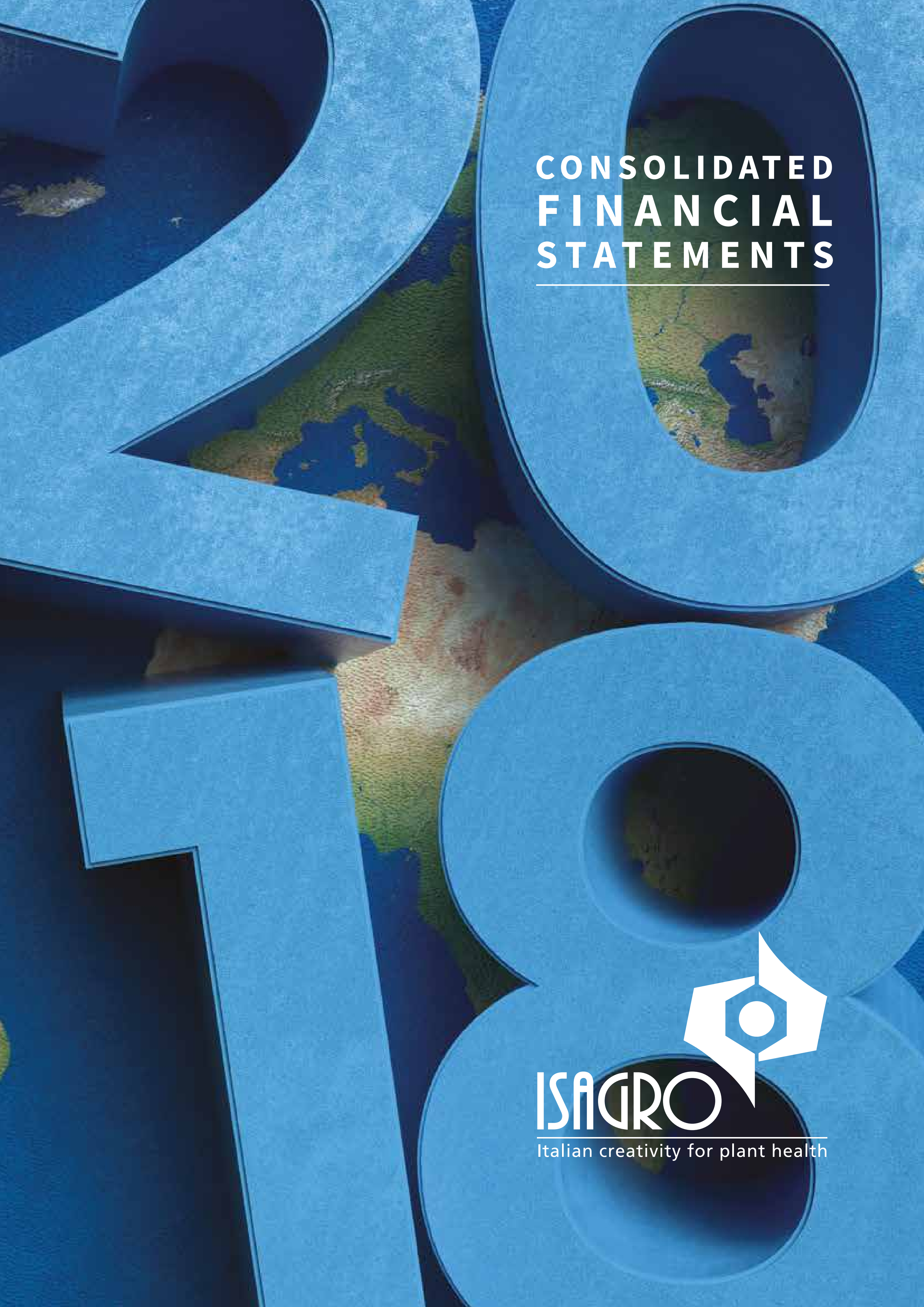


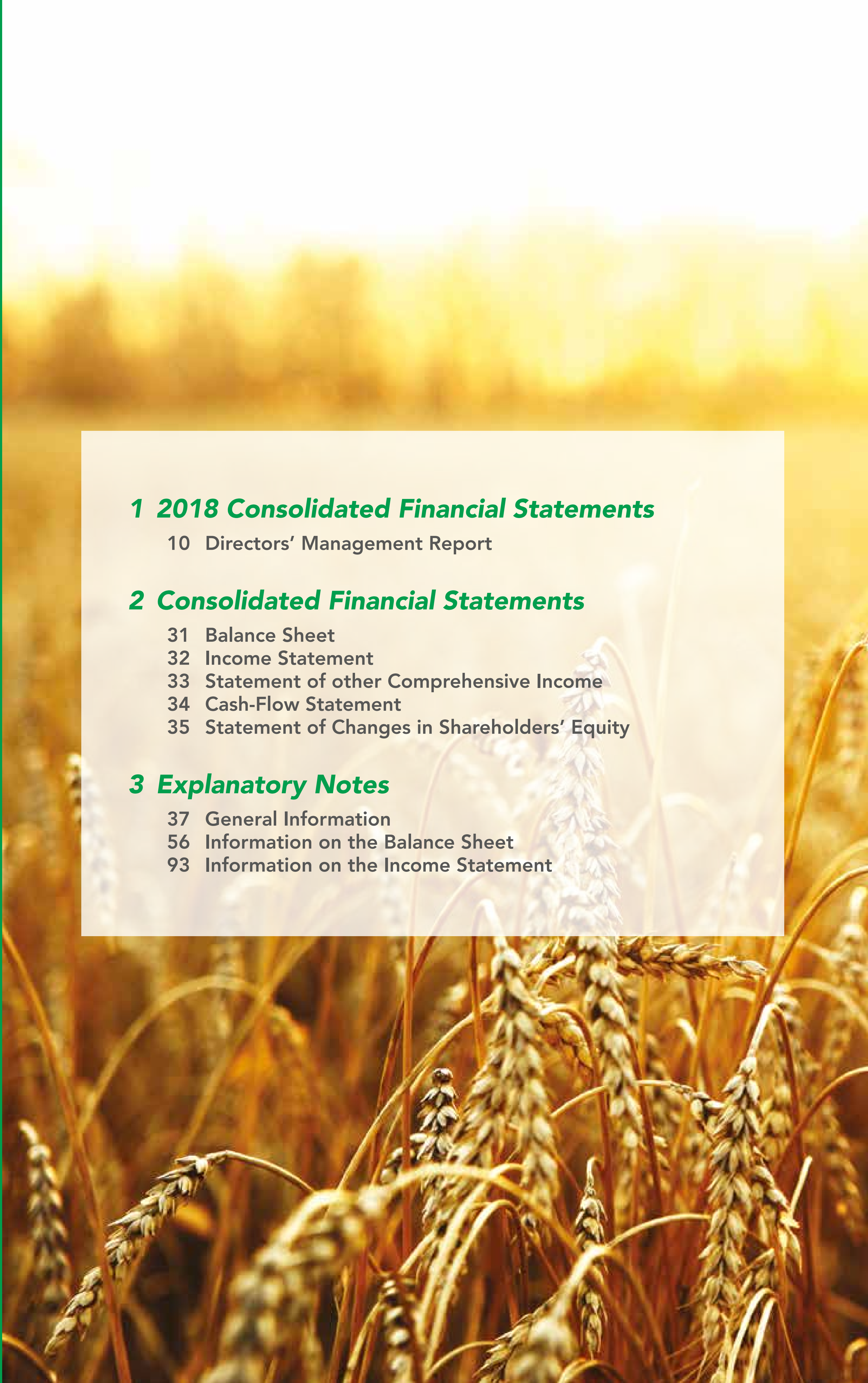
CONSOLIDATED FINANCIAL STATEMENTS

ISAGRO

Italian creativity for plant health

ISAGRO S.p.A.

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

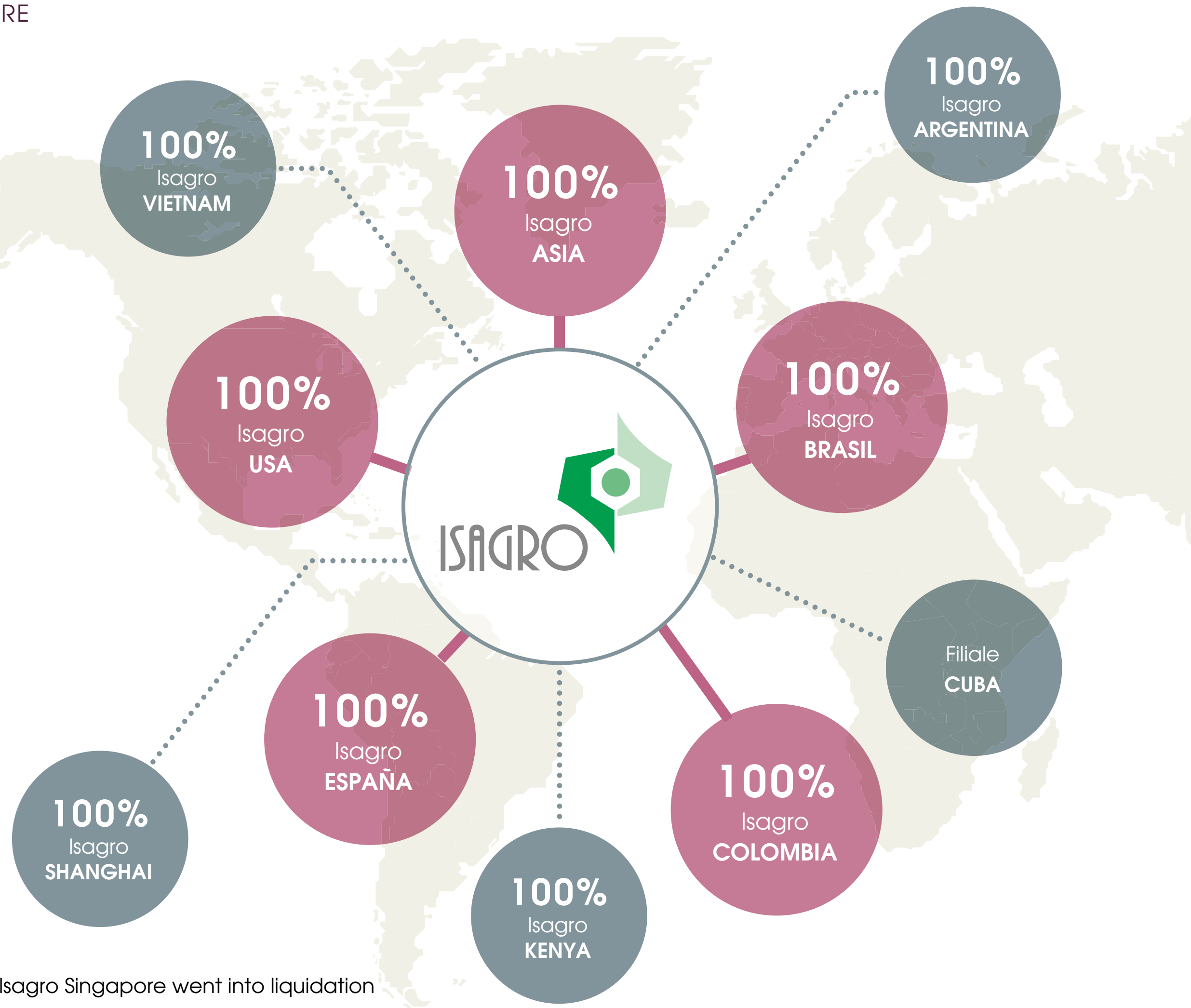


GROUP STRUCTURE

March 2019*

Direct distribution

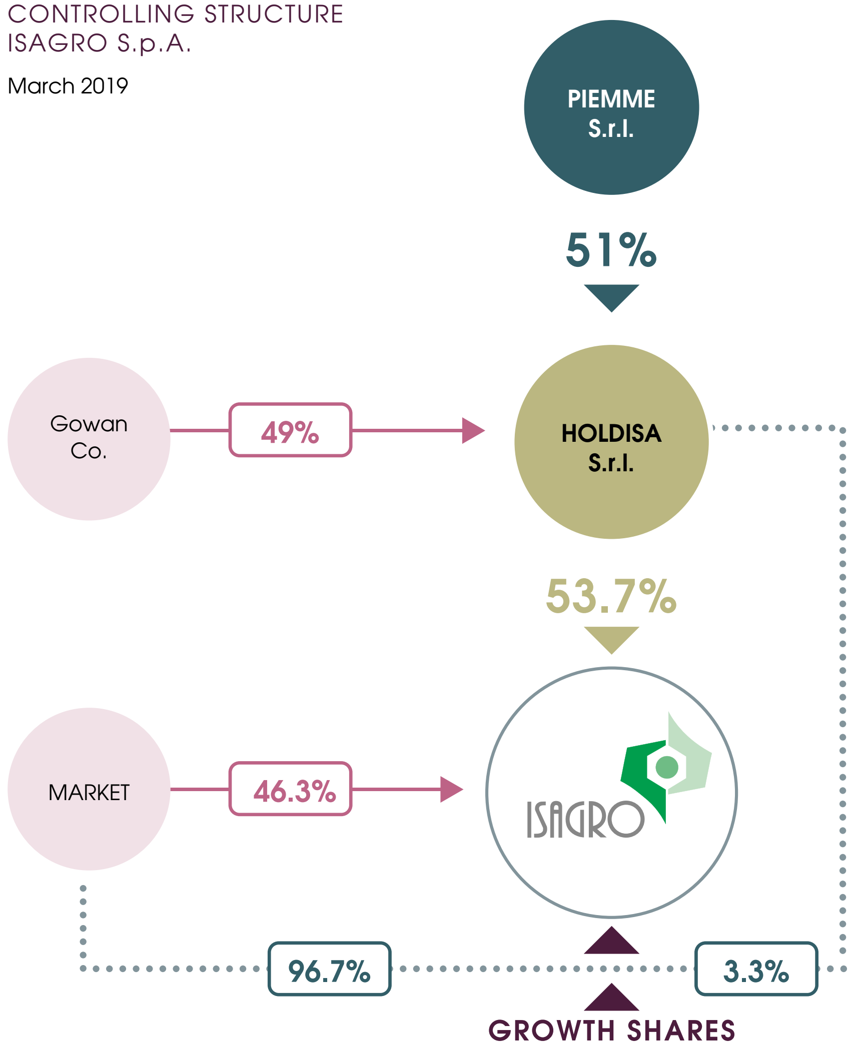
Indirect distribution



*Isagro Poland and Isagro Singapore went into liquidation

CONTROLLING STRUCTURE
ISAGRO S.p.A.

March 2019



22%
of the Italian company Arterra Bioscience is owned by Isagro

Isagro is also present in:

- **AUSTRALIA**
- **CHILE**
- **MEXICO**
- **SOUTH AFRICA**

with companies holding local registrations

BOARD OF DIRECTORS

Chairman and Chief Executive Officer
Giorgio Basile

Deputy Chairman
Maurizio Basile

Directors
Riccardo Basile
Roberto Bonetti
Enrica Maria Ghia
Silvia Lazzeretti
Marcella Elvira Antonietta Logli
Giuseppe Persano Adorno
Erwin Paul Walter Rauhe
Angelo Zaccari
Margherita Zambon

BOARD OF STATUTORY AUDITORS

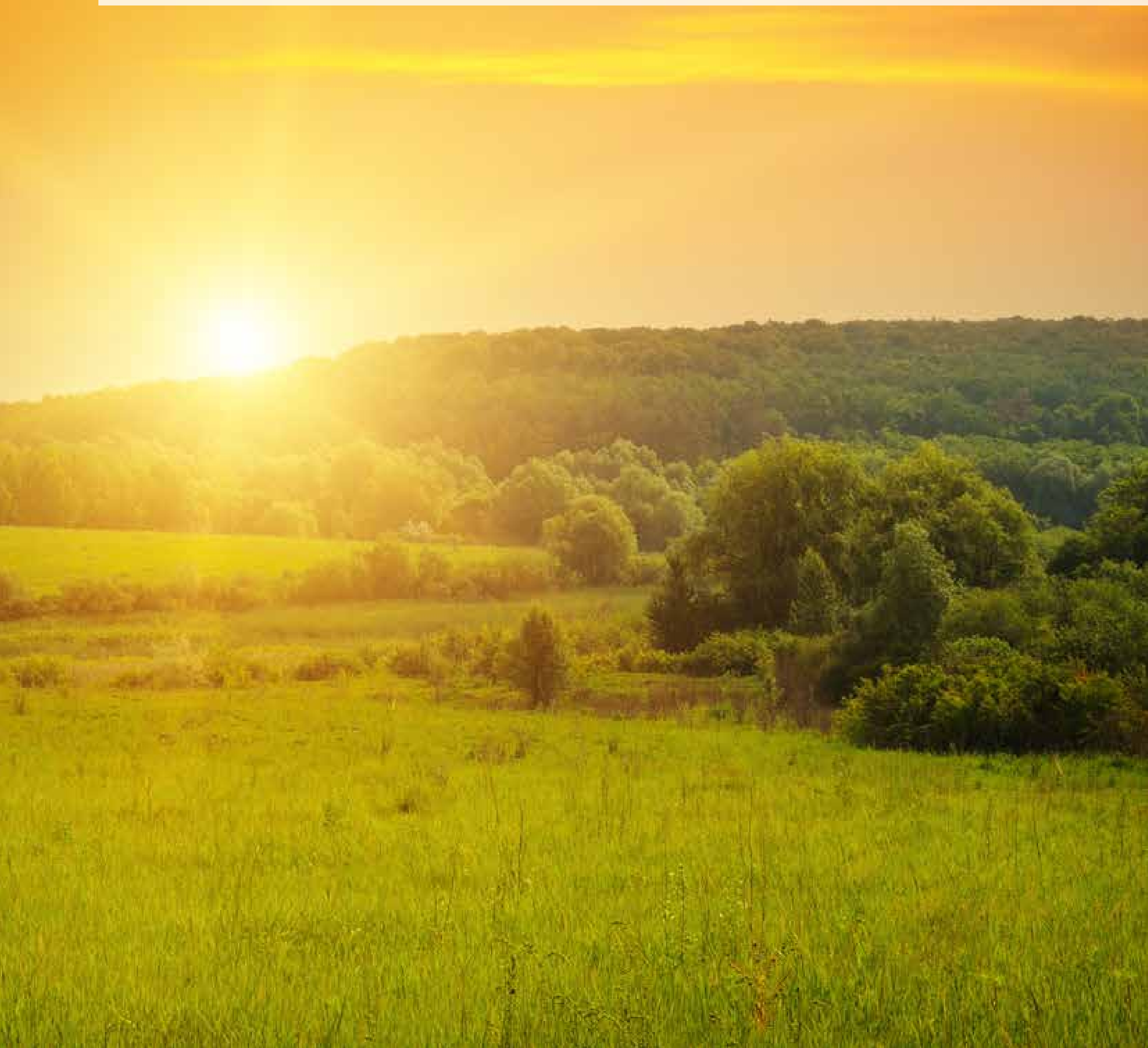
Chairman
Filippo Maria Cova

Statutory Auditors
Giuseppe Bagnasco
Claudia Costanza

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

2018 1
Consolidated Financial Statements



DIRECTORS' MANAGEMENT REPORT

Dear Shareholders,

Your Group's Consolidated Financial Statements as at December 31st 2018 disclosed at the Income Statement level, **Revenues** of € 152.8 million (compared to € 149.6 million of 2017), an **EBITDA** of € 14.0 million (compared to € 12.6 million of 2017) and a **Net profit** of € 0.4 million (compared to the € 0.2 million profit of 2017).
The increase in Revenues of 2018 compared to 2017 was mainly due to higher revenues from M/L Agreements (€ 6.0 million compared to 2017), which more than offset lower sales from Crop Protection Products and Services (down by € 2.8 million compared to 2017), as explained in more detail below.
In the same way, the trend in Gross Operating Profit reflected, on the one hand, the positive contribution of the aforesaid higher revenues from M/L Agreement and, on the other hand, a drop in profitability of sales of the Indian subsidiary Isagro Asia and higher R,I&D costs charged to the Income Statement, in a context of slightly increasing fixed costs.
Additionally, using the same exchange rates as in 2017, in 2018, the turnover and EBITDA would have been higher than the final figures respectively of € 7.0 million and € 2.8 million.
With reference to the Balance Sheet, as at December 31st, 2018 your Group disclosed **Net financial debts** of € 45.1 million (compared to € 46.2 million as at December 31st, 2017), out of which approximately € 36.6 million maturing at more than one year (compared to € 45.3 million as at December 31st, 2017) with a **debt/equity ratio** of 0.48. These Net financial debts, moreover, is entirely against Net Working Capital, with Equity (equal to € 96.5 million as at January 1st, 2018 *versus* € 94.8 million as at December 31st, 2018 due in particular to the negative change in the translation reserve related mainly to the accounting items of the subsidiary Isagro Asia, which contribute to financing the working capital itself for approximately € 10 million.

According to estimates provided by the market analysis company Phillips McDougall, 2018 was characterized:

- at the global level, by a reduction in the market value of Crop Protection Products in EUR terms of 0.4% (compared to a 4% increase in USD terms) *versus* the previous year;
- in South America and especially in Brazil, by a recovery of the market which recorded an increase of approximately 6% in USD terms and of 1.4% in EUR terms;
- in Europe, by drought phenomena which affected and penalized the western regions, compared to growth in the eastern areas driven in particular by Russia and Ukraine;
- in Asia, by generally favorable weather conditions that contributed to the growth of the market, with an increase trend in the price of agrochemical products on the Chinese market.

With reference to your Group, 2018 was characterized by:

- the filing of the demand for registration in Brazil and Europe for the active ingredient and basic formulations for the new broad-spectrum fungicide Fluindapyr. With reference to the demand for registration in Brazil, in October 2018, Isagro sent a formal communication to the Brazilian Ministry of Agriculture to be admitted to a "priority list" ("fast track"), with the objective of shortening the authorization times. At the date of the present Report, it is not possible to give an indication on the possible outcome of what is described above;
- the entry into force of the distribution contract for the new fungicide Fluindapyr in Brazil with the partner Arysta LifeScience, a former sister company of Platform Specialty Products (which in July 2018 was acquired by UPL Corporation Limited), which entailed initial revenues of USD 9 million (corresponding to € 7.5 million). For more information on this contract, please see the Explanatory notes of the present Financial Statements;
- the start of "stage two" of pre-development of a new Nematicide originating from Isagro's Innovative Research, the costs of which, approximately € 0.6 million, were charged to the Income Statement in the year;
- the second year of direct sales of the subsidiary Isagro Brasil and the incorporation of Isagro Agrosolutions Kenya Limited, the latter as part of the project for "Sub-Saharan Africa" for support in registration and the development of the Group's sales in these regions.

With reference to the medium-term perspectives, Isagro's objective of returning to a turnover level of around € 200 million is confirmed, thanks to both internal and external growth, seizing targeted acquisition opportunities.
As a reminder, an incremental contribution to turnover and margins is expected from the new fungicide Fluindapyr starting from 2021, with significant impacts in subsequent years.

Isagro will continue to be founded on the activities of Discovery of new products/molecules, at the basis of its own business model and of proven success, but, in the frame of the changed conditions of regulatory and competitive systems:

- does not intend to develope any longer those of organic chemical origin, which will be valorized offering to Third Parties the related development and commercial exploitation rights, and
- will intensify its organizational and financial commitment for the development of its position in the Biosolutions.

EVOLUTION OF THE CROP PROTECTION PRODUCTS MARKET

With reference to Phillips McDougall indications, the 2018 preliminary market data indicate a drop in the same of 0.4% in EUR terms compared to a 4% increase in USD terms compared to the previous year (with a value of USD 56.5 billion in 2018 compared to USD 54.2 Billion in 2017). In general terms, the EU market dropped by 1.3% (in Euro) due also to unfavorable weather conditions, while North America, South America and Asia grew in terms of USD (the currency of reference for these markets) between 3% and 6%.

Again, according to the indications of Phillips McDougall, in 2018, the crop protection market at the global level was characterized (i) by normalization of the high inventory levels recorded previously at distribution channels, (ii) by adverse weather conditions in some parts of the world (which affected negatively the demand for/consumption of agrochemicals), (iii) by an increase in the prices of many active ingredients and formulations produced in China due to the limitation on productive activities in that Country for environmental issues (which caused an increase in production costs) and (iv) by a recovery in the prices of agricultural commodities, after a downward trend that began in 2015.

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

- in **Europe**, the market, as we have said, was affected by unfavorable weather conditions in the areas of western Europe (drought) which limited regional growth, a trend more than offset by the growth recorded in the areas of eastern Europe (in particular Russia and Ukraine). This latter area benefited from the positive trend in the agricultural economy, driven by exports of cereals;
- in **North America**, the trade dispute in progress between the USA and China caused a significant reduction of exports of soybeans to China and the consequent reduction of prices of soybeans crops in the USA, with consequent negative effects on the agrochemical market for the latter. However, a substantial increase in the area growing soybeans resistant to the herbicides in use (“Dicamba herbicide”) was recorded, with a consequent increase in the use of more costly treatments and a positive effect on sales in local currencies;
- in **South America**, there was moderate growth (approximately 6% in US$ terms) driven specifically by Brazil, up by approximately 4%. In Argentina, however, adverse weather conditions of drought limited the growth of the market due to a decrease in the demand for/consumption of crop protection products;
- in **Asia** and **Oceania**, the market was affected by favorable weather conditions with positive effects, above all in India and China. The Chinese market benefited from the increase in prices as mentioned above (10% – 20%) and from transition to the use of more innovative products, with lower active ingredient content per hectare sold at higher prices. In Thailand, it was a good year for the main crop, rice. In Australia and Indonesia, unfavorable weather conditions of drought were recorded, while in Vietnam, there were high inventory levels, with a consequent negative effect on the performance of the local market.

With reference to the consolidation process involving the main crop protection market operators, we can note that: (a) the acquisition of Arysta Lifescience Inc. (a subsidiary of Platform Specialty Products Corporation) by UPL Corporation Limited (an operation announced in July 2018) was definitively approved; (b) the “Business Agro” division of DowDuPont was renamed Corteva Agriscience and separation from the group is expected by the end of June 2019; (c) the acquisition of Monsanto by Bayer was completed in the second quarter of 2018 and the merger process is in progress. The antitrust authorities requested further disinvestments, including Bayer’s digital agriculture business for which the only company to show any interest is currently BASF; (d) Nufarm is the main beneficiary of the disinvestments of Adama and Syngenta products in Europe.

INCOME STATEMENT – SUMMARY DATA

Consolidated **Revenues** in 2018 amounted to € 152.8 million, up by € 3.2 million compared to € 149.6 million in 2017. This positive change is attributable to the combined effect of:

- higher Revenues from M/L Agreements of € 6.0 million (for a total in 2018 of € 7.5 million compared to € 1.5 million in 2017), deriving from a distribution Agreement for the fungicide Fluindapyr in Brazil with the company Arysta LifeScience, better described below, which more than offset
- lower Revenues from the sale of Crop Protection Products and Services of € 2.8 million, essentially attributable to lower Revenues from the sale of Crop Protection Products of € 2.7 million.

Additionally, the 2018 Revenues, using the same exchange rates as 2017, would have been equal to € 159.8 million, up by approximately 7% compared to the previous year.

With reference to the change related to Revenues from sales of Crop Protection Products in 2018 compared to 2017, the lower sales of € 2.7 million are due mainly to (i) lower sales made in India by Isagro Asia, also as a result of the increase in the Euro/Indian rupee exchange rate,

(ii) lower sales made in North America by the subsidiary Isagro USA and (iii) lower sales in Italy made by Isagro S.p.A., only partially offset by (iv) higher sales in Central and Western Europe and (v) higher sales made in Brazil by the subsidiary Isagro Brasil.
With regard to the breakdown of Revenues of only Crop Protection Products by geographic area, we can note that in 2018:

- sales in Italy accounted for approximately 18% of turnover (substantially in line with 2017), for a total of € 24.9 million (down by € 1.1 million in absolute value compared to 2017);
- sales in other European countries accounted for approximately 31% of turnover (compared to 29% in 2017), for a total of € 43.7 million (up by € 2.8 million compared to 2017);
- sales in the Americas accounted for approximately 21% of turnover (compared to 22 % in 2017), for a total of € 30.5 million (down by € 1.2 million compared to 2017);
- sales in Asia accounted for approximately 25% of turnover (compared to 26% in 2017), for a total of € 35.0 million (down by € 2.7 million in absolute value compared to 2017);
- sales in the Rest of the World accounted for approximately 5% of turnover (in line with sales in 2017), for a total of € 7.6 million (in line with the value of € 7.6 million in 2017).

In accordance with the first application of the new accounting standard IFRS 9, the 2018 Revenues include losses on hedging against exchange rate risk (domestic currency swaps) for € 0.7 million, while the effects of hedges as at December 31st, 2017 were charged among the financial components of the Income Statement. In this regard, as explained in more detail below, Isagro's policy and procedures provide for the Company hedging the exchange rate risk (and in particular the risk associated with the US dollar) of the Parent Company forecast net exposure of the year freezing its exchange rate at the figure in the annual budget.
In relative terms, Isagro is confirmed as a strongly foreign-oriented group, with a percentage of turnover in the year from crop protection products achieved outside Italy of approximately 82%.

(€ 000)	2018		*Change*	2017	
Italy	24,921	17.7%	*-4.2%*	26,011	18.1%
Rest of Europe	43,688	31.0%	*+6.7%*	40,926	28.4%
Americas	30,485	21.6%	*-3.7%*	31,661	22.0%
Asia	34,960	24.8%	*-7.2%*	37,675	26.2%
Rest of the World	7,648	5.4%	*-0.1%*	7,656	5.3%
Gains/(losses) DCS IFRS 9	(656)	-0.5%	*N/S*	-	0.0%
Crop protection products subtotal	**141,046**	100.0%	***-2.0%***	**143,929**	100.0%
Other products and services	11,725		*+ 107.5%*	5,651	
Consolidated Revenues	**152,771**		***+2.1%***	**149,580**	

Table 1: Consolidated Revenues by Geographical Area

During 2018, Isagro carried on its Research, Innovation & Development activity, incurring total costs of € 12.3 million, in line with the figure of € 12.3 million in 2017, (figures net of the R,I&D tax credit), of which € 5.4 million capitalized (compared to capitalization of € 7.4 million in 2017), pertaining to (a) continuation of co-development with FMC Corporation of the new proprietary molecule Fluindapyr (an "SDHi"-class broad-spectrum fungicide), (b) development of new products, (c) extraordinary protection of proprietary products and (d) activities for new registrations worldwide. The 2018 Income Statement, therefore, were affected by higher research, innovation & development costs charged to the Income Statement of € 2.0 million compared to 2017.
It is also worth noting that during 2018, it was decided to launch "stage two" of the process of pre-development of the new Nematicide originating from Isagro's Innovative Research, the costs of which, of approximately € 0.6 million, were charged to the Income Statement.

(€ 000)	Financial Year 2018	Financial Year 2017	Differences	
Revenues	**152,771**	**149,580**	**+3,191**	**+2.1%**
of which: from M/L Agreements*	***7,478***	***1,502***	***+5,976***	
Memo: Labor costs (excluding provisions for bonuses)	(28,964)	(29,427)	+463	
EBITDA	**14,024**	**12,557**	**+1,467**	**+11.7%**
% of Revenues	*9.2%*	*8.4%*		
Depreciation and amortization:				
- tangible assets	(3,405)	(3,882)	+477	
- intangible assets	(5,911)	(5,316)	-595	
- write-down of tangible and intangible assets	(265)	(490)	+225	
EBIT	**4,443**	**2,869**	**+1,574**	**+54.9%**
% of Revenues	*2.9%*	*1.9%*		
Interest, fees and financial discounts	(247)	(863)	+616	
Gains/(losses) on foreign exchange and derivatives	(1,199)	154	-1,353	
Revaluations of equity investments	200	135	+65	
Result before taxes	**3,197**	**2,295**	**+902**	**+39.3%**
Current and deferred taxes	(2,734)	(1,882)	-852	
Profit of the Group from continuing operations	**463**	**413**	**+50**	**+12.1%**
Result from discontinued operations	(100)	(200)	+100	
Net result	**363**	**213**	**+150**	**N/S**

Table 2: Consolidated Income Statement - Summary Data

** These figures contribute for the same amount to EBITDA, EBIT and Result before taxes*

The **EBITDA** for 2018 amounted to € 14.0 million, up by 11.7% compared to € 12.6 million in 2017, with margins on Revenues increasing from 8.4% to 9.2%.
This increase in EBITDA of € 1.4 million was the result of:

- higher margins related to Revenues from M/L Agreements of € 6.0 million and lower allowances of € 1.0 million, which more than offset
- lower margins from sales of Crop Protection Products & Services of € 3.1 million, higher total fixed costs (net of other operating costs and revenues) of € 0.5 million and higher R,I&D costs charged to the Income Statement of € 2.0 million.

With specific reference to **Personnel costs**, they were € 28.9 million, down by € 0.5 million compared to the figure of € 29.4 million as at December 31st, 2017. This change was the result of lower expenses for early retirement incentives (of € 1.1 million in 2017 and absent in 2018), which more than offset an increase in wages and salaries of € 0.6 million.
Additionally, in relation to EBITDA of 2018, using the same exchange rates as 2017, the figure would have been € 16.8 million, up by approximately 33% compared to the previous year.
Amortization, depreciation and impairment losses amounted to € 9.6 million, substantially in line with the figure of € 9.7 million of the previous year.
As a reflection of the items commented on above, your Group, therefore, closed 2018 with an **Operating profit** of € 4.4 million, up by € 1.5 million compared to the figure of € 2.9 million in 2017.
With reference to financial management, in 2018, compared to the previous year, your Group incurred:

- lower **Interest, fees and financial discounts** of € 0.6 million thanks mainly to financial income made by the subsidiary Isagro Asia on short-term investments of the liquidity available to it, and to a further reduction in the cost of debt of the parent company Isagro S.p.A.;
- higher **Losses on exchange rates and derivatives** of about € 1.4 million, attributable to the different accounting of this item as at December 31st, 2018 compared to December 31st, 2017, as noted below commenting on the entry into force from January 1st, 2018 of the new accounting standard IFRS 9.

With reference therefore to the specific amount for 2018 of Losses on exchange rates and derivative instruments, of € -1.2 million, it is attributable mainly to the financial costs associated with hedging carried out by Isagro S.p.A. for € 0.5 million and to losses on exchange rates recorded in the subsidiaries and at the level of consolidation accounts for € 0.7 million;

- higher **Revaluations of equity investments** of € 0.1 million, attributable to the profits made by the associate Arterra Bioscience.

It should be remembered that the Isagro Group operates on several markets internationally and many trade relations are managed in currencies other than the Euro,

mainly in US dollars. Consequently, the parent Isagro S.p.A., in compliance with its "Financial Risk Management Policy" designed to "make safe" the exchange rate of the budget, arranges USD exchange rate risk hedges, using its forecast exposure for the year as indicated by the currency budget in American dollars as the reference basis. With regard to the hedging transactions carried out by the Group, it should also be noted that these refer exclusively to operational transactions and are not in any way speculative. With reference to this, we must specify that for the hedging transactions on exchange rates other than the Euro in place as at December 31st, 2017 your Group applied the standard IAS 39, recognizing these transactions directly among the financial components of the Income Statement, while for those on turnover and related receivables of 2018 it began to apply the new standard IFRS 9, recognizing the effects directly in Revenues. The effects of hedges in place as at December 31st, 2017, are, instead, included among financial income/expenses, as are the points at the end of so-called *rolling* transactions of hedges related to turnover of the year in progress, as well as any effects of hedges considered of a trading nature and those of exchange rate changes related to receivables/payables in foreign currencies. It follows that the figures as at December 31st, 2018, prepared, as we have said, following the new standard IFRS 9, do not seem comparable with those as at December 31st, 2017, constructed on the basis of the old standard IAS 39 in force at the time.
The consolidated **Profit before taxes** was therefore € 3.2 million, up by € 0.9 million compared to € 2.3 million in 2017.
At the level of tax management, **Current and deferred taxes** as at December 31st, 2018 were equal to € 2.7 million, up by € 0.8 million compared to the figure of € 1.9 million as at December 31st, 2017, with a proportion with respect to Profit before taxes substantially unchanged (85% compared to the figure of 82% of December 31st, 2017). In relation to this we can note that no deferred tax assets were recognized for the tax losses of the year of the subsidiary Isagro USA and the parent company Isagro S.p.A. for reasons of prudence. In addition, the tax expenses of 2018 include write-downs of tax assets of the subsidiary Isagro USA of approximately € 0.4 million.
Lastly, it is worth noting that the 2018 Financial Statements include among tax expenses € 133 thousand for the payment, as a total settlement, of what was agreed with the Italian Revenues Agency on the audit carried out last year covering tax years 2012, 2013 and 2014, described below.
As a consequence of what is explained above, your Group ended 2018 with a **Net profit** of € 0.4 million, increasing by € 0.2 million compared to the profit of € 0.2 million in 2017.

In terms of **Balance Sheet**, again following the entry into force of the new accounting standard IFRS 9 – Financial Instruments, the provisions of which came into effect starting from January 1st, 2018, a number of items of the Financial Statements as at December 31st, 2017 were redetermined consistently with the new accounting principle without changes to the NFP as of December 31st, 2017. Hereinafter, therefore, it was considered appropriate and correct to make reference, for the twelve months balance sheet data, to the opening Financial Statements as at January 1st, 2018, which include the effect of redetermination under the terms of IFRS 9 of the amounts as at December 31st, 2017.

BALANCE SHEET – SUMMARY DATA

From a financial point of view, Consolidated **Net Invested Capital** as at December 31st, 2018 amounted to € 139.9 million, down by € 2.8 million compared to the € 142.7 million of the opening Financial Statements as at January 1st, 2018 (€ 145.5 million as at December 31st, 2017).

(€ 000)	Dec. 31st, 2018	Jan. 1st, 2018 with the adoption of IFRS 9	Differences		Dec. 31st, 2017
Net fixed assets	**83,895**	**87,055**	**-3,160**	**-3.6%**	**86,834**
of which: *Goodwill and Other intangible assets*	*52,818*	*53,151*	*-333*		*53,151*
Tangible assets	*19,228*	*20,553*	*-1,325*		*20,553*
Other m/l-term assets and liabilities	*11,256*	*12,914*	*-1,658*		*12,693*
Net working capital	**55,224**	**55,522**	**-298**	**-0.5%**	**58,544**
of which: *Inventories*	*48,097*	*45,040*	*+3,057*		*45,040*
Trade receivables	*39,823*	*41,480*	*-1,657*		*44,502*
Trade payables	*(32,696)*	*(30,998)*	*-1,698*		*(30,998)*
Other current assets and liabilities and current provisions	**3,212**	**2,740**	**+472**	**+17.2%**	**2,740**
Severance Indemnity Fund (SIF)	**(2,384)**	**(2,591)**	**+207**	**-8.0%**	**(2,591)**
Net invested capital	**139,947**	**142,726**	**-2,779**	**-1.9%**	**145,527**
Total	**139,947**	**142,726**	**-2,779**	**-1.9%**	**145,527**
Financed by:					
Equity	**94,830**	**96,505**	**-1,675**	**-1.7%**	**99,306**
of which: *Translation adjustment*	*(10,314)*	*(8,769)*	*-1,545*	*+17.6%*	*(8,769)*
Net financial position	**45,117**	**46,221**	**-1,104**	**-2.4%**	**46,221**
of which:					
M/L-term debts:	*36,612*	*45,335*	*-8,723*	*-19.2%*	*45,335*
Debt/Equity Ratio	***0.48***	***0.48***			***0.47***
Total	**139,947**	**142,726**	**-2,779**	**-1.9%**	**145,527**

Table 3: Consolidated Balance Sheet - Summary Data

More specifically, **Net fixed assets** as at December 31st, 2018 amounted to € 83.9 million, recording a reduction of € 3.2 million compared to the € 87.1 million of January 1st, 2018 (amounting to € 86.8 million as at December 31st, 2017). These increases are mainly due to the changes that took place in the items relating to:

- **Other intangible assets**, totaling € 49.5 million as at December 31st, 2018, down by € 0.3 million compared to the figure of € 49.8 million as at January 1st, 2018, as a result of a volume of capitalizations of RI&D costs lower than the amortization of the year; in this regard, we can remind you in fact that Isagro entered into the final stage of co-development of the new broad-spectrum fungicide Fluindapyr, the related investments of which entered into a declining stage compared to past years;
- **Tangible assets**, totaling € 19.2 million as at December 31st, 2018, down by € 1.4 million compared to the figure of € 20.6 million as at January 1st, 2018, also in this case as the result of lower investments in the year compared to the level of the related amortization. In relation to this, during 2018, your Group did not make significant investments;
- **Other medium/long-term assets and liabilities,** totaling € 11.2 million as at December 31st, 2018, down by € 1.7 million compared to the € 12.9 million as at January 1st, 2018, due substantially to (i) the reclassification of installments pursuant to M/L Agreements due in the next 12 months among short-term assets and (ii) the write-down in the subsidiary Isagro USA of certain tax assets.

Net working capital as at December 31st, 2018 amounted to € 55.2 million, down by € 0.3 million compared to January 1st, 2018.

More specifically:

- **Inventories** increased by € 3.1 million, due mainly to constitution of stock to cover the sales estimated in 2019 in Isagro Asia and to higher purchases (strategic stock) in Isagro USA of products imported from China following the uncertainty over customs duties between the USA and China;
- **Trade payables** increased by € 1.7 million, consistently with the increase in inventories;
- **Trade receivables** decreased by € 1.7 million due mainly to (i) increasing of operations of factoring without recourse by the parent company Isagro S.p.A., (ii) a good performance of collections in India and (iii) the reduction in turnover net of revenues from M/L Agreements.

As far as the **Severance Indemnity Fund** is concerned, it was equal to € 2.4 million as at December 31st, 2018, down by € 0.2 million compared to the figure of € 2.6 million as at January 1st, 2018.
As for funding, consolidated **Equity** as at December 31st, 2018 amounted to € 94.8 million, down by € 1.7 million compared to the € 96.5 million recorded as at January 1st, 2018 due also to the negative change in the translation adjustment, relating to accounting items of the subsidiary Isagro Asia, caused by the rise of the Euro against the Indian rupee.
The consolidated **Net financial position (NFP)** as at December 31st, 2018 amounted to € 45.1 million, down by € 1.1 million compared to € 46.2 million as at January 1st, 2018. This decrease was due to the reduction of Net working capital of € 0.3 million and to the positive operating cash flow (thus excluding the changes in working capital) of € 0.8 million.
The breakdown of Net Financial Position as at December 31st, 2018, consists mainly of medium/long-term debts, with an effective liquidity at the Group level (also considering the cash and cash equivalents of Isagro Asia) of more than € 30 million.
The above medium/long-term financing operations were performed by the parent Isagro S.p.A. with a view to optimizing the cost of medium/long-term borrowing and seeking greater alignment between the timing of the investments undertaken – particularly those relating to development of the new "SDHi"-class broad spectrum fungicide Fluindapyr – and that of the sources of finance supporting these investments, leaving the short-term lines as a "liquidity reserve". In this regard, Isagro monitors with attention the evolutions related to the status of the monetary policies of the ECB, whose QE (Quantitative Easing) is expected to end in 2019 with a consequent slowdown in the granting of new medium/long-term loans replacing those maturing, and the evolutions related to public finance policies, which could affect the costs of procuring debt capital. In this context, during 2018, new loans of € 22.2 million were taken out against repayments in the year of € 26.4 million.
In the light of the above, the consolidated **debt/equity** ratio (i.e. the ratio between Net Financial Position and Equity) came to 0.48 as at December 31st, 2018 equal to 0.48 as at January 1st, 2018.
Lastly, note that the parent Isagro S.p.A., which concentrates most of research, innovation & development, synthesis and formulation activities and includes amounts related to investments in subsidiaries, reported a Net financial position at debt of € 55.4 million, against available, unused bank credit lines of various types amounting to around € 54 million.

CASH FLOWS – SUMMARY DATA

As at December 31st, 2018, a free cash flow of € 1.1 million was generated (compared to a free cash flow of € 6.5 million as at December 31st, 2017), deriving for € 0.3 million from a reduction in Net working capital and for € 0.8 million from the positive operating cash flow.

(€ 000)	Financial Year 2018	Financial Year 2017**
Net profit/(loss)	363	213
+ Depreciation, amortization and impairment	9,581	9,688
Gross Cash Flow	**9,944**	**9,901**
- Investments	(8,055)	(9,815)
- Distributed dividends	-	-
± Other changes*	(1,083)	(3,972)
Free Cash Flow before Δ NWC	**806**	**(3,886)**
Δ NWC	298	10,383
Free Cash Flow	**1,104**	**6,497**

Table 4: Summary of Cash Flow

** Includes, among other things, the change in deferred tax assets/liabilities, the change in receivables from M/L Agreements and the change in provisions*
*** The data of the opening Financial Statements are considered to reflect the impact of the new standard IFRS 9 stating from 01/01/2018*

MAIN FINANCIAL INDICATORS

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

	2018	2017**
Average No. of shares outstanding* (000)	**38,410**	**38,675**
Basic earnings per share* (€)	**0.01**	**0.01**
Equity per share* (€)	**2.47**	**2.50**
R.O.E.	**0.4%**	**0.2%**
R.O.I.	**3.2%**	**2.0%**
Net financial position / EBITDA	**3.22**	**3.68**

Table 5: Main Financial Indicators

** Excluding 295,036 treasury Growth Shares in 2018 and 50,000 treasury Ordinary Shares in 2017*
*** The reopening figures of 01/01/2018 are considered to reflect the impact of the new IFRS 9*

With reference to the main financial indicators, in 2018 we can note earnings per share in line with the figure of 2017, 0.01. Similarly, there was an increase in R.O.E. (Return On Equity), of 0.4%, compared to 0.2% in 2017, and an improvement of R.O.I. (Return On Investment), which went from 2.0% in 2017 to 3.2% at December 31st, 2018, as the balance between the opposing effects of an increase in Operating profit, on the one hand, and a decrease in Net Invested capital, on the other.
The ratio between the Net Financial Position and EBITDA improved slightly from the figure of 3.68 in 2017 to 3.22 as at December 31st, 2018, as a result, on the one hand, of the approximately 12% increase in EBITDA and, on the other hand, of the improvement in the NFP on the previous year by approximately 2%.

RESULTS OF THE PARENT COMPANY ISAGRO S.P.A.

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

Therefore, with reference to the 2018 results of Isagro S.p.A., they are represented by:

- **Revenues** of € 113.6 million, up by 6.8 million (+6%) compared to € 106.8 million in 2017; using the same exchange rates as 2017, 2018 Revenues, would have been € 116.5 million, up by 3% compared to the 2017;
- an **EBITDA** of € 7.7 million, up by € 1.0 million (16%) compared to € 6.7 million in 2017; using the same exchange rates as 2017, the 2018 EBITDA would have been € 10.1 million, up by 31% compared to 2017;
- a **Net loss** of approximately € 5.9 million compared to the loss of € 2.3 million in 2017, which reflects mainly the write-down of the equity investment in Isagro USA.

RESEARCH, INNOVATION AND DEVELOPMENT ACTIVITIES

During 2018, Isagro incurred research, innovation & development costs totaling € 12.3 million, out of which € 5.4 million were capitalized against investments for development, registration and the extraordinary protection of proprietary products worldwide. During 2017, these expenses amounted to € 12.3 million, out of which € 7.4 million were capitalized.

A) RESEARCH AND INNOVATION

The research activity conducted by the Group focused on a number of work lines aimed at obtaining new candidates for development. At the start of 2018, the management team approved the proposal for the stage 2 development program of a new molecule that in 2017 obtained the qualification of "worthy of development". The objective of achieving the qualification of another molecule as "worthy of development" by the end of 2019 is confirmed.

The research activities focused on:

- a new series of broad-spectrum fungicides, additional with respect to that belonging to the SDHi class whose development started in 2012. The projects continued regularly and all the activities of the current phase of stage 1 were performed successfully, permitting the advancement of the projects. The 2018 activity plan implemented at the Novara Research Center featured several lines of value:
    - new chemical structure with probable innovative Mode of Action, for which the main target as of today is Asian Soybean Rust, the potential market for which has a value of approximately USD 2 billion and is concentrated in South America. Among the 97 molecules studied, only a few candidates were selected and promoted to stage 1.2. Among these, two emerge for their extremely active profile. In addition, other opportunities are being studied for the fungal diseases of cereals;
    - new competitive chemical structure, for which two continuation strategies have been outlined, with production up to now of more than 100 molecules studied in stage 1.1 (screening stage). In strategy 1, we have managed to identify a molecule with valid performance and a broad spectrum of action which will be the subject of specific further study in 2019. Strategy 2, especially broad and complex, has shown the gradual emergence of candidates, for which selection criteria for high performance are applied. Stage 1.1 has not been completed; however, we believe that this series of research is very significant for both the potential wideness of spectrum and the level of effectiveness.

Finally, for the assessment of this florid research activity on innovative fungicides, the Novara Research Center has constituted and finalized effective assessment techniques never used before;

- new candidates to combat soil parasites. The validity of the "Nematicide" stage 2 molecule has been confirmed. For this, several third-party companies have also expressed potential interest. In addition, although in an earlier phase, research on other differential lines is continuing with the objective of creating an area of strategic strength for the company in this segment;
- new series of herbicides for arable crops. Two research lines were identified during 2017. Of these one has already expressed two candidates of potential value for an intermediate step of stage 1. The studies conducted in 2018 led to the selection of a single valid candidate for selective weed-killing with corn and soy, and this will be the subject of broader assessment to consolidate stage 1.2 with a view to possible promotion to the final stage. The second line is in an earlier stage, and it will be better assessed as stage 1.1 during 2019.

Studies continued in 2018, in accordance with the objectives and timing of the projects, for the identification of new copper-based formulations capable of acting at a lower dosage and with a broader spectrum than those already on the market. On completion of these activities, at the end of 2018, a broader innovation program was launched internally, aiming at substantial technological innovation.

For the assessment of new products with biostimulant action, alone or in combination with other molecules:

- a new formula found to be interesting in the "first profile" studies moved positively on to the stage of pre-commercial assessment and will be launched in 2019;

- profile studies for second-generation formulas have found some candidates that respond to the agreed commercial objectives. During 2019, work will continue for optimization, in preparation for a pre-commercial stage in 2020.

B) *PRODUCT DEVELOPMENT*

The main development activities, carried out during 2018, are highlighted below.

Fluindapyr (or Succinate Dehydrogenase inhibitor or SDHi, formerly IR9792) – broad-spectrum fungicide

In 2018, and in particular in the third quarter, the activity was particularly concentrated on the completion of the regulatory studies on the active ingredient and the representative formulation necessary for filing the registration dossier for inclusion in Annex I of the technical active ingredient in the European Union. The dossier was completed and sent to the Rapporteur Member State (Germany) and to the Co-rapporteur State (Italy) at the beginning of October. In November 2018, the first comments were received from the Rapporteur Member State on the completeness of the dossier and the end of the assessment on the completeness of Isagro's reply (sent in December) is expected by the end of the first quarter of 2019.

The program of the field and processing trials destined for completion of the effective registration dossier (BAD = Biological Assessment Dossier) is also continuing for the single formulations and mixtures envisaged for the market in Europe. This program is expected to be completed in 2019, in line with the plan which involves the filing of the zonal registration/assessment dossiers (in the area of Southern and Central European Union) in 2020.

In China field trials of the formulated product containing two active ingredients are continuing, and this testing will be completed in 2019.

In Brazil, after the filing of the dossiers on the active ingredient and two formulations in the first half of the current year, trials began on a third formulation containing three active ingredients and the dossier is expected to be filed in 2019. The assessment/study activity involving other solutions is continuing on the basis of the objectives and of any commercial agreements.

The testing program of field trials in Argentina is also continuing, with the compound containing two active ingredients, and this will be completed in 2019. Other projects are being launched for registration, in other countries of the "Southern Cone", of the same compound, in particular in Paraguay. For this compound, the studies necessary for compiling the registration dossier have already been planned for 2019.

Tetraconazole – a broad spectrum fungicide

Activities were focused mainly on the following projects:

- coordination of the activities of planning and performing the studies necessary for renewal of approval of the active ingredient in the European Union, including also relations with the regulatory consultant for planning in the preparation of the dossier;
- finalization of a draft agreement with Sipcam Agro USA for data compensation related to the new studies performed for local renewal of the active ingredient;
- finalization of a draft agreement with Sipcam Agro USA for data compensation related to access to the studies of residues on a number of crops;
- presentation of the registration dossier in EU via Mutual Recognition:
  - of "straight" formulations in several countries of the Central area of the European Union (Belchim projects);
  - of compounds (tetraconazole/chlorothalonil) in the Southern area (Italy, Bulgaria).
- submission of the dossier for registration of the tetraconazole/azoxystrobin compound in Iran;
- finalization of dossiers for the registration of the tetraconazole/azoxystrobin compound in a number of non-European Union countries (for example Malaysia, Morocco, Pakistan);
- preparation of the registration dossier for the tetraconazole/chlorothalonil formulation for submission in Ethiopia;
- finalization, in the context of the "triazole task force", of a contract with a French Center Research Organization aimed at creating a "ground water monitoring" program for a metabolite common to all fungicides belonging to the family of the triazoles (required by the authorities). Isagro will be the sponsor of this study and will manage directly the analytic stage at the residue analysis laboratories.

Copper-based products

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

- follow-up of the re-registration processes of formulations in Europe (STEP 2 of the European review process);
- preparation of the dossier for renewal of the registrations of copper formulations in Europe;
- participation in the European Copper Task Force's follow-up for the renewal of Copper salts approval at European level;
- registration of the Airone SC/Grifon SC formulation in Belgium, Brazil, China, Philippines, Czech Republic, Romania;
- registration of the Badge WG/Airone WG formulation in Albania, Algeria, Austria, Arab Emirates, Romania, Slovakia, Thailand.

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

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

- follow-up to review the document for the reassessment of the available toxicological studies on Kiralaxyl;

- follow-up of the re-registration process in EU member states for all formulations containing Kiralaxyl registered in Europe (“STEP 2”), after inclusion in Annex 1 of Regulation (EC) 1107/2009;
- support for Isagro Colombia for the submission of the dossier for registering Fantic Star in Ecuador and Peru;
- follow-up of the project for registering Fantic M WP in Pakistan;
- coordination with Gowan for registration activities in support of development of the business of Kiralaxyl-based formulations in the European Union;
- the preparation of the dossier for the review by the European Union of the maximum residue limits pursuant to Article 12 of the European Regulation;
- follow-up and preparation of the supplementary documentation required by the French authorities (Reporting Table) for zonal registration of the Fantic A product (Benalaxyl-M + Airone) in Southern Europe;
- preparation of the dossier for registration of the Fantic A product (Benalaxyl-M + Airone) in Turkey;
- preparation of the documentation and the support to the locals for the preparation of the dossier for registration of the Fantic A product (Benalaxyl-M + Airone) in Argentina;
- coordination activity for preparation of the dossier according to the new European format for defense of the Fantic A product;
- coordination with Adama for registration activities in support of development of the business of Kiralaxyl-based Seed Treatment formulations;
- follow-up and preparation of the supplementary documentation required by the authorities in support of the registration of Fantic Star and Fantic M in Brazil.

Biofumigant

As regards the Biofumigant, the main activities were:

- continuation of the supporting activities for obtainment of registration in California (USA), Egypt, Jordan, Iran, United Arab Emirates, and for label extension in Turkey;
- follow-up of the activities for performance of the studies necessary to obtain the registration of the new formulation AITC 20 in the USA;
- the follow-up of the activities for performing the studies necessary to demonstrate the equivalence of three new Chinese sources and a new Indian source of the technical AITC active ingredient for the United States;
- registration of the Dominus formulation in the Arab Emirates;
- obtainment of registration of the substance on the basis of Regulation (EC) 1907/2006 (REACH);
- authorization of new production facilities in Italy, Spain, India and China of the Dominus formulation for importation into the USA.

It should be remembered, in addition, that the Biofumigant has already obtained federal registration in the USA and that California, for which specific registration is expected by the end of 2019, represents its main reference market.

Biostimulants, microbiological products, pheromones

The monitoring activity related to the authorization processes, which are underway and aimed at supporting the business, continued. We can report obtainment of the registrations of the biostimulants Goleador in Belgium and Algeria and Siapton in Cyprus and, after two years of renewals and field trials, of the “full registration” of Siapton in China (previously it had “temporary registration”). Again in China, the new Ergostim XG, with ad hoc formulation, had excellent results on the local market.

In addition, authorization was obtained for registration in the fertilizers register for Biocross Tris and Biocross Eva as products with specific action on the soil inoculum of mycorrhizal fungi. These products make use of the waste material of the Remedier production process.

preparatory activities began for obtainment of the authorization for sale of the new Premio fertilizer above all in non-EU countries, such as Brazil, India, China.

Regarding pheromones, development and presentation of the new Ecodian CT for containment of the main lepidopterans of the chestnut in Italy are continuing with preparation of the informative material and organization of events aimed at making the product known. On July 6, 2018, the application for registration of the formulation in Italy was sent together with the request for inclusion of the active ingredient in Annex I. In September 2018, the request was received to send the dossier to the Body appointed by the Ministry for the assessment. The process for renewal of inclusion in Annex 1 of *Trichoderma asperellum* and *gamsii* is continuing with comments and documentation to the Rapporteur Member State (Sweden).

C) *REGISTRATIONS OBTAINED*

During 2018, 49 new authorizations for sale were obtained, mostly involving: Airone/Grifon SC (copper-based formulations) in Belgium, France, Brazil, China, Philippines, Czech Republic and Romania, Badge/Airone/Cuprocol Duo WG (copper-based formulations) in Albania, Algeria, Austria, Arab Emirates, France, Romania, Slovakia and Thailand, Curzate E WG (copper-based formulation) in Malta, Fantic A (copper-based formulation) in France, Dominus EC (fumigant) in the Arab Emirates, EU Reach registration of AITC (active ingredient contained in Dominus), Siapton (biostimulant) in Russia, Cyprus and Portugal, Concorde and Eminent 125 (tetraconazole-based formulations) respectively in France and UK, Scatto (deltamethrin-based formulation) in Germany, Goleador (biostimulant) in Brazil and Belgium, Ergostim XT (biostimulant) in Brazil.

SIGNIFICANT EVENTS IN 2018

A) COMMERCIAL AGREEMENT BETWEEN ISAGRO AND ARYSTA LIFESCIENCE

Between the end of 2017 and the beginning of 2018 Isagro and Arysta LifeScience, a former sister company of Platform Specialty Products (acquired by UPL Corporation Limited in July 2018), concluded a long-term commercial agreement for distribution in Brazil of mixtures based on the fungicide Fluindapyr, Isagro's new proprietary active ingredient, for use in that Country on soybeans for protection against Asian Rust and on other extensive crops (e.g. corn, wheat, cotton, coffee). Based on this agreement, on July 3rd last year, Isagro received from Arysta LifeScience the amount USD 9 million (corresponding to € 7.5 million).

B) FILING OF THE DEMAND FOR REGISTRATION OF FLUINDAPYR IN BRAZIL AND IN EUROPE

On January 30th, 2018 and on March 15th, 2018, respectively, the demand for registration of the active ingredient and the basic formulations of the new broad-spectrum fungicide Fluindapyr were filed in Brazil. With reference to this application for registration, in October 2018, Isagro sent a formal communication to the Brazilian Ministry of Agriculture, which had in turn invited the agrochemical companies to report products effective in solving particular phytoiatric defense problems (for example soybean rust), with the objective of having this application for registration admitted to a "priority list" (so-called "fast track") thus shortening the authorization times for it. At the date of the present Report, it is not possible to give an indication on the possible outcome of what is described above.

On October 9th, 2018 the applications to register the active ingredient and the basic representative formulation of the new broad-spectrum fungicide Fluindapyr were filed in Europe.

C) APPOINTMENT OF GENERAL MANAGER

On March 14th, 2018 Davide Ceper, formerly Chief Commercial Officer of Isagro, was appointed General Manager of Isagro. The General Manager has direct responsibility for all activities relations to operations, assuming the role of "Director with strategic responsibilities".

D) TAX ASSESSMENT

As reported in the previous Reports, it is noted that on the basis of the previous formal notice of assessment of July 31st, 2017 regarding tax years 2012, 2013 and 2014, the Italian Revenues Agency served to Isagro S.p.A., on November 28th, 2017, two assessment notices (for IRES and IRAP purposes), for the tax year 2012, newly subjecting the year to taxation as regards transfer pricing for a total of € 3.4 million; furthermore, with reference to tax years 2013 and 2014 (not subject to assessment notice), the Formal Notice of Assessment raised objections for a further € 4.4 million, with a total of € 7.8 million newly subject to taxation.

Subsequent to the tax settlement proposal presented to Isagro on January 19th, 2018, on February 5th, 2018, the parties began an adversarial procedure.

On April 24th, 2018, following the conclusion of the assessment procedure, the parties agreed to settle the newly taxable amount at € 2.6 million as opposed to the original € 7.8 million.

In terms of IRES, this determined a reduction in fiscal losses carried forward and the use of foreign tax credit for a total of € 2.6 million and, as regards IRAP, the payment of € 133 thousand to settle the years concerned.

E) DISTRIBUTION AGREEMENT WITH GOWAN COMPANY LLC OF OCTOBER 18, 2013

With reference to and following the Gowan Company's discount request on January 2018, recorded among significant subsequent events in the Financial Statements as at December 31st, 2017, to which you are referred, on April 23rd, 2018, Gowan presented a settlement proposal in New York (at the headquarters of the International Court of Arbitration – on April 30th, 2018, reported to the Isagro USA as counterparty of the distribution contract in question). Isagro USA, after trying to reach a settlement agreement even though it considered Gowan's request groundless, on June 29th, 2018 filed at the New York Arbitration Chamber its defensive arguments, appointing on this occasion its arbitrator. Subsequently, Gowan filed (i) a request for calling Isagro S.p.A. into the case as guarantor of Isagro USA and (ii) a document replying to Isagro USA's defensive arguments. Already on August 20th, 2018, Isagro USA registered its opposition to calling Isagro S.p.A. into the case and filed, on September 5th, further defensive arguments in support of its position, to which Gowan replied again.

Isagro USA and Gowan also exchanged correspondence on the request/allegations related to the taking of evidence and, on February 28th, 2019, filed the statements of the witnesses respectively indicated by them. Each party has until March 15th, 2019 for replies. Finally, Gowan filed a further brief in reply to Isagro USA's defensive arguments, changing its monetary request from approximately USD 1.9 million to approximately USD 2.5 million.

The first hearing for discussion was set for April 8th-10th, 2019 during which the witnesses identified by the parties in the case will also be heard.

In light of what has been communicated by Isagro's outside lawyers, the directors, in agreement with their opinion, believe that the risk of losing the case is remote.

F) APPROVAL OF THE 2017 FINANCIAL STATEMENT AND APPOINTMENT OF THE NEW BOARD OF DIRECTORS

On April 24th, 2018, the Shareholders' Meeting of Isagro S.p.A.:

- examined the consolidated data and the 2017

non-Financial Statement of the Isagro Group and approved the 2017 Financial Statements of Isagro S.p.A., accompanied by the Directors' Report on Operations, as approved by the Company's Board of Directors on March 13th, 2018 and already disclosed to the Market. To hedge the losses for the period of € 2,259,319, the items "Retained earnings after listing of Growth Shares under Article 24 of the Articles of Association" for a total of € 1,454,684, and "Retained earnings" for a total of € 804,635, were used.
- resolved to increase the number of members of the Board of Directors from eight to eleven, with the appointment, valid until the approval of the Financial Statement as at December 31st, 2020, of the new Board of Directors, composed as follows: Giorgio Basile (Chairman), Maurizio Basile, Riccardo Basile, Roberto Bonetti, Silvia Lazzeretti, Margherita Zambon, Enrica Maria Ghia (Independent Director), Marcella Elvira Antonietta Logli (Independent Director), Giuseppe Persano Adorno (Independent Director), Erwin Paul Walter Rauhe (Independent Director) and Angelo Zaccari (Independent Director);

Again, on that date, the Shareholders' Meeting resolved in favor of the Remuneration Report – first section – drawn up under the terms of art. 123-*ter* of Italian Legislative Decree no. 58/1998 and art. 84-*quater* of the Issuers Regulation adopted by Consob with resolution no. 11971/1999.

Subsequently, on May 2nd, the new Board of Directors of Isagro resolved:

- to appoint, with validity until the approval of the Financial Statement as at December 31st, 2020:
  - Giorgio Basile as Chief Executive Officer – CEO;
  - Maurizio Basile as Deputy Chairman;
  - the Directors Enrica Maria Ghia, Marcella Elvira Antonietta Logli, Giuseppe Persano Adorno, Erwin Paul Walter Rauhe and Angelo Zaccari as members of the Board of Independent Directors;
  - Director Erwin Paul Walter Rauhe as Lead Independent Director;
- to establish the Appointments and Remuneration Committee, appointing as members the Independent Directors Angelo Zaccari (Chairman), Enrica Maria Ghia and Giuseppe Persano Adorno;
- to establish the Control, Risks and Sustainability Committee, appointing as members the Independent Directors Marcella Elvira Antonietta Logli (Chairwoman), Enrica Maria Ghia e Giuseppe Persano Adorno;
- to appoint Ruggero Gambini as "Financial Reporting Manager".

Also on this date, the Board assessed, pursuant to Article 3 of the Corporate Governance Code of listed companies and Article 144-*novies* of the CONSOB Issuers Regulation, the necessary requisites of independence of Enrica Maria Ghia, Marcella Elvira Antonietta Logli, Giuseppe Persano Adorno, Erwin Paul Walter Rauhe and Angelo Zaccari, appointed as independent directors.

G) APPROVAL OF THE 2018-2021 RETENTION AND INCENTIVE PLAN AND AUTHORIZATION OF THE PURCHASE OF GROWTH SHARES AND THE SALE OF ORDINARY TREASURY SHARES

Subsequent to the proposals of the Board of Directors of March 13th, 2018, the Shareholders' Meeting approved the long-term retention and incentive plan known as the "2018-2021 Restricted Shares and Performance Shares Plan" on the free allocation of Growth Shares to Isagro's senior management. Furthermore, the Meeting authorized the Board of Directors to proceed, for the purposes of the Plan, with the purchase of Growth Shares (up to a total of 1,000,000 shares) and the sale of 50,000 Ordinary Treasury Shares (already all sold as of today). During 2018, the Company, through Banca Leonardo, proceeded to the purchase of 681,243 Growth Shares at a unit average price of € 1.24.

H) WITHDRAWAL FROM FRAMEWORK AGREEMENT WITH GOWAN

On June 25th, 2018, Isagro (following the resolution of the Board of Directors, after a favorable opinion from the Independent Directors Committee under the terms of the procedure that governs related – party transactions) informed Gowan – with congruous advance notice of six months – that it was withdrawing from the permanent contract entitled the "Framework Agreement", signed on July 30th, 2013 by Piemme S.r.l., Isagro S.p.A. and Gowan Company LLC, considering it no longer in line with Isagro's interests. In this regard, we can note that on March 11th, 2019 Gowan expressed its disagreement with the exercise of the aforesaid right by Isagro and that Gowan itself intends to proceed with arbitration at the International Chamber of Commerce.

I) INCORPORATION OF ISAGRO AGROSOLUTIONS KENYA LIMITED

On July 18th, 2018, the company Isagro Agrosolutions Kenya Limited was incorporated; in a first stage the new company, fully controlled by Isagro S.p.A., will have tasks of registration support, market intelligence and local marketing.

J) EXPIRATION OF SHAREHOLDERS' AGREEMENT BETWEEN PIEMME AND GOWAN

On October 18th, 2018, the shareholders' agreement related to the shares of Piemme S.r.l. reached its expiration (as communicated and published under the terms of the law on December 21st, 2018); Piemme is the company that indirectly exercises control over Isagro S.p.A.. The agreement was signed on October 18th, 2013 by the natural person shareholders of Piemme and the American company Gowan Company LLC. On the same date – as it had reached the end of its term – the lock-up agreement contained in the said agreement also expired, and therefore the constraints on the transfer of the shares provided for in it ceased to have any effect.

EVENTS SUBSEQUENT TO DECEMBER 31ST, 2018

A) *LIQUIDATION OF ISAGRO POLAND*

The procedure for putting into liquidation the company Isagro Poland, fully controlled by Isagro S.p.A., was launched with effect from January 11st, 2019; the definitive closure of the company will take place once the related local formalities have been completed.

B) *OBTAINMENT OF REGISTRATION*

On February 25th, 2019 registration of the copper-based fungicides Airone Inox and Airone Scudo was obtained in Brazil. These, mixed with other systemic fungicides, are destined for the strategy of defending soybeans against Asian Rust.

HUMAN RESOURCES

The actual workforce as at December 31st, 2018 of the Isagro Group came to 634 employees, as summarized in the following table.

Number of employees	Dec. 31st, 2018	Dec. 31st, 2017	Difference
Executives	54	58	-4
Middle managers	137	126	+11
White-collar workers*	355	334	+21
Blue-collar workers	88	92	-4
Total	**634**	**610**	**+24**

Table 6: Number of Isagro employees

** Includes the workers with special skill level*

Therefore, the workforce as at December 31st, 2018 had increased by 24 employees compared to 2017. The changes are attributable essentially to expansion of the commercial area of Isagro Asia.
This financial year was therefore characterized by a normal turnover with evidence of the continual strengthening of the commercial area and of important organizational changes which involved the company's top management, including:

- the Group Director Business Development & Product Management leaving the Group in the 1st quarter of 2018;
- the appointment, on March 14th, 2018, of the General Manager (Davide Ceper) with direct responsibility for all Operations, as described in the paragraph "Main events of 2018";
- the recruitment, starting from April 1st, 2018, of the new Group Director Marketing & Sales, Gianluca Fusco.

In September 2018, the "Business Excellence & Third Party Relations" unit was created. Responsibility for this was given to Claudio Notaristefano (a resource already present in the Group). The unit has the objective of coordinating and collaborating transversally with all Operations to maximize the efficiency, effectiveness and ability to create value of the Group's strategic operations.
Again, in September, within the Marketing & Sales Department the "Marketing & Product Management" unit was created. All the activities of market development and positioning of our products at the global level are brought together in this unit. Responsibility for this unit was given, with a view to greater internationalization of the Group, to a Manager from the subsidiary Isagro Asia, Subhrabitan Das.
In the first quarter of 2018, the first part of the "Fit for our Future" project was completed with identification of two macro themes on which to focus: the corporate values with the related conduct and optimization of the processes.
The project continued on its way with a survey, prepared and managed by an international Research Center (High Performance Organization – HPO Center), involving all employees of the Isagro Group worldwide, with the aim of enriching and complementing the evidence that had emerged during the project and establishing a quantitative starting point for measuring the progress achieved in the corporate organization over time.
The Group's **Mission, vision and values** were thus redefined and collected in a "Guiding Message" presented by the Management to all workers during the meetings at the end of the year.
To complete this process High Performance Organization Champions were identified at Group level. They will have the task of spreading to and promoting among all the corporate population the new values defined by Isagro.
During 2018 relations with the Trade Unions were constructive, allowing the achievement of excellent results within the sphere of industrial relations management.
The main activities were:

- sharing and definition of specific agreements on working hours, which adopt all flexibility opportunities offered by the National Labor Contracts; This made it possible to implement at the industrial sites the changes in working hours that became necessary to guarantee the various production requirements and to optimize the overall corporate organization;
- the sharing and definition of the annual productivity and profitability targets of the Participation Bonus;
- the sharing of training and coaching programs for implementation of the generational change and the definition of new multi-functional professional figures.

SELECTION AND TRAINING

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

CONSOLIDATED NON – FINANCIAL REPORT

The Consolidated Declaration of a Non-Financial Report of Isagro S.p.A., referred to financial year 2018, prepared under the terms of Italian Legislative Decree 254/16, constitutes a separate report with respect to the present Report on Operations, as provided for in art. 5, paragraph 3, letter b) of Italian Legislative Decree 254/16, and is available on the website www.isagro.com, in the "Sustainability" section.

ORGANIZATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

On September 5th, 2018, the Board of Directors of Isagro S.p.A. approved, an updated version of the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001 (hereinafter also "Model"), incorporating the most recent legislative changes on the subject and the changes made to the organizational structure.

On the same date, the Board of Directors also approved the revised version of the Group's Code of Ethics, an integral part of the Model, to make existing rules of conduct and principle of behavior consistent with regulatory changes and with reference best practices.

The task of reviewing the operation and observance of the Model and ensuring its update was entrusted to the Supervisory Body (composed of external members Renato Colavolpe and Antonio Zoncada as well as Laura Trovato, Internal Auditing Manager at Isagro), whose three – year mandate was renewed by the Board of Directors from May 2nd, 2018 until the approval of the Financial Statement as at December 31st, 2020.

CORPORATE GOVERNANCE CODE AND REPORT

Isagro S.p.A. has adopted the Corporate Governance Code of listed companies as its point of reference for an effective corporate governance structure.

On July 16th, 2018, the Corporate Governance Committee approved the changes to the above Code.

The new version of the document was formally adopted with a resolution of the Board of Directors of August 1st, 2018.

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

LEGAL PROCEEDINGS

Caffaro S.r.l. (in receivership)

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

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

For the same receivable, a similar claim was filed against Snia S.p.A., also in receivership, as the sole shareholder of Caffaro and therefore jointly liable. As the Court of Milan rejected this claim, Isagro prepared and filed an appeal against the Statement of Assets and Liabilities, seeking admission of the proof of claim against Snia S.p.A. The first hearing was set for September 27th, 2011 and, by decree of December 13th, 2011, the Court of Milan rejected Isagro S.p.A.'s appeal, considering the receivable possible and future. Isagro therefore, appealed this decision to the Court of Cassation, which with a ruling filed on February 8th, 2018 rejected the appeal and ordered Isagro to pay the legal expenses.

Appeal against Polven.Re and M.Business

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

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

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

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

Polven.Re also presented to the Court of Appeal of L'Aquila a plea for suspension of the provisional enforceability of the first-level judgment, which was discussed on May 25th, 2017. The court ruled with a judgment accepting the plea.

Following the hearing for discussion of December 7th, 2017, the Court of Appeal handed down a judgment in which, accepting the defensive arguments formulated by Isagro, it rejected the section of the appeal with which Polven.Re had asked for the judgment of first instance to be overturned in the part related to the guarantee claim against Isagro.

The court also offset the litigation expenses between M.Business and Polven.Re while it ordered the latter to pay the legal expenses to Isagro.

We must specify that the term for Polven.Re to lodge an appeal to the Court of Cassation against the judgment of the Court of Appeal has expired and the judgment has therefore become final.

Other

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

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties, including intercompany transactions and those with Gowan, cannot be defined as atypical and/or unusual transactions and form part of the normal business of the Group companies. These transactions are carried out at arm's length, taking into account the characteristics of the goods and services traded.

As regards the economic and equity effects of relations with related parties on the consolidated figures of the Isagro Group as at December 31, 2018, please see the information given in the related section of Explanatory Notes.

OBSERVATIONS ON THE FINANCIAL PROFILE AND THE GOING CONCERN ASSUMPTION

As at December 31st, 2018, your Group was showing sound and balanced financial structure, with a **debt/equity ratio** of 0.48 (in line with the figure of 0.48 of January 1st, 2018), Equity of € 94.8 million (compared to the figure of € 96.5 million at January 1st, 2018) and current liquidity of more than € 30 million.

Moreover, during 2018, the parent Isagro S.p.A. obtained new medium/long-term loans of € 22.2 million, which extended the average duration of the debt at low cost.

Repayment of the medium/long-term debt maturing in 2019 will be guaranteed by current cash together with operating cash flows and together with use, if appropriate, of available short-term bank credit facilities.

Additionally, the parent Isagro S.p.A. will continue to seize opportunities for new medium/long-term finance to replace that expiring, thus ensuring continuity of the consistency achieved between duration of the assets and duration of the debt.

We can also report that assessment of observance of the capital and economic requirements (covenants), envisaged for most of the parent Isagro S.p.A.'s financial debt, as at December 31st, 2018 did not find any critical issues. In addition, we can note that the estimates of the 2019 budget, approved by the Board of Directors of the parent Isagro S.p.A. on January 15th, 2019, including the effects expected from first application of the new accounting standard IFRS 16 on EBITDA and NFP, lead us to expect that, for the next financial year, there will also be no critical issues regarding observance of these requirements.

In light of the above, the Consolidated Financial Statements as at December 31st, 2018 have been prepared on a going concern basis.

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 recognize the provisions for doubtful debts and inventory obsolescence, as well as depreciation and amortization, impairment losses, employee benefits, tax and other provisions. The purpose of the estimate is to determine of the fair value related performance obligations identified in contracts that provide for several services, typically attributable to M/L Agreements, like the one signed during the first half of 2018 by Isagro and Arysta. The estimates and assumptions are periodically reviewed and the effects of any changes are reflected in the Income Statement.

In particular, with reference to verification of the existence of any impairment of assets subject to an impairment test and in recognizing and assessing the recoverability of deferred tax assets, the analysis was carried out according to the 2019-2023 plan approved by Board of Directors of Isagro in January 2019, made up of the 2019 budget together with the estimates/projections for the 2020-2023 period prepared by the Management for this purpose. This plan is based on assumptions considered reasonably realistic by the management with the exception of the impacts connected with uncontrollable external variables represented by the effective obtainment times and probabilities of the registrations/re-registrations and by weather variables.

PERSPECTIVES

With reference to the medium-term prospects, Isagro's objective of returning to a turnover level of around € 200 million is confirmed, thanks to both internal and external growth, seizing targeted acquisition opportunities.

As a reminder, an incremental contribution to turnover and margins is expected from the new fungicide Fluindapyr starting from 2021, with significant impacts in subsequent years.

COMMENTS ON THE STOCK MARKET VALUE OF ISAGRO SHARES

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

1. the total market capitalization of Isagro at March 8th, 2019, i.e., considering the capitalization of both Ordi-

nary Shares and Growth Shares, amounted to 60% of the book value of Equity as at December 31st, 2018, which, in turn, provides a lower value with regard to the real net market value of your Group's assets;
2. the average discount applied by the Market to the Growth Shares with respect to the Ordinary Shares, equal to 14% as at March 8th, 2019, in the opinion of the Company's management is not justified from an economic/ financial standpoint.

In relation to the above, achievement of the first target mentioned above (turnover of around € 200 million in the mid-term) will make it possible to transfer a part of the "embedded" value to Income Statement results and cash flows, thus not recognizing the current surplus of Equity compared to Stock Market capitalization as an asset impairment indicator.
With reference to the second point referred to at the start of this section, it should be recalled that Growth Shares, issued by Isagro in May 2014, are a new class of Special Shares, specially tailored for companies having a Controlling Subject (in Isagro's case, Piemme S.r.l.), that (i) in the absence of the voting right provide an extra-dividend with respect to Ordinary Shares (20% for Isagro), when a dividend for these shares is resolved, and (ii) envisage an innovative protection mechanism for the investor, according to which, if the Controlling Subject loses control, and in the event of any compulsory public offer (OPA), the Growth Shares are automatically converted into Ordinary Shares. Furthermore, Isagro Growth Shares are characterized by a free float amounting to approximately 13.7 million shares, compared with 11.4 million Ordinary Shares, which makes them more liquid than the latter.
Based on the afore-mentioned reasons, Isagro deems there is not rational justification, thus based on economic/ financial considerations, for the existence of a spread to the detriment of the Growth Shares.

Annex 1

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€ 000)	Financial Year 2018	Financial Year 2017	Differences	
Revenues from sales and services	**152,771**	**149,580**	**+3,191**	**+2.1%**
Other revenues and income	3,922	3,299	+623	
Consumption of materials and external services	(115,336)	(107,953)	-7,383	
Changes in product inventories	1,456	(2,316)	+3,772	
Costs capitalized for internal work	1,945	2,204	-259	
Allowances and provisions	(821)	(1,000)	+179	
Labor costs	(28,964)	(29,427)	+463	
Bonus accruals	(949)	(1,830)	+881	
EBITDA	**14,024**	**12,557**	**+1,467**	**+11.7%**
% of Revenues	*9.2%*	*8.4%*		
Depreciation and amortization:				
- tangible assets	(3,405)	(3,882)	+477	
- intangible assets	(5,911)	(5,316)	-595	
- write-down of tangible and intangible assets	(265)	(490)	+225	
EBIT	**4,443**	**2,869**	**+1,574**	**+54.9%**
% of Revenues	*2.9%*	*1.9%*		
Interest, fees and financial discounts	(247)	(863)	+616	
Gains/(losses) on foreign exchange and derivatives	(1,199)	154	-1,353	
Revaluations of equity investments	200	135	+65	
Result before taxes	**3,197**	**2,295**	**+902**	**+39.3%**
Current and deferred taxes	(2,734)	(1,882)	-852	
Result from continuing operations	**463**	**413**	**+50**	**+12.1%**
Net result from discontinued operations	(100)	(200)	+100	
Net result	**363**	**213**	**+150**	**N/S**

Annex 2

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ 000)	Dec. 31st, 2018	Jan. 1st, 2018 with the adoption of IFRS 9	Differences		Dec. 31st, 2017
Net fixed assets					
Goodwill	3,308	3,377	-69		3,377
Other intangible assets	49,510	49,774	-264		49,774
Tangible assets	19,228	20,553	-1,325		20,553
Financial assets	593	437	+156		437
Other medium/long-term assets and liabilities	11,256	12,914	-1,658		12,693
Total net fixed assets	**83,895**	**87,055**	**-3,160**	**-3.6%**	**86,834**
Net current assets					
Inventories	48,097	45,040	+3,057		45,040
Trade receivables	39,823	41,480	-1,657		44,502
Trade payables	(32,696)	(30,998)	-1,698		(30,998)
Subtotal of Net Working Capital	***55,224***	***55,522***	***-298***		***58,544***
Current provisions	(1,151)	(2,055)	+904		(2,055)
Other current assets and liabilities	4,363	4,795	-432		4,795
Subtotal of Other assets and liabilities	***3,212***	***2,740***	***+472***		***2,740***
Total net current assets	**58,436**	**58,262**	**+174**	**+0.3%**	**61,284**
Invested capital	**142,331**	**145,317**	**-2,986**	**-2.1%**	**148,118**
Severance Indemnity Fund (SIF)	**(2,384)**	**(2,591)**	**+207**	**-8.0%**	**(2,591)**
Net invested capital	**139,947**	**142,726**	**-2,779**	**-1.9%**	**145,527**
Held-for-sale non-financial assets and liabilities	-	-	-		-
Total	**139,947**	**142,726**	**-2,779**	**-1.9%**	**145,527**
financed by:					
Equity					
Capital stock	24,961	24,961	-		24,961
Reserves and retained earnings	79,820	80,313	-493		82,901
Translation reserve	(10,314)	(8,769)	-1,545		(8,769)
Profit of the Group	363	-	+363		213
Total equity	**94,830**	**96,505**	**-1,675**	**-1.7%**	**99,306**
Net financial position					
Medium/long term debts:					
- due to banks	37,855	43,728	-5,873		43,728
- due to other lenders and leasing companies	1,254	1,581	-327		1,581
- other financial assets/(liabilities) and IRS and trading derivatives	(2,497)	26	-2,523		26
Total medium/long-term debts	**36,612**	**45,335**	**-8,723**	**-19.2%**	**45,335**
Short-term debts:					
- due to banks	38,511	32,541	+5,970		32,541
- due to other lenders and leasing companies	1,738	348	+1,390		348
- other financial assets/(liabilities) and IRS and trading derivatives	(13,825)	(302)	-13,523		(302)
Total short-term debts	**26,424**	**32,587**	**-6,163**	**-18.9%**	**32,587**
Cash and cash equivalents/bank deposits	**(17,919)**	**(31,701)**	**+13,782**	**-43.5%**	**(31,701)**
Total net financial position	**45,117**	**46,221**	**-1,104**	**-2.4%**	**46,221**
Total	**139,947**	**142,726**	**-2,779**	**-1.9%**	**145,527**

Annex 3

CONSOLIDATED CASH FLOW STATEMENT

(€ 000)	Dec. 31st, 2018*	Dec. 31st, 2017
Opening cash and cash equivalents (at January 1st)	**31,701**	**16,459**
Operating activities		
Net profit/(loss) from continuing operations	**463**	**413**
Net profit/(loss) from discontinued operations	**(100)**	**(200)**
- Depreciation of tangible assets	3,405	3,882
- Amortization of intangible assets	5,911	5,316
- Write-downs of tangible and intangible assets	265	490
- Provisions to reserves (including severance indemnity fund)	1,138	2,174
- Provisions for the incentive and retention plan	215	-
- Net capital (gains)/losses on disposal of tangible and intangible assets	(313)	(32)
- Interest income from assets held for trading	(900)	(162)
- Net interest expenses paid to financial institutes and leasing companies	1,446	1,182
- Financial losses/(gains) on derivatives	2,113	(1,722)
- Share of profit/(loss) of equity-accounted investees	(200)	(135)
- Income taxes	2,734	1,882
Cash flow from current operations	*16,177*	*13,088*
- Decrease in trade receivables	795	4,428
- (Increase)/decrease in inventories	(3,253)	534
- Increase in trade payables	1,968	19
- Net change in other assets/liabilities	842	1,976
- Use of provisions (including severance indemnity fund)	(2,242)	(2,257)
- Net interest expenses due to financial institutes and leasing companies paid	(1,452)	(1,104)
- Cash flow from derivatives	(1,824)	1,356
- Income taxes paid	(1,767)	(2,481)
Cash flow from operating activities	**9,244**	**15,559**
Investment activities		
- Investments in intangible assets	(5,710)	(7,658)
- Investments in tangible assets	(2,345)	(2,157)
- Net sale price on disposal of tangible and intangible assets	434	129
- Dividends collected from associated companies	44	11
- Cash flow from assets held for trading	(12,725)	162
Cash flow for investment activities	**(20,302)**	**(9,513)**
Financing activities		
- Contracting of non-current financial debt	22,184	34,017
- Repayment of non-current financial debt	(26,391)	(23,815)
- Contracting of current financial debt	5,209	(679)
- Increase in financial receivables and tied deposits	(2,503)	-
- Purchase of treasury Growth Shares	(846)	-
- Sale of treasury Ordinary Shares	78	-
Cash flow from/for financing activities	**(2,269)**	**9,523**
Change in translation difference	**(455)**	**(327)**
Cash-Flow for the period	**(13,782)**	**15,242**
Closing cash and cash equivalents (at December 31st)	**17,919**	**31,701**

** Flows calculated as change between the data at December 31st, 2018 and December 31st, 2017*

RECONCILIATION OF ISAGRO S.P.A.'S PROFIT/(LOSS) AND SHAREHOLDERS' EQUITY WITH THE CONSOLIDATED FIGURES

(€ 000)	2018		2017	
	Profit/Loss	Shareholders' equity	Profit/Loss	Shareholders' equity
Parent Isagro S.p.A.	(5,944)	75,781	(2,259)	84,660
Intragroup profits	940	(5,792)	799	(6,732)
Tax effect on intragroup profits	(159)	1,651	(282)	1,882
Profit/reserves of consolidated companies	6,220	33,503	2,666	28,265
Intragroup dividends	(694)	-	(711)	-
Exchange diff. arising on translation of foreign currency Financial Statements	-	(10,314)	-	(8,769)
Total Isagro Group	**363**	**94,830**	**213**	**99,306**
(Profit)/Loss attributable to non-controlling interests	-	-	-	-
Total Consolidated Financial Statements	**363**	**94,830**	**213**	**99,306**

EXPLANATORY NOTES ON THE ALTERNATIVE PERFORMANCE INDICATORS

In compliance with the ESMA recommendation on alternative performance indicators (ESMA/2015/1415), note that the reclassified statements presented in this Directors' Report on Operations contain certain differences in terminology used and in the degree of detail compared to the official statements presented in the following tables.
The reclassified Consolidated Income Statement, provided in Annex 1, introduces in particular the notion of **EBITDA**, which in the Consolidated Income Statement corresponds to Gross Operating Profit.
The reclassified Balance Sheet, as provided in Annex 2, was prepared on the basis of items recognized in the corresponding sections of the Consolidated Balance Sheet, and introduces the following items:

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

With reference to the paragraph "Cash flows – summary data" of the present Report, we can note that:

- **Investments** corresponds to the "Cash flow for investment activities" indicated in the Statement of Cash Flows;
- **Net Working Capital (NWC)** is given by the sum of "Inventories", "Trade receivables" and "Trade payables";
- **Free cash flow** (**FCF)** is given by the difference in the item "Net financial position" in the reference periods considered in the analysis.

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

- **Basic earnings per share:** calculated by dividing the consolidated "Net profit/(loss) for the year" by the average number of Isagro S.p.A. shares outstanding during the year, excluding treasury shares held by the issuer itself. The average number of outstanding shares, excluding treasury shares, during 2018 was 38,409,554;
- **Equity per share:** calculated by dividing "Equity" by the average number of shares outstanding of the issuer Isagro S.p.A., excluding treasury shares held by the issuer itself;
- **R.O.E.** (**Return on Equity**) is the ratio of "Net profit/loss" to "Equity" at the reporting date;
- **R.O.I.** (**Return on Investments**) is calculated by dividing "EBIT" by "Net invested capital";
- **Net financial position/EBITDA** is calculated by dividing the "Net financial position" at the reporting date by "EBITDA" for the period.

ATTESTATION UNDER THE TERMS OF ART. 15 OF CONSOB REGULATION 20249/2017

Under the terms of Article 2.6.2, paragraph 15 of the Regulation on Markets organized and managed by Borsa Italiana S.p.A., Isagro S.p.A. declares that the requirements set forth under Article 15, paragraphs a), b) and c) of CON-

SOB Regulation 20249/2017 are fulfilled for subsidiaries established and regulated by the laws of countries that are not member states of the European Union.

ATTESTATION UNDER THE TERMS OF ART. 16 OF CONSOB REGULATION 20249/2017

Under the terms of Article 2.6.2., paragraph 13 of the Regulation on Markets organized 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 inhibitory conditions pursuant to Article 16 of CONSOB Regulation 20249/2017 do not apply.

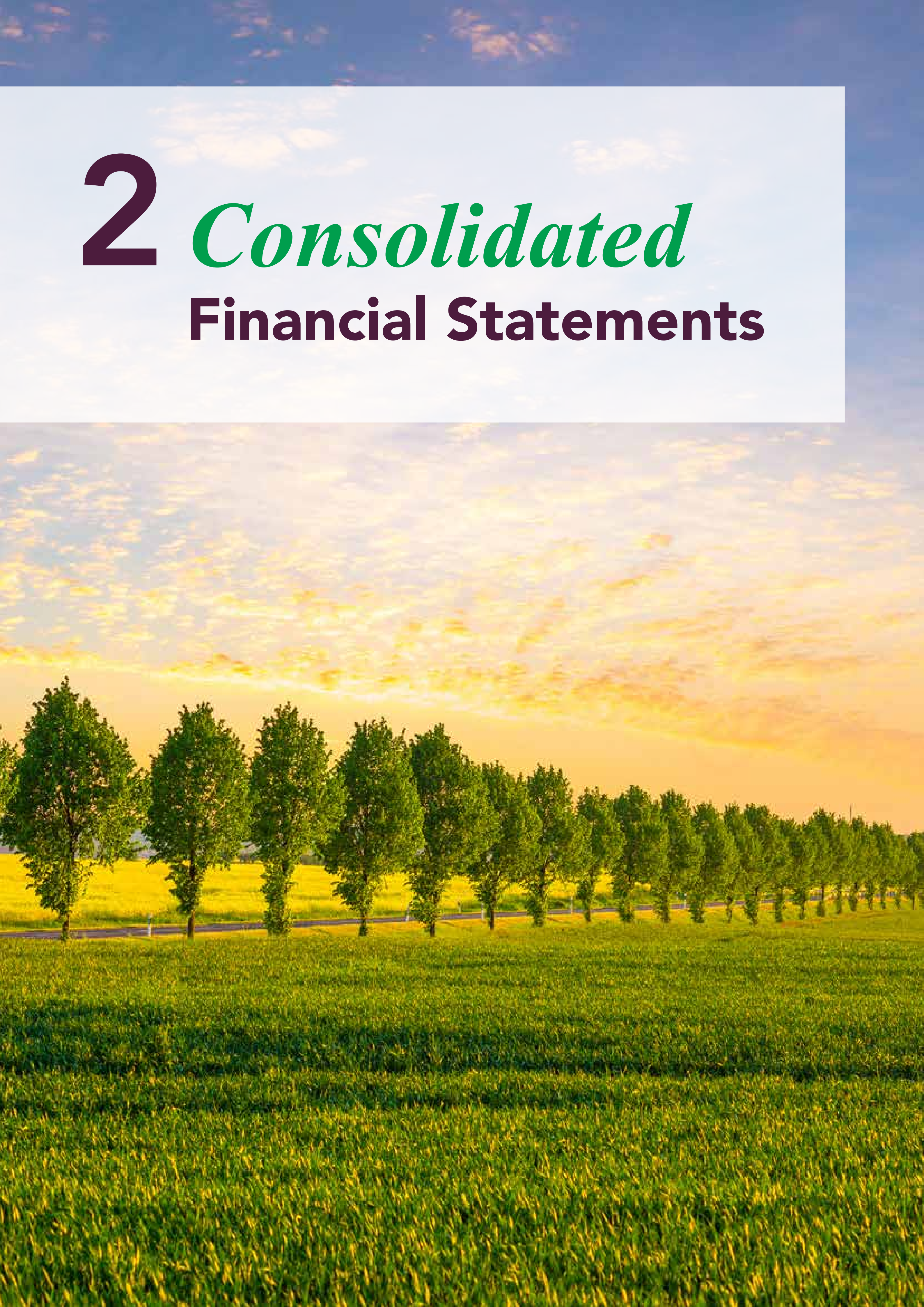
INFORMATION UNDER THE TERMS OF ARTICLES 70 AND 71 OF CONSOB REGULATION 11971/99 (ISSUERS REGULATION)

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

CERTIFICATION OF THE FINANCIAL MANAGER IN CHARGE FOR THE PREPARATION OF THE CORPORATE FINANCIAL REPORTS

The Financial Manager, Mr. Ruggero Gambini, hereby certifies, pursuant to Article 154-*bis*, paragraph 2 of the Consolidated Law on Finance, that the financial information in the Consolidated Financial Statements at December 31st, 2018 is consistent with the entries in the accounting books and records.

2 *Consolidated* Financial Statements



BALANCE SHEET

(in thousands of Euro)	Notes	Dec. 31st, 2018	*of which related parties*	Dec. 31st, 2017	*of which related parties*
NON-CURRENT ASSETS					
Tangible assets	1	19,228	-	20,553	-
Intangible Assets	2	49,510	-	49,774	-
Goodwill	3	3,308	-	3,377	-
Equity-accounted investees	4	593	-	437	-
Non-current receivables and other assets	5	4,262	*2,832*	5,553	*3,754*
Financial receivables and other non-current financial assets	6	2,503	-	-	-
Financial assets - derivatives	13	35	-	-	-
Deferred tax assets	7	8,658	-	9,052	-
TOTAL NON-CURRENT ASSETS		**88,097**		**88,746**	
CURRENT ASSETS					
Inventories	8	48,097	-	45,040	-
Trade receivables	9	39,823	*5,022*	44,502	*3,769*
Other current assets and receivables	10	7,178	*10*	6,801	*8*
Tax receivables	11	2,384	-	3,516	-
Current financial receivables and other financial assets	12	13,796	-	-	-
Financial assets - derivatives	13	213	-	314	-
Cash and cash equivalents	14	17,919	-	31,701	-
TOTAL CURRENT ASSETS		**129,410**		**131,874**	
Non-current assets held for sale and					
Discontinued operations		-		-	
TOTAL ASSETS		**217,507**		**220,620**	
SHAREHOLDERS' EQUITY					
Capital		24,961		24,961	
Reserves		44,625		46,663	
Retained earnings and profit for the year		25,244		27,682	
Equity attributable to owners of the parent		**94,830**		**99,306**	
Equity attributable to non-controlling interests		**-**		**-**	
TOTAL SHAREHOLDERS' EQUITY	15	**94,830**		**99,306**	
NON-CURRENT LIABILITIES					
Non-current financial payables and other financial liabilities	16	39,109	-	45,309	-
Financial liabilities - derivatives	13	41	-	26	
Employee Benefits - Severance indemnity fund	17	2,384	-	2,591	-
Deferred tax liabilities	7	918	-	1,179	-
Other non-current liabilities	18	746	-	733	-
TOTAL NON-CURRENT LIABILITIES		**43,198**		**49,838**	
CURRENT LIABILITIES					
Current financial payables and other financial liabilities	16	40,249	-	32,889	-
Financial liabilities - derivatives	13	134	-	12	-
Trade payables	19	32,696	*231*	30,998	*20*
Current provisions	20	1,151	-	2,055	-
Tax payables	21	1,132	-	1,244	-
Other current liabilities and payables	22	4,117	-	4,278	-
TOTAL CURRENT LIABILITIES		**79,479**		**71,476**	
TOTAL LIABILITIES		**122,677**		**121,314**	
Liabilities associated with					
Discontinued operations		**-**		**-**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**217,507**		**220,620**	

INCOME STATEMENT

(in thousands of Euro)	Notes	2018	*of which related parties*	2017	*of which related parties*
Revenues	24	152,771	*19,737*	149,580	*20,632*
Other operating revenues	25	3,922	*570*	3,299	*44*
Total revenues		**156,693**		**152,879**	
Raw materials and consumables used	26	(83,663)	*(614)*	(77,848)	*(42)*
Costs for services	27	(29,861)	-	(28,014)	*(7)*
Personnel costs	28	(29,913)	-	(31,257)	-
Write-downs/write-backs of trade receivables and other receivables	29	(116)	-	-	-
Other operating costs	30	(2,214)	*(230)*	(3,091)	*(20)*
Change in inventories of finished products and products being processed	31	1,153	-	(2,316)	-
Costs capitalized for internal work	32	1,945	-	2,204	-
EBITDA		**14,024**		**12,557**	
Depreciation and amortization:					
- Depreciation of tangible assets	33	(3,405)	-	(3,882)	-
- Amortization of intangible assets	33	(5,911)	-	(5,316)	-
- Write-downs of tangible and intangible assets	34	(265)	-	(490)	-
Operating profit/(loss)		**4,443**		**2,869**	
Net financial charges	35	-	-	(709)	-
Financial income	35	1,328	*10*	-	-
Borrowing Costs	35	(1,623)	-	-	-
Gains/(losses) on foreign exchange and financial derivatives	35	(1,151)	-	-	-
Profit/(loss) from associates		200	-	135	-
Pre-tax profit/(loss)		**3,197**		**2,295**	
Income taxes	36	(2,734)	-	(1,882)	-
Net profit from continuing operations		**463**		**413**	
Net profit/(loss) from discontinued operations	37	(100)	-	(200)	-
Net profit		**363**		**213**	
Attributable to:					
Owners of the parent		**363**		**213**	
Non-controlling interests		**-**		**-**	
Earnings per share (in Euro):	38	**2018**		**2017**	
Earnings per share (basic = diluted)					
Ordinary Share		0.009		0.006	
Growth Share		0.011		0.007	

STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)	Notes	2018	2017
Net profit		**363**	**213**
Components that will later be reclassified in the profit/(loss) for the year:			
Change in translation reserve (difference)		(1,545)	(2,947)
Net profit/(loss) on Cash Flow Hedging			
- Interest Rate Swaps		(54)	(26)
- Commodity futures		(60)	-
- Currency forwards		(212)	-
		(326)	(26)
Income taxes		88	7
		(238)	**(19)**
Net gain/(loss) on costs for hedging transactions:			
- Currency forwards		413	-
Taxes		(115)	-
Total	15	**(1,485)**	**(2,966)**
Components that will later not be reclassified in the profit/(loss) for the year:			
Actuarial loss regarding defined benefit plans		(3)	(36)
Income taxes		3	10
Total	15	**-**	**(26)**
Other comprehensive income		**(1,485)**	**(2,992)**
Total comprehensive income		**(1,122)**	**(2,779)**
Attributable to:			
Owners of the Parent		**(1,122)**	**(2,779)**
Non-controlling interests		**-**	**-**

CASH-FLOW STATEMENT

(in thousands of Euro)	Notes	2018	2017
Cash and cash equivalents - opening balance	14	**31,701**	**16,459**
Operating activities			
Net profit from continuing operations		463	413
Net profit/(loss) from discontinued operations		(100)	(200)
- Depreciation of tangible assets	33	3,405	3,882
- Amortization of intangible assets	33	5,911	5,316
- Write-downs of tangible and intangible assets	34	265	490
- Provisions (including severance indemnity fund)	27.28	1,138	2,174
- Provisions for the incentive and retention plan	27	215	-
- Net capital gains on disposal of tangible and intangible assets	25.30	(313)	(32)
- Interest income and other income from assets held for trading	35	(900)	(162)
- Net interest expenses paid to financial institutes and leasing companies	35	1,446	1,182
- Financial losses/(gains) on derivatives	35	2,113	(1,722)
- Share of profit/(loss) of equity-accounted investees		(200)	(135)
- Income taxes	36	2,734	1,882
Cash flow from current operations		**16,177**	**13,088**
- Decrease in trade receivables	9(*)	795	4,428
- (Increase)/decrease in inventories	8(*)	(3,253)	534
- Increase in trade payables	19(*)	1,968	19
- Net change in other assets/liabilities		842	1,976
- Use of provisions (including severance indemnity fund)	17.20	(2,242)	(2,257)
- Net interest expenses paid to financial institutions and leasing companies		(1,452)	(1,104)
- Cash flow from derivatives		(1,824)	1,356
- Income taxes paid		(1,767)	(2,481)
Cash flow from operating activities		**9,244**	**15,559**
Investment activities			
- Investments in intangible assets	2	(5,710)	(7,658)
- Investments in tangible assets	1	(2,345)	(2,157)
- Sale price on disposal of tangible and intangible assets	1.2	434	129
- Dividends collected from associated companies		44	11
- Cash flow from/for assets held for trading		(12,725)	162
Cash flow for investment activities		**(20,302)**	**(9,513)**
Financing activities (**)			
- Contracting of non-current financial debt		22,184	34,017
- Repayment of non-current financial debt		(26,391)	(23,815)
- Contracting/(repayment) of current financial payables	16(*)	5,209	(679)
- Increase in financial receivables and tied deposits	6	(2,503)	-
- Purchase of own Growth Shares	15	(846)	-
- Sale of own Ordinary Shares	15	78	-
Cash flow from/for financing activities		**(2,269)**	**9,523**
Change in translation difference		**(455)**	**(327)**
Cash flow for the period		**(13,782)**	**15,242**
Cash and cash equivalents - closing balance	14	**17,919**	**31,701**

(*) The net change in the item is different from that presented in the Explanatory Notes due to foreign exchange adjustments.
(**) The reconciliation statement required by Regulation (EU) 2017/1990, which amended the accounting standard IAS 7, was presented in note no. 16.

Statement of Changes in Shareholders' Equity in 2017

(in thousands of Euro)	Equity attributable to owners of the Parent								Equity net of non-controlling interests	Total net equity
		Reserves								
	Share capital issued	Premium share reserve	Translation adjustment	Hedging reserve	Other reserves	Total	Profits carried forward and of period	Total		
Balance at Dec. 31st, 2016	24,961	44,910	(5,822)	-	10,541	49,629	27,495	102,085	-	102,085
Changes during the year:										
Profit of the year	-	-	-	-	-	-	213	213	-	213
Other comprehensive income	-	-	(2,947)	(19)	-	(2,966)	(26)	(2,992)	-	(2,992)
Total comprehensive income	-	-	(2,947)	(19)	-	(2,966)	187	(2,779)	-	(2,779)
Total changes during the year	-	-	(2,947)	(19)	-	(2,966)	187	(2,779)	-	(2,779)
Balance at Dec. 31st, 2017	24,961	44,910	(8,769)	(19)	10,541	46,663	27,682	99,306	-	99,306

Statement of Changes in Shareholders' Equity in 2018

(in thousands of Euro)	Equity attributable to owners of the Parent									Equity net of non-controlling interests	Total net equity
		Reserves									
	Share capital issued	Premium share Reserve	Translation adjustment	Hedging reserve Cash flow hedging	Cost of hedging reserve	Other reserves	Total	Profits carried forward and of period	Total		
Balance at Dec. 31st, 2017	24,961	44,910	(8,769)	(19)	0	10,541	46,663	27,682	99,306	-	99,306
Effect of IFRS 9	-	-	-	-	-	-	-	(2,801)	(2,801)	-	(2,801)
Balance at Jan. 1st, 2018	24,961	44,910	(8,769)	(19)	-	10,541	46,663	24,881	96,505	-	96,505
Changes for the period:											
Profit for the period	-	-	-	-	-	-	-	363	363	-	363
Other comprehensive income	-	-	(1,545)	(238)	298	-	(1,485)	-	(1,485)	-	(1,485)
Total comprehensive income	-	-	(1,545)	(238)	298	-	(1,485)	363	(1,122)	-	(1,122)
Purchase of own Growth Shares	-	-	-	-	-	(846)	(846)	-	(846)	-	(846)
Sales of own Ordinary Shares	-	-	-	-	-	78	78	-	78	-	78
- Incentive and retention plan	-	-	-	-	-	215	215	-	215	-	215
Total changes in the period	-	-	(1,545)	(238)	298	(553)	(2,038)	363	(1,675)	-	(1,675)
Balance at Dec. 31st, 2018	24,961	44,910	(10,314)	(257)	298	9,988	44,625	25,244	94,830	-	94,830

3 Explanatory Notes

EXPLANATORY NOTES
General information

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

Publication of the Consolidated Financial Statements
The publication of the Isagro Group's Consolidated Financial Statements as at December 31st, 2018 was authorized by the Board of Directors on March 13th, 2019.

Compliance with the IFRSs
The Isagro Group's Consolidated Financial Statements at December 31st, 2018 were prepared in compliance with the International Financial Reporting Standards (IFRSs) adopted by the European Union as of that date and with the measures issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005. The international accounting standards approved by the European Commission as of the date of preparation of the Consolidated Financial Statements are listed in Note no. 49, 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 realized, sold or consumed during ordinary operations or in the twelve months after the end of the year; current liabilities are those for which settlement is expected as part of ordinary operations or in the twelve months following year end;
- in the Income Statement, the analysis of the costs is carried out on the basis of their nature; please note the "EBITDA" aggregates that include all the revenue and cost components except for the amortization and depreciation and impairments of tangible and intangible assets, the financial operations and income taxes and "EBIT", which includes all cost and revenue components except financial operations and income taxes;
- the indirect method is used for the Statement of Cash Flows. The average exchange rates for the period were used for translating the cash flows of foreign subsidiaries.

With reference to CONSOB Resolution no. 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 at December 31st, 2018 have been prepared on a going concern basis.
At December 31st, 2018, your Group had a solid and balanced financial structure, with a debt/equity ratio of 0.48 (in line with the figure of 0.48 of January 1st, 2018), Own Funds of € 94.8 million (compared to the figure of € 96.5 million at January 1, 2018) and current liquidity of more than € 30 million.
Moreover, during 2018, the parent Isagro S.p.A. obtained new medium/long-term loans of € 22.2 million, which extended the average duration of the debt at low cost.
Repayment of the medium/long-term debt maturing in 2019 will be guaranteed by current cash together with operating cash flows and together with use, if appropriate, of available short-term bank credit facilities.
Additionally, the parent Isagro S.p.A. will continue to seize opportunities for new medium/long-term finance to replace that expiring, thus ensuring continuity of the consistency achieved between duration of the assets and duration of the debt.
We can also report that assessment of observance of the capital and economic requirements (covenants), envisaged for most of the parent Isagro S.p.A.'s financial debt, at December 31st, 2018 did not find any critical issues. In addition, we can note that the estimates of the 2019 budget, approved by the Board of Directors of the parent Isagro S.p.A. on January 15th, 2019, including the effects expected from first application of the new accounting standard IFRS 16 on EBITDA and NFP, lead us to expect that, for the next financial year, there will also be no critical issues regarding observance of these requirements.

In light of the above, the Consolidated Financial Statements as at December 31st, 2018 have been prepared on a going concern basis.

Segment Reporting

The Group's operating segments, in accordance with IFRS 8 – Operating Segments, are identified in the organizational geographical areas from which the Group may earn revenues and incur expenses, whose results are regularly reviewed by the Group's chief operating decision makers 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 CRITERIA

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

Accounting standards, amendments and interpretations applied as from January 1, 2018

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the impact of new standards or interpretations on the Consolidated Financial Statements are indicated below. These standards were applied for the first time by the Group starting from January 1st, 2018:

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

  The Group applied the "simplified retrospective" method for the application of the new standard. This method involves any cumulative effect emerging from initial application of the standard, for contracts not yet completed, being accounted for in the opening balance of retained earnings at January 1st, 2018, without making a restatement of the previous periods presented for comparison.

  However, application of this standard had no impact on the amounts recognized by the Group as revenues. In fact, in relation to the business of selling crop protection products, the new concept of "revenue recognition" provided for in § 31 of IFRS 15, which is based on acquisition of "control" of the asset by the customer, understood as the ability to decide on the use of the asset and to draw all the remaining benefits from it, overlaps, substantially, which what is provided for in the standard IAS 18. The latter in fact states that revenues from the sale of goods must be recognized, in particular, when the entity has transferred to the purchaser the significant risks and benefits connected with ownership of the asset; IFRS 15 in turn establishes that to determine whether or not acquisition of control has occurred in a certain moment it is necessary to assess whether the customer has ownership of the assets, whether possession has been transferred, whether the customer is already obliged in that moment to pay for the assets and finally whether the customer has the significant risks and benefits of ownership of the asset. In particular, in the sales made by the Group the transfer of control over the asset, which as noted above coincides with transfer of the risks/benefits connected with it, and therefore recognition of the related revenue, can occur at the moment of shipment or at the moment of delivery of the goods to the customer on the basis of the International Commercial Terms (Incoterms) used by the Group in the various contracts signed with customers. If the customer takes control of the assets at the moment of shipment, it should be noted that often the Group organizes (with third-party carriers) the service of transporting the goods up to the point requested by the customer. Although this activity is a separate obligation with respect to sales of the goods, it should be noted that on the one hand the value of the revenue related to this service is totally negligible compared to the value of the goods sold and on the other hand the shipments still in progress at the end of the year were of a small number and the related delivery of the goods occurred in the first days of the following year. Therefore, given its immateriality and insignificance the Group decided not to show it separately from the revenue connected with the sale of the goods at the moment of applying the new standard. As regards the revenues from the Group's M/L Agreements it should be noted that there are no standard contracts and each transaction is a separate case that must be examined in the light of the accounting standards in force. Based on the analyses performed on the contracts signed in past years and in the current financial year, also for this type of activity, no differences emerged between IAS 18 and IFRS 15 in relation to the moment of recognizing the related revenues.

For the accounting items related to the statement of financial position, it is worth noting that the standard states that receivables must include only unconditional rights to the consideration, if a contract's obligations have only been partially fulfilled, the contract must be stated as a contract asset or a contract liability according to the ratio between the contractual service and the payment by the customer. Given that such cases cannot be considered significant for the Group, it was decided not to create specific items in the statement of financial position, but to insert them in the items "Other current assets and receivables" and "Other current liabilities and payables".

- On September 22nd, 2016, with Regulation no. 2067/2016, the European Commission endorsed IFRS 9 – Financial Instruments, which replaces IAS 39. The standard introduces new criteria for i) classification and measurement of financial assets and liabilities, ii) impairment of financial assets and iii) a new hedge accounting model.
  In relation to application of the new standard, also in consideration of the complexity of redetermining the figures at the beginning of the first previous financial year without using elements that became known later, the Group applied the "simplified retrospective" method. This method involves the effects of first application of IFRS 9 for classification and measurement, including impairment of financial assets, being recognized in the opening balance of retained earnings at January 1st, 2018, without making the restatement of the previous periods presented for comparison; in relation to hedge accounting, the standard states explicitly that the new provisions must be applied prospectively starting from January 1st, 2018.
  Adoption of the standard also entailed an update of the accounting tables with reference to the Income Statement items, providing for creation of a specific line to show "Write-downs/write-backs of trade receivables and other receivables", and the opening of new items related to the financial components of the income statement, in order to separate income from financial expenses and to separately highlight the economic effect of gains/losses on exchange rates and financial derivatives.

i) Classification and measurement of financial assets and liabilities

As regards financial assets, the new standard uses one single approach based on the methods of managing financial instruments and the characteristics of contractual cash flows of financial assets, in order to determine the measurement criteria, superseding the different provisions set out by IAS 39. For financial liabilities on the other hand, the main amendment made refers to the accounting treatment of changes in the fair value of a financial liability measured as a financial liability designated at fair value through profit or loss, if these changes are due to a change in the creditworthiness of the issuer of the liability itself. Under the new standard, these changes must be recognized in the statement of "Other comprehensive income" and no longer in the Income statement. The introduction of these new classification criteria had no effect on the Group's statement of financial position.

ii) Impairment of financial assets

The new standard requires that the estimate of losses on receivables be made on the basis of the expected credit losses (ECL) model using supportable information, available without undue cost or effort, which includes historical, current and forecast information. Unlike in the incurred losses model, provided for in IAS 39, it is no longer necessary for an event to occur before credit losses can be recognized. The standard states that this impairment model must apply to all financial instruments, with the sole exclusion of financial assets measured at fair value through profit and loss, that is to financial instruments measured at amortized cost, those measured at fair value through other comprehensive income, receivables deriving from rental agreements and trade receivables. In particular, IFRS 9 requires that the credit loss estimate be made for an amount equal to the lifetime ECL if the credit risk related to the financial instrument has increased significantly since initial recognition. On the contrary, if credit risk related to the financial instrument has not increased significantly since initial recognition, the credit loss estimate must be made for an amount equal to the 12-month ECL. In addition, IFRS 9 provides a simplified approach that involves recognizing credit losses related to receivables deriving from rental contracts and trade receivables for an amount equal to lifetime ECL.

In relation to this last point, the simplified approach described above was applied to trade receivables, constructing a provision matrix based on past experience (that is, on losses on receivables from previous periods), but appropriately adjusted to take into account additional and prospective risk factors, in order for the assessment to include the future probability of the debtor defaulting. This additional risk factor was determined taking into consideration, on the one hand, the aging of the receivables and, on the other hand, the geographical region of the debtor.

Shown below are the effects, expressed in thousands of Euro, of the change in the accounting standard on provision for doubtful accounts, on deferred tax assets and on the retained earnings of the Group at January 1st, 2018, the date of first application of the standard:

	01/01/2018
Trade receivables	(3,022)
Deferred tax assets	221
Retained earnings	(2,801)

iii) A new hedge accounting model

IFRS 9 introduces a new hedge accounting model for the purpose of adapting the requirements envisaged by the current IAS 39, which at times are considered

too stringent and not suitable for reflecting the Group's risk management policies. The main innovations of the document regard:

- increase in the types of transactions eligible for hedge accounting, also including the non-financial risks of assets/liabilities eligible for treatment under hedge accounting;
- change in the accounting method for forward contracts and options when they are included in a hedge accounting relationship, in order to reduce the volatility of the income statement;
- changes to the effectiveness test by replacing the current methods based on the parameter of 80-125% with the principle of "economic ratio" between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

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

In this regard, from January 1st, 2018, the parent Isagro S.p.A. decided to partially change its financial risk management model in relation to changes in exchange rates and to changes in the price of the raw material "copper", creating a new hedge accounting model based on the provisions of the new standard IFRS 9 described above, and therefore providing for the possibility of originating or not originating hedging relationships. In particular, the establishment of a hedging relationship was managed as follows:

- <u>Exchange rate risk management</u>
  Isagro enters into forward and non-deliverable forward contracts to hedge the exchange rate risk of the American dollar, the Brazilian real and the Indian rupee. In particular, the parent Isagro S.p.A. hedges the net exposure in foreign currency correlated with the expected level of sales (of products and services) budgeted. The establishment of this hedging relationship gives rise to cash flow hedging transactions. The accounting rules of these transactions provide for the derivatives being measured at fair value and recognized among "Other comprehensive income" (therefore adding to a shareholders' equity reserve), then allocating to the Income Statement, in keeping with the hedged item, and therefore, in part, adjusting the revenues made and, in part, adjusting gains/losses on exchange rates connected with collection of the receivable. The hedges will remain active until the receivable being hedged is converted into the accounting currency. Because the underlying hedge is of a commercial nature, the fair value of such hedges is not included in the Group's Net Financial Position.

- <u>"Copper" price change risk management</u>
  Isagro hedges the purchase price of the raw material copper through forward purchases of copper equivalent (using swaps) that are made at the time a sales order for copper-based products is acquired when Isagro will purchase the physical copper supply in the future. In this way, the commercial contribution margin is fixed, because the selling price (in the sales order) and the purchase price (in the swap) are certain. The establishment of this hedging relationship results in cash flow hedging transactions. At the level of accounting presentation, the hedges put in place before the end of the period are recognized as adjusting the purchases and proportionally distributed between cost of sold products and final inventories. With reference to existing operations, the fair value will lead to a recognition among "Other comprehensive income", therefore adding to a shareholders' equity reserve. Because the underlying hedge is of a commercial nature, the fair value of such hedges is not included in the Group's Net Financial Position.

No changes were introduced in the risk management model for changes in interest rates.

- On February 7th, 2018, with Regulation no. 182/2018, the European Commission endorsed the amendments to the following standards, in the context of the process of improving them:
  - IAS 28 – Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment – by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organization or another entity thus qualified (e.g. a mutual fund or a similar entity) to measure investments in associates and joint ventures at fair value through

profit or loss (rather than by applying the equity method) is carried out for each individual investment at the time of initial recognition;
  - IFRS 12 – Disclosure of interests in other entities – Clarification of the scope of the Standard. The amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to all of the entity's interests that are classified as held for sale, as held for distribution to shareholders or as discontinued operations in accordance with IFRS 5.

  The changes had no effect on the Consolidated Financial Statements of Isagro Group.
- On February 26th, 2018, by means of Regulation no. 289/2018, the European Commission endorsed some amendments to IFRS 2 – Share-Based Payment. The amendments provide a number of clarifications on recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with the characteristics of net settlements and the recognition of changes to the terms and conditions of a share-based payment that amend the cash-settled classification to equity-settled. The changes had no effect on the Consolidated Financial Statements of Isagro Group.
- On March 28th, 2018, by means of Regulation no. 519/2018, the European Commission endorsed the interpretation of IFRIC 22 – Foreign currency transactions and advances. The purpose of the interpretation is to provide guidelines for foreign currency transactions when non-monetary advances are recognized in the Financial Statements, before recognition of the related asset, cost or revenue. The document provides indications on how an entity shall determine the date of a transaction, and consequently the spot exchange rate to be used when foreign currency transactions are carried out in which payment is made or received in advance.

  The interpretation clarifies that the transaction date is the earlier one between:
  a) the date on which the early payment or the advance received are recorded in the Financial Statements of the entity; and
  b) the date on which the asset, the cost or the revenue (or part thereof) is recognized in the Financial Statements (with consequent reversal of the early payment or of the advance received).

  If there are numerous early payments or collections, a transaction date shall be identified for each of them. The adoption of IFRIC 22 had no effects on the Consolidated Financial Statements of Isagro Group, because the Group had already adopted this accounting method.

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

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

- On October 31st, 2017, with Regulation no. 1986/2017, the European Commission endorsed the accounting standard IFRS 16 – Leases, which is set to replace IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

  The new standard, which will apply form January 1st, 2019, provides a new definition of lease and introduces a criterion based on control (right of use) over an asset to distinguish leasing contracts from service contracts, identifying the following discriminating factors: identification of the asset, the substantive right of substitution of the asset, the substantive right to economically benefit from use of the asset and, finally, the right to oversee the use of the underlying asset of the contract.

  The standard establishes a single model for recognizing and measuring leasing contracts for the lessee, which provides for recognition of the asset involved in the lease, including an operating lease, in the balance sheet assets with a financial debt as a counter-item.

  Specifically, application of the new standard will entail for the Group:
  a) recognition of the right to use the asset and the corresponding financial debt in the statement of financial position at the present value of the amounts payable for use of the asset and not yet paid;
  b) recognition in the income statement of the depreciation of the right-of-use asset and of the interest of the liability deriving from the lease;
  c) division in the statement of cash flows of the total amount paid between principal (recognized in the cash flow used in financing activities) and interest (recognized in the cash flow used in operating activities).

  At the level of the income statement, therefore, application of the new standard will entail a reduction in the item "Costs for services", which, up to now, included the costs of operating leases, with a consequent increase in the amount of EBITDA, and an increase in depreciation, amortization and financial expenses. The right of use will be depreciated systematically at the shorter between the lease term and the residual life of the underlying asset from when the lease begins. If the contract transfers ownership of the related asset and the intention to exercise the purchase option becomes clear, the related right of use will be depreciated along the entire useful life of the asset in question.

  In November last year, the Isagro Group began a project to assess the impacts of applying the new standard at the transition date (January 1st, 2019), with the help of external consultants. The work done up to now has shown that the new definition provided for in IFRS 16 will not change the scope of application of the contracts defined by the Group as leases and included in

the paragraph "Commitments and guarantees" of the notes to the statements.
In the assessment process, all the lease contracts were analyzed, defining for each of them the lease term, determined by the non-cancellable period contractually provided for, together with the effects of the extension or early termination clauses, the exercise of which is considered reasonably certain. Specifically for real estate, this assessment considered the specific facts and circumstances of each case, while for the other asset categories (vehicles and equipment), the exercise of any extension or early termination clauses was considered improbable in view of the practice usually followed.
With reference to the transition rules, the Group made use of a practical expedient provided for in the standard that makes it possible not to redetermine when a contract is or contains a lease. Therefore, no revaluations were performed for positions already examined on the basis of IAS 17 and/or IFRIC 4 at the transition date. Additionally, again as a practical expedient, the information available on the transition date was used to determine the lease term, with particular reference to the exercise of extension or early termination options.
The Group considers that it can adopt IFRS 16 using the "modified retrospective approach". In particular, for leasing contracts previously classified as operating, this method involves accounting for:

a) a financial liability, equal to the present value of the future payments remaining at the transition date, discounted to the present using for each contract the incremental borrowing rate applicable at the transition date;
b) A fixed asset corresponding to the right-of-use asset for an amount equal to the amount of the financial liability at the transition date, net of any prepaid expenses and accrued liabilities referred to the lease and recognized in the balance sheet at December 31st, 2018.

Application of this method also makes it possible to maintain the same book values for the right-of-use and for the financial liabilities of contracts classified in the 2018 Financial Statements as financial leases under the terms of IAS 17. Lastly, it is worth noting that application of the modified retrospective approach does not involve redetermining the comparative information of the previous financial year.
In determining the discounting rate (incremental borrowing rate) the starting point was the risk-free rate of each country where the contracts were signed, with maturities commensurate to the term of the various contracts, to which was added a spread expressing the credit risk of the contracting company.
In adopting IFRS 16, for short-term leases with a duration of not more than 12 months and for leases involving low-value assets, where the value of the underlying assets, when new, does not exceed € 5,000, the Group opted for recognition in the income statement of the leasing expenses on a straight-line basis, without recognizing the financial liability of the lease and the related right of use. The practical expedient that makes it possible to classify contracts that expire within 12 months from the transition date as short-term leases, however, was not used on transition.
IFRS 16 provides for a further practical expedient that allows the lessee not to separate the lease components, providing the option of recording the lease components and the corresponding non-lease components as a single contract. However, the Group did not use this expedient.
The table below shows the estimated impacts deriving from the adoption of IFRS 16 at the transition date (January 1st, 2019):

	amounts in thousands of Euro
Assets	
- Right of use "Land and buildings"	5,379
- Right of use "Equipment"	312
- Right of use "Motor vehicles"	706
- Property, plant and equipment - Leased assets	(143)
- Other non-current assets	(453)
- Other current assets (deferred income)	(87)
	5,714
Liabilities	
- Non-current financial liabilities	4,553
- Current financial liabilities	1,194
- Trade payables	(33)
	5,714

The amount of the item "Property, plant and equipment – Leased assets" refers to laboratory equipment of the parent company Isagro S.p.A. for which, at December 31st, 2018, financial leasing contracts are in being, while the amount of the item "Other non-current assets" refers the value at December 31st, 2018 of the right, held by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., to occupy for a period of 99 years, the land on which the Panoli facility stands, which will be reclassified on January 1st, 2019 respectively to the items "Right of use Equipment" and "Right of use Land and buildings".
Based on the existing contracts as of January 1st, 2019, it is estimated that adoption of this accounting standard will have the following impacts at the level of consolidated economic results: i) an increase in Gross Operating Margin (EBITDA) of approximately € 1,300,000, ii) an increase in Operating earnings (EBIT) of approximately € 90,000 and iii) a decrease in Profit/(Loss) before taxes of approximately € 120,000.

Reconciliation of leasing commitments

In order to provide an aid to understanding the impacts deriving from first application of the standard, the table below provides a reconciliation between the future commitments related to operating leasing contracts, which are disclosed in note no. 41 of the present Consolidated Financial Statements at December 31st, 2018, and the impact expected from adoption of IFRS 16 on January 1st, 2019:

	amounts in thousands of Euro
- Commitments for operating leases at December 31st, 2018	8,527
- Installments for low-value leases and others	(83)
- Amount of non-lease components	(1,327)
- Commitments for operating leases at December 31st, 2018 to be discounted	7,117
- Discounting effect	(1,370)
Incremental liabilities for transition to IFRS 16 at January 1st, 2019	**5,747**

The liabilities for leases were discounted applying the incremental borrowing rate of January 1st, 2019; the weighted average rate was 4.1%.

- On March 22nd, 2018, by means of Regulation no. 498/2018, the European Commission endorsed the amendment to IFRS 9 – Financial Instruments. The amendment specifies that a debt instrument that provides for an early repayment option could have the features of contractual cash flows ("SPPI test") and, consequently, could be measured at amortized cost or fair value through other comprehensive income also if the "reasonable additional compensation" provided for in the event of prepayment is "negative compensation" for the lender. The amendment applies from January 1st, 2019, but earlier application is permitted.
- On October 23rd, 2018, with Regulation no. 1595/2018, the European Commission endorsed the interpretation IFRIC 23 – Uncertainty over Income Tax Treatments. The interpretation states that uncertainties in determining tax liabilities or assets must be reflected in Financial Statements only when it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligations but stresses that the entity must establish whether it will be necessary to provide information on the management's considerations and related to the uncertainty inherent in accounting for taxes, in accordance with the provisions of IAS 1.
  The new interpretation will apply from January 1st, 2019, but earlier application is permitted.
- On February 8th, 2019, by means of Regulation no. 237/2019, the European Commission endorsed the amendment to IAS 28 – Investments in Associates and Joint Ventures. This amendment specifies the need to apply IFRS 9, including the requirements linked to impairment, to other long-term interests in associates and joint-ventures for which the equity method is not applied. The amendment applies from January 1st, 2019, but earlier application is permitted.

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

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

- On September 11th, 2014 the IASB published the amendment to **IFRS 10** and **IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture**. The document was published for the purpose of settling the current conflict between IAS 28 and IFRS 10. In accordance with IAS 28, the gain or loss deriving from the disposal or transfer of a non-monetary asset to a joint venture or to an associate in exchange for a holding in the share capital of the latter is limited to the holding held in the joint venture or associate by the other investors extraneous to the transaction. By contrast, IFRS 10 prescribes recognition of the entire gain or loss in the event of loss of control over a subsidiary, even if the entity retains a non-controlling interest, also including in this category the sale or contribution of a subsidiary to a joint venture or associate. The amendments introduced envisage that in a disposal/contribution of an asset or of a subsidiary to a joint venture or to an associate, the extent of the gain or the loss to be recognized in the Financial Statements of the transferor/contributor depends on the fact that the assets or the subsidiary company transferred/contributed represent or otherwise a business, in the sense envisaged by IFRS 3. If the assets or the subsidiary transferred/contributed represent a business, the entity must recognize the gain or the loss on the entire holding previously owned; whilst, otherwise, the portion of gain or loss relating to the stake still held by the entity must be eliminated. At present the IASB has suspended the application of this amendment.
- On December 12th, 2017, the IASB published the document **"Annual Improvements to IFRSs: 2015-2017 Cycle"** which transposes the amendments to some standards within the scope of the annual process for their improvement. The main amendments pertain to:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that at the moment in which an entity obtains control over a business that represents a joint-operation, it must remeasure the interest held previously in this business. This process is, instead, not provided for in the event of obtainment of joint control.
  - IAS 12 Income Taxes: the amendment clarifies that all the tax effects associated with dividends (including payments on financial instruments classified in shareholders' equity) should be accounted for in a way consistent with the transaction that generated these profits (Income Statement, OCI or shareholders' equity).
  - IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain in being even after the qualifying asset of reference is already

ready for use or for sale, these become part of the set of loans used to calculate the borrowing costs.

The amendments apply from January 1, 2019, but early adoption is allowed.

- On February 7st, 2018 the IASB published the amendment to the accounting standard IAS 19 "**Plan Amendment, Curtailment or Settlement**" which clarifies that an entity must recognize a change (for example a curtailment or a settlement) to a defined-benefit plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset deriving from the plan. The amendments clarify that after the occurrence of such an event, an entity must use updated assumptions to measure the current service cost and the interest for the rest of the period of reference after the event. The new standard will be applied starting from January 1st, 2019.
- On October 31st, 2018 the IASB published the document "**Definition of a Business (Amendments to IFRS 3)**" which provides some clarifications on the definition of business for the purposes of correct application of the standard IFRS 3. Specifically, the amendment clarifies that, while a business usually produces an output, the presence of an output is not strictly necessary for identifying a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To this end, the IASB has replaced the term "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist also without the presence of all the inputs and processes necessary to create an output. The amendment also introduced a test ("concentration test"), optional for the entity, to determine whether a set of activities/processes and assets acquired is not a business. If the test is positive, the set of activities/processes and assets acquired does not constitute a business, and the standard does not require additional checks. If the test is negative, the entity must perform further analysis on the activities/processes and assets acquired to identify the presence of a business. To this end, the amendment added numerous illustrative examples to the standard IFRS 3 in order to help to understand the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets after January 1th, 2020, but early adoption is allowed.

Uncertainty in the use of estimates

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

In particular, the estimates are used in order to recognize provisions for doubtful debts and inventory obsolescence, depreciation and amortization, impairment losses, employee benefits, tax and other provisions. The purpose of the estimate is also to determine the fair value related to performance obligations identified in contracts that provide for several services, typically attributable to M/L Agreements, like the one signed during the first half of 2018 by Isagro and Arysta. 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. The purpose of the estimate is also to determine of the fair value related performance obligations identified in contracts that provide for several services, typically attributable to M/L Agreements, like the one signed during the first half of 2018 by Isagro and Arysta.

Bad debt provision

Trade and other receivables are shown in the Financial Statements net of provisions for impairment losses, determined based on the principle of expected credit loss, according to which it is no longer necessary for an event of financial difficulty of the debtor to occur before recognizing in the Financial Statements the value of the expected losses. This model provides for the impairment test being performed considering the entire life of the receivable according to a forward-looking logic, which uses historical, current and also prospective data in the assessment process.

In particular, using the simplified approach provided for in IFRS 9, the Isagro Group constructed a "provision matrix" to identify the probabilities of default, which is based, for historical data, on the average credit losses of the last three years, to which is added a percentage of risk in order to take into account prospective (forward-looking) probabilities of default. This matrix is then applied to the aging of the receivables, constructed by maturity band and by geographical areas, at the reporting date, and it is updated every year. In addition, ad hoc analyses and specific estimates are performed to determine the expected losses of certain categories of receivables, including receivables in dispute and receivables deriving from M/L Agreements.

Inventory write-down provision

The allowance for inventory obsolescence reflects management's estimate of impairment losses expected from the various Group companies, based on both historical experience and the expected trend in prices for crop protection products during 2019, particularly for those products whose realizable value is linked to the commodity prices.

Impairment test

The Isagro Group carries out impairment testing at least annually, on preparing the Financial Statements at December 31st. As is described in greater detail below, impairment tests are performed on the assets pertaining to the CGUs being tested, including assets with indefinite useful life (goodwill) and intangible assets with finite useful life not yet available for use, as well as in-

tangible assets already available for use and property, plant and equipment.
As is explained in detail below, intangible assets not yet available for use essentially refer to registration expenses incurred for authorizations to sell formulations relating to the Group's major proprietary products and development expenditure for new products and new processes (see Note no. 2). 77% of this item, which amounts to approximately € 29 million, pertains to the co-development of a new fungicide named Fluindapyr belonging to the SDHi family.
As these assets are essentially registrations not yet obtained, the Cash-Flows used for the purpose of calculating the recoverable values within the impairment test and reflected in the Business Plan of the various Group companies, are those specifically and precisely defined for each project.
In defining the value in use of the CGUs subject to impairment, the Isagro Group carried out its analyses on the basis of the latest plan available for the 2019 – 2023 period ("Plan approved by the Board of Directors on January 15th, 2019").
The reliability of the impairment test and, consequently, whether or not the amounts recognized as assets for these items are confirmed is tied to realization of the forecasts of said plan, which, although it represents a forward-looking statement subject to uncertainty, is deemed reasonable and feasible by the Directors. The Directors, as a result of the tests carried out, did not deem it necessary to recognize any further impairment losses pursuant to IAS 36, regarding the Group's major assets.
Also for goodwill, the Directors deemed that no write-downs were necessary in view of the test performed, based on the expected cash flows reflected in the 2019 – 2023 plan ("Plan approved by the Board of Directors on January 15, 2019").
The impairment recognized in the Financial Statements refers in fact for € 265 thousand to the reversal of costs related at a number of authorizations for sale being obtained in countries considered no longer strategic or the continuation of which was judged not to be cost-effective for the Group.
Regarding goodwill, it should be noted that about 74% of this item refers to Isagro Colombia S.A.S. and the "Copper" CGUs, for which management has conducted additional analyses to verify the recoverability of goodwill (sensitivity analysis). The considerations set out are described in note No. 3. Note that the calculation of the recoverable value of intangible assets available and not yet available for use and of goodwill calls for management's discretion and the use of estimates, particularly as regards calculation of the interest rate (WACC) used to discount future cash flows, also as the benchmark rates of the financial markets are highly erratic and fluctuating.
In addition, the recoverability of these amounts is subject to the implementation of the 2019-2023 plan ("Plan approved by the Board of Directors on January 15th, 2019"), which is affected also by uncontrollable external variables (in particular weather conditions, the times necessary and the probabilities of obtaining authorizations for

the sale of new products). Consequently, it cannot be excluded that the future trend in various factors, including developments in the challenging global economic and financial context, might call for a write-down of these items of the Financial Statements. The Group's management will continuously monitor the circumstances and events that could bring about such a result.

Deferred tax assets
At December 31st, 2018, the Isagro Group's Financial Statements recognized deferred tax assets for unused tax losses carried forward amounting to approximately € 4 million. In assessing the recoverability of these deferred tax assets, the 2019-2023 plans were taken into consideration. For these the Directors believe that the taxable income that will be generated in the forthcoming years are reasonably feasible and will be such as to allow recovering these amounts. However, it cannot be ruled out a priori that the onset of economic and/ or financial crises, as well as postponement in the expected time scales for obtaining new registrations and new M/L Agreements may raise doubts about the timing and methods set out in the Group companies' budgets and plans concerning the recoverability of these items. The management will continuously monitor the circumstances and events that may bring about such a result.

Basis of consolidation and establishment of control
The Consolidated Financial Statements of the Isagro Group comprise the Financial Statements of Isagro S.p.A. and its subsidiaries. In accordance with IFRS 10, a company is considered to be a subsidiary when the investor is exposed to variable returns (or holds rights on said returns) deriving from its relationship with the company and at the same time has the ability to draw on these returns, exercising its power over the company. An investor has power over an entity subject to investment when it holds valid rights which grant it the current capacity to

manage the significant activities, or the activities which have a significant effect on the returns of the assets subject to investment.
With the Isagro Group, the parent exercises this power by holding the majority of the voting rights in the subsidiaries included in the scope of consolidation, which permits the same to appoint the majority of the members of the governing body. Furthermore, it should be noted that no significant restrictions exist with regard to the ability of the parent to access the assets or use them and to discharge the liabilities of the Group.
The Consolidated Financial Statements are prepared based on the Financial Statements written by the individual companies in accordance with IFRS.
The Financial Statements of the subsidiaries included in the scope of consolidation are consolidated using the line-by-line method, which requires to add together all reported items, regardless of the Group's ownership interest, as well as to eliminate intragroup transactions and unrealized profits.
The carrying amount of investments and the parent's portion of equity of the subsidiaries are eliminated, while individual assets and liabilities are recognized at their carrying amounts at the date when control was acquired, recognizing any contingent liabilities. Any positive excess is recognized in non-current assets as "Goodwill", while any negative excess is recognized in profit or loss.
Wherever the investment is less than 100%, the portion of profit and equity attributable to non-controlling interests is recognized (minority holdings).
Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and they cease to be consolidated on the date on which control is transferred outside the Group. The purchase of additional interests in subsidiaries and the sale of interests that do not result in a loss of control are accounted for as equity transactions. As such, the accounting effects of the previously mentioned transactions are recognized 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 recognize 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 scope

The consolidation scope includes the Financial Statements of Isagro S.p.A., its subsidiaries and associates at December 31st, 2018.
Pursuant to IFRS 10, companies are considered to be controlled if the Group simultaneously has the following three elements:

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

On the other hand, jointly-controlled companies are those over which the Group exercises control together with another investor with which it makes decisions on the relevant activities, so that control over the investees is shared.
For a list of companies included in the scope of consolidation, reference should be made to Note no. 50.
Compared to the situation at December 31st, 2017, in July 2018, the company Isagro Agrosolutions Kenya Limited was established, which is wholly controlled by Isagro S.p.A..

Translation of foreign currency Financial Statements

The presentation currency adopted by the Group is the Euro, which is also the functional currency of the parent Isagro S.p.A.
At the end of the reporting period, the Financial Statements of foreign operations with a functional currency other than the Euro are translated into the presentation currency in accordance with the following procedures:

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

Exchange differences arising on translation are recognized in the statement of other comprehensive income and accumulated in a separate component of equity (Translation reserve or difference) until disposal of the foreign operation.
The financial position and the economic result of a foreign company whose functional currency is the currency of a hyperinflationary economy are instead translated into Euro using the exchange rate in force at the reporting date. An economy is considered hyperinflationary when the cumulative inflation rate over a period of three years exceeds or comes close to 100%.

<u>*Hyperinflation in Argentina*</u>

In Argentina, following a long period of observation of inflation rates and other indicators, a unanimous consensus was reached on the existence of a hyperinflationary economy starting from July 1st, 2018. It follows that all companies operating in Argentina, starting from that date, are obliged to apply the accounting standard "IAS 29 – Financial Reporting in Hyperinflationary Economies" in preparing financial reports.
The Group's consolidated financial results at December 31st, 2018 include the effects deriving from application of the aforementioned accounting standard, with effect from January 1st, 2018, to the financial and economic data of the subsidiary Isagro Argentina Limitada S.r.l., while it was not necessary to redetermine the figures for financial year 2017, as the Group presents the consolidated financial data in Euro.
It is worth noting however that the effects deriving from application of the standard on the Group's results, taking into account the low economic and financial figures

of the Argentinean subsidiary, proved to be completely negligible.
The exchange rates applied on translation of the Financial Statements of the companies included in the scope of consolidation are listed in the table below:

Currency	Exchange rate at Dec. 31st, 2018	Average exchange rate 2018	Exchange rate at Dec. 31st, 2017	Average exchange rate 2017
Australian Dollar	1.622	1.5797	1.5346	1.4729
Singapore Dollar	1.5591	1.5926	1.6024	1.5582
US Dollar	1.145	1.181	1.1993	1.1293
Vietnamese Dong	26,547	27,180	27,233	25,652
Argentine Peso	43.1593	43.1593	22.931	18.726
Chilean Peso	794.37	756.94	737.29	732.19
Colombian Peso	3,721.81	3,486.74	3,580.19	3,333.84
Mexican Peso	22.4921	22.7054	23.6612	21.3278
South African Rand	16.4594	15.6186	14.8054	15.0434
Brazilian Real	4.444	4.3085	3.9729	3.6041
Chinese Renminbi (Yuan)	7.8751	7.8081	7.8044	7.6264
Indian Rupee	79.7298	80.7332	76.6055	73.498
Kenyan Shilling	116.6284	119.638	-	-
Polish Zloty	4.3014	4.2615	4.177	4.2563

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

The post-tax profit or loss of discontinued operations is disclosed separately in profit or loss. The corresponding amounts of the previous year are reclassified and presented separately in profit or loss for comparative purposes. Value adjustments on receivables from the selling price of the aforementioned discontinued assets are likewise recognized in profit or loss in years after the sale, on the basis of changes in the estimates of enforceability.

Measurement criteria
The Consolidated Financial Statements have been prepared on a historical cost basis, except for financial assets held for trading and financial derivative instruments, which are measured at fair value. This value is the price that would be received 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 measurement date, at current market conditions, regardless of whether that price is directly observable or is estimated using another measurement technique.

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 acquirer in exchange for control of the company acquired. The transactions costs are recognized in the Income Statement at the time they are incurred.
Goodwill is measured as the excess of the aggregate of consideration transferred in the business combination, the amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the net liabilities assumed.
Any contingent consideration is measured at the acquisition-date fair value and recognized 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 remeasured at fair value at the date control is acquired, and any resulting gain or loss is recognized in profit or loss. Any amounts resulting from the previously held equity interest, and recognized in other comprehensive income, are reclassified to profit or loss as if the equity interest had been disposed of.

Tangible assets
Tangible assets items, 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 assets item, acquired from third parties or constructed on a time and material basis, includes directly attributable charges and all the costs necessary for bringing the assets onstream for the use for which they were acquired. If 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 capitalized charge.
Maintenance and repair costs are not capitalized, but are recorded in the Income Statement in the period they pertain to.
Costs incurred after initial recognition – improvements, modernization and expansion costs, etc. – are recognized 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 increasing its productive capacity, or even improving the quality of the products obtained by the asset. If these expenses qualify as maintenance costs, they will be recognized 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 machinery: 10 to 11 years
- equipment: 3 to 7 years
- other assets: 5 to 6 years.

Land, which as a rule has an unlimited useful life, is not depreciated.
Spare parts and small items of equipment for maintenance are recognized 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 recognized 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. Impairment losses are recorded in the Income Statement under the item "Impairment of tangible and intangible assets".

Intangible Assets
Intangible assets, which can be capitalized only if they are identifiable assets which will generate future economic benefits, are initially recognized in the Financial Statements at purchase cost, increased by any additional charges and the direct costs necessary for preparing the asset for its use. However, assets acquired in a business combination are recognized at their acquisition-date fair value.
Assets generated internally, with the exception of development costs and expenses incurred in obtaining the authorizations 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 capitalization of any financial charges associated with intangible assets, reference should be made to the description later in this report under the related measurement criterion.
After initial recognition, intangible assets are recorded in the Financial Statements at cost net of the total amortization 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 amortized, but periodically subject to adequacy analysis for the purpose of stating any impairment.
The useful life generally assigned to the various categories of assets with finite useful life is as follows:

- concessions and licenses: 5 to 10 years
- authorizations to sell (registrations) of crop protection products: term of the concession
- product know-how: 15 years
- process know-how: 5 years
- costs of "extraordinary protection": 5 to 15 years
- trademarks: 5 to 10 years
- patents: term of the legal protection
- other assets (software): 5 years

Amortization 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. Impairment losses are recorded in the Income Statement under the item "Impairment of tangible and intangible assets".

<u>Product research, development and registration costs</u>
Research costs for the ordinary protection of products and production processes, and the costs for innovative research, are recognized 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 amortized 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 obtainment of a statement of completeness (the "completeness check") from the competent authority and/or with obtainment of the first authorization to sell the formulation containing the active ingredient.
Product registration costs reflect internal and external costs incurred to obtain or renew the authorization from the different local authorities to market the products deriving from the development activities and /or to extend such authorizations to other crops or to other uses of the product. These costs are recognized as intangible assets under "assets under development" until an authorization to market is obtained, and they are then reclassified under "Registrations" and amortized 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 Explanatory Notes, recognizing 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 amortized 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 combination is initially measured at the acquisition-date fair value of the consideration transferred and is allocated to the various CGUs identified at that date. After initial recognition, the goodwill is measured at cost, and decreased only by any accumulated losses in value. In fact, goodwill is not amortized, but impairment testing is performed at least annually. Any impairment is recognized in the Income Statement, according to the methods described in the Explanatory Notes.

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 recognized in the Income Statement. Afterwards, if the impairment of an asset ceases or is reduced, the book value of the asset is increased up to the new estimate of the recoverable value (which cannot exceed the value that would have been determined had no impairment loss been entered). Reversing of the impairment loss is immediately recognized in 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 flows 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 it are expected. The CGUs were identified with the same criteria as last year.
A summary table showing the values of the tangible and intangible assets and the goodwill allocated per CGU subjected to impairment testing follows.

Cash Generating Units	Assets with a defined useful life			Assets with an indefined useful life	TOTAL
	Tangible assets	Intangible Assets		Goodwill	
		not yet available for use	already available for use		
Kiralaxyl (IR 6141)	-	1,767	5,752	-	7,519
Tetraconazole	2,553	1,582	5,382	209	9,726
Organic products	591	215	1,254	461	2,521
Copper	4,302	799	2,951	886	8,938
Fluindapyr (SDHi)	-	22,716	385	-	23,101
Pyrethroids	-	271	348	-	619
Fumigants/geo-disinfectants	-	2,108	2,926	-	5,034
Total	**7,446**	**29,458**	**18,998**	**1,556**	**57,458**

The Group also posted impairment of the CGU Isagro Colombia S.A.S. for a total of € 3,098 thousand, of which € 1,558 thousand relating to goodwill.
Therefore, the Group subjected to impairment testing intangible assets and goodwill totaling € 51,616 thousand out of a total of € 52,818 thousand with about 98% coverage.

Investments in associates
The Group's investments in associates are accounted for using the equity method. An associate is a company over which the Group exercises considerable influence, understood as the power to take part in determining the financial and operating policies of the investee, without having control or joint control over the same. The presence of significance influence is presumed when the Group holds, directly or indirectly, 20% or more of the votes which can be exercised during the shareholders' meeting of the investee company, unless the contrary cannot be clearly demonstrated.
Under the equity method, the investment in an associate is initially recognized in the Statement of Financial Position at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it in necessary to recognize any additional impairment loss with respect to the Group's investment in the associate. The Group's share of profit or loss of the investee is recognized in the Income Statement. Gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the investment in the associate. Dividends received from an investee reduce the book value of the investment.
The end of the reporting period of associates is aligned with that of the Group; the accounting policies used are consistent with those used by the Group for like transactions and events.

Financial assets
At the moment of initial recognition, financial assets are entered at their fair value plus the costs directly attributable to their acquisition and are classified in one of the categories described below on the basis of the following elements:
- the company's business model for the management of financial assets;
- the characteristics related to the contractual cash flows of the financial assets.

In particular, by "business model" is meant the method with which the asset is managed, that is, if it is held for the sole purpose of collecting the related contractual cash flows ("hold" model), or to resell ("sell" model), or both to collect the cash flows and to sell the asset ("hold and sell" model).

Financial assets measured at amortized cost
Financial assets are included in this category if both of the following conditions are met:
- they are held in the context of a "hold" business model, and
- the contractual terms provide for certain given cash flows represented only by payments of the principal and of the interest on the principal to be repaid.

These assets are subsequently measured using the effective interest method, that is applying the effective interest rate that represents the rate that exactly discounts the future payments or collections, estimated along the expected life of the financial asset, to its amortized cost. The gains or losses deriving from write-offs, changes or impairment of the financial asset are recognized in the income statement.

Financial assets measured at fair value recognized in "Other comprehensive income"
Financial assets are included in this category if both the following conditions are met:
- they are held in a "hold and sell" business model, and

- the contractual terms provide for certain given cash flows represented only by payments of the principal and of the interest on the principal to be repaid.

The gain or loss deriving from measurement at fair value of these financial instruments must be recognized in "other comprehensive income" (with the exception of gains or losses due to impairment and gains or losses on exchange rates that are recognized in the Income Statement), until the financial asset is derecognized or reclassified. The interest calculated applying the criterion of effective interest is recognized in the profit for the year.

Investments in equity instruments which are not held for trading can be included in this category at the time of their initial recognition. The gain or loss deriving from their measurement is recognized in "other comprehensive income" and is not reclassified to the Income Statement when the financial asset is derecognized. The dividends related to these instruments are recognized in the Income Statement.

Financial assets measured at fair value recognized in profit (or loss) for the year

This category comprises financial assets not included in the previous ones, among which are financial assets held for trading ("sell" model) and investments in equity instruments for which the option was not taken to include them in the previous class. In particular, a financial instrument is considered "held for trading" if purchased for the purpose of selling it or re-buying it after a short time.

Derivative financial instruments are also included in this category, unless they are designated as hedging instruments.

The gain or loss deriving from measurement at fair value of these financial assets is recognized in profit (or loss) for the year.

Impairment of financial assets

For financial assets included in the first two categories (with the sole exception of any equity instruments included in the category of assets measured at fair value) provisions are recognized to cover the losses. These are calculated on the basis of the expected credit loss (ECL) model, using information that is supportable, available without unreasonable expenses or efforts, which includes historical, current and prospective data. These losses are based on the difference between the contractually payable cash flows and the cash flows that the company expects to receive, discounted at the original interest rate.

The estimate for the provisions to cover losses must correspond to the losses expected along the entire life of the receivable if the credit risk of the financial instrument has increased significantly after initial recognition. Otherwise, the measurement of the provisions must be based on the expected losses in the twelve months following the reporting date.

For trade receivables, a simplified approach is applied, as described in the paragraph "Trade and other receivables".

Treasury shares

Treasury shares are recognized at cost and are booked, at the time of purchase, as a reduction of shareholders' equity. The economic effects deriving from any subsequent sales are recognized directly in shareholders' equity.

Inventories

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

The cost of inventories may not be recoverable if they are damaged, if they become obsolete or if their selling prices have decreased: in this case, 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 inventories includes 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 inventories is that of the weighted average cost, inclusive of opening inventories.

Trade and other receivables

Trade and other receivables are included in the category of "Financial assets measured at amortized cost", already illustrated in the paragraph "Financial assets", which contains a description of the related measurement criteria.

For initial recognition of short-term trade receivables, which do not contain a significant financial component, the fair value is measured based on the price related to the commercial transaction. For medium/long-term receivables, which instead contain a significant financial component, at the time of initial recognition, the fair value is determined discounting the expected cash flows at the effective interest rate.

Trade receivables are presented in the Financial Statements net of provisions for expected impairment losses, which are determined on the basis of a simplified approach that provides for the possibility of recognizing the expected losses along the life of the receivable without having to identify any changes in the credit risk of the debtor. A "provision matrix" was therefore constructed on the basis of past experience (that is on losses of previous periods), but opportunely adjusted to take into account additional and prospective risk factors, in order to include in the assessment the future probability of default of the debtor. This additional risk factor was determined taking into consideration, on the one hand, the aging of the receivables and, on the other hand, the geographical region of the debtor.

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 with higher returns com-

pared to demand bank deposits (e.g. government securities) and which can be readily liquidated. They cannot include temporary investments in equity instruments due to the volatility and variability of their values.

Trade and other payables
Payables are measured at amortized cost and, at the time of initial recognition, are booked at their fair value.
For initial recognition of short-term trade payables, which do not contain a significant financial component, the fair value is measured based on the price related to the commercial transaction. For medium/long-term payables, which instead contain a significant financial component, at the time of initial recognition, the fair value is determined discounting the expected cash flows at the effective interest rate.

Financial liabilities
At the time of initial recognition, financial liabilities are booked at their fair value, net of the ancillary expenses directly related to their acquisition.
After initial recognition, financial liabilities are measured at amortized cost, using the effective interest method, unless they are financial liabilities held for trading, which are instead measured at fair value recognized in profit (or loss) for the year. This latter category includes derivative financial instruments that have not been designated as hedging instruments under the terms of the accounting standard IFRS 9.

Provisions for risks and charges
Provisions for risks and charges, which include liabilities whose timing and extent are unknown, are provided when:
- there is a current obligation (legal or implied) which is the result of a past event;
- it is probable that an outlay of resources will be necessary to meet the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recorded as a provision represents the best estimate of the outlay required for meeting the obligation existing as at the period end date. If the effect of the discounting back of the value of the cash is significant, the provisions are determined by discounting back the expected future cash flows at a pre-tax discount rate which represents the current market valuation of the cost of money in relation to time and, if appropriate, the specific risks of the liabilities. When discounting back is carried out, the increase in the provisions due to the passage of time is treated as a financial charge.
Contingent liabilities, instead, are not recognized 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 finalized 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.
In defined-benefit plans, the amount accounted for as a net liability (or asset) is determined using the actuarial technique of the "Projected Unit Credit Method" and is equal to: (a) the present value of the defined-benefit obligation at the reporting 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 at the reporting date of the assets serving the plan (if any) beyond which the obligations must be directly discharged. The actuarial gains 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 net interest), are recognized under "Other comprehensive income" and are directly reflected in the "Retained earnings" without subsequent reclassification to "Profit/(loss) for the year" items.
In defined-benefit plans the cost recorded under the "Profit/(loss) for the year" is the same as the algebraic sum of the following elements: (a) social security costs relating to current employment services; (b) net interest deriving from the increase in the liability consequent to the passage of time; (c) social security costs relating to 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 changed by Italian Law No. 296 of December 27th, 2006 (Finance Law 2007) and subsequent Decrees and Regulations that were issued in the first few months of 2007. In light of these changes, and in particular with reference to companies with at least 50 employees, this is now considered a defined-benefit plan only for the amounts which accrued until January 1st, 2007 (and which have not been settled on the reporting date), while after this date it is considered a defined-contribution plan.

Share-Based Payment

Under the terms of IFRS 2, personnel costs include the cost of any incentive plans with share-based payment. The cost of the incentive is determined based on the fair value of the attributable instruments and to the forecast of the number of shares that will effectively be assigned; the portion accruing to the year is determined *pro-rata temporis* along the vesting period, that is the period running from the attribution date (the "grant date") and the assignment date, and is recognized as counter – item to the shareholders' equity reserves.

The fair value of the shares underlying the incentive plan is determined at the grant date, taking into account the forecasts regarding the achievement of any performance parameters associated with market conditions and is not subject to adjustment in subsequent financial years. When attainment of the benefit is also connected to conditions other than those of the market (for example seniority in service and non-market conditions of performance), the estimate related to these conditions is reflected by adjusting, along the vesting period, the number of shares expected to be effectively assigned.

Leases

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

The leased asset is then amortized according to criteria similar to those used for assets owned.

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 recognized in the Income Statement.

Translation of foreign currency balances

Foreign currency transactions are initially recognized 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 recognized 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.

Revenues

Revenues are recognized at the time, or gradually as, the entity fulfills the obligation to perform for customers, transferring to them the goods or services promised, and are booked for an amount that reflects the consideration to which the entity believes it has a right in exchange for transferring the goods or services to the customer.

The goods or services promised are considered transferred when, or gradually as, the customer acquires control over them. Control over the goods or services means the ability to decide the use of the goods or services and the ability to substantially draw all the remaining benefits from them. Transfer of control over goods or services may occur at a certain time or over a period of time.

In determining the price of the transaction, the amount of the consideration is adjusted to take into account the effects of the time value of money if the payment terms agreed offer the entity or the customer a significant benefit. This adjustment is not made if the company expects that the time gap between the time of transfer of the goods or services and the time of payment will not exceed one year.

If the consideration promised in the contract with the customer includes a variable amount (for example quantity bonuses, discounts, incentives or other similar elements), the entity must estimate the amount of the consideration to which it will have the right in exchange for transferring the goods or services promised to the customer.

Sale of goods

Revenues deriving from the sale of goods are recognized when control of the goods is transferred to the customer. In order to determine whether the transfer has taken place, it is necessary to assess whether the customer has acquired ownership of the goods, whether possession has been transferred, whether the customer is already required at that time to pay for the goods, and whether the customer has the right to the significant risks and benefits of ownership of the goods. Specifically, for sales of crop protection products and raw materials, the revenues can be recognized at the time of shipment or at the time the goods are delivered to the customer.

Provision of services
Revenues related to the provision of services are recognized at the time, or gradually as, the entity fulfills the obligation to perform in for the customer. When the obligation is fulfilled over time, the entity recognizes the revenues gradually while the service is being performed, assessing its progress towards complete fulfillment of the obligation to perform.
The adequate methods for assessing progress include methods based on outputs and methods based on inputs. For toll manufacturing, revenues are recognized based on the ratio between quantities produced and total quantities to be produced.

Concessions of licenses
A license confers on the customer rights over the entity's intellectual property. For the purposes of recognizing revenues related to concession of licenses, it is necessary to determine whether the license is transferred to the customer on a specific date or over a period of time. To this end, it is necessary to determine whether the customer is given one or the other of the following rights:
- right of access to the entity's intellectual property, as it exists over the period of the license; or
- right of use of the entity's intellectual property, as it exists at the time the license is granted.

The entity's promise to grant a license is by nature a promise to grant the right of access to the its intellectual property if the following conditions are met:
- the contract prescribes that the entity must carry out activities that will have a significant impact on the intellectual property over which the customer claims rights;
- the rights granted by the license expose the customer directly to the positive or negative consequences of the entity's activities, and
- these activities do not simultaneously determine the transfer of the goods or services to the client.

In this case, the entity accounts for the revenue related to concession of the license as an obligation to be fulfilled over time. If instead these criteria are not met, the entity's promise is by nature a promise to grant the right to use the intellectual property as it exists at the time it is granted to the customer, who may decide on the use of the license and substantially draw all the remaining benefits from it at the time the license is transferred to it. The promise to confer the right to use the intellectual property, in this latter case, is considered an obligation to be fulfilled at a specific date with consequent recognition of the revenue related to the action of granting the license.

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

Royalties
These are recorded on an accrual basis, in accordance with the provisions of the related agreement.

Dividends
These are recorded when the right 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 are intended to offset.
When, on the contrary, 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 recognized, during the useful life of the asset to be amortized, in the Income Statement as income, by directly decreasing the amortizing cost.

Borrowing Costs
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 capitalized as part of the cost of the assets.
All other financial charges are recognized 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 accrual 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 recognizes deferred tax assets and liabilities for temporary differences between the carrying amount of assets and liabilities in the Balance Sheet and their tax bases, as well as for any difference in the carrying amount of assets and liabilities arising on consolidation adjustments.
Specifically, a deferred tax liability is recorded for all tax-

able 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 recognized 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 utilized. A deferred tax asset is also recorded in the presence of tax losses or tax credits carried forward, to the extent that it is probable that sufficient future assessable income will be available. This asset is stated in the Financial Statements under “Deferred tax assets”.

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

Deferred tax assets and liabilities must be calculated using the tax rates which are expected to be applicable in the period when the asset will be generated or the liability discharged, on the basis of current tax rates or those effectively in force at reporting 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 shareholders' equity or in the statement of comprehensive income if they relate to items recorded directly in these items.

Derecognition of a financial asset

A financial asset is derecognized 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 utilize 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.

Derivative instruments and hedge accounting

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 quoted price of the instrument. When a quoted market price is not available, reference is made to the current market value of other instruments that are substantially identical or appropriate measurement techniques that consider a premium for counterparty risk are used. These techniques are described in the Explanatory Notes, in the paragraph on derivatives.

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

The gains or losses on valuation related to derivatives purchased for trading purposes are recognized in the Income Statement in profit (loss) for the year, while the derivatives purchased for hedging purposes are recognized according to hedge accounting, the objective of which is to present in the Financial Statements the effect of the entity's risk management activities that use financial instruments to manage the exposures deriving from particular risks that could affect the profit for the year. For hedge accounting purposes only assets, liabilities, irrevocable commitments and highly probable planned transactions involving a party external to the entity that prepares the Financial Statements can be designated as hedged items.

If a derivative financial instrument is purchased for hedging and not trading purposes but does not have the requirements described below to be accounted for according to hedge accounting, it is accounted for according to the rules established for financial instruments held for trading, with recognition of the related gains or losses in the separate income statement.

For the entity to be able to use hedge accounting, at the start of hedging there must be formal documentation that describes the hedging relationship, the corporate risk management goals and the strategy followed to put the hedging in place. In particular, the documentation must include identification of the hedging instrument, the hedged item, the nature of the risk hedged and how the entity will assess whether the hedging relationship meets the effectiveness requirements of the hedging. These requirements are met if:

- there is a financial relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the financial relationship;
- The hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the entity effectively hedges and the amount of the hedging instrument that the entity uses effectively to hedge this quantity of hedged item.

There are three types of hedging relationships:

- fair value hedges: hedging of the exposure against changes in the fair value of the recognized asset or liability or unrecognized irrevocable commitment, or a component of this item, which pertains a particular risk and could affect the profit for the year;
- cash flow hedges: hedging of the exposure against the variability of cash flows pertaining to a particular risk associated with all the assets or liabilities recognized, or a component of them, or to a highly probable planned transaction that could affect the profit for the year;
- Hedges of a Net Investment in a Foreign Operation, as defined by IAS 21.

Given that the Isagro Group only makes cash flow hedging transactions, only the accounting methods related to this category are illustrated below.

Cash flow hedging

In cash flow hedging, the effective part of the gains or losses of the hedging instrument is recognized in "other comprehensive income", going into a specific shareholders'equity reserve, while the ineffective part is recognized in the income statement in profit for the year. The shareholders' equity reserve is then adjusted to the lower between the gains (or losses) accumulated on the hedging instrument and the accumulated change in the fair value of the hedged item since the start of the hedging.

The amounts accumulated in the cash flow hedging reserve must then be accounted for based on the nature of the underlying transaction being hedged. In fact, if the hedged transaction subsequently entails the recognition of a non-financial asset or liability, the reserve is derecognized, recognizing as a counter-item a higher or lower initial value of the asset or liability recognized, while, in all other cases, the amount of the reserve must be reclassified in the profit (loss) for the year as a reclassification adjustment in the same year the expected cash flows hedged have an effect on the profit for the year.

Finally, if the hedging relationship ceases and no future hedged cash flows are expected, the amount of the reserve must be reclassified to profit (loss) for the year as a reclassification adjustment.

INFORMATION ON THE BALANCE SHEET

1. Tangible assets – 19,228

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

Breakdown	Dec. 31st, 2017			Change	Dec. 31st, 2018		
	Historical cost	Depreciation	Book value		Historical cost	Depreciation	Book value
Land	1,053	-	1,053	-	1,053	-	1,053
Buildings:							
- owned assets	18,878	(10,445)	8,433	(991)	18,660	(11,218)	7,442
- improvements on third-party assets	-	-	-	115	148	(33)	115
	18,878	(10,445)	8,433	(876)	18,808	(11,251)	7,557
Plant and machinery:							
- owned assets	42,041	(33,885)	8,156	(1,021)	42,439	(35,304)	7,135
- grants capital	(357)	357	-	-	(357)	357	-
- leased assets	392	(298)	94	(56)	392	(354)	38
	42,076	(33,826)	8,250	(1,077)	42,474	(35,301)	7,173
Equipment:							
- owned assets	5,303	(4,661)	642	19	5,477	(4,816)	661
- leased assets	390	(175)	215	(58)	390	(233)	157
	5,693	(4,836)	857	(39)	5,867	(5,049)	818
Other assets:							
- furniture and fittings	1,366	(1,005)	361	(119)	1,284	(1,042)	242
- motor vehicles	247	(143)	104	43	213	(66)	147
- data processors	3,110	(2,655)	455	93	3,377	(2,829)	548
	4,723	(3,803)	920	17	4,874	(3,937)	937
Assets under development and payments on account							
- owned assets	1,040	-	1,040	650	1,690	-	1,690
	1,040	-	1,040	650	1,690	-	1,690
Total	**73,463**	**(52,910)**	**20,553**	**(1,325)**	**74,766**	**(55,538)**	**19,228**

Changes for the period	Translation adjustment (hist. cost)	Purchases	Reclassifications	Disposals	Translation adjustment (depr. res.)	Depreciation	Reversal at depreciation reserve	Reclassifications	Total change
Land	-	-	-	-	-	-	-		-
Buildings:									
- owned assets	(101)	52	64	(233)	42	(946)	131	-	(991)
- improvements on third-party assets	2	22	124	-	-	(28)	-	(5)	115
	(99)	74	188	(233)	42	(974)	131	(5)	(876)
Plant and machinery:									
- owned assets	(343)	230	707	(196)	297	(1,893)	177	-	(1,021)
- leased assets	-	-	-	-	-	(56)	-	-	(56)
	(343)	230	707	(196)	297	(1,949)	177	-	(1,077)
Equipment:									
- owned assets	(13)	150	38	(1)	10	(166)	1	-	19
- leased assets	-	-	-	-	-	(58)	-	-	(58)
	(13)	150	38	(1)	10	(224)	1	-	(39)
Other assets:									
- furniture and fittings	(12)	55	(123)	(2)	4	(48)	2	5	(119)
- motor vehicles	(15)	71	-	(90)	6	(19)	90	-	43
- data processors	(7)	287	-	(13)	4	(191)	13	-	(93)
	(34)	413	(123)	(105)	14	(258)	105	5	17
Assets under development and payments on account:									
- owned assets	(18)	1,478	(810)	-	-	-	-	-	650
	(18)	1,478	(810)	-	-	-	-	-	650
Total	**(507)**	**2,345**	**-**	**(535)**	**363**	**(3,405)**	**414**	**-**	**(1,325)**

The main changes during the year refer to:

- the completion, in the production site of Panoli of the subsidiary Isagro Asia, of a new plant for the treatment of chemical production residues; finishing the project caused an increase of € 442 thousand in the historical cost of the item "plant and machinery"; at December 31st, 2017, this investment was recognized among "assets under development" for € 389 thousand;
- completion of investments to increase plant efficiency and the level of safety of the Adria, Aprilia and Bussi production sites of the parent company; the conclusion of these projects led to an increase in the historic cost of the item "buildings" for € 14,000 and of the item "plant and machinery" for € 296 thousand; at December 31st, 2017 these investments were posted under "assets under development" for € 298 thousand;
- the parent's purchase of new analytical laboratory instruments for the Research Centre in Novara. This investment led to an increase in the historical cost of the item "equipment" of € 72,000;
- the reclassification from the item "furniture and fittings" of investments made in 2017, by the subsidiary Isagro Asia, in the rented offices in Mumbai; this operation determined an increase in the historical cost of the item "buildings – improvements on third-party assets" of € 123 thousand and a decrease of the same amount in the historical cost of the item "furniture and fittings";
- the decommissioning of obsolete plant and machinery no longer available for use, at the Panoli production site of the subsidiary Isagro Asia; these disposals determined a decrease in the historical cost of the item "plant and machinery" of € 175 thousand and a capital loss of € 18,000;
- Demolition of a building, no longer available for use,

at the Panoli production site of the subsidiary Isagro Asia; this operation determined a decrease in the historical cost of the item "buildings" of € 233 thousand and a net capital gain of € 299 thousand; as described in more detail in Note no. 25, to which explicit reference is made, this demolition became necessary following the expropriation of the land, already carried out during the previous financial year by the Indian authority for railways.

The item "Assets under development", amounting to € 1,690 thousand, essentially comprises the implementation of investments to increase plant efficiency and the level of safety of the Adria (€ 822 thousand) and Aprilia (€ 564 thousand) production sites of the parent company. No endogenous and exogenous impairment indicators were identified during the year, as also confirmed by the results of the impairment tests carried out on the goodwill which, for the sake of completeness, also include the property, plant and equipment which can be allocated to the specific CGUs.

2. Intangible assets – 49,510

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

Breakdown	Dec. 31st, 2017			Change	Dec. 31st, 2018		
	Historical cost	Amortization	Book value		Historical cost	Amortization	Book value
Product development costs:							
- fumigants and SDHi	19,343	-	19,343	1,807	21,150	-	21,150
- new formulations	1,164	-	1,164	108	1,272	-	1,272
	20,507	-	20,507	1,915	22,422	-	22,422
Process development costs	-	-	-	-	-	-	-
Product know-how:							
- fungicide IR 6141	10,196	(7,650)	2,546	(680)	10,196	(8,330)	1,866
- insecticides and fungicides	779	(189)	590	283	1,207	(334)	873
- Remedier	773	(604)	169	(52)	773	(656)	117
- biostimulants and fumigants	2,677	(425)	2,252	(107)	2,743	(598)	2,145
	14,425	(8,868)	5,557	(556)	14,919	(9,918)	5,001
Process know-how	958	(363)	595	(167)	1,009	(581)	428
Extraordinary defense	7,422	(3,761)	3,661	(473)	8,767	(5,579)	3,188
Patents, licenses, trademarks and registrations	22,355	(11,733)	10,622	262	25,222	(14,338)	10,884
Other:							
- commercial relations	637	(555)	82	(66)	639	(623)	16
- software	713	(326)	387	90	977	(500)	477
	1,350	(881)	469	24	1,616	(1,123)	493
Fixed assets under development and payments on account:							
- registrations	8,348	-	8,348	(1,299)	7,049	-	7,049
- other assets under development	15	-	15	30	45	-	45
	8,363	-	8,363	(1,269)	7,094	-	7,094
Total	**75,380**	**(25,606)**	**49,774**	**(264)**	**81,049**	**(31,539)**	**49,510**

Changes during the year	Translation adjustment	Purchases/ capitalizations	Reclassifications and others changes	Amortization/ Write-downs (*)	Total change
Product development costs:					
- fumigants and SDHi	-	1,758	49	-	1,807
- new formulations	-	554	(446)	-	108
	-	2,312	(397)	-	1,915
Process development costs	-	53	(53)	-	-
Product know-how:					
- fungicide IR 6141	-	-	-	(680)	(680)
- insecticides and fungicides	-	-	428	(145)	283
- Remedier	-	-	-	(52)	(52)
- biostimulants and fumigants	-	-	66	(173)	(107)
	-	-	494	(1,050)	(556)
Process know-how	(2)	-	53	(218)	(167)
Extraordinary defense	(1)	1,346	-	(1,818)	(473)
Patents, licenses, trademarks and registrations	(8)	290	2,585	(2,605)	262
Other:					
- commercial relations	2	-	-	(68)	(66)
- software	(1)	149	116	(174)	90
	1	149	116	(242)	24
Fixed assets under development and payments on account:					
- registrations	4	1,416	(2,476)	(243)	(1,299)
- other assets under development	2	144	(116)		30
	6	1,560	(2,592)	(243)	(1,269)
Total	**(4)**	**5,710**	**206**	**(6,176)**	**(264)**

(*) Made up of € 5,911 thousand regarding amortization and € 265 thousand regarding write-downs

The Group's intangible assets include "assets not yet available for use" for a total value of € 29,516 thousand, which essentially comprise:

- € 21,150 thousand in costs incurred for the launch of the development phase of the new proprietary product, the fungicide Fluindapyr (in the SDHi class), for which a co-development agreement has been entered into with the US company FMC Corporation;
- € 1,272 thousand in development costs incurred for launching the development phase of new formulations of crop protection products;
- € 7,049 thousand for "Assets under development" which mainly refer to registration costs incurred to obtain authorization to sell formulations of the Group's main proprietary products in various countries.

It should be noted that, during the year, the obtainment of new authorizations to sell led to the reclassification from "assets under development" to "registrations", triggering the beginning of the amortization period, for € 2,498 thousand. Moreover, following completion of the development stage of certain copper-based products for use in southern Europe, during the year € 428 thousand were reclassified from "development costs" to "product know-how".

"Extraordinary defense", amounting to € 3,188 thousand, refers to costs incurred by the Group to extend the useful

life (i.e. the shelf-life) of certain products already on the market and also includes expenses incurred in order to comply with the requirements of EU regulations.
During the year, the assessments of the state of technical progress of current projects and of the results obtained to date were reviewed; critical issues emerged with reference to certain assets that proved to be either no longer usable or uneconomical to use for the Group. Specifically, pursuant to IAS 38, the Directors of the parent Isagro S.p.A. fully wrote off the costs incurred in relation to investments regarding authorizations to sell that are being obtained for a total of € 243 thousand, whose continuation was deemed uneconomical for the Group.
As previously pointed out in the Financial Statements at December 31st, 2017, after obtaining specific loans from the European Investment Bank (EIB) and from other financial institutions, in support of the Group's research and development activities (see Note no. 16), the portion of borrowing costs incurred in the year relating to intangible assets under development was capitalized. The capitalized borrowing costs amounted to € 106 thousand. The average interest rate used to determine their amount was 1.86%, i.e. the effective interest rate of the loans described.
The residual value of the item "patents, licenses, trademarks, registrations and similar rights", amounting to € 10,884 thousand, comprises:

- registrations of crop protection products 10,027
- trademarks, patents and licenses 857.

Impairment test
According to the provisions of IAS 36, the Isagro Group conducts at least annual impairment tests, while preparing the Financial Statements at December 31st, on the Group's assets allocated to the CGUs.
In particular, impairment tests are performed on products under development and registrations in progress because, although these are assets with "finite useful life", like the rest of the Group's intangible assets, they are however 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 they are closely related to assets not yet available for use, and cannot therefore be measured independently. If the product assessed is part of a CGU (Cash Generating Unit), to which a portion of the Group's goodwill has been allocated, the recoverable amount of the entire CGU is estimated. Therefore, reference should be made to Note no. 3 for "organic products", "copper-based products", and "Tetraconazole".
The following table highlights the value of the intangible assets grouped according to all of the above:

	ASSETS WITH A DEFINED USEFUL LIFE		
	Assets not yet available for use	Assets already available for use	Total Book value
Research and development activities:			
- Kiralaxyl (IR6141)	1,767	5,752	7,519
- Tetraconazole	1,582	5,382	6,964
- Organic and biostimulant products	215	1,254	1,469
- Copper	799	2,951	3,750
- SDHi	22,716	385	23,101
- Pyrethroids	271	348	619
- Fumigants	2,108	2,926	5,034
- Others	13	501	514
	29,471	19,499	48,970
Other intangible assets:			
- Commercial relations		16	16
- Software	45	477	522
- Trademarks and licenses		2	2
	45	495	540
	29,516	**19,994**	**49,510**

The impairment test was performed by comparing the carrying amount of each project with its recoverable amount using the "Discounted Cash Flow" model which estimates the value in use of an asset on the basis of the discounting of future cash flows at an appropriate rate, coinciding with the weighted average cost of capital (WACC).
Here below are the main assumptions made in estimating value in use for the purpose of measuring the recoverable amount of know-how and ongoing registrations for the molecule IR 6141 and for the pyrethroids, as well as the recoverable amount of the development costs for the fungicide Fluindapyr (in the SDHi class) and the new biofumigant, the Group's main products; for Tetraconazole, organic products, and copper- based products, please refer" to Note no. 3.

Business assumptions

The analysis was carried out on the basis of the 2019-2023 plan approved on January 15th, 2019 by the Board of Directors of the parent Isagro S.p.A.. This plan is based on assumptions considered reasonably realistic by the management with the exception of the impacts connected with uncontrollable external variables represented by the effective obtainment times of the registrations and by weather variables.

Time scale considered

For the purposes of estimating the expected cash flows of the various products, an explicit useful life of 14 years was considered for the new generation molecules, while for products already consolidated on the market, a clear timescale of 5 years is used, since these assets have been available for use for some time and the flow of this year could be considered as a " fully operational" value.
With regard to the fungicide Fluindapyr, an ad hoc plan was prepared, since the development phase for this product is still ongoing. The related cash flows, in fact, are expected to start in 2021 (year of the launch of this crop protection product), estimated exactly until 2030 and then maintained constant up to 2032.
As for the estimate of the cash flows expected to be derived from the pyrethroids, these were determined in detail over a clear 5-year period.
At the end of this time horizon, the perpetuity method (Gordon Growth Model) was used to calculate the terminal value, using a normalized cash flow calculated on the basis of the following main assumptions:
- EBITDA equal to that of last year;
- investments equal to amortization and coinciding with the amortization of the last year of the plan;
- zero change in current assets, in consideration of zero growth.

The Growth rate considered in the calculation is zero.

Economic-financial parameters

The main reference parameters are indicated below:

	Fluindapyr (SDHi)	IR 6141	Pyrethroids	Biofumigant
- Financial structure (Liabilities/ Assets)	0.51	0.51	0.51	0.51
- WACC	9.7%	8.7%	8.7%	9.2%

Estimated WACC

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

Cost of Debt

For the cost of debt before tax effect, the 2018 average of the interest rate swap with maturity at ten years was used. Then, a spread of 1.3% was added, which reflects the theoretical cost calculated on the basis of the Group's theoretical Interest Coverage Ratio, calculated based on the financial expenses and the EBIT of 2018.

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:

	Fluindapyr (SDHi)	IR 6141	Pyrethroids	Biofumigant
- levered Beta equal to	1.69	1.69	1.69	1.69
- risk-free rate	3.7%	3.7%	3.7%	3.7%
- market risk premium	6.7%	6.7%	6.7%	6.7%
- dimensional and additional risk premium of	3.1%	1.1%	1.1%	2%

In particular, consistent with the guidelines issued by the O.I.V. (Italian Valuation Board), reference was made to an unconditional adjusted approach that tends to reflect country risk in the risk-free rate in the following scenarios:
Risk free rate: assumed to be equal to the weighted average of the returns of Government Bonds of the countries where the Isagro Group operates, weighted according to revenues of 2018;

Levered beta: estimated on the basis of the average unlevered beta of the panel of comparable listed companies;
Market risk premium: calculated as the weighted average of the Market Risk Premiums of the countries in which the Isagro Group operates, considering revenues as the weighting factor;
Size and additional risk premium: to consider the smaller size of the Isagro Group with respect to comparable companies included in the calculation of the beta, a premium was estimated for the size risk considering as criterion of comparison the 2018 revenues, adding a premium for the additional risk of some CGUs in order to express the specific risk profile of various projects/molecules in relation to the different degrees of uncertainty of the expected cash flows or stage of progress of the registration.
The cost of equity was therefore 18.1% for the fungicide Fluindapyr, 16.1% for the molecule IR 6141 and for pyrethroids and 17% for the biofumigant.

Weight of equity and debt
A normalized relationship was used for the weight of equity and others' funds (debt), as this was considered the Group's target structure.

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

	Fluindapyr (SDHi)	IR 6141	Pyrethroids	Biofumigant
- WACC	9.7%	8.7%	8.7%	9.2%

Compared to the WACCs used in the previous year, an average increase of approximately 100 basis points was observed.

Main results
On the basis of the impairment tests performed, approved by the Board of Directors of the parent Isagro S.p.A. on March 13th, 2019, supported by sensitivity analyses prepared by the Company itself and by opinions of third-party consultants of a technical/scientific nature and of congruity in the impairment test procedure applied to intangible assets (IAS 36 Impairment of Assets), the Directors have not, as of today, found any impairment and therefore have not considered necessary any write-downs.

Sensitivity analysis
As required by IAS 36 and by the O.I.V. guidelines on impairment test, the Group conducted sensitivity analysis on the recoverable value of the aforementioned CGUs, analyzing 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 volatility of expected flows, and particularly in what range – in terms of equivalent discount rate – failure to implement planned action, or the lengthening of registration times or weather variables, could affect the impairment test results.
In particular, the sensitivity analysis performed maintaining unchanged the assumptions underlying the 2019–2023 Business plan ("Plan approved by the Board of Directors on January 15th, 2019") and changing the WACC did not reveal any particular critical points.
The outcome of this analysis tends to confirm the soundness of the test results, although with the uncertainty deriving from the dependence of forward-looking data on the previously mentioned external variables.
Further sensitivity analyses were prepared for the main molecules – Kiralaxyl (IR 6141), Fluindapyr (SDHi), Biofumigant – by technical/accounting experts on the basis of a recoverable value that considered exclusively cash flows of the explicit period and did not consider the terminal value; these analyses in any case confirmed the recoverability of the intangible assets of reference.
On the basis of technical/scientific opinions of independent experts, a sensitivity analysis was carried out for the "Biofumigant" CGU to check the effects of a two-year delay of the registration in California, without finding potential impairment losses.

3. Goodwill – 3,308
The breakdown and the changes in this item compared with the previous year are shown in the following table.

CGU description	Value at Dec. 31st, 2017	Changes over the period				Value at Dec. 31st, 2018
		Translation adjustment	Purchases/ sales	Write-downs	Total change	
- "Copper"	886	-	-	-	-	886
- "Organic products"	461	-	-	-	-	461
- Isagro Asia Agrochemicals	181	(7)	-	-	(7)	174
- "Tetraconazole"	209	-	-	-	-	209
- "Formulations"	20	-	-	-	-	20
- Isagro Colombia S.A.S.	1,620	(62)	-	-	(62)	1,558
Total	**3,377**	**(69)**	**-**	**-**	**(69)**	**3,308**

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

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

In compliance with the international accounting standards, goodwill is not amortized but rather subjected to annual impairment tests. This test is performed by comparing the book value of goodwill with its recoverable amount. This value is calculated using the "Discounted cash flow" model, which estimates the value in use of an asset on the basis of the discounting of future cash flows at an appropriate rate, coinciding with the weighted average cost of capital (WACC).
The main parameters used in measuring the recoverable amount of the main CGU's goodwill are shown below.

Time scale considered
For the cash flow projection, an explicit time scale of 5 years was considered; this corresponds to the 2018 – 2023 plan ("Plan approved by the Board of Directors on January 15th, 2019"), as already specified in Note no. 2, for the "Copper", "Organic products", "Tetraconazole" and "Isagro Colombia S.A.S." CGUs.
This plan is based on assumptions considered reasonably realistic by the management with the exception of the impacts connected with uncontrollable external variables represented by the effective obtainment times of the registrations and by weather variables, as already illustrated in note no. 2 to which you are referred for more details on the methods of preparing this plan.
The perpetuity method (Gordon Growth Model) was used to calculate the terminal value, referring to a normalized cash flow calculated on the basis of the following main assumptions:

- EBITDA equal to that of the last year of the plan;
- investments equal to amortization and coinciding with the last year of the plan;
- zero change in current assets in consideration of stable growth.
- growth rate of zero.

Economic-financial parameters
The main reference parameters are indicated below:

	Isagro Colombia S.A.S.	"Copper" – "Organic products" – "Tetraconazole"
Financial structure (Liabilities/Assets)	0.51	0.51
WACC	11.6%	8.7%

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

	Isagro Colombia S.A.S.	"Copper" – "Organic products" – "Tetraconazole"
Cost of debt	1.5%	1.7%
Cost of equity	22.2%	16.1%

Cost of Debt
For the cost of debt before tax effect, the 2018 average of the interest rate swap at ten years was used. Then, a spread of 1.3% was added, which reflects the theoretical cost calculated on the basis of the Group's theoretical Interest Coverage Ratio, calculated based on the financial expenses and the EBIT of 2018.

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" – "Organic products" – "Tetraconazole"
Levered Beta	1.60	1.69
Risk-free rate	4.5%	3.7%
Market risk premium	8.7%	6.7%
Additional risk premium	3.8%	1.1%

In particular, consistent with the guidelines issued by the O.I.V. (Italian Valuation Board), reference was made to an unconditional adjusted approach that tends to reflect country risk in the risk-free rate in the following scenarios:
Risk free rate: assumed to be equal to the weighted average of the returns of Government Bonds of the countries where the Isagro Group operates, weighted according to revenues of 2018;
Levered beta: estimated on the basis of the average unlevered beta of the panel of comparable listed companies;
Market risk premium: calculated as the weighted average of the Market Risk Premiums of the countries in which the Isagro Group operates, considering revenues as the weighting factor;

Size and additional risk premium: to consider the smaller size of the Isagro Group with respect to comparable companies included in the calculation of the beta, a premium was estimated for the size risk considering as criterion of comparison the 2018 revenues, adding a premium for the additional risk of some CGUs in order to express the specific risk profile of various projects/molecules in relation to the different degrees of uncertainty of the expected cash flows or stage of progress of the registration.

Weight of equity and debt
A normalized relationship was used for the weights of equity and others' funds (debt), as this was considered the Group's target structure.

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

	Isagro Colombia S.A.S.	"Copper" – "Organic products" – "Tetraconazole"
WACC	11.6%	8.7%

Compared to the WACCs used in the previous year an increase of 80 basis points was observed for the Italian CGUs and of 70 basis points for the Isagro Colombia CGU.

Main results
According to the impairment tests performed, approved by Board of Directors on March 13th, 2019, to date the Directors have found no impairment loss for the assets of the various CGU (goodwill, tangible and intangible fixed assets) and therefore deemed that no write-downs were necessary.

Sensitivity analysis
As required by the O.I.V. guidelines on impairment, the Group conducted sensitivity analysis of the recoverable value of the goodwill of the aforementioned CGUs, analyzing the effect of a change in the discount rate used to discount the expected cash flows. This analysis was performed to examine the effects of a potentially stronger volatility of expected flows, and particularly in what range – in terms of equivalent discount rate – failure to implement planned action could affect the impairment test results.
In particular, the sensitivity analysis performed maintaining the assumptions underlying the plan and changing the WACC did not reveal any critical issues in any of the CGUs.
With reference to Tetraconazole, in the context of the European re-registration process, there is the possibility that this active ingredient will become the subject of partial or total limitations on use in the territories of the European Union after 2021 – 2022. In keeping with this and on the basis of technical/scientific opinions of independent experts, the parent Isagro S.p.A. carried out sensitivity analyses that took into account the risk of limitations on the use of Tetraconazole in Europe starting from 2023 (that is considering, as is the practice, a year of further commercial exploitation with respect to the "cut-off" date of 2021).
For prudential purposes, the Enterprise Value was obtained as the average of two scenarios:

- first, "worst case" free cash flow scenario was prepared, reflecting the eventuality of a total ban on sales of Tetraconazole in Europe starting from 2023, therefore continuing the marketing of the product until December 31st, 2022;
- then a second free cash flow scenario was prepared, reflecting the possibility of obtaining re-registration for another ten years and therefore considers sales and margins up to December 31st, 2032.

The result of the impairment test considered a percentage of probability of 75% for the first scenario and of 25% for the second scenario, percentages that reflect probabilistic indications of re-registration that the parent company Isagro S.p.A. deems prudential, obtained from a study commissioned from an external independent consultant. It can be noted that, also in consideration of worsening scenarios, no impairment losses can be foreseen.
Lastly, it is worth noting 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 investments measured with the equity method– 593

List of equity investments	Description of activities	Holding company for the equity investment	Stake held (%)	Book value
Associates:				
Arterra Bioscience S.r.l. – Naples Share capital € 250,429	Research activity in the sector of biology and molecular genetics	Isagro S.p.A.	22.00	593
Total				**593**

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

Breakdown	Value at Dec. 31st, 2017	Changes over the period					Value at Dec. 31st, 2018
		Acquisition (Disposal)/ Increase (Decrease)	Conversion difference	Write-downs	Revaluations	Total change	
Equity investments in associates:							
- Arterra Bioscience S.r.l.	437	(44)	-	-	200	156	593
Total	**437**	**(44)**	**-**	**-**	**200**	**156**	**593**

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

Balance sheet data

	Dec. 31st, 2018	Dec. 31st, 2017
Arterra Bioscience S.r.l.		
Assets	4,715	3,249
Liabilities	(2,452)	(1,698)
Shareholders' equity	2,263	1,551

Economic situation

	2018	2017
Arterra Bioscience S.r.l.		
Revenues	2,427	2,060
Profit for the period	912	615
Group's share of profit for the period	200	135
Dividends received	44	11

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

	2018	2017
Arterra Bioscience S.r.l.		
Net assets of the associate	2,263	1,551
Interest held in the associate	22%	22%
Portion of assets of the associate	497	341
Goodwill	96	96
Book value of the investment	593	437

The value of the investment includes the goodwill of € 96 thousand for which no impairment had been recognized at December 31st, 2018.

5. Non-current receivables and other assets – 4,262

Breakdown	Book value at Dec. 31st, 2017	Increase/ decrease	Book value at Dec. 31st, 2018
Non-current receivables and other assets:			
- guarantee deposits	603	15	618
- know-how usage licenses	4,316	(1,195)	3,121
- prepaid expenses	478	(24)	454
- tax	56	13	69
- security deposits	100	(100)	-
Total	**5,553**	**(1,291)**	**4,262**

The item “know-how usage licenses” refers:

- for € 289 thousand to the present value of the non-current portion of the residual receivable relating to the up-front payment made in 2014 to the parent Isagro S.p.A. by the Hong Kong-based company Rotam Agrochemical Company Ltd., for the granting of the right to use the know-how and the existing studies relating to three Isagro proprietary active ingredients (Tetraconazole, Copper and Kiralaxyl) to process three mixtures with Rotam proprietary products and/or other Isagro proprietary products, to be marketed in some Far East countries, for a total value of € two million. On December 1st, 2017 the parties agreed a remodulation of the original maturities of the receivable, providing in particular for payment of the following installments:

a) € 400 thousand already received at December 31st, 2018;
b) € 300 thousand to be paid by December 27th, 2019;
c) € 300 thousand to be paid by December 27th, 2020;

It must be noted that the installments maturing in 2019 and 2020 will bear interest calculated at the fixed rate of 2%; the current portion of the receivable, amounting to € 298 thousand, was recognized among trade receivables;

- for € 2,832 thousand to the present value of the non-current portion of the receivable relating to the up-front payment granted to the parent company Isagro S.p.A. by the British company Gowan Crop Protection Limited (related party), definitively and non-repeatably, following the signing, in November 2016, of an agreement for the exclusive granting of the right to develop, register, produce, and market, in Europe, mixtures based on the parent Isagro S.p.A. proprietary active ingredient Kiralaxyl. The contract states that the price agreed of € 5,250 thousand, the present value of which was calculated discounting to the present the expected cash flows at a rate agreed by the parties of 2%, must be paid, together with the interest accrued, in six annual installments, of which the first of € 500 thousand was received in December 2017 and the second of € 750 thousand was received in November 2018, while the remaining four installments of € 1,000 thousand each are scheduled to be paid on November 30th of the four years 2019-2022.
The current portion of the present value of the receivable, equal to € 982 thousand, was recognized under "trade receivables".

"Prepaid expenses" refers to the residual value of the expense from early settlement, by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. to the Indian government, of a consideration of 54.5 million Indian Rupees (corresponding at the exchange rate of December 31st, 2018 to € 684 thousand) to acquire a 99-year leasehold over the land on which the Panoli plant stands. You are reminded that during the previous year, the Indian government authority for railways had expropriated, on payment of compensation, a part of the aforementioned land to proceed with the construction of a rail corridor; for a more detailed description of the operation please see Note no. 25 "Other operating revenues".

6. Financial receivables and other current financial assets – 2,503

The item refers to a medium/long-term tied current account on which interest accrues at a rate of 0.001% per year, which the parent company Isagro S.p.A. opened at UniCredit S.p.A.. This deposit was established as a pledge in favor of the credit institution following the concession, by the latter, of a guarantee for a total of € 7,586 thousand requested by the company Arysta LifeScience Inc. on the basis of the M/L Agreement described in note no. 24 to which you are referred.

7. Deferred tax assets and liabilities – 7,740

Deferred tax assets – 8,658
Deferred tax liabilities – 918

Breakdown	Book value at Dec. 31st, 2017	IFRS 9 effect	Book value at Jan 1st, 2018	Changes over the period				Book value at Dec. 31st, 2018
				Provision	Use	Other changes	Total change	
Deferred tax assets	9,052	221	9,273	859	(1,313)	(161)	(615)	8,658
Deferred tax liabilities	(1,179)	-	(1,179)	(56)	245	72	261	(918)
Total	**7,873**	**221**	**8,094**	**803**	**(1,068)**	**(89)**	**(354)**	**7,740**

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; in particular, the first table summarizes the effect on the opening balances at January 1st, 2018 of adoption of the accounting standard IFRS 9 (for a description of which please see the section "Accounting standards applied from January 1st, 2018"), while the table shows the changes during the year:

Temporary differences	Deferred tax assets/liabilities Dec. 31st, 2017		IFRS 9 Effect Jan. 1st, 2018		Deferred tax assets/liabilities Jan 1st, 2018	
	Taxable base	Taxation	Taxable base	Taxation	Taxable base	Taxation
Deferred tax assets						
- tax losses	17,167	4,126	-	-	17,167	4,126
- allocations to taxed provisions	7,635	2,326	673	221	8,308	2,547
- grants related to R&D	194	53	-	-	194	53
- intragroup profits	6,774	1,879	-	-	6,774	1,879
- others	2,659	668	-	-	2,659	668
Total deferred tax assets	34,429	9,052	673	221	35,102	9,273
Deferred tax liabilities						
- amortization/depreciation for tax purposes	3,372	940	-	-	3,372	940
- fair value assets from business combinations	96	32	-	-	96	32
- dividends from subsidiaries	1,000	200	-	-	1,000	200
- others	20	7	-	-	20	7
Total deferred tax liabilities	4,488	1,179	-	-	4,488	1,179
TOTAL	**29,941**	**7,873**	**673**	**221**	**30,614**	**8,094**

Temporary differences	Deferred tax assets/ liabilities Jan 1st, 2018		Transfers to Income Statement		Change in equity		Deferred tax assets/ liabilities Dec. 31st, 2018	
	Taxable base	Taxation	Provision	Use	Other changes	Translation adjustment and other changes	Taxable base	Taxation
Deferred tax assets								
- tax losses	17,167	4,126	3	(5)	(202)	3	16,370	3,925
- allocations to taxed provisions	8,308	2,547	657	(809)	5	(61)	10,562	2,339
- grants related to R&D	194	53	-	(13)	-	-	142	40
- intragroup profits	6,774	1,879	32	(255)	-	(1)	5,817	1,655
- others	2,659	668	167	(231)	-	95	2,690	699
Total deferred tax assets	35,102	9,273	859	(1,313)	(197)	36	35,581	8,658
Deferred tax liabilities								
- amortization/depreciation for tax purposes	3,372	940	-	(212)	-	-	2,611	728
- fair value assets from business combinations	96	32	-	(26)	-	-	17	6
- dividends from subsidiaries	1,000	200	-	-	(200)	-	-	-
- others	20	7	56	(7)	-	128	686	184
Total deferred tax liabilities	4,488	1,179	56	(245)	(200)	128	3,314	918
TOTAL	**30,614**	**8,094**	**803**	**(1,068)**	**3**	**(92)**	**32,267**	**7,740**

The item “Deferred tax assets” includes € 3,925 thousand related to tax losses (of which € 3,922 thousand referring to the parent Isagro S.p.A.), € 1,655 thousand referring to the tax effect of the elimination of intra-group profits and € 2,338 thousand relating to taxed risk and expense provisions.
In recognizing and assessing the recoverability of deferred tax assets, the 2019-2023 plan, approved by the Board of Directors of the parent Isagro S.p.A. on January 15th, 2019, was taken into consideration. Although the plan includes assumptions and forward-looking statements subject to uncertainty, the Directors believe that the taxable income envisaged for the next few years, deemed to be reasonable and feasible, will be such as to allow those amounts to be recognized and recovered.
In particular, the convincing evidence which makes availability of sufficient future taxable income for the aforementioned recovery probable, over the timescale of the plan, is as follows:

- the reduction in the cost of money, obtained thanks to the new economic conditions granted by the banking system further to the share capital increase transaction of the parent Isagro S.p.A. in 2014;
- The financial support of the capital increase operation described above to the investments provided for in the 2019-2023 plan;
- the launch of the new fumigant product (with positive effects both on the parent and on the subsidiary Isagro USA, Inc. owing to the expected sales in California) and the confirmations on the validity of the new SDHi molecule being developed;
- the strengthening of the synergies with the industrial partner Gowan (a US company operating in the crop protection products sector) following its entry into the Isagro control system in 2014, for the purpose of obtaining an important strategic and business enhancement, thanks in part to the pursuit of synergies which will be achieved.

The Directors therefore, believe that all the element indicated above provide convincing evidence that makes the availability of future taxable incomes probable. These elements in fact make it possible to consider the attainment of the taxable income indicated in the said plans probable; these are therefore sufficient for permitting achievement of the benefit relating to the deferred tax assets.
It is also disclosed that at December 31st, 2018 there are unrecognized deferred tax assets relating to tax losses for the period and for previous years, for a total value of € 3,847 thousand, of which € 1,518 thousand relating to the subsidiary Isagro USA, Inc. and € 2,329 thousand relating to the parent Isagro S.p.A. Taking this into account, note that the parent’s overall tax losses at December 31st, 2018, amounted to € 26,049 thousand, in relation to which deferred tax assets were recognized for only € 3,922 thousand, corresponding to € 16,344 thousand in tax losses retained. Lastly, the tax losses of previous years, which at December 31st, 2017 amounted to € 9,822 thousand, recorded a decrease of € 2,445 thousand following their use in view of the higher taxable incomes ascertained by the Italian Revenues Agency during a tax audit carried out in the previous year regarding the years 2012, 2013 and 2014, described in Note no. 41.
The item “Deferred tax liabilities” includes € 729 thousand for misalignment between the statutory and tax depreciation and amortization of tangible and intangible assets and refers essentially to capitalization and amortization of development costs for new products of the parent Isagro S.p.A..
Deferred tax assets and liabilities include € 6,195 thousand and € 516 thousand, respectively, which are likely to be reversed beyond the next year.

8. Inventories – 48,097

Breakdown	Book value at Dec. 31st, 2017	Changes over the period					Book value at Dec. 31st, 2018
		Increase/ decrease	Write-downs/ Inventory impairment provisions	Translation adjustment and other changes	Use of inventory impairment provision	Total change	
Raw and ancillary materials and consumables	15,353	2,186	(290)	(99)	204	2,001	17,354
Work in progress and semi-finished goods	979	(360)	-	(43)	-	(403)	576
Finished products and goods	28,572	1,805	(303)	(49)	11	1,464	30,036
Payments on account	136	-	-	(5)	-	(5)	131
Total	**45,040**	**3,631**	**(593)**	**(196)**	**215**	**3,057**	**48,097**

The increase in inventories – of both raw materials and finished products – compared to December 31st, 2017, is related to the establishment by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. of a strategic stock of both raw materials and finished products to cope with the production and sale of products envisaged for the first quarter of 2019 in the light of the expected sharp rises in the prices of raw materials purchased from China, and the establishment, by the subsidiary Isagro USA, Inc., of a strategic stock of finished products purchased from Chinese suppliers, following the uncertainty on customs duty policies between the United States and China.
Inventories include goods, for a value of € 2,569 thousand, stored at the warehouse of the French plant of Arysta LifeScience to guarantee the obligations set out in the "License, development, distribution and supply" agreement that the parent Isagro S.p.A. concluded with Arysta LifeScience Corporation in 2013. It should be noted that, in keeping with what is contractually provided for, in January 2019 the Company transferred to Italy part of the aforementioned stock.
Inventories are net of the allowance for inventory obsolescence amounting to € 1,214 thousand, related to goods either obsolete or to be re-processed. The provision recorded increases totaling € 593 thousand and decreases amounting to € 215 thousand during the year.

9. Trade receivables – 39,823

Compared to January 1st, 2018, that is after the introduction of the accounting standard IFRS 9, the item shows a reduction of € 1,657 thousand essentially attributable to i) the decrease in turnover from the sale of crop protection products, ii) a better performance of collections by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. compared to the previous year, and iii) the higher amount of receivables sold without recourse by the parent company Isagro S.p.A., with due dates beyond December 31st, 2018, compared to what was sold during financial year 2017. These operations for the sale of receivables, in fact, regarded receivables for approximately € 9,640 thousand, a higher figure than the approximately € 9,217 thousand of receivables with due dates beyond December 31st sold in 2017.
Trade receivables include the current portions of non-current receivables related to M/L Agreement for a total of € 1,280 thousand (€ 2,621 thousand at December 31st, 2017).
During the year, the provision for doubtful debts was used for € 856 thousand and was increased by € 431 thousand as a result of the amount allocated to it for the period, which substantially regarded the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. For a more detailed analysis of the methods of calculating the Group's provisions for the impairment of receivables, in the light of the new accounting standard IFRS 9, please see Note no. 29.
Interest on arrears was recognized for delays in payment from customers. A € 642 thousand provision was made for these receivables.
As regards the total trade receivables due from related parties, please refer to Note no. 42.
Here below is the breakdown of trade receivables by geographical area based on the customer's location:

• Italy	6,371
• Other European countries	4,414
• Central Asia and Oceania	14,861
• Americas	17,208
• Far East	2,195
• Middle East	894
• Africa	597
• Total	46,540

Breakdown	Book value at Dec. 31st, 2017	IFRS 9 effect	Book value at Jan. 1st, 2018	Changes over the period: Increase/ decrease	Translation adjustment and other changes	Write-downs/ impairment provisions	Reversal of impairment provision	Other changes	Total change	Book value at Dec. 31st, 2018
Trade receivables	48,721	-	48,721	(1,573)	-	(608)	-	-	(2,181)	46,540
- bad debt provision	(3,577)	(3,022)	(6,599)	-	63	(431)	856	36	524	(6,075)
- bad debt provision def. int.	(642)	-	(642)	-	-	(130)	130	-	-	(642)
Total	**44,502**	**(3,022)**	**41,480**	**(1,573)**	**63**	**(1,169)**	**986**	**36**	**(1,657)**	**39,823**

The average contractual maturity of trade receivables is the following:

- Italy 160 days
- Foreign countries 105 days.

The table below shows the analysis of trade receivables past due but not impaired at the consolidated 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	
At December 31, 2018	27,511	3,222	2,441	1,811	426	4,412	**39,823**
At December 31, 2017	32,274	3,259	2,335	2,007	1,694	2,933	**44,502**

10. Other current assets and receivables– 7,178

Breakdown	Book value at Dec. 31st, 2017	Increase/decrease	Book value at Dec. 31st, 2018
Other assets and receivables			
- grants	27	-	27
- advance payments to suppliers and debtors	851	17	868
- employees	100	(5)	95
- export incentives	168	39	207
- due from tax authorities for VAT and other taxes	3,419	581	4,000
- others and prepaid expenses	2,599	(274)	2,325
	7,164	358	7,522
- bad debt provision	(363)	19	(344)
Total	**6,801**	**377**	**7,178**

Advance payments to suppliers and debtors” relate to payments on account made to suppliers over the period, especially for services pertaining to research activities.
The item “due from tax authorities for VAT and other taxes” relates, for € 3,544 thousand, to VAT credits and other indirect taxes pertaining to the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. and for € 420 thousand to the VAT credit of the parent Isagro S.p.A.. During the year the parent company used all of the V.A.T. credit recognized in the Financial Statements at December 31st, 2017 (€ 1,153 thousand), both to offset pension contributions (€ 450 thousand) and, for the remainder, to offset the V.A.T payable during 2018.
The item “others” regards essentially: i) for € 809 thousand, recovery of research and development costs incurred by the parent Isagro S.p.A. in relation to the American company FMC Corporation, on the basis of a co-development agreement between the two companies for a new fungicide and ii) for € 188 thousand recovery of costs incurred by the parent Isagro S.p.A. in Brazil in relation to Arysta LifeScience, on the basis of a distribution agreement signed during the previous year. Prepaid expenses, amounting to € 734 thousand, are also included in this item.
During the year the parent Isagro S.p.A. set aside provisions for the impairment of other receivables (bad debt provision) of a further € 40,000.
The table below, which does not include prepaid expenses, shows the analysis of other receivables past due but not impaired 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	
At December 31st, 2018	6,350	-	69	-	-	25	**6,444**
At December 31st, 2017	5,807	28	3	30	-	35	**5,903**

These receivables are due within the next year.

11. Tax receivables – 2,384

Breakdown	Book value at Dec. 31st, 2017	Total change	Book value at Dec. 31st, 2018
Tax receivables:			
- direct taxes	3,016	(632)	2,384
- R&D tax credit	500	(500)	-
Total	**3,516**	**(1,132)**	**2,384**

The accounting item refers essentially to the credits of the parent Isagro S.p.A. (€ 1,165 thousand) and the subsidiary Isagro Asia (€ 1,186 thousand).
The reduction, compared to the previous year is essentially attributable to:

- the write-down, for a total of € 399 thousand, of tax credits of the subsidiary Isagro USA, Inc. which, in the light of the incomes provided for in the subsidiary's future plan, are not deductible from income, and, for € 208 thousand, the reversal of receivables for withholdings for foreign countries relating to previous years of the parent company Isagro S.p.A., given the low probability of using them in the time horizon of the future plans;
- the use, to reduce payments of withholdings and/or pension contributions, of the tax credit for research and development activities of financial year 2017 granted to the parent Isagro S.p.A., described below.

The item "direct taxes" includes receivables of the parent company in relation to the *"A.C.E. – Aiuto alla crescita economica"* (Aid for Economic Growth) tax credit of € 563 thousand, of which € 495 thousand related to financial years 2014, 2015, 2016 and 2017 and € 68 thousand related to financial year 2018. The ACE is tax relief directed at providing an incentive for businesses which keep profits generated in-house and which receive new risk capital and it consists of a reduction in taxable income, calculated applying a notional percentage of return on the shareholders' equity increase achieved.
The item "R&D tax credit", of € 500 thousand in the previous year, referred to the tax benefit due to the parent Isagro S.p.A. for research & development activities conducted in this year, and fully used in 2018. With Italian Law no. 190 of December 23rd, 2014 (the so-called Stability Law for 2015) a mechanism was in fact approved to grant financial aid to companies that conduct research and development, which takes the form of recognition of a tax credit, for the period 2015-2019, amounting to around 50% of the increase in several types of expenses incurred in the year with respect to the average of the same types of investments made in the three years 2012-2014.

12. Financial receivables and other current financial assets – 13,796

The item refers investment made by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., in mutual funds held for trading in order to remunerate adequately temporary liquidity surpluses.
In particular, the investment regards for € 7,000 thousand money market funds with distribution of the yields obtained and for € 6,796 thousand bond funds with accumulation and reinvestment of the periodic earnings.
The securities are recognized at their fair value calculated on the basis of the official quotation of the funds at December 31st, 2018.

13. Financial assets and liabilities for derivatives – 73

Non-current financial assets – 35
Current financial assets – 213
Non-current financial liabilities – 41
Current financial liabilities – 134
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 quoted price for the type of financial instruments the Group uses is not available, suitable measurement techniques based on the discounting of expected cash flows in connection with ownership of the derivatives were used. Such measurement particularly required the inclusion of an adjustment factor for so-called default risk, referring to the counterparty for the financial assets and the credit risk of the Group for the financial liabilities (own credit risk).
The following tables disclose the types of derivative contracts in being at December 31st, 2018.

Amortization of derivatives	Book value at Dec. 31st, 2017	Increase/ decrease	Book value at Dec. 31st, 2018
Non-current financial assets:			
- interest rate	-	35	35
	-	35	35
Current financial assets:			
- exchange rate	263	(50)	213
- *commodity*	51	(51)	-
	314	(101)	213
Non-current financial liabilities:			
- interest rate	(26)	(15)	(41)
	(26)	(15)	(41)
Current financial liabilities:			
- exchange rate	(12)	11	(1)
- interest rate	-	(74)	(74)
- *commodity*	-	(59)	(59)
	(12)	(122)	(134)
Total	**276**	**(203)**	**73**

Description of derivatives	Fair value at Dec. 31st, 2018
"Cash flow hedging" derivatives:	
- interest rate	(80)
- exchange rate	109
- commodity (copper)	(59)
	(30)
Trading derivatives:	
- exchange rate	103
	103
Total	**73**

"Cash flow hedging" derivatives regard:

- hedging of the interest rate risk of medium/long-term loans at floating rate in order to transform them into fixed-rate loans. In particular, the accounting item refers to measurement of "interest rate swap" derivatives destined to hedge the fluctuation of interest expense flows related to three floating-rate loans, described in the table below:

Characteristics of derivatives

Signing date	Maturity date	Bank	Fixed interest rate (annual)	Residual notional value Euro/000	*Fair value* (Euro)/000
May 12th, 2017	May 31st, 2021	UNICREDIT	0.17%	3,770	(20)
June 29th, 2018	June 30th, 2023	CARIPARMA	0.18%	5,400	(30)
June 28th, 2018	June 30th, 2023	BANCO BPM	0.15%	5,000	(30)
Total				**14,170**	**(80)**

Characteristics of related loans

Disbursement date	Maturity date	Residual value Euro/000	Variable interest rate (annual)
May 12th, 2017	May 31st, 2021	3,770	E6M/365 (floor-0.95%)
June 29th, 2018	June 30th, 2023	5,400	E6M/360
June 28th, 2018	June 30th, 2023	5,000	E3M/360 with floor of -1.15%
Total		**14,170**	

- hedging of the risk of changes in the Euro/US dollar, Euro/Brazilian real and Euro/Indian rupee exchange rates, related to operations for foreign sales of goods and services, through the signing of forward and non-deliverable forward contracts. As the hedging relationship is maintained until collection of the trade receivable related to the hedged sale transaction, the economic effects of these derivatives are for a part recognized as an adjustment of revenues and in part among net financial expenses. The characteristics of these instruments are described in the table below:

Contract type	Currency	Average exchange rate	Notional value (currency/000)	*Fair value* (Euro/000)
Forward – Purchase	INR/EUR	84.53	64,092	15
Forward - Sale	USD/EUR	1.14	(14,805)	25
Forward - Sale	BRL/EUR	4.42	(13,717)	69
Total				**109**

- hedging of the risk of fluctuation of the purchase price of the raw material "copper", through future purchases of copper by means of swaps, which are entered into at the time a sales order for copper-based products is acquired for which a future purchase of the raw material "copper" will be made. The hedges created are recognized adjusting the purchases item and then proportionally distributed between the cost of sold products and the final inventories on the basis of the quantities consumed. The characteristics of these instruments are described in the table below:

Contract type	Quantity hedged (tons)	Strike price (Euro)	Notional value (Euro/000)	*Fair value* (Euro/000)
Commodity swap - purchase	384	5,317	2,042	(59)
	384		**2,042**	**(59)**

As provided for in the international accounting standards, the portion of gain or loss related to the measurement of these derivatives regarding hedged transactions not yet carried out was recognized, net of the related tax effect, among other comprehensive income and will subsequently be booked to the income statement in keeping with the hedged item.
The effects on the Separate Income Statement and on the Statement of Comprehensive Income (OCI) of the hedging transactions described above are summarized, under the terms of IFRS 7, in the table below:

	Change in fair value of the hedging instrument recognized in O.C.I. (Cash Flow Hedging)	Cost of hedging recognized in O.C.I.	Amount reclassified from the Cash Flow Hedging reserve to the separate income statement in the following accounting items			Amount reclassified from cost of hedging reserve to the separate income statement in the following accounting items	
			Revenue	Purchase	Financial components	Revenue	Financial components
Cash flow hedging:							
- operations to sell products or provision of services in foreign currencies highly probable	(1,210)	(54)	635	-	363	314	153
- purchases of copper	(387)	-	-	327	-	-	-
- floating-rate loans	(102)	-	-	-	48	-	-

"Trading" derivatives refer to transactions that do not meet international accounting standard requirements for the application of hedge accounting.
These derivatives regard futures contracts on currencies related to future sales and purchases of American dollars, described in the table below:

Contract type	Currency	Average exchange rate	Notional value (currency/000)	*Fair value* (Euro/000)
Forward – Sale	BRL/EUR	4.28	(3,871)	51
Forward – Sale	USD/INR	73.38	(118)	5
Forward – Purchase	USD/INR	70.12	364	-
Forward – Purchase	USD/COP	3,049.66	816	47
Total				**103**

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

- Foreign exchange rates: discounted cash flow method, where the expected cash flows to discount have been estimated on the basis of the difference between the forward exchange rates seen in the curve of market rates at the reporting date and the contractual forward exchange rates; discounting was calculated on the basis of the zero coupon curve at December 31st, 2018, appropriately adjusted to consider the premium connected with the default risk;
- Copper: discounted cash flow method, where the expected cash flows to discount have been estimated on the basis of the difference between the expected future value of the average price of copper on the London Metal Exchange (L.M.E.) and the contractually agreed fixed price; discounting was calculated on the basis of the zero coupon curve at December 31st, 2018, opportunely adjusted to consider the premium connected with the default risk;
- Interest rates: discounted cash flow method, where the expected cash flows to discount have been estimated on the basis of the difference between the forward interest rates seen in the curve of market rates at the reporting date and the contractual forward interest rates; discounting was calculated on the basis of the zero coupon curve at December 31st, 2018, opportunely adjusted to consider the premium connected with the default risk;

Information required by IFRS 7 and IFRS 13 is included under Notes no. 40 and no. 43.

14. Cash and cash equivalents – 17,919

Breakdown	Book value at Dec. 31st, 2017	Increase/ decrease	Book value at Dec. 31st, 2018
Bank deposits:			
- demand deposits	22,788	(4,882)	17,906
	22,788	(4,882)	17,906
Securities maturing in less than three months	8,887	(8,887)	-
Cash on hand	26	(13)	13
Total	**31,701**	**(13,782)**	**17,919**

Cash and cash equivalents (bank deposits and cash on hand) as at December 31st, 2018 respectively refer to the parent Isagro S.p.A. for € 14,541 thousand and the subsidiaries for € 3,378 thousand.
The decrease in the accounting item is essentially attributable to the decision, by the Indian subsidiary, to invest temporarily its liquidity in mutual funds recognized in the accounting item "Financial receivables and other current financial assets".
Demand deposits are floating-rate deposits. The average interest rate on bank and foreign currency deposits of the Group at December 31st, 2018 was 0.03% per year.
The item "Securities maturing in less than three months", referred, in the previous year, to investments in readily redeemable securities by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.
We can note that for the purposes of the statement of cash flows, the item "cash and cash equivalents" coincides with the respective item in the Statement of Financial Position.

15. Equity attributable to owners of the parent – 94,830

The breakdown of and changes in equity attributable to owners of the parent are explained in the "Consolidated Statement of changes in shareholders' equity in 2018".

The share capital of the parent Isagro S.p.A. amounted to € 24,961 thousand at December 31st, 2018, fully subscribed and paid up, and comprised 24,549,960 Ordinary Shares and 14,174,919 "Growth Shares", which are included in a new class of special shares whose characteristics are described below.

As illustrated in the "Statement of Changes in Consolidated Shareholders' Equity in 2018", the Group's retained earnings recorded, at January 1st, 2018, a negative change of € 2,801 thousand, related to introduction of the new accounting standard IFRS 9. In fact, the new methods for determining impairment losses of the Group's financial assets (in particular trade receivables and other assets/receivables), which are based on the expected credit losses model and therefore no longer on the incurred losses model provided for in the previous accounting standard IAS 39, determined a further write-down of trade receivables of € 3,022 thousand, which, net of the related tax effect of € 221 thousand, entailed a corresponding decrease in the Group's shareholders' equity.

The item "Reserves", amounting to € 44,625 thousand, comprises:

• Share premium reserve		44,910
• Cash flow hedging reserve		(257)
• Cost of hedging reserve		298
• Translation difference		(10,314)
• Other reserves:		
◦ merger surplus	7,023	
◦ legal reserve	3,680	
◦ treasury shares	(930)	
◦ Top Manager Retention plan	215	
		9,988
• Total		44,625

The "share premium reserve" is recognized net of the costs incurred by the parent in relation to the share capital increase operations carried out in previous years. These costs, net of the tax effect of € 1,228 thousand, amounted to € 2,356 thousand.

The following transactions pertaining to "Treasury shares" occurred during the year:

- sale of 50,000 ordinary treasury shares purchased in previous years for a counter-value of approximately € 78,000, making a capital loss of € 84,000 recognized directly among the shareholders' equity reserves;
- purchase of 681,243 treasury "Growth Shares" for a counter-value of € 846 thousand, recognized among the shareholders' equity reserves. The purchase of these shares is to be understood as in service of the "Incentive and Long-term Retention Plan" reserved for the parent Isagro S.p.A.'s top managers and described in Note no. 28. The cost of the incentives, amounting at December 31st, 2018 to € 215 thousand, was recognized under the item "Personnel costs" as a counter-item to a shareholders' equity reserve.

The changes in the item "Cash flow hedging reserve" are illustrated below. This item contains the amount recognized in the Statement of Comprehensive Income of gains and losses related to cash flow hedging transactions, deriving from interest rate swap, commodity future and currency forward contracts (see note no. 13). The accumulated gains and losses are then released to the Income Statement when the hedged transaction has an impact on the Group's Income Statement:

Cash flow hedging reserve	*Interest*	*Commodities*	*Currency*	**Total**
Amount at December 31st, 2017	(19)	-	-	(19)
Gains/(losses) generated during the year	(102)	(387)	(1,210)	(1,699)
(Gains)/Losses reclassified to Income Statement	48	327	998	1,373
Tax effect of the period	13	16	59	88
Amount at December 31st, 2018	(60)	(44)	(153)	(257)

The "Cost of hedging" reserve includes the effects of the change in the fair value of the forward element of "currency forward" contracts following the decision to designate as hedging instrument only the change in the spot element of the forward contract, excluding from it therefore the forward element. However, this latter regards a hedged item related to a certain operation/transaction because, in relation to the type of hedging put in place to manage exchange rate risk, the nature of the hedged item is an operation for which the forward element is classified as a cost. Also in this case, the gains and losses accumulated in the reserve are then released to the Income Statement when the hedged transaction has an impact on the Company's Income Statement. The table below shows the changes in the reserve during the year:

"Cost of hedging" reserve	
Gains/(losses) generated during the year	(54)
(Gains)/Losses reclassified to Income Statement	467
Tax effect of the period	(115)
Amount at December 31st, 2018	298

The negative change in "Translation difference", equal to € 1,545 thousand, is to be attributed mainly to the fall of the Indian rupee against the Euro.

Characteristics of "Growth Shares"

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

No voting rights

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

Privilege in the profit distribution

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

Conversion into Ordinary Shares

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

16. Current and non-current financial payables – 79,358

Current financial payables – 40,249

Non-current financial payables – 39,109

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

Breakdown	Book value at Dec. 31st, 2017	Increase/ decrease	Book value at Dec. 31st, 2018
Current financial payables:			
- banks	32,541	5,970	38,511
- other lenders	268	1,415	1,683
- obligations under finance leases	80	(25)	55
	32,889	7,360	40,249
Non-current financial payables:			
- banks	43,728	(5,873)	37,855
- other lenders	1,526	(272)	1,254
- obligations under finance leases	55	(55)	-
	45,309	(6,200)	39,109
Total	**78,198**	**1,160**	**79,358**

Current payables due to banks and other lenders as at December 31st, 2018 include the current portion of medium/long term loans, amounting to € 25,189 thousand. The table below shows the composition of consolidated financial payables broken down by type of relationship:

Breakdown	Amount	average effective interest rate %	Maturity
- import financing	5,082	4.35%	on request
- export financing	17	0.05%	on request
- accounts receivable financing	1,412	0.48%	on invoice due date
- stand-by and revocable lines of credit	10,550	0.21%	feb-19
- other medium/long-term loans	62,242	1.49%	(*)
- financial leasing	55	3.52%	oct-19
Total	**79,358**		

(*) The characteristics of the other medium/long-term loans are described below

The average interest rate on shout-term bank loan – (in Euro, US Dollars and Brazilian Reals), except for financial leases, is 1.48%.

The characteristics of the main medium/long-term loans granted to the parent Isagro S.p.A. are summarized in the following table. The balances of the residual debt at December 31st, 2018 include both the short-term portions of the loans described, included in the Financial Statements under current financial liabilities, and the accrued interest.

Amounts in thousands of Euro

Existing loans at December 31st, 2017	
Loan granted by UniCredit with a duration of 4 years, repayable in half-yearly payments starting from 2016.	692
Loan granted by Banca Popolare Commercio & Industria with a duration of 4 years, repayable in quarterly payments starting from 2015 and requiring compliance with covenants.	323
Loan granted by Banca Mediocredito Italiano with a duration of 5 years, repayable in quarterly payments starting from 2015 and requiring compliance with covenants.	1,799
Loan granted by Banca Monte dei Paschi di Siena with a duration of 4 years, repayable in quarterly payments starting from 2015.	468
Loan granted by BPER (Banca Popolare dell'Emilia Romagna) with a duration of 42 months, repayable in half-yearly payments starting in 2017 and requiring compliance with covenants.	3,052
Loan granted by Banca del Mezzogiorno with a duration of 5 years, repayable in half-yearly payments starting from 2016 and requiring compliance with covenants.	2,493
Loan granted by Banco Popolare with a duration of 4 years, repayable in half-yearly payments starting from 2017.	1,248
Loan granted by Banca Popolare Commercio & Industria with a duration of 4 years, repayable in quarterly payments starting from 2016 and requiring compliance with covenants.	1,926
Loan granted by UBI Banca with a duration of 99 months, repayable in half-yearly payments starting from 2021.	215
Subsidized loan granted by Cassa Depositi e Prestiti in relation to the research project "Use of bio-IT platforms to identify new crop protection products", with a duration of 99 months, repayable in half-yearly payments starting from 2017.	1,525
Loan granted by Iccrea BancaImpresa S.p.A. with a duration of 4 years, repayable in quarterly payments starting from 2017. S.A.C.E. issued a guarantee on this loan for € 1,312 thousand.	2,488
Loan granted by Deutsche Bank with a duration of 48 months, repayable in half-yearly payments starting in 2016 and requiring compliance with covenants.	436
Loan granted by Banca CARIGE Italia S.p.A. with a duration of 4 years, repayable in half-yearly payments starting from 2017.	1,010
Loan granted by Banca Popolare di Milano with a duration of 37 months and repayable in monthly payments starting from 2017.	1,108
Loan granted by UniCredit S.p.A. with a duration of 48 months, repayable in half-yearly payments starting in 2017 and requiring compliance with covenants.	3,763
Loan granted by Banca Nazionale del Lavoro with a duration of 48 months, repayable in quarterly payments starting in 2017 and requiring compliance with covenants.	2,513
Loan granted by Banca Mediocredito Italiano with a duration of 4 years, repayable in half-yearly payments starting from 2017 and requiring compliance with covenants.	1,872
Loan granted by Banca Popolare del Lazio with a duration of 3 years, repayable in quarterly payments starting from 2018.	1,333
Loan granted by UBI Banca with a duration of 4 years, repayable in quarterly payments starting from 2018 and requiring compliance with covenants.	3,766
Loan granted by Bank CARIGE with a duration of 4 years, repayable in half-yearly payments starting from 2018.	1,885
Loan granted by Banca di Credito Cooperativo di Carate Brianza with a duration of 4 years, repayable in quarterly payments starting from 2018.	1,280
Loan granted by Cassa Centrale Raiffeisen dell'Alto Adige with a duration of 5 years, repayable in half-yearly payments starting from 2017 and requiring compliance with covenants.	2,105
Loan granted by Credito Valtellinese with a duration of 48 months, repayable in quarterly payments starting from 2018 and requiring compliance with covenants.	1,626
Loan granted by Banca Popolare di Milano with a duration of 36 months, repayable in monthly payments starting from 2018.	1,808
Loans obtained in 2018	
Loan granted by Banca Monte dei Paschi di Siena with a duration of 5 years, repayable in half-yearly payments starting from 2019 and requiring compliance with covenants.	4,985
Loan granted by Banco BPM with a duration of 5 years, repayable in quarterly payments starting from 2019 and requiring compliance with covenants.	4,988
Loan granted by Banca Crédit Agricole Cariparma with a duration of 5 years, repayable in half-yearly payments starting from 2018 and requiring compliance with covenants.	5,371
Loan granted by Banca di Credito Cooperativo di Caravaggio, Adda e Cremasco with a duration of 4 years, repayable in quarterly payments starting from 2019 and requiring compliance with covenants.	1,984
Subsidized loan granted by Banca del Mezzogiorno-Mediocredito Centrale in relation to the first S.A.L. (Stage of Progress Report) of the research project entitled "Defending agricultural production against abiotic stresses (drought, salinity, heat, cold) using products of natural origin", with a duration of 8 years, repayable in six-monthly installments starting from 2019	184
Loan granted by Iccrea BancaImpresa with a duration of 4 years, repayable in half-yearly payments starting from 2018 and requiring compliance with covenants.	3,989

During financial year 2018, the parent Isagro S.p.A. obtained new medium/long-term loans from banks and other lenders for a total of € 22,184 thousand and repaid in advance the loan granted by Cassa di Risparmio di Parma e Piacenza in 2016 for € 3,125 thousand.
The covenants to be complied with for a number of the aforementioned loans are described later in this report.
The main events, whose occurrence gives the financing institution the right to withdraw from the agreement, are as follows:

Loans granted by UniCredit (existing at December 31st, 2017):
- the parent Isagro S.p.A. uses the loans for purposes other than those for which it was granted;
- the parent Isagro S.p.A. does not arrange the full and prompt payment of even one loan repayment installment;
- the parent Isagro S.p.A. is subject to enforcement orders or seizure of bank assets or if there is an objective risk detrimental to the loan;
- the parent Isagro S.p.A. or one of its subsidiaries fails to pay one of its financial debts on the due date.
- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below.

Loan granted by Banca Popolare Commercio & Industria (already existing at December 31st, 2017):
- the parent Isagro S.p.A. fails to pay a loan repayment installment within ten days of the due date;
- the parent Isagro S.p.A. is subject to enforcement orders or seizure of bank assets, becomes subject to a legal order to pay, bankruptcy and/or injunction proceedings, protests or other detrimental events that diminish the company's financial and economic position by amounts exceeding € 500 thousand;
- the parent Isagro S.p.A. or one of its subsidiaries, associates or parents fails to pay one of its debts of more than € 100 thousand on the due date.
  In addition:
- unless written consent is provided by the lender, the parent Isagro S.p.A. may not: i) amend its corporate purpose in such a way as to result in a substantial change in the business activities conducted; ii) transfer its registered office to another country; iii) pledge its registered property and securities against a loan granted by third parties after signing the agreement for this loan, whilst pledges of goods may be offered in favor of its customers as part of the Licensing business and sureties or surety policies in favor of its suppliers as is common commercial practice; iv) grant right of pre-emption on repayment of the capital; v) take action that gives rise to a change in corporate control or implement mergers, spin-offs, demergers or other transactions involving the majority of the capital; vi) distribute dividends and capital reserves or make investments of any nature to an extent that both covenants are not satisfied and likewise if the consolidated debt/equity ratio is higher than 1.5 and the debt/EBITDA ratio is higher than 4.5; vii) initiate voluntary liquidation proceedings.

Loans granted by Banca Popolare di Milano (existing at December 31st, 2017):
- the parent Isagro S.p.A. abandons, suspends or executes the financed plan in a non-compliant manner;
- the parent Isagro S.p.A. uses all or part of the sums received for purposes other than that contractually agreed;
- any significant change takes place with respect to the equity and financial positions of the parent Isagro S.p.A. and/or one of its subsidiaries, such as to have detrimental effects on Isagro S.p.A.'s ability to fulfill the contractual obligations.

Loan granted by Banca Mediocredito Italiano (already existing at December 31st, 2017):
- the parent Isagro S.p.A. does not observe the obligations assumed in relation to the lender for reasons other than the present contract;
- the documentation produced or the declarations made by the parent Isagro S.p.A. turn out to be untrue;
- the parent Isagro S.p.A. i) does not give inform the lender promptly of any event regarding itself or other companies in the group of which it is a part, for which there is an obligation to communicate to the public pursuant to Italian Legislative Decree no. 58 of February 24th, 1998 and to part III, title II, of the implementing regulation concerning rules for issuers pursuant to CONSOB resolution no. 11971 of May 14th, 1999 as amended; ii) does not send to the lender by July 31st of each year a declaration containing certain data related to the Consolidated Financial Statements of the Isagro Group; iii) does not provide to the lender all the documents provided for in sections IV and V of part III, title II, chapter II of the CONSOB regulation mentioned in point i);
- the parent Isagro S.p.A. does not use the loan exclusively to implement the project financed;
- the lender is informed of distraints, attachments or judicial mortgages on assets owned by the parent company Isagro S.p.A.;
- Piemme S.r.l., which currently controls indirectly the parent Isagro S.p.A., sells to third parties its equity investment which ensures indirect control before the lender’s receivables deriving from the loan have been settled and without prior consent from the parent Isagro S.p.A.;
- the lender is informed of non-fulfillment of obligations of a credit or financial nature or of guarantees assumed by the parent Isagro S.p.A. In relation to other banks in the group to which the lender belongs or any other entity;
- the lender has been informed, including through the press, of facts which could, in its judgment, compromise, delay or suspend implementation of the project financed;
- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below and no remedy is made within thirty days from the date of notification by the lending bank.

Loan granted by Banco Popolare (already existing at December 31st, 2017):
- the parent Isagro S.p.A. is subject to legal proceedings, protests, seizure of bank assets or enforcement orders, confiscation of assets, registration of legal or judicial distraints for amounts exceeding € 200 thousand;
- the parent Isagro S.p.A. does not arrange the exact full or partial payment of a loan repayment installment or interest.

Loan granted by BPER (Banca Popolare dell’Emilia Romagna) (already existing at December 31st, 2017):
- the parent Isagro S.p.A. does not pay an installment or interest in full and on time;
- the parent Isagro S.p.A. does not notify the lender of any changes to the form of the company, changes in share capital, bond issues, changes in the shareholders that currently have indirect control of Isagro S.p.A., and facts that may otherwise change the current juridical, capital, financial and economic situation of the borrower;

- the parent Isagro S.p.A. does not intervene at any time in the stipulation of every deed required by the lender for the ratification, validation, rectification of the loan agreement or individual parts thereof;
- the parent Isagro S.p.A. is subjected to protests or carries out any action that diminishes its capital, financial or economic situation that can thus have substantially prejudicial effects, according to the reasonable judgment of the lender, on the parent company's ability to fulfill the contractual obligations for amounts above € 500 thousand, or is subjected to any bankruptcy proceedings;
- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below.

Loan granted by Banca del Mezzogiorno (already existing at December 31st, 2017):
- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below;
- there is a loss of control by the shareholder that currently has indirect control of the parent Isagro S.p.A.;
- the parent Isagro S.p.A. has used even just a portion of the loan for different purposes from those for which it was granted and/or has not completed all or part of the financed investment program;
- the parent Isagro S.p.A. fails to pay an installment or interest, unless the payment is carried out no later than 30 days after the notification of the missed payment by the lender;
- the parent Isagro S.p.A. has sold, interrupted or substantially modified its core business;
- the parent Isagro S.p.A. or another company of the Isagro Group have become insolvent;
- the parent Isagro S.p.A. is forced to reduce its own share capital because of losses or the share capital has declined below the legal limit;
- the parent Isagro S.p.A. or another company of the Isagro Group are subjected to bankruptcy proceedings;
- the parent Isagro S.p.A. is placed in voluntary liquidation or its business is transferred to creditors;
- the parent Isagro S.p.A. is subject to enforcement proceedings or seizure orders are executed or judicial distraints are recorded on its assets for total amounts exceeding € 500 thousand, unless such proceedings/order are waived by the creditor taking action within the following 30 days;
- an event occurs whose direct or indirect consequences affect or may affect negatively significantly the legal, financial, economic, capital situation of the parent Isagro S.p.A. or of the Isagro Group, or the ability of Isagro to regularly meet the payment obligations it assumed.

Loan granted by Banco Popolare (already existing at December 31st, 2017):
- the parent Isagro S.p.A. is subject to legal proceedings, protests, seizure of bank assets or enforcement orders, confiscation of assets, registration of legal or judicial distraints for amounts exceeding € 250 thousand which, in the bank's judgment, may prejudice the security of the credit;
- the parent Isagro S.p.A. is subject to bankruptcy proceedings, is placed in liquidation, its assets are transferred to creditors;
- the parent Isagro S.p.A. changes its form, there are changes in the share capital or issues of bonds, there are changes of the shareholder who currently has indirect control over Isagro, such as to negatively affect the capital, corporate, financial or economic situation in such a way as jeopardize achievement of the lender's receivables;
- the parent Isagro S.p.A. fails to punctually pay all or part of any amount due as a result of the loan and/or of the interest and related ancillary amounts;
- the parent Isagro S.p.A. does not allocate the loan for the purposes for which it was granted.

Subsidized loan granted by Cassa Depositi e Prestiti and Loan granted by UBI Banca (already existing at December 31st, 2017):
- the parent Isagro S.p.A. fails, even if only partially and at the prescribed due date, to pay any amount for a period exceeding 180 days;
- the parent Isagro S.p.A. has not produced the technical and accounting documentation attesting to the activities carried out for each work progress report (stato avanzamento lavori), according to the forms and procedures prescribed by the facilitating law, by the decree and by the circular;
- the parent Isagro S.p.A. carries out or participates in mergers, splits or any kind of company restructuring, or carries out extraordinary transactions on its own capital or is subjected to changes of its corporate structure or of its shareholders which entail a decrease of the shareholders' equity declared for the purposes of granting the loan or of its ability to repay the loan;
- the subsidy is fully revoked;
- the parent Isagro S.p.A. i) is subjected to bankruptcy proceedings, ii) all or part of its assets have become subjected to attachments or to proceedings having a similar effect, iii) has initiated actions to renegotiate its own obligations relating to financial debt date or to delay compliance therewith, has reached out of court agreements with its own creditors or has been granted an extension to the fulfillment of the obligations relating to financial debt or the enforcement of guarantees provided in order to guarantee compliance or application of suspension of payments;
- the shareholders' equity declared by the parent Isagro S.p.A. at the time the loan was granted decreases substantially as a result of disposals;
- the parent Isagro S.p.A. fails to comply with obligations deriving from other loan agreements and/or financial payables of any kind.

Loan granted by Iccrea BancaImpresa (existing at December 31st, 2017):
- the parent Isagro S.p.A. breaches the loan agreement and has not remedied such breach within 30 days from receipt of the notice from the lender;
- the parent Isagro S.p.A. does not execute in full and on time the payment of two consecutive repayment installments, unless remedy is provided within 30 days from the due date;
- the parent Isagro S.p.A. uses all or part of the loan for different purposes from those for which it was granted;
- the parent Isagro S.p.A. establishes without the prior written agreement of the lender and of the guarantor (S.A.C.E.) liens for amounts exceeding € 5 million, with the sole exception of those established for transactions that by law require collateral and with the previous extension of the collateral to the lender.

Loan granted by Deutsche Bank (already existing at December 31st, 2017):
- the parent Isagro S.p.A. fails to pay two consecutive installments punctually and in full and does not remedy within 15 days from receipt of the written notice from the lender;
- the parent Isagro S.p.A. does not make amendments to its own articles of association that entail a substantial change of the purpose of the company and/or of its business and/or of control over its management such as to prejudice the bank's receivables;

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

Loan granted by Banca CARIGE Italia (existing at December 31st, 2017):
- there is a change in the composition of the shareholdings that indirectly control the parent Isagro S.p.A. such as to entail the change of the controlling party;
- the parent Isagro S.p.A. does not fully pay even one loan installment or delays payment of the installments;
- the parent Isagro S.p.A. is subjected to insolvency, enforcement, precautionary proceedings or protests, and judicial distraints for a total amount equal to or higher than € 500 thousand;
- an event occurs that in the judgment of the lender compromises the equity, economic or financial situation of the parent Isagro S.p.A. and the ability of complying with the obligations of Isagro S.p.A. on the basis of the lending agreement.

Loan granted by Banca CARIGE (existing at December 31st, 2017):
- there is non-payment of even one loan installment or a delay in payment of the installments;
- it has been found that the information and documentation provided to the bank is not true and correct;
- the parent Isagro S.p.A. is subjected to insolvency, enforcement, precautionary proceedings or protests, and judicial distraints for a total amount equal to or higher than € 500 thousand;
- judicial mortgages are registered on assets of the parent Isagro S.p.A. for more than € 200 thousand;
- an event occurs that jeopardizes the capital, economic or financial situation of the parent Isagro S.p.A. compromising consequently its ability to fulfill the obligations deriving from the contract.

Loan granted by Banca Nazionale del Lavoro (existing at December 31st, 2017):
- the parent Isagro S.p.A. fails to pay a loan repayment installment within thirty days of the due date;
- the parent Isagro S.p.A. ceases to perform or communicates in writing that it is ceasing the activities currently performed by it or begins an activity which is substantially different compared to those pursuant to its current corporate purpose;
- the parent Isagro S.p.A. is required to repay any financial payable before the maturity originally provided for following i) the acceleration clause having come into effect and/or ii) termination and/or iii) withdrawal by the creditor or iv) following declaration of fulfillment of a condition subsequent by the creditor;
- the parent Isagro S.p.A. is made subject to an enforcement procedure on its assets for an amount of more than € 500 thousand, unless Isagro can demonstrate that it has sufficient financial resources to make the payments in relation to which the enforcement procedure has been initiated, or it is demonstrated that the enforcement procedure is clearly groundless;
- any administrative, fiscal or judicial order is issued against the parent Isagro S.p.A. which can determine a significant negative change in the financial situation, capital or revenues and/or may have a significant negative effect on the Isagro's activity such as to jeopardize its ability to fulfill punctually one or more obligations deriving from the loan contract;
- the independent auditing firm expresses a negative opinion on the Financial Statements of the parent Isagro S.p.A., owing to irregularities found, or issues a declaration on the impossibility of expressing an opinion on the same;
- there is a loss of indirect control over the parent Isagro S.p.A. jointly held by the members of the Basile family;
- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below;
  In addition:

- the parent Isagro S.p.A. may not, except with written consent from the lender, i) constitute or permit the existence of encumbrances regarding the property, plant and equipment or intangible assets and/or present and future receivables; ii) make any changes to its articles of association or deed of incorporation that entail the transformation of the company and/or a substantial change in the corporate purpose and/or transfer of its registered office abroad; iii) cease or modify the nature of its business; iv) reduce its share capital, unless this is required by Law and in any case without affecting the commitment to cover losses according to the provisions of current legislation; v) carry out extraordinary operations such as disposals, demergers, spin-offs and/or contributions, mergers, operations on the capital and other operations provided for in legislations other than Italian law or with economic effects equivalent to those mentioned above.

Loan granted by Banca Popolare del Lazio (existing at December 31st, 2017):
- the parent Isagro S.p.A. does not arrange the full payment of two consecutive installments of the loan;
- actions or facts occur that may entail difficulties in punctual fulfillment of the obligations assumed.

Loan granted by UBI Banca (existing at December 31st, 2017):
- the parent Isagro S.p.A. fails to pay a loan repayment installment within ten days of the due date;
- the parent Isagro S.p.A. is subject to enforcement orders or seizure of bank assets, becomes subject to a legal order to pay, bankruptcy and/or injunction proceedings, protests or other detrimental events that diminish the company's financial and economic position by amounts exceeding € 500 thousand.
  In addition:
- unless written consent is provided by the lender, the parent company Isagro S.p.A. cannot: i) amend its corporate purpose in such a way as to result in a substantial change in the business activities conducted; ii) transfer its registered office to another country; iii) pledge its registered property and securities against a loan granted by third parties after signing the agreement for this loan, whilst pledges of goods may be offered in favor of its customers as part of the Licensing business and sureties or surety policies in favor of its suppliers as is common commercial practice; iv) grant right of pre-emption on repayment of the capital; v) take action that gives rise to a change in corporate control or implement mergers, spin-offs, demergers or other transactions involving the majority of the capital; vi) distribute dividends and capital reserves, issue bonds, assume new debt with third parties or make investments of any nature to an extent that both covenants are not satisfied and likewise if the consolidated debt/equity ratio is higher than 1.5 and the debt/EBITDA ratio is higher than 4.5; vii) initiate voluntary liquidation proceedings.

Loan granted by Banca di Credito Cooperativo di Carate Brianza (existing at December 31st, 2017):
- any significant change occurs that entails a worsening of the capital and financial conditions of Isagro S.p.A. with prejudicial effects on its ability to fulfill the obligations associated with the loan contract;
- the parent Isagro S.p.A. commits substantial breaches of the law or regulations, with consequent prejudice to its ability to fulfill the obligations associated with the loan contract;
- the parent Isagro S.p.A. makes untrue and/or misleading declarations in relation to the loan contract;
- the parent Isagro S.p.A. cease to perform its business activity or it begins one that is no longer in keeping with the one currently performed;
- the parent Isagro S.p.A. is made subject to a definitively or provisionally enforceable order, which can have prejudicial effects on its ability to fulfill the obligations associated with the loan contract;
- the parent Isagro S.p.A. does not observe any one of the obligations or formalities deriving from the loan contract and has not remedied this within thirty days from receiving of the notice to fulfill from the bank;
- there is a loss of direct or indirect control by the shareholders of Piemme S.r.l. in Isagro S.p.A.;
- the parent Isagro S.p.A. defaults on payment of the obligations deriving from loans granted by other counterparties;
- the parent Isagro S.p.A. becomes insolvent, begins negotiations with its creditors in order to obtain moratoriums or out-of-court arrangements, transfers its assets to creditors or asks to be admitted or is made subject to an arrangement procedure;
- the parent Isagro S.p.A. is made subject to an enforcement procedure, to a seizure order or to a protest for amounts of more than € one million and that may prejudice its ability to fulfill the obligations associated with the loan contract.

Loan granted by Cassa Centrale Raiffeisen dell'Alto Adige (existing at December 31st, 2017):
- the parent Isagro S.p.A. i) is subjected to protests, seizure, precautionary, or enforcement procedures, or registration of judicial mortgages for amounts of more than € 500 thousand, ii) draws checks without authorization or with no

funds, presents significant or repeated amounts uncovered or unauthorized overdrafts, is in default in relation to other amounts in being at the bank, iii) suffers a significant worsening of its financial conditions.

Loan granted by Credito Valtellinese (existing at December 31st, 2017):

- the parent Isagro S.p.A. does not make or delays payment of the loan installments;
- the parent Isagro S.p.A. does not observe both of the equity and economic parameters (covenants) described below and does not communicate them according to the methods and terms established;
- the parent Isagro S.p.A. Is made subject to arrangement procedures;
- there are protested notes, seizures, attachments or legal, judicial or voluntary mortgages are registered for amounts of more than € 2,000 thousand that determine prejudice to the ability of the parent Isagro S.p.A. to fulfill the obligations associated with the loan contract;
- loan contracts in being between the parent Isagro S.p.A. and other lenders are terminated;
- there is a change in the control structure of the parent Isagro S.p.A. or other events or circumstances such as to prejudice its ability to fulfill the obligations associated with the loan contract;
- the parent Isagro S.p.A. does not extend to the lender guarantees and/or privileges on its assets granted to other lenders for similar loans obtained subsequently.

Loan granted by Banca Monte dei Paschi di Siena (existing at December 31st, 2017 and disbursed in 2018):

- the parent Isagro S.p.A. does not fully pay one loan repayment installment;
- the parent Isagro S.p.A. does not fulfill the obligations associated with the loan contract;
- the parent Isagro S.p.A. is subject to protests, seizure of bank assets or enforcement orders or judicial distraints or carries out any act that decreases its amount of equity, cash flow or income.
- the parent Isagro S.p.A. fails to punctually pay all or part of any amount due as a result of the loan and/or of the interest and related accessories;
- the parent Isagro S.p.A. or another company of the Isagro Group is subject to enforcement orders or seizure of bank assets, becomes subject to a legal order to pay, bankruptcy and/or injunction proceedings, protests or other detrimental events that diminish the company's financial and economic position by amounts exceeding € 250 thousand;
- The parent Isagro S.p.A. or one of its subsidiaries, associates or parents fails to pay one of its financial debts of more than € 100 thousand on the due date.

  In addition:
- the parent Isagro S.p.A. may not, except with written consent from the lender, i) modify its corporate purpose so as to determine a substantial change in the business activity; ii) transfer its registered office abroad; iii) give as guarantees, only in relation to loans granted by banks and financial institutions after this loan agreement is signed, its registered property and securities, whilst guarantees may be given, with written consent from the lender, in favor of its customers and suppliers for transactions that come within the scope of the parent Isagro S.p.A.'s core business, including Licensing activity; iv) grant rights of preemption in repayment of the principal; v) perform actions that lead to a change in corporate control or merger, demerger and spin-off operations, and other operations concerning the majority of the capital, it being understood that transfers of shares among members of the Basile family will not be considered loss of indirect control of the same, and therefore will not be relevant for the purposes of the present clause; vi) distribute dividends and capital reserves or make investments of any kind of an amount such as to entail non-observance of both the covenants; vii) activate a voluntary liquidation procedure.

Loan granted by Banco BPM (disbursed in financial year 2018):

- Holdisa S.r.l. and Piemme S.r.l., respectively direct and indirect parent company of the parent Isagro S.p.A., cease i) to hold the majority of the Isagro S.p.A. shares, ii) to hold the power to appoint the majority of directors in Isagro S.p.A. and Holdisa S.r.l., iii) to hold the power to exercise the majority of votes exercisable at extraordinary shareholders' meetings of Isagro S.p.A. and Holdisa S.r.l.;
- the parent Isagro S.p.A. does not comply with both of the economic and financial parameters (covenants) described below;
- the parent Isagro S.p.A. does not make punctual and full payment of any amount due to the bank, if it has not remedied this within 10 business days;
- the parent Isagro S.p.A. uses the loan for a purpose other than that for which it was granted;
- the parent Isagro S.p.A. is made party to any bankruptcy procedure, is declared insolvent or declares that it has become insolvent, enforcement procedures are launched by third parties on assets for amounts of more than € 1,000 thousand, lawsuits, litigation, disputes, or arbitration, administrative or legal procedures are launched that may compromise the prospects for repayment of the loan;
- the parent Isagro S.p.A. does not fulfill financial obligations, other than those covered by the loan contract, for total amounts of more than 250 thousand.

  In addition:
- the parent Isagro S.p.A. may not i) amend its articles of association, without prior written consent from the lender, in such a way as to determine prejudice to the legal, capital, financial, economic, administrative or technical situation such as to compromise the prospects for repayment of the loan; ii) suspend, interrupt or change the business currently carried on; iii) resolve to reduce its share capital, except in the case of legal obligations; iv) constitute assets destined for a specific deal; v) grant in favor of other lenders mortgages, mandates to register mortgages or real guarantees on its tangible and intangible assets, and act so that its shares are pledged, without affecting real encumbrances pre-existing at the date on which the loan agreement is signed and those imposed by law or by judicial measures.

Loan granted by Banca Crédit Agricole Cariparma (disbursed in financial year 2018):

- the parent Isagro S.p.A. fails to fulfill the obligation to pay any amount due to the lender, unless it remedies this within 10 business days from receiving the written notice to perform;
- the parent Isagro S.p.A. uses the loans for purposes other than those for which the loan was granted;
- the parent Isagro S.p.A. fails to fulfill or does not observe any of the obligations and commitments indicated in the loan contract, unless, compatibly with the nature of the non-fulfillment, it remedies this within 10 business days from receiving the written notice to perform from the lender;
- the parent Isagro S.p.A. does not comply with both of the economic and financial parameters (covenants) described below;

- the parent Isagro S.p.A. and/or one of its subsidiaries fails to pay any amount relating to a financial debt due to banks and/or financial intermediaries within 15 working days from the day it became due and enforceable due to non-fulfillment;
- the parent Isagro S.p.A. fails to punctually pay payables to third parties, other than those indicated in the previous point, unless this has been remedied within 15 business days from receiving the written notice to perform and has no prejudicial effects, in the unchallengeable judgement of the lender, on the company's ability to fulfill the obligations of the present contract;
- the parent Isagro S.p.A. and/or the parent company and/or a subsidiary become insolvent, enter into negotiations with their creditors for the purpose of obtaining grace periods or out-of-court agreements, dispose of assets to their creditors, request to be admitted or are subjected to bankruptcy proceedings, including receivership;
- the parent Isagro S.p.A., and/or Piemme S.r.l., indirect parent company of Isagro S.p.A, and/or a subsidiary are placed in liquidation or are dissolved;
- the parent Isagro S.p.A. and/or a subsidiary are subject to judicial and executive procedures, and, also alternatively among them, urgent enforcement or executive procedures are opened, judicial mortgages are registered, protests are raised, assets are confiscated, judgments, decrees or final judicial orders in general are issued for a single or cumulative amount of more than € 1,000 thousand for the entire duration of the loan and this may have substantially prejudicial effects on the company's ability to fulfill its obligations;
- any significant change occurs in the capital and financial conditions of the parent Isagro S.p.A. and/or of a subsidiary or in their goods, assets and properties, and this may have substantially prejudicial effects on the company's ability to fulfill the obligations of the loan contract;
- the parent Isagro S.p.A. and/or a subsidiary commit substantial violations of laws or primary or secondary legislation that may have substantially prejudicial effects on the company's ability to fulfill the obligations of the loan contract;
- false or misleading statements are made, unless the company has remedied this within 15 business days from receiving the lender's written notice to perform;
- any authorization, concession, homologation or license, the lack of which may prejudice the performance of the parent company Isagro S.p.A.'s business is not renewed, if expired, or revoked;
- the parent Isagro S.p.A. ceases to carry out its current business activities or undertakes business activities which have substantial relevance and are not consistent with those currently carried out;
- a definitively or provisionally enforceable order of any kind is issued by a tax authority against the parent Isagro S.p.A. and/or a subsidiary, on the basis of which the beneficiary must pay a tax, duty, fine or penalty, and which may have substantially prejudicial effects on the beneficiary's ability to fulfill the obligations of the loan contract;
- *de facto* and *de jure* circumstances occur at any time such as to i) prevent the company from exercising the rights or fulfilling the obligations of the present loan contract; ii) determine the cessation, due to legislative changes or adoption of measures by competent authorities, of the legitimacy, effectiveness, validity or enforceability of the obligations assumed by the company; iii) prevent or substantially limit the lender's power to take legal action to protect the rights deriving from the loan contract;
- the independent auditing firm, in its report on the annual and Consolidated Financial Statements, expresses a negative opinion or issues a declaration on the impossibility of expressing an opinion;
- Piemme S.r.l., indirect parent company of the parent Isagro S.p.A., ceases to control, directly or indirectly, an equity interest that makes it the holder of at least 50% plus one of the voting rights exercisable at the shareholders' meeting.

Loan granted by Iccrea BancaImpresa (disbursed in financial year 2018):
- the parent Isagro S.p.A. becomes insolvent or is made party to any arrangement procedure and/or to procedures also of an out-of-court nature with closely analogous effects;
- the parent Isagro S.p.A. does not make in full and on time the payment when due of any amount payable, unless this is remedied within 15 days from the due date;
- the parent company Isagro S.p.A. suspends, interrupts or substantially changes the current business activity;
- a non-fulfillment occurs for more than € 500 thousand that entails, or may entail, the acceleration clause taking effect or may trigger a request for early repayment, also following termination, withdrawal or other things for receivables other than those deriving from the loan contract;
- changes or events occur that modify the current legal, capital, financial, or economic situation of the parent Isagro S.p.A. and that have a substantially prejudicial effect;
- lawsuits, litigation, disputes, or arbitration, administrative or judicial procedures in general, of any kind and with any public or private counterparty, are launched in relation to Isagro S.p.A. and may have a substantially prejudicial effect;
- the parent Isagro S.p.A. does not observe both of the covenants described below and has not taken initiatives to remedy the breach within thirty days from the date of approval of the annual Financial Statements.
  In addition:
- the parent Isagro S.p.A. may not i) amend its articles of association, without prior written consent from the lender, in such a way as to determine prejudice to the legal, capital, financial, economic, administrative or technical situation such as to compromise the prospects for repayment of the loan; ii) suspend, interrupt or change the current business activity; iii) resolve to reduce its share capital, except in the case of legal obligation; iv) constitute assets destined for a specific deal; v) be made party to voluntary liquidation procedures vi) grant other lenders mortgages, mandates to register mortgages or real guarantees on its tangible and intangible assets, and act so that its shares are pledged, except for those permitted in writing by the bank; vii) conclude transactions in derivative instruments for speculative purposes.

Loan granted by Banca di Credito Cooperativo di Caravaggio, Adda e Cremasco (disbursed in financial year 2018):
- the parent Isagro S.p.A. does not pay punctually and in full even one loan repayment installment;
- Isagro S.p.A. is party to events that have a negative effect on its capital, financial and economic situation and endanger the repayment of the amounts to the bank.

Loan granted by Banca del Mezzogiorno-Mediocredito Centrale (granted in financial year 2018):
- the absence of one or more admissibility requirements has occurred or documentation is incomplete or irregular due to actions in any way attributable to Isagro S.p.A. and that cannot be remedied;
- the parent Isagro S.p.A. is made party to a bankruptcy procedure;

- the research project for which the subsidized loan was disbursed is not launched, the maximum times determined for implementation of the project are not observed, the research project objectives are not achieved (except in cases of force majeure, chance or other contingent and unpredictable facts and events) or the research project is not carried out;
- the parent Isagro S.p.A. does not transmit the first progress report (Work in progress W.I.P.) within 18 months from the date of disbursement of the loan or does not transmit the final spending documentation within three months from conclusion of the project;
- the parent Isagro S.p.A. does not repay the pre-amortization interest or the loan installments for more than one year.

Current financial payables to other lenders refer for € 271 thousand to the current portion of the subsidized loan granted by Cassa Depositi e Prestiti, already described in the table above, and for € 1,412 thousand to payables to factoring companies in relation to reverse factoring operations.
The item "obligations under finance leases" refers to the residual payable due to Credit Agricole Leasing Italia S.r.l. in connection with the fees to pay, for a residual period of 10 months, for the supply of new analytical laboratory instruments used at the Novara research center of the parent Isagro S.p.A.
The table below summarizes the loans granted to the Group, broken down by currency:

Currency of the loan	Amount in thousands of Euro	Amount in currency (thousands)	Average effective Interest rate %
Euro	74,982	74,982	1.27%
US Dollars	4,369	5,003	5.05%
Brazilian Reals	7	31	20.27%
Colombian Pesos	-	245	29.08%
Total	**79,358**		

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

Lastly, it should be noted that, at December 31st, 2018, the Group had a number of credit lines outstanding, granted by banks and other financial institutions, totaling € 102,973 thousand (including "trade" facilities for € 67,331 thousand, of which € 13,221 thousand used, and "financial" facilities of € 35,642 thousand, of which € 12,924 thousand used), as shown in the table below:

	Credit lines granted	Credit lines used
Parent Company	75,900	21,769
Subsidiaries	27,073	4,376
Total	**102,973**	**26,145**

	Payables broken down by maturity						
	Within 1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
Payables due to banks:							
- variable rate	36,377	16,502	9,792	5,388	2,676	32	70,767
- fixed rate	2,134	2,169	1,168	23	23	82	5,599
Total Payables due to banks	38,511	18,671	10,960	5,411	2,699	114	76,366
Payables due to other lenders							
- variable rate	1,412	-	-	-	-	-	1,412
- fixed rate	271	274	277	279	282	142	1,525
Total Other lenders	1,683	274	277	279	282	142	2,937
Obligations under finance leases							
- fixed rate	55	-	-	-	-	-	55
Total Obligations under finance leases	55	-	-	-	-	-	55
Total	**40,249**	**18,945**	**11,237**	**5,690**	**2,981**	**256**	**79,358**

COVENANTS

In compliance with the CONSOB Communication of July 28, 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 ancillary charges.

Bank	Nominal amount of the loan	Residual amount of the loan	*Covenants*	Effects
Banca Crédit Agricole Cariparma	€ 6,000	€ 5,371	a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year as from that ended on December 31st, 2018 and until the full repayment of the loan. b) consolidated liability/equity ratio not greater than 1.50 for each year as from that ended on December 31st, 2018 and until full repayment of the loan.	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts still due including interest.
Banco BPM	€ 5,000	€ 4,988	a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year as from that ended on December 31st, 2018 and until the full repayment of the loan. b) consolidated liability/equity ratio not greater than 1.50 for each year as from that ended on December 31st, 2018 and until full repayment of the loan.	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts still due including interest.
Banca Monte dei Paschi di Siena	€ 5,000	€ 4,985	a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year as from that ended on December 31st, 2018 and until the full repayment of the loan. b) consolidated liability/equity ratio not greater than 1.50 for each year as from that ended on December 31st, 2018 and until full repayment of the loan.	Failure to comply with the two covenants will entail the upward revision of the spread by 0.5% and will also constitute a condition for loan termination loan with consequent repayment of all amounts still due, including interest.
BPER (Banca Popolare dell'Emilia Romagna)	€ 7,000	€ 3,052	a) ratio between the consolidated net financial position and consolidated EBITDA: less than 4.5 for each year as from that ended on December 31st, 2015 and until the full repayment of the loan. b) ratio between the consolidated net financial position and consolidated equity not greater than 1.50 for each year as from that ended on December 31st, 2015 and until full repayment of the loan.	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts still due including interest.
UBI Banca/ Banca Popolare Commercio & Industria	€ 15,000	€ 6,015	a) ratio between the consolidated net financial debt and consolidated EBITDA as from December 31st, 2017 and until full repayment of the residual debt: less than 4. b) ratio between the consolidated net financial debt and consolidated equity from December 31st, 2017 and until full repayment of the residual debt: less than 0.75.	Failure to satisfy even one of the financial indicators will determine application of the following spreads: - with reference to the **ratio between net financial debt and EBITDA**: 1.55% if the ratio is less than 4; 1.80% if the ratio is greater than 4 and less than 4.25; 2.05% if the ratio is greater than 4.25 and less than 4.5; 2.30% if the ratio is greater than 4.5; - with reference to the **ratio between net financial debt and equity**: 1.55% if the ratio is less than 0.75; 1.80% if the ratio is greater than 0.75 and less than 1; 2.05% if the ratio is greater than 1 and less than 1.5; 2.30% if the ratio is greater than 1.5.

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Bank	Nominal amount of the loan	Residual amount of the loan	*Covenants*	Effects
				Failure to comply with both covenants with ratios exceeding 4.5 (for the consolidated debt/EBITDA ratio) and 1.5 (for the consolidated debt/equity ratio) shall result in termination of the loan and the repayment of all amounts still due including interest.
Mediocredito Italiano	€ 9,000	€ 3,671	a) ratio between consolidated net financial position and consolidated EBITDA from December 31st, 2015 and until full repayment of the residual debt: less than 4.5 b) ratio between consolidated net financial position and consolidated equity from December 31st, 2015 and until full repayment of the residual debt: less than 1.5	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts still due including interest.
Banca del Mezzogiorno	€ 5,000	€ 2,493	a) ratio between consolidated net financial debt and consolidated EBITDA until full repayment of the residual debt: less than 4.5 b) ratio between consolidated net financial debt and consolidated equity until full repayment of the residual debt: less than 1.5.	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts still due including interest.
Deutsche Bank	€ 1,000	€ 436	a) ratio between consolidated net financial position and consolidated EBITDA until full repayment of the residual debt: less than 4.5 b) ratio between consolidated net financial position and consolidated equity until full repayment of the residual debt: less than 1.5.	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts still due including interest.
UniCredit	€ 6,000	€ 3,763	a) ratio between consolidated net financial debt and consolidated EBITDA at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 4.5 b) ratio between consolidated net financial debt and consolidated equity at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 1.5	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts still due including interest.
Banca Nazionale del Lavoro	€ 4,000	€ 2,513	a) ratio between consolidated net financial debt and consolidated EBITDA at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 4.5 b) ratio between consolidated net financial debt and consolidated equity at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 1.5	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts due including interest.
Cassa Centrale Raiffeisen dell'Alto Adige	€ 3,000	€ 2,105	a) ratio between consolidated net financial position and consolidated EBITDA at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 4.5. b) ratio between consolidated net financial position and consolidated equity at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 1.5.	Failure to comply with one of the covenants will entail an increase of 0.25% in the spread.
Credito Valtellinese	€ 2,000	€ 1,626	a) ratio between consolidated net financial position and consolidated EBITDA until full repayment of the residual debt: less than or equal to 4.5. b) ratio between consolidated net financial position and consolidated equity until full repayment of the residual debt: less than or equal to 1.5.	Failure to comply with one of the covenants will entail an increase of 0.25% in the spread. Failure to comply with both the covenants shall result in termination of the loan and repayment of all amounts due including interest.

follow →

Bank	Nominal amount of the loan	Residual amount of the loan	*Covenants*	Effects
Iccrea BancaImpresa	€ 4,000	€ 3,989	a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year as from that ended on December 31st, 2018 and until the full repayment of the loan. b) consolidated liability/equity ratio not greater than 1.50 for each year as from that ended on December 31st, 2018 and until full repayment of the loan.	Failure to comply with the two covenants will constitute a condition for termination of the loan with consequent repayment of all amounts still due including interest., unless Isagro S.p.A., within thirty business days from the date of approval of the Financial Statements has taken initiatives capable of remedying this breach.
Banca di Credito Cooperativo di Caravaggio, Adda e Cremasco	€ 2,000	€ 1,984	a) ratio between consolidated net financial position and consolidated EBITDA until full repayment of the residual debt: less than or equal to 4.5. b) ratio between consolidated net financial position and consolidated equity until full repayment of the residual debt: less than or equal to 1.5.	Failure to comply with one of the covenants will entail an increase of 0.25% in the spread.

The assessment of observance of the aforementioned covenants, which is to be carried out on an annual basis, at December 31st, 2018 did not reveal any critical issues. The Directors, on the basis of the 2019-2023 plan, believe that observance of the aforementioned covenants does not involve critical issues for the entire time horizon of the plan.

NET FINANCIAL POSITION

As required by CONSOB Communication no. DEM/6064293/2006 of July 28th, 2006, and also in accordance with the Recommendation of the ESMA (European Security & Market Authority), formerly the CESR (Committee of European Securities Regulators), of February 10th, 2005, the net financial position of the Group as at December 31st, 2018 was as follows:

	Dec. 31st, 2018	Dec. 31st, 2017
Bank deposits and cash	(17,919)	(22,814)
Securities	-	(8,887)
Liquidity (A)	**(17,919)**	**(31,701)**
Other current financial assets (securities)	(13,796)	-
Current financial receivables and other assets (B)	**(13,796)**	**-**
Current payables due to banks	13,648	9,633
Current payables due to other lenders	1,412	-
Current portion of non-current financial payables	25,189	23,256
Current financial payables (C)	**40,249**	**32,889**
Net current financial debt (A+B+C)	**8,534**	**1,188**
Non-current payables due to banks	37,855	43,728
Non-current payables due to other lenders	1,254	1,526
Obligations under finance leases	-	55
Non-current financial payables (D)	**39,109**	**45,309**
Net financial debt as per CONSOB Communication DEM/6064293/2006 (A+B+C+D)	**47,643**	**46,497**
Other non-current financial assets	(2,503)	-
Financial assets for trading derivative instruments and IRS	(138)	(314)
Financial liabilities for trading derivative instruments and IRS	115	38
Net financial debt of the Group	**45,117**	**46,221**

The net financial position shows, compared to financial year 2017, a decrease of € 1,104 thousand; this change, despite the continuation of the Group's investments in intangible assets, was made possible thanks to the cash flow coming from operating activities, as highlighted in the statement of cash flows.

RECONCILIATION STATEMENT OF LIABILITIES DERIVING FROM FINANCING ACTIVITIES

As required by IAS 7 (§44A), a statement is presented below containing the reconciliation of the changes in liabilities deriving from financing activities, distinguishing between changes deriving from cash flows and other non-monetary changes.

	Book value at Jan. 1st, 2018	Cash flows	Other non-monetary changes			Book value at Dec. 31st, 2018
			Translation adjustment	Other changes	Total change	
Financial payables due to banks	76,269	(61)	164	(6)	158	76,366
Financial payables due to other lenders	1,794	1,143	-	-	-	2,937
Obligations under finance leases	135	(80)	-	-	-	55
Total	**78,198**	**1,002**	**164**	**(6)**	**158**	**79,358**

The column "other changes" includes the allocation of accrued interest of the financial year.

17. Employee benefits – 2,384

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

	Severance Indemnity Fund (SIF)	Gratuity Fund (pension fund)	Total
Value at Dec. 31st, 2017	2,351	240	2,591
Cost of employee benefits	(12)	150	138
Settlements/transfers/ payments	(267)	(70)	(337)
Translation difference	-	(8)	(8)
Value at Dec. 31st, 2018	2,072	312	2,384

Information on the SIF – 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 an unfunded defined benefit plan only in connection with the indemnity employees accrued up until December 31st, 2006. In fact, certain legislative changes turned the severance indemnity fund into a defined contribution 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:

	2018	2017
– discounting rate:	1.15%	0.90%
– staff turnover rate:	4.60%	4.60%
– inflation rate:	1.50%	1.50%
– annual rate of increase in SIF:	2.62%	2.62%.

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

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

	Breakdown
Financial costs on the obligation	21
Actuarial (gains)/losses	(33)
Total	**(12)**

The actuarial gains and losses coming from re-measurement of the liabilities were recorded in "Other Comprehensive Income" and recognized under Group equity in the item "Retained earnings". The actuarial profits of for the year, of € 33 thousand, are due to changes in the demographic assumptions.

Sensitivity analyses were conducted as regards the option of changing the discounting rate of the obligation from which it emerged that a parameter increase of a quarter of a percentage point would bring about a € 38 thousand decrease in liabilities, while a decrease of a quarter of a percentage point in the rate would bring about an increase in liabilities of € 40 thousand.

Information on the "Gratuity Fund" pension fund
The "Gratuity Fund" is a funded defined benefit plan that the Group guarantees to the employees of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. The plan provides for the subsidiary making a payment equal to 15 days' wages for each worker who has completed at least one year of activity. 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 recognized in the Financial Statements is therefore the net residual obligation for the Group, understood as the difference between current obligation value and the fair value at the reporting date 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:

	2018	2017
discounting rate:	7.53%	7.47%
staff turnover rate:	10.00%	6.00%
expected wage increase:	10.00%	10.00%
expected rate of return of the assets serving the plan:	7.53%	7.47%

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

	Breakdown
Current cost of the plan	97
Net financial charges	17
Actuarial (gains)/losses	36
Total	**150**

The actuarial components for the "Gratuity Fund" are also recognized among "Other Comprehensive Income" and under Group equity in the item "Retained earnings". Actuarial losses for the period, € 36 thousand, include gains attributable to changes in the financial assumptions for € 3 thousand and losses attributable to changes in the demographic assumptions for € 39 thousand.
The amount recognized in the Statement of Financial Position breaks down as follows:

Present value of the obligation	(822)
Fair value of the assets	510
Fair value of the assets	(312)

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

Present initial value of the obligation	750
Borrowing Costs	53
Current cost of the plan	97
Benefits paid	(87)
Actuarial (gains)/losses	36
Translation difference	(27)
Present final value of the obligation	822

Initial fair value of the assets	510
Financial income expected from the assets	36
Payments made during the year	70
Benefits paid	(87)
Translation difference	(19)
Final fair value of the assets	510

Based on legal requirements, the amount of the payments that the Group must make for this fund over the next 12 months is approximately € 97 thousand, while the amount of the benefits to pay outgoing employees, based on the projections and actuarial assumption of the plan, is € 110 thousand.
The Group also participates in the "pension funds" which, pursuant to IAS 19, can be classified as "defined contribution plans" among "post-employment benefits". In relation to these plans, the Group has no additional monetary obligations once the contributions have been paid.
In 2018, the total costs of such plans, included under "personnel costs", were € 1,082 thousand.

18. Other non-current liabilities – 746

Breakdown	Book value at Dec. 31st, 2017	Increase/ decrease	Book value at Dec. 31st, 2018
Payables:			
- guarantee deposits from customers	733	13	746
Total	**733**	**13**	**746**

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

19. Trade payables – 32,696

The accounting item shows an increase of € 1,698 thousand compared to the figure at December 31st, 2017 (of € 30,998 thousand) essentially attributable to higher purchases, in particular of raw materials, from Chinese suppliers by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. in the last quarter and described in note no. 26.

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 geographical area based on the supplier's location:

• Italy	16,589
• Other European countries	3,592
• Central Asia and Oceania	8,147
• Americas	2,740
• Far East	1,492
• Middle East and Africa	136
Total	32,696

It should be noted that trade payables have an average contractual maturity of approximately 93 days.
The trade payables are due within the following year.

20. Current provisions – 1,151
The breakdown and changes in current provisions are illustrated in the following table:

Breakdown	Book value at Dec. 31st, 2017	Changes in the year: Provisions	Reneval	Other changes	Total change	Book value at Dec. 31st, 2018
Current provisions						
- prov. for destruction of goods and disposal of obsolete materials	88	54	(12)	-	42	130
- provision for employee participation bonus and manager/director bonuses	1,964	949	(1,890)	(2)	(943)	1,021
- others	3	-	(3)	-	(3)	-
Total	**2,055**	**1,003**	**(1,905)**	**(2)**	**(904)**	**1,151**

Provisions for "destruction of goods and disposal of obsolete materials" essentially refer to the costs the parent Isagro S.p.A. will incur for the disposal of obsolete materials, necessary to improve logistics and storage conditions at the Aprilia industrial complex.

21. Tax payables – 1,132

	Book value at Dec. 31st, 2017	Increase/ decrease	Book value at Dec. 31st, 2018
Tax payables:			
- due to tax authorities for direct taxes	1,244	(112)	1,132
	1,244	**(112)**	**1,132**

The item includes the payable due to the tax authorities for income taxes of the Isagro Groups foreign subsidiaries and includes € 1,072 thousand of tax payables or the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.

22. Other current liabilities and payables – 4,117

Breakdown	Book value at Dec. 31st, 2017	Increase/ decrease	Book value at Dec. 31st, 2018
Payables:			
- due to social security institutions	1,186	50	1,236
- due to agents and canvassers	215	(60)	155
- due to employees	844	96	940
- due to tax authorities for VAT and similar taxes	42	6	48
- due to tax authorities for withholdings and other taxes	790	(21)	769
- advances from customers (contractual liabilities)	224	115	339
- others	977	(347)	630
Total	**4,278**	**(161)**	**4,117**

The item “advances from customers (contractual liabilities)” comprises the liabilities deriving from contracts with customers of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. According to the accounting standard IFRS 15, in fact, the revenue deriving from the sale of crop protection products is recognized at the moment of transfer of control over the asset to the customer, which coincides with the transfer of the risks/benefits connected with ownership of the asset, which normally occurs at the moment of shipment or of delivery of the goods to the customer on the basis of the International Commercial Terms (Incoterms) used in the various contracts signed with customers; any payment received before transfer of the risks/benefits connected with ownership of the asset is recognized as a liability deriving from contracts with customers up to the moment of shipment or delivery of the goods to the customer.
Changes in liabilities deriving from contracts with customers in financial year 2018 are summarized below:

Amount at 1/1/2018	224
Advances of the previous year closed against sales	(56)
Advances received during the year	178
Translation difference	(7)
Amount at 12/31/2018	339

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

The item “others” include € 138 thousand relating to the balance of the food safety grant, which was paid in January 2019.

23. Segment reporting

As already mentioned, the Isagro Group identified its operating segments pursuant to IFRS 8 in the geographical areas from which the Group may earn revenues and incur expenses, whose results are regularly reviewed by the Group’s chief operating decision makers to assess performance and resource allocation decisions, and for which separate accounting figures are available.
The geographical areas that constitute the Group’s operating segments are as follows:

- Europe
- Asia
- North America
- South America.

The Group assesses the performance of its operating segments on the basis of “Operating profit/(loss)”; the revenues of the above segments include revenue deriving both from transactions with third parties and from transactions with other segments, measured at market prices. In the Group’s ordinary course of business, financial income and charges and taxes are recognized by the corporate entity, because they are not related to operating activities.
The table below shows the operating results of the operating segments for the year 2018:

2018	Continuing operations					
	Europe	Asia	North America	South America	Adjustments	Total
- Crop Protection Products	99,063	29,702	3,973	8,307	-	**141,045**
- Other	11,726	-	-	-	-	**11,726**
Revenue from third parties	**110,789**	**29,702**	**3,973**	**8,307**	**-**	**152,771**
Intra-segment revenue	9,498	7,580	698	242	(18,018)	-
Revenues	**120,287**	**37,282**	**4,671**	**8,549**	**(18,018)**	**152,771**
Operating profit/(loss)	**603**	**3,395**	**(1,071)**	**925**	**591**	**4,443**
Financial income						**1,328**
Borrowing Costs						**(1,623)**
Gains/(losses) on foreign exchange and financial derivatives						**(1,151)**
Profit/(loss) from associates						**200**
Pre-tax profit/(loss)						**3,197**
Income Taxes						**(2,734)**
Net profit of *Continuing operations*						**463**
Net profit/(loss) from discontinued operations						**(100)**
Net profit						**363**
Depreciation and amortization	8,562	634	12	108	-	**9,316**
Impairment of fixed assets	171	-	-	94	-	**265**
Allocations to provisions	958	45	-	-	-	**1,003**
Impairment losses on receivables	(261)	355	(11)	33	-	**116**
Severance indemnity fund and similar provisions	(12)	150	-	-	-	**138**

The table below shows the operating results of the operating segments for the year 2017:

2017	Continuing operations					
	Europe	Asia	North America	South America	Adjustments	Total
- Crop Protection Products	98,587	34,073	5,654	5,615	-	**143,929**
- Other	5,651	-	-	-	-	**5,651**
Revenue from third parties	**104,238**	**34,073**	**5,654**	**5,615**	**-**	**149,580**
Intra-segment revenue	9,073	4,645	722	516	(14,956)	-
Revenues	**113,311**	**38,718**	**6,376**	**6,131**	**(14,956)**	**149,580**
Operating profit/(loss)	**(989)**	**3,779**	**(1,454)**	**867**	**666**	**2,869**
Borrowing Costs						**(709)**
Profit/(loss) from associates						**135**
Pre-tax profit/(loss)						**2,295**
Income Taxes						**(1,882)**
Net profit of *Continuing operations*						**413**
Net profit/(loss) from discontinued operations						**(200)**
Net profit						**213**
Depreciation and amortization	8,375	695	8	120	-	**9,198**
Impairment of fixed assets	490	-	-	-	-	**490**
Allocations to provisions	1,730	45	190	28	-	**1,993**
Impairment losses on receivables	54	520	-	2	-	**576**
Severance indemnity fund and similar provisions	23	158	-	-	-	**181**

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

	2018	2017
Italy	26,644	26,922
Europe	46,207	44,265
Americas	38,258	33,034
Africa	4,018	3,893
Middle East	3,630	3,791
Central Asia and Oceania	25,908	30,176
Far East	9,054	7,499
Gains/(losses) on DCSs	(948)	-
Total	**152,771**	**149,580**

Intra-group transactions were carried out at arm's length.
Compared to financial year 2017, while on the one hand we can note an increase in turnover in the "Europe" segment, mainly following the achievement by the parent company Isagro S.p.A. of revenues from M/L Agreements of € 7.5 million described in Note no. 24 to which your are referred, and an increase in turnover in the "South America" segment, which was related to the higher sales made in Brazil by the subsidiary Isagro Brasil Ltda, on the other hand there was a reduction in turnover in the "Asia" and "North America" areas.
As regards the "Asia" area, the drop in turnover was related both to lower sales made in the Indian sub-continent by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. and to the drop in the Indian Rupee, against the Euro, which was approximately 10% while, as regards the "North America" area the reduction in turnover is attributable to lower sales made by the American subsidiary Isagro USA, Inc..
With reference to operating profit (EBIT), compared to financial year 2017 we can note an improvement in that of the areas of "Europe" (€ +1,592 thousand), thanks to the presence of the aforementioned M/L Agreements, and "North America" (€ +383 thousand), thanks to higher margins on sales made, although there was a lower level of turnover compared to the previous year.

The tables below show the assets and liabilities of the segments, as well as investments in tangible and intangible assets, at December 31st, 2018 and December 31st, 2017:

At December 31st, 2018	Continuing operations					
	Europe	Asia	North America	South America	Adjustments	Total
Segment assets	135,263	27,353	7,388	6,759	(9,633)	167,130
Investments in associates	593					593
Unallocated assets						49,784
						217,507
Segment liabilities	30,206	9,973	732	5,798	(6,432)	40,277
Unallocated liabilities						82,400
						122,677
Investments in Intangible Assets	5,702	-	-	8	-	5,710
Investments in tangible assets	1,801	418	22	104	-	2,345

At December 31st, 2017	Continuing operations					
	Europe	Asia	North America	South America	Adjustments	Total
Segment assets	141,518	30,152	6,038	5,222	(11,159)	171,771
Investments in associates	437					437
Unallocated assets						48,226
						220,434
Segment liabilities	32,907	8,641	2,002	3,471	(7,384)	39,637
Unallocated liabilities						81,491
						121,128
Investments in Intangible Assets	7,595	59	-	4	-	7,658
Investments in tangible assets	1,385	720	4	48	-	2,157

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

With reference to segment assets, we can note an increase in the "South America" area which is substantially attributable to the trade receivables of the subsidiary Isagro Brasil Ltda which, starting from 2017, began to make direct sales of crop protection products. On the contrary, we can note that the decrease in segment assets in the "Europe" area was influenced, as well as by the effects on the value of trade receivables of introduction of the accounting standard IFRS 9, by the increase in transactions for the sale of receivables without recourse, with maturity beyond the reporting date, carried out by the parent Isagro S.p.A. and already described in Note no. 8, and by the reduction in the value of stocks of raw materials and finished products following the decision to postpone to the early months of 2019 the production of certain Tetraconazole-based formulations. The reduction in segment assets in the "Asia" area was instead related essentially to the drop in turnover recorded in the period.

With reference to segment liabilities, we can note an increase in the "Asia" area following the increase in payables to suppliers for purchases towards the end of the year of strategic raw materials in relation to Chinese suppliers, in view of the expected increases in purchase prices.

INFORMATION ON THE INCOME STATEMENT

24. Revenues – 152,771

The breakdown of revenues is described in the table below.

Breakdown	2018			2017		
	ITALY	FOREIGN COUNTRIES	TOTAL	ITALY	FOREIGN COUNTRIES	TOTAL
Revenue from sales of:						
- crop protection products	24,921	116,125	141,046	26,011	117,918	143,929
- raw materials	174	345	519	76	225	301
	25,095	116,470	141,565	26,087	118,143	144,230
Revenue from services:						
- toll manufacturing	1,536	2,004	3,540	789	2,888	3,677
- M/L Agreements, futures	-	7,478	7,478	-	1,502	1,502
- others	13	175	188	47	124	171
	1,549	9,657	11,206	836	4,514	5,350
Total	**26,644**	**126,127**	**152,771**	**26,923**	**122,657**	**149,580**

The item shows an increase of € 3,191 thousand which was substantially determined by the combined effect of higher income from M/L Agreements for € 5,976 thousand and lower revenues deriving from sales of crop protection products and raw materials for a total of € 2,665 thousand.

With reference to sales of crop protection products, a slow-down in sales was seen in 2018, both in the Italian market (-€ 1 million with respect to 2017) and in foreign markets (-€2 million with respect to 2017). With reference to this market, while on the one hand, sales in Europe increased (€ +3 million compared to financial year 2017), on the other, a decrease of the same amount was recorded in sales in the Indian subcontinent by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., to which were added lower sales in the Americas by both the parent Isagro S.p.A. and the subsidiary Isagro USA, Inc. (-2 million compared to financial year 2017). However, the devaluation of the Indian Rupee, which in 2018 recorded a negative change against the Euro of approximately 10%, contributed greatly to the reduction in the value of revenues of the Indian subsidiary.

The reduction in revenues deriving from formulation activities for third parties, carried out at the facilities of the parent Isagro S.p.A. in Adria (RO) and Aprilia (LT), of € 137 thousand was determined by a sharp contraction in processing in the first half of 2018, only partially recovered during the second half of the year; in fact, during the second half of 2017 there were severe drought phenomena in southern Europe, with a consequent reduction in diseases of fungal origin and accumulation of high stocks of crop protection products with fungicide action.

In December 2017, the parent Isagro S.p.A. and the American Arysta LifeScience Inc. signed a distribution contract with a term of ten years, which can be extended for another five years, valid only in Brazil, for compounds based on Fluindapyr, the Isagro proprietary fungicide still in the development stage. In particular, this contract, the effects of which are produced starting from June 2018 following the cessation of the conditions precedent to which it was subject, provides for the following performance obligations: i) that Arysta shall be designated exclusive distributor for compounds between its active ingredients and Fluindapyr, ii) that the same shall be designated non-exclusive distributor for the compound between Tetraconazole and Fluindapyr, both Isagro proprietary fungicides, and iii) that Isagro shall provide in Brazil the support necessary for registration of the compounds between Fluindapyr and Arysta's active ingredients. The agreement, which also specified that Isagro shall also be Arysta's exclusive supplier for the aforementioned compounds in Brazil, states, with particular reference to the first performance obligation as above, that the American company shall pay Isagro, starting from the first year of distribution of the compounds for which it has exclusive rights, royalties calculated on sales according to the following scheme:

- 4% of total annual sales if these are less than or equal to USD 90 million;
- 3% of total annual sales if these are between USD 90 and 150 million;
- 2% of total annual sales if these are more than USD 150 million.

Although it is difficult to determine given the specific features and uniqueness of the M/L Agreements signed by Isagro, the value of the percentages of the contractually established royalties was considered by the management to be a market value (fair value), because it is in line with the percentages applied in other exclusive distribu-

tion agreements signed with other "players" in the sector of crop protection products, Isagro's sector of reference. However, it is stated that Arysta, regardless of the level of sales made, shall pay the parent Isagro S.p.A. the following minimum amounts (minimum annual fees):

a) USD 1 million to be paid on the first of January of the year after the first marketing of compounds for which Arysta has exclusive rights;
b) USD 2 million to be paid on the first of January of the year after the payment date indicated in point a) above;
c) USD 3 million to be paid on the first of January of the year after the payment date indicated in point b) above and for the entire term of the contract.

Regarding the second performance obligation, Isagro's management considered that the margin applied for the supplies of the compounds between Tetraconazole and Fluindapyr provided to Arysta is in line with the supplies of other crop protection products made by Isagro in Brazil. The one-off fee of USD 9 million paid to the parent Isagro S.p.A. (third performance obligation of the contract), which was recognized among revenues of the year in the item "M/L Agreements" and received at the beginning of July 2018, was considered by the management in line with the market value – although this value characteristic of the type of M/L Agreements is difficult to determine – comparing it with other M/L Agreements signed by from Isagro, analogous to the one in question.

The contract also states that, if by June 15th, 2021 Isagro manages to obtain in Brazil the first registration of a Fluindapyr-based product, Arysta should pay it a further amount, variable between a minimum of zero and a maximum of USD eight million depending on the date on which it is obtained; this event was not reflected in the Financial Statements because its occurrence was not considered probable by the parent Isagro S.p.A..

The contract also states that Isagro shall be obliged to pay a penalty, up to a maximum of USD nine million in the period 2018-2035, if one of the following events occurs:

a) there is a change in the controlling shareholdings (direct and indirect) of the parent Isagro S.p.A. up to the date of filing of the registration dossier of Technical Fluindapyr in Europe by Isagro (done in October 2018) or in the United States by FMC (co-developer of the active ingredient), the dossier of which has been indicated as complete by the Government Authority (that is presumably by the end of the first half of 2019);
b) the parent Isagro S.p.A. decides to voluntarily terminate the co-development of the fungicide Fluindapyr;
c) Arysta is denied, for any reason, its exclusive right to distribute the Fluindapyr-based compounds.

In the opinion of the Directors of the parent Isagro S.p.A., the occurrence of one of the aforementioned events is a remote possibility.

To guarantee correct fulfillment of the obligations provided for in the contract, UniCredit S.p.A. issued to Arysta a bank guarantee on behalf of the parent Isagro S.p.A., with a duration of five years and which can be extended, up to a total amount of € 7,586 thousand. In turn, Isagro, in order to guarantee its obligations to the bank that issued the guarantee, established € 2,503 thousand as a pledge, deposited in a tied interest-bearing account, already described in note no. 6.

The item "M/L Agreements, futures", of the previous year, referred essentially:

- € 470 thousand referred to an up-front payment which the Belgian company Arysta LifeScience Benelux Sprl made to the parent Isagro S.p.A. against the granting of the right to develop, formulate, distribute and sell, in Europe and for a period of five years, products based on Deltamethrin (an insecticide owned by Isagro S.p.A.). Arysta LifeScience also committed to purchasing the Deltamethrin necessary for formulation of the above products exclusively from Isagro for the entire term of the contract.
  Arysta LifeScience will also pay Isagro the amount of € 330 thousand a year after inclusion of Deltamethrin in Annex I, which is expected for the end of 2019.
  If Isagro should seriously violate the agreement, and if the situation is not remedied within forty-five days or if Deltamethrin ceases to be included in Annex I or if there are regulatory restrictions that do not permit the sale of Deltamethrin-based products, Arysta LifeScience would have the right to receive an indemnity modulated on the basis of the residual duration of the contract. The amount that Isagro would be required to pay, of € 650 thousand if the breach occurs during the first year of the contract, is calculated in a manner inversely proportionate to the remaining years of the contract. Consequently, the total penalty decreases by € 130 thousand for each of the five years' duration of the contract. The possibility of occurrence of a serious breach, as described above, as also cancellation of Deltamethrin from Annex I or the issuing of regulatory restrictions are considered in the judgment of the Directors of the parent Isagro S.p.A., as of today, improbable;
- € 1,012 thousand (equal to 1,200 thousand US dollars) to an up-front payment that the American com-

pany Sipcam Agro USA, Inc. paid to the parent Isagro S.p.A. in exchange for the right to cite to the American registration authorities, in order to obtain authorizations for the sale of products it owns, the studies related to Tetraconazole owned by Isagro. With regard to the total revenues from related parties, please refer to Note no. 39.

25. Other operating revenues – 3,922

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

Breakdown	2018	2017
R&D grants and tax credits	-	272
Recovery of research costs	1,696	1,452
Export incentives	799	447
Insurance compensation	24	2
Compensation from government authorities	-	610
Capital gains on disposal of fixed assets	332	100
Guaranteed minimum margins	530	-
Recovery of miscellaneous costs and other income	541	416
Total	**3,922**	**3,299**

Of the item “Recovery of research costs”, € 1,149 thousand refers to the recovery of 50% of costs incurred by the parent Isagro S.p.A. in relation to the US company FMC Corporation, under the terms of the agreement signed by the two companies for the co-development of a new fungicide, and € 409 thousand to the recovery of costs incurred by the parent Isagro S.p.A. in Brazil in relation to Arysta LifeScience, for research and experimental activities commissioned from Isagro for the registration of Fluindapyr-based compounds.

The item “Guaranteed minimum margins” refers to the amount that the British company Gowan Crop Protection Ltd. (related party) paid to the parent Isagro S.p.A. on the basis of an agreement signed in 2016. This agreement, besides providing for the exclusive concession of the right to develop, formulate, produce and market for a period of fourteen years in Europe compounds based on Kiralaxyl – an Isagro proprietary fungicide – as already described in Note no. 5, stated that Gowan was appointed exclusive distributor in Europe of products based on this fungicide. As consideration, the contract attributed to Isagro the payment of a guaranteed minimum margin of € 900 thousand, calculated on the basis of the margins previously obtained by Isagro: therefore, if the margin deriving from sales made in the period September 1st – August 31st is less than this minimum amount, Gowan must pay Isagro the difference between the margin achieved and the guaranteed minimum amount while, if the margin is higher than this minimum amount, Isagro will have to pay this difference to Gowan.

The item “Capital gains on disposal of fixed assets” includes, among other things, € 299 thousand referring to the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. and representing the difference between the residual value of a building (€ 102 thousand) which was demolished during the year and the compensation received, in relation to this demolition, from the Indian authority for railways (€ 401 thousand); the operation represents the final stage of the expropriation carried out in financial year 2017 of part of the land on which the Panoli industrial complex stands for the construction of a rail corridor, in exchange for which compensation of € 610 thousand was paid; this was recognized in the item “Compensation from government authorities”.

In the previous year, the item “R&D grants and tax credits” referred for € 27 thousand to the grant disbursed by the Ministry of Economic Development following admission to the benefits of the Technology Innovation Fund (TIF) for the parent company Isagro S.p.A.’s project entitled “Use of bio-IT platforms to identify new crop protection products” and for € 245 thousand to the portion accruing to financial year 2017 of the benefit pursuant to art. 1, paragraph 35 of Italian Law no. 190 of December 23rd, 2014 (known as the Stability Law for 2015) in relation to the incremental research and development expenses incurred by the parent Isagro S.p.A..

26. Raw materials and consumables used – 83,663

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

Breakdown	2018	2017
Raw and ancillary materials, consumables and goods:		
- purchases of raw materials, packaging and crop protection products	84,614	78,568
- purchases of technical materials and those for research activities	889	699
- change in inventories of raw and ancillary materials and consumables	(2,100)	(1,665)
- other purchases	260	246
Total	**83,663**	**77,848**

The increase in the item “purchases of raw materials, packaging and crop protection products”, compared to the previous year, despited the reduction in turnover of crop protection products, was related to both an increase in the purchase price of the raw material copper and an increase in purchases of strategic raw materials by the parent Isagro S.p.A. and the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., to cope with the production of the first quarter of 2019, in the light of the expected sharp rises in the prices charged by Chinese suppliers, which had already occurred in part in the last quarter of 2018.

For the total amount of purchases from related parties, please refer to Note no. 42.

27. Costs for services – 29,861

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

Breakdown	2018	2017
For services:		
- utilities	4,195	3,723
- technical maintenance	1,330	1,294
- transport and related purchase and sale transaction costs	6,943	6,512
- toll manufacturing	1,859	2,222
- consulting and professional services	4,237	3,548
- services connected to research	2,579	1,857
- IT system	522	462
- marketing costs	2,130	2,201
- rents, hire and leases	1,347	1,248
- lease expense	1,073	1,145
- provision for director bonuses	-	140
- provision for the destruction of goods	54	20
- other services	3,592	3,642
Total	**29,861**	**28,014**

The item shows an increase, compared to the previous year, of € 1,847 thousand, which is essentially attributable to higher costs for professional advice of an extraordinary nature incurred by both the parent Isagro S.p.A. and the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (€ + 689 thousand) and to costs for advice and service connected with research (€ +722 thousand); in particular, the increase in these latter is substantially attributable to higher costs incurred in financial year 2018 for the new nematicide product in the pre-development stage owing to an increase in activities for ordinary protection of proprietary molecules of the parent Isagro S.p.A..
For the total amount of costs for services from related parties, please refer to Note no. 42.

28. Personnel costs – 29,913

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

Breakdown	2018	2017
Personnel costs:		
- wages and salaries	19,040	18,961
- social security charges	5,141	5,064
- remuneration component deriving from the long-term incentive and retention plan	215	-
- employee benefits	97	147
- pension funds	1,082	1,093
- provision for bonuses	949	1,830
- costs for employee services	2,629	2,500
- costs for early retirement incentives	266	1,330
- other costs	494	332
Total	**29,913**	**31,257**

The item shows, compared to the previous year, a decrease of € 1,344 thousand, which is essentially attributable to the presence of costs for early retirement incentives incurred in 2017 by both the parent Isagro S.p.A. and the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. for early and agreed termination of the employment relationship with top management personnel. We can also note that, in financial year 2018, the parent Isagro S.p.A. and its subsidiaries set aside lower bonuses to be paid to their employees of € 881 thousand, following failure to achieve the profitability targets provided for.
Net therefore of both the item “Costs for early retirement incentives” and the item “Provision for bonuses”, the item shows an increase of € 601 thousand, attributable to the increase in the average number of employees in the workforce compared to the previous year.
On March 13th, 2018 the Board of Directors of the parent Isagro S.p.A. approved the introduction of an incentive and long-term retention plan (2018-2021) reserved for the Company’s top managers and aimed at ensuring the retention of resources with a high impact on implementation of the business plan and at encouraging orientation to the achievement of long-term objectives. The plan, approved also by the Shareholders’ Meeting on April 24th, 2018, was then formally accepted by the Company’s nine Group Directors in June.
The plan provides for free assignment to the beneficiaries of the Company’s “Growth Shares” for a grand total of 890,000 shares. Consequently, the Shareholders’ Meeting also approved the purchase of treasury “Growth Shares” in service of the plan.
The shares will be assigned in the following ways:

1) for the first 50% of the shares (so-called Restricted Shares) on the basis of the continuity of the employment relationship modulated as follows:

- 12/31/2019: 50% of the shares;
- 12/31/2020: 25% of the shares;
- 12/31/2021: 25% of the shares;

2) for the remaining 50% of the shares assigned (so-called Performance Shares) the attribution will occur at the end of the plan on the basis of the achievement of four performance objectives, the weight of which is 25% each:
   a) percentage increase in the price of Isagro Ordinary Shares between the start and the end of the performance period;
   b) EBITDA/Revenue ratio as average figure for the four years 2018-2021;
   c) Net Working Capital/Revenue ratio as average figure for the four years;
   d) Net Financial Position/EBITDA ratio as average figure for the four years.

For objectives b), c) and d), the target figure of reference will be calculated as average of the figures of the budget for 2018 and for the first three years of the 2019 – 2023 Business Plan, which were approved on January 15th, 2019.

On the basis of the accounting standard IFRS 2, the operation is classified as an incentive plan with share-based payment, settled with equity instruments. According to this standard, the Company receives goods or services from the employee and must therefore recognize the related cost, in personnel costs, for a figure equivalent to the fair value of the goods or services received. In the case of Isagro's incentive plan, the fair value was determined indirectly using the fair value of the "Growth Shares" to be assigned.

The cost of the incentive was therefore determined using the fair value of the attributable instruments and the forecast of the number of shares that will effectively be assigned. The portion accruing during the period is determined *pro-rata temporis* along the vesting period, that is the period in which the conditions for accrual of the rights provided for in the plan must be fulfilled, and is recognized as a counter-item to the shareholders' equity reserves (see Note no. 15).

The fair value of the shares involved in the plan was calculated at the assignment date based on the market prices of the instrument, taking into account the assignment terms for the instrument. The average fair value of the Growth Shares at the date of assignment to the employees was estimated as € 1.16 per share.

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

29. Write-downs/write-backs of trade receivables and other receivables – 116

The breakdown of the item is presented below:

- Allocation to Provisions for the Impairment of Trade Receivables	431
- Allocation to Provisions for the Impairment of Other Receivables	40
- Losses on receivables	596
- Use of Provisions for Impairment of Receivables against losses	(596)
- Use of Provisions for Impairment of Receivables due to surplus	(355)
Total	**116**

Following the introduction from January 1st, 2018 of the new accounting standard IFRS 9, the estimate of losses on receivables is made on the basis of the expected credit losses (E.C.L.) model using supportable information, available with available without unreasonable expenses or efforts, which includes historical, current and prospective data; unlike what is provided for in the incurred losses model, prescribed by IAS 39, it is no longer necessary for an event to have occurred before recognizing losses on receivables. To measure expected credit losses a "provision matrix" was constructed, applying percentages differentiated according to the maturity bands of the receivables.

The provisions set aside in the period regarded essentially the subsidiaries:

- Isagro (Asia) Agrochemicals Pvt. Ltd., € 355 thousand;
- Isagro Brasil Ltda, € 16 thousand;
- Isagro Colombia S.A.S., € 54 thousand.

The use for surplus provisions instead regarded essentially the parent Isagro S.p.A. because this analysis revealed a surplus of provisions for impairment of the company's trade receivables as a result, on the one hand, of a different distribution of trade receivables in the various maturity bands with increases in the "falling due" and "due within 60 days" bands and, on the other hand, of lower write-downs on receivables measured with ad hoc criteria in the light of their specific features.

	2018 average	2017 average	At Dec. 31st, 2018	At Dec. 31st, 2017
- executives	43	55	45	58
- middle managers	148	133	146	126
- white-collar workers	349	326	351	328
- special qualified workers	4	6	4	6
- blue-collar workers	103	103	88	92
TOTAL	**647**	**623**	**634**	**610**

30. Other operating costs – 2,214

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

Breakdown	2018	2017
- losses on disposal of assets	19	68
- impairment losses on receivables	-	457
- indirect, production and manufacturing taxes	1,090	1,914
- other operating costs	1,105	652
Total	**2,214**	**3,091**

The decrease in the item "indirect, production and manufacturing taxes", of € 824 thousand, compared to the previous year, was substantially due to the absence, in financial year 2018, of costs related to consumption and manufacturing taxes incurred by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. following the introduction, from July 1st, 2017, of a new indirect tax (the Goods and Service Tax) which replaced a multitude of federal and state taxes in force up to June 30th, 2017; in fact, in financial year 2017 the subsidiary had incurred costs of 63,667 thousand Rupees (corresponding to € 788 thousand measuring them at the average exchange rate of financial year 2018).
"Other operating costs" includes € 230 thousand related to the contribution margin to be paid to the American company Gowan Co. LLC (related party), designated exclusive distributor in the United States for technical Tetraconazole on certain crops, for sales of this product by the Group to other local distributors.
With regard to other operating costs with related parties, please refer to Note no. 42.

31. Change in inventories of finished products and work in progress – 1,153

The positive change of € 1,153 thousand in product inventories, calculated net of the provision for inventory obsolescence, was calculated as follows:

• Net inventories at January 1st, 2018	(29,551)
• Translation difference and other changes	92
• Net inventories at December 31st, 2018	30,612
• Total change	1,153

For the comment on this accounting item please see what has already been described in Note no. 8.

32. Costs capitalized for internal work – 1,945

The item refers to the capitalization of personnel costs, overheads and consumption of technical material related to extraordinary protection costs, development expenditure and expenses for registration of the Group's new products. This item decreased by € 259 thousand compared to the previous year, essentially due to greater use of the Group's internal resources for pre-development, ordinary defense adn innovative research activities, which according to the Group's accounting standards do not qualify as projects subject to capitalization.

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

33. Depreciation and amortization – 9,316

Depreciation of tangible assets – 3,405
Amortization of intangible assets – 5,911

Breakdown	2018	2017
Depreciation of tangible assets:		
- buildings:	974	977
- plant and machinery	1,949	2,419
- industrial and commercial equipment	224	222
- furniture and fittings	48	50
- motor vehicles	19	32
- office equipment	191	182
	3,405	3,882
Amortization of intangible assets:		
- extraordinary protection	1,818	1,743
- *know-how*	1,268	1,252
- patents, licenses, trademarks and registrations	2,583	2,081
- other	242	240
	5,911	5,316
Total	**9,316**	**9,198**

34. Write-downs of tangible and intangible assets – 265

During the year, the parent Isagro S.p.A. wrote down the residual book value of the costs incurred for authorizations to sell crop protection products being obtained, whose continuation was judged not cost-effective by the Group.

35. Financial income – 1,328
Financial charges – (1,623)
Gains/(losses) on foreign exchange and financial derivatives– (1,151)

Breakdown	2018	2017
Interest income from financial instruments at amortized cost:		
- bank deposits	68	272
- medium-long term loans	204	145
	272	417
Interest income from financial instruments at FVTPL:		
- interest income from instruments measured at FVTPL	519	162
- adjustments to the fair value of financial instruments	381	-
	900	162
Others:		
- default interest	50	8
- financial discounts from suppliers	18	20
- interest income on tax and other receivables	88	108
- others	-	3
	156	139
Total	**1,328**	**718**

Breakdown	2018	2017
Interest paid to banks and other lenders	(1,514)	(1,404)
Others:		
- interest paid to Tax Authorities	(16)	-
- interest paid on employee benefits - severance indemnity	(38)	(34)
- interest paid to suppliers and financial discounts to customers	(4)	(138)
- others	(3)	(5)
	(61)	(177)
Gains/(losses) on IRS derivative instruments	(48)	(13)
Total	**(1,623)**	**(1,594)**

Breakdown	2018	2017
Foreign currency gains and losses		
- foreign currency gains	1,610	760
- foreign currency losses	(1,971)	(2,328)
- gains/(losses) on currency forward derivative instruments	(516)	-
	(877)	(1,568)
Derivative financial instruments (trading)		
- commodity swap - purchase	-	(352)
- adjustment to fair value of commodities (swaps - purchase)	-	51
- exchange rates (currency forwards)	(379)	1,725
- adjustment to fair value of exchange rates (currency forwards)	105	311
	(274)	1,735
Total	**(1,151)**	**167**

The total negative change compared to the previous year of € 737 thousand was the result of a combined effect essentially caused by i) higher income from securities measured at fair value through profit and loss of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (€ +738 thousand), already described in Note no. 12, and ii) lower income from derivative instruments held for trading of € 2,009 thousand offset, indirectly, by lower losses on exchange rates of € 691 thousand. It should be noted that the lower value of the financial components of derivative instruments held for trading compared to the previous year is essentially due to the introduction, starting from January 1st, 2018, of the new accounting standard IFRS 9, described in the paragraph "Accounting standards, amendments and interpretations applied from January 1st, 2018".

36. Income taxes – 2,734

Breakdown	2018	2017
Consolidated Income Statement		
Current tax:		
- income taxes	1,922	2,087
- IRAP	23	32
- use of deferred tax liabilities/deferred tax assets	1,068	802
- taxes on compensation from government authorities	-	81
- contingent assets and liabilities, taxes on foreign income and tax credits	527	104
	3,540	3,106
Deferred tax assets and liabilities:		
- deferred tax liabilities	56	11
- deferred tax assets	(859)	(1,383)
- contingent assets and liabilities and write-downs on deferred tax assets	(3)	148
	(806)	(1,224)
Total income taxes recognized in profit or loss (continuing operations)	2,734	1,882
Other comprehensive income		
Deferred tax assets and liabilities:		
- tax effect on actuarial gains/losses regarding defined-benefit plans	(3)	(10)
- tax effect on derivatives (CFHs)	27	(7)
	24	(17)
Total income taxes recognized in equity (continuing operations)	**24**	**(17)**

The item "Use of deferred tax assets/deferred tax liabilities", equal to € 1,068 thousand, reflects the difference between the use of deferred tax assets, equal to € 1,313 thousand (€ 809 thousand of which for the use of tax losses and € 255 thousand for the use of taxed provisions relating to the tax effect of intercompany profits;) and the use of provisions for deferred tax liabilities of € 245 thousand.
The recognition of deferred tax assets of € 859 thousand

refers mainly to the tax benefits expected from the future use of taxed provisions (€ 657 thousand).

The item "contingent assets and liabilities, taxes on foreign income and tax credits", of € 527 thousand, specifically includes:

- a contingent liability or € 208 thousand recorded by the parent Isagro S.p.A. following the decision to write down several withholdings at the source on foreign income in previous years, as the company management judged them difficult to recover over the time frame of the 2019-2023 plan;
- the recognition in the Income Statement, due to the reasons set forth above, of the withholding at the source of income generated abroad in the period, amounting to € 108 thousand, of which € 106 thousand pertaining to collection of the last installment relating to the medium/long-term receivable due to the parent Isagro S.p.A. from Arysta LifeScience Co., Ltd.;
- payment of taxes of previous years (IRAP) of € 108 thousand following the settlement signed by the parent Isagro S.p.A. in relation to objections raised by the Italian Revenues Agency for the years 2012, 2013 and 2014 described in Note no. 41;
- the tax credit of € 68 thousand recognized by the parent Isagro S.p.A. on the basis of a tax subsidy (the so-called *A.C.E. – Aiuto alla Crescita Economica* – Aid for Economic Growth), aimed at providing an incentive for businesses which keep profits generated in-house and which receive new risk capital. In particular, the credit accrued thanks to the increase in shareholders' equity resulting from the share capital increase carried out in 2014;
- a contingent liability of € 212 thousand recorded by the subsidiary Isagro USA, Inc. following the decision to write down certain tax credits, as they were judged to be difficult to recover over the timeframe of the business plan.

The following table illustrates the reconciliation between the theoretical IRES and IRAP tax rates (24% and 3.90%, respectively) and the effective tax rates, taking into account the effect of deferred tax assets and liabilities.

The taxable income relating to the theoretical tax rates coincides with the Group's profit before tax (€ 3,197 thousand):

	INCOME TAXES	IRAP	TOTAL
	Taxes	Taxes	Taxes
Theoretical taxes	767	125	892
- increases	316	57	373
- decreases	(223)	(31)	(254)
- costs not relevant for IRAP purposes	-	71	71
- non-allocation of deferred tax assets on tax losses	866	-	866
- effect of differences in tax rates	441	-	441
- contingent assets and other changes	433	(88)	345
Effective taxes	2,600	134	2,734

The presence of a high tax burden (€ 2,734 thousand) compared to the theoretical one (€ 892 thousand) was due, as well as to the presence of the contingent liabilities described above, also to non-allocation of deferred tax assets on the tax losses of the period, for reasons of prudence, of € 866 thousand, of which € 559 thousand in relation to the parent Isagro S.p.A. and € 303 thousand in relation to the American subsidiary Isagro USA, Inc..

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

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

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

37. Net profit/(loss) from discontinued operations – 100

The amount recognized in the Financial Statements refers to the additional allocations to the bad debt provision, which at December 31st, 2017 amounted to € 1,300 thousand, by the parent Isagro S.p.A. based on the communications received from the legal counsel of Sumitomo Chemical Italia S.r.l., who are handling collection of the receivables guaranteed at the time of transfer of the investment in Isagro Italia S.r.l. (now Sumitomo Chemical Italia S.r.l.) in 2011.

The transfer contract provided, in fact, for an indemnity up to € 2,250 thousand in connection with the enforceability of some trade receivables if the portfolio of the sold company if, within three years from the date of closing the transaction, these receivables were not yet collected. The purchaser had notified the parent Isagro S.p.A. that at December 31st, 2013 € 1,750 thousand of the above-mentioned receivables had still not been collected. Therefore, on February 20th, 2014, the parties had agreed that Isagro would have paid this sum to Sumitomo Chemical Co. Ltd by way of guarantee on the obligation to pay the receivables in question, however establishing that if Sumitomo Chemical Italia S.r.l. should collect these receivables by December 31st, 2018 the purchaser shall be required to return the sum deposited for the corresponding amount to Isagro. The payment of the afore-mentioned amount then took place on April 8th, 2014. We can note that on April 28th, 2017 the Japanese company returned a part, € 121 thousand, of the security deposit following collection of a number of trade receivables. which, added to what had already been received in 2016, takes to € 350 thousand the total amount of the security deposit returned; the value of this deposit, including provisions for impairment, amounted to € 1,400 thousand at December 31st, 2018.

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

38. Distributed dividends

During financial year 2018 no dividends were distributed by the parent Isagro S.p.A..

39. Earnings Per Share

	2018	2017
Earnings per share (basic and diluted)		
Net profit/(loss) for the year attributable to shareholders of the parent (thousands of Euro)	363	213
Average number of Ordinary Shares and Growth Shares (thousands)	38,410	38,675
Earnings per share (basic and diluted) – Ordinary Shares	0.009	0.006
Dividend increase for Growth Shares	0.002	0.001
Earnings per share (basic and diluted) – Growth Shares (Euro)	0.011	0.007
Earnings per share (basic and diluted) from continuing operations		
Profit/loss from Continuing operations (in thousands of Euro)	463	413
Average number of Ordinary Shares and Growth Shares (thousands)	38,410	38,675
Earnings per share (basic and diluted) from continuing operations – Ordinary Shares	0.012	0.011
Dividend increase for Growth Shares	0.002	0.002
Earnings per share (basic and diluted) from continuing operations – Growth Shares (Euro)	0.014	0.013
Earnings per share (basic and diluted) from discontinued operations		
Profit/loss from Discontinued operations	(100)	(200)
Average number of Ordinary Shares and Growth Shares (thousands)	38,410	38,675
Earnings per share (basic and diluted) from discontinued operations – Ordinary Shares	(0.003)	(0.005)
Dividend increase for Growth Shares	0.000	0.000
Earnings per share (basic and diluted) from discontinued operations – Growth Shares (Euro)	(0.003)	(0.005)

	2018	2017
Average number of Ordinary Shares	24,529,671	24,499,960
Average number of Growth Shares	13,879,883	14,174,919
Total	**38,409,554**	**38,674,879**

"Basic" net earnings per share are calculated on the average number of Isagro S.p.A. shares outstanding, deducting the average number of treasury shares held, equal to 315,325 in 2018 and 50,000 in 2017.

"Diluted" earnings per share are calculated taking into account, in addition to the average number of shares outstanding, also any shares already resolved, but not yet subscribed. These situations did not occur either in 2018 or in 2017.

40. Fair value: measurement and hierarchical levels

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

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

The following table shows the assets and liabilities measured at fair value at December 31st, 2018 broken down by fair value hierarchy level.

	Level 1	Level 2	Level 3	Total
Assets carried at fair value:				
- financial assets held for trading (securities)	13,796	-	-	13,796
- exchange rate derivatives (forward purchase/sale)	-	213	-	213
- interest rate derivatives (interest rate swaps)	-	35	-	35
Total financial assets	**13,796**	**248**	**-**	**14,044**
Financial liabilities carried at fair value:				
- exchange rate derivatives (forward purchase/sale)	-	(1)	-	(1)
- derivatives on commodities - copper (future buy)	-	(59)	-	(59)
- interest rate derivatives (interest rate swaps)	-	(115)	-	(115)
Total financial liabilities	**-**	**(175)**	**-**	**(175)**

As for the techniques for determining the fair value of the derivatives included in Level 2, please refer to Note no. 13.

In 2018, there were no shifts between Level 1 and Level 2 of fair value measurements, or from Level 3 to other levels and vice versa.

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

	Book value	*Fair Value*
Receivables and other assets:		
Receivables measured at amortized cost:		
- Receivables from Gowan Company LLC	3,814	3,738
- Receivables from Rotam Agrochemical Company Ltd.	587	565
Financial liabilities:		
Financial liabilities measured at amortized cost:		
- Loans from banks - floating rate (current and non-current)	56,645	57,494
- Loans from banks - fixed rate (current and non-current)	19,721	19,615
- Loans from other lenders - floating rate (current and non-current)	1,412	1,412
- Loans from other lenders - fixed rate (current and non-current)	1,580	1,573

* The floating rate loans granted by UniCredit, Banca Crédit Agricole Cariparma and Banco BPM associated with an interest rate swap contract, for the purposes of the present table, were classified among fixed rate loans

The determination of the fair value was carried out on a consistent basis with the generally accepted methods, which use valuation models based on the Discounted Cash Flow method; specifically, the parent Isagro S.p.A. used the models in the Bloomberg database. Discounting of the future cash flows of receivables and loans expressed in Euro was calculated based on the market zero coupon rates curve at December 31st, 2018, obtained from the six-month EURIBOR curve, while discounting of future cash flows of loans expressed in US dollars was calculated on the basis of the market zero coupon rates curve as at December 31st, 2018, obtained from the six-month LIBOR. The above-mentioned curves were adjusted to take into account the creditworthiness of the parent Isagro S.p.A. (own credit risk) in the case of loans payable and the creditworthiness of the counterparty (counterparty credit risk) in the case of receivables claimed by the parent Isagro S.p.A.. Please also note that, in order to render the fair value of loans comparable with their book value, the related ancillary charges were taken into account.
In management's opinion, the aforementioned receivables and payables can be classified in Level 2 of the fair value hierarchy.

OTHER INFORMATION

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 favor of Isagro S.p.A. as part of the preliminary business unit transfer agreement of July 4th, 2001 covering costs relating to reclamation works completed on the Aprilia site.
It should be remembered that, following lengthy and complex legal proceedings, in February 2015 the parties signed a settlement agreement, by virtue of which they waived legal redress to the statement of affairs, with subsequent annulment of proceedings and Isagro's admission as creditor of Caffaro for the unsecured receivable of € 2,250,000.
For the same receivable, a similar claim was filed against Snia S.p.A., also in receivership, as the sole shareholder of Caffaro and therefore jointly liable. As the Court of Milan rejected this claim, Isagro prepared and filed an appeal against the Statement of Assets and Liabilities, seeking admission of the proof of claim against Snia S.p.A. The first hearing was set for September 27th, 2011 and, by decree of December 13th, 2011, the Court of Milan rejected Isagro S.p.A.'s appeal, considering the receivable possible and future. Isagro therefore appealed this decision to the Court of Cassation, which with a ruling filed on February 8th, 2018 rejected the appeal and ordered Isagro to pay the legal expenses.

Appeal against Polven.Re and M.Business

Following the rejection of the guarantee claim formulated by Polven.Re against Isagro S.p.A. by the Court of L'Aquila with its decision of March 2nd, 2016, the losing party Polven.Re promoted an appeal, requesting that the first degree decision be fully reformed. The hearing for discussion of the appeal which had been set initially for May 23rd, 2017, was postponed by the court to December 7th, 2017. During the first level proceeding, Polven.Re had been sued by M.Business which had complained of a series of contractual breaches and violations in relation to the land leased to it by Polven.Re. Since it is the same land that Polven.Re had purchased from Isagro S.p.A., Polven.Re had asked and obtained to summons Isagro S.p.A. itself to activate the contractual guarantee with respect to it. The damages claimed by M.Business had been quantified in € 709,547.26.
Polven.Re, which formulated a counterclaim against M.Business, amounting to € 628,769.63, and hence it asked to be held harmless by Isagro, which objected.
As indicated above, this counterclaim was rejected by the Court and Polven.Re was also ordered to repay the litigation expenses.
Polven.Re also presented to the Court of Appeal of L'Aquila a plea for suspension of the provisional enforceability of the first-level judgment, which was discussed on May 25th, 2017. The court ruled with a judgment accepting the plea.
Following the hearing for discussion of December 7th, 2017, the Court of Appeal handed down a judgment in which, accepting the defensive arguments formulated by Isagro, it rejected the section of the appeal with which Polven.Re had asked for the judgment of first instance to be overturned in the part related to the guarantee claim against Isagro.
The Court also offset the litigation expenses between

M.Business and Polven.Re, while it ordered the latter to pay the legal expenses to Isagro.
We must specify that the term for Polven.Re to lodge an appeal to the Court of Cassation against the judgment of the Court of Appeal has expired and the judgment has therefore become final.

Dispute with Gowan Company LLC on the basis of the distribution contract of October 18th, 2013

In January 2018 Gowan Company LLC (a related party) asked Isagro S.p.A. to grant it on the basis of the distribution contract signed on October 18th, 2013 – following the reduction in the prices of Tetraconazole-based products consequent to entry into the USA of competing products supplied by a Chinese generic company – a "discount" on the price of Domark 230 (a fungicide based on Tetraconazole 230 g/l) already purchased and paid for by Gowan (and by its customers) between the years 2014 and 2017. Isagro promptly replied that the request was groundless, *de facto* and *de jure*. The value of the request made by Gowan Company LLC amounted to approximately USD 1.9 million.
On April 23rd, 2018, Gowan filed an application for arbitration in the State of New York (at the headquarters of the International Court of Arbitration – notified on April 30th, 2018 to the company Isagro USA as counterparty of the distribution contract in question) to obtain an arbitration award for recognition of a Net Margin of 30% on the price paid also retroactively and payment by Isagro USA of the so-called "discount" on the stock of Domark 230 present in the Gowan warehouses and in those of its customers already purchased and paid.
Isagro USA, after trying to reach a settlement agreement even though it considered Gowan's request groundless, on June 29th, 2018 filed at the New York Arbitration Chamber its defensive arguments, appointing on this occasion its arbitrator.
Subsequently, Gowan filed (i) a request for calling Isagro S.p.A. into the case as guarantor of Isagro USA and (ii) a document replying to Isagro USA's defensive arguments. Isagro USA already on August 20th, 2018, registered its opposition to calling Isagro S.p.A. into the case. Isagro USA then, within the deadline granted it of September 5th 2018, filed further defensive arguments in support of its position, to which Gowan replied again. The Parties also exchanged correspondence on the request/allegations related to the taking of evidence and, on February 28th, 2019, filed the statements of the witnesses respectively indicated by them. Each party has until March 15th, 2019 for replies. Finally, Gowan filed a further brief in reply to Isagro USA's defensive arguments, changing its monetary request from approximately USD 1.9 million to approximately USD 2.5 million.
The first hearing for discussion was set for April 8th-10th, 2019 during which the witnesses identified by the parties in the case will also be heard.
In light of what has been communicated by Isagro's outside lawyers, the directors, in agreement with their opinion, believe that the risk of losing the case is remote.

Appeal presented by Polven.Re v. Municipality of L'Aquila, ARTA Abruzzo, Province of L'Aquila, Abruzzo Region and Isagro S.p.A. to the Regional Appeals Court (RAC) of L'Aquila for annulment of an executive resolution of the Municipality of L'Aquila

On March 22nd, 2018 the company Polven.Re S.r.l. notified an appeal for annulment, after adoption of suitable precautionary measures, of an executive resolution of the Municipality of L'Aquila communicated by certified e-mail on January 22nd, 2018, on the subject of the "*Contaminated site procedure pursuant to Title V – Part IV of Italian Legislative Decree no. 152/2006 as amended – former Agri-Formula facility, Locality Caselle di Bazzano, Municipality of L'Aquila. Acknowledgment of approval of the site-specific risk analysis and conclusion of the proceedings*", in the part where it orders that, over time, the integrity of the flooring in the factory must be guaranteed by Polven.Re, because, in certain areas, the "indoor dust control" process has not been activated. The appellant also requested compensation for damages suffered by the same for an alleged generic "decrease in value" of the area.
Isagro joined the proceedings on the merits on March 30th,

2018 and in the precautionary judgment on May 4th, 2018, asserting the correctness of the administrative proceedings followed and the groundlessness of Polven.Re's appeal, it requested rejection of the appeal and of the related precautionary plea.
During the precautionary hearing of May 9th, 2018, the RAC, with an ordinance, decided to accept Polven.Re's precautionary plea, fixing the hearing for discussion of the merits of the appeal on May 8th, 2019.
However, this acceptance was not full. While, in fact, the appellant requested a propulsive ordinance that would have instructed the Public Administration to make further inquiries, the RAC – recognizing shortcomings in the inquiries – opted for the suspension of the prescription appealed. This suspension, ultimately, does not determine damage for Isagro which is not called upon to perform any further activity, but only requires the Public Administration to give better grounds for the executive resolution appealed.
Following the aforesaid precautionary ordinance, the Municipality of L'Aquila convened, for July 5th, 2018, a service conference with the aim of ascertaining what inquiry formalities the public administration has a duty to perform. After an in-depth discussion, in the presence also of Isagro and Polven.Re, the works of the service conference were adjourned to July 18th, 2018. On that date the concluding session of the service conference convened on July 5th, 2018 was held, in compliance with Precautionary Ordinance no. 130/2018, and it was observed by the Municipality and the competent Authorities in attendance that all inquiry activities had already been correctly performed during the proceedings and that, therefore, no further investigations were necessary. Therefore, with Executive Resolution of the Municipality of L'Aquila no. 3518 of October 22nd, 2018, it was resolved "*to confirm, in all its parts, Executive Resolution no. 78/2018*" appealed by Polven.Re with the main appeal. Polven.Re, however, appealed also this latter resolution with an appeal for additional reasons notified on November 28th, 2018. The appeal also included a precautionary plea against the measure appealed requesting, substantially, the RAC to grant the precautionary measures considered most suitable to order the Municipality to reconsider the prescription appealed. The precautionary hearing was held on December 19th, 2018. Following this hearing the RAC, with Ordinance 270/2018 of December 28th, 2018 substantially rejected Polven.Re's precautionary application adjourning, for decision on the appeal, to the hearing on the merits set for May 8th, 2019.

Dispute on the subject of I.P. launched by Syngenta Brazil against Isagro Brasil
On February 19th, 2018 Syngenta Brazil reported to Isagro Brasil a summons for alleged breach of patents related to the process of synthesis of Syngenta in Brazil granted respectively on 08/11/2015 (application filed in 2006) and on 02/14/2017 (application filed in 2007) of the active ingredient Azoxystrobin. To bring the case, Syngenta analyzed two batches of Domark Excell and Galileo Excell product sold by Isagro and containing Azoxystrobin, purchased by Isagro from Syngenta on the basis of a supply agreement existing at the moment of purchase. In light of the above, Isagro immediately considered that Syngenta's requests (among which generic compensation never quantified) were groundless. Additionally, Syngenta had already, at the same time as the start of the proceedings on the merit against Isagro, began two urgent proceedings, *inaudita altera parte* at the Court of the State of São Paulo. These urgent proceedings had both been rejected by the competent court, as it did not find either *fumus bonis juris* or *periculum in mora*. After Isagro joined the case, filing its defensive plea on April 16th, 2018 and after the exchange of further defensive pleas, the parties began to discuss a possible commercial agreement for the supply, by Syngenta to Isagro, of technical Azoxystrobin with the related regulatory support. In order to facilitate the commercial negotiations closing the dispute in question, the parties suspended the case several times starting from the middle of October 2018 up to March 15th, 2019. On December 6th, 2018 Isagro S.p.A. and Syngenta Crop Protection A.G. signed a Binding Term-Sheet containing the main terms and conditions of the supply contract and access to the data on technical Azoxystrobin for certain countries, on the basis of which the parties also undertook to sign this definitive agreement by February 28th, 2019 and, consequently, to renounce the case pending at the Court of the State of São Paulo. After defining the final text of the supply and data support contract on March 11th, 2019, the parties will exchange the signed final agreement within the suspension terms of March 15th and by that date will jointly request cancellation of the lawsuit, unless a short extension is agreed between the parties.

<u>Labor-related disputes</u>
With regard to the parent Isagro S.p.A., the following should be noted:
- an employee of the Bussi sul Tirino (PE) facility lodged an urgent appeal, against Isagro S.p.A., to challenge dismissal for attacking another worker. This employee, on claiming against the measure that had declared the dismissal legitimate, was reinstated provisionally and urgently.
  Isagro then filed suit to have the dismissal declared legitimate in order to protect the safety of the other employees and to prevent action brought by the employee for damages, already rejected on a temporary and urgent basis. The value of the proceeding is about € 50,000. The Court had set the first hearing for February 27th, 2014. During the aforesaid hearing, the Judge heard the first witnesses and then postponed the case to the hearing on May 29th, 2014 to complete the investigation phase. By reason of the attempted agreement between the parties, the Court first postponed the case to the hearing on July 3rd, 2014, and then to October 2014 in order to complete the investigation phase. The case had undergone a series of further adjournments, so as to allow the parties to come to a cordial agreement, until February 10th, 2015. During this hearing, the Judge most recently assigned had returned the documentation to the Presiding Judge of the Court for a new reassignment of the case

since, having already handled the case previously, the Judge had declared his desire to recuse himself from the case. The Presiding Judge had rejected the claim submitted for reassignment and the case had therefore again been assigned to the previously appointed judge who, at the hearing of April 14th, 2015, had adjourned the case to October 16th, 2015. In the meantime, as the previously appointed Judge had terminated his office due to retirement, the Presiding Judge had appointed a new Judge who, at the hearing on October 16th, 2015, had confirmed the witness testimony previously admitted by the prior judge and had adjourned the case to December 11th, 2015. During the hearing, several witnesses had been heard and the Judge had once again adjourned the case to February 19th, 2016 to continue hearing witness testimony. Also during this hearing, a further two witnesses were heard and the Judge adjourned the case to June 17th, 2016 for the final discussion and ruling.

At the end of the hearing of June 17th, 2016, the judge pronounced the ruling, declaring fully legitimate the dismissal for just cause and repealing the preliminary orders issued previously. The above judgment was appealed late by the worker to the Court of Appeal of L'Aquila – as noted by the Judges who, among other things, rejected the plea for precautionary suspension of the effects of the first-level judgment – and a hearing was set for discussion on February 15th, 2018, during which the Judges declared that the appeal was too late and consequently rejected it, confirming the legitimacy of the dismissal as per Judgment no. 68 of February 15th, 2018, against which no appeal has been presented to the Court of Cassation.

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

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

After closure with a negative outcome of the out-of-court proceeding for the conciliation attempt, the worker appealed the judgment to the Court of Pescara. During the inquiry stage, on the basis of the worker's probable forfeiture in the appeal against the judgment related to the first dismissal, the Court ordered the suspension of the case until the decision on the appeal by the Court of Appeal of L'Aquila.

In the meantime, the criminal case against the worker was also decided, with a judgment of acquittal for not having committed a crime.

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

Tax disputes

Isagro S.p.A.

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

- on December 22nd, 2006, the Italian Revenues Agency, subsequent to a general tax audit for 2003, served the Company with an assessment notice for IRPEG (corporation tax), IRAP and VAT violations, demanding an additional tax payment of € 83,251 plus penalties and interest. Against this measure the parent Isagro S.p.A. lodged an appeal which, through several levels of judgment, reached the Supreme Court of Cassation. On November 29th, 2017 the Supreme Court of Cassation filed judgment no. 28578/17 on the appeal lodged by the company against the Italian Revenues Agency accepting it partially, annulling the judgment appealed and referring back to the Lombardy Regional Tax Commission differently made up the examination of the breaches not defined.

In particular, the Court accepted some of the objections raised by the Italian Revenues Agency with consequent definition of higher taxes payable by the company of € 68,947. For the allegations referred back to the judgment of the Lombardy Regional Tax Commission, for which the Italian Revenues Agency would require payment of taxes of € 14,304, we can note that the commission met to discuss the case, following the appeal for resumption proposed by the Company on May 7th, 2018, and dealt with the counter-arguments on February 11th, 2019.

Although the result of the discussion is not yet available, the Company, taking account of the reasons expressed by the Court of Cassation, does not believe that, as of today, there is any evidence that there may be the risk of losing the case.

- Based on the Formal Notice of Assessment of July 31st, 2017 regarding tax years 2012, 2013 and 2014, the Italian Revenues Agency served to the Company, on November 28th, 2017, two assessment notices (for IRES and IRAP purposes) for the tax year 2012, newly subjecting the year to taxation as regards transfer pricing for a total of € 3.4 million. Furthermore, for tax years 2013 and 2014 (not subject to assessment notice), the Formal Notice of Assessment raised objections for an additional € 4.4 million, with a total of € 7.8 million newly taxable. Subsequent to the tax settlement proposal presented to the Company on January 19th, 2018, on February 5th, 2018, the parties began an adversarial procedure. We must specify that the Office of the Italian Revenues Agency, in the context of the assessment with acceptance proceeding launched for the year 2012, accepted the Company's proposal to settle also the claims related to financial years 2013 and 2014. On April 24th, 2018, concluding the assessment with acceptance process, the parties therefore redefined the amounts newly subject to taxation related to the years 2012, 2013 and 2014 for a total of € 2.6 million. This determined, for IRES purposes, the use of the retainable tax losses for an amount of € 2.4 million, the use of foreign tax credits for an amount of € 0.2 million and, for IRAP purposes, the payment (made on April 26th, 2018) of € 133 thousand for settlement of the years involved, of which € 108 thousand as tax, € 15 thousand as interest and € 10 thousand as sanctions. For the tax losses used following the settlement for IRES purposes, the corresponding deferred tax assets were not recognized in the Company's Financial Statements.

Isagro (Asia) Agrochemicals Pvt. Ltd

With reference to the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., it should be noted that there is an ongoing dispute with local taxation authorities regarding income taxes for the years 2007/2008, 2008/2009, 2009/2010, 2010/2011, 2012/2013 2013/2014 and 2015/2016, for a total of INR 43,326 thousand (equal to around € 543 thousand). The dispute filed by Indian tax authorities allegedly refers to the non-recognition for tax purposes of certain costs incurred by the company. The subsidiary appealed with the relevant authorities, and to date it does not believe that there are elements that could lead to an adverse outcome in litigation.

<u>Commitments and guarantees</u>

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

At December 31st, 2018 the Group also has the following long-term obligations outstanding:

- € 7,821 thousand for the contractual obligation related to the rental of motor vehicles and other third-party assets (€ 1,479 thousand) and lease expenses (€ 6,342 thousand). In particular, the future fees due are as follows:
  - € 1,539 thousand within one year;
  - € 3,378 thousand between one and five years;
  - € 2,904 thousand over five years.
- € 706 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 third-party guarantees for the Group's commitments amounted to € 8,748, of which € 7,586 thousand related to a surety in favor of Arysta issued on June 27th, 2018 following the signing of the commercial agreement for distribution of compounds based on the fungicide Fluindapyr in Brazil, already described in Note no. 24.

The guarantees received and issued in relation to loans are described in Note no. 16.

42. Related party disclosures

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

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

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

Income statement In thousands of Euro	2018	of which related parties Associates	Parents	Other related parties	Tot. related parties	Proportion % on the accounting item
Revenues	152,771	-	-	19,737	19,737	12.92%
Other operating revenues	3,922	-	23	547	570	14.53%
Raw materials and consumables used	83,663	-	-	614	614	0.73%
Costs for services	29,861	-	-	-	-	0.00%
Other operating costs	2,214	-	-	230	230	10.39%
Financial income	1,328	-	-	10	10	0.75%

Income statement In thousands of Euro	2017	of which related parties Associates	Parents	Other related parties	Tot. related parties	Proportion % on the accounting item
Revenues	149,580	-	-	20,632	20,632	13.79%
Other operating revenues	3,299	-	23	21	44	1.33%
Raw materials and consumables used	77,848	-	-	42	42	0.05%
Costs for services	28,014	-	-	7	7	0.02%
Other operating costs	3,091	-	-	20	20	0.65%

Balance sheet In thousands of Euro	At 12/31/2018	of which related parties Associates	Parents	Other related parties	Tot. related parties	Proportion % on the accounting item
Non-current receivables and other assets	4,262	-	-	2,832	2,832	66.45%
Trade receivables	39,823	-	-	5,022	5,022	12.61%
Other current assets and receivables	7,178	-	7	3	10	0.14%
Trade payables	32,696	-	-	231	231	0.71%

Balance sheet In thousands of Euro	At 12/31/2017	of which related parties Associates	Parents	Other related parties	Tot. related parties	Proportion % on the accounting item
Non-current receivables and other assets	5,553	-	-	3,754	3,754	67.60%
Trade receivables	44,502	-	-	3,769	3,769	8.47%
Other current assets and receivables	6,801	-	7	1	8	0.12%
Trade payables	30,998	-	-	20	20	0.06%

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

Relations with parents

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

Other operating revenues	2018	2017
Holdisa S.r.l.	14	14
Piemme S.r.l.	9	9
Total	**23**	**23**

Other current assets and receivables	Dec. 31st, 2018	Dec. 31st, 2017
Holdisa S.r.l.	4	4
Piemme S.r.l.	3	3
Total	**7**	**7**

Relations with other related parties

"Other related parties" refer exclusively to the Gowan Group, which became a related party following its entry, on October 18th, 2013, into the share capital of the former indirect parent BasJes Holding S.r.l. (now the direct parent with the name Holdisa S.r.l.) with a 49% stake in the said share capital. The (trade and other) receivables and revenues from the Gowan Group refer both to the sale of crop protection products to companies of Gowan Group both on the part of the parent Isagro S.p.A. and of the US subsidiary Isagro USA, Inc. and to the up-front payment made in 2016 against the granting, by the parent Isagro S.p.A., of the exclusive right, for fourteen years, to develop, register, formulate, produce and market in Europe mixtures based on Kiralaxyl, for all types of use except for fertilizing seeds; additional details relating to the aforesaid transactions are provided in Note no. 25, to which you are referred.

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

Revenues	2018	2017
Gowan Group	19,737	20,632
Total	**19,737**	**20,632**

Other operating revenues	2018	2017
Gowan Group	547	21
Total	**547**	**21**

Raw materials and consumables used	2018	2017
Gowan Group	614	42
Total	**614**	**42**

Costs for services	2018	2017
Gowan Group	-	7
Total	**-**	**7**

Other operating costs	2018	2017
Gowan Group	230	20
Total	**230**	**20**

Financial income	2018	2017
Gowan Group	10	-
Total	**10**	**-**

Non-current receivables and other assets	Dec. 31, 2018	Dec. 31, 2017
Gowan Group	2,832	3,754
Total	**2,832**	**3,754**

Trade receivables	Dec. 31, 2018	Dec. 31, 2017
Gowan Group	5,022	3,769
Total	**5,022**	**3,769**

Other assets and other receivables	Dec. 31, 2018	Dec. 31, 2017
Gowan Group	3	1
Total	**3**	**1**

Trade payables	Dec. 31, 2018	Dec. 31, 2017
Gowan Group	231	20
Total	**231**	**20**

Remuneration for Directors and Statutory Auditors

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

Party	Description of office		Remuneration		
	Position held	Term of the position	Emoluments for the position	Bonus, other incentives and fringe benefits	Other remuneration
Directors:					
Giorgio Basile	Chairman and C.E.O.	3 years	500,000	3,450	165,400
Maurizio Basile	Deputy Chairman	3 years	62,500	124	19,848
Riccardo Basile	Director	3 years	20,000	-	-
Roberto Bonetti	Director since April 24th, 2018	3 years	13,333	-	-
Christina Economou	Former director	in office until April 24th, 2018	6,667	-	-
Gianni Franco	Former director	in office until April 24th, 2018	6,667	-	-
Enrica Maria Ghia	Member of the Control, Risks and Sustainability Committee and the Nomination and Remuneration Committee since May 2nd, 2018	3 years	27,167	-	-
Silvia Lazzeretti	Director since April 24th, 2018	3 years	13,425	-	-
Marcella Elvira Antonietta Logli	Chairperson of the Control, Risks and Sustainability Committee since May 2nd, 2018	3 years	18,333	-	-
Giuseppe Persano Adorno	Member of the Control, Risks and Sustainability Committee and the Nomination and Remuneration Committee since May 2nd, 2018	3 years	18,123	-	-
Erwin Paul Walter Rauhe	Lead Independent Director since May 2nd, 2018	3 years	16,600	-	-
Adriana Silvia Sartor	Former Chairperson of the Nomination and Remuneration Committee	in office until April 24th, 2018	7,667	-	-
Stavros Sionis	Former Member of the Control and Risk Committee and the Nomination and Remuneration Committee, Former Lead Independent Director	in office until April 24th, 2018	9,000	-	-
Angelo Zaccari	Chairperson of the Nomination a nd Remuneration Committee since May 2nd, 2018	3 years	15,333	-	-
Margherita Zambon	Director since April 24th, 2018	3 years	13,333	-	-
Executives with strategic responsibilities:					
Davide Ceper	General Manager since March 14th, 2018		152,308	11,480	51,401
Family members of key management personnel (directors or managers):					
Alessandra Basile			-	-	30,000
Statutory Auditors:					
Filippo Maria Cova	Chairman	3 years	30,000	-	-
Giuseppe Bagnasco	Statutory Auditor	3 years	20,000	-	-
Claudia Costanza	Statutory Auditor	3 years	20,000	-	-

It should be noted that the term of office of the Board of Directors of the parent Isagro S.p.A, appointed on April 24th, 2018, will end on approval of the Financial Statements as at December 31st, 2020, while that of the Board of Statutory Auditors, appointed on April 28th, 2016, will end on approval of the Financial Statements as at December 31st, 2018.

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) changes in weather conditions.

Context

With reference to Phillips McDougall indications, the 2018 preliminary market data indicate a drop in the same of 0.4% in Euro terms compared to a 4% increase in USD terms compared to the previous financial year (with a figure of USD 56.5 billion in 2018 compared to US$ 54.2 million in 2017). In general terms, the EU market dropped by 1.3% (in Euro) owing also to unfavorable weather conditions, while North America, South America and Asia grew in terms of USD (the currency of reference for these markets) by between 3 and 6%.

Again, according to the indications of Phillips McDougall, in 2018, the crop protection market at the global level was characterized (i) by normalization of the high inventory levels recorded previously at distribution channels, (ii) by adverse weather conditions in some parts of the world (which affected negatively the demand for/consumption of agrochemicals), (iii) by an increase in the prices of many active ingredients and formulations produced in China owing to the limitation on productive activities in that country for environmental issues (which caused an increase in production costs) and (iv) by a recovery in the prices of agricultural commodities, after a downward trend that began in 2015.

In the above-mentioned context, the Group operated in order to control the above financial variables by implementing appropriate policies to minimize 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 classified as "held for trading". With regard to the hedging transactions carried out by the Group, it should also be noted that these refer exclusively to operational transactions and are not in any way speculative. With reference to this, we must specify that for the hedging transactions on exchange rates other than the Euro in being at December 31st, 2017 the Group applied the standard IAS 39, recognizing these transactions directly among the financial components of the Income Statement, while for those on turnover and related receivables of 2018 it began to apply the new standard IFRS 9, recognizing the effects directly in revenues. The effect of hedges in being at December 31st, 2017, and exchange rate changes related to receivables/payables in foreign currencies continue, instead, to be included among financial expenses of the current financial year.

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 foreign currencies, mainly US Dollars, Brazilian Reals and Indian Rupees (purchase side). 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.

We can note that starting from January 1st, 2018, following adoption of the new accounting standard IFRS 9 as reported above, Isagro S.p.A. changed partially its financial risk management model in relation to changes in exchange rates and changes in the price of the raw material "copper", creating a new hedge accounting model on the basis of the provisions of the new standard IFRS 9, and providing therefore for the possibility of originating or not originating hedging relationships.

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 above all on the US markets and reporting currency of the subsidiary Isagro USA, Inc.. Although to a lesser extent, the Indian rupee, the Colombian Peso and the Brazilian Real account currencies of Isagro (Asia) Agrochemicals Pvt. Ltd., of Isagro Colombia S.A.S. and of Isagro Brasil Ltda. 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 finalized. With reference to the parent Isagro S.p.A., sales in US Dollars totaled approximately 32 million in the year ended December 31st, 2018 versus purchases in US dollars amounting to approximately 10 million, thus with a balance of approximately USD 22 million.

In order to reduce the risk tied in particular to the fluctuations of the US Dollar, the parent Isagro S.p.A. carries out natural hedging transactions represented, for example, by loans granted by banks in US Dollars against the transfer of invoices denominated in this currency to said banks) and/or hedging transactions using swap instruments.

Isagro enters into forward and non-deliverable forward contracts to hedge the exchange rate risk of the American dollar and the Brazilian real. In particular, the parent

Isagro S.p.A. hedges the net exposure in foreign currency correlated with the expected level of sales (of products and services) budgeted. The establishment of this hedging relationship results in cash flow hedging transactions.
The accounting rules of these transactions provide for the derivatives being measured at fair value and recognized among "Other comprehensive income" adding therefore to a shareholders' equity reserve (at December 31st, 2018, the effect was negative for approximately € 201 thousand), allocating them to the Income Statement in keeping with the hedged item, and therefore in part adjusting the revenues earned and in part adjusting gains/losses on exchange rates connected to collection of the receivable. The hedges will remain active until the receivable being hedged is transformed into the accounting currency. Because the underlying hedge is of a commercial nature, the fair value of such hedges is not included in the Group's Net Financial Position.
At December 31st, 2018, the parent Isagro S.p.A had existing currency swap transactions in US dollars of 15 million and in Brazilian reals of approximately 18 million, against analogous net receivable positions in the these currencies.
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 characterized by a Net financial position as at December 31st, 2018 of € 45.1 million.
The parent Isagro S.p.A. had a net financial position (NFP) of € 55.4 million at December 31st, 2018, of which € 36.6 million medium/long-term, compared to an NFP and medium/long-term debt as at December 31st, 2017 of € 54.7 million and € 45.3 million, respectively.
Therefore, in the twelve months of 2018 the parent Isagro S.p.A.:
- generated a negative cash flow of € 0.7 million, deriving for approximately € 0.6 million from the increase in net working capital and for approximately € 0.1 million from the negative operating cash flow. With particular reference to the aforementioned operating cash absorption, it is tied to the continuation of the investment programmes for new registrations of the existing active ingredients and for the development of new products/molecules as well as for the increase of the working capital;
- obtained new medium\long-term loans of € 22.2 million, against repayments in the year of € 26.4 million, extending the average duration of the debt at low cost.

Most of the financial debts of the parent Isagro S.p.A. in being at December 31st, 2018, of approximately € 75.0 million, are remunerated on the basis of a fixed component of spread, of a variable amount according to the nature of the various lines, and a variable component represented generally by 3-month EURIBOR (-0.31 at December 31st, 2018), with the exception of € 21.1 million which is remunerated at fixed rate.
It is estimated that for each increase of 10 basis points in the cost of debt Isagro would have an incremental negative impact on the 2018 income statement of approximately € 83 thousand, to be considered immaterial.
Should the expediency of hedging the interest rate risk be seen with reference to the variable component of these loans, Isagro would use interest swap rate contracts.
These contracts would be set up with a notional value which partly or fully covers the financial indebtedness exposed to interest rate fluctuations, with maturity dates identical to those of the underlying financial liabilities, so that each movement in the fair value and/or in the expected cash flows of such contracts is offset by a corresponding movement in the fair value and/or cash flow expected in the underlying position. These hedges would also be carried out with a perspective of correspondence with the repayment schedule of each loan (hedge accounting). As of December 31st, 2018, there were three floating-rate medium/long-term loan contracts with which specific "interest rate swaps" are associated, as well as four contracts entered into directly at fixed rate.
Furthermore, as already reported above, with a view to optimizing the cost of debt at group level and seeking greater alignment between the timing of the investments made and that of the sources of finance supporting these investments, during 2018, the parent Isagro S.p.A. obtained new medium/long-term finance for a total of € 22.2 million – the portion of which due beyond the twelve months after December 31st, 2018 amounted to € 3.9 million – in the form of six medium/long-term loans:
- loan for € 5.0 million, granted in February by Banca Monte dei Paschi di Siena;
- loan for € 6.0 million, granted in June by Banca Crédit Agricole Cariparma;
- loan for € 5.0 million, granted in June by Banco BPM;
- loan for € 2.0 million, granted in July by Banca di Credito Cooperativo di Caravaggio Adda e Cremasco;
- loan for € 4.0 million, granted in December by ICCREA BancaImpresa;
- low interest rate loan of € 0.2 million (first tranche out of maximum total of € 0.6 million) in the context of the ten-

der “Research and development projects in the technological identified by the Horizon 2020 Community Framework Program”, disbursed in December by the Fund for Sustainable Growth of the MED (Ministry for Economic Development) through Banca del Mezzogiorno. In particular, this loan was granted for the creation of the research and development project entitled “Defending agricultural production against abiotic stresses – drought, salinity, heat, cold – using products of natural origin”.

c) Change in raw material prices

This risk is essentially limited to fluctuations in the price of the commodity copper, fundamental raw material in the production of fungicides based on this metal. The derivative used is the “commodity swap”.

Isagro, in order to manage this risk, puts in place hedges of the needs for copper on the basis of the following procedure:

- fixing of sales prices with customers, typically 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 terms set for purchase on the market and production;
- forward hedging of the quantities required for processing the sales order.

Following the introduction of IFRS 9, at the level of accounting presentation, the hedges put in place before the end of the period are recognized, adjusting the purchases, and proportionally distributed between cost of sold products and final inventories. With reference to continuing operations, the fair value will lead to a recognition among “Other comprehensive income”, adding therefore to a shareholders’ equity reserve (at December 31st, 2018 the effect was negative for approximately € 60 thousand Euro). Because the underlying hedge is of a commercial nature, the fair value of such hedges is not included in the Group’s Net Financial Position.

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.

At December 31st, 2018, the parent Isagro S.p.A. has in effect forward purchase transactions for 384 tonnes of copper, of which 198 tonnes maturing within the first quarter of 2019 and 186 tonnes maturing in the remaining part of the year.

d) Liquidity risk management

The Group’s liquidity is based on a diversification of the sources of bank financing and on a structural mix of the credit lines: “commercial or self-liquidating”, medium/long-term loans and finally factoring lines and this in order to be able to use these lines according to the type of needs.

Please note that the Group’s debt is concentrated in the parent Isagro S.p.A. and is divided up between a large number of banks with the aim of minimizing counterparty risk.

From an operating perspective, the Group manages the liquidity risk by planning on an annual basis, with a monthly and daily 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 summarizes the parent Isagro S.p.A.’s final cash flows and prospects at year end, again monthly. An analogous reporting instrument has been applied also to the subsidiaries Isagro (Asia) Agrochemicals Pvt. Ltd., Isagro Brasil Ltda, Isagro Colombia S.A.S., Isagro España S.L. and Isagro USA, Inc..

The following table summarizes the maturity profile of the Group’s liabilities based on the contractual payments not discounted:

12/31/2018	On demand	< 3 months	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities	1,629	16,489	23,887	38,853	256	**81,114**
Derivatives	-	42	18	115	-	**175**
Trade payables	2,295	9,829	19,161	-	1,411	**32,696**
Tax payables	-	-	1,132	-	-	**1,132**
Other liabilities and payables (*)	2,963	-	1,154	-	-	**4,117**
TOTAL	**6,887**	**26,360**	**45,352**	**38,968**	**1,667**	**119,234**

12/31/2017	On demand	< 3 months	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities	5,376	9,272	19,196	44,793	519	**79,156**
Derivatives	-	10	2	26	-	**38**
Trade payables	3,806	8,429	18,763	-	-	**30,998**
Tax payables	-	-	1,244	-	-	**1,244**
Other liabilities and payables (*)	3,200	13	800	-	-	**4,013**
TOTAL	**12,382**	**17,724**	**40,005**	**44,819**	**519**	**115,449**

(*) Excluding deferred income and guarantee deposits

At December 31st, 2018, the parent Isagro S.p.A. had over € 50 million in various types of unused bank credit facilities.

e) Capital management

The Group's goal is to guarantee a sound credit rating in order to access bank credit on favorable economic terms. It is the policy of the Group, therefore, to have ongoing contacts with all the financial institutions, in order to convey the information (always within the limits established for listed companies) necessary for them to better understand the type of business and the peculiar market situations existing.

f) Credit risk management

In order to limit certain customer/country risks, letter of credit, insurance coverage, factoring on a non-recourse basis or financial discounts for advance payments are used.
To present the risk of trade receivables in the Financial Statements as well as possible and according to what is provided for in the new accounting standard IFRS 9, in force since January 1st, 2018, Isagro determines the impairment of receivables on the basis of the principle of the expected credit loss. Unlike in the incurred losses model, provided for in the former IAS 39, it is no longer necessary for an event to occur before credit losses can be recognized; the new standard specifies, in fact, that impairment must be recognized considering the entire life of the receivable (12 months), using forward-looking logic.
On the basis of the above, the parent Isagro S.p.A. has determined a "provision matrix" that identifies the probabilities of default – determined with reference to the average losses of the three past years (default rate base) – to which is added the forward-looking factor, that is a risk percentage that takes into consideration the prospective probabilities of default.
This provision matrix is then applied to the aging of the receivables, constructed by maturity band and by geographical area (including also invoices to be issued).
In addition to the above, specific analyses are carried out to determine the impairment losses for the following types of receivable:

a) receivables in litigation and/or already completely written off;
b) positions with a specific risk profile;
c) other receivables;
d) receivables deriving from M/L Agreements (for this type of receivable, the risk factor is considered in the discounting rate applied to the various contracts and reviewed in the event of a change in the debtor's payment profile).

Isagro's policy provides for this provision matrix being updated every year, at the end of the financial year, always taking into consideration – as far as the default rate base is concerned – the average of the three previous years.
For the Company Isagro (Asia) Agrochemicals Pvt. Ltd., impairment of receivables is always recognized according to the new standard IFRS 9, through determination of a provision matrix calculated at the local level.
As regards the other Group companies, the policy states that the impairment percentages deriving from the provision matrix determined for the parent Isagro S.p.A. must be applied also to the receivables of the subsidiaries – with the exception of the Indian subsidiary – taking as a reference the rates corresponding to the geographical areas they belong to.
The table below shows the maximum exposure of the Group to credit risk:

	Dec. 31st, 2018	Dec. 31st, 2017
Trade receivables	39,823	44,502
Other assets and receivables (excluding deferred income)	10,252	10,978
Tax receivables	2,384	3,516
Financial assets	16,547	314
Cash (excluding cash on hand)	17,906	31,675
	86,912	90,985
Guarantees granted to third parties	-	45
Total credit risk	**86,912**	**91,030**

g) Changes in weather conditions

The use of crop protection products is influenced by weather conditions: 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. In practice the Group operates in 80 countries, either directly (with its own sales networks) or indirectly, through local distributors, in order to minimize the impact of particular weather situations which characterize certain regions/continents. Nevertheless, drought or excess rain conditions extraordinarily affecting several continents/countries at the same time can strongly influence the Group's profitability. More specifically, given the composition of the Group's sales, the weather conditions in Europe (and in particular in Italy), the United States, Brazil and Asia play an important role.

44. Significant non-recurring events and transactions

No significant non-recurring transactions were carried out during 2018 and 2017.

45. Transactions resulting from atypical and/or unusual operations

Pursuant to CONSOB Communication dated July 28th, 2006, it is specified that, in 2018, 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 shareholders.

46. Events subsequent to December 31st, 2018

A) Liquidation of Isagro Poland

On January 11th, 2019 the subsidiary Isagro Poland Sp. z o.o. was placed in liquidation, to be definitively dissolved once the related local formalities have been completed.

B) Obtainment of new registrations

On February 25th, 2019 registration of the copper-based fungicides Airone Inox and Airone Scudo was obtained in Brazil. These, mixed with other systemic fungicides, are destined for the strategy of defending soybeans against “Asian Rust”.

47. Disclosure of independent auditing remuneration

In accordance with the provisions of art. 38, paragraph 1, letter o-*septies*) of Italian Legislative Decree 127/1991, the table below illustrates the remuneration for auditing and any other non-audit services provided by Deloitte & Touche S.p.A., and by their partner independent auditors, for the parent Isagro S.p.A. and its subsidiaries.

Type of service	Party providing the service	Recipient	Remuneration (in thousands of Euro)
Auditing services	i) Deloitte & Touche S.p.A.	Parent company	141
		Foreign subsidiaries	43
	ii) Deloitte & Touche Network	Foreign subsidiaries	80
Other services	i) Deloitte & Touche S.p.A.	Parent company	40
	ii) Deloitte & Touche Network	Foreign subsidiaries	11

48. Transparency of public disbursements under the terms of Art.1, paragraphs 125-129 of Italian Law no. 124/2017

In relation to State aid and/or “*de minimis*” aid received by the parent Isagro S.p.A., we refer you expressly to what is contained and published in the context of the National State Aid Register.

You are informed that, in financial year 2018, the parent Isagro S.p.A. benefited from the tax credit related to research and development expenses provided for in Art. 1, paragraph 35 of Italian Law no. 190 of December 23rd, 2014 (Stability Law for 2015) for an amount of € 500,431.

49. List of the international accounting standards approved by the European Commission as of the date of preparation of the Financial Statements

International Accounting Standards			Endorsement regulation
IFRS	1	First-time Adoption of International Financial Reporting Standards (IFRS)	707/2004-2236/2004-2237/2004-2238/2004-211/2005-1751/2005-1864/2005-1910/2005-108/2006-69/2009-1136/2009-662/2010-574/2010-149/2011-1255/2012-301/2013-1361/2014-182/2018
IFRS	2	Share-Based Payment	211/2005-1261/2008-243/2010-244/2010-28/2015-289/2018
IFRS	3	Business Combinations	2236/2004-495/2009-149/2011-1361/2014-28/2015
IFRS	4	Insurance Contracts	2236/2004-108/2006-1165/2009-1988/2017
IFRS	5	Non-current Assets Held for Sale and Discontinued Operations	2236/2004-70/2009-243/2010-2343/2015
IFRS	6	Exploration for and Evaluation of Mineral Resources	1910/2005-108/2006
IFRS	7	Financial Instruments: Disclosures	108/2006-1165/2009-574/2010-149/2011-1205/2011-1256/2012-2343/2015
IFRS	8	Operating Segments	1358/2007-632/2010-243/2010-28/2015
IFRS	9	Financial Instruments	2067/2016-2395/2017-498/2018
IFRS	10	Consolidated Financial Statements	1254/2012-313/2013-1174/2013-1703/2016
IFRS	11	Joint Arrangements	1254/2012-313/2013-2173/2015
IFRS	12	Disclosure of Interests in Other Entities	1254/2012-313/2013-1174/2013-1703/2016-182/2018
IFRS	13	Fair Value Measurement	1255/2012-1361/2014-28/2015
IFRS	15	Revenue from Contracts with Customers	1905/2016-1987/2017
IFRS	16	*Leases*	1986/2017

International Accounting Standards			Endorsement regulation
IAS	1	Presentation of Financial Statements	2236/2004-2238/2004-1910/2005-108/2006-1274/2008-53/2009-70/2009-243/2010-149/2011-475/2012-301/2013-2406/2015
IAS	2	Inventories	2238/2004
IAS	7	Statement of Cash Flows	1725/2003-2238/2004-243/2010-1990/2017
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	1725/2003-2236/2004-2238/2004-211/2005-1255/2012-1989/2017
IAS	14	Segment Reporting	1725/2003-2236/2004-2238/2004-108/2006
IAS	16	Tangible assets	2236/2004-2238/2004-211/2005-1910/2005-70/2009-301/2013-28/2015-2113/2015-2231/2015
IAS	17	Leases	2236/2004-2238/2004-108/2006-243/2010
IAS	18	Revenues	1725/2003-2236/2004
IAS	19	Employee Benefits	1725/2003-2236/2004-2238/2004-211/2005-1910/2005-70/2009-475/2012-29/2015-2343/2015
IAS	20	Accounting for Government Grants and Disclosure of Government Assistance	1725/2003-2238/2004-70/2009
IAS	21	The Effects of Changes in Foreign Exchange Rates	2238/2004-149/2011
IAS	23	Borrowing Costs	1725/2003-2238/2004-1260/2008-70/2009
IAS	24	Related Party Disclosures	2238/2004-1910/2005-632/2010-28/2015
IAS	26	Accounting and Reporting by Retirement Benefit Plans	1725/2003
IAS	27	Separate Financial Statements	2236/2004-2238/2004-69/2009-70/2009-494/2009-149/2011-1254/2012-1174/2013-2441/2015
IAS	28	Investments in Associates and Joint Ventures	2236/2004-2238/2004-70/2009-149/2011-1254/2012-1703/2016-182/2018-237/2019
IAS	29	Financial Reporting in Hyperinflationary Economies	1725/2003-2238/2004-70/2009
IAS	31	Interests In Joint Ventures	2236/2004-2238/2004-70/2009-149/2011-1254/2012
IAS	32	Financial Instruments: Presentation	2236/2004-2237/2004-2238/2004-211/2005-1864/2005-108/2006-53/2009-1293/2009-149/2011-1256/2012-301/2013
IAS	33	Earnings Per Share	2236/2004-2238/2004-211/2005-108/2006
IAS	34	Interim Financial Reporting	1725/2003-2236/2004-2238/2004-70/2009-149/2011-301/2013-2343/2015
IAS	36	Impairment of Assets	2236/2004-2238/2004-70/2009-243/2010-1374/2013
IAS	37	Provisions, Contingent Liabilities and Contingent Assets	1725/2003-2236/2004-2238/2004
IAS	38	Intangible Assets	2236/2004-2238/2004-211/2005-1910/2005-70/2009-243/2010-28/2015-2231/2015
IAS	39	Financial 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	2236/2004-2238/2004-70/2009-1361/2014-400/2018
IAS	41	Agriculture	1725/2003-2236/2004-2238/2004-70/2009-2113/2015

Interpretations			Endorsement regulation
IFRIC	1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2237/2004
IFRIC	2	Members' Shares in Co-operative Entities and Similar Instruments	1073/2005
IFRIC	4	Determining Whether an Arrangement Contains a Lease	1910/2005
IFRIC	5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1910/2005
IFRIC	6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	108/2006
IFRIC	7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	708/2006
IFRIC	8	Scope of IFRS 2	1329/2006
IFRIC	9	Reassessment of Embedded Derivatives	1329/2006-1171/2009-243/2010
IFRIC	10	Interim Financial Reporting and Impairment	610/2007
IFRIC	11	IFRS 2 - Group and Treasury Share Transactions	611/2007
IFRIC	12	Service Concession Arrangements	254/2009
IFRIC	13	Customer Loyalty Programmes	1262/2008-149/2011
IFRIC	14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008-633/2010-475/2012
IFRIC	15	Agreements for the Construction of Real Estate	636/2009
IFRIC	16	Hedges of a Net Investment in a Foreign Operation	460/2009-243/2010
IFRIC	17	Distribution of Non-Cash Assets to Owners	1142/2009
IFRIC	18	Transfers of Assets from Customers	1164/2009
IFRIC	19	Extinguishing Financial Liabilities with Equity Instruments	662/2010
IFRIC	20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012
IFRIC	21	Levies	634/2014
IFRIC	22	Foreign Currency Transactions and Advance Consideration	519/2018
IFRIC	23	Uncertainty over Income Tax Treatments	1595/2018
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 the Tax Status of an Enterprise or its Shareholders	1725/2003-2238/2004
SIC	27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1725/2003-2238/2004
SIC	29	Service Concession Arrangements: Disclosures	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

50. Isagro Group companies

Pursuant to CONSOB Resolution no. 11971 of May 14th, 1999, as amended (article 126 of the Regulation), the Isagro Group companies and equity-accounted investees are listed below.

The list includes all the companies operating:) in the crop protection products industry, broken down by consolidation method. The following are also shown – or each company: corporate name, business description, registered office, country of incorporation and share capital denominated in the original currency. Furthermore, the list also shows the Group’s consolidated share, as well as the ownership interest held by Isagro S.p.A. or any other subsidiaries. The percentage of voting rights in the various Ordinary Shareholders’ meetings coincides with the ownership interest.

Corporate name and business description	Registered offices	Country	Share capital	Currency	Consolidated % share of the Group	Investing companies	Investment %
Holding company							
Parent company							
Isagro S.p.A. (R&D, production, marketing of crop protection products)	Milan	Italy	24,961,207.65	EUR	-	-	-
Subsidiaries consolidated using the line-by-line method							
Isagro Agrosolutions Kenya Limited (Management of the registration of crop protection products and commercial development)	Nairobi	Kenya	1,000,000	KES	100%	Isagro S.p.A.	100%
Isagro Argentina Ltd. (Management of the registration of crop protection products and commercial development)	Buenos Aires	Argentina	5,321,262	ARS	100%	Isagro S.p.A. Isagro España S.L.	95% 5%
Isagro (Asia) Agrochemicals Pvt Ltd. (Development, production, marketing of crop protection products)	Mumbai	India	148,629,000	INR	100%	Isagro S.p.A.	100%
Isagro Australia Pty Ltd. (Management of the registration of crop protection products)	Sydney	Australia	435,000	AUD	100%	Isagro S.p.A.	100%
Isagro Brasil Ltda (Management of the registration of crop protection products and commercial development)	São Paulo	Brazil	1,307,210	BRL	100%	Isagro S.p.A. Isagro España S.L.	99% 1%
Isagro Chile Ltda (Management of the registration of crop protection products and commercial development)	Santiago	Chile	43,987,670	CLP	100%	Isagro S.p.A. Isagro España S.L.	90% 10%
Isagro Colombia S.A.S. (Distribution of crop protection products)	Cota	Colombia	2,000,000,100	COP	100%	Isagro S.p.A.	100%
Isagro España S.L. (Development and distribution of crop protection products)	Madrid	Spain	120,200	EUR	100%	Isagro S.p.A.	100%
Isagro Mexicana S.A. de C.V. (Management of the registration of crop protection products and commercial development)	Mexico City	Mexico	50,000	MXN	100%	Isagro S.p.A. Isagro U.S.A., Inc.	90% 10%
Isagro Poland Sp. z o.o. (Management of the registration of crop protection products and commercial development)	Warsaw	Poland	10,000	PLN	100%	Isagro S.p.A.	100%
Isagro Shanghai Co. Ltd. (Management of the registration of crop protection products and commercial development)	Shanghai	People's Republic of China	235,000	USD	100%	Isagro S.p.A.	100%
Isagro Singapore Pte Ltd. (Management of the registration of crop protection products and commercial development)	Singapore	Singapore	300,000	EUR	100%	Isagro S.p.A.	100%
Isagro South Africa Pty Ltd. (Management of the registration of crop protection products and commercial development)	La Lucia	Republic of South Africa	871,000	ZAR	100%	Isagro S.p.A.	100%
Isagro U.S.A., Inc. (Development, production, marketing of crop protection products)	Wilmington	United States	6,720,601	USD	100%	Isagro S.p.A.	100%
Isagro Vietnam Company Limited (Management of the registration of crop protection products and commercial development)	Ho Chi Minh City	Vietnam	1,113,750,000	VND	100%	Isagro Singapore Pte Ltd	100%
Associates accounted for using the equity method							
Arterra Bioscience S.r.l. (R&D biology & molecular genetics)	Naples	Italy	250,429	EUR	22%	Isagro S.p.A.	22%

for The Board of Directors

Giorgio Basile
(Chairman and Chief Executive Officer)

Milan, March 13th, 2019

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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 2018.
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, 2018:

   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 13, 2019

Chairman and Chief Executive Officer

(Giorgio Basile)

Manager in charge of preparing corporate financial reports

(Ruggero Gambini)

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