to bring about improvements and investments by means of:

- Collection of 1% added to sale prices of inputs and merchandise; and
- Other amounts and credits as decided by the Board of Directors or Annual Meeting.

b) STATUTORY RESERVE FUND

Calculated at the minimum rate of 10% of the surpluses calculated per sector in the balance sheet of the year, the statutory reserve fund is intended to cover possible losses and contribute to the development of the Company's activities.

c) FUND FOR TECHNICAL, EDUCATIONAL AND SOCIAL ASSISTANCE - FATES

Calculated at the minimum rate of 5% of the year's surplus, the fund is intended to assist the Company's employees, members and their families.

Donations with no special destination and the results of transactions conducted by non-members, deducted from the result of financial investments, are also added to this fund.

NOTE 19 - NET OPERATING REVENUE

	2012	2011
	R\$/thousand	\$/thousand
GROSS OPERATING REVENUE		
Sales of products and services	1,543,038	1,298,080
	1,543,038	1,298,080
DEDUCTIONS		
Taxes on sales	(18,731)	(22,435)
Returns and discounts	(37,072)	(16,707)
	(55,803)	(39,142)
NET OPERATING REVENUE	1,487,235	1,258,938

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NOTE 20 – FINANCIAL REVENUE AND EXPENSES

	2012	2011
	R\$/thousand	\$/thousand
Returns on financial investments	25,872	27,923
Interest	14,662	16,626
Discounts and financial negotiations	2,304	3,885
Others	4,960	3,953
Total Financial Revenues	47,798	52,387
Financial investment cost	(16,495)	(15,507)
Interest on loans and financing	(12,102)	(11,428)
Provision for contingencies/doubtful accounts	(9,812)	(7,401)
Discounts	(3,760)	(2,846)
Others	(3,892)	(2,118)
Total Financial Expenses	(46,061)	(39,300)
Financial Income, net	1,737	13,087

NOTE 21 - RELATED-PARTY TRANSACTIONS

The transactions with partner cooperatives are mostly conducted according to agreements of purchase and sales of crop and livestock products and usual market practices. The balances as of December 31 are as follows:

RELATED PARTIES	R\$ thousand					
	Accounts receivable		Others Accounts receivable		Trade accounts payable and other accounts payable	
	2012	2011	2012	2011	2012	2011
Cooperativa Agroindustrial Batavo	5,406	2,325	31	31	7,446	7,303
Capal Cooperativa Agroindustrial	30	1	-	-	30	5
Cooperativa Agropecuária Caeté	1	30	4,160	4,197	549	478
COONAGRO	7	-	323	226	12	18
Cooperativa de Eletrificação Rural Castrolanda	-	-	306	218	280	392
Total	5,444	2,356	4,820	4,672	8,317	8,196

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NOTE 22 - INSURANCE COVERAGE

The Company has taken out insurance in amounts considered sufficient to cover possible losses, with the following coverage amounts (fire). Given the nature of the risk assumptions adopted, they are not part of the scope of an audit of financial statements and therefore were not audited by our independent auditors.

	2012	2011
	R\$/thousand	R\$/thousand
Industrial park	54,500	75,000
Vehicles	2,679	2,355
Inventories and other assets	204,572	159,414
Total	261,751	236,769

NOTE 23 - FINANCIAL INSTRUMENTS

The Company has transactions with financial instruments. The management of these instruments is made through operational strategies and internal controls, aiming at ensuring liquidity, profitability, and security. Financial instruments for hedging purposes are taken through a periodic analysis of the risk exposure that the Management intends to cover (exchange rate, interest rate, etc). The control policy consists of a permanent follow-up on agreed conditions against the ones prevailing in the market. The Company does not invest in derivatives or any other risk assets for speculation purposes. The results of those operations are in accordance with the policies and strategies defined by the Company's Management.

All financial instrument operations are recognized in the Company's financial statements.

a) Identifying and valuing financial instruments

The Company operates with several financial instruments, mostly cash and cash equivalents, including financial investments, trade accounts receivable, trade accounts payable, loans and financings.

b) Cash and cash equivalents, marketable securities, accounts receivable, other current assets and accounts payable.

The book values of these instruments approximate their realizable values.

c) Loans and financings

The book value of loans and financings in Brazilian Reais bears rates that approximate market value. For other loans and financings, including those denominated in foreign currency, common credit lines available in market are used and, therefore, there are no differences between the book value and market value.

d) Investments

These mainly refer to investments in closely-held companies, valued at cost method, and which are of

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strategic interest for the Company.

e) Breakdown of balances

In compliance with the Brazilian Accounting Standards, the book and market values of financial instruments included in the balance sheet as of December 31, 2012 are identified below:

Description	R\$ thousand	
	Book value	Market value
Loans and financings	307,154	307,154
Accounts receivable	297,165	297,165
Financial investments	253,631	253,631
Trade accounts payable	34,677	34,677
Cash and cash equivalents	4,321	4,321
Other accounts receivables (1)	17,953	17,953
Total	914,901	914,901

(1) Due to inexistence of an organized market, it was not possible to evaluate the amounts for other accounts receivable.

f) Liquidity risk

It results from the possibility of the Company finding difficulties to comply with the obligations associated to its financial liabilities settled through payments in cash or through other financial assets. The Company's approach in the management of this risk is to guarantee enough liquidity to meet its obligations at maturity, under regular or unusual conditions, with no unacceptable losses or risking the Company's operations.

g) Derivatives

The Cooperative adopts the practice of eliminating market risks by avoiding exposure to exchange rate fluctuations in the short-term and using instruments that allow control over such risks.

h) Risk management

Market risks are hedged when it is necessary to support corporate strategies or keep financial flexibility, by means of exams and review of information related to risk management, including procedures and practices applied to it.

The main market risk factors affecting the Company's business are the ones listed below:

- Risk of price of goods sold or produced or inputs acquired

This risk results from the possibility of fluctuations in the market prices of the goods sold or produced by the Company and of the other inputs used in production. These price fluctuations may cause significant changes in the Company's inflows/revenues and expenses/costs. To mitigate these risks, the Company

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permanently monitors local markets, seeking to anticipate price changes.

- Interest rate risk

The associated risk is due to the possibility of the Company incurring gains/losses arising from variations on interest rates levied on its financial assets or liabilities, which may increase financial expenses on loans and financings raised in market. For mitigating this type of risk, the Company continuously monitors the market interest rates in order to evaluate the possible need to enter into new operations to hedge against fluctuation of these rates, aiming to diversify the funds raised at fixed and floating rates.

- Credit risk

These risks are managed through specific customer and member acceptance standards, credit analysis and establishment of exposure limits per customer, in view of the Company's wide portfolio.

- Exchange rate risk

The Company's management opted not to enter into derivative (swap) contracts to hedge its liabilities or net exposure in foreign currency against the effects of possible exchange fluctuations. As of December 31, 2012, the Company's net exposure to the exchange rate risk transferred to members is as follows:

	2012	
	R\$/thousand	US\$/thousand
Foreign currency loans	12,562	6,147
Value of net exposure	12,562	6,147

NOTE 24 - MEMBERS' AGRICULTURAL PRODUCTS IN STORAGE

On balance sheet date, the Company had in its warehouses agricultural products of members' ownership. These inventories do not belong to Castrolanda, therefore, they are not included in the Company's inventory balances for accounting effects. For information purposes, we presented the breakdown of these inventories based on the minimum price established by Federal Government, as follows:

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Product	2012		2011	
	Qty. (t)	Total R\$/thousand	Qty. (t)	Total R\$/thousand
Wheat	9,954	2,685	72,562	28,569
Soybean	2,039	843	5,141	2,112
Seeds	767	321	3,052	1,425
Bean	623	831	82	109
Corn	194	56	1,300	386
Total	28	7	10	2
Total	13,605	4,743	82,147	32,603

NOTE 25 – PROFIT AND LOSS STATEMENT ON MEMBER'S AND NON-MEMBER'S ACTIVITIES

According to the provisions of Article 65, sole paragraph of the Company's by-laws and NBC T 10.8 (Cooperative Entities), we present below the results for the years ended December 31, 2012 and 2011 of member's activities and non-member's activities:

	R\$ thousand			
	MEMBER'S ACTIVITIES	NON-MEMBER'S ACTIVITIES	2012	2011
GENERAL				
Inflow/revenues from sales of merchandise and services	1,426,648	116,390	1,543,038	1,298,080
Taxes and returns of inflows/revenue	(50,178)	(5,625)	(55,803)	(39,142)
Sale expenses and costs	(1,232,822)	(89,282)	(1,322,104)	(1,111,308)
Operating costs and expenses	(78,792)	(10,374)	(89,166)	(81,536)
Income before financial income	64,856	11,109	75,965	66,094
Financial effects	3,247	(1,510)	1,737	13,087
Income and Social Contribution Taxes	-	(6,389)	(6,389)	(8,067)
Other operating income (loss)	950	602	1,552	(828)
Surplus and net income for the year	69,053	3,812	72,865	70,286

NOTE 26 - CURRENT INCOME AND SOCIAL CONTRIBUTION TAXES

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	2012	2011
	<u>R\$/thousand</u>	<u>R\$/thousand</u>
Surplus before tax	79,254	78,353
Income and social contribution taxes at the nominal rates of 25% and 9%	26,946	26,640
Permanent add-backs and others	18,348	19,737
Permanent deductions and others	(9,303)	(12,357)
Non-taxable income (loss) from member's activities	<u>(69,053)</u>	<u>(61,509)</u>
Taxable income	<u>19,246</u>	<u>24,224</u>
Current income and social contribution taxes:		
Income tax	4,657	5,887
Social Contribution Tax	<u>1,732</u>	<u>2,180</u>
	<u>6,389</u>	<u>8,067</u>
Effective rate	8%	10%

In conformity with the article 111 of Law No. 5.764/71, non-member's operations are taxed, as provided for in articles 85, 86 and 88.

NOTE 27 – EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION - EBITDA

	2012	2011
	R\$/thousand	R\$/thousand
GROSS OPERATING REVENUE		
Sales of products and services	1,543,038	1,298,080
(-) Taxes on sales	(18,731)	(22,435)
(-) Returns and rebates	(37,072)	(16,707)
NET OPERATING REVENUE	1,487,235	1,258,938
(-) Costs of goods and services	(1,322,104)	(1,111,308)
(-) Expenses	(92,266)	(77,344)
NET INCOME FOR THE YEAR	72,865	70,286
ADJUSTMENTS OF COSTS AND EXPENSES THAT DO NOT AFFECT CASH FLOWS		
(+) Depreciation and amortization	21,224	18,785
(+) Financial Income (Loss)	(1,737)	(13,087)
(+) Income and social contribution taxes	6,389	8,067
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION - EBITDA	98,741	84,051

Frans Borg
CEO

Willem Berend Bouwman
Vice-president

Marco Antonio do Prado
Accountant
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Castrolanda
Cooperativa
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