



2016 Consolidated Financial Statements



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Isagro S.p.A.

A company directed
and coordinated
by Holdisa S.r.l.

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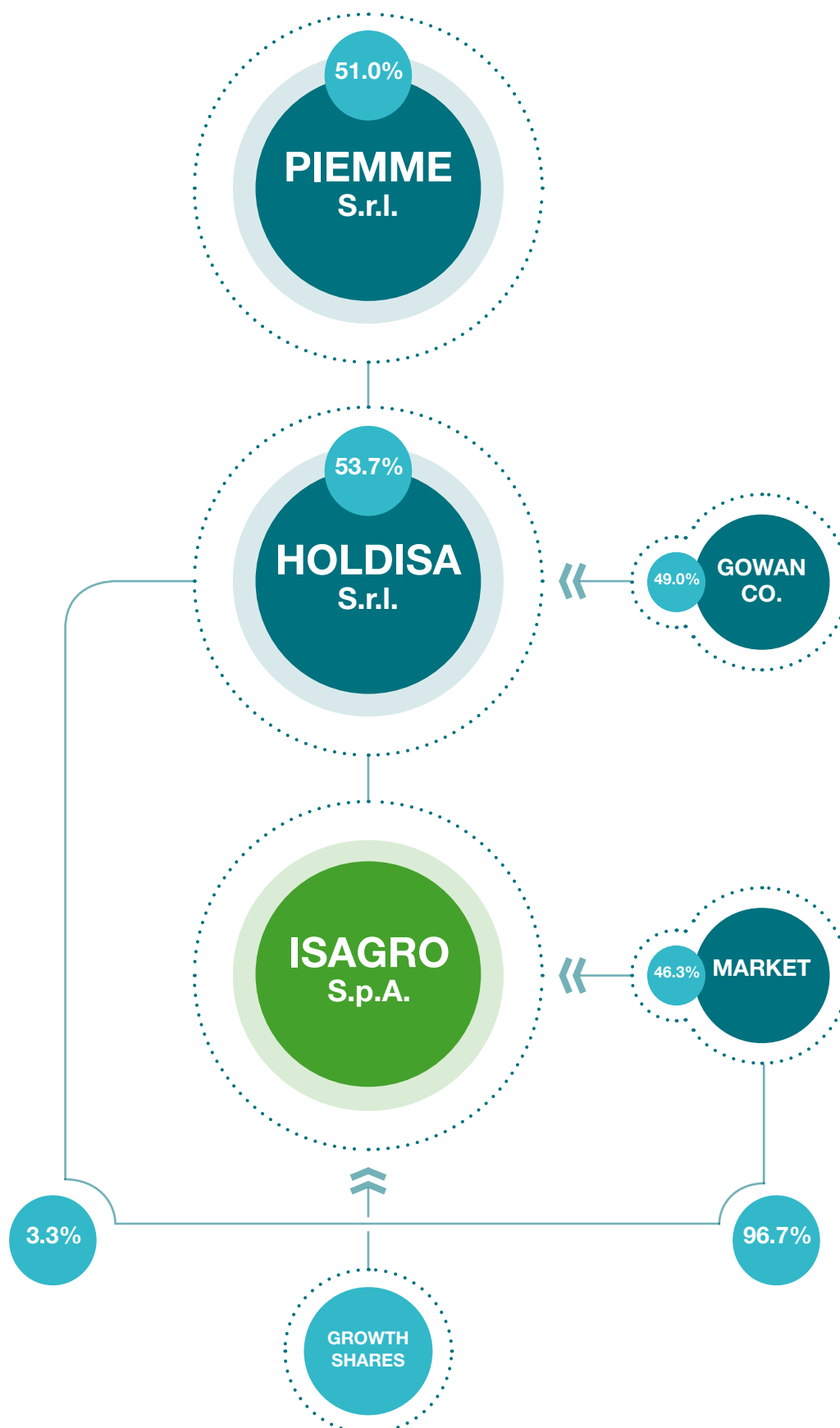
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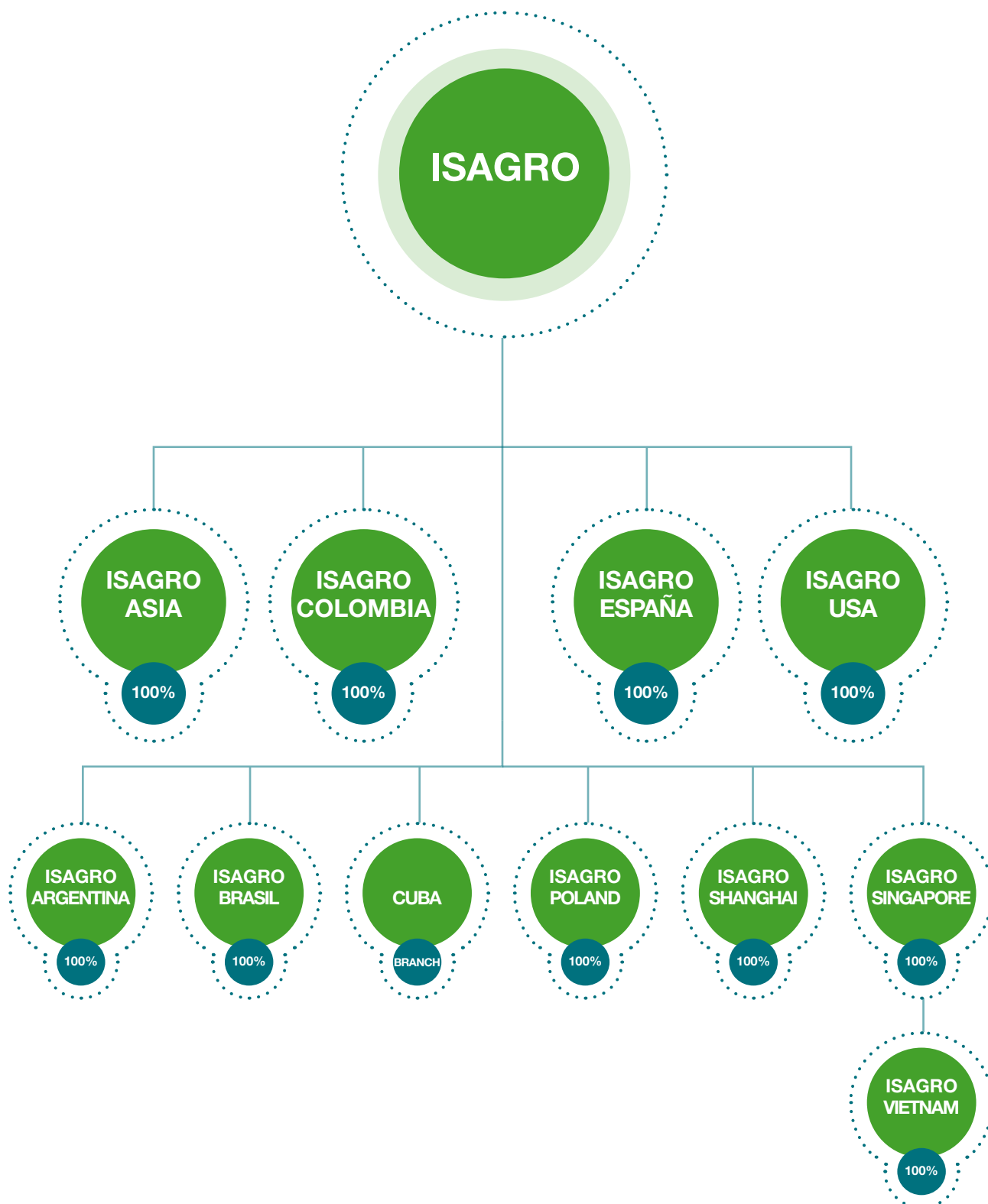
Controlling structure of Isagro S.p.A.

(updated March 14th, 2017)



Structure of the Group

(updated March 14th, 2017)



ISAGRO IS ALSO PRESENT IN
AUSTRALIA, CHILE, MEXICO AND SOUTH AFRICA
WITH COMPANIES HOLDING LOCAL REGISTRATIONS.
ISAGRO OWNS 22% OF THE ITALIAN COMPANY ARTERRA BIOSCIENCE.



BOARD OF DIRECTORS

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Deputy Chairman

Maurizio Basile

Directors

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INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

2016 Consolidated Financial Statements

Directors' Management Report

Dear Shareholders,

Your Group's Consolidated Financial Statements as at December 31st, 2016 disclosed at the Income Statement level, **Revenues** of € 149.7 million (-4.1% compared to 2015), **EBITDA** of € 16.2 million (compared to € 19.5 million in 2015) and **Net profit** of € 2.7 million (compared to the € 3.1 million profit in 2015).

The aforesaid decrease in **Revenues** in 2016 relative to 2015 is mainly due to lower sales on the important Brazilian market, as explained more thoroughly below, with revenues deriving from agreements for the exploitation of the Intellectual Property relating to proprietary products registered during the year, not far from those accrued in the previous year.


As regards the Balance Sheet, as at December 31st, 2016 your Group disclosed **Net financial debt** of € 52.7 million (compared to € 47.2 million as at December 31st, 2015), with a **debt/equity ratio** of 0.52. Net financial debt, moreover, is entirely against Net working capital, with Equity (increasing from € 99.9 million as at December 31st, 2015 to € 102.1 million as at December 31st, 2016) contributing to finance the Net working capital itself for approximately € 13.2 million.

2016, in line with what previously anticipated, represented for your Group a year of “consolidation” of the results of the previous year, in the presence, as stated, of lower sales for the Brazilian market compared to 2015, but with a better result from financial management.

From a strategic point of view, instead, 2016 was characterized by the continuation of Isagro's strategic guidelines implementation, through:

- the continuation of the investment programmes for new registrations of the existing active ingredients and for the development of new products/molecules. With reference to the latter, it is worth to highlight the prosecution, in line with programmes, of the co-development of Fluindapyr (new broad-spectrum proprietary fungicide belonging to the “SDHi” class), for which the registration is expected in Europe in 2021, and the development of Dominus (new proprietary Biofumigant), whose sales, although already started in the USA, are expected to grow significantly in upcoming years, once registration for California is obtained, which is expected by the first part of 2018;
- the development of the commercial structure at the global level, with the hiring of new resources at the level of the parent company Isagro S.p.A., the strengthening of the local companies Isagro Argentina, Isagro Brasil, Isagro Shanghai, Isagro USA and the establishment of Isagro Mexicana, Isagro Poland, Isagro Vietnam.





With reference to your Group's outlook, Isagro continues to work to implement the business model as a *global, independent originator* of new products and molecules, with a medium/long term management horizon and with the target of around € 200 million revenues at a consolidated level with underlying expectations of adequate profitability.

In relation to the performance of Isagro stocks on the Stock Market, then, it should be highlighted that your Group, at current prices, suffers from:

- a Stock Market capitalisation that is far from the book values of the Shareholders' Equity, with the latter, in turn, underestimating the potential realisation value of the assets, reflecting their book value of only the historical costs net of related amortisation and depreciation. This, moreover, appears all the more true when analysed also in light of the recent merger and acquisition transactions that involved the major operators based on innovative research and of the related multiples associated with them;
- a "spread" between the Stock Market price of Ordinary Shares and of Growth Shares, both listed on the "STAR" segment of Borsa Italiana, with the unit value of the Ordinary Shares higher than that of Growth Shares even in the presence of equivalent equity value and a higher dividend by 20% for Growth Shares relative to the one that may have been resolved for Ordinary Shares.

Evolution of the crop protection products market

The sales of crop protection products of the leading operators in the Industry (Bayer CropScience, Syngenta, Du Pont, Basf, Dow and Monsanto) show at global level, for the year 2016, an aggregate level of revenues lower of approximately 5% compared to the same period of 2015, with particularly marked decline in South America and, more specifically, in the important Brazilian market.

In 2016, the crop protection market was still characterised by low prices of agricultural commodities, thus limiting farmers' economic-financial resources, by the appreciation of the Dollar relative to the other major currencies, by high levels of inventory at the distributor level, by adverse climatic conditions in Brazil (where conditions of difficult access to credit, in any case at high costs, persist) and Northern Europe and by the effect deriving from the massive adoption of genetically modified crops in the Americas.

With regard to the performance of specific markets, and with reference also to indications by Phillips McDougall, it is highlighted that:

- in **Europe**, the market benefited from mild winter climate and an early spring, followed, however, by a cool, damp summer in the North, which overall entailed, for Europe, a rate of decline in the level of sales by 1.3% relative to 2015. The reform of the CAP (Common Agricultural Policy), which in 2016 had the first full year of implementation, had depressive effects on the overall profitability of the farming sector. The analysis of the trend in farming areas and of the related production shows a decline of 0.5% in the areas and of 5.1% in production, with consequent depressive effects on the demand for production inputs, including crop protection products;
- in **North America**, the market recorded 1.3% growth relative to the previous year, especially in Canada and Mexico, while in the United States, where the agronomic conditions were satisfactory during the vegetative cycle, and in California, where water availability improved at the prolonged drought, the prices of agricultural goods continued to remain low, with high inventory at distributor level and little propensity to buy on the part of farmers;
- in **South America**, the market recorded a 6.9% decline at sales level compared to the previous year. The reduction in corn farming areas continued in 2016, in favour of soy, because of the higher price paid by the market. In particular:
 - Brazil's agricultural economy continues to be weakened by the effects of the gradual strengthening of the Brazilian Real against the US Dollar that began at the beginning of 2016, by the low prices for agricultural goods and the high cost of credit, by the increase in the level of inventory at distributor level and by the climatic conditions, adverse to crops, especially because of the drought due to the "El Niño" phenomenon;
 - in Argentina, a recovery of the farming economy started, driven by the new government policy that eliminated the tax on corn exports and reduced the tax on soy, with the consequent recovery of the market;
- in **Asia and Oceania**, the market experienced a decrease by 1.2% at sales level relative to 2015. Asian country, starting from India, benefited from a satisfactory monsoon season, which is the main reason behind the performance of the agricultural economy. China suffered as a result of the introduction of the "zero growth" policy. The price of rice, rising as a result of the completion of the destocking programme in Thailand, drove the market for crop protection products in East Asian countries. In Australia, there was a recovery after a long period of drought, allowing the achievement of a record level of cereal production.



Income Statement

Summary data

The consolidated **Revenues** of 2016 amounted to € 149.7 million, down by € 6.3 million (-4.1%) compared to € 156.0 million of 2015.

The aforesaid decrease in revenues in 2016 compared to the previous year was due, on one hand, on lower sales:

- in South America, and in particular in Brazil, by approximately € 6 million;
- in North America, and in particular in the United States, by approximately € 3 million, and on lower revenues from agreements with Third Parties for the exploitation of Isagro's Intellectual Property, by approximately € 1 million, partially offset, on the other hand, by higher revenues in Europe, East Med and Asia.

With regard to the revenues breakdown of only crop protection products by geographic area, it is underlined that in 2016 sales:

- in Italy represented approximately 20% of revenues (compared to 22% in 2015), for a total of € 27.2 million (compared to € 31.5 million in 2015);
- in the other European Countries, represented approximately 28% of revenues (compared to 24% in 2015), for a total of € 38.9 million (compared to € 34.1 million in 2015);
- in the Americas represented approximately 17% of revenues (compared to 23% in 2015), for a total amount of € 23.6 million (compared to € 32.5 million in 2015);
- in Asia represented approximately 29% of revenues (compared to 26% in 2015), for a total amount of € 40.8 million (compared to € 37.7 million in 2015);
- in the Rest of the World represented approximately 6% of revenues (compared to 5% in 2015), for a total amount of € 8.0 million (compared to € 7.7 million in 2015).

In relative terms, therefore, Isagro is confirmed as a strongly foreign-oriented group, with a percentage of period sales from crop protection products achieved outside Italy exceeded 80%.

Consolidated Revenues by Geographic Area

(€ 000)	2016		Change	2015	
Italy	27,224	19.7%	-13.5%	31,487	21.9%
Rest of Europe	38,881	28.1%	+13.9%	34,134	23.8%
Americas	23,569	17.0%	-27.6%	32,547	22.7%
Asia	40,750	29.4%	+8.0%	37,729	26.3%
Rest of the World	8,048	5.8%	+4.4%	7,711	5.3%
Crop protection products subtotal	138,472	100.0%	-3.6%	143,608	100.0%
Other products and services	11,245		-9.6%	12,440	
Consolidated Revenues	149,717		-4.1%	156,048	

During 2016, Isagro carried on its **Research, Innovation & Development** activity incurring total costs of € 14.1 million (compared to € 15.5 million in 2015) of which € 9.6 million capitalised (compared to capitalisation of € 11.2 million in 2015). These significant investments pertain in particular to the co-development of the new proprietary molecule Fluindapyr (an SDHi class broad spectrum fungicide) with FMC Corporation, development of the new Biofumigant for the United States, the extraordinary protection of proprietary products and the development of new registrations for said products.

In addition, in 2016 Isagro benefited from a tax credit of € 1.5 million for its R,I&S activities, of which € 0.3 million included on an accruals basis in the Income Statement for the year.

With specific reference to the aforesaid new fungicide Fluindapyr, the registration of the active ingredient in Europe is expected to take place in 2021.

It should be highlighted that it is a strategic interest and priority objective of Isagro, consistently with the strategic lines of the Group, to maximise the exploitation of said molecule, which has a global marketing horizon, also through agreements with Third Parties.

Consolidated Income Statement - Summary Data

(€ 000)	YEAR 2016	YEAR 2015	Differences	
Revenues	149,717	156,048	-6,331	-4.1%
Memo: Labour costs and provision for bonus	(29,308)	(28,832)	-476	
EBITDA	16,217	19,457	-3,240	-16.7%
% on Revenues	10.8%	12.5%		
Depreciation and amortisation:				
- tangible assets	(3,829)	(3,748)	-81	
- intangible assets	(5,344)	(5,146)	-198	
- write-down of tangible and intangible assets	(174)	(776)	+602	
EBIT	6,870	9,787	-2,917	N/S
% on Revenues	4.6%	6.3%		
Interest, fees and financial discounts	(747)	(1,127)	+380	
Gains/(losses) on foreign exchange and derivatives	719	(1,296)	+2,015	
Revaluations of equity investments	28	54	-26	
Result before taxes	6,870	7,418	-548	N/S
Current and deferred taxes	(3,887)	(4,036)	+149	
Profit of the Group from continuing operations	2,983	3,382	-399	N/S
Net profit/(loss) from discontinued operations	(250)	(250)	-	
Net result	2,733	3,132	-399	N/S

EBITDA for 2016 thus amounted to € 16.2 million, down by € 3.3 million (-16.7%) compared to € 19.5 million in 2015, with margins on Revenues decreasing from 12.5% in 2015 to 10.8% in 2016.

The above decrease in EBITDA in 2016 versus 2015 was the result of:

- (i) € 2.8 million lower Value Added for the aforementioned decrease in revenues, in addition to higher allocations to provisions in the period,
and
- (ii) € 0.5 million higher cost of labour and bonuses to employees.

With reference to the first point set out above, the incidence of Value Added compared to revenues remained substantially stable in 2016, i.e. equal to 30.4% compared to 30.9% in 2015, thus highlighting the cost structure efficiency.

As regards the **Amortisation, depreciation and impairment losses** for the period, they amounted to € 9.3 million, down by € 0.4 million compared to € 9.7 million in 2015, as a result of:

- higher amortisation and depreciation for € 0.2 million;
- lower impairment losses for € 0.6 million.

Your Group therefore closed 2016 with an **EBIT (Operating profit)** of € 6.9 million, down by € 2.9 million compared to € 9.8 million in 2015.

With reference to financial management, in 2016, compared to the previous year, your Group incurred:

- lower **Interest fees, commissions and financial charges** of € 0.4 million, though there was an increase in financial debt, as a result of the improved funding conditions obtained from the parent Isagro S.p.A. due to an improvement in its rating from banks and benefiting from increased available liquidity in the framework of financial intermediation, and of the higher returns from the liquidity of the associate Isagro Asia;
- **Net gains on foreign exchange and derivatives** amounting to € 0.7 million, compared to losses of € 1.3 million in 2015, with an improvement by € 2.0 million attributable to changes in the Euro/US Dollar exchange rate net of the effects of the derivative contracts signed to hedge the exchange rate risk associated with sales in US Dollars. It should be remembered that the Isagro Group operates on several markets internationally and many trade relations are managed in currencies other than the Euro, mainly in US dollars. Consequently, the Group, in compliance with its “Financial Risk Management Policy” designed to “grant security” to the interest rate of the budget, arranges USD exchange rate risk hedges, using its forecast exposure for the year as indicated by the currency budget in US Dollars as the reference basis. With regard to the hedging transactions carried out by the Group, it should also be noted that they are exclusively for operational transactions and therefore not for speculative purposes; however, as they do not meet the requirements of IAS 39 for the hedging of “specific” risks, they are considered as “trading” transactions and are therefore recognised directly as financial items in the Income Statement, both for the realised and unrealised portion.

The consolidated **Result before taxes** was therefore a profit of € 6.9 million, marginally down compared to the € 7.4 million of 2015.

In terms of tax management, as at December 31st, 2016, were recorded current tax and deferred tax liabilities of € 3.9 million, substantially in line with the value of 2015, with a **Net profit** of € 2.7 million, slightly lower than € 3.1 million in 2015.

Balance Sheet

Summary data

As regards equity, consolidated **Net invested capital** as at December 31st, 2016 amounted to € 154.8 million, up by € 7.8 million compared to € 147.0 million as at December 31st, 2015.

Consolidated Balance Sheet - Summary Data

(€ 000)	Dec. 31 st , 2016	Dec. 31 st , 2015	Differences	
Net fixed assets	89,682	85,558	+4,124	+4.8%
Net current assets	67,868	64,349	+3,519	+5.5%
<i>of which:</i>				
<i>Net Working Capital</i>	<i>65,905</i>	<i>63,321</i>	<i>+2,584</i>	
Severance Indemnity Fund (SIF)	(2,747)	(2,872)	+125	-4.4%
Net invested capital	154,803	147,035	+7,768	+5.3%
Held for sale non-financial assets and liabilities	-	-	-	-
Total	154,803	147,035	+7,768	+5.3%
<i>Financed by:</i>				
Equity	102,085	99,858	2,227	2.2%
Net financial position	52,718	47,177	5,541	11.7%
Debt/Equity Ratio	0,52	0,47		
Total	154.803	147.035	+7.768	+5,3%

More specifically, **Net fixed assets** as at December 31st, 2016, amounted to € 89.7 million, up by € 4.1 million compared to € 85.6 million as at December 31st, 2015. This increase is mainly due to the changes that took place in the following items:

- **Goodwill and Other intangible assets**, totalling € 51.8 million as at December 31st, 2016, up by € 3.1 million compared to December 31st, 2015 as a result of the investments for the development of new products/molecules and for the extraordinary protection of existing proprietary products and molecules, which more than offset the related amortisation for the period;
- **Tangible assets**, amounting to € 22.6 million as at December 31st, 2016, down by € 1.3 million compared to December 31st, 2015, due to reduced investments for the period compared to the level of related depreciation;
- **Other medium/long term assets and liabilities**, totalling € 14.9 million as at December 31st, 2016, up by € 2.2 million relative to December 31st, 2015, mainly due to the increase in receivables due beyond 12 months in view of new Licensing agreements, net of the portion of receivables of the same nature existing at December 31st, 2015, which at December 31st, 2016 became due in 2017.

Net working capital as at December 31st, 2016 then amounted to € 65.9 million, up by € 2.6 million compared to December 31st, 2015. In relation to this, it is pointed out that:

- the value of **Inventories** decreased by € 2.0 million due to the reduction in strategic stock levels built up during the previous year;
- **Trade payables** decreased by € 6.0 million as a result of lower purchases as well as of different dynamics of the purchases / payments cycle, with the former concentrated in the first part of the year, while the latter manifested themselves in the second part, reflecting the industrial optimisation policies relating to the management of the Group's production sites;
- **Trade receivables** decreased by € 1.4 million, also as a result of the lower level of sales.

The **Severance Indemnity Fund (SIF)** amounted to € 2.7 million as at December 31st, 2016, slightly lower than the value of € 2.9 million as at December 31st, 2015.

As for funding, consolidated **Equity** as at December 31st, 2016 amounted to € 102.1 million, up by € 2.2 million compared to € 99.9 million as at December 31st, 2015, primarily due to the profit of the period and to the positive change in the translation reserve relating mostly to Balance Sheet items of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., net of dividends paid to Shareholders.

The consolidated **Net financial position (NFP)** as at December 31st, 2016 thus amounted to € 52.7 million, up by € 5.5 million compared to € 47.2 million as at December 31st, 2015. As stated, this increase in the Net financial position is attributable for € 2.6 million to the changes in Net working capital, for € 1.9 million to cash absorption from operations and investments (which would have a positive value including the increase in receivables from Licensing agreements in the year) and for € 1.0 million to dividends paid to Shareholders.

With regard to the breakdown of the Net Financial Position as at December 31st, 2016, it shall be noted that medium/long-term debt amounted to € 39.9 million, increasing compared to the value of € 25.6 million as at December 31st, 2015 as a result of new medium/long-term funding being obtained. These transactions were performed by the parent Isagro S.p.A. with a view to optimising the cost of medium/long-term borrowing and seeking greater alignment between the timing of the investments undertaken - particularly those relating to development of the new Fluindapyr broad spectrum fungicide - and that of the sources of finance supporting these investments.

In addition, as at December 31st, 2016, **Net fixed assets** were entirely financed by Equity and the latter also funded the net working capital for approximately € 13.2 million.

In light of the above, the **debt/equity** ratio (i.e. the ratio between net financial position and equity) at a consolidated level came to 0.52 compared to 0.47 as at December 31st, 2015.

Lastly, note that the parent Isagro S.p.A., which concentrates most of Research, Innovation and Development, synthesis and formulation activities and includes amounts related to investments in subsidiaries, reported a Net financial position at debt of € 58.9 million, against available, unutilized bank credit lines of various types amounting to over € 80 million.



Main financial indicators

The table below shows the key financial indicators of the Isagro Group:

	2016	2015
Average No. of shares in circulation* (000)	38,675	38,675
Basic earnings per share* (€)	0.07	0.08
Equity per share* (€)	2.64	2.58
R.O.E.	2.7%	3.1%
R.O.I.	4.4%	6.7%
Net financial position / EBITDA	3.25	2.42

*50,000 treasury shares not included

With reference to the key financial indicators, it is highlighted an earning per share of € 0.07 in 2016, slightly lower than the value of the previous year. Equally, there was a slight decline in the R.O.E. (Return on Equity or the net profit/(loss) to equity ratio) of 2.7%, compared to 3.1% in 2015, and a worsening of the R.O.I. (Return on Investment or the Operating result to net invested capital ratio), dropping from 6.7% in 2015 to 4.4% as at December 31st, 2016, as the combined effect of the contraction of the Operating result and the increase in Invested capital.

The ratio between the Net financial position and EBITDA worsened slightly from the value of 2.42 in 2015 to 3.25 as at December 31st, 2016, as a result of the 12% increase in the NFP on the previous year in parallel with a decrease of the EBITDA by approximately 16.7%.



Results of the parent Isagro S.p.A.

In order to better represent the Group's financial performance and position as well as strategic results, it was deemed appropriate to present the main items relating to the parent Isagro S.p.A. as well, which does not only provide coordination and strategic guidance, as the Group's holding company, but also acts as a research, production, marketing and sales centre.

Therefore, with reference to the 2016 results of Isagro S.p.A., they were represented by:

- **Revenues** of € 103.0 million, down by € 5.7 million (-5%) compared to € 108.7 million in 2015;
- **EBITDA** of € 9.8 million, down by € 3.1 million (-24%) compared to € 12.9 million in 2015;
- a **Loss** of € 0.7 million vs. the Profit of € 3.4 million in 2015.

Research and Development Activities

During 2016, Isagro incurred Research, Innovation & Development costs totalling € 14.1 million, of which € 9.6 million were capitalised against investments for development, registration and the extraordinary protection of proprietary products worldwide. During 2015, these expenses amounted to € 15.5 million, of which € 11.2 million were capitalised.

In addition, in 2016 Isagro benefited from a tax credit of € 1.5 million for its R,I&S activities, of which € 0.3 million recorded in the Income Statement for the year.

A) RESEARCH AND INNOVATION

The research activities carried out by the Group focused on several lines of research aimed at obtaining new candidates for development, with a view to achieving a “development-worthy” qualification for at least two new products in 2017; this activity focused on:

- a new series of broad spectrum fungicides, additional with respect to that belonging to the SDHi class whose development started in 2012;
- new candidates to combat soil parasites;
- new series of herbicides for arable crops.

In 2017, studies will continue for the identification of new copper-based formulations capable of acting at a lower dosage and with a broader spectrum than those already in the market.

Lastly, the evaluation of new biostimulant products, alone or in combination with other molecules, is still underway: in this respect, a new formula proving interesting from “top profile” studies has moved on to the pre-marketing assessment stage in 2016, whilst second generation formulas will be subjected to profile studies.



B) PRODUCT DEVELOPMENT

The main development activities, carried out during 2016, are highlighted below.

Fluindapyr (or Succinate dehydrogenase inhibitor or SDHi, formerly IR9792) - a broad spectrum fungicide

The main regulatory studies on the active ingredient continued according to the plan. To date, there are no critical issues that would determine a change to the registration plan in the main areas in which Isagro is involved, such as EU, Brazil and China.

The 2016 programme of experiments and field testing for registration purposes was completed, covering the strategic areas of Europe, Brazil and China. The main results confirmed the technical value of IR9792 in the combinations tested.

Kiralaxyl® (or Benalaxyl-M, formerly IR6141) – active isomer for Benalaxyl

The development activity focused, inter alia, on the following projects:

- continuation of preparation of the registration dossier for Kiralaxyl for seed treatment in the USA;
- follow-up of the re-registration process in EU member states for all formulations containing Kiralaxyl registered in Europe (STEP 2), after the inclusion in Annex 1 of EC Regulation 1107/2009;
- updating of the registration dossier for the Fantic M WG registration in France;
- follow-up of the project for the registration of the Kiralaxyl + Mancozeb (WP) formulation in India;
- follow-up of the projects for the registration of technical Kiralaxyl, of the Kiralaxyl + Mancozeb (WG) formulation in Brazil and China and of the Kiralaxyl + Chlorothalonil in Brazil.

Tetraconazole - a broad spectrum fungicide

Activities were focused on the following projects:

- transmission of the notice for renewal of the approval of Tetraconazole as an active ingredient in the European Union;
- follow-up of the re-registration processes of formulations in Europe (STEP 2 of the European review process) and evaluation of the studies necessary for renewal of the active ingredient approval in the European Union;
- evaluation of studies for re-registration in the USA;
- coordination for preparation of two zonal registration dossiers in the European Union:
 - Domark Combi WG in the Southern area of the European Union (Tetraconazole/sulphur) - new registration on grapevine;
 - Eminent Star in the Central area of the European Union (Tetraconazole/Chlorothalonil) - label extension on sugar beet;
- support to Belchim to obtain “clones” in different European Union countries.

Lastly, it is noted the extension of the validity of the approval of Tetraconazole in the European Union from December 2019 to December 2021.

Copper-based products

With reference to copper-based products, the main activities were as follows:

- follow-up of the re-registration processes of formulations in Europe (STEP 2 of the European review process);
- participation in the European Copper Task Force's follow-up for the renewal of copper Salts approval at the European level;
- completion of the registration dossier of formulations containing oxychloride and hydroxide for Algeria, Switzerland and United Arab Emirates and support to Bayer for the registration in Russia of a mixture containing copper oxychloride;
- follow-up of the registration process at the European Centre of the Airone SC and Airone WG formulations;
- preparation of the necessary documentation to submit the application for the registration of Airone SC in China.

Biofumigant

With reference to the Biofumigant, it is noted the support for activities to obtain registration in California (USA), Canada, Mexico and Turkey.

It shall be remembered that the Biofumigant has already obtained federal registration in the USA and that California, for which specific registration is expected by the first part of 2018, represents its main reference market.

Biostimulants, microbiological products, pheromones

The monitoring activity related to the authorisation processes, which are underway and aimed at supporting the business, continued. In particular, it is highlighted the transmission of the dossier for the renewal of Tricoderma spp in the European Union.

C) REGISTRATIONS OBTAINED

In 2016 a total of 33 new sales authorisations were obtained, including Tamarak (the trade name used for Siapton) in Australia, Talendo extra (a Tetraconazole + proquinazid mixture) in Russia, Ecodian SL in Italy, Scatto (Deltametrine-based) in Poland and the Czech Republic, Airone WG in Australia and the Tetraconazole and Chlorothalonil mixture in the USA. Lastly, the Czech Republic approved the registration of Airone SC (copper-based formulation) and, since this Country is the "Reporting Member State" for the area, this opens the process for obtaining registration also in the other Central European countries.



Significant events in 2016

A) ENHANCEMENT OF THE GLOBAL COMMERCIAL STRUCTURE

Consistently with the project for the development of the Group's commercial presence at the global level with its own intelligence structures, local support to sales and marketing activities and directly to control the registrations of proprietary products, in 2016:

(i) the following companies were incorporated:

- Isagro Poland Sp. z o.o. and Isagro Mexicana S.A. de C.V., wholly owned subsidiaries of Isagro S.p.A.;
- Isagro Vietnam Company Limited, wholly owned subsidiary of Isagro Singapore Pte. Ltd. Isagro Singapore, in turn a wholly owned subsidiary of Isagro S.p.A., had been established in 2015;

(ii) the companies Isagro Argentina, Isagro Brasil, Isagro Shanghai and Isagro USA were strengthened by hiring new resources.

B) LICENSING AND SUPPLY AGREEMENT FOR KIRALAXYL

On 18 November 2016, an agreement was finalized whereby the parent Isagro S.p.A. granted exclusively, for fourteen years, to Gowan Crop Protection Limited (a related party) the right to develop, register, formulate, produce and market in Europe mixtures based on Kiralaxyl, Isagro's proprietary fungicide, with active ingredients owned by Gowan, thus strengthening the strategic alliance between the two companies. The Licensing revenue, of approximately € 5 million, is already reflected in the positive result achieved in 2016.

Gowan Crop Protection Limited (GCP) is a wholly owned subsidiary of Gowan Company LLC, which is a related partner, as a minority partner in the controlling structure of Isagro. GCP is headquartered in England and it manages Gowan's international expansion.

Isagro, as a "small company" under the terms of CONSOB Regulation on Related Parties, applied the simplified procedure envisaged for significant transactions, i.e. applying the same provisions for less significant transactions, in accordance with the Procedure adopted by the Company. The transaction in question, therefore, was approved by the Board of Directors of Isagro in its meeting of November 14th, 2016, following the favourable opinion expressed by the Independent Directors Committee of the Company. For further details, please refer to the specific paragraph of the Explanatory Notes.

C) APRILIA AND BUSSI TEMPORARY LAY-OFFS

On May 30th, 2016 a trade union agreement was signed at Unindustria, Latina, for recourse to a period of suspension of production at the Aprilia plant, with support from the CIGO (Ordinary Redundancy Fund) activated on June 27th, 2016 until September 25th, 2016 (13 weeks in total).

The reasons for recourse to the CIGO derived from economic and transitional factors mainly due, on the one hand, to the market crisis in South America where the parent Isagro S.p.A. has been operating for several years and, on the other hand, to the non-confirmation of toll manufacturing contracts.

The return to production, based on work contracts already finalised and those pending finalisation, started on September 27th, 2016.

On September 20th, 2016 a trade union agreement was signed at Confindustria Chieti-Pescara, for recourse to a period of suspension of production at the Bussi sul Tirino site, with support from the CIGO (Ordinary Redundancy Fund) activated on October 3rd, 2016 until January 1st, 2017.

The reasons that made necessary the recourse to the CIGO due to economic and transitional factors attributable mainly to:

- the deterioration of the economic and financial conditions of the agricultural sector in South America, primary

market where Isagro mainly sells Tetraconazole-based proprietary products, which caused difficult access to credit on the part of farmers, with the consequent stagnation of the demand for agricultural commodities and reduction in the consumption of crop protection products;

- the intense drought that hit the most farming-oriented areas of the US territory, for soybean and corn crops, on which Tetraconazole-based products are used, which caused the formation of a significant stock of finished products at the distribution channels, with the consequent absence of purchase orders.

On December 13th, 2016, because of the persistence of the aforesaid factors, the agreement was extended by a further 13 weeks at Confindustria Chieti-Pescara, with activation on January 2nd, 2017 and expiration on April 2nd, 2017.

The return to production, based on work contracts already finalised and those pending finalisation, is planned for April 3rd, 2017.

D) APPROVAL OF 2015 FINANCIAL STATEMENTS WITH DIVIDEND DISTRIBUTION AND APPOINTMENT OF A NEW INDEPENDENT DIRECTOR

On April 28th, 2016 the Shareholders' Meeting of Isagro S.p.A.:

- acknowledged the consolidated results of the Isagro Group and approved the 2015 Financial Statements of Isagro S.p.A., accompanied by the Directors' Management Report, as approved by the Company's Board of Directors on March 14th, 2016 and already disclosed to the Market, allocating profit for the year of € 3,395,071 as follows:
 - to the Legal reserve for € 169,754;
 - to Shareholders: on the basis of 2.5 Eurocents for each of the 24,499,960 Ordinary Shares (excluding treasury shares) for a total of € 612,499 and 3.0 Eurocents for each of the 14,174,919 Growth Shares, for a total of € 425,248. As a result, the total dividend amounted to € 1,037,747;
 - to "Retained earnings" for the remaining part of € 2,185,570, recorded, pursuant to article 24 of the By-Laws, in a specific Equity reserve;
- appointed Enrica Maria Ghia as Member of the Board of Directors (Independent Director) until the date of the Shareholders' Meeting called to approve the Financial Statements as at December 31st, 2017. It should be remembered that this appointment became necessary following the resignation from office, on March 14th, 2016, of Independent Director Daniela Mainini, due to incompatibility following a recent public assignment.

It should be recalled that the dividend as approved by the Shareholders' Meeting was paid, for both categories of Shares, on May 18th, 2016 (payment date). The ex-dividend date (coupon no. 7 for Ordinary Shares, no. 1 for Growth Shares) was on May 16th, 2016 and the record date on May 17th, 2016.

E) APPOINTMENT OF THE NEW BOARD OF STATUTORY AUDITORS

On April 28th, 2016 the Shareholders' Meeting of Isagro S.p.A. also appointed the new Board of Statutory Auditors, which will remain in office for three years and will expire on the date of the Shareholders' Meeting called to approve the Financial Statements as at December 31st, 2018. The members of the new Board of Statutory Auditors (all appointed from the single list submitted and presented by the majority shareholder, Holdisa S.r.l.) are as follows:

Statutory Auditors:

1. Filippo Maria Cova, Chairman
2. Giuseppe Bagnasco
3. Claudia Costanza

Substitute Auditors:

1. Renato Colavolpe
2. Eleonora Ferraris

Events subsequent to December 31st, 2016

No significant events occurred between December 31st, 2016 and the date of this Report.

Human Resources

The actual workforce as at December 31st, 2016 of the Isagro Group came to 618 employees, as summarised in the following table.

Number of employees	Dec. 31 st , 2016	Dec. 31 st , 2015	Difference
Executives	55	49	+6
Middle managers	140	135	+5
Office workers*	327	325	+2
Blue-collar	96	97	-1
Total	618	606	+12

*includes the workers with special skill level

The average workforce as at December 31st, 2016 increased by 12 employees compared to 2015, all in the parent Isagro S.p.A.

More specifically, in Isagro S.p.A., in the reference period and in relation to employees with unlimited-term contracts, significant professionals were brought on board in the Marketing & Sales, Business Development and Product Management and Supply Chain Departments.

It should also be noted that the responsibility of the newly-established Isagro Mexicana S.A. de C.V. and Isagro Poland Sp. z o.o. was assigned, respectively, to a manager who already worked for the Group and to an international manager who had already collaborated with Isagro through a consultancy agreement. It should also be noted the strengthening of Isagro Argentina for the development of the South Cone area, the responsibility for which was assigned to a manager who was already working for the Group.



During 2016, relations with the Trade Unions were generally constructive, allowing for excellent results within the sphere of industrial relations management.

The main activities were as follows:

- sharing and definition of specific agreements on working hours, which adopt all flexibility opportunities offered by the National Labour Contracts;
- renewal of productivity objectives agreements for the industrial sites, relating to second level contracting of the participation bonus;
- signing on May 30th, 2016, at Unindustria, Latina, of a trade union agreement for recourse to a period of suspension of production at the Aprilia plant, with support from the CIGO (Ordinary Redundancy Fund) as described under “Significant events in 2016”;
- signing on September 20th, 2016 and on December 13th, 2016, at Confindustria Chieti-Pescara, of trade union agreements for recourse to a period of suspension of production at the Bussi sul Tirino (PE) industrial site, with support from the CIGO (Ordinary Redundancy Fund), as described under “Significant events in 2016”.

SELECTION AND TRAINING

In accordance with the annual plan implemented in all the operating units, training activities continued regarding Quality, Safety and Environment, learning foreign languages (specifically English and Spanish) and specific technical training for specialist professional skills.

In 2015 a significant training programme had begun, involving 40 employees in the Novara and Milan offices, to “Promote a Project Management Culture”; it was completed in 2016. The training initiative was in collaboration with the Milan Politecnico University and it benefited, for partial coverage of the related costs, from the contribution allocated with Fondimpresa.

Moreover, in 2016 a process started for the identification and management of Key Positions on the basis of their critical nature at Group level. The preparation of Succession Plans also began for these positions through the identification of short-term, medium-term and long-term successors.

As regards selection, an agreement was entered into with the professional social network “LinkedIn” to recruit specific professionals with highly specialised skills.

Isagro also collaborated with some Headhunters for the identification of particularly significant professionals, hired as described above.

Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001

On May 16th, 2016 the Board of Directors of Isagro S.p.A. revised the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 (hereinafter also “Model”) in accordance with the latest regulatory and law requirements.

Subsequently, on November 14th, 2016, the Governing Body approved the revised version of the Group’s Code of Ethics, an integral part of the Model, to make existing rules of conduct and principle of behaviour consistent with regulatory changes and with reference best practices.

The task of monitoring the operations and compliance with the Model and arrange its updating was assigned to the Supervisory Body, whose three-year term expires on approval of the Financial Statements as at December 31st, 2017.

Corporate Governance Code and Report

Isagro S.p.A. adopted the Corporate Governance Code of listed companies (approved in March 2006 and most recently amended in July 2015) as its point of reference for an effective corporate governance structure.

For a detailed description of the corporate governance structure, please refer to the Corporate Governance Report available at the registered office, on its website (www.isagro.com – Corporate Governance section), and on the website of Borsa Italiana (www.borsaitaliana.it).

Legal proceedings

Caffaro S.r.l. (in receivership)

During the second half of 2010 Isagro S.p.A. filed proceedings for admission as creditor of Caffaro S.r.l. (in receivership) in relation to the amount receivable under the guarantee issued in favour of Isagro S.p.A. as part of the preliminary business unit transfer agreement of July 4th, 2001 covering costs relating to reclamation works completed on the Aprilia site.

It should be remembered that, following lengthy and complex legal proceedings, in February 2015 the parties signed a settlement agreement, by virtue of which they waived legal redress to the statement of affairs, with subsequent annulment of proceedings and Isagro’s admission as creditor of Caffaro for the unsecured receivable of € 2,250,000.

For the same receivable, a similar claim was filed against Snia S.p.A., also in receivership, as the sole shareholder of Caffaro and therefore jointly liable. As the Court of Milan rejected this claim, Isagro prepared and filed an appeal against the bankruptcy order, seeking admission of the proof of claim against Snia S.p.A. The first hearing was fixed for September 27th, 2011 and, by decree of December 13th, 2011, the Court of Milan rejected Isagro S.p.A.'s appeal, considering the receivable possible and future. Isagro therefore challenged the decision by filing an appeal before the Court of Cassation, for which a date to discuss the case is still pending.

Furthermore, it is considered that there are no obligations to bear the costs associated with reclamation of the Aprilia site as Isagro S.p.A. was not responsible for its pollution.

Appeal against Polven.Re and M.Business

Following the rejection of the guarantee claim formulated by Polven.Re against Isagro S.p.A. by the Court of L'Aquila with its decision of March 2nd, 2016, the losing party Polven.Re promoted an appeal, requesting that the first degree decision be fully reformed. The hearing for the discussion of the appeal was set for May 23rd, 2017.

During the first degree proceeding, Polven.Re had been sued by M.Business which had complained of a series of contractual breaches and violations in relation to the land leased to it by Polven.Re. Since it is the same land that Polven.Re had purchased from Isagro S.p.A., Polven.Re had asked and obtained to summons Isagro S.p.A. itself to activate the contractual guarantee with respect to it. The damages claimed by M.Business had been quantified in € 709,547.26.

Polven.Re, which formulated a counterclaim against M.Business, amounting to € 628,769.63, and hence it asked to be held harmless by Isagro, which objected.

As indicated above, this counterclaim was rejected by the Court and Polven.Re was also ordered to repay the litigation expenses.

The legal counsel of Isagro S.p.A. deems the risk of loss in the proceeding to be quite improbable at this time.

Other

With reference to the other legal proceedings in progress, for which there are no significant updates to report, please refer to the specific paragraph of the Explanatory Notes.



Transactions with related parties

Transactions with related parties, including intercompany transactions and those with Gowan, cannot be defined as atypical and/or unusual transactions and form part of the normal business of the Group companies. These transactions are carried out at arm's length, taking into account the characteristics of the goods and services traded. For more information about the transactions concluded with Gowan in 2016, please refer to the paragraph "Significant events in 2016".

As regards the economic and equity effects of relations with related parties on the consolidated figures of the Isagro Group as at December 31st, 2016 reference is made to information given in the related section of Explanatory Notes.

Observations on the financial profile and the going concern

As at December 31st, 2016 the Isagro Group disclosed a sound and balanced financial structure, with the **debt/equity ratio** of 0.52 and Equity exceeding Fixed Assets, with a portion of over € 13 million of Net working capital financed by Equity.

In addition, at December 31st, 2016 Isagro extended the duration of its debt, increasing the medium/long-term portion by € 14.3 million compared to December 31st, 2015, divided up between a high number of banks.

The repayment of the medium/long term debt maturing in 2017 will be guaranteed by current cash and by cash generated from operations, together with use of available short-term bank credit facilities.

Therefore, the parent Isagro S.p.A. will continue to take advantage of new medium/long term financing, replacing expiring loans.

It should be remembered that Isagro S.p.A., which pools the financial debt of the Group, had over € 80 million in bank credit facilities unutilised as at December 31st, 2016 that is for the most part represented by bill-discounting lines and advances on invoices, as well as financial lines, albeit to a residual extent.

In 2016, the Basic business performance contracted both compared to the results of 2015 and to the forecast data; however, this decline was offset by a lower than expected level of fixed costs, which allowed to record a Group EBITDA in line with budget values. On the contrary, with regard to Licensing activities, during 2016 revenues were recognised for approximately € 6 million, perfectly in line with the values of the plan. Taking into account that the results achieved in 2016 and the expectations defined in the 2017 budget are both substantially in line with the first two years of the 2016-2020 Company Plans, the Directors deem that the Cash-Flows forecast by these Company Plans also for the years 2018-2020, although they represent forward-looking statements subject to uncertainty, are reasonable and feasible in the foreseeable future and are sufficient to allow management of the activity in a financial balance characteristic of a going concern.

In light of the above, the Consolidated Financial Statements as at December 31st, 2016 have been prepared on a going concern basis.

The preparation of the Consolidated Financial Statements requires estimates and assumptions that affect the reported amounts of the assets and liabilities, and the disclosure relating to contingent assets and liabilities as at the reporting date. Consequently, the results actually achieved could then differ from said estimates.

The estimates are used in order to recognise the provisions for doubtful debts and inventory obsolescence, as well as depreciation and amortisation, impairment losses, employee benefits, tax and other provisions. The estimates and assumptions are periodically reviewed and the effects of any changes are reflected in the Income Statement.

Outlook for the current year

The evolution of operations in the current year:

- will depend, at revenues level, on the normalisation of market/climatic conditions, mainly in the Americas, and on the realisation of revenues from new agreements with Third Parties for the exploitation of Intellectual Property;
- will reflect, at the cost/capex level, the “full year” impact of the new resources hired in 2016, the continuation of the strengthening of the global commercial structure and the continuation of the investment programmes for new products / molecules.

Moreover, for the medium term (2020/2021), Isagro confirms the target of approximately € 200 million revenues at a consolidated level, based on the implementation of our Strategic Guidelines:

1. discovery of new molecules by ourselves;
2. development of new molecules mostly through attribution of rights to “main developer(s)” while retaining rights for Isagro on selected segments/markets;
3. value extraction from our Intellectual Property also through Licensing;
4. growth in the Biosolutions business;
5. opportunistic development of off-patented products;
6. expansion of our global commercial organisation.



Comments on the Stock Market value of Isagro shares

With reference to the prices of Ordinary Shares and Growth Shares of Isagro on the “S.T.A.R.” segment of the Stock Market managed by Borsa Italiana S.p.A., it is believed appropriate to note that:

1. the total market capitalisation of Isagro at March 13th, 2017, i.e., considering both the capitalisation of Ordinary Shares and that of Growth Shares, amounted to 44% of the book value of Equity as at December 31st, 2016, which, in turn, provides a lower value with regard to the realizable market value of your Group’s assets;
2. the average discount applied by the Market to the Growth Shares with respect to the Ordinary Shares, equal to 19% as at March 13th, 2017, in the opinion of the Company’s management is not justified from an economic/financial standpoint.

In relation to the above, the achievement of Isagro’s mid-term target of a level of consolidated sales of around € 200 million will allow to transfer a large part of the “embedded” value in the Financial Statements assets to Income Statement results and Cash-Flows, thus not recognizing the current surplus of Equity compared to Stock Market capitalisation as an asset impairment indicator.

With reference to the second point referred to at the start of this section, it should be recalled that Growth Shares, issued by Isagro in May 2014, are a new class of Special Shares, specially tailored for companies having a Controlling Subject (in Isagro’s case, Piemme S.r.l.), that (i) in the absence of the voting right provide an extra-dividend with respect to Ordinary Shares (20% for Isagro), when a dividend for these shares is resolved, and (ii) envisage an innovative protection mechanism for the investor, according to which, if the Controlling Subject loses control, and in the event of any compulsory public offer (OPA), the Growth Shares are automatically converted into Ordinary Shares. Furthermore, Isagro Growth Shares are characterised by a free float amounting to approximately 13.7 million shares, compared with 11.4 million Ordinary Shares, which makes them more liquid than the latter. Based on the afore-mentioned reasons, Isagro deems there is not rational justification, thus based on economic/financial considerations, for the existence of a spread to the detriment of the Growth Shares.



Reclassified Consolidated Income Statement

(€ 000)	YEAR 2016	YEAR 2015	<i>Differences</i>	
Revenues from sales and services	149,717	156,048	-6,331	-4.1%
Other revenues and income	3,347	2,895	+452	
Consumption of materials and external services	(105,051)	(117,822)	+12,771	
Changes in inventories of products	(2,786)	5,028	-7,814	
Costs capitalised for internal work	2,858	3,507	-649	
Allowances and provisions	(2,560)	(1,367)	-1,193	
Labour costs	(27,677)	(27,240)	-437	
Bonus accruals	(1,631)	(1,592)	-39	
EBITDA	16,217	19,457	-3,240	-16.7%
% on Revenues	10.8%	12.5%		
Depreciation and amortisation:				
- tangible assets	(3,829)	(3,748)	-81	
- intangible assets	(5,344)	(5,146)	-198	
- write-down of tangible and intangible assets	(174)	(776)	+602	
EBIT	6,870	9,787	-2,917	N/S
% on Revenues	4.6%	6.3%		
Interest, fees and financial discounts	(747)	(1,127)	+380	
Gains/losses on foreign exchange and derivatives	719	(1,296)	+2,015	
Revaluations of equity investments	28	54	-26	
Result before taxes	6,870	7,418	-548	N/S
Current and deferred taxes	(3,887)	(4,036)	+149	
Profit/(loss) from continuing operations attributable to non-controlling interests	-	-	-	
Net result from continuing operations	2,983	3,382	-399	N/S
Net profit/(loss) from discontinued operations	(250)	(250)	-	
Net result	2,733	3,132	-399	N/S

Attachment 2

Reclassified Consolidated Balance Sheet

(€ 000)	Dec. 31 st , 2016	Dec. 31 st , 2015	<i>Differences</i>	
Net fixed assets				
Goodwill	3,599	3,447	+152	
Other intangible assets	48,209	45,282	+2,927	
Tangible assets	22,620	23,850	-1,230	
Investment valued with the equity method	313	296	+17	
Other medium/long term assets and liabilities	14,941	12,683	+2,258	
Total Net fixed assets	89,682	85,558	+4,124	+4.8%
Net current assets				
Inventories	46,971	49,010	-2,039	
Trade receivables	50,597	52,000	-1,403	
Trade payables	(31,663)	(37,689)	+6,026	
Subtotal of Net Working Capital	65,905	63,321	+2,584	
Risk funds	(1,991)	(1,746)	-245	
Other current assets and liabilities	3,954	2,774	+1,180	
Subtotal of Other assets and liabilities	1,963	1,028	+935	
Total net current assets	67,868	64,349	+3,519	+5.5%
Invested capital	157,550	149,907	+7,643	+5.1%
Severance Indemnity Fund (SIF)	(2,747)	(2,872)	+125	
Net invested capital	154,803	147,035	+7,768	+5.3%
Held for sale non-financial assets and liabilities	-	-	-	
Total	154,803	147,035	+7,768	+5.3%
financed by:				
Equity				
Capital stock	24,961	24,961	-	
Reserves and retained earnings	80,213	78,227	+1,986	
Translation reserve	(5,822)	(6,462)	+640	
Profit of the Group	2,733	3,132	-399	
Total equity	102,085	99,858	+2,227	+2.2%
Net financial position				
Medium/long term debts:				
- due to banks	37,929	25,457	+12,472	
- due to other lenders	1,932	191	+1,741	
Total medium/long term debts	39,861	25,648	+14,213	+55.4%
Short-term debts:				
- due to banks	28,259	35,947	-7,688	
- due to other lenders	987	2,395	-1,408	
- other assets (liabilities) and derivatives	70	(99)	+169	
Total short-term debts	29,316	38,243	-8,927	-23.3%
Cash and cash equivalents/bank deposits	(16,459)	(16,714)	+255	-1.5%
Total net financial position	52,718	47,177	+5,541	+11.7%
Total	154,803	147,035	7,768	+5.3%

Consolidated Cash-Flow Statement

(€ 000)	2016	2015
Cash and cash equivalents (as at January 1st)	16,714	17,149
Operating activities		
Profit from continuing operations	2,983	3,382
Net results from discontinued operations	(250)	(250)
- Depreciation of tangible assets	3,829	3,748
- Amortisation of intangible assets	5,344	5,146
- Losses in value of tangible and intangible assets	174	776
- Provisions to reserves (including severance indemnity fund)	2,002	1,775
- Net capital losses on disposal of tangible and intangible assets	-	174
- Interest receivable from assets held for trading	(123)	(134)
- Net interest expenses due to financial institutes and leasing companies	1,173	1,077
- Losses on derivatives	176	3,065
- Results on investments valued with the equity method	(28)	(54)
- Income taxes	3,887	4,036
Cash-Flow from current operations	19,167	22,741
- (Increase)/decrease in trade receivables	1,733	(1,335)
- (Increase)/decrease in inventories	2,403	(7,684)
- Decrease in trade payables	(6,166)	(8,338)
- Net change in other assets/liabilities	(2,031)	(772)
- Use of funds (including severance indemnity fund)	(2,046)	(1,970)
- Net interest expenses due to financial institutes and leasing companies paid	(1,175)	(1,205)
- Financial flow from derivatives	(2)	(3,793)
- Income taxes paid	(3,907)	(1,915)
Cash-Flow from/(for) operating activities	7,976	(4,271)
Investment activities		
- Investments in intangible assets	(9,706)	(11,398)
- Investments in tangible assets	(2,555)	(3,415)
- Net sale price on disposal of tangible and intangible assets	6	1
- Dividends collected from affiliated companies	11	11
- Cash-Flow from assets held for trading	123	134
Cash-Flow for Investment activities	(12,121)	(14,667)
Financing activities		
- Contracting of non-current financial payables	37,182	27,500
- Repayment of non-current financial payables	(15,066)	(17,256)
- Contracting/(repayment) of current financial payables	(17,077)	7,671
- Dividend distribution	(1,038)	-
Cash-Flow from financing activities	4,001	17,915
Change in translation difference	(111)	588
Cash-Flow for the period	(255)	(435)
Cash and cash equivalents (as at December 31st)	16,459	16,714

Reconciliation of Isagro S.p.A.'s Profit/(Loss) and Shareholders' Equity with the Consolidated Financial Statements

(€ 000)	2016		2015	
	Profit/loss	Shareholders' equity	Profit/loss	Shareholders' equity
Parent Isagro S.p.A.	(733)	86,963	3,395	88,810
Intragroup profits	(1,090)	(7,531)	(734)	(6,440)
Tax effect on intragroup profits	266	2,150	136	1,884
Profit/reserves of consolidated companies	5,987	26,325	1,582	22,066
Intragroup dividends	(1,697)	-	(1,247)	-
Exchange diff. arising on translation of foreign currency Financial Statements	-	(5,822)	-	(6,462)
Total Isagro Group	2,733	102,085	3,132	99,858
(Profit)/Loss attributable to non-controlling interests	-	-	-	-
Total Consolidated Financial Statements	2,733	102,085	3,132	99,858

Explanatory notes on the alternative performance indicators

In compliance with the ESMA recommendation on alternative performance indicators (ESMA/2015/1415), note that the reclassified statements presented in this Directors' Management Report contain certain differences in terminology used and the degree of detail compared to the official statements presented in the following tables.

The reclassified Consolidated Income Statement, provided in Attachment 1, introduces in particular the significance of **EBITDA**, which in the Consolidated Income Statement equates to the gross operating profit.

The reclassified Balance Sheet, as provided in Attachment 2, was prepared on the basis of items recognised in the corresponding sections of the consolidated Balance Sheet, and introduces the following items:

- **Net fixed assets**, given by the difference between, on one hand, the aggregate of the items "Tangible assets", "Intangible assets", "Goodwill", "Equity-accounted investees", "Non-current receivables and other assets", "Deferred tax assets", and, on the other hand, the aggregate of the items "Deferred tax liabilities" and "Other non-current liabilities";
- **Net current assets**, given by the difference between, on one hand, the aggregate of the items "Inventories", "Trade receivables", "Other current assets and other receivables", "Tax receivables" and, on the other hand, the aggregate of "Trade payables", "Current provisions", "Tax payables" and "Other current liabilities and other payables";
- **Invested capital**, given by the algebraic sum of "Net fixed capital" and "Net working capital";
- **Net invested capital**, given by the algebraic sum of "Invested capital" and "Employee benefits - Severance indemnity fund".

Lastly, in reference to the "Main indicators" section of this Report, it should be noted that:

- **Basic earnings per share** were calculated by dividing consolidated "Profit/(loss) for the year" by the number of

Isagro S.p.A. shares outstanding during the year, excluding treasury shares held by the issuer itself. The number of outstanding shares, excluding treasury shares, during 2016 was 38,674,879;

- **Equity per share** was calculated by dividing consolidated “Equity” by the number of shares outstanding of the issuer Isagro S.p.A., excluding treasury shares held by the issuer itself;
- **ROE (Return on Equity)** is the ratio of the “Net Profit/loss” to “Equity” as at the end of the year;
- **R.O.I. (Return on Investments)** is calculated by dividing “EBIT” by “Net invested capital”;
- **Net financial position/EBITDA** is calculated by dividing the “Net financial position” at the end of the year by “EBITDA” for the period.

INFORMATION PURSUANT TO ARTICLE 36 OF CONSOB REGULATION 16191/2007

Pursuant to Article 2.6.2, paragraph 12 of the Regulation on Markets organised and managed by Borsa Italiana S.p.A., Isagro S.p.A. declares that the requirements set forth under Article 36, paragraphs a), b) and c) of Consob Regulation 16191/2007 are fulfilled for subsidiaries established and regulated by the laws of countries that are not member states of the European Union.

INFORMATION PURSUANT TO ARTICLE 37 OF CONSOB REGULATION 16191/2007

Pursuant to Article 2.6.2, paragraph 13 of the Regulation of Markets organised and managed by Borsa Italiana S.p.A., Isagro S.p.A. certifies that the Company’s shares are validly admitted to trading, as the inhibitory conditions as described in Article 37 of Consob Regulation 16191/2007 do not apply.

INFORMATION PURSUANT TO ARTICLES 70 AND 71 OF CONSOB REGULATION 11971/99 (ISSUERS’ REGULATION)

It is noted that, on September 25th, 2012, pursuant to article 3 of Consob Resolution no. 18079 of January 20th, 2012, the Board of Directors of Isagro S.p.A. resolved to apply the opt-out regime under articles 70, paragraph 8, and 71, paragraph 1-*bis* of the Issuers’ Regulation. Isagro therefore availed of the option to derogate from the obligation to publish information documents required for significant mergers, spin-offs, share capital increases through contribution of assets in kind, acquisitions or disposals.

CERTIFICATION OF THE MANAGER CHARGED WITH PREPARING THE COMPANY’S FINANCIAL REPORTS

The Manager charged with preparing the company’s financial reports, Mr. Ruggero Gambini, hereby certifies, pursuant to Article 154-*bis*, paragraph 2 of the Consolidated Law on Finance, that the financial information in this consolidated annual Report as at December 31st, 2016 is consistent with the entries in the accounting books and records.





Consolidated Financial Statements

Consolidated Balance Sheet

(in thousands of euro)					
	Notes	Dec. 31 st , 2016	of which Related Parties	Dec. 31 st , 2015	of which Related Parties
NON-CURRENT ASSETS					
Tangible assets	1	22,620	-	23,850	-
Intangible assets	2	48,209	-	45,282	-
Goodwill	3	3,599	-	3,447	-
Equity-accounted investees	4	313	-	296	-
Non-current receivables and other assets	5	8,144	4,390	6,230	-
Deferred tax assets	6	9,112	-	8,810	-
TOTAL NON-CURRENT ASSETS		91,997		87,915	
CURRENT ASSETS					
Inventories	7	46,971	-	49,010	-
Trade receivables	8	50,597	4,326	52,000	6,383
Other current assets and other receivables	9	5,729	16	5,614	15
Tax receivables	10	5,625	-	4,715	-
Financial assets - derivatives	11	21	-	441	-
Cash and cash equivalents	12	16,459	-	16,714	-
TOTAL CURRENT ASSETS		125,402		128,494	
Non-current assets held for sale and discontinued operations		-		-	
TOTAL ASSETS		217,399		216,409	
SHAREHOLDERS' EQUITY					
Share capital		24,961		24,961	
Reserves		49,629		48,819	
Retained earnings and profit for the year		27,495		26,078	
Equity attributable to owners of the parent		102,085		99,858	
Equity attributable to non-controlling interests		-		-	
TOTAL SHAREHOLDERS' EQUITY	13	102,085		99,858	
NON-CURRENT LIABILITIES					
Non-current financial payables and other financial liabilities	14	39,861	-	25,648	-
Employee Benefits - Severance indemnity fund	15	2,747	-	2,872	-
Deferred tax liabilities	6	1,555	-	1,646	-
Other non-current liabilities	16	760	-	711	-
TOTAL NON-CURRENT LIABILITIES		44,923		30,877	
CURRENT LIABILITIES					
Current financial payables and other financial liabilities	14	29,246	-	38,342	-
Financial liabilities - derivatives	11	91	-	342	-
Trade payables	17	31,663	1,025	37,689	137
Current provisions	18	1,991	-	1,746	-
Tax payables	19	2,596	-	2,523	-
Other current liabilities and other payables	20	4,804	-	5,032	-
TOTAL CURRENT LIABILITIES		70,391		85,674	
TOTAL LIABILITIES		115,314		116,551	
Liabilities associated with discontinued operations		-		-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		217,399		216,409	

Consolidated Income Statement

(in thousands of euro)					
	Notes	2016	of which Related Parties	2015	of which Related Parties
Revenues	22	149,717	17,013	156,048	15,803
Other operating revenues	23	3,347	147	2,895	23
Total revenues		153,064		158,943	
Raw materials and consumables	24	(74,104)	(1,007)	(83,980)	(344)
Costs for services	25	(26,851)	(83)	(29,293)	(246)
Personnel costs	26	(29,308)	-	(28,832)	-
Other operating costs	27	(6,476)	(1)	(5,851)	(5)
Change in inventories of finished products and work in progress	28	(2,966)	-	4,963	-
Costs capitalised for internal work	29	2,858	-	3,507	-
EBITDA		16,217		19,457	
Depreciation and amortisation:					
- Depreciation of tangible assets	30	(3,829)	-	(3,748)	-
- Amortisation of intangible assets	30	(5,344)	-	(5,146)	-
- Write-down of tangible and intangible assets	31	(174)	-	(776)	-
Operating result		6,870		9,787	
Net financial charges	32	(28)	-	(2,423)	-
Profit/(loss) from associates		28	-	54	-
Pre-tax profit/(loss)		6,870		7,418	
Income taxes	33	(3,887)	-	(4,036)	-
Net profit/(loss) from continuing operations		2,983		3,382	
Net profit/(loss) from discontinued operations	34	(250)	-	(250)	-
Net profit		2,733		3,132	
Attributable to:					
Owners of the parent		2,733		3,132	
Non-controlling interests		-		-	
Earnings per share (in Euro):	36	2016		2015	
Earnings per share (basic = diluted)					
Ordinary Share		0.071		(0.081)	
Growth Share		0.085		(0.097)	

Consolidated Statement of other Comprehensive Income

(in thousands of euro)	Notes	2016	2015
Total profit/(loss)		2,733	3,132
Components that will later be reclassified in the profit/(loss) for the year:			
Change in translation reserve (difference)	13	640	1,530
Total		640	1,530
Components that will not be later reclassified in the profit/(loss) for the year:			
Actuarial loss regarding defined benefit plans		(154)	(112)
Income taxes		46	34
Total	13	(108)	(78)
Other comprehensive income		532	1,452
Total Comprehensive Income		3,265	4,584
Attributable to:			
Owners of the Parent		3,265	4,584
Non-controlling interests		-	-

Consolidated Cash-Flow Statement

(in thousands of euro)	Notes	2016	2015
Cash and cash equivalents - opening balance		16,714	17,149
Operating activities			
Profit/(loss) from continuing operations		2,983	3,382
Net profit/(loss) from discontinued operations	34	(250)	(250)
- Depreciation of tangible assets	30	3,829	3,748
- Amortisation of intangible assets	30	5,344	5,146
- Impairment of tangible and intangible assets	31	174	776
- Provisions (including severance indemnity fund)	15.18	2,002	1,775
- Net capital losses on disposal of tangible and intangible assets	27	-	174
- Interest receivable from assets held for trading		(123)	(134)
- Net interest expenses due to financial institutes and leasing companies	32	1,173	1,077
- Net losses on derivatives	32	176	3,065
- Share of profit/(loss) of equity-accounted investees	4	(28)	(54)
- Income taxes	33	3,887	4,036
		19,167	22,741
Cash-Flow from current operations			
- (Increase)/decrease in trade receivables	8(*)	1,733	(1,335)
- (Increase)/decrease in inventories	7(*)	2,403	(7,684)
- Decrease in trade payables	17(*)	(6,166)	(8,338)
- Net change in other assets/liabilities		(2,031)	(772)
- Use of provisions (including severance indemnity fund)	15.18	(2,046)	(1,970)
- Net interest expenses due to financial institutes and leasing companies paid		(1,175)	(1,205)
- Financial flow from derivatives		(2)	(3,793)
- Income taxes paid		(3,907)	(1,915)
Cash-Flow from/(for) operating activities		7,976	(4,271)
Investment activities			
- Investments in intangible assets	2	(9,706)	(11,398)
- Investments in tangible assets	1	(2,555)	(3,415)
- Sale price on disposal of tangible and intangible assets	1.2	6	1
- Dividends collected by associates	4	11	11
- Cash-Flow from assets held for trading		123	134
Cash-Flow from/(for) investment activities		(12,121)	(14,667)
Financing activities			
- Contracting of non-current financial payables		37,182	27,500
- Repayment of non-current financial payables		(15,066)	(17,256)
- Contracting/(repayment) of current financial payables	14(*)	(17,077)	7,671
- Dividend distribution	35	(1,038)	-
Cash-Flow from financing activities		4,001	17,915
Change in translation difference		(111)	588
Cash-Flow for the period		(255)	(435)
Cash and cash equivalents – closing balance	12	16,459	16,714

(*) The net change in the item is different from that presented in the Explanatory Notes due to foreign exchange adjustments.

Statement of Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity in 2015

(in thousands of euro)	Equity attributable to owners of the Parent							Equity attributable to non-controlling interests	Total shareholders' equity
	Share capital issued	Reserves				Retained earnings and profit for the period	Total		
		Share premium reserve	Translation reserve (difference)	Other reserves	Total				
Balance as at Dec. 31 st , 2014	24,961	44,922	(7,992)	10,371	47,301	23,024	95,286	-	95,286
Changes during the year:									
Profit for the year	-	-	-	-	-	3,132	3,132	-	3,132
Other comprehensive income	-	-	1,530	-	1,530	(78)	1,452	-	1,452
Total comprehensive income	-	-	1,530	-	1,530	3,054	4,584	-	4,584
Other changes	-	(12)	-	-	(12)	-	(12)	-	(12)
Total changes during the year	-	(12)	1,530	-	1,518	3,054	4,572	-	4,572
Balance as at Dec. 31 st , 2015	24,961	44,910	(6,462)	10,371	48,819	26,078	99,858	-	99,858

Statement of Changes in Shareholders' Equity in 2016

(in thousands of euro)	Equity attributable to owners of the Parent							Equity attributable to non-controlling interests	Total shareholders' equity
	Share capital issued	Reserves				Retained earnings and profit for the period	Total		
		Share premium reserve	Translation reserve (difference)	Other reserves	Total				
Balance as at Dec. 31 st , 2015	24,961	44,910	(6,462)	10,371	48,819	26,078	99,858	-	99,858
Changes during the year:									
Profit for the year	-	-	-	-	-	2,733	2,733	-	2,733
Other comprehensive income	-	-	640	-	640	(108)	532	-	532
Total comprehensive income	-	-	640	-	640	2,625	3,265	-	3,265
Movements between reserves	-	-	-	170	170	(170)	-	-	-
Dividend distribution	-	-	-	-	-	(1,038)	(1,038)	-	(1,038)
Total changes during the year	-	-	640	170	810	1,417	2,227	-	2,227
Balance as at Dec. 31 st , 2016	24,961	44,910	(5,822)	10,541	49,629	27,495	102,085	-	102,085

Explanatory Notes

General Information

Reporting entity

Isagro S.p.A. is a corporate body organised in accordance with the Italian Republic's legal system. Isagro S.p.A. and its subsidiaries (hereinafter, the "Isagro Group") are active in the research, management of Intellectual Property rights, development, manufacturing, marketing and distribution of crop protection products. The Group's registered office is at Via Caldera 21, Milan, Italy.

Isagro S.p.A. is listed on the STAR segment of the Milan Stock Exchange.

Publication of the Consolidated Financial Statements

The Isagro Group's Consolidated Financial Statements as at December 31st, 2016 were authorised for issue by the Board of Directors on March 14th, 2017.

Compliance with IFRS

The Isagro Group Consolidated Financial Statements as at December 31st, 2016 were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union, and with the measures issued in implementation of article 9 of Italian Legislative Decree no. 38/2005. The international accounting standards approved by the European Commission as of the date of preparation of the Consolidated Financial Statements are listed in Note no. 44, to which reference should be made.

Basis of presentation

The Consolidated Financial Statements comprise the Statement of Financial Position, the Income Statement, the Statement of comprehensive income, the Cash-Flow Statement, the Statement of changes in shareholders' equity, and the Explanatory Notes.

In particular:

- current and non-current assets and liabilities have been stated separately in the statement of financial position. Current assets are those expected to be realised, sold or consumed during ordinary operations or in 12 months after the end of the year; current liabilities are those for which settlement is expected as part of ordinary operations or in the twelve months following year end;
- in the Income Statement, the analysis of the costs is carried out on the basis of their nature; please note the "EBITDA" aggregates that include all the revenue and cost components except for the amortisation and depreciation and impairments of tangible and intangible assets, the financial activity components and income taxes and "EBIT", which includes all cost and revenue components except financing activities and income taxes;
- the indirect method is used for the Cash-Flow Statement. The average exchange rates for the period were used for translating the Cash-Flows of foreign subsidiaries.

With reference to Consob Resolution 15519 of July 27th, 2006 on Financial Statements, special sections are included to illustrate significant related-party transactions, together with specific items of profit or loss, to highlight any significant non-recurring transactions carried out in the ordinary course of business.

All amounts reported in the Financial Statements and the notes are presented in thousands of Euro, unless otherwise indicated.

Going concern

The Consolidated Financial Statements as at December 31st, 2016 have been prepared on a going concern basis. As at December 31st, 2016 the Isagro Group had a sound and balanced financial structure. In addition, the parent Isagro S.p.A. extended the duration of its debt, increasing the medium/long-term portion by € 14.3 million compared

to December 31st, 2015, divided up between a high number of banks. The repayment of the medium/long term debt maturing in 2017 will be guaranteed by current cash and by cash generated from operations, together with use of available short-term bank credit facilities. It should be remembered that the parent Isagro S.p.A., which pools the financial debts of the Group, had over € 80 million in bank credit facilities unused as at December 31st, 2016 that is for the most part represented by bill-discounting lines and advances on invoices, as well as financial lines, albeit to a residual extent.

In 2016, the Basic business performance contracted both compared to the results of 2015 and to the forecast data; however, this decline was offset by a lower than expected level of fixed costs, which allowed to record a Group EBITDA in line with budget values. On the contrary, with regard to Licensing activities, during 2016 revenues were recognised for approximately € 6 million, perfectly in line with the values of the plan. Taking into account that the results achieved in 2016 and the expectations defined in the 2017 budget are both substantially in line with the first two years of the 2016-2020 Company Plans, the Directors deem that the Cash-Flows forecast by these Company Plans also for the years 2018-2020, although they represent forward-looking statements subject to uncertainty, are reasonable and feasible in the foreseeable future and are sufficient to allow management of the activity in a financial balance characteristic of a going concern without significant uncertainties (as defined by IAS 1, Par. 25) thereon.

Segment reporting

The Group's operating segments, in accordance with IFRS 8 – Operating Segments, are identified in the organisational geographic areas from which the Group may earn revenues and incur expenses, whose results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Accounting policies, basis of consolidation and valuation criteria

The accounting standards, basis of consolidation and valuation criteria adopted for the preparation of the Financial Statements are consistent with those used for the previous year's statements, with the exception of what is explained in the following paragraph.

Accounting standards, amendments and interpretations applied as from January 1st, 2016

- On December 17th, 2014, by means of Regulation no. 28/2015, the European Commission endorsed certain improvements to the international accounting standards. The main amendments are indicated below:
 - IFRS 2 Share Based Payments - Definition of vesting condition. Changes to the definitions of “vesting condition” and “market condition” are introduced, and further definitions of “performance condition” and “service condition” are added (previously included in the definition of “vesting condition”);
 - IFRS 3 Business Combinations - Accounting for contingent consideration. The amendment explains that a contingent consideration classified as a financial asset or liability must be measured at fair value at every year end date; the changes in fair value are entered into the Income Statement or amongst the statement of comprehensive income components based on the requirements of IAS 39 (or IFRS 9);
 - IFRS 8 Operating segments - Aggregation of operating segments. The changes require an entity to provide information on the measurements made by management when applying the aggregation criteria for the operating segments, including a description of the aggregated operating segments and the economic indicators considered when determining whether these operating segments have “similar economic characteristics” such as to allow aggregation;

- IFRS 8 Operating segments - Reconciliation of the total of the reportable segments' assets to the entity's assets. The amendments clarify that the reconciliation between the total of the assets of the operating segments and the total of the entity's assets must be presented only if the total of the assets of the operating segments is regularly reviewed by the highest decision-making level of the entity;
- IFRS 13 Fair Value Measurement - Short-term receivables and payables. Amendments were made to the Basis for Conclusions to clarify that with the issue of IFRS 13 and the consequent amendments to IAS 39 and IFRS 9, the possibility to enter the current trade receivables and payables without entering the effects of a discounting should said effects proved immaterial remains valid;
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization. The amendments eliminated the inconsistencies in the entry of depreciation/amortisation when a tangible or intangible asset is revalued. The amendments clarify that the gross book value is adequate to the extent consistent with the revaluation of the book value of the asset and that the accumulated depreciation is equal to the difference between gross book value and the book value (also net of recorded impairments);
- IAS 24 Related Parties Disclosures - Key management personnel. It is clarified that in the event the services of the executives with strategic responsibilities are supplied by an entity (and not by an individual), said entity is considered a related party.

The adoption of these improvements had no effect on the Group's Consolidated Financial Statements.

- On December 17th, 2014, by means of Regulation no. 29/2015, the European Commission endorsed the amendment to IAS 19 Defined Benefit Plans: Employee Contributions which proposes recording the contributions (relating to just the service provided by the employee during the year) made by employees or third parties to defined benefit plans, reducing the service cost for the year in which this contribution is paid. The need for this proposal arose with the introduction of the new IAS 19 (2011), where it is deemed that these contributions should be interpreted as part of a post-employment benefit, rather than a short-term benefit and, therefore, that this contribution must be distributed over the years of service of the employee.

The adoption of this amendment had no effect on the Group's Consolidated Financial Statements.

- On November 23rd, 2015, with Regulation no. 2113/2015, the European Commission endorsed the amendments to IAS 16 - Property, Plant and machinery and IAS 41 - Agriculture, which requires that bearer plants that produce annual crops (e.g. grapevines, hazelnut trees), be recorded in accordance with the requirements of IAS 16 (rather than those of IAS 41).

The adoption of this amendment had no effect on the Group's Consolidated Financial Statements.

- On November 24th, 2015, with Regulation no. 2173/2015, the European Commission endorsed the amendments to IFRS 11 Joint Arrangements – Accounting for acquisitions of interests in joint operations, which regards the accounting for the acquisition of interests in a joint operation whose assets constitute a business as defined by IFRS 3. The amendments require that for these cases, criteria set forth by IFRS 3 and related to the recognition of the effects of a business combination be applied.

The adoption of this amendment had no effect on the Group's Consolidated Financial Statements.

- On December 2nd, 2015, by means of Regulation no. 2231/2015, the European Commission endorsed certain amendments to IAS 16 - Property, plant and machinery and to IAS 38 - Intangible assets - Clarification of acceptable methods of depreciation and amortisation. The amendments to IAS 16 set out that revenue-based methods of depreciation are not appropriate due to the fact that, according to the amendments, revenues generated by a business which involves the use of an asset subject to depreciation generally reflect factors that differ from only consumption of the economic benefits embodied in the asset, a condition that, instead, is required for depreciation. The amendments to IAS 38 introduce the assumption that a revenue-based method of amortisation is not generally considered appropriate for the same reasons highlighted by the amendments to IAS 16. In the case of intangible assets, this presumption can also be overcome, but only under limited and specific circumstances.

The adoption of these amendments had no effect on the Group's Consolidated Financial Statements.

- On December 15th, 2015, by means of Regulation no. 2343/2015, the European Commission endorsed certain improvements to the international accounting standards. The main amendments are indicated below:
 - IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. The amendment to the standard introduces specific guidance for cases in which an entity reclassifies an asset (or disposal group) from the held-for-sale category to held-for-distribution (or vice versa), or when the requirements for classifying an asset as held-for-distribution no longer apply. The amendments establish that (i) for these reclassifications the same classification and measurement criteria remain valid; (ii) the assets which no longer meet the classification criteria prescribed for held-for-distribution should be treated in the same way as an asset which ceases to be classified as held-for-sale;
 - IFRS 7 - Financial Instruments: Disclosure. The amendments discipline the introduction of additional guidelines to clarify whether a servicing contract represents a residual involvement in an asset transferred, for the purposes of the disclosure required in relation to transferred assets. Furthermore, it is clarified that the disclosure on the netting of financial assets and liabilities is not usually explicitly requested for interim Financial Statements, with the exception of significant information;
 - IAS 19 - Employee Benefits. The document introduces a number of amendments to IAS 19 for the purpose of clarifying that high quality corporate bonds used for determining the discount rate of post-employment benefits should be in the same currency used for payment of the benefits. The amendments specify that the basket of high quality corporate bonds market to be considered is that at currency level, not the country of the entity subject to reporting;
 - IAS 34 - Interim Financial Reporting. The document introduces amendments for the purpose of clarifying the requisites to be observed in the event that the disclosure required is presented in the interim financial report, but outside the interim Financial Statements. The amendment specifies that this disclosure should be included by means of cross-reference from the interim Financial Statements to other parts of the interim financial report and that this document is available to the intended audience of the Financial Statements in the same manner and as per the same timescales as the interim Financial Statements.

The adoption of these improvements had no effect on the Group's Consolidated Financial Statements.

- On December 18th, 2015, by means of Regulation no. 2406/2015, the European Commission endorsed the amendment to IAS 1 - Disclosure Initiative. The amendments aim to provide clarification on aspects of the disclosure that could be perceived as impediments to the clear and intelligible preparation of Financial Statements. The amendments made are as follows:
 - materiality and aggregation: clarifies that an entity should not obscure information by aggregating or disaggregating it, and that materiality considerations apply to the Financial Statements, explanatory notes and specific IFRS disclosure requirements. The document specifies that the disclosures specifically required under IFRSs must only be provided if the information is material;
 - statement of financial position and statement of comprehensive income: clarifies that the list of items specified by IAS 1 for these statements must be disaggregated or aggregated as appropriate. Additional guidance has been added on the presentation of subtotals in these statements;
 - presentation of items of Other Comprehensive Income (OCI): clarifies that the entity's share of the OCI of associates and joint ventures accounted for at equity must be presented as aggregated into a single item, in turn subdivided into elements subject (or not) to future reclassification to the income statement;
 - explanatory notes: clarifies that entities have flexibility in defining the structure of the explanatory notes and provides guidance on systematic ordering of the notes, e.g.:
 - i. giving a prominent position to those most significant to understanding the financial position (for example, by grouping together information on particular assets);
 - ii. grouping together elements measured according to the same criterion (for example, assets measured at fair value);

iii. following the order of elements presented in the statements.

The adoption of this amendment had no significant effects on aggregations of information currently used in the Group's Consolidated Financial Statements.

New standards and interpretations adopted by the European Union but not yet in force

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the potential impact of new standards or interpretations on the Consolidated Financial Statements are indicated below. These standards were not applied early by the Group.

- On September 22nd, 2016, by means of Regulation no. 1905/2016, the European Commission endorsed IFRS 15 - Revenue from Contracts with Customers. This standard replaced IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as interpretations IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. The new model for recognition of revenues will apply to all agreements signed with customers, except for those under the application field of other IAS/IFRS standards, such as leasing, insurance contracts and financial instruments. The main steps in recognising revenues according to the new model are as follows:
 - identification of the agreement with the customer;
 - identification of the contractual performance obligations;
 - definition of price;
 - allocation of price to the contractual performance obligations;
 - criteria for the recognition of revenues when the entity satisfies each performance obligation.

This standard will apply from January 1st, 2018, but early application is permitted. It is deemed that the adoption of this standard will not have significant effects on the Group's state of affairs. However, it will not be possible to provide a reasonable estimate of the effects until the Group completes a detailed analysis of the related agreements with customers, expected to be completed in 2017.

- On September 22nd, 2016, with Regulation no. 2067/2016, the European Commission endorsed IFRS 9 - Financial Instruments. The standard introduces new criteria for the classification and measurement of the financial assets and liabilities. In particular, as regards financial assets, the new standard uses one single approach based on the procedures to manage financial instruments and the characteristics of contract Cash-Flows of financial assets, in order to determine the measurement criteria, superseding the different provisions set out by IAS 39. For the financial liabilities on the other hand, the main amendment made refers to the accounting treatment of the changes in fair value of a financial liability designated as a financial liability designated at fair value through the Income Statement, in the cases in which these changes are due to the change in the credit rating of the issuer of the liability itself. Under the new standard, these changes must be recognised in the statement of "Other comprehensive income" and no longer in the income statement. With reference to the "Impairment" model, the new standard requires that the estimate of the losses on receivables is made on the basis of the expected losses model (and not on the incurred losses model used by IAS 39) using information which can be supported, available free of charge and without unreasonable efforts, which include historical, current and forecast data. The standard prescribes that this impairment model applies to all financial instruments, or rather to financial instruments measured at amortised cost, those measured at fair value through other comprehensive income, receivables deriving from rental agreements and trade receivables. In conclusion, the standard introduces a new hedge accounting model for the purpose of adapting the requirements envisaged by the current IAS 39, which at times are considered too stringent and not suitable for reflecting the company's risk management policies. The main innovations of the document regard:
 - increase in the types of transactions eligible for hedge accounting, also including the non-financial risks of assets/liabilities eligible for treatment under hedge accounting;
 - change in the accounting method for forward contracts and options when they are included in a hedge

accounting relationship, in order to reduce the volatility of the income statement;

- changes to the effectiveness test by replacing the current methods based on the parameter of 80-125% with the principle of “economic ratio” between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

Greater flexibility of the new accounting rules is counterbalanced by additional requests for information about the risk management activities of the company.

The new standard shall be applied for Financial Statements starting January 1st, 2018, but earlier application is permitted.

The Group deems that adoption of this standard will not have a significant impact on the amounts and information provided in its own Consolidated Financial Statements.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

At the reporting date, the competent bodies of the European Union have not yet completed the endorsement process necessary for adoption of the amendments and standards described below.

- On January 13th, 2016 the IASB published IFRS 16 - Leases, which is set to replace IAS 17 - Leases, as well as the interpretations IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating leases - Incentives and SIC-27 - Evaluating the substance of transactions involving the legal form of a lease. The standard provides a new definition of lease and introduces a criterion based on control (right of use) over an asset to distinguish lease contracts from services contracts, identifying the following discriminating factors: identification of the asset, the substantive right of substitution of the asset, the substantive right to economically benefit from use of the asset and the right to oversee the use of the underlying asset of the contract. The standard introduces a single lessee accounting model for recognition and valuation of lease contracts, which requires the recognition of the asset leased, also under operating lease, with a balancing entry of financial debt. It is also possible not to recognise contracts pertaining to “low-value assets” and leases with a contract duration equal to or less than 12 months as leases. On the contrary, the standard does not include significant changes for lessors. This standard will apply from January 1st, 2019, but early application is permitted only for companies which implemented early application of IFRS 15 - Revenue from Contracts with Customers. It is deemed that adoption of this standard may have a significant impact on the recognition of lease contracts and on the related information provided in the Group’s Consolidated Financial Statements. However, it is not possible to provide a reasonable estimate of the effects until the Group completes a detailed analysis of the related contracts with customers, expected to start in 2017.
- On January 19th, 2016, the IASB published the document “**Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)**” which contains amendments to IAS 12. The purpose of the document is to provide a number of clarifications on the recognition of deferred tax assets on unrealised losses when certain circumstances arise and on the estimate of taxable income for future years, with reference in particular to the requirements pertaining to recognition of deferred tax assets on unrealised losses relating to liabilities measured at fair value. The amendments will apply from January 1st, 2017, and early application is allowed.
- On January 29th, 2016, the IASB published the document “**Disclosure Initiative (Amendments to IAS 7)**”. The purpose of the document is to provide amendments to IAS 7. The purpose of the document is to provide a number of clarifications to improve the disclosure of financial liabilities. In particular, the amendments require a disclosure that allows Financial Statement users to understand the changes in liabilities deriving from financing transactions, including changes resulting from cash and non-cash transactions. The amendments do not envisage a specific format to be adopted for the disclosure. Nevertheless, the amendments introduced require an entity to provide a reconciliation between the opening and closing balances of liabilities deriving from financial transactions. The amendments will apply from January 1st, 2017, and early application is allowed. The presentation of comparative data relating to previous years is not required.
- On June 20th, 2016, the IASB published the document “**Classification and measurement of share-based payment transactions (Amendment to IFRS 2)**”, which contains amendments to IFRS 2. The amendments

provide a number of clarifications on recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with the characteristics of net settlements and the recognition of changes to the terms and conditions of a share-based payment that amend the cash-settled classification to equity-settled. The amendments will apply from January 1st, 2018, and early application is allowed.

- On September 12th, 2016, the IASB published the document **“Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”**. For entities whose business predominantly comprises insurance activities, the purpose of the amendments is to clarify concerns deriving from application of the new IFRS 9 to financial assets, before the IASB replaces the current IFRS 4 with the new standard currently being drafted, on the basis of which the financial liabilities are measured instead.
- On December 8th, 2016, the IASB published the document **“Annual Improvements to IFRSs: 2014-2016 Cycle”** which transposes the amendments to some principles within the scope of the process for their improvement. The main amendments pertain to:
 - IFRS 1 First time adoption of International Reporting Standards – Deletion of short-term exemptions for first-time adopters. The amendment to this standard is effective for annual periods beginning on or after January 1st, 2018 and pertains to the deletion of some short-term exemptions provided by paragraphs E3-E7 of Appendix E of IFRS 1, because they have now served their intended purpose;
 - IAS 28 Investments in associates and joint ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organization or another entity thus qualified (e.g. a mutual fund or a similar entity) to measure investments in associates and joint ventures at fair value through profit or loss (rather than by applying the equity method) is carried out for each individual investment at the time of the initial recognition. The amendment applies as from January 1st, 2018;
 - IFRS 12 *Disclosure of interests in other entities* – *Clarification of the scope of the Standard*. The amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to all of the entity’s interests that are classified as held for sale, as held for distribution to shareholders or as discontinued operations in accordance with IFRS 5. The amendment applies as from January 1st, 2017.
- On December 8th, 2016, the IASB published the document **“Foreign Currency Transactions and Advance Consideration (IFRIC interpretation 22)”**. The purpose of the interpretation is to provide guidelines for foreign currency transactions when non-monetary advances are recognised in the Financial Statements, before recognition of the related asset, cost or revenue. The document provides indications on how an entity shall determine the date of a transaction, and consequently the spot exchange rate to be used when foreign currency transactions are carried out in which payment is made or received in advance. The interpretation clarifies that the transaction date is the earlier one between:
 - a) the date on which the early payment or the advance received are recorded in the Financial Statements of the entity; and
 - b) the date on which the asset, the cost or the revenue (or part thereof) is recognised in the Financial Statements (with consequent reversal of the early payment or of the advance received).
 If there are numerous early payments or collections, a transaction date shall be identified for each of them. IFRIC 22 will apply from January 1st, 2018, but earlier application is permitted.
- On December 8th, 2016, the IASB published the document **“Transfers of Investment Property (Amendment to IAS 40)”** which contains amendments to IAS 40. These amendments clarify transfers of property to, or from, investment property. In particular, an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use of the property. This change shall be tied to a specific event that took place and shall thus not be limited to a change in the intentions of an entity’s management. The amendments will apply from January 1st, 2018, but earlier application is permitted.

- On September 11th, 2014 the IASB published the amendment to **IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture**. The document was published for the purpose of settling the current conflict between IAS 28 and IFRS 10. In accordance with IAS 28, the gain or loss deriving from the disposal or transfer of a non-monetary asset to a joint venture or to an associate in exchange for a holding in the share capital of the latter is limited to the holding held in the joint venture or associate by the other investors extraneous to the transaction. By contrast, IFRS 10 prescribes recognition of the entire gain or loss in the event of loss of control over a subsidiary, even if the entity retains a non-controlling interest, also including the sale or contribution of a subsidiary to a joint venture or associate in this category. The amendments introduced envisage that in a disposal/conferral of an asset or of a subsidiary to a joint venture or to an associate, the extent of the gain or the loss to be recognised in the Financial Statements of the transferor/deliverer depends on the fact that the assets or the subsidiary company transferred/delivered represent or otherwise a business, in the sense envisaged by IFRS 3. In the event that the assets or the subsidiary transferred/delivered represents a business, the entity must recognise the gain or the loss on the entire holding previously owned; whilst, otherwise, the portion of gain or loss relating to the holding still held by the entity must be eliminated. At present the IASB has suspended the application of this amendment.

Uncertainty in the use of estimates

The preparation of the Consolidated Financial Statements requires the management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, and the disclosure relating to contingent assets and liabilities as at the reporting date. Consequently, the results actually achieved could then differ from said estimates.

In particular, the estimates are used in order to recognise the provisions for doubtful debts and inventory obsolescence, depreciation and amortisation, impairment losses, employee benefits, tax and other provisions. The estimates and the assumptions are periodically reviewed and the effects of any changes are reflected in the Income Statement, in the period in which the estimate is reviewed.

Bad debt provision

The bad debt provision reflects management's estimate of losses relating to the trade receivables portfolio. The estimate for this provision is based on losses expected by the Group, determined on the basis of historical experience with similar receivables, current and historical past due assets, losses and collections, credit quality monitoring and projections regarding economic and market conditions.

Inventory write-down provision

The allowance for inventory obsolescence reflects management's estimate of impairment losses expected from the various Group companies, based on both historical experience and the expected trend in prices for crop protection products during 2016, particularly for those products whose realisable value is linked to the commodity prices.

Impairment test

The Isagro Group carries out impairment testing at least annually, upon preparing the Financial Statements as at December 31st. As is described in greater detail below, impairment tests are carried out on fixed assets with indefinite useful life (goodwill) and intangible assets with finite useful life not yet available for use, also considering the values of intangible assets already available for use and tangible assets attributable to the tested CGU.

As is explained in detail below, intangible assets not yet available for use essentially refer to registration expenses incurred for authorisations to sell formulations relating to the Group's major proprietary products and development expenditure for new products and new processes (see Note no. 2). 68% of this item, which amounts to approximately € 27 million, regards the product IR 6141 still sold on a limited number of markets and in not yet significant volumes, as well as the co-development of a new fungicide named IR9792, in the SDHi class.

As those assets are essentially registrations not yet obtained, the Cash-Flows used for the purposes of impairment testing, reflected in the Company Plans of the various Group companies, are those specifically defined for each project.

In defining the value in use of CGU subjected to impairment testing, the Isagro Group carried out its own analyses on the basis of the 2017 budget and, with reference to the 2018-2020 time interval, on the 2016-2020 Company Plans. The reliability of the impairment test and, consequently, whether or not the amounts recognised as assets for these items are confirmed is tied to the realisation of said plans, which, although they represent forward-looking statements subject to uncertainty, are deemed reasonable and feasible by the Directors. The Directors, as a result of the tests carried out, did not deem it necessary to recognise any further impairment losses pursuant to IAS 36, regarding the Group's major assets. The impairment losses posted to the Financial Statements refer (€ 123 thousand) to the reversal of costs relating to authorisations to sell being obtained in countries deemed no longer strategic or whose continuation was judged not cost-effective for the Group, and € 51 thousand for the reversal of the costs relating to the development of some formulations which the management deemed no longer strategic. Regarding goodwill, it should be noted that about 75% of this item refers to Isagro Colombia S.A.S. and the "Copper" CGUs, for which management has conducted additional analyses to verify the recoverability of goodwill (sensitivity analysis). The considerations set out are described in note No. 3.

Also for goodwill, the Directors, as a result of the test carried out, based on estimated Cash-Flows reflected in the 2017 budget, together with the estimates for the 2018-2020 time interval as stated in the Group companies' 2016-2020 Company Plans, did not deem it necessary to recognise any impairment loss.

Note that the calculation of the recoverable value of intangible assets not yet available for use and of goodwill calls for management's discretion and the use of estimates, particularly as regards calculation of the interest rate (WACC) used to discount future Cash-Flows, also as the benchmark rates of the financial markets are highly erratic and fluctuating. Furthermore, the recoverability of these amounts is subject to the fulfilment of the 2017 budget and of the estimates for the 2018-2020 time interval, as stated in the Group companies' 2016 - 2020 Company Plans, which is also influenced by uncontrollable external variables (in particular, climatic conditions and the time necessary to obtain the authorisations to sell the new products). Consequently, it cannot be excluded that the future trend in various factors, including developments in the challenging global economic and financial context, might call for a write-down of these items of the Financial Statements. The Group's management will continuously monitor the circumstances and events that could bring about such a result.

Deferred tax assets

As at December 31st, 2016, the Isagro Group's Financial Statements recognised deferred tax assets for unused tax losses carried forward amounting to approximately € 4 million. In assessing the recoverability of these deferred tax assets, the individual Group companies' budgets and plans, for which the Directors believe that the taxable income that will be generated in the forthcoming years are reasonably feasible and will be such as to allow recovering said amounts, were taken into consideration. However, cannot be ruled out *a priori* that the onset of economic and/or financial crises, as well as postponement in the expected time scales for obtaining new registrations and new Licensing agreements may raise doubts about the timing and methods set out in the Group companies' budgets (2016-2020 Company Plans) concerning the recoverability of these items. The management will continuously monitor the circumstances and events that may bring about such a result.

Basis of consolidation and establishment of control

The Consolidated Financial Statements of the Isagro Group comprise the Financial Statements of Isagro S.p.A. and its subsidiaries. In accordance with IFRS 10, a company is considered to be a subsidiary when the investor is exposed to variable returns (or holds rights on said returns) deriving from its relationship with the company and at the same time has the ability to draw on these returns, exercising its power over the company. An investor has power over an entity subject to investment when it holds valid rights which grant it the current capacity to manage the significant activities, or the activities which have a significant effect on the returns of the assets subject to investment. With the Isagro Group, the parent exercises this power by holding the majority of the voting rights in the subsidiaries included in the scope of consolidation, which permits the same to appoint the majority of the members of the governing body. Furthermore, it should be noted that no significant restrictions exist with regard to the ability of the

parent to access the assets or use them and to discharge the liabilities of the Group.

The Consolidated Financial Statements are prepared based on the Financial Statements written by the individual companies in accordance with IFRS.

The Financial Statements of the subsidiaries included in the scope of consolidation are consolidated using the line-by-line method, which requires to add together all reported items, regardless of the Group's ownership interest, as well as to eliminate intragroup transactions and unrealised profits.

The carrying amount of investments and the parent's portion of equity of the subsidiaries are eliminated, while individual assets and liabilities are recognised at their carrying amounts at the date when control was acquired, recognising any contingent liabilities. Any positive excess is recognised in non-current assets as "Goodwill", while any negative excess is recognised in profit or loss.

Wherever the investment is less than 100%, the portion of profit and equity attributable to non-controlling interests is recognised (minority holdings).

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and they cease to be consolidated on the date on which control is transferred outside the Group. The purchase of additional interests in subsidiaries and the sale of interests that do not result in a loss of control are accounted for as equity transactions. As such, the accounting effects of the previously mentioned transactions are recognised directly in the Group's equity. If control of a company included in the scope of consolidation is lost, the Consolidated Financial Statements include the profit or loss for the year in proportion to the period during which the Group held control. Furthermore, the disposal of controlling interests requires to recognise in profit or loss any gains (or losses) on the disposal, and the accounting effects resulting from the fair value measurement at the date of disposal of any residual interest.

Scope of consolidation

The scope of consolidation includes the Financial Statements of Isagro S.p.A., its subsidiaries and associates as at December 31st, 2016.

Pursuant to IFRS 10, companies are considered to be controlled if the Group simultaneously has the following three elements:

- a) power over the company;
- b) exposure or rights to variable returns deriving from its involvement in the investee;
- c) the ability to use its power to influence the amount of such variable returns.

On the other hand, jointly-controlled companies are those over which the Group exercises control together with another investor with which it makes decisions on the relevant activities, so that control over the investees is shared.

For a list of companies included in the scope of consolidation, reference should be made to Note no. 45.

Compared to the situation as at December 31st, 2015, the following is pointed out:

- in the month of October 2016, the company Isagro Vietnam Company Limited, wholly owned subsidiary of Isagro Singapore Pte. Ltd., itself a wholly-owned subsidiary of Isagro S.p.A., was incorporated;
- in the month of December 2016, the company Isagro Poland Sp. z o.o., wholly owned subsidiary of Isagro S.p.A., was incorporated;
- in the month of December 2016, the company Isagro Mexicana S.A. de C.V., was incorporated; 90% of its capital was subscribed by Isagro S.p.A. and 10% by Isagro USA, Inc.

Translation of foreign currency Financial Statements

The presentation currency adopted by the Group is the Euro, which is also the functional currency of the parent Isagro S.p.A.

At the end of the reporting period, the Financial Statements of foreign operations with a functional currency other than the Euro are translated into the presentation currency in accordance with the following procedures:

- assets and liabilities are translated using the exchange rate in force as at the reporting date;

- revenues and costs are translated at the average exchange rate for the reporting period;
- equity components are translated at historical exchange rates, maintaining the existing stratification (if any) of reserves.

Exchange differences arising on translation are recognised in the statement of other comprehensive income and accumulated in a separate component of equity (Translation reserve or difference) until disposal of the foreign operation. The exchange rates applied on translation of the Financial Statements of the companies included in the scope of consolidation are listed in the table below:

Currency	Exchange rate as at Dec. 31 st , 2016	Average exchange rate 2016	Exchange rate as at Dec. 31 st , 2015	Average exchange rate 2015
Australian Dollar	1.4596	1.48828	1.4897	1.47766
Singapore Dollar	1.5234	1.52754	1.5417	1.52549
US Dollar	1.0541	1.1069	1.0887	1.10951
Vietnamese Dong	23,991.80	24,753.80	N/A	N/A
Argentine Peso	16.7488	16.342	14.0972	10.2599
Chilean Peso	704.945	748.477	772.713	726.406
Colombian Peso	3,169.49	3,376.93	3,456.01	3,048.53
Mexican Peso	21.7719	20.6673	N/A	N/A
South African Rand	14.457	16.2645	16.953	14.1723
Brazilian Real	3.4305	3.85614	4.3117	3.70044
Chinese Renminbi (Yuan)	7.3202	7.35222	7.0608	6.97333
Indian Rupee	71.5935	74.3717	72.0215	71.1956
Polish Zloty	21.7719	20.6673	N/A	N/A

Earnings per Share

Basic earnings per share are calculated by dividing profit or loss attributable to the Group by the weighted average number of shares outstanding during the period. For the purpose of calculating the diluted earnings per share, the weighted average number of shares is modified assuming that all convertible instruments are converted and all warrants are exercised, should these have been issued by the parent.

Assets held for sale and discontinued operations

Non-current assets and disposal groups whose carrying amount will be recovered principally through a sale transaction rather than continuing use are presented separately from the other assets and liabilities in the statement of financial position. These assets are measured at the lower of carrying amount and fair value less costs to sell. Any subsequent impairment losses are recognised as a direct deduction from non-current assets through profit or loss. The corresponding amounts of the previous year are not reclassified.

A discontinued operation is a component of a company that either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations;
- or is a subsidiary acquired exclusively with a view to resale.

The post-tax profit or loss of discontinued operations is disclosed separately in profit or loss. The corresponding amounts of the previous year are reclassified and presented separately in profit or loss for comparative purposes.

Valuation criteria

The Consolidated Financial Statements have been prepared on a historical cost basis, except for financial assets held for trading and financial derivative instruments, which are measured at fair value. This value is the price that would be perceived for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction in the main (or most advantageous) market as at the valuation date, at current market conditions, regardless of the fact that price is directly observable or is estimated using another measurement basis.

Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group, and the equity instruments issued by the acquiree in exchange for control of the acquiree. The transactions costs are recognised in the Income Statement at the time they are incurred.

Goodwill is measured as the excess of the aggregate of consideration transferred in the business combination, the amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the net liabilities assumed.

Any contingent consideration is measured at the acquisition-date fair value and recognised as part of the consideration transferred in the business combination for the purpose of measuring goodwill. Any subsequent changes in fair value, qualifying as adjustments made during the measurement period, are retrospectively included in goodwill. Changes in fair value qualifying as adjustments made during the measurement period are those resulting from new information about facts and circumstances that existed as of the acquisition date but obtained during the measurement period, which shall not exceed one year from the acquisition date.

In a business combination achieved in stages, the Group's previously held equity interest in the acquiree is revaluated at fair value at the date control is acquired, and any resulting gain or loss is recognised in profit or loss. Any amounts resulting from the previously held equity interest, and recognised in other comprehensive income, are reclassified to profit or loss as if the equity interest had been disposed of.

Tangible assets

Tangible assets, which can be stated in the Financial Statements as assets if, and only if, it is probable that the future economic benefits associated with them will flow to the company and if their cost can be reliably determined, are recorded at historical cost and stated in the Financial Statements net of the related accumulated depreciation and any losses in value.

In detail, the cost of a tangible fixed asset, acquired from third parties or constructed on a time and material basis, includes directly attributable charges and all the costs necessary for bringing the assets onto stream for the use for which they were acquired. If the payment for the purchase of the asset is deferred beyond the normal credit terms, its cost is represented by the equivalent cash price.

The opening value of the asset is increased by the current value of any costs for the demolition and removal of the assets or restoration of the site where the asset is located, if a legal or implicit obligation in this sense exists. Therefore a liability will be recorded for a risk provision against this capitalised charge.

Maintenance and repair costs are not capitalised, but are recorded in the Income Statement in the period they pertain to.

Costs incurred after initial recognition – improvements, modernisation and expansion costs, etc.– are recognised as assets if, and only if, it is probable that future economic benefits associated with them will flow to the company and they result in identifiable assets or if they concern expenditures aimed at extending the asset's useful life or increase its productive capacity, or even improve the quality of the products obtained by the asset. If these expenses qualify as maintenance costs, they will be recognised in profit or loss as incurred.

Depreciation begins when the asset is available for use and is calculated on a straight-line basis with reference to the asset's estimated useful life. The useful life generally assigned to the various categories of assets is as follows:

- | | |
|-------------------------|----------------|
| - industrial buildings: | 19 to 30 years |
| - plant and equipment: | 10 to 11 years |
| - equipment: | 3 to 7 years |
| - other assets: | 5 to 6 years |

Land, which as a rule has an unlimited useful life, is not depreciated.

Spare parts and small items of equipment for maintenance are recognised as inventories and recorded at cost at the time they are used. Nevertheless, spare parts worth significant amounts and equipment provided which is available in stock (stand-by equipment) are recognised as fixed assets when they are expected to be used for more than one accounting period.

The book value of tangible assets is subject to an impairment test so as to detect any losses in value when events or changed circumstances indicate that the book value cannot be recovered. If there is any indication that the asset may be impaired, and if the carrying amount is greater than the estimated recoverable amount, the asset or the cash-generating unit is written down to recoverable amount, which is the higher of fair value less costs to sell and value in use. When defining the value in use, the future Cash-Flows are discounted back using a pre-tax discount rate which reflects the current market estimate of the cost of money placed in relation to the timescale and specific risks of the asset. In relation to assets which do not generate fully independent Cash-Flows, the realizable value is determined in relation to the Cash-Flow generating unit to which the asset belongs. Losses in value are recorded in the Income Statement under the item "losses in value of tangible and intangible assets".

Intangible assets

Intangible assets, which can be capitalised only if they are identifiable assets which will generate future economic benefits, are initially recognised in the Financial Statements at purchase cost, increased by any additional charges and those direct costs necessary for preparing the asset for its use. However, assets acquired in a business combination are recognised at their acquisition-date fair value.

Assets generated internally, with the exception of development costs and expenses incurred in obtaining the authorisations to market crop protection products, are not recorded as intangible assets. Development activities involve the conversion of research inventions and other knowledge in a well-defined plan for the production of new materials, products or processes.

The cost of an intangible asset created internally includes all the directly attributable costs necessary for creating, producing and preparing the asset so that it is able to operate in the manner agreed upon by company management. With regard to the capitalisation of any financial charges associated with intangible assets, reference should be made to the description later in this report under the related measurement criterion.

After initial recognition, intangible assets are recorded in the Financial Statements at cost net of the total amortisation charges, calculated on a straight-line basis with reference to the estimated useful life of the asset and the accumulated losses due to impairment. However, if an intangible asset has an unspecified useful life it is not amortised, but periodically subject to adequacy analysis for the purpose of stating any impairment.

The useful life generally assigned to the various categories of assets with finite useful life is as follows:

- concessions and licences: 5 to 10 years
- development costs of new products: 5 to 15 years
- authorisations to sell (registrations)
 - of crop protection products: term of the concession
- product know-how: 15 years
- process know-how: 5 years
- trademarks: 5 to 10 years
- patents: term of the legal protection
- other assets (software): 5 years

Amortisation commences when the assets are available for use, or when they are in a position and in the condition necessary in order to operate in the manner agreed upon by company management.

The book value of intangible assets is subject to an impairment test so as to detect any losses in value when events or changed circumstances indicate that the book value cannot be recovered. If indication of this type exists and in

the event that the value exceeds the estimated realizable value, the assets are written down so as to reflect their realizable value. This value coincides with the net sales price of the assets or the value in use, whichever is the higher. When defining the value in use, the future Cash-Flows are discounted back using a pre-tax discount rate which reflects the current market estimate of the cost of money placed in relation to the timescale and specific risks of the asset. In relation to assets which do not generate fully independent Cash-Flows, the realizable value is determined in relation to the Cash-Flow generating unit to which the asset belongs. Losses in value are recorded in the Income Statement under the item “losses in value of tangible and intangible assets”.

Product research, development and registration costs

Research costs for the ordinary protection of products and production processes, and the costs for innovative research, are recognised in the Income Statement in the period when they are incurred.

Development costs, recorded in the Financial Statements under intangible assets, refer to projects for the development of new proprietary products (active ingredients), new formulations and new production processes. When the development project is concluded, and results in a process available for economic use, or in a product know-how, the related expenditure is reclassified to “product know-how” or “process know-how” and amortised on a straight line basis over its estimated useful life, which shall not exceed 15 years. The conclusion of the development process of new proprietary products (active ingredients) coincides with the obtaining of a statement of completeness (the “completeness check”) from the competent authority.

Product registration costs reflect internal and external costs incurred to obtain or renew the authorisation from the different local authorities to market the products deriving from the development activities and /or to extend such authorisations to other crops or to other uses of the product. These costs are registered as intangible assets under “fixed assets in progress” until an authorisation to market is obtained, and they are then reclassified under “Registrations” and amortised based on the term of the concession, which may be for a maximum of ten years.

Until the development activities, and/or the registration activities for any resulting products, are completed, the main projects underway will be tested for impairment at least annually, in accordance with the methods described in the notes, recognising in profit or loss any excess in the carrying amount.

These costs also include the expenses for “extraordinary protection”, incurred in order to increase the useful life, i.e. the marketing period, of products already existing in the market and thus capable of generating future economic benefits higher than the level of return originally attributed to the product underlying the development activity. These costs are normally amortised over a period of a minimum 5 years to a maximum 15 years, based on the estimated product lifecycle.

Goodwill

Goodwill acquired in a business combinations is initially measured at the acquisition-date fair value of the consideration transferred and is allocated to the various CGUs identified at that date. After initial recognition, the goodwill is measured at cost, and decreased only by any accumulated losses in value. In fact, goodwill is not amortised, but impairment testing is performed at least annually. Any impairment is recognised to the Income Statement and any surplus to the Balance Sheet.

Impairment of tangible and intangible assets

At least once a year the Isagro Group reviews the book value of its tangible and intangible assets to check whether there are any indications that they have sustained reductions in value. The recoverable value is calculated for each asset where possible, or an estimate is made of the recoverable value of the cash generating unit to which the asset refers. In particular, the recoverable value is the fair value net of the sales costs and the value in use, whichever is higher, where for the latter the Cash-Flows are estimated based on the value discounted at a specific rate of the future Cash-Flows referring to the asset, or to the cash generating unit to which it belongs.

If the recoverable amount of an asset (or a cash generating unit) is lower than its book value, the latter is reduced to the lesser recoverable value. The impairment is immediately entered into the Income Statement. Afterwards, if

the impairment of an asset no longer holds or is reduced, the book value of the asset is increased until the new estimate of the recoverable value (which cannot exceed the value that would have been determined had no loss due to reduction of value been entered). Reversing of the impairment loss is immediately entered into the Income Statement.

Based on what is set out above, the assets and cash generating units (CGUs) representing the smallest identifiable group of assets able to generate largely independent cash in were identified in the Financial Statements. Goodwill was unfailingly allocated to the cash generating units from which benefits connected with the business combinations that generated them are expected. The CGUs were identified with the same criteria as last year.

A summary table showing the values of the tangible and intangible assets and the goodwill allocated per CGU subjected to impairment testing follows.

Cash Generating Units	Assets with finite useful life			Assets with indefinite useful life	TOTAL
	Tangible assets	Intangible assets		Goodwill	
		not yet available for use	available for use		
Kiralaxyl (IR 6141)	-	2,251	8,233	-	10,484
Tetraconazole	4,418	2,486	4,621	209	11,734
Biological products	730	357	1,935	461	3,483
Copper	4,733	1,971	1,907	886	9,497
SDHi (IR 9792)	-	16,080	328	-	16,408
Pyrethroids	-	330	628	-	958
Fumigants/geo-disinfectants	-	3,250	2,136	-	5,386
	9.881	26.725	19.788	1.556	57.950

The Group also posted impairment of the CGU Isagro Colombia S.A.S. for a total of € 3,440 thousand, of which € 1,830 thousand relating to goodwill.

Therefore, the Group subjected intangible assets and goodwill totalling € 50,228 thousand out of a total of € 51,808 thousand with about 97% hedging to impairment testing.

Investments in associates

The Group's investments in associates are accounted for using the equity method. An associate is a company over which the Group exercises considerable influence, understood as the power to take part in the determination of the financial and operating policies of the investee, without having control or joint control over the same. The presence of significance influence is presumed when the Group holds, directly or indirectly, 20% or more of the votes which can be exercised during the shareholders' meeting of the investee company, unless the contrary cannot be clearly demonstrated.

Under the equity method, the investment in an associate is initially recognised in the Balance Sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to register any additional impairment loss with respect to the Group's investment in the associate. The Group's share of profit or loss of the investee is recognised in the Income Statement. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the investment in the associate. Dividends received from an investee reduce the book value of the investment.

The end of the reporting period of associates is aligned with that of the Group; the accounting policies used are consistent with those used by the Group for like transactions and events.

Financial assets

Financial assets are initially recognised at cost – increased by any transaction costs – which represent the fair value of the consideration transferred. Purchases and sales of financial assets are recognised on the trade date, i.e. the

date on which the Group committed to purchase the assets. After initial statement, financial assets are valued in relation to their functional intended use on the basis of the following approach.

Financial assets held for trading

These are financial assets acquired for the purpose of obtaining a profit from the short-term price fluctuations. After initial recognition, these assets are measured at fair value and the related gain or loss is recognised to the Income Statement.

In the event of securities commonly traded on regulated markets, the fair value is established with reference to the year-end listed price. With regard to investments for which a market price is not available, the fair value is determined on the basis of the current market value of another essentially similar financial instrument or is calculated on the basis of the Cash-Flows expected from the net assets underlying the investment, discounted at a rate that reflects the credit risk of the counterparty.

Investments held to maturity

These are non-derivative financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity.

After initial statement, these assets are measured at amortised cost, using the effective exchange rate method, which represents the rate which exactly discounts back the payments or the future collections estimated over the expected duration of the financial instrument. The amortised cost is calculated taking into account any discounts or premiums, which are divided up over the entire duration until maturity.

Loans receivable

These are treated in the accounts in accordance with the matters envisaged for “investments held to maturity”.

Available-for-sale financial assets

This item includes the financial assets not falling within the previous categories. For example, it comprises equity securities acquired without the intention of re-selling them over the short-term (called equity investments in other companies) or long-term Government securities acquired so as to be held over the long-term among the company's assets, but without the intention of holding them to maturity.

After initial recognition, these assets are recognised at fair value using the method described for the “Financial assets held for trading” and the gains or losses are recorded as “Other comprehensive income components” until they are sold or it is assessed that they have suffered impairment: in this case, the gains and losses accumulated to equity as at that moment are reclassified among the items of “Profit (loss) for the year”.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be measured reliably, are measured at cost.

Inventories

Inventories are measured at the lower between cost and the net estimated realizable value, represented by the normal estimated sales prices, net of the finalisation or sales costs.

The cost of the inventories may not be recoverable if they are damaged, if they become obsolete or if their sales prices have decreased: in this case, the inventories are written down to their net realizable value on the basis of an assessment made on a line by line basis and the amount of the write-down is recorded as a cost in the period it is made.

The cost of the inventories includes the purchase costs, conversion costs and other costs incurred in order for the inventories to reach their current location and conditions.

The method used for determining the cost of the inventories is the weighted average cost, inclusive of the opening inventories.

Trade and other receivables

Trade and other receivables are initially recognised at cost, i.e. the fair value of the amount received during the transaction. Subsequently, the receivables which have a pre-established maturity are measured at amortised cost,

using the effective interest rate method, while receivables without a fixed maturity are measured at cost. Short-term receivables without a stated interest rate and with maturity within normal trade terms, are not discounted to present value. The fair value of long-term receivables is established by discounting back future Cash-Flows: the discount is recorded as financial income over the duration of the receivable until maturity. Receivables are recorded in the Financial Statements net of allowances for losses in value. These provisions are made when there is an objective evidence (such as the probability of default or the borrower's financial difficulty) that the Group will be unable to recover all the amounts due based on the original terms of sale. The book value of the receivable is decreased through use of a specific fund. The receivables which are subject to impairment are reversed when they become uncollectible.

Cash and cash equivalents

Cash includes cash on hand as well as on-demand and short-term bank deposits, i.e. those with an original envisaged maturity of no more than three months.

Cash equivalents include temporary cash surpluses invested in financial instruments characterised by higher returns with respect to on-demand bank deposits (e.g. government securities) and which can be readily cashed in. They do not include temporary investments in capital instruments due to the volatility and variability of their values.

Trade and other payables

Trade and other payables are initially recognised at cost, i.e. the fair value of the amount paid during the transaction. Subsequently, the payables which have a pre-established maturity are measured at amortised cost, using the effective interest rate method, while payables without a fixed maturity are measured at cost.

Short-term payables without a stated interest rate and with maturity within normal trade terms, are not discounted to present value. The fair value of the long-term payables is established by discounting back future Cash-Flows: the discount is recorded as a financial charge over the duration of the payable until maturity.

Loans

Loans are initially measured at cost, i.e. the fair value of the consideration received less any directly attributable transaction costs.

After initial recognition, loans are valued using the amortised cost approach, applying the effective interest rate method.

Conversion of foreign currency balances

Foreign currency transactions are initially recognised using the exchange rate which is applicable on the transaction date. Exchange differences arising during the period, when foreign currency receivables are collected and payables paid, are recognised in profit or loss.

At the end of the accounting period, the monetary assets and liabilities denominated in foreign currency - comprising cash on hand and assets and liabilities to be received or paid in fixed and determinable cash amounts - are converted into the reporting currency using the exchange rate in force as at the period end date, with recognition of any exchange difference generated in the Income Statement.

Non-monetary items expressed in foreign currency are converted into the reporting currency using the exchange rate in force as at the transaction date, or the original historic exchange rate. Non-monetary elements recorded at fair value are converted using the exchange rate in force as at the date this value was determined.

The functional currencies adopted by the various companies of the Isagro Group correspond to the currencies of the countries where the registered offices of such companies are located.

Provisions for risks and charges

Provisions for risks and charges, which include liabilities whose timing and extent are unknown, are provided when:

- there is a current obligation (legal or implied) which is the result of a past event;
- it is probable that an outlay of resources will be necessary to meet the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recorded as a provision represents the best estimate of the outlay required for meeting the obligation existing as at the period end date. If the effect of the discounting back of the value of the cash is significant, the provisions are determined by discounting back the expected future Cash-Flows at a pre-tax discount rate which represents the current market valuation of the cost of money in relation to time and, if appropriate, the specific risks of the liabilities. When discounting back is carried out, the increase in the provisions due to the passage of time is treated as a financial charge.

Contingent liabilities are not recorded in the Financial Statements.

With reference to the provisions for “participation bonus and manager and director bonuses”, the Group records this amount - in line with the previous year - in the item “Current provisions” since they are approved and finalised by the Shareholders’ Meeting following approval of the Financial Statements.

Employee benefits

Benefits after the termination of the employment relationship are established on the basis of plans which, in relation to their characteristics, are separated into defined-contribution plans and defined benefit plans.

With regard to defined-contribution plans, the company’s obligation is limited to the payment of the contributions agreed with the employees and is determined on the basis of the contributions due at period end, less any amounts already paid.

The amount recorded as net liability (or asset) in the defined-benefits plans is determined by using the “projected unit credit method” actuarial technique, and it is equal to: (a) the current value of the defined- benefits obligation as at the Financial Statement reference date; (b) plus any actuarial gains (less any actuarial losses); (c) less any social security costs relating to past work services not yet recorded; (d) less the fair value as of the Financial Statement reference date of the assets serving the plan (if they exist) beyond which the obligations must be directly discharged. The actuarial profits and losses coming from remeasurement of the assets and liabilities following the change in the financial actuarial and/or demographic assumptions, and the yield of the assets serving the plan (except for the amounts included in the net interest), are recognised under “Other comprehensive income components” and are directly reflected in the “Retained earnings” without subsequent reclassification to the “Profit/(loss) for the year” items.

The cost recorded under the “Profit/(loss) for the year” is the same as the algebraic mean of the following elements in the defined-benefits plans: (a) the social security costs relating to the current employment services; (b) the net interest deriving from the increase in the liability consequent to the passage of time; (c) the social security costs relating to the past employment services; (d) the effect of any reductions or discharges of the plan.

Until December 31st, 2006, the severance indemnity fund of the Italian companies was considered as a defined-benefit plan. This was amended by Law no. 296 of December 27th, 2006 (Finance Law 2007) and subsequent Decrees and Regulations which were issued in the first few months of 2007. In light of these amendments, and in particular with reference to companies with at least 50 employees, this is now considered a defined-benefit plan only insofar as the amounts which matured until January 1st, 2007 (and which have not been settled on the Balance Sheet date), while after this date it is considered a defined contribution plan.

Leases

Finance leases, which transfer substantially to the Group all risks and rewards incidental to ownership of the leased asset, imply the recognition of the value of the leased asset and, as a balancing entry, of a financial liability to the lessor for an amount equal to the fair value of the leased property or, if lower, the present value of the lease payments calculated using the interest rate implied in the lease for the calculation. Lease payments are split between principal amount and interest amount, so as to obtain the application of a consistent interest rate on the

residual balance of the debt (principal amount). Any financial charges are recognised in the Income Statement. The leased asset is then amortised according to criteria similar to those used for proprietary assets. Those leasing agreements where, on the contrary, the lessor essentially maintains all the specific risks and benefits of the asset, are classified under operating leases. Any payments related to these agreements are recognised in the Income Statement.

Revenues

Revenues are measured at the current value of the amount received or due. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the related amount can be measured reliably.

Sale of goods

Revenue is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Provision of services

Revenue is recorded with reference to the stage of completion of the transaction at the closing date of the Financial Statements. When the result of the provision of services cannot be reliably determined, the revenues must be recorded only to the extent that the recorded costs will be recoverable.

The stage of completion is determined via the valuation of the work carried out or the proportion between the costs incurred and the total costs estimated.

With reference to the Licensing activities, understood as activities for the granting of patents, know-how and similar rights to third parties for use under the form of license agreements, the Group recognised the related proceeds, made up of royalties and up-front payments, at the time of the transfer of the risks and benefits, in observance of the provisions of IAS 18. In detail, this income is recorded when the sums received can be considered as certain and non-reimbursable, and any Group obligations are null or negligible.

Interest

Interest is recorded on an accruals basis, using the effective interest rate method.

Royalties

These are recorded on an accruals basis, in accordance with the matters envisaged in the related agreement.

Dividends

These are recorded when the right of the shareholders to receive the payment arises.

Government grants

Government grants are recorded at fair value when reasonable certainty exists that they will be received and that all the conditions referring to them have been satisfied.

When the grants are linked to cost components (for example operating grants) they are recorded under the item "Other operating revenues", but spread out systematically over several accounting periods so that the revenues are proportional to the costs which they intend to offset.

When, on the contrary, the grants are linked to assets (for instance, grants for plant or grants for intangible assets being developed) they are deducted directly from the book value of such assets and are thus recognised, during the useful life of the asset to be amortised, in the Income Statement as income, by directly decreasing the amortising cost.

Financial charges

Financial charges directly attributable to the acquisition, construction or production of property, plant and equipment and intangible assets which take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of the assets.

All other financial charges are recognised as costs accrued in the year when they are incurred.

Costs for the purchase of goods and the provision of services

These are recorded in the Income Statement on an accruals basis and involve decreases in economic benefits, in the form of outgoing Cash-Flows or the reduction in value of assets or the incurring of liabilities.

Income taxes (current taxes, deferred tax assets and liabilities)

Current taxes are calculated on the basis of a realistic forecast of the tax liabilities to be paid, in accordance with tax legislation in force in the individual Countries, and are stated in the item "Tax payables" net of the advances paid. If the advances paid and any credits from previous accounting periods are greater than the taxes payable, the net receivable due from the tax authorities is recorded under the item "Tax receivables."

The Group recognises deferred tax assets and liabilities for temporary differences between the carrying amount of assets and liabilities in the Balance Sheet and their tax bases, as well as for any difference in the carrying amount of assets and liabilities arising on consolidation adjustments.

Specifically, a deferred tax liability is recorded for all taxable temporary differences, save when such liability derives from the original recognition of the goodwill. This liability is stated in the Financial Statements under the item "Deferred tax liabilities." Conversely, a deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is also recorded in the presence of tax losses or tax credits carried forward, to the extent that it is probable that sufficient future assessable income will be available. This asset is stated in the Financial Statements under "Deferred tax assets."

The value to be stated in the Financial Statements for deferred tax assets is reviewed at the end of each accounting period and is reduced to the extent that it is no longer probable that sufficient income for tax purposes will be available in the future for this tax credit to be used.

Deferred tax assets and liabilities must be calculated using the tax rates which are expected to be applicable in the period when the asset will be generated or the liability discharged, on the basis of current tax rates or those effectively in force as at the period end date.

Current and deferred taxes are recorded in the Income Statement as a charge or as income for the period. However, current and deferred taxes must be debited or credited directly in the shareholders' equity or in the statement of comprehensive income if they related to items recorded directly in these items.

Cancellation of a financial asset

A financial asset is derecognised when the Group no longer has control over the contractual rights associated with the asset. This normally occurs when the rights specified in the contract are exercised, when they expire, or when they are transferred to third parties. Consequently, when it emerges that the Group has retained control over the contractual rights associated with the asset, the latter cannot be removed from the Balance Sheet. This essentially takes place:

- when the transferor has the right or the obligation to repurchase the transferred asset;
- when the transferor essentially maintains all the risks and benefits;
- when the transferor provides guarantees for all the risks relating to the transferred asset.

Conversely, if the transferee has the ability to obtain the rewards of the transferred asset, or is free to sell or utilise the entire fair value of the transferred asset, the transferor shall remove the asset from its statement of financial position. In the event of a transfer, the difference between the book value of the transferred assets and the sum total of the payments received and any previous adjustment which reflects the fair value of that asset, which has been accumulated under shareholders' equity, is included in the Income Statement for the period.

It should be noted that in relation to the factoring of non-recourse trade receivables, under some contracts the maximum default risk assumed by the factor is governed by the so-called credit ceiling. Appropriate effectiveness tests are therefore conducted on these transactions to verify that the risks and rewards have been substantially transferred.

Derivatives

Derivatives are measured at fair value, which IFRS 13 defines as the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators on the date of measurement. This value is calculated with reference to the public listed price of the instrument. When a listed market price is not available, the Group refers to the current market value of other instruments that are substantially identical or uses appropriate measurement techniques that consider a premium for the counterparty risk. These techniques are described in the Explanatory Notes, in the paragraph on derivatives.

A derivative financial instrument can be acquired for trading purposes or hedging purposes.

The valuation gains and losses associated with derivatives acquired for trading purposes are booked to the Income Statement.

Derivatives acquired for hedging purposes are recognized according to the “hedge accounting” approach, which offsets the registration of the derivatives in the Income Statement with that of the hedged items, only when the derivatives meet specific criteria.

In particular:

- at the start of the hedge, formal documentation must exist of the hedging relationship and the company’s risk management objectives and strategy for carrying out the hedge;
- at the start of the hedge, the efficacy of obtaining the offsetting of the changes in the fair value or in the Cash-Flows attributable to the hedged risk, must be ascertained;
- the efficacy of the hedge must be assessed on the basis of recurrent criteria and the derivative instrument must be highly effective for its entire duration.

For the purposes of accounting, hedging transactions are classified as “fair value hedges” if they hedge exposure to changes in fair value of the underlying asset or liability; or as “Cash-Flow hedges” if they hedge exposure to variability in Cash-Flows deriving from both an existing asset or liability or from a future transaction.

With regard to fair value hedges, the gains and losses deriving from the re-determination of the market value of the derivative instrument are booked to the Income Statement.

With regard to Cash-Flows hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, while any ineffective portion is recognised immediately in profit or loss. In the event that the hedged item is a firm commitment giving rise to an asset or liability, the initial carrying amount of the asset or liability that results from the entity meeting the firm commitment is adjusted to include the cumulative change in fair value recognised in equity. With regard to all the other Cash-Flow hedges, the gain or loss relating to the financial instrument are reclassified from equity to profit or loss in the same period during which the hedged transaction affects profit or loss.

If a derivative financial instrument is acquired for hedging purposes and not speculative ones, but does not qualify for hedge accounting, the gains or losses on changes in its fair value are recognised in the income statement.

Information on the Balance Sheet

1. Tangible assets – 22,620

The breakdown and summary changes in tangible assets are described in the following tables:

Breakdown	Dec. 31 st , 2015			Total	Dec. 31 st , 2016		
	Historical cost	Accum. depreciation	Book value		Historical cost	Accum. depreciation	Book value
Land	1,053	-	1,053	-	1,053	-	1,053
Industrial Buildings:							
- owned assets	18,602	(8,605)	9,997	(660)	18,927	(9,590)	9,337
	18,602	(8,605)	9,997	(660)	18,927	(9,590)	9,337
Plant and machinery:							
- owned assets	39,655	(30,079)	9,576	(151)	41,814	(32,389)	9,425
- grants capital	(357)	357	-	-	(357)	357	-
- leased assets	392	(186)	206	(56)	392	(242)	150
	39,690	(29,908)	9,782	(207)	41,849	(32,274)	9,575
Industrial and commercial equipment:							
- owned assets	5,030	(4,394)	636	106	5,266	(4,524)	742
- leased assets	353	(59)	294	(21)	390	(117)	273
	5,383	(4,453)	930	85	5,656	(4,641)	1,015
Other assets:							
- furniture and fittings	1,198	(937)	261	(36)	1,222	(997)	225
- motor vehicles	254	(191)	63	4	235	(168)	67
- data processors	2,858	(2,375)	483	27	3,027	(2,517)	510
	4,310	(3,503)	807	(5)	4,484	(3,682)	802
Assets under development and payments on account							
- owned assets	1,281	-	1,281	(443)	838	-	838
	1,281	-	1,281	(443)	838	-	838
Total	70,319	(46,469)	23,850	(1,230)	72,807	(50,187)	22,620

Changes for the period	Translation difference (hist. cost)	Purchases	Reclassifications (hist. cost)	Disposals	Translation difference (acc. depr)	Depreciation	Use of acc. depr.	Total change
Land	-	-	-	-	-	-	-	-
Industrial Buildings:								
- owned assets	17	178	130	-	(9)	(976)	-	(660)
	17	178	130	-	(9)	(976)	-	(660)
Plant and machinery:								
- owned assets	69	1,156	996	(62)	(64)	(2,303)	57	(151)
- leased assets	-	-	-	-	-	(56)	-	(56)
	69	1,156	996	(62)	(64)	(2,359)	57	(207)
Industrial and commercial equipment:								
- owned asset	3	202	67	(36)	(2)	(164)	36	106
- leased assets	-	37	-	-	-	(58)	-	(21)
	3	239	67	(36)	(2)	(222)	36	85
Other assets:								
- furniture and fittings	10	13	1	-	(10)	(50)	-	(36)
- motor vehicles	13	27	-	(59)	(8)	(28)	59	4
- data processors	11	221	-	(63)	(10)	(194)	62	27
	34	261	1	(122)	(28)	(272)	121	(5)
Assets under development and payments on account								
- owned assets	(7)	758	(1,194)	-	-	-	-	(443)
	(7)	758	(1,194)	-	-	-	-	(443)
Total	116	2,592	-	(220)	(103)	(3,829)	214	(1,230)

The main changes during the year refer to:

- the completion, in the Bussi production site of the parent Isagro S.p.A., of a new plant for the cryogenic abatement of the gaseous toluene emissions; the conclusion of the project caused an increase by € 521 thousand in the historical cost of the item “plant and machinery”; as at December 31st, 2015, this investment was recognised among “assets under development” for an amount of € 462 thousand;
- the purchase, by the parent, of new analytical instruments to upgrade the chemical laboratory of the Bussi production site; this investment increased the historical cost of the item “industrial and commercial equipment” by € 58 thousand;
- the construction, in the Aprilia production site, of a new packaging line for liquid formulations; this investment led to an increase of the historical cost of “plant and machinery”, by € 268 thousand;
- the completion of investments to increase plant efficiency and the level of safety of the Adria and Aprilia production sites of the parent Isagro S.p.A; the conclusion of these projects led to an increase in the historic cost of the item “industrial buildings” for € 238 thousand and of the item “plant and machinery” for € 760 thousand. As at December 31st, 2015 these investments were posted under “assets under development” for € 331 thousand;
- the parent’s purchase of new analytical laboratory instruments for the Research Centre in Novara. This investment led to an increase in the historic cost of the item “industrial and commercial equipment” for € 101 thousand;
- the acquisition, by the parent, of industrial equipment (forklift) by financial lease for the production site of Adria, recorded in the Financial Statements at the current value of € 37 thousand; the contract prescribes payment of a monthly instalment of € 1 thousand for 36 months, plus a final balloon payment of € 3 thousand to redeem the asset;
- the completion, in the production site of Panoli of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., of a new packaging line for formulations. The conclusion of this investment, recorded under assets under development as at December 31st, 2015, led to an increase in the historic cost of the item “plant and machinery” for € 133 thousand.

The item “Assets under development”, amounting to € 838 thousand, essentially comprises:

- the construction, in the parent’s production site of Adria, of a new packaging line for liquid copper-based products (€ 357 thousand);
- the realisation of investments (€ 354 thousand) to increase plant efficiency and the level of safety of the Adria production site of the parent.

No endogenous and exogenous impairment indicators were identified during the year, as also confirmed by the results of the impairments carried out within the sphere of the tests on the goodwill which, for the sake of completeness, also include the tangible fixed assets which can be allocated to the specific CGUs.

2. Intangible assets – 48,209

The breakdown and summary changes in intangible assets during the year are described in the following tables.

Breakdown	Dec. 31 st , 2015			Total	Dec. 31 st , 2016		
	Historical cost	Accum. amortisation	Book value		Historical cost	Accum. amortisation	Book value
Product development costs:							
- fumigants and SDHi (IR 9792)	13,678	-	13,678	3,705	17,383	-	17,383
- new formulations	1,029	-	1,029	(452)	577	-	577
	14,707	-	14,707	3,253	17,960	-	17,960
Process development costs	29	-	29	(29)	-	-	-
<i>Product know-how:</i>							
- fungicide IR 6141	10,196	(6,291)	3,905	(680)	10,196	(6,971)	3,225
- insecticides and fungicides	81	(38)	43	692	779	(44)	735
- Remedier	773	(500)	273	(53)	773	(553)	220
- biostimulants and fumigants	1,249	(224)	1,025	(76)	1,249	(300)	949
	12,299	(7,053)	5,246	(117)	12,997	(7,868)	5,129
<i>Process know-how</i>	1,068	(281)	787	38	1,340	(515)	825
Extraordinary protection	7,296	(3,595)	3,701	145	9,381	(5,535)	3,846
Patents, licences, trademarks and registrations	17,889	(7,554)	10,335	781	20,768	(9,652)	11,116
Other:							
- commercial relations	638	(415)	223	(55)	653	(485)	168
- software	1,052	(615)	437	(78)	1,161	(802)	359
	1,690	(1,030)	660	(133)	1,814	(1,287)	527
Assets under development and payments on account:							
- registrations	9,817	-	9,817	(1,052)	8,765	-	8,765
- other assets under development	-	-	-	41	41	-	41
	9,817	-	9,817	(1,011)	8,806	-	8,806
	64,795	(19,513)	45,282	2,927	73,066	(24,857)	48,209

Changes during the year	Translation difference	Acquisitions/ capitalisations	Reclassifications	Grants and tax credits	Amortisation/ Write-downs (*)	Total change
Product development costs:						
- fumigants and SDHi (IR 9792)	-	4,515	-	(810)	-	3,705
- new formulations	-	297	(698)	-	(51)	(452)
	-	4,812	(698)	(810)	(51)	3,253
Process development costs	-	243	(272)	-	-	(29)
<i>Product know-how:</i>						
- fungicide IR 6141	-	-	-	-	(680)	(680)
- insecticides and fungicides	-	-	698	-	(6)	692
- Remedier	-	-	-	-	(53)	(53)
- biostimulants and fumigants	-	-	-	-	(76)	(76)
	-	-	698	-	(815)	(117)
<i>Process know-how</i>	-	-	272	-	(234)	38
Extraordinary protection	-	2,190	-	(105)	(1,940)	145
Patents, licences, trademarks and registrations	28	156	2,695	-	(2,098)	781
Other:						
- commercial relations	15	-	-	-	(70)	(55)
- software	-	109	-	-	(187)	(78)
	15	109	-	-	(257)	(133)
Assets under development and payments on account:						
- registrations	-	2,155	(2,695)	(389)	(123)	(1,052)
- other assets under development	-	41	-	-	-	41
	-	2,196	(2,695)	(389)	(123)	(1,011)
	43	9,706	-	(1,304)	(5,518)	2,927

(*) made up of € 5,344 thousand regarding amortisation and € 174 thousand regarding write-downs

The Group's intangible assets include "assets not yet available for use" for a total value of € 26,766 thousand, which essentially comprise:

- € 17,383 thousand in costs incurred for the launch of the development phase of new proprietary products, of which € 15,966 thousand for the fungicide named IR 9792 in the SDHi class, for which a co-development agreement has been entered into with the US company FMC Corporation, and € 1,417 thousand for a Biofumigant for the Mediterranean area in particular;
- € 577 thousand in development costs incurred for the start-up of new formulations of crop protection products;
- € 8,765 thousand for "Assets under development" which refer to registration costs incurred to obtain authorisation to sell formulations of the main proprietary products of the Group in various countries.

It should be noted that, during the year, the obtainment of new authorisations to sell led to the reclassification from "assets under development" to "registrations", triggering the beginning of the amortisation period, for € 2,695 thousand. Moreover, following completion of the development stage of certain copper-based products for use in central Europe, during the year € 698 thousand were reclassified to "product know-how". Since these products are available for economic utilisation, the amortisation process therefore began.

The item "grants and tax credits", amounting to € 1,304 thousand, refers to a tax credit due to the parent Isagro S.p.A. pursuant to article 1, paragraph 35 of Law no. 190 of December 23rd, 2014 (so-called Stability Law for 2015). This tax credit is recognised on an incremental basis, i.e. on the amount of expenses for research and development activities incurred in the period 2015-2019 that exceeds the average of the same investments made in 2012-2014, amounting to about 50% of the increase in several types of expenses relating to several of the company's research and development projects.

"Extraordinary protection", amounting to € 3,846 thousand, refers to costs incurred by the Group to extend the useful life (i.e. the shelf-life) of certain products already on the market and also includes expenses incurred in order to comply with the requirements of EU regulations.

During the year, the assessments of the state of technical progress of current projects and of the results obtained to date were reviewed; critical issues emerged with reference to certain assets that proved to be either no longer useable or uneconomical to use for the Group. Specifically, pursuant to IAS 38, the Directors of the parent Isagro S.p.A. fully wrote off the costs incurred in relation to investments regarding authorisations to sell that are being obtained (€ 123 thousand), and to the costs to develop new formulations (€ 51 thousand), whose continuation was deemed uneconomical for the Group.

As previously pointed out in the Financial Statements as at December 31st, 2015, after obtaining specific loans from the European Investment Bank (EIB), in support of the Group's research and development activities (see Note no. 14), the portion of finance costs incurred in the year relating to intangible assets under development was capitalised. The capitalised financial charges amounted to € 301 thousand. The average rate used to determine their amount was 2.67%, i.e. the effective interest rate of the loans described.

The residual value of the item "patents, licences, trademarks, registrations and similar rights", amounting to € 11,116 thousand, comprises:

- registrations of crop protection products	10,379
- trademarks, patents and licences	737

Impairment test

Pursuant to IAS 36, impairment tests are performed by the Isagro Group on products under development and registrations in progress, at least annually, while preparing the Financial Statements as at December 31st, because, although these are assets with "finite useful life", like the rest of the Group's intangible assets, they are not yet available for use.

It should be noted that also the total carrying amounts of product and process know-how, as well as of patents and registrations obtained, classifiable as assets with "finite useful life", are tested for impairment at least annually, as those are strictly related to the assets not yet available for use, and cannot therefore be measured independently. If

the product assessed is part of a CGU (Cash Generating Unit), to which a portion of the Group's goodwill has been allocated, the recoverable amount of the entire CGU is estimated. Therefore, reference should be made to Note no. 3 for "biological products", "copper-based products", and "Tetraconazole".

The following table highlights the value of the intangible assets grouped according to the above written statements:

	ASSETS WITH A DEFINITE USEFUL LIFE		
	Assets not yet available for use	Assets available for use	Total Book value
Research and development activities:			
- Kiralaxyl (IR 6141)	2,251	8,233	10,484
- Tetraconazole	2,486	4,621	7,107
- Biological and biostimulant products	357	1,935	2,292
- Copper	1,971	1,907	3,878
- SDHi (IR 9792)	16,080	328	16,408
- Pyrethroids	330	628	958
- Fumigants	3,250	2,136	5,386
- Other	-	966	966
	26,725	20,754	47,479
Other intangible assets:			
- Commercial relations	-	168	168
- Software	41	359	400
- Trademarks and licences	-	162	162
	41	689	730
	26,766	21,443	48,209

Impairment testing is carried out by comparing the book value of the various projects with their recoverable value. This value is calculated using the "Discounted Cash-Flow" model, which estimates the value in use of an asset on the basis of the discounting of future Cash-Flows at an appropriate rate, coinciding with the weighted average cost of capital (WACC).

Here below are the main assumptions made in estimating value in use for the purpose of measuring the recoverable amount of know-how and ongoing registrations for the molecule IR 6141 and for the pyrethroids, as well as the recoverable amount of the development costs for the fungicide SDHi and the new biofumigant, the Group's main products; for Tetraconazole, biological products, and copper-based products, please refer to Note no. 3.

Business assumptions

The analysis was carried out with reference to the 2017 budget, together with the estimate for the 2018-2020 time interval as stated in the 2016-2020 Company Plans of the companies of the Isagro Group; since the Projects cover a time horizon of four years, having been prepared in 2016, the decision was made to add a fifth year to the plan, prepared maintaining unchanged all the assumptions for the last year. These plans are based on assumptions that management deems reasonably feasible, as confirmed by the fact that – except for the impacts associated with external variables beyond the Company's control represented by the actual time required to obtain the registrations and climatic variables – the earlier forward-looking data was substantially confirmed by actual results.

Time scale considered

For the purposes of estimating the expected Cash-Flows, a useful life of 14 years is adopted for new generation molecules, whereas for products already consolidated on the market, reference is made to a time scale of 5 years, since these assets have been available for use for some time.

With regard to the fungicide SDHi, an *ad hoc* plan was prepared, since the development phase for this product is still ongoing. The related Cash-Flows, indeed, are forecast to start in 2020 (year of the launch of this crop protection product), estimated exactly until 2027 and then maintained constant up to 2030.

As for the estimate of the Cash-Flows expected to be derived from the pyrethroids, they were determined in detail over a 5-year period.

The Gordon Growth Model was used to calculate the terminal value, referring to a normalised Cash-Flow calculated on the basis of the following assumptions:

- EBITDA equal to that of last year;
- investments equal to amortisation/depreciation;
- zero change in current assets;
- presumed growth rate of zero.

Economic-financial parameters

The main reference parameters are indicated below:

	<u>SDHi</u>	<u>IR 6141</u>	<u>Pyrethroids</u>	<u>Biofumigant</u>
- Financial structure (Liabilities/Assets)	0.46	0.46	0.46	0.46
- WACC	8.7%	7.9%	7.9%	8.2%

Estimated WACC

The following assumptions were used for the purpose of calculating the weighted average cost of capital:

Cost of debt

The final average cost of the financial payables of the Isagro Group was used for the cost of debt before tax effect, equal to 2%. In fact there are no elements pointing to a prospective growth in the cost of debt, and it was therefore considered that the final figures recorded are a good approximation of the values to be used in forecasts.

Cost of equity

The Capital Asset Pricing Model was used to calculate the cost of equity.

The main assumptions underlying the application of this model are:

	<u>SDHi</u>	<u>IR 6141</u>	<u>Pyrethroids</u>	<u>Biofumigant</u>
- a levered Beta equal to	1.6	1.6	1.6	1.6
- risk-free rate	3.3%	3.3%	3.3%	3.3%
- market risk premium	5.4%	5.4%	5.4%	5.4%
- premium for additional risk equal to	3%	1.5%	1.5%	2%

In particular, consistent with the guidelines issued by the O.I.V. (Italian Valuation Board), reference was made to an “unconditional adjusted” approach that tends to reflect country risk in the risk-free rate in the following scenarios:

Risk free rate: assumed to be equal to the weighted average of the returns of Government Bonds of the countries where the parent Isagro S.p.A. operates, weighted according to sale revenues;

Levered beta: estimated on the basis of the average unlevered beta of the panel of comparable companies;

Market risk premium: the Market Risk Premiums of the countries where the parent Isagro S.p.A. operates were identified and then weighted according to the percentage of sales that took place in each country;

Premium for the additional risk: this was calculated by the Group to express the specific risk profile of the various projects/molecules based on the different degree of uncertainty of estimated Cash-Flows.

The cost of equity was therefore 15% for the fungicide SDHi, 13.5% for the molecule IR 6141 and for pyrethroids and 14% for the biofumigant.

Weight of equity and debt

With reference to the weights of equity and debt, a normalised average ratio was used, in particularly envisaging that net current assets are financed from borrowings, whilst investments in fixed assets are financed from equity.

WACC

Based on the above assumptions, the following rates were determined:

	<u>SDHi</u>	<u>IR 6141</u>	<u>Pyrethroids</u>	<u>Biofumigant</u>
- WACC	8.7%	7.9%	7.9%	8.2%

Compared to the WACC values used in the previous year, an increase of approximately 90 basis points was observed.

Main results

According to the impairment tests performed, approved by the Board of Directors on March 14th, 2017, to date the Directors have found no impairment loss for the main products of the Group.

Sensitivity analysis

As required by the O.I.V. guidelines on impairment, the Group conducted sensitivity analysis of the recoverable value of the aforementioned products, analysing the effect of a change in the discount rate used to discount the expected Cash-Flows. This analysis was performed to examine the effects of a potentially stronger volatility of expected flows, and particularly in what range - in terms of equivalent discount rate - failure to implement planned action, or the lengthening of registration times or climatic variables, could affect the impairment test results.

In particular, the sensitivity analysis performed maintaining unchanged the assumptions underlying the Company Plans and changing the WACC did not reveal any particular critical points.

The outcome of this analysis tends to confirm the soundness of the test's results, although with the uncertainty deriving from the dependence of forward-looking data from the previously mentioned external variables.

3. Goodwill – 3,599

The breakdown and the changes in this item compared with the previous year are shown in the following table.

CGU description	Value as at Dec. 31 st , 2015	Changes over the period				Value as at Dec. 31 st , 2016
		Translation difference	Acquisitions/ disposals	Write-downs	Total change	
- "Copper"	886	-	-	-	-	886
- "Biological products"	461	-	-	-	-	461
- Isagro Asia Agrochemicals	192	1	-	-	1	193
"Tetraconazole"	209	-	-	-	-	209
- "Formulations"	20	-	-	-	-	20
- Isagro Colombia S.A.S.	1,679	151	-	-	151	1,830
Total	3,447	152	-	-	152	3,599

Goodwill, acquired in business combinations, was allocated to the Cash Generating Units listed and described in the table below:

- "Copper"	the CGU refers to the copper-based product business, their production at the Adria (RO) plant and their worldwide distribution
- "Biological products"	the CGU refers to the biological product business, their production at the Novara plant and their worldwide distribution
- Isagro Asia Agrochemicals	the CGU refers to the production and marketing activities for crop protection products in the Indian subcontinent
- "Tetraconazole"	the CGU refers to the business of the fungicide Tetraconazole
- "Formulations"	the CGU refers to the crop protection product formulations business which takes place at the production site in Aprilia (LT)
- Isagro Colombia S.A.S.	the CGU refers to crop protection product marketing activities in Colombia and in South America

In compliance with international accounting standards, goodwill is not amortised but rather subjected to annual impairment tests. This test is performed by comparing the book value of goodwill with its recoverable amount. This value is calculated using the "Discounted Cash-Flow" model, which estimates the value in use of an asset on the basis of the discounting of future Cash-Flows at an appropriate rate, coinciding with the weighted average cost of capital (WACC).

The main parameters used in measuring the recoverable amount of the main CGU's goodwill are shown below.

Time scale considered

With regard to the projection of the Cash-Flows, a time period of 5 years was considered, corresponding to the 2017 budget, together with the estimate for the 2018-2020 time interval as set out in the 2016-2020 Company Plans, to which it was decided to add a fifth plan year, established maintaining all the hypotheses of the last year unchanged, as already indicated in Note no. 2, for the CGUs "Copper", "Biological products", "Tetraconazole" and "Isagro Colombia S.A.S.".

These plans are based on assumptions that management deems reasonably feasible, as confirmed by the fact that – except for the impacts associated with external variables beyond the Group's control represented by the actual time required to obtain the registrations and climatic variables – the earlier forward-looking data had been substantially confirmed by actual results, as already shown in Note no. 2, to which reference should be made for

an in-depth analysis of the methods used in preparing the plan.

The Gordon Growth Model was used to calculate the terminal value, referring to a normalised Cash-Flow calculated on the basis of the following assumptions:

- EBITDA equal to that of last year;
- investments equal to amortisation/depreciation;
- zero change in current assets;
- *presumed growth rate of zero.*

Economic-financial parameters

The main reference parameters are indicated below:

	Isagro Colombia S.A.S.	"Copper" – "Biological products" – "Tetraconazole"
Financial structure (Liabilities/Assets)	0.46	0.46
WACC	11.3%	7.9%

Estimated WACC

The following assumptions were used for the purpose of calculating the weighted average cost of capital:

	Isagro Colombia S.A.S.	"Copper" – "Biological products" – "Tetraconazole"
Cost of debt	4%	2%
Cost of equity	18.5%	13.5%

Cost of debt

The final average cost of the financial payables of the various CGUs was used for the cost of debt before tax effect. In fact there are no elements pointing to a prospective growth in the cost of debt, and it was therefore considered that the final figures recorded are a good approximation of the values to be used in forecasts.

Cost of equity

The Capital Asset Pricing Model was used to calculate the cost of equity.

The main assumptions underlying the application of this model are:

	Isagro Colombia S.A.S.	"Copper" – "Biological products" – "Tetraconazole"
Levered Beta	1.58	1.6
Risk-free rate	5.6%	3.3%
Market risk premium	8.1%	5.4%
Additional risk premium	-	1.5%

In particular, consistent with the guidelines issued by the O.I.V. (Italian Valuation Board), reference was made to an "unconditional adjusted" approach that tends to reflect country risk in the risk-free rate in the following scenarios:

Risk free rate: assumed to be equal to the weighted average of the returns of Government Bonds of the countries where the parent Isagro S.p.A. operates. In particular, for the CGU Isagro Colombia, the gross effective average return of the last six months as at the Reference Date of the Government Bonds of each country outside the Euro area, with 10-year maturity, was taken; as a weighting factor, the revenues of the sales recorded in each country were selected;

Levered beta: estimated on the basis of the average unlevered beta of the panel of comparable companies;

Market risk premium: the Market Risk Premiums of the countries where the parent Isagro S.p.A. operates were identified and then weighted according to the percentage of sales that took place in the country, while for Columbia reference was made to a specific premium provided for the country;

Additional risk premium: this was calculated by the Group to express the specific risk profile of the various CGUs

based on the different degree of uncertainty of estimated Cash-Flows.

Weight of equity and debt

With reference to the weights of equity and debt, a normalised average financial structure was used, in particularly envisaging that net current assets are financed from borrowings, whilst investments in fixed assets are financed from equity.

WACC

Based on the above assumptions, the following rates were determined:

	Isagro Colombia S.A.S.	"Copper" – "Biological products" – "Tetraconazole"
WACC	11.3%	7.9%

Compared to the WACC values used in the previous year, an average increase of approximately 120 basis points was observed in the rate relating to all CGUs.

Main results

According to the impairment tests performed, approved by Board of Directors on March 14th, 2017, to date the Directors have found no impairment loss for the assets of the various CGU (goodwill, tangible and intangible fixed assets) and therefore deemed that no write-down was necessary.

Sensitivity analysis

As required by the O.I.V. guidelines on impairment, the Group conducted sensitivity analysis of the recoverable value of the goodwill of the aforementioned CGUs, analysing the effect of a change in the discount rate used to discount the expected Cash-Flows. This analysis was performed to examine the effects of a potentially stronger volatility of expected flows, and particularly in what range - in terms of equivalent discount rate - failure to implement planned action could affect the impairment test results.

In particular, the sensitivity analysis performed maintaining the assumptions underlying the Company Plans and changing the WACC did not reveal any criticalities in any of the CGUs.

Lastly, note that the calculation of the recoverable value of the various CGUs and intangible assets referred to in the previous paragraph calls for management's discretion and the use of estimates, particularly as regards calculation of the interest rate (WACC) used to discount future Cash-Flows, also as the benchmark rates of the financial markets are strongly erratic and fluctuating as a result of the current international economic and financial crisis. Consequently it cannot be excluded that the future trend in various factors, including developments in the difficult global economic and financial context, might call for a write-down of goodwill and intangible assets. The Group's management will continuously monitor the circumstances and events that could bring about such a result.

4. Investment valued with the equity method – 313

List of equity investments	Description of activities	Company holding the investment	% ownership	Book value
Associates: Arterra Bioscience S.r.l. - Naples Share capital € 250,429	Research activities in the biology and molecular genetics industry	Isagro S.p.A.	22.00	313
Total				313

The table below shows the changes during the year in the above investments accounted for using the equity method:

Breakdown	Value as at Dec. 31 st , 2015	Changes over the period					Value as at Dec. 31 st , 2016
		Acquisitions/ (Disposals) Increases (Decreases)	Translation difference	Write-downs	Revaluations	Total change	
Investments in associates:							
- Arterra Bioscience S.r.l.	296	(11)	-	-	28	17	313
Total	296	(11)	-	-	28	17	313

The following tables summarise the economic and financial information of the associate:

Balance sheet data

	Dec. 31 st , 2016	Dec. 31 st , 2015
Arterra Bioscience S.r.l.		
Assets	2,650	2,791
Liabilities	(1,663)	(1,880)
Shareholders' equity	987	911

Economic situation

	2016	2015
Arterra Bioscience S.r.l.		
Revenues	1,726	1,575
Profit for the period	126	207
Group's share of profit for the period	28	54
Dividends received	11	11

As required by IFRS 12, the following table presents the reconciliation between the net assets of the associate and the book value of the investment:

	2016	2015
Arterra Bioscience S.r.l.		
Net assets of the associate	987	911
Interest holding in the associate	22%	22%
Portion of assets of the associate	217	200
Goodwill	96	96
Book value of the investment	313	296

The value of the investment includes the goodwill of € 96 thousand for which no impairment had been recognised as at December 31st, 2016.

5. Non-current receivables and other assets – 8,144

Breakdown	Book values Dec. 31 st , 2015	Increases/ decreases	Book values Dec. 31 st , 2016
Non-current receivables and other assets:			
- guarantee deposits	534	134	668
- know-how usage licences	4,035	2,353	6,388
- prepaid expenses	638	(4)	634
- tax	123	(90)	33
- security deposits	900	(479)	421
	6,230	1,914	8,144

The item “know-how usage licences” includes:

- € 953 thousand relating to the non-current portion of the residual receivable related to the up- front payment made by the Japanese company Arysta LifeScience Co., Ltd. to the parent Isagro S.p.A. in 2013, in connection with the granting of the sole right to develop mixtures of the fungicides Tetraconazole (owned by Isagro) and Fluoxastrobin (owned by Arysta) on a global scale. The amount agreed between the parties was € 10,900 thousand, € 8,720 thousand of which was collected in total as of the date of these Financial Statements (€ 5,000 thousand paid in December 2013, € 1,300 thousand paid in October 2014, € 1,240 thousand paid in October 2015 and € 1,180 thousand paid in October 2016). The residual receivable, equal to € 2,180 thousand, which will be paid in two annual instalments on October 31st of each year, in the period 2017-2018, was discounted back at a 6% rate. The current portion of the present value of the receivable, equal to € 1,067 thousand, was recorded under “trade receivables”. It should be noted that the contract provides that ArystaLifeScience is not required to pay the remaining instalments if one of the following events occurs, the probability of which, in the opinion of Isagro’s Directors, is still extremely remote:
 1. Isagro is unable to meet the supply obligations set out in the contract and/or in one of the side agreements regarding the exclusivity in Arysta LifeScience’s distribution of Tetraconazole based products and mixtures of Tetraconazole-based mixtures in certain countries within 120 days from the date the products are ordered;
 2. Isagro renegotiates its debt for an aggregate amount higher than € 40 million;
 3. Isagro becomes insolvent, is no later able to pay its debts at maturity or is subject to insolvency proceedings (voluntarily or involuntarily);
 4. Assets owned by Isagro or one of its subsidiaries are attached or undergo similar proceedings for insolvency for an amount higher than € 40 million, unless this procedure is revoked within 30 days or the creditor waives in writing its claim within 30 days;
 5. An event or circumstance that affects Isagro’s ability to carry on its activity and therefore to fulfil its obligation set out in the contracto;
 6. After a “cause of force majeure” occurs, Isagro is unable to fulfil its supply obligations within 180 days from the date the products are ordered;
 7. The contract is terminated following any event that does not fall within the case of default of the company Arysta LifeScience;
 8. Isagro violates the exclusivity agreement granted to Arysta LifeScience in connection with Tetraconazole and the Tetraconazole mixtures;
- € 545 thousand referring to the non-current portion of the residual receivable, maturing May 31st, 2018 and including the interest accrued, relating to the up-front payment acknowledged in 2014 to the parent Isagro S.p.A. by the Hong Kong-based company Rotam Agrochemical Company Ltd., against the granting of the right to use the know-how and the existing studies relating to three Isagro proprietary active ingredients (Tetraconazole, Copper and Kiralaxy) to process three mixtures with Rotam proprietary products and/or other Isagro proprietary products to be marketed in other Far Eastern countries, for a total of € 2 million payable in four annual instalments of € 500 thousand each, plus interest calculated at the annual fixed rate of 4.50%. The current portion of the

- receivable, equal to € 545 thousand and due May 31st, 2017, was recorded under “trade receivables”;
- € 500 thousand referring to the non-current portion of the residual receivable relating to the up-front payment of two million Euro recognised in 2015 to the parent Isagro S.p.A. by the UK-based company SumiAgro Europe Limited, described in Note no. 22, payable in annual sums of € 500 thousand each on December 1st each year in the period 2017-2018, plus interest calculated using the 12-month EURIBOR floating rate + a spread of 3%. The current portion of the receivable, equal to € 502 thousand, was recorded under “trade receivables”;
 - € 4,390 thousand to the present value of the non-current portion of the receivable relating to the up-front payment recognised to the parent company Isagro S.p.A. by the English company Gowan Crop Protection Limited (related party), definitively and non repeatably, following the stipulation, in November 2016, of an agreement for the exclusive granting of the right to develop, register, formulate, produce and market, in Europe, mixtures based on the Isagro S.p.A. proprietary active ingredient Kiralaxyl; the price agreed by the parties was € 5,250 thousand, which shall be paid in six yearly instalments starting from November 30th, 2017. The current portion of the present value of the receivable, equal to € 491 thousand, was recorded under “trade receivables”. Additional details about the aforementioned transactions are provided in Note no. 22.

“Prepaid expenses” refers to the residual value of the expense from early settlement, by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. to the Indian government, of a 54.5 million Indian Rupees consideration to acquire a 99-year leasehold over the land plot where the Panoli plant is located.

The item “security deposits”, stated net of a write-down provision of € 1,100 thousand, refers to the estimated realisable value of the payment of € 1,750 thousand made by the parent Isagro S.p.A. on April 8th, 2014 to the Japanese company Sumitomo Chemical Co. Ltd. to guarantee any fulfilment of obligations associated with the disposal transaction for the equity investment in Isagro Italia S.r.l. (now Sumitomo Chemical Italia S.r.l.) to the Japanese company in 2011. The transfer contract, in fact, provided for an indemnity up to € 2,250 thousand in connection with the solvability of some trade receivables in the portfolio of the investee company. By reason of the fact that these receivables have not yet been collected, for an amount of € 1,750 thousand, the parties agreed on the payment by the parent Isagro S.p.A. of such amount, to guarantee the payment obligation of the amounts due, although it was also set out that, if Sumitomo Chemical Italia S.r.l. collects the aforesaid receivables by December 31st, 2018, the purchaser will have to refund Isagro with the corresponding deposited amount. On July 15th, 2016, there was a partial repayment, in the amount of € 229 thousand, of the security deposit by the Japanese company following collection of certain trade receivables.

On the basis of the communications received from the lawyers of Sumitomo Chemical Italia S.r.l. who are handling collection of the guaranteed receivables, during the year the parent Isagro S.p.A. decided to write-down that item for an additional € 250 thousand, thus bringing the related bad debt provision to a total amount of € 1,100 thousand. The offsetting entry in profit and loss for the write-off was posted under item “Net profit/(loss) from discontinued operations” described in Note no. 34, to which reference should be made for additional details.

6. Deferred tax assets and liabilities – 7,557

Deferred tax assets - 9,112

Deferred tax liabilities - 1,555

Breakdown	Book values Dec. 31 st , 2015	Changes over the period				Book values Dec. 31 st , 2016
		Provisions	Uses	Other changes	Total change	
Deferred tax assets	8,810	1,810	(1,577)	69	302	9,112
Deferred tax liabilities	(1,646)	(332)	432	(9)	91	(1,555)
Total	7,164	1,478	(1,145)	60	393	7,557

The temporary differences between the tax base and statutory profit that led to the recognition of deferred tax assets and liabilities are shown in the table below:

Temporary differences	Deferred tax assets/liabilities Dec. 31 st , 2015		Transfers to Income Statement			Changes in equity	Deferred tax assets/liabilities Dec. 31 st , 2016	
	Taxable base	Taxation	Provisions	Uses	Other changes	Translation difference and other changes	Taxable base	Taxation
<u>Deferred tax assets</u>								
- tax losses	18,720	4,562	10	(664)	7	-	16,334	3,915
- allocations to taxed provisions	4,314	1,402	1,286	(473)	10	41	7,508	2,266
- grants related to R&D	298	83	-	(16)	-	-	246	67
- intragroup profits	6,505	1,900	356	(89)	(4)	3	7,596	2,166
- other	2,982	863	158	(335)	(22)	34	2,551	698
Total deferred tax assets	32,819	8,810	1,810	(1,577)	(9)	78	34,235	9,112
<u>Deferred tax liabilities</u>								
- amortisation/depreciation for tax purposes	4,336	1,222	13	(75)	-	-	4,147	1,160
- fair value assets from business combinations	260	88	-	(28)	(1)	6	195	65
- dividends from subsidiaries	600	120	200	(120)	-	-	1,000	200
- other	777	216	119	(209)	-	4	437	130
Total deferred tax liabilities	5,973	1,646	332	(432)	(1)	10	5,779	1,555
TOTAL	26,846	7,164	1,478	(1,145)	(8)	68	28,456	7,557

The item “Deferred tax assets” includes € 3,915 thousand related to tax losses, of which € 3,906 thousand referring to the parent Isagro S.p.A., € 67 thousand to the tax effect on grants relating to development projects, which, pursuant to tax laws, are taxed on a cash basis rather than on an accrual basis, € 2,166 thousand referring to the tax effect of the elimination of intragroup profits and € 2,266 thousand relating to taxed risk and expense provisions. The 2017 budget, together with the estimates for the 2018-2020 period as stated in the 2016–2020 Company Plans, were taken into consideration when recognising and assessing the recoverability of deferred tax assets. Although the Company Plans include assumptions and forward-looking statements subject to uncertainty, the Directors deem that the taxable income envisaged for the next few years, deemed to be reasonable and feasible, will be such as to allow those amounts to be recognised and recovered.

In particular, the convincing evidence which makes availability of sufficient future taxable income for the aforementioned recovery probable, over the timescale of the plan, is as follows:

- the recovery in the turnover in the last two years, relating to the sale of crop protection products, hit hard in previous years by the drought which had affected certain markets of great importance for the parent Isagro S.p.A. This growth became possible mainly thanks to the new commercial strategies based on the development of new proprietary products;
- the significant reduction in the cost of money, obtained thanks to the new economic conditions granted by the banking system further to the share capital increase transaction of the parent Isagro S.p.A. in 2014;

- the financial support from the share capital increase described above to the investments forecast in the 2017 budget, together with the estimates for the 2018-2020 time interval as stated in the 2016-2020 Company Plans;
- the launch of a new fumigant product and the confirmation on the validity of the new SDHi molecule under development;
- the strengthening of the synergies with the industrial partner Gowan (a US company operating in the crop protection products sector) following its entry into the Isagro control system in 2014, for the purpose of obtaining an important strategic and business enhancement, thanks in part to the pursuit of synergies which will be achieved.

Therefore the Directors, even if the parent Isagro S.p.A. has reported a tax loss in past years, deem that all the elements indicated above provide convincing evidence that it is likely that future tax bases will be available along with the main indicator of discontinuity with the past, represented by the positive tax base achieved both in 2015 and in 2016 by the parent company. These elements make it possible to deem the attainment of the taxable income indicated in said Projects probable, therefore emerging as sufficient for permitting the achievement of the benefit relating to the deferred tax assets.

It is also disclosed that as at December 31st, 2016 there are deferred tax assets not provided for in the Financial Statements relating to tax losses for the period and for previous years for a total value of € 3,353 thousand, of which € 1,364 thousand relating to the subsidiary Isagro USA, Inc. and € 1,989 thousand relating to the parent Isagro S.p.A. Taking this into account, note that the parent's overall tax losses as at December 31st, 2016, amount to € 24,562 thousand, in relation to which deferred tax assets were recognised for only € 3,906 thousand, corresponding to € 16,275 thousand in tax losses retained.

"Deferred tax liabilities" include € 1,160 thousand misalignment between the statutory and tax depreciation and amortisation of tangible and intangible assets. In particular, this item includes € 1,148 thousand of the parent Isagro S.p.A., essentially related to capitalisation and amortisation of development costs for new products.

The item "Fair value assets from business combinations" refers to the residual amount of the tax effect of the fair value measurement of the assets identified subsequent to the purchase of 50% of Barpen International S.A.S. (now Isagro Colombia S.A.S.) occurred in 2011, while the item "Dividends from subsidiaries" refers to the tax effect of the expected distribution of dividends which, in light of the results achieved, the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd, is expected to carry out to the parent Isagro S.p.A. in 2017.

"Deferred tax assets and liabilities" include € 5,864 thousand and € 982 thousand, respectively, which are likely to be reversed beyond the next year.

7. Inventories – 46,971

Breakdown	Book values Dec. 31 st , 2015	Changes over the period					Book values Dec. 31 st , 2016
		Increases/ decreases	Write-downs/ allocations to inventory write- down provision	Translation difference and other changes	Use of of inventory write-down provision	Total change	
Raw and ancillary materials and consumables	13,187	975	(390)	42	91	718	13,905
Work in progress and semi-finished goods	434	(44)	-	1	-	(43)	391
Finished products and goods	35,252	(2,785)	(180)	316	43	(2,606)	32,646
Payments on account	137	(113)	-	5	-	(108)	29
Total	49,010	(1,967)	(570)	364	134	(2,039)	46,971

The decrease in finished product inventories, compared to December 31st, 2015, is due to the decision by the management of the parent Isagro S.p.A. to accommodate the sales of the year by partially using the stock established in the previous year. Moreover, following a slowdown in sales of crop protection products in the last quarter of 2016, and particularly in the Brazilian market, the strategic stock was not reconstituted in view of the campaign of the first quarter of 2017, for which available inventories will essentially be used.

The goal of reducing production volumes was achieved in part by suspending production activities for one quarter by the parent Isagro S.p.A. in the production sites of Aprilia (LT) and Bussi sul Tirino (PE) using the “Ordinary Redundancy Fund”.

Inventories include goods, for a value of € 2,569 thousand, stored at the warehouse of the French plant of Arysta LifeScience by way of guarantee of obligations set out in the “Licence, development, distribution and supply” agreement that the parent Isagro S.p.A. concluded with Arysta LifeScience Corporation in 2013.

Inventories, net of the allowance for inventory obsolescence, relating to goods either obsolete or to be re-processed, amounted to € 977 thousand. The provision registered increases totalling € 570 thousand and decreases amounting to € 134 thousand during the year.

8. Trade receivables – 50,597

Breakdown	Book values Dec. 31 st , 2015	Changes over the period						Book values Dec. 31 st , 2016
		Increases/ decreases	Translation difference of provisions write-down	Write-downs/ allocations to provisions write-down	Use of provisions write-down	Other changes	Total change	
Trade receivables	54,193	502	-	(126)	-	-	376	54,569
- bad debt provision	(1,596)	-	(75)	(1,707)	23	-	(1,759)	(3,355)
- bad debt provision def. int.	(597)	-	-	(169)	149	-	(20)	(617)
	52,000	502	(75)	(2,002)	172	-	(1,403)	50,597

Compared to the previous year, the item declined by a total amount of € 1,403 thousand, determined by allocations to the bad debt provision by the parent Isagro S.p.A. and by the subsidiaries Isagro (Asia) Agrochemicals Pvt. Ltd. and Isagro Colombia S.A.S., on one hand, and by an increase in the value of gross trade receivables, on the other. The latter phenomenon is essentially due i) to a slow-down in collections from some customers of the parent company in Central and Southern America, ii) to the presence, in 2016, of higher short-term portions of receivables deriving from Licensing transactions, already described in Note no. 5, amounting to approximately € 500 thousand, as well as iii) to the presence of the factoring of non-recourse trade receivables, due after the reporting date, carried out by the parent Isagro S.p.A., amounting to approximately € 5,168 thousand and hence in decline compared to approximately € 7,637 thousand of receivables with maturity after December 31st, assigned in 2015.

During the year, the provision for doubtful debts was used for € 23 thousand and was increased by € 1,707 thousand as a result of the amount allocated to it for the period. In particular, € 1,223 thousand of the allocation pertained to the parent Isagro S.p.A. and respectively € 384 thousand and € 100 thousand to the subsidiaries Isagro (Asia) Agrochemicals Pvt. Ltd. and Isagro Colombia S.A.S. The high allocation to the provision for doubtful debts by the parent Isagro S.p.A. was determined by the deterioration of the credit position of some customers in Central and South America.

Interest on arrears was recognised for delays in payment from customers. A € 617 thousand provision was made for these receivables.

Regarding the total trade receivables due from related parties, please refer to Note no. 39.

Here below is the breakdown of trade receivables by geographic area based on the customer's location:

■ Italy	3,118
■ Other European countries	7,347
■ Central Asia and Oceania	19,570
■ Americas	17,442
■ Far East	3,669
■ Middle East	1,341
■ Africa	2,082
Total	54,569

The average contractual maturity of trade receivables is the following:

- Italy	150 days
- Foreign countries	123 days

Trade receivables include € 583 thousand in receivables of the parent Isagro S.p.A. due beyond twelve months, which were thus discounted to December 31st, 2016 (present value of € 537 thousand).

The table below shows the analysis of trade receivables past due but not impaired as at the reporting date:

	Not yet due	Past due but not impaired					Total receivables
		< 30 days	31-60 days	61-90 days	91-120 days	>120 days	
As at December 31 st , 2016	37,247	4,820	2,934	1,888	1,323	2,385	50,597
As at December 31 st , 2015	39,763	4,183	2,896	2,343	1,301	1,514	52,000

Trade receivables “not yet due” include receivables whose payment conditions were renegotiated, with consequent extension of the collection times, totalling € 1,914 thousand; these receivables were written down by allocation to the related provision for approximately € 1,000 thousand.

9. Other current assets and other receivables – 5,729

Breakdown	Book values Dec. 31 st , 2015	Increases/ decreases	Book values Dec. 31 st , 2016
Other current assets and other receivables:			
- advance payments to suppliers and creditors	556	251	807
- employees	65	19	84
- export incentives	369	(271)	98
- due from tax authorities for VAT and other taxes	2,162	153	2,315
- other and prepaid expenses	2,753	(19)	2,734
	5,905	133	6,038
- bad debt provision	(291)	(18)	(309)
Total	5,614	115	5,729

"Advance payments to suppliers and creditors" relate to payments on account made to suppliers over the period, especially for services pertaining to research activities.

The item "due from tax authorities for VAT and other taxes" relates, in the amount of € 1,400 thousand, to VAT credits and other indirect taxes pertaining to the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. and, in the amount of € 747 thousand, to the VAT credit pertaining to the parent Isagro S.p.A. During the year, the parent used the entire VAT credit reported in the Financial Statements as at December 31st, 2015 (€ 602 thousand) to offset the VAT payable for the initial months of 2016.

"Other" refers for € 1,266 thousand to the recovery of research and development costs incurred by the parent Isagro S.p.A. vis-à-vis the American company FMC Corporation under the agreement entered into between the two companies for the co-development of a new fungicide. Prepaid expenses, amounting to € 796 thousand, are also included in this item.

For the total amount of other receivables due from related parties, please refer to Note no. 39.

The table below, which does not include the prepaid expenses, shows the analysis of other receivables past due but not impaired as at the reporting date:

	Not yet due	Past due but not impaired					Total receivables
		< 30 days	31-60 days	61-90 days	91-120 days	>120 days	
As at December 31 st , 2016	4,661	28	1	2	-	241	4,933
As at December 31 st , 2015	5,037	1	1	3	-	273	5,315

These receivables are due within the next year.

10. Tax receivables – 5,625

Breakdown	Book values Dec. 31 st , 2015	Total change	Book values Dec. 31 st , 2016
Tax receivables:			
- direct taxes	3,803	282	4,085
- R&D tax credit	912	628	1,540
	4,715	910	5,625

This item essentially refers to amounts due to the parent Isagro S.p.A. (€ 2,991 thousand) of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (€ 2,154 thousand) and the subsidiary Isagro USA, Inc. (€ 444 thousand). The receivables of the parent include the “A.C.E. – Aiuto alla Crescita Economica” (Help to Economic Growth) tax receivable described above, € 407 thousand, of which € 250 thousand referred to the years 2014 and 2015, and € 157 thousand referred to 2016. The A.C.E. is tax relief directed at providing an incentive for business which keep profits generated in-house and which receive new risk capital and it is embodied in a reduction in the IRES taxable income, calculated applying a notional percentage of return to the shareholders’ equity increase.

The item “R&D tax credit” refers to the tax benefit due to the parent Isagro S.p.A. for research & development activities conducted in 2016, as the credit relating to the year 2015 was fully used in 2016 to reduce withholding taxes and/or social security contributions. With Law no. 190 of December 23rd, 2014 (so-called Stability Law for 2015) a mechanism was approved to grant financial aid to companies that conduct research and development, which takes the form of the recognition of a tax credit for the period 2015-2019 amounting to around 50% of the increase in several types of expenses incurred in the year in relation to the average of such types of investments made in the 2012-2014 three-year time interval. The amount allowed for the current year, added to the balance relating to the year 2015, was recorded (€ 301 thousand) under “other operating revenues” (of which € 262 thousand relating to the year 2016) and € 1,304 thousand under “intangible assets” (of which € 1,278 thousand relating to 2016) as a direct deduction from the book value of the investments made for capitalised projects.

11. Financial assets and liabilities for derivatives – -70

Current financial assets – 21

Current financial liabilities – 91

The values of the financial assets and liabilities for derivatives coincide with their fair value, which accounting standard IFRS 13 defines as the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators on the date of measurement. Since a listed price for the type of financial instruments the Group uses is not available, proper measurement techniques based on the discounting of expected Cash-Flows in connection with ownership of the derivatives were used. Such measurement particularly required that an adjustment factor for the risk of non-fulfilment referring to the counterparty for the financial assets and the credit risk of the Group for the financial liabilities (own credit risk) be included.

The following tables disclose the types of derivative contracts outstanding as at December 31st, 2016:

Description of derivatives	Book values Dec. 31 st , 2015	Increases/ decreases	Book values Dec. 31 st , 2016
Current financial assets:			
- foreign exchange	401	(391)	10
- commodities	40	(29)	11
	441	(420)	21
Current financial liabilities:			
- foreign exchange	(339)	253	(86)
- commodities	(3)	(2)	(5)
	(342)	251	(91)
Total	99	(169)	(70)

Description of derivatives	Fair value as at Dec. 31 st , 2016
Trading derivatives:	
- foreign exchange	(76)
- commodities (copper)	6
	(70)
Total	(70)

“Trading” derivatives refer to transactions that do not meet international accounting standard requirements for the application of hedge accounting.

These derivatives refer:

- as for foreign exchange derivatives, to forward contracts related to forward sales and purchases of US dollars, described in the table below:

Contract type	Currency	Exchange rate average	Notional value (Currency/000)	Fair value (Euro/000)
Forward - Sale	USD/EUR	1.050	(12,400)	(17)
Forward - Purchase	USD/EUR	1.055	1,200	(9)
Forward - Purchase	USD/COP	3,155.95	1,578	(51)
Forward - Sale	USD/INR	68.64	(419)	1
Total			(10,041)	(76)

- as regards commodities, swap contracts for the purchase of copper, entered into with the aim of limiting the exposure to market price fluctuations of this strategic commodity, are described in the following table:

Contract type	Hedged quantity (tons)	Strike price (Euro)	Notional value (Euro/000)	Fair value (Euro/000)
Commodity swap (purchase)	139	5,475	761	6
	139		761	6

The measurement techniques used to calculate the fair value of derivative contracts are explained below:

- Foreign exchange rates: discounted Cash-Flow method, where the expected Cash-Flows to discount have been estimated on the basis of the difference between the forward exchange rates seen in the curve of market rates as at the date of the Financial Statements and the contractual forward exchange rates; discounting was calculated on the basis of the zero coupon curve as at December 31st, 2016, properly adjusted to consider the premium connected with the non-fulfilment risk;
- Copper: discounted Cash-Flow method, where the expected Cash-Flows to discount have been estimated on the basis of the difference between the expected future value of the average price of copper on the London Metal Exchange (L.M.E.) and the contractually agreed fixed price; discounting was calculated on the basis of the zero coupon curve as at December 31st, 2016, properly adjusted to consider the premium connected with the non-fulfilment risk.

Information required by IFRS 7 and IFRS 13 is included under Notes no. 37 and no. 40.

12. Cash and cash equivalents – 16,459

Breakdown	Book values Dec. 31 st , 2015	Increases/ decreases	Book values Dec. 31 st , 2016
Bank deposits: - demand deposits	15,165	1,275	16,440
	15,165	1,275	16,440
Securities maturing in less than three months	1,528	(1,528)	-
Cash on hand	21	(2)	19
Total	16,714	(255)	16,459

Cash and cash equivalents (bank deposits and cash on hand) as at December 31st, 2016 respectively refer to the parent Isagro S.p.A. for € 5,402 thousand and the subsidiaries for € 11,057 thousand.

Demand deposits are floating-rate deposits. The average interest rate on bank and foreign currency deposits of the Group as at December 31st, 2016 was 4.43% per year.

The item “Securities maturing in less than three months”, in the previous year, referred to investments in readily redeemable money market fund units by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.

Note that for the purposes of the Cash-Flow statement, the item “cash and cash equivalents” coincides with the respective item in the Statement of Financial Position.

13. Equity attributable to owners of the parent – 102,085

The breakdown of and changes in equity attributable to owners of the parent are explained in the “Consolidated Statement of changes in shareholders’ equity in 2016”.

The share capital of the parent Isagro S.p.A. amounted to € 24,961 thousand as at December 31st, 2016, fully subscribed and paid up, and comprised 24,549,960 Ordinary Shares and 14,174,919 “Growth Shares”, which are included in a new class of special shares whose characteristics are described below.

The item “Reserves”, amounting to € 49,629 thousand, comprises:

- Share premium reserve	44,910
- Translation difference	(5,822)
- Other reserves:	
* merger surplus	7,023
* legal reserve	3,680
* treasury shares	(162)
	<hr/>
	10,541
- Total	<hr/>
	49,629

The “share premium reserve” is recognised net of the costs incurred by the parent in relation to the share capital increase transactions carried out in previous years. These costs, net of the tax effect of € 1,228 thousand, amount to € 2,356 thousand. “Treasury shares” refer to the expense incurred by the parent in previous years to purchase 50,000 treasury shares.

The positive change in “Translation difference”, equal to € 640 thousand, is to be attributed mainly to the revaluation of the Indian rupee against the Euro.

The decrease in “Retained earnings”, € 108 thousand, indicated in the “Consolidated statement of changes in shareholders’ equity in 2016”, refers to the actuarial losses of the defined benefit plans (see Note no. 15) recognised under “Other comprehensive income” net of the related tax effect.

Characteristics of the “Growth Shares”

The rights and characteristics of the Growth Shares issued by the parent Isagro S.p.A. are summarized hereunder. These shares were listed on the STAR segment of the Electronic Stock Market of Borsa Italiana, where the company’s Ordinary Shares are also listed.

No voting rights

Pursuant to article 7 of the Company’s Articles of Associations, the Growth Shares are without voting rights in the Shareholders’ Meetings, while, pursuant to article 14 of the Company’s Articles of Association, they have a voting right in the special Shareholders’ Meetings for owners of Growth Shares, pursuant to regulations and legal majority rules. In particular, resolutions affecting the rights of the Growth Shares shall be approved by the aforesaid special Shareholders’ Meeting.

Privilege in the profit distribution

Pursuant to article 24 of the Company’s Articles of Association, net profit resulting from the Financial Statements, duly approved by the Shareholders’ Meeting, after deducting 5% for the legal reserve, until reaching the threshold set by law, will be distributed according to decisions made by the Shareholders’ Meeting. “Growth Shares” have a privilege on profit distribution decided by the Shareholders’ Meeting, for amounts available as from the year ended December 31st, 2014. The division, in fact, shall be made so as each “Growth Shares” has a total dividend added by 20% with respect to the dividend assigned to Ordinary Shares. In the event of distribution to any other reserve, Growth Shares will have the same rights as Ordinary Shares.

Conversion into Ordinary Shares

All “Growth Shares” are automatically converted into Ordinary Shares, with a one-to-one ratio, in the event that Piemme S.r.l., which currently heads the Isagro Group’s chain of control, directly or indirectly reduces its interest to

below 50%, or if one or more parties are required to launch a mandatory public offer, to which the holders of Growth Shares can then subscribe as a result of their shares being converted into Ordinary Shares with voting rights. Moreover, "Growth Shares" will be converted in the event a voluntary offer is called for which the offeror who, at the close of the offer, would exceed the 30% limit set out by law, is not obliged to call for a subsequent offer, and when the holding Holdisa S.r.l. subscribed to this offer with a number of Ordinary Shares sufficient to reduce its equity investment to below 50%.

14. Current and non-current financial payables – 69,107

Current financial payables – 29,246

Non-current financial payables – 39,861

The following table illustrates changes in current and non-current financial payables:

Breakdown	Book values Dec. 31 st , 2015	Increases/ decreases	Book values Dec. 31 st , 2016
Current financial payables:			
- banks	35,947	(7,688)	28,259
- other lenders	2,325	(1,418)	907
- obligations under finance leases	70	10	80
	38,342	(9,096)	29,246
Non-current financial payables:			
- banks	25,457	12,472	37,929
- other lenders	-	1,794	1,794
- obligations under finance leases	191	(53)	138
	25,648	14,213	39,861
Total	63,990	5,117	69,107

Current payables due to banks and other lenders as at December 31st, 2016 include the current portion of the medium/long term loans, amounting to € 18,488 thousand.

The table below shows the composition of consolidated financial payables broken down by type of relationship:

Breakdown	Amount	Effective average interest rate %	Maturity
- import financing	5,914	2.01%	on request
- export financing	2,550	0.08%	on request
- accounts receivable financing	1,287	0.70%	on invoice due date
- stand-by and revocable lines of credit	1,007	0.37%	Apr-17
- EIB loan	5,846	4.35%	(*)
- other medium/long-term loans	52,285	1.89%	(*)
- financial leasing	218	4.15%	Oct-19
Total	69,107		

(*) the characteristics of the loan disbursed by the E.I.B. and the other medium/long-term loans are described hereunder

The average interest rate on short-term bank loans (in Euro, US Dollars and Colombian Pesos), except for financial leases, is approximately 1.99%.

The characteristics of the main medium/long-term loans granted to the parent Isagro S.p.A. are summarised in the following table. The balances of the residual debt as at December 31st, 2016 include both the short-term portions of the loans described, included in the Financial Statements under current financial liabilities, and the accrued interest.

Amounts in thousands of Euro	
Loans outstanding as at December 31st, 2015	
Loan granted by the European Investment Bank (EIB) with a duration of 6 years, repayable in quarterly payments starting from 2013 and requiring compliance with covenants. S.A.C.E. issued a guarantee on this loan for € 5,750 thousand.	1,539
Loan granted by the European Investment Bank (EIB) with a duration of 6 years, repayable in quarterly payments starting from 2015 and requiring compliance with covenants. Banca Popolare di Sondrio issued a guarantee on this loan for € 4,218 thousand.	4,307
Loan granted by Banca Popolare di Sondrio with a duration of 4 years, repayable in quarterly payments starting from 2016.	1,519
Loan granted by UniCredit S.p.A. with a duration of 4 years, repayable in half-yearly payments starting from 2016.	3,372
Loan granted by Banca Popolare Commercio & Industria with a duration of 4 years, repayable in quarterly payments starting from 2015.	2,828
Loan granted by Banca Popolare di Milano with a duration of 3 years, repayable in monthly payments starting from 2015.	2,283
Loan granted by Banca Mediocredito Italiano with a duration of 5 years, repayable in quarterly payments starting from 2015 and requiring compliance with covenants.	4,194
Loan granted by Banco Popolare with a duration of thirty months, repayable in quarterly payments starting from 2015.	502
Loan granted by Banca Monte dei Paschi di Siena with a duration of 4 years, repayable in quarterly payments starting from 2015.	1,713
Loans obtained in 2016	
Loan granted by BPER: Banca (Banca Popolare dell'Emilia Romagna) with a duration of 42 months, repayable in half-yearly payments starting in 2016 and requiring compliance with covenants.	6,997
Loan granted by Banca del Mezzogiorno with a duration of 5 years, repayable in half-yearly payments starting from 2016 and requiring compliance with covenants.	4,479
Loan granted by Banco Popolare with a duration of 4 years, repayable in half-yearly payments starting from 2017.	1,993
Loan granted by Banca Popolare Commercio & Industria with a duration of 4 years, repayable in quarterly payments starting from 2016 and requiring compliance with covenants.	4,394
Loan granted by UBI Banca with a duration of 99 months, repayable in half-yearly payments starting from 2021.	213
Subsidised loan granted by Cassa Depositi e Prestiti in relation to the research project "Use of bio-IT platforms to identify new crop protection products", with a duration of 99 months, repayable in half-yearly payments starting from 2017.	1,922
Loan granted by Iccrea Bancalmpresa S.p.A. with a duration of 4 years, repayable in quarterly payments starting from 2017. S.A.C.E. issued a guarantee on this loan for € 2,625 thousand.	4,955
Loan granted by Deutsche Bank with a duration of 48 months, repayable in half-yearly payments starting in 2016 and requiring compliance with covenants.	933
Loan granted by Banca CARIGE Italia S.p.A. with a duration of 4 years, repayable in half-yearly payments starting from 2017.	1,991
Loan granted by Cassa di Risparmio di Parma e Piacenza with a duration of 48 months, repayable in half-yearly payments starting from 2017 and requiring compliance with covenants.	5,004
Loan granted by Banca Popolare di Milano with a duration of 37 months and repayable in monthly payments starting from 2017.	2,993

In 2016, the parent Isagro S.p.A. obtained new medium/long-term loans from banks and other lenders for a total of € 37,182 thousand.

The covenants to be complied with for a number of the aforementioned loans are described later in this report.

The main events, whose occurrence grants the financing institution the faculty to withdraw from the agreement, are as follows:

Loan granted by the European Investment Bank (EIB):

- decrease in the total cost of the research project of an amount that makes the loan more than 50% higher than the actual cost of the project. In this case, the parent Isagro S.p.A. shall repay the difference between the ratio of total debt to the actual cost of the project and the aforesaid 50%;
- total or partial voluntary early repayment of a loan with original duration of more than 3 years. In this case, the E.I.B. has the right to require the parent Isagro S.p.A. to repay a fraction of the debt outstanding on the loan equal to the ratio of the amount settled early to the total amount of the loans entered into for more than 3 years and still being repaid at the time of the early settlement;
- changes in control of the parent Isagro S.p.A.; in this case, the E.I.B. can claim early repayment of the entire residual loan, including accrued interest and any other sum due;
- changes in any law, directive, provision, or regulation that may substantially prejudice the ability of the parent Isagro S.p.A. or its subsidiaries to meet the obligations under the loan, or that prejudice the value, the entity, or the effectiveness of the guarantees given; in this case, the E.I.B. may require the early repayment of the entire debt outstanding, including the interest accrued and any other amount due;
- should the parent Isagro S.p.A. or its subsidiaries hold mortgages, pledges or guarantee rights on their own assets without the prior consent of the E.I.B. and after a reasonable period within which no remedy to solve the non-fulfilment is implemented has elapsed.

In addition:

- the parent Isagro S.p.A. and its subsidiaries have an obligation with the E.I.B. not to transfer, lease out, dispose of, and/or sell all or part of their own major property or assets;
- the parent Isagro S.p.A. also has an obligation under which it and its subsidiaries shall distribute dividends only if a consolidated profit and/or profits of the individual companies for the year are achieved. Furthermore, any dividends resolved starting from 2014, excluding

2016, must not be higher than 40% of the sum of net consolidated profits achieved starting from 2013, except for income from the disposal of intangible assets. In 2016, dividends must not be higher than the lower of 50% of the sum of net consolidated profits achieved in 2015 and the amount of € 1,100 thousand.

Loan granted by Banca Popolare di Sondrio:

- any significant change takes place with respect to the equity and financial positions of the parent Isagro S.p.A. and/or one of its subsidiaries, such as to have detrimental effects on Isagro S.p.A.'s ability to fulfil the contractual obligations;
- the parent Isagro S.p.A. is subject to protests, seizure of bank assets or enforcement orders or bankruptcy proceedings, judicial restraints or liens for amounts of not less than € 500 thousand;
- the parent Isagro S.p.A. fails to pay an instalment or any other sum due under the terms of the loan within fifteen days from the due date.

Loan granted by UniCredit S.p.A.:

- the parent Isagro S.p.A. uses the loans for purposes other than those for which it was granted;
- the parent Isagro S.p.A. does not arrange the full and prompt payment of even one loan repayment instalment;
- the parent Isagro S.p.A. is subject to enforcement orders or seizure of bank assets or if there is an objective risk detrimental to the loan;
- the parent Isagro S.p.A. or one of its subsidiaries fails to pay one of its financial debts on the due date.

Loan granted by Banca Popolare Commercio & Industria (already existing at December 31st, 2015 and disbursed in 2016):

- the parent Isagro S.p.A. fails to pay a loan repayment instalment within ten days of the due date;
- the parent Isagro S.p.A. is subject to enforcement orders or seizure of bank assets, becomes subject to a legal order to pay, bankruptcy and/or injunction proceedings, protests or other detrimental events that diminish the company's financial and economic position by amounts exceeding € 500 thousand;
- the parent Isagro S.p.A. or one of its subsidiaries, associates or parents fails to pay one of its debts of more than € 100 thousand on the due date.

In addition:

- the parent Isagro S.p.A. may not, unless written consent is provided by the lender, Isagro S.p.A.: i) amend its corporate purpose in such a way as to result in a substantial change in the business activities conducted; ii) transfer its registered office to another country; iii) pledge its registered property and securities against a loan granted by third parties after signing the agreement for this loan, whilst pledges of goods may be offered in favour of its customers as part of the Licensing business and sureties or surety policies in favour of its suppliers as is common commercial practice; iv) grant right of pre-emption on repayment of the capital; v) take action that gives rise to a change in corporate control or implement mergers, spin-offs, demergers or other transactions involving the majority of the capital; vi) distribute dividends and capital reserves or make investments of any nature to an extent that both covenants are not satisfied and likewise if the consolidated debt/equity ratio is higher than 1.5 and the debt/EBITDA ratio is higher than 4.5; vii) initiate voluntary liquidation proceedings.

Loan granted by Banca Popolare di Milano (already existing at December 31st, 2015 and disbursed in 2016):

- the parent Isagro S.p.A. abandons, suspends or executes the financed plan in a non-compliant manner;
- the parent Isagro S.p.A. uses all or part of the sums received for purposes other than that contractually agreed;
- any significant change takes place with respect to the equity and financial positions of the parent Isagro S.p.A. and/or one of its subsidiaries, such as to have detrimental effects on Isagro S.p.A.'s ability to fulfil the contractual obligations.

Loan granted by Banca Mediocredito Italiano:

- the parent Isagro S.p.A. is subjected to restraints, attachments or judicial mortgages on assets owned by the Company whose value is greater than € 1 million;
- the parent Isagro S.p.A. defaults on credit, financial or guarantee obligations of amounts greater than € 1 million;
- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below and no remedy is made within thirty days from the date of notification by the lending bank.

Loan granted by Banco Popolare (already existing at December 31st, 2015):

- the parent Isagro S.p.A. is subject to legal proceedings, protests, seizure of bank assets or enforcement orders, confiscation of assets, registration of legal or judicial restraints for amounts exceeding € 200 thousand;
- the parent Isagro S.p.A. does not arrange the exact full or partial payment of a loan repayment instalment or interest.

Loan granted by Banca Monte dei Paschi di Siena:

- the parent Isagro S.p.A. does not fully pay even one loan repayment instalment;
- the parent Isagro S.p.A. is subject to protests, seizure of bank assets or enforcement orders or judicial restraints or carries out any act that decreases its amount of equity, Cash-Flow or income.

Loan granted by BPER: Banca (Banca Popolare dell'Emilia Romagna):

- the parent Isagro S.p.A. does not pay an instalment or interest in full and on time;
- the parent Isagro S.p.A. does not notify the lender of any changes to the form of the company, changes in share capital, bond issues, changes in the shareholders that currently have indirect control of the parent Isagro S.p.A., and facts that may otherwise change the current juridical, capital, financial and economic situation of the borrower;
- the parent Isagro S.p.A. does not intervene at any time in the stipulation of every deed required by the lender for the ratification, validation, rectification of the loan agreement or individual parts thereof;
- the parent Isagro S.p.A. is subjected to protests or carries out any action that diminishes its capital, financial or economic situation that can thus have substantially prejudicial effects, according to the reasonable judgement of the lender, on the Company's ability to fulfil the contractual obligations for amounts above € 500 thousand, or is subjected to any bankruptcy proceedings;
- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below.

Loan granted by Banca del Mezzogiorno:

- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below;
- there is a loss of control by the shareholders who currently have indirect control of the parent Isagro S.p.A.;
- the parent Isagro S.p.A. has used even just a portion of the loan for different purposes from those for which it was granted and/or has not completed all or part of the financed investment programme;
- the parent Isagro S.p.A. fails to pay an instalment or interest, unless the payment is carried out no later than 30 days after the notification of the missed payment by the lender;
- the parent Isagro S.p.A. has sold, interrupted or substantially modified its own core business;
- the parent Isagro S.p.A. or another company of the Isagro Group have become insolvent;

- the parent Isagro S.p.A. is forced to reduce its own share capital because of losses or the share capital has declined below the legal limit;
- the parent Isagro S.p.A. or another company of the Isagro Group are subjected to bankruptcy proceedings;
- the parent Isagro S.p.A. is placed in voluntary liquidation or if its business is transferred to creditors;
- the parent Isagro S.p.A. is subject to enforcement proceedings or seizure orders are executed or judicial distrains are recorded on its assets for total amounts exceeding € 500 thousand, unless such proceedings/order are waived by the previous creditor within the following 30 days;
- an event occurs whose direct or indirect consequences influence or may influence negatively in a significant manner on the legal, financial, economic, capital situation of the parent Isagro S.p.A. or of the Isagro Group, or on the ability of the parent Isagro S.p.A. to regularly meet the payment obligations it assumed.

Loan granted by Banco Popolare (in 2016):

- the parent Isagro S.p.A. is subject to legal proceedings, protests, seizure of bank assets or enforcement orders, confiscation of assets, registration of legal or judicial distrains for amounts exceeding € 250 thousand which, in the bank's judgement, may prejudice the security of the credit;
- the parent Isagro S.p.A. is subject to bankruptcy proceedings, is placed in liquidation, its assets are transferred to creditors;
- the parent Isagro S.p.A. changes its form, there are changes in the share capital or issues of bonds, there are changes of the shareholders who currently have indirect control of the Company, such as to negatively affect the capital, corporate, financial or economic situation in such a way as jeopardise achievement of the reasons for the credit of the lender;
- the parent Isagro S.p.A. fails to punctually pay all or part of any amount due as a result of the loan and/or of the interest and related accessories;
- the parent Isagro S.p.A. does not allocate the loan for the purposes for which it was granted.

Subsidised loan granted by Cassa Depositi e Prestiti and Loan granted by UBI Banca:

- the parent Isagro S.p.A. fails, even if only partially and at the prescribed due date, to pay any amount for a period exceeding 180 days;
- the parent Isagro S.p.A. has not produced the technical and accounting documentation attesting to the activities carried out for each work progress report (stato avanzamento lavori), according to the forms and procedures prescribed by the facilitating law, by the decree and by the circular;
- the parent Isagro S.p.A. carries out or participates in mergers, splits or any kind of company restructuring, or carries out extraordinary transactions on its own capital or is subjected to changes of its corporate structure or of its shareholders which entail a decrease of the shareholders' equity declared for the purposes of granting the loan or of its ability to repay the loan;
- the subsidy is fully revoked;
- the parent Isagro S.p.A. i) is subjected to bankruptcy proceedings, ii) all or part of its assets have become subjected to attachments or to proceedings having a similar effect, iii) has initiated actions to renegotiate its own obligations relating to financial debt date or to delay compliance therewith, has reached out of court agreements with its own creditors or has been granted an extension to the fulfilment of the obligations relating to financial debt or the enforcement of guarantees provided in order to guarantee compliance or application of suspension of payments;
- the shareholders' equity declared by the parent Isagro S.p.A. at the time the loan was granted decreases substantially as a result of dispositions;
- the parent Isagro S.p.A. fails to comply with obligations deriving from other loan agreements and/or financial payables of any kind.

Loan granted by Iccrea Bancalmpresa S.p.A.:

- the parent Isagro S.p.A. breaches the loan agreement and has not remedied such breach within 30 days from receipt of the notice from the lender;
- the parent Isagro S.p.A. does not execute in full and on time the payment of two consecutive repayment instalments, unless remedy is provided within 30 days from the due date;
- the parent Isagro S.p.A. uses all or part of the loan for different purposes from those for which it was granted;
- the parent Isagro S.p.A. establishes without the prior written agreement of the lender and of the guarantor (S.A.C.E.) liens for amounts exceeding € 5 million, with the sole exception of those established for transactions that by law require collateral and with the previous extension of the collateral to the lender.

Loan granted by Deutsche Bank:

- the parent Isagro S.p.A. fails to pay two consecutive instalments punctually and in full and does not remedy within 15 days from receipt of the written notice from the lender;
- the parent Isagro S.p.A. does not make amendments to its own articles of association that entail a substantial change of the purpose of the company and/or of its business and/or of control over its management such as to prejudice the reasons of the bank;
- the parent Isagro S.p.A. does not comply with the equity and economic parameters (covenants) described below.

In addition:

- the parent Isagro S.p.A. shall not carry out mergers, spin-offs, demergers or combinations except between companies of the Isagro Group, or voluntary liquidation procedures, without providing written notice to the lender in advance;
- the parent Isagro S.p.A. and its subsidiaries shall not reduce their own capital, except in compliance with law obligations;
- the parent Isagro S.p.A. shall not assume equity interests and shall not enter into joint ventures, association or similar agreements, or stipulate service performance or industrial licence agreements, or carry out actions to dispose of its properties, of its companies or of business units that may have such an effect as to substantially change the performance of the business of the company or prejudice the reasons of the lender, without providing written notice to the lender in advance;
- the parent Isagro S.p.A. may not enter into any loan agreements secured by guarantees of any nature, unless such guarantees are extended to the lender.

Loan granted by Banca CARIGE Italia S.p.A.:

- there is a change in the composition of the shareholders that indirectly control the parent Isagro S.p.A. such as to entail the change of the controlling party;
- the parent Isagro S.p.A. does not fully pay even one loan instalment or delays payment of the instalments;
- the parent Isagro S.p.A. is subjected to insolvency, enforcement, precautionary proceedings or protests, and judicial distrains for a total amount equal to or higher than € 500 thousand;
- an event occurs that in the judgement of the lender compromises the equity, economic or financial situation of the parent Isagro S.p.A. and the ability of complying with the obligations of Isagro S.p.A. on the basis of the lending agreement.

Loan granted by Cassa di Risparmio di Parma e Piacenza:

- the parent Isagro S.p.A. uses the loans for purposes other than those for which the loan was granted;
- the parent Isagro S.p.A. fails to pay any amount due and has not remedied such missed payment within 10 days from receipt of the written notice;

- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below;
- the parent Isagro S.p.A. and/or one of its subsidiaries fail to pay any amount relating to a financial debt due to banks and/or financial intermediaries within 15 working days from the day in which it became due;
- the parent Isagro S.p.A. fails to punctually pay payables to third parties other than lender institutions and/or financial intermediaries;
- the parent Isagro S.p.A. and/or one of its subsidiaries and/or one of its parent companies become insolvent, enter into negotiations with its creditors for the purpose of obtaining periods of grace or out-of-court agreements, dispose of assets to its creditors, request to be admitted or are subjected to bankruptcy proceedings, are placed in liquidation or they are wound up;
- urgent proceedings for the seizure of bank assets or for enforcement are opened against the parent Isagro S.p.A. and/or one of its subsidiaries, judicial restraints are recorded, protests are raised, assets are confiscated, a decision or a decree or a final judicial order in general are issued for a cumulative amount not exceeding € 500 thousand;
- the parent Isagro S.p.A. and/or one of its subsidiaries experience a deterioration of their capital and financial conditions that have prejudicial effects on the ability to fulfil their obligations;
- the parent Isagro S.p.A. ceases to carry out its current business activities or undertakes business activities which have substantial relevance and are not consistent with those currently carried out;
- the independent auditing firm, in its report on the annual and Consolidated Financial Statements of the parent Isagro S.p.A., expresses a negative opinion or issues a declaration on the impossibility of expressing an opinion;
- Piemme S.r.l. ceases to directly or indirectly control at least 50% +1 of the Ordinary Shares with voting rights that comprise the share capital of Isagro S.p.A..

Current financial payables to other lenders, amounting to € 2,325 thousand as at December 31st, 2015 and € 779 thousand as at December 31st, 2016, refer to amounts due to factoring companies in relation to with-recourse factoring of receivables.

Non-current financial payables to other lenders refer solely to the subsidised loan granted by Cassa Depositi e Prestiti, described in the previous table.

The item “obligations under finance leases” refers to the residual payable of € 186 thousand due to Crédit Agricole Leasing Italia S.r.l. in connection with the fees to pay, for a residual period of 33 months, for the supply of new analytical laboratory instruments used at the Novara research centre of the parent Isagro S.p.A.

The table below summarises the loans granted to the Group, broken down by currency:

Currency of the loan	Amount in thousands of euro	Amount in currency (thousands)	Effective average interest rate %
Euro	65,769	65,769	1.95%
US Dollars	3,325	3,505	3.40%
Brazilian Reals	7	23	28.00%
Colombian Pesos	6	18,769	28.95%
Total	69,107		

The debt exposure of the Group broken down by maturity is shown in the table below:

	Payables broken down by maturity						
	Within 1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
Payables due to banks							
- floating rate	28,259	16,986	13,008	6,969	809	157	66,188
Total Payables due to banks	28,259	16,986	13,008	6,969	809	157	66,188
Payables due to other lenders							
- floating rate	779	-	-	-	-	-	779
- fixed rate	128	268	271	274	277	704	1,922
Total Other lenders	907	268	271	274	277	704	2,701
Obligations under finance leases							
- fixed rate	80	83	55	-	-	-	218
Total obligations under finance leases	80	83	55	-	-	-	218
Total	29,246	17,337	13,334	7,243	1,086	861	69,107

Lastly, it should be noted that, as at December 31st, 2016, the Group has a number of lines of credit outstanding, granted by banks and other financial institutions, totalling € 110,654 thousand (including “trade” facilities for

€ 95,781 thousand, of which € 11,646 thousand used, and “financial” facilities of € 14,873 thousand, of which € 4,320 thousand used), as shown in the table below:

	Lines of credit	
	Granted	Used
Parent	99,431	12,646
Subsidiaries	11,223	3,320
Total	110,654	15,966

COVENANTS

In compliance with the CONSOB Communication of July 28th, 2006, the loans for which certain equity and economic requirements (covenants) must be satisfied are listed below, together with the features of such requirements. The amounts indicated are expressed gross of commissions and accessory charges.

Bank	Nominal amount of the loan	Residual amount of the loan	Covenants	Effects
E.I.B.	€ 22,500	€ 5,846	a) ratio between the consolidated net financial position and the consolidated EBITDA less than 4.5 as from 2014 and until the full repayment of the loan. b) consolidated debt/equity ratio not greater than 1.50 for each year and until full repayment of the loan.	Failure to comply with the two covenants shall result in termination of the loan and the repayment of all amounts still due including interest.
Cassa di risparmio di Parma e Piacenza	€ 5,000	€ 5,004	a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year as from that ended on December 31 st , 2016 and until the full repayment of the loan. b) consolidated debt/equity ratio not greater than 1.50 for each year as from that ended on December 31 st , 2016 and until full repayment of the loan.	Failure to comply with the two covenants shall result in termination of the loan and the repayment of all amounts still due including interest.
BPER: Banca (Banca Popolare dell'Emilia Romagna)	€ 7,000	€ 6,997	a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year as from that ended on December 31 st , 2015 and until the full repayment of the loan. b) consolidated debt/equity ratio not greater than 1.50 for each year as from that ended on December 31 st , 2015 and until full repayment of the loan.	Failure to comply with the two covenants shall result in termination of the loan and the repayment of all amounts still due including interest.
Banca Popolare Commercio & Industria	€ 10,000	€ 7,222	a) consolidated debt/EBITDA ratio of less than 3 as at December 31 st , 2014 and until full repayment of the residual debt. b) consolidated debt/equity ratio of less than 0.5 as at December 31 st , 2014 and until full repayment of the residual debt.	Failure to satisfy even one of the financial indicators will result in an increase in the spread as follows: - with reference to the debt/EBITDA ratio : +0.25% if the ratio is greater than 3 and less than 3.5; +0.50% if the ratio is greater than 3.5 and less than 4; +0.75% if the ratio is greater than 4 and less than 4.5; +1% if the ratio is greater than 4.5; - with reference to the debt/equity ratio : +0.25% if the ratio is greater than 0.5 and less than 0.75; +0.50% if the ratio is greater than 0.75 and less than 1; +0.75% if the ratio is greater than 1 and less than 1.5; +1% if the ratio is greater than 1.5. Failure to comply with both covenants with ratios exceeding 4.5 (for the consolidated debt/EBITDA ratio) and 1.5 (for the consolidated debt/equity ratio) shall result in termination of the loan and the repayment of all amounts still due including interest.
Mediocredito Italiano	€ 6,000	€ 4,194	a) consolidated debt/EBITDA ratio of less than 4.5 as at December 31 st , 2015 and until full repayment of the residual debt. b) consolidated debt/equity ratio of less than 1.5 as at December 31 st , 2015 and until full repayment of the residual debt.	Failure to comply with the two covenants shall result in termination of the loan and the repayment of all amounts still due including interest.

Bank	Nominal amount of the loan	Residual amount of the loan	Covenants	Effects
Banca del Mezzogiorno	€ 5,000	€ 4,479	a) consolidated debt/EBITDA ratio of less than 4.5 until full repayment of the residual debt. b) consolidated debt/equity ratio of less than 1.5 until full repayment of the residual debt.	Failure to comply with the two covenants shall result in termination of the loan and the repayment of all amounts still due including interest.
Deutsche Bank	€ 1,000	€ 933	a) consolidated debt/EBITDA ratio of less than 4.5 until full repayment of the residual debt. b) consolidated debt/equity ratio of less than 1.5 until full repayment of the residual debt.	Failure to comply with the two covenants shall result in termination of the loan and the repayment of all amounts still due including interest.

The assessment of compliance with the above covenants, which is performed annually, at December 31st, 2016 revealed criticalities only in relation to loans granted by Banca Popolare Commercio & Industria, for which the covenant related to the consolidated debt/EBITDA ratio fell within the range of 3 and 3.5 expressed in the previous table, and the covenant related to the consolidated debt/equity ratio fell within the range expressed in the previous table between 0.5 and 0.75. This will entail a 0.50% increase in the spread on the rate of these loans.

The Directors, on the basis of the 2017 budget, together with the estimates for the 2018-2020 time interval as stated in the 2016–2020 Company Plans, deem that compliance with the aforementioned covenants does not present any critical issues throughout the whole time horizon of the plan.

NET FINANCIAL POSITION

As required by CONSOB Communication no. DEM/6064293/2006 of July 28th, 2006, and also in accordance with the Recommendation of the ESMA (European Security & Market Authority), formerly the CESR (Committee of European Securities Regulators), of February 10th, 2005, the net financial position of the Group as at December 31st, 2016 was as follows:

	Dec. 31 st , 2016	Dec. 31 st , 2015
Bank deposits and cash	(16,459)	(15,186)
Securities	-	(1,528)
Cash (A)	(16,459)	(16,714)
Current financial receivables and other assets (B)	-	-
Current payables due to banks	9,979	25,433
Current payables due to other lenders	779	2,325
Current portion of non-current financial payables	18,488	10,584
Current financial payables (C)	29,246	38,342
Net current financial debt (A+B+C)	12,787	21,628
Non-current payables due to banks	37,929	25,457
Non-current payables due to other lenders	1,794	-
Obligations under finance leases	138	191
Non-current financial payables (D)	39,861	25,648
Net financial debt as per CONSOB Communication DEM/6064293/2006 (A+B+C+D)	52,648	47,276
Financial assets - derivatives	(21)	(441)
Financial liabilities - derivatives	91	342
Net financial debt of the Group	52,718	47,177

Compared to 2015, the net financial position shows an increase of € 5,541 thousand. This increase was due to continued investments in intangible assets of the Group.

15. Employee Benefits – 2,747

The following table illustrates the change in the severance indemnity fund (SIF) of the Group's Italian companies and in the "Gratuity Fund" of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., which can be classified, as per IAS 19, as "defined benefits plans" among "post-employment benefits":

	Severance Indemnity Fund	Gratuity Fund (pension fund)	Total
Value as at Dec. 31 st , 2015	2,785	87	2,872
Cost of employee benefits	144	125	269
Settlements/transfers/payments	(341)	(56)	(397)
Translation difference	-	3	3
Value as at Dec. 31 st , 2016	2,588	159	2,747

Information on the Severance Indemnity Fund plan

The item "Severance Indemnity Fund" reflects the Group's residual obligation regarding the indemnity to pay Italian employees when their employment ceases. This indemnity can be partially paid in advance to the employee during his or her working life in certain circumstances. It is a defined unfunded benefit plan only in connection with the indemnity employees accrue up until December 31st, 2006. In fact, certain legislative changes turned the severance indemnity fund into a defined benefit plan starting from that date, resulting in the Group paying indemnities that accrued in each year (equal to about 7.41% of the employees' wages) into outside pension funds.

The actuarial valuations used to calculate the liabilities were made using the projected unit credit method.

The main demographic and financial assumptions used to measure the obligations were as follows:

	2016	2015
- discounting rate:	0.90%	1.38%
- staff turnover rate:	6.00%	9.00%
- inflation rate:	1.50%	1.50%
- annual rate of increase in severance indemnity fund (SIF):	2.62%	2.62%.

The probability of turnover consistent with the historic trend of the phenomenon was used for the staff turnover rate, whereas for the discounting rate it was decided to use the rate of return on AA-rated corporate securities in the Eurozone as reference.

The table below shows the total cost of the severance indemnity fund:

	Breakdown
Financial charges for the obligation	38
Actuarial (gains)/losses	106
Total	144

The actuarial gains and losses coming from remeasurement of the liabilities were recorded in "Other Comprehensive Income" and recognised under Group equity in the item "Retained earnings". Actuarial losses for the period, € 106 thousand, include costs attributable to changes in the financial assumptions for € 80 thousand and costs attributable to changes in the demographic assumptions for € 26 thousand.

Sensitivity analyses were conducted as regards the option of changing the discounting rate of the obligation, from which it emerged that a parameter increase of a quarter of a percentage point would bring about a € 89 thousand decrease in liabilities, while a decrease of a quarter of a percentage point in the rate would bring about an increase in liabilities of € 95 thousand.

Information on the “Gratuity Fund” pension fund

The “Gratuity Fund” is a funded defined benefit plan that the Group guarantees to the employees of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. The plan requires that the subsidiary pay in the equivalent of 15 days of wages for each year of service for every worker who has completed at least five years of service. The payment is made to a special trust fund that invests the funds received in financial assets with a low risk profile (insurance funds). The obligation recorded to the Financial Statements is therefore the net residual obligation for the Group, meant as the difference between current obligation value and the fair value as at the date of the Financial Statements of the assets serving the plan. If the pension fund is overfunded, an asset for defined benefits is recorded in the Consolidated Financial Statements since the Group has the right to not fund the plan as long as this condition is maintained.

The actuarial valuations were made using the Projected Unit Credit Method for this plan as well. The main demographic and financial assumptions used were the following:

	<u>2016</u>	<u>2015</u>
- discounting rate:	6.74%	7.98%
- staff turnover rate:	6.00%	6.00%
- expected wage increase:	10.00%	10.00%
- expected rate of return of the assets serving the plan:	6.74%	7.98%

The table below shows the breakdown of the cost of the plan:

	<u>Breakdown</u>
Current cost of the plan	71
Net financial charges	6
Actuarial (gains)/losses	48
Total	125

The actuarial components for the “Gratuity Fund” are also recognised among “Other Comprehensive Income” and under Group equity in the item “Retained earnings”. Actuarial losses for the period, € 48 thousand, include costs attributable to changes in the financial assumptions for € 52 thousand and profits attributable to changes in the demographic assumptions for € 4 thousand.

The amount recognised to the Statement of Financial Position breaks down as follows:

Current value of the obligation	(967)
Fair value of the assets	808
Surplus (deficit) of the plan	(159)

Lastly, the following tables show the changes in the present value of the plan obligation and the fair value of the assets serving the plan:

Current initial value of the obligation	808
Financial charges	62
Current cost of the plan	71
Benefits paid	(32)
Actuarial (gains)/losses	48
Translation difference	10
Current final value of the obligation	967

Initial fair value of the assets	721
Financial income expected from the assets	56
Payments made during the year	56
Benefits paid	(32)
Translation difference	7
Final fair value of the assets	808

Based on legal requirements, the amount of the payments that the Group must make for this fund over the next 12 months is approximately € 82 thousand, while the amount of the benefits to pay outgoing employees, based on the projections and actuarial assumption of the plan, is € 344 thousand.

The Group also participates in the “pension funds” which, pursuant to IAS 19, can be classified “defined contribution plans” among the “post-employment benefits”. In relation to these plans, the Group has no additional monetary obligations once the contributions have been paid.

In 2016, the total costs of such plans, included under “personnel costs”, were € 1,099 thousand.

16. Other non-current liabilities – 760

Breakdown	Book values Dec. 31 st , 2015	Increases/ decreases	Book values Dec. 31 st , 2016
Payables: - guarantee deposits from customers	711	49	760
Total	711	49	760

This item reflects the amounts paid by certain customers of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. as guarantee for the performance of obligations connected to sale and purchase agreements for crop protection products.

17. Trade payables – 31,663

This item decreased by € 6,026 thousand compared to December 31st, 2016 (€ 37,689 thousand), closely linked to the decrease in purchases and in costs for industrial services, which in turn are linked to the contraction in the turnover of the Group and the decrease in inventories of finished products, the latter described in Note no. 7.

For the total trade payables due to related parties, reference should be made to Note no. 39.

Here below is the breakdown of trade payables by geographic area based on the supplier’s location:

■ Italy	14,022
■ Other European countries	4,151
■ Central Asia and Oceania	7,695
■ Americas	4,263
■ Far East	1,344
■ Middle East and Africa	188
Total	<u>31,663</u>

It should be noted that trade payables have an average contractual maturity of approximately 99 days.

The trade payables are due within the following year.

18. Current provisions – 1,991

The breakdown of the item and changes in current provisions are illustrated in the following table:

Breakdown	Book values Dec. 31 st , 2015	Changes over the period				Book values Dec. 31 st , 2016
		Provisions	Uses	Other changes	Total change	
Current provisions:						
- provision for goods destruction and disposal of obsolete materials	75	60	(45)	-	15	90
- provision for employee participation bonus and manager/director bonus	1,671	1,827	(1,604)	7	230	1,901
Total	1,746	1,887	(1,649)	7	245	1,991

The provision for “goods destruction and disposal of obsolete materials” essentially refers to the costs the parent Isagro S.p.A. will incur for the disposal of obsolete materials, necessary to improve logistics and storage conditions at the Aprilia industrial complex.

19. Tax payables – 2,596

	Book values Dec. 31 st , 2015	Increases/ decreases	Book values Dec. 31 st , 2016
Tax payables:			
- due to tax authorities for direct taxes	2,523	73	2,596
	2,523	73	2,596

The item includes the payable due to the tax authorities for income taxes of the Isagro Group’s foreign subsidiaries and comprises € 2,484 thousand in the tax payables of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.

20. Other current liabilities and other payables – 4,804

Breakdown	Book values Dec. 31 st , 2015	Increases/ decreases	Book values Dec. 31 st , 2016
Payables:			
- due to social security and welfare institutions	1,213	(32)	1,181
- due to agents and canvassers	155	20	175
- due to employees	1,033	12	1,045
- due to tax authorities for VAT and similar taxes	111	(7)	104
- due to tax authorities for withholdings and other taxes	789	(20)	769
- advances from customers	795	(385)	410
- due to others	669	105	774
	4,765	(307)	4,458
Deferred income	267	79	346
Total	5,032	(228)	4,804

This item, on the whole, was essentially in line with the figure in the previous year.

Payables due to employees also include amounts for holiday entitlement accrued but not used, additional month payments and expense accounts.

The item “advances from customers” refers to the amounts paid by customers of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. in relation to sales of crop protection products.

“Payables due to others” include € 209 thousand relating to the balance of the food safety grant, which was paid in January 2017.

21. Segment reporting

As already mentioned, the Isagro Group identified its operating segments pursuant to IFRS 8 in the geographic areas from which the Group may earn revenues and incur expenses, whose results are regularly reviewed by the Group’s chief operating decision maker to assess performance and resource allocation decisions, and for which separate Financial Statements figures are available.

The geographic areas that constitute the Group’s operating segments are as follows:

- Europe
- Asia
- North America
- South America.

The Group assesses the performance of its operating segments on the basis of “Operating result”; the revenues of the above segments include revenue deriving from transactions with both third parties and other segments, measured at arm’s length. In the Group’s ordinary course of business, financial income and charges and taxes are recognised by the corporate entity, because they are not related to operating activities.

The table below shows the operating results of the operating segments for the year 2016:

2016	Continuing operations					
	Europe	Asia	North America	South America	Adjustments	Total
- Crop Protection Products	91,023	37,173	5,854	4,422	-	138,472
- Other	11,245	-	-	-	-	11,245
Revenue from third parties	102,268	37,173	5,854	4,422	-	149,717
Intra-segment revenue	6,824	6,450	212	620	(14,106)	-
Revenues	109,092	43,623	6,066	5,042	(14,106)	149,717
Operating result	2,211	7,278	(2,179)	698	(1,138)	6,870
Financial charges						(28)
Profit/(loss) from associates						28
Pre-tax profit/(loss)						6,870
Income taxes						(3,887)
Net profit from continuing operations						2,983
Net profit/(loss) from discontinued operations						(250)
Net profit						2,733
Depreciation and amortisation	8,377	671	8	117	-	9,173
Impairment of fixed assets	174	-	-	-	-	174
Allocations to provisions	1,717	27	112	31	-	1,887
Impairment losses on receivables	1,250	384	-	100	-	1,734
Severance indemnity fund and similar provisions	144	125	-	-	-	269

The table below shows the operating results of the operating segments for the year 2015:

2015	Continuing operations					
	Europe	Asia	North America	South America	Adjustments	Total
- Crop Protection Products	99,146	35,550	5,103	3,809	-	143,608
- Other	12,440	-	-	-	-	12,440
Revenue from third parties	111,586	35,550	5,103	3,809	-	156,048
Intra-segment revenue	2,901	10,168	347	470	(13,886)	-
Revenues	114,487	45,718	5,450	4,279	(13,886)	156,048
Operating result	4,728	6,989	(1,351)	(281)	(298)	9,787
Financial charges						(2,423)
Profit/(loss) from associates						54
Pre-tax profit/(loss)						7,418
Income taxes						(4,036)
Net profit from continuing operations						3,382
Net profit/(loss) from discontinued operations						(250)
Net profit						3,132
Depreciation and amortisation	7,848	715	196	135	-	8,894
Impairment of fixed assets	776	-	-	-	-	776
Allocations to provisions	1,379	42	228	20	-	1,669
Impairment losses on receivables	120	294	-	576	-	990
Severance indemnity fund and similar provisions	116	102	-	-	-	218

As the location of the Group's operations is different from that of customers, the following table shows the breakdown of revenues based on the customers' location:

	2016	2015
Italy	28,796	33,401
Europe	47,459	38,629
Americas	24,648	38,490
Africa	4,468	4,468
Middle East	3,589	3,292
Central Asia and Oceania	32,795	31,215
Far East	7,962	6,553
Total	149,717	156,048

Intragroup transactions were carried out at arm's length.

Compared to 2015, turnover declined in the "Europe" segment as a result of lower sales by the parent Isagro S.p.A. both in the Italian market and in the American market, with a severe contraction in the sale of crop protection products in particular in the United States and in Brazil because of the persistently unfavourable economic conditions.

With reference to the "Asia" segment, while on one hand there was an increase in the sale of crop protection products to third parties, on the other hand intra-segment revenues declined, leading to a general contraction in the revenues of this area. The contraction in intra-segment revenues was brought about by the reduction in the sales to the parent Isagro S.p.A., in particular of M-Alcohol - an intermediate product for the production of Tetraconazole, a proprietary fungicide of the parent company - as a result of the previously discussed decline in the sale of crop protection products.

In addition, the operating result of the "Europe" area includes revenues from Licensing activities (€ 6 million) described in Note no. 22 to which reference is made.

With reference to the operating result, compared to the previous year there was an improvement in the “South America” area (+ € 979 thousand), due to the positive result of the subsidiary Isagro Colombia S.A.S. which, in the previous year, had recorded an operating loss because of the write-down of receivables from a major local distributor.

On the contrary, the “North America” area worsened in spite of an increase in turnover, because of the presence, in the 2015 income statement, of significant gains connected with the sale of intangible assets to the parent Isagro S.p.A.

The tables below show the segments' assets and liabilities, as well as investments in tangible and intangible assets, as at December 31st, 2016 and December 31st, 2015

As at December 31st, 2016	Continuing operations					
	Europe	Asia	North America	South America	Adjustments Cancellations	Total
Segment assets	147,428	32,918	8,109	3,411	(8,443)	183,423
Investments in associates	313	-	-	-	-	313
Unallocated assets						33,663
						217,399
Segment liabilities	30,679	9,384	3,363	1,669	(4,003)	41,092
Unallocated liabilities						74,222
						115,314
Investments in intangible assets	9,655	-	1	50	-	9,706
Investments in tangible assets	2,353	195	12	32	-	2,592

As at December 31st, 2015	Continuing operations					
	Europe	Asia	North America	South America	Adjustments Cancellations	Total
Segment assets	148,829	32,521	8,282	2,575	(9,428)	182,779
Investments in associates	296	-	-	-	-	296
Unallocated assets						33,334
						216,409
Segment liabilities	39,033	11,635	1,245	1,370	(6,133)	47,150
Unallocated liabilities						69,401
						116,551
Investments in intangible assets	10,469	-	918	11	-	11,398
Investments in tangible assets	2,935	471	6	3	-	3,415

Segment assets include non-current assets, inventories, trade and other receivables, while tax and financial receivables, equity investments and cash are excluded; the excluded items were recognised as “Unallocated assets”. Liabilities pertaining to each segment do not include tax liabilities and liabilities connected with loans. These amounts were recognised under “Unallocated liabilities”.

With reference to segment liabilities, there was a decline in the “Europe” and “Asia” areas as a result of the reduction in purchases of materials and in costs for industrial services, in turn connected to the aforementioned reduction in turnover. On the other hand, the “North America” area experienced an increase in liabilities as a result of the increase in payables to suppliers for the purchases of crop protection products carried out in the final part of the year to accommodate 2017 sales.

Information on the Income Statement

22. Revenues – 149,717

The breakdown of revenues is described in the table below:

Breakdown	2016			2015		
	ITALY	FOREIGN COUNTRIES	TOTAL	ITALY	FOREIGN COUNTRIES	TOTAL
Revenue from sales of:						
- crop protection products	27,224	111,248	138,472	31,487	112,121	143,608
- raw materials	160	315	475	54	-	54
	27,384	111,563	138,947	31,541	112,121	143,662
Revenue from services:						
- toll manufacturing	1,221	2,907	4,128	1,815	3,241	5,056
- product defence and development	-	-	-	9	26	35
- royalties, licences and similar rights	60	5,855	5,915	-	7,050	7,050
- other	130	597	727	37	208	245
	1,411	9,359	10,770	1,861	10,525	12,386
Total	28,795	120,922	149,717	33,402	122,646	156,048

With respect to the previous year, the item decreased by € 6,331 thousand, caused by the decrease in sales of crop protection products, in processing fees and in income from Licensing activities, recognised under “royalties, licences and similar rights”.

With reference to sales of crop protection products, a slow-down in sales was seen in 2016, both in the Italian market (- € 4 million with respect to 2015) and in foreign markets (- € 1 million with respect to 2015). With reference to the foreign market, it should be pointed out that sales declined by € 6 million in Brazil and € 3 million in the United States because of the persistently unfavourable economic and climatic conditions, offset by higher sales by € 5 million in Europe and by € 3 million in Asia.

The creation of new formulations by the parent Isagro S.p.A. on behalf of third parties, performed at its Aprilia (LT) plant, recorded a decrease (-18%) compared to the previous year due to the drop in volumes processed for some customers who had carried out the formulation campaign early, at the end of the previous year.

The item “royalties, licences and similar rights”, amounting to € 5,915 thousand, essentially comprises:

- € 1,000 thousand referred to an up-front payment which the Belgian company Belchim Crop Protection N.V./S.A. made to the parent Isagro S.p.A. against the granting of the right to develop, formulate, distribute and sell mixtures of Tetraconazole and a number of Belchim’s proprietary active ingredients, in Europe and for a period of ten years. Belchim also committed to purchasing the Tetraconazole necessary for formulation of the above mixtures exclusively from Isagro for the entire term of the contract.

If Isagro should seriously violate the contractual terms, and if the situation is not remedied within forty-five days or if Isagro is not granted renewal of the Tetraconazole dossier, Belchim would have the right to receive an indemnity calculated on the basis of the effective duration of the contract. The amount that Isagro would be required to pay, equal to € 1,000 thousand if the violation occurs during the first year of the contract, is calculated in a manner inversely proportionate to the remaining years of the contract. Consequently, the total penalty decreases by € 100 thousand per year for each of the ten years’ duration. In the opinion of the Directors of the parent Isagro S.p.A., the occurrence of a serious violation as described above is, at present, deemed unlikely;

- € 4,855 refers to an up-front payment which the British company Gowan Crop Protection Limited (a related party) made to the parent Isagro S.p.A. against the granting of the exclusive right, for fourteen years, to develop, register, formulate, produce and market in Europe mixtures based on Kiralaxyl, the parent Isagro S.p.A.’s proprietary fungicide, with active ingredients owned by Gowan, for all types of use except for fertilizing seeds. Gowan also

committed to purchasing the Kiralaxyl necessary for formulation of the above mixtures exclusively from Isagro for the entire term of the contract, and to negotiate with the parent Isagro S.p.A. a toll manufacturing contract for processing the mixtures. The contract prescribes that the agreed consideration, whose current value was calculated by Isagro at € 4,855 thousand by discounting back the expected future Cash-Flows at the rate of 2% agreed by the parties, be paid in six annual instalments, inclusive of the accrued interest, according to the following schedule:

- a) € 500 thousand on November 30th, 2017;
- b) € 750 thousand on November 30th, 2018;
- c) € 4,000 thousand in four instalments of € 1,000 thousand each, due on November 30th in the 2019 - 2022 time interval.

The contract also provides that Gowan is not required to pay the remaining instalments if one of the following events, currently deemed to be unlikely by the Directors of the parent Isagro S.p.A., should occur:

- i) Isagro severely breaches the contractual terms without remedying such breach within forty-five days;
- ii) Kiralaxyl is excluded from Annex I or may no longer be marketed as a result of regulatory restrictions;
- iii) Isagro decides to withdraw from the agreement if a competitor of Isagro, other than a company directly or indirectly controlled by Gowan, acquires any interest that may entail veto rights in any company of the Gowan Group;
- iv) Isagro is placed in liquidation, becomes insolvent, is subjected to bankruptcy proceedings, totally or partially ceases to exercise its own business or its assets are seized and/or nationalised;
- v) the agreement is terminated at the occurrence of a *force majeure* event.

In 2015, “royalties, licences and similar rights” comprised:

- € 2,000 thousand relating to an up-front payment that the UK-based company SumiAgro Europe Limited had made to the parent Isagro S.p.A. for the granting of the exclusive right to use the formulation technology developed by Isagro in relation to the mixture of Tetraconazole and Thiophanate Methil, for a period of ten years, at its plant in Romania, as well as to be able to develop, register, formulate, distribute and sell the mixture of Tetraconazole and Thiophanate Methyl exclusively in several European countries. SumiAgro Europe Limited also committed to exclusively purchase the Tetraconazole necessary for the formulation of the above mixture from Isagro for the entire term of the contract. The contract envisages that the fee is paid in four instalments of € 500 thousand each. The first was collected on December 23rd, 2015 and the others to be paid on December 1st of each year in the period 2016-2018, increased by interest calculated at the 12-month EURIBOR floating rate + a 3% spread. It should be mentioned that the sums paid by SumiAgro to Isagro by way of up-front payment, even if deferred, are not repeatable;
- € 5,000 thousand for an up-front payment that the US company FMC Corporation had made to the parent Isagro S.p.A. for the granting of the exclusive right to develop, register and distribute mixtures based on the fungicide SDHi (both for fertilizing seeds and for other uses) in the NAFTA area (United States, Canada and Mexico). In 2012, the parent Isagro S.p.A. and the US company FMC Corporation entered into an agreement for the co-development of a new fungicide, in the carboxamide chemical class, named SDHi (IR 9792), which, among other aspects, also governed the rights to distributed the mixtures of that fungicide. The agreement envisaged that Isagro and FMC could develop, register, and market two SDHi-based mixtures exclusively in several areas and register one mixture for fertilising seeds and another for other uses, in the area of the exclusive right of the other co-developer, as well as the right to appoint an exclusive distributor in that area. With the amendment of that agreement, Isagro thus waived in favour of FMC the right to register a mixture and to appoint its own exclusive distributor in the United States, Canada and Mexico. As envisaged in the agreement, FMC paid Isagro the consideration in a lump-sum in December 2015.

With regard to the total revenues from related parties, please refer to Note no. 39.

23. Other operating revenues – 3,347

The breakdown of other operating revenues is described in the following table.

Breakdown	2016	2015
Grants related to R&D expenditure	432	12
R&D tax credit	301	173
Recovery of research costs	1,478	1,716
Export incentives	275	309
Insurance compensation	27	-
Recovery of sundry costs and other income	834	685
Total	3,347	2,895

The item “Grants related to R&D expenditure” refers to:

- € 242 thousand as the grant disbursed by the Ministry for Economic Development following the access to benefits from the Technology Innovation Fund (TIF) for the parent Isagro S.p.A.’s project, “Use of bio-IT platforms to identify new crop protection products”;
- € 190 thousand as the grants disbursed by the Piedmont Regional Government for the “ECOMOL” project (€ 161 thousand) and “L-ACTIVE” (€ 29 thousand).

The item “R&D tax credit” refers to the portion accrued in 2016 of the benefit pursuant to article 1, paragraph 35 of Law no. 190 of December 23rd, 2014 (so-called Stability Law for 2015) relating to the incremental expenses of research and development incurred by the parent Isagro S.p.A. and previously described in Note no. 10, to which reference is made.

Of the item “Recovery of research costs”, € 1,248 thousand refers to the recovery of 50% of costs incurred by the parent Isagro S.p.A. with the US company FMC Corporation, under the terms of the agreement signed by the two companies for the co-development of a new fungicide.

24. Raw materials and consumables used – 74,104

The breakdown of costs for the purchase of raw materials and consumables is described in the following table.

Breakdown	2016	2015
Raw and ancillary materials, consumables and goods:		
- purchases of raw materials, packaging and crop protection products	73,972	85,417
- purchases of technical materials and those for research activities	497	836
- change in inventories of raw and ancillary materials and consumables	(676)	(2,591)
- other purchases	311	318
Total	74,104	83,980

The decline in “purchases of raw materials, packaging and crop protection products”, compared to the previous year, was determined by the reduction in turnover compared to the previous year. The goal of reducing production activities was achieved by the parent Isagro S.p.A. in part by suspending activities for one quarter in the production sites of Aprilia (LT) and Bussi sul Tirino (PE) using the Ordinary Redundancy Fund.

For the total amount of purchases from related parties, please refer to Note no. 39.

25. Costs for services – 26,851

The breakdown of costs for services is described in the table below:

Breakdown	2016	2015
For services:		
- utilities	4,025	5,123
- technical maintenance	1,324	1,475
- transport and related purchase and sale transaction costs	5,020	5,275
- toll manufacturing	1,859	2,838
- consulting and professional services	2,835	2,991
- services connected to research	1,814	1,747
- ICT costs	418	380
- marketing costs	3,005	2,754
- leases and rents	1,244	1,236
- lease expense	1,088	1,127
- provision for director bonuses	196	77
- allocation to provision for the destruction of goods	60	-
- other services	3,963	4,270
Total	26,851	29,293

The item presents a decrease by € 2,442 thousand compared to last year, of which € 2,077 were due to the decline in utilities and toll manufacturing, closely correlated with the decrease in sales. As a result both of the lower sales of crop protection products and of the reduction in revenues from formulation activities of the parent Isagro S.p.A., there was a slow-down in production activities, in particular in the second half, with the consequent reduction in costs for utilities (-€ 1,098 thousand) and costs for toll manufacturing (-€ 979 thousand).

For the total amount of costs for services from related parties, please refer to Note no. 39.

26. Personnel costs – 29,308

The breakdown of personnel costs is described in the following table:

Breakdown	2016	2015
Personnel costs:		
- wages and salaries	18,453	17,992
- social security charges	4,831	4,975
- employee benefits	71	55
- pension funds	1,099	1,096
- provision for bonuses	1,631	1,592
- costs for employee services	2,641	2,378
- costs for early retirement incentives	269	329
- other costs	313	415
Total	29,308	28,832

Compared to the previous year, this item recorded an increase of € 476 thousand, though in the presence of a decrease in the average number of Group employees, as indicated in the table below. This situation is attributable on one hand to higher travel expenses for sales and marketing personnel and on the other hand to the changes in the composition of the Group's workforce. Though the average number of white-collar workers and blue-collar workers decreased, the average number of executives and middle management staff increased, leading to an increase in personnel costs overall.

"Costs for early retirement incentives" essentially refers to the costs incurred in 2016 by the subsidiary Isagro USA, Inc. for early, agreed termination of several employment contracts with its executives and employees.

Here below is the number of employees, broken down by category:

	2016 average	2016 average	As at Dec. 31 st , 2016	As at Dec. 31 st , 2015
- executives	55	51	55	49
- middle managers	139	136	140	135
- white-collar workers	321	328	321	319
- special qualified workers	6	7	6	6
- blue-collar workers	100	107	96	97
TOTAL	621	629	618	606

27. Other operating costs – 6,476

The breakdown of this item is described in the following table:

Breakdown	2016	2015
- losses on disposal of assets	6	174
- impairment losses on receivables	1,738	1,090
- indirect, production and manufacturing taxes	4,076	3,839
- other operating costs	656	748
Total	6,476	5,851

The increase in the item, by € 625 thousand, compared to the previous year, is substantially due to the increase in “impairment losses on receivables”, which comprises:

- € 1,250 thousand to the allocation to the provision for impairment losses on trade receivables carried out by the parent Isagro S.p.A., an increase compared to the value of the previous year (€ 120 thousand) as a result of the impairment of the credit position of customers in Central and South America;
- € 384 thousand for the allocation to the bad debt provision for trade receivables, made by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. following the impairment of the credit position of several customers on the Indian market.

The item “indirect, production and manufacturing taxes” includes € 3,330 thousand in consumption and manufacturing taxes paid by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (€ 3,398 thousand in 2015).

28. Change in inventories of finished products and work in progress - -2,996

The negative change by € 2,996 thousand in product inventories, calculated net of the provision for inventory obsolescence, was calculated as follows:

- Net inventories as at January 1 st , 2016	(35,686)
- Translation difference and other changes	(317)
- Net inventories as at December 31 st , 2015	33,037
- Total change	<u>(2,996)</u>

For the comment on this item, please refer to that already described in Note no. 7.

29. Costs capitalised for internal work – 2,858

The item refers mainly to the capitalisation of personnel costs, overheads and consumption of technical material amounting to € 2,557 thousand related to extraordinary protection costs, development expenditure and expenses for registration of the Group's new products. This item decreased by € 649 thousand compared to the previous year, essentially due to greater use of the Group's internal resources for innovative research and ordinary defence activities, which according to Group accounting principles do not qualify as projects subject to capitalisation.

Services received from third parties relating to capitalised development projects are deducted directly from "consulting and professional services" under "costs for services".

30. Depreciation and amortisation – 9,173

Depreciation of tangible assets - 3,829

Amortisation of intangible assets - 5,344

Breakdown	2016	2015
Depreciation of tangible assets:		
- buildings	976	917
- plant and equipment	2,359	2,316
- industrial and commercial equipment	222	263
- furniture and fittings	50	51
- motor vehicles	28	41
- office equipment	194	160
	3,829	3,748
Amortisation of intangible assets:		
extraordinary protection	1,940	2,072
- know-how	1,049	1,064
- patents, licenses, trademarks and registration	2,098	1,729
- other	257	281
	5,344	5,146
Total	9,173	8,894

The increase by € 279 thousand is substantially due to the item "patents, licenses, trademarks and registration", and in particular it was due to higher amortisation posted in relation to the registration of the biofumigant and of Kiralaxyl in the United States, obtained in 2015 and amortised in the previous year for a lower amount than the yearly allowance.

31. Impairment of tangible and intangible assets – 174

During the year, the parent Isagro S.p.A. wrote down the residual book value of the costs incurred for authorisations to sell crop protection products being obtained (€ 123 thousand) and to the costs for the development of new formulations (€ 51 thousand), whose continuation was judged not cost-effective by the Group.

32. Net financial charges – 28

Breakdown	2016	2015
Gains/losses on financial assets/liabilities at fair value through profit or loss:		
- gains/losses on derivatives:		
commodities	71	(126)
exchange rates	(182)	(3,045)
	(111)	(3,171)
- fair value adjustments to derivatives:		
commodities	6	38
exchange rates	(71)	68
	(65)	106
- net gains on assets held for trading:		
securities and mutual funds	123	134
	123	134
	(53)	(2,931)
Interest income/expense on financial assets/liabilities not designated at fair value:		
- interest income on bank deposits	593	512
- interest income on other receivables	20	80
- interest and fees paid to banks and other lenders	(1,775)	(1,653)
- interest/financial discounts on trade receivables and payables	23	(120)
- finance lease costs	(11)	(16)
- actuarial gains/losses	278	65
	(872)	(1,132)
Other financial income/charges:		
- foreign currency gains/losses	895	1,635
- other	2	5
	897	1,640
Total	(28)	(2,423)

The positive change compared to the previous year, amounting to € 2,395 thousand, was the result of a combined effect essentially caused by:

- lower realised losses from derivatives, by € 2,863 thousand), indirectly offset by lower foreign exchange gains and by higher losses from adjustment to fair value of derivatives, totalling € 601 thousand;
- higher income from discounting, by € 213 thousand, essentially due to the licensing agreements stipulated by the parent Isagro S.p.A., already described in notes No. 5 and 22.

33. Income taxes – 3,887

Breakdown	2016	2015
Consolidated Income Statement		
<i>Current tax:</i>		
- income taxes	3,696	3,199
- IRAP	216	276
- use of deferred tax liabilities/deferred tax assets	1,145	756
- tax on share repurchase transactions	-	472
- contingent assets and liabilities, taxes on foreign income and tax credits	300	293
	5,357	4,996
<i>Deferred tax assets and liabilities:</i>		
- deferred tax liabilities	332	351
- deferred tax assets	(1,810)	(1,828)
- contingent assets and liabilities and write-downs on deferred tax assets	8	517
	(1,470)	(960)
Total income taxes recognised in profit or loss (continuing operations)	3,887	4,036
Other comprehensive income		
<i>Deferred tax assets and liabilities:</i>		
- tax effect on actuarial gains/losses regarding defined-benefit plans	(46)	(34)
	(46)	(34)
Total income taxes recognised in equity (continuing operations)	(46)	(34)

The item “Use of deferred tax assets/deferred tax liabilities”, equal to € 1,145 thousand, reflects the difference between the use of deferred tax assets, equal to € 1,577 thousand (€ 664 thousand of which for the use of tax losses, € 473 thousand for the use of taxed provisions and € 89 thousand relating to the tax effect of intercompany profits) and the use of deferred tax liabilities, equal to € 432 thousand.

The recognition of deferred tax assets of € 1,810 thousand refers mainly to the tax benefits expected from the future use of taxed provisions (€ 1,286 thousand) and the tax effect of netting intragroup profits for the period (€ 356 thousand).

The item “taxes on share repurchase transactions”, in 2015, referred to a tax on capital income paid by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. in relation to a repurchase transaction of 1,140,000 shares held by the parent Isagro S.p.A. at a price of 180 Indian Rupees per share, and therefore for a total value of approximately € 3,035 thousand.

The item “contingent assets and liabilities, taxes on foreign income and tax credits”, equal to € 300 thousand, specifically includes:

- a contingent liability of € 242 thousand recorded by the parent Isagro S.p.A. following the decision to write down several withholdings at the source on foreign income in previous years, as the company management judged them difficult to recover over the time frame of the Company Plans;
- the recognition in profit and loss, due to the reasons set forth above, of the withholding at the source of income generated abroad in the period, amounting to € 217 thousand, of which € 118 thousand pertaining to the collection of the instalment relating to the receivable due to the parent Isagro S.p.A. by Arysta LifeScience Co., Ltd., described in Note no. 5;
- the tax credit of € 196 thousand provided for by the parent Isagro S.p.A. on the basis of the tax concession (so-called A.C.E. - Aiuto alla Crescita Economica - Help to Economical Growth) which aims to provide incentive for business which keep profits generated in-house and which receive new risk capital. In particular, the credit was accrued thanks to the increase in shareholders' equity resulting from the share capital increase carried out in 2014.

The following table illustrates the reconciliation between the theoretical IRES and IRAP tax rates (27.5% and 3.90%, respectively) and the effective tax rates, taking into account the effect of deferred tax assets and liabilities.

The taxable profit relating to the theoretical tax rates coincides with the Group's profit before tax (€ 6,870 thousand):

	INCOME TAXES	IRAP	TOTAL
	Taxes	Taxes	Taxes
Theoretical taxes	1,889	268	2,157
- increases	293	95	388
- decreases	(177)	(18)	(195)
- costs not relevant for IRAP purposes	-	79	79
- tax on share repurchase transactions and dividend distribution	307	-	307
- effect of changes/differences in tax rates	581	-	581
- contingent assets and other changes	852	(282)	570
Actual taxes	3,745	142	3,887

The presence of a high tax burden (€ 3,887 thousand) compared to the theoretical one (€ 2,157 thousand) is mostly due to the failure to allocate deferred tax assets, for prudential reasons, amounting to € 986 thousand by the American subsidiary Isagro USA, Inc. in relation to the tax loss of the period, whose effects, in the above table, are included under “contingent assets and other changes”.

The “increases” essentially regard the parent Isagro S.p.A. and refer to indirect taxes, contingent liabilities and other non-deductible costs.

“Costs not relevant for IRAP purposes” essentially include the tax effect of the labour costs for employees with fixed-term contracts and financial charges, since these items are not deductible for the purpose of calculating the regional tax on production activities paid by the parent.

The item “effect of changes/differences in tax rates” refers to the higher tax rates, with respect to those of the Italian companies, which the foreign subsidiaries that have reported positive results during the year are subject to (in particular Isagro (Asia) Agrochemicals Pvt. Ltd.

34. Net profit/(loss) from discontinued operations – 250

The amount recognised in the Financial Statements refers to the additional allocations to the bad debt provision, which at December 31st, 2015 amounted to € 850 thousand, by the parent Isagro S.p.A. based on the communications received from the legal counsel of Sumitomo Chemical Italia S.r.l., who are handling collection of the receivables guaranteed at the time of transfer of the investment in Isagro Italia S.r.l. (now Sumitomo Chemical Italia S.r.l.) in 2011.

The transfer contract provided for an indemnity up to € 2,250 thousand in connection with the solvability of some trade receivables in the portfolio of the sold company if, within three years from the date of closing the transaction, these receivables were not yet collected.

The purchaser had notified the parent Isagro S.p.A. that as at December 31st, 2013 € 1,750 thousand of the above-mentioned receivables had still not been collected. Therefore, on February 20th, 2014, the parties had agreed that Isagro would have paid this sum to Sumitomo Chemical Co. Ltd by way of guarantee on the obligation to pay the receivables in question, however establishing that if Sumitomo Chemical Italia S.r.l. should collect these receivables by December 31st, 2018 the purchaser shall be required to return the sum deposited for the corresponding amount to Isagro. The payment of the afore-mentioned amount then took place on April 8th, 2014. On July 15th, 2016, there was a partial repayment, in the amount of € 229 thousand, of the security deposit by the Japanese company following collection of certain trade receivables.

That allocation was classified in the item “Net profit/(loss) from discontinued operations”, pursuant to paragraph

35 of IFRS 5, emerging as a price adjustment of the disposal of the equity investment in Isagro Italia (today Sumitomo Chemical Italia S.r.l.) against which a net capital gain of € 8,859 thousand was recognised in the same item of the Income Statement of the Consolidated Financial Statements as at December 31st, 2011. The balancing entry of the allocation was reclassified to decrease the guarantee deposit recorded under non-current receivables. Lastly, as the parent Isagro S.p.A. considered the allocation made as an adjustment to the capital gain relating to the transfer of an investment, it is not tax deductible, as in 2011 the parent subjected the income obtained to a regime of tax benefits (so-called Participation Exemption), which requires the taxation of only 5% of the capital gain earned.

35. Distributed dividends

In 2016, dividends were distributed by the parent Isagro S.p.A. in the amount of 2.5 Eurocents for each of the 24,499,960 Ordinary Shares (excluding treasury shares) and 3 Eurocents for each of the 14,174,919 Growth Shares, for a total of € 1,038 thousand, as approved by the Ordinary Shareholders' Meeting of April 28th, 2016.

36. Earnings per Share

	2016	2015
Earnings per share (basic and diluted)		
Net profit for the year attributable to shareholders of the parent (thousands of euro)	2,733	3,132
Average number of Ordinary Shares and Growth Shares (thousands)	38,675	38,675
Earnings per share (basic and diluted) - Ordinary Shares	0.071	0.081
Increase for Growth Shares	0.014	0.016
Earnings per share (basic and diluted) - Growth Shares (euro)	0.085	0.097
Earnings per share (basic and diluted) from continuing operations		
Profit from continuing operations (in thousands of euro)	2,983	3,382
Average number of Ordinary Shares and Growth Shares (thousands)	38,675	38,675
Earnings per share (basic and diluted) from continuing operations - Ordinary Shares	0.077	0.087
Increase for Growth Shares	0.015	0.016
Earnings per share (basic and diluted) from continuing operations - Growth Shares (euro)	0.092	0.103
Earnings per share (basic and diluted) from discontinued operations		
Loss from discontinued operations	(250)	(250)
Average number of Ordinary Shares and Growth Shares (thousands)	38,675	38,675
Earnings per share (basic and diluted) from discontinued operations - Ordinary Shares	(0.006)	(0.006)
Increase for Growth Shares	0.000	0.000
Earnings per share (basic and diluted) from discontinued operations - Growth Shares (euro)	(0.006)	(0.006)
	2016	2015
Average number of Ordinary Shares	24,499,960	24,499,960
Average number of Growth Shares	14,174,919	14,174,919
Total	38,674,879	38,674,879

“Basic” earnings per share are calculated based on the average number of Isagro S.p.A. shares outstanding, deducting the average number of treasury shares held, equal to 50,000 both in 2016 and in 2015.

Diluted earnings per share is calculated taking into account, in addition to the average number of shares outstanding, also any shares already resolved, but not yet subscribed. These situations did not occur either in 2016 or in 2015.

37. Fair value: measurement and hierarchical levels

IFRS 13 requires that Statement of Financial Position items measured at fair value be classified according to a hierarchy of levels that reflects the significance of the inputs used to calculate the fair value. The following levels are distinguished:

- Level 1 - prices (not adjusted) quoted on an active market for assets or liabilities to be assessed;
- Level 2 - inputs other than the quoted prices per the previous point, observable directly (prices) or indirectly (derived from prices) on the market;
- Level 3 - inputs not based on observable market data.
- The following table shows the assets and liabilities measured at fair value as at December 31st, 2016 broken down by fair value hierarchy level.

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
- exchange rate derivatives (forward purchase/sale)	-	10	-	10
- derivatives on commodities - copper (future buy)	-	11	-	11
Total financial assets	-	21	-	21
Financial liabilities measured at fair value:				
- exchange rate derivatives (forward purchase/sale)	-	(86)	-	(86)
- derivatives on commodities - copper (future buy)	-	(5)	-	(5)
Total financial liabilities	-	(91)	-	(91)

As for the techniques for determining the fair value of the derivatives included in Level 2, please refer to Note no. 11. In 2016, there were no shifts between Level 1 and Level 2 of fair value measurements, or from Level 3 to other levels and vice versa.

The fair value of (trade and other) receivables due beyond 12 months and loans obtained from banks is summarised in the table below; with reference to receivables deriving from Licensing, they also include the portion due within the following year. Except for what is described in detail in the table below, in the management's opinion the book value of the other assets and liabilities (financial, commercial and other) of the Group is a reasonable approximation of their fair value.

	Book value	Fair value
Receivables and other assets:		
<i>Receivables measured at amortised cost:</i>		
- Receivables from Arysta LifeScience	2,020	2,058
- Receivables from Gowan Company LLC	4,881	4,720
- Receivables from Quimimport	537	539
- Receivables from Rotam Agrochemical Company Ltd.	1,045	1,089
- Receivables from SumiAgro Europe Limited	1,047	1,065
Financial liabilities:		
<i>Financial liabilities measured at amortised cost:</i>		
- Loans from banks - floating rate (current and non-current)	66,188	67,214
- Loans from other lenders - fixed rate (current and non-current)	1,922	1,919
- Loans from other lenders - floating rate (current and non-current)	779	779

The determination of the fair value was carried out on a consistent basis with the generally accepted methods, which use valuation models based on the Discounted Cash-Flow. Specifically, the parent Isagro S.p.A. used the models in the Bloomberg database. Discounting of the future Cash-Flows of receivables and loans expressed in euro was calculated based on the market zero coupon rates curve as at December 31st, 2016, obtained from the six-month EURIBOR curve, while discounting of future Cash-Flows of loans expressed in US dollars was calculated

based on the market zero coupon rates curve as at December 31st, 2016, obtained from the six-month LIBOR. The above-mentioned curves were adjusted to bear in mind the creditworthiness of the parent Isagro S.p.A. (own credit risk) in the case of loans payable and the creditworthiness of the counterparty (counterparty credit risk) in the case of receivables claimed by the parent Isagro S.p.A. Please also note that, in order to render the fair value of medium/long-term loans comparable with their book value, the related accessory charges were taken into account. In management's opinion, the aforementioned receivables and payables can be classified in Level 2 of the fair value hierarchy.

Other information

38. Contingent liabilities, commitments and guarantees

Legal proceedings

Caffaro S.r.l. (in receivership)

During the second half of 2010 Isagro S.p.A. filed proceedings for admission as creditor of Caffaro S.r.l. (in receivership) in relation to the amount receivable under the guarantee issued in favour of Isagro S.p.A. as part of the preliminary business unit transfer agreement of July 4th, 2001 covering costs relating to reclamation works completed on the Aprilia site.

It should be remembered that, following lengthy and complex legal proceedings, in February 2015 the parties signed a settlement agreement, by virtue of which they waived legal redress to the statement of affairs, with subsequent annulment of proceedings and Isagro's admission as creditor of Caffaro for the unsecured receivable of € 2,250,000. For the same receivable, a similar claim was filed against Snia S.p.A., also in receivership, as the sole shareholder of Caffaro and therefore jointly liable. As the Court of Milan rejected this claim, Isagro prepared and filed an appeal against the bankruptcy order, seeking admission of the proof of claim against Snia S.p.A. The first hearing was fixed for September 27th, 2011 and, by decree of December 13th, 2011, the Court of Milan rejected Isagro S.p.A.'s appeal, considering the receivable possible and future. Isagro therefore challenged the decision by filing an appeal before the Court of Cassation, for which a date to discuss the case is still pending.

Furthermore, it is considered that there are no obligations to bear the costs associated with reclamation of the Aprilia site as Isagro S.p.A. was not responsible for its pollution.

Appeal against Polven.Re and M.Business

Following the rejection of the guarantee claim formulated by Polven.Re against Isagro S.p.A. by the Court of L'Aquila with its decision of March 2nd, 2016, the losing party Polven.Re promoted an appeal, requesting that the first degree decision be fully reformed. The hearing for the discussion of the appeal was set for May 23rd, 2017.

During the first degree proceeding, Polven.Re had been sued by M.Business which had complained of a series of contractual breaches and violations in relation to the land leased to it by Polven.Re. Since it is the same land that Polven.Re had purchased from Isagro S.p.A., Polven.Re had asked and obtained to summons Isagro S.p.A. itself to activate the contractual guarantee with respect to it. The damages claimed by M.Business had been quantified in € 709,547.26.

Polven.Re, which formulated a counterclaim against M.Business, amounting to € 628,769.63, and hence it asked to be held harmless by Isagro, which objected.

As indicated above, this counterclaim was rejected by the Court and Polven.Re was also ordered to repay the litigation expenses.

The legal counsel of Isagro S.p.A. deems the risk of loss in the proceeding to be quite improbable at this time.

Labour-related disputes

With regard to the parent Isagro S.p.A., the following should be noted:

- an employee of the Bussi sul Tirino (PE) plant filed an urgent appeal against Isagro S.p.A. to challenge the dismissal due to assault against another worker; this employee was temporarily and urgently reinstated when the measure that had declared the dismissal legitimate was challenged. Isagro then filed suit to have the dismissal declared legitimate in order to protect the safety of the other employees and to prevent action brought by the employee for damages, already rejected on a temporary and urgent basis. The value of the proceeding is about € 50 thousand. The Court had set the first hearing for February 27th, 2014. During the aforesaid hearing, the Judge heard the first witnesses and then postponed the case to the hearing on May 29th, 2014 to complete the investigation phase. By reason of the attempted agreement between the parties, the Court first postponed the case to the hearing on July 3rd, 2014, and then to October 2014 in order to complete the investigation phase. The case had undergone a series of further adjournments, so as to allow the parties to come to a cordial agreement, until February 10th, 2015. During this hearing, the Judge most recently assigned had returned the documentation to the Presiding Judge of the Court for a new reassignment of the case since, having already handled the case previously, the Judge had declared his desire to recuse himself from the case. The Presiding Judge had rejected the claim submitted for reassignment and the case had therefore again been assigned to the previously appointed judge who, at the hearing of April 14th, 2015, had adjourned the case to October 16th, 2015. In the meantime, as the previously appointed Judge had terminated his office due to retirement, the Presiding Judge had appointed a new Judge who, at the hearing on October 16th, 2015, had confirmed the witness testimony previously admitted by the prior judge and had adjourned the case to December 11th, 2015. During the hearing, several witnesses had been heard and the Judge had once again adjourned the case to February 19th, 2016 to continue hearing witness testimony. Also during this hearing, a further two witnesses were heard and the Judge adjourned the case to June 17th, 2016 for the final discussion and ruling. At the hearing of June 17th, 2016, the judge pronounced the ruling, declaring fully legitimate the dismissal for just cause and repealing the preliminary orders issued previously. It should be noted that the new order can be challenged, with a strong likelihood that the former employee would appeal.

It should also be noted that the employee, previously reinstated, has once again been dismissed for just cause following a new disciplinary sanction. The employee then challenged the dismissal out of court in accordance with law, and filed a conciliation attempt before the Regional Labour Commission of Pescara pursuant to article 410 of the Italian Code of Civil Procedure. At the same time, postponement of sentencing was arranged in the (fast-track) criminal proceedings brought against the employee under the terms of the criminal complaint filed by the company (versus parties unknown) in relation to the events associated with the aforementioned dismissal.

After a series of meetings before the Regional Labour Commission, the parties sought to identify a possible settlement agreement which, in any event, would envisage termination of the employment contract. For this purpose, a hearing was recently set for October 8th, 2015, so that the Conciliation Chambers can learn of the outcome of the pending criminal proceedings (expected at the end of September) and then formulate a settlement agreement for the parties. At that hearing, verifying that the criminal proceedings were still pending and that the parties were unable to reach a settlement agreement, the Conciliation Chambers declared the negative outcome of the procedure, without formulating a specific proposal.

Currently, the first degree case is pending before the Court of Pescara, which has already reached the preliminary stage; in 2016, some witnesses had been heard and the next hearing was set for March 23rd, 2017, during which the last witness summoned by the company shall be heard.

The company and its lawyers deem these requests to be patently groundless and the risk of an adverse outcome for the company in litigation to be improbable.

Tax disputes

Isagro S.p.A.

With reference to the parent Isagro S.p.A., on December 22nd, 2006, the Italian Revenue Agency, subsequent to a general tax audit for 2003, served the Company with an assessment notice for IRPEG (the income tax for legal entities), IRAP and VAT violations, demanding an additional tax payment of € 83,251 plus penalties and interest. The Company appealed against this decision with the Provincial Tax Commission on May 14th, 2007. The Tax Commission with decision no. 22/25/08 of February 2008 allowed the appeal entirely and fully rescinded the assessment notice. Nevertheless, on March 25th, 2009, the Revenue Agency notified the Company that it had appealed against this decision. The company appeared on May 21st, 2009. The appeal was heard on January 22nd, 2010. On February 24th, 2010 sentence no. 28/6/10 was filed which fully accepted the Revenue Agency's appeal. Since the Company deemed that the Court erred in law and logic, it filed an appeal with the Supreme Court of Cassation, with good prospects of an outcome in favour of the Company. It should be noted that as regards this dispute, the Company does not believe that to date there elements that could lead to an adverse outcome in litigation.

Isagro (Asia) Agrochemicals Pvt. Ltd.

With reference to the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., it should be noted that there is an ongoing dispute with local taxation authorities regarding income taxes for the years 2007/2008, 2008/2009, 2009/2010, 2010/2011, 2011/2012 and 2012/2013, for a total of INR 52,880 thousand (equal to around € 739 thousand). The dispute filed by Indian tax authorities allegedly refers to the non-recognition for tax purposes of certain costs incurred by the company. The subsidiary appealed with the relevant authorities, and to date it does not believe that there are elements that could lead to an adverse outcome in litigation.

Commitments and guarantees

Following the transfer in 2011 of the investment in Isagro Italia S.r.l., now Sumitomo Chemical Italia S.r.l., to Sumitomo Chemical Co. Ltd., the parent Isagro S.p.A. has a commitment in place for the guarantees issued to the buyer as regards potential future liabilities, for losses or damages related to taxes, the environment, social security and labour. The maximum risk is measured at € 7,500 thousand and the expiry of the guarantees is to be correlated to time-barring and lapse of the related events.

As at December 31st, 2016 the Group also has the following long-term obligations outstanding:

- € 4,849 thousand for the contractual obligation related to the rental of motor vehicles and other third-party assets (€ 1,476 thousand) and lease expense (€ 3,373 thousand). In particular, the future fees due are as follows:
 - € 1,173 thousand within one year;
 - € 3,427 thousand between one and five years;
 - € 249 thousand after five years;
- € 722 thousand for payments due from the parent Isagro S.p.A. to Solvay Solexis S.p.A. in connection with the use, for a period of 99 years starting from 2005, of an area in the municipality of Bussi sul Tirino (Province of Pescara), where an industrial plant for the production of Tetraconazole was built.

The Group received a guarantee from the Belgian company Unifert Group S.A. for a total of € 1,000 thousand relating to trade receivables deriving from the sales by the parent Isagro S.p.A. to several companies in the Unifert Group in 2016 and 2017.

The third-party guarantees for the Group companies' commitments amounted to € 249 thousand.

The parent Isagro S.p.A. also issued contractual guarantees to Regentstreet B.V., purchaser of the investment in the company Sipcam Isagro Brasil sold in 2011, for a total of € 15,000 thousand to cover any future liabilities for damages and losses related to taxes, the environment, social security and labour. The expiry of these guarantees is correlated to time barring and lapse of the related events.

The guarantees received and issued in relation to loans are described in Note no. 14.

39. Related party disclosures

Here below are the Group's transactions with related parties, including:

- parent companies;
- associates;
- entities which hold a direct or indirect interest in the parent, its subsidiaries and its holding companies, and are presumed to have significant influence over the Group. In particular, significant influence is objectively presumed to exist when an entity owns, directly or indirectly, over 10% of the parent, or when it owns over 5% and, at the same time, it has entered into agreements which generate transactions during the year amounting to at least 5% of consolidated sales. These companies are known as "other related parties";
- directors, statutory auditors and key management personnel, and any family members.

The following table highlights the income statement and Balance Sheet amounts relating to transactions with the different categories of related parties:

Income Statement	2016	of which Related Parties				
		Associates	Parent companies	Other related parties	Tot. related parties	% incidence on the financial statement item
In thousands of Euro						
Revenues	149,717	-	-	17,013	17,013	11.36%
Other operating revenues	3,347	-	23	124	147	4.39%
Raw materials and consumables used	74,104	-	-	1,007	1,007	1.36%
Costs for services	26,851	83	-	-	83	0.31%
Other operating costs	6,476	-	-	1	1	0.02%

Income Statement		of which Related Parties				
		2015	Associates	Parent companies	Other related parties	Tot. related parties
In thousands of Euro						
Revenues	156,048	-	-	15,803	15,803	10.13%
Other operating revenues	2,895	-	23	-	23	0.79%
Raw materials and consumables used	83,980	-	-	344	344	0.41%
Costs for services	29,293	200	-	46	246	0.84%
Other operating costs	5,851	-	-	5	5	0.09%

Balance Sheet

In thousands of Euro	As at Dec. 31 st . 2016	of which Related Parties				
		Associates	Parent companies	Other related parties	Tot. related parties	% incidence on the financial statement item
Non-current receivables and other assets	8,144	-	-	4,390	4,390	53.90%
Trade receivables	50,597	-	-	4,326	4,326	8.55%
Other current assets and other receivables	5,729	-	7	9	16	0.28%
Trade payables	31,663	-	-	1,025	1,025	3.24%

Balance Sheet

In thousands of Euro	As at Dec. 31 st . 2015	of which Related Parties				
		Associates	Parent companies	Other related parties	Tot. related parties	% incidence on the financial statement item
Trade receivables	52,000	-	-	6,383	6,383	12.28%
Other current assets and other receivables	5,614	-	10	5	15	0.26%
Trade payables	37,689	67	-	70	137	0.36%

The above amounts, broken down by company in the following tables, essentially refer to commercial relations (purchases and sales of products, Licensing, processing fees, provision of administrative, research and marketing services), with the transactions carried out at arm's length, and financial relations whose characteristics have been outlined in the various notes to the Financial Statements.

Relations with associatesCosts for services

	2016	2015
Arterra Bioscience S.r.l.	83	200
Total	83	200

Trade payables

	Dec. 31 st , 2016	Dec. 31 st , 2015
Arterra Bioscience S.r.l.	-	67
Total	-	67

Relations with parents

Relations with the holding companies Piemme and Holdisa are limited to the provision of administrative services by the parent Isagro S.p.A. and occasional financial transactions.

<u>Other operating revenues</u>	2016	2015
Holdisa S.r.l.	14	14
Piemme S.r.l.	9	9
Total	23	23

<u>Other current assets and other receivables</u>	Dec. 31 st , 2016	Dec. 31 st , 2015
Holdisa S.r.l.	4	4
Piemme S.r.l.	3	6
Total	7	10

Relations with other related parties

The item “other related parties” refers to the Gowan Group, which became a related party following its inclusion on October 18th, 2013 in the share capital of the former indirect holding company BasJes Holding S.r.l. (now the direct holding company under the name of Holdisa S.r.l.) for 49% of its share capital. The (trade and other) receivables and revenues from the Gowan Group refer both to the sale of crop protection products to companies of Gowan Group both on the part of the parent Isagro S.p.A. and of the US subsidiary Isagro USA, Inc. and to the up-front payment made in 2016 against the granting, by the parent Isagro S.p.A., of the exclusive right, for fourteen years, to develop, register, formulate, produce and market in Europe mixtures based on Kiralaxyl, for all types of use except for fertilizing seeds; additional details relating to the aforesaid transactions are provided in Note no. 22, to which reference is made.

Transactions with the Gowan Group were carried out at arm's length.

<u>Revenues</u>	2016	2015
Gowan Group	17,013	15,803
Total	17,013	15,803
<u>Other operating revenues</u>	2016	2015
Gowan Group	124	-
Total	124	-
<u>Raw materials and consumables</u>	2016	2015
Gowan Group	1,007	344
Total	1,007	344
<u>Costs for services</u>	2016	2015
Gowan Group	-	46
Total	-	46
<u>Other operating costs</u>	2016	2015
Gowan Group	1	5
Total	1	5
<u>Non-current receivables and other assets</u>	Dec. 31 st , 2016	Dec. 31 st , 2015
Gowan Group	4,390	-
Total	4,390	-
<u>Trade receivables</u>	Dec. 31 st , 2016	Dec. 31 st , 2015
Gowan Group	4,326	6,383
Total	4,326	6,383
<u>Other assets and other receivables</u>	Dec. 31 st , 2016	Dec. 31 st , 2015
Gowan Group	9	5
Total	9	5
<u>Trade payables</u>	Dec. 31 st , 2016	Dec. 31 st , 2015
Gowan Group	1,025	70
Total	1,025	70

Remuneration for Directors and Statutory Auditors

The table below shows the economic benefits for the Directors of the parent company, and the members of the Board of Statutory Auditors (amounts in Euro):

Party	Description of office		Remuneration		
	Office held	Duration of the office	Emoluments for the office	Bonuses, other incentives and fringe benefits	Other remuneration
<i>Directors:</i>					
Giorgio Basile	Chairman and C.E.O.	3 years	500,000	2,541	56,750
Maurizio Basile	Deputy Chairman	3 years	60,000	119	8,702
Riccardo Basile	Director	3 years	20,000	-	-
Christina Economou	Director	3 years	20,000	-	-
Gianni Franco	Director	3 years	20,000	-	-
Enrica Maria Ghia	Director since April 28 th , 2016 and Chairman of the Control and Risk Committee since May 16 th , 2016	3 years	18,315	-	-
Adriana Silvia Sartor	Chairman of the Nomination and Remuneration Committee	3 years	23,000	-	-
Stavros Sionis	Member of the Control and Risk Committee and the Nomination and Remuneration Committee, Lead Independent Director	3 years	27,000	-	-
Daniela Mainini	Former Director, former Chairman of the Control and Risk Committee	in office until March 14 th , 2016	5,618	-	-
<i>Family members of key management personnel (directors or managers):</i>					
Alessandra Basile			-	-	30,000
<i>Statutory Auditors:</i>					
Filippo Maria Cova	Chairman	in office since April 28 th , 2016	20,000	-	-
Giuseppe Bagnasco	Statutory Auditor	3 years	20,000	-	-
Claudia Costanza	Statutory Auditor	3 years	20,000	-	-
Piero Gennari	Former Chairman of the Board of Statutory Auditors	in office until April 28 th , 2016	10,000	-	-

It should be noted that the term of office of the parent company's Board of Directors, appointed on April 24th, 2015, will end on approval of the Financial Statements as at December 31st, 2017, while that of the Board of Statutory Auditors, appointed on April 28th, 2016, will end on approval of the Financial Statements as at December 31st, 2018.

40. Financial risk management: objectives and approach

In carrying out its business, Isagro Group is exposed to financial and market risks, specifically:

- a) changes in foreign exchange rates;
- b) changes in interest rates;
- c) changes in the prices of raw materials;
- d) liquidity;
- e) capital management;
- f) credit;
- g) climate changes.

Context

The sales of crop protection products of the leading operators in the Industry (Bayer CropScience, Syngenta, Du Pont, Basf, Dow and Monsanto), based on the estimates provided by the consultancy Phillips McDougall, exhibit, for the year 2016, a worldwide aggregate level of revenues that was approximately 5% lower than that of the same period of 2015, with particularly marked decline in South America and, more specifically, in the important Brazilian market.

In 2016, the crop protection market was still characterised by low prices of farm commodities, thus limiting farmers' economic-financial resources in a challenging scenario in terms of access to credit and the related cost, by the appreciation of the Dollar relative to the other major currencies, by high levels of inventory in the distribution channels, by adverse climatic conditions in Brazil and Northern Europe and by the effect deriving from the massive adoption of genetically modified crops in the United States and in Brazil.

In the above-mentioned context, the Group operated in order to control the above financial variables by implementing appropriate policies to minimise the aforementioned risks through the use of market instruments or appropriate corporate control policies and policies for the product/market portfolio.

In detail, as regards the use of derivatives, two types of hedging can be identified: (a) transactions which, in compliance with the risk management policies, satisfy the requirements imposed by the accounting principles for the registration in "hedge accounting", are designated as "hedging transactions"; (b) transactions which, even though they have been carried out as hedges, do not satisfy the requirements provided for by the accounting principles and are classified under "trading."

It should be recalled that Isagro does not enter into derivative contracts for speculative purposes.

The amounts stated in the comments below refer to the parent Isagro S.p.A., which carries out most of its copper purchases and sales in US Dollars. With reference to exchange rates, it should be noted that fluctuations in the Euro/Dollar exchange rate may result in changes in the consolidated amounts of the subsidiary Isagro USA; however, these changes cannot be currently quantified, as they are directly related to the actual year-on-year sales of the subsidiary.

a) Exchange rate risk management

The Isagro Group operates on several markets internationally and many trade relations are managed in currencies other than the Euro, mainly in US dollars, the currency of reference for sales the parent IsagroS.p.A. makes mostly on the US markets and reporting currency of the subsidiary Isagro USA. Although to a lesser extent, the Indian rupee and Colombian peso account currencies of Isagro Asia and Isagro Colombia, respectively, take on importance. This means that the Group's assets and liabilities are exposed to financial risks deriving from the varying exchange rate between the time the trade relation arises and the time the transaction (collection/payment) is finalised. With reference to the parent Isagro S.p.A., sales in US Dollars totalled approximately € 20 million in the year that ended on December 31st, 2016 versus purchases in US Dollars amounting to approximately € 8 million, thus with a balance of approximately US\$ 12 million.

In order to reduce the risk tied in particular to the fluctuations of the US Dollar, the parent Isagro S.p.A. carries out natural hedging transactions represented, for example, by loans granted by banks in US Dollars against the transfer of

invoices denominated in this currency to said banks) and/or hedging transactions using swap instruments. Please note that as at December 31st, 2016, the parent Isagro S.p.A. had currency swap transactions for US\$ 11 million, versus net credit positions in this currency of approximately US\$11 million as at December 31st, 2016, while no transactions were carried out to hedge the exchange rate risk associated with sales in US Dollars forecast for 2017. Isagro also prepares its Consolidated Financial Statements in Euro, so the fluctuations of the exchange rates used to convert the Financial Statement figures of the subsidiaries originally stated in foreign currency might significantly affect the Group's results.

b) Interest rate risk management

The Isagro Group was characterised by a Net financial position as at December 31st, 2016 of € 52.7 million.

The parent Isagro S.p.A. had a net financial position (NFP) of € 58.9 million as at December 31st, 2016, of which € 39.9 million medium/long-term, compared to an NFP and medium/long-term debt as at December 31st, 2015 of € 48.7 million and € 25.6 million, respectively.

Therefore, in the 12 months of 2016 the parent Isagro S.p.A.:

- generated a negative Cash-Flow of € 10.2 million, of which approximately € 3.3 million for the increase of Net working capital, approximately € 5.9 million of operating Cash-Flow and € 1.0 million for payment of dividends to Shareholders. With particular reference to the aforementioned operating cash absorption, it is tied to the continuation of the investment programmes for new registrations of the existing active ingredients and for the development of new products/molecules as well as for the increase of the working capital;
- increased the duration of its debt, growing the medium/long-term portion by € 14.3 million.

Almost all of the financial payables of the parent Isagro S.p.A. are remunerated based on a fixed spread, which varies in size depending on the nature of the various lines, and a variable component that is generally represented by the 3-month EURIBOR (currently negative).

Isagro substantially did not make use of interest rate hedging instruments. However, it is estimated that for each increase of 10 basis points in the cost of debt (3-month EURIBOR), Isagro would have an incremental negative impact on the income statement of approximately € 60 thousand, to be considered immaterial.

Should the expediency of hedging the interest rate risk be seen with reference to the variable component of these loans, Isagro would use interest swap rate contracts.

These contracts would be set up with a notional value which partly covers the financial indebtedness exposed to interest rate fluctuations, with maturity dates identical to those of the underlying financial liabilities, so that each movement in the fair value and/or in the expected Cash-Flows of such contracts is offset by a corresponding movement in the fair value and/or Cash-Flow expected in the underlying position. These hedges would also be carried out with a perspective of correspondence with the sinking plan of each loan (hedge accounting).

Furthermore, with a view to optimising the cost of borrowing at group level and seeking greater alignment between the timing of the investments undertaken and that of the sources of finance supporting these investments, the parent Isagro S.p.A. obtained new medium/long-term finance for a total of € 37.2 million - the portion of which due beyond the 12 months after December 31st, 2016 amounted to € 8.5 million - in the form of ten medium/long-term loans:

- low interest rate loan following the access to benefits from the Technology Innovation Fund (TIF) for the parent Isagro S.p.A.'s project, "Use of bio-IT platforms to identify new crop protection products" of € 2.2 million, disbursed in March by Cassa Depositi e Prestiti (€ 2.0 million) and by UBI Banca (€ 0.2 million);
- loan for € 5.0 million, granted in April by Banca Popolare Commercio e Industria;
- loan for € 7.0 million, granted in May by BPER Banca;
- loan for € 5.0 million, granted in June by Banca del Mezzogiorno;
- loan for € 2.0 million, granted in June by Banco Popolare;
- loan for € 5.0 million, granted in July by Cassa di Risparmio di Parma e Piacenza;
- loan for € 2.0 million, granted in August by Banca CARIGE Italia;
- loan for € 1.0 million, granted in September by Deutsche Bank;

- loan for € 5.0 million, granted in October by Iccrea BancaImpresa;
- loan for € 3.0 million, granted in November by Banca Popolare di Milano.

c) Changes in raw material prices

This risk is essentially limited to fluctuations in the price of the commodity copper, fundamental raw material in the production of fungicides based on this metal. The derivative used is the “commodity swap”.

Until September 30th, 2011, the parent Isagro S.p.A. used to hedge, usually at the start of the financial year, about 50% of its requirements of scrap copper linked to the sales of formulations, without hedging the estimated sales for the year of so-called “technical” products, whose selling price is directly related to the trend in the price of raw materials, postponing the decision as to whether to hedge the remaining quantity later in the year.

However, this method did not allow a connection to be made between the mechanism of fixing the finished product price to customers and the specific trend in the raw material price on the market at the time of its actual purchase and subsequent processing at the Adria site: therefore, this on average permitted the hedging of the generic risk of foreseeable fluctuations in the price, but was not able to protect the Group from sudden and brusque changes together with sudden erratic volatility trends in the price.

This method, which is effective in times characterised by low volatility, was not able to guarantee suitable hedging in times when volatility was high: for this reason, the Finance and Control Department of the parent Isagro S.p.A., in close partnership with the Sales, Supply Chain and Information System Department, set up a work team to review the methods of managing the risk of fluctuations in the price of copper in connection with the fixing of selling prices of finished products for customers.

Thus the following procedure was set in the last part of 2011:

- fixing of sales prices with customers in the previous quarter for the next quarter;
- preparation of a production plan and identification of the approximate terms for the raw material purchase batches for each individual sale and period;
- drawing up of a report generated by information systems and stating, for each individual order and price, the quantities of equivalent scrap copper and the approximate terms set for purchase on the market and production;
- forward cover of quantities.

This new method, in place since January 1st, 2012, made it possible to manage the price risk more effectively. It is specifically designed to address the changed and tougher circumstances. Therefore, this method, which does not derive from an exclusively financial vision but rather involves commercial and productive aspects, will result in a more efficient management of the copper business as a whole, starting from the fixing of sales prices.

Nevertheless, the company financial risk management procedure envisages that the CFO, in agreement with the CEO, can assess the advisability of departing from the above-mentioned hedging procedure.

Please note that as at December 31st, 2016 the parent Isagro S.p.A. has forward purchase transactions for 139 tons of copper in effect, maturing within the first quarter of 2017.

d) Liquidity risk management

The liquidity of the Group is based on a diversification of bank loans and on a structure mix of the lines of credit: “commercial or self-liquidating,” medium-term loans and finally factoring facilities, in order to be able to use these facilities in accordance with the different type of needs.

Note that the Group's debt is concentrated in the parent Isagro S.p.A. and is divided up between a large number of banks with the aim of minimising the risk of reduction/cancellation of lines of credit for current assets.

From an operating perspective, the Group manages the liquidity risk by planning on an annual basis, with a monthly breakdown, the estimated cash inflows and payments. Based on the results of the financial planning, the needs and, consequently, the resources required for the related hedging are identified. Furthermore, a “Financial Report” is prepared on a monthly basis every year. It summarises the parent Isagro S.p.A.'s final Cash-Flows and prospects at year end, again monthly. The same reporting tool has also been applied since 2014 to the subsidiaries Isagro

USA and Isagro España, which in any case represent a minimum portion of the Group's financial debt, and, as from September 30th, 2014 and quarterly, to Isagro Asia, which instead has available cash.

The following table summarises the maturity profile of the Group's liabilities based on the contractual payments not discounted:

Dec. 31st, 2016	On demand	< 3 months	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities	2,529	6,808	20,830	39,000	861	70,028
Derivatives	-	67	24	-	-	91
Trade payables	6,284	8,365	17,014	-	-	31,663
Tax payables	-	-	2,596	-	-	2,596
Other liabilities and other payables (*)	3,153	-	1,305	-	-	4,458
TOTAL	11,966	15,240	41,769	39,000	861	108,836

Dec. 31st, 2015	On demand	< 3 months	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities	11,170	13,428	14,551	26,303	-	65,452
Derivatives	-	247	95	-	-	342
Trade payables	7,076	9,094	21,519	-	-	37,689
Tax payables	-	-	2,523	-	-	2,523
Other liabilities and other payables (*)	3,238	2	1,525	-	-	4,765
TOTAL	21,484	22,771	40,213	26,303	-	110,771

(*) excluding deferred income and guarantee deposits

As at December 31st, 2016, the parent Isagro S.p.A. had over € 80 million in various types of unused bank credit facilities.

e) Capital management

The Group's goal is to guarantee a sound credit rating in order to access bank credit on favourable economic terms. It is the policy of the Group, therefore, to have ongoing contacts with all the financial institutions, in order to convey the information (always within the limits established for listed companies) necessary for them to better understand the type of business and the peculiar market situations existing.

f) Credit risk management

In order to limit certain customer/country risks, letter of credit, insurance coverage, factoring on a non-recourse basis or financial discount for advance payments are used.

The table below shows the maximum exposure of the Group to credit risk:

	Dec. 31 st , 2016	Dec. 31 st , 2015
Trade receivables	50,597	52,000
Other assets and sundry receivables (excluding deferred income)	12,443	10,907
Tax receivables	5,667	4,715
Financial assets	21	441
Cash (excluding cash on hand)	16,440	15,165
	85,168	83,228
Guarantees granted to third parties	49	-
Total credit risk	85,217	83,228

It should also be noted that the Group received guarantees from third parties amounting to € 1,000 thousand in relation to several trade receivables.

g) Climate changes

The usage of crop protection products is influenced by the climate: humidity, rainfall and temperature. Today, the Group's policy is to diversify the markets in which it operates, in order to cover as many markets as possible in both hemispheres. Currently, the Group operates in 80 countries, either directly (with its own sales networks) or indirectly, through local distributors, in order to minimise the impact of particular climatic situations which characterise certain

regions/continents. Nevertheless, drought or excess rain conditions extraordinarily affecting several continents/countries at the same time can strongly influence the Group's profitability. More specifically, given the composition of the Group's sales, the climatic conditions in Europe (and in particular in Italy), the United States and Brazil play an important role. In those markets, in 2016 climate conditions were again unfavourable to the demand for crop protection products – specifically fungicides – with possible effects on 2017 sales.

41. Significant non-recurring events and transactions

No significant non-recurring transactions were carried out during 2016 and 2015.

42. Transactions resulting from atypical and/or unusual operations

Pursuant to CONSOB Communication dated July 28th, 2006, it is specified that, in 2016, the Group did not carry out any atypical and/or unusual operations, i.e. operations which, due to the significance, nature of the counterparties, subject of the transaction, pricing procedures and timing of the event, may raise doubts about the accuracy of the information contained in the Financial Statements, the conflict of interest, the protection of the company's assets, or the safeguarding of minority shareholders.

43. Events subsequent to December 31st, 2016

No significant events occurred between December 31st, 2016 and the date of these Financial Statements.

44. List of the international accounting standards approved by the European Commission as of the date of preparation of the Financial Statements

International Accounting Standards			Endorsement regulation
IFRS	1	First-time Adoption of International Financial Reporting Standards (IFRS)	707/2004-2236/2004-2237/2004-2238/2004-211/2005-1751/2005-1864/2005-1910/2005-108/2006-69/2009-1136/2009-662/2010-574/2010-149/2011-1255/2012-301/2013-1361/2014
IFRS	2	Share-Based Payment	211/2005-1261/2008-243/2010-244/2010-28/2015
IFRS	3	Business combinations	2236/2004-495/2009-149/2011-1361/2014-28/2015
IFRS	4	Insurance contracts	2236/2004-108/2006-1165/2009
IFRS	5	Non-current assets held for sale and discontinued operations	2236/2004-70/2009-243/2010-2343/2015
IFRS	6	Exploration for and evaluation of mineral resources	1910/2005-108/2006
IFRS	7	Financial instruments: disclosures	108/2006-1165/2009-574/2010-149/2011-1205/2011-1256/2012-2343/2015
IFRS	8	Operating segments	1358/2007-632/2010-243/2010-28/2015
IFRS	9	Financial instruments	2067/2016
IFRS	10	Consolidated financial statements	1254/2012-313/2013-1174/2013-1703/2016
IFRS	11	Joint arrangements	1254/2012-313/2013-2173/2015
IFRS	12	Disclosure of interests in other entities	1254/2012-313/2013-1174/2013-1703/2016
IFRS	13	Fair value measurement	1255/2012-1361/2014-28/2015
IFRS	15	Revenue from contracts with customers	1905/2016
IAS	1	Presentation of financial statements	2236/2004-2238/2004-1910/2005-108/2006-1274/2008-53/2009-70/2009-243/2010-149/2011-475/2012-301/2013-2406/2015
IAS	2	Inventories	2238/2004
IAS	7	Statement of cash flows	1725/2003-2238/2004-243/2010
IAS	8	Accounting policies, changes in accounting estimates and errors	2238/2004-70/2009
IAS	10	Events after the reporting period	2236/2004-2238/2004-70/2009
IAS	11	Construction contracts	1725/2003
IAS	12	Income taxes	1725/2003-2236/2004-2238/2004-211/2005-1255/2012
IAS	14	Segment reporting	1725/2003-2236/2004-2238/2004-108/2006
IAS	16	Property, plant and equipment	2236/2004-2238/2004-211/2005-1910/2005-70/2009-301/2013-28/2015-2113/2015-2231/2015
IAS	17	Leases	2236/2004-2238/2004-108/2006-243/2010
IAS	18	Revenue	1725/2003-2236/2004
IAS	19	Employee benefits	1725/2003-2236/2004-2238/2004-211/2005-1910/2005-70/2009-475/2012-29/2015-2343/2015
IAS	20	Accounting for government grants and disclosure of government assistance	1725/2003-2238/2004-70/2009

International Accounting Standards			Endorsement regulation
IAS	21	Effects of changes in foreign exchange rates	2238/2004-149/2011
IAS	23	Borrowing costs	1725/2003-2238/2004-1260/2008-70/2009
IAS	24	Related party disclosures	2238/2004-1910/2005-632/2010-28/2015
IAS	26	Retirement benefit plans	1725/2003
IAS	27	Separate financial statements	2236/2004-2238/2004-69/2009-70/2009-494/2009-149/2011-1254/2012-1174/2013-2441/2015
IAS	28	Investments in associates and joint ventures	2236/2004-2238/2004-70/2009-149/2011-1254/2012-1703/2016
IAS	29	Financial reporting in hyperinflationary economies	1725/2003-2238/2004-70/2009
IAS	31	Interests in joint ventures	2236/2004-2238/2004-70/2009-149/2011-1254/2012
IAS	32	Financial instruments: presentation	2236/2004-2237/2004-2238/2004-211/2005-1864/2005-108/2006-53/2009-1293/2009-149/2011-1256/2012-301/2013
IAS	33	Earnings per Share	2236/2004-2238/2004-211/2005-108/2006
IAS	34	Interim financial reporting	1725/2003-2236/2004-2238/2004-70/2009-149/2011-301/2013-2343/2015
IAS	36	Impairment of assets	2236/2004-2238/2004-70/2009-243/2010-1374/2013
IAS	37	Provisions, contingent liabilities and contingent assets	1725/2003-2236/2004-2238/2004
IAS	38	Intangible assets	2236/2004-2238/2004-211/2005-1910/2005-70/2009-243/2010-28/2015-2231/2015
IAS	39	Financial instrument: recognition and measurement	707/2004-2086/2004-2236/2004-211/2005-1751/2005-1864/2005-1910/2005-2106/2005-108/2006-70/2009-1171/2009-243/2010-149/2011-1375/2013
IAS	40	Investment property	2236/2004-2238/2004-70/2009-1361/2014
IAS	41	Agriculture	1725/2003-2236/2004-2238/2004-70/2009-2113/2015

Interpretations			Endorsement regulation
IFRIC	1	Changes in existing decommissioning, restoration and similar liabilities	2237/2004
IFRIC	2	Members' shares in co-operative entities and similar instruments	1073/2005
IFRIC	4	Determining whether an arrangement contains a lease	1910/2005
IFRIC	5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1910/2005
IFRIC	6	Liabilities arising from participating in a specific market - Waste electrical and electronic equipment	108/2006
IFRIC	7	Applying the restatement approach under IAS 29 - Financial reporting in hyperinflationary economies	708/2006
IFRIC	8	Scope of IFRS 2	1329/2006
IFRIC	9	Reassessment of embedded derivatives	1329/2006-1171/2009-243/2010
IFRIC	10	Interim financial reporting and impairment	610/2007
IFRIC	11	IFRS 2 - Group and treasury share transactions	611/2007
IFRIC	12	Service concession arrangements	254/2009
IFRIC	13	Customer Loyalty Programmes	1262/2008-149/2011
IFRIC	14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008-633/2010-475/2012
IFRIC	15	Agreements for the Construction of Real Estate	636/2009

Interpretations			Endorsement regulation
IFRIC	16	Hedges of a Net Investment in a Foreign Operation	460/2009-243/2010
IFRIC	17	Distribution of Non-Cash Assets to Owners	1142/2009
IFRIC	18	Transfers of Assets from Customers	1164/2009
IFRIC	19	Extinguishing Financial Liabilities with Equity Instruments	662/2010
IFRIC	20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012
IFRIC	21	Levies	634/2014
SIC	7	Introduction of the Euro	1725/2003-2238/2004
SIC	10	Government Assistance - No Specific Relation to Operating Activities	1725/2003
SIC	12	Consolidation - Special Purpose Entities	1725/2003-2238/2004-1751/2005-1254/2012
SIC	13	Jointly-controlled Entities - Non-Monetary Contributions by Venturers	1725/2003-2238/2004-1254/2012
SIC	15	Operating Leases - Incentives	1725/2003
SIC	25	Income Taxes - Changes in Tax Status of an Entity or its Shareholders	1725/2003-2238/2004
SIC	27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1725/2003-2238/2004
SIC	29	Service Concession Arrangements - Disclosure	1725/2003
SIC	31	Revenue - Barter Transactions Involving Advertising Services	1725/2003-2238/2004
SIC	32	Intangible Assets - Web Site Costs	1725/2003-2236/2004-2238/2004

45. Isagro Group companies

Pursuant to CONSOB Resolution no. 11971 of May 14th, 1999, as amended (article 126 of the Regulation), the Isagro Group companies and equity-accounted investees are listed below.

The list includes all the companies operating in the crop protection products industry, broken down by consolidation method. The following are also shown for each company: corporate name, business description, registered office, country of incorporation and share capital denominated in the original currency. Furthermore, the list also shows the Group's consolidated share, as well as the ownership interest held by Isagro S.p.A. or any other subsidiaries. The percentage of voting rights in the various Ordinary Shareholders' meetings coincides with the ownership interest.

Corporate name and business description	Registered offices	Country	Share capital	Currency	Consolidated % share of the Group	Investing companies	Investment %
Holding company							
Parent							
Isagro S.p.A. (R&D, production, marketing of crop protection products)	Milan	Italy	24,961,207.65	EUR	-	-	-
Subsidiaries consolidated using the line-by-line method							
Isagro Argentina Ltd. (Management of the registration of crop protection products and commercial development)	Buenos Aires	Argentina	2,960,390	ARS	100%	Isagro S.p.A. Isagro España S.L.	95% 5%
Isagro (Asia) Agrochemicals Pvt. Ltd. (Development, production, marketing of crop protection products)	Mumbai	India	148,629,000	INR	100%	Isagro S.p.A.	100%
Isagro Australia Pty Ltd. (Management of the registration of crop protection products)	Sydney	Australia	395,000	AUD	100%	Isagro S.p.A.	100%
Isagro Brasil Ltda (Management of the registration of crop protection products and commercial development)	São Paulo	Brazil	1,307,210	BRL	100%	Isagro S.p.A. Isagro España S.L.	99% 1%
Isagro Chile Ltda (Management of the registration of crop protection products and commercial development)	Santiago	Chile	36,479,809	CLP	100%	Isagro S.p.A. Isagro España S.L.	90% 10%
Isagro Colombia S.A.S. (Distribution of crop protection products)	Cota	Colombia	2,000,000,100	COP	100%	Isagro S.p.A.	100%
Isagro España S.L. (Development and distribution of crop protection products)	Madrid	Spain	120,200	EUR	100%	Isagro S.p.A.	100%
Isagro Mexicana S.A. de C.V. (Management of the registration of crop protection products and commercial development)	Mexico City	Mexico	50,000	MXN	100%	Isagro S.p.A. Isagro USA, Inc.	90% 10%
Isagro Poland Sp. z o.o. (Management of the registration of crop protection products and commercial development)	Warsaw	Poland	10,000	PLN	100%	Isagro S.p.A.	100%
Isagro Shanghai Co. Ltd. (Management of the registration of crop protection products and commercial development)	Shanghai	People's Republic of China	235,000	USD	100%	Isagro S.p.A.	100%
Isagro Singapore Pte Ltd. (Management of the registration of crop protection products and commercial development)	Singapore	Singapore	300,000	EUR	100%	Isagro S.p.A.	100%
Isagro South Africa Pty Ltd. (Management of the registration of crop protection products and commercial development)	La Lucia	Republic of South Africa	871,000	ZAR	100%	Isagro S.p.A.	100%
Isagro USA, Inc. (Development, production, marketing of crop protection products)	Wilmington	United States	3,500,000	USD	100%	Isagro S.p.A.	100%
Isagro Vietnam Company Limited (Management of the registration of crop protection products and commercial development)	Ho Chi Minh City	Vietnam	1,113,750,000	VND	100%	Isagro Singapore Pte Ltd	100%
Associates accounted for using the equity method							
Arterra Bioscience S.r.l. (R&D biology & molecular genetics)	Naples	Italy	250,429	EUR	22%	Isagro S.p.A.	22%

on behalf of
The Board of Directors

Giorgio Basile
Chairman and Chief Executive Officer

Milan, March 14th, 2017

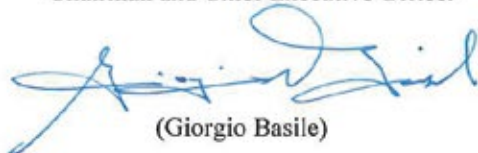


**Certification of the consolidated financial statements pursuant to art. 81-ter of Consob
Regulation no. 11971 of May 14, 1999, as subsequently amended and supplemented**

1. The undersigned, Giorgio Basile, Isagro S.p.A. Chairman and Chief Executive Officer, and Ruggero Gambini, Manager in charge of preparing corporate financial reports, hereby certify, having also taken into account the provisions of art. 154-bis, subparagraphs 3 and 4, of the Italian Legislative Decree no. 58 of February 24, 1998:
 - the adequacy in relation to the characteristics of the firm and
 - the effective application
 of the administrative and accounting procedures for the preparation of the consolidated financial statements in 2016.
2. In this respect no significant matters arose.
3. It is also certified that:
 - 3.1 the consolidated financial statements of Isagro S.p.A. as of December 31, 2016:
 - a) were prepared in accordance with applicable international accounting standards as recognised by the European Community pursuant to European Parliament and of the Council Regulation EC no. 1606/2002 of 19 July 2002;
 - b) correspond to the results documented in the books and accounting records;
 - c) is able to provide a truthful and correct representation of the economic and financial position of the issuer and of all the companies included in the scope of consolidation;
 - 3.2 the report on operation includes a reliable analysis of the performance and the operating result, as well as the position of the issuer and of all the companies included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

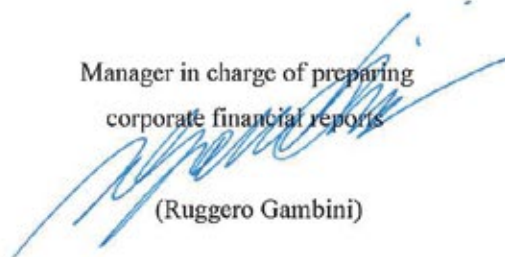
Milan, March 14, 2017

Chairman and Chief Executive Officer



(Giorgio Basile)

Manager in charge of preparing
corporate financial reports



(Ruggero Gambini)



ISAGRO S.p.A. - società diretta e coordinata da Holdisa S.r.l.

Sede legale: Via Caldera, 21 - 20153 Milano - Italia
Capitale Sociale Euro 24.961.207,65 i.v. - R.E.A. Milano 1300947 - Registro Imprese Milano, Cod. Fisc. e P. IVA 09497920158

