2013 Consolidated Financial Statements

ISAGRO

Italian creativity for plant health

ISAGRO
A COMPANY DIRECTED AND COORDINATED BY HOLDISA S.R.L.

Consolidated Financial Statements as at December 31st, 2013

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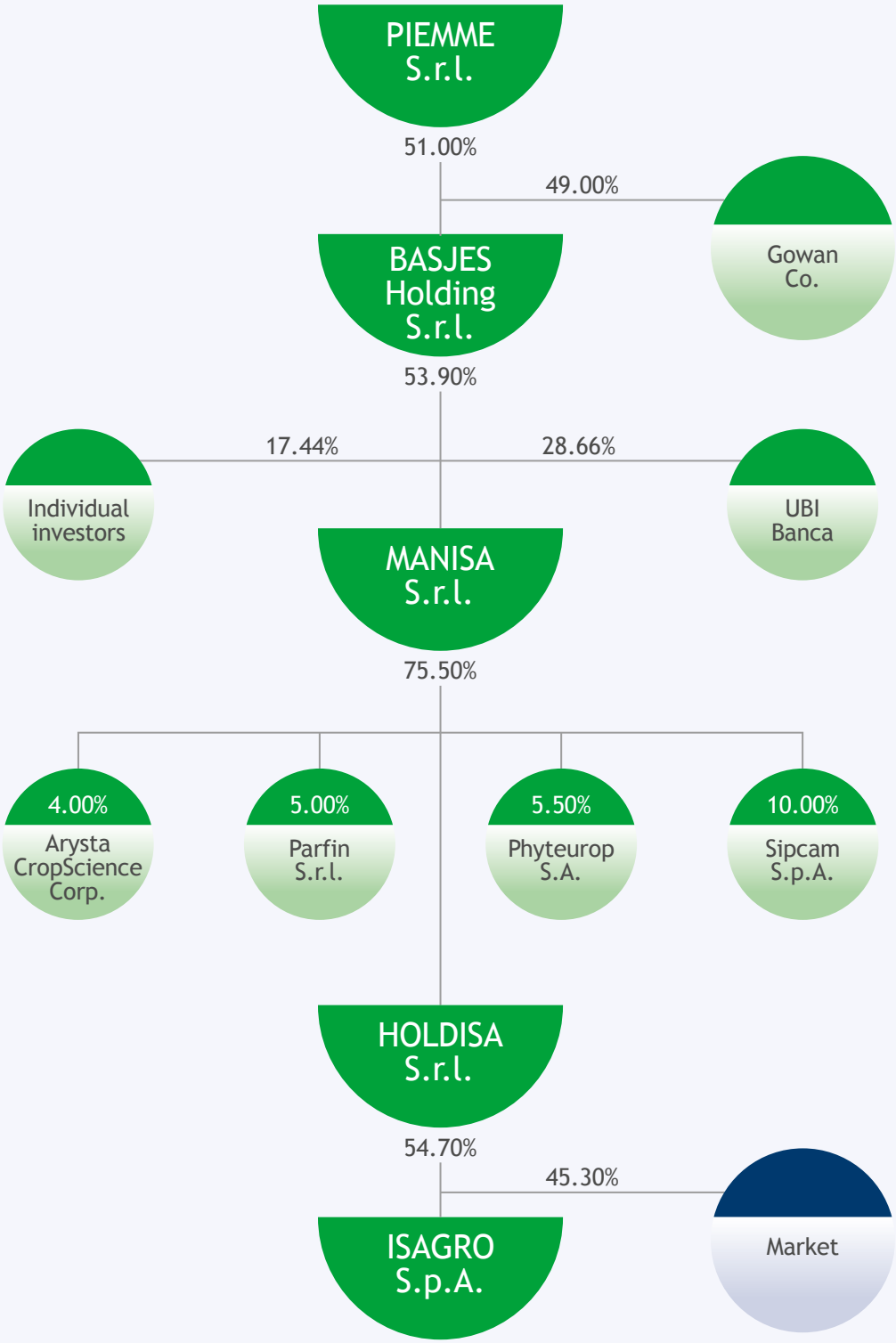
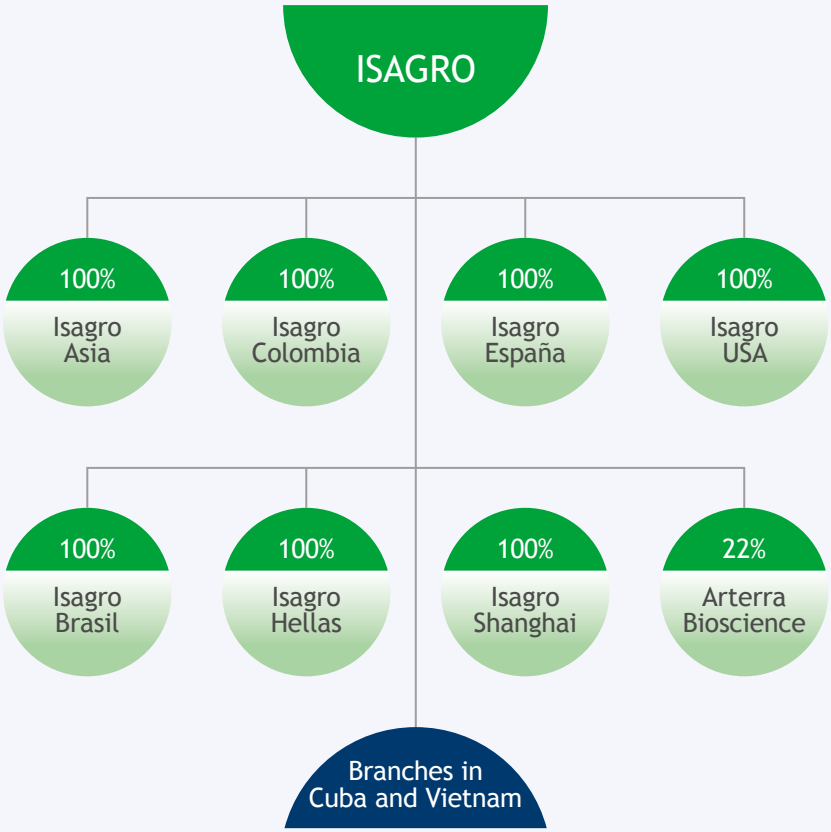
Controlling scheme Isagro S.p.A.

(updated April 24th, 2014)



Structure of the Group

(updated April 24th, 2014)



Isagro is also present in Argentina, Australia and South Africa with Companies for the ownership of Group registrations.

Isagro S.p.A.

Board of Directors

Chairman and Chief Executive Officer
Giorgio Basile

Deputy Chairman
Maurizio Basile

Directors
Gianni Franco
Carlo Porcari
Adriana Silvia Sartor
Elena Vasco
Antonio Zoncada

Board of Statutory Auditors

Chairman
Piero Gennari

Statutory Auditors
Giuseppe Bagnasco
Claudia Costanza

Independent Auditors

Deloitte & Touche S.p.A.

2013 Consolidated Financial Statements

Directors' Management Report

Dear Shareholders,

Your Group's consolidated financial statements as of December 31st, 2013 show a € 0.31 million **Profit before tax** and a € 3.73 million **Loss from continuing operations** (to which € 0.60 million of loss from discontinued operations is to be added) for the year after having recognised provisions, depreciation, amortisation and impairment losses totalling € 12.58 million, with a **Net financial position** negative to the tune of € 53.93 million.

The results above were negatively influenced by:

- the "carried over effect" in 2013 of the drought that in 2012 affected Europe and the United States. Indeed, since Isagro distributes directly in only four countries and through third-party distributors in the others, in 2013 it did not benefit from the revival of orders farmers gave to the domestic distributors. These distributors initially handled this revival of orders by drawing from the stocks existing at the beginning of the year;
- the lack of sales to the distributor Valent in the USA after the distribution agreement with this operator terminated subsequent to the alliance with the North American company Gowan, as will be described more in depth below,

with short-term or temporary impacts compensated only in part by significant income coming from the new *"Licensing" core business* segment started in 2013. This new business segment sets out to further promote proprietary products through concession agreements with third-party operators for licences they grant to develop products or mixtures that use Isagro's active ingredients and by executing medium to long-term supply contracts covering these active ingredients. Through this new business segment Isagro aims at:

(i) realizing upfront payments with the concession of licences for proprietary products;

(ii) reach new market segments through a strategy of supplier of active ingredients in addition to finished products;

(iii) increase the sales volumes of proprietary products, with an added benefit in terms of greater production efficiency.

Lastly, it is pointed out that also thanks to sales of molecules Isagro has developed starting in the '90s on its own, and not in a partnership, distinguished by a registration portfolio (and consequently by sales) that did not allow it to derive value in line with the market's potential, the net financial position of your Group further decreased compared to that of December 31st, 2012.

Isagro in 2013

A) The context

The year 2013, when the market grew on the distributor level (in nominal terms and in connection with the US Dollar currency), was a year for Isagro affected by the "carried over effect" of the 2012 drought that hit the North American and European markets, both highly important for your Group, with a heavy impact on the fungicides segment (products that the Isagro Group focuses on).

In order to better understand the reasons for this carried over effect and its passing nature, we have to remember that Isagro distributes directly in only four countries (Colombia, India, Singapore and, to a limited extent, the United States), while it operates as a "producer" in the other countries (including Italy), meaning it is a supplier of third party distributors. After closing 2012 with high stock levels because of the low purchases farmers made that year, these distributors handled the pick-up in orders placed by the farmers starting in 2013 (when weather conditions - and hence demand) returned to normal by drawing on existing stocks, thus limiting repurchases from the producers (including, of course, Isagro).

This "carried over effect" was concentrated and ran out for Isagro in the first six months of the year.

B) Alliance with Gowan

In the context of the year 2013 as described above, which was once again considered a year of transition although basically in line with the forecasts of the beginning of the year, Isagro continued to work for a strategic partnership that would allow it to overcome the constraint of the limited size of your Group with regard to the recent regulatory developments (which made the process of developing new molecules longer and more expensive, contributing to taking the strategic decision to co-develop them with specific partners) and especially to the developments in the market (which in the aftermath of a higher concentration and of the operators and of "generalisation" of the active ingredients, making long-term accesses to the distributions available for the proprietary products more and more important).

More specifically, experience has shown that Isagro needs a partner:

a) that has adequate knowledge of commercial and distribution development in the most important markets for the proprietary products (so as to ensure direct access to the market) and complementary to Isagro with respect to the business value chain (to ensure potential synergies);

b) bound to Isagro with a substantial shareholding, but in any case non-controlling, in the company's control system (as a guarantee of both Isagro's management autonomy and of long-term alliance);

c) that is larger, but not far from that of Isagro (again to safeguard the Group's management autonomy).

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Based on the considerations provided above, July 30th on the parent Isagro S.p.A., together with its indirect subsidiary Piemme S.r.l., entered into an Agreement for the entry of an industrial partner, Gowan (US company operating in the agrochemicals sector), in Isagro's controlling system, with Piemme the controlling party with a 51% interest and with Gowan the minority partner with 49%.

This Agreement is described in fuller detail in the section Events of the period and will permit:

- significant strategic and business consolidation owing to the synergies that have been quantified above only in part;
- a considerable financial consolidation owing to a planned increase in capital of up to about € 29 million in Isagro S.p.A., of which roughly € 16 million will be "covered" by the Isagro controlling system with the income that Gowan's entry as minority shareholder in the Group's control system will bring in;
- simplification and curtailing of Isagro's controlling structure subject to acceptance by the Minorities of the controlling system of an offer by BasJes (company originally fully controlled by Piemme,

which afterwards owned 51% with Gowan holding the remaining 49% interest after a capital increase subscribed by Gowan, which also holds the controlling interest in Manisa S.r.l, in turn the parent company of Holdisa S.r.l., which in turn controls the majority of Isagro's Ordinary Shares) to purchase their shares, and to the concurrent undertaking of the Minorities to use this income to underwrite new Growth Shares of Isagro S.p.A.

The Agreement went into effect in October, when:

- the favourable opinion of CONSOB on the non-existence of take-over bid obligations following the above-mentioned alliance was received;
- the due diligence process carried out by Gowan on Isagro was completed with a positive result;
- a new company, BasJes Holding S.r.l, was formed and Piemme transferred its controlling share in Manisa (parent company of Holdisa S.r.l., which in turn holds the majority of Isagro's Ordinary Shares) to it;
- BasJes completed a share capital increase in favour of Gowan, totally subscribed, of € 18 million. Of this amount, about € 16 million will be allocated to subscribing, directly or indirectly, a capital increase in Isagro (Ordinary Shares and Growth Shares) during the first half of 2014. As previously stated, the aim is to also arrive at a simplification of Isagro's control structure.

At the same time, the first Isagro product distribution agreements were signed through Gowan's network in North America and Italy, and they started to generate sales starting in January.

We however expect that the alliance with Gowan and the executed distribution agreements with it led to termination of the business relationship between the Isagro Group and the North American distributor Valent (Sumitomo Group), as is better described afterwards in this report. Valent did not continue with its usual purchases already at the end of 2013, with impacts in 2014 as well owing to the necessary "start-up" time for the new commercial distribution agreement with the Gowan network in the USA.

C) Enhancement of the Strategic Guidelines and Business Model

Improvement and consolidation of Isagro's strategy continued throughout 2013, the new alliance with Gowan being consistent with this strategy, which is based on the following guidelines:

1. in **innovative research**: carry out independently all research activities, which need neither a large scale nor strong financial resources;
2. in the **development of new products**: to operate (i) in partnerships for new investment-intensive active ingredients with worldwide sales potential, so as to achieve satisfactory economies of scale

both during the investment phase and while deriving value from the inventions and (ii) autonomously to develop the active ingredients with sales potential in specific segments/areas and moderate levels of investment;

3. in management: start to heavily **focus on the market, customers and sales,** and not just on the product as was done in the past, in this way adding the development of the active ingredients to the core business of selling proprietary formulations; this is achieved by playing the role of supplier of "technical products" to third parties so they can combine Isagro active ingredients with their own products/active ingredients through the granting of licences (for which upfront fees are asked) and commitments for the supply of active ingredients instead of finished products over the medium to long-term (in this way broadening the market base for the proprietary products and safeguarding business with a long-term prospect compared to the "generalisation"/replacement phenomena already being practiced on the market for some time). To this regard, Isagro will exploit its inventions over three dimensions, which are (i) using molecules that will not be in its interest to develop, (ii) acting as supplier of active ingredients, also after entering into licensing agreements, and (iii) acting as a seller of finished products/formulations;
4. pursue the **local development of high potential markets** through (i) the launch of new generic products first in India by taking advantage of Isagro's consolidated presence in this market, to then gradually extend commercial penetration into other markets, and (ii) opportunistic direct distribution on choice markets;
5. carry on the company activities resorting to debt only to finance the current assets, with the fixed assets financed by the Equity, while at the same time focusing on operations to maximize synergies with Gowan.

In line with the strategic guidelines set out above, in 2013 Isagro,

(i) in connection with point 2, worked toward developing:
- the new SDHi broad spectrum fungicide with a worldwide sales potential partnered with FMC, whose launch is scheduled after 2020;
- on its own, the new fumigant product initially for the US market, for which a preliminary registration has already been obtained and where it will be launched in late 2014;

(ii) in connection with point 3, it:
- continued to strengthen the organisation of the sales and marketing team by recruiting a new Sales Manager from outside the company together with introducing new professionals, also recruited from the market;
- executed sales agreements for the distribution of Isagro's proprietary products by leading operators (Syngenta and Cheminova), with a rising contribution starting from 2015/2016;
- signed an important agreement with the Japanese company Arysta to grant Arysta the licence

to develop combinations of technical Tetraconazole and other Arysta proprietary active ingredients against an upfront payment of € 10 million to Isagro, and to supply technical Tetraconazole over the long term (at the same time Arysta also undertook to purchase this active ingredient only from Isagro);

(iii) in connection with point 5, it sold two molecules to third parties that since they were developed by Isagro alone for the world market starting from the second half of the '90s, had generated a consolidated turnover of € 4.6 million in 2012 even though an attempt was made to launch them in 2011 by setting up a joint venture; this turnover is considered totally unsatisfactory. Thanks to the disinvestment of these molecules to operators better able to exploit their sales potential, Isagro obtained about €20 million in income with a marginal gain on the Income Statement, net of extraordinary allocations, in fact recovering the past investments and leading to a significant financial consolidation. It is worthwhile to point out that precisely the market evidence concerning these products spurred Isagro in 2012 to critically review its approach in developing new products, moving in the direction described in point 2 of the strategic guidelines.

The Crop Protection Product Market

In 2013 the so-called "conventional" crop protection market reached, according to the preliminary figures provided by Phillips McDougall, a value of about US$ 52.7 billion at distribution level, with an increase in nominal terms of 11.2% compared to 2012.

Of the various sub-sectors, it is estimated that the highest growth concerned insecticides (+12%) and herbicides (+11.5%), leaving fungicides slightly below average (+10.4%).
The main factors contributing to this growth were: (i) the prices of glyphosate (representing about 10% of the value of the entire market), which stabilised at a higher level than the previous year; (ii) the significant improvement in the prices of the main agricultural commodities; and (iii) the strengthening of the US dollar.

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significant improvement in the prices of the main agricultural commodities; and (iii) the strengthening of the US dollar.

In 2013 **Europe** stood at a value of approximately US$ 13.6 billion (+9.5% vs. 2012). More specifically, the market was helped by the late arrival of the winter season, which affected seeding in Northern Europe, but which provided highly favourable weather conditions in Southern Europe. Central Eastern Europe was hampered by the rigid winter, but benefitted from favourable weather conditions in the summer and improved economic conditions.

In **North America**, with a turnover of approximately US$ 9.9 billion (+7.8% vs. 2012), the season began late, which above all affected the seeding of maize and soya bean; nonetheless, favourable growth conditions during the summer allowed the crops in the U.S. and Canadian corn belt to be recovered.

The best growth in US dollars (+26.9%, going over US$ 14.5 billion) compared to 2012 was in **South America**, so it became the number one world market. The most important factors were economic growth, the high prices of crops and a growing demand for maize, soya bean and sugar cane. This occurred even though the beginning of the season in Argentina was rainy and inflation and commercial conditions were arduous.

Asia with US$ 12.6 billion and a growth of +1.3% compared to last year, is now the third global market after Latin America and Europe. China, Indonesia and India are still the major driving forces in the Asian market, which grew in terms of local currency in spite of the impact of the floods in Southern China and, more generally speaking, the monsoons that were more intensive than the average; unlike these countries, Australia instead suffered the effects of drought. Other factors that made an impact on the local market were the dropping price of palm oil and the rising price of glyphosate. The Japanese market, which showed steady recovery following the slump in 2011 because of the effects of the tsunami, grew in local currency, but not in terms of US dollar.

Income Statement — Summary data

Your Group's consolidated **Revenue** in 2013 amounted to € 139.78 million, down by € 9.55 million (-6.4%) compared to € 149.32 million in 2012. This decrease is the result of the combined effect of the following factors:

- lack of sales in the USA totalling about € 7.5 million, which is the direct short-term consequence of having terminated the distribution agreement with the distributor Valent after entering into the alliance agreement with Gowan;
- lower turnover from the sale of agrochemicals and other products and services totalling € 12 million due to the lack of sales amounting to € 18.66 million during the first half of 2013, which was strongly affected by the serious carried over effect of the 2012 drought that, as was expected, struck the USA (where it reached the highest level of the past 50 years) and Europe (especially Italy), which were partially offset by the sharp reversal of the trend in the second half of the year when turnover increased compared to the same period of last year by approximately € 6.6 million;
- greater revenue totalling € 10 million, consisting of the upfront payment made by the Japanese company Arysta for the concession to it of the licence to develop combinations of technical Tetraconazole and other Arysta proprietary active ingredients.

As a result of the above considerations, the breakdown of sales by geographic area in 2013 compared to the previous year showed a generalised drop that was particularly accentuated in Italy (-24.4%) and in the Americas (-20.5), despite the good start of the season in South America at the base of the improvement in sales recorded in the second half as mentioned above. In relative terms, Isagro increasingly demonstrates it is a foreign-oriented group. In fact, sales from agrochemicals in Italy amount to 16.8% of the total in 2013 vs. 19.5% in 2012. The weight of sales made in Asia also rose, increasing from 19.7% in 2012 to 24.7% in 2013.

The above-mentioned agreement with Arysta is one effect of the start-up in 2013 of the new business segment based on increasing the value of proprietary products by granting licences and medium to long-term supply contracts for active ingredients. Revenue from other products and services increased by 82.7%

Consolidated sales by geographic area

(€ 000)	2013		*Change*	2012	
Italy	20,635	16.8%	*-24.4%*	27,289	19.5%
Rest of Europe	27,191	22.1%	*-8.5%*	29,701	21.2%
Americas	39,545	32.2%	*-20.5%*	49,745	35.5%
Asia	30,330	24.7%	*+9.8%*	27,634	19.7%
Rest of the World	5,172	4.2%	*-9.3%*	5,705	4.1%
Agrochemicals Subtotal	122,873	100.0%	*-12.3%*	140,074	100.0%
Other products and services	16,904		*+82.7%*	9,250	
Consolidated revenue	139,777		-6.4%	149,324	

EBITDA for 2013 totalled € 14.84 million, down € 4.21 million compared to € 19.05 million in the previous year, thus dropping from 12.8% to 10.6% of consolidated revenue, which is the effect of the lower sales margins with respect to a fixed cost structure that basically remained constant.

More specifically, the major determining factors of the EBITDA include:

- **Raw material consumption** totalling € 99.60 million, down by about € 16.39 million compared to December 31st, 2012, mainly as a direct consequence of the contraction of the turnover volume recorded in the current year;
- **Variations in inventories of products** amounting to € -2.91 million vs. € 3.90 million recorded as of

December 31st, 2012. Indeed, in consideration of the contraction of the level of turnover recorded in 2013, your Group met its supply of goods commitments using stock in the warehouse, which as of December 31th, 2012 was over and above the requirements estimated for the year that just ended, and restricting new productions, also by resorting to periods of temporary lay-offs in the various Italian plants;

- **Allocations to provisions for expenses and bad/doubtful debt provisions** for € 1.72 million vs. € 0.95 million in 2012. This item as at December 31st, 2013 breaks down as follows:
  - allocations to products and raw materials inventory write-down provision for € 1.23 million;
  - allocations to bad and doubtful debt provisions for € 0.27 million;
  - allocations to bonuses and contracts for freelance work amounting to € 0.17;
  - allocations for Isam litigation for € 0.05;
- **Other non-recurring revenue (costs)** amounting to € 1.25 million vs. € 1.42 million as at December 31st, 2012, basically made up of the capital gains obtained following the transfer of all rights and fixed assets concerning the proprietary herbicide Orthosulfamuron to the Japanese company Nihon Nohyaku Co., Ltd. by ISEM S.r.l., a 50% joint venture between Isagro and Chemtura, which took place in October;
- **Labour costs** equal to € 25.45 million, marginally higher than the € 25.24 million recorded at year-end 2012;
- **Other non-recurring costs** amounting to € 1.68 million for allocations to the provision for early retirement and staff turnover incentives regarding a rationalisation programme to implement during the 2014-2015 two-year period, which is described in greater detail in the Human Resources section;
- **Provisions for bonuses** for € 1.31 million vs. € 0.55 million in 2012.

With reference then to **Depreciation, Amortisation and Impairment Losses**, they totalled € 9.55 million in 2013, down by € 1.72 million compared to the value of € 11.27 million in the previous year.

Consequently, Isagro ended the year 2013 with an **Operating result** of € 5.29 million in 2013, down by € 2.50 million compared to the value of € 7.79 million in 2012.

With reference to **Financial costs**, these amounted to € 4.98 million overall, improving by € 0.20 million compared to € 5.19 million in 2012, mainly due to:

- a € 0.19 million loss on foreign currency hedging transactions and from the increase in copper prices, compared with a € 0.74 million gain in 2012;
- the lower costs for interest, fees, and financial discounts, that dropped from € 5.93 million in 2012 to € 4.81 million in 2013.

As for the hedging transactions that your Group carried out during the year, please note that they are

only for operating transactions and therefore are not speculative in nature. However, as they do not meet the requirements of IAS 39 for the hedging of "specific" risks, they are considered as "trading" transactions and are therefore recognised directly as financial income/costs in profit or loss, both for the realised and unrealised portion.

Consolidated Income Statement

(€ 000)	2013	2012 restated (*)	Differences	
Revenues	**139,777**	**149,324**	**-9,547**	**-6.4%**
Memo: Labour costs and provision for bonuses	(26,754)	(25,793)	-961	
EBITDA	**14,840**	**19,053**	**-4,213**	**-22.1%**
% on Revenues	*10.6%*	*12.8%*		
Amortisation/Depreciation:				
- tangible assets	(3,965)	(4,092)	+127	
- intangible assets	(5,422)	(6,190)	+768	
- amounts written off of fixed assets	(162)	(983)	+821	
EBIT	**5,291**	**7,788**	**-2,497**	**-32.1%**
% on Revenues	*3.8%*	*5.2%*		
Interest, fees and financial discounts	(4,807)	(5,927)	+1,120	
Gains/losses on foreign exchange and derivatives	(185)	742	-927	
Impairment/reversals of impairment of equity investments	10	-	+10	
Result before taxes	**309**	**2,603**	**-2,294**	**n.a.**
Current and deferred taxes	(4,038)	(2,204)	-1,834	
Profit/(loss) from continuing operations	**(3,729)**	**399**	**-4,128**	**n.a.**
Profit/(loss) from discontinued operations	(600)	-	-600	
(Profit)/loss from discontinued operations attributable to non-controlling interests	-	-	-	
Net result	**(4,329)**	**399**	**-4,728**	**n.a.**

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013".

As an effect of what is explained above, in 2013 the **Result before taxes** was positive for € 0.31 million compared to € 2.60 million recorded in 2012.

The allocations for taxes for the period 2013 were then € 4.04 million and mostly represented by: income taxes for € 2.66 million pertaining to the various Group companies, including Isagro Asia for € 1.75 million and ISEM for € 0.51 million; IRAP for € 0.80 million pertaining to the parent Isagro S.p.A. and the joint venture ISEM.

In consideration of what is explained above, your Group ended the year 2013 with a € 3.73 million **Loss from continuing operations** and a total negative **Net result** of € 4.33 million (which includes a € 0.60 million loss from discontinued operations) compared to the € 0.40 million profit of 2012.

Balance Sheet — Summary Data

Consolidated **Net invested capital** dropped from € 135.92 million as of December 31st, 2012 to € 119.15 million as of December 31st, 2013, showing a € 16.76 million decrease, which is mostly due to the effect of the transfer of activities concerning the molecules Valifenalate and Orthosulfamuron owned by the joint venture ISEM S.r.l. and sold in April and October 2013, respectively. This more than offset that of the new capitalisations, net of their amortisations.

Summary of Consolidated Statement of Financial Position

(€ 000)	31.12.2013	31.12.2012	Differences	
Net fixed assets	**73,495**	**90,058**	**-16,563**	**-18.4%**
Net current assets	**49,174**	**49,349**	**-175**	**-0.4%**
Severance indemnity fund	**(3,517)**	**(3,492)**	**-25**	**n.a.**
Net invested capital	**119,152**	**135,915**	**-16,763**	**-12.3%**
Financed by:				
Equity	**65,222**	**73,951**	**-8,729**	**-11.8%**
Net financial position	**53,930**	**61,964**	**-8,034**	**-13.0%**
Debt/Equity Ratio	*0.83*	*0.84*		
Total	**119,152**	**135,915**	**-16,763**	**-12.3%**

More specifically, **Net fixed assets** passed from € 90.06 million as of December 31st, 2012 to € 73.50 million as of December 31st, 2013, down by € 16.56 million, mainly due to:

- the decrease in **Goodwill** and **Other intangible assets** for a total of € 15.32 million due to the above-mentioned disposal of the molecules Valifenalate and Orthosulfamuron, owned by the joint venture ISEM S.r.l.;
- the € 3 million reduction in **Tangible assets**, mostly due to the reduced consolidated book value of the tangible assets regarding the Panoli chemical plant owned by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. resulting from the devaluation of the Rupee against the Euro;
- the growth of the **Other net medium-/long-term assets** that do not prudentially include other allocations for deferred tax assets of the parent Isagro S.p.A. instead include, unlike December 31st 2012, a loan of € 4 million to Arysta as the medium/long-term portion of the mentioned upfront payment of a total of € 10 of deferred payment.

Net current assets as of December 31st, 2013 were € 49.17 million, in line with the € 49.35 million as of December 31st, 2012, although with a different mix of net short-term assets. In fact:

- **Trade receivables** rose from € 40.88 million to € 46.72 million in spite of the reduced turnover recorded during the year due to missing advanced inflows for about € 7.5 million had in 2012, the decrease in receivables assigned to factoring companies without recourse that fell from € 10 million as of December 31st, 2012 to € 6.7 million as of December 31st, 2013, and because of delays in the

inflows from a Brazilian customer totalling approximately € 1.5 million, which were then paid in January;

- **Inventories decreased** from € 42.02 million to € 34.20 million, mainly as an effect of the previously mentioned temporary shutdown of Italian production plants; your Group indeed met the orders of the second half of 2013 (the warehouse amounted to € 44.15 million as at June 30th, 2013) by disinvesting part of its inventory since it was excessive following the drop in volume of business recorded during the year;
- **Trade payables** dropped from € 33.18 million to € 30.21 million, mainly as the consequence of the lower purchases that, in turn, are due to the shrinkage of turnover recorded during the year and the use of the inventory to meet customer orders.

Net current assets were also affected by an increase in **Other assets** for € 0.83 million and by **Current provisions** for € 3.36 million, up by € 1.99 million compared to € 1.37 million as of December 31st, 2012, basically the effect of the non-recurring allocations made with reference to the start-up of the mobility procedure previously referred to and for greater provisions than the previous year for employee bonuses.

Employee benefits (Severance Indemnity Fund or S.I.F.) as of December 31st, 2013 amounted to € 3.52 million, without substantial changes compared to the € 3.49 million of December 31st, 2012.

As for funding, **Equity** as of December 31st, 2013 amounted to € 65.22 million, down approximately by € 8.73 million compared to € 73.95 million as at December 31st of last year, primarily due to the following:

- the net loss of the year amounting to about € 4.33 million;
- the reduction of the **Translation reserve** that dropped from € -6.35 to € -10.66 million, therefore with a reduction of € 4.31 million, following the weakening of the Indian rupee that in turn involved a lower valuation in terms of Euro of the consolidated financial statement items concerning the Indian associate Isagro (Asia) Agrochemicals Pvt. Ltd.

One consequence of the above is the consolidated **Net financial position (NFP)** as of 31th December 2013 amounts to € 53.93 million, showing a € 8.03 improvement over the € 61.96 million of the previous year.

This reduction is mainly due to the transactions concluded during the last quarter of 2013:

- transfer of all rights and fixed assets concerning the proprietary herbicide Orthosulfamuron of the joint venture ISEM S.r.l. in October, with income of around € 10 million for Isagro;
- collection of the first € 5 million tranche of the € 10 million total Arysta paid to Isagro by way of

upfront payment for concession of a licence for Tetraconazole signed in November.

Please also note that recourse to bank credit has further abated owing to a € 8.7 million loan granted by BasJes Holding S.r.l.

As for the breakdown of the Net financial position as of December 31st, 2013, your Group has reclassified € 17.89 million regarding the amount of E.I.B. loan, originally € 22.5 million initially considered due after the 12-month period and thus not current, to "Financial payables and other current liabilities". This reclassification became necessary when applying the international accounting standard IAS 1 because of the breach of some loan provisions for which the contract itself provided for the disbursing bank's right to declare the acceleration clause as having come into effect on the parent Isagro S.p.A. Since a waiver from the E.I.B. was received after December 31st, 2013, the payable was classified short-term although the breach of the contractual clause was rectified, pursuant to the accounting standards of reference. This waiver, requested by the parent Isagro S.p.A. against a commercial pledge that E.I.B. issued on March 14th, 2014, has immediate effect. However, should the bank not receive formal consent in writing from each Guarantor of the loan (specifically, three banks and a leading insurance-financial group) by the date of March 20th, 2015, consent that obviously has still not arrived as of the date the financial statements are prepared, the waiver will be considered terminated with retroactive effect. With regard to this aspect, your Group is entirely confident it will formally get this consent by the date stated above in view of the lack of proof to the contrary.
This item will be consistently classified to current liabilities until each Guarantor has formally agreed in writing. It is however emphasised that the timescale for getting consent from the guarantor lending institutes - although there is the risk of retroactivity should the waiver not be gained - in actual fact leads us to believe that the acceleration clause cannot be applied on the parent Isagro S.p.A. before March 20th, 2015.

Lastly, it is reported that although the 2013 data do not yet reflect the pursued capital increase, they do show a balanced financial structure, with a ***Debt/Equity* ratio** (i.e. the ratio between net financial position and equity) lower than the unit and a share of fixed assets financed by net financial debt amounting to € 4.76 million, compared to € 12.62 million as of December 31st, 2012.

Main Financial Indicators

	2013	2012 restated (*)
N. of stocks** (000)	17,500	17,500
Basic earnings per share (€)	(0.25)	0.02
Equity per stock (€)	3.73	4.23
R.O.E.	-6.6%	0.5%
R.O.I.	4.4%	5.7%
Net financial position / EBITDA	3.63	3.25

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013".

** 50,000 own stocks not included

With reference to the key financial indicators, it is noted that the drop in profit for the year compared with 2012 led to a loss per share of € 0.25 compared to the € 0.02 profit of last year. Consequently, also R.O.E. (Return on Equity or the ratio of Profit/(loss) for the year to equity) fell from 0.5% in 2012 to -6.6% in 2013. Likewise, R.O.I. (Return on Investment or the ratio of Operating profit/(loss) to net invested capital) fell from 5.7% in 2012 to 4.4% in 2013.

The worsening of the EBITDA also brought about an increase in the ratio between Net financial position and the EBITDA, dropping from 3.25 in 2012 to 3.63 in 2013. This occurred even thought the Net financial position had decreased by about € 8 million during 2013.

Results of the parent Isagro S.p.A.

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

Therefore, with reference to the 2013 results of Isagro S.p.A., they were represented by:

- **Revenue** of € 100.09 million, down by € 9.2 million (-8.4%) compared to the previous year;
- **EBITDA** of € 7.77 million, down by € 2.78 million (-26.4%) compared to € 10.55 million in 2012;
- **Operating result** of € -0.28 million, compared to € 2.62 million of last year;
- **Result before taxes** was € -7.71 million, down by € 5.73 million compared to € 1.98 million as at December 31st, 2012;
- a **Loss** of € 8.91 million vs. the loss of € 2.62 million in 2012.

Observations on the financial profile and going concern

The adverse climatic conditions tied to the drought phenomena that hit, as previously said, North America and southern Europe in 2012 and the consequent "carried over effect" of the drought on 2013 sales volumes compelled your Group to complete the one-off transactions with the objective of contributing to the self-funding of its new registration development programmes since the cash flow that ordinary operations generated remained considerably lower than the needs arising from the investments made.

In this context, your Group intends to carry on its Research & Development investment programmes: since they are traditionally medium/long-term, it is believed they should not be affected by any adverse cyclical events in the short term. This is true also in light of the considerable sales potential of the development projects of the two new molecules (SDHi and the soil-applied fumigant product) currently in the pipeline.

For this purpose, as already mentioned, in 2013 one of Isagro management's priorities was to proceed with extraordinary transactions that could help to self-finance cash flow needs for the year that just ended and for those to come, and that took shape:

- in a strategic partnership with the US company Gowan Group that will allow it to overcome the constraint of the limited size of your Group with regard to the recent regulatory developments (which made the process of developing new molecules longer and more expensive, contributing to taking the strategic decision to co-develop them with specific partners) and especially to the developments in the market (which in the aftermath of a higher concentration of the operators and of "generalisation" of the active ingredients, making having long-term accesses to the distributions available for the proprietary products more and more important).

  This Agreement, previously referred in the introductory chapter of this Report and more broadly described in the section Events of the period, will allow for:

  - significant strategic and business consolidation owing to the synergies that have been quantified above only in part;
  - a considerable financial consolidation owing to a planned increase in capital of up to about € 29 million in Isagro S.p.A., of which roughly € 16 million will be "covered" by the Isagro controlling system with the income that Gowan's entry as minority shareholder in the controlling system will bring in;
  - simplification and curtailing of Isagro's controlling structure subject to acceptance by the minority

interest of the controlling system of an offer by BasJes to purchase their shares, and to the concurrent undertaking of the Minorities to use this income to underwrite new Development Shares of Isagro S.p.A.;

- in two transactions to increase the value of assets by leveraging part of the Group unused assets to optimise the overall asset portfolio. In fact, ISEM S.r.l., the joint venture between Isagro and Chemtura, sold all rights and fixed assets concerning the fungicide Valifenalate and the herbicide Orthosulfamuron to third parties during the year. These two molecules were developed by Isagro alone for the world market starting from the second half of the '90s, and they generated a consolidated turnover of roughly € 5 million in 2012, considered totally unsatisfactory. Thanks to their disinvestment to operators better able to exploit their sales potential, Isagro obtained about € 20 million in income against prices higher than the book value of about € 1 million, in fact recovering the past investments and leading to a significant financial consolidation.

Added to the extraordinary transactions presented above is the positive impact of the start-up of a new business segment founded on increasing the value of proprietary products by granting licences and concluding medium to long-term supply contracts, which resulted in enhancing Isagro's strategic guidelines. One example is the important agreement signed with the Japanese company Arysta to grant Arysta the licence to develop combinations of technical Tetraconazole and other Arysta proprietary active ingredients against an upfront payment of € 10 million to Isagro, € 5 million of which was collected in 2013, and to supply technical Tetraconazole over the long term (at the same time Arysta undertook to purchase this active ingredient only from Isagro).

What emerges from the picture given above are the efforts management put forth in 2013, which led - together with actions that will fully emerge on the balance sheet only during the first half of 2014 - to a significant consolidation of current and non-current assets of your Group and the generation of enough cash flows to sustain its investment projects in Research & Development without resorting to new bank borrowings during the current year.

As a consequence of the many new opportunities that the alliance agreement with Gowan offers, although with a few short-term negative effects that were on the other hand explained in this Report, management completed a preliminary draft of the 2014-2018 Business Plan, which the Board of Directors approved on a preliminary basis on February 4th and reviewed the updated version thereof on March 4th, 2014. As part of drawing up the prospectus necessary for the share capital increase described above, the earnings forecast made by the Board of Directors of the parent Isagro S.p.A., which will be included in Chapter 13 of the prospectus, will be examined pursuant to the *International Standard on Assurance Engagement* principle, *"The Examination of Prospective Financial Information"* (ISAE 3400)

by the independent auditors. Once the independent auditors issue the comfort letter, the parent Isagro S.p.A. will disclose the estimates for the aforementioned period to the Market.

Moreover, it is noted that the parent Isagro S.p.A., which will concentrate most of the consolidated financial debts, had approximately € 48 million of bank lines available and unused as of December 31st, 2013 that are for the most part represented by discounting lines and advances on invoices.

Lastly, please be reminded that your Group has reclassified € 17.89 million regarding the amount of E.I.B. loan, originally € 22.5 million initially considered due after the 12-month period and thus not current, to "Financial payables and other current liabilities".
This reclassification became necessary by virtue of applying the international accounting standard IAS 1 because of the breach of some loan provisions for which the contract itself provided for the disbursing bank's right to declare the acceleration clause as having come into effect on the parent Isagro S.p.A.. Since a waiver from the E.I.B. was received after December 31st, 2013, the payable was classified short-term although the breach of the contractual clause was rectified, pursuant to the accounting standards of reference. This waiver, requested by the parent Isagro S.p.A. against a commercial pledge that E.I.B. issued on March 14th, 2014, has immediate effect. However, should the bank not receive formal consent in writing from each Guarantor of the loan (specifically, three banks and a leading insurance-financial group) by the date of March 20th, 2015, consent that obviously has still not arrived as at the date the financial statements are prepared, the waiver will be considered terminated with retroactive effect. With regard to this aspect, your Group is entirely confident it will formally get this consent by the date stated above in view of the lack of proof to the contrary.
This item will be consistently classified to current liabilities until each Guarantor has formally agreed in writing. It is however emphasised that the timescale for getting consent from the guarantor lending institutes - although there is the risk of retroactivity should the waiver not be gained - in actual fact leads us to believe that the acceleration clause cannot be applied on the parent Isagro S.p.A. before March 20th, 2015. As a result of the above, the Directors believe that this aspect does not basically affect the Group's ability to meet its commitments over the next 12 months.

In light of the above, the financial statements were prepared on a going concern basis. In fact, it is believed that despite the well-known economic and financial situation and the negative economic context that involved 2013, jointly considering:

- the level of capitalisation compared to the results expected during the next 12 months;
- the available bank lines;
- the depth of the extraordinary transactions initiated;
- the expectations that the market segments in which it operates will return to normal in 2014,

no material uncertainties regarding the Group's ability to continue as a going concern and to deal with the changes affecting certain products and markets in which Isagro operates exist. What is described above is therefore considered adequate for mitigating the liquidity risk in the foreseeable future.

Research and development activities

A) Innovative research

In 2013 the research activities conducted by your Group through the previous subsidiary Isagro Ricerca S.r.l. - company that then merged by incorporation into Isagro S.p.A. with effect from January 1st, 2013 - focused on two lines of research aimed at respectively obtaining: (i) a new broad-spectrum fungicide that would add to the SDHi one for which development began in 2012, and (ii) a new graminicide, even though only little time was dedicated to research on this project in the last part of the year, as priority was given to the study of the new SDHi fungicide, which has now entered the development phase. The study continued for the identification of new copper-based formulations with wide spectrum features and with the peculiarity of acting at a lower dosage in comparison to those already on the market.

B) Product development

The main development activities carried out during 2013, divided by product family, are highlighted below:

IR6141 - Kiralaxyl TM or Benalaxyl-M - active isomer of Benalaxyl

The process for including Regulation 1107 of 2009 in Annex I was completed in 2013 with Regulation 1175 of November 30th, 2013 that endorses approval of Kiralaxyl as an active substance authorised in Europe.

This result gives the molecule a stable value, also in the prospect of potential projects to develop new formulations in co-operation with third parties.

In detail, developing activities, in 2013 focused on:

- follow up of inclusion process of Kiralaxyl in Annex 1 reg.1107 of 2009
- completion of the studies and sending the registration dossier to the presenter country for South Europe (France) for Kiralaxyl+copper oxychloride+copper hidroxyde WG on grapes and vegetables in Europe;

- sending of registration dossier for Kiralaxy for seed treatment in the USA; unfortunately, the change in the US EPA evaluation group brought about an unexpected non-acceptance of many data waivers agreed to with the previous stakeholders, resulting in having to withdraw the application in order to not invalidate the import tolerance application as well;
- sending of the dossier to request the obtainment of import tolerance in the USA (the authorisation to import agricultural products or their by-products while respecting specific chemical residue limits) which will allow Isagro to strengthen sales in specific and important markets such as grapes in France.
- beginning of the registration development for various Kiralaxyl formulations in Asia (China and Southeast Asia)

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

Development on the new fungicide originated in 2010 by Isagro's Innovative Research successfully continued during the year, also following the Research Plan established with the development partner FMC.

The succinate dehydrogenase inhibitor (or SDHi) class is an important introduction to the fungicides market and the launches of products based on several new SDHis by BASF, Bayer, Syngenta and DuPont are continuing.

This new market segment has posted a continuous increase in value.

Field testing performed both in green houses and in the field representing the major world markets have provided a preliminary solid profile of IR9792 compared to the competing products from the above multinational companies; as these distribute their own products through proprietary networks, we are beginning to identify the competitive potential for Isagro that will be developed in those distribution channels that are independent, with multinational groups which do not have access to this class of innovative products, in addition to the distribution channels directly operated by Isagro.

In 2013 the research plan established in collaboration with FMC (with which Isagro signed an agreement for the co-development of this molecule), continued throughout on a regular basis; identification of the first formulations of Isagro's exclusive development began, and the development of the synthesis processes and preparation of the registration dossier for the active ingredient in the major markets (Europe, USA, Brazil) is progressing at a steady rate.

Tetraconazole - broad spectrum fungicide

In 2013 the member states of the European Union started to evaluate the registration dossiers concerning the many Tetraconazole-based formulations sent in 2012 as part of Step 2 (re-registration of the formulations) of the European review process. Please note that the only state that has completed the process is the Czech Republic, which in December 2013 reconfirmed the validity of the registration

of the Domark 10 EC formulation. Development activities concentrated mainly on the project to extend the use and to defend Mettle® in the United States on the homogeneous development of the Eminent Star formulation (Tetraconazole + Chlorothalonil) for South and Central Europe and on extending registration of the Tetraconazole + Azoxystrobin mixture (the main brand for this product is Domark® XL) in Brazil and certain other Latin American countries, as well as China.

Copper-based products

In 2013 the member states of the European Union started to evaluate the registration dossiers concerning the many copper-based formulations sent in 2012 as part of Step 2 (re-registration of the formulations) of the European review process.

In keeping with the plan, the registration application for the Airone® Sc and Airone® WG formulations was sent to the presenter member state for the South Europe zone.

Biostimulants

The Biostimulants development plan is still on going in Brazil, China and USA and also in eastern European Countries where we are testing on various crops.

An innovative research path for new biostimulant compositions through the set-up of basic methods and the testing of a first series of possible candidates was reintroduced during the second half of 2013. Its goal is to produce new sales solutions over the next 12-18 months.

Microbiological products

Development activities primarily concerned the preparation of the file to temporarily extend the use of Remedier to leaf streaking in Italy in the first part of the year, which permitted it to actually be launched in 2013, followed by the final authorisation toward the end of the year; the estimate made previously, of a significant growth in sales of this product over the years to come, is confirmed; the plan to extend/complete the registration dossiers for many European countries continues, also with respect to the long-term distribution agreement with Syngenta for use on vegetables and flowers.

Pheromones

The dossiers for Step 2 of the European review to support the formulations already registered were sent during 2013. The application for registration in Italy was sent for the product Ecodian Spodottera (disclosure by wire) in December 2013. It was necessary to also send the request to include a new pheromone in Annex 1 of Regulation 1107 for this dossier.

NEW REGISTRATIONS

Thirty new registrations were obtained in 2013, including - as far as Tetraconazole is concerned - those obtained in Canada (METTLE 125 ME), Argentina (DOMARK XL), and Australia (METTLE 125 ME). Also to be noted is registration of the Kiralaxyl + Mancozeb mixture in Argentina and Kiralaxyl + copper protoxide in Ghana.

As for copper-based fungicides, the obtainment of new registrations in Italy, Ghana and the Philippines should be noted. Added to these is the registration obtained in Greece (RMZs) for the SCATTO formulation (Deltamethrin 2.5 EC).

Significant events of 2013

The main events that occurred during 2013 are described below:

A) MERGER BY INCORPORATION OF ISAGRO RICERCA SRL IN ISAGRO S.P.A.

By deed signed on January 15th, 2013, with minutes registered by notary public Cesare Bignami under ref. no. 113760/36104 (recorded in the Milan Register of Companies on January 24th, 2013, protocol no. 15937), Isagro Ricerca S.r.l. was merged by incorporation into the parent Isagro S.p.A. The accounting and tax effects of this merger date from January 1st, 2013, whilst the statutory accounting effects begin from January 24th, 2013 pursuant to Article 2504-bis of the Italian Civil Code, i.e. the date of the final registration of the merger in the Milan Register of Companies. A merger surplus of € 71,358 was recorded on the financial statements of Isagro S.p.A. following this operation.

B) SALES AGREEMENT WITH SYNGENTA TO MARKET TRICHODERMA ASPERELLUM/GAMSII IN PART OF EUROPE, THE MIDDLE EAST AND AFRICA

On February 19th, 2013 Isagro reported that it had formed an alliance with Syngenta for distribution of Trichoderma asperellum/gamsii in part of Europe, the Middle East and Africa. It is a biological fungicide developed by Isagro that offers a broad spectrum of action, even at low doses, to control fungal disease of the soil for vegetables.

The agreement will offer Isagro the possibility to gain access to Syngenta's vast and widespread distribution network.

C) DISPOSAL OF THE VALIFENALATE FUNGICIDE (OWNED BY ISEM S.R.L. - 50% JOINT VENTURE WITH CHEMTURA) TO BELCHIM

On April 11th, 2013 ISEM S.r.l., the joint venture between Isagro and Chemtura, sold all rights and fixed assets concerning the fungicide Valifenalate to Belchim Crop Protection. The financial benefit for your Group was little more than € 9 million, without effects on the income statement.

D) APPOINTMENT OF THE NEW BOARD OF STATUTORY AUDITORS BY THE SHAREHOLDERS' MEETING OF ISAGRO S.P.A.

The shareholders' meeting of April 24th, 2013 of the parent Isagro S.p.A. appointed the new Board of Statutory Auditors and it is composed of the following members (all appointed from the single

list submitted by the majority shareholder Holdisa S.r.l.):

Statutory Auditors:

1. Piero Gennari (Chairman)
2. Giuseppe Bagnasco
3. Claudia Costanza

Alternate Auditors:

4. Eleonora Ferraris
5. Francesco Mangiameli

E) THE INVESTMENT AGREEMENT WITH GOWAN GROUP AND THE CAPITAL INCREASE OPERATION

Isagro spotted in a strategic partnership with the US company Gowan Group the possibility to overcome the constraint of the limited size of the Group with regard to the recent regulatory developments (which made the process of developing new molecules longer and more expensive, contributing to taking the strategic decision to co-develop them with specific partners) and especially to the developments in the market (which in the aftermath of a higher concentration of the operators and of "generalisation" of the active ingredients, making having long-term accesses to the distributions available for the proprietary products more and more important).

More specifically, experience has shown that Isagro needs a partner:

a) that has adequate knowledge of commercial and distribution development in the most important markets for the proprietary products (so as to ensure direct access to the market) and complementary to Isagro with respect to the business value chain (to ensure potential synergies);

b) bound to Isagro through a shareholding of a considerable side, however minority, in the Company's control system (as a guarantee of both Isagro's management autonomy and of long-term alliance);

c) that is larger, but not far from that of Isagro (again to safeguard the Group's management autonomy).

Based on the considerations provided above, on July 30th, 2013 Isagro S.p.A., together with its indirect subsidiary Piemme S.r.l., entered into an Agreement for the entry of an industrial partner, Gowan (US company operating in the agrochemicals sector), in Isagro's control system, with Piemme the controlling party with a 51% interest and with Gowan the minority partner with 49%.

This Agreement will allow:

- significant strategic and business consolidation owing to the synergies that have been quantified above only in part;

- a considerable financial consolidation owing to a planned increase in capital of up to about € 29 million, of which roughly € 16 million will be "covered" by the partner's financial contribution;
- as a goal, to aspire toward a simplification and curtailing of Isagro's control structure subject to acceptance by the minority interest.

The Agreement went into effect in October 2013, when:

- the favourable opinion of CONSOB on the non-existence of take-over bid obligations following the above-mentioned alliance was received;
- the due diligence process carried out by Gowan on Isagro was completed with a positive result;
- a new company, BasJes Holding S.r.l, was formed and Piemme transferred its controlling share in Manisa (parent company of Holdisa S.r.l., which in turn holds the majority of Isagro's ordinary shares) to it;
- BasJes completed a share capital increase in favour of Gowan, totally subscribed, of € 18 million. Of this amount, about € 16 million will be allocated to subscribing, directly or indirectly, a capital increase in Isagro (Ordinary Shares and Growth Shares) during the first half of 2014. The aim is to also arrive at a simplification of Isagro's control structure.

Following what has been explained above, Gowan became minority shareholder of Isagro's control system with a 49% interest in BasJes, while Piemme continues to play the role of majority shareholder in this company with its 51% interest.

At the same time, the first Isagro product distribution agreements were signed through Gowan's network in North America and Italy, which will be able to generate sales starting in 2014.

It is however pointed out that the alliance with Gowan and the executed distribution agreements with it will on the other hand lead to termination of a current business relationship between the Isagro Group and the North American company Valent (Sumitomo Group) within the short term. Valent did not continue with its usual purchases already at the end of 2013, and neither will it make further purchases in 2014.

F) DISBURSEMENT OF THE SECOND TRANCHE OF THE EUROPEAN INVESTMENT BANK (E.I.B.) LOAN

On July 15th, 2013 the E.I.B. disbursed the second and final € 7.5 million tranche of a loan to support R&D programmes to Isagro (the first € 15 million tranche was collected in April 2012 after obtaining the necessary bank guarantees from BNL - BNP Paribas Group, SACE and UBI). The duration of the loan is six years, with an 18-month grace period, and is counter-guaranteed by a bank surety given by Banca Popolare di Sondrio.

The E.I.B. approved this loan in 2012 following a technical-scientific and financial due-diligence, testifying to the soundness of the research, innovation, and development structures and programmes launched in the last few years.

The original maximum ceiling of € 25 million was afterwards reduced to € 22.5 million, in line with the amount of investments that the parent Isagro S.p.A. actually made.

G) SALES AGREEMENT WITH SYNGENTA TO MARKET BADGE WG IN PART OF EUROPE, THE MIDDLE EAST AND AFRICA

In July Isagro concluded a sales agreement with Syngenta for the supply and distribution of Badge WG® in part of Europe, the Middle East and Africa. Badge WG® is an innovative formulation of copper oxychloride and copper hydroxide that combines the technical advantages of the two copper salts to offer immediate and effective control, even at a low dosage, of downy mildew and other bacterial diseases on grapes, fruit and vegetables.

This agreement with Syngenta, which is a continuation of the agreement signed in the first half of the year for the distribution of Trichoderma asperellum/gamsii, will give Isagro the chance to gain access to Syngenta's large sales network with a benefit in terms of higher sales volumes. Syngenta will in fact distribute Badge WG® on an exclusive basis in Austria, Bulgaria, Czech Republic, France, Germany, Greece, Hungary, Poland, Portugal, Romania, Slovakia and Slovenia. The same Syngenta will also act as the non-exclusive distributor for this product in Italy and Spain.

H) SALES AGREEMENT BETWEEN ISAGRO ESPAÑA AND CHEMINOVA AGRO FOR THE RECIPROCAL SUPPLY/DISTRIBUTION OF PROPRIETARY PRODUCTS IN SPAIN

The associate Isagro España S.L. and Cheminova Agro S.A. reached a sales agreement that took effect on July 1st, 2013 for the reciprocal supply and distribution of a large number of products belonging to their respective portfolios in Spain.

This agreement will give Isagro España the possibility to strengthen its distribution efforts in the insecticide and fungicide sub-sectors to achieve greater sales penetration of its products through Cheminova Agro's distribution network, especially for crops where the latter holds a leadership position.

I) DISBURSEMENT OF A SHAREHOLDERS' LOAN BY BASJES

In October 2013 BasJes Holding S.r.l. granted and disbursed an € 8.7 million loan to the subsidiary Isagro S.p.A. to meet the liquidity needs arising from its normal characteristic operations, in place of the otherwise necessary recourse to bank borrowings.

J) DISPOSAL OF ORTHOSULFAMURON

On October 16th, 2013 ISEM S.r.l., a 50% joint venture between Isagro and Chemtura, sold all rights and fixed assets concerning the proprietary herbicide Orthosulfamuron to the Japanese company Nihon Nohyaku Co., Ltd.

The sale was made at a marginally higher value than book, with income of about € 10 million for Isagro.

Orthosulfamuron is a systemic action herbicide belonging to the sulfonylurea chemical class that is used in rice fields to control weeds such as broadleaf and cyperaceae. In addition to for rice, Orthosulfamuron was recently registered for use on sugar cane in Brazil as a growth regulator.

The sale of Orthosulfamuron is in line with the strategic revision Isagro is pursuing in order to focus its resources on projects that have greater strategic value and to optimise the respective product portfolios, with the unfreezing of financial resources.

K) AGREEMENT WITH ARYSTA FOR THE GRANTING OF A LICENCE PERTAINING TO THE RIGHT TO FORMULATE TRATRACONAZOLE-BASED PRODUCTS

On November 8th, 2013, Isagro and Arysta signed an agreement to grant the licence to formulate Tetraconazole-based products against a single and unrepeatable payment for the rights, all guarantee (upfront payment) of the value of € 10 million. This amount is being paid in six instalments. The first, amounting to € 5 million, was received on December 9th, 2013; the remaining five, on which interest at a rate of 6% per annum is calculated, have a current value as of December 31st, 2013 of € 5 million as they will be paid during the period 2014-2018. Please note that the upfront payment is a lump sum not by way of royalty, since it is not tied to any attainment by Arysta of sales volumes, but as a payment for rights that Isagro grants to Arysta. Therefore, Isagro will not repay this sum, even if Arysta should decide to no long invest in the formulation of Tetraconazole-based products mixed with its Fluoxastrobin.

The licence granted includes Arysta's right to develop (i) mixtures of Tetraconazole and any other active ingredient in Japan on an exclusive basis, and (ii) mixtures for leaf application in the US and Canada, on an exclusive and non-exclusive basis, depending on the crops involved. Isagro will also ensure registration support for the development of these mixtures, which however will lead to Isagro's residual involvement in the activities transferred in so far as it will be primarily made up of making pre-existing studies and know-how available.

The agreements, which has a 15-year term (renewable up to five years at the most, unless otherwise cancelled by the parties by notification at least 24 months before the term expires), also provides for (a) Arysta's commitment to purchase the Tetraconazole necessary for the production and sale of the above-mentioned mixtures solely from Isagro at prices essentially in line with those of the market purchased quantities being equal and (b) Isagro's corresponding commitment to meet Arysta's entire demand of Tetraconazole. Isagro also undertook to keep supplies amounting to the lesser quantity of Tetraconazole between 100% of the scheduled half-yearly requirement and 75% of the minimum quantity that Arysta has committed itself to purchase from Isagro in one year in its warehouses.

This agreement takes on particular importance for protecting Tetraconazole over the long term. Isagro possesses an advantageous competitive position for the product in terms of cost of production

(owing to the total production integration with highly efficient plants, today practically amortised) and of registration know-how (also thanks to the re-registration in Europe, without restrictions on use, together with the recent removal of restrictions on use in the USA as well). In this perspective, the agreement provides for Arysta honouring minimum purchase volumes that if not met will result in Isagro's right to terminate the agreement due to contractual non-fulfilment, without Isagro being obliged to return or compensate for damage.

Lastly, it is pointed out that the Arysta Group indirectly holds shares in Isagro totalling 2.19% of its equivalent ordinary shares since it is one of the minority shareholders of Holdisa S.r.l., which holds 54.70% of the share capital of Isagro S.p.A.

L) REGISTRATION OF DOMINUS IN USA

On October 1st, 2013 Isagro announced that its wholly-owned subsidiary Isagro USA had obtained approval of DOMINUS®, a fumigant for treating the soil before planting, from the US Environmental Protection Agency.

DOMINUS® is a broad spectrum product that controls fungus of the soil, nematode, weeks and insects. DOMINUS® is registered as a natural substance-based fumigant and is the first fumigant suitable for both conventional and biological use. Isagro USA made a request to the competent authority for its annex to the list of organic farming substance for biological use, and its approval is expected to arrive by 2015. DOMINUS® contains the active ingredient Allyl isothiocyanate (AITC), a compound created as a natural defence against plants.

M) INCLUSION OF BENALAXYL-M IN ANNEX 1

On November 27th, 2013 the European Commission, through the European Commission's Standing Committee on the Food Chain and Animal Health - SCFCAH, approved inclusion of Isagro's proprietary fungicide Benalaxyl-M in Annex 1 (European Registration). Based on this favourable opinion, Benalaxyl-M will therefore be included in Annex 1 for ten years starting from April 30th, 2014.

Benalaxyl-M, commercially known as Kiralaxyl, is a modern, highly effective fungicide invented by Isagro's Innovative Research.

N) ASSITECA ASSIGNS AWARD TO ISAGRO

Isagro S.p.A. won the fourth edition of the "2013 Assiteca Award" dedicated to the theme "Policies, processes and procedures for guaranteeing company compliance and improving competition" for the Large Companies category. "ISAGRO has developed a company management model that is strongly oriented toward sustainable research and development while respecting the environment and consumers, which augments its credibility in the world market and guarantees positive returns for all stakeholders," was the reason given for giving the award to Isagro.

The awards given by Assiteca, Italy's leading insurance brokerage group, were presented during the tenth edition of the Annual Economy & Finance of the 24ORE Group that was held in Milan on November 28th.

O) ISAGRO'S REMEDIER AUTHORISED FOR USE AGAINST LEAF STREAKING

On December 20th, 2013 Isagro announced that its proprietary biological Trichoderma asperellum (ICC012) and T. gamsii (ICC080)-based product REMEDIER had obtained final authorisation for use on grapes to fight leaf streaking, one of the most serious and incurable of all grape diseases. REMEDIER thus became the first crop protection product registered in Europe to carry the indication of preventive effectiveness against the complex of leaf streaking pathogens on its label.

The authorisation for use on grapes accompanies renewal of the registration on vegetable and flower crops with validity until April 30th, 2019 (pursuant to EU Reg. 540/2011). In fact, REMEDIER is well-known for its effectiveness in controlling diseases of the root system of these crops.

A result of Isagro Research, REMEDIER is formulated in the Aprilia (LT) plant on a dedicated chemical-free line that follows strict quality processes in order to guarantee microbiological purity. REMEDIER is one of the products of the Isagro line for the biological and integrated defence of crops with particular attention paid to operator safety and low environmental impact.

P) GIANNI FRANCO'S APPOINTMENT BY CO-OPTION TO THE BOARD OF DIRECTORS

Following the submission of non-executive Director Paolo Piccardi's resignation taking effect on the same date, on December 19th, 2013 the Isagro S.p.A. Board of Directors replaced him pursuant to Art. 2386, paragraph 1 of the Italian Civil Code by appointing Gianni Franco as a new member of the board. Mr Franco will remain in office until the next company shareholders' meeting.

Human resources

The actual workforce effective December 31st, 2013 are 617 employees, split into the following categories:

Number of employees	Dec. 31st, 2013	Dec. 31st, 2012	Difference
Directors/Executives	54	53	+1
Managers	127	134	-7
Office workers*	327	316	+11
Blue-collar	109	117	-8
Total	**617**	**620**	**-3**

* Includes "Special qualifications"

During the year the workforce fell by 3 units compared to 2012, with a decrease of 12 units in Italy at Isagro S.p.A. and an increase of 9 units at the foreign branches.
The number of Executives (+2) and Office Workers (+1) increased at Isagro S.p.A., while Managers (-2) and Blue-collar (-13) decreased. This was the result of the normal turnover and the new organisation of the sales, marketing and research area, and a different timing of worker recruitment with fixed-term contracts to meet the production orders for customers at the Aprilia site.
No particular situations of organisational change are noted at the foreign branches. The workforce increase was mainly concentrated in Isagro Asia, on the basis of production programmes.

During 2013, relations with trade unions were generally constructive, allowing for normal industrial relations and management, with mutual satisfaction, of the activities listed below:

- to reach an agreement upon the implementation of working hour flexibility measures envisaged by the national collective bargaining agreement, mainly at the industrial sites, in order to optimise company organisation and guarantee the various seasonal production requirements;
- to renew the annual company-level bargaining agreement on performance bonuses (productivity objectives);

- the signing of agreements with the trade unions for a temporary period of production stoppage, with the use of the government-subsidised ordinary temporary redundancy scheme (CIGO, Cassa Integrazione Guadagni a regime Ordinario) at the three industrial sites in Bussi sul Tirino, Adria and Aprilia. The suspension of activities, mainly attributed to market and weather factors (an exceptional drought that took place in 2012) in market segments where Isagro is particularly focused, concerned:
  - the Bussi site with use of the government-subsidised ordinary temporary redundancy scheme from January 7th until April 7th, 2013, where production was resumed on April 8th, 2013;
  - the Adria and Aprilia sites with use of the government-subsidised ordinary temporary redundancy scheme from June 17th until September 15th, 2013, where production resumed on September 16th, 2013;
- the signing of the trade union agreement on mobility procedures pursuant to Italian Law 223/91 on January 16th, 2014 at the Association of Industrialists of Lombardy (Assolombarda) that was activated on November 29th, 2013 for a total number of 43 structural redundancies located at the Adria, Aprilia, Bussi sul Tirino and Milan units, concluding with 41 workers involved.

The reasons that led to these redundancies arise from the need, which could not be deferred, of the parent Isagro S.p.A. to reorganise and rationalise its production, structure and services activities while adapting their costs to the current scope of activities, and improving the distribution of resources and expertise in the various segments involved.

To be able to soften the social and economic impact of the redundant employees, both the criteria for selecting the workers to place on unemployment benefits (priority given to personnel having the requisites for attaining early retirement or old age pension) and the payment of an incentive to leave the company balanced with the maximum period of unemployment benefits due were included in the union agreement signed with the unions.

Training and Selection

The training activities provided for in the annual plan implemented in all operating units were carried out, with particular attention paid to the topics of Quality, Safety and Environment, the necessary languages bearing in mind the Group's internationalisation (English and Spanish), and the specific technical training for specialist professional skills.

With regard to selection, the Marketing, Sales and Research areas were reinforced, in line with top management's strategies. In particular: the introduction of the new Group Director in the Sales area, the introduction of new Product and Technical Manager professional positions in the Marketing area, and selection of the manager of the new structure, "Biological Efficacy Assessment", in the Research area.

Organisation, management and control model pursuant to Italian Legislative Decree 231/2001

On November 12th, 2013 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.
As you will recall, 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:

- Italian Legislative Decree 109/2012 of July 25th, 2012 introduced Art. 25-duodecies "employment of third world citizen whose stays are illegal";
- Italian Law 190/2012, dated November 6th, 2012, introduced "Illicit inducement to give or promise a benefit" in Art. 25, paragraph 3 regarding offences against Public Administration and letter s-bis, "corruption between private parties", in Art. 25-ter, paragraph 1 with regard to "corporate crimes".

In consideration of the above and of the impacts on the content of the Model resulting from the organisational changes coming from the merger by incorporation of Isagro Ricerca S.r.l. (company already wholly-owned) into Isagro S.p.A. that took place in January 2013, and the introduction of new company functions with relevant amendments in the powers and delegations system, in 2013 Isagro proceeded with an integration of the risk assessment with the consequent updating of the Model, which was on the agenda of the Isagro November 12th, 2013 Board of Directors meeting.

The Supervisory Board was appointed to monitor the operations and compliance with the Model, and to update it. The Board, whose three-year term of office is due to expire on approval of the Isagro S.p.A. financial statements as of December 31st, 2014, 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.
The Supervisory Board reports directly to the Board of Directors on a half-yearly basis regarding implementation of the Model and any critical issues.

The Board of Directors of Isagro S.p.A. also approved a new version of the Code of Ethics in order to make it possible for the rules of conduct and behavioural standards 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 Isagro's Organisation, Management and Control Model.

Corporate Governance Code and Report

Isagro S.p.A. adopted the Corporate Governance Code of listed companies (approved in March 2006 and amended in December 2011) as its point of reference for an effective corporate governance structure. The new version of the Code was formally adopted with a resolution of the Board of Directors on March 13th, 2012.

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

Legal proceedings

With reference to the legal action against Caffaro S.r.l. with respect to what is carried in the Directors' Management Report concerning the first half of 2013, please note that Isagro and its consultant pointed out all aspects deemed critical in the supplementary report from the court expert during the December 6th hearing, above all emphasising the large number of works that might prove necessary to reclaim the site, and which the court expert continues to ignore. During the hearing, the parties asked for time to assess other possible transactions, as the judge also suggested. Caffaro expressed its possible willingness to slightly increase the estimate the court expert made, provided they are reasonably small and justifiable amounts. A possible settlement offer to submit to Caffaro in an attempt to come to a decision is therefore being evaluated. No costs borne by the Group are foreseen.

With reference to the labour-related dispute, three judgments are currently pending: two for alleged occupational diseases and a third one to ascertain the legitimacy of a dismissal.

As for the first, brought by a former employee of the Aprilia plant who is asking from about € 2 million

in compensation, a new judge was appointed at the February 4th hearing. In order to study the case file in depth as there are no technical consultant reports substantiating the seriousness of the claimed infirmities and causal relationship with the work performed, the judge postponed the hearing for final discussion until July 15th, 2014. The National Insurance Institute for Industrial Accidents (INAIL) did not recognise the aetiological relationship between work performed and the pathology.
The second, also brought by a former employee of the Aprilia plant who is asking for about € 550,000 for remuneration differences due to failure to recognise him a higher category and mainly for compensation for stress due to having worked in a room that allegedly contained harmful substances, is now at the appeal stage and should be discussed at the end of the year. The request was turned down in first instance.
In the third case, the company filed suit against an employee of the Bussi plant to ascertain the legitimacy of the dismissal inflicted against an employee who was reinstated on a temporary and urgent basis. The company filed suit in order to protect the safety of the other employees and to prevent action brought by the employee for damages, already rejected on a temporary and urgent basis. The case is presently in the preliminary stage and this is why the judge set the first preliminary hearing (foreseeable three) for February 27th, 2014. At this hearing the judge heard the first witnesses and then adjourned proceedings to the hearing on May 29th, 2014 to complete the preliminary stage. The value of the proceedings is about € 50,000.

With reference to the Isagro S.p.A. / Du Pont De Nemours Italiana S.r.l. - Luisa Cav. Eddi proceedings instituted in October 2009 before the Civil Court of Gorizia by the farm Luisa Cav. Eddi based on a prior Preventive Technical Appraisal for compensation for damage, allegedly deriving from an ineffective and/or defective crop protection product, for the sum of about € 80,000.00 plus legal costs and interest, the judge at the April 17th, 2013 hearing appointed a new court expert, confirming the previous questions, in the aftermath of a specific formal notice of Isagro's defence on the technical inadequacy of the court expert. The surveys were carried out by an Isagro-appointed consultant, and the next hearing is set for April 1st, 2014 for the court expert's investigation, which will determine whether or not responsibility lies with Isagro and/or Du Pont.

With reference to the other legal proceedings in progress, please refer to the specific paragraph of the Explanatory Notes.

Related party transacions

For information on related-party transactions, please refer to the relevant paragraph in the Explanatory Notes.

Use of estimates

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

The estimates are used in order to recognise the provisions for doubtful debts, inventory obsolescence, depreciation and amortisation, impairment losses, employee benefits, tax, and other provisions. Estimates and assumptions are reviewed on an ongoing basis, and the effects of any revisions are recognised in the income statement.

Subsequent events

A. MOBILITY PROCEDURE

The parent Isagro S.p.A. signed the trade union agreement on mobility procedures pursuant to Italian Law 223/91 on January 16th, 2014 that was activated on November 29th, 2013 for a total number of 43 structural redundancies located at the Adria, Aprilia, Bussi sul Tirino and Milan units and closed with 41 workers involved. Please refer to the Human Resources section for further details.

B. 2014-2018 BUSINESS PLAN

The parent Isagro S.p.A. completed a preliminary draft of the 2014-2018 Business Plan, which the Board of Directors approved on a preliminary basis February 4th and reviewed the updated version thereof on March 4th, 2014. As part of drawing up the prospectus necessary for the share capital increase described above, the earnings forecast made by the Board of Directors of the parent Isagro S.p.A., which will be included in Chapter 13 of the prospectus, will be examined pursuant to the *International Standard on Assurance Engagemen*t principle, *"The Examination of Prospective Financial Information"* (ISAE 3400) by the independent auditors. Once the independent auditors issue the comfort letter, the parent Isagro S.p.A. will disclose the estimates for the aforementioned period to the Market.

C. RECEIPT OF E.I.B. FINANCIAL WAIVER AND RELEVANT RECLASSIFICATION

Please note that your Group has reclassified € 17.89 million regarding the amount of E.I.B. loan, originally € 22.5 million initially considered due after the 12-month period and thus not current, to "Financial payables and other current liabilities".

This reclassification became necessary when applying the international accounting standard IAS 1 because of the breach of some loan provisions for which the contract itself provided for the disbursing bank's right to declare the acceleration clause as having come into effect on the parent Isagro S.p.A. Since a waiver from the E.I.B. was received after December 31st, 2013, the payable was classified short-term although the breach of the contractual clause was rectified, pursuant to the accounting standards of reference. This waiver, requested by Isagro against a commercial pledge that E.I.B. issued on March 14th, 2014, has immediate effect. However, should the bank not receive formal consent in writing from each Guarantor of the loan (specifically, three banks and a leading insurance-financial group) by the date of March 20th, 2015, consent that obviously has still not arrived as at the date the financial statements are prepared, the waiver will be considered terminated with retroactive effect. With regard to this aspect, your Group is entirely confident it will formally get this consent by the date stated above in view of the lack of proof to the contrary. This item will be consistently classified to current liabilities until each Guarantor has formally agreed in writing. It is however emphasised that the timescale for getting consent from the guarantor lending institutes - although there is the risk of retroactivity should the waiver not be gained - in actual fact leads us to believe that the acceleration clause cannot be applied on the parent Isagro S.p.A. before March 20th, 2015.

Business outlook for 2014

Isagro is expending the growth trend of the turnover to recover starting from this year. More specifically, the projections for first quarter 2014 - a period however historically poorly representative of the trend of the entire year - indicate a better sales trend than first quarter 2013.

As for the Business Plan for the period 2014-2018 period, please refer to the paragraph “Subsequent Events”.

Attachment 1

Reclassified Consolidated Income Statement

(€ 000)	2013	2012 restated(*)	Differences	
Revenues from sales and services	**139,777**	**149,324**	**-9,547**	**-6%**
Other revenues and income	2,869	3,487	-618	
Consumption of materials and external services	(99,601)	(115,993)	+16,392	
Variations in inventories of products	(2,908)	3,895	-6,803	
Increase of fixed assets for internal works	3,606	3,663	-57	
Allocations to provisions for expenses and bad/doubtful debt provisions	(1,721)	(952)	-769	
Labour costs	(25,448)	(25,241)	-207	
Provisions for bonuses	(1,306)	(552)	-754	
EBITDA, non recurring costs excluded	**15,268**	**17,631**	**-2,363**	**-13%**
% on Revenues	*10.9%*	*11.8%*		
Non-recurring items	(428)	1,422	-1,850	
EBITDA	**14,840**	**19,053**	**-4,213**	**-22%**
% on Revenues	*10.6%*	*12.8%*		
Amortisation/Depreciation:				
- tangible assets	(3,965)	(4,092)	+127	
- intangible assets	(5,422)	(6,190)	+768	
- amounts written off of fixed assets	(162)	(983)	+821	
EBIT	**5,291**	**7,788**	**-2,497**	**-32%**
% on Revenues	*3.8%*	*5.2%*		
Interest, fees and financial discounts	(4,807)	(5,927)	+1,120	
Gains/losses on foreign exchange and derivatives	(185)	742	-927	
Impairment/reversals of impairment of equity investments	10	0	+10	
Result before taxes	**309**	**2,603**	**-2,294**	**n.a.**
% on Revenues	*0.2%*	*1.7%*		
Current and deferred taxes	(4,038)	(2,204)	-1,834	
Profit/(loss) from continuing operations	**(3,729)**	**399**	**-4,128**	**n.a.**
% on Revenues	*-2.7%*	*0.3%*		
Profit/(loss) from discontinued operations	(600)	-	-600	
(Profit)/loss from discontinued operations attributable to non-controlling interests	-	-		
Group profit/(loss)	**(4,329)**	**399**	**-4,728**	**n.a.**

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013". Moreover, as indicated in the paragraph "Basis of presentation" of the Explanatory Notes, € 1,000 thousand were reclassified from the item "Other revenues and income" to the item "Revenues from sales and services".

Attachment 2

Reclassified Consolidated Statement of Financial Position

(€ 000)	31.12.2013	31.12.2012 restated(*)	Differences	
Net fixed assets				
Goodwill	3,915	4,852	-937	
Other intangible assets	35,387	49,766	-14,379	
Tangible assets	23,081	26,079	-2,998	
Financial assets	205	195	+10	
Other medium/long term assets and liabilities	10,907	9,166	+1,741	
Total net fixed assets	**73,495**	**90,058**	**-16,563**	**-18%**
Net current assets				
Inventories	34,202	42,023		-7,821
Trade receivables	46,716	40,884		+5,832
Trade payables	(30,212)	(33,183)		+2,971
Current provisions	(3,356)	(1,366)		-1,990
Other current assets and liabilities	1,824	991		+833
Total net current assets	**49,174**	**49,349**	**-175**	**-1%**
Invested capital	**122,669**	**139,407**	**-16,738**	**-12%**
Severance indemnity fund	**(3,517)**	**(3,492)**	**-25**	
Net invested capital	**119,152**	**135,915**	**-16,763**	**-12%**
financed by:				
Equity				
Capital stock	17,550	17,550	-	
Reserves and earning brought forward	62,658	62,355	+303	
Translation reserve	(10,657)	(6,353)	-4,304	
Group profit/(loss)	(4,329)	399	-4,728	
Total Equity	**65.222**	**73.951**	**-8.729**	**-12%**
Net financial position				
Medium/long term debts:				
- towards banks	-	13,309	-13,309	
- towards other lenders	125	872	-747	
- other assets (liabilities) and derivatives	(2,875)	(3,504)	+629	
Total medium/long term debts	**(2,750)**	**10,677**	**-13,427**	**n.a.**
Short term debts:				
- towards banks	40,561	48,622	-8,061	
- towards other lenders	21,575	18,073	+3,502	
- towards parent companies	8,806	859	+7,947	
- other assets (liabilities) and derivatives	(163)	(1,528)	+1,365	
Total short term debts	**70,779**	**66,026**	**+4,753**	**+7%**
Cash and cash equivalents	**(14,099)**	**(14,739)**	**+640**	**n.a.**
Total net financial position	**53,930**	**61,964**	**-8,034**	**-13%**
Total	**119,152**	**135,915**	**-16,763**	**-12%**

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013".

Attachment 3

Consolidated Statement of Cash Flows

(€ 000)	2013	2012 restated(*)
Cash and cash equivalents (at January 1st)	**14,739**	**7,882**
Operating activities		
Net profit/(loss) from *continuing operations*	**(3,729)**	**399**
Net profit/(loss) from *discontinued operations*	**(600)**	**-**
- Depreciation of tangible assets	3,965	4,092
- Amortisation of intangible assets	5,422	6,190
- Impairment of fixed assets	162	983
- Provisions (including severance indemnity fund)	3,370	1,342
- Gain/(loss) from sale of property, plant and equipment and intangible assets	(1,211)	(8)
- Interest receivable from assets held for trading	(216)	(65)
- Net interest expenses towards financial institutes and leasing companies	4,780	5,321
- Financial charges (income) from derivatives	292	(308)
- Share of profit/(loss) of equity-accounted investees	(10)	-
- Income taxes	4,038	2,204
Cash flow from current operations	*16,263*	*20,150*
- (Increase)/decrease in trade receivables	(7,537)	6,663
- (Increase)/decrease in inventories	6,551	(4,267)
- Decrease in trade payables	(1,862)	(3,728)
- Net change in other assets/liabilities	(3,757)	7
- Use of provisions (including severance indemnity fund)	(1,476)	(2,016)
- Net interest expense due to financial institutes and leasing companies paid	(4,853)	(5,028)
- Financial flow from derivative instruments	(98)	(1,291)
- Income taxes paid	(3,056)	(2,076)
Cash flow from operating activities	**175**	**8,414**
Investment activities		
- (Investments) in intangible assets	(8,580)	(8,601)
- (Investments) in tangible assets	(1,808)	(3,624)
- Net sale price on disposal of tangible and intangible assets	19,055	71
- Cash flow from assets held for trading	184	131
Cash flow from investment activities	**8,851**	**(12,023)**
Financing activities		
- Increase/(decrease) in financial payables (current and non current)	(9,429)	12,715
- Decrease in financial receivables	1,270	19
- Distribution of dividends	-	(1,750)
Cash flow from financial activities	**(8,159)**	**10,984**
Change in translation difference	**(1,507)**	**(518)**
Cash flow for the year	**(640)**	**6,857**
Cash and cash equivalents (at December 31st)	**14,099**	**14,739**

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013". Please also note that the line "Interest receivable from assets held for trading" was explained at the time the 2013 consolidated financial statements were drawn up as it became important during the year.

Reconciliation from Isagro S.p.A.'S Profit/(Loss) and Shareholders' Equity to the Consolidated Financial Statements

(€ 000)	2013 Profit/(loss)	2013 Shareholders' equity	2012 restated(*) Profit/(loss)	2012 restated(*) Shareholders' equity
Parent Isagro S.p.A.	(8,905)	62,617	(2,730)	71,514
Intragroup profits/(losses)	507	(6,486)	474	(7,019)
Tax effect on intragroup profits/(losses)	(234)	2,144	(214)	2,384
Profit/reserves of the consolidated companies	4,686	17,604	3,069	13,425
Intragroup dividends	(383)	-	(200)	-
Exchange differences arising on translation of foreign currency financial statements	-	(10,657)	-	(6,353)
Isagro Group Total	**(4,329)**	**65,222**	**399**	**73,951**
(Profit)/Loss attributable to non-controlling interests	-	-	-	-
Total Consolidated Financial Statements	**(4,329)**	**65,222**	**399**	**73,951**

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013".

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 reclassified consolidated Income Statement as shown in Attachment 1 introduces the following terms:

- **EBITDA excluding non-recurring items,** which in the official Consolidated Income Statement is equal to the difference between the item "Total revenue", gross of "Other non-recurring income", 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 revenue" and the aggregate of operating costs.

The reclassified consolidated Statement of Financial Position was prepared based on the items recognised as assets or liabilities in the official consolidated Statement of Financial Position, and it introduces the following terms:

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

Lastly, in reference to "Main indicators" section of this Report, note that:

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

the number of Isagro S.p.A. shares outstanding, excluding treasury shares held by the issuer itself. The number of outstanding shares, excluding treasury shares, as at December 31st, 2012 was 17,500,000;

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

Statement pursuant to Art. 36 of CONSOB Regulation 16191/2007

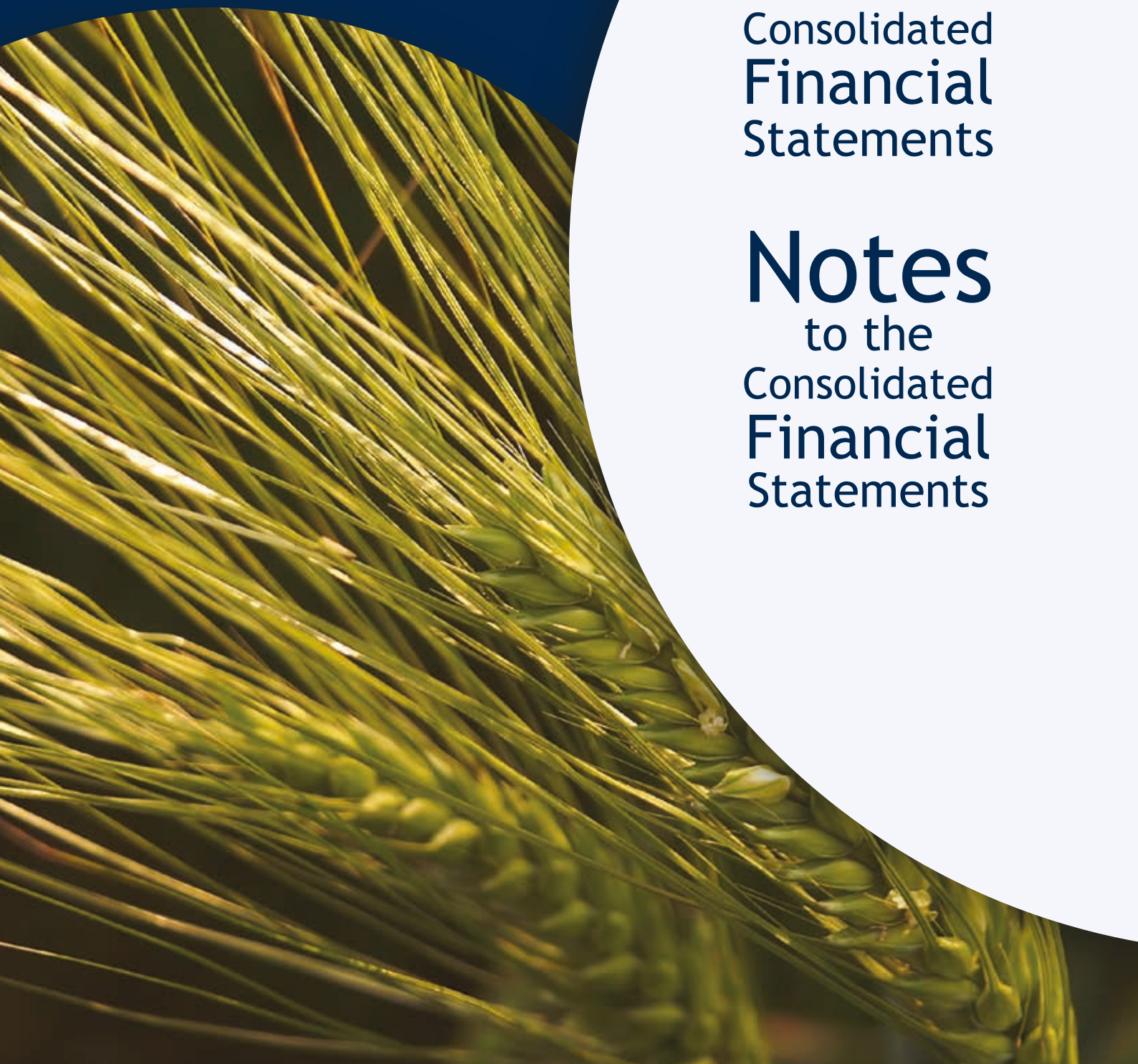
Pursuant to Article 2.6.2, paragraph 12 of the Regulation of Markets organised and managed by Borsa Italiana S.p.A., Isagro S.p.A. certifies that the conditions set forth under Article 36, paragraphs a), b) and c) of Consob Regulation 16191/2007 are fulfilled for the subsidiaries incorporated under and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

Statement pursuant to Art. 37 of CONSOB Regulation 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.

Certification of the manager charged with preparing the company's financial reports

The Manager charged with preparing the company's financial reports, Mr Ruggero Gambini, hereby certifies, pursuant to Article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the financial information in this consolidated annual report as at December 31st, 2013 is consistent with the entries in the accounting books and records.



Consolidated Financial Statements

Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	Note	Dec. 31st, 2013	*of which related parties*	Dec. 31st, 2012	*of which related parties*
NON CURRENT ASSETS					
Tangible assets	1	23,081	-	26,079	-
Intangible assets	2	35,387	-	49,766	-
Goodwill	3	3,915	-	4,852	-
Equity-accounted investments	4	205	-	195	-
Receivables and other non-current assets	5	5,364	-	2,487	-
Non-current financial receivables and other financial assets	11	2,875	-	3,504	*629*
Deferred tax assets	6	8,306	-	9,468	-
TOTAL NON CURRENT ASSETS		**79,133**		**96,351**	
CURRENT ASSETS					
Inventories	7	34,202	-	42,023	-
Trade receivables	8	46,716	*333*	40,884	*2,502*
Other current assets and other receivables	9	4,970	*100*	4,821	*229*
Tax receivables	10	2,984	-	2,679	-
Current financial receivables and other financial assets	11	37	-	1,208	*575*
Financial assets - derivatives	12	129	-	520	-
Cash and cash equivalents	13	14,099	-	14,739	-
TOTAL CURRENT ASSETS		**103,137**		**106,874**	
Non-current assets held for sale and					
Discontinued operations		-		-	
TOTAL ASSETS		**182,270**		**203,225**	
SHAREHOLDERS' EQUITY					
Capital		17,550		17,550	
Reserves		26,200		30,504	
Retained earnings and profit for the year		21,472		25,897	
Equity attributable to owners of the parent		**65,222**		**73,951**	
Equity attributable to non-controlling interests		**-**		**-**	
TOTAL SHAREHOLDERS' EQUITY	14	**65,222**		**73,951**	
NON CURRENT LIABILITES					
Non current financial payables and other financial liabilities	15	125	-	14,181	-
Employee Benefits - Severance indemnity fund	16	3,517	-	3,492	-
Deferred tax liabilities	6	2,186	-	1,895	-
Other non-current liabilities	17	577	-	894	-
TOTAL NON CURRENT LIABILITIES		**6,405**		**20,462**	
CURRENT LIABILITIES					
Current financial payables and other financial liabilities	15	70,942	*8,806*	67,554	*859*
Financial liabilities - derivatives	12	3	-	200	-
Trade payables	18	30,212	*1,243*	33,183	*1,993*
Current provisions	19	3,356	-	1,366	-
Tax payables	20	1,651	-	2,082	-
Other current liabilities and other payables	21	4,479	-	4,427	-
TOTAL CURRENT LIABILITIES		**110,643**		**108,812**	
TOTAL LIABILITIES		**117,048**		**129,274**	
Liabilities associated with					
Discontinued operations		**-**		**-**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**182,270**		**203,225**	

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	Note	2013	*of which related parties*	2012 restated (*)	*of which related parties*
Revenues	23	139,777	*721*	149,324	*4,824*
Other operating revenues	24	2,869	*178*	3,487	*401*
Other non-recurring revenues	25	1,249	-	1,952	-
Total revenues		**143,895**		**154,763**	
Raw materials and consumables used	26	(72,167)	*(1,434)*	(85,851)	*(1,815)*
Costs for services	27	(24,204)	*(224)*	(26,874)	*(316)*
Personnel costs	28	(26,754)	-	(25,793)	-
Other operating costs	29	(4,326)	-	(3,787)	-
Other non-recurring costs	30	(1,677)	-	(530)	-
Change in inventories of finished products and work in progress	31	(3,533)	-	3,462	-
Costs (capitalised) for other work	32	3,606		3,663	-
EBITDA		**14,840**		**19,053**	
Amortisation/Depreciation:					
- Depreciation of tangible assets	33	(3,965)	-	(4,092)	-
- Amortisation of intangible assets	33	(5,422)	-	(6,190)	-
Impairment of fixed assets	34	(162)	-	(983)	-
Operating result		**5,291**		**7,788**	
Net financial charges	35	(4,992)	*(143)*	(5,185)	*(16)*
Profit/(loss) from associated companies	4	10		-	
Pre-tax profit (loss)		**309**		**2,603**	
Income taxes	36	(4,038)		(2,204)	
Profit/(loss) from continuing operations		**(3,729)**		**399**	
Net profit/(loss) from discontinued operations	37	(600)		-	
Net profit (loss)		**(4,329)**		**399**	
Attributable to:					
Owners of the parent		**(4,329)**		**399**	
Non-controlling interests		-		-	
Earnings per share:					
- basic for the profit for the year		(0.25)		0.02	
- basic for the profit from continuing operations		(0.21)		0.02	
- diluted for the profit for the year		(0.25)		0.02	
- diluted for the profit from continuing operations		(0.21)		0.02	

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013". As indicated in the paragraph "Basis of presentation", €1,000 thousand was also reclassified from the item "Other operating revenues" to the item "Revenues".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	Note	2013	2012 restated (*)
Net profit (loss)		**(4,329)**	**399**
Components that will later be reclassified in the profit/(loss) for the year:			
Change in translation reserve (difference)	14	(4,304)	(1,146)
Total		**(4,304)**	**(1,146)**
Components that will not be later reclassified in the profit/(loss) for the year:			
Actuarial loss regarding defined-benefit plans		(136)	(246)
Income taxes		40	68
Total	14	**(96)**	**(178)**
Other comprehensive income statement components		**(4,400)**	**(1,324)**
Total comprehensive income statement		**(8,729)**	**(925)**
Attributable to:			
Owners of the Parent		**(8,729)**	**(925)**
Non-controlling interests		**-**	**-**

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013".

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	Note	2013	2012 restated (*)
Cash and cash equivalents-opening balance	13	**14,739**	**7,882**
Operating activities			
Net profit/(loss) from continuing operations		(3,729)	399
Net profit/(loss) from discontinued operations	37	(600)	-
- Depreciation of tangible assets	33	3,965	4,092
- Amortisation of intangible assets	33	5,422	6,190
- Impairment of fixed assets	34	162	983
- Provisions (including severance indemnity fund)	16.19	3,370	1,342
- Capital gains on disposal of tangible and intangible assets	24.25.29	(1,211)	(8)
- Interest receivable from assets held for trading	35	(216)	(65)
- Net interest expenses towards financial institutes and leasing companies	35	4,780	5,321
- Financial charges (income) from derivatives	35	292	(308)
- Share of profit/(loss) of equity-accounted investees	4	(10)	-
- Income taxes	36	4,038	2,204
		16,263	**20,150**
Cash flow from current operations			
- (Increase)/decrease in trade receivables	8(**)	(7,537)	6,663
- (Increase)/decrease in inventories	7	6,551	(4,267)
- Decrease in trade payables	18(**)	(1,862)	(3,728)
- Net change in other assets/liabilities		(3,757)	7
- Use of provisions (including severance indemnity fund)	16.19	(1,476)	(2,016)
- Net interest expenses towards financial institutes and leasing companies paid		(4,853)	(5,028)
- Financial flow from derivative instruments		(98)	(1,291)
- Income taxes paid		(3,056)	(2,076)
Cash flow from operating activities		**175**	**8,414**
Investment activities			
- (Investments) in intangible assets	2	(8,580)	(8,601)
- (Investments) in tangible assets	1	(1,808)	(3,624)
- Sale price on disposal of tangible and intangible fixed assets	1.2	19,055	71
- Cash flow from assets held for trading		184	131
Cash flow from investment activities		**8,851**	**(12,023)**
Financing activities			
- Increase/(decrease) in financial payables (current and non-current)	15(**)	(9,429)	12,715
- Decrease in financial receivables	11(**)	1,270	19
- Distribution of dividends	38	-	(1,750)
Cash flow from financial activities		**(8,159)**	**10,984**
Change in translation difference		**(1,507)**	**(518)**
Cash flow for the year		**(640)**	**6,857**
Cash and cash equivalents - closing balance	13	**14,099**	**14,739**

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013". Please also note that the line "Interest receivable from assets held for trading" was explained at the time the 2013 consolidated financial statements were drawn up as it became important during the year.
(**) The net change in the item is different from that presented in the note due to foreign exchange adjustment.

Consolidated statement of changes in shareholders' equity in 2012 (restated *)

(in thousands of Euro)	Equity attributable to owners of the Parent								Equity attributable to non-controlling interests	Total shareholders' equity
	Share capital issued	Reserves					Retained earnings and profit for the period	Total		
		Share premium reserve	Translation reserve (difference)	Non-distributable reserves	Other reserves	Total				
Balance as of Dec 31st, 2011	17,550	23,970	(5,207)	0	10,371	29,134	29,942	76,626	0	76,626
Changes during the year										
Profits for the year	0	0	0	0	0	0	399	399	0	399
Other comprehensive income statement components	0	0	(1,146)	0	0	(1,146)	(178)	(1,324)	0	(1,324)
Total comprehensive income statement	0	0	(1,146)	0	0	(1,146)	221	(925)	0	(925)
Dividends	0	0	0	0	0	0	(1,750)	(1,750)	0	(1,750)
Movements between reserves	0	0	0	2,516	0	2,516	(2,516)	0	0	0
Total changes during period	0	0	(1,146)	2,516	0	1,370	(4,045)	(2,675)	0	(2,675)
Balance as of Dec 31st, 2012	17,550	23,970	(6,353)	2,516	10,371	30,504	25,897	73,951	0	73,951

(*) the 2012 data provided for comparison purposes were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013".

Consolidated statement of changes in shareholders' equity in 2013

(in thousands of Euro)	Equity attributable to owners of the Parent								Equity attributable to non-controlling interests	Total shareholders' equity
	Share capital issued	Reserves					Retained earnings and profit for the period	Total		
		Translation premium reserve	Translation reserve (difference)	Non-distributable reserves	Other reserves	Total				
Balance as of Dec 31st, 2012	17,550	23,970	(6,353)	2,516	10,371	30,504	25,897	73,951	0	73,951
Changes during the year										
Loss for the period	0	0	0	0	0	0	(4,329)	(4,329)	0	(4,329)
Other comprehensive income statement components	0	0	(4,304)	0	0	(4,304)	(96)	(4,400)	0	(4,400)
Total comprehensive income statement	0	0	(4,304)	0	0	(4,304)	(4,425)	(8,729)	0	(8,729)
Other changes	0	0	0	0	0	0	0	0	0	0
Total changes during period	0	0	(4,304)	0	0	(4,304)	(4,425)	(8,729)	0	(8,729)
Balance as of Dec 31st, 2013	17,550	23,970	(10,657)	2,516	10,371	26,200	21,472	65,222	0	65,222

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 rights, development, manufacturing, marketing and distribution of agrochemicals. The address of the Group's registered office is Via Caldera 21, Milan, Italy.

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

Publication of the consolidated financial statements

The Isagro Group's consolidated financial statements as of December 31st, 2013 were authorised for issue by the Board of Directors on March 14th, 2014.

Compliance with IFRS

The Isagro Group's consolidated financial statements as of December 31st, 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union, and with the implementing measures for art. 9 of Italian Legislative Decree no. 38/2005. The international accounting standards endorsed by the European Commission as of the date of preparation of the consolidated financial statements are listed in note no. 47, to which reference should be made.

Basis of presentation

The consolidated financial statements comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity, and the Explanatory Notes.

In particular:

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

Please also note that as the changes introduced to IAS 19 - Employee benefits described in the paragraph "Standards and interpretations applied starting from January 1st, 2013" have to be applied retroactively, as required by IAS 8 §19, it was necessary to recalculated the values of the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in shareholders' equity of the Group regarding 2012. These changes on the other hand did not cause changes to the items of the statement of financial position of the Group, considering the fact that the net profit for the year and the net result for the year and the profits carried forward are aggregately presented in the item "Retained earnings and profit for the year". As a consequence, it was not even necessary to present a third statement, required by IAS 1§39, aimed at representing the effects of the introduction of new accounting standards to the statement of financial position at the beginning of the first comparative year.

Following adoption of a new line of strategy, the Isagro Group decided to continuously dedicate financial and organisation resources to the exploitation of the technological-scientific know-how pertaining to the proprietary molecules by granting patents, know-how and similar rights to third parties in the form of licence agreements starting from 2013. Hence the income from these licences, paid with royalties or up-front payments, fall within the Group's ordinary operations together with the revenues coming from the sale of crop protection products, and are therefore recorded in the item "Revenues" on the income statement. Consequently, as required by IAS §41, the corresponding values of 2012 amounting to € 1,000 thousand were reclassified from the item "Other operating revenues" to the item "Revenues" so that the values of the previous year can be compared with those of 2013.

This recalculation is insignificant, and has an effect within the revenue items, as explained above.

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

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

Going concern

The consolidated financial statements as of December 31st, 2013 have been prepared on a going concern basis. Although faced with a difficult economic and financial context jointly considering the level of capitalisation compared to the expected results of the next 12 months, the bank lines available and not yet used for a total of € 50 million (of which € 39 million of invoice discounting lines), financial consolidation thanks to a planned operation to increase the share capital of the parent Isagro S.p.A. (described in the Directors' Management Report), and the expectations that the segments in which the Group operates will return to normal in 2014, the Group considers that there are no significant uncertainties (as defined by IAS 1 §25) regarding the Group's ability to continue as a going concern. What is described above is therefore considered adequate for mitigating the liquidity risk in the foreseeable future.

With reference to the E.I.B. loan, the reclassification of the entire mid to long-term loan amount (€ 17,892 thousand) to the current financial liabilities became necessary by virtue of applying the international accounting standard IAS 1 because of the breach of some loan provisions for which the contract itself provided for the disbursing bank's right to declare the acceleration clause as having come into effect on the parent Isagro S.p.A. Since a waiver from the E.I.B. was received after December 31st, 2013, the payable was classified short-term although the breach of the contractual clause was rectified, pursuant to the accounting standards of reference. This waiver, requested by the parent Isagro S.p.A. against a commercial pledge that E.I.B. issued on March 14th, 2014, has immediate effect. However, should the bank not receive formal consent in writing from each Guarantor of the loan (specifically, three banks and a leading insurance-financial group) by the date of March 20th, 2015, consent that obviously has still not arrived as of the date the financial statements are prepared, the waiver will be considered terminated with retroactive effect. With regard to this aspect, the Group is entirely confident it will formally get this consent by the date stated above in view of the lack of proof to the contrary. This item will be consistently classified to current liabilities until each Guarantor has formally agreed in writing. It is however emphasised that the timescale for getting consent from the guarantor lending institutes - although there is the risk of retroactivity should the waiver not be gained - in actual fact leads us to believe that the acceleration clause cannot be applied on the parent Isagro S.p.A. before March 20th, 2015. As a result of the above, the Directors believe that this aspect does not basically affect the Group's ability to meet its commitments over the next 12 months.
Lastly, the Directors believe that the economic-financial flows forecast in the preliminary estimates and in the 2014-2018 Business Plans of the Group's companies, though uncertain due to their forward-looking nature, are reasonable and feasible over the next 12 months, and such as to allow management of the activity in a financial balance characteristic of a going concern.

Segment Reporting

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

ACCOUNTING POLICIES, BASIS OF CONSOLIDATION AND MEASUREMENT BASES

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 what is explained in the following paragraph.

Standards and interpretations applied starting from January 1st, 2013

IAS 1 – Presentation of Financial Statements

On June 5th, 2012, by Regulation no. 475/2012, the European Commission endorsed an amendment to IAS 1 - Presentation of Financial Statements issued by the IASB on June 16th, 2011, requiring that businesses group together all components presented under "Other comprehensive profits/(losses)"

according to whether or not they can later be reclassified to the income statement. This change, which the Group adopted in presenting the comprehensive income statement, refer only to the presentation method for balance sheet items, will have no impact on the financial position and results of the Group.

IAS 19 – Employee benefits

On June 5th, 2012, by Regulation no. 475/2012, the European Commission endorsed an amendment to IAS 19 - Employee Benefits, issued by the IASB on June 16th, 2011, which eliminates the option to defer the classification of actuarial profits and losses with the corridor method in the defined benefit plans, 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 liability under "Other comprehensive income components". In addition, the return on assets included among net financial charges has to be calculated on the basis of the discount rate for liabilities and no longer on the expected return on the assets. Lastly, the amendment introduces new disclosures to be provided in the explanatory notes to the financial statements. The amendment was applied retrospectively. The effects, stated in thousands of euro, of the change in the accounting standard on the income statement and on the comprehensive income statement of years 2013 and 2012 are presented below.

	Year 2013	Year 2012
Impact on the profit/(loss) for the year		
Decrease of the item "personnel costs"	136	246
Increase of the item "taxes"	(40)	(68)
Total effect on the profit/(loss) for the year	96	178
Impact on other components of the comprehensive income statement		
Actuarial profit/(loss) regarding defined-benefit plans	(136)	(246)
Tax effect	40	68
Total effect on other components of the comprehensive income statement	(96)	(178)
Impact on the comprehensive income statement	0	0

IFRS 13 – Fair value measurement

On December 11th, 2012, by Regulation no. 1255/2012, the European Commission endorsed the standard IFRS 13 - Fair value measurement, issued by the IASB on May 12th, 2011, which explains how fair value is measured for the purpose of the financial statement and applies to all standards that require or permit fair value measurement or the presentation of information based on fair value. The standard is applicable prospectively from January 1st, 2013. Application of this standard will have no significant impact on the Group's financial position and performance.

IFRS 7 - Financial instruments - disclosures

On December 13th, 2012, by Regulation no. 1256/2012, the European Commission endorsed certain amendments to IFRS 7 - Financial instruments: Disclosures, issued by the IASB on December 16th, 2011. The changes call for information on the effects or potential effects on the financial position

of agreements for offsetting financial assets and liabilities. The information must be provided retrospectively. These amendments had no impact on the Group's financial position and performance.

Annual cycle of improvements 2009 – 2011 of the International Accounting Standards

On March 27th, 2013, by Regulation no. 301/2013, the European Commission endorsed certain improvements to the international accounting standards. The main amendments are indicated below:

- IAS 1 Presentation of Financial Statements - comparative information: clarifies that if comparative information is disclosed, it must be presented in accordance with IAS/IFRS. In addition, it clarifies that if an entity changes an accounting principle or makes a retrospective adjustment/reclassification, the entity must also present a statement of financial position as at the start of the comparative period ("third statement of financial position" in the financial statements), whilst the Explanatory Notes do not require comparative disclosures for this "third statement of financial position" except regarding the items affected.
- IAS 16 - Property, plant and equipment - Classification of servicing equipment: clarifies that servicing equipment must be classified among property, plant and equipment if used for more than one year, and under inventories if not.
- IAS 32 Financial instruments: Presentation - Tax effect of distributions to holders of equity instruments and of transaction costs of equity instruments: clarifies that direct taxes relating to these circumstances follow IAS 12 rules.
- IAS 34 - Interim financial reporting - total assets by reportable segment: clarifies that the total assets must only be reported if the information is regularly provided to the chief operating decision-maker of the entity and if there has been a material change in the total assets of the segment compared to that recorded in the latest annual financial statements.

These amendments had no impact on the Group's financial position and performance.

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 potential impact of new standards or interpretations, endorsed by the European Union, on the consolidated financial statements are indicated below. These standards were not applied early by the Group.

- On December 11th, 2012, by Regulation no. 1254/2012, the European Commission endorsed the 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, which will be renamed Separate financial statements and will govern the accounting treatment of investments in the separate financial statements. The new standard, issued by the IASB on May 12th, 2011, is based on existing standards, identifying the concept of control as the determining factor for the purpose of consolidation of a company in the controlling company's consolidated financial statements. It also provides guidance on determining the existence of control where this is difficult to ascertain. The standard is applicable retrospectively from January 1st, 2014. The application of the new standard will have no impact on the definition of the Group's scope of consolidation.

- On December 11th, 2012, by Regulation no. 1254/2012, the European Commission endorsed the standard IFRS 11 - Joint arrangements, which will replace IAS 31 - Interests in joint ventures and SIC-13 - Jointly-controlled entities - Non-monetary contributions. Following issue of this standard IAS 28 - Investments in associates, investments in jointly-controlled companies has also been amended, as at the date of entry into force of the standard, to include these in the scope of application. The new standard, issued by the IASB on May 12th, 2011, particularly provides criteria for the accounting treatment of joint arrangements based on rights and obligations deriving from the arrangements rather than from their legal form in order to determine whether a joint venture is in question - to record using the equity method - or if it is a joint operation - to record based on the percentage of the assets, liabilities, costs and revenues pertaining to the joint managing agent (venturer). The standard is applicable retrospectively starting from January 1st, 2014. As regards the equity investment in the company ISEM S.r.l., held 50% by Isagro S.p.A., in resorting to the application guide of the new standard the company reached the conclusion that based on the agreement drawn up to manage the company with Chemtura Netherlands B.V., in turn 50% owner of the company, it is to be considered a "joint operation" despite the joint agreement had taken on the legal form of a separate vehicle and its terms do not give the two partners specific rights on ISEM's activities. In fact, the parties structured the joint agreement in such a way that the underlying economic activity mainly aims at supplying the parties its production and that therefore it indirectly continuously depends on the parties to extinguish liabilities arising in conducting its activities based on the agreement. The agreement particularly provides that the production output of ISEM can be directly sold to non-shareholder distributors exceptionally and however subject to the prior authorisation of a committee made up of four members, two of whom are appointed by Isagro and two by Chemtura. In connection with this aspect, it is reported that almost all of the economic production was sold to the two partners in 2013. Based on the conclusions set forth above, application of the new standard will have no effect on the Group's state of affairs.
- On December 11th, 2012, by Regulation no. 1254/2012, the European Commission endorsed the 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. The standard issued by the IASB on May 12th, 2011, is applicable retrospectively from January 1st, 2014. The standard will have no impact on the Group's financial position or performance.
- On December 13th, 2012, by Regulation no. 1256/2012, the European Commission endorsed certain amendments to IFRS 32 - Financial instruments: Disclosures, issued by the IASB on December 16th, 2011 to clarify the application of certain criteria for offsetting financial assets and liabilities referred to in IAS 32. The amendments are applicable retrospectively for annual periods beginning on or after January 1st, 2014. These amendments will have no impact on the Group's financial position and performance.
- On April 4th, 2013, by Regulation no. 313/2013, the European commission endorsed the guide to the transitional provisions concerning consolidated financial statements, joint arrangements and disclosure of interests (amendments to IFRS 10, 11 and 12). The document changes IFRS 10

to clarify how an investor has to retrospectively adjust the comparative period(s) if the conclusions regarding consolidation are not the same according to IAS 27/SIC-12 and IFRS 10 as at the date of initial application. In addition, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of interest in other entities, have been amended to provide a similar option for the presentation or change to comparative information relating to periods prior to the "immediately preceding period" (i.e. the comparative period presented in the financial statements).

- On November 20th, 2013, by Regulation no. 1174/2013, the European Commission endorsed several amendments to IFRS 10 - Consolidated financial statements, IFRS 12 - Disclosure of interest in other entities and IAS 27 - Separate financial statements, published by the IASB in October 2012. These amendments regulate topics concerning the valuations of equity investments by the investment entity and hence are not to be applied within the Isagro Group companies.
- On December 19th, by Regulation no. 1375/2013, the European Commission endorsed an amendment to IAS 39 - Financial instruments: recognition and measurement, entitled "Novation of derivatives and continuation of hedge accounting", previously published by the IASB on June 27th, 2013. The amendments introduced aim to regulate those situations in which a derivative designated as a hedging instrument undergoes novation from one counterparty to a central counterparty pursuant to regulations. Hedge recognition can in this way continue, regardless of the novation. These amendments will have no impact on the Group's financial position and performance.
- On December 19th, by Regulation no. 1374/2013, the European Commission endorsed an amendment to IAS 36 - Impairment of assets, published by the IASB on May 29th, 2013. The amendment sets out to clarify the information to provide on the financial statements regarding the recoverable value of the assets when they are measured at fair value, net of their disposal costs.

  Together with the reference standards, these changes are applicable from financial years starting on or after January 1st, 2014, unless applied early.

IFRS standards and interpretations still not approved by the European Union

As at the date of these financial statements the competent bodies of the European Union have not yet completed the endorsement process necessary for adoption of the amendments and standards described below.

- On May 20th, 2013 interpretation ***IFRIC 21 - Levies*** was published. It provides clarifications on the time a liability connected with taxation imposed by a government body is recorded, both that included in the accounting records according to the instructions of IAS 37 - Provisions, contingent liabilities and contingent assets and for taxation in which the timing and amount are certain.
- On November 12th, 2009, the IASB published the standard **IFRS 9 - Financial instruments**, which was later amended on October 28th, 2010. Applicable retrospectively from January 1st, 2015, this standard represents the first part of a step-by-step process that aims to fully replace IAS 39 and

introduces new criteria for classifying and measuring financial assets and liabilities. Specifically, for financial assets the new standard uses a single approach, based on the management methods for financial instruments and on the characteristics of contractual cash flows from the financial assets, to determine the measurement criterion, replacing the different rules envisaged in IAS 39. For financial liabilities, on the other hand, the main change concerns the accounting treatment of changes in fair value of a financial liability designated at fair value through profit and loss if these are due to a change in credit rating of the liability. Under the new standard, these changes must be recognised to "Other comprehensive profit and loss" statement and no longer in the income statement.

- On November 19th, 2013 the IASB published the document "***IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39***" regarding the requirements of the new hedge accounting model. The aim of the document is to meet the critiques of the requirements in IAS 39, often deemed too strict and unsuitable for reflecting the risk management policies of the entity. The main innovations of the document regard:
  - changes for the types of transactions that can be elected for hedge accounting, particularly extending the non-financial risks of assets/liabilities that can be elected to be managed in hedge accounting;
  - change in the way to record forward contracts and derivative options when they are included in a hedge accounting relationship in order to reduce the volatility of the income statement;
  - changes to the effectiveness test since the current form will be replaced with the principle of "economic ratio" between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.
  - greater flexibility of the new accounting rules is counterbalanced by additional requests for information about the risk management activities of the company.
- On December 12th, 2013, the IASB published the document "***Annual Improvements to IFRSs: 2010-2012 Cycle***", which includes amendments to the standards as part of the annual improvement cycle. The main amendments regard:
  - IFRS 2 *Share Based Payments - Definition of vesting condition*. Changes to the definitions of "vesting condition" and "market condition" are introduced, and further definitions of "performance condition" and "service condition" are added (previously included in the definition of "vesting condition")
  - IFRS 3 *Business Combination - Accounting for contingent consideration*. The amendment explains that a contingent consideration classified as a financial asset or liability must be measured at fair value at every year end date; the changes in fair value are entered into the income statement or amongst the statement of comprehensive income components based on the requirements of IAS 39 (or IFRS 9).
  - IFRS 8 *Operating segments - Aggregation of operating segments*. The changes require an entity to provide information on the measurements made by management when applying the aggregation criteria for the operating segments, including a description of the aggregated

operating segments and the economic indicators considered when determining whether these operating segments have "similar economic characteristics".

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

The amendments apply starting from the years starting from July 1st, 2014 and afterwards. Early application is allowed.

- On December 12th, 2013, the IASB published the document "*Annual Improvements to IFRSs: 2011-2013 Cycle*", which includes amendments to the standards as part of the annual improvement cycle. The main amendments regard:
- IFRS 1 "*First-time Adoption of International Financial Reporting Standards – Meaning of "effective IFRS"*". It is clarified that the entity that adopts the IFRSs for the first time, as an alternative to application of a standard presently in force as at the date of the first IAS/IFRS financial statements, can opt to apply a new standard that will replace the current one in advance. The option is allowed when the new standard permits early application. Moreover, the same version of the standard must be applied in all periods presented in the first IAS/IFRS financial statements.
- IFRS 3 *Business Combinations – Scope exception for joint ventures*. The amendment clarifies that paragraph 2(a) of IFRS 3 excludes the setting up of all types of joint arrangement as IFRS 11 defines in the field of application of IFRS 3.
- IFRS 13 *Fair Value Measurement – Scope of portfolio exception (par. 52)*. The amendment clarifies that the portfolio exception included in paragraph 52 of IFRS 13 applies to all contracts included in the scope of application of IAS 39 (or IFRS 9), regardless of whether they meet the definition of financial asset and liability provided in IAS 32.

- IAS 40 *Investment Properties – Interrelationship between IFRS 3 and IAS 40*. The change clarifies that IFRS 3 and IAS 40 do not rule each other out and that in order to determine whether the purchase of a real estate property falls within the scope of application of IFRS 3, reference has to be made to the specific instructions provided in IFRS 3; on the other hand, reference has to be made to the specific instruction of IAS 40 to determine if the purchase in question falls within the scope of IAS 40.

  The amendments apply starting from the years starting from July 1st, 2014 and afterwards. Early application is allowed.

Uncertainty in the use of estimates

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

In 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 historical experience with similar receivables, current and historical past due assets, losses and collections, credit quality monitoring and projections regarding economic and market conditions.

Inventory write-down provision

The allowance for inventory obsolescence reflects management's estimate of impairment losses expected from the various Group companies, based on both historical experience and the expected trend in prices for agrochemicals during 2014, particularly for those products whose realisable value is linked to the commodity prices.

However, the financial and economic crisis has not had a significant impact on the value of the Group's inventories, although a future deterioration in selling conditions for agrochemicals that cannot be predicted at the moment cannot be ruled out.

Intangible assets in progress and goodwill

Intangible assets not yet available for use essentially refer to registration expenses incurred for authorisations to sell formulations relating to the Group's major proprietary products and development expenditure for new products (see note no. 2). Fifty-five percent of this item, which amounts to approximately € 17.6 million overall, regards the product IR6141 still sold in a limited number of markets and in not yet significant volumes, as well as the co-development of a new fungicide named SDHi.

As those assets are essentially registrations not yet obtained, the cash flows used for the purposes of impairment testing, reflected in the business plans of the various Group companies, are those specifically defined for each project.

The reliability of the impairment test and, consequently, whether or not the amounts recognised as assets for these items are confirmed is tied to the realisation of said plans, which, although they represent forward-looking statements subject to uncertainty, are deemed reasonable and feasible by the Directors. The Directors, in light of the tests carried out, based on estimated cash flows reflected in the preliminary estimates and in the Group companies' 2014-2018 Business Plans, did not deem it necessary to recognise any further impairment losses regarding the Group's major assets. The impairment recorded on the financial statements, totalling € 162 thousand, refers to small projects that proved to be uneconomical for the Group.

Regarding goodwill, it should be noted that about 80% of this item refers to Isagro Colombia S.A.S. and the "Copper" CGUs, for which management has conducted additional analyses to verify the recoverability of goodwill (sensitivity analysis). Related considerations are described in note no. 3.

Also for goodwill, the Directors, in light of the test carried out, based on estimated cash flows reflected in the preliminary estimates and in the Group companies' 2014-2018 Business Plans, did not deem it necessary to recognise any impairment losses.

Note that the calculation of the recoverable value of intangible assets not yet available for use and of goodwill calls for management's discretion and the use of estimates, particularly as regards calculation of the interest rate (WACC) used to discount future cash flows, also as the benchmark rates of the financial markets are strongly erratic and fluctuating. Furthermore, the recoverability of these amounts is subject to the fulfilment of the preliminary estimates and of the Group companies' 2014 - 2018 Business Plans, also influenced by external variables beyond the Group's control (in particular, climatic conditions and the time necessary to obtain the authorisations to sell the new products). Consequently it cannot be excluded that the future trend in various factors, including developments in the difficult global economic and financial context, might call for a write-down of these items of the financial statements. The Group's management will continuously monitor the circumstances and events that could bring about such a result.

Deferred tax assets

As of December 31st, 2013 the Isagro Group recognised deferred tax assets for unused tax losses carried forward amounting to approximately € 4.5 million. In assessing the recoverability of these deferred tax assets, the individual Group companies' budgets and plans, for which the Directors believe that the taxable income that will be generated in the forthcoming years are reasonably feasible and will be such as to allow to recover said amounts, were taken into consideration. It cannot be ruled out a priori that a further worsening of the current financial and economic crisis will not raise doubts about the timing and methods predicted in the preliminary estimates and in the Group companies' 2014 – 2018 Business Plans concerning the recoverability of these items.

ACCOUNTING POLICIES AND EVALUATION CRITERIA

Consolidation principles

The consolidated financial statements comprise the financial 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 to govern, directly or indirectly, its financial and operating policies so as to obtain benefits from its activities.

The consolidated financial statements are prepared based on the financial statements prepared by the individual companies in conformity with IFRS.

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

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

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

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

Joint ventures are consolidated using the proportionate method, whereby a venturer's share of each of the assets, liabilities, income and expenses of a joint venture is combined line-by-line with similar items in the venturer's consolidated financial statements. The disposal of equity investments resulting in the loss of joint control requires to recognise in profit or loss any gains (or losses) on the disposal, and the accounting effects resulting from the fair value measurement at the date of disposal of any residual interest.

Consolidation area

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

For a list of companies included in the scope of consolidation, reference should be made to note no. 48.

Compared to the situation as of December 31st, 2012, there were no changes in the scope of consolidation.

It should only be noted that in January 2013 the wholly-owned subsidiary company Isagro Ricerca S.r.l. was merged by incorporation into the parent; this operation did not affect the consolidated financial statements.

Translation of foreign currency financial statements

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

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

- assets and liabilities are translated at the exchange rate as at the reporting date;
- income and expenses are translated at the average exchange rate for the year/period;
- equity components are translated at historical exchange rates, maintaining the existing stratification (if any) of reserves.

  Exchange differences arising on the translation are recognised in other comprehensive income and accumulated in a separate component of equity (Translation reserve or difference) until disposal of the foreign operation.

  The exchange rates applied in the translation of the financial statements of the companies included in the scope of consolidation are listed in the table below:

Currency	Exchange rate as of Dec. 31st,2013	Average exchange rate 2013	Exchange rate as of Dec. 31st, 2012	Average exchange rate 2012
Indian Rupee	85.366	77.93	72.56	68.5973
US Dollar	1.3791	1.32812	1.3194	1.28479
Australian Dollar	1.5423	1.3777	1.2712	1.24071
Argentinean Peso	8.98914	7.27739	6.48641	5.84032
Colombian Peso	2,664.42	2,483.37	2,331.23	2,309.61
Brazilian Real	3.2576	2.86866	2.7036	2.50844
South African Rand	14.566	12.833	11.1727	10.5510
Chinese Renminbi	8.3491	8.16463	8.2207	8.10523
Chilean Peso	724.769	658.324	631.729	624.801

Earnings per Share

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

Assets held for sale and discontinued operations

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

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

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

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

Measurement bases

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

Business Combinations

Business combinations are accounted for using the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group, and the equity instruments issued by the acquire in exchange for control of the acquiree. Additional transaction costs are recognised in profit or loss as incurred.

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

Any contingent consideration is measured at the acquisition-date fair value and recognised as part of the consideration transferred in the business combination for the purpose of measuring goodwill. Any subsequent changes in fair value, qualifying as adjustments made during the measurement period, are retrospectively included in goodwill. Changes in fair value qualifying as adjustments made during the measurement period are those resulting from new information about facts and

circumstances that existed as of the acquisition date but obtained during the measurement period, which shall not exceed one year from the acquisition date.
In a business combination achieved in stages, the Group's previously held equity interest in the acquire is revaluated at fair value at the date control is acquired, and any resulting gain or loss is recognised in profit or loss. Any amounts resulting from the previously held equity interest, and recognised in other comprehensive income, are reclassified to profit or loss as if the equity interest had been disposed of.

Tangible assets
Tangible assets, which can be stated in the financial statements as assets if, and only if, it is probable that the future economic benefits associated with them will flow to the company and if their cost can be reliably determined, are recorded at historical cost and stated in the financial statements net of the related accumulated depreciation and any losses in value.
In detail, the cost of a tangible fixed asset, acquired from third parties or constructed on a time and material basis, includes directly attributable charges and all the costs necessary for 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 expansion costs, etc. – are recognised as assets if, and only if, it is probable that future economic benefits associated with them will flow to the company and they result in identifiable assets or if they concern expenditures aimed at extending the asset's useful life or increase its productive capacity, or even improve the quality of the products obtained by the asset. If these expenses qualify as maintenance costs, they will be recognised in profit or loss as incurred.
Depreciation begins when the asset is available for use and is calculated on a straight-line basis with reference to the asset's estimated useful life. The useful life generally assigned to the various categories of assets is as follows:

- buildings:	19 to 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 assets is subject to an impairment test so as to detect any losses in value when events or changed circumstances indicate that the book value cannot be recovered. If there is any indication that the asset may be impaired, and if the carrying amount is greater than the estimated recoverable amount, the asset or the cash-generating unit is written down to recoverable amount, which is the higher of fair value less costs to sell and value in use. When defining the value in use, the future cash flows are discounted back using a pre-tax discount rate which reflects the current market estimate of the cost of money placed in relation to the timescale and specific risks of the asset. In relation to assets which do not generate fully independent cash flows, the realizable value is determined in relation to the cash flow generating unit to which the asset belongs. Losses in value are recorded in the income statement under the item "Impairment of fixed assets."

Intangible assets

Intangible assets, which can be capitalised only if they are identifiable assets which will generate future economic benefits, are initially recognised in the financial statements at purchase cost, increased by any additional charges and those direct costs necessary for preparing the asset for its use. However, assets acquired in a business combination are recognised at their acquisition-date fair value.
Assets 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. With regard to the capitalisation of any financial charges associated with intangible assets, reference should be made to the description later in this report under the related measurement criterion.
After initial statement, intangible assets are recorded in the financial statements at cost net of the total amortisation charges, calculated on a straight-line basis with reference to the estimated useful life of the asset and the accumulated losses due to impairment. However, if an intangible asset has an unspecified useful life it is not amortised, but periodically subject to adequacy analysis for the purpose of stating any impairment.
The useful life generally assigned to the various categories of assets with 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 production products:	term of the licence
- product know-how:	15 years
- process know-how:	5 years
- trademarks:	5-10 years

- patents:	term of the legal protection
- other assets (software):	5 years

Amortisation commences when the assets are available for use, or when they are in a position and in the condition necessary in order to operate in the manner agreed upon by company management.
The book value of intangible assets is subject to an impairment test so as to detect any losses in value when events or changed circumstances indicate that the book value cannot be recovered. If indication of this type exists and in the event that the value exceeds the estimated realizable value, the assets are written down so as to reflect their realizable value. This value coincides with the net sales price of the assets or the value in use, whichever is the higher. When defining the value in use, the future cash flows are discounted back using a pre-tax discount rate which reflects the current market estimate of the cost of money placed in relation to the timescale and specific risks of the asset. In relation to assets which do not generate fully independent cash flows, the realizable value is determined in relation to the cash flow generating unit to which the asset belongs. Losses in value are recorded in the income statement under the item "Impairment of 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.
When the development project is concluded, and results in a process available for economic use, or in a product know-how, the related expenditure is reclassified to "product know-how" or "process know-how" and amortised on a straight line basis over its estimated useful life, which shall not exceed 15 years. The conclusion of the development process of new proprietary products (active ingredients) coincides with the obtaining of a statement of completeness (the "completeness check") from the competent authority.
Product registration costs reflect internal and external costs incurred to obtain or renew the authorisation from the different local authorities to market the products deriving from the development activities and /or to extend such authorisations to other crops or to other uses of the product. These costs are registered as intangible assets under "fixed assets in progress" until an authorisation to market is obtained, and they are then reclassified under "Registrations" and amortised based on the term of the concession, which may be for a maximum of ten years.
Until the development activities, and/or the registration activities for any resulting products, are completed, the main projects underway will be tested for impairment at least annually, in accordance with the methods described in the notes, recognising in profit or loss any excess in the carrying amount.
These costs also include the expenses for "extraordinary protection", incurred in order to increase the useful life, i.e. the marketing period, of products already existing in the market and thus capable of generating future economic benefits higher than the level of return originally attributed

to the product underlying the development activity. These costs are normally amortised over a period of a minimum 5 years to a maximum 15 years, based on the estimated product lifecycle.

Goodwill

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

Impairment of tangible and intangible assets

At least once a year the Isagro Group reviews the book value of its tangible and intangible assets to check whether there are any indications that they have sustained reductions in value. The recoverable value is calculated for each asset where possible, or an estimate is made of the recoverable value of the cash generating unit to which the asset refers. In particular, the recoverable value is the fair value net of the sales costs and the value in use, whichever is higher, where for the latter the cash flows are estimated based on the value discounted at a specific rate of the future cash flows referring to the asset, or to the cash generating unit to which it belongs.
If the recoverable amount of an asset (or a cash generating unit) is lower than its book value, the latter is reduced to the lesser recoverable value. The impairment is immediately entered into the income statement. Afterwards, if the impairment of an asset no longer holds or is reduced, the book value of the asset is increased until the new estimate of the recoverable value (which cannot exceed the value that would have been determined had no loss due to reduction of value been entered). Reversing of the impairment loss is immediately entered into the income statement.
Based on what is set out above, the assets and cash generating units (CGUs) representing the smallest identifiable group of assets able to generate largely independent cash in were identified in the financial statements. Goodwill was unfailingly allocated to the cash generating units from which benefits connected with the business combinations that generated them are expected. The CGUs were identified with the same criteria as last year.
A summary table showing the values of the tangible and intangible assets and the goodwill allocated per CGU subjected to impairment testing follows.

Cash Generating Units	Fixed assets with finite useful life			Fixed assets with infinite useful life	TOTAL
	Tangible assets	Intangible assets		Goodwill	
		not yet available for use	already available for use		
Kiralaxyl (IR 6141)	0	5,499	6,721	0	12,220
Tetraconazole	6,507	3,014	4,175	209	13,905
Biological products	1,019	444	1,811	461	3,735
Copper	4,859	1,855	2,496	886	10,096
SDHi	0	4,045	56	0	4,101
Pyrethroids	0	776	155	0	931
Fumigants/geo-disinfectants	0	1,749	61	0	1,810
Novaluron	0	0	1,049	0	1,049
Isagro Colombia S.A.S.	31	0	612	2,177	2,820
	12,416	**17,382**	**17,136**	**3,733**	**50,667**

The Group subjected intangible assets and goodwill totalling € 38,251 thousand out of a total of

€ 39,302 thousand with about 97% hedging to impairment testing.

Investments in associates

The Group's investments in associates are accounted for using the equity method. An associate is a company in which the Group has significant influence, but not control or joint control.

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

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

Interests in joint ventures

The Group's interests in joint ventures are entered using the proportional consolidation method. This method requires that the balance sheet of the consolidated financial statements include the amount of assets of the joint venture that the participant jointly controls, and the amount of liabilities for which it is jointly responsible. The income statement of the consolidated financial statements includes the amount of revenues and costs of the jointly controlled entity pertaining to the participant.

Financial assets

Financial assets are initially recognised at cost – increased by any transaction costs – which represent the fair value of the consideration transferred. Purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group committed to purchase the assets. After initial statement, financial assets are valued in relation to their functional intended use on the basis of the following approach.

<u>Financial assets held for trading</u>

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

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

Investments held to maturity

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

After initial statement, these assets are 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 using the method described for the "Financial assets held for trading" and the gains or losses are recorded as "Other comprehensive income components" until they are sold or it is assessed that they have suffered impairment. In this case the gains or losses up until that moment accumulated in the shareholders' equity are reclassified to the "Profit/(loss) for the year" items.

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

Inventories

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

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

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

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

Trade and other receivables

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

Short-term receivables without a stated interest rate and with maturity within normal trade terms are not discounted. 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 objective evidence (such as the probability of default or the borrower's financial difficulty) that the Group will be unable to recover all the amounts due based on the original terms of sale. The book value of the receivable is decreased through use of a specific fund. The receivables which are subject to impairment are reversed when they become uncollectible.

Cash and cash equivalents

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

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

Trade and other payables

Trade and other payables are initially measured at cost, i.e. the fair value of the consideration transferred in 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 without a stated interest rate and with maturity within normal trade terms are not discounted. The fair value of the long-term payables is established by discounting back future cash flows. The discount is recorded as financial cost over the duration of the payable until maturity.

Loans

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

After initial 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. Exchange differences arising during the period, when foreign currency receivables are collected and payables paid, are recognised in profit or loss.

At the end of the accounting period, the monetary assets and liabilities denominated in foreign currency - comprising cash on hand and assets and liabilities to be received or paid in fixed and determinable cash amounts – are converted into the reporting currency using the exchange rate in

force as at the period end date, with recognition of any exchange difference generated in the income statement.

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

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

Provisions for risks and charges

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

- there is a current obligation (legal or 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.

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

Employee Benefits

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

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

The amount recorded as net liability (or asset) in the defined-benefits plans is determined by using the "projected unit credit method" actuarial technique, and it is equal to: (a) the current value of the defined-benefits obligation as at the financial statement reference date; (b) plus any actuarial gains (less any actuarial losses); (c) less any social security costs relating to past work services not yet recorded; (d) less the fair value as of the financial statement reference date of the assets serving the plan (if they exist) beyond which the obligations must be directly discharged. The actuarial profits and losses coming from re-measurement of the assets and liabilities following the

change in the financial actuarial and/or demographic assumptions, and the yield of the assets serving the plan (except for the amounts included in the net interest), are recognised under "Other comprehensive income components" and are directly reflected in the "Retained earnings" without subsequent reclassification to the "Profit/(loss) for the year" items pursuant to the revised IAS 19 applicable starting from January 1st 2013. Please refer to the previous paragraph, "Standards and interpretations applied starting from January 1st, 2013" for the effect of the above-mentioned retrospective application of revised IAS 19.

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

Until December 31st, 2006, the severance indemnity fund of Italian companies was considered as a defined-benefit plan. This was amended by Law no. 296 of December 27th, 2006 (Finance Law 2007) and subsequent decrees and regulations which were issued in the first few months of 2007. In light of these amendments, and particularly as far as companies with at least 50 employees are concerned, this is now considered a defined-benefit plan only as far as benefits earned until January 1st, 2007 (and which have not been settled at the reporting date) are concerned, while after this date it is considered as a defined-contribution plan.

Leases

Finance leases, which transfer substantially to the Group all risks and rewards incidental to ownership of the leased asset, imply the recognition of assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. 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. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the related amount can be measured reliably.

<u>Sale of goods</u>

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

Provision of services

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.

With reference to the previously described "Licensing" activity, the Group recognises its revenues in compliance with the provisions of IAS 18 at the time the risks and benefits are transferred. This income is recorded when the sums received can be considered as certain and non-reimbursable, and any Group obligations are null or residual.

Interest

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

Royalties

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

Dividends

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

Government grants

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

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

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

Financial charges

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

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

Costs for the purchase of goods and the provision of services

These are recorded in the income statement on an accruals basis and involve decreases in economic benefits, in the form of outgoing cash flows or the reduction in value of assets or the incurring of liabilities.

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

Current taxes are calculated on the basis of a realistic forecast of the tax liabilities to be paid, in accordance with tax legislation in force in the individual Countries, and are stated in the item "Tax payables" net of the advances paid.

If the advances paid and any credits from previous accounting periods are greater than the taxes payable, the net receivable due from the tax authorities is recorded under the item "Tax receivables."

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

Specifically, a deferred tax liability is recorded for all taxable temporary differences, save when such liability derives from the original recognition of the goodwill. This liability is stated in the financial statements under the item "Deferred tax liabilities." Conversely, a deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is also recorded in the presence of tax losses or tax credits carried forward, to the extent that it is probable that sufficient future assessable income will be available. 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 derecognised when the Group no longer has control over the contractual rights associated with the asset. This normally occurs when the rights specified in the contract are exercised, when they expire, or when they are transferred to third parties. Consequently, when it emerges that the Group has retained control over the contractual rights associated with the asset, the latter cannot be removed from the 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.

Conversely, if the transferee has the ability to obtain the rewards of the transferred asset, or is free to sell or utilise the entire fair value of the transferred asset, the transferor shall remove the asset from its statement of financial position.
In the event of a transfer, the difference between the book value of the transferred assets and the sum total of the payments received and any previous adjustment which reflects the fair value of that asset, which has been accumulated under shareholders' equity, is included in the income statement for the period.
It should be noted that in relation to the factoring of non-recourse trade receivables, under some contracts the maximum default risk assumed by the factor is governed by the so-called credit ceiling. Appropriate effectiveness tests are therefore conducted on these transactions to verify that the risks and rewards have been substantially transferred.

Derivatives

Derivatives are measured at fair value, which IFRS 13 defines as the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators on the date of measurement. This value is calculated with reference to the public listed price of the instrument. When a quoted market price is not available, the Group refers to the current market value of other instruments that are substantially identical or uses appropriate measurement techniques that consider a premium for the counterparty risk. These techniques are described in the Explanatory Notes, in the paragraph on derivatives.
A derivative financial instrument can be acquired for trading purposes or hedging purposes.
The valuation gains and losses associated with derivatives acquired for trading purposes are booked to the income statement.
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 accounting, hedging transactions are classified as "fair value hedges" if they hedge exposure to changes in fair value of the underlying asset or liability; or as "cash flow hedges" if they hedge exposure to variability in cash flows deriving from both an existing asset or liability or from a future transaction.

With regard to fair value hedges, the gains and losses deriving from the re-determination of the market value of the derivative instrument are booked to the income statement.
With regard to cash flows hedges, the portion of the gain or loss on the hedging instrument that is

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

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

INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Tangible assets – 23,081

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

Breakdown	Dec.31st, 2012				Dec. 31st,2013		
	Historical cost	Amortisation	Book value	Change	Historical cost	Amortisation	Book value
Land	1,053	0	1,053	0	1,053	0	1,053
Industrial Buildings:							
- assets owned	15,211	(6,209)	9,002	(511)	15,351	(6,860)	8,491
- leasehold improvements	703	(611)	92	(24)	703	(635)	68
	15,914	(6,820)	9,094	(535)	16,054	(7,495)	8,559
Plant and equipment:							
- assets owned	34,437	(23,160)	11,277	(722)	35,187	(24,632)	10,555
- grants related to assets	(357)	303	(54)	36	(357)	339	(18)
- assets leased	392	(18)	374	(56)	392	(74)	318
	34,472	(22,875)	11,597	(742)	35,222	(24,367)	10,855
Industrial and commercial equipment:							
- assets owned	4,536	(3,750)	786	(218)	4,536	(3,968)	568
	4,536	(3,750)	786	(218)	4,536	(3,968)	568
Other assets:							
- furniture and fittings	1,117	(921)	196	(63)	1,085	(952)	133
- motor vehicles	292	(119)	173	(41)	263	(131)	132
- data processors	2,559	(2,056)	503	(135)	2,573	(2,205)	368
	3,968	(3,096)	872	(239)	3,921	(3,288)	633
Assets under construction and payments on account							
- assets owned	2,677	0	2,677	(1,264)	1,413	0	1,413
	2,677	0	2,677	(1,264)	1,413	0	1,413
Total	62,620	(36,541)	26,079	(2,998)	62,199	(39,118)	23,081

Changes for the year	Translation difference (hist. cost)	Purchases	Reclassifica-tions (hist. cost)	Disposals	Translation difference (acc.depr.)	Amortisation/ Depreciation	Use of acc. depr.	Total change
Land	0	0	0	0	0	0	0	0
Industrial Buildings:								
- assets owned	(408)	250	298	0	135	(786)	0	(511)
- leasehold improvements	0	0	0	0	0	(24)	0	(24)
	(408)	250	298	0	135	(810)	0	(535)
Plant and equipment:								
- assets owned	(1,340)	525	1,782	(217)	924	(2,573)	177	(722)
- grants related to assets	0	0	0	0	0	36	0	36
- assets leased	0	0	0	0	0	(56)	0	(56)
	(1,340)	525	1,782	(217)	924	(2,593)	177	(742)
Industrial and commercial equipment:								
- assets owned	(47)	46	23	(22)	32	(272)	22	(218)
	(47)	46	23	(22)	32	(272)	22	(218)
Other assets:								
- furniture and fittings	(24)	1	0	(9)	17	(57)	9	(63)
- motor vehicles	(36)	31	0	(24)	15	(48)	21	(41)
- data processors	(38)	61	1	(10)	26	(185)	10	(135)
	(98)	93	1	(43)	58	(290)	40	(239)
Fixed assets in progress and advances:								
- assets owned	(54)	894	(2,104)	0	0	0	0	(1,264)
	(54)	894	(2,104)	0	0	0	0	(1,264)
Total	(1,947)	1,808	0	(282)	1,149	(3,965)	239	(2,998)

The investments made during the year essentially refer to projects to improve the plants and upgrade the safety of the production facilities of Adria, Aprilia and Novara of the parent Isagro S.p.A.

In particular, two investments to increase the production capacity for the synthesis of biological active ingredients at the Novara site and to adapt the packaging plant of the liquid products of the Aprilia site were completed. These investments led to a € 608 thousand increase in the historical cost of the item "Plant and equipment".

"Fixed assets in progress", amounting to € 1,413 thousand, refers mainly to safety compliance and efficiency improvements of plants at the parent's production sites of Adria and Aprilia, and at the Panoli site of the subsidiary Isagro (Asia) Agrochemicals Pvt Ltd, not yet available for use.

Finally, it should be noted that as of December 31st, 2013 there were no significant contractual obligations outstanding with third-party suppliers.

No endogenous or exogenous impairment indicators that would make one think activation of impairment testing is necessary were identified during the year.

2. Intangible assets – 35,387

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

Breakdown	Dec. 31st, 2012			Total	Dec. 31st, 2013		
	Historical cost	Amortisation	Book value		Historical cost	Amortisation	Book value
Product development costs:							
- fungicide IR 8116	81	0	81	(81)	0	0	0
- fumigants and SDHI	1,616	0	1,616	4,179	5,795	0	5,795
- new formulations	79	0	79	498	577	0	577
	1,776	0	1,776	4,596	6,372	0	6,372
Process development costs:	0	0	0	0	0	0	0
Product know-how:							
- fungicide IR 6141	10,196	(4,249)	5,947	(680)	10,196	(4,929)	5,267
- herbicide IR 5878	10,273	(3,282)	6,991	(6,991)	1,884	(1,884)	0
- fungicide IR 5885	8,177	(2,356)	5,821	(5,821)	1,125	(1,125)	0
- other fungicides	81	(22)	59	(5)	81	(27)	54
- Remedier	773	(347)	426	(51)	773	(398)	375
- biostimulants e fumigants	128	(53)	75	(26)	128	(79)	49
	29,628	(10,309)	19,319	(13,574)	14,187	(8,442)	5,745
Process know-how	1,451	(776)	675	(34)	1,708	(1,067)	641
Extraordinary protection	9,955	(4,263)	5,692	(1,747)	10,224	(6,279)	3,945
Patents, licences, trademarks and registrations	10,736	(3,687)	7,049	(437)	11,180	(4,568)	6,612
Other:							
- commercial relations	803	(169)	634	(168)	724	(258)	466
- software	1,083	(431)	652	(56)	1,227	(631)	596
	1,886	(600)	1,286	(224)	1,951	(889)	1,062
Fixed assets in progress and advances							
- registrations	13,969	0	13,969	(2,959)	11,010	0	11,010
- other assets	0	0	0	0	0	0	0
	13,969	0	13,969	(2,959)	11,010	0	11,010
	69,401	(19,635)	49,766	(14,379)	56,632	(21,245)	35,387

Changes for the year	Translation difference	Acquisitions/ capitalisations	Reclassifications	Disposals	Amortisation/Depreciation/ Impairment losses (*)	Total change
Product development costs:						
- fungicide IR 8116	0	0	0	0	(81)	(81)
- fumigants and SDHI	(50)	4,268	(39)	0	0	4,179
- new formulations	0	524	0	(26)	0	498
	(50)	4,792	(39)	(26)	(81)	4,596
Process development costs	0	243	(243)	0	0	0
Product know-how:						
- fungicide IR 6141	0	0	0	0	(680)	(680)
- herbicide IR 5878	0	0	0	(6,466)	(525)	(6,991)
- fungicide IR 5885	0	0	0	(5,718)	(103)	(5,821)
- other fungicides	0	0	0	0	(5)	(5)
- Remedier	0	0	0	0	(51)	(51)
- biostimulants e fumigants	0	0	0	0	(26)	(26)
	0	0	0	(12,184)	(1,390)	(13,574)
Process know-how	0	0	282	(19)	(297)	(34)
Extraordinary protection	0	1,229	0	(833)	(2,143)	(1,747)
Patents, licences, trademarks and registrations	(48)	170	1,870	(1,058)	(1,371)	(437)
Other:						
- commercial relations	(73)	0	0	0	(95)	(168)
- software	0	144	0	0	(200)	(56)
	(73)	144	0	0	(295)	(224)
Fixed assets in progress and advances:						
- registrations	0	2,002	(1,870)	(3,084)	(7)	(2,959)
- other assets	0	0	0	0	0	0
	0	2,002	(1,870)	(3,084)	(7)	(2,959)
	(171)	8,580	0	(17,204)	(5,584)	(14,379)

(*) made up of € 5,422 thousand regarding amortisation/depreciation and € 162 thousand regarding impairment losses

The table of the changes for the year particularly points out the disposals that the joint venture ISEM S.r.l. completed for the following operations:

- transfer in April of know-how and other intangible assets regarding the fungicide Valifenalate (IR5885) recorded in the financial statements for a total value of € 9,222 thousand to the company Belchim Crop Protection for a consideration of € 18,500 thousand (Group's share € 9,250 thousand). The price of the operation was basically in line with the book values of the transferred assets since they had already been aligned with their fair value as of December 31st, 2013;
- transfer in October of know-how and other intangible assets regarding the herbicide Orthosulfamuron (IR5878) recorded in the financial statements for a total value of € 7,982 thousand to the company Nihon Noyaku Co., Ltd. for a consideration of € 19,600 thousand (Group's share € 9,800 thousand).

  Intangible assets comprise assets not yet available for use that refer to "Development costs" incurred to start the development phase of new proprietary products, including a fungicide named SDHi, for which a co-development agreement has been entered into with the US company FMC Corporation (see note no. 25) and a soil-applied pesticide for the US market,

amounting to € 6,372 thousand, as well as "Assets under development" referring to registration expenses incurred to obtain the authorisations to sell the formulations relating to the Group's main proprietary products in various countries, amounting to € 11,010 thousand. It should be noted that the obtainment of new authorisations during the year led to the reclassification from "assets under development" to "registrations", triggering the beginning of the amortisation period, for € 1,870 thousand.

"Extraordinary protection", amounting to € 3,945 thousand, refers to costs incurred by the Group to extend the useful life (i.e. the shelf-life) of certain products already on the markets and, in particular, includes expenses incurred in order to comply with the requirements of EU regulations.

During the year, the assessments of the state of technical progress of current projects and of the results obtained to date were reviewed; criticalities emerged with reference to certain assets that proved to be either no longer useable or uneconomical to use. Pursuant to IAS 38, the costs incurred in relation to these projects were entirely written down for a total amount of € 162 thousand.

As previously pointed out in the financial statements as of December 31st, 2012, after obtaining a specific loan from the European Investment Bank (E.I.B) in support of the Group's research and development activities (see note no. 15), the portion of finance costs incurred in the year relating to intangible assets under development was capitalised. The capitalised finance costs amounted to € 401 thousand. The average rate used to determine their amount was 5.42%, i.e. the actual interest rate of the specific loan.

The residual value of the item "Patents, licenses, trademarks, registrations and similar rights", amounting to € 6,612 thousand, comprises:

- registrations and distribution rights for crop protection products	5,986
- trademarks, patents and licences	626

Fixed Assets not yet available for use - impairment test

Pursuant to IAS 36, the Isagro Group tests products under development and registrations in progress for impairment at least annually: although these are assets with "finite useful life", as the rest of the Group's intangible assets, they are not yet available for use.

It should be noted that also the total carrying amounts of product and process know-how, as well as of patents and registrations obtained, classifiable as assets with "finite useful life", are tested for impairment at least annually, as those are strictly related to the assets not yet available for use, and cannot therefore be measured independently. If the product assessed is part of a CGU (cash-generating unit) to which a part of the Group's goodwill has been allocated, the recoverable amount of the entire CGU is estimated. Therefore, reference should be made to note no. 3 for "biological products", "copper-based products", and "Tetraconazole".

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

	ASSETS WITH FINITE USEFUL LIFE		
	Fixed assets not yet available for use	Fixed assets already available for use	Total Book value
Assets relating to research and development activities:			
- Kiralaxyl (IR6141)	5,499	6,721	12,220
- Tetraconazole	3,014	4,175	7,189
- Biological and biostimulant products	444	1,811	2,255
- Copper	1,855	2,496	4,351
- SDHi	4,045	56	4,101
- Pyrethroids	776	155	931
- Fumigants	1,749	61	1,810
- Novaluron	0	1,049	1,049
- Other	0	270	270
	17,382	16,794	34,176
Other intangible assets:			
- commercial relations	0	466	466
- software	0	596	596
- trademarks and licences	0	149	149
	0	1,211	1,211
	17,382	18,005	35,387

The impairment test is carried out by comparing the book value of the various projects with their recoverable value. This value is calculated using the "Discounted cash flow" model which estimates the value in use of an asset on the basis of the discounting of future cash flows at an appropriate rate, coinciding with the weighted average cost of capital (WACC).

Here below are the main assumptions made in estimating value in use for the purpose of measuring the recoverable amount of know-how and ongoing registrations for the molecules IR6141 and Novaluron and for the pyrethroids, as well as the recoverable amount of the development costs for the fungicide SDHi and the new soil-applied pesticide, the Group's main products; for Tetraconazole, biological products, and copper-based products, please refer to note 3.

Business assumptions

The analysis was conducted referring to the 2014 – 2018 Business Plan of the Isagro Group companies. The plan is based on assumptions which the management considered reasonably feasible in fact – except for unpredictable weather conditions and the time for obtaining product registrations – provisional data almost matched the final statement.

Time scale considered

For the purposes of estimating the expected cash flows, a useful life of 15 years was established for the new-generation molecules. This value reflects the expected average commercial life of a new crop protection product. For already consolidated products on the market, entirely available for use, the time scale considered is of 5 years.

As for the SDHi fungicide, for which the developing phase has recently started, an ad-hoc business plan has been implemented. The related cash flows are forecasted to start in 2020 (year of the launch of the product), timely estimated up to 2026 and then maintained constant up to 2027.

As for the estimate of the cash flows expected to be derived from Novaluron and the pyrethroid, they were determined in detail over a 5-year period.

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

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

Economic-financial parameters

The main reference parameters are indicated below:

	Novaluron and SDHi	IR 6141	Pyrethroids	Soil-applied pesticide
- Inflation rate	2%	2%	2%	2%
- Financial structure (Liabilities/Assets)	0.40	0.40	0.40	0.40
- WACC	10.1%	9.5%	8.9%	9.8%

Estimated WACC

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

Cost of debt

The average cost of Isagro's financial payables before the tax effect, equal to 6%, was used for the cost of debt. In fact there are no elements pointing to a prospective growth in the cost of debt, and it was therefore considered that the final figures recorded are a good approximation of the values to be used in forecasts.

Cost of equity

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

The main assumptions underlying the application of this model are:

	Novaluron and SDHi	IR 6141	Pyrethroids	Soil-applied pesticide
- a Beta equal to	1.20	1.20	1.20	1.20
- a risk free rate	4.3%	4.3%	4.3%	4.3%
- market risk premium	5.50%	5.50%	5.50%	5.50%
- premium for additional risk	3%	2%	1%	2.5%

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

Risk-free rate: assumed to be equal to the government security rate which reflects country risk (average 10-year BTP bond with a half-yearly assessment);

Beta: this is the measure, calculated by Isagro, of the Group's risk relative to market risk based on the Group's business and level of debt;

Market risk premium: a rate processed by Banca IMI was used to express the spread between the expected return on an investment in shares rather than in government securities;

Additional risk premium: this was calculated by the Group to express the specific risk profile of the various projects/molecules based on the different degree of uncertainty of estimated cash flows.

The cost of equity was therefore 13.9% for Novaluron and the fungicide SDHi, 12.9% for the molecule IR 6141, 11.9% for the pyrethroids, and 13.4% for the soil-applied pesticide.

The weight of equity and debt

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

WACC

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

	Novaluron and SDHi	IR 6141	Pyrethroids	Soil-applied pesticide
- WACC	10.1%	9.5%	8.9%	9.8%

The WACCs used are basically in line with those of last year.

Main results

Based on the impairment test carried out and on the 2014 – 2018 Business Plan of the Group's companies, the Directors have not yet found any of the Group's main products to be impaired, and therefore did not deem it necessary to recognise any impairment loss.

Sensitivity analysis

As required by the impairment guidelines issued by the OIV, the Group conducted a sensitivity analysis of the recoverable amount of the above-mentioned products, analysing the effect of a change in the discount rate used to discount estimated cash flows. This analysis was conducted to assess the effects of potentially higher volatility in estimated cash flows, and in particular to what extent, in terms of equivalent discount rate, the failure to complete planned activities, delays in registration, or climatic variables could compromise the impairment test.

Specifically, the sensitivity analysis performed by keeping the underlying assumptions of corporate plans unchanged and by varying the WACC did not reveal any particular critical points.

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

3. Goodwill – 3,915

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

CGU description	Value as of Dec. 31st, 2012	Changes during the year				Value as of Dec. 31st, 2013
		Translation difference	Acquisitions/ disposals	Impairment losses	Total change	
- "Copper"	886	0	0	0	0	886
- "Biological products"	461	0	0	0	0	461
- ISEM S.r.l.	597	0	(597)	0	(597)	0
- Isagro Asia Agrochemicals	191	(29)	0	0	(29)	162
- "Tetraconazole"	209	0	0	0	0	209
- "Formulations"	20	0	0	0	0	20
- Isagro Colombia S.A.S.	2,488	(311)	0	0	(311)	2,177
Total	4,852	(340)	(597)	0	(937)	3,915

Goodwill acquired in business combinations was allocated to the cash-generating units listed and described in the table below:

- "Copper"	CGU refers to copper based product business and their production at Adria (RO) plant and their worldwide distribution
- “"Biological products"	The CGU refers to the biological product business and their production at Novara plant and their worldwide distribution
- ISEM S.r.l.	The CGU refers to the research, development, production, and marketing activities for the fungicide Valifenalate (IR5885) and the herbicide Orthosulfamuron (IR5878) transferred during the year
- Isagro Asia Agrochemicals	The CGU refers to the production and marketing activities for agrochemicals in the Indian subcontinent
- "Tetraconazole"	The CGU refers to the business of the fungicide Tetraconazole
- "Formulations"	The CGU refers to the business of agrochemical formulations which takes place at Aprilia (LT)
- Isagro Colombia S.A.S.	The CGU refers to agrochemical marketing activities in Colombia and in South America

Goodwill, in conformity with international accounting standards, is not amortised, but is tested for impairment annually. This test was conducted by comparing the carrying amount of goodwill with its recoverable amount. This value is calculated using the “Discounted cash flow” model which estimates the value in use of an asset on the basis of the discounting of future cash flows at an appropriate rate, coinciding with the weighted average cost of capital (WACC).

After the transfer of Orthosulfamuron (IR 5878), described in note no. 2, the goodwill of the CGU “ISEM S.r.l.”, amounting to € 597 thousand, was included in the book value of the transferred assets in order to determine the profit coming for the disposal (see note no. 25).

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

Time scale considered

A 5-year period, corresponding to the 2014 – 2018 Business Plan, was used to project cash flows of the CGUs "Copper", "Biological products", "Tetraconazole" and "Isagro Colombia S.A.S.".

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

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

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

Economic-financial parameters

The main reference parameters are indicated below:

	Isagro Colombia S.A.S.	"Copper" – "Biological products" – "Tetraconazole"
Financial structure (Liabilities/Assets)	0.54	0.40
WACC	10.5%	8.9%

Estimated WACC

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

	Isagro Colombia S.A.S.	"Copper" – "Biological products" – "Tetraconazole"
Cost of debt	9.0%	6.0%
Cost of equity	15.8%	11.9%

Cost of debt

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

Cost of equity

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

The main assumptions underlying the application of this model are:

	Isagro Colombia S.A.S.	"Copper" – "Biological products" – "Tetraconazole"
Beta	1.20	1.20
Risk-free rate	5.0%	4.3%
Market risk premium	9.0%	5.50%
Additional risk premium	-	1%

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

Risk-free rate: assumed to be equal to the yield of a government bond that reflects the country risk (average ten-year Italian government bond with a 6-month observation interval for the Italian CGUs, and government bonds having similar characteristics for Isagro Colombia);

Beta: this is the measure, calculated by Isagro, of the Group's risk relative to market risk based on the Group's business and level of debt;

Market risk premium: a rate processed by Banca IMI was used to express the spread between the expected return on an investment in shares rather than in government securities;

Additional risk premium: this was calculated by the Group to express the specific risk profile of the various projects/molecules based on the different degree of uncertainty of estimated cash flows.

The weight of equity and debt

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

WACC

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

	Isagro Colombia S.A.S.	"Copper" – "Biological products" – "Tetraconazole"
WACC	10.5%	8.9%

Compared to the WACCs used in the previous year, an average 50 basis point decrease due to the reduced risk-free rate was observed.

Main results

Based on the impairment test carried out and on the 2014 – 2018 Business Plan of the Group's companies, the Directors have not yet found any impairment for the various CGUs' assets (goodwill, intangible assets and property, plant and equipment), and therefore did not deem it necessary to recognise any impairment losses.

Sensitivity analysis

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

Specifically, the sensitivity analysis performed by keeping the underlying assumptions of corporate plans unchanged and by varying the WACC did not reveal any critical points for any of the CGUs.
Lastly, note that the calculation of the recoverable value of the various CGUs and intangible assets referred to in the previous paragraph calls for management's discretion and the use of estimates, particularly as regards calculation of the interest rate (WACC) used to discount future cash flows, also as the benchmark rates of the financial markets are strongly erratic and fluctuating as a result of the current international economic and financial crisis. Consequently it cannot be excluded that the future trend in various factors, including developments in the difficult global economic and financial context, might call for a write-down of goodwill and intangible assets. The Group's management will continuously monitor the circumstances and events that could bring about such a result.

4. Equity-accounted investments - 205

List of investments	Business description	Company holding the interest	Ownership interest (%)	Book value
Associates: Arterra Bioscience S.r.l. - Naples Share capital € 250,428	Research activities in the life sciences and molecular genetics industry	Isagro S.p.A.	22.00	205
Total				205

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

Breakdown	Value as of Dec. 31st, 2012	Changes during the year					Value as of Dec. 31st, 2013
		Acquisitions (Disposals) Increases (Decreases)	Translation difference	Impairment losses	Revaluations	Total change	
Investments in associates: - Arterra Bioscience S.r.l.	195	0	0	0	10	10	205
Total	195	0	0	0	10	10	205

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

Balance sheet data

	Dec. 31st, 2013	Dec. 31st, 2012
Arterra Bioscience S.r.l.		
Assets	2,645	2,264
Liabilities	(2,155)	(1,817)
Shareholders' equity	490	447

Economic situation

	2013	2012
Arterra Bioscience S.r.l.		
Revenues	1,224	589
Profits for the year	33	1
Group's share of profit for the period	10	0

5. Non-current receivables and other assets – 5,364

Breakdown	Financial statement values Dec. 31st, 2012	Increases/ decreases	Financial statement values Dec. 31st, 2013
Receivables and other non-current assets:			
- guarantee deposits	507	(53)	454
- Tetraconazole know-how licence	0	3,805	3,805
- transfer of Isam shares	840	(517)	323
- prepaid expenses	980	(275)	705
- tax	160	(83)	77
- other	0	0	0
	2,487	2,877	5,364

On November 8th, 2013 the parent Isagro S.p.A. signed an agreement to grant the sole right to develop mixtures of the fungicides Tetraconazole (owned by Isagro) and Fluoxastrobin (owned by Arysta) on a global scale. The agreed consideration was € 10,900 thousand, of which € 5,000 was paid by the Japanese company in December 2013. The non-current portion of the current value of the residual receivable, amounting to € 3,805 thousand, was posted to the item "Tetraconazole know-how licence", which the current portion of the current value of the receivable, € 1,238 thousand, was recorded in the item "trade receivables". Further details on the above-mentioned operation are included in note no. 23.

The item "transfer of Isam shares" refers to the residual present value of the amount received by the parent Isagro S.p.A. from Semag S.r.l. (now Isam S.r.l.) for the 41% interest in Isam S.r.l. in 2006. On December 21st, 2012 the parties agreed to restructure the loan by extending the maturity dates, agreeing in particular to the payment of one instalment, € 383 thousand, by January 18th, 2013, duly collected, and the settlement of the debt outstanding in two instalments by September 30th, 2014 and September 30th, 2015. The present value of the instalment falling due on September 30th, 2014, € 151 thousand, was recognised to the item "other current assets". It should also be noted that this loan is backed by mortgages and sureties issued by the owners of Isam S.r.l..

The item "prepaid expenses" refers to:

- € 152 thousand in the residual value of prepaid expense from the consideration, calculated over a period of ten years, connected to the ancillary obligation related to a contract for the processing 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;
- € 553 thousand in the residual value of prepaid expense due to the advance payment to the Indian government by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd of a 54.5 million Indian Rupees consideration to acquire a 99-year leasehold over the land plot where the Panoli plant is located. € 98 thousand of the decrease of this value compared to the same one of 2012 (€ 660 thousand) is due to the devaluation of the Indian Rupee against the Euro.

6. Deferred tax assets and liabilities – 6,120

Deferred tax assets – 8,306

Deferred tax liabilities – 2,186

Breakdown	Financial statement values Dec. 31st, 2012	Changes during the period				Financial statement values Dec. 31st, 2013
		Provisions	Uses	Other changes	Total change	
Deferred tax assets	9,468	2,161	(2,511)	(812)	(1,162)	8,306
Deferred tax liabilities	(1,895)	(446)	80	75	(291)	(2,186)
Total	7,573	1,715	(2,431)	(737)	(1,453)	6,120

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

Temporary differences	Deferred tax assets/liabilities Dec. 31st, 2012		Through profit and loss			Changes in equity	Deferred tax assets/liabilities Dec. 31st, 2013	
	Tax base	Tax	Provisions	Uses	Other changes	Translation differences and other changes	Tax base	Tax
Deferred tax assets								
- tax losses	16,935	4,657	1,260	(858)	(1)	(587)	15,916	4,471
- allocations to taxed provisions	2,463	759	614	(385)	(22)	(44)	2,880	922
- grants related to R&D	1,914	600	0	(475)	0	0	401	125
- intragroup profits	7,020	2,385	89	(298)	(46)	(6)	6,846	2,124
- other	3,233	1,067	198	(495)	(100)	(6)	2,207	664
Total deferred tax assets	31,565	9,468	2,161	(2,511)	(169)	(643)	28,250	8,306
Deferred tax liabilities								
- amortisation/depreciation for tax purposes	4,450	1,429	427	(2)	(6)	(20)	5,482	1,828
- provisions for tax purposes	233	65	0	0	0	(24)	145	41
- fair value assets from business combinations	773	256	0	(41)	7	(30)	563	192
- other	526	145	19	(37)	0	(2)	464	125
Total deferred tax liabilities	5,982	1,895	446	(80)	1	(76)	6,654	2,186
TOTAL	25,583	7,573	1,715	(2,431)	(170)	(567)	21,596	6,120

The item "Deferred tax assets" includes € 4,471 thousand related to the tax losses of the Group companies, of which € 3,791 thousand refer to the parent Isagro S.p.A., € 125 thousand to the tax effect on grants related development projects, which, pursuant to tax laws, are taxed on a cash basis rather than on an accrual basis; € 2,124 thousand referring to the tax effect of the elimination of intragroup profits and € 922 thousand relating to taxed risk provisions. The preliminary estimates and 2014 - 2018 Business Plans of the Group companies were taken into consideration when assessing the recoverability of the deferred tax assets regarding the tax losses. Although the business plans include assumptions and forward-looking statements subject to uncertainty, the Directors deem that the taxable income that will be generated in the next years, deemed to be

reasonable and feasible, will be such as to allow those amounts to be recovered. On the other hand, the parent Isagro S.p.A. prudentially did not recognise deferred tax assets for a total of € 1,148 thousand in connection with the tax loss of the year to temporarily non-deductible financial charges and allocated taxed funds. Also bearing in mind not recognising deferred tax assets in the previous year in connection with the 2012 tax losses and financial charges, amounting to € 967 thousand, please note that the total deferred tax assets that the parent did not recognise as of
December 31st, 2013 total € 2,151 thousand, of which € 914 thousand refer to tax losses. The uses of deferred tax assets made during the year regarding the item "tax losses" refer to the joint venture ISEM S.r.l. after realising tax capital gains from the transfer of the molecules IR5885 and IR5878, described in note no. 25.

"Deferred tax liabilities" include € 1,828 thousand misalignment between the statutory and tax amortisation/depreciation of tangible and intangible assets. In particular, this item includes € 1,198 thousand referring to the parent Isagro S.p.A. relating to the amortisation of development expenditure.

The item "Fair value assets from business combinations" refers to the residual amount of the tax effect of the fair value measurement of the assets identified subsequent to the purchase of 50% of Barpen International S.A.S. (now Isagro Colombia S.A.S.) in 2011.

The column "Other changes" particularly shows the effect of the changes on deferred tax assets coming from the introduction of new tax rates in the USA and Colombia, countries where two Group subsidiaries operate.

The column "Changes in equity" includes the tax effects (€ 40 thousand) of the actuarial losses caused by re-measuring the item "Employee benefits", recognised to "Other comprehensive income statement components". This item also includes a reclassification of € 540 thousand to the item "tax receivables" following the decision taken by the subsidiary Isagro USA to carry back fiscal losses, which allows it to compensate the tax losses sustained with the tax bases of the two previous years. Based on this mechanism, therefore, the US tax administration will reimburse the reclassified amount in cash in 2014.

Deferred tax assets and deferred tax liabilities include € 7,100 thousand and € 2,034 thousand, respectively, which are likely to be carried forward beyond the next year. It should be noted, however that the deferred tax assets that may be utilised after the subsequent year conservatively include the unused tax losses of the Parent, which can be carried forward without limits on time, and the items for which a specific time horizon for their use cannot be predicted, in particular those deriving from the elimination of intragroup profits.

7. Inventories – 34,202

Breakdown	Financial statement values Dec. 31st, 2012	Changes during the year					Financial statement values Dec. 31st, 2013
		Increases/ decreases	Impairment losses/ allocations to write-down provision	Translation difference	Use of inventory write-down provision	Total change	
Raw and ancillary materials and consumables	13,344	(2,462)	(600)	(299)	0	(3,361)	9,983
Work in progress and semi-finished goods	525	(377)	0	(29)	0	(406)	119
Finished products and goods	28,083	(2,551)	(843)	(929)	238	(4,085)	23,998
Payments on account	71	44	0	(13)	0	31	102
Total	42,023	(5,346)	(1,443)	(1,270)	238	(7,821)	34,202

The decrease in inventories compared to last year is basically due to both (a) reduced production volumes (also caused by the parent Isagro S.p.A. stopping the activity of the Adria, Aprilia and Bussi sul Tirino production sites for one quarter with the aid of the government-subsidised ordinary temporary redundancy scheme (CIGO, Cassa Integrazione Guadagni a regime Ordinario) after the turnover expected for the year dropped; and (b) the resulting massive fall in purchases of raw materials and active ingredients. It should also be noted that the level of inventories as of December 31st, 2012 was particularly high due to the extensive drought that occurred the previous year, which considerably slowed down the sale of inventories of the Group's proprietary fungicide products.

Inventories include goods, for a value of € 2,569 thousand, stored at the warehouse of the French plant of Arysta LifeScience by way of guarantee of the provisions of the "Licence, development, distribution and supply" agreement that the parent Isagro S.p.A. entered into with Arysta LifeScience Corporation on November 8th, 2013. Please see note no. 23 for more detailed information on the agreement.

Inventories, net of the allowance for inventory obsolescence, relating to goods either obsolete or to be re-processed, amounted to € 1,635 thousand. The provision registered increases totalling € 1,225 thousand and decreases amounting to € 238 thousand during the year. Products no longer marketable were also directly written down for € 218 thousand.

8. Trade receivables – 46,716

Breakdown	Financial statement values Dec. 31st, 2012	Changes during the year						Financial statement values Dec. 31st, 2013
		Increases/ decreases	Translation difference of bad debt provisions	Impairment losses/ alloc. to bad debt provisions	Use of the bad debt provisions	Other changes	Total change	
Trade receivables	42,424	5,873	0	(381)	0	0	5,492	47,916
- bad debt provision	(939)	0	38	(249)	382	179	350	(589)
- default interest	(601)	0	0	(103)	93	0	(10)	(611)
	40,884	5,873	38	(733)	475	179	5,832	46,716

Despite the decreased turnover, the Group's trade receivables show an increase of about € 6 million, particularly due to the concentration of sales of crop protection products by the parent Isagro S.p.A. In fact, the company's revenues from the sale of finished products amount to approximately € 33 million in the last quarter of 2013 as compared to € 27 million in the last quarter of 2012, with a consequent increase of trade receivables.

Factoring transactions of non-recourse loans maturing after December 31st carried out by the parent Isagro S.p.A. also contributed to the increase. These transaction regarded loans for about € 6,700 thousand, which is lower than the approximately € 10,000 thousand in loans with maturity after December 31st factored during the second half of 2012.

During the year, the provision for doubtful debts was used for € 382 thousand and was increased by € 249 thousand as a result of the amount allocated to it for the year. The amount of € 179 thousand was also reclassified to the item "Other current assets" in order to write of certain doubtful debts entered in this item. Interest on arrears was recognised for delays in payment from customers.

A € 611 thousand provision was made for these receivables.

Regarding the total trade receivables due from related parties, please refer to note no. 42.

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

Italy	3,756
Other European countries	5,915
Central Asia and Oceania	7,948
Americas	24,449
Far East	4,029
Middle East	352
Africa	1,467
Total	47,916

The average contractual maturity of trade receivables is the following:

- Italy 140 days
- Abroad 120 days

The reported trade receivables are due within the next year.

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

	Not yet due	Past due but not impaired					Total receivables
		< 30 days	31-60 days	61-90 days	91-120 days	>120 days	
As of Dec. 31st, 2013	36,167	5,089	1,898	947	389	2,226	**46,716**
As of Dec. 31st, 2012	34,092	4,098	840	250	104	1,500	**40,884**

9. Other current assets and other receivables – 4,970

Breakdown	Financial statement values Dec. 31st, 2012	Increases/ decreases	Financial statement values Dec. 31st, 2013
Other current assets and other receivables:			
- grants	465	100	565
- advance payments to suppliers and creditors	94	(17)	77
- employees	58	3	61
- export incentives	481	(249)	232
- due from tax authorities for VAT and other taxes	2,690	(92)	2,598
- transfer of Isam shares	0	151	151
- other and prepaid expenses	1,033	449	1,482
	4,821	345	5,166
- bad debt provision	0	(196)	(196)
Total	4,821	149	4,970

"Grants" essentially refers to receivables due from public bodies for grants related to research and development projects of the parent Isagro S.p.A.

"Due from tax authorities for VAT and other taxes" refers for € 1,392 thousand to the V.A.T. receivables of the parent Isagro S.p.A. (used to offset for € 700 thousand with the payment of withholdings and contributions in early 2014) and for € 1,166 thousand to receivables for V.A.T. and other indirect taxes of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.

"Other" refers for € 546 thousand to the recovery of the research and development costs incurred by the parent Isagro S.p.A. from the American company FMC Corporation under the agreement entered into between the two companies for the co-development of a new fungicide. Prepaid expenses for € 312 thousand are also included in this item.

For the total amount of other receivables due from related parties, please refer to note no. 42.

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

	Not yet due	Past due but not impaired					Total receivables
		< 30 days	31-60 days	61-90days	91-120days	>120 days	
As of Dec. 31st, 2013	3,890	360	19	32	-	357	**4,658**
As of Dec. 31st, 2012	4,213	49	20	3	-	359	**4,644**

These receivables are due within the next year.

10. Tax receivables - 2,984

Breakdown	Financial statement values Dec. 31st, 2012	Total change	Financial statement values Dec. 31st, 2013
Tax receivables:			
- direct taxes	2,679	305	2,984
	2,679	305	2,984

This item, which includes the receivables due from tax authorities for the income taxes for the period and IRAP (the regional tax on productive activities), refers essentially to the receivables of the parent Isagro S.p.A. (€ 1,278 thousand) and the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (€ 1,012 thousand).

11. Current and non-current financial receivables and other financial assets – 2,912

Non-current financial receivables – 2,875

Current financial receivables - 37

Breakdown	Financial statement values Dec. 31st, 2012	Increases/ decreases	Financial statement values Dec. 31st, 2013
Non-current financial receivables and other financial assets			
- time deposits	2,875	0	2,875
- financial receivables	629	(629)	0
	3,504	(629)	2,875
Current financial receivables and other financial assets:			
- financial receivables	693	(693)	0
- time deposits	507	(507)	0
- financial assets held for trading	8	29	37
	1,208	(1,171)	37
	4,712	(1,800)	2,912

The item "non-current financial receivables" refers to a time deposit held with the BNL – BNP Paribas Group, on which interest accrues at a 0.81% rate, as a guarantee for the overall credit lines granted by the bank to the parent Isagro S.p.A.

The change in financial receivables is due to the early collection of a loan granted to the joint venture ISEM S.r.l. by the parent Isagro S.p.A. amounting to € 2,435 thousand (proportionate portion € 1,217 thousand), which includes interest for the period.

The item "time deposits" of the current financial statement items refers to an interest-bearing deposit held with Banca Popolare dell'Etruria e del Lazio that was repaid on July 23rd, 2013. This deposit was as formed as a guarantee for the obligations assumed by the institution in favour of the buyer of the interest in the joint-venture Sipcam Isagro Brasil S.A.

In July 2013 the parent Isagro S.p.A. purchased 72,641 shares of Banca Popolare dell'Etruria e del Lazio at the price of € 0.68 per share (total investment equal to € 50 thousand), which were recorded as financial assets held for training since the parent plans to disinvest them in the short term. The value as of December 31st, 2013, € 37 thousand, represents the fair value of these securities.

12. Financial assets and liabilities - derivatives – 126

Current financial assets – 129

Current financial liabilities - 3

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

counterparty for the financial assets and the credit risk of the Group for the financial liabilities (own credit risk) be included.

The following tables disclose the types of derivative contracts outstanding as of December 31st, 2013:

Description of derivatives	Financial statement values Dec. 31st, 2012	Increases/ decreases	Financial statement values Dec. 31st, 2013
Current financial assets:			
- foreign exchange	520	(394)	126
- *commodities*	0	3	3
	520	(391)	129
Current financial liabilities:			
- foreign exchange	(144)	141	(3)
- interest rates	(29)	29	0
- *commodities*	(27)	27	0
	(200)	197	(3)
Total	320	(194)	126

Description of derivatives	Fair value as of Dec. 31st, 2013
Cash flow hedge derivatives:	
- interest rates	0
	0
Trading derivatives:	
- interest rates	0
- foreign exchange	123
- commodities (copper)	3
	126
Total	126

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

These derivatives refer to:

- as for foreign exchange derivatives, to forward contracts 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 (Euro/000)
Forward - Sale	USD	1.35	(6,000)	71
Forward – Purchase	USD/COP	1,957.00	530	(3)
			(5,470)	68
Forward - Sale	JPY	133.85	(39,875)	22
Forward – Purchase	INR	86.82	281,626	33
Total				123

- 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, are described in the following table:

Contract type	Hedged quantity (tons)	Strike price Euro	Notional value (Euro/000)	Fair value (Euro/000)
Future buy	114	5,240	597	3
	114		597	3

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

- Exchange rates: discounted cash flow method, where the expected cash flows to discount have been estimated on the basis of the difference between the forward exchange rates seen in the curve of market rates as at the date of the financial statements and the contractual forward exchange rates; discounting was calculated on the basis of the zero coupon curve as of December 31st, 2013, properly adjusted to consider the premium connected with the non-fulfilment risk;
- Copper: discounted cash flow method, where the expected cash flows to discount have been estimated on the basis of the difference between the expected future value of the average price of copper on the London Metal Exchange and the contractually agreed fixed price; discounting was calculated on the basis of the zero coupon curve as of December 31st, 2013, properly adjusted to consider the premium connected with the non-fulfilment risk;

13. Cash and cash equivalents - 14,099

Breakdown	Financial statement values Dec. 31st, 2012	Increases/ decreases	Financial statement values Dec. 31st, 2013
Bank deposits: - demand deposits	14,725	(663)	14,062
	14,725	(663)	14,062
Cash on hand	14	23	37
Total	14,739	(640)	14,099

Cash and cash equivalents as of December 31st, 2013 respectively refer to the parent Isagro S.p.A. for € 6,685 thousand, the subsidiaries for € 6,242 thousand and the joint ventures for € 1,172 thousand.

The value is substantially in line with the previous year.

Demand deposits are floating-rate deposits. The average interest rate on bank and foreign currency deposits of the Group as of December 31st, 2013 was 0.23% per year.

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.

14. Equity attributable to owners of the parent – 65,222

The breakdown and changes of Group shareholders' equity are explained in the "2013 Statement of changes in consolidated equity".

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

The item "Reserves", amounting to € 26,200 thousand, comprises:

- Share premium reserve		23,970
- Translation difference		(10,657)
- Non-distributable reserves		2,516
- Other reserves		
* merger surplus	7,023	
* legal reserve	3,510	
* treasury shares	(162)	
		10,371
- Total		26,200

The "share premium reserve" is recognised net of the costs incurred by the parent in relation with the share capital increase carried out in previous periods. These costs, net of the tax effect of € 951 thousand, amount to € 1,698 thousand.

The item "unavailable reserves" refers to a reserve created at the time of allocating the profit for the year 2011 by the parent Isagro S.p.A., pursuant to paragraphs 1 and 2 of art. 6 of Italian Legislative Decree no. 38 dated February 28th, 2005, set a limit on the distribution of the portion of profit attributable to the unrealised gain from the contribution of a business unit into ISEM S.r.l. in 2011.

"Treasury shares" refer to the expense incurred during the previous years by the parent to purchase 50,000 treasury shares.

The negative change in "Translation difference", equal to € 4,304 thousand, is to be attributed mainly to the depreciation of the Indian rupee against the Euro.

The decrease in "Retained earnings", € 96 thousand, refers to the actuarial losses of the defined benefit plans (see note no. 16) recognised to the "Other comprehensive income components" net of their tax effect.

15. Current and non-current financial payables – 71,067

Current financial payables - 70,942

Non-current financial payables - 125

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

Breakdown	Financial statement values Dec. 31st, 2012	Increases/ decreases	Financial statement values Dec. 31st, 2013
Current financial payables:			
- banks	49,481	(114)	49,367
- other lenders	17,912	3,518	21,430
- obligations under finance leases	161	(16)	145
	67,554	3,388	70,942
Non-current financial payables:			
- banks	13,309	(13,309)	0
- other lenders	630	(630)	0
- obligations under finance leases	242	(117)	125
	14,181	(14,056)	125
Total	81,735	(10,668)	71,067

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

Breakdown	Amount	actual average interest rate %	maturity
- loans from parent companies	8,806	6.34%	on request
- import financing	17,419	4.88%	on request
- export financing	8,346	4.57%	on request
- accounts receivable financing	13,888	3.99%	on request
- stand-by and revocable lines of credit	1,248	3.75%	on request
- EIB loan	21,090	5.44%	(*)
- obligations under finance leases	270	5.75%	2015
Total	71,067		

(*) the characteristics of the loan given by the EIB are described hereunder

The average interest rate on short-term bank loans (in Euro, US Dollars, Brazilian Reals, Indian Rupees and Colombian Pesos), except for financial leases, is approximately 5%.

Financial payables decreased by € 10,668 thousand primarily as a consequence of the repayment of some loans granted to the parent Isagro S.p.A. by banks and factoring companies during the year.

On July 15th, 2013 the European Investment Bank (EIB) disbursed a second € 7,500 thousand tranche of a medium to long-term loan after Banca Popolare di Sondrio issued a guarantee. The first tranche, € 15,000 thousand, was disbursed in the first half of 2012. The amount of the last disbursement was stated net of accessory costs and commissions for a total of € 141 thousand. This loan, granted to support an Isagro Group research, innovation and development investments programme, has a maximum lifetime of six years, a pre-amortisation period of 18 months and quarterly repayments of the principal at a constant rate. It should be noted that on November 15th, 2013 the parent Isagro S.p.A. repaid the first instalment of the first tranche of the loan, including the accrued interest, for a total of € 842 thousand, while the first instalment of the second tranche will be repaid starting from January 15th, 2015. Interest at the three-month EURIBOR rate + 1.144% spread accrue on the first tranche of the loan, while interest at the three-month EURIBOR rate + 0.74% spread accrue on the second tranche. The average rate of the year was 5.44%. The agreement also provides for compliance with financial requirements (covenants) that are described below. The banks BNL - BNP Paribas Group and Banca Popolare Commercio & Industria (UBI Banca Group) and SACE issued a guarantee of € 5,750 thousand each to the European Investment Bank to grant the

first tranche of the above-mentioned loan, whereas Banca Popolare di Sondrio issued a guarantee of € 8,437 thousand to the E.I.B. to grant the second tranche of the same loan.

In addition to the conditions described above, the loan provides for mandatory early settlement if any one of the following occurs:

- decrease in the total cost of the research project of an amount that makes the loan more than 50% higher than the actual cost of the project. In this case, the parent Isagro S.p.A. shall repay the difference between the ratio of total debt to the actual cost of the project and the aforesaid 50%;
- total or partial voluntary early repayment of a loan with a duration of more than 3 years. In this case, the E.I.B. has the right to require the parent Isagro S.p.A. to repay a fraction of the debt outstanding on the loan equal to the ratio of the amount settled early to the total amount of the loans entered into for more than 3 years and still being repaid at the time of the early settlement;
- changes in the control of the parent Isagro S.p.A. and the joint-venture ISEM S.r.l. In this case, the EIB can claim early repayment of the entire residual loan, including accrued interest and any other sum due;
- changes in any law, directive, provision, or regulation that may substantially prejudice the ability of the parent Isagro S.p.A. or its subsidiaries to meet the obligations under the loan, or that prejudice the value, the entity, or the effectiveness of the guarantees given; in this case, the E.I.B. may require the early repayment of the entire debt outstanding, including the interest accrued and any other amount due.

The parent Isagro S.p.A. and its subsidiaries have an obligation with the E.I.B. not to transfer, lease out, dispose of, and/or sell all or part their own major property or assets. The parent Isagro S.p.A. also has an obligation with the E.I.B. under which it and its subsidiaries shall distribute dividends only if a consolidated profit and/or profits of the individual companies for the year are achieved. Furthermore, any dividends distributed starting from the year 2012 must not be higher than 50% of the sum of net consolidated profits achieved starting from the year 2011 and starting from the year 2014, this value must not be higher than 40% of the sum of net consolidated profits achieved starting from the year 2013, except for the income coming from the disposal of intangible assets.

In addition, if the parent Isagro S.p.A. or its subsidiaries hold mortgages, pledges or guarantee rights on their own assets without the prior consent of the E.I.B., the E.I.B. will have the right to terminate, entirely or in part, the loan agreement through notice of default of the defaulting party and only after a reasonable period within which no remedy to solve the non-fulfilment is implemented has elapsed; as a result, the loan would become due in advance. Since the parent Isagro S.p.A. gave a quantity of 80 tons of technical Tetraconazole as collateral to Arysta LifeScience Col, Ltd. by giving a pledge on the goods to protect against any non-fulfilments of the "Licence, development, distribution and supply" agreement between the two companies (see note no. 23), the entire amount of the medium to long-term loan (€ 17,892 thousand) was reclassified to current payables. Indeed, the accounting standard IAS 1 §74 states that when an entity violates a clause of a medium to long-term loan agreement at the end date or before the end date of the year, it must classify the liabilities as current, even if the lender afterwards agrees to not request

payment as a consequence of the breach. Isagro therefore reclassified the amount, as described above, since the contract covering the E.I.B. loan requires that in case of breaches, any collectability of the lent sums be in turn bound on the one hand to a formal dunning of the company and, on the other, to the fact that once a reasonable period of time granted to the creditor to remedy the breach has elapsed, the creditor has been unable to remedy said breach. Essentially, the reclassification is required because the entity does not have an unconditioned right to postpone its settlement for at least twelve months from that date. It is also pointed out that on March 14th, 2014 the parent Isagro S.p.A. obtained a waiver with immediate effect from the E.I.B. Nevertheless, if the bank does not receive a formal consent in writing from the parties guaranteeing the loan by March 20th, 2015, the waiver will be considered rescinded with retroactive effect.

The values of the outstanding debt as of December 31st, 2013 concerning the two tranches of the E.I.B. loan are summarised in the table below.

Amounts in thousands of Euro	
Loan granted by the European Investment Bank with a duration of 6 years, an interest rate of three-month EURIBOR + 1.144% spread, and quarterly payments starting from 2013	13,684
Loan granted by the European Investment Bank with a duration of 6 years, an interest rate of three-month EURIBOR + 0.74% spread, and quarterly payments starting from 2015	7,406

Financial payables to other lenders include:

- € 12,624 thousand in payables to factoring companies regarding loan transaction and non-recourse assignment of credit;
- € 8,806 thousand regarding a loan that the indirect parent BasJes Holding S.r.l. granted to the parent Isagro S.p.A. on October 22nd, 2013, on which interest at the five-month EURIBOR rate + 6% spread accrues until March 31st, 2014 and after that date at the three-month EURIBOR rate + 6% spread; this loan, whose original maturity was March 31st, 2014, was extended until December 31st, 2014 and can be repaid early without any extra charge.

  "Obligations under finance leases" refers to the residual payable to the company Solvay Specialty Polymers Italy S.p.A. in connection with the fees to pay for 36 months for use of a tank for its entire useful life. In accordance with IAS 17 and IFRIC 4, this transaction is classified as a finance lease.

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

Loan currency	Amount in thousands of Euro	Amount in foreign currency (thousands)	Actual average interest rate %
Euro	56,303	56,303	5.22%
US Dollars	14,454	19,930	4.02%
Brazilian Real	32	103	28.00%
Colombian Pesos	278	741,783	9.50%
Total	71,067		

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

	Payables broken down by maturity						
	Within 1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
Payables due to banks: - floating rate	49,367	0	0	0	0	0	49,367
Total Payables due to banks	49,367	0	0	0	0	0	49,367
Payables due to other lenders - floating rate	21,430	0	0	0	0	0	21,430
Total Other lenders	21,430	0	0	0	0	0	21,430
Obligations under finance leases - fixed rate	145	125	0	0	0	0	270
Total obligations under finance leases	145	125	0	0	0	0	270
Total	70,942	125	0	0	0	0	71,067

Current payables due to banks and other lenders as of December 31st, 2013 include the current portion of the medium/long term loans, amounting to € 21,739 thousand.

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

Bank	Nominal amount of the loan	Residual amount of the loan	Covenants	Effects
E.I.B.	Euro 22,500	Euro 21,711	A) ratio of consolidated net financial position to consolidated EBITDA: - 2013: less than 5; - 2014: less than 4.5. B) ratio of consolidated net financial position to consolidated equity not greater than 1.50 for each year and until the date the loan has been fully settled	The failure to comply with the two covenants shall result in the termination of the loan and the repayment of all amounts still due including interest.

The assessment of compliance with the above covenants, which is performed annually, did not reveal any criticalities as of December 31st, 2013.

Lastly, it should be noted that, as of December 31st, 2013, the Group has a number of lines of credit outstanding, granted by banks and other financial institutions, totalling € 97,737 thousand (including "trade" facilities for € 81,325 thousand, of which € 42,406 thousand used, and "financial" facilities of € 16,412 thousand, of which € 5,188 thousand used), as shown in the table below:

	Lines of credit	
	Granted	Used
Parent	91,964	43,670
Subsidiaries	5,773	3,924
Total	**97,737**	**47,594**

NET FINANCIAL POSITION

Pursuant to CONSOB Communication no. DEM/6064293/2006 of July 28th, 2006, and also in conformity with CESR Recommendation of February 10th, 2005, the net financial position of the Group as of December 31st, 2013 was as follows:

	Dec. 31st, 2013	Dec. 31st, 2012
Bank deposits and cash	(14,099)	(14,739)
Cash (A)	**(14,099)**	**(14,739)**
Current financial receivables due from joint ventures	0	(575)
Current financial receivables due from others	0	(118)
Other current financial assets	(37)	(515)
Current financial receivables and other assets (B)	**(37)**	**(1,208)**
Current payables due to banks	27,773	46,995
Payables due to other current lenders	21,430	17,912
Current portion of non-current financial payables	21,739	2,647
Current financial payables (C)	**70,942**	**67,554**
Net current financial indebtedness (A+B+C)	**56,806**	**51,607**
Non-current payables due to banks	0	13,309
Payables due to other non-current lenders	0	630
Obligations under finance leases	125	242
Non-current financial payables (D)	**125**	**14,181**
Net financial indebtedness as per CONSOB Communication DEM/6064293/2006 (A+B+C+D)	**56,931**	**65,788**
Non-current financial receivables due from joint ventures	0	(629)
Other non-current financial assets	(2,875)	(2,875)
Financial assets - derivatives	(129)	(520)
Financial liabilities - derivatives	3	200
Net financial indebtedness of the Group	**53,930**	**61,964**

Compared to the previous year, the net financial position shows a decrease of € 8,034 thousand. This change, despite investments in the Group intangible assets continued, was made possible by both the collection of the consideration for the disposal of the fungicide IR 5885 (Valifenalate) and the herbicide IR 5878 (Orthosulfamuron), described in note 2, and the collection of the first instalment of the consideration coming from the disposal of the exclusive right to develop mixtures of Tetraconazole, described in note no. 23.

16. Employee Benefits – 3,517

The table below shows the changes in the severance indemnity fund of the Group's Italian companies and of the “Gratuity Fund” of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., classifiable as "post-employment benefits" of the “defined benefit plans” type pursuant to IAS 19:

	Severance Indemnity Fund	Gratuity Fund (pension fund)	Total
Amount as of Dec. 31st, 2012	3,475	17	3,492
Cost of employee benefits	203	91	294
Settlements/transfers/payments	(198)	(66)	(264)
Translation difference	0	(5)	(5)
Amount as of Dec. 31st, 2013	3,480	37	3,517

Information on the Severance Indemnity Fund plan

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

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

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

	2013	2012
- discounting rate:	3.10%	3.30%
- staff turnover rate:	9.5%	9.50%
- rate of inflation:	2.0%	2.0%

The probability of turnover consistent with the historic trend of the phenomenon was used for the staff turnover rate, whereas it was decided to take the rate of return of corporate securities in the Eurozone with rating AA as reference instead of rating A used as at December 31st, 2012 for the discounting rate. The impact of this change on the Group's equity was negligible.

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

	Breakdown
Finance costs for obligation	115
Actuarial (gains)/losses	88
Total	203

Following the changes introduced to IAS 19, starting from January 1st, 2013 the actuarial gains and losses coming from remeasurement of the liabilities were recognised to "Other comprehensive income statement components" and recognised under Group equity in the item "Retained earnings". Actuarial losses for the year, € 88 thousand, include losses for € 97 thousand due to changes in the financial assumptions and profits for € 9 thousand following changes in the demographic assumptions.

Sensitivity analyses on the idea of changing the discounting rate of the obligation, from which it emerged that a parameter increase of half a percentage point would bring about a € 61 thousand decrease in liabilities, while a decrease of half a percentage point in the rate would bring about an increase in liabilities of € 119 thousand.

Information on the "Gratuity Fund" pension fund

The "Gratuity Fund" is a funded defined benefit plan that the Group guarantees to its employees of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt Ltd. The plan requires that the subsidiary pay in the equivalent of 15 days of wages for each year of service for every worker who has completed at least five years of service. The payment is made to a special trust fund that invests the funds received in financial assets with a low risk profile (insurance funds). The obligation recorded to the

financial statements is therefore the net residual obligation for the Group, meant as the difference between current obligation value and the fair value as of the date of the financial statements of the assets serving the plan. If the pension fund is overfunded, an asset for defined benefits is recorded in the consolidated financial statements since the Group has the right to not fund the plan as long as this condition is maintained.

The actuarial valuations were made using the projected unit credit method for this plan as well. The main demographic and financial assumptions used were the following:

	2013	2012
- discounting rate:	9.00%	8.25%
- staff turnover rate:	6.00%	6.00%
- expected wage increase:	8.50%	6.50%
- expected rate of return of the assets serving the plan:	9.00%	8.25%.

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

	Breakdown
Current cost of the plan	42
Net financial charges	1
Actuarial (gains)/losses	48
Total	91

The actuarial losses for the "Gratuity Fund" as well are recognised to "Other comprehensive income statement components" and recognised under Group equity in the item "Retained earnings". Actuarial losses for the year, € 48 thousand, refer to € 24 thousand due to changes in the financial assumptions and € 24 thousand to changes in the demographic assumptions.

The amount recognised to the statement of financial position breaks down as follows:

Current value of the obligation	(500)
Fair value of the assets	463
Surplus (deficit) of the plan	(37)

The following tables then show the changes in the current value of the plan obligation and the fair value of the assets serving the plan:

Current initial value of the obligation	493
Financial charges	37
Current cost of the plan	42
Benefits paid	(40)
Actuarial (gains)/losses	50
Translation difference	(82)
Current final value of the obligation	500

Initial fair value of the assets	476
Financial income expected from the assets	36
Payments made during the year	66
Benefits paid	(40)
Actuarial gains/(losses)	2
Translation difference	(77)
Final fair value of the assets	463

Based on legal requirements, the amount of the payments that the Group must make for this pension fund over the next 12 months is approximately € 57 thousand, while the amount of the benefits to pay outgoing employees, based on the projections and actuarial assumption of the plan, is € 52 thousand.

The Group also participates in the so-called pension funds which fall under post-employment benefits of the "defined contribution plans" type pursuant to IAS 19. In relation to these plans, the Group has no additional monetary obligations once the contributions have been paid.

In 2013, the total costs of such plans, included under "personnel costs", were € 1,071 thousand.

17. Other non-current liabilities - 577

Breakdown	Financial statement values Dec. 31st, 2012	Increases/ decreases	Financial statement values Dec. 31st, 2013
Payables:			
- guarantee deposits from customers	628	(51)	577
- due to tax authorities for substitute tax	266	(266)	0
Total	894	(317)	577

The item "guarantee deposits from customers" reflects the amounts paid by the customers of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. as guarantee for the performance of the obligations connected to sale and purchase agreements for agrochemicals.

The payables "due to tax authorities for the substitute tax" refer to the share of the third and last substitute tax instalment calculated based on the difference between the carrying amount of intangible assets contributed into the joint-venture ISEM S.r.l. in 2011 and their tax base. It was credited to the income statement under the item "Income taxes" as it is no longer due after the products IR 5885 and IR 5878 were transferred.

Since these transfers, described in note no. 2, were finalised before the deadlines set out in Art. 176 of the Consolidation Act on Income Taxes had elapsed, i.e. four years from the date of transfer, the effects of the sheltering the joint venture made in order to align the statutory and tax amounts of the transferred assets were lacking, thus causing on the one had taxation of the difference between the two values at the ordinary rate, and on the other not only the need to not settle the payable described above, but also the emergence of a receivable of € 607 thousand from the tax authorities for payments of the two substitute tax instalments regarding the sheltering, which were made in 2012 and 2013. The joint venture recognised this receivable to partial deduction of the tax payable that arose following taxation of the capital gains connected with transfer of the two molecules described above.

18. Trade payables – 30,212

The decrease in trade payables compared to the previous year (€ 33,183 as of December 31st, 2012) can be attributed to (a) the reduction in the purchases of raw materials and finished goods (see note no. 26), (b) the reduction in the turnover and scheduled production volumes, and (c) depreciation of the Indian rupee.

For the total trade payables due to related parties, reference should be made to note no. 42.

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

Italy	18,077
Other European countries	2,333
Central Asia and Oceania	5,450
Americas	4,221
Far East	10
Middle East & Africa	121
Total	30,212

It should be noted that trade payables have an average contractual maturity of approximately 95 days.

The trade payables are due within the following year.

19. Current provisions – 3,356

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

Breakdown	Financial statement values Dec. 31st, 2012	Changes during the year				Financial statement values Dec. 31st, 2013
		Translation difference	Provisions	Uses	Total change	
Current provisions:						
- provision for restoration costs	530	0	0	(518)	(518)	12
- provision for legal proceedings risks	0	0	50	0	50	50
- provision for price adjustment risks on disposal of equity investments	0	0	600	0	600	600
- provision for goods destruction and disposal of obsolete materials	287	0	6	(148)	(142)	145
- provision for mobility and voluntary severance package costs	0	0	1,075	0	1,075	1,075
- provision for employee participation bonus and manager/director bonuses	549	(10)	1,481	(546)	925	1,474
Total	1,366	(10)	3,212	(1,212)	1,990	3,356

As for the composition of current provisions, it should be noted that:

- the “provision for restoration costs” refers to the restoration of a portion of the land where the Paganica (Province of L'Aquila) industrial complex, sold in 2007, was located;
- the “provision for price adjustment risks on disposal of equity investments” refers to the assumed loss concerning the guarantee granted in the sale of the equity investment in the company Isagro Italia S.r.l. (today Sumitomo Chemical Italia S.r.l.), fully described in note no. 37 to which you are referred;
- the provision for “destruction of goods and disposal of obsolete material” essentially refers to the costs the parent Isagro S.p.A. will incur for the disposal of obsolete materials, necessary to improve logistical and storage conditions at the industrial complex in Aprilia;
- the provision for “mobility and voluntary severance package costs” refers to the costs connected with a mobility procedure that the parent Isagro S.p.A. will incur over a 24-month

period, and hence by December 31st, 2015, following a corporate restructuring and reorganisation operation (see note no. 30).

Note that these provisions will be used in full by the end of 2014, except for the provision for "mobility and voluntary severance package costs" that will most likely be partially used during 2015.

20. Tax payables – 1,651

	Financial statement values Dec. 31st, 2012	Increases/ decreases	Financial statement values Dec. 31st, 2013
Tax payables:			
- due to tax authorities for direct taxes	2,082	(431)	1,651
	2,082	(431)	1,651

The item includes the payable due to the tax authorities for income taxes and IRAP, for € 1,417 thousand, and the tax payables of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.

21. Other current liabilities and other payables – 4,479

Breakdown	Financial statement values Dec. 31st, 2012	Increases/ decreases	Financial statement values Dec. 31st, 2013
Payables:			
- due to social security and welfare institutions	1,164	16	1,180
- due to agents and canvassers	25	25	50
- due to employees	1,119	311	1,430
- due to tax authorities for VAT and similar taxes	109	(15)	94
- due to tax authorities for withholdings and other taxes	1,009	(316)	693
- advances from customers	124	74	198
- due to others	616	(113)	503
	4,166	(18)	4,148
Deferred income	261	70	331
Total	4,427	52	4,479

The financial statement value is essentially in line with the values as of December 31st, 2012.

Payables due to employees refer to payables for annual leave accrued and not taken, additional monthly pays and expenses, in addition to the payable of € 486 thousand as voluntary severance package to pay to several employees of the parent Isagro S.p.A. in connection with the corporate restructuring operation described in note no. 30.

The decrease of the item "due to tax authorities for withholdings and other taxes" is basically due to the payment of the second substitute tax instalment regarding the tax sheltering operation described in note no. 36, made by the joint venture ISEM S.r.l.

22. Segment reporting

As already mentioned, the Isagro Group identified its operating segments pursuant to IFRS 8 in the geographic areas from which the Group may earn revenues and incur expenses, whose results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources

to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

- Europe
- Asia
- North America Area
- South America

The Group assesses the performance of its operating segments on the basis of "Operating result"; the revenue of the above segments include the revenue deriving from transactions with both third parties and other segments, measured at market prices. In the Group's ordinary course of business, finance income and costs and the tax expense are recognised by the corporate entity, because they are not related to operating activities: therefore, they are not allocated to the individual segments.

The table below shows the operating results of the operating segments for the year 2013:

2013	**Continuing operations**					
	Area Europe	**Area Asia**	**Area North America Area**	**Area South America Area**	**Adjustments**	**Total**
- Agrochemicals	85,813	27,250	5,165	4,645	0	**122,873**
- Other	16,904	0	0	0	0	**16,904**
Revenue from third parties	**102,717**	**27,250**	**5,165**	**4,645**	**0**	**139,777**
Intra-segment revenue	2,285	8,049	0	397	(10,731)	0
Revenues	**105,002**	**35,299**	**5,165**	**5,042**	**(10,731)**	**139,777**
Operating result	**1,536**	**4,400**	**(1,333)**	**703**	**(15)**	**5,291**
Financial charges						**(4,992)**
Profits/losses from associates	10					**10**
Pre-tax profit (loss)						**309**
Income taxes						**(4,038)**
Profit/(loss) for the year of *Continuing operations*						**(3,729)**
Net result of *Discontinued operations*						**(600)**
Net profit (loss)						**(4,329)**
Amortisation /depreciation	8,417	747	10	213	0	**9,387**
Impairment of fixed assets	162	0	0	0	0	**162**
Allocations to provisions	3,122	9	62	19	0	**3,212**
Impairment losses on receivables	150	112	4	0	0	**266**
Severance indemnity fund and similar provisions	115	43	0	0	0	**158**
Non-recurring revenue/(costs) included in operating result	(428)	0	0	0	0 0	**(428)**

The table below shows the operating results of the operating segments for the year 2012:

2012 restated (*)	Continuing operations					
	Area Europe	Area Asia	Area North America Area	Area South America Area	Adjustments	Total
- Agrochemicals	92,501	25,244	17,131	5,198	0	**140,074**
- Other	9,250	0	0	0	0	**9,250**
Revenue from third parties	**101,751**	**25,244**	**17,131**	**5,198**	**0**	**149,324**
Intra-segment revenue	10,534	11,578	0	515	(22,627)	0
Revenues	**112,285**	**36,822**	**17,131**	**5,713**	**(22,627)**	**149,324**
Operating result	**460**	**3,851**	**2,046**	**933**	**498**	**7,788**
Financial charges						**(5,185)**
Profits/losses from associates	0					**0**
Pre-tax profit (loss)						**2,603**
Income taxes						**(2,204)**
Net profit (loss)						**399**
Amortisation /depreciation	9,194	995	9	84	0	**10,282**
Impairment of fixed assets	983	0	0	0	0	**983**
Allocations to provisions	820	11	114	40	0	**985**
Impairment losses on receivables	470	40	0	9	0	**519**
Severance indemnity fund and similar provisions	150	110	0	0	0	**260**
Non-recurring revenue/(costs) included in operating result	1,422	0	0	0	0	**1,422**

(*) the 2012 data were redetermined as required by IAS 1 after the amendment to IAS 19 was applied starting on January 1st, 2013 (retrospectively). For more details, please refer to the paragraph, "Standards and interpretations applied starting from January 1st, 2013". As indicated in the paragraph "Basis of presentation", € 1,000 thousand was also reclassified from the item "Other operating revenues" to the item "Revenues".

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

	2013	2012 restated (*)
Italy	23,960	31,708
Europe	28,832	32,685
Americas	41,309	50,589
Africa	3,761	3,812
Middle East	1,583	2,896
Central Asia and Oceania	21,555	19,922
Far East	18,777	7,712
Total	**139,777**	**149,324**

(*) as indicated in the paragraph "Basis of presentation", € 1,000 thousand was also reclassified from the item "Other operating revenues" to the item "Revenues".

Intragroup transactions were carried out at arm's length.

Sales in the "North America" segment decreased compared to the previous year due to lower sales of agrochemicals by the North American subsidiary Isagro USA Inc. to the distributor Valent after the distribution agreement with this operator ended due to the alliance with the US company Gowan. A decrease in sales in the "Europe" segment is also noted. This is due to a heavy drop in the consumption of fungicides, brought about by the carried over effect of the considerable drought that marked the summer of 2012.

The operating profit of the "Europe" segment was influenced by both non-recurring income relating both to non-recurring income from the transfer of rights and intangible assets by the joint venture

ISEM S.r.l. (€ 1,249 thousand) and non-recurrent costs relating to corporate restructuring and reorganisation costs of the parent Isagro S.p.A. (€ 1,677 thousand); please refer to notes no. 25 and 30 for a more detailed description;

The tables below show the segments' assets and liabilities, as well as investments in property, plant and equipment and intangible assets, as of December 31st, 2013 and December 31st, 2012:

As of Dec. 31st, 2013	Continuing operations					
	Area Europe	Area Asia	Area North America Area	Area South America Area	Adjustments Eliminations	Total
Segment assets	126,747	24,204	8,237	3,534	(11,762)	150,960
Investments in associates and JV	205	0	0	0	0	205
Unallocated assets						31,105
						182,270
Segment liabilities	34,247	9,365	4,450	1,107	(7,815)	41,354
Unallocated liabilities						75,694
						117,048
Investments in Intangible Assets	7,483	0	1,069	28	0	8,580
Investments in Property, Plant and Equipment	1,638	122	10	38	0	1,808

As of Dec. 31st, 2012	Continuing operations					
	Area Europe	Area Asia	Area North America Area	Area South America Area	Adjustments Eliminations	Total
Segment assets	145,744	30,391	8,770	3,360	(20,684)	167,581
Investments in associates and JV	195	0	0	0	0	195
Unallocated assets						35,449
						203,225
Segment liabilities	42,210	7,175	8,432	890	(16,728)	41,979
Unallocated liabilities						87,295
						129,274
Investments in Intangible Assets	8,334	0	266	1	0	8,601
Investments in Property, Plant and Equipment	3,549	428	12	27	0	4,016

Segment assets include non-current assets, inventories, trade and other receivables, while tax and financial receivables, equity investments and cash are excluded; those were recognised as "Unallocated assets." Tax and financing liabilities are excluded from segment liabilities and are recognised as "Unallocated liabilities."

The decrease in assets of the "Europe" segment compared to the previous year is basically due to the decrease in intangible assets of the joint venture ISEM S.r.l. following the transfer of the molecules IR 5878 and IR 5885, described above.

INFORMATION ON THE INCOME STATEMENT

23. Revenues – 139,777

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

Breakdown	2013			2012		
	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL
Revenue from sales of:						
- agrochemicals	20,635	102,238	122,873	27,289	112,785	140,074
- raw materials	54	5	59	225	79	304
	20,689	102,243	122,932	27,514	112,864	140,378
Revenue from services:						
- processing fees	2,875	3,219	6,094	3,463	3,684	7,147
- product defending and development	308	44	352	599	0	599
- royalties, licences and similar rights	0	10,172	10,172	0	1,000	1,000
- other	88	139	227	132	68	200
	3,271	13,574	16,845	4,194	4,752	8,946
Total	23,960	115,817	139,777	31,708	117,616	149,324

Compared to the previous year, this item recorded a decrease of € 9,547 thousand.

This decrease is the result of the carried over effect of the considerable drought that struck most of the geographic areas where the Group operates during the summer months of last year, and that caused the consumption of fungicides to drop sharply in 2012. Indeed, since Isagro distributes directly in only four countries and through third-party distributors in the others, in 2013 it did not benefit from the revival of orders farmers gave to the domestic distributors. These distributors initially handled this revival of orders by drawing from the stocks existing at the beginning of the year. The lack of sales to the distributor Valent in the USA after the distribution agreement with this operator terminated subsequent to the alliance with the North American company Gowan should also be noted.

Work performed for customers also dropped, essentially because an important customer decided to internalize the formulation of a product previously done at the Aprilia plant.

The revenue from product defending and development refers to the share of research services rendered to the joint venture ISEM S.r.l..

"Royalties, licenses and similar rights", which in 2012 comprised € 1 million in income from royalties paid by the company Makhteshim Chemical Works Ltd to the parent Isagro S.p.A. for the right to exploit the know-how regarding the product Kyralaxyl (IR6141) for seed treatment, in 2013 refers for € 10 milion to an up-front payment that the company Arysta LifeScience Co., Ltd. paid to the parent Isagro S.p.A. On November 8th, 2013 Isagro S.p.A. and Arysta LifeScience Co., Ltd. signed a 15-year licence, development, distribution and supply agreement, through which Isagro transferred the right to develop, on an exclusive and global basis, mixtures between Tetraconazole (Isagro proprietary fungicide) and Fluoxastrobin (Arysta LifeScience proprietary fungicide) to the Japanese company. Furthermore, Arysta LifeScience obtained the exclusive access of Tetraconazole for the USA and Canada to develop mixtures for leaf application on certain crops, together with the extension of its exclusive rights for Tetraconazole in Japan. Under this contract, Isagro will also ensure registration support for the development of these mixtures, which however will not lead to Isagro's residual involvement in the activities transferred in so far as it will be primarily made up of

making pre-existing studies and know-how available. Isagro will also supply Tetraconazole on an exclusive basis to Arysta LifeScience for the entire term of the contract.

With reference to the part of the 15-year agreement concerning the supply of Tetraconazole, 80,000 kg of technical Tetraconazole of which Isagro still holds ownership was stored at the warehouse of the French Arysta LifeScience plant to protect it in so far as it has the reasonable requirement - for contracts of such a long period - to ensure itself an adequate "safety reserve" to guarantee ordinary functioning of the supply agreement in question.

The contract provides that one part of the consideration, whose current value Isagro calculated at € 10 million by discounting back the expected future cash flows at the rate of 6% that the parties agreed to, be paid in annual instalments. The first, € 5 million, was collected in December 2013, and the remaining five annual instalments (€ 1 million each plus accrued interest) will be paid in the period 2014-2018.

The contract also provides that Arysta LifeScience is not required to pay the remaining instalments if one of the following events should occur. In Isagro's opinion, the probability of them occurring is extremely remote.

1) Isagro is unable to meet the supply obligations set out in the above-mentioned contract and/or in one of the side agreements regarding the exclusivity in Arysta LifeScience's distribution of Tetraconazole-based products and mixtures of Tetraconazole-based mixtures in certain countries within 120 days from the date the products are ordered;
2) Isagro renegotiates its debt for an aggregate amount higher than € 40 million;
3) Isagro becomes insolvent, is no later able to pay its debts at maturity or is subject to insolvency proceedings (voluntarily or involuntarily);
4) assets owned by Isagro or one of its subsidiaries are attached or undergo similar proceedings for insolvency for an amount higher than € 40 million, unless this procedure is revoked within 30 days or the creditor waives its claim within 30 days;
5) an event or circumstance that affects Isagro's ability to carry on its activity and therefore to fulfil its obligation set out in the above-mentioned contract;
6) After a "cause of force majeure" occurs, Isagro is unable to fulfil its supply obligations within 180 days from the date the products are ordered;
7) the contract is terminated following any event that does not fall within the case of default of the company Arysta LifeScience;
8) Isagro violates the exclusivity agreement granted to Arysta LifeScience in connection with Tetraconazole and the Tetraconazole mixtures.

Although it is a contract that provides for the execution of several obligations, Isagro has ascertained that:

1) Isagro's subsequent obligations (registration activities) will entail a negligible commitment, also in terms of correlated costs, and therefore, also in light of the term of the contract, it can be said that there was a substantial transfer of the risks and benefits connected with the licence to Arysta LifeScience;
2) Tetraconazole will be supplied at prices essentially in line with those applied to other distributors, purchased quantities being equal;

3) the occurrence of the aforementioned events connected with the right to cancel the extended payment can be considered somewhat remote.

Therefore, in light of what has been explained above, the agreed-to discounted consideration of € 10 million was recognised in its entirety in 2013 as it is considered once and for all purchased and unrepeatable.

Lastly, please note that the company Arysta LifeScience Co., Ltd. holds 4% interest in Holdisa S.r.l., parent of the parent Isagro S.p.A. The counterparty, however not falling within the definition of related party, was not explained in note no. 42.

With regard to the total revenues from related parties, please refer to this note.

24. Other operating revenues – 2,869

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

Breakdown	2013	2012
Grants related to R&D expenditure	0	74
Recovery of research costs	1,300	2,485
Export incentives	311	265
Insurance compensation	601	22
Recovery of sundry costs and other income	657	641
Total	2,869	3,487

"Recover of research costs" refers to € 1,200 thousand for the recovery of 50% of costs incurred by the parent Isagro S.p.A. on behalf of the American company FMC Corporation under the terms of the agreement signed between the two companies for the co-development of a new fungicide. In the previous year this item included € 581 thousand in fees paid by third-party companies to access the scientific data relating to the Group's proprietary toxicological dossier in addition to the above-mentioned recovery of costs on behalf of the US company FMC Corporation (€ 1,145 thousand).

The parent Isagro S.p.A. received an indemnity of € 600 thousand to cover the damage caused by the use of a raw material proving non-compliant in the production process from the insurance company of the supplier Makhteshim Chemical Works Ltd. during the year.

25. Other non-recurring revenues – 1,249

The joint venture ISEM S.r.l. transferred all rights and assets concerning the fungicide Valifenalate (IR 5885) to the Luxembourg company Belchim Crop Protection Luxembourg Sarl against a total consideration of € 18,500 thousand (€ 9,250 thousand proportional portion) on April 11th, 2013. The capital gains generated from this transfer totalled € 55 thousand (€ 28 thousand proportional portion).

On October 16th, 2013 the joint venture ISEM S.r.l. also transferred all rights and assets (patents, know-how and registrations) concerning the proprietary herbicide Orthosulfamuron (IR 5878) to the Japanese company Nihon Nohyaku Co., Ltd. against a total consideration of € 19,600 thousand (€ 9,800 thousand proportional portion). The capital gains generated from this transfer, on the consolidated level, totalled € 1,221 thousand, calculated considering both the reversal of the values

of the intangible assets (€ 7,982 thousand consolidated proportional portion) and the reversal of the goodwill portion pertaining to this product (€ 597 thousand proportional portion).
The item of year 2012, € 1,952 thousand, referred to an extraordinary consideration paid by the US company FMC Corporation by way of contribution for the prior research activity conducted by the parent Isagro S.p.A. in connection with the fungicide SDHi, presently co-developed by the two companies.

26. Raw materials and consumables used – 72,167

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

Breakdown	2013	2012
For raw and ancillary materials, consumables and goods:		
- raw materials, packaging and agrochemicals	68,163	85,347
- technical materials	506	736
- materials for research activities	178	248
- change in inventories of raw and ancillary materials, consumables and goods	3,062	(738)
- other	258	258
Total	72,167	85,851

The decrease of the item compared to the previous year, € 13,684 thousand, is basically connected with the decreased sales of crop protection products, described in note no. 23, and hence to the smaller volumes of production planned for the year, also considering the high value of the stock at the beginning of the year that was created by the drought of the previous year.
For the total amount of purchases from related parties, please refer to note no. 42.

27. Costs for services – 24,204

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

Breakdown	2013	2012
For services:		
- utilities	4,405	5,034
- technical maintenance	1,180	1,253
- transport and related purchase and sale transaction costs	4,318	5,058
- third-party processing	1,938	2,350
- consulting and professional services	2,710	2,966
- services connected to research	1,341	1,864
- information system	366	287
- marketing costs	2,144	2,114
- leases and rents	1,455	1,266
- lease expense	1,117	1,196
- provision for director bonuses	174	0
- allocation to provision for the destruction of goods	6	0
- other services	3,050	3,606
Total	24,204	26,994

The € 2,790 thousand decrease of this item with respect to the previous year is essentially due to:

- ✓ the lower utilities costs for € 629 thousand as the direct consequence of stopping the activity of the Adria, Aprilia and Bussi sul Tirino production sites by the parent Isagro S.p.A. for one quarter with the aid of the government-subsidised ordinary temporary redundancy scheme

(CIGO, Cassa Integrazione Guadagni a regime Ordinario) after the turnover for the year dropped;

- ✓ a € 1,152 thousand decrease of both transport costs (€ 740 thousand) and processing costs (€ 412 thousand) correlated with the above-mentioned decrease in turnover.

For the total amount of costs for services from related parties, please refer to note no. 42.

28. Personnel costs – 26,754

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

Breakdown	2013	2012
Personnel costs:		
- wages and salaries	16,937	16,732
- social security charges	4,818	4,762
- employee benefits	42	109
- pension funds	1,071	1,079
- provision for bonuses	1,307	552
- costs for employee services	2,062	2,154
- costs for early retirement incentives	19	6
- other costs	498	399
Total	26,754	25,793

The item is substantially in line with the previous year.

Following the revision of accounting standard IAS 19 - Employee benefits, which involved several amendments in the recognition of actuarial profits and losses regarding the defined benefit plans, the actuarial components regarding these plans are no longer recognised to the income states starting from January 1st, 2013, but instead to the statement of comprehensive income, with the consequent entry in the Group's equity.

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

	Average for the year	As of Dec. 31st, 2012	As of Dec. 31st, 2012
- executives	54	54	53
- middle management	129	127	134
- white-collar workers	318	320	307
- special qualifications	7	7	9
- blue-collar workers	117	109	117
TOTAL	**625**	**617**	**620**

29. Other operating costs – 4,326

The composition of the item is described in the following table:

Breakdown	2013	2012
- capital losses on disposal of assets	40	14
- impairment losses on receivables	197	493
- provision for legal proceedings risks	50	0
- indirect, production and manufacturing taxes	3,246	2,696
- other operating costs	793	584
Total	4,326	3,787

The item "indirect, production and manufacturing taxes" includes € 2,383 in consumption and manufacturing taxes paid by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.

30. Other non-recurring costs – 1,677

The item refers to the voluntary severance package costs associated with a mobility procedure that the parent Isagro S.p.A. incurred (€ 602 thousand) and will incur (€ 1,075 thousand) over a 24-month period, and hence by December 31st, 2015, following a corporate restructuring and reorganisation operation at the Milan offices and the industrial sites of Adria, Aprilia and Bussi sul Tirino for a total of 45 units (including management).

The costs to be borne in the years to come will be allocated to the item "Current provisions".

31. Change in inventories of finished products and work in progress - (3,533)

The negative € 3,533 thousand change in product inventories, calculated net of the provision for inventory obsolescence, was calculated as follows:

- Net inventories as of January 1st, 2013	(28,608)
- Translation difference	958
- Net inventories as of December 31st, 2013	24,117
- Total change	(3,533)

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

32. Costs (capitalised) for other work - 3,606

The item is basically in line with the value of the previous year and refers to the capitalisation of personnel costs, overheads and consumption of technical material, amounting to € 3,205 thousand, and finance costs, amounting to € 401 thousand, related to extraordinary defending costs, development expenditure, and expenses for the registrations of the Group's new products.

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

33. Depreciation and amortisation – 9,387

Depreciation of tangible assets – 3,965
Depreciation of intangible assets – 5,422

Breakdown	2013	2012
Depreciation of tangible assets:		
- buildings:	810	802
- plant and equipment	2,593	2,682
- industrial and commercial equipment	272	313
- furniture and fittings	57	62
- motor vehicles	48	49
- office equipment	185	184
	3,965	4,092
Amortisation of intangible assets:		
- development expenditure	2,143	2,140
- know-how	1,687	2,329
- patents, licenses, trademarks and registration	1,297	1,405
- other	295	316
	5,422	6,190
Total	9,387	10,282

The decrease in this item compared to last year was basically caused by the lesser amortisation made concerning know-how and registration after the fungicide IR 5885 (Valifenalate) and the

herbicide IR 5878 (Orthosulfamuron) were transferred by the joint venture ISEM S.r.l., described in note no. 2.

34. Impairment of fixed assets – 162

During the current year the Group recognised a € 162 thousand impairment loss on costs for development and patents concerning several projects that proved to be uneconomical to complete.

35. Net financial charges – 4,992

Breakdown	2013	2012
Gains/losses on financial assets/liabilities at fair value through profit or loss:		
- Gains/losses on derivative instruments:		
commodities	(160)	225
exchange rates	(260)	(258)
interest rates	0	(23)
	(420)	(56)
- fair value adjustments of derivatives:		
commodities	3	(27)
exchange rates	125	371
interest rates	0	20
	128	364
- Gains on assets held for trading:		
securities and mutual funds	216	65
	216	65
	(76)	373
Interests income/expense on financial assets/liabilities not designated at fair value:		
- interest income on bank deposits	42	32
- interest income on loans	14	102
- interest and fees paid to banks and other lenders	(4,817)	(5,446)
- interest/financial discounts on trade receivables and payables	(128)	(534)
- finance costs for leases	(19)	(9)
- income/costs from discounting	(56)	(127)
	(4,964)	(5,982)
Other finance income/costs:		
- foreign currency gains/losses	107	658
- other	(59)	(234)
	48	424
Total	(4,992)	(5,185)

The positive change of € 193 thousand compared to the previous year is the result of the combined effect of on the one hand greater losses realised on derivative instruments and, on the other hand, a decrease in interest and fees paid to banks and to other lenders.

In particular, the decrease in interest expense was influenced by the fall in the Group's debt exposure compared to the previous year.

Loans receivable that bore interest during the year are described in note no. 11.

36. Income taxes - 4,038

Breakdown	2013	2012
Consolidated income statement		
Current tax:		
- Income taxes	2,662	2,529
- IRAP	804	559
- use of deferred tax liabilities/deferred tax assets	2,431	1,318
- contingent assets and liabilities	(314)	(71)
	5,583	4,335
Deferred tax assets and liabilities:		
- deferred tax liabilities	446	153
- deferred tax assets	(2,161)	(1,875)
- contingencies and impairment losses on deferred tax assets	170	(409)
	(1,545)	(2,131)
Total income taxes recognised in profit or loss (continuing operations)	4,038	2,204
Other comprehensive income statement components		
Deferred tax assets and liabilities:		
- tax effect on actuarial profit/loss regarding defined-benefit plans	(40)	(68)
	(40)	(68)
Total income taxes recognised in equity (continuing operations)	(40)	(68)

The item "Contingencies" of current taxes specifically include:

- a contingent liability of € 713 thousand of the parent Isagro S.p.A. Based on the income estimates provided in the 2014 - 2018 Business Plan approved by the Board of Directors, the company considered tax credits regarding withholding taxes on some foreign taxes of previous years no longer recoverable;
- a contingent asset of € 873 thousand of the joint venture ISEM S.r.l. In fact, after the parent Isagro S.p.A. transferred the business unit "Innovative herbicides and fungicides" in 2011, the joint venture decided to redeem the greater values assigned in its financial statements to the intangible assets transferred compared to the tax assets by paying a substitute tax in three instalments, pursuant to Art. 176 of the Consolidation Act on Income Taxes. This tax law particularly provides for a four-year period of non-disposal of the redeemed goods. Its breach would result in there being no effects of the redemption, with consequent taxation of the capital gain generated with the disposal on the basis of the tax values of the transferring company. Faced with this capital gain, the joint venture used the prior tax losses in full. As the mentioned tax effects of the redemption were lacking, the joint venture recognised not only the effects of the non-payment of the third scheduled substitute tax instalment (€ 266 thousand), but also the establishment of a credit for paying the previously paid instalments (€ 607 thousand), which was fully used to offset the tax payables of the company.

The item "Use of deferred tax assets/liabilities", equal to € 2,431 thousand, reflects the difference between the use of receivables for deferred tax assets, equal to € 2,511 thousand (€ 385 thousand of which for the use of taxed provisions and € 858 thousand for the use of tax losses) and the use of provisions for deferred tax liabilities, equal to € 80 thousand.

The recognition of deferred tax assets amounting to € 2,161 thousand mainly refers to tax benefits expected from the future use of taxed provisions and tax losses (€ 1,874 thousand), as well as the tax effect of the elimination of intragroup earnings (€ 89 thousand).

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

The taxable profit relating to the theoretical tax rates coincides with the Group's profit before tax (€ 309 thousand).

	INCOME TAXES	IRAP	TOTAL
	Taxes	Taxes	Taxes
Theoretical taxes	85	12	97
- increases	3,664	461	4,125
- decreases	(849)	(89)	(938)
- costs not relevant for IRAP purposes	0	632	632
- effect of changes/differences in tax rates	264	0	264
- contingent assets and other changes	(16)	(126)	(142)
Actual taxes	3,148	890	4,038

"Costs not relevant for IRAP purposes" essentially refer to the Group's employee labour costs and finance costs, since these items are not deductible for the purpose of calculating the regional tax on productive activities paid by the Group's Italian companies.

The recognition of a high tax burden in spite of a modest pre-tax result is due on the one hand to the parent Isagro S.p.A.'s failure to allocate deferred tax assets for € 1,148 thousand (see note no. 6) and to the surfacing of latent tax capital gains in the transfer of the molecules IR 5878 and IR 5885 by the joint venture ISEM S.r.l. described above, and on the other to the tax rates higher than those of the Italian companies, to which the foreign subsidiaries that recorded positive results during the year are subject (in particular Isagro (Asia) Agrochemicals Pvt. Ltd.).

37. Net profit/(loss) from discontinued operations - (600)

The amount recognised on the financial statements refers to the assumed loss concerning the guarantee granted in the sale of the equity investment in the company Isagro Italia S.r.l. by the parent Isagro S.p.A. to the purchasing company Sumitomo Chemical Co. Ltd.

The transfer contract, dating to 2011, provided for an indemnity up to € 2,250 thousand in connection with the solvability of some trade receivables in the portfolio of Isagro Italia (today Sumitomo Chemical Italia S.r.l.) if, within three years from the date of closing the transaction, these receivables were not yet collected.

The purchaser notified the parent Isagro S.p.A. that as of December 31st, 2013 € 1,750 thousand of the above-mentioned receivables had still not been collected. The parties therefore agreed on February 20th, 2014 that Isagro will pay said sum to Sumitomo Chemical Co. Ltd by way of guarantee on the obligation to pay the receivables in question, however establishing that if Sumitomo Chemical Italia S.r.l. should collects these receivables by December 31st, 2018 the purchaser shall be required to return the sum deposited for the corresponding amount to Isagro. As a result both in light of this new addendum to the original contract and on the basis of the communications received from the lawyers of Sumitomo Chemical Italia S.r.l. who are handling collection of the guaranteed receivables, Isagro decided to allocate an amount of € 600 thousand, confident that a part of the paid-in sum will be returned.

The assumed loss connected with the transaction described above was classified in the item "Profit/(loss) for the year of discontinued operations", pursuant to paragraph 35 of IFRS 5, emerging as a price adjustment of the disposal of the equity investment in Isagro Italia (today Sumitomo Chemical Italia S.r.l.) against which a net capital gain of € 8,859 thousand was recognised in the same item of the income statement of the consolidated financial statements as of December 31st, 2011. The balancing entry of the allocation was recognised in the statement of financial position under the item "Current provisions". Lastly, it is reported that the allocation made is not tax deductible as the parent Isagro S.p.A. considers it an adjustment of the capital gain regarding the transfer of an equity investment, the company having subjected in 2011 the income made to a subsidised tax regime (Pex) in that taxes only 5% of the capital gain realised.

38. Distributed dividends

During 2013, the parent Isagro S.p.A. did not distribute dividends.

39. Fair value: measurement and hierarchical levels

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

- Level 1 – prices (not adjusted) quoted on an active market for assets or liabilities to be assessed;
- Level 2 – inputs other than the quoted prices per the previous point, observable directly (prices) or indirectly (derived from prices) on the market;
- Level 3 – inputs not based on observable market data.

The following table shows the assets and liabilities measured at fair value as of December 31st, 2013 broken down by fair value hierarchy level.

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
- financial assets held for trading (securities)	37	-	-	37
- exchange rate derivatives (purchase/sale forward)	-	129	-	129
Total financial assets	**37**	**129**	**-**	**166**
Financial liabilities measured at fair value:				
- exchange rate derivatives (purchase/sale forward)	-	(3)	-	(3)
Total financial liabilities	**-**	**(3)**	**-**	**(3)**

The fair value of the securities held by the parent Isagro S.p.A., described in note no. 11 and included in Level 1, was determined using their prices listed on the market.

As for the techniques for determining the fair value of the derivatives included in Level 2, please refer to note no. 12.

In 2013, there were no shifts between Level 1 and Level 2 of fair value measurements, or from Level 3 to other levels and vice versa.

The fair value of both the receivables from Arysta LifeScience and Isam S.r.l. due after the year and the loans obtained from banks is summarised in the table below. Except for what is described in detail in the table below, in management's opinion the book value of the other assets and liabilities (financial, commercial and other) of the Group is a reasonable approximation of their fair value.

	Book value	Fair value
Receivables and other assets:		
Receivables measured at amortised cost:		
- Receivable from Arysta LifeScience	5,043	5,333
- Receivable from Isam	474	492
Financial liabilities		
Financial liabilities measured at amortised cost:		
- Loans from banks (current and non-current)	49,367	49,903

The fair value was determined consistently with the generally accepted methodologies, which use measurement models based on the discounted cash flow method. Discounting of the future cash flows of receivables and loans was calculated based on the market zero coupon rates curve as of December 31st, 2013, obtained from the six-month EURIBOR curve for receivables and loans in Euro and from the three-month "dollar" LIBOR curve for loans in US dollars. The above-mentioned curve was adjusted to bear in mind the creditworthiness of the parent Isagro S.p.A. (own credit risk) in the case of loans payable and the creditworthiness of the counterparty (counterparty credit risk) in the case of receivables the parent Isagro S.p.A. claims. Please also note that, in order to render the fair value of medium/long-term loans comparable with their book value, the related accessory charges were taken into account.

In management's opinion, the aforementioned receivables and payables can be classified in Level 2 of the fair value hierarchy.

40. *Joint ventures*

The Group owns 50% of joint ventures, consolidated in proportion to the ownership interest.

The share of assets, liabilities, income and expenses of joint ventures included in the consolidated financial statements are as follows:

Isagro Sipcam International S.r.l. in

Statement of financial position	Dec. 31st, 2013	Dec. 31st, 2012
Current assets	-	-
Non-current assets	-	-
	-	-
Current liabilities	-	-
Non-current liabilities	-	-
	-	-

Income statement	2013	2012
Revenues	-	-
Net operating costs	-	(33)
EBITDA	-	(33)
Amortisation /depreciation	-	-
Operating profit/(loss)		(33)
Net financial charges	-	-
Profit/(loss) before tax	-	(33)
Taxes	-	11
Net profit (loss)	-	(22)

ISEM S.r.l.

Statement of financial position	Dec. 31st, 2013	Dec. 31st, 2012
Current assets	3,177	2,823
Non-current assets	3	20,041
	3,180	22,864
Current liabilities	305	2,872
Non-current liabilities	3	1,528
	308	4,400

Income statement	2013	2012
Revenues	3,122	1,499
Net operating costs	(1,889)	(1,323)
EBITDA	1,233	176
Amortisation /depreciation	(767)	(1,675)
Impairment losses on assets	(155)	(949)
Operating profit/(loss)	311	(2,448)
Net financial charges	(51)	(145)
Profit/(loss) before tax	260	(2,593)
Taxes	(1,412)	1,070
Net profit (loss)	(1,152)	(1,523)

It should be noted that the liquidation proceeding of the joint venture Isagro Sipcam International S.r.l. was completed during the previous year.

OTHER INFORMATION

41. Contingent liabilities, commitments and guarantees

Legal proceedings

Caffaro S.r.l. (in receivership)

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

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.

At Isagro S.p.A.'s request, which does not consider the estimate of the technical consultant as fair, the expert was called upon by the Judge to provide clarification at 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.

As the Municipality of Aprilia had failed to respond to the Court's request for information, at this hearing the court expert was asked to obtain the required information directly from the Municipal Offices, granting a period of 90 days to complete this task and adjourning proceedings to July 23rd, 2012. At this hearing the Court adjourned the case to October 16th, 2012. On that date the Court adjourned the hearing to December 19th, 2012.

During this hearing it emerged that the court expert had performed the assigned task, obtaining Services Committee documentation from the Municipality of Latina, and confirmed to the Court that records show the Committee has been inactive since August 2009. Lastly, the Court accepted Isagro's claim and ordered a supplementary report from the court expert to determine the cost of works necessary to clean up the site, given that in his previous report the court expert had limited considerations to rendering the site safe. The surveys, which began on January 16th, 2013, should have resulted in a report that was due to be filed by May 16th, 2013. The Court therefore adjourned proceedings to the next hearing on May 27th, 2013.

Following the request for an extension for filing the report submitted by the court expert, the judge postponed the hearing of May 27th to June 24th, 2013. At this hearing, during which Isagro illustrated the critical aspects of the supplement of the court expert's technical report, the judge believed it

necessary to call the court expert and consultants aside and postpone the case of the hearing until December 6th, 2013.

During this hearing, Isagro and its consultant pointed out all aspects deemed critical in the supplementary report from the court expert, above all emphasising the large number of works that might prove necessary to reclaim the site, and which the court expert continues to ignore. The parties asked for time to assess other possible transactions, as the judge also suggested. Caffaro expressed its possible willingness to slightly increase the estimate the court expert made, provided they are reasonably small and justifiable amounts. A possible settlement offer to submit to Caffaro in an attempt to come to a decision is therefore being evaluated. Therefore, Isagro is completing a settlement offer to submit to Caffaro to try to come to a decision, and for this reason requested that the hearing set for February 24th, 2014 be postponed until May 19th, 2014.

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

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

Grupo Agricola Entrecampo S.L.

The Spanish subsidiary Isagro Espana S.L. was sued by the distributor Grupo Agricola Entrecampo S.L. for allegedly violating the latter's sole distribution rights for the Isagro products for the province of Cordoba, seeking approximately € 160 thousand in damages for lost business.

On October 22nd, 2012, the pre-trial hearing was held at the court of Madrid, during which both parties entered the evidence into the court record, and the case was adjourned to a new hearing that will be held May 7th, 2013. During this hearing the judge listened to the parties and drew his conclusions, which were set out in judgement no. 85 of May 20th, 2013, totally upholding the subsidiary Isagro España S.L. As of today, the proceedings can be considered concluded since the counterparty did not make an appeal to the Spanish Supreme Court, although it had 20 days at its disposal to do so.

Du Pont De Nemours Italiana S.r.l. - Luisa Cav. Eddi

The parent Isagro S.p.A. is party to legal proceedings as a third party called by Du Pont De Nemours Italiana S.r.l., brought before the Civil Court of Gorizia by the farm Luisa Cav. Eddi for compensation for damage deriving from an ineffective and/or defective crop protection product, for the sum of about € 80,000.00 plus legal costs and interest. The judge at the April 17th, 2013 hearing appointed a new court expert, confirming the previous questions, in the aftermath of a specific formal notice of Isagro and Du Pont's defence on the technical inadequacy of the court expert. The surveys were carried out by an Isagro-appointed technical consultant, and the next hearing is set for April 1st, 2014 for the court expert's investigation, which will determine whether or not responsibility lies with Isagro and/or Du Pont.

Labour-related dispute

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

- 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. At the hearing of May 3rd, 2012, though acknowledging the reform and its own order, which declared the case closed, the Court decided on partial suspension of the decision and established a new hearing for continuation of the preliminary investigation.
  At the hearing of December 11th, 2012, after acquiring the witness statements for both parties, the Court reserved the right to decide on continuation of the investigation, adjourning proceedings to the final discussion first at the hearing of July 9th, 2013 and then at a later hearing held on February 4th, 2014. A new judge was appointed at this latter hearing. In order to study the case file in depth, he postponed the hearing for final discussion until July 15th, 2014;
- 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 first instance proceedings and it should be noted that an appeal has been filed before the Rome Court of Appeal, the first hearing before which will be in December 2014.
- one employee of the Bussi sul Tirino plant filed an urgent appeal against Isagro S.p.A. to challenge the dismissal due to assault against another worker; this employee was temporarily and urgently reinstated when the measure that had declared the dismissal legitimate was challenged. Isagro then filed suit to have the dismissal declared legitimate in order to protect the safety of the other employees and to prevent action brought by the employee for damages, already rejected on a temporary and urgent basis. The value of the proceedings is about
  € 50,000. The proceedings are currently in the preliminary stage and for this reason the judge set the first hearing for February 27th, 2014. At this hearing the judge heard the first witnesses and then adjourned proceedings to the hearing on May 29th, 2014 to complete the preliminary stage.
  The company and its lawyers deem these requests to be patently groundless and the risk of an adverse outcome for the company in litigation to be improbable.

Tax dispute

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

- on December 22nd, 2006, the Italian Revenue Agency, subsequent to a general tax check for 2003, served the Company with a verification notice for IRPEG (the income tax for legal entities), IRAP and VAT violations, demanding an additional tax payment of € 83,251 plus sanctions and interests. The Company appealed against this decision with the Provincial Tax Commission on May 14th, 2007. The Tax Commission with decision no. 22/25/08 of February 2008 allowed the appeal entirely and fully rescinded the assessment notice. Nevertheless, on March 25th, 2009, the Revenue Agency notified the Company that it had appealed against this decision.

The company appeared on May 21st, 2009. The appeal was heard on January 22nd, 2010. On February 24th, 2010 sentence no. 28/6/10 was filed which fully accepted the Tax Authority's appeal. Since the Company deemed that the Court erred in law and logic, it filed an appeal with the Supreme Court of Cassation, with good prospects of an outcome in favour of the Company. It should be noted that as for this dispute, the company does not believe that there elements that could lead to an adverse outcome in litigation;

- on October 20th, 2009, the company was served a verification notice by the Regional Office of Lombardy (DRE, Direzione Regionale della Lombardia) – Major Taxpayers Bureau, dismissing the use of the tax losses of the absorbed company Isagro BioFarming S.r.l.. 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. On March 5th, 2012, ruling no. 63/29/12 was filed in favour of the Company. The Regional Office of Lombardy (DRE) challenged the sentence, however, before the Lombardy Regional Tax Commission. Isagro appeared on November 23rd, 2012. The Commission set the hearing to discuss the appeal on March 21st, 2013. With judgement no. 49/6/13 the Lombardy Regional Tax Commission rejected the appeal submitted by the Regional Inland Revenue Office, upholding the company's petitions. The Regional Inland Revenue Office did not challenge the judgement of the Regional Tax Commission to the Court of Cassation within the legally required term, so it acquired the authority of a final decision. This dispute can therefore be considered once and for all concluded.

With reference to the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., it is hereby noted that there is an ongoing dispute with local taxation authorities regarding income taxes for the years 2007/2008 and 2008/2009, for a total of INR 24,373 thousand (equal to € 286 thousand). The subsidiary appealed with the relevant authorities, and to date it does not believe that there elements that could lead to an adverse outcome in litigation.

Commitments and guarantees

Following the contract covering the joint venture ISEM S.r.l.'s transfer of the products IR 5878 (Orthosulfamuron) and IR 5885 (Valifenalate), the parent Isagro S.p.A. together with the other shareholder Chemtura Netherlands B.V. granted certain guarantees in connection with these transactions. Particularly with reference to the transfer of Orthsulfamuron, the duration of the guarantee is 24 months starting from the date of transfer of the transferred assets and inventory (October 16th, 2013) and both shareholders granted it for a total amount equal to the transfer price (€ 19,596). With reference to the transfer of Valifenalate, the duration of the guarantee is 18 months starting from the date of transfer of the transferred assets (April 11th, 2013) and the two shareholders granted it for a total amount equal to the price of sale (€ 3,699 thousand). This amount is raised to 32.5% of the price of sale (€ 6,011 thousand) if the competent authorities decide

to not include Valifenalate in Annex I in Europe due to defects in preparing the documents according to what the regulations in force at the time the admission application was presented required.

Moreover, subsequent to the agreement to transfer the investment in Isagro Italia S.r.l., now Sumitomo Chemical Italia S.r.l., to Sumitomo Chemical Co. Ltd., the parent Isagro S.p.A. has an obligation outstanding for the guarantees given to the buyer, based on the future contingent liabilities, for damages or losses related to fiscal, environmental, social security and labour matters. 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. The purchaser notified the parent Isagro S.p.A. that as of December 31st, 2013 € 1,750 thousand of the above-mentioned receivables had still not been collected. The parties therefore agreed on February 20th, 2014 that Isagro will pay say sum to Sumitomo Chemical Co. Ltd by way of guarantee on the obligation to pay the receivables in question, however establishing that if Sumitomo Chemical Italia S.r.l. should collects these receivables by December 31st, 2018 the purchaser shall be required to return the sum deposited for the corresponding amount to Isagro. More detailed information about this operation has been provided in note no. 37.

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

- € 3,795 thousand for the contractual obligation related to the rental of motor vehicles and other third-party assets (€ 1,604 thousand) and lease expense (€ 2,191 thousand). In particular, the future rentals for operating leases are:
  - € 1,273 thousand within one year;
  - € 2,522 thousand between one and five years;
- € 747 thousand for payments due from the parent Isagro S.p.A. to Solvay Solexis S.p.A. in connection with the use, for a period of 99 years starting from 2005, of an area in the municipality of Bussi sul Tirino (Province of Pescara), where an industrial plant for the production of Tetraconazole was built.

  The guarantees received by the group amounted to € 3,490 thousand and refer to mortgage guarantees (€ 740 thousand) and sureties (€ 2,750 thousand) issued by the owners of Semag S.r.l. (now Isam S.r.l.) as guarantee for the receivable arising from the transfer of the shares in Isam S.r.l.

  The third-party guarantees for the Group companies' bonds, specifically sureties given as guarantee for the proper performance of contractual obligations, amounted to € 5,604 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);

- surety issued by Banca Popolare dell'Etruria e del Lazio in favour of Regentstreet B.V. as guarantee for the transfer of the investment in Sipcam Isagro Brasil S.A., for a total of € 4,000 thousand and with a duration of five years.

The parent Isagro S.p.A also provided contractual guarantees, supplementing the above bank surety, to the purchasing company Regentstreet B.V., pursuant to the transfer contract, for a total of € 15,000 thousand to hedge any future liabilities and losses related to fiscal, environmental, social security and labour matters. Total hedging for the transfer transaction is € 19,000 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.

The guarantees received and issued in relation to loans are described in note no. 15.

Following termination of the distribution agreement with the US company Valent, which took place on September 12th, 2013, the subsidiary Isagro USA, Inc. undertook to repurchase the entire stock of Domark® located at the distributor's warehouses. Since this stock will afterwards by sold to the company Gowan, the new distributor for the USA, at a price in line with the repurchase price, there will be no negative impact on the Group's future profitability.

42. Related party disclosures

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

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

The following table highlights the financial and economic amounts relating to transactions with the different categories of related parties:

Income statement		of which related parties					
In thousands of Euro	2013	Jointly controlled companies	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Revenues	139,777	438	0	0	283	721	0.52%
Other operating revenues	2,869	110	7	61	0	178	6.20%
Raw materials and consumables used	72,167	1,434	0	0	0	1,434	1.99%
Costs for services	24,204	4	220	0	0	224	0.93%
Financial income	1,978	14	0	0	0	14	0.71%
Financial charges	6,970	0	0	157	0	157	2.25%

Income statement		of which related parties					
In thousands of Euro	2012 restated (*)	Jointly controlled companies	Parents	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Revenues	149,324	768	0	0	4,056	4,824	3.23%
Other operating revenues	3,487	305	4	51	41	401	11.50%
Raw materials and consumables used	85,851	1,341	0	0	474	1,815	2.11%
Costs for services	26,874	15	216	0	85	316	1.18%
Financial income	1,473	40	4	0	30	74	5.02%
Financial charges	6,658	0	0	90	0	90	1.35%

(*) as indicated in the paragraph "Basis of presentation", € 1,000 thousand was also reclassified from the item "Other operating revenues" to the item "Revenues".

Balance sheet		of which related parties					
In thousands of Euro	As of Dec. 31st, 2013	Jointly controlled companies	Parents	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Trade receivables	46,716	18	0	0	315	333	0.71%
Other current assets and other receivables	4,970	35	8	57	0	100	2.01%
Trade payables	30,212	1,203	40	0	0	1,243	4.11%
Current financial payables	70,942	0	0	8,806	0	8,806	12.41%

Balance sheet In thousands of Euro	As of Dec. 31st, 2012	of which related parties					
		Jointly controlled companies	Parents	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Non-current financial receivables	3,504	629	0	0	0	629	17.95%
Trade receivables	40,884	489	35	0	1,978	2,502	6.12%
Other current assets and other receivables	4,821	151	5	15	58	229	4.75%
Current financial receivables	1,208	575	0	0	0	575	47.60%
Trade payables	33,183	903	39	0	1,051	1,993	6.01%
Current financial payables	67,554	0	0	859	0	859	1.27%

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

Relations with joint ventures

Revenues	2013	2012
ISEM S.r.l.	438	768
Total	**438**	**768**

Other operating revenues	2013	2012
ISEM S.r.l.	110	296
Isagro Sipcam International S.r.l. in liquidation	0	9
Total	**110**	**305**

Raw materials and consumables	2013	2012
ISEM S.r.l.	1,434	1,341
Total	**1,434**	**1,341**

Costs for services	2013	2012
ISEM S.r.l.	4	15
Total	**4**	**15**

Financial income	2013	2012
ISEM S.r.l.	14	40
Total	**14**	**40**

The item "other operating revenues" essentially refers to the rendering of administrative and IT services as well as to lease income.

Non-current financial receivables	Dec. 31st, 2013	Dec. 31st, 2012
ISEM S.r.l.	0	629
Total	**0**	**629**

Trade receivables	Dec. 31st, 2013	Dec. 31st, 2012
ISEM S.r.l.	18	489
Total	**18**	**489**

Other current assets and other receivables	Dec. 31st, 2013	Dec. 31st, 2012
ISEM S.r.l.	35	151
Total	**35**	**151**

Current financial receivables	Dec. 31st, 2013	Dec. 31st, 2012
ISEM S.r.l.	0	575
Total	**0**	**575**

Trade payables	Dec. 31st, 2013	Dec. 31st, 2012
ISEM S.r.l.	1,203	903
Total	**1,203**	**903**

The change in financial receivables (current and non-current) is due to the early collection of a loan granted to the joint venture ISEM S.r.l. by the parent Isagro S.p.A. whose repayment was scheduled in 2014.

Relations with associates

Costs for services	2013	2012
Arterra Bioscience S.r.l.	220	216
Total	**220**	**216**

Other operating revenues	2013	2012
Arterra Bioscience S.r.l.	7	4
Total	**7**	**4**

Financial income	2013	2012
Arterra Bioscience S.r.l.	0	4
Total	**0**	**4**

Trade receivables	Dec. 31st, 2013	Dec. 31st, 2012
Arterra Bioscience S.r.l.	0	35
Total	**0**	**35**

Other current assets and other receivables	Dec. 31st, 2013	Dec. 31st, 2012
Arterra Bioscience S.r.l.	8	5
Total	**8**	**5**

Trade payables	Dec. 31st, 2013	Dec. 31st, 2012
Arterra Bioscience S.r.l.	40	39
Total	**40**	**39**

Relations with parents

Other operating revenues	2013	2012
Piemme S.r.l.	18	9
Holdisa S.r.l.	24	24
Manisa S.r.l.	19	18
Total	**61**	**51**

Financial charges	2013	2012
BasJes Holding S.r.l.	105	0
Piemme S.r.l.	52	78
Holdisa S.r.l.	0	12
Total	**157**	**90**

Other current assets and other receivables	2013	2012
Piemme S.r.l.	17	3
Holdisa S.r.l.	23	7
Manisa S.r.l.	17	5
Total	**57**	**15**

Current financial payables and other financial liabilities	2013	2012
BasJes Holding S.r.l.	8,806	0
Piemme S.r.l.	0	859
Total	**8,806**	**859**

Current financial payables to holding companies as of December 31st, 2013, equal to € 8,806 thousand, refer to a loan granted to the parent Isagro S.p.A. by the indirect BasJes Holding S.r.l. for a total of € 8,700 thousand, including interest calculated at the six-month EURIBOR rate + 6% spread.

Relations with other related parties

Revenues

	2013	2012
Gowan Group	283	0
Sipcam/Oxon Group	0	4,056
Total	**283**	**4,056**

Other operating revenues

	2013	2012
Sipcam/Oxon Group	0	41
Total	**0**	**41**

Raw materials and consumables

	2013	2012
Sipcam/Oxon Group	0	474
Total	**0**	**474**

Costs for services

	2013	2012
Sipcam/Oxon Group	0	85
Total	**0**	**85**

Financial income

	2013	2012
Sipcam/Oxon Group	0	30
Total	**0**	**30**

Trade receivables

	Dec. 31st, 2013	Dec. 31st, 2012
Sipcam/Oxon Group	0	1,978
Gowan Group	315	0
Total	**315**	**1,978**

Other current assets and other receivables

	Dec. 31st, 2013	Dec. 31st, 2012
Sipcam/Oxon Group	0	58
Total	**0**	**58**

Trade payables

	Dec. 31st, 2013	Dec. 31st, 2012
Sipcam/Oxon Group	0	1,051
Total	**0**	**1,051**

The Sipcam/Oxon Group as of December 31st, 2013 was not included as a related party because it does not exceed the quantity limits described above. The "other related parties" as of December 31st, 2013 refer to the Gowan Group following the entry of the indirect parent BasJes Holding S.r.l. into the share capital for a share of 49%.

Remuneration of directors, statutory auditors and executives with strategic responsibilities

The table below shows the economic benefits for the directors of the parent, the Group's executives with strategic responsibilities, and the members of the board of statutory auditors (amounts in Euro):

Party	Description of office		Remuneration		
	Office held	Term of office	Emoluments for the office	Bonuses, other incentives and fringe benefits	Other remuneration
Directors:					
Giorgio Basile	Chairman and C.E.O.	3 years	500,000	2,690	-
Maurizio Basile	Deputy chairman	3 years	80,000	3,362	-
Carlo Porcari	Director	3 years	21,000	-	-
Adriana Silvia Sartor	Member of Risk and Control Committee	3 years	28,000	-	-
Elena Vasco	Director	3 years	20,000		
Antonio Zoncada	Member of Risk and Control Committee	3 years	29,500	-	7,500
Paolo Piccardi	Former Director		20,000	1,365	30,000
Executives:					
Roberto Bonetti (1)	Former Chief Operating Officer	from January 1st to May 14th, 2013	-	4,649	53,894
Family members of key management personnel (directors and executives)					
Alessandra Basile	Corporate Development And Internal Relations Manager		-	5,822	138,527 (2)
Statutory Auditors:					
Piero Gennari	Chairman	3 years	30,600	-	-
Giuseppe Bagnasco	Standing statutory auditor	3 years	20,000	-	-
Claudia Costanza	Standing statutory auditor	3 years	13,333		
Luigi Serafini	Standing statutory auditor	3 years	6,767	-	-

(1) in office until May 14th, 2013, when the board of directors of Isagro S.p.A. resolved to cancel the position of General Director, calling him by the sole name of Chief Operating Officer (C.O.O.) in light of the assigned powers and considering the areas of operations for which he is responsible, and not considering him as an executive with strategic responsibilities. The amount of the remuneration therefore refers to the period January 1st - May 14th, 2013.

(2) the amount refers to the remuneration due for the year and to the other post-employment benefits

It should be noted that the term of office of the parent's Board of Directors will end with the approval of the financial statements as of December 31st, 2014, while that of the Board of Statutory Auditors with the approval of the financial statements as of December 31st, 2015.

43. Financial risk management: objectives and approach

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

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

Context

In 2013 the crop protection market the company operates in recorded an estimated 11% growth in terms of US dollars. The segments deemed to have grown the most are insecticides and herbicides, whereas the fungicides, the segment on which Isagro focuses, were estimated to have performed below the market average.

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

In particular, as regards the use of derivatives, two types of hedging can be identified:

(a) transactions which, in compliance with the risk management policies, satisfy the requirements imposed by the accounting principles for the registration in "hedge accounting", are designated as "hedging transactions"; (b) transactions which, even though they have been carried out as hedges, do not satisfy the requirements provided for by the accounting principles and are thus classified under "trading."

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

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

a) Exchange rate risk management

The Isagro Group operates on several markets internationally and many trade relations are managed in currencies other than the Euro, mainly in US dollars, the currency of reference for sales the parent Isagro S.p.A. makes mostly on the US markets and account currency of the subsidiary Isagro USA. Although to a lesser extent, the Indian rupee and Colombian peso account currencies of Isagro Asia and Isagro Colombia, respectively, take on importance. This means that the Group's assets and liabilities are exposed to financial risks deriving from the varying exchange rate between the time the trade relation arises and the time the transaction (collection/payment) is finalised. With reference to the parent Isagro S.p.A., sales in US dollars totalled about USD 43 million in the year that ended on December 31st, 2013 and about USD 47 million in the year ended on December 31st,

2012, with an average for the two-year period 2012-2013 of about USD 45 million versus purchases in US dollars amounting to about USD 11 million in both 2013 and 2012.
In order to particularly reduce the risk tied to the fluctuations of the US dollar, the parent Isagro S.p.A. carries out natural hedging transactions represented, for example, by loans granted by banks in US dollars against the transfer of invoices denominated in this currency to said banks) and/or hedging transactions using swap instruments.
Please note that as of December 31st, 2013 the parent Isagro S.p.A. has natural hedging transactions totalling USD 14.9 million and swap transactions of USD 6 million in effect.
Isagro also prepares its consolidated financial statements in Euro, so the fluctuations of the exchange rates used to convert the financial statement figures of the subsidiaries originally stated in foreign currency might significantly affect the Group's results.

b) Interest rate risk management

The Isagro Group was characterised by a Net financial position as of December 31st, 2013 of € 53.9 million.
With reference to medium to long-term loans, the residual portion of the E.I.B. loan as of December 31st, 2013 was reclassified to short-term payables, even though its nominal due date is within 2019, as pointed out in the Directors' Management Report and in note no. 15. This reclassification became necessary due to international accounting standard IAS 1, in so far as Isagro obtained a waiver on giving a pledge to support the commercial activities having a date after December 31st, 2013 from the E.I.B. This waiver has immediate effect. However, should the bank not receive formal consent in writing from each Guarantor of the loan by the date of March 20th, 2015, consent that obviously has still not arrived as at the date the financial statements are prepared, the waiver will be considered terminated. With regard to this aspect, the Group is entirely confident it will formally get this consent by the date stated above in view of the lack of proof to the contrary. This item will be consistently kept classified to current liabilities until each Guarantor has formally agreed in writing.
Short-term indebtedness, except for what is described above, is not hedged due to its "commercial" and hence fluctuating nature, and, in turn, against the capital of the year; moreover, the changes in its cost ultimately affect the sale price policy.
With reference to the stock of the short-term indebtedness as of December 31st, 2013, it is estimated that a movement of 50 bp implies, before tax, a cost of € 0.2 million p.a. in 2012.
In connection with the above-mentioned E.I.B. loan, please note that it has a cost equal to three-month EURIBOR, to which a spread of between 0.74% and 1.144% is added. Also in light of the guidance the E.I.B. continuously issued during 2013 and confirmed at the beginning of 2014, in which the central bank clearly stated its intention to maintain the REFI interest rates, which in turn affect the EURIBOR value, at low values for prolonged periods of time, it was decided that it is unadvisable to hedge the interest rate risk associated with this loan. However, with reference to the three-month EURIBOR, which is little under 0.30% today, it is estimated that a change of 10% in this value would entail a greater disbursement of about € 7 thousand for the parent Isagro S.p.A., recipient of the loan.

Should the expediency of hedging this risk be seen, Isagro would use an interest swap rate contract as it has done in the past for other loans when the rates were higher, and above all in a scenario much more uncertain than the one today in terms of E.I.B. guidance.
This contract would be set up with a notional value which would partly cover the financial indebtedness exposed to interest rate fluctuations, with maturity dates identical to those of the underlying financial liabilities, so that each movement in the fair value and/or in the expected cash flows of such contracts is offset by a corresponding movement in the fair value and/or cash flow expected in the underlying position. These hedges would also be carried out with a perspective of correspondence with the sinking plan of each loan (hedge accounting).

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 Isagro S.p.A. used to hedge, usually at the start of the financial year, about 50% of its requirements of scrap copper linked to the sales of formulations, without hedging the estimated sales for the year of so-called "technical" products, whose selling price is directly related to the trend in the price of raw materials, postponing the decision as to whether to hedge the remaining quantity later in the year.
However, this method did not allow a connection to be made between the mechanism of fixing the finished product price to customers and the specific trend in the raw material price on the market at the time of its actual purchase and subsequent processing at the Adria site. Therefore, this allowed on average to hedge the generic risk of foreseeable price fluctuations, but could not protect the Group against abrupt and swift 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 Department of the parent Isagro S.p.A., in close partnership with the Sales, Supply Chain and Information System Department, set up a work team to review the methods of managing the risk of fluctuations in the price of copper in connection with the fixing of selling prices of finished products for customers.
Thus the following procedure was set in the last part of 2011:

- fixing of sales prices with customers in the previous quarter for the next quarter;
- preparation of a production plan and identification of the approximate terms for the raw material purchase batches for each individual sale and period;
- drawing up of a report generated by information systems and stating, for each individual order and price, the quantities of equivalent scrap copper and the approximate terms set for purchase on the market and production;
- forward cover of quantities.

This new method, in place since January 1st, 2012 and therefore fully adopted in the two-year period of 2012-2013, allowed to manage the price risk more effectively. It is specifically designed to address the changed and tougher circumstances. Therefore, this method, which

does not derive from an exclusively financial vision but rather involves commercial and productive aspects, will result in a more efficient management of the copper business as a whole, starting from the fixing of sales prices.

Nevertheless, the company financial risk management procedure envisages that the CFO, in agreement with the CEO, can assess the advisability of departing from the above-mentioned hedging procedure. More specifically, needs were not totally hedged during the latter part of 2013 (and in early 2014) when quotations of the raw material copper on the LME were performing poorly and further drops were expected.

Please note that as of December 31st, 2013 the parent Isagro S.p.A. has forward purchase transactions for 114 tons of copper in effect.

d) Liquidity risk management

The liquidity of the Group is based on a diversification of bank loans and on a mix of structures lines of credit: "commercial or self-liquidating," medium-term loans and finally factoring facilities, in order to be able to use these facilities in accordance with the different type of needs.

Note that the Group's debt is mainly concentrated in the parent Isagro S.p.A. and is divided up between a large number of banks with the aim of minimising the risk of reduction/cancellation of lines of credit for current assets.

From an operating perspective, the Group manages the liquidity risk by planning on an annual basis, with a monthly breakdown, the estimated cash inflows and payments. Based on the results of the financial planning, the needs and, consequently, the resources required for the related hedging are identified. Furthermore, a Financial Report is prepared on a monthly basis every year. It summarises the Group's final cash flows and prospects at year end, again monthly. The same reporting tool was applied in 2013 to the subsidiaries Isagro USA and Isagro España, which in any case represent a minimum portion of the Group's financial debt.

The following table summarises the maturity profile of the Group's liabilities based on the contractual payments not discounted:

Dec. 31st, 2013	On demand	< 3 months	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities	10,149	53,432	7,831	125	-	**71,537**
Derivatives	-	3	-	-	-	**3**
Trade payables	8,246	7,486	14,480	-	-	**30,212**
Tax payables	-	-	1,651	-	-	**1,651**
Other liabilities and other payables	3,111	221	816	-	-	**4,148**
TOTAL	**21,506**	**61,142**	**24,778**	**125**	**-**	**107,551**

Dec. 31st, 2013	On demand	< 3 months	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities	23,586	26,813	17,913	14,072	1,587	**83,971**
Derivatives	0	121	79	0	0	**200**
Trade payables	5,250	10,911	17,022	0	0	**33,183**
Tax payables	0	0	2,082	0	0	**2,082**
Other liabilities and other payables	2,613	246	1,310	275	0	**4,444**
TOTAL	**31,449**	**38,901**	**38,406**	**14,347**	**1,587**	**123,880**

With reference to the financial year 2013, which was marked by a reduced operating result, also consequent to the carried over effect of the 2012 drought as already described in greater detail in other parts of this report, Isagro decided to confirm the R&D projects, and particularly those concerning the new soil-applied pesticide for the USA and the new fungicide SDHi. In order to collect the necessary financial resources for these investment projects while at the same time guaranteeing they do not entail borrowings, at the beginning of 2013 Isagro set out to conclude one-off transactions to increase the value of its assets/product portfolio and to finalise agreements in order to better exploit the proprietary products and to extract their value. To this regard, please note that in 2013:

- the joint venture ISEM S.r.l. transferred the molecules Orthosulfamuron and Valifenalate to third parties for a price little under € 40 million (about € 2 million higher than book value), of which little less than € 20 million are the Isagro Group's share;
- the parent Isagro S.p.A. concluded an agreement to grant a licence to the Japanese company Arysta LifeScience Co., Ltd for the development of ready mix combinations between Tetraconazole and other products/active ingredients with Arysta making an upfront payment of € 10 million. Furthermore, this agreement also requires Arysta to purchase (and Isagro to supply) Tetraconazole for a period of 15 years (renewable for another 5 years).

Note that the credit lines available as support for current assets as of December 31st, 2013, together with the estimated revenues and payments for 2014 and revenues from other extraordinary value transactions to extract value from the proprietary products (which call fall within the new "supplier of active ingredients" business area, in line with the agreement entered into with Arysta in 2013), ensure that the going concern assumptions are sustainable. Moreover, if the share of the proposed share capital increase that will subscribed by Isagro's control system be added to these items (and hence leaving out the share set aside for the market) using the funds coming from Gowan's entry in this company on the level of BasJes Holding S.r.l., availability of resources for the period beyond the current year is evident.

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's goal is to guarantee a sound credit rating in order to access bank credit on favourable economic terms. The Group's policy is to maintain ongoing contacts with all financial institutions, in order to communicate all information (always within the limits for listed companies) necessary to better understand the type of business and current specific market situation.

f) Credit risk management

The Group's policy is to grant credit to customers after assessing their economic and financial structure, payment performance over the years, and all other information available on the market, i.e. the normal instruments used in determining the customer's 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 credit risk:

	Dec. 31st, 2013	Dec. 31st, 2012
Trade receivables	46,716	40,884
Other assets and sundry receivables (excluding deferred income)	9,317	6,151
Tax receivables	2,984	2,679
Financial assets	3,041	5,232
Cash (excluding cash on hand)	14,062	14,725
	76,120	69,671
Guarantees in favour of third parties	0	2,193
Total credit risk	**76,120**	**71,864**

It should also be note that the group received guarantees amounting to € 3,490 thousand from the owners of Semag S.r.l. (now Isam S.r.l.) in relation to the receivable deriving from the transfer of the shares in Isam S.r.l.

g) Climate changes
The usage of crop protection products is influenced by the climate: humidity, rainfall and temperature. Today, the Group's policy is to diversify the markets in which it operates, in order to cover as many markets as possible in both hemispheres. Currently, the Group operates in over 70 countries, either directly (with its own sales networks) or indirectly, through local distributors, in order to minimise the impact of particular climatic situations which characterise certain regions/continents. Nevertheless, drought conditions extraordinarily affecting several continents/countries at the same time can strongly influence the Group's profitability, as showed by the severe drought in 2012, which affected 2012 and will have an even greater impact on 2013. More specifically, the climatic conditions in Europe (and in particular in Italy), the United States and Brazil play an important role.

44. Significant non-recurring events and transactions
In compliance with the CONSOB Communication dated July 28th, 2006, the significant non-recurring transactions carried out in 2013 are outlined in notes no. 25 and 30, 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 2013 and 2012:

	Gross effect on the income statement	Related tax effect	Net effect on the income statement	Related cash flow (net of VAT and before tax)
Year 2013				
Other non-recurring income:				
- sale of the herbicide Orthosulfamuron (IR 5878)	1,221	(1,300)	(79)	9,800
- sale of the fungicide Valifenalate (IR 5885)	28	(126)	(98)	9,250
	1,249	(1,426)	(177)	19,050
Other non-recurring costs:				
- restructuring costs	(1,677)	-	(1,677)	(77)
	(1,677)	-	(1,677)	(77)
Year 2012				
Other non-recurring income:				
- co-participation in the development of a fungicide	1,952	(613)	1,339	2,000
	1,952	(613)	1,339	2,000
Other non-recurring costs:				
- allocation to provision for restoration costs	(530)	166	(364)	(506)
	(530)	166	(364)	(506)
-				

In 2013 the joint venture ISEM S.r.l. transferred the right and intangible assets concerning:

- the fungicide Valifenalate (IR 5885) to the company Belchim Crop Protection Luxembourg Sarl for a proportional amount of € 9,250 thousand; this transaction generated a consolidated capital gain of just € 28 thousand since the values of the transferred assets were aligned with their fair value as of December 31st, 2012;
- the herbicide Orthosulfamuron (IR 5878) to the company Nohyaku Co., Ltd. for a proportional amount of € 9,800 thousand; this transaction generated a consolidated capital gain of € 1,221 thousand.

The heavy tax burden related to the transfers was generated because of the misalignment between tax values and statutory values of the transferred assets, created following the transfer of the intangible assets in 2011, in a period before the fourth year since the sheltering operation (Art. 176 of the Consolidation Act on Income Taxes), with the consequent emergence of a tax capital gain higher than the statutory one and of the reversal of the deferred tax assets on non-repayable grants regarding the two products. Nonetheless, the effect was partly mitigated by the recognition of a tax contingent asset connected with the entry of a receivable from the tax authorities regarding the substitute tax previously paid for the sheltering operation, and to the writedown of the payable still due, and therefore no longer due (see note no. 36).

During the year the parent Isagro started a restructuring and reorganisation operation at the Milan offices and the industrial sites of Adria, Aprilia and Bussi sul Tirino, for which it incurred and will incur voluntary severance package costs and costs associated with a mobility procedure over a 24-month period, and hence within December 31st, 2015 for a total of € 1,677 thousand. Since the parent Isagro S.p.A. did not prudentially allocate deferred tax assets on the tax losses, as explained in note no. 6, the related tax effect was not revealed.

45. Transactions resulting from atypical and/or unusual operations

Pursuant to CONSOB Communication dated July 28th, 2006, it is specified that, in 2013, the Group did not carry out any atypical and/or unusual operations, i.e. operations which, due to the significance, nature of the counterparties, subject of the transaction, pricing procedures and timing of the event, may raise doubts about the accuracy of the information contained in the financial statements, the conflict of interest, the protection of the company's assets, or the safeguarding of non-controlling interests.

46. Events subsequent to December 31st, 2013

Mobility procedure

The parent Isagro S.p.A. signed the trade union agreement on mobility procedures pursuant to Italian Law 223/91 on January 16th, 2014 that was activated on November 29th, 2013 for a total number of 43 structural redundancies located at the Adria, Aprilia, Bussi sul Tirino and Milan units and closed with 41 workers involved. Please refer to the Human Resources section for further details.

2014 - 2018 Business Plan

The parent Isagro S.p.A. completed a preliminary draft of the 2014-2018 Business Plan, which the Board of Directors approved on a preliminary basis February 4th and reviewed the updated version thereof on March 4th, 2014. As part of drawing up the prospectus necessary for the share capital increase described above, the earnings forecast made by the Board of Directors of the parent Isagro S.p.A., which will be included in Chapter 13 of the prospectus, will be examined pursuant to the *International Standard on Assurance Engagement* principle, *"The Examination of Prospective Financial Information"* (ISAE 3400) by the independent auditors. Once the independent auditors issue the comfort letter, the parent Isagro S.p.A. will disclose the estimates for the aforementioned period to the Market.

Receipt of E.I.B. loan waiver and its reclassification

Please note that your Group has reclassified € 17.89 million regarding the amount of B.E.I. loan, originally € 22.5 million initially considered due after the 12-month period and thus not current, to "Financial payables and other current liabilities".

This reclassification became necessary when applying the international accounting standard IAS 1 because of the breach of some loan provisions for which the contract itself provided for the disbursing bank's right to declare the acceleration clause as having come into effect on the parent Isagro S.p.A. Since a waiver from the E.I.B. was received after December 31st, 2013, the payable was classified short-term although the breach of the contractual clause was rectified, pursuant to the accounting standards of reference. This waiver, requested by the parent Isagro S.p.A. against a commercial pledge that E.I.B. issued on March 14th, 2014, has immediate effect. However, should the bank not receive formal consent in writing from each Guarantor of the loan (specifically, three banks and a leading insurance-financial group) by the date of March 20th, 2015, consent that obviously has still not arrived as at the date the financial statements are prepared, the waiver will

be considered terminated with retroactive effect. With regard to this aspect, the Group is entirely confident it will formally get this consent by the date stated above in view of the lack of proof to the contrary.

This item will be consistently classified to current liabilities until each Guarantor has formally agreed in writing. It is however emphasised that the timescale for getting consent from the guarantor lending institutes - although there is the risk of retroactivity should the waiver not be gained - in actual fact leads us to believe that the acceleration clause cannot be applied on the parent Isagro S.p.A. before March 20th, 2015.

47. List of the international accounting standards approved by the European Commission as of the date of preparation of the financial statements

International Accounting Standards			Endorsement regulation
IFRS	1	First-time Adoption of International Financial Reporting Standards (IFRS)	707/2004-2236/2004-2237/2004-2238/2004-211/2005-1751/2005-1864/2005-1910/2005-108/2006-69/2009-1136/2009-662/2010-574/2010-149/2011-1255/2012-301/2013
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	108/2006-1165/2009-574/2010-149/2011-1205/2011-1256/2012
IFRS	8	Operating segments	1358/2007-632/2010-243/2010
IFRS	10	Consolidated financial statements	1254/2012-313/2013-1174/2013
IFRS	11	Joint arrangements	1254/2012-313/2013
IFRS	12	Disclosure of interests in other entities	1254/2012-313/2013-1174/2013
IFRS	13	Fair value measurement	1255/2012
IAS	1	Presentation of financial statements	2236/2004-2238/2004-1910/2005-108/2006-1274/2008-53/2009-70/2009-243/2010-149/2011-475/2012-301/2013
IAS	2	Inventories	2238/2004
IAS	7	Statement of cash flows	1725/2003-2238/2004-243/2010
IAS	8	Accounting policies, changes in accounting estimates and errors	2238/2004-70/2009
IAS	10	Events after the reporting period	2236/2004-2238/2004-70/2009
IAS	11	Construction contracts	1725/2003
IAS	12	Income taxes	1725/2003-2236/2004-2238/2004-211/2005-1255/2012
IAS	14	Segment reporting	1725/2003-2236/2004-2238/2004-108/2006
IAS	16	Property, plant and equipment	2236/2004-2238/2004-211/2005-1910/2005-70/2009-301/2013
IAS	17	Leases	2236/2004-2238/2004-108/2006-243/2010
IAS	18	Revenues	1725/2003-2236/2004

IAS	19	Employee benefits	1725/2003-2236/2004-2238/2004-211/2005-1910/2005-70/2009-475/2012
IAS	20	Government grants	1725/2003-2238/2004-70/2009
IAS	21	Effects of 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	Separate financial statements	2236/2004-2238/2004-69/2009-70/2009-494/2009-149/2011-1254/2012-1174/2013
IAS	28	Investments in associates and joint ventures	2236/2004-2238/2004-70/2009-149/2011-1254/2012
IAS	29	Financial reporting in hyperinflationary economies	1725/2003-2238/2004-70/2009
IAS	31	Interests in joint ventures	2236/2004-2238/2004-70/2009-149/2011-1254/2012
IAS	32	Financial instruments: presentation	2236/2004-2237/2004-2238/2004-211/2005-1864/2005-108/2006-53/2009-1293/2009-149/2011-1256/2012-301/2013
IAS	33	Earnings per share	2236/2004-2238/2004-211/2005-108/2006
IAS	34	Interim financial reporting	1725/2003-2236/2004-2238/2004-70/2009-149/2011-301/2013
IAS	36	Impairment of assets	2236/2004-2238/2004-70/2009-243/2010-1374/2013
IAS	37	Provisions, contingent liabilities and contingent assets	1725/2003-2236/2004-2238/2004
IAS	38	Intangible assets	2236/2004-2238/2004-211/2005-1910/2005-70/2009-243/2010
IAS	39	Financial instruments: recognition and measurement	707/2004-2086/2004-2236/2004-211/2005-1751/2005-1864/2005-1910/2005-2106/2005-108/2006-70/2009-1171/2009-243/2010-149/2011-1375/2013
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	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 arising from participating 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	Service concession arrangements	254/2009
IFRIC	13	Customer Loyalty Programmes	1262/2008-149/2011

IFRIC	14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008-633/2010-475/2012
IFRIC	15	Agreements for the Construction of Real Estate	636/2009
IFRIC	16	Hedges of a Net Investment in a Foreign Operation	460/2009-243/2010
IFRIC	17	Distribution of Non-Cash Assets to Owners	1142/2009
IFRIC	18	Transfers of Assets from Customers	1164/2009
IFRIC	19	Extinguishing Financial Liabilities with Equity Instruments	662/2010
IFRIC	20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012
SIC	7	Introduction of the Euro	1725/2003-2238/2004
SIC	10	Government Assistance - No Specific Relation to Operating Activities	1725/2003
SIC	12	Consolidation – Special Purpose Entities	1725/2003-2238/2004-1751/2005-1254/2012
SIC	13	Jointly-controlled Entities – Non-Monetary Contributions by Venturers	1725/2003-2238/2004-1254/2012
SIC	15	Operating Leases – Incentives	1725/2003
SIC	25	Income Taxes – Changes in Tax Status of an Entity or its Shareholders	1725/2003-2238/2004
SIC	27	Evaluating the Substance of Transactions in the Legal Form of a Lease	1725/2003-2238/2004
SIC	29	Service Concession Arrangements - Disclosure	1725/2003
SIC	31	Revenue – Barter Transactions Involving Advertising Services	1725/2003-2238/2004
SIC	32	Intangible Assets – Web Site Costs	1725/2003-2236/2004-2238/2004

48. Isagro Group companies

Pursuant to Consob Resolution 11971 of May 14th, 1999, as amended (article 126 of the Regulation), the Isagro Group's companies and equity-accounted investees are listed below.

The list includes the companies operating in the agrochemical industry, broken down by consolidation procedure. For each company, the following is also indicated: corporate name, business description, registered office, country of incorporation and share capital denominated in the original currency. Furthermore, the list also shows the group's consolidated share, as well as the ownership interest held by Isagro S.p.A. or any other subsidiaries. The percentage of voting rights in the various ordinary shareholders' meetings coincides with the ownership interest.

Corporate name and business description	Registered offices	Country	Share Capital	Currency	Consolidated % share of the Group	Participating companies	Participation %
Holding company							
Parent							
Isagro S.p.A. (R&D, production, marketing of agrochemicals)	Milan	Italy	17,550,000	EUR	-	-	-
Subsidiaries consolidated using the line-by-line method							
Isagro Argentina Ltd (Management of the registration of agrochemicals and commercial development)	Buenos Aires	Argentina	665,070	ARS	100%	Isagro S.p.A. Isagro España S.L.	95% 5%

Isagro Asia Agrochemicals Pvt Ltd (Development, production, marketing of agrochemicals)	Mumbai	India	160,029,000	INR	100%	Isagro S.p.A.	100%
Isagro Australia Pty Ltd (Management of the registration of agrochemicals)	Sydney	Australia	355,000	AUD	100%	Isagro S.p.A.	100%
Isagro Brasil Ltda (Management of the registration of agrochemicals and commercial development)	São Paulo	Brazil	1,307,210	BRL	100%	Isagro S.p.A. Isagro España S.L.	99% 1%
Isagro Chile Ltda (Management of the registration of agrochemicals and commercial development)	Santiago	Chile	21,358,760	CLP	100%	Isagro S.p.A. Isagro España S.L.	90% 10%
Isagro Colombia SAS (former Barpen International SAS) (Distribution of agrochemicals)	Cota – Bogotá	Colombia	362,654,120	COP	100%	Isagro S.p.A.	100%
Isagro España S.L. (Development & distribution of agrochemicals)	Madrid	Spain	120,200	EUR	100%	Isagro S.p.A.	100%
Isagro Hellas Ltd (Management of the registration of agrochemicals and commercial development)	Moschato	Greece	18,000	EUR	100%	Isagro S.p.A.	100%
Isagro Shanghai Co. Ltd. (Management of the registration of agrochemicals and commercial development)	Shanghai	People's Republic of China	235,000	USD	100%	Isagro S.p.A.	100%
Isagro South Africa Pty Ltd (Management of the registration of agrochemicals and commercial development)	Johannesburg	Republic of South Africa	471,000	ZAR	100%	Isagro S.p.A.	100%
Isagro USA, Inc. (Development, production, marketing of agrochemicals)	Wilmington	United States	1,500,000	USD	100%	Isagro S.p.A.	100%
Joint ventures consolidated using proportionate consolidation							
ISEM S.r.l. (Development, production, marketing of agrochemicals)	Milan	Italy	5,000,000	EUR	50%	Isagro S.p.A.	50%
Associates accounted for using the equity method							
Arterra BioScience S.r.l. (R&D biology & molecular genetics)	Naples	Italy	250,428	EUR	22%	Isagro S.p.A.	22%

The Board of Directors

Milan, March 14th, 2014

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Certification of the consolidated financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of May 14, 1999, as subsequently amended and supplemented

1. The undersigned, Giorgio Basile, Isagro S.p.A. Chairman and Chief Executive Officer, and Ruggero Gambini, Manager in charge of preparing corporate financial reports, hereby certify, having also taken into account the provisions of art. 154-bis, subparagraphs 3 and 4, of the Italian Legislative Decree no. 58 of February 24, 1998:
   - the adequacy in relation to the characteristics of the firm and
   - the effective application

   of the administrative and accounting procedures for the preparation of the consolidated financial statements in 2013.
2. In this respect no significant matters arose.
3. It is also certified that:

   3.1 the consolidated financial statements of Isagro S.p.A. as of December 31, 2013:

   a) were prepared in accordance with applicable international accounting standards as recognised by the European Community pursuant to European Parliament and of the Council Regulation EC no. 1606/2002 of 19 July 2002;

   b) correspond to the results documented in the books and accounting records;

   c) is able to provide a truthful and correct representation of the economic and financial position of the issuer and of all the companies included in the scope of consolidation;

   3.2 the report on operation includes a reliable analysis of the performance and the operating result, as well as the position of the issuer and of all the companies included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Milan, March 14, 2014

Chairman and Chief Executive Officer

(Giorgio Basile)

Manager in charge of preparing corporate financial reports

(Ruggero Gambini)

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