

(A free translation of the original in Portuguese)

Adecoagro Vale do Ivinhema S.A.

***Parent company and consolidated
financial statements at
December 31, 2020
and independent auditor's report***



Independent auditor's report

To the Board of Directors and Stockholders
Adecoagro Vale do Ivinhema S.A.

Opinion

We have audited the accompanying parent company financial statements of Adecoagro Vale do Ivinhema S.A. ("Company" or "Parent Company"), which comprise the balance sheet as at December 31, 2020 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Adecoagro Vale do Ivinhema S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adecoagro Vale do Ivinhema S.A. and of Adecoagro Vale do Ivinhema S.A. and its subsidiaries as at December 31, 2020, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter - Related parties

We draw attention to Note 24 to the financial statements, which describes that the Company maintains balances and carries out transactions with its parent company and other related parties in amounts that are significant in relation to its financial position and results of operations. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

The parent company and consolidated statements of value added for the year ended December 31, 2020, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the



Adecoagro Vale do Ivinhema S.A.

audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

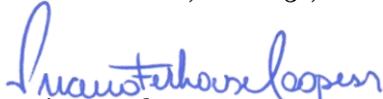


Adecoagro Vale do Ivinhema S.A.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ribeirão Preto, March 31, 2021


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Luis Fernando de Souza Maranhã
Contador CRC 1SP201527/O-5

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Adecoagro Vale do Ivinhema S.A.

Balance sheet at December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	Parent company		Consolidated	
		2020	2019	2020	2019
Current assets					
Cash and cash equivalents	6	989,868	636,890	1,056,181	684,054
Derivative financial instruments	7	40,231	12,545	40,231	12,545
Trade and other receivables	8	64,063	73,820	73,887	81,023
Inventories	9	259,661	201,475	296,000	230,076
Biological assets	11	354,171	200,934	390,836	224,275
Taxes recoverable	10	68,397	65,568	72,856	70,574
Dividends receivable		17,746	9,458		
Receivables from related parties	24	1,591	699	49	55
Other assets	12	24,471	32,991	28,141	35,666
		<u>1,820,199</u>	<u>1,234,380</u>	<u>1,958,181</u>	<u>1,338,268</u>
Non-current assets					
Long-term receivables					
Trade and other receivables					
	8		68,712		68,712
Taxes recoverable	10	90,604	58,335	91,416	59,305
Judicial deposits	21	8,499	8,778	9,787	10,108
Derivative financial instruments	7	10,141		10,141	
Deferred income tax and social contribution	23	134,851	65,200	134,265	65,473
Other assets	12	19,711	14,094	21,150	15,398
		<u>263,806</u>	<u>215,119</u>	<u>266,759</u>	<u>218,996</u>
Investments	13	144,530	136,272		
Property, plant and equipment	14	2,311,257	2,320,674	2,495,629	2,491,271
Intangible assets	15	20,809	20,136	26,667	26,049
Right-of-use	16	974,870	873,055	1,041,577	930,140
		<u>3,715,272</u>	<u>3,565,256</u>	<u>3,830,632</u>	<u>3,666,456</u>
Total assets		<u><u>5,535,471</u></u>	<u><u>4,799,636</u></u>	<u><u>5,788,813</u></u>	<u><u>5,004,724</u></u>

Adecoagro Vale do Ivinhema S.A.

Balance sheet at December 31

All amounts in thousands of reais

(continued)

	Note	Parent company		Consolidated	
		2020	2019	2020	2019
Liabilities and equity					
Current liabilities					
Trade payables		156,392	102,390	170,391	112,513
Lease liabilities	17	142,599	139,652	159,741	152,065
Borrowings	18	245,548	83,556	267,199	108,228
Borrowings from related parties	18	38,928	33,684	40,813	35,362
Derivative financial instruments	7	35,777	5,413	35,777	5,413
Salaries and payroll charges	19	68,112	63,279	79,142	75,451
Taxes payable	20	20,450	21,791	25,662	27,658
Dividends payable		56,946	58,416	56,946	58,416
Other liabilities	22	13,467	6,504	16,618	8,653
		<u>778,219</u>	<u>514,685</u>	<u>852,289</u>	<u>583,759</u>
Non-current liabilities					
Lease liabilities	17	751,222	649,558	797,441	688,863
Borrowings	18	1,169,887	832,991	1,215,520	859,291
Borrowings from related parties	18	1,684,245	1,399,953	1,766,046	1,465,379
Provision for contingencies	21	7,927	6,807	11,163	10,222
Other liabilities	22	1,170	1,058	2,745	1,949
		<u>3,614,451</u>	<u>2,890,367</u>	<u>3,792,915</u>	<u>3,025,704</u>
Total liabilities		<u>4,392,670</u>	<u>3,405,052</u>	<u>4,645,204</u>	<u>3,609,463</u>
Equity	26				
Attributable to owners of the parent					
Capital		1,155,865	1,335,865	1,155,865	1,335,865
Capital reserves		13,455	11,512	13,455	11,512
Revenue reserves		538,188	285,374	538,188	285,374
Carrying value adjustments		(564,707)	(238,167)	(564,707)	(238,167)
		<u>1,142,801</u>	<u>1,394,584</u>	<u>1,142,801</u>	<u>1,394,584</u>
Non-controlling interests				808	677
Total equity		<u>1,142,801</u>	<u>1,394,584</u>	<u>1,143,609</u>	<u>1,395,261</u>
Total liabilities and equity		<u><u>5,535,471</u></u>	<u><u>4,799,636</u></u>	<u><u>5,788,813</u></u>	<u><u>5,004,724</u></u>

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

Adecoagro Vale do Ivinhema S.A.

Statement of income Years ended December 31

All amounts in thousands of reais unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2020	2019	2020	2019
Revenue from contracts with customers	28	1,792,587	1,563,797	2,034,877	1,802,395
Cost of sales	29	(1,278,518)	(1,154,696)	(1,433,411)	(1,304,574)
Changes in the fair value of biological assets and agricultural products	12.2	257,746	44,807	279,860	53,029
Gross profit		771,815	453,908	881,326	550,850
Selling expenses	30	(113,627)	(64,195)	(132,540)	(79,924)
Administrative expenses	30	(55,968)	(74,788)	(77,030)	(90,164)
Other income, net	31	57,748	46,123	54,110	43,382
Share of profit of subsidiaries	13	39,738	47,268		
Operating profit before finance result		699,706	408,316	725,866	424,144
Finance income	32	19,122	17,901	20,141	21,834
Finance costs	32	(290,758)	(184,357)	(308,251)	(197,167)
Finance result		(271,636)	(166,456)	(288,110)	(175,333)
Profit before income tax and social contribution		428,070	241,860	437,756	248,811
Income tax and social contribution	23.2	(93,899)	(8,294)	(103,585)	(15,245)
Profit for the year		334,171	233,566	334,171	233,566
Attributable to:					
Owners of the parent		334,171	233,566	334,171	233,566
Weighted average number of common shares in the year (in thousands)				1,335,865	1,347,698
Basic and diluted earnings per thousand shares - R\$				250.15	173.31

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

Adecoagro Vale do Ivinhema S.A.

Statement of comprehensive income Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit for the year	334,171	233,566	334,171	233,566
Other comprehensive income				
Items that will be reclassified to profit or loss				
Losses on cash flow hedge, net of taxes	(312,127)	(42,603)	(312,127)	(42,603)
Losses on cash flow hedge of investees, net of taxes	(13,734)	(2,265)	(13,734)	(2,265)
	<u>(325,861)</u>	<u>(44,868)</u>	<u>(325,861)</u>	<u>(44,868)</u>
Total comprehensive income for the year	<u>8,310</u>	<u>188,698</u>	<u>8,310</u>	<u>188,698</u>

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

Adecoagro Vale do Ivinhema S.A.

Statement of changes in equity

All amounts in thousands of reais

(A free translation of the original in Portuguese)

											Parent company		Consolidated
	Note	Capital reserve		Revenue reserves			Carrying value adjustments			Retained earnings (accumulated deficit)	Total equity	Non-controlling interests	Total equity
		Capital	Restricted share plan (Note 33.1)	Reserve for grants	Legal reserve	Profits to be distributed	Hedge accounting	Hedge accounting of investees	Deemed cost				
At January 1, 2019		1,347,698	7,073	107,401	11,015	4,765	(188,675)	(11,654)	7,985	(13,936)	1,271,672	427	1,272,099
Share-based compensation plan	33.1.1		7,600								7,600	445	8,045
Reimbursement of restricted shares	33.1.1		(3,161)								(3,161)	(195)	(3,356)
Realization of the deemed cost, net of taxes									(955)	955			
Cash flow hedge, net of taxes	26.6.1						(42,603)				(42,603)		(42,603)
Cash flow hedge of investees, net of taxes								(2,265)			(2,265)		(2,265)
Split-off of investments in subsidiary	13.2	(11,833)									(11,833)		(11,833)
Profit for the year										233,566	233,566		233,566
Allocation of profit:													
Transfer between reserves	26.2			137,042	4,826	20,325				(162,193)			
Proposed dividends										(58,392)	(58,392)		(58,392)
At December 31, 2019		1,335,865	11,512	244,443	15,841	25,090	(231,278)	(13,919)	7,030		1,394,584	677	1,395,261
At January 1, 2020		1,335,865	11,512	244,443	15,841	25,090	(231,278)	(13,919)	7,030		1,394,584	677	1,395,261
Realization of revenue reserves due to the payment of dividends						(25,090)					(25,090)		(25,090)
Share-based compensation plan	33.1.1		5,040								5,040	329	5,369
Reimbursement of restricted shares	33.1.1		(3,097)								(3,097)	(198)	(3,295)
Realization of the deemed cost, net of taxes	26.6.1								(679)	679			
Cash flow hedge, net of taxes							(312,127)				(312,127)		(312,127)
Cash flow hedge of investees, net of taxes								(13,734)			(13,734)		(13,734)
Capital decrease	13.2	(180,000)									(180,000)		(180,000)
Profit for the year										334,171	334,171		334,171
Allocation of profit:													
Transfer between reserves	26.2			90,359	16,709	170,836				(277,904)			
Proposed dividends										(56,946)	(56,946)		(56,946)
At December 31, 2020		1,155,865	13,455	334,802	32,550	170,836	(543,405)	(27,653)	6,351		1,142,801	808	1,143,609

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

Adecoagro Vale do Ivinhema S.A.

Statement of cash flows

Year ended December 31, 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash flows from operating activities				
Profit before income tax and social contribution	428.070	241.860	437.756	248.815
Adjustments				
Depreciation and amortization	592.501	571.082	645.556	623.958
Depreciation of right-of-use assets (i)	157.372	132.984	173.313	146.828
Changes in impairment of assets		(210)	(47)	(238)
Changes in the fair value of biological assets and agricultural products	(257.746)	(44.807)	(279.860)	(53.029)
Adjustment to present value of lease transactions (i)	41.035	24.726	43.828	25.717
Disposal/ write-off of property, plant and equipment and intangible assets	(1.677)	(9.159)	(924)	(8.562)
Profit/loss on sale of subsidiary		(38.555)		(38.555)
Impairment of trade receivables	272	182	276	379
Share-based compensation payment	5.040	7.600	5.369	8.045
Gain/loss on equity interests	(39.738)	(47.268)		
Gain/loss on derivative instruments, net of hedge accounting	(8.774)	(68.009)	4.130	(68.009)
Finance result, net of hedge accounting	196.930	209.717	196.930	220.291
Adjustment to fair value of receivables	(28.779)	(5.031)	(28.779)	(5.031)
Changes in provision for contingencies	815	(781)	605	(864)
	1.085.322	974.330	1.198.154	1.099.744
Changes in assets and liabilities				
Trade and other receivables	(13.555)	20.153	(18.372)	28.447
Derivative financial instruments	9.721	4.142	9.721	4.142
Inventories	(54.734)	(12.829)	(62.425)	(13.238)
Biological assets	104.509	13.385	113.299	13.054
Taxes recoverable	(33.169)	21.705	(32.548)	23.168
Judicial deposits	584	296	583	646
Other assets	2.903	(17.374)	1.773	(18.553)
Trade payables (i)	45.401	(29.790)	49.754	(32.402)
Salaries and payroll charges	4.833	550	3.691	1.263
Taxes payable	(1.341)	(4.925)	(1.975)	(4.298)
Dividends payable		30.141		30.124
Leases and other liabilities	(200.893)	(171.925)	(216.081)	(186.127)
Cash provided by operations	949.581	827.859	1.045.574	945.970
Income tax and contributions paid	(2.757)		(4.445)	(2.114)
Interest paid	(187.192)	(154.723)	(199.476)	(165.937)
Net cash provided by operating activities	759.632	673.136	841.653	777.919
Cash flows from investing activities				
Capital reduction in investee		25.000		
Purchases of property, plant and equipment (i)	(648.153)	(646.171)	(711.938)	(698.280)
Purchases of intangible assets	(3.598)	(5.988)	(3.864)	(6.262)
Interest received	11.325		11.323	546
Proceeds from sale of subsidiaries	21.616	22.341	21.616	22.341
Dividends received	9.458	30.100		
Proceeds from sale of property, plant and equipment	12.503	2.149	13.001	2.890
Net cash used in investing activities	(596.849)	(572.569)	(669.862)	(678.765)
Cash flows from financing activities				
New borrowings	660.103	537.435	769.256	609.444
Repayments of borrowings	(279.156)	(300.574)	(376.857)	(372.148)
Repayments of borrowings from related parties	(94.848)	(149.234)	(96.853)	(149.234)
Payments of derivative financial instruments	(8.410)		(8.410)	
Receipt from/payment to related parties	(892)	79		
Dividends paid to owners of the parent	(83.506)	(28.250)	(83.506)	(28.250)
Reimbursement of restricted shares	(3.097)	(3.168)	(3.295)	(3.363)
Net cash provided by financing activities	190.194	56.288	200.335	56.449
Increase in cash and cash equivalents, net	352.978	156.855	372.127	155.606
Cash and cash equivalents at the beginning of the year	636.890	480.035	684.054	528.448
Cash and cash equivalents at the end of the year	989.868	636.890	1.056.181	684.054

(i) Non-cash transactions are presented in Note 28.

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

Adecoagro Vale do Ivinhema S.A.

Statement of value added Year ended December 31, 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2020	2019	2020	2019
Revenue				
Gross sales and services	1,960,519	1,835,146	2,232,425	2,105,072
Changes in the fair value of biological assets	257,746	44,807	279,860	53,029
Other income	416,172	446,229	438,488	463,052
Provision for impairment of trade receivables	(272)	(182)	(276)	(379)
	<u>2,634,165</u>	<u>2,326,000</u>	<u>2,950,497</u>	<u>2,620,774</u>
Inputs acquired from third parties				
Cost of sales and services	(544,865)	(433,417)	(604,973)	(479,703)
Transportation expenses	(102,701)	(53,317)	(111,507)	(61,393)
Electricity	(3,583)	(3,729)	(4,325)	(5,112)
Third-party services	(70,556)	(71,248)	(79,566)	(80,017)
Impairment/recovery of assets	(1,141)	2,367	(2,619)	3,112
Other expenses	(86,453)	(97,125)	(101,399)	(109,266)
	<u>(809,299)</u>	<u>(656,469)</u>	<u>(904,389)</u>	<u>(732,379)</u>
Gross value added	1,824,866	1,669,531	2,046,108	1,888,395
Depreciation and amortization	(749,873)	(704,066)	(818,869)	(770,786)
	<u>1,074,993</u>	<u>965,465</u>	<u>1,227,239</u>	<u>1,117,609</u>
Net value added generated by the entity				
Value added received through transfer				
Share of profit of subsidiaries	39,738	47,268		
Finance income	19,122	17,901	20,141	21,834
	<u>1,133,853</u>	<u>1,030,634</u>	<u>1,247,380</u>	<u>1,139,443</u>
Total value added to distribute				
Distribution of value added				
Personnel:				
Direct compensation	(244,736)	(247,693)	(288,942)	(292,182)
Benefits	(55,661)	(51,387)	(70,566)	(63,771)
Government Severance Indemnity Fund for Employees (FGTS)	(18,095)	(22,006)	(21,263)	(25,178)
Taxes and contributions:				
Federal	(61,557)	(79,095)	(70,880)	(87,760)
State	(120,824)	(205,042)	(144,166)	(229,744)
Municipal	(164)	(125)	(167)	(144)
Interest and foreign exchange gains/losses	(290,758)	(184,357)	(308,251)	(197,167)
Rentals	(7,887)	(7,363)	(8,974)	(9,931)
Dividends	(56,946)	(58,392)	(56,946)	(58,392)
Profits reinvested for the year	(277,225)	(175,174)	(277,225)	(175,174)
	<u>(1,133,853)</u>	<u>(1,030,634)</u>	<u>(1,247,380)</u>	<u>(1,139,443)</u>
Value added distributed				

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

(A free translation of the original in Portuguese)

Adecoagro Vale do Ivinhema S.A.

Notes to the financial statements

at December 31, 2020

All amounts in thousands of reais unless otherwise stated

1 General information

1.1 Operating activities

Adecoagro Vale do Ivinhema S.A. (the "Company"), headquartered in Angélica, State of Mato Grosso do Sul, was formed on March 17, 2006; its corporate objectives include the production and sale of sugar and ethanol, and the co-generation and sale of electricity. In addition to its own sugar cane production, the Company also purchases processed sugar cane from third parties (agricultural partners and suppliers). The Company's main stockholder is Adecoagro Brasil Participações S.A., which, together with other subsidiaries and associates, forms the Adecoagro Group (Note 1.2).

In the 2020/2021 crop, approximately 4,483,000 metric tons of sugar cane (2019/2020 - 4,738,000 metric tons) were crushed at the Angelica plant, with the production of 271,361 metric tons of VHP sugar, 183,913 cubic meters of anhydrous ethanol, 9,125 cubic meters of hydrated ethanol and 438,884 Megawatt/hour of electricity (2019/2020 - 84,114 metric tons of VHP sugar, 246,136 cubic meters of anhydrous ethanol, 77,737 cubic meters of hydrated ethanol and 542,797 Megawatt/hour of electricity).

In the 2020/2021 crop, approximately 5,538,000 metric tons of sugar cane (2019/2020 - 4,898,000 metric tons) were crushed at the Ivinhema plant, with the production of 295,009 metric tons of VHP sugar, 269,014 cubic meters of hydrated ethanol and 391,973 Megawatt/hour of electricity (2019/2020 - 50,885 metric tons of VHP sugar, 384,537 cubic meters of hydrated ethanol and 600,819 Megawatt/hour of electricity).

In the 2020/2021 crop, the subsidiary Adecoagro Energia Ltda ("AEN"), located in Ivinhema, State of Mato Grosso do Sul, produced a volume of 185,161 Megawatt/hour of electricity (2019 - 256,091 Megawatt/hour of electricity).

In the 2020/2021 crop, approximately 1,083,000 metric tons of sugar cane (2019/2020 - 1,209,312 metric tons) were crushed at the plant of the subsidiary Usina Monte Alegre Ltda. ("UMA"), of which 129,994 metric tons arose from the third harvest of sugar cane receiving organic treatment (2019 - 29,260 metric tons), with the production of 41,484 metric tons of VHP sugar, 30,467 metric tons of white sugar, 8,659 metric tons of organic sugar, 37,655 thousand cubic meters of hydrated ethanol, 2,462 thousand cubic meters of organic ethanol and 67,545 Megawatt/hour of electricity (2019/2020 - 37,595 metric tons of VHP sugar, 38,879 metric tons of white sugar, 1,783 metric tons of organic sugar, 48,083 thousand cubic meters of hydrated ethanol and 82,361 Megawatt/hour of electricity).

In 2020, the Company and UMA were certified by the RenovaBio decarbonization credit (CBIO) program. During the year, 491,756 CBIOs were traded and recognized in "Other income and expenses, net". At December 31, 2020, there were 2,512 CBIOs in inventory, which had already been input into the digital bookkeeping system, available for sale at acquisition cost.

The RenovaBio (CBIO) program is included in the Brazilian biofuels policy established by the Federal Government (Law 13,576/2017) and regulated by the Ministry of Mines and Energy (Ordinance 419/2019). To be entitled to the credit and make it available for sale, companies are required to obtain the certification, which describes the metrics for conversion of the biofuel sold into CBIOs. This conversion is made by an independent certification body. After the sales of the products and the digital bookkeeping of the credits by a specific body (SERPRO), they are traded on the Brazilian stock exchange ("B3").

In 2019, pursuing a market opportunity, the Company sold its subsidiary Q065 Negócios Imobiliária Ltda., the main asset of which is Fazenda Alto Alegre (Tocantins-GO) (Note 13.2).

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The Company has investments in subsidiaries whose business is the production of sugar and ethanol and the co-generation and sale of electricity, as well as the production, processing, storage, sale, import and export of agricultural products.

1.2 The Adecoagro Group

The Adecoagro Group (the "Group") is one of the main producers of food and renewable energy in South America. It operates in Argentina, Brazil and Uruguay, carrying out activities related to the production of grains, rice, oilseeds, peanuts, dairy products and their byproducts, sugar and ethanol, on its own or partnership land, in addition to the co-generation of electricity.

In Brazil, its operations comprise the production of ethanol, sugar, electricity, soybean, corn and rice in the states of Mato Grosso do Sul and Minas Gerais, and are represented by the following companies:

- Adecoagro Brasil Participações S.A. (the Group's parent company)
- Adeco Agropecuária Brasil Ltda.
- Adecoagro Vale do Ivinhema S.A. (operational holding company)
- Usina Monte Alegre Ltda.
- Adecoagro Energia Ltda.
- Monte Alegre Combustíveis Ltda.
- Angélica Energia Ltda. (dormant)
- Adecoagro Agricultura e Participações Ltda. (subsidiary of Adecoagro LP SCS)

These companies share the corporate structure, as well as apportioned corporate, management and operating costs (Note 24.1). The Group is controlled by Adecoagro S.A., a listed company with shares traded on the New York Stock Exchange, headquartered in Luxembourg.

1.3 COVID-19 effects

In December 2019, a new strain of Coronavirus ("COVID-19") was reported in China which began spreading globally and in March 2020 the World Health Organization ("WHO") declared it to be a pandemic. Effects on economic activities worldwide have been extensive. The Brazilian government formed a crisis committee to monitor the impacts of COVID-19 and announced several measures (related to tax and other matters) to mitigate the effects of the disease. Brazilian public health authorities, as well as several state and local authorities, have adopted or recommended measures to protect the population's health and wellbeing.

The Company and its subsidiaries have been monitoring the effects of COVID on their businesses and on the main estimates and critical accounting judgments, as well as on other balances that could generate uncertainties and affect the financial statements. The more significant matters are described below:

- a) Measures to protect its internal controls and business processes;
- b) Monitoring effects on revenue and margins from a potential decrease in demand;
- c) Effects on the realizable value of inventories (CPC 16/ IFRS IAS2 - "Inventories");
- d) Effects on impairment of property, plant and equipment and intangible assets (CPC 01/ IAS 36 - "Impairment of assets");
- e) Risk of losses on financial assets (CPC 48/ IFRS 9 - "Financial Instruments");
- f) Impact on cash flows from restrictions on access to borrowings and the covenant breaches.

Having analyzed these potential risks management did not identify significant impacts on the financial statements for the year ended December 31, 2020.

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The Company and its subsidiaries responded quickly and assertively creating a Crisis Committee charged with oversight over the prevention protocols customized for each unit, measures taken to identify weaknesses and risks and actions for protection, control and prevention from the contagion within the Company's working environment safeguarding suppliers, customers and business partners.

The road and port terminal activities serving the Company and its subsidiaries' agricultural and manufacturing operations have been operating without significant interruptions. However, the demand for the Company's ethanol in the second quarter of the year, at the height of the pandemic, was partially reduced. This had little effect on profit or loss due to a production mix strategy change, prioritizing the production of sugar, which benefitted from the higher prices and a strong U.S. dollar exchange rate, resulting in an increase of 6% in total revenue in relation to 2019. Demand and prices for ethanol subsequently returned at higher amounts compared to the prior year.

Short-term and long-term liquidity have been unaffected. The Company's debt structure includes maturity tenures of over five years and U.S. dollar debt is mostly for payable to related parties.

The Company has been closely monitoring the situation taking the necessary measures to protect individuals and ensuring its operations continue as a going concern.

2 Summary of significant accounting policies

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

The significant accounting policies adopted by the Company are described in specific explanatory notes, related to the items presented.

The financial statements have been prepared under the historical cost convention and were adjusted to reflect the appreciation of property, plant and equipment items recorded in 2009. Financial assets and financial liabilities (including derivative instruments) are adjusted to reflect fair value measurement.

2.1 Changes in accounting policies and disclosures

The following standards are effective for the year beginning on January 1, 2020. The adoption of these standards by the Group did not have significant impacts on its financial statements:

- Changes in the conceptual framework for CPC standards;
- Definition of business (amendments to CPC 15);
- Definition of material (amendments to CPC 26 and CPC 23);
- Impact of the initial adoption of the changes of the Interest Rate Benchmark Reform (amendments to CPC 40 and CPC 48);
- Revised Conceptual Framework for Financial Reporting; and
- Impact of the initial application of the amendment to CPC 06—"COVID-19-Related Rent Concessions" (amendments to CPC 06).

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There are no other CPCs or ICPC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

2.2 Presentation of the financial statements

The parent company and consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil issued by the Brazilian Accounting Pronouncements Committee (CPCs), and disclose all information significant to the financial statements, which is consistent with the information utilized by management in the performance of its duties. The issue of these financial statements was authorized by the Company's management on March 31, 2021.

In the parent company financial statements, subsidiaries are recorded on the equity method of accounting. Adjustments are made in the parent company and consolidated financial statements to reflect the same profit or loss and equity attributable to the owners of the parent company.

2.2.1 Consolidation

The following accounting practices are applied in the preparation of the consolidated financial statements.

(a) Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it 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 on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between consolidated companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting practices of subsidiaries have been changed, where necessary, to ensure consistency with the practices adopted by the Company.

The consolidated financial statements include the financial statements of the parent company and its subsidiaries, namely:

- Adecoagro Vale do Ivinhema S.A. (Parent company)
- Usina Monte Alegre Ltda.
- Adecoagro Energia Ltda.
- Angélica Energia Ltda.
- Monte Alegre Combustíveis Ltda.

2.3 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Brazilian Reais/Reais (R\$), which is the Company's functional and presentation currency.

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b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions or the dates of valuation when 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, except when designated for hedge accounting and, therefore, deferred in equity as cash flow hedges.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and trade receivables are presented in the statement of income within "Finance income or costs".

2.4 Financial assets

2.4.1 Classification and measurement

The Company and its subsidiaries assess which business models apply to the financial assets held by the Company and classify the financial instruments into the appropriate categories: debt instruments and equity instruments. At initial recognition, a financial asset is measured: at fair value through profit or loss; at amortized cost; or at fair value through other comprehensive income.

Financial assets are not reclassified subsequent to initial recognition, unless the Company changes the business model for managing the financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period subsequent to the change in business model.

(a) Fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivative instruments and debt instruments, the cash flow characteristics of which are not held within a business model whose objective is to collect contractual cash flows or to collect contractual cash flows and sell (Note 5.1).

c) Amortized cost

The financial assets classified as amortized cost are investments, the business model of which establishes that they are held for the collection of contractual cash flows, which represent only payments of principal and interest on the principal amount (Note 5.1).

d) Fair value through other comprehensive income

Debt instruments at fair value through other comprehensive income, with gains or losses reversed to profit or loss on derecognition. Financial assets, when present, comprise debt instruments that are held within a business model to collect cash flows and sell.

2.4.2 Recognition and measurement

Normal purchases and sales of financial assets are recognized on the trade date, upon fulfillment of the obligations by the parties. 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

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Loans and receivables are carried at amortized cost using the effective interest rate method. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred, and the Company and its subsidiaries have transferred substantially all the risks and rewards of ownership.

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 "Finance income" or "Finance costs".

2.4.3 Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company and its subsidiaries use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1.

2.4.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.5 Derivative financial instruments and hedging activities

Derivative financial instruments are recognized initially at fair value. Fair value is the value at which an asset can be realized and a liability settled between knowledgeable and willing parties under normal market conditions. The fair value of derivative financial instruments can be obtained from market prices or from pricing models that consider current market rates, as well as the credit quality of the counterparty. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Changes in the fair value of the derivative financial instrument are recognized in profit or loss during the year, except when these are cash flow hedge instruments, where hedge accounting is adopted and changes in fair value are recognized in comprehensive income.

The Company and its subsidiaries have adopted hedge accounting and designated the following instruments and items as hedges:

a) Hedging instruments

- Non-derivative debt financial instruments, linked to the U.S. dollar (Advances on Foreign Exchange Contracts (ACC)), Export Prepayment (PPE), Related parties Export Credit Note (NCE), among others);
- Derivative financial instruments (Exchange rate swap).

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b) Hedging transactions

- Forecasts of sales or firm futures commitments, both related to commodities and denominated in foreign currency (USD), considered as highly probable because they are based on the sales projections of the sales department.

c) Hedged risks

- Hedged risk is the risk of exchange variations of one dollar for one dollar in future exports of commodities due to fluctuations of the U.S. dollar in comparison with the Brazilian Real.

2.5.1 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity within "Carrying value adjustments". The change, which is included in comprehensive income, is presented net of the portion transferred to finance results. The amounts accumulated in equity are transferred to the statement of income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

The gain or loss relating to the effective and non-effective portion of hedging instruments, that is, borrowings in foreign currency and foreign exchange rate swaps, is recognized in the statement of income within "Finance income" or "Finance costs".

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 in profit or loss when the transaction is 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 within "Finance income" or "Finance costs".

2.6 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less selling costs and its value in use.

2.7 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due in one year or less. Otherwise, they are presented in non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice.

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2.8 Other current and non-current assets and liabilities

Other assets are stated at cost or realizable value including, when applicable, interest and indexation accruals.

Other liabilities are stated at known or estimated amounts including, when applicable, accrued interest and indexation charges and foreign exchange gains/losses.

3 Critical accounting estimates

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Company and its subsidiaries make estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

3.1 Impairment of financial assets

The Company and its subsidiaries analyze the financial assets subject to the model of expected credit losses established by CPC 48 - Financial Instruments. Impairment is calculated based on the analysis of each financial asset, segregated by portfolios, based on contracts with customers and their characteristics. Based on the studies, historical averages of the credit stages for the previous three years (including the current year) are projected, aiming at estimating the expected loss percentages for each portfolio.

3.2 Fair value of biological assets

3.2.1 Sugar cane plantations

The fair value of the biological assets of the Company and its subsidiaries represents the present value of estimated net cash flows relating to these biological assets, determined by application of assumptions established in discounted cash flow models.

In the case of the Company and for the subsidiary Usina Monte Alegre Ltda. ("UMA") this valuation is made according to the CPC 29 - "Biological Assets and Agricultural Products" guidelines, considering the Company's best estimates in determining the assumptions used to calculate the present value of sugar cane cash flows on the reporting date. These assumptions are mainly related to the estimated productivity of the sugar cane crops, the amount of ATR (Total Sugar Recoverable) per metric ton of sugar cane, the estimated future prices of ATR, the costs required for future crop treatment, costs with bearer plants and costs related to the harvest, loading and transportation of sugar cane (Note 11).

The valuation estimates may differ considerably from the actual results if one or more assumptions are not confirmed. The Company and UMA assessed the impact on the fair value of biological assets at December 31, 2020 through sensitivity analyses, applying an increase or decrease in the following variables: (i) price of the sugar cane metric ton, and (ii) sugar cane volume production. The other variables were held constant. Accordingly, a change (increase or decrease) of 5% in the moving average of six months, in the future price of sugar (New York Stock Exchange quotation, Sugar #11) for 2020 would lead to an increase or decrease of, approximately, R\$ 56,677 (2019 - R\$ 42,553) in the amount of the biological assets at December 31, 2020. In addition, if the estimated projection of sugar cane were to increase or decrease by 5%, the biological asset value would increase or decrease by, approximately, R\$ 41,812 (2019 - R\$ 28,449). Based on the assumptions observed in the

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recurring measurement of the fair value of biological assets, the Company's hierarchy classification was Level 3.

3.2.2 Grain plantations

For the Company and UMA this valuation considers the best estimates in determining the assumptions used to calculate the present value of the cash flows of soybean and corn on the reporting date. These assumptions are mainly related to the estimated productivity of the crops, the estimated future prices of these commodities, the costs required for future crop treatment, costs with the rental of land and costs related to the harvest of these commodities (Note 11).

Based on the assumptions observed in the recurring measurement of the fair value of biological assets, the Company's hierarchy classification was Level 3.

3.3 Deferred income tax and social contribution

The Company and its subsidiaries recognize deferred taxes on temporary differences and income tax and social contribution losses. The realization of deferred tax credits is estimated considering projections of future profitability based on internal assumptions and future economic scenarios.

3.4 Uncertain tax treatments

According to ICPC 22, management assessed the key tax treatments adopted in the outstanding periods that are subject to questioning by the tax authorities, that is, the last five years. In its assessment, the Company did not identify any impacts from the adoption of the interpretation.

3.5 Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company and its subsidiaries use their judgment to select among a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3.6 Incremental borrowing rate

The Company estimates an incremental rate on leases considering the interest rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the leased asset, with similar terms. CPC 06 R2 allows the incremental rate to be determined for a group of contracts that share similar features.

Determining this rate requires a high degree of judgment and must take into account the lessee's credit risk, lease contract term, nature and quality of the guarantees offered and the economic environment in which the transaction occurs. When defining the rate, the Company preferably uses readily available information and, subsequently, carries out any necessary adjustments to establish its incremental borrowing rate.

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4 Financial risk management

4.1 Financial risk factors

The activities of the Company and its subsidiaries are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

The risk management policy of the Company and its subsidiaries provides guidelines on transactions and requires the diversification of transactions and counterparties. According to this policy, the nature and general position of financial risks are monitored and managed on a regular basis to evaluate their results and their financial impact on cash flows. The credit limits are also reviewed periodically.

The risk management policy of the Group is established by the Risk Committee, which assesses the risk of the positions (volumes, costs and prices) in agricultural products of its own production and purchased from third parties, when applicable, in Spot and Futures and Options markets in Brazil and abroad, including the use of derivative financial instruments, and in relation to interest and foreign exchange risks.

4.1.1 Market risk

Market risks are protected in accordance with the corporate strategy in the risk management policy. The subsidiaries contract derivatives to reduce exposure to market risk.

a) Interest rate risk

This risk arises from the possibility that the subsidiaries may incur losses due to fluctuations in interest rates that lead to an increase in financial costs on borrowings obtained in the market. The subsidiaries continuously monitor market interest rates in order to assess the need to contract new instruments to hedge against the volatility risk of these rates.

b) Exchange rate risk

This risk arises from the possibility that the subsidiaries may incur losses due to fluctuations in interest rates that lead to a reduction of the amounts billed or an increase the finance costs of borrowings obtained in the market.

Mismatches between the timing and the amount of these assets and liabilities are managed by means of the use of protection mechanisms (hedges) available in the market, as decided by the management of the Company and its subsidiaries.

c) Credit risk

The sales policy of the Company and its subsidiaries considers the credit risk level they are willing to accept in the course of their business. The diversification of their receivables portfolio, the selectivity in accepting customers, as well as the monitoring of sales terms and individual limits of position are the procedures adopted to minimize possible default problems in receivables.

Sales of the main products of the Company and its subsidiaries are concentrated on a small number of customers, all of whom present good credit quality and low risk of default:

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Product	Parent company		Consolidated	
	Number of customers	Percentage (*)	Number of customers	Percentage (*)
Ethanol	26	50%	30	48%
VHP sugar	4	40%	4	37%
Electricity	15	8%	21	9%

(*) The percentage refers to the proportion of sales compared to total sales in the year. Transactions with the related party Adecoagro Uruguay S.A. (Note 24), a company that is part of the Adecoagro Group headquartered in Uruguay, correspond to approximately 35% of the Company's total sales (2019 - 5%) and 37% of the sales of the Company and its subsidiaries (2019 - 7%), and mainly comprise sales of granulated and VHP sugar.

d) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries may lack sufficient net funds to honor its financial commitments as a result of a mismatch of terms and volumes among expected receipts and payments.

To manage cash liquidity in local and foreign currency, assumptions for future disbursements and receipts are made, as well as for capital contributions, which are monitored daily by the Treasury area.

	Parent company				
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Trade and other payables	177,428.28	1,170			178,598
Borrowings	301,330	408,018	303,633	656,633	1,669,614
Borrowings - related parties	172,394	954,955	983,512	67,779	2,178,640
Lease liabilities	142,599	81,884	346,234	323,104	893,821
Derivative financial instruments	35,777				35,777
At December 31, 2020	829,528	1,446,026	1,633,379	1,047,516	4,956,450

	Consolidated				
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Trade and other payables	197,290	1,313	114	1,318	200,035
Borrowings	325,439	441,608	319,629	656,833	1,743,508
Borrowings - related parties	180,741	961,417	1,071,776	74,205	2,288,139
Lease liabilities	159,741	89,408	376,195	331,838	957,182
Derivative financial instruments	35,777				35,777
At December 31, 2020	898,989	1,493,745	1,767,713	1,064,194	5,224,641

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- (i) The liquidity risk of borrowings takes into consideration projected future interest.

To manage cash liquidity in local and foreign currency, assumptions for future disbursements and receipts are determined, as well as for capital contributions, and these are monitored daily by the Treasury area.

4.2 Capital management

The objectives of the Company and its subsidiaries when managing capital are to ensure the availability of sufficient funds for investments necessary to continue as a going concern and the necessary liquidity for their activities.

Consistent with other companies in the industry, the Company and its subsidiaries monitor capital on the basis of the gearing ratio. This ratio corresponds to the net debt expressed as a percentage of total capitalization. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the balance sheet) less cash and cash equivalents. Total capitalization is calculated as equity as shown in the balance sheet plus net debt.

The gearing ratios of the Company and its subsidiaries at December 31 were as follows:

		<u>Parent company</u>		<u>Consolidated</u>	
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Borrowings	18	3,138,608	2,350,184	3,289,578	2,468,260
Less: cash and cash equivalents	6	<u>(989,868)</u>	<u>(636,890)</u>	<u>(1,056,181)</u>	<u>(684,054)</u>
Net debt		<u>2,148,740</u>	<u>1,713,294</u>	<u>2,233,397</u>	<u>1,784,206</u>
Total equity		<u>1,142,801</u>	<u>1,394,584</u>	<u>1,143,609</u>	<u>1,395,261</u>
Total capitalization		<u>3,291,541</u>	<u>3,107,878</u>	<u>3,377,006</u>	<u>3,179,467</u>
Gearing ratio - %		65	55	66	56

Lease liabilities (Note 16) are not being considered as part of the net debt of the Company and the Group, because they refer to operations linked to the agricultural partnership agreements, purchases of sugar cane and lease of assets.

4.3 Fair value estimation

The carrying values of trade receivables, less impairment provision are assumed to approximate their fair values. The fair value of financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company and its subsidiaries for similar financial instruments.

The Company and its subsidiaries adopted CPC 48 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following hierarchy:

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- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than the quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on market data (that is, unobservable inputs) (Level 3).

The following table presents the assets and liabilities of the Company and its subsidiaries that are measured at fair value at December 31.

	Note	2020				Parent company 2019			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Measured at fair value through profit or loss									
Assets									
Derivative financial instruments	5		10,141		10,141	710			710
Trade and other receivables	8						91,752		91,752
Biological assets	11			354,171	354,171			200,934	200,934
Other investments	12			1,793	1,793			1,609	1,609
			10,141	355,964	366,105	710	91,752	202,543	295,005
Liabilities									
Derivative financial instruments	8	35,120	657		35,777	5,413			5,413
		35,120	657		35,777	5,413			5,413
Consolidated									
	Note	2020				2019			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Measured at fair value through profit or loss									
Assets									
Derivative financial instruments	5		10,141		10,141	710			710
Trade and other receivables	8			78,469	78,469		91,752		91,752
Biological assets	11			390,836	390,836			224,275	224,275
Other investments	12			3,232	3,232			2,912	2,912
			10,141	472,537	482,678	710	91,752	227,187	319,649
Liabilities									
Derivative financial instruments	8	35,120	657		35,777	5,413			5,413
		35,120	657		35,777	5,413			5,413

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company and its subsidiaries is the current bid price. These instruments are included in Level 1.

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The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques which maximize the utilization of market data. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The fair value of assets based on insertions of market and internal assumptions are considered to be Level 3. Within this level, the Company considers the fair value of biological assets (Note 11) and some other minority investments of companies not listed on the stock exchange.

5 Financial instruments by category

Based on CPC 48 - Financial Instruments, management assessed which business models applied to the financial instruments held by the Company and classified them into the appropriate categories of the new standard. There were no transfers between levels during the year.

The Company and its subsidiaries assess at the end of each year whether there is objective evidence that a financial asset or group of financial assets is impaired. The main effects are shown below:

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5.1 Assets as per balance sheet

	Parent company		
	Amortized cost	Fair value through profit or loss	Total
At December 31, 2020			
Cash and cash equivalents	989,868		989,868
Trade and other receivables	64,063		64,063
Judicial deposits	9,885		9,885
Derivative financial instruments	40,231	10,141	50,372
Dividends receivable	17,746		17,746
Receivables from related parties	1,591		1,591
Funrural credits with agricultural partners (Note 11)	6,737		6,737
Other investments (Note 11)		1,793	1,793
	1,130,121	11,934	1,142,055
At December 31, 2019			
Cash and cash equivalents	636,890		636,890
Trade and other receivables	50,780	91,752	142,532
Judicial deposits	10,469		10,469
Derivative financial instruments	11,835	710	12,545
Dividends receivable	9,458		9,458
Receivables from related parties	699		699
Funrural credits with agricultural partners (Note 11)	6,737		6,737
Other investments (Note 11)		1,609	1,609
	726,868	94,071	820,939
Consolidated			
	Amortized cost	Fair value through profit or loss	Total
At December 31, 2020			
Cash and cash equivalents	1,056,181		1,056,181
Trade and other receivables	73,887		73,887
Judicial deposits	11,371		11,371
Receivables from related parties	49		49
Derivative financial instruments	40,231	10,141	50,372
Funrural credits with agricultural partners (Note 11)	6,737		6,737
Other investments (Note 11)		3,232	3,232
	1,188,456	13,373	1,201,829
At December 31, 2019			
Cash and cash equivalents	684,054		684,054
Trade and other receivables	57,983	91,752	149,735
Judicial deposits	12,028		12,028
Receivables from related parties	55		55
Financial instruments	11,835	710	12,545
Funrural credits with agricultural partners (Note 11)	6,737		6,737
Other investments (Note 11)		2,912	2,912
	772,691	95,374	868,066

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5.3 Sensitivity analysis of financial instruments

The sensitivity analysis of the changes in financial assets and liabilities presented the exposure to the specific risk of each type of financial instrument, taking into consideration the risk factor to which each instrument is exposed (foreign exchange rate, interest rate or pricing) and the three possible stressed scenarios based on stressed factors of 5%, 25% and 50%.

		Parent company		
		Impacts on profit or loss		
		Probable scenario	Possible scenario	Possible scenario
		(5%)	(25%)	(50%)
	Risk factor			
Cash and cash equivalents	Decrease in foreign exchange rate R\$ / US\$	(28,394)	(141,972)	(283,944)
Trade receivables	Decrease in foreign exchange rate R\$ / US\$	(30)	(148)	(296)
Borrowings	Increase in foreign exchange rate R\$ / US\$	(106,513)	(532,564)	(1,065,127)
Derivative financial instruments				
Margin for stock brokers	Decrease in foreign exchange rate R\$ / US\$	(2,012)	(10,058)	(20,116)
Sugar futures	Increase in commodity price R\$ / US\$	(18,128)	(90,638)	(181,277)
Ethanol futures	Increase in commodity price in R\$	(77)	(386)	(773)
Swap contracts	Increase in interest curve IPCA / CDI	(1,458)	(6,712)	(12,280)
		<u>(156,611)</u>	<u>(782,477)</u>	<u>(1,563,811)</u>

		Consolidated		
		Impacts on profit or loss		
		Probable scenario	Possible scenario	Possible scenario
		(5%)	(25%)	(50%)
	Risk factor			
Cash and cash equivalents	Decrease in foreign exchange rate R\$ / US\$	(28,948)	(144,738)	(289,476)
Trade receivables	Decrease in foreign exchange rate R\$ / US\$	(335)	(1,675)	(3,350)
Borrowings	Increase in foreign exchange rate R\$ / US\$	(110,697)	(553,485)	(1,106,970)
Derivative financial instruments				
Margin for stock brokers	Decrease in foreign exchange rate R\$ / US\$	(2,012)	(10,058)	(20,116)
Sugar futures	Increase in commodity price R\$ / US\$	(18,128)	(90,638)	(181,277)
Ethanol futures	Increase in commodity price in R\$	(77)	(386)	(773)
Swap contracts	Increase in interest curve IPCA / CDI	(1,458)	(6,712)	(12,280)
		<u>(161,654)</u>	<u>(807,692)</u>	<u>(1,614,241)</u>

5.4 Financial instruments at fair value through other comprehensive income

	Parent company		Consolidated	
	2020	2019	2020	2019
Financial instruments:				
Foreign exchange variations on borrowing contracts - (derivative financial instruments)	312,127	42,603	325,861	44,868
	312,127	42,603	325,861	44,868
Deferred taxes on the items above	(106,123)	(14,485)	(110,793)	(15,255)
	<u>206,004</u>	<u>28,118</u>	<u>215,068</u>	<u>29,613</u>

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6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, and with immaterial risk of change in value. The balance in the statement of cash flows is presented net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet, where applicable.

	Parent company		Consolidated	
	2020	2019	2020	2019
Cash and banks - in Brazil	2,427	2,649	38,189	3,892
Cash and banks - abroad (U.S. dollar)	567,887	59,802	578,952	61,808
Total cash and banks	570,314	62,451	617,141	65,700
Investment fund	60,000		60,000	
Bank Deposit Certificate (CDB) (i)	359,366	521,045	378,852	559,248
Repurchase agreements (ii)		53,303		59,015
Other	188	91	188	91
Total financial investments	419,554	574,439	439,040	618,354
Total funds available	989,868	636,890	1,056,181	684,054

- (i) At December 31, 2020, these transactions refer to investments in Bank Deposit Certificates (CDB), earning interest at rates that range from 97% to 103% (2019 - 99% to 101%) of the Interbank Deposit Certificate (CDI) rate, with immediate liquidity and no risk of change in value.

In Consolidated, these refer to investments in CDBs, earning interest at rates that range from 96% to 103% (2019 - 85% to 101%) of the CDI rate, with immediate liquidity and no risk of change in value.

- (ii) Refer to investments earning interest at rates that range from 65% to 99% of the CDI rate, with immediate liquidity.

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7 Derivative financial instruments

Derivative financial instruments are held for trading and classified as a current asset or liability.

Outstanding transactions

	Parent company				Consolidated			
	2020		2019		2020		2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-deliverable forward (NDF) - U.S. Dollar			710				710	
Margin for stock brokers (i)	40,231		11,835		40,231		11,835	
Futures contracts - sugar (ii)		35,015		5,413		35,015		5,413
Futures contracts - ethanol		105				105		
Index swap	10,141	657			10,141	657		
	50,372	35,777	12,545	5,413	50,372	35,777	12,545	5,413
Current	(40,231)	(35,777)	(12,545)	(5,413)	(40,231)	(35,777)	(12,545)	(5,413)
Non-current	10,141				10,141			

- (i) Guarantee account for brokers that guarantees the liability position, without immediate availability of funds.
- (ii) The transactions with futures contracts of sugar were contracted by the Company to hedge the prices of the agricultural commodities in the futures market. At December 31, 2020, the notional amounts of futures contracts totaled US\$ 63,025,116 (2019 - US\$ 29,408,687 of futures contracts), referring to 217,475 metric tons (2019 - 101,498 metric tons).

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8 Trade and other receivables

Trade receivables are amounts due from customers for goods sold, and other receivables relate to services rendered in the ordinary course of the Company's and its subsidiaries' business. The Company and its subsidiaries hold the trade receivables with the objective of receiving the contractual cash flows and therefore measures them initially at fair value and subsequently at amortized cost using the effective interest rate method, less provision for losses. If receipt is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

	Parent company		Consolidated	
	2020	2019	2020	2019
Domestic customers	42,240	45,967	50,201	53,181
Foreign customers (i)	22,277	4,995	24,343	5,183
Less: provision for impairment of trade receivables (iii)	(454)	(182)	(657)	(381)
	<u>64,063</u>	<u>50,780</u>	<u>73,887</u>	<u>57,983</u>
Receivables for sale of subsidiary (ii)		<u>91,752</u>		<u>91,752</u>
	64,063	142,532	73,887	149,735
Current	<u>(64,063)</u>	<u>(73,820)</u>	<u>(73,887)</u>	<u>(81,023)</u>
Non-current		<u>68,712</u>		<u>68,712</u>

The outstanding balances are expected to be realized in the short term, and the analysis of these receivables did not reveal losses above the amount already provided.

- (i) At December 31, 2020, the Company included the amount of R\$ 114 (2019 - R\$ 2,038), and the Company and UMA the amount of R\$ 1,289 (2019 - R\$ 2,188) of receivables from the related party Adecoagro Uruguay S.A. (Note 24).
- (ii) In 2019, the Company recorded receivables from the sale of its subsidiaries Q043 Negócios Imobiliários Ltda. and Q065 Negócios Imobiliários Ltda. In 2020, there was a capital decrease in favor of ABP (Note 26.1). The credits were used in the capitalization of Adecoagro Agricultura e Participações Ltda.
- (iii) At December 31, 2020, the Company has no accounts overdue (2019 - balances overdue for more than 30 days of R\$ 11, for more than 60 days of R\$ 16 and for more than 90 days of R\$ 60).

The Consolidated accounts include balances overdue for more than 30 days of R\$ 1; with no balances overdue for more than 60 days, and balances overdue for more than 90 days of R\$ 178 (2019 - balances overdue for more than 30 days of R\$ 26, for more than 60 days of R\$ 72 and for more than 90 days of R\$ 220).

The transactions are provided according to the Company's impairment policies (Note 2.6).

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9 Inventories

Inventories are stated at the average cost of purchase or production; when lower than net realizable value, a provision is recorded to reduce inventories to market value. Net realizable value is the estimated selling price in the ordinary course of business, less completion expenses and costs to sell.

	Parent company		Consolidated	
	2020	2019	2020	2019
Finished product - anhydrous ethanol	99,057	68,441	99,057	68,441
Finished product - hydrated ethanol	54,790	59,908	55,217	69,237
Finished product - organic ethanol			5,707	
Finished product -VHP sugar	3,458	872	7,748	1,083
Finished product - granulated sugar			2,552	7,597
Finished product - organic sugar			8,039	2,276
Provision for inventory losses (i)				(47)
	157,305	129,221	178,320	148,587
Agricultural inputs	45,648	45,003	52,522	48,423
Fuel and lubricants	4,257	3,697	4,829	4,120
Auxiliary, maintenance and other materials	52,447	23,554	60,323	28,946
Renovabio - CBIOs (ii)	4		6	
	259,661	201,475	296,000	230,076

- (i) A provision for losses on the realization of inventories reduces inventories when lower than market value, based on future sales or best expectation of realization.
- (ii) At December 31, 2020, the CBIO balances available for sale in the Company amount to 1,968 and in UMA to 544, totaling 2,512 CBIOs input into the digital bookkeeping system.

The quantities of inventories of finished products on hand were as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Anhydrous ethanol - cubic meters	61,080	44,486	61,080	44,486
Hydrated ethanol - cubic meters	34,385	42,844	34,673	48,956
Organic ethanol - cubic meters			2,456	
VHP sugar - metric tons	735	962	5,105	1,103
Granulated sugar - metric tons			1,787	8,106
Organic sugar - metric tons			6,357	1,804

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10 Taxes recoverable

	Parent company		Consolidated	
	2020	2019	2020	2019
Value-added Tax on Sales and				
Services - ICMS (i)	151,224	118,957	152,801	120,561
Withholding Income Tax (IRRF) (ii)	2,502	3,116	2,676	3,306
Social Integration Program (PIS) and Social				
Contribution on Revenues (COFINS) (iii)	215	276	267	781
Reintegra - PIS/COFINS (iv)	4,523	99	4,727	99
Corporate Income Tax (IRPJ)	48	48	472	1,391
Social Contribution on Net Income (CSLL)	12	12	346	306
National Institute of				
Social Security (INSS)	171	100	323	292
Excise Tax (IPI) (v)	306	1,295	2,633	3,115
Tax Recovery Program (REFIS)			27	28
	159,001	123,903	164,272	129,879
Current	(68,397)	(65,568)	(72,856)	(70,574)
Non-current	90,604	58,335	91,416	59,305

- (i) The ICMS recoverable will be offset against taxes due on domestic sales of ethanol considering, in the case of tax credits on property, plant and equipment purchases, the proportion determined by applicable tax legislation.

Tax credits are expected to be realized through 2026.

	Parent company	Consolidated
	2020	2020
2021	60,619	61,541
2022 to 2024	70,000	71,021
2025 to 2026	20,605	20,239
	151,224	152,801

- (ii) Withholding Income Tax (IRRF) arises from prepayments by financial institutions related to financial investments (yield). IRRF will be used to offset against other Federal taxes administered by the Brazilian Federal Revenue Service; offset can only be made after the upload of information into the Digital Tax Bookkeeping System (ECF).
- (iii) The PIS-COFINS credits related to the acquisition of inputs will be used during the period and deducted from tax payable.
- (iv) The Special System of Refund of Tax Amounts to Exporting Companies (REINTEGRA) is linked to exports; this credit will be used to offset against other federal taxes administered by the Brazilian Federal Service.

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- (v) Excise Tax (IPI) credits related to the purchase of inputs to manufacture granulated sugar taxed at zero rate. After the submission of Reimbursement Requests, the amounts will be used to offset against other federal taxes administered by the Brazilian Federal Service.

11 Biological assets

At December 31, 2020, the Company owned a total of 160,759 hectares of cultivated land (2019 - 150,282 hectares) in the State of Mato Grosso do Sul, and UMA owned 15,892 hectares (2019 - 15,759 hectares) of cultivated land in the State of Minas Gerais, totaling 176,651 hectares (2019 - 166,041) or through agricultural partnership arrangements. This sugar cane is used as the raw material in the industrial process to produce sugar, ethanol and electricity. In the case of UMA, 1,820 hectares of cultivated land (2019 - 1,562) were allocated for the cultivation of organic sugar cane.

The cultivation of sugar cane begins with the planting of seedlings in land owned by the Company or by third parties, and the first harvest occurs after a period of 12 to 18 months after planting, when the cane is harvested and the root ("stubble") remains in the ground. After each harvest (year/crop), the treated stubble grows again and produces, on average, six crops.

The land owned by the entity on which crops and bearer plants are planted is classified as property, plant and equipment, and is not included in the fair value of biological assets.

11.1 Key assumptions used for measuring the fair value

11.1.1 Model and assumptions of sugar cane

- (a) Projected cash inflows are obtained by the multiplication of (i) the estimated production, measured in kilograms of ATR for sugar cane, and (ii) the estimated futures market price of a kilogram of ATR.
- (b) Projected cash outflows are formed by estimates of (i) costs required for the harvest; (ii) costs with the bearer plant; and (iii) cost of capital (agricultural partnership, machinery and equipment, and labor).

Based on the estimates of revenue and costs, the Company and UMA determine cash flows to be generated in the following 12 months and adjust them to present value, considering a discount rate compatible with the remuneration of the corresponding investment. The changes in the fair value are recorded as biological assets with a corresponding entry to "Changes in the fair value of biological assets" in the statement of income for the year.

The model and assumptions used to determine the fair value are the best estimates of management at the balance sheet date and are reviewed annually and, if necessary, adjusted.

The following assumptions were used to determine the related value:

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a) Sugar cane

	Parent company		Consolidated	
	2020	2019	2020	2019
Total estimated harvesting area (in hectares)	144,620.72	136,618.48	158,497.04	150,637.04
Expected yield (metric ton/hectare)	82.54	83.47	82.32	84.12
Total Recoverable Sugar (ATR) per metric ton of sugarcane (in kg)	128.00	129.75	128.34	130.23
Projected average price of ATR (in R\$)	0.84	0.64	0.84	0.64

b) Grains

	Parent company		Consolidated	
	2020	2020	2020	2019
Total estimated harvesting area (in hectares):				
Soybean area with significant biological asset growth	1,178	1,178		855
Soybean area without significant biological asset growth	6,718	7,220		
	<u>7,896</u>	<u>8,398</u>		<u>855</u>

The discount rate utilized to calculate the fair value of biological assets considers the CDI + a spread of 2.5%. At December 31, 2020, this rate was 4.45% p.a. (2019 - 7.01% p.a.).

11.2 Changes in the fair value of biological assets

	Parent company				Consolidated				
	2020		2019		2020		2019		
	Sugarcane	Grains	Total	Total	Sugarcane	Organic sugarcane	Grains	Total	Total
Historical cost	236,137	772	236,909	199,651	261,822	8,813	1,155	271,790	226,808
Fair value	(35,975)		(35,975)	(30,139)	(44,919)	(2,596)		(47,515)	(42,509)
Biological assets at January 1	<u>200,162</u>	<u>772</u>	<u>200,934</u>	<u>169,512</u>	<u>216,903</u>	<u>6,217</u>	<u>1,155</u>	<u>224,275</u>	<u>184,300</u>
Changes:									
Crop treatments (iii)	234,285	18,939	253,224	235,253	260,826	7,894	19,905	288,625	270,289
Depreciation of right-of-use assets/agricultural partnership	134,217		134,217	114,780	146,417	1,801		148,218	127,623
Decreases resulting from harvesting (ii)	(487,521)	(4,429)	(491,950)	(363,418)	(531,802)	(13,050)	(5,290)	(550,142)	(410,966)
Changes in the fair value of biological assets and agricultural products (i)	<u>254,553</u>	<u>3,193</u>	<u>257,746</u>	<u>44,807</u>	<u>269,293</u>	<u>7,098</u>	<u>3,469</u>	<u>279,860</u>	<u>53,029</u>
Final balance of biological assets:	<u>335,696</u>	<u>18,475</u>	<u>354,171</u>	<u>200,934</u>	<u>361,637</u>	<u>9,960</u>	<u>19,239</u>	<u>390,836</u>	<u>224,275</u>
Comprised of:									
Historical cost	269,375	18,475	287,850	236,909	298,696	7,941	19,239	325,876	213,753
Fair value	<u>66,320</u>		<u>66,320</u>	<u>(35,975)</u>	<u>62,941</u>	<u>2,019</u>		<u>64,960</u>	<u>10,522</u>
Final balance of biological assets:	<u>335,696</u>	<u>18,475</u>	<u>354,171</u>	<u>200,934</u>	<u>361,637</u>	<u>9,960</u>	<u>19,239</u>	<u>390,836</u>	<u>224,275</u>

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- (i) The changes in the fair value of biological assets and harvested agricultural products refer to the result obtained on the valuation of the biological asset at the time of harvest, recorded in the statement of income for the year with a corresponding entry to the cost of the harvested sugar cane, which will form part of the production cost of sugar and ethanol and the result determined on the market value adjustment of the unharvested biological asset.

The Company and UMA had gains of R\$ 152,258 and R\$ 11,658, respectively, from harvested sugar cane and gains of R\$ 102,263 and R\$ 10,212 from unharvested sugar cane (2019 - gains of R\$ 57,795 from harvested sugar cane and R\$ 1,234 from unharvested sugar cane).

- (ii) At December 31, 2020, the decrease in the biological asset value for the sugar cane crop of the Company and UMA of R\$ 544,852 (2019 - R\$ 410,066), included R\$ 527,736 (2019 - R\$ 394,696) recorded in "industrial production cost" and R\$ 17,116 (2019 - R\$ 15,370) capitalized as bearer plant costs in "property, plant and equipment".
- (iii) Refers to crop treatments of ratoon cane capitalized in the year, to be depreciated in the following year, as the harvest progresses.
- (iv) Costs incurred in biological production assets include those related to sugar cane from agricultural partners. These costs consider the partnership contracts included in CPC 06 R2, which had an effect on assets through the depreciation of the right of use, as well as the purchase costs of sugar cane through fully compliant agricultural partnership contracts, that is, those that are not under the standard.

12 Other assets

	Parent company		Consolidated	
	2020	2019	2020	2019
Salary advances	3,592	4,411	4,503	5,626
Advances to suppliers (i)	11,673	10,917	14,306	12,347
Advances - agricultural partnership (ii)	9,014	10,718	9,014	10,718
Prepaid expenses	11,373	12,693	11,373	12,694
Other investments (iii)	1,793	1,609	3,232	2,912
Funrural credits with agricultural partners (iv)	6,737	6,737	6,737	6,737
Other			126	30
	44,182	47,085	49,291	51,064
Current	(24,471)	(32,991)	(28,141)	(35,666)
Non-current	19,711	14,094	21,150	15,398

- (i) Advances by the Company and UMA to suppliers of materials and sugar cane, and to agricultural partners are stated at cost.
- (ii) At December 31, 2020 and 2019, the Company made advances to agricultural partners for cultivated area (underlying asset) still pending transfer of ownership by the agricultural partner.
- (iii) The Company and UMA have immaterial investments in Centro de Tecnologia Canavieira S.A. (CTC). At December 31, 2020 and 2019, the Company had a 0.27% interest, represented by 2,070 common shares and UMA had a 0.20% interest, represented by 1,535 common shares.

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- (iv) The Company has credits with agricultural partners, which are pending consolidation by the Brazilian Federal Revenue Service of the payments in installments of Rural Workers' Assistance Fund (Funrural) debits, to be received (Note 20).

13 Investments (parent company)

Investments in subsidiaries are recorded based on the equity accounting method in the parent company financial statements.

The individual financial statements of the subsidiaries (Note 1.2) were prepared by the Company's management and approved on March 31, 2021.

13.1 Information on investees

	Number of quotas	Ownership interest	Equity	Profit for the year
At December 31, 2020				
Subsidiaries				
Usina Monte Alegre Ltda	9,901,187,603	100.00%	133,737	21,992
Adecoagro Energia Ltda.	21,105,500	100.00%	11,592	17,746
Angelica Energia Ltda	9,999	99.99%	10	
At December 31, 2019				
Subsidiaries				
Usina Monte Alegre Ltda	9,901,187,602	99.99%	125,350	13,154
Adecoagro Energia Ltda.	21,105,500	100.00%	11,592	34,387
Angelica Energia Ltda	9,999	99.99%	10	

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13.2 Changes in investments

	Usina Monte Alegre Ltda.	Adecoagro Commodities Ltda.	Adecoagro Energia Ltda.	Q065 Negócios Imobiliários Ltda.	Adeco Agropecuária Brasil S.A	Angelica Energia Ltda.	Adecoagro Agricultura e Participações Ltda.	Total
At January 1, 2019	113,783	37,106	16,761	12,526		10		180,186
Capital reduction (i)		(25,000)						(25,000)
Equity in the results of investees	13,153	124	34,388		(397)			47,268
Distribution of dividends (iv)			(30,100)					(30,100)
Proposed dividends (iv)			(9,458)					(9,458)
Share of other comprehensive income/loss of subsidiaries	(2,265)							(2,265)
Merger of investment (ii)					12,230			12,230
Partial split-off of investment (ii)		(12,230)			(11,833)			(24,063)
Sale of investment (iii)				(12,526)				(12,526)
At December 31, 2019	124,671		11,591			10		136,272
At January 1, 2020	124,671		11,591			10		136,272
Payment of capital (v)							180,000	180,000
Split-off of investment in subsidiary (v)							(180,000)	(180,000)
Equity in the results of investees	21,992		17,746					39,738
Distribution of dividends (iv)			(17,746)					(17,746)
Share of other comprehensive income/loss of subsidiaries	(13,734)							(13,734)
At December 31, 2020	132,929		11,591			10		144,530

(i) On April 17, 2019, the Company reduced the capital of Adecoagro Commodities Ltda. ("ACO") by R\$ 25,000 in local currency, as it was surplus to its needs, based on article 1082, item II of Law 10,406/02.

(ii) On October 31, 2019, the Company spun-off its investment in Adecoagro Commodities Ltda. ("ACO") in the amount of R\$ 12,230, as per the appraisal report issued on that date.

On October 31, 2019, Adeco Agropecuária Brasil Ltda. ("AAB") was merged with ACO, in the amount of R\$ 12,230, and became a direct subsidiary of the Company.

At December 31, 2019, the Company spun-off its investment in AAB in the amount of R\$ 11,833, as per the appraisal report issued on that date.

(iii) In January 2019, the investment in Q065 Negócios Imobiliários Ltda. in the amount of R\$ 63,200 was sold; the investment was written off at a cost of R\$ 12,526, and a gain of R\$ 38,555 was recorded.

(iv) In 2019, AEN distributed dividends of R\$ 30,100 in local currency, of which: R\$ 5,100 on April 22; R\$ 15,000 on August 28; and R\$ 10,000 on November 25. On March 31, 2020, AEN ratified the proposal for dividend distribution related to the 2019 profit in the amount of R\$ 9,458.

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- (v) At December 31, 2020, the management of AEN approved the distribution of dividends totaling R\$ 17,746.
- (vi) On August 10, 2020, the Company acquired Adecoagro Agricultura e Participações Ltda. ("AAP"). On October 29, 2020, a capital contribution was made in land and receivables of R\$ 180,000. Subsequently, the Company's investment in AAP was assigned to ABP and a return of capital mandated.

14 Property, plant and equipment

Buildings, equipment, bearer plants, premises and improvements, industrial facilities, machinery, IT and communication equipment, furniture, fittings, vehicles and others are stated at historical cost less accumulated depreciation. Land is stated at historical cost and is not depreciated. The historical cost includes expenses directly attributable to the purchase, including the financing costs for the acquisition of qualifying assets, which are capitalized during the period of construction and preparation of the asset for its intended use.

Subsequent costs are included in an 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 be realized and the cost of the item can be measured reliably. The carrying amount of the replaced item or part is derecognized.

Depreciation is calculated on the straight-line method to reduce the costs to their residual values over their estimated useful lives, except for bearer plants, for which the method used is that of productivity over the useful life.

Depreciation is recorded in the statement of income as cost of sales and selling and administrative expenses.

The useful life of property, plant and equipment is reviewed, at least annually. The residual values and the review of the useful lives of assets are based on the economic utilization of the asset. The changes in the estimated useful lives or residual values are recognized prospectively as changes in accounting estimates.

The carrying amount of an asset is immediately written down to its recoverable amount if it is greater than its estimated recoverable amount.

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

Annually, the sugar, ethanol and electricity facilities and agricultural equipment are renovated during the Company's and UMA's intercrop period, as part of the regular maintenance program. The costs related to intercrop maintenance and depreciation of the assets during the intercrop period are classified as property, plant and equipment and allocated to the production cost of the next harvest.

The deemed cost of property, plant and equipment, net of tax effects, as at January 1, 2009, is recognized based on CPC 37 guidelines.

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14.1 Parent company

	Land	Bearer plants	Buildings, premises and improvements	Industrial facilities	IT and communication equipment	Machinery and equipment	Furniture and fittings, devices and tools	Vehicles	Intercrop maintenance	Construction in progress	Advances to suppliers	Total PP&E
At January 1, 2019	85,506	835,349	239,275	285,182	4,631	633,858	20,119	44,661	35,283	21,302	9,733	2,214,899
Additions (v)		385,611	25,386	1,573	2,182	26,482	1,435	6,742	150,849	70,911	14,749	685,920
Write-offs			(74)	(182)	(63)	(7,410)	(1,160)	(2,419)				(11,308)
Transfers from (to) taxes recoverable (ii)						(892)						(892)
Transfers			10,286	40,369		42,979	413	5,420	5,571	(81,469)	(23,687)	
Depreciation		(269,266)	(18,721)	(17,947)	(2,329)	(90,568)	(2,033)	(15,402)	(151,679)			(567,945)
At December 31, 2019	85,506	951,694	256,152	308,995	4,539	604,449	18,774	39,002	40,024	10,745	795	2,320,674
Total cost	85,506	1,959,140	340,658	427,500	20,219	1,145,356	29,496	151,851	625,216	10,745	795	4,796,482
Accumulated depreciation		(1,007,446)	(84,506)	(118,505)	(15,679)	(540,907)	(10,722)	(112,849)	(585,192)			(2,475,808)
Residual value	85,506	951,694	256,152	308,995	4,539	604,449	18,774	39,002	40,024	10,745	795	2,320,674
At January 1, 2020	85,506	951,694	256,152	308,995	4,539	604,449	18,774	39,002	40,024	10,745	795	2,320,674
Additions (v)		350,544	27,374	699	796	28,264	2,569	3,294	213,850	28,848	21,214	677,452
Payment of capital in associate (vi)	(81,085)											(81,085)
Write-offs			(274)	(83)	(3)	(6,312)	(856)	(3,109)				(10,637)
Transfer to available for sale (iii)						(50)	(24)	(3,378)				(3,452)
Transfers from (to) taxes recoverable (ii)						(1,929)						(1,929)
Transfers			8,565	3,812	2	36,677	55	3,449	(8,445)	(25,891)	(18,224)	
Depreciation		(260,853)	(22,001)	(20,657)	(1,572)	(84,074)	(1,969)	(8,251)	(190,389)			(589,766)
At December 31, 2020	4,421	1,041,385	269,816	292,766	3,762	577,075	18,573	34,385	55,040	13,702	3,785	2,311,257
Total cost	4,421	2,309,684	376,323	431,928	21,014	1,202,056	31,264	155,485	830,621	13,702	3,785	5,376,831
Accumulated depreciation		(1,268,299)	(106,507)	(139,162)	(17,251)	(624,981)	(12,691)	(121,100)	(775,581)			(3,065,574)
Residual value	4,421	1,041,385	269,816	292,766	3,762	577,075	18,573	34,385	55,040	13,702	3,785	2,311,257
Annual depreciation rate - %		17%	5%	4%	19%	8%	16%	20%				

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	Land	Bearer plants	Buildings, premises and improvements	Industrial facilities	IT and communication equipment	Machinery and equipment	Furniture and fittings, devices and tools	Vehicles	Intercrop maintenance	Construction in progress	Advances to suppliers	Total PP&E
At January 1, 2019	96,401	900,579	255,055	299,840	5,312	694,067	22,520	52,634	38,136	24,160	10,394	2,399,099
Additions (v)	309	405,009	25,386	1,697	2,264	31,559	1,611	7,955	171,864	75,404	16,660	739,718
Write-offs	(1)		(83)	(187)	(67)	(8,322)	(1,256)	(2,786)	(2)			(12,704)
Write-offs due to split-off (iv)	(12,927)			(42)		(916)	(2)					(13,887)
Transfers from (to) taxes recoverable (ii)						(892)						(892)
Transfers	2,813		7,582	46,034	118	44,417	425	6,618	6,006	(87,800)	(26,213)	
Depreciation		(286,484)	(19,318)	(19,219)	(2,538)	(100,087)	(2,260)	(18,174)	(171,983)			(620,063)
At December 31, 2019	86,595	1,019,104	268,622	328,123	5,089	659,826	21,038	46,247	44,021	11,764	841	2,491,271
Total cost	86,594	2,189,633	371,707	450,187	23,441	1,318,609	33,855	185,961	604,073	11,764	841	5,276,667
Accumulated depreciation		(1,170,529)	(103,085)	(122,064)	(18,352)	(658,782)	(12,817)	(139,714)	(560,052)			(2,785,396)
Residual value	86,594	1,019,104	268,622	328,123	5,089	659,826	21,038	46,247	44,021	11,764	841	2,491,271
At January 1, 2020	86,594	1,019,104	268,622	328,123	5,089	659,826	21,038	46,247	44,021	11,764	841	2,491,271
Additions		374,435	27,482	721	955	32,114	2,959	4,431	241,790	36,701	23,621	745,209
Payment of capital in associate (vi)	(81,085)											(81,085)
Write-offs			(274)	(88)	(11)	(7,378)	(856)	(3,260)				(11,867)
Transfer to available for sale (iii)						(50)	(24)	(3,378)				(3,452)
Transfers from (to) taxes recoverable (ii)						(1,929)						(1,929)
Transfers		(7)	8,908	7,547	275	40,940	58	3,851	(8,639)	(32,263)	(20,670)	
Depreciation		(278,031)	(22,603)	(22,299)	(1,801)	(94,179)	(2,246)	(10,638)	(210,721)			(642,518)
At December 31, 2020	5,509	1,115,501	282,135	314,004	4,507	629,344	20,929	37,253	66,451	16,202	3,792	2,495,629
Total cost	5,509	2,564,061	407,823	458,367	24,660	1,382,306	35,992	187,605	837,224	16,202	3,792	5,923,543
Accumulated depreciation		(1,448,560)	(125,688)	(144,363)	(20,153)	(752,961)	(15,063)	(150,352)	(770,773)			(3,427,914)
Residual value	5,509	1,115,501	282,135	314,004	4,507	629,344	20,929	37,253	66,451	16,202	3,792	2,495,629
Annual depreciation rate - %	17%	6%	4%	19%	9%	15%	20%					

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14.2 Information on property, plant and equipment

- (i) At December 31, 2020 and 2019, construction in progress and advances to suppliers refer to the expansion of the production capacity and the purchase of new equipment and machinery and renovation of the Company's and its subsidiaries' industrial units;
- (ii) In 2020, management reclassified to the acquisition cost of property, plant and equipment the amount of R\$ 1,929 (2019 - R\$ 892) as "Taxes recoverable", corresponding to the ICMS credits on the assets utilized in the manufacturing of the products not covered by the tax benefit of the presumed credit, in proportion to sales;
- (iii) Depreciation expenses that affected profit or loss were considered in the following accounts: "Industrial production costs, selling and administrative expenses" (Note 31).
- (iv) In January 2019, the Company sold its investee "Q065" and wrote off Fazenda Alto Alegre in the amount of R\$ 12,927.
- (v) Following the adoption of CPC 06 R2, the costs of the bearer plants now include depreciation of the right-of-use and the capitalization of interest on agricultural partnership agreements, exclusively for the expenses incurred during the period of crop formation, in cases of both expansion and renewal.
- (vi) On October 29, 2020, the Company subscribed capital of R\$ 81,085 in AAP, currently an associate of the Company, with land. The Company's interest was then subsequently reduced by assigning the investment in AAP to its Parent company ABP (Note 13.2 (vi)).

15 Intangible assets

Acquired computer software licenses are capitalized based on the costs incurred to purchase and bring to use the specific software. These costs are amortized over their estimated useful lives of five years.

Costs associated with maintaining computer software programs are charged to expenses as incurred.

The goodwill (R\$ 8,089) of the Company is based on expected future profitability, justified by the installation of the Ivinhema plant; amortization began for tax purposes from May 2013, after the beginning of production.

The UMA goodwill (R\$ 5,604) is based on expected future profitability. It was being amortized up to December 31, 2008 and, since then is no longer amortized in the accounting records being only amortized for tax purposes limited to the amount of the tax benefit.

Goodwill is tested annually for impairment, to confirm that the carrying amount is recoverable. An impairment loss is recognized when the carrying amount of goodwill exceeds its recoverable amount and is deducted from cost. At December 31, 2020 and 2019, the Company and UMA recorded no impairment losses.

On September 30, 2020 and 2019, the Company carried out impairment testing of goodwill and found that it was impaired.

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The acquisition costs of trademarks and patents are capitalized and not amortized.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units (CGUs)). The Company and its subsidiaries have three Cash Generating Units (CGU): (i) Angélica and Ivinhema industrial facilities owned by the Company; (ii) the industrial facility owned by the subsidiary Usina Monte Alegre Ltda.; and (iii) the industrial facility owned by AEN.

The Company and its subsidiaries apply the value-in-use model for impairment testing of the CGUs of AVI, UMA and AEN, when applicable.

The main assumptions and estimates involved are the sales price of products (sugar, ethanol and electricity), related costs and other production and market data.

The main assumptions used by the Company and its subsidiaries are described below:

Cash generating units	Perpetuity nominal growth rate	Nominal discount rate
Monte Alegre plant	0.5%	6.57%
Angelica and Ivinhema plants	0.5%	6.57%

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				Parent company	
	Goodwill	Software licenses	Certification (i)	Total	
At January 1, 2019	8,089	9,170	26	17,285	
Additions		5,776	212	5,988	
Amortization		(3,049)	(87)	(3,137)	
At December 31, 2019	<u>8,089</u>	<u>11,896</u>	<u>151</u>	<u>20,136</u>	
Cost	8,089	24,989	343	33,421	
Accumulated amortization		(13,093)	(192)	(13,285)	
Net book value	<u>8,089</u>	<u>11,896</u>	<u>151</u>	<u>20,136</u>	
At January 1, 2020	8,089	11,896	151	20,136	
Additions		3,427	171	3,598	
Write-offs			(189)	(189)	
Amortization		(2,653)	(82)	(2,735)	
At December 31, 2020	<u>16,178</u>	<u>24,566</u>	<u>201</u>	<u>20,809</u>	
Cost	8,089	28,416	325	36,829	
Accumulated amortization		(15,746)	(274)	(16,020)	
Net book value	<u>8,089</u>	<u>12,670</u>	<u>50</u>	<u>20,809</u>	
	Consolidated				
	Trademarks	Goodwill	Software licenses	Certification (i)	Total
At January 1, 2019	35	13,693	9,419	232	23,379
Additions			5,805	457	6,262
Write-offs	(22)		(1)		(23)
Amortization			(3,180)	(388)	(3,569)
Net book value	<u>13</u>	<u>13,693</u>	<u>12,042</u>	<u>301</u>	<u>26,049</u>
At December 31, 2019	13	13,693	12,042	301	26,049
Cost	13	13,693	26,530	1,027	41,263
Accumulated amortization			(14,488)	(726)	(15,214)
Net book value	<u>13</u>	<u>13,693</u>	<u>12,042</u>	<u>301</u>	<u>26,049</u>
At January 1, 2020	13	13,693	12,042	301	26,049
Additions			3,501	363	3,864
Write-offs				(207)	(207)
Amortization			(2,725)	(313)	(3,038)
Net book value	<u>13</u>	<u>13,693</u>	<u>12,818</u>	<u>143</u>	<u>26,667</u>
At December 31, 2020	13	13,693	12,818	143	26,667
Cost	13	13,693	30,031	1,183	44,919
Accumulated amortization			(17,213)	(1,039)	(18,252)
Net book value	<u>13</u>	<u>13,693</u>	<u>12,818</u>	<u>143</u>	<u>26,667</u>

- (i) The Company and UMA incurred expenses for the certification of their products with process control authorities. These were mostly paid to Certificadora Bonsucro. In the particular case of UMA, expenses were also incurred for the Digital Certificate of organic sugar. Expense amortization is recorded over the life of the respective product certificates.

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16 Right-of-use

At January 1, 2019, the right-of-use assets were recorded to correspond to the present value of the lease obligations assumed including, if any, existing prepaid at December 31, 2018.

Subsequent to initial recognition, right-of-use assets are measured at cost, less any amortization and/or impairment losses, plus any lease liability adjustments as provided for in the lease agreements.

Depreciation of the right-of-use assets is based on the straight-line method, over the terms of the contracts, on average, 10 years. For remeasurements, changes to depreciation are recorded prospectively.

16.1 Changes in the balances

The changes in right-of-use balances are as follows:

	Controladora					
	2020			2019		
	Agricultural partnership (i)	Leases (ii)	Total	Agricultural partnership (i)	Leases (i)	Total
Opening balance - right-of-use	813,171	59,884	873,055	684,704	28,012	712,716
Addition/ remeasurement	236,575	58,532	295,107	256,573	55,158	311,731
Write-offs	(4,563)	(19,000)	(23,563)			
Depreciation	(141,131)	(28,598)	(169,729)	(128,106)	(23,285)	(151,392)
Closing balance - right-of-use	<u>904,052</u>	<u>70,818</u>	<u>974,870</u>	<u>813,171</u>	<u>59,884</u>	<u>873,055</u>

	Consolidated					
	2020			2019		
	Agricultural partnership (i)	Leases (ii)	Total	Agricultural partnership (i)	Leases (i)	Total
Opening balance - right-of-use	867,655	62,484	930,139	736,731	28,489	765,219
Addition/ remeasurement	257,883	64,789	322,672	272,833	58,266	331,100
Write-offs	(4,924)	(19,000)	(23,924)			
Depreciation	(156,772)	(30,538)	(187,310)	(141,910)	(24,269)	(166,179)
Closing balance - right-of-use	<u>963,842</u>	<u>77,735</u>	<u>1,041,577</u>	<u>867,654</u>	<u>62,486</u>	<u>930,140</u>

- (i) Refer to contracts under the Land Bylaws classified as Agricultural Partnership, which although not formal leases were included because they meet the conditions provided for in CPC 06 (R2) Leases;
- (ii) Refer to the lease of real estate, machinery, equipment and vehicles.

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16.2 Depreciation charge on right-of-use leased assets

The statement of income includes the following amounts relating to leases:

	Parent company		Consolidated	
	2020	2019	2020	2019
At January 1	151,391		166,179	
Agricultural partnership (i)	141,131	128,106	156,772	141,910
Leases	28,598	23,285	30,538	24,269
At December 31	321,120	151,391	353,489	166,179

- (i) Included in depreciation expense of agricultural partnership, is an amount for bearer plants recognized in property, plant and equipment, of which R\$ 12,357 (2019 - R\$ 18,408) relates to the Company and 1,640 (2019 - R\$ 945) to UMA.

17 Lease liabilities

The flows of future payments of lease transactions are recognized in liabilities and in right-of-use leased asset for all contracts with lease characteristics, with exemption permitted for short-term or low-value contracts.

Upon initial adoption of the standard, the Company recognized lease liabilities for contracts that meet the definition of lease established by CPC 06 (R2). The liabilities were measured at the present value of the remaining payments of contracts with lease characteristics, discounted based on the incremental discount rate. Assets associated with the right of use were measured at the amount equal to the lease liability at January 1, 2019, with no impact on retained earnings. For contracts with advance payments, these amounts were included as part of the right of use.

The Company adopted the following assumptions:

- The use of a uniform incremental discount rate for contracts with similar characteristics and terms;
- Exemption for contracts with maturities within 12 months or less than US\$ 20 thousand, which will be accounted for directly in profit or loss;
- Remeasurement based on an index or a ratio will be made in accordance with a specific provision in the related contracts. As regards agricultural partnership, remeasurement will be made annually, always at the end of each year/crop;
- Reclassification on January 1, 2019, of advances made to the beneficiaries of the lease (CPC 06 R2) from other liabilities to right-of-use assets, referring to existing balances at December 31, 2018.
- Option to use the practical expedient introduced by the standard.

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17.1 Balances recorded in the balance sheet

The Company recognized lease liabilities for contracts in force that were previously classified as operating leases upon adoption of CPC 06 - Leases, except for those contracts that fall under the practical expedient clauses which were adopted by the Company.

Liabilities recognized at January 1, 2019 correspond to the remaining balances of the lease agreements discounted to present value at the incremental discount rate (Note 17,3).

17.2 Changes in the balances

The changes in lease liabilities were as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Opening balance - lease liabilities	789,210	611,082	840,928	657,321
Addition/ remeasurement	295,107	311,731	322,671	331,100
Write-offs	(23,563)		(23,929)	
Payments	(207,968)	(165,996)	(226,426)	(182,137)
Adjustment to present value (i)	41,035	32,393	43,938	34,644
Closing balance of lease liabilities	<u>893,821</u>	<u>789,210</u>	<u>957,182</u>	<u>840,928</u>
Current	<u>142,599</u>	<u>139,652</u>	<u>159,741</u>	<u>152,065</u>
Non-current	<u>751,222</u>	<u>649,558</u>	<u>797,441</u>	<u>688,863</u>

- (i) A portion of the amount related to adjustment to present value refers to the recognition of bearer plants in property, plant and equipment, of which R\$ 907 (2019 - R\$ 7,667) relates to the Company and R\$ 111 (2019 - R\$ 630) to UMA.

Contracts classified as lease liabilities mature as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Up to 1 year	142,599	139,652	159,741	152,065
From 1 to 2 years	81,884	164,026	89,408	175,496
From 2 to 3 years	138,374	101,431	151,510	110,517
From 3 to 4 years	111,606	79,482	122,609	86,407
From 4 to 5 years	96,254	68,604	102,076	72,946
From 5 to 6 years	75,896	56,365	79,940	58,651
From 6 to 7 years	59,423	43,163	61,797	44,426
From 7 to 8 years	43,097	32,203	44,375	32,984
Over 8 years	144,688	104,284	145,727	107,436
	<u>893,821</u>	<u>789,210</u>	<u>957,182</u>	<u>840,928</u>

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17.3 Incremental discount rate

The Company and its subsidiaries adopted an incremental discount rate applied to lease liabilities with reasonably similar characteristics and terms. Rates are based on quotes of loans with financial institutions.

On the date of initial adoption, the rate of 110% of the CDI rate was used, adjusted for contracts with similar terms. For new or amended contracts in 2020 and 2019, the bank loan rate of the Agribusiness Receivable Certificate (CRA) contracted by the Company was used, index adjusted by IPCA rate of the month of addition plus the spread of 3.80% p.a., and adjusted to contracts with similar terms.

18 Borrowings

Type	Rate	Index	Current annual charges		Parent company		Consolidated	
			2020	2019	2020	2019		
Type								
In local currency								
National Bank for Economic and Social Development (BNDES) - Government Agency for Machinery and Equipment Financing (FINAME)	2.50%				7,166	10,728	7,166	10,728
BNDES - FINAME	2.59%						1,279	1,957
BNDES - Enterprise Financing (FINEM)	3.73%	+ Long-term Interest Rate (TJLP)	2,754	6,508			2,754	6,508
BNDES - Enterprise Financing (FINEM)	2.50%		80,839	119,634			80,839	119,634
Bank Credit Notes (CCB)	1.61%	+ Interbank Deposit Certificate (CDI)					20,613	
Bank Credit Notes (CCB)	2.95%	+ Interbank Deposit Certificate (CDI)					15,382	
Bank Credit Notes (CCB)	2.32%	+ Interbank Deposit Certificate (CDI)					30,005	
Federal government debt - PESA	4.48%							83
Constitutional Fund for Financing of the Center West (FCO)	2.50%		36,793	54,066			36,793	54,066
Rural Product Note (CPR)	1.00%	+ Interbank Deposit Certificate (CDI)						15,129
Rural Product Note (CPR)	0.70%	+ Interbank Deposit Certificate (CDI)						25,641
Agribusiness Receivables Certificate (CRA) (ii)	3.80%	+ Amplified Consumer Price Index (IPCA)	413,195	394,004			413,195	394,004
Debentures	4.24%	+ Amplified Consumer Price Index (IPCA)	392,576				392,576	
Export Credit Note (NCE)	2.20%	+ Interbank Deposit Certificate (CDI)	74,884				74,884	
Bank credit balances	0.00%						6	16
Total in local currency			1,008,207	584,940			1,075,492	627,766
In foreign currency								
Advance on exchange contract (ACC)	3.68%	Foreign exchange gain/loss						8,147
Export prepayment	6.77%	Foreign exchange gain/loss	392,979	303,805			392,979	303,805
Export prepayment - related parties	7.90%	Foreign exchange gain/loss	882,636	684,891			966,321	751,993
Export prepayment - related parties	7.95%	Foreign exchange gain/loss	840,537	748,748			840,537	748,748
Guarantee account for brokers	4.00%	1-Week Libor/ Foreign exchange gain/loss					1	1
Guarantee account for brokers	3.25%	Overnight Libor/ Foreign exchange gain/loss					11,113	11,113
BNDES - FINEM (Basket of currencies)	8.75%	Foreign exchange gain/loss	14,249	16,688			14,249	16,688
Total in foreign currency			2,130,401	1,765,246			2,214,086	1,840,495
Total borrowings			3,138,608	2,350,186			3,289,578	2,468,261
Current			(284,476)	(117,240)			(308,012)	(143,590)
Non-current			2,854,132	2,232,944			2,981,566	2,324,670

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The changes in debt were as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Previous balance	2,350,184	2,198,643	2,468,260	2,312,656
New borrowings	668,395	537,435	777,548	609,234
Repayment of principal	(374,004)	(449,808)	(473,710)	(521,382)
Payment of interest	(187,190)	(154,657)	(199,471)	(165,873)
Interest charged	190,006	151,856	202,323	162,667
Transaction cost	(8,528)	(6,009)	(8,528)	(6,009)
Escrow deposit	236	403	236	403
Foreign exchange gain/loss	499,509	72,323	522,920	76,565
	<u>3,138,608</u>	<u>2,350,186</u>	<u>3,289,578</u>	<u>2,468,261</u>

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities if payment is due in one year or less. Otherwise, they are presented in non-current liabilities.

Borrowing costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Company and costs can be measured reliably. The other borrowing costs are recognized as finance costs in the period in which they are incurred.

Borrowings classified in non-current liabilities fall due as follows:

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	Parent company		Consolidated	
	2020	2019	2020	2019
2021		362,534		388,189
2022	372,838	696,450	388,471	697,096
2023	804,480	114,471	819,480	114,471
2024	131,655	660,462	228,457	725,888
2025	132,524		132,524	
2026	858,951	399,027	858,951	399,027
2027	553,683		553,683	
Non-current	<u>2,854,131</u>	<u>2,232,944</u>	<u>2,981,566</u>	<u>2,324,670</u>
Export prepayments	291,800	301,153	291,800	301,153
Export prepayment - related parties (iii)	1,684,245	1,399,953	1,766,046	1,465,379
BNDES - FINAME (i)	3,547	7,158	4,180	8,458
BNDES - FINEM (i)	50,220	95,079	50,220	95,079
Agribusiness Receivables Certificate (CRA) (ii)	413,197	394,104	413,197	394,104
Constitutional Fund for Financing of the Center West (FCO)	17,570	35,498	17,570	35,498
Working capital in Reais			45,000	25,000
Debentures (iv)	<u>393,553</u>		<u>393,553</u>	
Non-current	<u>2,854,132</u>	<u>2,232,944</u>	<u>2,981,566</u>	<u>2,324,670</u>

- (i) The borrowings raised by the Company and its subsidiaries guaranteed by property, plant and equipment total R\$ 150,322 (2019 - R\$ 218,040), sugar export contracts and sureties of Group companies and of the officers.

At December 31, 2020, certain financing agreements require the Company to comply with financial covenants at the end of each year, under penalty of accelerating maturities at the discretion of the creditors. All covenants were being complied with at December 31, 2020 and 2019.

- (ii) In 2019, the Company initiated a new fund raising arrangement through the capital markets, with the issue of Agribusiness Receivable Certificates (CRA) for distribution by means of a continuous offering, in the amount of R\$ 400,000, which was completed in December 2019. These accrue annual interest equivalent to 3.80% plus inflation adjustments (IPCA); amortization of the principal is due in two equal installments in November 2026 and 2027.
- (iii) In 2017, the Company and UMA entered into an export prepayment financing transaction with its parent company Adecoagro S.A.; interest is payable semi-annually and the principal amount on the maturity of the contract or on a prepayment basis, as detailed below:

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	Agreement date	Date of release of funds	Maturity date of principal amount	Consolidated	
				Position in U.S. Dollars at 12/31/2019	U.S. Dollars at 12/31/2020
Company	9/19/2017	9/22/2017	9/13/2024	169,918,242	169,845,378
Company	9/26/2017	10/2/2017	9/15/2023	130,322,324	130,266,093
Company	10/25/2017	11/1/2017	9/15/2022	55,438,913	31,478,275
UMA	9/19/2017	9/22/2017	9/13/2024	16,648,030	16,103,676
				372,327,509	347,693,422

- (iv) During 2020, the Company began a new fund raising arrangement through the capital markets, with the issue of debentures placed through public offerings with restricted efforts, of R\$ 400,000, completed in December 2019. The funds raised will accrue semiannual interest of 4.24% p.a. plus inflation adjustments (IPCA) to be paid every six months; amortization of the principal in three equal installments in December 2024, December 2025 and December 2026.

19 Salaries and social charges

	Parent company		Consolidated	
	2020	2019	2020	2019
Salaries and wages payable	20,930	21,500	23,416	23,738
Provision for vacation pay and related charges	24,032	24,263	28,750	29,810
Payroll charges	5,790	5,925	6,652	6,823
Profit sharing	17,152	11,328	20,047	14,752
Other charges	208	263	277	328
	<u>68,112</u>	<u>63,279</u>	<u>79,142</u>	<u>75,451</u>

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20 Taxes payable

	Parent company		Consolidated	
	2020	2019	2020	2019
National Institute of Social Security (INSS)	6,033	5,022	6,630	5,863
Value-added Tax on Sales and Services (ICMS)		2,094	1,783	4,508
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)			652	479
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	4,846	5,826	5,100	7,049
Special Program for Settlement of Rural Tax Debt (PRR) (i)	6,767	6,767	7,681	7,661
Services Tax (ISS)	638	517	638	523
Withholding Social Contributions (CSRF)	339	231	339	231
State funds payable	1,236	1,144	2,195	1,144
Other	591	190	644	199
	<u>20,450</u>	<u>21,791</u>	<u>25,662</u>	<u>27,658</u>

- (i) The Company and UMA are responsible for the payment of the social security contributions to the Rural Workers' Assistance Fund (FUNRURAL), which is levied on the purchases of sugar cane from individual rural producers; the tax withholding was suspended based on a restraining order in the period from July 2010 to March 2017.

In 2017, after the Federal Supreme Court issued a decision related to Appeal 718,874/RS-RG recognizing the constitutionality of the collection of FUNRURAL, the Company resumed the tax withholding procedure in March 2017, and enrolled in the program for payment in installments of tax obligations to the Brazilian Federal Revenue Service (RFB) (Special Program for Settlement of Rural Tax Debt (PRR)) under Law 13,606/18, in order to settle outstanding amounts.

The Company is awaiting the consolidation by the RFB of the payments in installments of the obligation due FUNRURAL.

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21 Provision for contingencies

21.1 Composition of contingencies

The Company and its subsidiaries had the following liabilities and corresponding judicial deposits, related to contingencies:

				Parent company	
	Labor and social security	Civil	Environmental	(-) Judicial deposits	Total
At January 1, 2020	6,554	1,944		(1,691)	6,807
Additions	3,311	419	5	(43)	3,692
Unused amounts reversed	(1,457)	(12)		341	(1,128)
Used during the year	(1,131)	(320)		7	(1,444)
At December 31, 2020	<u>7,277</u>	<u>2,031</u>	<u>5</u>	<u>(1,386)</u>	<u>7,927</u>
At January 1, 2019	7,235	2,044		(2,662)	6,617
Additions	1,327	149		(332)	1,144
Unused amounts reversed	(1,903)	(129)		1,261	(771)
Used during the year	(105)	(120)		42	(183)
At December 31, 2019	<u>6,554</u>	<u>1,944</u>		<u>(1,691)</u>	<u>6,807</u>
					Consolidated
	Labor and social security	Civil	Environmental	(-) Judicial deposits	Total
At January 1, 2020	10,184	1,958		(1,920)	10,222
Additions	4,258	440	5	(109)	4,594
Unused amounts reversed	(1,508)	(12)		381	(1,139)
Used during the year	(2,258)	(320)		64	(2,514)
At December 31, 2020	<u>10,676</u>	<u>2,066</u>	<u>5</u>	<u>(1,584)</u>	<u>11,163</u>
At January 1, 2019	10,594	2,409	1,173	(2,885)	11,291
Additions	1,829	174	39	(448)	1,594
Unused amounts reversed	(2,134)	(506)	(1,212)	1,261	(2,591)
Used during the year	(105)	(119)		152	(72)
At December 31, 2019	<u>10,184</u>	<u>1,958</u>		<u>(1,920)</u>	<u>10,222</u>

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21.2 Nature of contingencies

The Company and its subsidiaries are a party to tax, labor, civil and environmental proceedings, and are discussing such matters at the administrative and judicial levels. The provisions for probable risk of losses for these proceedings are estimated and periodically updated by management, under the advice of external legal counsel.

The nature of the contingencies are as follows:

Tax: refer to State (ICMS) and Federal (disallowance of federal tax credits) proceedings;

Labor and social security: mainly refer to employee claims and inspections by the Ministry of Labor;

Civil: mainly refer to indemnity claims; and

Environmental: mainly relate to environmental licenses for a certain agricultural property.

21.3 Contingent liabilities

(a) Adecoagro Vale do Ivinhema S.A.

At December 31, 2020, the Company was a party to tax, civil and labor litigation amounting to R\$ 325,351 (2019 - R\$ 27,224), involving possible risks of loss as classified by management, based on the assessment of its legal counsel, and for which no provision was recorded. The main addition in 2020 refers to an assessment notice of R\$ 290,014 related to the exclusion from IRPJ and CSLL calculation bases of the accelerated tax-incentive depreciation of rural activities, as provided for in article 6 of Provisional Measure 2,159-70/01, and article 325 of Income Tax Regulations (RIR)/18.

Additionally, the Company has judicial deposits accruing interest/indexation of R\$ 9,885 (2019 - R\$ 8,778), recorded in non-current assets, of which R\$ 6,999 (2019 - R\$ 6,888) as guarantee for the legal proceedings with the National Electric Energy Agency (ANEEL) and R\$ 158 (2019 - R\$ 158) with the National Institute of Social Security (INSS) (referring to the payment of the Rural Workers' Assistance Fund (Funrural) on the purchases of sugar cane), and R\$ 224 (2019 - R\$ 129) referring to labor claims.

(b) Usina Monte Alegre Ltda.

At December 31, 2020, the subsidiary was a party to tax, civil and labor litigation amounting to R\$ 43,269 (2019 - R\$ 46,223), involving possible risks of loss as classified by management, based on the assessment of its legal counsel, and for which no provision has been recorded.

Also, the subsidiary has judicial deposits of R\$ 1,486 (2019 - R\$ 1,330), recorded in non-current assets, of which, R\$ 84 (2019 - R\$ 84) refers to tax proceedings and R\$ 214 (2019 - R\$ 257) to labor claims.

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22 Other liabilities

	Parent company		Consolidated	
	2020	2019	2020	2019
Advances from customers (i)	12,882	5,973	15,962	7,570
Accounts payable - labor claims			1,545	852
Share-based compensation plan charges	1,754	1,589	1,855	1,682
Other payables	1		1	498
	14,637	7,562	19,363	10,602
Current	(13,467)	(6,504)	(16,618)	(8,653)
Non-current	1,170	1,058	2,745	1,949

- (i) Advances from customers refer to amounts received by the Company and its subsidiaries for the future delivery of ethanol and sugar, with settlement scheduled for 2021 (2019 - ethanol and sugar were settled in 2020).

23 Taxes on profit

23.1 Deferred income tax and social contribution

Deferred taxes are calculated on income tax and social contribution losses and on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The currently enacted tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes.

	Parent company		Consolidated	
	2020	2019	2020	2019
Deferred tax assets				
Deferred tax assets to be recovered within 12 months	36,960	68,488	40,957	80,570
Deferred tax assets to be recovered after 12 months	486,325	307,945	509,660	320,458
	523,285	376,433	550,617	401,028
Deferred tax liabilities				
Deferred tax liabilities to be settled within 12 months	109,014	75,977	114,852	90,941
Deferred tax liabilities to be settled after 12 months	279,420	235,256	301,500	244,614
	388,434	311,233	416,352	335,555
Net balance of deferred tax assets	134,851	65,200	134,265	65,473

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The changes in the net deferred tax account are as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Deferred tax assets on:				
Income tax losses	163,489	163,489	171,165	171,165
Social contribution losses	59,637	59,497	63,313	63,172
Loss on the calculation of the fair value of biological assets		13,884	486	17,945
Losses on unsettled hedging transactions	8,716	1,599	8,716	1,599
Deemed cost of property, plant and equipment			1,109	
Stock option premium	5,171	4,454	5,480	4,716
Provision for contingencies	2,488	2,889	3,656	4,332
Foreign exchange gain/loss - taxation on cash basis	254,286	104,489	264,827	110,382
Lease transactions	16,162	10,078	16,995	10,698
Other temporary differences	13,336	16,055	14,870	17,018
	<u>523,285</u>	<u>376,433</u>	<u>550,617</u>	<u>401,028</u>
Deferred tax liabilities on:				
Depreciation - difference in useful life	10,284	10,960	10,789	11,572
Accelerated tax-incentive depreciation	321,288	268,835	342,570	286,034
Gain on the calculation of the fair value of biological asset	22,697		22,697	
Revaluation reserve			3,272	
Tax amortization of goodwill	2,750		4,655	1,905
Deemed cost of property, plant and equipment	330		330	3,622
Capitalized interest	31,085	28,687	31,989	29,578
Other		2,750	50	2,843
	<u>388,434</u>	<u>311,233</u>	<u>416,352</u>	<u>335,555</u>
Deferred tax assets, net	<u>134,851</u>	<u>65,200</u>	<u>134,265</u>	<u>65,473</u>

23.2 Income tax and social contribution expense

	Parent company		Consolidated	
	2020	2019	2020	2019
Current tax	(2,757)		(4,508)	(2,395)
Deferred tax	(91,143)	(8,294)	(99,077)	(12,850)
Income tax and social contribution	<u>(93,899)</u>	<u>(8,294)</u>	<u>(103,585)</u>	<u>(15,245)</u>

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23.3 Reconciliation of the income tax and social contribution expense/benefit from the standard to the effective tax rates

	Parent company		Consolidated	
	2020	2019	2020	2019
Profit before income tax and social contribution	428,070	241,860	437,757	248,811
Maximum tax rate	34%	34%	34%	34%
	(145,544)	(82,232)	(148,837)	(84,596)
Non-deductible expenses	(1,326)	(1,662)	(1,407)	(1,783)
Government grant and Reintegra	32,114	46,645	32,831	47,199
Workers' Meal Program	1,111	2,597	1,332	2,945
Equity in the results of investees	13,511	16,071		
Research and development	2,600		3,488	445
Non-taxed revenue (i)	6,250	11,859	6,833	11,859
Deferred taxes on prior-year income tax and social contribution losses derecognized in the year				(78)
Write-off of tax credit - total split-off (ii)		(1,837)		(1,883)
Adjustment in the calculation of subsidiary taxed based on the deemed profit			5,048	10,157
Taxation exclusively at source (iii)	(2,757)		(3,014)	
Other	142	264	140	490
Taxes on profit or loss	(93,899)	(8,294)	(103,585)	(15,245)

- (i) In 2020, revenue from sales of CBIOS was excluded from tax pursuant to article 60 of Law 13,986/2020, as it is subject to exclusive taxation at source at the rate of 15%. In 2019, the capital gain on sales of subsidiaries was submitted to taxation at the ratio of 1/60 per month since September 2014.
- (ii) The Company carried out partial split-offs of its investments. It spun-off its investments in ACO in October 2019 and in AAB in December 2019. Both transactions reduced the Company's equity, which proportionally reduced its accumulated tax loss, in accordance with current legislation.
- (iii) The Company treated tax on CBIOS sales exclusively at source, at 15%, pursuant to Law 13,576/2017.

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23.4 Estimated realization of deferred tax credits

Deferred tax assets on income tax and social contribution losses are recognized to the extent that it is probable that sufficient future taxable income will be available to be utilized for offset, considering projections of future profitability for 10 years based on internal assumptions and future economic scenarios, which are, therefore, subject to changes. At December 31, 2020, management's expectation, based on projections of future taxable income, is that they will be realized as follows:

Year	Parent company	Consolidated
2021	1,429	3,858
2022	29,846	35,154
2023	21,257	24,872
2024 to 2028	<u>170,594</u>	<u>170,594</u>
	<u>223,126</u>	<u>234,478</u>

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24 Related parties

24.1 Parent company

							2020	2019	
	Adecoagro Brasil Participações S.A.	Adeco Agropecuária Brasil Ltda.	Usina Monte Alegre Ltda.	Adecoagro Energia Ltda.	Adecoagro Uruguay S.A.	Adecoagro S.A.	Other (v)	Total	Total
Main balances									
Current assets									
Related parties - trade receivables (Note 8)			35	2,158	114			2,307	2,983
Receivables from related parties	21	28	1,487	55				1,591	699
Related parties - dividends receivable				17,746				17,746	9,458
Current liabilities									
Related parties - dividends payable	56,946							56,946	58,416
Related parties - trade payables									90
Related parties - borrowings (Note 18)						38,928		38,928	33,684
Non-current liabilities									
Related parties - borrowings (Note 18)						1,684,245		1,684,245	1,399,953
Main transactions									
Recovery of corporate expenses (i)	180	189	13,779	529				14,677	8,225
Sales revenue (iii)				16,731	722,418			739,149	107,365
Revenues from sale of property, plant and equipment									396
Revenues from sale of goods and materials			276		12			288	355
Revenues from lease of assets				2,499				2,499	2,517
Finance costs (iv)						(134,821)		(134,821)	(116,621)
Dividends received				9,458				9,458	30,100
Dividends distributed	(83,506)							(83,506)	(28,250)
Share-based compensation plan							(5,040)	(5,040)	(7,600)
Purchases of assets for use and materials			(19)				(232)	(251)	(437)
Commissions									(1,030)

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24.2 Consolidated

					2020	2019
	Adecoagro Brasil Participações S/A	Adeco Agropecuária Brasil Ltda.	Adecoagro Uruguay S.A.	Adecoagro S.A.	Other (v)	Total
Main balances						
Current assets						
Related parties - trade receivables (iii) (Note 8)			1,289			1,289
Receivables from related parties	21	28				49
Current liabilities						
Related parties - trade payables						76
Related parties - dividends payable	56,946					56,946
Related parties - borrowings (Note 18)			40,813			40,813
Non-current liabilities						
Related parties - borrowings (Note 18)			1,766,046			1,766,046
Main transactions						
Sales revenue			788,393			788,393
Revenues from lease of assets		48				48
Revenues from sale of goods and materials			12			12
Cost of purchase of raw materials						(7,340)
Purchases of assets for use and materials		(14)			(232)	(246)
Share-based compensation plan					(5,369)	(5,369)
Finance costs (iv)				(141,344)		(141,344)
Purchases of sugar cane						(7,340)
Dividends distributed	(83,506)					(83,506)
Recovery of corporate expenses (i)	180	189				369
Commissions						(1,030)

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24.3 Other information

- (i) These reimbursements refer to the allocation of corporate, administrative and selling expenditures, including management remuneration, apportioned and charged by the Company to the other Group companies in Brazil (Note 1.2).
- (ii) At December 31, 2020, the parent company Adecoagro Brasil Participações S.A granted sureties to the Company, its subsidiaries and its parent company Adecoagro S.A. as a guarantee for borrowings, totaling R\$ 3,275,290 (2019 - R\$ 2,717,728) (Note 18).
- (iii) Adecoagro Uruguay S.A., a company of the Adecoagro Group located in Uruguay, performs certain transactions related to the export of commodities of various companies in Brazil, Argentina and Uruguay. In 2020 and 2019, these relate to the export of sugar by the Company and its subsidiaries.
- (iv) Finance costs correspond to the settlement of semiannual interest on borrowings obtained by the Company and its subsidiary UMA from Adecoagro S.A. as export prepayments, drawn down in 2017 (Note 18).
- (v) The related parties identified as "Other" correspond, basically, in the Company and its subsidiaries, to beneficiaries of share-based compensation plans that have some link with the Company or any other company of the Adecoagro Group in Brazil or abroad.

24.4 Management compensation

Senior management comprises the Company officers and key managers. In 2020, remuneration to key management personnel for services rendered includes salaries and social charges, bonuses, share-based compensation plan, which amounted to R\$ 9,759 (2019 - R\$ 6,176) and was paid by the Company.

25 Future commitments

At December 31, 2020, the Company and its subsidiaries had commitments to customers for the delivery of products scheduled for the 2020/2021 crop, at fixed prices, which will be accounted for on the physical delivery of the items, as presented below:

Product	Measurement unit	Parent company		Consolidated	
		2020	2019	2020	2019
Sugar - VHP	metric tons			3,630	
Sugar - granulated	metric tons			287	
Sugar - Organic	metric tons			18	
Ethanol	cubic meters	3,368	7,495	3,419	8,038
Electricity	Mwh	492,420	438,624	698,868	649,245

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26 Equity

26.1 Share capital

At December 31, 2020, capital amounted to R\$ 1,155,865 (2019 - R\$ 1,335,865), divided into common shares, with no par value, held as follows:

	<u>2020</u>	<u>2019</u>
Adecoagro Brasil Participações S.A.	1,335,864,669	1,335,864,669
	<u>1,335,864,669</u>	<u>1,335,864,669</u>

On October 29, 2020, the Company's capital was reduced by R\$ 180,000, without cancellation of shares, with a capital return to the parent company Adecoagro Brasil Participações S.A. ("ABP"), by delivering quotas of the investee Adecoagro Agricultura e Participações Ltda. ("AAP"). AAP was incorporated in October 2020 with a contribution of assets and rights.

27 Reserves

27.1 Capital reserve

(a) Premium on restricted shares

Refers to the stock option plan for restricted shares of Adecoagro S.A., the Group's parent company (Note 1.2), in which the officers of the Company and its subsidiaries participate, which constitute an obligation of the parent company (Note 32).

27.2 Revenue reserve

(a) Tax incentive reserve - Subsidies

The tax incentive benefits recorded in "Investment Subsidies" as per Art. 523 of Income Tax Regulations (RIR/18), and are treated as nontaxable income when appropriated to the Revenue reserves under "Reserve for Grants".

Pursuant to Art. 9, paragraph 4 of Complementary Law 160/17, the benefits related to ICMS, granted by state authorities, are considered investment subsidies subject to requirements and conditions.

The Company receives government grants for investments related to ICMS tax incentive granted by the government of the State of Mato Grosso do Sul, relating to presumed credit of ICMS on sales of ethanol. ICMS tax benefits are contingent on fulfillment of the following conditions: (i) hiring new employees; (ii) making new investments; and (iii) increasing annual revenues.

At December 31, 2020, R\$ 334,802 (up to 2019 - R\$ 244,443) was appropriated and treated as a nontaxable item for taxes on income.

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UMA receives government grants for investment related to an ICMS tax incentive granted by the government of the State of Minas Gerais, relating to presumed credit of ICMS on sales of ethanol, sugar cane and electricity.

At December 31, 2020, in "UMA", appropriated to Reserve the grants for R\$ 3,611 (2019 - R\$ 1,576), treated as a nontaxable item for taxes on income.

27.3 Carrying value adjustments

(a) Deemed cost

These adjustments refer to the effect of the recognition of the deemed cost of property, plant and equipment, net of tax effects, as of the base date January 1, 2009. Management of UMA, based on Brazilian generally accepted accounting principles (CPC 37), to be consistent with the approach taken by the Group's parent company in the first time adoption of International Financial Reporting Standards (IFRS) in the preparation of the financial statements of Adecoagro S.A, adopted the deemed cost to record its property, plant and equipment at that date.

The revaluation increment is depreciated, written-off or disposed to match the underlying assets through a charge directly to retained earnings.

(b) Hedge accounting

The effective portion of changes in the fair value of derivative and non-derivative instruments that are designated and qualify as cash flow hedges is recognized in equity within "Carrying value adjustments", which is included in comprehensive income, and is presented net of the portion transferred to finance results and income tax and social contribution.

The Company has adopted hedge accounting and designated the following instruments and items as hedges:

a) Hedging instruments

Non-derivative debt financial instruments, linked to the U.S. dollar (Advances on Foreign Exchange Contracts (ACC), Export Prepayment (PPE), Related parties Export Credit Note (NCE), among others);

b) Hedging transactions

Forecasts of sales or firm futures commitments, both related to commodities and denominated in foreign currency (US\$), considered as highly probable because they are based on the projections of the sales department.

c) Hedged risks

Hedged risk is the risk of changes in foreign exchange rates in future commodity exports due to fluctuations of the U.S. dollar in relation to the Brazilian Real.

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27.4 Allocation of profits

According to the Company's bylaws, profits will be allocated as determined by the stockholders. Stockholders are entitled to a minimum mandatory dividend as established in the Brazilian Corporation Law corresponding to 25% of net profit after offsetting any accumulated deficit and adjustments. The legal reserve is appropriate based on 5% of net profit.

Article 20 of the Company's bylaws establishes that the Executive Board can decide on the allocation of profit for the year. At December 31, 2020, the Board agreed to distribute dividends of R\$ 56,956. This decision was ratified by the Extraordinary General Meeting on February 2021.

27.5 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the Company's stockholders by the weighted average number of shares issued during the year, as follows:

	<u>2020</u>	<u>2019</u>
Profit attributable to stockholders	<u>334,171</u>	<u>233,566</u>
Number of common shares at the beginning of the year (in thousands)	1,335,865	1,347,698
Weighted average number of common shares in the year (in thousands)	<u>1,335,865</u>	<u>1,347,698</u>
Basic earnings per thousand shares - R\$	<u><u>250.15</u></u>	<u><u>173.31</u></u>

(b) Diluted

The Company does not have any debt convertible into shares or stock options. There are no potentially dilutive instruments.

28 Supplementary cash flow disclosures

(a) Property, plant and equipment

The Company and its subsidiaries have balances payable for purchased property, plant and equipment items. In 2020, the outstanding balance of the parent company is R\$ 8,602 (2019 - R\$ 5,100), and that of Consolidated is R\$ 10,397 (2019 - R\$ 5,159).

In 2020, the Company reclassified property, plant and equipment items to available for sale, in the amount of R\$ 3,452, which did not affect cash.

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On October 29, 2020, the Company subscribed capital through a contribution of land of R\$ 81,085 in AAP, currently an associate of the Company.

The Company and its subsidiaries have capitalized interest on qualifying assets without affecting cash. In 2020, capitalized amounts in the parent company totaled R\$ 8,340 (2019 - R\$ 16,241), in the Consolidated R\$ 8,880 (2019 - R\$ 17,386).

(b) Non-cash investing and financing activities

On August 10, 2020, the Company acquired Adecoagro Agricultura e Participações Ltda. ("AAP"). On October 29, 2020, a capital subscription was made contributing land and receivables totaling R\$ 180,000. Subsequently, the Company's investment in AAP was assigned to ABP through a capital reduction.

(c) Tax credit offsetting

In 2019, UMA settled a portion of its current income tax (Note 22.2) by offsetting against income tax withheld at source credits (Note 9), of R\$ 34; the balance remains as a tax payable (Note 20).

29 Revenue from contracts with customers

Revenue comprises the fair value received or receivable for the sale of goods in the ordinary course of the Company and its subsidiaries' business. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company and its subsidiaries recognize revenue when control of a good or service is transferred to the customer, that is, when the contract, the performance obligation and the transaction price can be reliably identified, and the transaction price properly allocated. This occurs when specific criteria have been met for each of the Company's activities as described below.

The Company and its subsidiaries produce and sell sugar and ethanol and generate and sell electricity. Sales are recognized when delivered to the customer, when the customer has full discretion over the channel and price to resell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until: (i) the products have been shipped to the specified location or picked up by the customer; (ii) the risks of obsolescence and loss have been transferred to the customer; (iii) the customer has accepted the products in accordance with the sales contract; and (iv) the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

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The reconciliation between gross and net sales and services revenue is as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Gross sales revenue				
Domestic market				
Anhydrous ethanol	524,989	595,111	524,989	595,111
Hydrated ethanol	475,201	940,883	575,291	1,039,471
VHP sugar	126		2,416	7,310
Granulated sugar			55,031	44,561
Organic sugar			1,036	2,400
Electricity	168,578	156,942	226,670	238,650
Soybean	3,009		3,672	893
Corn	1,314		1,314	
Rice				4,057
Steam	16,731	15,319		
Other	529	198	529	198
Total in the domestic market	1,190,477	1,708,453	1,390,948	1,932,651
Foreign market				
VHP sugar (i)	790,090	148,307	850,163	191,165
Granulated sugar			6,789	6,867
Organic sugar			6,597	
Total in the foreign market	790,090	148,307	863,549	198,032
Total gross sales revenue	1,980,567	1,856,760	2,254,497	2,130,683
(-) Taxes on sales (ii)	(167,932)	(271,349)	(197,548)	(302,677)
(-) Returns, discounts and rebates	(20,048)	(21,614)	(22,072)	(25,611)
Net sales revenue	1,792,587	1,563,797	2,034,877	1,802,395

- (i) Revenues from exports of sugar to Adecoagro Uruguay S.A. totaled R\$ 722,418 (2019 - R\$ 90,462) in the Company and R\$ 788,393 (2019 - R\$ 140,187) in the Company and UMA.
- (ii) The domestic sales of the Company and its subsidiaries may be subject to the following taxes: PIS/COFINS, INSS, ICMS and/or ISS, according to the legislation applicable to each transaction.

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30 Cost of sales

	Note	Parent company				Consolidated			
		Sugar, ethanol and		2020	2019	Sugar, ethanol and		2020	2019
		Grains	electricity			Grains	electricity		
Inventories at January 1	9		129,221	129,221	137,132		148,587	148,587	154,830
Total cost of production (i)	30	3,076	1,362,961	1,366,037	1,257,341	3,495	1,517,107	1,520,602	1,408,056
Purchases for resale			31,807	31,807	34,073		34,178	34,178	35,565
Changes in the fair value of the grains harvested		1,214		1,214		1,214		1,214	248
Sugar cane price adjustment			2,033	2,033			2,297	2,297	
Recovery of costs and taxes (ii)			(100,919)	(100,919)	(138,516)	187	(102,708)	(102,521)	(139,673)
Reversal of loss on inventory realization			(2,513)	(2,513)	61		(1,569)	(1,569)	309
Losses due to breakage during transportation		171	8,772	8,943	(6,174)	171	8,772	8,943	(6,174)
Inventories at December 31	9		(157,305)	(157,305)	(129,221)		(178,320)	(178,320)	(148,587)
Cost of sales		4,461	1,274,057	1,278,518	1,154,696	5,067	1,428,344	1,433,411	1,304,574

- (i) In 2020, these include changes in the fair value of the harvested agricultural product, namely sugar cane, of R\$ 141,045 in the Company and R\$ 10,706 in UMA (2019 - R\$ 38,978 in the Company and R\$ 6,338 in UMA).
- (ii) These refer to taxes recoverable:
- PIS and COFINS out of period credits, as authorized by law.
 - ICMS credits obtained through the tax benefit granted to the Company and UMA, by the respective states, and other cost recoveries (Note 26.5.1).

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31 Expenses by nature

31.1 Parent company

	Parent company					
					2020	2019
	Production cost of biological assets	Industrial production costs	Selling expenses	Administrative expenses	Total	Total
Salaries and employee benefits	35,515	113,842	4,679	28,330	182,366	210,631
Depreciation and amortization	17,353	458,511	2,032	5,250	483,146	465,921
Depreciation of right-of-use assets	128,775	27,594	985	18	157,372	132,984
Industrial and agricultural inputs	150,683	30,756			181,439	204,041
Sugarcane purchased from suppliers		72,829			72,829	43,209
Fuel and lubricants	8,928	78,118	221	405	87,672	99,958
Transportation expenses		3,151	91,639	19	94,809	45,273
Electricity		3,160	152	271	3,583	3,729
Electricity distribution expenses			7,892		7,892	8,044
Maintenance and repairs	8,876	57,338	933	877	68,024	78,324
Construction works and services contracted	26,421	24,884			51,305	55,407
Taxes and charges	243	12,117	37	175	12,572	7,870
Professional services	1,523	2,022	1,582	14,124	19,251	15,841
Commissions			781		781	1,363
Contingencies				2,558	2,558	1,209
Leases	6,356	878	449	204	7,887	7,363
Insurance	496	2,396	69	97	3,058	3,411
Travel expenses	55	185	68	441	749	3,261
Other expenses and costs	2,217	3,759	2,108	3,199	11,283	9,557
Subtotal	387,441	891,540	113,627	55,968	1,448,576	1,397,396
Company-owned sugarcane consumed		471,421			471,421	348,961
Total costs and expenses	387,441	1,362,961	113,627	55,968	1,919,997	1,746,357

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31.2 Consolidated

						Consolidated	
						2020	2019
	Production cost of biological assets	Industrial production costs	Selling expenses	Administrative expenses	Total	Total	
Salaries and employee benefits	47,760	139,431	8,168	45,985	241,344	268,820	
Depreciation and amortization	19,366	500,655	2,514	5,665	528,200	511,910	
Depreciation of right-of-use assets	142,775	29,496	1,017	25	173,313	146,828	
Industrial and agricultural inputs	165,571	35,385			200,956	219,247	
Processing						3,222	
Sugarcane purchased from suppliers		73,169			73,169	44,268	
Fuel and lubricants	10,825	87,664	248	454	99,191	113,792	
Transportation expenses		3,151	96,719	43	99,913	49,397	
Electricity		3,844	158	323	4,325	5,112	
Electricity distribution expenses			11,594		11,594	11,996	
Maintenance and repairs	10,354	66,284	1,525	999	79,162	88,138	
Construction works and services contracted	27,868	26,285			54,153	58,683	
Taxes and charges	243	12,182	1,188	228	13,841	9,160	
Professional services	1,742	2,365	3,432	16,194	23,733	19,188	
Commissions			1,680		1,680	2,146	
Contingencies				3,273	3,273	1,615	
Leases	6,699	1,243	736	296	8,974	9,931	
Insurance	565	2,715	87	115	3,482	3,919	
Travel expenses	90	273	76	531	970	3,514	
Other expenses and costs	2,985	5,230	3,398	2,899	14,512	12,080	
Subtotal	436,843	989,372	132,540	77,030	1,635,785	1,582,966	
Company-owned sugarcane consumed		527,735			527,735	394,704	
Total costs and expenses	436,843	1,517,107	132,540	77,030	2,163,520	1,977,670	

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32 Other income (expenses), net

	Parent company		Consolidated	
	2020	2019	2020	2019
Gain (loss) on disposal/write-off of property, plant and equipment	1,677	(7,893)	924	(8,572)
Gain on sale of subsidiaries (i)		38,555		38,555
Adjustment to fair value of receivables from sale of subsidiary	28,779	5,114	28,779	5,114
Sale of sundry materials	1,117	984	882	1,011
Physical inventory adjustments	180	(465)	180	(468)
Gains (losses) on financial instruments entered into to hedge commodity transactions (ii)	5,389	(117)	5,389	(126)
Changes in the provision for contingencies	1,601	(621)	1,556	(156)
Recovery of expenses	8,420	2622	8,686	3,389
Changes in the provision for impairment of assets	(2,513)	210	(3,441)	191
Income from leases between companies (iii)	1,569	2,517		
Gains on insurance indemnities	1,505	4,677	1,725	5,019
Payment of state fund - grants	(7,228)		(8,044)	
Statute of limitations of tax credits				(231)
Profit (loss) on the sale of Cbios (iv)	15,794		17,207	
Other	1,458	540	267	(344)
	<u>57,748</u>	<u>46,123</u>	<u>54,110</u>	<u>43,382</u>

- (i) In January 2019, the Company completed the sale of its subsidiary QO65 Negócios Imobiliários Ltda., the main underlying asset of which is Fazenda Alto Alegre, for R\$ 63,200. This transaction gave rise to a gain of R\$ 38,555 recorded in the statement of income as a "Gain on sale of subsidiaries".
- (ii) The Company determined the gains/losses on derivative financial instruments contracted to hedge transactions with products. In 2020, the parent company's gains on sugar and losses on ethanol amounted to R\$ 9,128 and (R\$ 3,389), respectively (2019 - losses of (R\$ 35) and (R\$ 82), respectively), and in the subsidiary losses on soybean totaled (R\$ 9).
- (iii) Refers to income from the lease of facilities between the subsidiaries AVI and AEN.
- (iv) CBIO decarbonization credits were sold for R\$ 18,382 (Company) and R\$ 1,714 (UMA), with an average price of R\$ 40.87. The results were calculated after the deduction of taxes and operating costs.

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33 Finance income and costs

	Parent company		Consolidated	
	2020	2019	2020	2019
Finance income				
Interest income on short-term bank deposits	10,333	12,220	11,548	14,353
Derivative financial instruments, net (i)	364	4,048	301	4,056
Cash flow hedges, transfer from equity (ii)	6,330		3,961	
Interest received	992		1,658	
Other finance income	1,103	1,633	2,673	3,425
Total finance income	19,122	17,901	20,141	21,834
Finance costs				
Bank borrowings	(80,568)	(40,347)	(84,618)	(43,344)
Borrowings from related parties	(134,821)	(116,621)	(141,344)	(123,158)
Expenses with the prepayment of borrowings	(314)		(314)	
Adjustment to present value of leases	(41,035)	(32,393)	(43,938)	(34,645)
Foreign exchange losses on financial activities, net (iii)	(38,601)	(4,554)	(40,917)	(4,373)
Cash flow hedges, transfer from equity (ii)		(3,971)		(3,971)
Other finance costs	(3,759)	(2,712)	(6,000)	(5,062)
Less: finance cost amounts capitalized on qualifying assets (iv)	8,340	16,241	8,880	17,386
Total finance costs recognized in the statement of income	(290,758)	(184,357)	(308,251)	(197,167)
Finance result	(271,636)	(166,456)	(288,110)	(175,333)

- (i) In 2020, the Company executed the following derivative instruments: swap - gains of R\$ 9,484 and currency NDF: gains of R\$ 4,845 and losses of (R\$ 13,965). In 2019, they were: Currency NDF: gains of R\$ 4,403 and losses of (R\$ 355).
- (ii) In the Company, realized amounts of cash flow hedges are transferred from equity to the statement of income as "Cash flow hedge - Transfer of assets". The amounts transferred in 2020 relate to Debts were: gains of R\$ 6,330 (2019 - debt: loss of (R\$ 4,653) and hedge accounting swaps: gain of R\$ 682)
- (iii) In the Company, foreign exchange gains and losses are presented net of hedge accounting effects under "Foreign exchange loss on financial activities, net". In 2020: gain of R\$ 405,042, loss of (R\$ 910,233) and hedge accounting of R\$ 466,590 (2019: gain of R\$ 365,135, loss of (R\$ 438,210) and hedge accounting of R\$ 68,521).
- (iv) In the Company, expenses capitalized for qualifying assets on borrowings refer to interest on bank loans of R\$ 7,433 (2019 - R\$ 8,336) and capitalization of interest on the depreciation of right-of-use of R\$ 907 (2019 - R\$ 7,667) related to bearer plants and foreign exchange gains of R\$ 238 in 2019.

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34 Share-based remuneration and restricted share plans

These are share-based remuneration plans of Adecoagro S.A., the Group's parent company (Note 1.2), in which the Group's executives are entitled to participate are an obligation of the parent company Adecoagro S.A.

On January 1, 2014, Adecoagro Brasil Participações S.A. entered into an agreement with Adecoagro S.A. (ultimate parent company of the Group, with shares traded on the New York Stock Exchange), for the purpose of reimbursing the foreign parent company for the fair value of the shares that will be granted to the executives who render services to the Group companies in Brazil.

On January 1, 2016, the Company and its subsidiaries entered into a contract with Adecoagro Brasil Participações S.A., with the consent of Adecoagro S.A, for the transfer of share-based remuneration and restricted share plans granted to its employees.

34.1 Restricted share plan

The restricted share plan consists of awards of restricted shares granted to certain employees of the Company and its subsidiaries.

This plan is administered by the Group's Remuneration Committee and has been effective since 2010. The shares are granted to the beneficiaries in equal amounts annually over a term of three years (33% each year, at the date defined for the granting), provided the beneficiary is still rendering services to the Group companies. The beneficiary loses the right to benefits not granted if the employment relationship with the Group is terminated before the date established for the granting of the shares.

Each share granted is equivalent to one common share and the amount of the benefit granted is measured at fair value at the date of presentation of the subsidiaries' financial statements.

In 2020, the Company and its subsidiaries reimbursed R\$ 3,295 to the parent company Adecoagro Brasil Participações S.A., which transferred this amount to Adecoagro S.A. (2019 - R\$ 3,356 - the Company and its subsidiaries reimbursed R\$ 3,356).

34.1.1 Parent company

Under the contract entered into by the Company and its subsidiaries and Adecoagro Brasil Participações S.A., which is responsible for the reimbursement to Adecoagro S.A. of the transfer of the remuneration plan for purchases of restricted shares granted to its employees, the Company reimbursed the amounts irrevocably transferred to the beneficiaries of the shares (vesting) in the current year. In 2020, R\$ 3,097 (2019 - R\$ 3,161) was recorded and settled in cash. At the time the restricted shares granted are released to the holder (vesting), the Company and its subsidiaries settle the related social and labor charges.

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At December 31, 2020, the Company recorded the balance of shares granted but not yet vested, at market value, in the amount of R\$ 13,455 (2019 - R\$ 11,512). The number of shares corresponding to the benefit granted is as follows:

	Parent company		
	Restricted shares - Plan 2010		
	Number of restricted shares	Market price per share (in US\$)	Total at fair value (in thousands of reais)
At January 1, 2020	341,224	8.37	11,512
Changes in grants in the period	182,221		5,040
Vested in the period	(142,685)	3.69	(3,097)
Balance of granted shares, not vested:			
Plan 2010 - grant in 2016	1,020	6.80	36
Plan 2010 - grant in 2017	990	6.80	35
Plan 2010 - grant in 2018	46,899	6.80	1,657
Plan 2010 - grant in 2019	131,860	6.80	4,660
Plan 2010 - grant in 2020	199,991	6.80	7,067
At December 31, 2020	<u>380,760</u>		<u>13,455</u>
At January 1, 2019	262,281	6.96	7,073
Changes in grants in the period	198,869		7,600
Vested in the period	(119,926)	6.82	(3,161)
Balance of granted shares, not vested:			
Plan 2010 - grant in 2016	1,020	8.37	34
Plan 2010 - grant in 2017	38,388	8.37	1,295
Plan 2010 - grant in 2018	95,373	8.37	3,218
Plan 2010 - grant in 2019	206,443	8.37	6,965
At December 31, 2019	<u>341,224</u>		<u>11,512</u>

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34.1.2 Consolidated

Under the contract entered into by the Company and its subsidiaries and Adecoagro Brasil Participações S.A., which is responsible for the reimbursement to Adecoagro S.A. of the transfer of the remuneration plan for purchases of restricted shares granted to its employees, the Company and its subsidiaries reimbursed the amounts irrevocably transferred to the beneficiaries of the shares (vesting) in the current year. In 2020, R\$ 3,295 (2019 - R\$ 3,356) was recorded and settled in cash. At the time the restricted shares granted are released to the holder (vesting), the Company and its subsidiaries settle the related social and labor charges.

At December 31, 2019, the Company and its subsidiaries recorded the balance of shares granted but not yet vested, at market value, in the amount of R\$ 14,263 (2019 - R\$ 12,189). The number of shares corresponding to the benefit granted is as follows:

	Consolidated		
	Restricted shares - Plan 2010		
	Number of restricted shares	Market price per share (in US\$)	Total at fair value (in thousands of reais)
At January 1, 2020	361,295	8.37	12,189
Changes in grants in the period	194,174	0.00	5,369
Vested in the period	<u>(151,830)</u>	3.69	<u>(3,295)</u>
Balance of granted shares, not vested			
Plan 2010 - grant in 2016	1,020	6.80	36
Plan 2010 - grant in 2017	990	6.80	35
Plan 2010 - grant in 2018	50,012	6.80	1,767
Plan 2010 - grant in 2019	139,673	6.80	4,936
Plan 2010 - grant in 2020	<u>211,944</u>	6.80	<u>7,489</u>
At December 31, 2020	<u><u>403,639</u></u>		<u><u>14,263</u></u>
At January 1, 2019	278,095	6.96	7,500
Changes in grants in the period	210,528		8,045
Vested in the period	<u>(127,328)</u>	6.82	<u>(3,356)</u>
Balance of granted shares, not vested			
Plan 2010 - grant in 2016	1,020	8.37	34
Plan 2010 - grant in 2017	40,666	8.37	1,372
Plan 2010 - grant in 2018	101,507	8.37	3,425
Plan 2010 - grant in 2019	218,102	8.37	7,358
At December 31, 2019	<u><u>361,295</u></u>		<u><u>12,189</u></u>

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35 Insurance

The Company and its subsidiaries contract insurance for assets at risks, taking into consideration the nature of its activities, the operational risks and the guidance of insurance advisors. At December 31, 2020, the risks covered and related amounts are as follows:

Insured assets	Risks covered	Parent company	Consolidated
		Values at risk declared	Values at risk declared
Buildings, machinery and industrial facilities	Fire, lightening, explosions of any nature and other	1,252,200	2,105,700
Inventories of finished products (i)	Sundry risks	432,700	515,060
Agricultural machinery and equipment	Fire, lightning, explosion and implosion, burglary, theft, electric damage, and civil liability	99,094	105,415
Vehicles	Body	Market	Market
Loss of profits	Sundry risks	877,000	969,000
Soybean plantations (ii)	Fire, lightening, waterspout, strong and cold winds, hailstorm, excessive rain, drought, frost and excessive temperature variation	11,459	11,459

- (i) The amount cover for inventories of finished products varies in relation to the quantities of products in inventory.
- (ii) Sugar cane plantations are not insured, but the subsidiaries adopt preventive measures.

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