

ISAGRO - A Holdisa S.r.l. company

Consolidated financial statements as at December 31st, 2011

BOARD OF DIRECTORS

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Acting Deputy Chairman

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Giuseppe Bagnasco

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Reconta Ernst & Young S.p.A.

DIRECTORS' MANAGEMENT REPORT

Dear Shareholders,

The consolidated financial statements of Your Group as at December 31st, 2011 show a **net result** of €10.3 million, after amortisation and depreciation of €9.5 million.

In the first part of the year a series of extraordinary transactions were completed – described in detail below – which increased the focus of Your Group on the core-business and strengthened the capacity to extract value from innovation and the development of proprietary crop protection products. In addition, these transactions freed up significant financial resources, which were previously used to support the local distribution mainly of third party products, in addition to generating a notable capital gain in the income statement.

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Your Group's Consolidated **Revenues** in 2011 amounted to €144.3 million, up by €10.5 million (+7.9%) compared to €133.8 million last year.

EBITDA was €13.5 million, down by €5.4 million compared to €18.9 million of the previous year, which however included the capital gain of €8.0 million deriving from the disposal of the proprietary insecticide Dimethoate: thus, excluding non-recurring items, both for 2010 and for 2011, **EBITDA excluding non-recurring income/charges** in 2011 equalled €11.6 million compared to €10.9 million in 2010, therefore recording a growth of €0.7 million (+6.7%).

In 2011 the **Net result from operating assets** was positive at €2.1 million, substantially in line (-0.9%) when compared to €2.1 million of the previous year. This result also benefitted from non-recurring income and net tax assets for a total of €7.2 million, against €3.5 million in 2010. Regarding the **Net result of asset disposals**, the net capital gain from the disposal of the investments in Isagro Italia S.r.l., Agro Max S.r.l. and Sipcam Isagro Brasil S.A. laid to a comprehensive net profit of €8.2 million, which is compared with the loss of €6.4 million recorded in 2010, mostly due to the write-down in the investment in Sipcam Isagro Brasil S.A. to adjust the book value to that of the disposal.

Consequently, the **Net result for the Group** was positive at €10.3 million, equalling €0.59 per share, compared to the net loss of €4.3 million suffered in 2010.

From an equity point of view, worth noting is the important reduction in the **Net financial position**, passing from €148.3 million as at December 31st, 2010 to €57.1 million as at December

31st, 2011, with the consequent sharp improvement in the **Debt/Equity ratio**, dropping from 1.88 as at December 31st, 2010 to 0.74 as at December 31st, 2011.

SYNTHESIS OF ECONOMIC AND BALANCE SHEET CONSOLIDATED RESULTS

(amounts in thousands of Euro)	2011	2010	Delta	
Revenues	144,318	133,800	+10,518	+7.9%
EBITDA excluding non-recurring income/charges	11,600	10,867	+733	+6.7%
<i>% on Revenues</i>	<i>8.0%</i>	<i>8.1%</i>		
EBITDA	13,456	18,895	-5,439	-28.8%
<i>% on Revenues</i>	<i>9.3%</i>	<i>14.1%</i>		
Net result from operating assets	2,104	2,123	-19	-0.9%
Net result for the Group	10,315	(4,252)	+14,567	n/a
Net financial position	57,054	148,252	-91,198	-61.5%
of which: Net financial position of disc. operations	-	50,559	-50,559	-100.0%
Debt/Equity ratio	0.74	1.88		

THE CROP PROTECTION PRODUCT MARKET

In 2011 the so-called “conventional” crop protection market reached, according to the preliminary figures provided by Phillips McDougall, a value of about US\$ 45.2 billion at distribution level, with an increase in nominal terms of 18% compared to US\$ 38.3 billion in 2010.

Nevertheless, net of the exchange rate and inflationary movements, in 2011 the real growth of the crop protection product market at a global level is estimated at 8% compared to the previous year, as shown in the table below, which compares, for each area, the nominal growth with the real growth.

Area	Nominal growth 2011 vs. 2010 (%)	Real growth 2011 vs. 2010 (%)
Europe	16.6	6.3
North America	6.1	1.7
South America	29.7	15.3
Asia	18.3	7.1
Total	18.0	8.0

Source: Phillips McDougall

The main factors contributing to this growth were: (i) the prices of glyphosate, which stabilised at a higher level; (ii) the significant improvement in the prices of the main agricultural productions compared to 2010; (iii) the weakening of the Dollar against the main currencies and the Euro in particular.

In **Europe**, where the market value is estimated at about US\$ 12 billion (+16.6% vs. 2010), the volumes of crop protection products sold were favourably affected by the early spring, especially in Eastern Europe. In spite of this, the drought recorded during the spring in Central and Western Europe negatively impacted the consumption of fungicides for cereal in particular.

In **North America**, where the market value is estimated at about US\$ 8 billion (+6.1% vs. 2010), a sustained profitability of the ethanol sector and an increase in the areas cultivated with corn, cotton and wheat were recorded, whose positive effect was partly offset by the worsening climatic conditions during the sowing of soy and the persisting drought in the south of the United States. Therefore, the increase in the sales of fungicides for use on soy and corn was driven by the high prices of the mentioned foodstuffs.

South America was the area where the steadiest growth was recorded (+29.7% in nominal terms), reaching US\$ 11 billion. Market growth is especially connected to the favourable weather conditions for the use of crop protection products: the abundant rain, in particular, subjected some crops, including soy, to serious pressure from fungal diseases. The increase in demand for cotton and sugar cane, the improving economic situation and the high prices of some foodstuffs, including soy and corn, were other factors which influenced the growth in the regional market.

Asia, with a value just lower than US\$ 12 billion and a growth of +18.3% compared to last year, is now the second global market after Europe. The strongest growth was recorded in India thanks to the high price of rice, the monsoon rains returning to normal levels and the ever greater willingness of farmers to buy more sophisticated, and therefore more expensive, products.

In China the drought which hit the north of the country slowed down the growth of the market. In Japan, despite the tsunami, the market recorded a slight increase. Finally in Australia, the plentiful rains and the high price of the main farming crops led to significant market growth.

INCOME STATEMENT - SUMMARY DATA

Consolidated **Revenues** for 2011 increased by €10.5 million (+7.9%) compared to the previous year, passing from €133.8 million in 2010 to €144.3million in 2011, mainly following:

- for about €7.2 million, the increase in the sales of the propriety fungicide Tetraconazole in Brazil and in the USA, where the extension of use of the active ingredient on corn by the EPA (Environmental Protection Agency) was obtained, plus the first sales in India;
- for about €7.7 million, the increase in the price of copper-based products, as a consequence of the rise in the cost of raw materials during the campaign period (March-June) compared to the average of the previous year, therefore with no effect on the absolute margin per product unit;
- for about €2.6 million, the increase in revenues from formulation activities on behalf of third parties, which the company performs at its Aprilia and Adria sites.

These elements more than offset the missing revenues from the sale of Dimethoate based formulas. Dimethoate is an insecticide disposed of in 2010, which during that year had generated a turnover of €6.4 million.

It is also worth noting that, as an effect of the indications above, the weight of the propriety crop protection products on total revenues rose from 85% in 2010 to 89% in 2011.

SYNTHESIS OF CONSOLIDATED INCOME STATEMENT OF ISAGRO GROUP

(amounts in thousands of Euro)	2011	2010	Delta	
Revenues	144,318	133,800	+10,518	+7.9%
Memo: labour costs	(24,522)	(24,398)	-124	+0.5%
EBITDA excluding non-recurring income/charges	11,600	10,867	+733	+6.7%
<i>% on Revenues</i>	<i>8.0%</i>	<i>8.1%</i>		
Non-recurring income/charges	1,856	8,028	-6,172	-76.9%
EBITDA (Gross operating margin)	13,456	18,895	-5,439	-28.8%
<i>% on Revenues</i>	<i>9.3%</i>	<i>14.1%</i>		
Depreciation:				
- tangible assets	(4,411)	(4,753)	+342	-7.2%
- intangible assets	(5,054)	(5,189)	+135	-2.6%
- write-off and revaluation of assets (IAS 27)	2,456	(515)	+2,971	n/a
EBIT (Operating result)	6,447	8,438	-1,991	-23.6%
<i>% on Revenues</i>	<i>4.5%</i>	<i>6.3%</i>		
Financial charges and commissions	(4,610)	(3,605)	-1,005	+27.9%
Exchange gains/losses and derivatives	(2,590)	1,279	-3,869	n/a
Write-down/write-ups of investments	66	4	+62	n/s
Result before taxes	(687)	6,116	-6,803	-111.2%
<i>% on Revenues</i>	<i>-0.5%</i>	<i>4.6%</i>		
Current and deferred taxes	2,791	(4,019)	+6,810	n/a
Third-party share of result from operating assets	-	26	-26	n/s
Net result from operating assets	2,104	2,123	-19	-0.9%
<i>% on Revenues</i>	<i>1.5%</i>	<i>1.6%</i>		
Net result from asset disposals	8,206	(6,435)	+14,641	n/a
Third-party share of net result from asset disposals	5	60	-55	n/s
Net result for the Group	10,315	(4,252)	+14,567	n/a

In 2011 **EBITDA excluding non-recurring income/charges**, i.e. prior to the impact of non-recurring items, stood at €11.6 million, up by €0.7million (+6.7%) compared to €10.9 million in 2010.

In 2011 **Non-recurring items** included in EBITDA totalled about €1.9 million, a value notably lower than that of €8.0 million of the previous year, which included the capital gain from the disposal of the active ingredient Dimethoate. In 2011, these items comprised:

- for €3.0 million, the capital gain related to the sale to Chemtura Netherlands B.V. (Chemtura) of 50% of the joint venture Isem S.r.l., in which Isagro converged the business unit “Innovative herbicides and fungicides”;

- for €0.5 million, the capital gain from the disposal of the know-how of the active ingredient Iprodione as part of the liquidation of the joint venture Isagro Sipcam International S.r.l. with the Italian Sipcam-Oxon group;
- for €1.6 million, the higher extraordinary allocations and non-recurring charges, partially reducing the two previous items.

As an effect of the elements described above, **EBITDA** in 2011 equalled €13.5 million, down by €5.4 million compared to €18.9 million of the previous year.

EBIT for 2011 equalled €6.4 million, recording a drop of about €21 million (-23.6%) compared to the €8.4 million recorded in 2010: also in this case, the downturn in the operating result is linked to the drop in non-recurring items, which was only partially offset by: i) the lower amortisation and depreciation for the period, decreasing from €9.9 million in 2010 to €9.5 million in 2011, also as an effect of the 50% deconsolidation of the amortisation and depreciation of Isem S.r.l.; ii) the extraordinary revaluation of intangible fixed assets for €3.5 million following the transfer of the molecules Orthosulfamuron and Valifenalate to Isem S.r.l.; iii) the greater extraordinary write-downs related in particular to intangible fixed assets, passing from €0.5 million in 2010 to €1.1 million in 2011.

Financial items, altogether, in 2011 were negative for €7.2 million, compared to the €2.3 million recorded during the previous year. As a matter of fact, despite the significant reduction in the debt stock following the extraordinary transactions taking place in the first half of 2011, during the year the following occurred:

- a notable increase in the spreads applied by the banks consequently to the known external conditions, which led to an increase in the collection cost on the interbanking circuit;
- a negative contribution of hedging activities on copper as raw material.

With reference to the first point, it should be noted that **Financial charges and commissions** increased from €3.6 million in 2010 to €4.6 million in 2011, while, with reference to the second point, hedging activities on the copper as raw material in 2011 resulted in a loss of €2.7 million, against a net profit of €2.6 million in 2010. This loss, in particular, was caused by the sudden drop in the price of copper in the second part of 2011, which required the adjustment of the derivative hedging instruments still existing as at December 31st, 2011 in correspondence to a lower fair-value.

It is worth highlighting that the recovery in copper quotations taking place during the first few weeks of 2012 meant a partial decrease in the losses relating to those hedging activities still existing as at December 31st, 2011.

Always regarding to the abovementioned hedging activities, it is repeated that they are exclusively for managerial transactions and therefore do not have a speculative nature: however, as they do not

fulfil the requirements set by IAS 39 insofar as the hedging of “specific” risks is concerned, they are considered as “trading” activities and are therefore posted directly under financial components of income, for both the realised and not yet unrealised portion.

As an effect of the events mentioned above, 2011 ended with a **Net result from operating assets** in profit for €2.1 million, substantially in line (-0.9%) with that of the previous year. The **Net result from asset disposals** was positive for €8.2 million thanks to the net capital gain from the extraordinary transactions performed in the first half of 2011, against a net loss of €6.4 million in 2010, mostly due to the write-down of the investment in Sipcam Isagro Brasil S.A. to adjust the book value to the disposal value.

Consequently, the **Net result for the Group** was positive at €10.3 million, equalling €0.59 per share, compared to the net loss of €4.3 million incurred in 2010.

BALANCE SHEET - SUMMARY DATA

When considering the balance sheet, the consolidated **Net invested capital** decreased from €145.3 million as at December 31st, 2010 (this value did not include €81.6 million of non-financial assets and liabilities at the time held for sale) to €1337 million as at December 31st, 2011, thus dropping by about €11.6 million, attributable:

- for €10.2 million to the decrease in Net fixed assets;
- for €2.1 million to the decrease in Net current assets;

these elements were partly counterbalanced by the lower incidence of the **Severance indemnity fund**, down by €0.7 million compared to December 31st, 2010.

With special reference to **Net fixed assets**, a decrease was recorded from €98.6 million as at December 31st, 2010 to €88.4 million as at December 31st, 2011, down by about €10.2 million, mainly attributable to the following factors, which more than offset the investments for the period, net of amortisation charges:

- the transfer, as part of the joint venture agreement with Chemtura, of 50% of the capital of Isem S.r.l., to which the business unit “Innovative herbicides and fungicides” was transferred, which included the intangible fixed assets linked to the new proprietary molecules Orthosulfamuron and Valifenalate;
- the revaluation, pursuant to IAS 27, of intangible fixed assets regarding the business unit “Innovative herbicides and fungicides” following the just mentioned transfer of it to Isem S.r.l.;
- the extraordinary write-down of fixed assets in progress after some registration projects were aborted;
- the depreciation of the Indian Rupee during 2011, with the Euro/Rupee exchange rate increasing from 59.8 as at December 31st, 2010 to 68.7 as at December 31st, 2011, leading to a

reduction in the book value of the fixed assets of the subsidiary Isagro Asia Ltd. at consolidated level.

Net current assets decreased from €50.7 million as at December 31st, 2010 to €48.6 million as at December 31st, 2011, recording a drop of €2.1 million that is primarily attributable to the reduction (€7.0 million) in the differential between trade receivables and payables, partially offset by the increase of €4.0 million in **Inventories**. In particular, while **Trade receivables** decreased from €52.3 million as at December 31st, 2010 to €47.9 million as at December 31st, 2011, especially thanks to a non-recourse transfer of receivables for about €5.0 million, on the other hand **Trade payables** grew from €34.5 million as at December 31st, 2010 to €37.2 million as at December 31st, 2011.

Finally, the **Severance indemnity fund** decreased from €4.0 million as at December 31st, 2010 to €3.3 million as at December 31st, 2011.

SYNTHESIS OF CONSOLIDATED BALANCE SHEET OF ISAGRO GROUP

(amounts in thousands of Euro)	12.31.2011	12.31.2010	Delta	
Net fixed assets	88,357	98,553	-10,196	-10.3%
Net current assets	48,596	50,736	-2,140	-4.2%
Severance indemnity fund (S.I.F.)	(3,273)	(4,008)	+735	-18.3%
Net invested capital	133,680	145,281	-11,601	-8.0%
Non-financial assets/liabilities of disc. operations	-	81,623	-81,623	-100.0%
Total	133,680	226,904	-93,224	-41.1%
<i>Financed by:</i>				
Equity	76,626	78,652	-2,026	-2.6%
Net financial position	57,054	148,252	-91,198	-61.5%
of which: Net financial position of disc. operations	-	50,559	-50,559	-100.0%
Debt/Equity ratio	0.74	1.88		
Total	133,680	226,904	-93,224	-41.1%

Regarding the sources of loans, **Equity** as at December 31st, 2011 equalled €76.6 million, down by about €2.0 million compared to the value of €78.7 million recorded at the end of 2010, primarily due to the following:

- €2.8 million for the reduction in the conversion reserve for operating assets due to the mentioned depreciation of the Indian Rupee, which in consolidated terms required the adjustment of the assets of Isagro Asia on the one hand, and the conversion reserve on the other;
 - €5.2 million for the payment of the dividend in favour of the shareholders of the parent company Isagro S.p.A., approved with resolution of Shareholders' Meeting of April 28th, 2011;
 - €4.5 million for the elimination of the Conversionreserve regarding assets held for sale;
- these events more than offset the high profit for the period, which in 2011 equalled €10.3 million.

The **Net financial position**, with a decrease of €91.2 million in banking borrowings, went from €148.3 million as at December 31st, 2010 to €57.1 million as at December 31st, 2011.

This important improvement, which translated into a higher financial soundness level for Your Group, was made possible by the successful conclusion of the extraordinary transactions already mentioned in the comment above and described in more detail below, under paragraph “Significant events of 2011”.

Furthermore, the reduction in financial indebtedness allowed two very important objectives to be achieved:

- the tendential breakeven between the net current assets and the net financial position;
- the significant improvement of the **Debt/Equity ratio** which, including also the effect of extraordinary transactions, decreased from 1.88 as at December 31st, 2010 to 0.74 as at December 31st, 2011.

MAIN INDICATORS

The table below shows the main economic/financial indicators applicable to your Group:

MAIN ECONOMIC/FINANCIAL INDICATORS		
	2011	2010
Earnings per share (€)	0.59	(0.24)
Equity per share (€)	4.37	4.48
R.O.E.	13.46%	-5.41%
R.O.I.	4.82%	5.81%
Net fixed assets / Equity + Severance Indemnity Fund	1.11	1.19
Net current assets / Net financial position*	0.85	0.52
Net financial position*/EBITDA	4.24	5.17
<i>* Net financial position related only to continuing operations</i>		

RESULTS OF ISAGRO S.P.A.

In order to better represent the balance sheet, income statement and strategic balances of Your Group, also some values related to the parent company Isagro S.p.A. were presented and commented; the parent company does not only provide strategic guidance, as a financial holding of the Group, but also works as a production, marketing and sale centre.

In the year 2011 Isagro S.p.A. achieved **Revenues** of €109.1 million, with a growth of €10.2 million (+10.4%) compared to €98.9 million in 2010. **EBITDA** equalled €5.3 million, against

€10.6 million of the previous year, which however included €8.0 million of extraordinary income from the disposal of the proprietary active ingredient Dimethoate. Finally, in 2011 the **Net result** was positive for €9.1 million, given a net loss of €6.8 million in 2010, especially thanks to the important contribution of the capital gains deriving from the mentioned extraordinary transactions.

From an equity point of view, Isagro S.p.A. ended the year with a **Net invested capital** that as at December 31st, 2011 equalled €122.7 million, down €36.0 million compared to €158.7 million as at December 31st, 2010; this change is mainly the effect of the reduction in intangible fixed assets following the sale to the Isem S.r.l. joint venture of the business unit “Innovative herbicides and fungicides”, which included intellectual property, product know-how and the registrations regarding the molecules Orthosulfamuron and Valifenalate.

Regarding the sources of loans, the **Net financial position** decreased by €40.1 million, from €86.7 million as at December 31st, 2010 to €46.5 million as at December 31st, 2011. **Equity** increased by €4.1 million from €72.0 million as at December 31st, 2010 to €76.1 million as at December 31st, 2011; this change in particular is justified by the important profit for the year, which more than offset the reduction effect of the payment of dividends to shareholders (€5.2 million). The **Debt/Equity ratio** went from 1.20 as at December 31st, 2010 to 0.61 as at December 31st, 2011.

OBSERVATIONS ON THE FINANCIAL PROFILE AND GOING CONCERN

The positive results of 2011, which considerably benefitted from the strategic transactions finalised in the first few months of the year and whose economic/financial effects are extensively described in this Report, combined with the growth forecast for 2012, guarantee the going concern and the future development of Your Group, also in light of the fact that the financial plan for 2012 does not show any cash constraint.

RESEARCH AND DEVELOPMENT ACTIVITIES

A) INNOVATIVE RESEARCH

In 2011 the Innovative Research activities conducted by Your Group through the subsidiary Isagro Ricerca S.r.l., focused on synthesis activities for two fungicide chemical classes and one class with herbicide properties.

In line with the strategy adopted since 2008, “incremental” (or “progressive”) innovation was considerably privileged over “radical” innovation: research activities regarding one of the two fungicides (inspired by the inhibitors of the mentioned dehydrogenase, or SDH) and the herbicide project were inspired by the structures of similar active ingredients already on the market or known to be in an advanced development phase. Therefore, this activity led to the identification of an active ingredient that was considered suitable for the development phase,

in light also of the positive outcome of the pre-field testing, which demonstrated an effective action of the product against a series of diseases of the main crops.

The second fungicide project, featuring a significant biocide effectiveness accompanied by a wide action spectrum, is inspired by a chemical class that is the subject of some patents, though still being developed by some companies in the sector and therefore to be placed halfway between “progressive” and “radical” innovation. Field testing on this fungicide conducted during 2011 demonstrated high efficacy, on cereal crops in particular.

During 2011, a total of 167 new molecules were synthesised and assessed, 77 of which as potential fungicides and 85 as potential herbicides inhibiting the 4-hydroxyphenyl-pyruvate-dioxygenase or HPPD.

With regard to special plant nutrition, activities were focused on a limited number of prototypes, while the search for new insecticides was conducted on new technologies, and the synthesis of new molecules had a residual nature.

Finally, the search continued for the identification and optimisation of new cupric products able to act at particularly low doses and with a wider antifungal spectrum.

B) *PRODUCT DEVELOPMENT*

IR6141, or Kiralaxyl® or Benalaxyl-M, an active isomer of Benalaxyl: the registration file is in the final phases preceding inclusion in Annex 1 (European registration), which has been delayed for four years due to the workload of the European authority in charge of the process of reviewing already registered active substances. However, inclusion is expected during 2012; in any case the mentioned delay in the registration did not impact the sales of the products currently on the market with temporary registration, with validity extended by the competent authority.

Product development activities focused mainly on obtaining the registration of Kiralaxyl in the United States for the treatment of seeds, the preparation of the paper to register the formula Kiralaxyl + copper oxychloride + copper hydroxide WG and the completion of the studies necessary to request the Import Tolerance in the United States. Normal registration activities continued in various countries in the world, with 7 new Kiralaxyl-based formulas being registered during 2011.

IR5878, or Orthosulfamuron, a herbicide for early post-emergency treatment: after some delay following the request for additional study, the project was registered India, where the commercial launch for rice treatment with the Kelion® brand is expected in 2012.

In the United States activities were continued to develop Orthosulfamuron-based mixtures in order to create a more comprehensive range of technical solutions for rice paddies.

Finally, the registration of Orthosulfamuron for the treatment of sugar cane in Brazil is expected in 2012; the commercial potential is very high also thanks to the “pre-launch” work carried out during 2011. In any case in Brazil the registration of the product for application on rice has been obtained in the meanwhile.

IR5885, or Valifenalate, an anti-downy mildew fungicide: development activities in 2011 mainly concerned the completion of the studies for the Import Tolerance application in the United States, the completion of the dossier for the formula Valifenalate + copper oxychloride + copper WG and the presentation of several applications for various formulas. The registration for the mixture Valifenalate + Mancozeb was obtained in France.

Copper-based products: in 2011 development activities were focused on completing the registration papers regarding several copper-based formulas defended in Europe as part of the extraordinary review process started after the inclusion in Annex 1 of the three copper salts oxychloride, hydroxide and Bordeaux mixture.

Your Group then continued its commitment towards developing lower-dose and reduced environmental impact products as confirmed by the success of the new oxychloride and hydroxide-based mixture in the United States and Italy, marketed with the brands Badge® X2 and Airone® WG, respectively.

8 new registrations were also obtained in various countries in the world.

Biostimulants: in 2011 the first sales of Siapton® were made in the United States – a high potential market – consequently to the local development work focused mainly on horticultural crops.

These products continue to be developed in China and Brazil, where they are being tested on extensive crops.

Microbiological products: development activities throughout 2011 primarily concerned the preparation of the file to extend the use of Remedier to leaf streaking in Italy, in addition to the extension/completion of the registration files for other countries.

Pheromones: development activities in 2011 focused on the project to control an insect that is very harmful to various high-profit crops; as part of this project, the necessary file is being completed for the registration application in Italy, expected during 2012.

C) *NEW REGISTRATIONS*

During 2011 Your Group obtained 38 new registrations; particularly important is the one regarding the extended use of Tetraconazole on corn and strawberries in the United States. Access to the corn market, together with that of soy, where the product is already traded, is one of the most important opportunities of future growth for the Group in consideration of the size of the potential reference market. Tetraconazole was also registered in India, where it

will be traded by Isagro Asia with the Domark® brand, and in Russia with the Eminent® brand. Finally, Domark Pro® and Stadio M® were registered in the Philippines (Tetraconazole and Kiralaxyl-based respectively) as well as Valis M® in Indonesia (Valifenalate-based); the first sales of the biostimulant Siapton® were made in the United States. Other new registrations, which will generate sales from 2012, were obtained in the last few months of the year in France, Turkey, Egypt, Cameroon, Taiwan and Slovenia.

SIGNIFICANT EVENTS OF 2011

A) STRATEGIC ALLIANCE WITH CHEMTURA AGROSOLUTIONS

On January 26th, 2011 Isagro S.p.A. and Chemtura Netherlands B.V. (Chemtura), a company of the American group Chemtura Corporation, signed a strategic alliance based on the following main points:

- the creation of a joint venture called Isem S.r.l., to which Isagro transferred the business unit “Innovative herbicides and fungicides”, which includes the activities related to Orthosulfamuron and Valifenalate, two molecules registered for commercial use along with two new active ingredients for development;
- the transfer to Chemtura of 50% of the share capital of Isem S.r.l. against the payment of €20 million;
- the stipulation of an agreement as part of the Research & Development activity, envisaging: i) the 50-50 sharing of the Innovative Research costs to discover new active ingredients; ii) the option to co-develop the molecules already belonging to Isem S.r.l. as well as new products that may originate from Innovative Research.

The strategic alliance with Chemtura will allow Your Group to also benefit from an important cultural and financial contribution from the partner in Innovative Research as well as to accelerate the development and trading of the molecules transferred to Isem S.r.l. and those that may be generated from shared Innovative Research.

Isagro used the proceeds from the 50% disposal of Isem S.r.l. to reduce its financial exposure and to finance core business-related activities.

B) DIVESTMENT OF THE 50/50 DISTRIBUTION JV IN ITALY

On January 27th, 2011 Isagro S.p.A. sold 50% of its investment in the distribution company Isagro Italia S.r.l. (now Sumitomo Chemical Italia S.r.l.) to the Japanese multinational Sumitomo Chemical Company Ltd., already the co-owner and today the sole shareholder.

Via both private and consortia channels, Isagro Italia S.r.l. is engaged in the distribution of crop protection products in Italy and in 2010 achieved a turnover of €79.4 million.

As part of the abovementioned transfer agreement, signed with the Parties' intention of maintaining the working relationships consolidated over the years, some medium/long-term contracts were signed for the distribution of Isagro products by Sumitomo Chemical Italia.

The transfer of this investment caused a reduction in the consolidated net financial position of about €40 million, between the collected price and the deconsolidation of local payables. The proceeds were used mainly to reduce financial exposure to banks and to finance core business-related activities.

C) DIVESTMENT OF THE 50/50 DISTRIBUTION JV IN BRAZIL

On April 4th, 2011 Isagro S.p.A. sold its 50% investment in the share capital of the distribution company Sipcam Isagro Brasil S.A. (Sipcam Isagro Brasil) to the Indian multinational United Phosphorus Ltd..

Sipcam Isagro Brasil operates in the Brazilian market of formulation and distribution of crop protection products, with a turnover of €85.8 million in 2010.

As part of the agreements, signed with the intention of maintaining the working relationships consolidated over the years, thereby guaranteeing long-term continuity, medium/long-term contracts were signed for the distribution of Isagro S.p.A. products in Brazil by Sipcam Isagro Brasil.

Consequently to this transaction Your Group no longer includes the production site of Uberaba (Brazil), which at the time of the joint venture carried out non strategic production activities for Isagro.

This extraordinary transaction allowed the Group also to reduce net financial indebtedness by about €45 million in consideration of both the price collected for the sale and the deconsolidation of local payables. More specifically, the proceeds were used to reduce the financial exposure to banks and to finance core business-related activities.

D) WINDING-UP OF ISAGRO SIPCAM INTERNATIONAL ON TAKEOVER OF 100% OF BARPEN INTERNATIONAL

In the framework of the strategy to refocus on core business-related activities and the consequent sale of the 50% investment in the Brazilian distribution company Sipcam Isagro Brasil, Isagro decided, in agreement with the shareholder Sipcam-Oxon, to wind up the joint venture Isagro Sipcam International S.r.l. (Isagro Sipcam International), set up in 2006 with the aim of developing joint distribution business.

However, with regard to the distribution of crop protection products, instrumental to the core business, Your Group intends to pursue such distribution on a selective basis through its own

distribution networks, to guarantee that parent group's interests are met in full, where there is a material and/or growing turnover generated from proprietary products and a limited financial commitment to support current assets, as in the case of Barpen International S.A.S. (Barpen).

Therefore as part of the winding-up procedure for the joint venture Isagro Sipcam International, the holder of investments in Barpen (100%) and Agro Max S.r.l. (75%) and the toxicology registration file for a generic fungicide (to be sold in the near future), Isagro fully took over the Colombian company Barpen (now Isagro Colombia) at the price of €3.6 million, while the shareholder Sipcam-Oxon acquired 75% of the investment in the Argentinian company Agro Max S.r.l. along with the registration file for the generic fungicide product, at a total price of €3.4 million.

E) INDUSTRIAL ACTIVITY DEVELOPMENT

Production of M-alcohol (an intermediate of Tetraconazole) at Panoli - India

The Panoli synthesis plant in India ended the year 2011 with a record M-Alcohol production level (an intermediate of Tetraconazole). The new synthesis process commissioned in 2010 allowed production costs to be contained in the last two years, with the future possibility of meeting the growing need for M-Alcohol, given the same industrial set-up, further increasing productivity.

The volumes produced more than satisfied 2011 sales needs, increasing the strategic reserve that will be used to face the increased demand for Tetraconazole forecast for 2012.

Technical Tetraconazole production at Bussi sul Tirino - Italy

Technical Tetraconazole production in 2011 at the synthesis plant in Bussi sul Tirino (PE) reached a high level that contributed to the need forecast for 2012, confirming the validity of the industrial set-up of the last few years.

F) EARLY REPAYMENT OF THE MEDIUM-LONG TERM POOL LOAN

After the transfer of 50% of Sipcam Isagro Brasil S.A. was finalised, Your Group completed the early repayment of the loan of €30.4 million obtained at the beginning of 2009 by a pool of banks headed by Intesa Sanpaolo. €15.3 million of this syndicated loan, which envisaged an amortisation period from June 30th, 2011 to December 31st, 2014, had already been repaid early.

G) DIVIDEND DISTRIBUTION

Following the extraordinary transactions taking place in the first half of 2011, the conditions were created to resume the dividend distribution policy applied until 2006 and subsequently interrupted in the four-year period 2007-2010.

On April 28th, 2011, the Shareholders' meeting of Isagro S.p.A. resolved to accept the proposal of the administrative body to distribute a dividend of €0.30 per share, to be met from retained earnings. The dividend was distributed on May 16th, 2011.

This dividend is equal to the one distributed in 2006 and corresponds to an annual amount of €0.06 per share for the five-year period 2007-2011, when Isagro S.p.A. had not paid any dividend.

HUMAN RESOURCES

The actual workforce as at December 31st, 2011 consisted of 619 employees, split into in the following categories:

Number of employees	As at Dec. 31st, 2011	As at Dec. 31st, 2010	Differences	Pro-forma 2010^{**}
Directors/Executives	48	56	-8	46
Managers	135	142	-7	123
Office workers*	336	403	-67	336
Blue-collar	100	166	-66	113
Total	619	767	-148	618

* Includes "Special qualifications"

** Includes the effect of asset disposals and/or assets held for sale and setup of the ISEM joint venture

Compared to December 31st, 2010, the workforce decreased by a total of 148 due to the reduction of 115 employees for the companies operating abroad and 33 for those operating in Italy.

Regarding this considerable decrease in the workforce, the reduction of 126 people is the specific consequence of the extraordinary transactions completed to implement the strategic repositioning of Your Group for concentration in the core business, i.e. research, development, registration, production, marketing and trading of proprietary products in the world.

In particular, we note that:

- the sale of the 50% investment in the distribution company Isagro Italia S.r.l., now Sumitomo Chemical Italia S.r.l., resulted in a reduction in the workforce of 70 (35 at consolidated level);
- the sale of the 50% investment in the distribution company Sipcam Isagro Brasil S.A., already a joint venture between Isagro S.p.A. and the Italian group Sipcam-Oxon, caused an overall decrease of 215 units (108 at consolidated level);
- the strategic alliance at Research & Development level concluded with Chemtura and the establishment of the joint venture Isem S.r.l., to which the business unit "Innovative herbicides and fungicides" was transferred, resulted in a limited reduction in the workforce of 2 (1 at consolidated level);

- finally, the 100% acquisition of the Colombian distribution company Barpen International S.A.S. (now Isagro Colombia S.A.S.), implemented in the framework of the liquidation of the joint venture ISI S.r.l. with the Sipcam-Oxon group, led to an increase in the workforce of 41 (21 at consolidated level).

As part of the abovementioned reduction in the workforce compared to the previous year, the Indian subsidiary Isagro Asia Ltd. recorded a decrease of 22 in the distribution network and at the production site of Panoli (Gujarat), due to the temporary turnover and the annual production planning, respectively.

During 2011, trade union relations were generally kept at a constructive cooperation level, which characterised the normal progress of business relations. Specifically, this policy allowed the management of current activities which involved the Parties in the application of the organisational flexibility offered by the C.C.N.L. (National Labour Contract), especially on business sites frequently requiring adjustment to meet varying production demands, and the annual agreements regarding second-level negotiation on the participation bonus.

ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001

On May 11th, 2011 the Board of Director of Isagro S.p.A. updated the Organisation, Management and Control Model absorbing the regulatory and legal updates on the subject. In particular this update includes the extension of the administrative liability of the Bodies pursuant to Italian Legislative Decree no. 231/2001, in the following cases of offence: i) organised crime offences (art. 24-ter); ii) offence for forgery regarding brands, patents and distinctive features (art. 25-bis); iii) offences against the industry and trade (art. 25-bis 1); iv) offences of copyright violation (art. 25-novies); v) offences to incite somebody not to make statements or to make false statements to the judicial authority (art. 25-decies).

Following the additional evolution of the regulatory framework that, starting from August 16th, 2011, introduced new cases of offence at environmental level, the Board of Directors of Isagro S.p.A. also resolved, on November 10th, 2011, to start a risk-assessment project with consequent update of the abovementioned Model. At the date of this report this activity has already started and the completion of the project is expected by the first half of 2012.

The Supervisory Board was appointed to monitor the operations and compliance with the Model, as re-confirmed by resolution of the Isagro S.p.A. Board of Directors of May 4th, 2009. The Board, whose three-year term of office is due to expire on approval of the Isagro S.p.A. financial statements as at December 31st, 2011, has a collective structure so as to satisfy the requirements of independence, autonomy, professionalism and continuity as required by Italian Legislative Decree

no. 231/2001. It is composed of an outside professional, Renato Colavolpe, who chairs the Board, the independent director Tommaso Quattrin and the Internal Auditing Manager, Laura Trovato, in office since August 5th, 2010.

The Supervisory Board reports directly to the Board of Directors on a half-yearly basis regarding implementation of the Model and any critical issues.

On November 10th, 2011, the Board of Directors of Isagro S.p.A. also approved a new version of the Ethics Code, now called Group Ethics Code, in order to make it possible for the rules of conduct and behavioural principles in force at Isagro S.p.A. to be adopted also at foreign group companies. This Ethics Code, which defines the principles of conduct for business, the ethical commitments required of the directors, employees and associates and the rules of conduct towards all the stakeholders, is an integral part of the Organisation, Management and Control Model.

CODE OF SELF-DISCIPLINE AND CORPORATE GOVERNANCE REPORT

Isagro S.p.A. adheres and conforms to the Code of Self-Discipline of listed companies, promoted by Borsa Italiana, issued in March 2006 and amended in March 2010.

The corporate governance structure, i.e., the set of rules and conduct to be adopted to ensure efficient and transparent operation of the governance and control bodies, draws upon the application principles and criteria recommended by this document, which in turn are in line with international practices.

Each year, Isagro informs shareholders on its corporate governance system and compliance with the Code of Self-Discipline in the “Report on Corporate Governance and Ownership” which focuses on the degree to which the application principles and criteria set by the Code of Self-Discipline and international best practices are observed.

In compliance with regulatory obligations, the various sections of the Corporate Governance Report provide a description of the governance structure (information on the administration, management and control bodies and the Board of Directors’ committees) and the protocols underlying the Internal Control System set up by the Company (Ethics Code, Organisation Model pursuant to Italian Legislative Decree no. 231/2001, the structure of powers and delegations and the procedures approved by the Board of Directors).

Pursuant to article 89-bis of Consob regulation no. 11971 of May 14th, 1999, as amended, together with documentation for the Shareholders’ Meeting, the Company makes the “Report on Corporate Governance and Ownership” available to Shareholders at the registered office, at Borsa Italiana S.p.A. and on its own Website www.isagro.com/corporategovernance, in accordance with Article 123-bis of the Consolidated Law on Finance (TUF) on Corporate Governance and in compliance with the Code of Self-Discipline.

LEGAL PROCEEDINGS

A) LEGAL ACTION AGAINST CAFFARO S.R.L. (IN RECEIVERSHIP) - “APRILIA (LT) SITE”

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 by Caffaro in favour of Isagro as part of the preliminary business unit transfer agreement of July 4th, 2001 for costs relating to reclamation works completed on the Aprilia site.

The Court of Udine, in declaring the liability status confirmed, rejected the application, considering Isagro’s claim to be in relation to a possible future credit, the existence of which is still to be verified. Isagro appealed against this decision and the judge ordered a court expert’s report to ascertain whether or not any action was needed, together with related costs. The technical consultant filed a specialist report, stating the need for reclamation actions on the site for €1.2 million.

On Isagro’s request, which does not consider the estimate of the technical consultant as fair, the same expert was called by the Judge for clarifications on the hearing of November 23rd, 2011. At this hearing the Judge deemed it suitable to ask the Municipality of Aprilia information as to the state of the Service Conference started in the past in connection with the site reclamation. While waiting to receive the information requested from the Municipality of Aprilia, the hearing was postponed to April 16th, 2012.

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. Seeing that the Court of Milan rejected this claim, Isagro predisposed and filed an appeal to seek admission of the amount due to Snia among the liabilities. Based on the outcome of the proceeding, with decree of December 13th, 2011, the Court of Milan rejected Isagro’s claim, considering the receivable from Snia as possible and future. Therefore, Isagro challenged this decision with Cassation appeal, for which the registration is being finalised.

B) OTHER LEGAL PROCEEDINGS

Please see note no. 44 of the notes to the financial statements for further information.

PERSONAL DATA PROTECTION

Pursuant to Italian Legislative Decree no. 196 of September 30th, 2003 “Code regarding the protection of personal data”, the Company Isagro S.p.A. has reviewed and updated the Programme Document on Security, as prescribed by the same Italian Legislative Decree no. 196 of September 30th, 2003.

INVESTMENTS HELD BY DIRECTORS, AUDITORS AND GENERAL MANAGERS

Pursuant to the implementing regulation of Italian Legislative Decree no. 52/98, contained in Consob resolution no. 11971/99, the following table illustrates investments held in the company and its subsidiaries as at December 31st, 2011 by directors, auditors and general managers, as well as by spouses that are not legally separated and children not yet of age, and related changes during the period:

Name and Surname	Subsidiary	Shares held as at Dec-31-2010	Shares purchased in 2011	Shares sold in 2011	Shares held as at Dec-31-2011
Giorgio Basile	Isagro S.p.A.	-	-	-	-
Maurizio Basile	Isagro S.p.A.	2,000	-	-	2,000
Roberto de Cardona	Isagro S.p.A.	-	-	-	-
Aldo Marsegaglia	Isagro S.p.A.	-	-	-	-
Paolo Piccardi	Isagro S.p.A.	-	-	-	-
Carlo Porcari	Isagro S.p.A.	-	-	-	-
Tommaso Quattrin	Isagro S.p.A.	-	-	-	-
Renato Ugo	Isagro S.p.A.	-	-	-	-
Antonio Zoncada	Isagro S.p.A.	-	-	-	-
Lucio Zuccarello	Isagro S.p.A.	-	-	-	-
Piero Gennari	Isagro S.p.A.	-	-	-	-
Giuseppe Bagnasco	Isagro S.p.A.	-	-	-	-
Luigi Serafini	Isagro S.p.A.	-	-	-	-
Francesco Mangiameli	Isagro S.p.A.	-	-	-	-
Alberto Quaglia	Isagro S.p.A.	-	-	-	-
Alessandro Mariani	Isagro S.p.A.	-	-	-	-
Total	Isagro S.p.A.	2,000	-	-	2,000

TRANSACTIONS WITH RELATED PARTIES

For information on transactions with related parties, please see the relevant paragraph in the Explanatory Notes.

PRESENCE OF ESTIMATED DATA

Preparation of the consolidated financial statements requires estimates and assumptions to be made which have an effect on the asset and liability values stated and on the disclosure relating to the potential assets and liabilities as at the reference date. Consequently, the results actually achieved could then differ from said estimates.

The estimates are used in order to record the provisions for doubtful receivables, inventory obsolescence, amortisation and depreciation, write-downs, employee benefits, taxation and other provisions allocated. The estimates and the assumptions are periodically reviewed and the effects of any changes are reflected in the income statement.

SUBSEQUENT EVENTS

At the date of this Report no particularly significant subsequent event is reported.

BUSINESS OUTLOOK FOR 2012

In the year in progress Your Group expects to reach a turnover of about €165 million at consolidated level, up by almost 15% compared to 2011, especially thanks to the increase in revenues from the sale of proprietary products in the United States and Brazil, with EBITDA equalling €21 million and EBIT totalling about €1 million, both increasing significantly compared to 2011 due to the grown “operating leverage”, and a net result of €1.4 million, which reflects the considerable increase in the cost of money.

Regarding the net financial position, the year 2012 is expected to end with a value not exceeding €70 million, up compared to the end of 2011, mainly due to the increase in net current assets.

The final results for 2011 and the forecasts for the year in progress, combined with the progress made in obtaining new registrations of proprietary products, confirm the substantial validity of the Business Plan 2011-2014, communicated in March 2011.

Attachment 1

RE-CLASSIFIED CONSOLIDATED INCOME STATEMENT

(amounts in thousand of euro)	2011	2010	Delta	
Revenues from sales and services	144,318	133,800	+10,518	+7.9%
Other revenues and income	5,393	4,726	+667	+14.1%
Consumption of materials and external services	(119,099)	(106,939)	-12,160	+11.4%
Variations in inventories of products	3,716	476	+3,240	n/s
Increases in assets through internal works	2,946	4,064	-1,118	-27.5%
Allowances and provisions	(769)	(528)	-241	+45.6%
Other non-recurring incomes (costs)	2,502	8,028	-5,526	-68.8%
Added value	39,007	43,627	-4,620	-10.6%
<i>% on Revenues</i>	<i>27.0%</i>	<i>32.6%</i>		
Labour costs	(24,522)	(24,398)	-124	+0.5%
Other non-recurring incomes (costs)	(646)	-	-646	n/a
Labour costs allowances	(383)	(334)	-49	+14.7%
EBITDA (Gross operating margin)	13,456	18,895	-5,439	-28.8%
<i>% on Revenues</i>	<i>9.3%</i>	<i>14.1%</i>		
Depreciation:				
- tangible assets	(4,411)	(4,753)	+342	-7.2%
- intangible assets	(5,054)	(5,189)	+135	-2.6%
- write-off and revaluation of assets (IAS 27)	2,456	(515)	+2,971	n/a
EBIT (Operating result)	6,447	8,438	-1,991	-23.6%
<i>% on Revenues</i>	<i>4.5%</i>	<i>6.3%</i>		
Financial charges and commissions	(4,610)	(3,605)	-1,005	+27.9%
Exchange gains/losses and derivatives	(2,590)	1,279	-3,869	n/a
Write-down/write-ups of investments	66	4	+62	n/s
Result before taxes	(687)	6,116	-6,803	-111.2%
<i>% on Revenues</i>	<i>-0.5%</i>	<i>4.6%</i>		
Current and deferred taxes	2,791	(4,019)	+6,810	n/a
Third-party share of result from operating assets	-	26	-26	n/s
Net result from operating assets	2,104	2,123	-19	-0.9%
<i>% on Revenues</i>	<i>1.5%</i>	<i>1.6%</i>		
Net result from asset disposals	8,206	(6,435)	+14,641	n/a
Third-party share of net result from asset disposals	5	60	-55	n/s
Net result for the Group	10,315	(4,252)	+14,567	n/a

Attachment 2

RE-CLASSIFIED CONSOLIDATED BALANCE SHEET

(amounts in thousands of Euro)	12.31.2011	12.31.2010	Delta	
<u>Net fixed assets</u>				
Goodwill	5,089	3,665	+1,424	+38.9%
Other intangible assets	47,990	60,352	-12,362	-20.5%
Tangible assets	26,501	29,930	-3,429	-11.5%
Financial assets	195	194	+01	+0.5%
Other medium/long term assets and liabilities	8,582	4,412	+4,170	+94.5%
Total net fixed assets	88,357	98,553	-10,196	-10.3%
<u>Net current assets</u>				
Inventories	38,179	34,222	+3,957	+11.6%
Trade receivables	47,932	52,272	-4,340	-8.3%
Trade payables	(37,210)	(34,512)	-2,698	+7.8%
Risk funds	(2,015)	(1,583)	-432	+27.3%
Other current assets and liabilities	1,710	337	+1,373	+407.4%
Total net working capital	48,596	50,736	-2,140	-4.2%
Invested capital	136,953	149,289	-12,336	-8.3%
Severance indemnity fund (S.I.F.)	(3,273)	(4,008)	+735	-18.3%
Net invested capital	133,680	145,281	-11,601	-8.0%
Non-financial assets/liabilities of disc. operations	-	81,623	-81,623	-100.0%
Total	133,680	226,904	-93,224	-41.1%
<i>Financed by:</i>				
<u>Equity</u>				
Capital stock	17,550	17,550	-	-
Reserves and earnings brought forward	53,969	63,234	-9,265	-14.7%
Translation adjustment reserve continuing	(5,208)	(2,385)	-2,823	+118.4%
Translation adjustment reserve discontinued	-	4,472	-4,472	-100.0%
Minority interest	-	33	-33	-100.0%
Net group result	10,315	(4,252)	+14,567	-342.6%
Total equity	76,626	78,652	-2,026	-2.6%
<u>Net financial position:</u>				
<i>Medium/long term debts:</i>				
- towards banks	1,915	19,757	-17,842	-90.3%
- towards banks - low rate	-	869	-869	-100.0%
- towards MIUR - low rate	-	-	-	n/a
- other financial liabilities (assets) and derivatives	(924)	(333)	-591	+177.5%
Total medium long term debts	991	20,293	-19,302	-95.1%
<i>Short term debts:</i>				
- towards banks	65,285	85,721	-20,436	-23.8%
- towards banks - low rate	-	248	-248	-100.0%
- towards MIUR - low rate	378	699	-321	-45.9%
- other financial liabilities (assets) and derivatives	(1,718)	(4,740)	+3,022	-63.8%
Total short term debts	63,945	81,928	-17,983	-21.9%
Cash and cash equivalents	(7,882)	(4,528)	-3,354	+74.1%
Total net financial position	57,054	97,693	-40,639	-41.6%
Net financial position of discontinued operations	-	50,559	-50,559	-100.0%
Total	133,680	226,904	-93,224	-41.1%

Attachment 3

CONSOLIDATED CASH FLOW STATEMENT

(amounts in thousands of Euro)	2011	2010
Cash and cash equivalents at the beginning (*)	11,500	14,083
<i>Operating activities</i>		
Net profit of Continuing operation	2,104	2,097
Result of Discontinued operation	8,206	(6,435)
- Depreciation of tangible fixed assets	4,411	5,454
- Amortisation of intangible fixed assets	5,054	5,399
- Impairment of assets	1,066	3,280
- (Revaluation) of assets (IAS 27)	(3,522)	-
- Provisions (including employee indemnity fund)	1,537	1,418
- (Capital gains)/losses on disposal of	(390)	(8,155)
- (Gain)/loss realized from disposal of Discontinued operation	(9,862)	-
- (Gain)/loss from disposal of branches	(3,024)	-
- Net interest expense due to financial institutes and leasing companies	4,234	9,766
- Net income (charge) on derivative instruments	3,552	645
- Result on investments valued using the equity method	(1)	(19)
- Income taxes	(2,791)	4,440
Cash flow from current operations	10,574	17,890
- (Increase)/decrease in trade receivables	4,311	(13,376)
- (Increase)/decrease in inventory	(5,660)	5,034
- Increase/(decrease) in trade payables	4,632	5,066
- Net change in other assets/liabilities	(666)	(776)
- Reversal of provision funds (including employee Severance Indemnity Fund)	(1,847)	(4,245)
- Net interest expense paid due to financial institutes and leasing companies	(4,261)	(10,218)
- Financial flow from derivative instruments	(12)	(3,603)
- Income taxes paid	(3,185)	(2,965)
Cash flow from operating activities	3,886	(7,193)
<i>Investment activities</i>		
- (Investments) in intangible fixed assets	(5,678)	(9,572)
- (Investments) in tangible fixed assets	(2,097)	(3,249)
- Sale price on disposal of tangible fixed assets	895	10,122
- Cash flow generated by disposal of branches	19,411	-
- Cash flow absorbed by business combinations	(1,477)	-
- Cash flow generated by disposal of Discontinued operation (net of cash)	29,068	-
- (Purchases)/sales of financial assets	1	188
Cash flow from investment activities	40,123	(2,511)
<i>Financing activities</i>		
- Increase/(decrease) in financial payables (current and non-current)	(42,558)	4,301
- (Increase)/decrease in financial receivables	1,578	3,351
- Outlay for change in ownership of controlled companies and JV	-	(406)
- Dividends paid	(5,250)	-
Cash flow from financing activities	(46,230)	7,246
Changes from exchange differences	(1,397)	(125)
Free cash flow of the period	(3,618)	(2,583)
Cash and cash equivalents at the end	7,882	11,500
<i>of which related to:</i>		
- Continuing operations	7,882	4,528
- Discontinued operations	-	6,972
(*) including cash and equivalents of Discontinued operation		

Attachment 4

**RECONCILIATION OF ISAGRO S.P.A.'S RESULTS AND SHAREHOLDERS' EQUITY
WITH THE CONSOLIDATED FINANCIAL STATEMENTS**

(amounts in thousands of Euro)	2011		2010	
	Result	Equity	Result	Equity
Parent company Isagro S.p.A.	9,119	76,140	(6,830)	72,035
Intragroup earnings	(2,159)	(10,740)	(394)	(8,586)
Tax effect on intragroup earnings	972	3,770	(75)	2,798
Profits/reserves of consolidated companies	2,618	12,663	3,557	10,285
Intragroup dividends	(240)	-	(596)	-
Translation differences from statements in other currencies	-	(5,207)	-	2,087
Isagro Group total	10,310	76,626	(4,338)	78,619
Minority interest (profit)/loss	5	-	86	33
Total consolidated financial statements	10,315	76,626	(4,252)	78,652

EXPLANATORY NOTES ON THE ALTERNATIVE PERFORMANCE INDICATORS

In compliance with the CESR recommendation on alternative performance indicators (CESR/05-178b), 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.

More specifically, the reclassification of the consolidated income statement introduces the following concepts:

- **EBITDA excluding non-recurring income/charges**, which in the official consolidated income statement is equal to the difference between the item "Total revenues", gross of "Other non-recurring revenues" and the aggregate of operating costs, excluding "Other non-recurring costs";
- **EBITDA**, which in the official consolidated income statement is equal to the difference between the item "Total revenues" and the aggregate of operating costs;
- **EBIT**, which in the official consolidated income statement is equal to the difference between the item "Total revenues" and the aggregate of operating costs, "Amortisation/depreciation" and "Impairment of fixed assets".

The reclassification of the consolidated balance sheet, as reported in Attachment 2 "Re-classified consolidated balance sheet," was constructed from the items in conflicting sections of the official consolidated balance sheet with the introduction of the following items:

- **Net fixed capital**, given by the sum of "Tangible fixed assets", "Intangible fixed assets", "Goodwill", "Investments measured with the equity method", "Non-current receivables and other non-current assets", "Prepaid taxes" less "Deferred taxes", "Non-current funds" and "Other non-current liabilities";
- **Net current assets**, given by the sum of "Inventories", "Trade receivables", "Other current assets and other receivables", "Tax receivables" less "Trade payables", "Current Funds", "Tax payables" and "Other current liabilities and other payables";
- **Invested capital**, given by the algebraic sum of "Net fixed capital" and "net current assets";
- **Net invested capital**, given by the algebraic sum of "Invested capital" and "Employee benefits – Severance indemnity fund".

Finally with reference to the paragraph "Main indicators" we note that:

- **Earnings per share** was obtained by comparing the "Net result of the group" of the year to the total number of shares issued by Isagro S.p.A., which on December 31st, 2011 equalled 17,550,000;

- **Equity per share** was constructed by comparing the “Net equity” at the period end date with the total number of shares issued by Isagro S.p.A.;
- **R.O.E. (Return on Equity)** is given by the ratio between the “Net result for the group” and the “Net equity” at the period end date;
- **R.O.I. (Return on Investment)** is calculated by comparing the “EBIT” for the period with the “Net invested capital” at the period end date;
- **Net fixed assets/Equity + Employee severance indemnity** is given by the ratio between the “Net fixed capital” in the numerator and the sum of “Net equity” and Employee Severance Indemnity in the denominator;
- **Net current assets/Net financial position** is given by the ratio between “Net current assets” and the “Net financial position” at the period end date. In particular, to calculate this ratio for 2010, the “Net financial position of assets held for sale” was excluded from the final net financial position;
- The **Net financial position/EBITDA** ratio is calculated by dividing the “Net financial position” by “EBITDA” for the period. To calculate this ratio for 2010, the “Net financial position of assets held for sale” was excluded from the final net financial position”.

STATEMENT PURSUANT TO ART. 36 OF CONSOB REGULATION NO. 16191/2007

Pursuant to art. 2.6.2, subsection 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 art. 36, paragraphs a), b) and c) of Consob regulation no. 16191/2007 are fulfilled for subsidiaries established and regulated by the laws of countries that are not member states of the European Union.

STATEMENT PURSUANT TO ART. 37 OF CONSOB REGULATION NO. 16191/2007

Pursuant to art. 2.6.2, subsection 13 of the Regulation on Markets organised and managed by Borsa Italiana S.p.A., Isagro S.p.A. declares that the Company’s shares are validly admitted to trading as the prohibitive conditions of art. 37 of Consob regulation no. 16191/2007 are not fulfilled.

STATEMENT OF THE MANAGER IN CHARGE OF PREPARING THE CORPORATE ACCOUNTING DOCUMENTS

The Manager in charge of preparing the corporate accounting documents, Maurizio Basile, hereby declares pursuant to Article 154-bis, subsection 2 of the Consolidated Law on

Finance that the accounting disclosures in this consolidated annual report as at December 31st, 2011 correspond to accounting documents, books and entries.

CONSOLIDATED FINANCIAL STATEMENTS

- Consolidated statement of financial position
- Consolidated separate income statement
- Consolidated statement of comprehensive income
- Consolidated cash flow statement
- Consolidated statement of changes in shareholders' equity

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Euro)	Note	Dec-31-2011	of which related parties	Dec-31-2010	of which related parties
NON-CURRENT ASSETS					
Tangible fixed assets	2	26,501	-	29,930	-
Intangible fixed assets	3	47,990	-	60,352	-
Goodwill	4	5,089	-	3,665	-
Equity investments valued using the equity method	5	195	-	194	-
Receivables and other non-current assets	6	3,084	-	3,737	-
Non-current financial receivables and other financial assets	12	1,003	772	471	421
Financial assets - derivatives	13	-	-	188	-
Deferred tax assets	7	8,819	-	5,706	-
TOTAL NON-CURRENT ASSETS		92,681		104,243	
CURRENT ASSETS					
Inventories	8	38,179	-	34,222	-
Trade receivables	9	47,932	2,078	52,272	16,353
Other current assets and other receivables	10	5,261	449	5,255	415
Tax receivables	11	3,248	-	2,782	-
Current financial receivables and other financial assets	12	3,094	39	2,649	2,088
Financial assets - derivatives	13	661	-	3,924	-
Cash and cash equivalents	14	7,882	-	4,528	-
TOTAL CURRENT ASSETS		106,257		105,632	
Non-current assets held for sale and Discontinued operations	25	-		133,557	1,184
TOTAL ASSETS		198,938		343,432	
SHAREHOLDERS' EQUITY					
Share capital		17,550	-	17,550	-
Reserves		29,134	-	31,578	-
Conversion reserve attributable to assets held for sale		-	-	4,472	-
Retained earnings and profit for the period		29,942	-	25,019	-
Group shareholders' equity	15	76,626		78,619	
Minority interests		-		33	-
TOTAL SHAREHOLDERS' EQUITY	16	76,626		78,652	
NON-CURRENT LIABILITIES					
Non-current financial payables and other financial liabilities	17	1,915	-	20,626	-
Financial liabilities - derivatives	13	79	-	326	-
Employee Benefits – TFR (severance indemnity fund)	18	3,273	-	4,008	-
Non-current provisions		-	-	-	-
Deferred tax liabilities	7	2,056	-	4,334	-
Other non-current liabilities	19	1,265	-	697	-
TOTAL NON-CURRENT LIABILITIES		8,588		29,991	
CURRENT LIABILITIES					
Current financial payables and other financial liabilities	17	65,663	-	86,668	1,353
Financial liabilities - derivatives	13	2,037	-	1,833	-
Trade payables	20	37,210	883	34,512	369
Current provisions	21	2,015	-	1,583	-
Tax payables	22	1,800	-	1,768	-
Other current liabilities and other payables	23	4,999	251	5,932	-
TOTAL CURRENT LIABILITIES		113,724		132,296	
TOTAL LIABILITIES		122,312		162,287	
Liabilities associated with Discontinued operations	25	-		102,493	13,189
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		198,938		343,432	

CONSOLIDATED SEPARATE INCOME STATEMENT

(thousands of Euro)					
	Note	2011	of which related parties	2010	of which related parties
Revenues	26	144,318	3,445	133,800	36,852
Other operating revenues	27	5,393	314	4,726	1,655
Other non-recurring revenues:	28	3,502	-	8,028	-
Total revenues		153,213		146,554	
Raw materials and consumables used	29	(88,259)	(1,032)	(76,712)	(307)
Costs for services	30	(27,480)	(418)	(26,158)	(838)
Personnel costs	31	(24,905)	-	(24,732)	-
Other operating costs	32	(3,829)	-	(4,597)	(19)
Other non-recurring costs	33	(1,646)	-	-	-
Change in inventories of finished products and work in progress	34	3,416	-	476	-
Capitalised development costs	35	2,946	-	4,064	-
		13,456		18,895	
Amortisation/depreciation:					
- Depreciation of tangible fixed assets	36	(4,411)	-	(4,753)	-
- Depreciation of intangible fixed assets	36	(5,054)	-	(5,189)	-
Impairment of fixed assets	37	(1,066)	-	(515)	-
Net capital gains from revaluation	38	3,522	-	-	-
		6,447		8,438	
Net financial income/(charges)	39	(7,200)	123	(2,326)	896
Total profit (loss) from associated companies	40	66	-	4	-
Pre-tax profit (loss)		(687)		6,116	
Income Taxes	41	2,791	-	(4,019)	-
Net profit (loss) from operating assets		2,104		2,097	
Net result - discontinued operations	25	8,206	-	(6,435)	-
Net profit (loss)		10,310		(4,338)	
Attributable to:					
Parent company shareholders		10,315		(4,252)	
Minority interests		(5)		(86)	
Earnings per share:					
- basis for the profit of the year		0.59		(0.24)	
- basis for the profit from operations		0.12		0.12	
- dilution for the profit of the year		0.59		(0.24)	
- dilution for the profit from operations		0.12		0.12	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2011	2010
(thousands of Euro)			
Net profit (loss)		10,310	(4,338)
Profit (loss) from cash flow hedges	15	326	(167)
Income Taxes		(90)	47
		236	(120)
Change in conversion (difference) reserve		(7,302)	5,135
Other comprehensive income statement components		(7,066)	5,015
Total comprehensive income		3,244	677
Attributable to:			
Parent company shareholders		3,257	759
Minority interests		(13)	(82)

CONSOLIDATED CASH FLOW STATEMENT

(thousands of Euro)	Note	2011	2010
Cash and cash equivalents - opening balance	14	11,500	14,083
<u>Operating activities</u>			
Net profit - continuing operations		2,104	2,097
Net result - discontinued operations	25	8,206	(6,435)
- Depreciation of tangible fixed assets	36	4,411	5,454
- Depreciation of intangible fixed assets	36	5,054	5,399
- Impairment of fixed assets	37	1,066	3,280
- Net capital gain from revaluation	38	(3,522)	-
- Provisions (including severance indemnity fund - TFR)	18,21	1,537	1,418
- (Capital gains) losses on disposal of tangible and intangible fixed assets	28,33	(390)	(8,155)
- (Capital gains) losses on transfer of discontinued operations	25	(9,862)	-
- (Capital gains) losses on transfer of business units	28	(3,024)	-
- Net interest expense due to financial institutes and leasing companies		4,234	9,766
- Net income (charges) on derivative instruments	39	3,552	645
- Result on investments valued using the equity method	5	(1)	(19)
- Income Taxes	41	(2,791)	4,440
Cash flow from current operations		10,574	17,890
- (Increase)/decrease in trade receivables		4,311	(13,376)
- (Increases)/decreases in inventories	8	(5,660)	5,034
- Increase/(decrease) in trade payables		4,632	5,066
- Net change in other assets/liabilities		(666)	(776)
- Use of provisions (including severance indemnity fund -TFR)	18,21	(1,847)	(4,245)
- Net interest expense due to financial institutes and leasing companies paid		(4,261)	(10,218)
- Financial flow from derivative instruments		(12)	(3,603)
- Income taxes paid		(3,185)	(2,965)
Cash flow from operating activities		3,886	(7,193)
<u>Investment activities</u>			
- (Investments) in intangible fixed assets	3	(5,678)	(9,572)
- (Investments) in tangible fixed assets	2	(2,097)	(3,249)
- Sale price on disposal of tangible and intangible fixed assets		895	10,122
- Cash flow from the transfer of business units	28	19,411	-
- Cash flow absorbed by business combination transactions	1	(1,477)	-
- Cash flow from the transfer of discontinued operations (net of cash)	25	29,068	-
- (Investment)/disinvestment of financial assets		1	188
Cash flow from investment activities		40,123	(2,511)
<u>Financing activities</u>			
- Increase/(decrease) in financial payables (current and non-current)		(42,558)	4,301
- (Increase)/decrease in financial receivables		1,578	3,351
- Outlay for changes in the ownership of subsidiaries and jv		-	(406)
- Distribution of dividends	42	(5,250)	-
- Shareholders' payments for share capital increase		-	-
Cash flow from financing activities		(46,230)	7,246
Change in conversion differences		(1,397)	(125)
Cash flow for the period		(3,618)	(2,583)
Cash and cash equivalents - closing balance	14	7,882	11,500
of which relating to:			
- continuing operations		7,882	4,528
- discontinued operations		0	6,972
		<u>7,882</u>	<u>11,500</u>

Consolidated statement of changes in shareholders' equity 2010

(thousands of Euro)	Group shareholders' equity									Minority interests	Total shareholders' equity
	Share capital issued	Reserves						Retained earnings and profits for the period	Total		
		Share premium reserve	Hedging reserve	Conversion reserve (difference)	Conversion reserve assets sold	Other reserves	Total				
Balance as at Dec-31-2009	17,550	23,970	(116)	(2,996)	-	12,363	33,221	27,243	78,014	367	78,381
Changes during the period:											
Profit (loss) for the period	-	-	-	-	-	-	-	(4,252)	(4,252)	(86)	(4,338)
Other comprehensive income statement components	-	-	(120)	5,131	-	-	5,011	-	5,011	4	5,015
Total comprehensive income statement	-	-	(120)	5,131	-	-	5,011	(4,252)	759	(82)	677
Dividends	-	-	-	-	-	-	-	-	-	-	-
Share capital increase	-	-	-	-	-	-	-	-	-	-	-
Movements between reserves	-	-	-	(4,470)	4,472	(2,134)	(2,132)	2,132	-	-	-
Other changes	-	-	-	(50)	-	-	(50)	(104)	(154)	(252)	(406)
Total changes during the period	-	-	(120)	611	4,472	(2,134)	2,829	(2,224)	605	(334)	271
Balance as at Dec-31-2010	17,550	23,970	(236)	(2,385)	4,472	10,229	36,050	25,019	78,619	33	78,652

Consolidated statement of changes in shareholders' equity 2011

(thousands of Euro)	Group shareholders' equity									Minority interests	Total shareholders' equity
	Share capital issued	Reserves						Retained earnings and profits for the period	Total		
		Share premium reserve	Hedging reserve	Conversion reserve (difference)	Conversion reserve assets sold	Other reserves	Total				
Balance as at Dec-31-2010	17,550	23,970	(236)	(2,385)	4,472	10,229	36,050	25,019	78,619	33	78,652
Changes during the period:											
Profit (loss) for the period	-	-	-	-	-	-	-	10,737	10,315	(5)	10,310
Other comprehensive income statement components	-	-	236	(2,822)	(4,472)	-	(7,058)	-	(7,058)	(8)	(7,066)
Total comprehensive income statement	-	-	236	(2,822)	(4,472)	-	(7,058)	10,315	3,257	(13)	3,244
Dividends	-	-	-	-	-	-	-	(5,250)	(5,250)	-	(5,250)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-
Movements between reserves	-	-	-	-	-	142	142	(142)	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	(20)	(20)
Total changes during the period	-	-	236	(2,822)	(4,472)	142	(6,916)	4,923	(1,993)	(33)	(2,026)
Balance as at Dec-31-2011	17,550	23,970	-	(5,207)	-	10,371	29,134	29,942	76,626	-	76,626

EXPLANATORY NOTES

GENERAL INFORMATION

Information on the Isagro Group

Isagro S.p.A. is a corporate body organised in accordance with the Italian Republic's legal system. Isagro S.p.A., its subsidiaries and joint ventures (hereinafter, the "Isagro Group") are active in the research, management of intellectual property, 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 in the STAR segment of the Milan Stock Exchange.

Publication of the consolidated financial statements

Publication of the Isagro Group's consolidated financial statements as at December 31st, 2011 was authorised by resolution of the Board of Directors of Isagro S.p.A. on March 13th, 2012.

Compliance with IFRS

The Isagro Group's financial statements as at December 31st, 2011 were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union, and with the measures issued in implementation of art. 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. 48, to which reference should be made.

Discontinued operations

Note that as part of the strategic Group repositioning, Isagro S.p.A.:

- on January 27th, 2011 transferred its investment in the distribution company Isagro Italia S.r.l., equal to 50% of the share capital, to the Japanese multinational Sumitomo Chemical Co. Ltd, which now owns the entire capital equal to €15 million;
- on April 4th, 2011 transferred the investment in the Brazilian distribution company Sipcam Isagro Brasil S.A., equal to 50% of the share capital, to the Dutch company Regentstreet B.V., a subsidiary of the Indian multinational United Phosphorus Ltd., for €20 million.

Furthermore, following the winding-up of the joint venture Isagro Sipcam International S.r.l., the latter, on March 29th, 2011, transferred to the shareholder Sipcam Nederland Holding N.V. the entire investment in the Argentinian distribution company Agro Max S.r.l., equal to 75% of the share capital, for the equivalent of €1,584 thousand.

In accordance with IFRS 5, the disposals listed qualify as discontinued operations, for which the results are illustrated in note no. 25, reported separately from those of operating assets.

Non-recurring transactions

In January the parent company Isagro S.p.A., together with the company Chemtura Netherlands B.V., started a 50-50 joint venture called ISEM S.r.l., engaged in the development of new active ingredients and the production and trade of crop protection products. On January 24th, 2011 the parent company Isagro S.p.A. transferred to the company ISEM S.r.l., established in December 2010, the business unit called “Innovative herbicides and fungicides” for a value of approximately €40 million, transferring, on January 26th, 2011, to Chemtura Netherlands B.V. 50% of the investment in ISEM S.r.l. for €20 million.

This transaction, in addition to determining a capital gain for the Group of about €3 million, implied pursuant to IAS 27, the realignment to the fair value of the residua interest of the net assets of ISEM (50%), with a surplus value of about €3.5 million emerging.

The economic results of the transfer transaction and the consequent revaluation transaction are highlighted in notes no. 28 and 38, respectively.

Furthermore, the effects of the transaction on the main balance sheet items was highlighted in the various notes in specific sections called “50% ISEM transfer” and “Revaluations”.

Finally, it is specified that the balance sheet and income statement values of the joint venture are included in the consolidated financial statements with the proportional method.

Basis of presentation

The consolidated financial statements comprise the statement of financial position, the separate 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;
- in the separate income statement, the analysis of the costs is carried out on the basis of their nature;
- the indirect method is used for the cash flow statement. The average rates of exchange were used in the conversion of the cash flows of foreign subsidiaries.

With reference to Consob resolution no. 15519 dated July 27th, 2006 on financial statements, special sections are included to illustrate significant related party transactions, together with specific income statement items, to identify any significant non-recurring transactions with related parties implemented as part of normal business activities.

All balances stated in the financial statements and the explanatory notes are expressed in thousands of Euro, unless indicated otherwise.

In addition, representation of the discontinued operations described above led to the following:

- the cost and revenue items related to discontinued operations were classified in the item “Profit/loss from discontinued operations” in the income statement;
- current and non-current assets relating to discontinued operations were reclassified, as at December 31st, 2010, under “Non-current assets held for sale and discontinued operations” in the statement of financial position;

- liabilities (excluding shareholders' equity) relating to discontinued operations were reclassified, as at December 31st, 2010, under "Liabilities associated with discontinued operations" in the statement of financial position;
- cash flows relating to discontinued operations are represented in the Explanatory Notes.

Paragraph 25 of these Explanatory Notes, to which reference should be made, provides details of the content of items relating to discontinued operations.

Going concern

The consolidated financial statements as at December 31st, 2011 were prepared on the basis of going concern assumptions.

Changes in accounting principles

The accounting principles adopted for the preparation of the consolidated financial statements are consistent with those used for the previous year's statements, with the exception of the following IFRS in force as from January 1st, 2011.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

By Regulation no. 662/2010, on July 23rd, 2010 the European Commission introduced IFRIC 19 providing guidance on the recognition of a financial liability extinguished by means of equity instruments. The interpretation states that if a company renegotiates the terms for extinguishing a financial liability and the creditor accepts settlement by means of a company share issue, then the shares issued by the company form part of the price paid to settle the financial liability and must be measured at fair value. The difference between the book value of the financial liability and the initial value of the equity instruments issued must be recognised to the income statement in that period. During the year the group did not carry out transactions that require the application of this standard.

IAS 24 – Related party disclosures

On July 19th, 2010, with Regulation no. 632/2010, the European Commission introduced a reviewed version of IAS 24 – Related party disclosures, which simplifies the type of information required in case of transactions with related parties controlled by the State and clarifies the definition of related parties, particularly for individuals and executives with strategic responsibilities.

The adoption of this change did not have any impact on the financial statements of the Group.

Improvements to the International Financial Reporting Standards

On February 18th, 2011, with Regulation no. 149/2011, the European Commission introduced a set of changes to IFRS ("Improvement"). The main ones are illustrated below:

IFRS 3 – Business combinations

The amendment clarifies that minority interest components that do not offer holders the right to receive a proportional share of net assets in the subsidiary must be measured at fair value or as required under application accounting standards. For example, a stock option plan granted to employees - in business combinations - must be measured according to IFRS 2 rules and the equity portion of a convertible bond must be measured according to IAS 32.

IFRS 7 - Financial instruments: Disclosures

The amendment emphasises interaction between qualitative and quantitative disclosures required under the standard in relation to the nature and extent of risks implicit to financial instruments. This should help financial statements users to associate the disclosures made and provide a general description of the nature and extent of risks deriving from the financial instruments.

IAS 1 – Presentation of Financial Statements

The amendment calls for the reconciliation of changes in every shareholders' equity component in either the explanatory notes or the financial statements.

IAS 34 – Interim Financial Reporting

The amendment requires additional information on the fair value and the changes in the classifications of financial assets.

The adoption of these improvements did not have a significant impact on the financial statements of the Group.

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

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the possible impacts of the new principles or the new interpretation on the annual financial statements are indicated below. These standards came into force after December 31st, 2011 and were not applied in advance by the Group.

IFRS 7 Financial instruments: disclosures – transfers of financial assets

On November 22nd, 2011, with Regulation no. 1205/2011, the European Commission introduced new changes to IFRS 7, to be applied for the accounting periods after July 1st, 2011, aimed at allowing the users of the financial statements to better assess the exposure to risks connected with the transfer of financial assets and the effects of these risks on the financial position of the entity. The goal is to promote transparent disclosures on transfer transactions, and particularly the transactions that imply the securitisation of financial assets, to allow the users of the financial statements to understand the ratio between the financial assets transferred and not entirely derecognised and the associated liabilities, and understand the nature and risks connected with the residual involvement of the entity in the derecognised financial assets.

The adoption of this change will have no effect in terms of valuation of the items.

Furthermore, on the date of these financial statements, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the following accounting standards that will be adopted by the Group, where applicable, when they enter into force.

IFRS 10 – Consolidated financial statements

On December 20th, 2010 IASB issued standard IFRS 10 – Consolidated Financial Statements, which will replace Sic-12 Consolidation – Special purpose entities and parts of IAS 27 – Consolidated and separate financial statements. The new standard deviates from existing standards in that it identifies in the concept of control a determining factor for the consolidation of a company in the consolidated financial statements of the parent company. The changes introduced will require the management to make important discretionary assessments to establish which companies are to be considered as subsidiaries and thus need to be consolidated by the parent company. The standard must be applied retrospectively from January 1st, 2013. The application of this standard will have no impact on the financial and economic position of the Group.

IFRS 11 – Joint arrangements

On May 12th, 2011 IASB issued standard IFRS 11 – Joint arrangements, which will replace IAS 31 – Interests in Joint Ventures and Sic-13 Jointly-controlled entities – Non-monetary contributions. The new standard provides criteria to identify the joint arrangements based on rights and obligations deriving from the agreements rather than their legal form, and provides for those jointly controlled entities that fit the definition of joint venture to be recorded exclusively by using the equity method. The possibility of recording in the consolidated financial statements using the proportional consolidation method no longer applies for these companies; on the other hand, this remains the only recording method in case the joint arrangement is classified as joint operation. The standard must be applied retrospectively from January 1st, 2013. The Group is still assessing the possible impact of these amendments on the consolidated statement of financial position and income statement, in connection with the future recording of the investment in the joint venture Isem S.r.l..

IFRS 12 – Disclosure of interests in other entities

On May 12th, 2011 IASB issued standard IFRS 12 – Disclosure of interests in other entities, which is a new and complete standard on the additional information to be provided on each type of investment: in subsidiaries, jointly controlled companies, associates, special purpose entities and other unconsolidated vehicle companies. The standard must be applied retrospectively from January 1st, 2013.

IFRS 13 – Fair value measurement

On May 12th, 2011 IASB issued standard IFRS 13 – Fair value measurement, which clarifies the methods to determine the fair value for the various items and applies to all IFRS standards that require or allow fair value measurement. The standard must be applied prospectively from January 1st, 2013. The application of this standard will have no significant impact on the financial and economic position of the Group.

IAS 19 – Employee benefits

On June 16th IASB issued an amendment to IAS 19 – Employee benefits, which eliminates the option to defer the classification of actuarial profits and losses with the corridor method, requiring the presentation in the statement of financial position of the deficit or surplus of the fund and the recognition in the income statement of the cost components linked to the work service and the net financial charges as well as the recognition of the actuarial profits and losses that derive from re-measuring the asset or liabilities among the other comprehensive income statement components. The

standard introduces other additional information to be provided with the notes and must be applied retrospectively from January 1st, 2013. The Group is still assessing the impact of these changes on the consolidated income statement, which in any case are expected to be slight.

Uncertainty in the use of estimates

Preparation of the consolidated financial statements requires estimates and assumptions to be made which have an effect on the asset and liability values stated and on the disclosure relating to the potential assets and liabilities as at the reference date. Consequently, the results actually achieved could then differ from said estimates.

In detail, the estimates are used in order to record the provisions for doubtful receivables, inventory obsolescence, amortisation and depreciation, write-downs, employee benefits, taxation and other provisions allocated. 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 management 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 past experience with similar receivables, current and historical past due amounts, losses and collections, credit quality monitoring and forecasts regarding economic and market conditions.

Inventory write-down provision

The inventory write-down provision reflects management's estimate regarding the impairment expected from various Group companies, in terms of events that have already taken place as well as the expected prices for crop protection products during 2012, particularly those products whose realisable value is indexed to the commodity prices.

The financial crisis has not however had a significant impact on the value of the Group's inventories, while future impairment cannot be precluded for sales of crop protection products, though it cannot currently be foreseen.

Intangible fixed assets not yet available for use

Intangible assets not yet available for use essentially refer to registration expenses incurred for authorisations to sell formulas relating to the Group's major proprietary products (see note no. 3). 60% of this item, equal to about €15.5 million, concerns three new products (IR6141, IR5878 and IR5885) still sold in very few markets at values which are not yet significant. Therefore, in measuring the recoverability of this item, which involves discounting the cash flows expected from the sale of related products, impairment testing is normally conducted also on the values of active ingredients contained in products not yet amortised. However, impairment testing was not considered necessary for the two active ingredients IR5878 and IR5885, since the recognition value was confirmed within the business unit transfer transaction and the subsequent creation of the joint venture ISEM S.r.l. with the company Chemtura Netherlands B.V..

Based on the impairment testing conducted, no write-down was considered necessary for these items.

Furthermore, since these registrations have not yet been obtained, the cash flows used for the impairment testing and reflected in the business plans of the various Group companies, are those accurately defined for each project unit the year 2026 for the products IR5878 and IR5885, while for IR6141 and the other products, the same are calculated accurately until 2015 and, starting from 2016, the cash flows of the last year of the plan were projected, with an increase tendentially aligned with the expected inflation rate.

The accuracy of the impairment testing and consequently the precision of the amounts recognised under the assets for these items are connected with the plans being implemented.

Goodwill

Regarding goodwill, note that about 80% of the item refers to the companies Isagro Colombia S.A.S. and ISEM S.r.l. and Isagro Copper CGU, for which the management has run additional analyses to verify the goodwill recoverability (sensitivity analysis). Related considerations are described in note no. 4.

Deferred tax assets

As at December 31st, 2011 the Isagro group recorded deferred tax assets for tax losses brought forwards of approximately €3.8 million. In checking the recoverability of these deferred tax assets, the budget and plans of the Group companies were considered. No need was found to record entries to adjust the items in the financial statements. However, it is not possible to exclude beforehand that an additional worsening of the financial and economic crisis still in progress may affect the terms and methods of the business plan to recover these items.

Segment Reporting

The Group's operating segments in accordance with IFRS 8 – Operating Segments are identified in the organisational geographic areas that generate revenues and costs, whose results are periodically revised by the highest decision-making body to assess the performance of the decisions with respect to resource allocation and for which separate financial statement information is available.

The geographic areas that constitute the Group's operating segments are listed in note no. 24.

ACCOUNTING POLICIES AND EVALUATION CRITERIA

Consolidation principles

The consolidated financial statements contain the statements of Isagro S.p.A., its subsidiaries and joint ventures. In particular, a company is considered a subsidiary when the Group has the power, directly or indirectly, to determine its financial and operating policies so as to obtain benefits from its activities.

The consolidated financial statements are prepared on the basis of the financial statements of the individual companies, which have been drawn up in compliance with IFRS.

The financial statements of the subsidiaries included in the consolidation scope are consolidated using the full consolidation method which requires full acknowledgment of all balance sheet items, regardless of the percentage of the Group's shareholdings, as well as the derecognising of intragroup transactions and unrealised earnings.

The book value of the equity investments is derecognised against the corresponding portion of the subsidiaries' shareholders' equity, while the individual asset and liability items are attributed their current values as at the date that control was acquired and any potential liabilities are recognised. Any positive residual differences are recorded under goodwill while any negative residual differences are allocated to income statement.

Wherever the equity investment is less than 100%, the portion of minority profits and shareholders' equity is recognized.

Subsidiaries are consolidated as of the date on which control is actually transferred to the Group and they cease to be consolidated on the date on which control is transferred outside the Group. Where a loss of control of a company included in the consolidation has occurred, the consolidated financial statements include the result of the financial year as a proportion of the period during which the Group held control.

The joint ventures are consolidated under the proportional method, which involves line-by-line recording in the consolidated financial statements of the assets, liabilities, costs and revenues of the joint venture as proportional to the capital attributable to the investor.

Consolidation area

The consolidated financial statements contain the statements of Isagro S.p.A., its subsidiaries and joint ventures.

For a list of companies included in the consolidation area, reference should be made to note no. 52.

Compared to the situation as at December 31st, 2010, in addition to the transactions described above regarding the transfer of the investments in Isagro Italia S.r.l., Sipcam Isagro Brasil S.A. and Agro Max S.r.l., and the establishment of a 50-50 NewCo, called ISEM S.r.l., with the Chemtura Group, consolidated with the proportional method, the following transactions must be noted:

- the purchase, on March 29th, 2011, by the parent company Isagro S.p.A. of the investment in the company Barpen International S.A.S. (now Isagro Colombia S.A.S.), equal to 100% of the share capital, held in the joint venture Isagro Sipcam International S.r.l. in liquidation, with the ownership percentage of the Group passing from 50 to 100%. The effects of the acquisition, which pursuant to IFRS 3 equates to a "Combination transaction", are illustrated in note no. 1;
- the voluntary winding-up of the subsidiary Isagro France Sarl and the transfer of the investment to Isagro Mexico S.A.. The effect of these transactions on the consolidated financial statements was negligible;
- the merger of Isagro Colombia Ltda, already 100% owned by the Isagro Group, in the subsidiary Barpen International S.A.S. (now Isagro Colombia S.A.S.).

Conversion of financial statements expressed in foreign currency

The presentation currency adopted by the Group is the Euro, which is also the reporting currency of the Parent Company Isagro S.p.A..

At the period end the financial statements of the foreign subsidiaries with a reporting currency other than the Euro were converted into the presentation currency in accordance with the following procedures:

- assets and liabilities are converted using the exchange rates in force as at the period end date;
- income statement items are converted using the average exchange rate of the financial year/period;
- shareholders' equity items are converted using historic exchange rates, maintaining the existing stratification (if any) of reserves.

The exchange rate differences emerging from this conversion process are recorded in the statement of the other comprehensive income components and accumulated in a separate shareholders' equity component (Conversion reserve or difference) until the disposal of the foreign company.

Exchange rates applied in the conversion of the financial statements of the companies included in the consolidation area are listed in the table below:

Currency	Exchange rate as at Dec-31- 2011	Average exchange rate 2011	Exchange rate as at Dec-31- 2010	Average exchange rate 2010
Indian Rupee	68.713	64.8859	59.758	60.5878
United States dollar	1.2939	1.39196	1.3362	1.32572
Australian dollar	1.2723	1.34839	1.3136	1.4423
Argentinian Peso	5.56769	5.74525	5.3099	5.1856
Colombian Peso	2,510.57	2,569.90	2,571.38	2,515.56
Brazilian Real	2.4159	2.32651	2.2177	2.3314
South African Rand	10.483	10.097	8.8625	9.6984
Mexican Peso	-	17.2877	16.5475	16.7373
Chinese Yuan	8.1588	8.996	8.822	8.9712
Chilean Peso	671.997	672.54	625.275	675.346

Assets held for sale (discontinued operations)

As illustrated in the previous section, "Basis of Presentation", non-current assets and groups of assets and liabilities whose book value will be recovered mainly by means of sale rather than ongoing use, are presented separately from the other assets and liabilities under Discontinued Operations in the statement of financial position. The assets classified in this financial statement line are valued at the lower of the book value and the fair value less the estimated sales costs. Any losses are charged directly to the income statement.

Earnings per Share

Basic earnings per share are determined by dividing the portion of the Group's economic result by the weighted average of outstanding shares in the period. For the purpose of calculating the diluted earnings per share, the weighted average of outstanding shares is modified assuming the underwriting of all potential shares deriving from the conversion of bonds and the exercise of warrants, should these have been issued by the parent company.

Valuation criteria

The consolidated financial statements have been drawn up on the basis of the cost principle with the exception of any financial assets held for trading and derivatives, which are measured at fair value. This value represents the value at which an asset can be traded, or a liability discharged, in an unrestricted transaction between informed and willing parties.

Business Combinations

Business combinations are recognised using the acquisition method. According to this method the amount changing hands in a business combination is measured at fair value, calculated as the sum of fair values of the assets transferred and liabilities taken over by the Group as at the acquisition date, plus any equity instruments, in exchange for control of the acquired business. Additional transaction charges are recognised to the income statement at the time they are incurred.

Goodwill is calculated as the excess between the sum of all amounts paid for the business combination, the value of minority interests' shareholders' equity and the fair value of any previous investment in the business acquired compared to the fair value of net assets and liabilities acquired as at the date of acquisition.

Any payment subject to contractual conditions of the business combination agreement are measured at fair value as at the date of acquisition and included in the value of amounts paid for the business combination for the purpose of the goodwill calculation. Any subsequent changes in fair value, qualifying as adjustments made for the measurement period, are backdated on inclusion under goodwill. Changes in fair value qualifying as adjustments for the measurement period are those resulting from further information on facts and circumstances existing at the time of acquisition but obtained only during the measurement period, and cannot cover more than one year from the date of the business combination.

For business combinations acquired step by step, any previous Group investment in the acquired business is revaluated at the fair value as at the date control is acquired, and any resulting profit or loss is recognised to the income statement. Any values resulting from the previously held investment, and recorded under other profit/loss in the comprehensive income statement, are reclassified to the separate income statement as if the investment had been sold.

Tangible fixed assets

Tangible fixed 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 bring 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 extension costs, etc. – are recorded under the assets if, and only if, it is probable that the future economic benefits associated with them will flow to the company and if they are identifiable assets or if they concern expenses whose purpose is to extend the useful life of the assets to which they refer or increase the production capacity or even improve the quality of the products obtained by the same. If, by contrast, these expenses are similar to maintenance costs, they will be recorded in the income statement when they are incurred.

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

- buildings: 19-30 years
- plant and equipment: 10-11 years
- equipment: 3-6 years
- other assets: 5-6 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 fixed 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 book value exceeds the estimated realizable value, the assets or the cash flow generating units are written down so as to reflect their realizable value, which coincides with the net sales price of the assets or the usage value, whichever is the higher. When defining the usage value, the future financial 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 “Impairment of fixed assets.”

Tangible fixed assets acquired through a business combination are recognised at market value, normally determined by an expert appraisal. When the determination of such value is not possible, on grounds that the underlying asset is rarely sold, the book value is estimated under the amortised replacement cost or expected revenue methods.

Intangible fixed 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, any assets acquired through a business combination are recorded at their fair value at the date of acquisition.

Assets created 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.

After initial statement, intangible fixed 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 a specified useful life is as follows:

- concessions and licences:	5-10 years
- development costs of new products:	5-15 years
- authorisations to market (registrations)	
crop protection products:	term of the license
- product know-how:	15 years
- process know-how:	5 years
- trademarks:	5-10 years
- 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 fixed 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. In order to calculate this value, reference should be made to the matters indicated above in relation to Tangible fixed 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. 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.

When the development project is concluded, and is manifested in a process available for economic utilisation, or in a product know how, the related costs are re-classified under the item “product know-how” or “process know-how” and amortised in a straight line basis in relation to their expected useful life, but in any case in a period no longer than 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 products deriving from the latter, are completed, any reduction in value of the main projects underway will be assessed annually (the impairment test), with the consequent recognition in the income statement of any surplus recognised in the financial statements.

Goodwill

Goodwill deriving from business combinations is recognised at cost as at the date of acquisition, as described in the section “Business Combinations”. After initial recognition, the goodwill is valued at cost, and decreased only by any accumulated losses in value. In fact, goodwill is not amortised, but impairment testing is performed annually. Any impairment is recognised to the income statement and any surplus to the balance sheet.

Equity investments in associates

Any equity investments of the Group in associates are valued in accordance with the equity method. An associate is a company over which the Group exercises significant control and which cannot be classified as a subsidiary or joint venture.

Under the equity method, the investment in an associate is recorded in the balance sheet at cost, plus any variations occurred in the assets of such associate after the acquisition of the interest of the Group. The goodwill related to the associate is included in the book value of the investment and is not subject to amortisation. After the application of the equity method, the Group decides whether it is necessary to register any additional loss of value with reference to the Group’s net investment in

the associate. The income statement reflects the Group's share of the results of the associate for the period. Profits and losses generated by transactions between the Group and the associate, are derecognised to the extent of the equity investment in the associate.

The accounts closing date of associates is aligned to that of the Group: the accounting principles used are consistent with those used by the Group for transactions and events of the same nature and which occurred in similar circumstances.

Equity investments in joint ventures

Group investments in joint ventures are recognised through application of the proportional consolidation method. This method involves inclusion in the consolidated financial statements of the portion of joint venture assets controlled jointly by the investor, together with the portion of liabilities for which the investor is jointly responsible. The consolidated income statement includes the portion of joint venture revenues and costs pertaining to the investor.

Financial assets

Financial assets are initially recorded at cost - as increased by any purchase-related charges – which represents the fair value of the price paid. Purchases and sales of financial assets are stated as of the date they are traded, in other words the date when the Group undertook the commitment to purchase said 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.

Investments held to maturity

These are non-derivative financial assets with payment of fixed or determinable prices, which the Group has the firm intention and ability to maintain until maturity.

After initial statement, these assets are valued 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 and the gains or losses are recorded in a specific item of the statement of comprehensive income until they are sold or it is assessed that they have suffered impairment: in this case, the gains or losses accumulated up to that moment in the shareholders' equity are recognised in the separate income statement.

Equity instruments which do not have a market price listed on an active market and whose fair value cannot be reliably determined, are recognised 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 valued at amortised cost, using the effective interest rate method, while receivables without a fixed maturity are valued at cost.

Short-term receivables, with regard to which the maturity of the interest has not been agreed, are valued at their original value. The fair value of the 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 stated in the financial statements net of allowances for losses in value. These provisions are made when there is an indication (such as the likelihood of default or significant financial difficulties of the debtor) that the Group will be unable to recover all the amounts due in accordance with the original terms of the 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 stated at cost, i.e. the fair value of the price paid during the transaction. Subsequently, the payables which have a pre-established maturity are valued at amortised cost, using the effective interest rate method, while payables without a fixed maturity are valued at cost.

Short-term payables, with regard to which the maturity of the interest has not been agreed, are valued at their original 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 stated at cost, corresponding to the fair value of the amount receivable, net of any related loan acquisition charges.

After initial statement, 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. The exchange differences generated during the period, when foreign currency receivables are collected and payables paid, are recognised in the income statement.

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 reporting currencies adopted by the different 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 implicit) 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.

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.

With regard to defined-benefit plans, the amount recorded as a liability 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. With regard to the "Corridor" method, the Group immediately records all the actuarial gains and losses deriving from changes in the actuarial hypotheses or from changes in the plan conditions, in the income statement.

In defined-benefits plans, the cost charged to the income statement equates to the algebraic sum of the following elements: (a) the social security costs relating to the current employment services; (b) the financial charges deriving from the increase in the liability consequent to the passage of time; (c) the expected return on any assets serving the plan; (d) the actuarial gains and losses; (e) the social security costs relating to the past employment services; (f) the effect of any reductions or discharges of the plan.

Until December 31st, 2006 the employee severance indemnity (TFR) provisions of Italian companies were considered as defined benefit plans. 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 particularly insofar as 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

Financial leasing agreements, which basically transfer to the Group all risks and benefits deriving from the ownership of the leased asset, imply the recognition of the value of the leased assets against a financial liability toward the lessor, for an amount equal to the fair value of the leased asset or, if lower, at the current value of the rentals, determined using the implicit interest rate of the contract. Rentals are split between capital amount and interest amount, so to obtain the application of a consistent interest rate on the residual balance of the debt (capital 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 valued at the current value of the amount received or due. Revenues are recognized to the extent that it is probable that the economic benefits will be achieved by the Group and the related amount can be reliably determined.

Sale of goods

The revenue is recognised when the Group has transferred the significant risks and benefits associated with the ownership of the asset and stops exercising the usual level of activity associated with the ownership as well as effective control over the asset sold.

Provision of services

The revenue is recorded with reference to the stage of completion of the transaction as of the period end date. 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.

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 deriving from the acquisition, construction or production of an asset, which requires a relevant period of time before it is available for use, are capitalised because they are part of the cost of the asset itself.

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 records deferred tax assets and liabilities on temporary differences existing between the values of the assets and liabilities recorded in the financial statements and the related values for tax purposes, as well as on any difference in value of the assets and liabilities generated by 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.” By contrast, in relation to all the deductible temporary differences, a deferred tax asset (prepaid tax) is recorded to the extent that it is probable that assessable income will be generated against which the deductible temporary difference can be used. 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. These assets are stated in the financial statements under the item “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 written off when the Group no longer holds control over the contractual rights associated with the asset and this normally takes place when the rights specified in the contract are exercised or when they expire or when they are transferred to third parties. Consequently, when it emerges that the Group has maintained control over the contractual rights associated with the assets, the latter cannot be removed from the statement of financial position. 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.

By contrast, if the transferee has the ability to obtain the benefits of the transferred asset, or is free to sell or utilise the entire fair value of the transferred asset, the transferor must remove the asset from its balance sheet.

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.

Derivatives

Derivatives are recognised at fair value. 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 which are essentially identical or to the valuations provided by the lending institutes from which the financial instrument has been acquired.

In particular:

- the fair value of foreign currency forward agreements and domestic currency swap transactions, is calculated with reference to the current forward exchange rates for contracts with a similar maturity profile;
- the fair value of swap contracts on interest rates is determined by calculating the current differential value fixed rate vs. floating rate – of future estimated cash flows, taking into account the envisaged changes in the reference rates;
- the market value of contracts for the forward purchase of commodities is determined with reference to current forward values for contracts with a similar maturity profile.

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.

The statement in the accounts of derivatives acquired for hedging purposes is carried out according to the so-called “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 registration in the accounts, the hedging transactions are classified as “fair value hedges” if they cover the risk of market change of the underlying asset or liability; or as “cash flow hedges” if they cover the risk of variability in the 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 valuation gains and losses of the hedging instrument are recorded in the other income statement components for the effective portion, while any ineffective portion is recorded immediately in the separate income statement. In the event that the item hedged is an irrevocable commitment which involves the occurrence of an asset or liability, the gain or loss accumulated under shareholders’ equity adjusts the value at which the asset or liability has been recorded at the time it was recorded. With regard to all the other cash flow hedges, the gain or loss related to the financial instrument is reclassified from shareholders’ equity to the separate income statement at the same time the hedged transaction influences the income statement.

If a derivative financial instrument is acquired for hedging purposes and not speculative ones, but does not possess the afore-mentioned requisites for being recorded according to the so-called hedge accounting method, the gains or the losses deriving from the change in its fair value must be booked to the separate income statement.

INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Business Combinations

On March 29th, 2011 the parent company Isagro S.p.A. acquired, for €3,600 thousand, from the joint venture Isagro Sipcam International S.r.l. in liquidation the investment the latter held in the Colombian company Barpen International S.A.S. (now Isagro Colombia S.A.S.), with the ownership percentage of the Group increasing from 50 to 100%. Of the agreed price, €362 thousand were paid via bank transfer and €2,737 thousand by offsetting a financial receivable of the parent company from Isagro Sipcam International S.r.l. in liquidation. As at December 31st the parent company still

owes the joint venture €501 thousand for the acquisition of the company (proportion of the Group equal to €250 thousand).

The overall acquisition of the company, which is engaged in the distribution of crop protection products in the Colombian territory, was made to guarantee the Group the full control of the distribution channel of its products in a territory where, based on the new industrial plans, an expansion of sales is expected.

According to IFRS 3 the abovementioned transaction was recognised by applying the acquisition method, with the consequent recognition of the acquired assets and assumed liabilities identifiable at the respective fair value on the acquisition date.

This being a business combination carried out in several phases since the Group already owned 50% of the company on the acquisition date, the interest already held will be aligned at its fair value. This alignment, which implied the recognition of a loss of €515 thousand, was made in the consolidated financial statements as at December 31st, 2010, since the contractual terms of the transaction are already known before the period end date.

The fair value of the assets and liabilities of Barpen International S.A.S. on the acquisition date was as follows:

	Fair value	Book value
Assets		
Tangible fixed assets	60	60
Intangible fixed assets	889	16
Deferred tax assets	232	232
Inventories	885	733
Trade receivables	1,342	1,342
Other assets and tax receivables	418	418
Cash and cash equivalents	146	146
	3,972	2,947
Liabilities		
Financial payables	1,589	1,589
Other financial payables	6	6
Deferred tax liabilities	338	0
Trade payables	510	510
Current provisions	15	15
Tax payables	7	7
Other liabilities	126	126
	2,591	2,253
Fair value of net assets identified	1,381	

The fair value of trade receivables is €1,342 thousand. Their value, gross of the bad and doubtful debt provision, amounts to €1,382 thousand.

At the time of the acquisition, intangible fixed assets were identified, which can be valued separately from the goodwill, for an overall value of €873 thousand. In particular these assets refer to:

- €707 thousand of “Commercial relations” of the company, meaning the ability to maintain a long lasting flow of revenues to customers, based on their loyalty to the company
- This asset, which was attributed a useful life of 8 years based on the average lifecycle of the buyers, was valued by using the “discounted cash flows” method by discounting the net cash flows that can be obtained from the sales made to the customers of the company and considering, for each year of useful life of the assets, a “disloyalty rate” of about 20%;
- €51 thousand for “Exclusive contracts” of crop protection products with the extra-group suppliers of the company. This asset, which was attributed a useful life of 5 years based on the

average expiry of the distribution agreements, was valued by discounting the net cash flows that can be obtained from the sales of the products related to these exclusive contracts;

- €115 thousand for “Trademarks” regarding some company products. To value this asset, which was attributed a useful life of 8 years, the hypothetical royalties that can be obtained from the commercial exploitation of the identified trademarks by third parties were discounted.

This business combination led to goodwill equalling €2,176 thousand. This goodwill is not fiscally deductible and is determined as follows:

Agreed purchase price for the additional 50% of Barpen	1,800
+ Fair value of the investment already held in Barpen (net of the result for the period)	1,757
	3,557
Fair value of assets/liabilities of the subsidiary on the acquisition date	(1,381)
Goodwill	2,176

The costs related to the transaction, equal to €28 thousand, were entirely recorded in the income statement.

In the cash flow statement, the flow related to the business combination transaction, equal to €1,800 thousand, was expressed net of the acquired cash (€73 thousand) and the portion of the price not yet paid (€250 thousand).

Since the acquisition date, the additional 50% of Barpen contributed to the turnover with €2,026 thousand and to the profit for the period with €100 thousand. If the acquisition had taken place at the start of the year, the values would have been €2,408 thousand and €58 thousand, respectively.

2. Tangible fixed assets – 26,501 (29,930)

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

Breakdown	Dec-31-2010			Change	Dec-31-2011		
	Historical cost	Accumulated amortisation	Book value		Historical cost	Accumulated amortisation	Book value
Land	1,055	0	1,055	0	1,055	0	1,055
Buildings:							
- assets owned	15,392	(4,798)	10,594	(953)	15,119	(5,478)	9,641
- improvements to third party assets	703	(564)	139	(24)	703	(588)	115
	16,095	(5,362)	10,733	(977)	15,822	(6,066)	9,756
Plant and equipment:							
- assets owned	35,368	(19,671)	15,697	(2,702)	34,194	(21,199)	12,995
- capital payment	(357)	233	(124)	35	(357)	268	(89)
	35,011	(19,438)	15,573	(2,667)	33,837	(20,931)	12,906
Equipment:							
- assets owned	4,187	(3,218)	969	49	4,497	(3,479)	1,018
	4,187	(3,218)	969	49	4,497	(3,479)	1,018
Other assets:							
- furniture and fittings	1,047	(796)	251	(29)	1,088	(866)	222
- motor vehicles	266	(144)	122	(21)	267	(166)	101
- data processors	2,307	(1,807)	500	(135)	2,283	(1,918)	365
	3,620	(2,747)	873	(185)	3,638	(2,950)	688
Fixed assets in progress							

- assets owned	727	0	727	351	1,078	0	1,078
	727	0	727	351	1,078	0	1,078
Total	60,695	(30,765)	29,930	(3,429)	59,927	(33,426)	26,501

Changes during the period	Conversion difference (historical cost)	Purchases	Reclassifications (historical cost)	Business combinations	Disposals	Conversion difference (acc. depr.)	Amort./ depr.	Use (acc. depr.)	Total change
Land	0	0	0	0	0	0	0	0	0
Buildings:									
- assets owned	(429)	50	109	0	(3)	111	(791)	0	(953)
- improvements to third party assets	0	0	0	0	0	0	(24)	0	(24)
	(429)	50	109	0	(3)	111	(815)	0	(977)
Plant and equipment:									
- assets owned	(1,464)	789	284	0	(783)	781	(3,008)	699	(2,702)
- capital payment	0	0	0	0	0	0	35	0	35
	(1,464)	789	284	0	(783)	781	(2,973)	699	(2,667)
Equipment:									
- assets owned	(39)	310	40	1	(2)	24	(287)	2	49
	(39)	310	40	1	(2)	24	(287)	2	49
Other assets:									
- furniture and fittings	(3)	11	13	26	(6)	1	(77)	6	(29)
- motor vehicles	(27)	19	9	0	0	15	(37)	0	(21)
- data processors	(24)	98	0	3	(101)	14	(222)	97	(135)
	(54)	128	22	29	(107)	30	(336)	103	(185)
Fixed assets in progress and advances:									
- assets owned	(14)	820	(455)	0	0	0	0	0	351
	(14)	820	(455)	0	0	0	0	0	351
Total	(2,000)	2,097	0	30	(895)	946	(4,411)	804	(3,429)

The investments made in the period essentially refer to safety compliance projects and efficiency improvements and restoration of existing plants at the production sites of Adria, Aprilia and Bussi of the parent company Isagro S.p.A..

Furthermore, at the Panoli site of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd, obsolete machinery no longer used in the production cycle was disposed of; this transaction led to a decrease in the historical cost of the item “Plant and equipment” of €754 thousand and in the net book value for €62 thousand.

“Fixed assets in progress”, amounting to €1,078 thousand, refers essentially to safety compliance and efficiency improvements of existing plants at the production sites of Aprilia and Bussi.

Finally, note also that as at December 31st, 2011 there were no significant contractual commitments with third party suppliers.

3. Intangible fixed assets – 47,990 (60,352)

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

Breakdown	Dec-31-2010			Change	Dec-31-2011		
	Historical cost	Accumulated amortisation	Book value		Historical cost	Accumulated amortisation	Book value
Product development costs:							
- IR 8116 fungicide	0	0	0	246	246	0	246
- extraordinary protection	5,484	(1,991)	3,493	1,386	8,392	(3,513)	4,879
	5,484	(1,991)	3,493	1,632	8,638	(3,513)	5,125
Process development costs	226	0	226	(130)	96	0	96
Product know-how:							

- IR 6141 fungicide	10,200	(2,889)	7,311	(681)	10,200	(3,570)	6,630
- IR 5878 herbicide	14,730	(3,766)	10,964	(3,274)	10,273	(2,583)	7,690
- IR 5885 fungicide	15,579	(2,248)	13,331	(6,555)	8,516	(1,740)	6,776
- other fungicides	77	(11)	66	(5)	77	(16)	61
- Remedier	773	(244)	529	(52)	773	(296)	477
- biostimulants and fumigants	0	0	0	102	128	(26)	102
	41,359	(9,158)	32,201	(10,465)	29,967	(8,231)	21,736
Process know-how	919	(304)	615	(34)	1,106	(525)	581
Patents, licences, trademarks and registrations	4,471	(1,585)	2,886	1,440	6,512	(2,186)	4,326
Other:							
- commercial relations	0	0	0	682	751	(69)	682
- software	1,661	(909)	752	(46)	1,395	(689)	706
	1,661	(909)	752	636	2,146	(758)	1,388
Fixed assets in progress and advances:							
- registrations	18,907	0	18,907	(5,074)	13,833	0	13,833
- other assets	1,272	0	1,272	(367)	905	0	905
	20,179	0	20,179	(5,441)	14,738	0	14,738
	74,299	(13,947)	60,352	(12,362)	63,203	(15,213)	47,990

Changes during the period	Conversion difference	Acquisitions/ capitalisations	Business combinations	Reclassifications	Isem 50% transfer	Revaluations	Amortisation /depreciation Write-downs	Total change
Product development costs:								
- IR 8116 fungicide	0	0	0	0	0	246	0	246
- extraordinary protection	0	3,031	0	0	0	0	(1,645)	1,386
	0	3,031	0	0	0	246	(1,645)	1,632
Process development costs	0	57	0	(187)	0	0	0	(130)
Product know-how:								
- IR 6141 fungicide	0	0	0	0	0	0	(681)	(681)
- IR 5878 herbicide	0	0	0	1,095	(5,482)	1,813	(700)	(3,274)
- IR 5885 fungicide	0	0	0	0	(6,665)	726	(616)	(6,555)
- other fungicides	0	0	0	0	0	0	(5)	(5)
- Remedier	0	0	0	0	0	0	(52)	(52)
- biostimulants and fumigants	0	35	0	93	0	0	(26)	102
	0	35	0	1,188	(12,147)	2,539	(2,080)	(10,465)
Process know-how	0	0	0	187	0	0	(221)	(34)
Patents, licences, trademarks and registrations	(9)	120	174	1,871	(197)	286	(805)	1,440
Other:								
- commercial relations	44	0	707	0	0	0	(69)	682
- software	0	188	0	0	0	0	(234)	(46)
	44	188	707	0	0	0	(303)	636
Fixed assets in progress and advances:								
- registrations	0	2,247	0	(2,692)	(4,133)	570	(1,066)	(5,074)
- other assets	0	0	0	(367)	0	0	0	(367)
	0	2,247	0	(3,059)	(4,133)	570	(1,066)	(5,441)
	35	5,678	881	0	(16,477)	3,641	(6,120)	(12,362)

Intangible fixed assets not yet available for use, recognised as assets in progress, essentially reflect registration expenses incurred for obtaining authorisations in different countries to market formulas relating to the Group's main proprietary products (€14,079 thousand).

"Extraordinary protection" of €4,879 thousand refers to costs incurred by the Group to extend the useful life (i.e. the marketing life) of certain products already placed on the markets and, in particular, includes expenses incurred in order to comply with the provisions of EU regulations.

The changes of the period are essentially attributable to the transaction for the creation of a joint venture with the Chemtura group called ISEM S.r.l., already described in the introduction to the

financial statements, whose effects are highlighted in the columns “ISEM 50% transfer” and “Revaluation”. A more detailed description of the transaction can be found in notes no. 28 and 38.

The column “Business combinations” refers to the transaction to acquire 50% of the company Barpen International S.A.S. (now Isagro Colombia S.A.S.), for which, in compliance with IFRS 3, intangible fixed assets were recorded, which can be separated from goodwill, as already described in note no. 1, to which reference is made.

During the year the analyses conducted on the technical progress of the projects and on the results reached so far were updated; these revealed some critical points regarding some investments in progress to obtain new authorisations to sell proprietary products that, also in light of additional studies required by the competent authorities, proved to be uneconomical for the Group. Pursuant to IAS 38, the costs incurred in connection with these projects were consequently entirely written down, recorded under “fixed assets in progress”, for a total amount equalling €1,066 thousand.

Fixed assets in progress – impairment testing

According to the provisions of IAS 36, the Isagro Group verifies on a yearly basis the existence of any impairment of the main products under development and in the related registrations pending (impairment testing).

We note that, in consideration of the fact that the amounts recognised under “product know how” concern the costs incurred for the development of new products that are marketed on several markets and that the recoverability of these costs is also connected to further registrations in other markets of reference (the costs of which are recognised among the fixed assets in progress), the total values of the product know how and the registrations in progress are tested annually for impairment. The impairment test is carried out by comparing the book value of the various projects with their recoverable value. The estimate of this value is carried out by means of use of the “Discounted cash flow” model which, for the determination of the usage value of an asset, envisages the estimate of the future cash flows and the application of an appropriate discount rate, coinciding with the weighted average cost of the company’s share capital (WACC).

However, impairment testing was not considered necessary for the know-how of products IR5878 and IR5885, since the amortisation for these assets has already taken place, whose recoverable value was confirmed by both the transaction for the transfer of the business unit and the subsequent transfer of 50% of the investment in Isem S.r.l. by the parent company Isagro S.p.A. to the company Chemtura Netherlands B.V., as described in note no. 28, where the latter gave the intangible fixed assets in question a value higher than their book value.

Following are the main parameters adopted in calculating the recoverable value of the know-how and registrations for the molecule IR6141 and the registrations not yet available for use regarding products IR5878, IR5885 and Tetraconazole.

Business assumptions

This analysis was performed taking into account the business plans used in the preparation of the Business Plan of the parent company Isagro S.p.A. for the period 2012-2015 (approved by the Board of Directors on March 13th, 2012), as well as of the joint venture ISEM S.r.l. for the period 2012-2026 (approved by the Board of Directors of the joint venture on March 12th, 2012).

Timescale considered

For the purposes of estimating the expected cash flows, a useful life of 15 years was established for the different projects. This value reflects the expected average commercial life of a new proprietary crop protection product in terms of protection of the intellectual property of the same. With reference to the products IR6141 and Tetraconazole, the cash flows were determined accurately until 2015, while starting from 2016, the cash flows of the last year of the plan were projected, with an increase tendentially aligned to the expected inflation rate. For the registrations in progress for products IR5878 and IR5885 the revenues were estimated accurately in consideration of the plan approved by the joint venture ISEM S.r.l.

To calculate the terminal value, the net current assets value of the last year of projection of the flows deriving from the corresponding estimated sales was used.

Economic-financial indicators

The main reference indicators are indicated below:

	<u>IR6141 and Tetraconazole</u>	<u>IR5878 and IR5885</u>
- Inflation rate	2.00%	2.00%
- Financial structure (Debts/Assets)	0.40	0.33
- WACC	8.20%	10.3%

WACC calculation

In order to determine the weighted average cost of the share capital, the average cost of Isagro's financial payables, equating to 7% was used for the debt cost, while the Capital Asset Pricing Model was used for the cost of shareholders' equity, using:

	<u>IR6141 and Tetraconazole</u>	<u>IR5878 and IR5885</u>
- Alpha equal to	2%	4%
- Beta equal to	1.20	1.30
- free risk rate	1.80%	1.80%
- premium for the risk	5.50%	5.50%

The cost of using shareholders' equity therefore equalled 10.40% for the products IR6141 and Tetraconazole and 13% for the products IR5878 and IR5885.

Based on impairment testing conducted, there has been no impairment to date.

As required by the reference accounting principles, the Group has carried out a sensitivity analysis on the recoverable value of the three products, changing the discount rate used to discount the expected cash flows, also significantly. This analysis, which maintains constant the assumptions underlying the business plans, has indicated no particular critical points.

The residual value of the item "Patents, licenses, trademarks, registrations and similar rights", amounting to €4,326 thousand, comprises:

- registrations and distribution rights for crop protection products	3,426
- trademarks, patents and licences	900

4. Goodwill – 5,089 (3,665)

The composition and the changes in this financial statements item compared with the previous financial year are shown in the following table:

CGU description	Value as at Dec-31-2010	Changes during the period				Value as at Dec-31-2011
		Conversion difference	Business combinations	Revaluations	Total change	
- ex-Isagro Copper	886	0	0	0	0	886
- ex-Isagro BioFarming	461	0	0	0	0	461
- ISEM S.r.l.	0	0	0	937	937	937
- Isagro Asia Agrochemicals	278	(12)	0	0	(12)	266
- ex-Tetraco	209	0	0	0	0	209
- ex-FitoFormula	20	0	0	0	0	20
- Isagro Colombia S.A.S.	1,811	134	365	0	499	2,310
Total	3,665	122	365	937	1,424	5,089

Goodwill, acquired through business combinations and allocated, as set forth in IAS 36, to groups of cash generating units (CGUs), was split to the operating units listed in the table.

Goodwill regarding ISEM S.r.l. was determined as the differential value between the fair value of the residual interest in the company (down by 50% after the partial transfer of the investment held to the Chemtura Group), and the fair value of the corresponding assets and liabilities of the companies of the Isagro Group (50%), as described in note no. 38.

The change of goodwill regarding Isagro Colombia S.A.S., deriving from the business combination described in note no. 1, was expressed, for greater clarity, as the incremental value with respect to goodwill in the financial statements as at December 31st, 2010.

Goodwill, in compliance with the International Accounting Standards, is not subject to amortisation but, rather, to an annual check aimed at identifying the presence of any impairment (impairment testing). This test is carried out by comparing the book value of the goodwill against the recoverable value, which is determined using the discounted cash flow model which provides for the estimation of future cash flows and discounting thereof at a rate that equals the weighted average cost of capital (WACC). To determine the terminal value, the criterion of discounting the perpetual annuity was used.

Below are the main parameters used in calculating the recoverable value of goodwill on the CGU “Isagro Colombia S.A.S.”, “ISEM S.r.l.” and “ex-Isagro Copper”, the book value of which is particularly significant for the Group.

Timescale considered

A timescale of 4 years was considered for the projection of the estimated cash flows, which corresponds to the Group’s business plan, for the CGUs “Isagro Colombia S.A.S.” and “former Isagro Copper”, while for the CGU “ISEM S.r.l.”, being in the start-up phase, a time interval of 15 years was used. The cash flows were determined accurately until 2015 for the first two CGUs, since this period is covered by the respective values, while for the CGU “ISEM S.r.l.”, the cash flows were determined for a period of 15 years, corresponding to the timescale of the Business Plan of the joint venture.

The assumptions used for the definition of the business plan do not reflect weighting elements referred to climatic risks (e.g. drought, excessive precipitations) which can have significant weight.

It was not deemed appropriate to take into account this specific factor, because it is difficult to estimate.

Economic-financial indicators

The main reference indicators are indicated below:

	Isagro Colombia S.A.S.	ISEM S.r.l.	Ex-Isagro Copper
Inflation rate	4.50%	2.0%	2.00%
Growth rate	2.25%	-	-
Financial structure (Debts/Assets)	0.33	0.33	0.40
WACC	11.1%	10.3%	7.6%

WACC calculation

For the calculation of the weighted average cost for the share capital, the following values were used:

	Isagro Colombia S.A.S.	ISEM S.r.l.	Ex-Isagro Copper
Cost of financial payables	9.0%	7.0%	7.0%
Cost of shareholders' equity	13.6%	13.0%	9.4%

The value of the item "cost of shareholders' equity" was determined through the Capital Asset Pricing Model, using the following parameters:

	Isagro Colombia S.A.S.	ISEM S.r.l.	Ex-Isagro Copper
Beta	1.30	1.30	1.20
Free risk rate	1.9%	1.8%	1.8%
Premium for the risk	9.0%	5.5%	5.5%

Based on the valuations made, there has been no impairment to date.

As required by the reference accounting principles, the Group has carried out a sensitivity analysis on the recoverable value of goodwill, changing the discount rate used to discount the expected cash flows. This analysis, which maintains constant the assumptions underlying the business plans, has indicated no particular critical points.

Lastly, note that the recoverable value calculation for the various CGUs and intangible fixed assets referred to above requires management discretion and the use of assumptions. Therefore, various factors which are also connected to developments in the difficult financial market situation that could possibly affect the crop protection product market, may call for recalculation of the value of goodwill and of the intangible fixed assets. The circumstances and events that could cause further impairment are constantly monitored by the Group.

5. Equity investments measured using the equity method – 195 (194)

List of equity investments	Business description	Company holding the investment	Share owned (%)	Book value
Associates: Arterra Bioscience S.r.l. - Naples Share capital €250,428	Research activities in the biology and molecular genetics industry	Isagro S.p.A.	22.00	195
Total				195

The table below shows changes for the period in the abovementioned investment measured using the equity method:

Breakdown	Value as at Dec-31-2010	Changes during the period					Value as at Dec-31-2011
		Acquisitions (Disposals) Increases (Decreases)	Conversion difference	Write-downs	Revaluations	Total change	
Investments in associates: - Arterra Bioscience S.r.l.	194	0	0	0	1	1	195
Total	194	0	0	0	1	1	195

The following tables summarise the economic and equity situation of the associates:

Equity

	Dec-31-2011	Dec-31-2010
Siamer S.r.l. (in liquidation)		
Assets	0	160
Liabilities	0	(190)
Shareholders' equity	0	(30)
Arterra Bioscience S.r.l.		
Assets	1,947	1,826
Liabilities	(1,500)	(1,383)
Shareholders' equity	447	443

Economic situation

	2011	2010
Siamer S.r.l. (in liquidation)		
Revenues	0	0
Profits for the period	0	(30)
Profits for the period	0	(15)
Arterra Bioscience S.r.l.		
Revenues	575	504
Profits for the period	2	88
Profits for the period	1	19

November saw the completion of the liquidation process for the 50% associate Siamer S.r.l., with the consequent cancellation of the company from the Company Register and subdivision of the residual assets among the shareholders. Since the investment has been completely written down, an income of €50 thousand was recorded in connection with cash and cash equivalents and the receivables assigned.

6. Receivables and other non-current assets – 3,084 (3,737)

Breakdown	Book value Dec-31-2010	Increases/ decreases	Book value Dec-31-2011
Receivables and other non-current assets:			
- guarantee deposits	497	(19)	478
- transfer of Isam shares	1,484	(277)	1,207
- prepaid expenses	1,527	(331)	1,196
- tax-related	164	(14)	150
- other	65	(12)	53
	3,737	(653)	3,084

The item “transfer of Isam shares” refers to the current residual value of the transfer price (€2,539 thousand) of the 41% equity investment in the share capital of Isam S.r.l., of the parent company Isagro S.p.A.. This item includes both the portion due by the end of 2012 and the portion that was due in December 2011, for a total value of €603 thousand. Also note that this receivable is backed by mortgages on properties and sureties issued by the shareholders of Isam S.r.l.. Based on information available to date and on guarantees received, write-down of the receivable was considered unnecessary.

The item “prepaid expenses” essentially refers to:

- for €491 thousand, to the residual value of the prepaid expense for the consideration, calculated over a period of ten years, connected to the secondary obligation related to a contract for the treatment of Tetraconazole, entered into between Isagro USA Inc. and Du Pont de Nemours & Co., which provides in particular for the use in the 2004-2014 period of a new plant for the production and packaging of Tetraconazole, built by Du Pont de Nemours;
- for €705 thousand the residual value of the advance payment to the Indian government by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd, of a consideration of 54.5 million Indian Rupees for the acquisition of the right to a 99-year occupancy of the land on which the Panoli plant stands.

7. Deferred tax assets and liabilities – 6,763 (1,372)

Deferred tax assets – 8,819 (5,706)

Deferred tax liabilities – 2,056 (4,334)

Breakdown	Book value Dec-31-2010	Changes during the period				Book value Dec-31-2011
		Provisions	Uses	Other changes	Change	
Deferred tax assets	5,706	4,846	(1,740)	7	3,113	8,819
Deferred tax liabilities	(4,334)	(313)	378	2,213	2,278	(2,056)
Total	1,372	4,533	(1,362)	2,220	5,391	6,763

The content of the column “other changes” is detailed in the table below, which also analyses the timing differences between the taxable amount and the statutory profit which led to the recording of deferred tax assets and liabilities.

Timing differences	Deferred tax assets/liabilities Dec-31-2010		Transfers to income statement				Changes in shareholders' equity		Deferred tax assets/liabilities Dec-31-2011	
	Taxable amount	Taxation	Provisions	Uses	Release	Revaluation and other changes	Isem 50% transfer	Business combinations and other changes	Taxable amount	Taxation
Deferred tax assets										
- tax losses	987	279	2,598	(275)	0	1,119	0	134	14,017	3,855
- taxed provisions	3,836	1,177	582	(950)	0	(51)	0	48	2,634	806
- grants for R&D	4,064	1,271	0	(62)	0	4	(551)	0	2,113	662
- intragroup earnings	7,596	2,287	1,149	(110)	0	(374)	(374)	28	7,514	2,606
- other	1,726	602	517	(343)	0	86	0	28	2,641	890
- fair value adjustment derivatives	326	90	0	0	0	0	0	(90)	0	0
Total deferred tax assets	18,535	5,706	4,846	(1,740)	0	784	(925)	148	28,919	8,819
Deferred tax liabilities										
- amortisation/depreciation for tax purposes	13,499	4,246	0	(231)	(1,134)	722	(1,339)	(893)	4,351	1,371
- provisions for tax purposes	281	77	0	0	0	0	0	0	280	77
- fair value assets from business combinations	0	0	0	(81)	0	0	0	361	838	280
- other	41	11	313	(66)	0	0	0	70	1,196	328
Total deferred tax liabilities	13,821	4,334	313	(378)	(1,134)	722	(1,339)	(462)	6,665	2,056
TOTAL	4,714	1,372	4,533	(1,362)	1,134	62	414	610	22,254	6,763

The item “Fair value assets from business combinations” and the column “Business combinations and other changes” refer in particular to the transaction to purchase 50% of Barpen International S.A.S. (now Isagro Colombia S.A.S.), as described in note no. 1 to which reference is made, and the exchange differences from the conversion of the financial statements of the Group’s non-EU subsidiaries and associates.

The column “Release”, recording in the income statement a positive income component of €1,134 thousand, refers to tax savings, with consequent release of the provisions for deferred tax liabilities, deriving from the decision of the joint venture ISEM S.r.l. to pay a substitute tax on both the value increases of intangible fixed assets recorded after the transfer by Isagro S.p.A. of the business unit “Innovative herbicides and fungicides” and the misalignment between the statutory and tax values of these fixed assets, which in the past had led to the creation of provisions for deferred tax liabilities at the parent company. Consequently to this transaction, the items in the financial statement posted by the Isem at the time of the transfer will be recognized also fiscally for the purposes of amortisation/depreciation, this ceasing the misalignment between the statutory and tax values that had led to the need to record the abovementioned deferred tax liabilities.

The tax release transaction will imply the payment by the joint venture of a substitute tax equal to €873 thousand for the portion attributable to the Isagro Group, in three annual tranches starting from June 2012. Therefore, in the column “business combinations and other changes”, under item “tax amortisation/depreciation”, the reclassification of this amount from the item “deferred tax liabilities” to the items “other current liabilities” and other non-current liabilities” was inserted.

The item “Deferred tax assets” includes €662 thousand related to the tax effect on financial subsidies for development projects, which, in compliance with the tax regulations, are taxed on a cash basis rather than on accrual basis; €2,606 thousand referred to the tax effect of the elimination

of the intercompany profits, €806 thousand taxed risk provisions and 3,855 thousand to tax losses of Group companies, of which €3,819 thousand relating to the parent company Isagro S.p.A..

Regarding the recognition of deferred tax assets on the tax losses incurred by the Group companies, for which the reasonable certainty that they will be recovered, pursuant to IAS 12, is proven by the business plans approved by the relative Board of Directors, it must be noted that, with art. 23 of Italian Legislative Decree no. 98/2011, the rules to report and use the losses incurred with regard to the Italian companies have been changed. Starting from the financial year 2011, as a matter of fact, the reporting for limited companies must take place without time limits, as opposed to the five-year period set by the previous regulation, though with a quantitative use limit; the loss incurred can be reported as a deduction from the income of the subsequent tax period at a level no exceeding 80% of the taxable income of each one of them. Consequently to this regulation, the parent company Isagro S.p.A. recorded under deferred tax assets the value corresponding to the residual tax loss for the year 2007 equalling €1,119 thousand; this entry had been taken out in the financial statements of the previous fiscal year.

Furthermore, deferred tax assets for €422 thousand were not allocated in the consolidated financial statements with regard to the tax loss 2011 of the joint venture ISEM S.r.l., since, based on the business plans approved by the company, their recovery is not expected in the short term.

“Deferred tax liabilities” include €1,371 thousand misalignment between the statutory and tax amortisation/depreciation of tangible and intangible assets. Specifically, this item includes €1,324 thousand for the derecognition from previous years’ financial statements of the parent company Isagro S.p.A. of development costs amortisation for tax reasons.

Deferred tax assets and deferred tax liabilities respectively comprise €4,702 thousand and €1,618 thousand which can be used beyond the next financial year.

8. Inventories – 38,179 (34,222)

Breakdown	Book value Dec-31- 2010	Changes during the period								Book value Dec-31- 2011
		Increases/ decreases	Isem 50% transfer	Revaluations	Business combinations	Write-downs/ all. to the inventory write-down provision	Conversion difference	Use of inventory write-down provision	Total change	
Raw and ancillary materials and consumables	11,533	2,461	(958)	0	31	0	(328)	0	1,206	12,739
Work in progress and semi-finished goods	746	(47)	(167)	52	0	0	(51)	0	(213)	533
Finished products and goods	21,797	2,143	(497)	74	413	(300)	(267)	1,539	3,105	24,902
Advances	146	(216)	0	0	74	0	1	0	(141)	5
Total	34,222	4,341	(1,622)	126	518	(300)	(645)	1,539	3,957	38,179

The increase in inventories, compared to the previous year, is essentially attributable to the creation of greater stocks of finished products, especially Tetraconazole- and copper-based, to cover the sales of the first few months of 2012.

The €313 thousand value of inventories, net of the inventories write-down provision, relating to obsolete goods or goods for re-processing.

9. Trade receivables – 47,932 (52,272)

Breakdown	Book value Dec-31-2010	Changes during the period						Book value Dec-31-2011
		Increases/ decreases	Business combinations	Conversion difference of bad debt provision	Write-downs/ all. to bad debt provision	Use of bad debt provision	Total change	
Trade receivables	54,107	(4,760)	691	0	(611)	0	(4,680)	49,427
- bad and doubtful debt provision	(1,210)	0	(20)	10	(289)	622	323	(887)
- default interest	(625)	0	0	0	(119)	136	17	(608)
	52,272	(4,760)	671	10	(1,019)	758	(4,340)	47,932

Despite the increase in turnover, the trade receivables of the Group decreased by €4,760 thousand, attributable on the one side to advanced collections from north and south American customers for about €4,900 thousand and non-recourse transfers of receivables by the parent company Isagro S.p.A. in the last few days of the year for about €5,000 thousand, and on the other to the devaluation of the Indian Rupee against the Euro.

During the year €622 thousand of the bad and doubtful debt provision was used, and was increased by €289 thousand as a result of the amount provisioned for the period. Default interest provisions are also allocated to cover delayed payments from customers. For such receivables a provision was allocated €608 thousand.

Regarding the total trade receivables due from related parties, please refer to note no. 46.

The breakdown of trade receivables by geographic area is presented below, based on the location of the client:

▪ Italy	9,929
▪ Other European countries	6,232
▪ Central Asia and Oceania	6,124
▪ Americas	21,386
▪ Far East	2,334
▪ Middle East	1,394
▪ Africa	2,028
Total	49,427

The average contractual maturity of trade receivables is the following:

- Italy 150 days
- Abroad 140 days.

The trade receivables recognised to the financial statements are due for collection within the next year.

The table below reflects the analysis of the trade receivables overdue as at the date of the consolidated financial statements, but not yet written down:

	Falling due	Overdue but not written down					Total receivables
		< 30 days	31-60	61-90	91-120	>120	
As at Dec-31- 2011	42,974	1,137	1,022	147	246	2,406	47,932
As at Dec-31-2010	45,081	3,714	1,040	810	348	1,279	52,272

10. Other current assets and other receivables – 5,261 (5,255)

Breakdown	Book value Dec-31-2010	Increases/ decreases	Book value Dec-31-2011
Other assets and other receivables:			
- grants	523	(80)	443
- royalties	900	(895)	5
- advance payments to suppliers and creditors	161	566	727
- employees	82	(16)	66
- export incentives	493	(44)	449
- due from tax authorities for VAT and other taxes	1,988	(266)	1,722
- other	907	721	1,628
	5,054	(14)	5,040
Prepaid expenses	201	20	221
Total	5,255	6	5,261

“Grants” refers to subsidised government grants due on research and development projects of the parent company Isagro S.p.A. and the subsidiary Isagro Ricerca S.r.l.

The decrease in the item “royalties” is due to the collection of receivables of the parent company Isagro S.p.A. from the company Makhteshim Chemical Works Ltd. in connection with the sales of the Novaluron product made in 2010, the last year of license concession for this product.

The item “others” essentially includes:

- €183 thousand from insurance companies for the compensation of direct and indirect damages after an accident occurred at the site of Aprilia (LT) of the parent company Isagro S.p.A.; this receivable was collected in February 2012;
- €316 thousand from the company Sumitomo Chemical Italia S.r.l. for the provision of administrative and IT services by the parent company Isagro S.p.A. in the last quarter of the year;
- €151 thousand from the joint venture ISEM S.r.l. as the proportion of the services provided by the parent company Isagro S.p.A. and the recovery of various costs;
- €250 thousand from the company Sipcam Nederland Holding N.V. (a shareholder of the joint venture Isagro Sipcam International S.r.l. in liquidation) as a proportion of the consideration not yet collected for the transfer of the investment in Agro Max S.r.l..

With regard to the total of other receivables due from related parties, please refer to note no. 46.

11. Tax receivables - 3,248 (2,782)

Breakdown	Book value Dec-31-2010	Total change	Book value Dec-31-2011
Tax receivables:			
- direct taxes	2,782	466	3,248
	2,782	466	3,248

This item, which includes amounts due from the Tax Authorities for IRAP tax, mainly refers to receivables of the parent company Isagro S.p.A. (€1,527 thousand) and the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (€1,331 thousand).

12. Current and non-current financial receivables and other financial assets– 4,097 (3,120)*Non-current financial receivables – 1,003 (471)**Current financial receivables – 3,094 (2,649)*

Breakdown	Book value Dec-31-2010	Increases/ decreases	Book value Dec-31-2011
Non-current financial receivables and other financial assets:			
- financial receivables	471	532	1,003
	471	532	1,003
Current financial receivables and other financial assets:			
- financial receivables	2,416	(2,098)	318
- guarantee deposits on the purchase of derivatives	0	176	176
- time deposits	151	2,375	2,526
- financial assets held for trading	82	(8)	74
	2,649	445	3,094
	3,120	977	4,097

“Non-current financial receivables” refer essentially to:

- €579 thousand for the proportional share of a loan including interest accrued, granted to the joint venture ISEM S.r.l.; on this loan, which will be repaid in 2013, interest accrues at the 3-month EURIBOR rate + 4% spread (effective rate of 5.52%);
- €387 thousand for a loan granted to the company Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A.), expiring in 2013, inclusive of the interest accrued at the quarterly floating rate of the certificate of deposit + 6% spread (effective rate of 18.6%).

Current financial receivables essentially comprise a short-term loan granted to Isam S.r.l., with interest at the 3-month Euribor rate plus an annual 2.10% spread. This loan was recorded net of a bad and doubtful debt provision of €230 thousand.

The decrease in the item for €2,098 thousand, compared to the previous year, is essentially attributable to:

- the decrease in the proportional share of the financial receivables of the parent company Isagro S.p.A. from the joint venture Isagro Sipcam International S.r.l. in liquidation; on March 29th, 2011 the parent company Isagro S.p.A. purchased, for a total of €3,600 thousand, the 100% investment of the joint venture in the Colombian distribution company Barpen International S.A.S. (now Isagro Colombia S.A.S.). €2,737 thousand (proportional share €1,368 thousand) of the agreed price offset against the receivables from the joint venture Isagro Sipcam International S.r.l. in liquidation;
- the repayment, in the first half of 2011, of some short-term loans granted to the company Sipcam Isagro Brasil S.A. (now Sipcam UPL Brasil S.A.), inclusive of interest, for €735 thousand.

“Guarantee deposits on the purchase of derivatives” refers to the sum that the parent company Isagro S.p.A. deposited in connection with the transactions to purchase derivatives related to commodities (copper).

“Time deposits” refers to the interest-bearing time deposit as pledge in favour of Banca Monte dei Paschi di Siena as guarantee correlated to the obligations assumed by the credit institute. This bank issued a surety of €5,000 thousand in favour of the company Regentstreet B.V., buying the

investment in the joint venture Sipcam Isagro Brasil S.A., as guarantee for the payment of possible indemnities related to the transaction.

The “financial assets held for trading” item includes temporary investments of liquid assets in mutual funds by the subsidiary Isagro Brasil.

Note that the book value of receivables and other financial assets is a reasonable approximation of their fair value.

13. Financial assets and liabilities - derivatives - 1,455 (1,953)

Non-current financial assets – 0 (188)

Current financial assets – 661 (3,924)

Non-current financial liabilities – 79 (326)

Current financial liabilities – 2,037 (1,833)

The following tables disclose the types of derivative contracts outstanding as at December 31st, 2011:

Description of derivatives	Book value Dec-31-2010	Increases/ decreases	Book value Dec-31-2011
Non-current financial assets:			
- commodities	188	(188)	0
	188	(188)	0
Current financial assets:			
- exchange rates	617	(248)	369
- commodities	3,307	(3,015)	292
	3,924	(3,263)	661
Non-current financial liabilities:			
- interest rates	(326)	247	(79)
	(326)	247	(79)
Current financial liabilities:			
- exchange rates	(560)	(707)	(1,267)
- interest rates	0	(67)	(67)
- commodities	(1,273)	570	(703)
	(1,833)	(204)	(2,037)
Total	1,953	(3,408)	(1,455)

Description of derivatives	Fair value as at Dec-31-2011
Cash flow hedging derivatives:	
- interest rates	0
	0
Trading derivatives:	
- interest rates	(146)
- exchange rates	(898)
- commodities (copper)	(411)
	(1,455)
Total	(1,455)

The derivatives related to the “interest rates” variable (interest rate swaps), already in the financial statements at December 31st, 2010, were reclassified from “hedging instruments” to “trading instruments”, as they were initially destined to hedge the fluctuation of interest outflows on a loan obtained by the parent company Isagro S.p.A. in 2009 from a pool of banks led by Intesa Sanpaolo S.p.A.. This loan was repaid early during the first half of 2011, thanks to the collections related to

the transactions described in paragraph 25. The characteristics of these instruments are described in the following table:

Contract type	Contract date	Maturity date	Interest rate	Notional value (€/000)	Fair value (€/000)
Interest rate swaps	13/02/2009	31/12/2012	2.84%	3,034	(28)
	06/04/2009	31/12/2012	3.29%	2,583	(39)
	22/07/2009	30/06/2013	3.20%	3,884	(79)
				9,501	(146)

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

These derivatives refer:

- as regards foreign exchange rates, to forward contracts and domestic currency swaps related to forward sales and purchases of US dollars, Japanese yens and Indian rupees, described in the table below:

Contract type	Currency	Average exchange rate	Notional value (Currency/000)	Fair value (€/000)
Forward - sale	USD	1.36	(19,217)	(746)
DCS - sale	USD	1.36	(11,000)	(425)
Forward – Purchase	USD	1.34	8,428	211
Forward – Purchase	USD/COP	1,898.20	1,558	28
Forward - sale	USD/INR	50.89	(866)	(25)
			(21,097)	(957)
DCS - sale	JPY	102.63	(90,011)	(27)
Forward – Purchase	INR	69.04	775,590	86
Total				(898)

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

Contract type	Hedged quantity (tons)	Strike price (€)	Notional value (€/000)	Fair value (Euro/000)
Future buy	1,100	6,180	6,798	(411)
	1,100		6,798	(411)

14. Cash and cash equivalents – 7,882 (4,528)

Breakdown	Book value Dec-31-2010	Increases/ decreases	Book value Dec-31-2011
Bank deposits:			
- on-demand bank deposits	4,514	3,354	7,868
	4,514	3,354	7,868
Cash on hand	14	0	14
Total	4,528	3,354	7,882

The cash and cash equivalents as at December 31st, 2011 were €6,562 thousand for Isagro S.p.A., €1,215 thousand for subsidiaries and €91 thousand for joint ventures.

The increase, compared to the previous year, is essentially attributable to the advanced collection of some receivables from American customers in the last few days of the year for about €4,900 thousand.

On-demand bank deposits are remunerated at a floating rate. The average interest rate on bank and currency deposits of the Group as at December 31st, 2011 is 0.14% p.a..

The fair value of the cash and cash equivalents coincides, as at December 31st, 2011, with their book value.

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.

15. Group shareholders’ equity – 76,626 (78,619)

The share capital of the parent company Isagro S.p.A., equal to €17,550 thousand fully subscribed and paid in, comprises 17,550,000 ordinary shares of €1 each.

The item “Reserves”, amounting to €29,134 thousand, comprises:

- Share premium reserve	23,970
- Conversion difference	(5,207)
- Other reserves:	
* merger surplus	7,023
* legal reserve	3,510
* treasury shares	(162)
	<hr/>
	10,371

The item “share premium reserve” is registered net of the costs incurred by the parent company in connection with the share capital increase carried out in preceding periods. These costs, net of the tax effect of €951 thousand, amount to €1,698 thousand.

“Treasury shares” refer to the expense incurred during the previous year by the parent company for the purchase of 50,000 treasury shares.

The changes in the item “hedging reserve”, which includes gains and losses reclassified to the statement of comprehensive income from interest rate swap contracts classified as cash flow hedges (see note no. 13) are provided below:

Cash flow hedge instruments

Profits/(losses) reclassified to the income statement:

- to cover the interest paid on the bank loan	
correlated to the derivative	34
- to reclassify the derivative from hedging	
instrument to trading instrument	292
Tax effect for the period	(90)
	—
Net result from cash flow hedge instruments	236
	====

The early repayment of the bank loan correlated to the derivative (see note no. 17) implied, in compliance with IAS 39, the reclassification in the separate income statement of the losses accumulated in the comprehensive income statement as regard the valuation of the derivative.

The change in “Conversion reserve - discontinued operations” of €4,472 thousand is to be related to the disposal of the joint ventures Sipcam Isagro Brasil S.A. and Agro Max S.r.l..

The negative variation of “Conversion reserve - continuing operations”, equal to €2,822 thousand, is primarily to be attributed to the depreciation of the Indian rupee against the Euro.

For a summary of the changes during the period, please refer to the “Statement of changes in consolidated shareholders’ equity”.

16. Minority interests – 0 (33)

The change recorded for the period, amounting to €33 thousand, comprises:

- Loss for the period related to minority interests	(5)
- Changes from conversion differences	(8)
- Change in consolidation area	(20)

“Changes in consolidation area” refers to the effects on minority interests of the sale of the investment in Agro Max S.r.l. to the shareholder Sipcam Nederland Holding N.V. by the joint venture Isagro Sipcam International S.r.l. in liquidation.

17. Current and non-current financial payables – 67,578 (107,294)

Current financial payables – 65,663 (86,668)

Non-current financial payables – 1,915 (20,626)

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

Breakdown	Book value Dec-31-2010	Increases/ decreases	Book value Dec-31-2011
Current financial payables:			
- banks	78,850	(20,123)	58,727
- other lenders	7,818	(882)	6,936
	86,668	(21,005)	65,663
Non-current financial payables:			
- banks	20,604	(19,272)	1,332
- other lenders	22	561	583
	20,626	(18,711)	1,915

Total	107,294	(39,716)	67,578
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The table below shows the breakdown of consolidated current financial payables broken down by type of transaction:

Breakdown	Amount	effective average interest rate %	Maturity
- current account overdraft	4,418	10.01%	on request
- loans from parent companies	943	7.67%	2012
- import loans	11,199	4.94%	on request
- export loans	19,140	6.07%	on request
- advances on invoices	17,746	4.35%	on request
- stand-by credit facilities and facilities subject to revocation	11,504	6.91%	on request
- short term portion of medium/long-term loans	713	(*)	(*)
Total	65,663		

(*) the features of the medium/long term loans are outlined in the appropriate table

Financial payables decreased by €39,716 thousand primarily as a consequence of the repayment of some medium-long terms loans granted to the parent company Isagro S.p.A..

During the first half of the year the parent company Isagro S.p.A. allocated part of the amounts collected after the sale of the investments in the joint ventures Isagro Italia S.r.l. and Sipcam Isagro Brasil S.A. to the total repayment of the following loans:

- loan granted in 2009 by a pool of banks led by Intesa Sanpaolo, repaid early and in full for a total of €30,625 thousand, on which interest accrues at the six month EURIBOR rate + initial spread of 2.8. This loan, repayable by December 31st, 2014, is to be repaid into eight six-month instalments starting from June 30th, 2011;
- loan granted by MIUR pursuant to Law no. 46/1982 for research applied in connection with the research and development project known as IR 5885, repaid entirely for a total of €695 thousand;
- loan granted by SIMEST S.p.A., repaid for a total of €1,436 thousand.

Financial payables to holding companies refer to a loan obtained by the parent company Isagro S.p.A. on December 14th, 2011 by the holding company Piemme S.r.l. for a total of €940 thousand, on which interest accrued at the six month EURIBOR rate + 6% spread; this loan expires on November 29th, 2012 and can be repaid early by applying a 1.30% commission.

The average rate of remuneration on short-term bank loans (in Euro, US Dollars, Brazilian Reals, Indian Rupees and Colombian Pesos) is about 5.8%.

The parent company Isagro S.p.A. has the guarantees in place for credit facilities granted to the company Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A.) for €5,732 thousand (equal to €14 million real).

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 foreign currency (thousands)	Effective average interest rate %
Euro	52,205	52,205	5.73%
US Dollars	11,306	14,623	3.76%
Brazilian Real	3	7	23.16%
Colombian Pesos	992	2,490,981	10.43%
Indian Rupees	3,072	211,093	12.50%
Total	67,578		

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

	Debts divided by maturity						Total
	Within 1 year	2 years	3 years	4 years	5 years	Beyond the 5 th year	
Amounts owed to banks:							
- floating rate	58,349	1,332	0	0	0	0	59,681
- fixed rate	378	0	0	0	0	0	378
Total amounts owed to banks	58,727	1,332	0	0	0	0	60,059
Amounts owed to other lenders							
- floating rate	6,936	3	580	0	0	0	7,519
- fixed rate	0	0	0	0	0	0	0
Total Other lenders	6,936	3	580	0	0	0	7,519
Total	65,663	1,335	580	0	0	0	67,578

The current amounts owed to banks and other lenders as at December 31st, 2011 include the current portion of the medium-long term loans of €713 thousand.

The average interest rate on medium/long term borrowings (including short-term commitments) is about 6.4%.

The features of the main medium-long term loans granted to the parent company Isagro S.p.A. and other Group companies are summarised in the following table. The figures for the residual debt as at December 31st, 2011 include the short-term portions of the loans described, recognised to the balance sheet among current financial liabilities.

Figures in thousands of Euro	
Granted to Isagro S.p.A.:	
Loan granted by Centrobanca, with a maturity of 10 years and repayable in semi-annual increasing amount instalments, by July 1 st , 2012. This loan was disbursed under the provision of Law No. 346/1988 for the research applied in connection with the research and development project known as IR 5878. For this loan the company receives from MIUR a contribution for interest accrued equal to 4.27% p.a..	378
Loan granted by Banca Popolare di Sondrio, repayable in one go on January 24 th , 2013 on which interest accrues at the three month EURIBOR rate + 2.75% spread.	1,000
Granted to subsidiaries, associates and joint ventures:	
Loan granted by Banco GNB Sudameris to the subsidiary Isagro Colombia S.A.S. (former Barpen International S.A.S.), repayable by April 14 th , 2013 on which interest accrues at the DTF rate + 5.7% spread.	667
Loan granted by the shareholder Chemtura Netherlands B.V. to the joint venture ISEM S.r.l., repayable in three tranches in 2013, on which interest accrues at three month EURIBOR rate + 4% spread.	580

The table below shows the valuation at fair value of only the medium-long term loans (including the short term portions of €713 thousand) given that the fair value of current loans as at December 31st, 2011 matches their book value:

	Book value	Fair value
Fixed rate loans	378	336
Floating rate loans	2,250	2,250
Total	2,628	2,586

The discounting of future cash flows of the loans was determined on the basis of the zero coupon rate curve on the market as at December 31st, 2011.

Lastly, it should be noted that, as at December 31st, 2011, the Group has a number of credit facilities outstanding, granted by banks and other financial institutions, totalling €94,253 thousand (including “commercial” facilities for €68,005 thousand of which €48,996 thousand used, and “financial” facilities of €26,248 thousand of which €24,245 thousand used), as shown in the table below:

	Credit lines	
	Granted	Used
Parent company	83,811	63,951
Subsidiaries	9,692	9,165
Joint ventures	750	125
Total	94,253	73,241

NET FINANCIAL POSITION

In accordance with the provisions of CONSOB Communication No. DEM/6064293/2006, dated July 28th, 2006, and also in compliance with the CESR Recommendation dated February 10th, 2005, the net financial position of the Group as at December 31st, 2011 is the following:

	Dec-31-2011	Dec-31-2010
Bank deposits and cash	(7,882)	(4,528)
Cash (A)	(7,882)	(4,528)
Current financial receivables from joint ventures	0	(2,088)
Current financial receivables from other entities	(318)	(328)
Other current financial assets	(2,776)	(233)
Current financial receivables and other assets (B)	(3,094)	(2,649)
Current payables to banks	58,014	64,637
Amounts owed to other current lenders	6,936	5,715
Current portion of non-current financial payables	713	16,316
Current financial payables (C)	65,663	86,668
Net current financial indebtedness (A+B+C)	54,687	79,491
Non-current payables to banks	1,332	20,604
Amounts owed to other non-current lenders	583	22
Non-current financial payables (D)	1,915	20,626
Net financial indebtedness as per CONSOB Communication no. DEM/6064293/2006 (A+B+C+D)	56,602	100,117
Non-current financial receivables from joint ventures	0	(421)
Non-current financial receivables from other entities	(1,003)	(50)
Financial assets - derivatives	(661)	(4,112)
Financial liabilities - derivatives	2,116	2,159
Net financial indebtedness of the Group	57,054	97,693

The net financial position recorded an increase compared to the previous year of €40,639 thousand. This value is strictly related to the repayment of the loans in the first half of 2011 as described above, consequently to the investment transfer transactions and other extraordinary transactions illustrated above.

18. Employee benefits (severance indemnity fund – TFR) – 3,273 (4,008)

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

Severance indemnity fund and other pension funds	
Value as at Dec-31-2010	4,008
Cost of employee benefits	(25)
Liquidations/transfers	(710)
Value as at Dec-31-2011	3,273

Payments during the period particularly refer to the final payment of severance indemnities to employees of the parent company Isagro S.p.A. and the subsidiary Isagro Ricerca S.r.l. affected by the mobility procedure launched during 2009.

The table below shows the total cost of the "TFR" plan (severance indemnity fund):

	2011	2010
Current cost of the pension plan	0	0
Financial charges on obligation undertaken	151	207
Actuarial (gains)/losses	(234)	134
Total	(83)	341

The recognition of a positive value for the plan cost is attributable to both the increase in the discounting rate, after the deterioration of the public debt in the countries in the Eurozone, and the amendment to Italian regulations on pensions (Law Decree no. 201 of December 2011) which, with effect from January 1st, 2012, lengthened the period of permanence at the company for employees and consequently their adhesion to the company pension scheme.

The main demographic and financial assumptions used to calculate the commitments were as follows:

	<u>2011</u>	<u>2010</u>
- discounting rate:	4.60%	3.75%
- staff turnover rate:	7.5%	4.5%
- rate of inflation:	2.0%	2.0%

Regarding the discounting rate, in consideration of the high volatility experienced by financial markets, a decision was made to use the rate of return of corporate securities in the Eurozone with rating AA as reference; for the staff turnover rate, turnover probabilities that are consistent with the historical trend of the phenomenon were used.

The Group also participates in the so-called pension funds which, according to IAS 19, fall under the post-employment benefits of defined contribution plans. In relation to these plans, the Group has no additional monetary obligations after payment of the contributions.

The total amount of such plans, included under “personnel costs” in 2011 was equal to €1,039 thousand.

19. Other non-current liabilities – 1,265 (697)

Breakdown	Book value Dec-31-2010	Increases/ decreases	Book value Dec-31-2011
Payables:			
- guarantee deposits from clients	697	(43)	654
- to tax authorities for substitute tax	0	611	611
Total	697	568	1,265

The item “guarantee deposits from clients” reflects the amounts paid by the clients of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd as guarantee for the performance of the obligations connected to sale and purchase agreements for crop protection products.

The payables “to tax authorities for substitute tax” refer to the proportional share of the instalments of the substitute tax calculated on the greater values attributed to the intangible fixed assets conferred in the joint venture ISEM S.r.l. compared to their tax value, as described in note no. 7, to be paid in June 2013 (€349 thousand) and 2014 (€262 thousand), respectively. The first instalment to be paid in 2012 (€262 thousand) is entered under item “Other current liabilities”.

20. Trade payables– 37,210 (34,512)

The €2,698 thousand increase in trade payables is attributable to the increased value of raw materials and packaging purchases made during the year, a phenomenon strictly related to the increase in turnover and the increase in raw materials costs.

With regard to the total trade payables due to related parties, reference should be made to note no. 46.

The breakdown of trade payables by geographic area is presented below, determined according to the location of the supplier:

▪ Italy	25,701
▪ Other European countries	3,158
▪ Central Asia and Oceania	5,619
▪ Americas	2,207
▪ Far East	440
▪ Middle East & Africa	85
Total	<u>37,210</u>

Shareholders are informed that the trade payables have an average contractual maturity of around 100 days.

The trade payables stated in the financial statements are due within the following annual period.

21. Current provisions – 2,015 (1,583)

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

Breakdown	Book value Dec-31-2010	Changes in the period					Book value Dec-31-2011
		Conversion differences	Business combinations	Provisions	Uses	Total change	
Current provisions:							
- provision for restoration expenses	613	0	0	1,000	(298)	702	1,315
- provisions for goods destruction and disposal of obsolete materials	551	0	0	180	(420)	(240)	311
- provision for coverage of losses of associates	15	0	0	0	(15)	(15)	0
- provision for legal proceedings risks	70	0	0	0	(70)	(70)	0
- provision for participation bonus for employees and manager/director bonus	334	3	7	382	(337)	55	389
Total	1,583	3	7	1,562	(1,140)	432	2,015

As regards the breakdown of current provisions, it should be noted that:

- the “provision for restoration expenses” refers to the estimation of the expenses that will be incurred by the parent company Isagro S.p.A. for the restoration of a limited portion of the land on which the Paganica (AQ) industrial complex was located, sold in 2007. The reason for the additional provisions allocated in the year for €1000 thousand is described in note no. 33.
- the provision for “goods destruction and disposal of obsolete material” essentially refers to the costs which the parent company Isagro S.p.A. will have to bear for the disposal of obsolete materials, necessary to improve the logistical and storage conditions of the industrial complex in Aprilia.

Note that these provisions will be used in full by the end of 2012.

22. Tax payables – 1,800 (1,768)

	Book value Dec-31-2010	Increases/ decreases	Book value Dec-31-2011
Tax payables:			
- tax authority for direct taxes	1,768	32	1,800
	1,768	32	1,800

This item reflects the taxes payable to the Tax Authorities with reference to income taxes and IRAP. It refers for €1,597 thousand to the tax payables of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd..

23. Other current liabilities and other payables – 4,999 (5,932)

Breakdown	Book value Dec-31-2010	Increases/ decreases	Book value Dec-31-2011
Payables:			
- due to social security and welfare institutions	1,195	19	1,214
- due to agents and canvassers	102	(67)	35
- due to employees	1,460	(201)	1,259
- due to tax authorities for VAT and similar taxes	137	(35)	102
- due to tax authorities for withholdings and other taxes	735	265	1,000
- advance payments from clients	218	24	242
- due to others	918	(27)	891
	4,765	(22)	4,743
Deferred income	1,167	(911)	256
Total	5,932	(933)	4,999

Amounts due to employees refer to payables for holiday entitlement accrued and not taken, additional monthly payments and expense accounts.

“Due to tax authorities for withholdings and other taxes” includes €262 thousand regarding the proportional share of the substitute tax, described in notes no. 7 and 19, which the joint venture ISEM S.r.l. must pay in June 2012.

“Due to others” includes €250 thousand referred to the residual debt of the parent company Isagro S.p.A. with the joint venture Isagro Sipcam International S.r.l. in liquidation as regard the transfer of the investment of the subsidiary Barpen International S.A.S. (now Isagro Colombia S.A.S.).

“Deferred income” refers to the share of royalties related to future financial years and collected by the parent company Isagro S.p.A. from Makhteshim Chemical Works Ltd. during 2011 in connection with the transfer of the right to use the know-how of the Kiralaxyl products (IR 6141) for seed dressing.

24. Information by operating segments

As stated, the Isagro Group’s operating segments in accordance with IFRS 8 are identified in the organisational geographic areas that generate revenues and costs, whose results are periodically revised by the highest decision-making body to assess the performance of the decisions with respect to resource allocation and for which separate financial statement information is available.

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

- Europe
- Asia
- North America
- South America.

The Group assesses the performance of its operating segments on the basis of “Operating Profit (or Loss)”; the revenues of the presented segments include both the revenues deriving from transactions with third parties, and those deriving from transactions with other segments, evaluated at market prices. In the operation of the Group, financial revenues and expenses and taxes are recorded by the corporate entity because they are not related to operations and, therefore, they are not allocated to the individual segments.

The table below reports the results of the operating segments for the financial year 2011:

	Operating assets					
	Europe area	Asia area	North America area	South America area	Adjustments	Total
- Crop protection products	93,506	25,947	10,367	4,434	0	134,254
- Other	10,064	0	0	0	0	10,064
Income from third parties	103,570	25,947	10,367	4,434	0	144,318
Intra-segment income	10,223	10,807	0	611	(21,641)	0
Revenues	113,793	36,754	10,367	5,045	(21,641)	144,318
Operating result	2,030	5,819	395	552	(2,349)	6,447
Financial charges						(7,200)
Profits/losses from associates	66					66
Pre-tax profit (loss)						(687)
Income Taxes						2,791
Net profit (loss) from continuing operations						2,104

Amortisation /depreciation	8,123	1,182	13	147	0	9,465
Provisions allocated	724	14	95	30	0	863
Bad and doubtful debts	200	2	0	87	0	289
Severance indemnity (TFR) provisions and similar	6	58	0	0	0	64
Non-recurring revenues/(costs) included in the operating result	1,856	0	0	0	0	1,856

The table below reports the results of the operating segments for the financial year 2010:

	Operating assets					
	Europe area	Asia area	North America area	South America area	Adjustments	Total
- Crop protection products	91,695	24,188	7,615	2,675	0	126,173
- Other	7,627	0	0	0	0	7,627
Income from third parties	99,322	24,188	7,615	2,675	0	133,800
Intra-segment income	4,975	10,388	1	495	(15,859)	0
Revenues	104,297	34,576	7,616	3,170	(15,859)	133,800
Operating result	3,123	4,717	616	238	(256)	8,438
Financial charges						(2,326)
Profits/losses from associates	4					4
Pre-tax profit (loss)						6,116
Income Taxes						(4,019)
Net profit (loss) from continuing operations						2,097
Amortisation /depreciation	8,528	1,375	12	27	0	9,942
Provisions allocated	732	18	72	8	0	830
Bad and doubtful debts	111	12	0	20	0	143
Severance indemnity (TFR) provisions and similar	134	112	0	0	0	246
Non-recurring revenues/(costs) included in the operating result	8,028	0	0	0	0	8,028

Given that the location of the activities of the Group does not correspond to the location of the clients, the following table shows the breakdown of the Group's revenues based on this last criterion:

	2011	2010
Italy	37,751	32,397
Europe	32,372	44,955
Americas	38,532	22,001
Africa	4,207	3,181
Middle East	3,329	4,800
Central Asia and Oceania	21,470	21,068
Far East	6,657	5,398
Total	144,318	133,800

Intragroup transactions took place on an arm's length basis.

Compared to the previous year, an increase in turnover was recorded in the Asia and Europe segments, respectively attributable to higher sales of crop protection products by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt Ltd and higher sales made by the parent company Isagro S.p.A. in the Brazilian market.

The operating result of the "Europe" segment was influenced by the presence of non-recurring proceeds related to the sale of 50% of the business unit "Innovative herbicides and fungicides" to the company Chemtura Netherlands B.V. (for €3,024 thousand) and the transfer of the know-how of the "Iprodione" product (for €478 thousand) and non-recurring costs related to higher restoration

expenses (€1,000 thousand) and redundancy incentives (€646 thousand). A more detailed description can be found in notes no. 28 and 33.

The tables below show assets and liabilities of the segments as at December 31st, 2011 and as at December 31st, 2010, together with the investments in tangible and intangible fixed assets for the same dates:

As at Dec-31- 2011	Operating assets					Total
	Europe area	Asia area	North America area	South America area	Adjustments Elisions	
Assets in the segment	145,559	31,083	11,614	3,924	(20,016)	172,164
Equity investments in associates and JV	195	0	0	0	0	195
Unallocated assets						26,579
						198,938
Liabilities of the segment	47,699	6,944	6,454	1,340	(15,388)	47,049
Unallocated liabilities						75,263
						122,312
Investments in Intangible assets	5,667	0	0	11	0	5,678
Investments in Tangible assets	1,754	331	3	9	0	2,097

As at Dec-31-2010	Operating assets					Total
	Europe area	Asia area	North America area	South America area	Adjustments Elisions	
Assets in the segment	158,666	30,862	9,202	2,109	(14,051)	186,788
Equity investments in associates and JV	194	0	0	0	0	194
Unallocated assets						22,893
Assets included under discontinued operations						133,557
						343,432
Liabilities of the segment	43,916	9,158	3,591	1,102	(11,907)	45,860
Unallocated liabilities						116,427
Liabilities included under discontinued operations						102,493
						264,780
Investments in Intangible assets	9,311	0	0	261	0	9,572
Investments in Tangible assets	2,754	483	9	3	0	3,249

Assets in the segment include fixed assets, inventory, trade and other receivables, while tax and financial receivables, equity investments and cash and cash on hand are excluded; excluded items were registered under “Unallocated assets.”

Tax and financing liabilities are excluded from liabilities in the segment.

The excluded items are registered under “Unallocated liabilities.”

The decrease in assets in the “Europe” segment is essentially attributable to the decrease in the intangible fixed assets of the parent company Isagro S.p.A. after the transfer to the joint venture ISEM S.r.l. of the business unit “Innovative herbicides and fungicides” described above.

25. Asset disposals

This paragraph highlights the transfers of investments made by the Group during 2011.

Disposal of the investment in Isagro Italia S.r.l.

On January 27th, 2011 the parent company Isagro S.p.A. sold to the Japanese company Sumitomo Chemical Co. Ltd. the 50% investment in the distribution company Isagro Italia S.r.l. for a total price of €15 million. At the time of the sale the distribution company Isagro Italia S.r.l. was a 50-50 joint venture between Isagro S.p.A. and Sumitomo Chemical Co. Ltd..

The sale generated capital gains, net of €147 thousand of accessory costs and €161 thousand of taxes, for €8,859 thousand. The tax burden is lower than the ordinary one (27.5%) since the parent company Isagro S.p.A. benefitted from a reduced taxation since the sale took place in the participation exemption regime.

The parent company Isagro S.p.A. released some contractual guarantees to the purchasing counterparty in connection with the solvability of some trade receivables in the portfolio of Isagro Italia S.r.l.; if, within three years from the date of closing the transaction, these receivables were to be written-down, the parent company Isagro S.p.A. shall indemnify Sumitomo Chemical Co. Ltd. for a maximum of €2,250 thousand.

Disposal of the investment in Agro Max S.r.l.

On March 29th, 2011 the company Isagro Sipcam International S.r.l. in liquidation (a 50-50 joint venture between Isagro S.p.A. and Sipcam Nederland Holding N.V.) sold the investment in the Argentinian distribution company Agro Max S.r.l. (equal to 75% of the share capital) to the shareholder Sipcam Nederland Holding N.V. for €1,584 thousand (of which €792 thousand pertaining to the Isagro Group), of which €501 thousand still to be collected.

The net capital gains from the disposal, equal to €407 thousand, are expressed net of taxes for €17 thousand. The tax burden is lower than the ordinary one (27.5%) since the joint venture benefitted from a reduced taxation as the sale took place in the participation exemption regime.

Disposal of the investment in Sipcam Isagro Brasil S.A.

On April 4th, 2011, the sale of the 50% investment in the Brazilian distribution company Sipcam Isagro Brasil S.A. to Regentstreet B.V., a Dutch company owned by the Indian multinational United Phosphorus Limited, was finalised for €20 million, from which local taxes for €810 thousand were deducted, paid by United Phosphorus Limited on the closing date on the behalf of Isagro S.p.A. The parent company requested the Brazilian tax authority to review the amounts paid, as it believes that nothing is due. In consideration of the controversial nature of the issue, no receivable was posted in the financial statements in connection with this transaction.

Isagro S.p.A. released a bank surety in favour of the purchasing company for a total of €5 million to guarantee the payment of possible losses that the purchaser may incur in connection with events related to transactions emerged before the sale in terms of tax-related, environmental, public health and labour-law disputes; the five-year surety is remunerated at an annual rate of 1.85%.

The overall contribution of the transaction to the income statement for the year is €1,039 thousand. The overall effect of this transaction, in consideration of the write-down of December 31st, 2010 to adjust the value of the investment to its fair value net of sales costs (pursuant to IFRS 5) of €2,765 thousand, led to an overall loss of €3,804 thousand

Assets and liabilities - Discontinued operations

AS AT DEC-31-2010					
figures in thousands of Euro	Isagro Italia	Agro Max	Sipcam Isagro Brasil	Total	of which related parties
Non-current assets					
Tangible fixed assets	27	49	9,426	9,502	
Intangible fixed assets	98	1	3,512	3,611	
Goodwill	1,521	227	10,594	12,342	
Receivables and other non-current assets	0	0	221	221	
Non-current financial receivables	0	0	0	0	
Financial assets - derivatives	0	0	0	0	
Deferred tax assets	872	100	8,244	9,216	
Total non-current assets	2,518	377	31,997	34,892	
Current assets					
Inventories	9,142	608	4,639	14,389	
Trade receivables	31,140	1,943	30,604	63,687	391
Other current assets and other receivables	693	255	4,387	5,335	793
Tax receivables	20	97	2,645	2,762	
Current financial receivables	0	0	5,099	5,099	
Financial assets - derivatives	7	0	0	7	
Cash and cash equivalents	4,702	146	2,124	6,972	
Total current assets	45,704	3,049	49,498	98,251	
Total assets - Discontinued operations	48,222	3,426	81,495	133,143	
Non-current liabilities					
Non-current financial payables	0	0	8,567	8,567	297
Financial liabilities - derivatives	0	0	0	0	
Employee Benefits - Severance indemnity fund	640	0	0	640	
Non-current provisions	146	0	228	374	
Deferred tax liabilities	365	0	0	365	
Other non-current liabilities	0	0	0	0	
Total non-current liabilities	1,151	0	8,795	9,946	
Current liabilities					
Current financial payables	29,717	494	23,327	53,538	385
Financial liabilities - derivatives	0	0	532	532	
Trade payables	9,569	2,484	22,771	34,824	12,503
Current provisions	53	16	339	408	
Tax payables	10	0	0	10	
Other current liabilities	1,889	103	1,243	3,235	3
Total current liabilities	41,238	3,097	48,212	92,547	
Total liabilities - Discontinued operations	42,389	3,097	57,007	102,493	

As at December 31st, 2011 the assets and liabilities classified in the financial statements of the previous year as discontinued operations are entirely sold.

The tables below provide details of the net result of discontinued operations and the related cash flows generated/absorbed.

Net result - discontinued operations

	2011				
figures in thousands of Euro	Isagro Italia	Agro Max	Sipcam Isagro Brasil	Total	of which related parties
Revenues	0	773	4,567	5,340	2,244
Other income	0	0	0	0	
Other non-recurring income/(charges)	0	0	0	0	
Raw materials and consumables	0	(522)	(2,493)	(3,015)	(958)
Changes in finished product inventories	0	42	(622)	(580)	
Costs for services	0	(199)	(796)	(995)	
Personnel costs	0	(46)	(1,193)	(1,239)	
Other operating costs	0	(42)	(300)	(342)	
Additions to fixed assets for internal work	0	0	0	0	
Amortisation/depreciation and write-downs	0	(3)	(207)	(210)	
Operating result	0	3	(1,044)	(1,041)	
Financial income/(charges)	0	(34)	(1,419)	(1,453)	(4)
Result before taxes	0	(31)	(2,463)	(2,494)	

Taxation	0	10	828	838
Result attributable of the Group	0	(21)	(1,635)	(1,656)
Net capital gains/(losses) from sales	8,859	407	596	9,862
Result - discontinued operations	8,859	386	(1,039)	8,206

	2010				
figures in thousands of Euro	Isagro Italia	Agro Max	Sipcam Isagro Brasil	Total	of which related parties
Revenues	39,683	4,530	42,909	87,122	889
Other income	1,127	15	0	1,142	400
Other non-recurring income/(charges)	100	(202)	740	638	(141)
Raw materials and consumables	(26,839)	(3,575)	(26,199)	(56,613)	(23,191)
Changes in finished product inventories	(2,344)	153	(3,445)	(5,636)	
Costs for services	(6,129)	(604)	(4,738)	(11,471)	(1,701)
Personnel costs	(2,454)	(180)	(4,673)	(7,307)	(63)
Other operating costs	(1,245)	(238)	(626)	(2,109)	(185)
Additions to fixed assets for internal work	0	0	258	258	
Amortisation/depreciation and write-downs	(99)	(15)	(796)	(910)	
Operating result	1,800	(116)	3,430	5,114	
Financial income/(charges)	(1,033)	(97)	(7,235)	(8,365)	(760)
Result before taxes	767	(213)	(3,805)	(3,251)	
Taxation	(515)	69	27	(419)	
Profit/(loss) for the period	252	(144)	(3,778)	(3,670)	
Write-down for fair value adjustment (IFRS 5) net of selling costs	0	0	(2,765)	(2,765)	
Net result - discontinued operations	252	(144)	(6,543)	(6,435)	

Since the investment in the company Isagro Italia S.r.l. was sold in January, the consolidated income statement substantially reflects the net capital gains from the sale, while for the other two companies the values expressed in the table include also the related income statement for the period from January 1st to the sale date.

The capital gains related to the sale transactions, equal to €9,862 thousand, were posted in the financial statements net of a tax effect of €178 thousand. The reduced tax burden recorded is to be attributable essentially to the income obtained being subject to a facilitated tax regime (Pex), which only taxes 5% of the capital gains from the sale of long-term equity.

Cash flows generated/absorbed - discontinued operations

	2011			
figures in thousands of Euro	Isagro Italia	Agro Max	Sipcam Isagro Brasil	Total
A. Cash flow generated/(absorbed) from operating activities	0	(43)	(1,426)	(1,469)
B. Cash flow generated/(absorbed) from investment activities	0	0	(68)	(68)
C. Cash flow generated/(absorbed) from financing activities	0	28	(50)	(22)
D. Changes in the conversion reserve	0	(26)	(130)	(156)
E. Comprehensive cash flow generated/(absorbed) in the period (A+B+C+D)	0	(41)	(1,674)	(1,715)
F. Cash and cash equivalents - opening balance	4,703	146	2,123	6,972
G. Cash and cash equivalents on the sale date (E+F)	4,703	105	449	5,257

figures in thousands of Euro	Isagro Italia	Agro Max	Sipcam Isagro Brasil	Total
Amount received (net of additional transaction charges)	14,853	537	18,935	34,325
Transferred cash and cash equivalents	(4,703)	(105)	(449)	(5,257)

Net cash flow	10,150	432	18,486	29,068
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	2010			
figures in thousands of Euro	Isagro Italia	Agro Max	Sipcam Isagro Brasil	Total
A. Cash flow generated/(absorbed) from operating activities	2,416	(359)	(3,407)	(1,351)
B. Cash flow generated/(absorbed) from investment activities	(16)	(29)	(1,546)	(1,591)
C. Cash flow generated/(absorbed) from financing activities	(2,325)	330	5,541	3,547
D. Changes in the conversion reserve	0	9	208	217
E. Comprehensive cash flow generated/(absorbed) in the period (A+B+C+D)	76	(49)	796	823
F. Cash and cash equivalents - opening balance	4,627	195	1,327	6,149
G. Cash and cash equivalents - closing balance (E+F)	4,703	146	2,123	6,972

Earnings per Share - Discontinued operations

Earnings per Share:

	2011	2010
- basis for profit of the year	0.47	(0.37)
- dilution for the profit of the year	0.47	(0.37)

INFORMATION ON THE INCOME STATEMENT

26. Revenues – 144,318 (133,800)

The breakdown of the revenues is described in the table below:

Breakdown	2011			2010		
	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL
Revenues from sales of:						
- crop protection products	31,561	102,693	134,254	28,041	98,132	126,173
- raw materials	354	0	354	1,049	157	1,206
	31,915	102,693	134,608	29,090	98,289	127,379
Revenues from services:						
- processing fees	4,961	3,453	8,414	2,995	2,599	5,594
- innovative research and transfer of scientific information	69	0	69	0	372	372
- product protection and development	541	0	541	9	0	9
- other	265	421	686	303	143	446
	5,836	3,874	9,710	3,307	3,114	6,421
Total	37,751	106,567	144,318	32,397	101,403	133,800

Compared to the previous year, this item recorded an increase of €10,518 thousand, mainly attributable to higher sales of crop protection products on the Brazilian and Indian market, as well as more processing for third parties conducted by the parent company Isagro S.p.A..

The revenues from product protection and development refer to the proportional share of the research services rendered to the joint venture ISEM S.r.l..

With regard to the total revenues from related parties, please refer to note no. 46.

27. Other operating revenues – 5,393 (4,726)

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

Breakdown	2011	2010
Royalties, licences and similar rights	731	870
Contributions to R&D expenses	121	258
Recovery of research costs	1,187	440
Export incentives	288	338
Gains from sale of fixed assets	0	5
Recovery of sundry costs and other income	3,066	2,815
Total	5,393	4,726

The item “Royalties, licenses and similar rights” refers to revenues connected with the royalties paid by the company Makhteshim Chemical Works Ltd. to the parent company Isagro S.p.A. in connection with the right to use the know-how of the Kiralaxyl products (IR 6141) for seed dressing. “Recovery of research costs” refers essentially to the research services provided to Chemtura Netherlands B.V.. At the time of acquiring the 50% investment in the share capital of ISEM S.r.l. as described above, the Dutch company signed with the parent company Isagro S.p.A. a Discovery Cooperation Agreement according to which it contributes to 50% of the innovative research costs incurred by Isagro S.p.A. or its subsidiaries in connection with specific projects.

“Recovery of sundry costs and other income” includes the administrative and IT services provided by the parent company Isagro S.p.A. to the company Sumitomo Chemical Italia S.r.l. for a total of €1,045 thousand.

28. Other non-recurring revenues – 3,502 (8,028)***Financial year 2011 – €3,502 thousand*****Capital gains from the transfer of 50% of the business unit “Innovative herbicides and fungicides” – €3,024 thousand**

In January the parent company Isagro S.p.A. established the 50-50 joint venture ISEM S.r.l, together with the company Chemtura Netherlands B.V..

In particular on January 24th, 2011 the parent company initially transferred to the new company the business unit called “Innovative herbicide and fungicides”, comprising the intellectual property, data and other studies regarding the products Valifenalate (IR5885), Orthosulfamuron (IR5878), the projects called IR 8854 and IR8116 as well as all the assets, liabilities and contracts connected with these products; on January 26th, 2011 the parent company subsequently sold to Chemtura Netherlands B.V. 50% of the investment in ISEM S.r.l. for €20 million.

This transaction led to the deconsolidation of 50% of the assets and liabilities of the business unit with the consequent measurement of capital gains, net of accessory charges of about €281 thousand, of €3,024 thousand, as highlighted in the table below:

Agreed price	20,000
Sold assets/liabilities:	
Intangible fixed assets	(16,477)
Inventories	(1,622)
Trade receivables	(36)
Deferred tax assets	(925)
Trade payables	1,293
Deferred tax liabilities	1,339
Employee Benefits - Severance indemnity fund	3
Other assets/liabilities	38
	(16,387)
Transferred cash and cash equivalents	(308)
Gross capital gain	3,305
Accessory charges	(281)
Net capital gain	3,024

Capital gain from the transfer of the know-how of the “Iprodione” product – €478 thousand

On March 29th, 2011 the joint venture Isagro Sipcam International S.r.l. in liquidation sold to the shareholder Sipcam Nederland Holding N.V. the papers, studies and know-how related to the “Iprodione” product for a price of €1,800 thousand (proportional share of €900 thousand); the net capital gain generated from this transfer equalled €956 thousand (proportional share equal to €478 thousand, net of accessory costs for €8 thousand).

Financial year 2010 – €8,028 thousand

The item referred to the net capital gain generated from the sale of the registration and distribution rights, the trademarks and the know-how of the insecticide Dimethoate to the Danish company Cheminova.

29. Raw materials and consumables used – 88,259 (76,712)

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

Breakdown	2011	2010
For raw materials, supplies and goods		
- raw materials, packaging and crop protection products	89,479	75,861
- technical materials	735	641
- materials connected to research activities	212	235
- change in inventories of raw and ancillary materials consumables and goods	(2,461)	(313)
- other	294	288
Total	88,259	76,712

The increase in the item compared to the previous year of €11,547 thousand is to be correlated to the increased turnover described in note no. 26.

This change mainly referred to the subsidiary Isagro Asia Agrochemicals Pvt Ltd and the parent company Isagro S.p.A.

With regard to the total purchases from related parties, please refer to note no. 46.

30. Costs for services– 27,480 (26,158)

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

Breakdown	2011	2010
For services		
- utilities	4,328	3,936
- technical maintenance	1,659	1,508
- transport and related purchase and sale costs	5,111	5,162
- third party processing	2,390	2,889
- consulting and professional services	1,716	1,726
- services connected to research	2,373	1,526
- computerised information system	443	382
- marketing costs	2,998	2,636
- allocation to provisions for goods destruction	180	100
- allocation to provisions for restoration expenses	0	70
- leases, rents and leasing	1,309	1,365
- leases payable	1,253	1,266
- other services	3,720	3,592
Total	27,480	26,158

The increase in the item for €1,322 thousand is substantially attributable to the rise in the cost of utilities (+ €392 thousand), directly correlated to the increase in turnover, as well as the costs for research services (+ €847 thousand) and marketing costs (+ €362 thousand).

The decrease in item “third party processing” was essentially due to the disposal of the insecticide Dimethoate to the Danish company Cheminova, whose production was entirely entrusted to third parties.

For the total costs for services to related parties, please refer to note no. 46.

31. Personnel costs – 24,905 (24,732)

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

Breakdown	2011	2010
Personnel-related:		
- wages and salaries	16,594	16,162
- social security charges	4,737	4,628
- employee benefits	(175)	246
- pension funds	1,039	1,033
- provision for participation bonus	382	335
- costs for employee services	1,903	2,045
- costs for redundancy incentives	14	15
- other costs	411	268
Total	24,905	24,732

Below is the number of employees, broken down by category:

	Average of the FY	As at Dec-31-2011	As at Dec-31-2010
- executives	47	48	48
- middle management	133	135	128
- office workers	337	328	342
- special qualifications	9	8	7
- workers	118	100	114
TOTAL	644	619	639

32. Other operating costs – 3,829 (4,597)

The breakdown of the item “other operating costs” is described in the following table:

Breakdown	2011	2010
- capital losses on disposal of assets	88	239
- bad and doubtful debts	278	143
- indirect, production and manufacturing taxes	2,763	3,596
- other operating costs	700	619
Total	3,829	4,597

The item “indirect, production and manufacturing taxes” includes €1,822 thousand related to excise duties and manufacturing taxes paid by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.

33. Other non-recurring costs – 1,646 (0)

The item for the period refers:

- for €1,000 thousand to the allocation to “provision for restoration expenses” of the charges the parent company Isagro S.p.A. must incur in connection with the restoration of a portion of the land where the industrial complex of Paganica (AQ), sold in 2007, used to be located, after the activity plans (soil removal and treatment) agreed with the local environmental authorities;
- for €646 thousand to the redundancy incentive charges and the related contributions the parent company Isagro S.p.A. (€195 thousand) and the subsidiary Isagro Ricerca S.r.l. (€451 thousand) incurred for the amicable termination of employment relationships with executives and middle management.

34. Change in inventories of finished products and work in progress - 3,416 (476)

The positive change in product inventories of €3,416 thousand, calculated net of the provisions for inventory obsolescence, comprises:

- Net inventories as at January 1 st , 2011	(21,474)
Disposal of business unit	1,142
- Business Combinations	(261)
- Conversion difference	322
- Net inventories as at December 31 st , 2011	23,687
- Total change	<u>3,416</u>

35. Capitalised development costs – 2,946 (4,064)

This item, characterised by a decrease of €1,118 thousand, compared to the previous financial year, consequently to the lower investments made in research and development activities, refers to the capitalisation of “internal” costs (labour costs and overheads of €2,940 thousand and consumption of technical materials of €6 thousand) related to extraordinary protection, development costs, and expenses for the registration of new products of the Group.

Services from third parties related to the capitalised development projects are deducted directly from “costs for services” under item “consulting and professional services”.

36. Depreciation and amortisation – 9,465 (9,942)

Depreciation of tangible fixed assets– 4,411 (4,753)

Depreciation of intangible fixed assets – 5,054 (5,189)

Breakdown	2011	2010
Depreciation of tangible fixed assets:		
- buildings:	815	842
- plant and equipment	2,973	3,223
- industrial and commercial equipment	287	282
- furniture and fittings	77	98
- motor vehicles	37	37
- office machines	222	271
	4,411	4,753
Depreciation of intangible fixed assets:		
- development costs	1,645	1,194
- know-how	2,301	2,921
- patents, licenses, trademarks and registration	805	784
- other	303	290
	5,054	5,189
Total	9,465	9,942

37. Impairment of fixed assets - 1,066 (515)

During the year, in compliance with the provisions of IAS 38, the Group wrote down €1,066 thousand, zeroing the costs capitalized in previous years in connection with some projects aimed at obtaining authorisations to sell new proprietary products. Based on a careful technical assessment, these projects proved to be unprofitable due to the additional studies required by the local authorities for their completion and consequent economic exploitation.

38. Net capital gains from revaluation

The transaction to create a 50-50 joint venture called ISEM S.r.l. with the Chemtura Group, as already described in the previous paragraphs, implied the alignment to the fair value of the residual interest (50%) in the net assets of ISEM, with their consequent revaluation in accordance with the provisions of paragraph 34 of IAS 27 revised.

More in detail, some assets of the company were revalued to account for the higher values emerged at the time of the disposal by the parent company Isagro S.p.A. of the 50% investment in the company to Chemtura Netherlands B.V. in compliance with IAS 27 at the time the control of the subsidiary was lost. With the disposal transaction described in paragraph no. 28 the Isagro Group decreased the percentage of ownership in ISEM from 100% to 50%, with the consequent passage from the global consolidation to proportional consolidation of the company.

The surplus value emerged in comparison with the book value of the company's assets and liabilities, calculated through a valuation by an independent expert, equalled €3,522 thousand, allocated as follows:

Know-how and registrations (IR5878/IR5885)	3,120
Product development costs (IR8116)	246
Patents	275
Inventories	126
Goodwill	937
Deferred tax assets and liabilities	(1,096)
Tax payables	(86)
Net revaluation	3,522

39. Net financial charges – 7,200 (2,326)

Breakdown	2011	2010
Profit/loss from financial assets/liabilities measured at fair value in the income statement:		
- income/charges on derivative instruments:		
commodities	(1,524)	639
exchange rates	379	(2,110)
interest rates	(300)	(56)
	(1,445)	(1,527)
- adjustment of derivatives to fair value:		
commodities	(1,179)	1,914
exchange rates	(891)	54
interest rates	(37)	0
	(2,107)	1,968
- income on assets held for trading:		
securities and mutual funds	32	24
	32	24
	(3,520)	465
Interests receivable/payable on financial assets/liabilities not designated at fair value:		
- interest income on bank deposits	78	26
- interests receivable on loans	150	936
- interests and commissions paid to banks and other lenders	(4,462)	(4,225)
- interests/discounts on trade receivables and payables	(257)	(234)
- income/charges from discounting	(148)	(218)
	(4,639)	(3,715)
Other financial income/charges		
- exchange profits/losses	962	838
- other	(3)	86
	959	924
Total	(7,200)	(2,326)

The increase compared to the previous year of €4,874 thousand is due essentially to higher charges from derivatives (both realised and from valuation) and the increase in financial charges after the rising cost of the loans obtained, and the reduction in loan interest after the repayment of some receivables.

Regarding transactions on derivatives in particular, on the one hand higher net costs were recorded in connection with the transactions on commodities (copper) for a total of €5,256 thousand; on the other, higher net income was recorded in relation to the exchange rate hedging transactions for a total of €1,544 thousand.

In the first half of 2011 the parent company Isagro S.p.A. repaid some medium-long term loans as described in note no. 17. However, a decrease in financial charges was not recorded, deriving from a reduction in indebtedness, since a rise in interest rates was experienced on the financial markets.

The loans issued, for which interest became due in the period, are described in note no. 12.

40. Profits (losses) from associates - 66 (4)

On December 14th, 2011 the parent company Isagro S.p.A. approved the final liquidation statement and the related allocation plan for the assets of the associate Siamer S.r.l. in liquidation. A capital gain of €50 thousand emerged. The parent company Isagro S.p.A. also used the excess fund that had been allocated in the previous year to proceed with the pro rata settlement of the capital shortfall of the associate for €15 thousand.

41. Income taxes – 2,791 (4,019)

Breakdown	2011	2010
Consolidated income statement		
<i>Current taxes:</i>		
- Income Taxes	2,217	2,235
- IRAP (regional business tax)	364	519
- use of deferred tax liabilities/deferred tax assets	1,362	965
- contingent assets and liabilities	92	100
	4,035	3,819
<i>Deferred tax assets and liabilities:</i>		
- deferred tax liabilities	313	11
- deferred tax assets	(4,846)	(938)
- contingencies and write-downs of deferred tax assets	(2,293)	1,127
	(6,826)	200
Total income taxes in the income statement (operating assets)	(2,791)	4,019
Other comprehensive income statement components		
<i>Deferred tax assets and liabilities:</i>		
- deferred tax assets on derivatives (cash flow hedging)	0	(62)
- deferred tax liabilities on derivatives (cash flow hedging)	0	0
- use of deferred tax assets /liabilities on derivatives (cash flow hedging)	90	15
	90	(47)
Total income taxes in the shareholders' equity (operating assets)	90	(47)

The item “Use of deferred tax assets /liabilities”, equal to €1,362 thousand, reflects the difference between the use of receivables for deferred tax assets, equal to €1,740 thousand (€275 thousand of which refer to the use of tax losses of previous financial years and €950 to the use of taxed funds) and the use of provisions for deferred tax liabilities, equal to €378 thousand.

The allocation of deferred tax assets of €4,846 thousand mainly refers to the tax benefits achieved expected from the future use of taxed provisions and tax losses (€3,180 thousand) and the tax effect of the derecognition of intercompany profits (€1,140 thousand).

“Contingencies and write-downs of deferred tax assets” of €2,293 thousands include a contingent asset of €1,119 thousand recorded by the parent company in connection with the deferred tax assets on the tax loss of 2007, written down in the previous year and re-entered in the financial statements after the change in the tax legislation described in note no. 7, which in particular provides for losses to be reported without time limit, and an extraordinary income component of €1,134 thousand recorded by the joint venture Isem S.r.l. in connection with the tax release transaction for the intangible fixed assets contributed by the parent company Isagro S.p.A. (see note no. 7).

The following table illustrates the reconciliation between the theoretical taxes IRES and IRAP (27.50% and 3.90%) and the actual taxes, taking into account the effect of deferred tax assets and liabilities.

The amount for theoretical taxes was - €687 thousand.

	INCOME TAXES		IRAP (regional business tax)		TOTAL	
	Taxation	%	Taxation	%	Taxation	%
Theoretical taxes	(189)	27.50	(27)	3.90	(216)	31.40
- increases	802	(116.74)	32	(4.66)	834	(121.40)
- decreases	(275)	40.03	(1)	0.15	(276)	40.17
- costs not recognised for IRAP purposes	0	0.00	462	(67.25)	462	(67.25)
- effect of changes/differences in tax rates	169	(24.60)	20	(2.91)	189	(27.51)
- income subject to lower tax rate	(1,756)	255.60	0	0.00	(1,756)	255.60
- contingent assets and other changes	(1,818)	264.63	(210)	30.57	(2,028)	295.20
Effective taxes	(3,067)	446.42	276	(40.20)	(2,791)	406.22

“Income subject to lower tax rate” refers to the income obtained from the partial disposal of the investment in ISEM S.r.l. (€3,024 thousand), which benefits from an almost total exemption, as this transaction is included in the “participation exemption” regime (Pex), and the income resulting from the 50% residual revaluation of the assets conferred in the company (see note no. 38), which were posted in the financial statements net of the related deferred tax effect.

“Increases” essentially concerns contingent liabilities and other costs that are not tax deductible.

The item “costs not significant for IRAP purposes” essentially refers to the cost for personnel employment and financial charges of the Group, since these items are not deductible for the purpose of calculating regional business tax.

As at December 31st, 2011, deferred taxation on undistributed profits of subsidiaries and associates was not recognised either because it is not significant in the event of dividend distributions, or because the profits may be considered as permanently reinvested based on the intention of the parent company not to distribute any dividends.

For details on the tax burden of discontinued operations reference is made to note no. 25.

42. Distributed dividends

During 2011 the parent company Isagro S.p.A. distributed dividends equal to €0.30 per share, for a total of €5,250 thousand, as resolved by the ordinary Shareholders’ Meeting of April 28th, 2011.

43. Hierarchical levels of fair value assessment

In relation to the financial instruments recognised to the statement of financial position at fair value, IFRS 7 requires these values to 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 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, 2011 by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
- other non-current financial assets	-	-	-	-
- other current financial assets	74	661	-	735
Total financial assets	74	661	-	735
Financial liabilities measured at fair value:				
- other non-current financial liabilities	-	(79)	-	(79)
- other current financial liabilities	-	(2,037)	-	(2,037)
Total financial liabilities	-	(2,116)	-	(2,116)

In 2011, there were no shifts between Level 1 and Level 2 of fair value measurements, or from Level 3 to other levels and vice versa.

44. Joint ventures

The Group owns 50% of joint ventures, consolidated proportionally according to the relevant percentage held.

Data regarding the joint ventures Isagro Italia S.r.l, Agro Max S.r.l. and Sipcam Isagro Brasil S.A., after their disposal, is available in note no. 25.

Furthermore, the parent company Isagro S.p.A.:

- a) On January 26th, 2011, together with the company Chemtura Netherlands B.V., set up a 50-50 joint venture called ISEM S.r.l., with the aim of developing synergies in research and development activities for some molecules and sale of crop protection products;
- b) On March 29th, 2011 it purchased from the joint venture Isagro Sipcam International S.r.l. in liquidation 100% of the investment in the Colombian company Barpen International SAS (now Isagro Colombia SAS): therefore, the company is consolidated with the line-by-line rather than proportional method.

The portions of assets, liabilities, revenues and costs of joint ventures included in the consolidated financial statements are the following:

Isagro Sipcam International S.r.l. (in liquidation)

Balance sheet	Dec-31-2011	Dec-31-2010
Current assets	627	99
Non-current assets	8	3,623
	<u>635</u>	<u>3,722</u>
Current liabilities	73	2,891
Non-current liabilities	-	-
	<u>2,891</u>	<u>2,891</u>
Income statement	2011	2010
Revenues	-	-
Net operating costs	<u>(109)</u>	<u>(76)</u>
EBITDA	(109)	(76)
Amortisation /depreciation	-	-
Operating profit	(109)	(76)
Net financial charges	<u>1</u>	<u>(111)</u>
Pre-tax profit (loss)	(108)	(187)
Taxation	<u>13</u>	<u>135</u>
Net profit (loss)	<u>(95)</u>	<u>(52)</u>

ISEM S.r.l.

Balance sheet	Dec-31-2011	Dec-31-2010
Current assets	2,043	-
Non-current assets	20,757	-
	<u>22,800</u>	<u>-</u>
Current liabilities	1,039	-
Non-current liabilities	1,773	-
	<u>2,812</u>	<u>-</u>
Income statement	2011	2010
Revenues	822	-
Net operating costs	<u>(913)</u>	<u>-</u>
EBITDA	(91)	-
Amortisation /depreciation	<u>(1,454)</u>	<u>-</u>
Operating profit	(1,545)	-
Net financial charges	<u>(16)</u>	<u>-</u>
Pre-tax profit (loss)	(1,561)	-
Taxation	<u>1,142</u>	<u>-</u>
Net profit (loss)	<u>(419)</u>	<u>-</u>

Barpen International S.A.S. (now Isagro Colombia S.A.S)

Balance sheet	Dec-31-2011	Dec-31-2010
Current assets	-	1,924
Non-current assets	-	161
	<u>-</u>	<u>2,085</u>
Current liabilities	-	1,358
Non-current liabilities	-	324

	-	1,682
Income statement	2011	2010
Revenues	-	2,718
Net operating costs	-	(2,419)
EBITDA	-	299
Amortisation /depreciation	-	(9)
Operating profit	-	290
Net financial charges	-	(220)
Pre-tax profit (loss)	-	70
Taxation	-	(77)
Net profit (loss)	-	(7)

OTHER INFORMATION

45. Contingent liabilities, commitments and guarantees

Legal proceedings

Corrado Paladin & C. S.a.s.

Corrado Paladin & C. S.a.s. submitted to the Court of Milan a claim for damages against Caffaro S.p.A. and Isagro Copper S.r.l. (merged by incorporation into Isagro S.p.A.) to obtain payment of indemnities and commissions for the agency services provided to these companies. The Judge verified the existence of a residual amount due in favour of the agent of approximately €480,000, for the entire period that the contractual relation was in effect.

At the hearing of January 29th, 2009 Paladin's attorney requested the Judge to issue an injunction against the defendants, jointly, for the aforementioned amount. The judge gave Paladin until March 15th, 2009 to submit the brief and the defendants until May 4th, 2009 to submit a rejoinder and replication. The hearing was postponed to May 14th, 2009 for the discussion of this request.

Isagro S.p.A. has however submitted a request for indemnification from Caffaro for the amounts it may be sentenced to pay to Paladin, as the latter's requests for commissions refer to sales made on behalf of Caffaro and therefore they precede the agency relationship with Isagro Copper S.r.l. (now merged into Isagro S.p.A.), following the sale in 2001 of a branch of Caffaro to Isagro Copper.

On June 17th, 2009 the Court of Milan ordered Caffaro and Isagro, jointly and severally, to pay about €485,000 to Paladin and it also authorised, in Isagro's favour, the attachment of real estate owned by Caffaro until reaching €500,000, to secure its recourse action. The attachment was transcribed on some real estate owned by Caffaro, located in the province of Udine and Bologna.

Paladin served the writ of execution to Isagro and Caffaro for the payment, jointly and severally, of the total amount of €665,658.60, including VAT on the liquidated fees.

However, Isagro and Paladin have reached an agreement to settle the controversy out of court: in exchange for the payment of €346 thousand by Isagro in 2009, Paladin gave the Company the right to enforce all its rights or any claims with respect to Caffaro, a company that is now in receivership.

Isagro then prepared the request for inclusion among Caffaro's creditors, for which the Court allowed senior credit of €54,000 and unsecured credit of €292,000. An application was also made

for admission of the entire receivable transferred by Paladin. The proceedings are in their final stages. 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. However, the Court of Milan rejected the claim. The company is therefore preparing an appeal in order to seek admission of the amount due to Isagro among Snia S.p.A. liabilities.

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.

The Court of Udine, in declaring the liability status confirmed, rejected the application, considering Isagro's claim to be in relation to a possible future credit, the existence of which is still to be verified. Isagro stated its intention to appeal against this decision and the judge ordered a court expert's report to ascertain whether or not any action was needed, together with related costs, and adjourned the hearing until June 20th, 2011 for examination of the expert report.

At the hearing of June 20th, 2011, following the extension of the terms to file the specialist report required by the technical consultant, the judge adjourned the trial to October 10th, 2011.

The technical consultant filed a specialist report, stating the need for reclamation actions on the site for €1,189,642.70 million.

On Isagro S.p.A.'s request, which does not consider the estimate of the technical consultant as fair, the same expert was called by the Judge for clarifications on the hearing of November 23rd, 2011. At this hearing the Judge deemed it suitable to ask the Municipality of Aprilia information as to the state of the Service Conference started in the past in connection with the site reclamation. While waiting to receive the information requested from the Municipality of Aprilia (LT), the hearing was postponed to April 16th, 2012.

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 the claim, the company is preparing an appeal in order to seek admission of the amount due to Isagro among Snia S.p.A. liabilities. The first hearing had been set for September 27th, 2011. Based on the outcome of the proceeding, with decree of December 13th, 2011, the Court of Milan rejected Isagro S.p.A.'s claim, considering the receivable as possible and future. Isagro challenged this decision with Cassation appeal, for which the registration is being finalised.

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.

Criminal investigation with reference to the program "Oil for food"

On July 10th, 2007, the Milan District Attorney served Isagro S.p.A. and Mr. Giorgio Basile (Chairman and Chief Executive Officer of the Company) a notice of indictment with reference to alleged regulatory offences against the provisions of the so-called "Oil for food" program. In particular, the company is accused of being awarded supply contracts in Iraq through the payment of bribes amounting to approximately €48 thousand.

On March 13th, 2008 the District Attorney of Milan served Isagro S.p.A., its Chairman and Chief Executive Officer Mr. Giorgio Basile and the Sales Manager of Isagro for the Middle East Mr. Gerassimos Spyropoulos the information regarding the guarantee and right of defence as well as the notice regarding the conclusion of the investigations regarding the alleged administrative offences within the “Oil for food” programme. At the hearing of January 15th, 2009 the verification of the regular appearance of the parties and subsequent postponement of the trial to April 21st, 2009 took place.

At the hearing of April 21st, the trial was adjourned to June 18th, 2009.

At the hearing of June 18th, 2009, issues pertaining to the admissibility of the acquisition in the trial record of the documents produced by the Prosecutor were discussed; the Court reserved the decision and adjourned the trial to October 6th, 2009.

At the hearing of October 6th, 2009 the Court announced the imminent transfer of two of the three Judges and suspended the trial for eighteen months and its subsequent reassignment to a new Court.

On November 18th, 2011 the Court of Milan served the Chairman and Chief Executive Officer of Isagro S.p.A. a notice of renewal of the writ of summons for the hearing of January 17th, 2012. At that hearing the Court adjourned the trial to the hearing of May 15th, 2012: at that time the issues relating to the preliminary motions will be dealt with and the first witnesses will be heard.

At present, it is not possible to formulate any assessment regarding the final outcome of the dispute;

Labour-related dispute

With regard to the parent company Isagro S.p.A. we note:

- a former employee of the Aprilia (Latina) plant is claiming from Isagro and Caffaro jointly, a compensation of approximately €2 million in damages for work-related illness or, alternatively and subordinately, compensation for damages for alleged deceit in the stipulation of a trade union settlement. The claimant requested the Court of Latina to drop Caffaro from the proceeding, because it is subjected to the receivership procedure. This request, that Isagro considers patently illegitimate, was promptly impugned. The judge accepted the appeal of Isagro and declared the case closed;
- a former employee of the Aprilia (LT) plant is claiming from Isagro S.p.A. compensation of approximately €550 thousand for failure to assign a higher professional classification to the employee's position and for work related illness. Isagro S.p.A. won the proceedings at first instance; the terms to propose an appeal before the Rome Court of Appeal are expiring.

The company and its legal counsel deem both requests to be manifestly ungrounded and evaluates the risk of losing the proceeding as nearly zero.

Tax dispute

With regard to the parent company Isagro S.p.A. we note:

- on April 9th, 2008, the Company was served a tax assessment, issued per Article 36-bis DPR 600/73, relating to Unified Form 2005, for tax year 2004, requesting the payment of €557,455 due to the failure or lateness in making the IRES and IRAP payments, plus interest, penalties

and the collection fees of €798,773.81. This tax assessment was considered to be unfounded and an appeal was made to the Regional Tax Commission of Milan on April 30th, 2008. At the hearing of November 21st, 2008, the Regional Tax Commission accepted the appeal only in part and therefore, upon closing the lawsuit, taxes of €277,000 continue to be due, in addition to interests and collection fees of approximately €13,000, which are attributable to formal irregularities relating to the offsetting of the company's taxes payable with residual taxes payable of subsidiary Isagro Copper S.r.l., which has now been merged into the parent company.

On January 30th, 2009, a self-protection petition was filed with the Tax Revenue Office, requesting it to review its position with respect to the correct application of the offsets, as the existence of the credits used is not in question. As a result of the Tax Revenue Office's impossibility to make corrections in relation to the part of the decision that is favourable to it, the company appealed before the Regional Tax Commission of Lombardy. The appeal hearing was held on March 8th, 2010. On May 17th, 2010 sentence no. 51/18/10 was filed which fully accepted the company's appeal, cancelling the tax assessment in full.

Since no appeal by the Agency has been notified as of today to discuss the dispute before the Supreme Court of Cassation, having the legal deadline expired, the case can be considered as closed;

- On July 15th, 2008 the Milan Tax Police served the company a findings report claiming the presentation of an incorrect annual return for 2002, on account of the deduction of costs relating to invoices for alleged inexistent transactions amounting to €76,000. As a consequence, the Tax Revenue Office issued a notice of assessment for alleged violations concerning IRPEG, IRAP and VAT, with a request to pay all taxes amounting to €30,590.00 in addition to a pecuniary administrative penalty of €32,912.00. On April 23rd, 2009, the Company filed an appeal before the Provincial Tax Commission, which by sentence no. 344/08/2010 cancelled the notice of findings for a total of €50,000, confirming the recovery of €26,000. The sentence became definitive as no appeal request has been made, and the tax charges regarding the outcome of the dispute were recorded in the financial statements 2011;
- on December 22nd, 2006, the Tax Revenue Office notified, as a result of a general tax audit for 2003, a notice of assessment for IRPEG, IRAP and VAT violations, with request for an additional payment of taxes of €83,251, plus sanctions and interests. The Company appealed against this decision before 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 Tax Revenue Office served the Company with an appeal request 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 Tax Authority's appeal. It was considered that the sentence contained obvious legal errors and logical faults, and has been challenged before the Supreme Court of Cassation, with good prospects of a result in favour of the company. We note that in regard to this assessment, the company does not consider that there is a basis on which it could be held responsible;

- on October 20, 2009, the company was served notice of an assessment issued by the Regional Office of Lombardia (DRE) – Large Taxpayers Office, whereby the use of the losses of the taken-over company Isagro BioFarming S.r.l. for tax purposes was disallowed. The amount to be taxed amounts to €187,393, with a theoretical total burden of €61,840 plus interest and sanctions. On December 17th, 2009, the company filed a petition for assessment with adhesion; during the proceeding, with dedicated brief, the review of the deed and its cancellation was requested for self-protection. The DRE did not accept the petition and therefore an appeal was filed with the Provincial Tax Board of Milan. The appeal hearing was held on February 20th, 2012. No sentence has been issued as of today;
- on May 3rd, 2010 the Milan 6 office of the Tax Authority began a tax inspection on the year ending December 31st, 2007. In their findings report of June 15th, 2010, the inspectors indicated a number of findings regarding direct taxes (IRES and IRAP). The tax recovery led to adjustment of the IRES tax loss for 2007 for €228,161 and a higher taxable amount for IRAP of €49,624, with subsequent increase in IRAP due of approximately €2,200. The company accepted the findings report pursuant to art. 5-bis, Italian Legislative Decree no. 218/1997, in relation to the entire amount disputed. Note however that the main finding in relation to IRES, totalling €178,537, refers to a matter of timing in relation to a negative exchange difference, which in effect led to recognition of the accounting entry challenged as a reduction in taxable income for 2007, rather than 2006, thereby generating a corresponding calculation in excess taxes paid for 2006. The company therefore plans to file a claim for reimbursement of the taxes paid in excess for the 2006 tax year.

Commitments and guarantees

Following the contract to transfer the investment of Isagro Italia S.r.l., now Sumitomo Chemical Italia S.r.l., to Sumitomo Chemical Co. Ltd., the parent company 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 valued at €7,500 thousand and the expiry of the guarantees is to be correlated to the limits of prescription and forfeiture of the events these are related to. This guarantee also includes the indemnity in favour of Sumitomo Chemical Co. Ltd., for maximum €2,250 thousand in connection with the solvability of some trade receivables in the portfolio of Isagro Italia S.r.l. if, within three years from the date of closing the transaction, these receivables were to be written-down.

As at December 31st, the Group also has in place the following long-term commitments:

- €4,733 thousand for the contractual commitment related to the rental of motor vehicles and other third party assets (€1,950 thousand) and leases payable (€2,783 thousand). In particular, the future rentals for operating leases are:
 - €1,351 thousand within one year;
 - €3,382 thousand between one and five years.
- €772 thousand for rentals which the parent Company Isagro S.p.A. has to pay 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 (PE), where an industrial plant for the production of Tetraconazole was built.

The guarantees received by the Group amount to €4,390 thousand and refer to:

- mortgage guarantees (€740 thousand) and sureties (€2,750 thousand) issued by the shareholders of Semag S.r.l. (now Isam S.r.l.) as guarantees for the credit resulting from the transfer of the shares in the company Isam S.r.l.;
- guarantee given by Makhteshim Agan Holding B.V. as guarantee for the credit payable to Magan Agrochemicals (€500 thousand);
- guarantee issued by Bank Handlowy on the behalf of Agrosimex Spolka Z.o.o. regarding the receivables of the parent company Isagro S.p.A. from the company Agrokon Spolka Z.o.o. (€400 thousand).

The third party guarantees issued by Group companies, specifically sureties released as guarantee for the correct performance of contractual obligations, amount to €9,248 thousand. The main guarantees are outlined below:

- sureties issued by Banca Popolare Commercio e Industria, on behalf of Isagro S.p.A., in favour of MIUR in connection with the research project known as “PNR – Tema 6” (€1,604 thousand);
- sureties issued by Sun Insurance (€1,248 thousand) against the VAT credit of the Group and the parent company Isagro S.p.A.;
- surety issued by Unicredit Banca d’Impresa in favour of Solvay Solexis S.p.A. (€1,340 thousand) as guarantee for the payment by Isagro S.p.A. of the amounts connected with the purchase of the raw material tetrafluorethylene for the period 2006-2011, expiring on March 28th, 2012;
- surety issued by Monte dei Paschi di Siena in favour of Regentstreet B.V. to guarantee the transaction to transfer the investment in the company Sipcam Isagro Brasil S.A. for a total of €5,000 thousand, with a five-year term.

The parent company Isagro S.p.A also provided contractual guarantees, supplementing the abovementioned bank surety, to the purchasing company Regentstreet B.V., in compliance with the transfer contract, for a total of €15,000 thousand to hedge against future liabilities and losses related to taxes, the environment, social security and labour. Total hedging for the transfer transaction is €20,000 thousand, equal to the transfer price. The expiry of these guarantees is correlated to the limits of prescription and forfeiture of the events they are related to.

46. Related party disclosures

Transactions with the related parties of the Group are illustrated below and comprise:

- parent companies;
- associates;
- joint ventures;
- companies which hold direct or indirect interests in the share capital of the parent company, its subsidiaries and joint ventures, and of its holding companies and can be presumed to exercise a dominant influence over the company. In particular, a dominant influence is objectively

assumed when an entity holds an interest of over 10% in the parent company, or when there is an interest of over 5% and, at the same time, agreements are entered into which generate transactions, during the financial year, for an amount of at least 5% of the consolidated sales;

- directors, statutory auditors and executives with strategic responsibilities, and any relatives.

The relations with the holding companies (Holdisa, Manisa and Piemme) are limited to the provision of administrative services by the parent company. In the consolidated financial statements, the economic and equity elements related to such services are absolutely negligible.

The following table highlights the balance sheet and income statement balances relating to transactions with the different categories of related parties:

Income statement	2011	of which related parties				% impact on item
		Joint ventures	Associates	Other related parties	Tot. related parties	
In thousands of Euro						
Revenues	144,318	641	0	2,804	3,445	2.39%
Other operating revenues	5,393	313	0	1	314	5.82%
Raw materials and consumables	88,259	822	0	210	1,032	1.17%
Costs for services	27,480	0	205	213	418	1.52%
Financial income	1,601	15	7	112	134	8.37%
Financial charges	8,801	0	0	11	11	0.12%

Income statement		of which related parties				
		Joint ventures	Associates	Other related parties	Tot. related correlate	% impact on item
In thousands of Euro	2010					
Revenues	133,800	31,174	0	5,678	36,852	27.54%
Other operating revenues	4,726	1,541	0	114	1,655	35.02%
Raw materials and consumables	76,712	155	0	152	307	0.40%
Costs for services	26,158	57	204	577	838	3.20%
Other operating costs	4,597	18	0	1	19	0.41%
Financial income	4,517	937	0	0	937	20.74%
Financial charges	6,843	0	0	41	41	0.60%

Balance sheet	of which related parties					
	Dec-31-2011	Joint ventures	Associates	Other related parties	Tot. related parties	% impact on item
In thousands of Euro						
Non-current financial receivables	1,003	579	0	193	772	76.97%
Trade receivables	47,932	81	128	1,869	2,078	4.34%
Other current assets and other receivables	5,261	173	0	276	449	8.53%
Current financial receivables	3,094	0	0	39	39	1.26%
Trade payables	37,210	362	37	484	883	2.37%
Other current liabilities and other payables	4,999	251	0	0	251	5.02%

Balance sheet	of which related parties					
	Dec-31-2010	Joint ventures	Associates	Other related parties	Tot. related parties	% impact on item
In thousands of Euro						
Non-current financial receivables	471	421	0	0	421	89.38%
Trade receivables	52,272	15,007	356	990	16,353	31.28%
Other current assets and other receivables	5,255	408	0	7	415	7.90%
Current financial receivables	2,649	2,088	0	0	2,088	78.82%
Current financial payables	86,668	0	0	1,353	1,353	1.56%
Trade payables	34,512	119	37	213	369	1.07%

The figures shown above, broken down by company in the following tables, essentially refer to relations of a commercial nature (purchases and sales of products, processing fees, provision of administrative, research, marketing and logistics services), and the related transactions are carried out at arm's length terms, and financial relations the features of which have been outlined in the different explanatory notes regarding the items of the financial statements.

Relations with joint ventures

Revenues

	2011	2010
Sumitomo Chemical Italia S.r.l. (former Isagro Italia S.r.l.)	0	25,602
ISEM S.r.l.	641	0
Agro Max S.r.l.	0	425
Isagro Colombia S.A.S. (former Barpen International S.A.S.)	0	219
Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A.)	0	4,928
Total	641	31,174

Other operating revenues

	2011	2010
Sumitomo Chemical Italia S.r.l. (former Isagro Italia S.r.l.)	0	1,492
ISEM S.r.l.	300	0
Isagro Sipcam International S.r.l. (in liquidation)	13	33

Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A.)	0	16
Total	313	1,541
<u>Raw materials and consumables</u>	2011	2010
ISEM S.r.l.	822	0
Sumitomo Chemical Italia S.r.l. (former Isagro Italia S.r.l.)	0	115
Agro Max S.r.l.	0	40
Total	822	155
<u>Costs for services</u>	2011	2010
Sumitomo Chemical Italia S.r.l. (former Isagro Italia S.r.l.)	0	51
Isagro Colombia S.A.S. (former Barpen International S.A.S.)	0	4
Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A.)	0	2
Total	0	57
<u>Other operating costs</u>	2011	2010
Sumitomo Chemical Italia S.r.l. (former Isagro Italia S.r.l.)	0	14
Isagro Colombia S.A.S. (former Barpen International S.A.S.)	0	4
Total	0	18
<u>Financial income</u>	2011	2010
Isagro Sipcam International S.r.l. (in liquidation)	11	41
ISEM S.r.l.	4	0
Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A.)	0	881
Agro Max S.r.l.	0	15
Total	15	937

The item “other operating revenues” essentially refers to the provision of administrative, management and IT services and to leases receivable.

<u>Non-current financial receivables</u>	Dec-31-2011	Dec-31-2010
ISEM S.r.l.	579	0
Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A.)	0	421
Isagro Sipcam International S.r.l. (in liquidation)	0	0
Total	579	421
<u>Trade receivables</u>	Dec-31-2011	Dec-31-2010
Sumitomo Chemical Italia S.r.l. (former Isagro Italia S.r.l.)	0	9,033
ISEM S.r.l.	81	0
Agro Max S.r.l.	0	709

Isagro Colombia S.A.S. (former Barpen International S.A.S.)	0	97
Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A)	0	5,168
Total	81	15,007

Other current assets and other receivables

	Dec-31-2011	Dec-31-2010
Sumitomo Chemical Italia S.r.l. (former Isagro Italia S.r.l.)	0	359
ISEM S.r.l.	167	0
Isagro Sipcam International S.r.l. (in liquidation)	6	27
Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A)	0	4
Agro Max S.r.l.	0	17
Isagro Colombia S.A.S. (former Barpen International S.A.S.)	0	1
Total	173	408

Current financial receivables

	Dec-31-2011	Dec-31-2010
Isagro Sipcam International S.r.l. (in liquidation)	0	1,353
Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A)	0	735
Total	0	2,088

Trade payables

	Dec-31-2011	Dec-31-2010
Sumitomo Chemical Italia S.r.l. (former Isagro Italia S.r.l.)	0	72
ISEM S.r.l.	362	0
Isagro Colombia S.A.S. (former Barpen International S.A.S.)	0	2
Agro Max S.r.l.	0	43
Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A)	0	2
Total	362	119

Other current liabilities and other payables

	Dec-31-2011	Dec-31-2010
Isagro Sipcam International S.r.l. (in liquidation)	0	0
ISEM S.r.l.	251	0
Total	251	0

“Non-current financial receivables” refers for €579 thousand to the proportional share of a loan, inclusive of the accrued interest calculated at the three month EURIBOR rate + 4% spread, granted by the parent company Isagro S.p.A. to the joint venture ISEM S.r.l. and which will be repaid in 2013.

Relations with associates

Costs for services

	2011	2010
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Arterra Bioscience S.r.l.	205	204
Total	205	204

Financial income

	2011	2010
Arterra Bioscience S.r.l.	7	0
Total	7	0

Trade receivables

	Dec-31-2011	Dec-31-2010
Reiver International Sarl	0	161
Arterra Bioscience S.r.l.	128	195
Total	128	356

Trade payables

	Dec-31-2011	Dec-31-2010
Arterra Bioscience S.r.l.	37	37
Total	37	37

Relations with other related parties

Revenues

	2011	2010
Sipcam/Oxon Group	2,804	878
Phyteurop S.A.	0	4,607
Sumitomo Group	0	193
Total	2,804	5,678

Other operating revenues

	2011	2010
Sipcam/Oxon Group	1	114
Total	1	114

Raw materials and consumables

	2011	2010
Sipcam/Oxon Group	210	152
Total	210	152

Costs for services

	2011	2010
Sipcam/Oxon Group	213	153
Phyteurop S.A.	0	205
Sumitomo Group	0	219
Total	213	577

Other operating costs

	2011	2010
Sipcam/Oxon Group	0	1

Total	0	1
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Financial income

	2011	2010
Sipcam/Oxon Group	112	41
Total	112	41

Financial charges

	2011	2010
Sipcam/Oxon Group	11	0
Total	11	0

Receivables and other non-current financial assets

	Dec-31-2011	Dec-31-2010
Sipcam/Oxon Group	193	0
Total	193	0

Trade receivables

	Dec-31-2011	Dec-31-2010
Phyteurop S.A.	0	771
Sipcam/Oxon Group	1,869	198
Sumitomo Group	0	21
Total	1,869	990

Current financial receivables and other financial assets

	Dec-31-2011	Dec-31-2010
Sipcam/Oxon Group	39	0
Total	39	0

Other current assets and other receivables

	Dec-31-2011	Dec-31-2010
Sipcam/Oxon Group	276	7
Total	276	7

Current financial payables

	Dec-31-2011	Dec-31-2010
Sipcam/Oxon Group	0	1,353
Total	0	1,353

Trade payables

	Dec-31-2011	Dec-31-2010
Phyteurop S.A.	0	101
Sipcam/Oxon Group	484	112
Total	484	213

“Non-current financial receivables” refers for €193 thousand to a loan granted by the parent company Isagro S.p.A. to the company Sipcam UPL Brasil S.A. (former Sipcam Isagro Brasil S.A), expiring in 2013 and inclusive of the interest accrued at the quarterly floating rate on the certificate of deposit + 2.10% annual spread a year.

Remuneration of directors, statutory auditors and executives with strategic responsibilities

The table below shows the economic benefits for the directors of the holding company, of the executives of the Group with strategic responsibilities and of the members of the board of statutory auditors (figures expressed in Euro):

Individual	Description of office		Fees		
	Office held	Term of office	Emoluments for the office	Bonuses, other incentives and fringe benefits	Other fees
<i>Directors:</i>					
Giorgio Basile	Chairman and C.E.O.	3 years	500,000	102,079	-
Maurizio Basile	Acting deputy chairman	3 years	50,000	99	-
Roberto de Cardona	Member of the Internal Control Committee	3 years	22,500	-	-
Aldo Marsegaglia	Managing director QSA	3 years	120,000	-	-
Paolo Piccardi	Director	3 years	76,500	150	-
Carlo Porcari	Director	3 years	21,000	-	-
Tommaso Quattrin	Member of the Internal Control Committee	3 years	30,000	-	7,500
Renato Ugo	Member of the Internal Control Committee	3 years	21,500	-	-
Antonio Zoncada	Independent director	3 years	18,500	-	-
Lucio Zuccarello	Director	3 years	160,000	21,997	-
<i>Executives:</i>					
Alessandro Mariani	former Chief Operating Officer (C.O.O.)		-	20,016	121,259
<i>Relatives of directors or executives with strategic responsibilities:</i>					
Alessandra Basile	Corporate Development and Internal Relations Manager			10,958	35,732
<i>Statutory Auditors:</i>					
Piero Gennari	Chairman	3 years	31,720	-	-
Giuseppe Bagnasco	Regular statutory auditor	3 years	22,050	-	-
Luigi Serafini	Regular statutory auditor	3 years	24,128	-	-

It should be noted that the term of the Board of Directors of the parent company shall end on approval of the financial statements as at December 31st, 2011, while the term of the Board of Statutory Auditors shall end on approval of the financial statements as at December 31st, 2012.

47. Financial risk management: objectives and approach

In the performance of its activities, Isagro Group is exposed to financial and market risks, specifically:

- a) changes in 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

In 2011 the crop protection market the Isagro Group operates in recorded considerable growth in both nominal and real terms as well as good general price trends, supported also by the prices of the main agricultural commodities; an exception to this performance concerned the copper-based fungicides, for which the price trends, as usual, reflected the performance of the cost of the raw material.

This is the context in which the Group operated in order to control financial variables through the implementation of appropriate policies, in order to minimise the aforementioned risks through the instruments offered by the market or through appropriate corporate control policies and policies for the product/market portfolio.

Specifically, with reference to the use of derivatives, two types of hedging may 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 thus classified under “trading.”

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

a) Exchange rate risk management

The Group follows a policy for the hedging of expected cash flows in foreign currencies (particularly US dollars). To this end, a forward/swap type derivative contract was used which contains no risks other than those existing at the time of the contract's conclusion.

Determination of the value of the hedges is made on the basis of the foreign exchange balance. The purpose of a hedge is to “protect” the sales margin.

It is estimated that for every 1% change in the EUR-USD exchange rate, USD being the main foreign currency of the Group, the economic impact, before tax, corresponds to €0.2 and 0.3 million. It is worth also highlighting that this range of values will increasingly tend towards the higher end of the interval, to the extent the recent turnover growth trends continues in the geographic areas denominated in the United States dollar.

b) Interest rate risk management

Interest swaps are used to reduce the amount of medium/long term indebtedness subject to interest rate fluctuations.

This contract is 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.

Hedges are carried out with a perspective of correspondence with the sinking plan of each loan (hedge accounting).

The “commercial” short-term indebtedness is not hedged, due to its “floating” nature, and, moreover, given that the changes in its cost ultimately affect the sale price policy.

It is estimated that, as regards floating rate loans, a movement of 50 bp implies, before tax, a cost of €300 thousand p.a. in 2011.

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 “future contract”.

Until September 30th, 2011 the parent company 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 formula products, without hedging the sales expected in the years for so-called “technical” products, whose sale price is directly related to the trends in raw material prices, postponing the decision to possibly hedge the remaining quantities to 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 allowed on average the hedging of the generic risk of foreseeable price fluctuations, but was not able to protect the Group against abrupt and fast changes combined with sudden price volatility.

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 Body of the parent company Isagro S.p.A., in close collaboration with the Business Departments, Supply Chains and Information Systems, created a work team to review the methods of managing the risk of fluctuation of the price of copper as raw material in connection with setting the sales prices for finished products to 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, enforced since January 1st, 2012, will enable a more effective management of the price risk. It is purposely designed to address the changed and more difficult context situations. 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.

d) Liquidity risk management

The liquidity of the Group is based on a diversification of the sources of the banking loans and on a mix of structures for the credit facilities: “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 indebtedness of the Group is distributed among its major companies, with differentiation insofar as geographic location and banks, which in turn means less risk of reduction/cancellation of credit lines assigned to current assets.

From an operating perspective, the Group manages the liquidity risk through the annual planning, with a monthly break down of the expected collection and payment flows. Based on the results of the financial planning, the needs and, consequently, the resources required for the related hedging are identified.

The following table summarises the time pattern of the liabilities of the Group based on the contractual payments not discounted:

Dec-31-2011	On demand	< 3 months	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities	15,440	24,055	26,338	1,915	0	67,748
Derivatives	0	772	1,265	79	0	2,116
Trade payables	4,825	11,731	20,654	0	0	37,210
Tax payables	0	0	1,800	0	0	1,800
Other liabilities and other payables	3,429	106	1,208	611	0	5,354
TOTAL	23,694	36,664	51,265	2,605	0	114,228

Dec-31-2010	On demand	< 3 months	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities	25,944	29,385	33,148	20,900	0	109,377
Derivatives	0	691	1,142	326	0	2,159
Trade payables	6,192	9,091	19,229	0	0	34,512
Tax payables	0	0	1,768	0	0	1,768
Other liabilities and other payables	3,675	125	965	0	0	4,765
TOTAL	35,811	39,292	56,252	21,226	0	152,581

As already illustrated, the recent international financial crisis also involved the sector of crop protection products, albeit mostly with “one-off” effects. In this context, the Group's financial strategy is focused:

- (i) in the short term, on obtaining new flexible short-term loans from banks to support sales development, a reduction in the conditions of sale particularly for copper-based products and, lastly, achieving purchase conditions with payment terms in line with the sale terms;
- (ii) from a short/medium-term point of view:
 - progressive financing of fixed capital through equity by the generation of cash flow from strategic transactions already completed,
 - employing financial payables to banks to “cover” most current asset requirements.

Note that the credit lines available as at December 31st, 2011, together with the estimated revenues and payments for 2012 and more so the extraordinary disposal transactions completed in January 2011, ensure that the going concern assumptions are sustainable.

For a more in depth analysis of the liquidity risk management policies implemented by the Group please see the paragraph of the Management Report titled “Observations on the Financial Profile and Business Continuity.”

e) Capital management.

The Group is focused on assuring a valid credit rating in order to have access to bank credit on economically favourable terms. It is the policy of the Group to have ongoing contacts with all the financial institutions, in order to convey all the information (always within the limits established for listed companies) necessary to better understand the type of business and the peculiar market situations existing.

f) Credit risk management

It is the policy of the Group to assign a credit line to the clients, after having assessed the economic and financial structure of the client itself, its payment performance over the years and all other information available on the market, i.e. the normal instruments used in determining customer solvency.

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 the credit risk:

	Dec-31-2011	Dec-31-2010
Trade receivables	47,932	52,272
Other assets and other receivables (deferred income excluded)	8,124	8,791
Tax receivables	3,248	2,782
Financial assets	4,758	7,232
Cash (excluding cash on hand)	7,868	4,514
	71,930	75,591
Guarantees in favour of third parties	5,732	12,955
Total credit risk	77,662	88,546

It should also be noted that the Group received sureties from the shareholders of Semag S.r.l. (now Isam S.r.l.), amounting to €3,490 thousand, as guarantee for the credit resulting from the transfer of the shares in the company Isam S.r.l. as well as guarantees from clients for a total of €900 thousand in connection with some trade receivables.

g) Climate changes

The usage of crop protection products is influenced by the climate: humidity, rainfall and temperature. To date, the Group follows a policy of diversification of the markets in which it operates, in order to cover as many markets as possible in both hemispheres. Currently, the Group operates, directly (with its own sale networks) or indirectly, through local distributors in over 70 countries, in order to minimise the impact of particular climatic situations which characterise certain regions/continents.

48. Significant non-recurring events and transactions

In compliance with the CONSOB Communication dated July 28th, 2006, the non-recurring transactions carried out in 2011 are outlined in notes no. 28 and 33, to which reference should be made.

The table below shows the effects of such transactions on the economic results and cash flows of the Isagro Group for 2011 and 2010:

	Gross effect on the income statement	Related tax effect	Net effect on the income statement	Related cash flow (net of VAT and before taxes)
<u>Year 2011</u>				
Other non-recurring revenues:				
- sale of the papers regarding the "Iprodione" product	478	(150)	328	892
- 50% disposal of the investment in ISEM S.r.l.	3,024	(130)	2,894	19,411
	3,502	(280)	3,222	20,303
Other non-recurring costs:				
- allocation to provision for restoration expenses	(1,000)	314	(686)	-
- costs for corporate restructurings	(646)	178	(468)	(341)
	(1,646)	492	(1,154)	(341)
<u>Year 2010</u>				
Other non-recurring revenues:				
- sale of Dimethoate insecticide	8,028	(2,521)	5,507	9,738

49. Transactions resulting from atypical and/or unusual operations

Pursuant to the CONSOB Communication dated July 28th, 2006, it is specified that, in 2011, 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 as regards the accuracy of the information contained in the financial statements, the conflict of interests, the protection of the company's assets or the protections of minority interests.

50. Events subsequent to December 31st, 2011

There are no important subsequent events to report as at the period end date.

51. 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 the 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
IFRS	2	Share-Based Payment	211/2005-1261/2008-243/2010-244/2010
IFRS	3	Business Combinations	2236/2004-495/2009-149/2011
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
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
IFRS	8	Operating Segments	1358/2007-632/2010-243/2010
IAS	1	Presentation of Financial Statements	2236/2004-2238/2004-1910/2005-108/2006-1274/2008-53/2009-70/2009-243/2010-149/2011
IAS	2	Inventories	2238/2004
IAS	7	Cash Flow Statement	1725/2003-2238/2004-243/2010
IAS	8	Accounting standards, Changes in the 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
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
IAS	17	Leases	2236/2004-2238/2004-108/2006-243/2010
IAS	18	Revenues	1725/2003-2236/2004
IAS	19	Employee Benefits	1725/2003-2236/2004-2238/2004-211/2005-1910/2005-70/2009
IAS	20	Government Grants	1725/2003-2238/2004-70/2009
IAS	21	Changes in Foreign Exchange Rates	2238/2004-149/2011
IAS	23	Financial charges	1725/2003-2238/2004-1260/2008-70/2009
IAS	24	Related Party Disclosures	2238/2004-1910/2005-632/2010
IAS	26	Retirement Benefit Plans	1725/2003
IAS	27	Consolidated and Separate Financial Statements	2236/2004-2238/2004-69/2009-70/2009-494/2009-149/2011
IAS	28	Investments in Associates	2236/2004-2238/2004-70/2009-149/2011
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
IAS	32	Financial Instruments: Presentation	2236/2004-2237/2004-2238/2004-211/2005-1864/2005-108/2006-53/2009-1293/2009-149/2011
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
IAS	36	Impairment of Assets	2236/2004-2238/2004-70/2009-243/2010
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
IAS	39	Financial Instruments: 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
IAS	40	Investment Property	2236/2004-2238/2004-70/2009
IAS	41	Agriculture	1725/2003-2236/2004-2238/2004-70/2009

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 References	1073/2005
IFRIC	4	Determining Whether an Arrangement Contains a Lease	1910/2005
IFRIC	5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds	1910/2005
IFRIC	6	Liabilities deriving from participation in a specific market – Electrical and electronic equipment waste	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	Agreements for services in concession	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
IFRIC	15	Agreements for the construction of buildings	636/2009
IFRIC	16	Hedging 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
SIC	7	Introduction of the Euro	1725/2003-2238/2004
SIC	10	Government Assistance	1725/2003
SIC	12	Consolidation – Special Purpose Entities	1725/2003-2238/2004-1751/2005
SIC	13	Jointly-controlled Entities– Non-Monetary Contributions	1725/2003-2238/2004
SIC	15	Operating Lease Incentives	1725/2003
SIC	21	Income Taxes– Non-depreciable Assets	1725/2003-2238/2004
SIC	25	Income Taxes– Changes in Tax status	1725/2003-2238/2004
SIC	27	Evaluating the Substance of Transactions in the Legal Form of a Lease	1725/2003-2238/2004
SIC	29	Supplementary information– Agreements for services under concession	1725/2003
SIC	31	Revenues – Barter Transactions Involving Advertising Services	1725/2003-2238/2004
SIC	32	Intangible Assets – Web Site Costs	1725/2003-2236/2004-2238/2004

52. Isagro Group companies

Under Consob resolution no. 11971 dated May 14th, 1999, as amended (article 126 of the Regulations) the companies and equity investments of the Isagro Group are listed below, valued in accordance with the equity method.

The list includes the companies, operating in the crop protection product industry, broken down according to the relevant consolidation procedures. For each company, the following is also indicated: corporate name, business description, registered office, country of incorporation and share capital expressed in the original currency. Furthermore, the list also shows the consolidated percentage share of the Group and the percentage share held by Isagro S.p.A. or by any other subsidiaries. The percentage of the voting rights in the different ordinary shareholders' meetings coincides with the percentage of the interest in the share capital.

Corporate name and business description	Registered offices	Country	Share Capital	Currency	Consolidated % share of the Group	Participating companies	Participation %
Holding company							
<i>Parent company</i>							
Isagro S.p.A. (R&D, production, marketing of crop protection products)	Milan	Italy	17,550,000	EUR	-	-	-
Subsidiaries consolidated according with the line-by-line method							
Isagro Argentina Ltd (Administration of the registration of crop protection products and commercial development)	Buenos Aires	Argentina	496,330	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	160,029,000	INR	100%	Isagro S.p.A.	100%
Isagro Australia Pty Ltd (Administration of the registration of crop protection products)	Sydney	Australia	315,000	AUD	100%	Isagro S.p.A.	100%
Isagro Brasil Ltda (Administration 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 (Administration of the registration of crop protection products and commercial development)	Santiago	Chile	15,455,760	CLP	100%	Isagro S.p.A. Isagro España S.L.	90% 10%
Isagro Colombia SAS (former Barpen International SAS) (Distribution of crop protection products)	Cota – Bogotá	Colombia	362,654,120	COP	100%	Isagro S.p.A. Isagro Argentina Ltda	99.99% 0.01%
Isagro España S.L. (Development & distribution of crop protection products)	Madrid	Spain	120,200	EUR	100%	Isagro S.p.A.	100%
Isagro Hellas Ltd (Administration of the registration of crop protection products and commercial development)	Moschato	Greece	18,000	EUR	100%	Isagro S.p.A.	100%
Isagro Ricerca S.r.l. (Research and development of crop protection products)	Milan	Italy	30,000	EUR	100%	Isagro S.p.A.	100%
Isagro Shanghai Co. Ltd.. (Administration 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 South Africa Pty Ltd (Administration of the registration of crop protection products and commercial development)	Johannesburg	Republic of South Africa	271,000	ZAR	100%	Isagro S.p.A.	100%
Isagro USA, Inc. (Development, production, marketing of crop protection products)	Wilmington	United States	1,500,000	USD	100%	Isagro S.p.A.	100%
Joint ventures consolidated using the proportional consolidation method							
ISEM S.r.l. (Development, production, marketing of crop protection products)	Milan	Italy	5,000,000	EUR	50%	Isagro S.p.A.	50%
Isagro Sipcam International S.r.l. (in liquidation) (Sub-holding with commercial development activities)	Milan	Italy	1,000,000	EUR	50%	Isagro S.p.A.	50%
Associates valued according to the equity method							
Arterra BioScience S.r.l.	Naples	Italy	250,428	EUR	22%	Isagro S.p.A.	22%

(R&D biology & molecular genetics)							
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The Board of Directors

Milan, March 13th, 2012

**Statement on the consolidated financial statements pursuant to art. 81-ter, Consob regulation
no. 11971 of May 14th, 1999, as amended**

1. The undersigned, Giorgio Basile, Chairman and Chief Executive Officer of Isagro S.p.A., and Maurizio Basile, the Manager in charge of preparing the corporate accounting documents of Isagro S.p.A., taking into consideration also the provisions of art. 154-bis, subsections 3 and 4, Italian Legislative Decree no. 58 of February 24th, 1998, hereby confirm:

- the adequacy in relation to the business characteristics and
- the effective application

of administrative and accounting procedures for preparation of the 2011 consolidated financial statements.

2. In this respect there are no significant aspects to report.

3. It is also confirmed that:

3.1 the consolidated financial statements of Isagro S.p.A. as at December 31st, 2011:

- a) are prepared in compliance with international accounting standards recognised by the European Union pursuant to European Parliament and Council Regulation 1606/2002/EC of July 19th, 2002;
- b) correspond with the results of accounting books and entries;
- c) provide a truthful and correct representation of the equity, economic and financial position of the issuer and the group of companies included in the consolidation area;

3.2 the management report contains a reliable analysis of the performance and results of operations, and the position of the issuer and the group of companies included in the consolidation area, together with a description of the main risks and uncertainties to which they are exposed.

Milan, March 13th, 2012

Chairman and Chief Executive Officer

(Giorgio Basile)

Manager in charge of preparing
the corporate accounting documents

(Maurizio Basile)