

Adecoagro S.A.

**Consolidated Financial Statements as of December 31,
2016, 2015 and 2014 and for the years ended
December 31, 2016, 2015 and 2014**

Report of Independent Registered Public Accounting Firm

To the Shareholders of
Adecoagro S.A.

We have audited the accompanying consolidated statements of financial position of Adecoagro S.A. and its subsidiaries as of December 31, 2016, and 2015, and the related consolidated statements of income and comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2016. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of Adecoagro S.A. and its subsidiaries at December 31, 2016 and 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As discussed in Note 32.1, the company changed the manner in which it accounts for biological assets and property, plant and equipment.

Buenos Aires, Argentina.
March 14, 2017

PRICE WATERHOUSE & CO. S.R.L.
by (Partner)
Marcelo de Nicola

Legal information

Denomination: Adecoagro S.A.

Legal address: Vertigo Naos Building, 6, Rue Eugène Ruppert, L-2453, Luxembourg

Company activity: Agricultural and agro-industrial

Date of registration: June 11, 2010

Expiration of company charter: No term defined

Number of register (RCS Luxembourg): B153.681

Capital stock: 122,381,815 common shares (of which 1,238,318 are treasury shares)

Adecoagro S.A.

Consolidated Statements of Income

for the years ended December 31, 2016, 2015 and 2014

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

	Note	<u>2016</u>	<u>2015 (*)</u>	<u>2014 (*)</u>
Sales of goods and services rendered.....	4	869,235	674,314	722,966
Cost of goods sold and services rendered	5	(678,581)	(557,786)	(605,325)
Initial recognition and changes in fair value of biological assets and agricultural produce	15	125,456	54,528	100,216
Changes in net realizable value of agricultural produce after harvest		(5,841)	14,691	3,401
Margin on Manufacturing and Agricultural Activities Before Operating Expenses.....		310,269	185,747	221,258
General and administrative expenses	6	(50,750)	(48,425)	(52,695)
Selling expenses.....	6	(80,673)	(70,268)	(78,864)
Other operating income, net.....	8	(8,297)	31,066	11,977
Share of loss of joint venture	16	-	(2,685)	(924)
Profit from Operations.....		170,549	95,435	100,752
Finance income	9	7,957	9,150	7,291
Finance costs.....	9	(165,380)	(116,890)	(86,472)
Financial results, net	9	(157,423)	(107,740)	(79,181)
Profit / (Loss) Before Income Tax		13,126	(12,305)	21,571
Income tax (expense) / benefit.....	10	(9,387)	7,954	(10,535)
Profit / (Loss) for the Year		3,739	(4,351)	11,036
Attributable to:				
Equity holders of the parent.....		2,039	(5,593)	11,116
Non-controlling interest.....		1,700	1,242	(80)
Earnings / (Loss) per share from operations attributable to the equity holders of the parent during the year:				
Basic earnings per share	11	0.017	(0.046)	0.092
Diluted earnings per share	11	0.017	(0.046)	0.091

(*): The prior years have been adjusted to reflect the Company's adoption of amendments to IAS 16 and IAS 41 as further described in Note 32.

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

Adecoagro S.A.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

	2016	2015 (*)	2014 (*)
Profit / (Loss) for the year	3,739	(4,351)	11,036
Other comprehensive income:			
- Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	39,496	(178,146)	(101,959)
Cash flow hedge, net of tax (Note 2)	100,615	(94,851)	(27,287)
Other comprehensive income / (loss) for the year	140,111	(272,997)	(129,246)
Total comprehensive income / (loss) for the year	143,850	(277,348)	(118,210)
Attributable to:			
Equity holders of the parent	143,603	(275,077)	(117,744)
Non-controlling interest	247	(2,271)	(466)

(*): The prior years have been adjusted to reflect the Company's adoption of amendments to IAS 16 and IAS 41 as further described in Note 32.

Adecoagro S.A.

Consolidated Statements of Financial Position as of December 31, 2016, 2015 and 2014

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

	Note	<u>2016</u>	<u>2015 (*)</u>	<u>2014 (*)</u>
ASSETS				
Non-Current Assets				
Property, plant and equipment, net	12	802,608	696,889	991,581
Investment property	13	2,666	4,796	6,675
Intangible assets, net	14	17,252	16,661	23,778
Biological assets	15	8,516	6,476	8,881
Investments in joint ventures	16	-	-	2,752
Deferred income tax assets	10	38,586	68,744	42,072
Trade and other receivables, net	18	17,412	21,795	50,590
Other assets		566	651	587
Total Non-Current Assets		<u>887,606</u>	<u>816,012</u>	<u>1,126,916</u>
Current Assets				
Biological assets	15	136,888	105,342	115,855
Inventories	19	111,754	85,286	117,106
Trade and other receivables, net	18	157,528	145,011	164,526
Derivative financial instruments	17	3,398	4,849	7,966
Other assets		24	-	-
Cash and cash equivalents	20	158,568	198,894	113,795
Total Current Assets		<u>568,160</u>	<u>539,382</u>	<u>519,248</u>
TOTAL ASSETS		<u>1,455,766</u>	<u>1,355,394</u>	<u>1,646,164</u>
SHAREHOLDERS EQUITY				
Capital and reserves attributable to equity holders of the parent				
Share capital	22	183,573	183,573	183,573
Share premium	22	937,250	937,674	933,044
Cumulative translation adjustment		(527,364)	(568,316)	(397,560)
Equity-settled compensation		17,218	16,631	16,735
Cash flow hedge	2	(37,299)	(137,911)	(43,064)
Treasury shares		(1,859)	(1,936)	(2,840)
Reserve from the sale of non-controlling interests in subsidiaries	21	41,574	41,574	25,508
Retained earnings		50,998	48,795	54,242
Equity attributable to equity holders of the parent		<u>664,091</u>	<u>520,084</u>	<u>769,638</u>
Non-controlling interest		7,582	7,335	7,589
TOTAL SHAREHOLDERS EQUITY		<u>671,673</u>	<u>527,419</u>	<u>777,227</u>
LIABILITIES				
Non-Current Liabilities				
Trade and other payables	25	1,427	1,911	2,391
Borrowings	26	430,304	483,651	491,324
Deferred income tax liabilities	10	14,689	15,636	39,635
Payroll and social liabilities	27	1,235	1,236	1,278
Derivatives financial instruments	17	662	119	39
Provisions for other liabilities	28	3,299	1,653	2,013
Total Non-Current Liabilities		<u>451,616</u>	<u>504,206</u>	<u>536,680</u>
Current Liabilities				
Trade and other payables	25	92,158	53,731	83,100
Current income tax liabilities		1,387	962	76
Payroll and social liabilities	27	26,844	22,153	27,315
Borrowings	26	205,092	239,688	207,182
Derivative financial instruments	17	6,406	6,575	13,860
Provisions for other liabilities	28	590	660	724
Total Current Liabilities		<u>332,477</u>	<u>323,769</u>	<u>332,257</u>
TOTAL LIABILITIES		<u>784,093</u>	<u>827,975</u>	<u>868,937</u>
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		<u>1,455,766</u>	<u>1,355,394</u>	<u>1,646,164</u>

(*): The prior years have been adjusted to reflect the Company's adoption of amendments to IAS 16 and IAS 41 as further described in Note 32.

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

Adecoagro S.A.

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

	Attributable to equity holders of the parent											
	Share Capital (Note 22)	Share Premium (Note 22)	Cumulative Translation Adjustment	Equity-settled Compensation	Cash flow hedge (*)	Other reserves	Treasury shares	Reserve from the sale of non- controlling interests in subsidiaries	Retained Earnings	Subtotal	Non- controlling Interest	Total Shareholders' Equity
Balance at January 1, 2014	183,573	939,072	(311,807)	17,352	(15,782)	(161)	(961)	-	43,018	854,304	45	854,349
Profit for the year.....	-	-	-	-	-	-	-	-	11,116	11,116	(80)	11,036
Other comprehensive income:												
- Items that may be reclassified subsequently to profit or loss:												
Exchange differences on translating foreign operations.....	-	-	(101,578)	-	-	-	-	-	-	(101,578)	(381)	(101,959)
Cash flow hedge	-	-	-	-	(27,282)	-	-	-	-	(27,282)	(5)	(27,287)
Other comprehensive income for the year.....	-	-	(101,578)	-	(27,282)	-	-	-	-	(128,860)	(386)	(129,246)
Total comprehensive income for the year.....	-	-	(101,578)	-	(27,282)	-	-	-	11,116	(117,744)	(466)	(118,210)
Employee share options (Note 23)												
- Value of employee services.....	-	-	-	308	-	-	-	-	-	308	-	308
- Exercised.....	-	955	-	(326)	-	-	210	-	-	839	-	839
- Forfeited.....	-	-	-	(108)	-	-	-	-	108	-	-	-
Restricted shares (Note 23):												
- Value of employee services.....	-	-	-	3,559	-	-	-	-	-	3,559	-	3,559
- Vested	-	3,444	-	(4,050)	-	160	446	-	-	-	-	-
- Forfeited.....	-	-	-	-	-	1	(1)	-	-	-	-	-
Purchase of own shares (Note 22)	-	(10,427)	-	-	-	-	(2,534)	-	-	(12,961)	-	(12,961)
Sale of non-controlling interests in subsidiaries (Note 21).....	-	-	15,825	-	-	-	-	25,508	-	41,333	8,010	49,343
Balance at December 31, 2014	183,573	933,044	(397,560)	16,735	(43,064)	-	(2,840)	25,508	54,242	769,638	7,589	777,227

(*): Net of 14,149 of Income Tax

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

Adecoagro S.A.

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

	Share Capital (Note 22)	Share Premium (Note 22)	Cumulative Translation Adjustment	Equity-settled Compensation	Cash flow hedge (*)	Treasury shares	Reserve from the sale of non- controlling interests in subsidiaries	Retained Earnings	Subtotal	Non- controlling Interest	Total Shareholders' Equity
Balance at January 1, 2015	183,573	933,044	(395,804)	16,735	(43,064)	(2,840)	25,508	45,644	762,796	7,589	770,385
Changes in Accounting Standard (see Note 32)	-	-	(1,756)	-	-	-	-	8,598	6,842	-	6,842
Total equity at the beginning of the financial year	183,573	933,044	(397,560)	16,735	(43,064)	(2,840)	25,508	54,242	769,638	7,589	777,227
Loss for the year	-	-	-	-	-	-	-	(5,593)	(5,593)	1,242	(4,351)
Other comprehensive income:											
- Items that may be reclassified subsequently to profit or loss:											
Exchange differences on translating foreign operations.....	-	-	(174,637)	-	-	-	-	-	(174,637)	(3,509)	(178,146)
Cash flow hedge (*)	-	-	-	-	(94,847)	-	-	-	(94,847)	(4)	(94,851)
Other comprehensive income for the year	-	-	(174,637)	-	(94,847)	-	-	-	(269,484)	(3,513)	(272,997)
Total comprehensive income for the year	-	-	(174,637)	-	(94,847)	-	-	(5,593)	(275,077)	(2,271)	(277,348)
 Employee share options (Note 23)											
- Exercised.....	-	1,786	-	(603)	-	316	-	-	1,499	-	1,499
- Forfeited.....	-	-	-	(146)	-	-	-	146	-	-	-
Restricted shares (Note 23):											
- Value of employee services.....	-	-	-	4,396	-	-	-	-	4,396	-	4,396
- Vested	-	3,103	-	(3,751)	-	648	-	-	-	-	-
- Forfeited.....	-	-	-	-	-	-	-	-	-	-	-
Purchase of own shares (Note 22)	-	(259)	-	-	-	(60)	-	-	(319)	-	(319)
Sale of non-controlling interests in subsidiaries (Note 21).....	-	-	3,881	-	-	-	16,066	-	19,947	2,017	21,964
Balance at December 31, 2015	183,573	937,674	(568,316)	16,631	(137,911)	(1,936)	41,574	48,795	520,084	7,335	527,419

(*) Net of 49,106 of Income Tax.

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

Adecoagro S.A.

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

	Attributable to equity holders of the parent										
	Share Capital (Note 22)	Share Premium (Note 22)	Cumulative Translation Adjustment	Equity-settled Compensation	Cash flow hedge (*)	Treasury shares	Reserve from the sale of non- controlling interests in subsidiaries	Retained Earnings	Subtotal	Non- Controlling Interest	Total Shareholders' Equity
Balance at January 1, 2016	183,573	937,674	(567,133)	16,631	(137,911)	(1,936)	41,574	62,923	535,395	7,335	542,730
Changes in Accounting Standard (see Note 32)	-	-	(1,183)	-	-	-	-	(14,128)	(15,311)	-	(15,311)
Total equity at the beginning of the financial year	183,573	937,674	(568,316)	16,631	(137,911)	(1,936)	41,574	48,795	520,084	7,335	527,419
Profit for the year.....	-	-	-	-	-	-	-	2,039	2,039	1,700	3,739
Other comprehensive income:											
- Items that may be reclassified subsequently to profit or loss:											
Exchange differences on translating foreign operations	-	-	40,952	-	-	-	-	-	40,952	(1,456)	39,496
Cash flow hedge (*)	-	-	-	-	100,612	-	-	-	100,612	3	100,615
Other comprehensive income for the year	-	-	40,952	-	100,612	-	-	-	141,564	(1,453)	140,111
Total comprehensive income for the year	-	-	40,952	-	100,612	-	-	2,039	143,603	247	143,850
Employee share options (Note 23):											
- Exercised.....	-	438	-	(140)	-	82	-	-	380	-	380
- Forfeited	-	-	-	(164)	-	-	-	164	-	-	-
Restricted shares (Note 23):											
- Value of employee services	-	-	-	4,796	-	-	-	-	4,796	-	4,796
- Vested	-	3,225	-	(3,905)	-	680	-	-	-	-	-
- Forfeited	-	-	-	-	-	-	-	-	-	-	-
Purchase of own shares (Note 22).....	-	(4,087)	-	-	-	(685)	-	-	(4,772)	-	(4,772)
Balance at December 31, 2016	183,573	937,250	(527,364)	17,218	(37,299)	(1,859)	41,574	50,998	664,091	7,582	671,673

(*) Net of (52,282) of Income Tax.

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

Adecoagro S.A.

Consolidated Statements of Cash Flows

for the years ended December 31, 2016, 2015 and 2014

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

	Note	<u>2016</u>	<u>2015 (*)</u>	<u>2014 (*)</u>
Cash flows from operating activities:				
Profit / (Loss) for the year		3,739	(4,351)	11,036
<i>Adjustments for:</i>				
Income tax expense / (benefit)	10	9,387	(7,954)	10,535
Depreciation	12	126,799	103,816	137,165
Amortization.....	14	701	585	509
Gain from disposal of farmlands and other assets	8	-	(7,914)	-
Loss/(Gain) from the disposal of other property items	8	1,255	(721)	(985)
Equity settled share-based compensation granted.....	7	4,796	4,396	3,867
Loss/(Gain) from derivative financial instruments and forwards	8, 9	21,745	(17,686)	(6,548)
Interest and other financial expense, net.....	9	44,734	43,822	50,941
Initial recognition and changes in fair value of non harvested biological assets (unrealized).....	3	(9,811)	(11,326)	(12,635)
Changes in net realizable value of agricultural produce after harvest (unrealized)	3	90	(4,406)	(1,134)
Provision and allowances		341	(79)	355
Share of loss from joint venture.....	16	-	2,685	924
Foreign exchange losses, net	9	19,062	23,423	9,246
Cash flow hedge – transfer from equity.....	9	85,214	32,700	12,031
Subtotal		<u>308,052</u>	<u>156,990</u>	<u>215,307</u>
Changes in operating assets and liabilities:				
(Increase) in trade and other receivables.....		(30,996)	(2,300)	(38,622)
(Increase) in inventories		(22,301)	(9,275)	(34,841)
(Increase) in biological assets		(23,677)	(20,154)	(38,213)
Decrease / (Increase) in other assets		83	(871)	21
(Increase) / Decrease in derivative financial instruments		(17,892)	25,880	4,493
Increase / (Decrease) in trade and other payables		39,054	(9,871)	6,390
Increase in payroll and social security liabilities		3,052	4,996	6,253
Increase / (Decrease) in provisions for other liabilities		<u>1,175</u>	<u>21</u>	<u>(179)</u>
Net cash generated from operating activities before taxes paid		256,550	145,416	120,609
Income tax paid		<u>(1,149)</u>	<u>(230)</u>	<u>(458)</u>
Net cash generated from operating activities		<u>255,401</u>	<u>145,186</u>	<u>120,151</u>

(*): The prior years have been adjusted to reflect the Company's adoption of amendments to IAS 16 and IAS 41 as further described in Note 32.

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

Adecoagro S.A.

Consolidated Statements of Cash Flows (Continued)

for the years ended December 31, 2016, 2015 and 2014

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

	Note	<u>2016</u>	<u>2015 (*)</u>	<u>2014 (*)</u>
Cash flows from investing activities:				
Purchases of property, plant and equipment.....	12	(134,105)	(141,770)	(305,728)
Purchases of intangible assets	14	(1,218)	(1,203)	(2,098)
Interest received	9	7,671	8,201	7,068
Proceeds from disposal of other property items,		2,215	1,303	1,024
Proceeds from sale of farmland and other assets.....	21	-	12,610	-
Proceeds from disposal of subsidiaries	21	3,423	3,890	1,318
Investment in joint ventures	16	-	-	(1,372)
Payment of seller financing arising on subsidiaries acquired.....		-	-	(684)
Loans to joint venture		-	(8,082)	-
Net cash used in investing activities		<u>(122,014)</u>	<u>(125,051)</u>	<u>(300,472)</u>
Cash flows from financing activities:				
Net proceeds from the sale of non-controlling interest in subsidiaries.....	21	-	21,964	49,343
Proceeds from equity settled shared-based compensation exercised		380	1,259	839
Proceeds from long-term borrowings.....	26	167,385	299,343	180,048
Payments of long-term borrowings	26	(277,913)	(165,455)	(177,027)
Interest paid		(48,400)	(48,438)	(48,899)
Proceeds from short-term borrowings.....	26	257,395	211,045	152,216
Payments of short-term borrowings	26	(272,033)	(208,309)	(70,239)
Payment of derivatives financial instruments.....		(3,724)	(18,676)	-
Purchase of own shares		(4,772)	(320)	(12,992)
Net cash generated from financing activities		<u>(181,682)</u>	<u>92,413</u>	<u>73,289</u>
Net increase / (decrease) in cash and cash equivalents		<u>(48,295)</u>	<u>112,548</u>	<u>(107,032)</u>
Cash and cash equivalents at beginning of year		198,894	113,795	232,147
Effect of exchange rate changes on cash and cash equivalents		7,969	(27,449)	(11,320)
Cash and cash equivalents at end of year		<u>158,568</u>	<u>198,894</u>	<u>113,795</u>

(*): The prior years have been adjusted to reflect the Company's adoption of amendments to IAS 16 and IAS 41 as further described in Note 32.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

1. General information

Adecoagro S.A. (the "Company" or "Adecoagro") is the Group's ultimate parent company and is a société anonyme (stock corporation) organized under the laws of the Grand Duchy of Luxembourg. Adecoagro is a holding company primarily engaged through its operating subsidiaries in agricultural and agro-industrial activities. The Company and its operating subsidiaries are collectively referred to hereinafter as the "Group". These activities are carried out through three major lines of business, namely, Farming; Sugar, Ethanol and Energy and Land Transformation. Farming is further comprised of three reportable segments, which are described in detail in Note 3 to these consolidated financial statements.

Adecoagro is a Public Company listed in the New York Stock Exchange as a foreign registered company under the symbol of AGRO.

These consolidated financial statements have been approved for issue by the Board of Directors on March 14, 2017.

2. Financial risk management

Risk management principles and processes

The Group's activities are exposed to a variety of financial risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Group's capital costs by using suitable means of financing and to manage and control the Group's financial risks effectively. The Group uses financial instruments to hedge certain risk exposures.

The Group's approach to the identification, assessment and mitigation of risk is carried out by a Risk and Commercial Committee, which focuses on timely and appropriate management of risk.

The principal financial risks are related to raw material price, end-product price, exchange rate, interest rate, liquidity and credit. This section provides a description of the principal risks and uncertainties that could have a material adverse effect on the Group's strategy, performance, results of operations and financial condition. These risks do not appear in any particular order of potential materiality or probability of occurrence.

- **Exchange rate risk**

The Group's cash flows, statement of income and statement of financial position are presented in US dollars and may be affected by fluctuations in exchange rates. Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency.

A significant majority of the Group's business activities is conducted in the respective functional currencies of the subsidiaries (primarily the Brazilian Reais and the Argentine Peso). However, the Group may transact in currencies other than the respective functional currencies, mainly the US dollars. As such, these subsidiaries may hold US dollar denominated monetary balances at each year-end as indicated in the tables below.

The Group's net financial position exposure to the US dollar is managed on a case-by-case basis, partly by hedging certain expected cash flows with foreign exchange derivative contracts.

The following tables show the net monetary position of the respective subsidiaries within the Group categorized by functional currency. Non-US dollar amounts are presented in US dollars for purpose of these tables.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

2. Financial risk management (continued)

Net monetary position (Liability)/ Asset	2016				
	Subsidiaries' functional currency				
	Argentine Peso	Brazilian Reais	Uruguayan Peso	US Dollar	Total
Argentine Peso.....	1,518	-	-	-	1,518
Brazilian Reais.....	-	(203,070)	-	-	(203,070)
US Dollar.....	(44,088)	(307,088)	(7,714)	78,801	(280,089)
Uruguayan Peso.....	-	-	(35)	-	(35)
Total.....	(42,570)	(510,158)	(7,749)	78,801	(481,676)

Net monetary position (Liability)/ Asset	2015				
	Subsidiaries' functional currency				
	Argentine Peso	Brazilian Reais	Uruguayan Peso	US Dollar	Total
Argentine Peso.....	(7,513)	-	-	-	(7,513)
Brazilian Reais.....	-	(174,145)	-	-	(174,145)
US Dollar.....	(61,256)	(376,757)	32,560	95,251	(310,202)
Uruguayan Peso.....	-	-	(1,083)	-	(1,083)
Total.....	(68,769)	(550,902)	31,477	95,251	(492,943)

The Group's analysis shown on the tables below is carried out based on the exposure of each functional currency subsidiary against the US dollar. The Group estimated that, other factors being constant, a hypothetical 10% appreciation/depreciation of the US dollar against the respective functional currencies for the years ended December 31, 2016 and 2015 would have decreased/increased the Group's **Profit Before Income Tax** for the year. A 10% depreciation of the US dollar against the functional currencies would have an equal and opposite effect on the income statement. A portion of this effect would have been recognized as other comprehensive income since a portion of the Company's borrowings was used as cash flow hedge of the foreign exchange rate risk of a portion of its highly probable future sales in US dollars (see Hedge Accounting - Cash Flow Hedge below for details).

Net monetary position	Functional currency				
	Argentine Peso	Brazilian Reais	Uruguayan Peso	US Dollar	Total
2016 US Dollar.....	(4,409)	(30,709)	(771)	-	(35,889)
2015 US Dollar.....	(6,126)	(37,676)	3,256	-	(40,546)

The tables above only consider the effect of a hypothetical appreciation / depreciation of the US dollars on the Group's net financial position. A hypothetical appreciation / depreciation of the US dollar against the functional currencies of the Group's subsidiaries has historically had a positive / negative effect, respectively, on the fair value of the Group's biological assets and the end prices of the Group's agriculture produce, both of which are generally linked to the US dollar.

Hedge Accounting - Cash Flow Hedge

Effective July 1, 2013, the Group formally documented and designated cash flow hedging relationships to hedge the foreign exchange rate risk of a portion of its highly probable future sales in US dollars using a portion of its borrowings denominated in US dollars, currency forwards and foreign currency floating-to-fixed interest rate swaps.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

2. Financial risk management (continued)

Principal amounts of long-term borrowings (non-derivative financial instruments) and notional values of foreign currency forward contracts (derivative financial instruments) were designated as hedging instruments. These instruments are exposed to Brazilian Reais/ US dollar foreign currency risks related to operations in Brazil and Argentine Peso/US Dollar in Argentina, respectively. As of December 31, 2016 and 2015, approximately 18.1% and 28.4%, respectively, of projected sales qualify as highly probable forecast transactions for hedge accounting purposes and were designated as hedged items.

The Group has prepared formal documentation in order to support the designation above, including an explanation of how the designation of the hedging relationship is aligned with the Group's Risk Management Policy, identification of the hedging instrument, the hedged transactions, the nature of the risk being hedged and an analysis which demonstrates that the hedge is expected to be highly effective. The Group reassesses the prospective and retrospective effectiveness of the hedge on an ongoing basis comparing the foreign currency component of the carrying amount of the hedging instruments and of the highly probable future sales.

Under cash flow hedge accounting, effect of changes in foreign currency exchange rates on derivative and non-derivative hedging instruments not be immediately recognized in profit or loss, but be reclassified from equity to profit or loss in the periods when the future sales occur, thus allowing for a more appropriate presentation of the results for the period reflecting the strategy in the Group's Risk Management Policy.

The Company expects that the cash flows will occur and affect profit or loss between 2017 and 2021.

For the year ended December 31, 2016, a total amount before income tax of 67,683 gain (US\$ 176,657 loss in 2015) was recognized in other comprehensive income and an amount of US\$ 85,214 loss (US\$ 32,700 loss in 2015) was reclassified from equity to profit or loss within "Financial results, net".

- **Raw material price risk**

Inflation in the costs of raw materials and goods and services from industry suppliers and manufacturers presents risks to project economics. A significant portion of the Group's cost structure includes the cost of raw materials primarily seeds, fertilizers and agrochemicals, among others. Prices for these raw materials may vary significantly.

- **End-product price risk**

Prices for commodities products have historically been cyclical, reflecting overall economic conditions and changes in capacity within the industry, which affect the profitability of entities engaged in the agribusiness industry. The Group combines different actions to minimize price risk. A percentage of crops are to be sold during and post harvest period. The Group manages minimum and maximum prices for each commodity as well as gross margin per each crop as to decide when and how to sell. End-product price risks are hedged if economically viable and possible by entering into forward contracts with major trading houses or by using derivative financial instruments, consisting mainly of crops and sugar future contracts, but also includes occasionally put and call options. A movement in end-product futures prices would result in a change in the fair value of the end product hedging contracts. These fair value changes, after taxes, are recorded in the statement of income.

Contract positions are designed to ensure that the Group would receive a defined minimum price for certain quantities of its production. The counterparties to these instruments generally are major financial institutions. In entering into these contracts, the Group has assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The Group does not expect any material losses as a result of counterparty defaults. The Group is also obliged to pay margin deposits and premiums for these instruments. These estimates represent only the sensitivity of the financial instruments to market risk and not the Group exposure to end product price risks as a whole, since the crops and cattle products sales are not financial instruments within the scope of IFRS 7 disclosure requirements.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

2. Financial risk management (continued)

- **Liquidity risk**

The Group is exposed to liquidity risks, including risks associated with refinancing borrowings as they mature, and that borrowing facilities are not available to meet cash requirements. Failure to manage liquidity risks could have a material impact on the Group's cash flow and statement of financial position.

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources close oversight of cash flows projections, maintaining sufficient cash, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its existing and prospective debt requirements is managed by maintaining diversified funding sources with adequate available funding lines from high quality lenders; and reaching to have long-term financial facilities.

As of December 31, 2016, cash and cash equivalents of the Group totaled US\$ 158.6 million, which could be used for managing liquidity risk.

The tables below analyzes the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and as a result they do not reconcile to the amounts disclosed on the statement of financial position except for short-term payables when discounting is not applied.

At 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Total
Trade and other payables	79,715	1,082	19	326	81,142
Borrowings.....	239,588	218,717	221,036	35,702	715,043
Derivative financial instruments .	6,406	662	-	-	7,068
Total	325,709	220,461	221,055	36,028	803,253

At 31 December 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Total
Trade and other payables	48,177	566	1,062	283	50,088
Borrowings.....	275,914	176,712	372,672	66,689	891,987
Derivative financial instruments .	6,575	119	-	-	6,694
Total	330,666	177,397	373,734	66,972	948,769

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

2. Financial risk management (continued)

- Interest rate risk**

The Group's interest rate risk arises from long-term borrowings at floating rates, which expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate profile of the Group's borrowings is set out in Note 26.

The Group occasionally manages its cash flow interest rate risk exposure by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

The following tables show a breakdown of the Group's fixed-rate and floating-rate borrowings per currency denomination and functional currency of the subsidiary issuing the loans (excluding finance leases). These analyses are performed after giving effect to interest rate swaps.

The analysis for the year ended December 31, 2016 and 2015 is as follows:

Rate per currency denomination	2016			
	Subsidiaries' functional currency			
	Argentine Peso	Brazilian Reais	Uruguayan Peso	Total
Fixed rate:				
Argentine Peso	1,005	-	-	1,005
Brazilian Reais	-	131,495	-	131,495
US Dollar	15,065	37,937	29,069	82,071
Subtotal Fixed-rate borrowings	16,070	169,432	29,069	214,571
Variable rate:				
Brazilian Reais	-	65,408	-	65,408
US Dollar	48,677	306,559	-	355,236
Subtotal Variable-rate borrowings ..	48,677	371,967	-	420,644
Total borrowings as per analysis	64,747	541,399	29,069	635,215
Finance leases	181	-	-	181
Total borrowings as per statement of financial position	64,928	541,399	29,069	635,396
Rate per currency denomination	2015			
	Subsidiaries' functional currency			
	Argentine Peso	Brazilian Reais	Uruguayan Peso	Total
Fixed rate:				
Argentine Peso	3,125	-	-	3,125
Brazilian Reais	-	145,114	-	145,114
US Dollar	58,378	20,362	-	78,740
Subtotal Fixed-rate borrowings	61,503	165,476	-	226,979
Variable rate:				
Brazilian Reais	-	48,231	-	48,231
US Dollar	13,180	434,670	-	447,850
Subtotal Variable-rate borrowings ..	13,180	482,901	-	496,081
Total borrowings as per analysis	74,683	648,377	-	723,060
Finance leases	279	-	-	279
Total borrowings as per statement of financial position	74,962	648,377	-	723,339

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

2. Financial risk management (continued)

For the years ended December 31, 2016 and 2015, if interest rates on floating-rate borrowings had been 1% higher with all other variables held constant, the Group's **Profit Before Income Tax** for the years would have decreased as shown below. A 1% decrease in interest rates would have an equal and opposite effect on the income statement.

Rate per currency denomination	2016			
	Subsidiaries' functional currency			
	Argentine Peso	Brazilian Reais	Uruguayan Peso	Total
Variable rate:				
Brazilian Reais	-	(654)	-	(654)
US Dollar	(487)	(3,066)	-	(3,553)
Total effects on Profit Before Income				
Tax	(487)	(3,720)	-	(4,207)
<hr/>				
Rate per currency denomination	2015			
	Subsidiaries' functional currency			
	Argentine Peso	Brazilian Reais	Uruguayan Peso	Argentine Peso
Variable rate:				
Brazilian Reais	-	(482)	-	(482)
US Dollar	(132)	(4,347)	-	(4,479)
Total effects on Profit Before Income				
Tax	(132)	(4,829)	-	(4,961)

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the date of the statement of financial position and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in those interest rates, which have the most impact on the Group, specifically the United States and Brazilian rates over the period until the next annual statement of financial position date.

- **Credit risk**

The Group's exposures to credit risk arise in certain agreements in relation to amounts owed for physical product sales, the use of derivative instruments, and the investment of surplus cash balances. The Group is also exposed to political and economic risk events, which may cause non-payment of foreign currency obligations to the Group.

The Group's policy is to manage credit exposure to trading counterparties within defined trading limits. All of the Group's significant counterparties are assigned internal credit limits.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

2. Financial risk management (continued)

The Group sells to a large base of customers. Type and class of customers may differ depending on the Group's business segments. For the years ended December 31, 2016 and 2015, more than 95% and 95%, respectively, of the Group's sales of crops were sold to 121 and 95 well-known customers (both multinational and local) with good credit history with the Group. In the Sugar, Ethanol and Energy segment, sales of ethanol were concentrated in 35 and 25 customers, which represented 96 % and 96 % of total sales of ethanol for the years ended December 31, 2016 and 2015, respectively. Approximately 71 % and 82 % of the Group's sales of sugar were concentrated in 20 and 13 well-known traders for the years ended December 31, 2016 and 2015, respectively. The remaining 3 % and 18 %, which mainly relates to "crystal sugar", were dispersed among several customers. In 2016 and 2015, energy sales are 96 % and 96 % concentrated in 14 major customers. In the dairy segment, 85 % and 92 % of the sales were concentrated in 14 and 14 well-known customers in 2016 and 2015, respectively.

No credit limits were exceeded during the reporting periods and management does not expect any losses from non-performance by these counterparties. If any of the Group's customers are independently rated, these ratings are used. Otherwise, the Group assesses the credit quality of the customer taking into account its financial position, past experience and other factors (see Note 18 for details). The Group may seek cash collateral, letter of credit or parent company guarantees, as considered appropriate. Sales to customers are primarily made by credit with customary payment terms. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group's exposure of credit risk arising from trade receivables is set out in Note 18.

The Group is exposed to counterparty credit risk on cash and cash equivalent balances. The Group holds cash on deposit with a number of financial institutions. The Group manages its credit risk exposure by limiting individual deposits to clearly defined limits. The Group only deposits with high quality banks and financial institutions. As of December 31, 2016 and 2015, the total amount of cash and cash equivalents mainly comprise cash in banks and short-term bank deposits. The Group is authorized to transact with banks rated "BBB+" or higher. As of December 31, 2016 and 2015, 4 and 3 banks (primarily HSBC, Rabobank, Citibank and Banco do Brasil) accounted for more than 85 % and 86 %, respectively, of the total cash deposited. The remaining amount of cash and cash equivalents relates to cash in hand. Additionally, during the year ended December 31, 2016, the Group invested in fixed-term bank deposits with mainly two banks (Banco do Brasil and Citibank) and also entered into derivative contracts (currency forward). The Group does not have investment in securities or other financial instruments for which risk may have increased due to the financial credit crisis. The Group's exposure of credit risk arising from cash and cash equivalents is set out in Note 20.

The Group's primary objective for holding derivative financial instruments is to manage currency exchange rate risk, interest rate risk and commodity price risk. The Group generally enters into derivative transactions with high-credit-quality counterparties and, by policy, limits the amount of credit exposure to any one counterparty based on an analysis of that counterparty's relative credit standing. The amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which counterparty's obligations exceed the obligations with that counterparty.

The Group arranged interest rate swaps with HSBC and Itau in Brazil. The Group also entered into crop commodity futures traded in the established trading markets of Argentina and Brazil through well-rated brokers. Management does not expect any counterparty to fail to meet its obligations.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

2. Financial risk management (continued)

- **Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders 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, it may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or by own shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt (including current and non-current borrowings as shown in the consolidated statement of financial position, if applicable) divided by total capital. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus total debt. During the year ended December 31, 2016, the strategy was to maintain the gearing ratio within 0.45 to 0.60, as follows:

	<u>2016</u>	<u>2015 (*)</u>
Total Debt	635,396	723,339
Total Equity	671,673	527,419
Total Capital	<u>1,307,069</u>	<u>1,250,758</u>
Gearing Ratio	<u>0.49</u>	<u>0.58</u>

(*) The prior years have been adjusted to reflect the Company's adoption of amendments to IAS 16 and IAS 41 as further described in Note 32.

- **Derivative financial instruments**

As part of its business operations, the Group uses a variety of derivative financial instruments to manage its exposure to the financial risks discussed above. As part of this strategy, the Group may enter into derivatives of (i) interest rate to manage the composition of floating and fixed rate debt; (ii) currency to manage exchange rate risk, and (iii) crop (future contracts and put and call options) to manage its exposure to price volatility stemming from its integrated crop production activities. The Group's policy is not to use derivatives for speculative purposes.

Derivative financial instruments involve, to a varying degree, elements of market and credit risk not recognized in the financial statements. The market risk associated with these instruments resulting from price movements is expected to offset the market risk of the underlying transactions, assets and liabilities, being hedged. The counterparties to the agreements relating to the Group's contracts generally are large institutions with credit ratings equal to or higher than BBB+. The Group continually monitors the credit rating of such counterparties and seeks to limit its financial exposure to any one financial institution. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of the Group's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the Group's obligations to the counterparties.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

2. Financial risk management (continued)

The following tables show the outstanding positions for each type of derivative contract as of the date of each statement of financial position:

▪ Futures/ options

As of December 31, 2016:

Type of derivative contract	2016			
	Quantities (thousands) (**)	Notional amount	Fair Value Asset/ (Liability)	(Loss)/Gain (*)
Futures:				
<i>Sale</i>				
Corn	66	9,436	46	46
Soybean	120	42,330	(1,171)	(1,170)
Sugar	17,020	9,144	722	64
Ethanol	6,900	3,978	(40)	(40)
Options:				
<i>Buy put</i>				
Soybean	14	464	644	181
Sugar	70,510	(6,734)	5,374	352
<i>Sell call</i>				
Sugar	54,597	3,058	(3,219)	(105)
<i>Sell put</i>				
Sugar	14,528	748	(763)	(1,625)
Total	163,755	62,424	1,593	(2,297)

As of December 31, 2015:

Type of derivative contract	2015			
	Quantities (thousands) (**)	Notional amount	Fair Value Asset/ (Liability)	(Loss)/Gain (*)
Futures:				
<i>Sale</i>				
Corn	115	18,870	2,090	2,090
Soybean	183	49,721	1,546	1,546
Sugar	103,592	34,353	(2,686)	(5,976)
Ethanol	2,400	885	(10)	(10)
OTC:				
Sugar	24,892	9,241	(2,041)	(2,021)
Options:				
<i>Buy put</i>				
Soybean	12	210	228	18
Sugar	25,146	1,704	837	(819)
<i>Sell call</i>				
Sugar	25,095	736	(1,300)	(570)
<i>Sell put</i>				
Sugar	9,601	372	(182)	188
Total	191,036	116,092	(1,518)	(5,554)

(*) Included in the line item “(Loss) / Gain from commodity derivative financial instruments” of Note 8.

(**) All quantities expressed in tons and m³.

Commodity future contract fair values are computed with reference to quoted market prices on future exchanges.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

2. Financial risk management (continued)

▪ Foreign currency floating-to-fixed interest rate swap

In July 2016 the Group's subsidiary in Brazil, Adecoagro Vale do Ivinhema entered into a Reais 90 million (US\$ 27.8 as of that date) loan with Bradesco. The loan bears interest at a variable rate of CDI (an interbanking floating interest rate in USD) plus 2.1% per year. At same moment and with same bank, the Company entered into a swap operation, which intention is to effectively convert the principal amount and interest rate denominated in Reais, to a principal amount an interest rate denominated in US\$, plus a fixed rate of 6.55 %. The swap expires according to the due dates of the loan, until May 2019. As of December 31, 2016, the Group recorded a liability of US\$ 0.7 million representing the estimated fair value of the swap as of that date.

▪ Currency forward

During the year ended December 31, 2016, the Group entered into several currency forward contracts with Brazilian banks in order to hedge the fluctuation of the Brazilian Reais against the US Dollar for a total aggregate amount of US\$ 57.2 million. The currency forward contracts entered in 2016 had maturity dates ranging between March 2016 and April 2017. The outstanding contracts resulted in a recognition of a loss of US\$ 16.9 million in 2016.

During the year ended on December 31, 2016, the Group entered into several currency forward contracts with Argentinian banks in order to hedge the fluctuation of the Argentinean peso against US Dollar for a total notional amount of US\$ 30.2 million. The currency forward contracts maturity date were in February 2016 and May 2017. The outstanding contracts resulted in the recognition of a loss amounting to US\$ 0.3 million in 2016.

During the year ended on December 31, 2016, the Group entered into several currency forward contracts in order to hedge the fluctuation of the US Dollar against Euro for a total notional amount of US\$ 10.7 million. The currency forward contracts maturity date is March 2017. The outstanding contracts resulted in the recognition of a gain amounting to US\$ 0.6 million in 2016.

Gains and losses on currency forward contracts are included within "Financial results, net" in the statement of income.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

3. Segment information

According to IFRS 8, operating segments are identified based on the ‘management approach’. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance (the Management committee in the case of the Company). This classification is based on the differences in the nature of its operations, products and services. This approach stipulates external segment reporting based on the Group’s internal organizational and management structure and on internal financial reporting to the chief operating decision maker.

The Group operates in three major lines of business, namely, Farming; Sugar, Ethanol and Energy; and Land Transformation. The Coffee and Cattle businesses are now presented within “Farming – All Other Segments” because they not meet the quantitative threshold for disclosure.

- The Group’s ‘**Farming**’ is further comprised of five reportable segments:
 - The Group’s ‘**Crops**’ Segment consists of planting, harvesting and sale of grains, oilseeds and fibers (including wheat, corn, soybeans, cotton and sunflowers, among others), and to a lesser extent the provision of grain warehousing/conditioning and handling and drying services to third parties. Each underlying crop in this segment does not represent a separate operating segment. Management seeks to maximize the use of the land through the cultivation of one or more type of crops. Types and surface amount of crops cultivated may vary from harvest year to harvest year depending on several factors, some of them out of the Group’s control. Management is focused on the long-term performance of the productive land, and to that extent, the performance is assessed considering the aggregated combination, if any, of crops planted in the land. A single manager is responsible for the management of operating activity of all crops rather than for each individual crop.
 - The Group’s ‘**Rice**’ Segment consists of planting, harvesting, processing and marketing of rice;
 - The Group’s ‘**Dairy**’ Segment consists of the production and sale of raw milk and other dairy products,
 - The Group’s ‘**All Other Segments**’ consists of the aggregation of the remaining non-reportable operating segments, which do not meet the quantitative thresholds for disclosure and for which the Group’s management does not consider them to be of continuing significance as from January 1, 2014, namely, Coffee and Cattle.
- The Group’s ‘**Sugar, Ethanol and Energy**’ Segment consists of cultivating sugarcane which is processed in owned sugar mills, transformed into ethanol, sugar and electricity and marketed;
- The Group’s ‘**Land Transformation**’ Segment comprises the (i) identification and acquisition of underdeveloped and undermanaged farmland businesses; and (ii) realization of value through the strategic disposition of assets (generating profits).

The measurement principles for the Group’s segment reporting structure are based on the IFRS principles adopted in the consolidated financial statements.

The following table presents information with respect to the Group’s reportable segments. Certain other activities of a holding function nature not allocable to the segments are disclosed in the column ‘**Corporate**’.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

3. Segment information (continued)

Segment analysis for the year ended December 31, 2016

	<i>Farming</i>					<i>Sugar, Ethanol and Energy</i>	<i>Land Transformation</i>	<i>Corporate</i>	<i>Total</i>
	<i>Crops</i>	<i>Rice</i>	<i>Dairy</i>	<i>All other segments</i>	<i>Farming subtotal</i>				
Sales of goods and services rendered	142,124	96,562	32,897	960	272,543	596,692	-	-	869,235
Cost of goods sold and services rendered	(141,731)	(83,574)	(32,571)	(212)	(258,088)	(420,493)	-	-	(678,581)
Initial recognition and changes in fair value of biological assets and agricultural produce	48,790	10,498	5,476	(13)	64,751	60,705	-	-	125,456
Changes in net realizable value of agricultural produce after harvest	(5,841)	-	-	-	(5,841)	-	-	-	(5,841)
Margin on Manufacturing and Agricultural Activities Before Operating Expenses	43,342	23,486	5,802	735	73,365	236,904	-	-	310,269
General and administrative expenses	(2,770)	(3,373)	(983)	(290)	(7,416)	(22,648)	-	(20,686)	(50,750)
Selling expenses	(5,692)	(11,583)	(752)	(49)	(18,076)	(62,518)	-	(79)	(80,673)
Other operating income, net	(8,787)	402	686	8,497	798	(8,903)	-	(192)	(8,297)
Share of loss of joint ventures	-	-	-	-	-	-	-	-	-
Profit / (loss) from Operations Before Financing and Taxation	26,093	8,932	4,753	8,893	48,671	142,835	-	(20,957)	170,549
Depreciation and amortization	(1,369)	(2,766)	(964)	(192)	(5,291)	(122,209)	-	-	(127,500)
Initial recognition and changes in fair value of biological assets and agricultural produce (unrealized)	5,790	2,316	1,319	107	9,532	279	-	-	9,811
Initial recognition and changes in fair value of biological assets and agricultural produce (realized)	43,000	8,182	4,157	(120)	55,219	60,426	-	-	115,645
Changes in net realizable value of agricultural produce after harvest (unrealized)	(90)	-	-	-	(90)	-	-	-	(90)
Changes in net realizable value of agricultural produce after harvest (realized)	(5,751)	-	-	-	(5,751)	-	-	-	(5,751)
Farmlands and farmland improvements, net	68,224	18,868	168	5,504	92,764	26,734	-	-	119,498
Machinery, equipment and other fixed assets, net	3,892	14,949	7,449	467	26,757	418,543	-	-	445,300
Bearer plants, net	-	-	-	1,860	1,860	214,309	-	-	216,169
Work in progress	1,100	3,274	2,727	-	7,101	14,540	-	-	21,641
Investment property	-	-	-	2,666	2,666	-	-	-	2,666
Goodwill	3,782	1,737	-	1,186	6,705	6,700	-	-	13,405
Biological assets	28,189	25,575	6,827	2,433	63,024	82,380	-	-	145,404
Inventories	29,562	12,102	2,060	-	43,724	68,030	-	-	111,754
Total segment assets	134,749	76,505	19,231	14,116	244,601	831,236	-	-	1,075,837
Borrowings	43,878	47,156	616	10,449	102,099	533,297	-	-	635,396
Total segment liabilities	43,878	47,156	616	10,449	102,099	533,297	-	-	635,396

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

3. Segment information (continued)

Segment analysis for the year ended December 31, 2015

	<i>Farming</i>					<i>Sugar, Ethanol and Energy</i>	<i>Land Transformation</i>	<i>Corporate</i>	<i>Total</i>
	<i>Crops</i>	<i>Rice</i>	<i>Dairy</i>	<i>All other segments</i>	<i>Farming subtotal</i>				
Sales of goods and services rendered.....	154,741	84,668	32,981	1,302	273,692	400,622	-	-	674,314
Cost of goods sold and services rendered	(154,287)	(69,075)	(33,030)	(603)	(256,995)	(300,791)	-	-	(557,786)
Initial recognition and changes in fair value of biological assets and agricultural produce.....	11,561	2,822	7,542	(181)	21,744	32,784	-	-	54,528
Changes in net realizable value of agricultural produce after harvest	14,691	-	-	-	14,691	-	-	-	14,691
Margin on Manufacturing and Agricultural Activities Before Operating Expenses.....	26,706	18,415	7,493	518	53,132	132,615	-	-	185,747
General and administrative expenses.....	(3,987)	(3,136)	(1,451)	(74)	(8,648)	(18,301)	-	(21,476)	(48,425)
Selling expenses	(5,672)	(12,592)	(663)	(49)	(18,976)	(50,729)	-	(563)	(70,268)
Other operating income, net.....	16,422	600	(479)	6	16,549	6,340	7,914	263	31,066
Share of loss of joint ventures.....	(2,685)	-	-	-	(2,685)	-	-	-	(2,685)
Profit / (loss) from Operations Before Financing and Taxation	30,784	3,287	4,900	401	39,372	69,925	7,914	(21,776)	95,435
Reserve from the sale of non-controlling interests in subsidiaries (see Note 21)	-	-	-	-	-	-	16,066	-	16,066
Depreciation and amortization.....	(2,427)	(2,987)	(1,456)	(276)	(7,146)	(97,255)	-	-	(104,401)
Initial recognition and changes in fair value of biological assets and agricultural produce (unrealized)	2,234	587	-	207	3,028	8,298	-	-	11,326
Initial recognition and changes in fair value of biological assets and agricultural produce (realized)	9,327	2,235	7,542	(388)	18,716	24,486	-	-	43,202
Changes in net realizable value of agricultural produce after harvest (unrealized)	4,406	-	-	-	4,406	-	-	-	4,406
Changes in net realizable value of agricultural produce after harvest (realized)	10,285	-	-	-	10,285	-	-	-	10,285
Farmlands and farmland improvements, net	75,702	16,053	289	5,265	97,309	22,359	-	-	119,668
Machinery, equipment and other fixed assets, net	3,853	14,367	9,422	611	28,253	369,184	-	-	397,437
Bearer plants, net.....	-	-	-	-	-	156,671	-	-	156,671
Work in progress	935	5,604	495	-	7,034	16,079	-	-	23,113
Investment property	-	-	-	4,796	4,796	-	-	-	4,796
Goodwill.....	4,609	2,117	-	1,192	7,918	5,592	-	-	13,510
Biological assets	22,536	23,131	6,786	288	52,741	59,077	-	-	111,818
Inventories	27,770	13,584	1,741	-	43,095	42,191	-	-	85,286
Total segment assets	135,405	74,856	18,733	12,152	241,146	671,153	-	-	912,299
Borrowings	54,321	24,932	5,318	1,273	85,844	637,495	-	-	723,339
Total segment liabilities.....	54,321	24,932	5,318	1,273	85,844	637,495	-	-	723,339

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

3. Segment information (continued)

Segment analysis for the year ended December 31, 2014

	<i>Farming</i>					<i>Sugar, Ethanol and Energy</i>	<i>Land Transformation</i>	<i>Corporate</i>	<i>Total</i>
	<i>Crops</i>	<i>Rice</i>	<i>Dairy</i>	<i>All other segments</i>	<i>Farming subtotal</i>				
Sales of goods sold and services rendered	177,662	103,682	32,968	1,525	315,837	407,129	-	-	722,966
Cost of goods sold and services rendered.....	(177,473)	(84,199)	(33,034)	(842)	(295,548)	(309,777)	-	-	(605,325)
Initial recognition and changes in fair value of biological assets and agricultural produce	40,267	8,559	9,891	(10)	58,707	41,509	-	-	100,216
Changes in net realizable value of agricultural produce after harvest	3,401	-	-	-	3,401	-	-	-	3,401
Margin on Manufacturing and Agricultural Activities Before Operating Expenses	43,857	28,042	9,825	673	82,397	138,861	-	-	221,258
General and administrative expenses	(4,343)	(3,218)	(1,554)	(166)	(9,281)	(22,054)	-	(21,360)	(52,695)
Selling expenses.....	(4,201)	(14,367)	(596)	(29)	(19,193)	(57,815)	-	(1,856)	(78,864)
Other operating income, net.....	356	480	437	(190)	1,083	10,911	-	(17)	11,977
Share of loss of joint ventures.....	(924)	-	-	-	(924)	-	-	-	(924)
Profit / (loss) from Operations Before Financing and Taxation	34,745	10,937	8,112	288	54,082	69,903	-	(23,233)	100,752
Reserve from the sale of non-controlling interests in subsidiaries (see Note 21).....	-	-	-	-	-	-	25,508	-	25,508
Depreciation and amortization	(1,926)	(3,261)	(1,551)	(398)	(7,136)	(130,538)	-	-	(137,674)
Initial recognition and changes in fair value of biological assets and agricultural produce (unrealized)	2,813	(2,340)	1,128	353	1,954	10,681	-	-	12,635
Initial recognition and changes in fair value of biological assets and agricultural produce (realized)	37,454	10,899	8,763	(363)	56,753	30,828	-	-	87,581
Gain from changes in net realizable value of agricultural produce after harvest (unrealized)	1,134	-	-	-	1,134	-	-	-	1,134
Gain from changes in net realizable value of agricultural produce after harvest (realized)	2,267	-	-	-	2,267	-	-	-	2,267

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

3. Segment information (continued)

Total segment assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. The Group's investment in CHS Agro S.A. is allocated to the 'Crops' segment. Therefore, the Group's share of profit or loss after income taxes and its carrying amount are reported in this segment.

Total reportable segments' assets and liabilities are reconciled to total assets as per the statement of financial position as follows:

	2016	2015
Total reportable assets as per Segment Information	1,075,837	912,299
Intangible assets (excluding goodwill)	3,847	3,151
Deferred income tax assets	38,586	68,744
Trade and other receivables	174,940	166,806
Other assets.....	590	651
Derivative financial instruments.....	3,398	4,849
Cash and cash equivalents	158,568	198,894
Total assets as per the Statement of Financial Position	1,455,766	1,355,394
	2016	2015
Total reportable liabilities as per Segment Information.....	635,396	723,339
Trade and other payables	93,585	55,642
Deferred income tax liabilities.....	14,689	15,636
Payroll and social liabilities.....	28,079	23,389
Provisions for other liabilities.....	3,889	2,313
Current income tax liabilities.....	1,387	962
Derivative financial instruments.....	7,068	6,694
Total liabilities as per the Statement of Financial Position	784,093	827,975

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

3. Segment information (continued)

Non-current assets and net revenue and fair value gains and losses are shown by geographic region. These are the regions in which the Group is active: Argentina, Brazil and Uruguay.

As of and for the year ended December 31, 2016:

	<u>Argentina</u>	<u>Brazil</u>	<u>Uruguay</u>	<u>Total</u>
Property, plant and equipment	101,513	694,137	6,958	802,608
Investment property	2,666	-	-	2,666
Goodwill.....	5,980	7,425	-	13,405
Non-current portion of biological assets	8,516	-	-	8,516
Initial recognition and changes in fair value of biological assets and agricultural produce.....	62,970	62,556	(70)	125,456
(Loss) from changes in net realizable value of agricultural produce after harvest	(4,491)	(958)	(392)	(5,841)
Sales of goods and services rendered	164,264	432,468	272,503	869,235

As of and for the year ended December 31, 2015:

	<u>Argentina</u>	<u>Brazil</u>	<u>Uruguay</u>	<u>Total</u>
Property, plant and equipment	110,218	579,694	6,977	696,889
Investment property	4,796	-	-	4,796
Goodwill.....	7,287	6,223	-	13,510
Non-current portion of biological assets	6,476	-	-	6,476
Initial recognition and changes in fair value of biological assets and agricultural produce.....	16,637	37,097	794	54,528
Gain / (Loss) from changes in net realizable value of agricultural produce after harvest	16,139	(32)	(1,416)	14,691
Sales of goods and services rendered	166,447	295,456	212,411	674,314

As of and for the year ended December 31, 2014:

	<u>Argentina</u>	<u>Brazil</u>	<u>Uruguay</u>	<u>Total</u>
Initial recognition and changes in fair value of biological assets and agricultural produce	57,369	42,042	805	100,216
Gain / (Loss) from changes in net realizable value of agricultural produce after harvest	1,629	(345)	2,117	3,401
Sales of goods and services rendered	192,820	328,512	201,634	722,966

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

4. Sales

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Manufactured products and services rendered:			
Rice.....	94,331	82,797	99,339
Ethanol.....	211,451	176,150	165,870
Sugar.....	330,895	177,801	174,459
Soybean oil and meal.....	-	2,071	-
Energy	53,995	46,671	66,800
Powder milk.....	4,816	1,042	2,948
Services.....	1,160	1,545	2,093
Operating Leases	984	1,309	1,593
Others	1,423	1,233	25
	<u>699,055</u>	<u>490,619</u>	<u>513,127</u>
Agricultural produce and biological assets:			
Soybean	63,797	75,361	79,515
Cattle for dairy.....	3,059	3,656	2,553
Corn	48,502	41,813	69,636
Cotton	1,434	3,317	9,081
Milk	24,561	27,906	27,467
Wheat.....	16,951	16,116	7,669
Sunflower	7,275	12,659	10,016
Sorghum	-	111	84
Rice.....	950	-	1,117
Barley	1,240	634	1,150
Seeds.....	625	648	1,244
Others	1,786	1,474	307
	<u>170,180</u>	<u>183,695</u>	<u>209,839</u>
Total sales	<u>869,235</u>	<u>674,314</u>	<u>722,966</u>

Commitments to sell commodities at a future date

The Group entered into contracts to sell non-financial instruments, mainly, sugar, soybean and corn through sales forward contracts. Those contracts are held for purposes of delivery the non-financial instrument in accordance with the Group's expected sales. Accordingly, as the own use exception criteria are met; those contracts are not recorded as derivatives.

The notional amount of these contracts is US\$ 111.8 million as of December 31, 2016 (2015: US\$ 62.4 million; 2014: US\$ 31.5 million) comprised primarily of 146,524 tons of sugar (US\$ 59.5 million), 10,005 m3 of ethanol (US\$ 4.5 million), 464,697 mwh of energy (US\$ 28.0 million), 23,179 tons of soybean (US\$ 6.1 million), 31,598 tons of wheat (US\$ 5.4 million), and 52,918 tons of corn (US\$ 8.1 million) which expire between February 2017 and December 2017.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

5. Cost of goods sold and services rendered

As of December 31, 2016:

	2016					Total
	Crops	Rice	Dairy	All other segments	Sugar, Ethanol and Energy	
Finished goods at the beginning of 2016 (Note 19)	16,034	6,904	55	-	24,631	47,624
Cost of production of manufactured products (Note 6)	478	61,254	371	206	376,791	439,100
Purchases	25,954	22,303	4,414	-	89,745	142,416
Agricultural produce	110,252	-	27,628	-	-	137,880
Transfer to raw material	(8,603)	-	-	-	-	(8,603)
Direct agricultural selling expenses	19,077	-	-	-	-	19,077
Tax recoveries (i)	-	-	-	-	(24,156)	(24,156)
Changes in net realizable value of agricultural produce after harvest	(5,841)	-	-	-	-	(5,841)
Finished goods at the end of December 31, 2016 (Note 19)	(13,117)	(5,473)	-	-	(49,601)	(68,191)
Exchange differences	(2,503)	(1,414)	103	6	3,083	(725)
Cost of goods sold and services rendered, and direct agricultural selling expenses	141,731	83,574	32,571	212	420,493	678,581

(i): Correspond to the presumed credit of ICMS over the sale values.

As of December 31, 2015:

	2015					Total
	Crops	Rice	Dairy	All other segments	Sugar, Ethanol and Energy	
Finished goods at the beginning of 2015 (Note 19)	21,056	4,656	76	-	50,087	75,875
Cost of production of manufactured products (Note 6)	67	60,445	624	603	273,127	334,866
Purchases	27,625	13,520	920	-	48,610	90,675
Agricultural produce	93,536	-	31,563	-	-	125,099
Transfer to raw material	(6,237)	-	-	-	-	(6,237)
Direct agricultural selling expenses	29,179	-	-	-	-	29,179
Tax recoveries (i)	-	-	-	-	(16,196)	(16,196)
Changes in net realizable value of agricultural produce after harvest	14,691	-	-	-	-	14,691
Finished goods at the end of December 31, 2015 (Note 19)	(16,034)	(6,904)	(55)	-	(24,631)	(47,624)
Exchange differences	(9,596)	(2,642)	(98)	-	(30,206)	(42,542)
Cost of goods sold and services rendered, and direct agricultural selling expenses	154,287	69,075	33,030	603	300,791	557,786

(i): Correspond to the presumed credit of ICMS over the sale values.

As of December 31, 2014:

	2014					Total
	Crops	Rice	Dairy	All other segments	Sugar, Ethanol and Energy	
Finished goods at the beginning of 2014 (Note 19)	12,863	5,061	-	-	50,224	68,148
Cost of production of manufactured products (Note 6)	-	70,095	3,034	842	323,766	397,737
Purchases	37,705	15,810	117	-	16,402	70,034
Agricultural produce	132,216	-	30,020	-	-	162,236
Transfer to raw material	(7,191)	-	-	-	-	-
Direct agricultural selling expenses	24,280	-	-	-	-	24,280
Tax recoveries (i)	-	-	-	-	(13,778)	(13,778)
Changes in net realizable value of agricultural produce after harvest	3,401	-	-	-	-	3,401
Finished goods at the end of December 31, 2014 (Note 19)	(21,056)	(4,656)	(76)	-	(50,087)	(75,875)
Exchange differences	(4,745)	(2,111)	(61)	-	(16,750)	(23,667)
Cost of goods sold and services rendered, and direct agricultural selling expenses	177,473	84,199	33,034	842	309,777	605,325

(i): Correspond to the presumed credit of ICMS over the sale values.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

6. Expenses by nature

The Group presented the statement of income under the function of expense method. Under this method, expenses are classified according to their function as part of the line items “cost of goods sold and direct agricultural selling expenses”, “general and administrative expenses” and “selling expenses”.

The following table provides the additional disclosure required on the nature of expenses and their relationship to the function within the Group:

Expenses by nature for the year ended December 31, 2016:

	Cost of production of manufactured products (Note 5)					General and Administrative Expenses	Selling Expenses	Total
	Crops	Rice	Dairy	All other segments	Sugar, Ethanol and Energy			
Salaries, social security expenses and employee benefits...	-	5,590	-	206	54,225	30,935	5,358	96,314
Raw materials and consumables	468	3,927	-	-	7,025	-	-	11,420
Depreciation and amortization.....	-	856	-	-	102,620	5,006	695	109,177
Fuel, lubricants and others	-	86	-	-	26,307	450	368	27,211
Maintenance and repairs	-	1,408	-	-	21,641	931	390	24,370
Freights	-	4,901	14	-	330	-	29,976	35,221
Export taxes / selling taxes	-	-	-	-	-	-	29,375	29,375
Export expenses	-	-	-	-	-	-	3,649	3,649
Contractors and services	10	-	39	-	4,374	-	-	4,423
Energy transmission	-	-	-	-	-	-	2,890	2,890
Energy power	-	913	-	-	1,007	795	211	2,926
Professional fees	-	90	-	-	387	5,495	1,105	7,077
Other taxes	-	58	-	-	2,012	653	8	2,731
Contingencies	-	-	-	-	-	1,835	-	1,835
Lease expense and similar arrangements	-	145	-	-	-	1,185	51	1,381
Third parties raw materials	-	3,001	-	-	26,552	-	-	29,553
Tax recoveries	-	-	-	-	(11,527)	-	-	(11,527)
Others	-	1,344	-	-	4,428	3,465	6,597	15,834
Subtotal	478	22,319	53	206	239,381	50,750	80,673	393,860
Own agricultural produce consumed	-	38,935	318	-	137,410	-	-	176,663
Total	478	61,254	371	206	376,791	50,750	80,673	570,523

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

6. Expenses by nature (continued)

Expenses by nature for the year ended December 31, 2015:

	Cost of production of manufactured products (Note 5)					General and Administrative Expenses	Selling Expenses	Total	
	Crops	Rice	Dairy	All other segments	Sugar, Ethanol and Energy				Total
Salaries, social security expenses and employee benefits ..	-	5,952	-	551	49,454	55,957	28,354	5,053	89,364
Raw materials and consumables	56	3,760	86	-	7,143	11,045	-	-	11,045
Depreciation and amortization	-	1,305	-	-	82,711	84,016	5,762	765	90,543
Fertilizers, agrochemicals and seeds	-	-	-	52	-	52	-	-	52
Fuel, lubricants and others	-	102	-	-	20,034	20,136	468	66	20,670
Maintenance and repairs	-	1,167	-	-	13,934	15,101	937	356	16,394
Freights	9	4,303	38	-	-	4,350	16	20,930	25,296
Export taxes / selling taxes	-	-	-	-	-	-	-	29,110	29,110
Export expenses	-	-	-	-	-	-	-	3,223	3,223
Contractors and services	-	-	82	-	3,297	3,379	-	-	3,379
Energy transmission	-	-	-	-	-	-	-	2,386	2,386
Energy power	-	622	-	-	1,039	1,661	793	27	2,481
Professional fees	-	84	-	-	349	433	6,008	1,257	7,698
Other taxes	-	85	-	-	1,260	1,345	716	-	2,061
Contingencies	-	-	-	-	-	-	1,482	-	1,482
Lease expense and similar arrangements	-	77	-	-	216	293	1,107	43	1,443
Third parties raw materials	-	9,506	-	-	24,182	33,688	-	-	33,688
Tax recoveries	-	-	-	-	(14,395)	(14,395)	-	-	(14,395)
Others	2	691	-	-	5,087	5,780	2,782	7,052	15,614
Subtotal	67	27,654	206	603	194,311	222,841	48,425	70,268	341,534
Own agricultural produce consumed	-	32,791	418	-	78,816	112,025	-	-	112,025
Total	67	60,445	624	603	273,127	334,866	48,425	70,268	453,559

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

6. Expenses by nature (continued)

Expenses by nature for the year ended December 31, 2014:

	Cost of production of manufactured products (Note 5)					General and Administrative Expenses	Selling Expenses	Total	
	Crops	Rice	Dairy	All other segments	Sugar, Ethanol and Energy				Total
Salaries, social security expenses and employee benefits ...	-	5,842	-	563	55,136	61,541	32,237	5,467	99,245
Raw materials and consumables.....	-	-	-	-	8,814	8,814	-	-	8,814
Depreciation and amortization	-	1,322	-	61	114,026	115,409	5,962	1,113	122,484
Fuel, lubricants and others	-	108	-	25	20,938	21,071	475	49	21,595
Maintenance and repairs	-	1,383	-	56	17,857	19,296	994	367	20,657
Freights.....	-	5,906	174	-	-	6,080	8	25,145	31,233
Export taxes / selling taxes	-	-	-	-	-	-	-	32,697	32,697
Export expenses	-	-	-	-	-	-	-	2,204	2,204
Contractors and services	-	-	587	-	4,560	5,147	-	-	5,147
Energy transmission	-	-	-	-	-	-	-	1,703	1,703
Veterinary expenses	-	-	-	23	-	23	-	-	23
Energy power	-	654	-	2	1,113	1,769	295	28	2,092
Professional fees	-	122	-	-	753	875	7,470	1,067	9,412
Other taxes.....	-	-	-	100	1,333	1,433	784	5	2,222
Contingencies	-	-	-	-	-	-	1,236	-	1,236
Lease expense and similar arrangements	-	84	-	6	-	90	1,195	87	1,372
Third parties raw materials	-	8,392	-	-	27,948	36,340	-	-	36,340
Tax recoveries	-	-	-	-	(18,828)	(18,828)	-	-	(18,828)
Others	-	-	-	6	8,489	8,495	2,039	8,932	19,466
Subtotal	-	23,813	761	842	242,139	267,555	52,695	78,864	399,114
Own agricultural produce consumed.....	-	46,282	2,273	-	81,627	130,182	-	-	130,182
Total	-	70,095	3,034	842	323,766	397,737	52,695	78,864	529,296

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

7. Salaries and social security expenses

	2016	2015	2014
Wages and salaries (i)	117,423	104,216	133,573
Social security costs	28,849	23,111	28,646
Equity-settled share-based compensation	4,796	4,396	3,867
	151,068	131,723	166,086
Number of employees	8,326	8,089	8,109

(i) Includes US\$ 28,475, US\$ 16,708 and US\$ 42,354, capitalized in Property, Plant and Equipment for the years 2016, 2015 and 2014, respectively.

8. Other operating income, net

	2016	2015	2014
Gain from disposal of farmland and other assets (Note 21)	-	7,914	-
(Loss) / Gain from commodity derivative financial instrument	(16,007)	22,148	9,937
Loss from onerous contracts – forwards	(44)	(25)	(157)
(Loss) / Gain from disposal of other property items	(1,255)	721	985
Settlement agreement (Nota 29).....	8,489	-	-
Others	520	308	1,212
	(8,297)	31,066	11,977

9. Financial results, net

	2016	2015	2014
Finance income:			
- Interest income.....	7,671	8,201	7,068
- Other income	286	949	223
Finance income	7,957	9,150	7,291
Finance costs:			
- Interest expense	(48,198)	(49,491)	(54,915)
- Cash flow hedge – transfer from equity (Note 2)	(85,214)	(32,700)	(12,031)
- Foreign exchange losses, net	(19,062)	(23,423)	(9,246)
- Taxes.....	(2,719)	(3,358)	(3,731)
- Loss from interest rate/foreign exchange rate derivative financial instruments	(5,694)	(4,437)	(3,232)
- Other expenses	(4,493)	(3,481)	(3,317)
Finance costs	(165,380)	(116,890)	(86,472)
Total financial results, net	(157,423)	(107,740)	(79,181)

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

10. Taxation

Adecoagro is subject to the applicable general tax regulations in Luxembourg.

The Group's income tax has been calculated on the estimated assessable taxable results for the year at the rates prevailing in the respective foreign tax jurisdictions. The subsidiaries of the Group are required to calculate their income taxes on a separate basis according to the rules and regulations of the jurisdictions where they operate. Therefore, the Group is not legally permitted to compensate subsidiaries' losses against subsidiaries' income. The details of the provision for the Group's consolidated income tax are as follows:

	2016	2015	2014
Current income tax	(21,505)	(2,163)	(124)
Deferred income tax	12,118	10,117	(10,411)
Income tax (expense) / benefit	(9,387)	7,954	(10,535)

The statutory tax rate in the countries where the Group operates for all of the years presented are:

Tax Jurisdiction	Income Tax Rate
Argentina	35%
Brazil	34%
Uruguay	25%

Deferred tax assets and liabilities of the Group as of December 31, 2016 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, will be recovered or settled as follows:

	2016	2015
Deferred income tax asset to be recovered after more than 12 months	96,822	88,466
Deferred income tax asset to be recovered within 12 months	17,504	36,569
Deferred income tax assets	114,326	125,035
Deferred income tax liability to be settled after more than 12 months	(86,573)	(68,102)
Deferred income tax liability to be settled within 12 months	(3,856)	(3,825)
Deferred income tax liability	(90,429)	(71,927)
Deferred income tax assets, net	23,897	53,108

The gross movement on the deferred income tax account is as follows:

	2016	2015	2014
Beginning of year	53,108	2,437	(9,255)
Exchange differences	10,953	(8,552)	7,954
Tax (charge) benefit relating to cash flow hedge (i)	(52,282)	49,106	14,149
Income tax (expense) / benefit	12,118	10,117	(10,411)
End of year	23,897	53,108	2,437

(i): Relates to the gain or loss before income tax of cash flow hedge recognized in other comprehensive income amounting to US\$ (67,683) for the year ended December 31, 2016 (2015: US\$ 176,657; 2014: US\$ 53,584); net of the reclassification from Equity to Income Statements of US\$ (85,214) for the year ended December 31, 2016 (2015: US\$ (32,700); 2014: (12,031))

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

10. Taxation (continued)

The movement in the deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities	Property, plant and equipment	Biological assets	Others	Total
At January 1, 2014	77,038	11,152	14,425	102,615
Charged/(credited) to the statement of income	(6,446)	3,469	6,014	3,037
Exchange differences	(16,367)	(2,137)	(2,936)	(21,440)
At December 31, 2014	54,225	12,484	17,503	84,212
(Credited)/charged to the statement of income	22,310	8,260	(12,460)	18,110
Exchange differences	(20,571)	(4,781)	(5,043)	(30,395)
At December 31, 2015	55,964	15,963	-	71,927
(Credited) /charged to the statement of income	3,380	(2,752)	16,787	17,415
Exchange differences	(512)	911	688	1,087
At December 31, 2016	58,832	14,122	17,475	90,429

Deferred income tax assets	Provisions	Tax loss Carry forwards	Equity-settled share-based compensation	Biological Assets	Others	Total
At January 1, 2014	5,827	69,620	6,417	4,874	6,622	93,360
Charged/(credited) to the statement of income	(3,745)	(2,636)	(522)	(1,568)	1,097	(7,374)
Tax charge relating to cash flow hedge.....	-	14,149	-	-	-	14,149
Exchange differences	(313)	(12,780)	-	507	(900)	(13,486)
At December 31, 2014 ...	1,769	68,353	5,895	3,813	6,819	86,649
Charged/(credited) to the statement of income	770	24,541	(275)	(1,293)	4,484	28,227
Tax charge relating to cash flow hedge.....	-	49,106	-	-	-	49,106
Exchange differences	(750)	(34,809)	-	(793)	(2,595)	(38,947)
At December 31, 2015 ...	1,789	107,191	5,620	1,727	8,708	125,035
Charged/(credited) to the statement of income	353	31,074	20	(2,063)	149	29,533
Tax charge relating to cash flow hedge.....	-	(52,282)	-	-	-	(52,282)
Exchange differences	289	11,135	-	336	280	12,040
At December 31, 2016 ...	2,431	97,118	5,640	-	9,137	114,326

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

10. Taxation (continued)

Tax loss carry forwards in Argentina and Uruguay generally expire within 5 years. Tax loss carry forwards in Brazil do not expire. However, in Brazil, the taxable profit for each year can only be reduced by tax loss carry forward up to a maximum of 30 %.

In order to fully realize the deferred tax asset, the Group will need to generate future taxable income in the countries where the tax loss carry forward were incurred. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes that as at December 31, 2016, it is probable that the Group will realize all of the deferred tax assets in Argentina and some portion of the deferred tax assets in Brazil.

As of December 31, 2016, the Group's tax loss carry forwards and their corresponding jurisdictions are as follows:

<u>Jurisdiction</u>	<u>Tax loss carry forward</u>	<u>Expiration Period</u>
Argentina	62,480	5 years
Brazil	219,840	No expiration date.
Uruguay	1,773	5 years

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US\$ 4.0 million in respect of losses amounting to US\$ 11.8 million that can be carried forward against future taxable income.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax calculated at the tax rates applicable to profits in the respective countries	(3,644)	3,842	(7,804)
Non-deductible items	(3,304)	(133)	(441)
Non-deductible items – changes in estimates on previous year	(1,182)	-	-
Tax losses where no deferred tax asset was recognized	(569)	(317)	(2,383)
Non-taxable income	-	4,625	199
Others	(688)	(63)	(106)
Income tax (expense) / benefit	<u>(9,387)</u>	<u>7,954</u>	<u>(10,535)</u>

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

11. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of shares in issue during the period excluding ordinary shares held as treasury shares (Note 22).

	2016	2015	2014
Profit/(Loss) from operations attributable to equity holders of the Group.....	2,039	(5,593)	11,116
Weighted average number of shares in issue (thousands).....	121,421	120,901	120,562
Basic earnings / (loss) per share from operations	0.017	(0.046)	0.092

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Group has two categories of dilutive potential shares: equity-settled share options and restricted units. For these instruments, a calculation is done to determine the number of shares that could have been acquired at fair value, based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the equity-settled share options. As of December 31, 2016, there were 1,658 thousands (2015: 1,701 thousands; 2014: 1,729 thousands) share options/restricted units outstanding that could potentially have a dilutive impact in the future but were antidilutive for the periods presented.

	2016	2015	2014
Profit / (Loss) from operations attributable to equity holders of the Group	2,039	(5,593)	11,116
Weighted average number of shares in issue (thousands).....	121,421	120,901	120,562
Adjustments for:			
- Employee share options and restricted units (thousands)	1,695	1,445	1,055
Weighted average number of shares for diluted earnings per share (thousands)	123,116	122,346	121,617
Diluted earnings / (loss) per share from operations.....	0.017	(0.046)-	0.091

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

12. Property, plant and equipment

Changes in the Group's property, plant and equipment in 2016 and 2015 were as follows:

	Farmlands	Farmland improvements	Buildings and facilities	Machinery, equipment, furniture and fittings	Bearer plants	Others	Work in progress	Total
At January 1, 2015								
Cost	174,420	13,855	284,994	541,400	259,193	12,743	120,176	1,406,781
Accumulated depreciation.....	-	(8,454)	(90,223)	(263,814)	(44,517)	(8,192)	-	(415,200)
Net book amount.....	174,420	5,401	194,771	277,586	214,676	4,551	120,176	991,581
Year ended December 31, 2015								
Opening net book amount	174,420	5,401	194,771	277,586	214,676	4,551	120,176	991,581
Exchange differences	(56,498)	(1,588)	(70,454)	(106,957)	(68,889)	(1,829)	(22,824)	(329,039)
Additions.....	-	48	11,666	47,926	44,018	2,302	45,513	151,473
Reclassification to investment property (Note 13).....	(580)	-	-	-	-	-	-	(580)
Transfers	430	2,574	43,879	68,136	-	392	(115,411)	-
Disposals.....	(3,245)	-	(1,564)	(1,728)	-	(64)	-	(6,601)
Reclassification to non-income tax credits (*).....	-	-	(1,048)	(740)	-	-	(4,341)	(6,129)
Depreciation (Note 6).....	-	(1,294)	(9,782)	(58,174)	(33,134)	(1,432)	-	(103,816)
Closing net book amount	114,527	5,141	167,468	226,049	156,671	3,920	23,113	696,889

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

12. Property, plant and equipment (continued)

	Farmlands	Farmland improvements	Buildings and facilities	Machinery, equipment, furniture and fittings	Bearer plants	Others	Work in progress	Total
At December 31, 2015								
Cost.....	114,527	14,889	267,473	548,037	234,322	13,544	23,113	1,215,905
Accumulated depreciation.....	-	(9,748)	(100,005)	(321,988)	(77,651)	(9,624)	-	(519,016)
Net book amount.....	114,527	5,141	167,468	226,049	156,671	3,920	23,113	696,889
Year ended December 31, 2016								
Opening net book amount.....	114,527	5,141	167,468	226,049	156,671	3,920	23,113	696,889
Exchange differences.....	(6,004)	(838)	26,675	46,053	33,169	103	(924)	98,234
Additions.....	-	-	7,420	36,190	74,175	1,484	19,454	138,723
Reclassification to investment property (Note 13).....	1,335	-	-	-	-	-	-	1,335
Transfers.....	-	6,856	6,491	6,608	-	8	(19,963)	-
Disposals.....	-	-	(1,078)	(3,125)	-	(72)	-	(4,275)
Reclassification to non-income tax credits (*).....	-	-	(1,233)	(227)	-	-	(39)	(1,499)
Depreciation (Note 6).....	-	(1,519)	(15,688)	(60,238)	(47,846)	(1,508)	-	(126,799)
Closing net book amount.....	109,858	9,640	190,055	251,310	216,169	3,935	21,641	802,608
At December 31, 2016								
Cost.....	109,858	20,907	305,748	633,536	341,666	15,067	21,641	1,448,423
Accumulated depreciation.....	-	(11,267)	(115,693)	(382,226)	(125,497)	(11,132)	-	(645,815)
Net book amount.....	109,858	9,640	190,055	251,310	216,169	3,935	21,641	802,608

(*) Brazilian federal tax law allows entities to take a percentage of the total cost of the assets purchased as a tax credit. As of December 31, 2016 and 2015, ICMS tax credits were reclassified to trade and other receivables.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

12. Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocated their cost over the estimated useful lives. Farmlands are not depreciated.

Farmland improvements	5-25 years
Buildings and facilities.....	20 years
Furniture and fittings	10 years
Computer equipment	3-5 years
Machinery and equipment	4-10 years
Vehicles	4-5 years
Bearer plants	6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Depreciation charges are included in "Cost of production of Biological Assets", "Cost of production of manufactures products", "General and administrative expenses", "Selling expenses" and capitalized in "Property, plant and equipment" for the years ended December 31, 2016, 2015 and 2014, respectively.

During the year ended December 31, 2016, borrowing costs of US\$ 4,654 (2015: US\$ 7,684, 2014: US\$ 6,864) were capitalized as components of the cost of acquisition or construction for qualifying assets.

Certain of the Group's assets have been pledged as collateral to secure the Group's borrowings and other payables. The net book value of the pledged assets amounts to US\$ 575,882 as of December 31, 2016 (2015: US\$ 416,393).

13. Investment property

Changes in the Group's investment property in 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Beginning of the year.....	4,796	6,675
Reclassification (to)/from property, plant and equipment (i)	(1,335)	580
Exchange difference.....	(795)	(2,459)
End of the year	<u>2,666</u>	<u>4,796</u>
Cost	2,666	4,796
Accumulated depreciation	-	-
Net book amount	<u>2,666</u>	<u>4,796</u>

(i) Relates to new contracts with third parties.

As of December 31, 2016, the fair value (level 3) of investment property was US\$ 57 million (2015: US\$ 55 million).

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

14. Intangible assets

Changes in the Group's intangible assets in 2016 and 2015 were as follows:

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
At January 1, 2015					
Cost	20,172	2,498	3,910	142	26,722
Accumulated amortization	-	(1,539)	(1,276)	(129)	(2,944)
Net book amount	20,172	959	2,634	13	23,778
Year ended December 31, 2015					
Opening net book amount	20,172	959	2,634	13	23,778
Exchange differences	(6,662)	(29)	(1,026)	(18)	(7,735)
Additions	-	-	1,160	43	1,203
Amortization charge (i)	-	-	(568)	(17)	(585)
Closing net book amount	13,510	930	2,200	21	16,661
At December 31, 2015					
Cost	13,510	2,469	4,044	167	20,190
Accumulated amortization	-	(1,539)	(1,844)	(146)	(3,529)
Net book amount	13,510	930	2,200	21	16,661
Year ended December 31, 2016					
Opening net book amount	13,510	930	2,200	21	16,661
Exchange differences	(105)	(8)	186	1	74
Additions	-	-	1,176	42	1,218
Amortization charge (i)	-	-	(661)	(40)	(701)
Closing net book amount	13,405	922	2,901	24	17,252
At December 31, 2016					
Cost	13,405	2,461	5,406	210	21,482
Accumulated amortization	-	(1,539)	(2,505)	(186)	(4,230)
Net book amount	13,405	922	2,901	24	17,252

- (i) Amortization charges are included in "General and administrative expenses" and "Selling expenses" for the years ended December 31, 2016 and 2015, respectively. There were no impairment charges for any of the years presented (see Note 33 (a)).

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

15. Biological assets

Changes in the Group's biological assets in 2016 and 2015 were as follows:

	2016					Total
	Crops (ii)	Rice (ii)	Dairy	All other segments	Sugarcane (ii)	
Beginning of the year	22,536	23,131	6,786	288	59,077	111,818
Increase due to purchases	-	-	-	1,713	-	1,713
Initial recognition and changes in fair value of biological assets (i)	48,790	10,498	5,476	(13)	60,705	125,456
Decrease due to harvest / disposals.....	(110,252)	(38,508)	(27,946)	-	(141,645)	(318,351)
Costs incurred during the year	68,607	33,839	23,885	558	91,235	218,124
Exchange differences	(1,492)	(3,385)	(1,374)	(113)	13,008	6,644
End of the year	28,189	25,575	6,827	2,433	82,380	145,404

	2015					Total
	Crops (ii)	Rice (ii)	Dairy	All other segments	Sugarcane (ii)	
Beginning of the year	31,011	23,875	9,183	-	60,667	124,736
Increase due to purchases	-	-	-	306	-	306
Initial recognition and changes in fair value of biological assets (i)	11,561	2,822	7,542	(181)	32,784	54,528
Decrease due to harvest / disposals.....	(93,536)	(39,488)	(31,563)	-	(81,108)	(245,695)
Costs incurred during the year	81,725	44,024	25,120	253	67,460	218,582
Exchange differences	(8,225)	(8,102)	(3,496)	(90)	(20,726)	(40,639)
End of the year	22,536	23,131	6,786	288	59,077	111,818

(i) Biological asset with a production cycle of more than one year (that is dairy and cattle) generated "Initial recognition and changes in fair value of biological assets" amounting to US\$ 66,168 for the year ended December 31, 2016 (2015: US\$ 40,145; 2014: US\$ 51,390). In 2016, an amount of US\$ 56,783 (2015: US\$ 44,236; 2014: US\$ 105,466) was attributable to price changes, and an amount of US\$ 9,385 (2015: US\$ (4,091); 2014: US\$ (54,076)) was attributable to physical changes.

(ii) Biological assets that are measured at fair value within level 3 of the hierarchy.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

15. Biological assets (continued)

Cost of production as of December 31, 2016:

	Crops	Rice	Dairy	All other segments	Sugar, Ethanol and Energy	Total
Salaries, social security expenses and employee benefits	3,786	5,820	3,849	214	12,610	26,279
Depreciation and amortization	395	-	-	-	5,880	6,275
Fertilizers, agrochemicals and seeds	24,774	8,047	80	-	24,087	56,988
Fuel, lubricants and others	971	1,527	772	17	3,385	6,672
Maintenance and repairs	1,253	2,811	1,787	92	2,519	8,462
Freights	1,421	479	127	19	-	2,046
Contractors and services	23,769	13,248	-	-	2,651	39,668
Feeding expenses	-	-	9,053	21	-	9,074
Veterinary expenses	-	-	1,624	69	-	1,693
Energy power	119	853	492	-	-	1,464
Professional fees	131	85	169	-	145	530
Other taxes	1,561	131	8	100	116	1,916
Lease expense and similar arrangements	6,965	97	8	-	38,555	45,625
Others	3,462	741	563	26	1,287	6,079
Subtotal	68,607	33,839	18,532	558	91,235	212,771
Own agricultural produce consumed.....	-	-	5,353	-	-	5,353
Total	68,607	33,839	23,885	558	91,235	218,124

Cost of production as of December 31, 2015:

	Crops	Rice	Dairy	All other segments	Sugar, Ethanol and Energy	Total
Salaries, social security expenses and employee benefits.....	4,573	7,729	4,765	6	8,578	25,651
Depreciation and amortization	461	11	-	-	4,711	5,183
Fertilizers, agrochemicals and seeds	30,639	10,370	-	-	16,519	57,528
Fuel, lubricants and others	1,645	2,783	908	12	2,588	7,936
Maintenance and repairs	973	3,610	1,972	55	1,401	8,011
Freights	616	1,063	125	15	-	1,819
Contractors and services	27,364	16,512	-	-	2,823	46,699
Feeding expenses	-	-	9,742	2	-	9,744
Veterinary expenses	-	-	1,913	38	-	1,951
Energy power	149	608	423	-	-	1,180
Professional fees	155	215	386	3	58	817
Other taxes	1,534	146	16	122	50	1,868
Lease expense and similar arrangements	10,459	358	2	-	30,035	40,854
Others	3,157	619	422	-	697	4,895
Subtotal	81,725	44,024	20,674	253	67,460	214,136
Own agricultural produce consumed.....	-	-	4,446	-	-	4,446
Total	81,725	44,024	25,120	253	67,460	218,582

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

15. Biological assets (continued)

Biological assets in 2016 and 2015 were as follows:

	2016	2015
Non-current		
Cattle for dairy production (i)	6,584	6,460
Breeding cattle (ii)	1,533	-
Other cattle (ii)	399	16
	8,516	6,476
Current		
Breeding cattle (iii)	501	-
Other cattle (iii)	243	598
Sown land – crops (ii)	28,189	22,536
Sown land – rice (ii)	25,575	23,131
Sown land – sugarcane (ii)	82,380	59,077
	136,888	105,342
Total biological assets	145,404	111,818

- (i) Classified as bearer and mature biological assets.
- (ii) Classified as consumable and immature biological assets.
- (iii) Classified as consumable and mature biological assets.

The fair value less estimated point of sale costs of agricultural produce at the point of harvest amounted to US\$ 141,645 for the year ended December 31, 2016 (2015: US\$ 81,108).

The following table presents the Group's biological assets that are measured at fair value at December 31, 2016 and 2015 (see Note 17 to see the description of each fair value level):

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cattle for dairy production	-	6,584	-	6,584	-	6,460	-	6,460
Breeding cattle	2,034	-	-	2,034	-	-	-	-
Other cattle	-	642	-	642	-	614	-	614
Sown land – sugarcane	-	-	82,380	82,380	-	-	59,077	59,077
Sown land – crops	-	-	28,189	28,189	-	-	22,536	22,536
Sown land – rice	-	-	25,575	25,575	-	-	23,131	23,131

There were no transfers between any levels during the year.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

15. Biological assets (continued)

The following significant unobservable inputs were used to measure the Group's biological assets using the discounted cash flow valuation technique:

Description	Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
		2016	2015	
Sown land – sugarcane	Sugarcane yield – tonnes per hectare; Sugarcane TRS (kg of sugar per ton of cane) Production Costs – US\$ per hectare. (Include maintenance, harvest and leasing costs)	-Sugarcane yield: 60-100 tn/ha -Sugarcane TRS: 120-140 kg of sugar/ton of cane -Maintenance costs: 500-600 US\$/ha -Harvest costs: 9.0 -14.0 US\$/ton of cane -Leasing costs: 12.0-14.4 tn/ha	-Sugarcane yield: 60-90 tn/ha -Sugarcane TRS: 130-140 kg of sugar/ton of cane -Maintenance costs: 440-530 US\$/ha -Harvest costs: 7.0 -10.0 US\$/ton of cane -Leasing costs: 12.0-14.4 tn/ha	The higher the sugarcane yield, the higher the fair value. The higher the maintenance, harvest and leasing costs per hectare, the lower the fair value. The higher the TRS of sugarcane, the higher the fair value.
Sown land – crops	Crops yield – tonnes per hectare; Commercial Costs – usd per hectare; Production Costs – US\$ per hectare.	- Crops yield: 2.0 – 2.8 tn/ha for Wheat, 5.4 – 7.7 tn/ha for Corn, 2mentira.7 - 3.8 tn/ha for Soybean and 1.5-2.1 for Sunflower - Commercial Costs: 66-97 US\$/ha for Wheat, 150-225 US\$/ha for Corn, 70-110 US\$/ha for Soybean and 65-90 US\$/ha for Sunflower - Production Costs: 170-250 US\$/ha for Wheat, 350-550 US\$/ha for Corn, 270-400 US\$/ha for Soybean and 200-300 US\$/ha for Sunflower	- Crops yield: 1.8 - 2.5 tn/ha for Wheat, 5.0 - 8.0 tn/ha for Corn, 2.0 - 3.2 tn/ha for Soybean and 1.6-2.3 for Sunflower - Commercial Costs: 60-95 US\$/ha for Wheat, 175-265 US\$/ha for Corn, 75-110 US\$/ha for Soybean and 65-90 US\$/ha for Sunflower - Production Costs: 170-250 US\$/ha for Wheat, 340-500 US\$/ha for Corn, 270-430 US\$/ha for Soybean and 250-350 US\$/ha for Sunflower	The higher the crops yield, the higher the fair value. The higher the commercial and direct costs per hectare, the lower the fair value.
Sown land – rice	Rice yield – tonnes per hectare; Commercial Costs – usd per hectare; Production Costs – US\$ per hectare.	-Rice yield: 5.1 -6.1 tn/ha -Commercial Costs: 8-15 US\$/ha -Production Costs: 750-1,000 US\$/ha	-Rice yield: 4.4 -6.8 tn/ha -Commercial Costs: 6-15 US\$/ha -Production Costs: 705-1,150 US\$/ha	The higher the rice yield, the higher the fair value. The higher the commercial and direct costs per hectare, the lower the fair value.

As of December 31, 2015, the impact of a reasonable 10 % increase (decrease) in estimated costs, with all other variables held constant, would result in a decrease (increase) in the fair value of the Group's plantations less cost to sell of US\$ 9.1 million for sugarcane, US\$ 1.1 million for crops and US\$ 2.8 million for rice.

As of December 31, 2016, the impact of a reasonable 10 % increase (decrease) in estimated costs, with all other variables held constant, would result in a decrease (increase) in the fair value of the Group's plantations less cost to sell of US\$ 10.8 million for sugarcane, US\$ 1.0 million for crops and US\$ 2.7 million for rice.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

16. Investments in joint ventures

The table below lists the Group's investment in joint ventures for the years ended December 31, 2016, 2015 and 2014:

Name of the entity	Country of incorporation and operation	% of ownership interest held		
		December 31, 2016	December 31, 2015	December 31, 2014
CHS AGRO S.A.	Argentina	50 %	50 %	50 %

On February 26, 2013, the Group formed CHS AGRO, a joint venture with CHS Inc. CHS Inc. is a leading farmer-owned energy, grains and foods company based in the United States. The Group holds a 50 % interest in CHS AGRO. On October 2014, CHS AGRO finished its sunflower processing plant in the city of Pehuajo, Province of Buenos Aires, Argentina.

	2016	2015
At the beginning of the year	-	2,752
Share of loss.....	-	(2,685)
Exchange differences.....	-	(67)
At the end of the year	-	-

The following amounts represent the assets (including goodwill) and liabilities, and income and expenses of the joint ventures:

	2016	2015
Assets:		
Non-current assets	17,185	17,592
Current assets	9316	11,179
	26,501	28,771
Liabilities:		
Non-current liabilities	22,000	22,207
Current liabilities	15,273	14,341
	37,273	36,548
Net assets of joint venture.....	(10,772)	(7,777)

	2016	2015	2014
Income	9,390	14,201	-
Expenses	(16,048)	(22,934)	(1,848)
Loss before income tax	(6,658)	(8,733)	(1,848)

The shares in the joint ventures were not publicly traded for any of the years presented.

There are no contingent liabilities relating to the Group's interest in the joint ventures, and no contingent liabilities of the ventures themselves.

According to the laws of certain of the countries in which the Group operates, 5 % of the profit of the year is separated to constitute legal reserves until they reach legal capped amounts (20 % of total capital). These legal reserves are not available for dividend distribution and can only be released to absorb losses. The Group's joint ventures have not reached the legal capped amounts.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

17. Financial instruments by category

The Group classified its financial assets in the following categories:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. For all years presented, the Group's financial assets at fair value through profit or loss comprise mainly derivative financial instruments.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

The following tables show the carrying amounts of financial assets and financial liabilities by category of financial instrument and reconciliation to the corresponding line item in the statements of financial position, as appropriate. Since the line items "Trade and other receivables, net" and "Trade and other payables" contain both financial instruments and non-financial assets or liabilities (such as other tax receivables or advance payments for services to be received in the future), the reconciliation is shown in the columns headed "Non-financial assets" and "Non-financial liabilities".

	Loans and receivables	Assets at fair value through profit or loss	Subtotal financial assets	Non- financial assets	Total
December 31, 2016					
Assets as per statement of financial position					
Trade and other receivables	79,964	-	79,964	94,976	174,940
Derivative financial instruments	-	3,398	3,398	-	3,398
Cash and cash equivalents	158,568	-	158,568	-	158,568
Total.....	238,532	3,398	241,930	94,976	336,906

	Liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Subtotal financial liabilities	Non- financial liabilities	Total
Liabilities as per statement of financial position					
Trade and other payables	31,424	49,718	81,142	12,443	93,585
Borrowings (excluding finance lease liabilities)(i).....	-	635,215	635,215	-	635,215
Finance leases	-	181	181	-	181
Derivative financial instruments (i).....	7,068	-	7,068	-	7,068
Total.....	38,492	685,114	723,606	12,443	736,049

- (i) Effective July 1, 2013, the Group formally documented and designated cash flow hedging relationships to hedge the foreign exchange rate risk of a portion of its highly probable future sales in US dollars using a portion of its borrowings denominated in US dollars, currency forwards and foreign currency floating-to-fixed interest rate swaps (see Note 2).

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

17. Financial instruments by category (continued)

	Loans and receivables	Assets at fair value through profit or loss	Subtotal financial assets	Non- financial assets	Total
December 31, 2015					
Assets as per statement of financial position					
Trade and other receivables	83,435	-	83,435	83,371	166,806
Derivative financial instruments	-	4,849	4,849	-	4,849
Cash and cash equivalents	198,894	-	198,894	-	198,894
Total.....	282,329	4,849	287,178	83,371	370,549

	Liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Subtotal financial liabilities	Non- financial liabilities	Total
Liabilities as per statement of financial position					
Trade and other payables	19,734	30,354	50,088	5,554	55,642
Borrowings (excluding finance lease liabilities)(i).....	-	723,060	723,060	-	723,060
Finance leases	-	279	279	-	279
Derivative financial instruments (i).....	6,694	-	6,694	-	6,694
Total.....	26,428	753,693	780,121	5,554	785,675

(i) Effective July 1, 2013, the Group formally documented and designated cash flow hedging relationships to hedge the foreign exchange rate risk of a portion of its highly probable future sales in US dollars using a portion of its borrowings denominated in US dollars, currency forwards and foreign currency floating-to-fixed interest rate swaps (see Note 2).

Liabilities carried at amortized cost also included liabilities under finance leases where the Group is the lessee and which therefore have to be measured in accordance with IAS 17. The categories disclosed are determined by reference to IAS 39. Finance leases are excluded from the scope of IFRS 7. Therefore, finance leases have been shown separately.

Because of the short maturities of most trade accounts receivable and payable, other receivables and liabilities, and cash and cash equivalents, their carrying amounts at the closing date do not differ significantly from their respective fair values. The fair value of long-term borrowings is disclosed in Note 26.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

17. Financial instruments by category (continued)

Income, expense, gains and losses on financial instruments can be assigned to the following categories:

	Loans and receivables	Assets/ liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
December 31, 2016				
Interest income (i)	7,671	-	-	7,671
Interest expense (i)	(39,533)	-	(8,665)	(48,198)
Foreign exchange gains/ (losses) (i).....	4,737	(12,288)	(11,511)	(19,062)
Gain from derivative financial instruments(ii)	-	(21,745)	-	(21,745)
Net result.....	(27,125)	(34,033)	(20,176)	(81,334)

	Loans and receivables	Assets/ liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
December 31, 2015				
Interest income (i)	8,201	-	-	8,201
Interest expense (i)	(42,615)	-	(6,876)	(49,491)
Foreign exchange gains/ (losses) (i).....	1,499	(27,526)	2,604	(23,423)
Gain from derivative financial instruments(ii)	-	17,686	-	17,686
Net result.....	(32,915)	(9,840)	(4,272)	(47,027)

(i) Included in “Financial Results, net” in the statement of income.

(ii) Included in “Other operating income, net” and “Financial Results, net” in the statement of income.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

17. Financial instruments by category (continued)

Determining fair values

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All financial instruments recognized at fair value are allocated to one of the valuation hierarchy levels of IFRS 13. This valuation hierarchy provides for three levels. The allocation reflects which of the fair values derive from transactions in the market and where valuation is based on models because market transactions are lacking. The level in the fair value hierarchy is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

As of December 31, 2016 and 2015, the financial instruments recognized at fair value on the statement of financial position comprise derivative financial instruments.

In the case of Level 1, valuation is based on unadjusted quoted prices in active markets for identical financial assets that the Group can refer to at the date of the statement of financial position. The financial instruments the Group has allocated to this level mainly comprise crop futures and options traded on the stock market.

Derivatives not traded on the stock market allocated to Level 2 are valued using models based on observable market data. The financial instruments the Group has allocated to this level mainly comprise interest-rate swaps and foreign-currency interest-rate swaps.

In the case of Level 3, the Group uses valuation techniques not based on inputs observable in the market. This is only permissible insofar as no observable market data are available. The Group does not have financial instruments allocated to this level for any of the years presented.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

17. Financial instruments by category (continued)

The following tables present the Group's financial assets and financial liabilities that are measured at fair value as of December 31, 2016 and 2015 and their allocation to the fair value hierarchy:

		Level 1	Level 2	Total
Assets				
Derivative financial instruments.....	2016	2,789	609	3,398
Derivative financial instruments.....	2015	4,849	-	4,849
Liabilities				
Derivative financial instruments.....	2016	(1,196)	(5,872)	(7,068)
Derivative financial instruments.....	2015	(4,326)	(2,368)	(6,694)

There were no transfers within level 1 and 2 during the years ended December 31, 2016 and 2015.

When no quoted prices in an active market are available, fair values (particularly with derivatives) are based on recognized valuation methods. The Group uses a range of valuation models for this purpose, details of which may be obtained from the following table:

Class	Pricing Method	Parameters	Pricing Model	Level	Total
Futures	Quoted price	-	-	1	(443)
Options	Quoted price	-	-	1	2,036
NDF	-	-	-	2	(5,210)
Foreign-currency interest-rate swaps	Theoretical price	Swap curve; Money market interest rate curve; Foreign-exchange curve.	Present value method	2	(53)
					(3,670)

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

18. Trade and other receivables, net

	2016	2015
Non-current		
Trade receivables	1,802	1,764
Trade receivables	1,802	1,764
Advances to suppliers	1,930	8,476
Income tax credits	7,472	6,428
Non-income tax credits (i)	1,853	1,914
Judicial deposits	3,280	2,105
Other receivables	1,075	1,108
Non-current portion	17,412	21,795
Current		
Trade receivables	61,546	55,846
Receivables from related parties (Note 31)	8,114	8,204
Less: Allowance for trade receivables	(643)	(481)
Trade receivables – net	69,017	63,569
Prepaid expenses	8,302	3,914
Advances to suppliers	21,451	12,182
Income tax credits	7,116	5,438
Non-income tax credits (i)	43,572	42,914
Cash collateral	3,546	6
Receivables from related parties (Note 31)	172	300
Receivable from disposal of subsidiaries (Note 21)	-	2,997
Other receivables	4,352	13,691
Subtotal	88,511	81,442
Current portion	157,528	145,011
Total trade and other receivables, net	174,940	166,806

(i) Includes US\$ 1,499 (2015: 6,129) reclassified from Property, plant and equipment.

The fair values of current trade and other receivables approximate their respective carrying amounts due to their short-term nature. The fair values of non-current trade and other receivables approximate their carrying amount, as the impact of discounting is not significant.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

18. Trade and other receivables, net (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies (expressed in US dollars):

Currency	2016	2015
US Dollar	54,012	30,191
Argentine Peso	45,641	36,210
Uruguayan Peso	762	566
Brazilian Reais	74,525	99,839
	174,940	166,806

As of December 31, 2016 trade receivables of US\$ 14,641 (2015: US\$ 7,542) were past due but not impaired. The ageing analysis of these receivables indicates that 5,264 and 549 are over 6 months in 2016 and 2015, respectively.

The Group recognizes an allowance for trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Delinquency in payments is an indicator that a receivable may be impaired. However, management considers all available evidence in determining when a receivable is impaired. Generally, trade receivables, which are more than 180 days past due are fully provided for. However, certain receivables 180+ days overdue are not provided for based on a case-by-case analysis of credit quality analysis. Furthermore, receivables, which are not 180+ days overdue, may be provided for if specific analysis indicates a potential impairment.

Movements on the Group's allowance for trade receivables are as follows:

	2016	2015	2014
At January 1	481	527	545
Charge of the year	387	152	192
Unused amounts reversed	(178)	(27)	(83)
Used during the year	-	(7)	-
Exchange differences	(47)	(164)	(127)
At December 31	643	481	527

The creation and release of allowance for trade receivables have been included in "Selling expenses" in the statement of income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of December 31, 2016, approximately 82% (2015: 73%) of the outstanding unimpaired trade receivables (neither past due nor impaired) relate to sales to 17 well-known multinational companies with good credit quality standing, including but not limited to Camara de Comercializacao de Energia Electrica CCEE, Louis Dreyfus Commodities Suisse S.A.T, Alimport, Czarnikow Group Limited, Establecimientos Las Marias, Mastellone Hnos.S.A., Bunge Agritrade S.A., ETG Commodities Ltd., among others. Most of these entities or their parent companies are externally credit-rated. The Group reviews these external ratings from credit agencies.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

18. Trade and other receivables, net (continued)

The remaining percentage as of December 31, 2016 and 2015 of the outstanding unimpaired trade receivables (neither past due nor impaired) relate to sales to a dispersed large quantity of customers for which external credit ratings may not be available. However, the total base of customers without an external credit rating is relatively stable.

New customers with less than six months of history with the Group are closely monitored. The Group has not experienced credit problems with these new customers to date. The majority of the customers for which an external credit rating is not available are existing customers with more than six months of history with the Group and with no defaults in the past. A minor percentage of customers may have experienced some non-significant defaults in the past but fully recovered.

19. Inventories

	<u>2016</u>	<u>2015 (*)</u>
Raw materials.....	42,108	35,740
Finished goods (Note 5).....	68,191	47,624
Stocks held by third parties.....	1,308	1,643
Others.....	147	279
	<u>111,754</u>	<u>85,286</u>

(*) The prior years have been adjusted to reflect the Company's adoption of amendments to IAS 16 and IAS 41 as further described in Note 32.

20. Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
Cash at bank and on hand	130,001	185,864
Short-term bank deposits	28,567	13,030
	<u>158,568</u>	<u>198,894</u>

21. Disposals

Year ended December 31, 2014

Sale of 49% of interest in Global Anceo S.L.U. and Global Hisingen S.L.U.

In June, 2014, the Group completed the sale of a 49 % interest in both Global Anceo S.L.U. and Global Hisingen S.L.U., companies which main underlying assets are the Guayacanes and La Guarida farms, for an aggregate sale price of US\$ 50.5 million. The net proceeds received as of the transaction's day amounted to US\$ 49.3 million.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

21. Disposals (continued)

The sale of the respective equity interests did not result in the loss of control of these companies and therefore the transactions were treated as equity transactions for accounting purposes. The difference between the net proceeds received and the recognition of the non-controlling interest was registered in Statement of Changes in Shareholders' Equity under the line item "Reserve from the sale of non-controlling interests in subsidiaries" for an amount of US\$ 41.3 million (US\$ 25.5 million in the column item "Reserve from the sale of non-controlling interests in subsidiaries" and US\$ 15.8 million in the column item "Cumulative Translation Adjustment") and also an increase in non-controlling interest of US\$ 8.0 million.

Year ended December 31, 2015

Sale of La Cañada Farm.

In November 2015, the Group completed the sale of "La Cañada", a 3,399 hectare farm located in the province of San Luis, Argentina, for a total consideration of US\$ 12.6 million fully collected as of year-end. This transaction resulted in a gain of US\$ 7.9 million included within "Other operating income, net".

Sale of 49% of interest in Global Acamante S.L.U., Global Calidon S.L.U., Global Carelio S.L.U. and Global Mirabilis S.L.U.

In December, 2015, the Group completed the sale of a 49 % interest in Global Acamante S.L.U., Global Calidon S.L.U., Global Carelio S.L.U. and Global Mirabilis S.L.U., companies which main underlying assets are El Orden and La Carolina farms, for an aggregate sale price of US\$ 22.0 million, which were fully collected at the time of the transaction.

The sale of the respective equity interests did not result in the loss of control of these companies and therefore. The difference between the net proceeds received and the recognition of the non-controlling interest was registered in Statement of Changes in Shareholders' Equity under the line item "Reserve from the sale of non-controlling interests in subsidiaries" for an amount of US\$ 19.9 million (US\$ 16.1 million in the column item "Reserve from the sale of non-controlling interests in subsidiaries" and US\$ 3.9 million in the column item "Cumulative Translation Adjustment") and also an increase in non-controlling interest of US\$ 2.0 million.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

22. Shareholders' contributions

The share capital of the Group is represented by common shares with a nominal value of US\$ 1.5 per share and one vote each.

	Number of shares	Share capital and share premium
At January 1 2014	122,382	1,122,645
Employee share options exercised (Note 23) (1).....	-	955
Restricted shares and units vested (Note 23).....	-	3,444
Purchase of own shares	-	(10,427)
At 31 December 2014	122,382	1,116,617
Employee share options exercised (Note 23) (1).....	-	1,786
Restricted shares and units vested (Note 23).....	-	3,103
Purchase of own shares	-	(259)
At 31 December 2015	122,382	1,121,247
Employee share options exercised (Note 23) (1).....	-	438
Restricted shares units vested (Note 23)	-	3,225
Purchase of own shares	-	(4,087)
At 31 December 2016	122,382	1,120,823

(1) Treasury shares were used to settle these options and units.

Share Repurchase Program

On September 24, 2013, the Board of Directors of the Company has authorized a share repurchase program for up to 5% of its outstanding shares. The repurchase program has commenced on September 24, 2013 and is reviewed by the Board of Directors after each 12-month period: repurchases of shares under the program are made from time to time in open market transactions in compliance with the trading conditions of Rule 10b-18 under the U.S. Securities Exchange Act of 1934, as amended, and applicable rules and regulations. The share repurchase program does not require Adecoagro to acquire any specific number or amount of shares and may be modified, suspended, reinstated or terminated at any time in the Company's discretion and without prior notice. The size and the timing of repurchases will depend upon market conditions, applicable legal requirements and other factors. On August 12, 2014 the Board of Directors decided to extend the program for a 12 month-period. Also, on August 15, 2015 the Board of directors decided to extend the program for another 12 months period.

As of December 31, 2016, the Company repurchased 2,840,825 shares under this program, of which 1,605,497 have been applied to some exercise of the Company's stock option plan and restricted stock units plan.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

23. Equity-settled share-based payments

The Group has set a “2004 Incentive Option Plan” and a “2007/2008 Equity Incentive Plan” (collectively referred to as “Option Schemes”) under which the Group granted equity-settled options to senior managers and selected employees of the Group’s subsidiaries. Additionally, in 2010 the Group has set a “Adecoagro Restricted Share and Restricted Stock Unit Plan” (referred to as “Restricted Share Plan”) under which the Group grants restricted stock units to senior and medium management and key employees of the Group’s subsidiaries.

(a) Option Schemes

The fair value of the options under the Option Schemes was measured at the date of grant using the Black-Scholes valuation technique.

As of the date of these financial statements all options has already been vested and expensed. The Group recognized aggregate compensation expense of US\$ nil for the year ended December 31, 2016 (2015: US\$ nil; 2014: US\$ 0.3 million) related to the options granted under the Option Schemes.

The Adecoagro/ IFH 2004 Stock Incentive Option Plan was effectively established in 2004 and is administered by the Compensation Committee of the Company. Options are exercisable over a ten-year period. In May 2014 this period was extended for another ten year-period.

Movements in the number of equity-settled options outstanding and their related weighted average exercise prices under the Adecoagro/ IFH 2004 Stock Incentive Option Plan are as follows:

	2016		2015		2014	
	Average exercise price per share	Options (thousands)	Average exercise price per Share	Options (thousands)	Average exercise price per Share	Options (thousands)
At January 1.....	6.67	1,696	6.71	1,916	6.67	2,061
Forfeited	-	-	5.83	(9)	8.62	(5)
Exercised	6.96	(55)	7.11	(211)	5.83	(140)
At December 31.....	6.66	1,641	6.67	1,696	6.71	1,916

Options outstanding at year end under this Plan have the following expiry date and exercise prices:

Expiry date (i):	Exercise price per share	Shares (in thousands)		
		2016	2015	2014
May 1, 2024.....	5.83	570	570	570
May 1, 2025.....	5.83	481	508	543
May 1, 2026.....	5.83	46	50	136
February 16, 2026.....	7.11	103	103	110
October 1, 2026	8.62	441	465	557

(i) On May 2014, the Board of directors decided to extend the expired date of the Plan.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

23. Equity-settled unit-based payments (continued)

The Adecoagro/ IFH 2007/ 2008 Equity Incentive Plan was effectively established in late 2007 and is administered by the Compensation Committee of the Company. Options are exercisable over a ten-year period.

Movements in the number of equity-settled options outstanding and their related weighted average exercise prices under the Adecoagro/ IFH 2007/2008 Equity Incentive Plan are as follows:

	2016		2015		2014	
	Average exercise price per share	Options (thousands)	Average exercise price per share	Options (thousands)	Average exercise price per share	Options (thousands)
At January 1.....	13.07	1,701	13.07	1,729	13.07	1,751
Forfeited	12.98	(43)	13.01	(28)	13.40	(22)
At December 31.....	13.07	1,658	13.07	1,701	13.07	1,729

Options outstanding at year-end under the Adecoagro/ IFH 2007/2008 Equity Incentive Plan have the following expiry date and exercise prices:

Expiry date:	Exercise price per share	Shares (in thousands)		
		2016	2015	2014
From Nov 13, 2017 to Aug 25, 2018	12.82	908	937	957
Jan 30, 2019	13.40	595	608	617
Jun 1, 2019.....	12.82	3	3	3
Nov 1, 2019	13.40	11	11	11
From Jan 30, 2020 to Sep 1, 2020.....	13.40	110	110	110
From Jan 30, 2020 to Sep 1, 2020.....	12.82	31	31	31

The following table shows the exercisable shares at year end under both the Adecoagro/ IFH 2004 Incentive Option Plan and the Adecoagro/ IFH 2007/ 2008 Equity Incentive Plan:

	Exercisable shares in thousands
2016	3,299
2015	3,397
2014	3,645

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

23. Equity-settled unit-based payments (continued)

(b) Restricted Share and Restricted Stock Unit Plan

The Restricted Share and Restricted Stock Unit Plan was effectively established in 2010 and amended in November 2011. It is administered by the Compensation Committee of the Company. Restricted shares or units under these Plan vest over a 3-year period from the date of grant at 33 % on each anniversary of the grant date. Participants are entitled to receive one common share of the Company for each restricted share or restricted unit granted. There are no performance requirements for the delivery of common shares, except that a participant's employment with the Group must not have been terminated prior to the relevant vesting date. If the participant ceases to be an employee for any reason, any unvested restricted unit shall not be converted into common shares. The maximum number of ordinary shares with respect to which awards may be made under the Plan is 2,474,701. The maximum numbers of ordinary shares is revised annually.

At December 31, 2016, the Group recognized compensation expense US\$ 4.3 million related to the restricted stock units granted under the Restricted Share Plan (2015: US\$ 4.4 million).

The restricted shares under the Restricted Share Plan were measured at fair value at the date of grant.

Key grant-date fair value and other assumptions under the Restricted Share Plan are detailed below:

Grant Date	Apr 1, 2014	May 15, 2014	Apr 1, 2015	May 15, 2015	Apr 1, 2016	May 15, 2016
Fair value	7.92	8.72	9.45	10.12	12.63	12.52
Possibility of ceasing employment before vesting	5%	0%	5%	0%	5%	0%

Movements in the number of restricted shares outstanding under the Restricted Share Plan are as follows:

	Restricted stock units (thousands) <u>2016</u>	Restricted stock units (thousands) <u>2015</u>	Restricted shares (thousands) <u>2014</u>	Restricted stock units (thousands) <u>2014</u>
At January 1	1,018	861	109	699
Granted (1)	464	626	-	480
Forfeited	(29)	(37)	(3)	(21)
Vested	(453)	(432)	(106)	(297)
At December 31	<u>1,000</u>	<u>1,018</u>	<u>-</u>	<u>861</u>

(1) Approved by the Board of Directors of March 15, 2016 and the Shareholders Meeting of April 20, 2016

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

24. Legal and other reserves

According to the laws of certain of the countries in which the Group operates, a portion of the profit of the year (5%) is separated to constitute legal reserves until they reach legal capped amounts. These legal reserves are not available for dividend distribution and can only be released to absorb losses. The legal limit of these reserves has not been met.

Legal and other reserves amount to US\$ 45,080 as of December 31, 2016 (2015: US\$ 44,540) and are included within the balance of retained earnings in the statement of changes in shareholders' equity.

The Company may make distributions in the form of dividends or otherwise to the extent that it has distributable retained earnings or available distributable reserves (including share premium) that result from the Stand Alone Financial Statements prepared in accordance with Luxembourg GAAP. No distributable retained earnings result from the Stand Alone Financial Statements of the Company as of December 31, 2015, but the Company has distributable reserves in excess of US\$ 920,171.

25. Trade and other payables

	2016	2015
Non-current		
Payable from acquisition of property, plant and equipment (i)	1,042	1,563
Other payables	385	348
	1,427	1,911
Current		
Trade payables	77,325	47,035
Advances from customers	7,758	2,838
Amounts due to related parties (Note 31)	1,152	465
Taxes payable	4,685	2,716
Other payables	1,238	677
	92,158	53,731
Total trade and other payables	93,585	55,642

(i) These trades payable are mainly collateralized by property, plant and equipment of the Group.

The fair values of current trade and other payables approximate their respective carrying amounts due to their short-term nature. The fair values of non-current trade and other payables approximate their carrying amounts, as the impact of discounting is not significant.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

26. Borrowings

	2016	2015
Non-current		
Bank borrowings	430,202	483,583
Obligations under finance leases	102	68
	430,304	483,651
Current		
Bank overdrafts	90	9
Bank borrowings	204,923	239,468
Obligations under finance leases	79	211
	205,092	239,688
Total borrowings.....	635,396	723,339

As of December 31, 2016, total bank borrowings include collateralized liabilities of US\$ 525,663 (2015: US\$ 669,109). These loans are mainly collateralized by property, plant and equipment, sugarcane plantations, sugar export contracts and shares of certain subsidiaries of the Group.

The maturity of the Group's borrowings (excluding obligations under finance leases) and the Group's exposure to fixed and variable interest rates is as follows:

	2016	2015
Fixed rate:		
Less than 1 year	67,682	89,918
Between 1 and 2 years	43,630	31,096
Between 2 and 3 years	40,047	30,197
Between 3 and 4 years	21,857	22,497
Between 4 and 5 years	21,116	18,779
More than 5 years	20,239	34,492
	214,571	226,979
Variable rate:		
Less than 1 year	137,331	149,559
Between 1 and 2 years	150,517	109,488
Between 2 and 3 years	81,947	102,351
Between 3 and 4 years	18,457	79,341
Between 4 and 5 years	18,309	44,233
More than 5 years	14,083	11,109
	420,644	496,081
	635,215	723,060

Borrowings incurred by the Group's subsidiaries in Brazil are repayable at various dates between January 2017 and April 2024 and bear either fixed interest rates ranging from 2.5 % to 9.0 % per annum or variable rates based on LIBOR or other specific base-rates plus spreads ranging from 4.13 % to 17.52 % per annum. At December 31, 2016 LIBOR (six months) was 1.32 % (2015: 0.85 %).

Borrowings incurred by the Group's subsidiaries in Argentina are repayable at various dates between January 2017 and September 2023 and bear either fixed interest rates ranging from 6.11 % and 7.00 % per annum for those borrowings denominated in US dollar, and a fixed interest rate ranging from 9.90 % and 28.75 % per annum for those borrowings denominated in Argentine pesos.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

26. Borrowings (continued)

Brazilian Subsidiaries

The main loans of the Group's Brazilian Subsidiaries are:

Bank	Grant Date	Nominal amount (In millions)	Capital outstanding as of December 31			Maturity date	Annual Interest Rate
			2016		2015		
			Millions of Reais	Millions of equivalent Dollars	Millions of equivalent Dollars		
Banco Do Brasil (1)	October 2012	R\$ 130.0	R\$ 109.9	33.7	32.9	November 2022	2.94% with 15% of bonus performance
Itau BBA FINAME Loan (2)	December 2012	R\$ 45.9	R\$ 30.4	9.3	9.3	December 2022	2.50%
Itau BBA (3)	March 2013	R\$ 75.0	R\$ 18.8	5.8	9.3	March 2019	CDI + 3.20%
Banco do Brasil / Itaú BBVA Finem Loan (4)	September 2013	R\$ 273.0	R\$ 219.4	67.3	66.7	January 2023	6.87%
BNDES Finem Loan (5)	November 2013	R\$ 215.0	R\$ 163.9	50.3	48.9	January 2023	3.84%
ING / Rabobank / ABN / HSBC / Credit Agricole / Caixa Geral / Galena (6)	January 2015	US\$ 160.0	-	98.0	160.0	December 2018	LIBOR 3M plus 4.40%
ING / Rabobank / Bladex / Credit Agricole / Votorantim / ABN (7)	August 2015	US\$ 110.0	-	110.0	110.0	December 2019	LIBOR 3M plus 4.65%
Rabobank (8)	February 2016	US\$ 40.0	-	40.0	-	March 2019	LIBOR 3M plus 3.50%
Tokyo-Mitsubishi (9)	August 2016	US\$ 30.0	-	30.0	-	August 2019	6.25%
Bradesco (10)	July 2016	R\$ 90.0	R\$ 90.0	27.6	-	May 2019	CDI + 2.10%
Votorantim (11)	July 2016	US\$ 15.0	-	15.0	-	June 2019	LIBOR 3M plus 4.60%

- (1) Collateralized by (i) a first degree mortgage of the Carmen (Santa Agua) farm; (ii) a first degree mortgage of the Sapálio farm; (iii) a first degree mortgage of the Takuare farm; and (iv) liens over the Ivinhema mill and equipment.
- (2) Collateralized by (i) a first degree mortgage of the Carmen (Santa Agua) farm; (ii) a first degree mortgage of the Sapálio farm; (iii) a first degree mortgage of the Takuare farm; and (iv) liens over the Ivinhema mill and equipment.
- (3) Collateralized by power sales contract.
- (4) Collateralized by (i) a first degree mortgage of the Carmen (Santa Agua) farm; (ii) a first degree mortgage of the Sapálio farm; (iii) a first degree mortgage of the Takuare farm; (iv) liens over the Ivinhema mill and equipment; and (v) power sales contract.
- (5) Collateralized by (i) liens over the Ivinhema mill and equipment; and (ii) power sales contracts.
- (6) Collateralized by (i) a first-degree mortgage of the Conquista, Alto Alegre, Dom Fabrício, Nossa Senhora Aparecida, Água Branca, Ouro Verde and Bela Manhã farms, (ii) pledge of sugarcane, and (iii) sales contracts.
- (7) Collateralized by (i) a first-degree mortgage of the Rio de Janeiro farm, and (ii) sales contracts.
- (8) Collateralized by sales contracts.
- (9) Collateralized by sales contracts.
- (10) Collateralized by pledge of ethanol.
- (11) Collateralized by (i) power sales contract and (ii) sales contracts.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

26. Borrowings (continued)

The abovementioned loans contain certain customary financial covenants and restrictions which require us to meet pre-defined financial ratios, among other restrictions, as well as restrictions on the payment of dividends. These financial ratios are measured considering the statutory financial statements of the Brazilian Subsidiaries.

During 2016 and 2015 the Group was in compliance with all financial covenants.

Argentinian Subsidiaries

The main loans of the Group's Argentinian Subsidiaries are:

Bank	Grant Date	Nominal amount	Capital outstanding as of December 31		Maturity date	Annual Interest Rate
			2016	2015		
		(In millions)	(In millions)	(In millions)		
IDB Tranche A (1)	Feb-09	US\$ 20	US\$ 6.15	US\$ 8.7	Nov-18	6.11% per annum
IFC Tranche A (2)	Dic-16	US\$ 25	US\$ 25.00	-	Sep-21	4.3% plus LIBOR
IFC Tranche B (2)	Dic-16	US\$ 25	US\$ 25.00	-	Sep-23	4% plus LIBOR

(1): Collateralized by property, plant and equipment with a net book value of US\$ 24.77 million, by a mortgage over (i) Carmen and La Rosa farms which are property of Adeco Agropecuaria S.A. and (ii) El Meridiano farm which is the property of Pilagá S.A.

(2): Collateralized by a US\$ 75 million mortgage over Carmen farm, which is property of Adeco Agropecuaria S.A.

The Group entered into a floating to fix interest rate forward swap, fixing LIBOR at 1.25%, effective May 2012.

The abovementioned loans contain certain customary financial covenants and restrictions which require us to meet pre-defined financial ratios, among other restrictions, as well as restrictions on the payment of dividends. These financial ratios are measured considering the statutory financial statements of the Argentinian Subsidiaries.

During 2016 and 2015 the Group was in compliance with all financial covenants.

The carrying amounts of the Group's borrowings are denominated in the following currencies (expressed in US dollars):

	<u>2016</u>	<u>2015</u>
Currency		
US Dollar.....	437,307	526,710
Brazilian Reais	196,903	193,345
Argentine Peso	1,186	3,284
	<u>635,396</u>	<u>723,339</u>

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

27. Payroll and social security liabilities

	2016	2015
Non-current		
Social security payable	1,235	1,236
	1,235	1,236
Current		
Salaries payable	7,351	4,755
Social security payable	3,063	2,766
Provision for vacations	12,109	9,877
Provision for bonuses.....	4,321	4,755
	26,844	22,153
Total payroll and social security liabilities.....	28,079	23,389

28. Provisions for other liabilities

The Group is subject to several laws, regulations and business practices of the countries where it operates. In the ordinary course of business, the Group is subject to certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving tax, labor and social security, administrative and civil and other matters. The Group accrues liabilities when it is probable that future costs will be incurred and it can reasonably estimate them. The Group bases its accruals on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Group may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

The table below shows the movements in the Group's provisions for other liabilities categorized by type of provision:

	Labor, legal and other claims	Onerous contracts	Total
At January 1, 2015	2,729	8	2,737
Additions.....	1,483	17	1,500
Used during year	(921)	(1)	(922)
Exchange differences	(998)	(4)	(1,002)
At December 31, 2015	2,293	20	2,313
Additions.....	3,447	57	3,504
Used during year	(2,174)	(14)	(2,188)
Exchange differences	291	(31)	260
At December 31, 2016	3,857	32	3,889

Analysis of total provisions:

	2016	2015
Non current	3,299	1,653
Current	590	660
	3,889	2,313

The Group is engaged in several legal proceedings, including tax, labor, civil, administrative and other proceedings in Brazil, which qualified as contingent liabilities for an aggregate claimed nominal amount of US\$ 18.2 million and US\$ 30.1 million as of December 31, 2016 and 2015, respectively.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

29. Disclosure of leases and similar arrangements

The Group as lessee

Operating leases:

The Group leases land for crop cultivation in Argentina. The leases have an average term of a crop year and are renewable at the option of the lessee for additional periods. Under the lease agreements, rent accrues generally at the time of harvest. Rent is payable at several times during the crop year. Lease expense was US\$ 6.8 million for the year ended December 31, 2016 (2015: US\$ 10.8 million; 2014: US\$ 12.8 million). Lease expense is capitalized as part of biological assets.

The Group also leases various offices and machinery under cancellable operating lease agreements which involve no significant amount.

The future aggregate minimum lease payments under cancellable operating leases are as follows:

	<u>2016</u>	<u>2015</u>
No later than 1 year.....	5,311	5,370
Later than 1 year and no later than 5 years .	2,294	141
	<u>7,605</u>	<u>5,511</u>

Agriculture “partnerships” (parceria by its exact term in Portuguese):

The Group enters into contracts with landowners to cultivate sugarcane on their land. These contracts have an average term of 5 years.

Under these contracts, the Group makes payments based on the market value of sugarcane per hectare (in tons) used by the Group in each harvest, with the market value based on the price of sugarcane published by CONSECANA and a fixed amount of total recoverable sugar per ton. Lease expense was US\$ 64.9 million for the year ended December 31, 2016 (2015: US\$ 53.41 million; 2014: US\$ 65.0 million). Lease expense is included in “Initial recognition and changes in fair value of biological assets and agricultural produce” in the statement of income.

Finance leases:

Most of the leased assets carried in the consolidated statement of financial position as part of a finance lease relate to long-term rental and lease agreements for vehicles, machinery and equipment. Obligations under finance leasing totals US\$ 181 and US\$ 279 as of December 31, 2016 and 2015, respectively.

The Group as lessor

Operating leases:

The Group acts as a lessor in connection with an operating lease related to leased farmland, classified as investment property. The lease payments received are recognized in profit or loss. The lease has a term of ten years.

The following amounts have been recognized in the statement of income in the line “Sales goods and services rendered”:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Rental income	954	1,302	1,523

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

29. Disclosure of leases and similar arrangements (continued)

The future minimum rental payments receivable under cancellable leases are as follows:

	<u>2016</u>	<u>2015</u>
No later than 1 year.....	494	940
Later than 1 year and no later than 5 years .	988	1,185
	<u>1,482</u>	<u>2,125</u>

On September 2013, Marfrig Argentina S.A. ("Marfrig Argentina"), the argentine subsidiary of the Brazilian company Marfrig Alimentos S.A. ("Marfrig Alimentos"), unilaterally early terminated the lease agreements for grazing land entered into with the Group on December 2009. The termination of the lease agreements was effective in the fourth quarter of 2013, and on April 2014, the Group filed an arbitration proceeding against Marfrig Argentina and Marfrig Alimentos claiming unpaid invoices for US\$ 0.5 million and indemnification for early termination. On September 2016, the Parties settled the arbitration proceedings in the amount of US\$ 9 million. As of December 31 2016 the group collected US\$ 7 million and as of the date of this financial statements the group has collected the full amount.

This settlement, net of the unpaid invoices and other expenses resulted in an income of US\$ 8.5 million reflected in the line item Other operating income.

Finance leases:

The Group does not act as a lessor in connection with finance leases.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

30. Group companies

The following table details the subsidiaries that comprised the Group as of December 31, 2016 and 2015:

			2016	2015
	Activities	Country of incorporation and operation	Ownership percentage held if not 100 %	Ownership percentage held if not 100 %
Details of principal subsidiary undertakings:				
Operating companies (unless otherwise stated):				
Adeco Agropecuaria S.A.	(a)	Argentina	-	-
Pilagá S.A.	(a)	Argentina	99.84%	99.84%
Cavok S.A.	(a)	Argentina	51%	51%
Establecimientos El Orden S.A.	(a)	Argentina	51%	51%
Bañado del Salado S.A.	(a)	Argentina	-	-
Agro Invest S.A.	(a)	Argentina	51%	51%
Forsalta S.A.	(a)	Argentina	51%	51%
Dinaluca S.A.	(a)	Argentina	-	-
Simoneta S.A.	(a)	Argentina	-	-
Compañía Agroforestal S.M.S.A.	(a)	Argentina	-	-
Energía Agro S.A.U.	(a)	Argentina	-	-
Adeco Agropecuaria Brasil Ltda.	(b)	Brazil	-	-
Adecoagro Vale do Ivinhema Ltda.	(b)	Brazil	-	-
Adecoagro Commodities Ltda.	(b)	Brazil	-	-
Usina Monte Alegre Ltda.	(b)	Brazil	-	-
Kelizer S.A.	(a)	Uruguay	-	-
Agroglobal S.A. (f.k.a. Adecoagro Uruguay S.A.)	(a)	Uruguay	-	-
Holdings companies:				
Adeco Brasil Participações S.A.	-	Brazil	-	-
International Farmland Holdings LP	(d)	United States	-	-
Adecoagro LP S.C.S.	(e)	Luxembourg	-	-
Adecoagro GP S.a.r.l.	-	Luxembourg	-	-
Ladelux S.C.A.	-	Uruguay	-	-
Spain Holding Companies	(c)	Spain	-	-

(a) Mainly crops, rice, cattle and others.

(b) Mainly sugarcane, ethanol and energy.

(c) Comprised by (1) wholly owned subsidiaries: Kadesh España S.L.U.; Leterton España S.L.U.; Global Asterion S.L.U.; Global Acasto S.L.U.; Global Laertes S.L.U.; Global Seward S.L.U.; Global Pindaro S.L.U.; Global Pileo S.L.U.; Peak Texas S.L.U.; Peak City S.L.U. and 51% controlled subsidiaries (see note 21): Global Acamante S.L.U.; Global Carelio S.L.U.; Global Calidon S.L.U.; Global Mirabilis S.L.U. Global Anceo S.L.U. Global Hisingen S.L.U.

(d) Merge without liquidation with Adecoagro L.P. in April 2015.

(e) The continuer from the merger between Adecoagro LP and International Farmland Holdings LP.

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

Adecoagro S.A.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

30. Group companies (continued)

The percentage voting right for each principal subsidiary is the same as the percentage of capital stock held. Issued share capital represents only ordinary shares/ quotas, units or their equivalent. There are no preference shares or units issued in any subsidiary undertaking.

According to the laws of certain of the countries in which the Group operates, 5 % of the profit of the year is separated to constitute legal reserves until they reach legal capped amounts (20 % of total capital). These legal reserves are not available for dividend distribution and can only be released to absorb losses. The Group's joint ventures have not reached the legal capped amounts.

31. Related-party transactions

The following is a summary of the balances and transactions with related parties:

Related party	Relationship	Description of transaction	Income (loss) included in the statement of income			Balance receivable (payable)/(equity)	
			2016	2015	2014	2016	2015
Mario Jorge de Lemos Vieira/ Cia Agropecuaria Monte Alegre/ Alfenas Agricola Ltda/ Marcelo Weyland Barbosa Vieira/ Paulo Albert Weyland Vieira	(i)	Cost of goods sold and services rendered (ii)	(42)	(2,304)	(2,854)	-	-
Directors and senior management	Employment	Receivables from related parties (Note 18)..... Payables (Note 25)..... Compensation selected employees.....	-	-	-	172	300
CHS Agro	Joint venture	Payables (Note 25)..... Purchases of goods..... Receivables from related parties (Note 18)..... Payables from related parties (Note 25)	(5,213)	(7,528)	(7,439)	(701)	(465)
		Sales of goods Services Interest income	-	-	402	-	-
			372	2,201	2,824	8,114	8,204
			87	110	70	(451)	-
			326	74	49	-	-

(i) Shareholders of the Company.

(ii) Relates to agriculture partnership agreements ("parceria").

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

32.1 Basis of preparation and presentation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All IFRS issued by the IASB, effective at the time of preparing these consolidated financial statements have been applied.

The consolidated financial statements have been prepared under the historical cost convention as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and biological assets and agricultural produce at the point of harvest measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 32.

(a) Standards, amendments and interpretations to existing standards effective and adopted by the Group in 2015

The following standards, amendments and interpretations to existing standards have been published and were mandatory for the Group as of January 1, 2015:

All the amendments to the standards IAS 32, 'Financial instruments: Presentation' – Offsetting financial assets and financial liabilities, IAS 36, 'Impairment of assets' – Recoverable amount disclosures for non-financial assets and IAS 39, 'Financial instruments: Recognition and measurement' – Novation of derivatives and continuation of hedge accounting have been analyzed by the Company. The application of these standards did not materially affect the Group's financial position or results of operations.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

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

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 machinery. They will therefore now be accounted for under IAS 16. However, agricultural produce growing on bearer plants will remain within 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, with earlier application permitted.

The Group's sugarcane and coffee plantations qualify as bearer plants under the new definition in IAS 41. As required under IAS 8, the change in accounting policy applied retrospectively. As a consequence, the sugarcane planting and coffee plantations was reclassified to property, plant and equipment and measured at amortized cost and depreciated over their useful life on straight-line basis, effective January 1, 2016 and comparative figures retrospectively revised accordingly. The Group adopted the transitional rule which allows companies to apply fair value of bearer plants as their deemed cost as of January 1, 2014.

However, agricultural produce growing on sugarcane and coffee plantations will remain under the line biological asset and continue to be measured at fair value less cost to sell.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.1 Basis of preparation and presentation (continued)

These amendments resulted in changes in accounting policies and adjustments to the amounts and the results of the operations recognized in the financial statements as of and for the years ended December 31, 2016 and 2015, as follows:

Statements of Income (extracts)

	2015(Previous stated)	Increase/ (Decrease)	2015 (Revised)	2014(Previous stated)	Increase/ (Decrease)	2014 (Revised)
Cost of goods sold and services rendered	(505,693)	(52,093)	(557,886)	(545,281)	(60,044)	(605,325)
Change in fair value of biological assets	36,869	17,659	54,528	27,145	73,071	100,216
Profit / (Loss) before income tax	22,129	(34,434)	(12,305)	8,544	13,027	21,571
Income tax (expense) / benefit	(3,754)	11,708	7,954	(6,106)	(4,429)	(10,535)
Profit / (Loss) for the period	18,375	(22,726)	(4,351)	2,438	8,598	11,036
Attributable to:						
Equity holders of the parent	17,133	(22,726)	(5,593)	2,518	8,598	11,116
Non-controlling interests	1,242	-	1,242	(80)	-	(80)
	18,375	(22,726)	(4,351)	2,438	8,598	11,036
Basic earnings per share	0.142	(0.188)	(0.046)	0.021	0.071	0.092
Diluted earnings per share	0.140	(0.186)	(0.046)	0.021	0.070	0.091

Balance sheet (extracts)

	31 December 2015 (Prev. stated)	Increase/ (Decrease)	31 December 2015 (Revised)	1 January 2015 (Prev. stated)	Increase/ (Decrease)	1 January 2015 (Revised)
Biological assets	299,270	(187,452)	111,818	341,232	(216,496)	124,736
Property, plant and equipment	540,218	156,671	696,889	776,905	214,676	991,581
Deferred tax assets	60,857	7,887	68,744	45,597	(3,525)	42,072
Inventories	77,703	7,583	85,286	104,919	12,187	117,106
Total assets	978,048	(15,311)	962,737	1,268,653	6,842	1,275,495
Retained earnings	62,923	(14,128)	48,795	45,644	8,598	54,242
Cumulative Translation Adjustment	(567,133)	(1,183)	(568,316)	(395,804)	(1,756)	(397,560)
Total equity	542,730	(15,311)	(527,419)	770,385	6,842	777,227

Cash flow (extracts)

	31 December 2015 (Prev. stated)	Increase/ (Decrease)	31 December 2015 (Revised)	1 January 2015 (Prev. stated)	Increase/ (Decrease)	1 January 2015 (Revised)
Net cash generated from operating activities	153,914	(8,728)	145,186	133,133	(12,982)	120,151
Net cash used in investing activities	(133,779)	8,728	(125,051)	(313,454)	12,982	(300,472)

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.1 Basis of preparation and presentation (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective

Below is a description of the standards, amendments and interpretations issued by the IASB to existing standards that have been issued and are mandatory for the Group's fiscal periods beginning after January 1, 2015 and which have not been early adopted by the Group:

In May 2014, the IASB issued IFRS 15, "Revenue from contracts with customers", which deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group has not yet assessed the potential impact IFRS 15 may have on the financial position and results of operations of the Group.

In July 2014 the IASB published the final version of IFRS 9 Financial Instrument which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. It includes requirements on the classification and measurement of financial assets and liabilities, as well as an expected credit losses model that replaces the current incurred loss impairment model. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group has not yet assessed IFRS 9's full impact on the financial position and results of operations of the Group.

In September 2014, the IASB issued the amendments to IFRS 10, "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures", which addresses an acknowledged inconsistency between the requirements of both standards in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments must be applied on annual periods beginning on or after January 1, 2016. The Group is currently assessing the impact these amendments may have on the financial position and results of operations of the Group.

In January 2016, the IASB finished its long-standing project on lease accounting and published IFRS 16, 'Leases', which replaces the current guidance in IAS 17. This will require far-reaching changes in accounting by lessees in particular. The standard applies to annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. The Group has not yet assessed the potential impact IFRS 16 may have on the financial position and results of operations of the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.2 Scope of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiaries from the date that control commences to the date that control ceases. They also include the Group's share of the net income of its jointly-controlled entities on an equity-accounted basis from the point at which joint control commences, to the date that it ceases.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences and deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amount previously recognized in other comprehensive income in respect of that entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Joint arrangements

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.2 Scope of consolidation (continued)

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures and value them under the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income, respectively. When the share of losses of an investee equals or exceeds the carrying amount of an investment the Group discontinues applying the equity method, the investment is reduced to zero and does not record additional losses. If the investee subsequently reports net income, the Group would resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

32.3 Segment reporting

According to IFRS 8, operating segments are identified based on the 'management approach'. This approach stipulates external segment reporting based on the Group's internal organizational and management structure and on internal financial reporting to the chief operating decision maker (the Management Committee in the case of the Company)

32.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, in the line item "Finance income" or "Finance cost", as appropriate.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.5 Property, plant and equipment

Property, plant and equipment is recorded at cost, less accumulated depreciation and impairment losses, if any. Historical cost comprises the purchase price and any costs directly attributable to the acquisition. Under the definition of Property plant and equipment is included the bearer plants, such as sugarcane and coffe trees.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income when they are incurred.

The depreciation methods and periods used by the group are disclosed in Note 12.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other operating income, net" in the statement of income.

32.6 Investment property

Investment property consists of farmland for rental or for capital appreciation and not used in production or for sale in the ordinary course of business, and it is measured at cost less accumulated depreciation and any impairment losses if any.

32.7 Leases

The Group classifies its leases at the inception as finance or operating leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and charged to the statements of income in a straight-line basis over the period of the lease. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as "Borrowings"

32.8 Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognized by the Group on an acquisition. Goodwill on acquisition is initially measured at cost, being the excess of the consideration over the fair value of the Group's share of net assets of the acquired subsidiary undertaking at the acquisition date. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. It is allocated to those cash generating units expected to benefit from the acquisition for the purpose of impairment testing. Goodwill arising on the acquisition of subsidiaries is included within "Intangible assets" on the statement of financial position. Goodwill arising on the acquisition of foreign entities is treated as an asset of the foreign entity denominated in the local currency and translated at the closing rate.

Goodwill is not amortized but tested for impairment on an annual basis, or more frequently if there is an indication of impairment. Gains and losses on the disposal of a Group entity include any goodwill relating to the entity sold (see Note 32.10).

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.9 Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and impairment losses, if any. These intangible assets comprise trademarks and computer software and are amortized in the statement of income on a straight-line basis over their estimated useful lives estimated to be 10 to 20 years and 3 to 5 years, respectively.

32.10 Impairment of assets

Goodwill

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognized for goodwill cannot be reversed in a subsequent period. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted (see Note 33 (a) for details).

Property, plant and equipment and finite lived intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and other intangible assets which have finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, that carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

32.11 Biological assets

Biological assets comprise growing crops (mainly corn, wheat, soybeans, sunflower and rice), sugarcane, coffee and livestock (growing herd and cattle for dairy production).

The Group distinguishes between consumable and bearer biological assets, and between mature and immature biological assets. "Consumable" biological assets are those assets that may be harvested as agriculture produce or sold as biological assets, for example livestock intended for dairy production. "Bearer" biological assets are those assets capable of producing more than one harvest, for example sugarcane or livestock from which raw milk is produced. "Mature" biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets). "Immature" biological assets are those assets other than mature biological assets.

Costs are capitalized as biological assets if, and only if, (a) it is probable that future economic benefits will flow to the entity, and (b) the cost can be measured reliably. The Group capitalizes costs such as: planting, harvesting, weeding, seedlings, irrigation, agrochemicals, fertilizers and a systematic allocation of fixed and variable production overheads that are directly attributable to the management of biological assets, among others. Costs that are expensed as incurred include administration and other general overhead and unallocated production overhead, among others.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.11 Biological assets (continued)

Biological assets, both at initial recognition and at each subsequent reporting date, are measured at fair value less costs to sell, except where fair value cannot be reliably measured. Cost approximates fair value when little biological transformation has taken place since the costs were originally incurred or the impact of biological transformation on price is not expected to be material.

Gains and losses that arise on measuring biological assets at fair value less costs to sell and measuring agricultural produce at the point of harvest at fair value less costs to sell are recognized in the statement of income in the period in which they arise in the line item "Initial recognition and changes in fair value of biological assets and agricultural produce".

Where there is an active market for a biological asset or agricultural produce, quoted market prices in the most relevant market are used as a basis to determine the fair value. Otherwise, when there is no active market or market-determined prices are not available, fair value of biological assets is determined through the use of valuation techniques.

Therefore, the fair value of biological assets is generally derived from the expected discounted cash flows of the related agricultural produce. The fair value of the agricultural produce at the point of harvest is generally derived from market determined prices. A general description of the determination of fair values based on the Company's business segments follow:

- *Growing crops:*

Growing crops, for which biological transformation is not significant, are measured at cost, which approximates fair value. Expenditure on growing crops includes land preparation expenses and other direct expenses incurred during the sowing period including labor, seedlings, agrochemicals and fertilizers among others.

Otherwise, biological assets are measured at fair value less estimated point-of-sale costs at initial recognition and at any subsequent period. Point-of-sale costs include all costs that would be necessary to sell the assets

The fair value of growing crops excluding sugarcane and coffee is measured based on a formula, which takes into consideration the estimated crop yields, estimated market prices and costs, and discount rates. Yields are determined based on several factors including location of farmland, environmental conditions and other restrictions and growth at the time of measurement. Yields are multiplied by sown hectares to determine the estimated tons of crops to be obtained. The tons are then multiplied by a net cash flow determined at the future crop prices less the direct costs to be incurred. This amount is discounted at a discount rate, which reflects current market assessments of the assets involved and the time value of money.

- *Growing herd and cattle:*

Livestock are measured at fair value less estimated point-of-sale costs, with any changes therein recognized in the statement of income, on initial recognition as well as subsequently at each reporting period. The fair value of livestock is determined based on the actual selling prices less estimated point-of-sale costs in the markets where the Group operates.

- *Coffee:*

The agricultural produce growing on the coffee trees, are biological assets, and are valued at fair value less cost to sell. Projected costs include maintenance, pruning, land leasing, harvesting and coffee treatment. These estimates are discounted at an appropriate discount rate.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.11. Biological assets (continued)

- *Sugarcane:*

Sugarcane planting costs form part of Property plant and equipment. The agricultural produce growing on sugarcane is classified as biological assets and are measured at fair value less cost to sell. The fair value of agricultural produce growing on sugarcane depends on the variety, location and maturity of the plantation.

Agricultural produce growing in the Sugarcane, for which biological growth is not significant, is valued at cost, which approximates fair value. Expenditure on the agricultural produce growing in the sugarcane consists mainly of labor, agrochemicals and fertilizers among others. When it has attained significant biological growth, it is measured at fair value through a discounted cash flow model. Revenues are based on estimated yearly production volume (which will be destined to sugar, ethanol, energy and raw cane production) and the price is calculated as the average of daily prices for sugar future contracts (Sugar #11 ICE-NY contracts) for a six months period. Projected costs include maintenance and land leasing among others. These estimates are discounted at an appropriate discount rate.

32.12 Inventories

Inventories comprise of raw materials, finished goods (including harvested agricultural produce and manufactured goods) and others.

Harvested agricultural produce (except for rice and milk) are measured at net realizable value until the point of sale because there is an active market in the produce, there is a negligible risk that the produce will not be sold and there is a well-established practice in the industry carrying the inventories at net realizable value. Changes in net realizable value are recognized in the statement of income in the period in which they arise under the line item "Changes in net realizable value of agricultural produce after harvest".

All other inventories (including rice and milk) are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method.

32.13 Financial assets

Financial assets are classified in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition (see Note 17).

(a) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of income within "Other operating income, net" in the period in which they arise.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.13 Financial assets (continued)

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 32.15.

(b) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. This right must not be contingent on future events and must be enforceable in any case.

32.14 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Commodity future contract fair values are computed with reference to quoted market prices on future exchanges markets. The fair values of commodity options are calculated using year-end market rates together with common option pricing models. The fair value of interest rate swaps has been calculated using a discounted cash flow analysis.

The Group manages exposures to financial and commodity risks using hedging instruments that provide the appropriate economic outcome. The principal hedging instruments used may include commodity future contracts, put and call options, foreign exchange forward contracts and interest rate swaps. The Group does not use derivative financial instruments for speculative purposes.

The Group's policy is to apply hedge accounting to hedging relationships where it is both permissible under IAS 39, practical to do so and its application reduces volatility, but transactions that may be effective hedges in economic terms may not always qualify for hedge accounting under IAS 39. Any derivatives that the Group holds to hedge these exposures are classified as "held for trading" and are shown in a separate line on the face of the statement of financial position. The method of recognizing gains or losses on derivatives depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains and losses on commodity derivatives are classified within "Other operating income, net". Gains and losses on interest rate and foreign exchange rate derivatives are classified within "Financial results, net". The Group designates certain derivatives as hedges of the foreign currency risk associated with highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the instruments that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

Cash flow hedge

The effective portion of the gain or loss on the instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income within "Finance income" or "Finance cost", as appropriate.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.14 Derivative financial instruments and hedging activities (continued)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion is recognized in the statement of income within "Finance income" or "Finance cost", as appropriate.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

32.15 Trade and other receivables and trade and other payables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. In the case of receivables, less allowance for trade receivables.

An allowance for trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such evidence includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments. Subsequent recoveries of amounts previously written off are credited against selling expenses in the statement of income.

32.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. In the statements of cash flows, interest paid is presented within financing cash flows and interest received is presented within investing activities.

32.17 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost using the effective interest method. Borrowing costs are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

32.18 Provisions

Provisions are recognized when (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

32.19 Onerous contracts

The Group enters into contracts, which require the Group to sell commodities in accordance with the Group's expected sales. These contracts do not qualify as derivatives. These contracts are not recognized until at least one of the parties has performed under the agreement. However, when the contracts are onerous, the Group recognizes the present obligation under the contracts as a provision included within "Provision and other liabilities" in the statement of financial position. Losses under these onerous contracts are recognized within "Other operating income, net" in the statement of income.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.20 Current and deferred income tax

The Group's tax benefit or expense for each year comprises the charge for current tax payable and deferred taxation attributable to the Group's operating subsidiaries. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted at the date of the statement of financial position in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) effective in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group is able to control the timing of dividends from its subsidiaries and hence does not expect to remit overseas earnings in the foreseeable future in a way that would result in a charge to taxable profit. Hence deferred tax is recognized in respect of the retained earnings of overseas subsidiaries only to the extent that, at the date of the statement of financial position, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary.

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

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(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.21 Revenue recognition

The Group's primary activities comprise agricultural and agro-industrial activities.

The Group's agricultural activities comprise growing and selling agricultural produce. In accordance with IAS 41 "Agriculture", cattle are measured at fair value with changes therein recognized in the statement of income as they arise. Agricultural produce is measured at net realizable value with changes therein recognized in the statement of income as they arise. Therefore, sales of agricultural produce and cattle generally do not generate any separate gains or losses in the statement of income. See Notes 32.11 and 32.12 for additional details.

The Group's agro-industrial activities comprise the selling of manufactured products (i.e. industrialized rice, milk-related products, ethanol, sugar, energy, among others). These sales are measured at the fair value of the consideration received or receivable, net of returns and allowances, trade and other discounts, and sales taxes, as applicable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

The Group also provides certain agricultural-related services such as grain warehousing/conditioning and other services, e.g. handling and drying services. Revenue from services is recognized as services are provided.

The Group leases owned farmland property to third parties under operating lease agreements. Rental income is recognized on a straight-line basis over the period of the lease.

The Group is a party to a 10-year power agreement for the sale of electricity which expires in 2018. The delivery period starts in May and ends in November of each year. The Group is also a party to two 15-year power agreements which delivery period starts in March and ends in December of each year, these two agreements will expire in 2024 and 2025, respectively. Prices under all the agreements are adjusted annually for inflation. Revenue related to the sale of electricity under these two agreements is recorded based upon output delivered.

32.22 Farmlands sales

The Group's strategy is to profit from land appreciation value generated through the transformation of its productive capabilities. Therefore, the Group may seek to realize value from the sale of farmland assets and businesses.

Farmland sales are not recognized until (i) the sale is completed, (ii) the Group has determined that it is probable the buyer will pay, (iii) the amount of revenue can be measured reliably, and (iv) the Group has transferred to the buyer the risk of ownership, and does not have a continuing involvement. Gains from "farmland sales" are included in the statement of income under the line item "Other operating income, net".

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

32.23 Assets held for sale and discontinued operations

When the Group intends to dispose of, or classify as held for sale, a business component that represents a separate major line of business or geographical area of operations, or a subsidiary acquired exclusively with a view to resale, it classifies such operations as discontinued. The post tax profit or loss of the discontinued operations is shown as a single amount on the face of the statement of income, separate from the other results of the Group. Assets and liabilities classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a disposal rather than through continuing use. This condition is regarded as met only when management is committed to the sale (disposal), the sale (disposal) is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale (disposal) in its present condition. The statements of income for the comparative periods are represented to show the discontinued operations separate from the continuing operations.

32.24 Earnings per share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted net earnings per share is computed by dividing the net income for the period by the weighted average number of ordinary shares outstanding, and when dilutive, adjusted for the effect of all potentially dilutive shares, including share options, on an as-if converted basis.

32.25 Equity-settled share-based payments

The Group issues equity settled share-based payments to certain directors, senior management and employees. Options under the awards were measured at fair value at the date of grant. An expense is recognized to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the awards that will eventually vest. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognized immediately.

32.26 Research and development

Research phase expenditure is expensed as incurred. Development expenditure is capitalized as an internally generated intangible asset only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits. Research expenses have been immaterial to date. The Group has not capitalized any development expenses to date.

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

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33. Critical accounting estimates and judgments

Critical accounting policies are those that are most important to the portrayal of the Group's financial condition, results of operations and cash flows, and require management to make difficult, subjective or complex judgments and estimates about matters that are inherently uncertain. Management bases its estimates on historical experience and other assumptions that it believes are reasonable. The Group's critical accounting policies are discussed below.

Actual results could differ from estimates used in employing the critical accounting policies and these could have a material impact on the Group's results of operations. The Group also has other policies that are considered key accounting policies, such as the policy for revenue recognition. However, these other policies, which are discussed in the notes to the Group's financial statements, do not meet the definition of critical accounting estimates, because they do not generally require estimates to be made or judgments that are difficult or subjective.

(a) Impairment testing

At the date of each statement of financial position, the Group reviews the carrying amounts of its property, plant and equipment and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Group's property, plant and equipment items generally do not generate independent cash flows.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment review requires management to undertake certain judgments, including estimating the recoverable value of the CGU to which the goodwill relates, based on either fair value less costs-to-sell or the value-in-use, as appropriate, in order to reach a conclusion on whether it deems the goodwill is impaired or not.

For purposes of the impairment testing, each CGU represents the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Farmlands may be used for different activities that may generate independent cash flows. When farmlands are used for single activities (i.e. crops), these are considered as one CGU. When farmland businesses are used for more than one segment activity (i.e. crops and cattle or rental income), the farmland is further subdivided into two or more CGUs, as appropriate, for purposes of impairment testing. Generally, each separate farmland within Argentina and Uruguay are treated as single CGUs, while in Brazil, management identified a farmland together with its related mill as separate CGUs.

Based on these criteria, management identified a total amount of 39 CGUs as of September 30, 2016 and thirty-eight CGUs as of September 30, 2015.

As of September 30, 2016 and 2015, there were no impairment indicators on the Company's long lived assets. Therefore, the Group only tested those CGUs with allocated goodwill in Argentina, Brazil and Uruguay.

CGUs tested based on a fair-value-less-costs-to-sell model at September 30, 2016 and 2015:

As of September 30, 2016, the Group identified 11 CGUs in Argentina and Uruguay (2015: 11 CGUs) to be tested based on this model (all CGUs with allocated goodwill). Estimating the fair value less costs-to-sell is based on the best information available, and refers to the amount at which the CGU could be bought or sold in a current transaction between willing parties. In calculating the fair value less costs-to-sell, management may be assisted by the work of external advisors. When using this model, the Group applies the "sales comparison approach" as its method of valuing most properties. This method relies on results of sales of similar agricultural properties to estimate the value of the CGU. This approach is based on the theory that the fair value of a property is directly related to the selling prices of similar properties.

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

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(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

33. Critical accounting estimates and judgments (continued)

Fair values are determined by extensive analysis which includes current and potential soil productivity of the land (the ability to produce crops and maintain livestock) projected margins derived from soil use, rental value obtained for soil use, if applicable, and other factors such as climate and location. Farmland ratings are established by considering such factors as soil texture and quality, yields, topography, drainage and rain levels. Farmland may contain farm outbuildings. A farm outbuilding is any improvement or structure that is used for farming operations. Outbuildings are valued based on their size, age and design.

Based on the factors described above, each farm property is assigned different soil classifications for the purposes of establishing a value. Soil classifications quantify the factors that contribute to the agricultural capability of the soil. Soil classifications range from the most productive to the least productive.

The first step to establishing an assessment for a farm property is a sales investigation that identifies the valid farm sales in the area where the farm is located.

A price per hectare is assigned for each soil class within each farm property. This price per hectare is determined based on the quantitative and qualitative analysis mainly described above.

The results are then tested against actual sales, if any, and current market conditions to ensure the values produced are accurate, consistent and fair.

The following table shows only the 11 CGUs (2015: 11 CGUs) where goodwill was allocated at each period end and the corresponding amount of goodwill allocated to each one:

CGU / Operating segment / Country	September 30, 2016	September 30, 2015
La Carolina / Crops / Argentina	40	64
La Carolina / Cattle / Argentina	13	22
El Orden/ Crops / Argentina.....	60	97
El Orden/ Cattle / Argentina.....	5	8
La Guarida / Crops / Argentina	405	658
La Guarida / Cattle / Argentina	330	536
Los Guayacanes / Crops / Argentina	511	830
Doña Marina / Rice / Argentina	1,803	2,930
Huelen / Crops / Argentina.....	2,020	3,283
El Colorado / Crops / Argentina.....	890	1,446
El Colorado / Cattle / Argentina.....	130	211
Closing net book value of goodwill allocated to CGUs tested (Note 14).....	6,207	10,085
Closing net book value of PPE items and other assets allocated to CGUs tested.....	36,901	54,272
Total assets allocated to CGUs tested	43,108	64,357

Based on the testing above, the Group determined that none of the CGUs, with allocated goodwill, were impaired at September 30, 2016 and 2015.

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

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Notes to the Consolidated Financial Statements (Continued)

(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

33. Critical accounting estimates and judgments (continued)

CGUs tested based on a value-in-use model at September 30, 2016 and 2015:

As of September 30, 2016, the Group identified 3 CGUs (2015: 3 CGUs) in Brazil to be tested base on this model (all CGUs with allocated goodwill). In performing the value-in-use calculation, the Group applied pre-tax rates to discount the future pre-tax cash flows. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information, such as appropriate market data. In calculating value-in-use, management may be assisted by the work of external advisors.

The key assumptions used by management in the value-in-use calculations which are considered to be most sensitive to the calculation are:

Key Assumptions	September 30, 2016	September 30, 2015
Financial projections	Covers 4 years for UMA Cover 7 years for AVI	Covers 4 years for UMA Cover 7 years for AVI
Yield average growth rate	0-1%	0-1%
Future pricing increases	3% per annum	1% per annum
Future cost increases	3% per annum	1% per annum
Discount rates	6.22%	6.5%
Perpetuity growth rate	2.0%	2%

Discount rates are based on the risk-free rate for U. S. government bonds, adjusted for a risk premium to reflect the increased risk of investing in South America and Brazil in particular. The risk premium adjustment is assessed for factors specific to the respective CGUs and reflects the countries that the CGUs operate in.

The following table shows only the 3 CGUs where goodwill was allocated at each period end and the corresponding amount of goodwill allocated to each one:

CGU/ Operating segment	September 30, 2016	September 30, 2015
AVI / Sugar, Ethanol and Energy	4,892	3,997
UMA / Sugar, Ethanol and Energy	2,564	2,122
Closing net book value of goodwill allocated to CGUs tested (Note 14).....	7,456	6,119
Closing net book value of PPE items and other assets allocated to CGUs tested	689,857	554,688
Total assets allocated to 3 CGUs tested...	697,313	560,807

Based on the testing above, the Group determined that none of the CGUs, with allocated goodwill, were impaired at September 30, 2016 and 2015.

Management views these assumptions as conservative and does not believe that any reasonable change in the assumptions would cause the carrying value of these CGU's to exceed the recoverable amount.

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

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(All amounts in US\$ thousands, except shares and per share data and as otherwise indicated)

33. Critical accounting estimates and judgments (continued)

(b) Biological assets

The nature of the Group's biological assets and the basis of determination of their fair value are explained under Note 32.11. The discounted cash flow model requires the input of highly subjective assumptions including observable and unobservable data. Generally the estimation of the fair value of biological assets is based on models or inputs that are not observable in the market and the use of unobservable inputs is significant to the overall valuation of the assets. Unobservable inputs are determined based on the best information available, for example by reference to historical information of past practices and results, statistical and agronomical information, and other analytical techniques. Key assumptions include future market prices, estimated yields at the point of harvest, estimated production cycle, future cash flows, future costs of harvesting and other costs, and estimated discount rate.

Market prices are generally determined by reference to observable data in the principal market for the agricultural produce. Harvesting costs and other costs are estimated based on historical and statistical data. Yields are estimated based on several factors including the location of the farmland and soil type, environmental conditions, infrastructure and other restrictions and growth at the time of measurement. Yields are subject to a high degree of uncertainty and may be affected by several factors out of the Group's control including but not limited to extreme or unusual weather conditions, plagues and other crop diseases, among other factors.

The key assumptions discussed above are highly sensitive. Reasonable shifts in assumptions including but not limited to increases or decreases in prices, costs and discount factors used would result in a significant increase or decrease to the fair value of biological assets. In addition, cash flows are projected over a number of years and based on estimated production. Estimates of production in themselves are dependent on various assumptions, in addition to those described above, including but not limited to several factors such as location, environmental conditions and other restrictions. Changes in these estimates could materially impact on estimated production, and could therefore affect estimates of future cash flows used in the assessment of fair value (see Note 15).

(c) Fair value of derivatives and other financial instruments

Fair values of derivative financial instruments are computed with reference to quoted market prices on trade exchanges, when available. The fair values of commodity options are calculated using year-end market rates together with common option pricing models. The fair value of interest rate swaps has been calculated using a discounted cash flow analysis.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are reviewed each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be settled. Deferred tax assets and liabilities are not discounted. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment (see Note 10 for details).

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