

Financial Statements

Sipcam Nichino Brasil S.A.

December 31, 2014
with Independent Auditor's Report

Sipcam Nichino Brasil S.A.

Financial statements

December 31, 2014

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(A free translation from Portuguese into English of Independent Auditor's Report on the Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB)

Independent auditor's report on financial statements

The
Shareholders, Board of Directors and Officers
Sipcam Nichino Brasil S.A.

We have audited the accompanying financial statements of Sipcam Nichino Brasil S.A. ("Company"), which comprise the balance sheet as at December 31, 2014 and the related statement of operations, of comprehensive income, statement of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Sipcam Nichino Brasil S.A. as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

São Paulo, March 20, 2015.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Fernando Próspero Neto
Accountant CRC-1SP189791/O-0

Uilian Dias Castro de Oliveira
Accountant CRC-1SP223185/O-3

Sipcam Nichino Brasil S.A.

Balance sheets
December 31, 2014
(In thousands of reais)

	Note	12/31/2014	12/31/2013
Assets			
Current assets			
Cash and cash equivalents	4	70,637	36,721
Short-term investments	4	1,419	2,416
Trade accounts receivable	5	185,658	161,740
Allowance for doubtful accounts	5	(7,936)	(5,068)
Inventories	6	80,504	54,039
Taxes recoverable	7	242	136
Derivative financial instruments	16	10,578	2,445
Other accounts receivable		1,620	1,107
Total current assets		342,722	253,536
Noncurrent assets			
Trade accounts receivable	5	4,445	3,066
Allowance for doubtful accounts	5	(49)	(37)
Taxes recoverable	7	47,245	44,072
Assets available for sale	8	4,052	4,013
Deferred income and social contribution taxes	9	38,926	34,011
Judicial deposits	14	943	935
		95,562	86,060
Investments		15	15
Property, plant and equipment	10	34,152	32,944
Intangible assets	11	21,933	20,383
Deferred	12	1,664	2,252
Total noncurrent assets		153,326	141,654
Total assets		496,048	395,190

	Note	12/31/2014	12/31/2013
Liabilities and equity			
Current liabilities			
Loans and financing	13	119,542	53,918
Debentures	13	63,919	8,417
Trade accounts payable - domestic		32,778	14,557
Trade accounts payable – domestic – related parties	22	-	492
Trade accounts payable – foreign – third parties		104,779	111,128
Trade accounts payable – foreign – related parties	22	64,496	22,748
Salaries and social charges		2,761	4,813
Taxes payable		1,117	1,332
Other obligations		2,900	2,135
Total current liabilities		392,292	219,540
Noncurrent liabilities			
Loans and financing	13	9,460	7,154
Debentures	13	-	62,097
Provision for contingencies	14	850	963
Total noncurrent liabilities		10,310	70,214
Equity			
Capital	15	145,124	145,124
Accumulated losses		(51,678)	(39,688)
Total equity		93,446	105,436
Total liabilities and equity		496,048	395,190

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of operations

Year ended December 31, 2014

(In thousands of reais, unless otherwise stated)

	Note	2014	2013
Net revenue	2.1	323,388	325,630
Cost of goods sold and services rendered	17	(266,492)	(258,742)
Gross profit		56,896	66,888
Operating expenses			
Selling expenses	18 a	(15,260)	(13,759)
General and administrative expenses	18 a	(13,267)	(13,817)
Other operating expenses, net	18 b	(2,583)	(3,059)
		(31,110)	(30,635)
Income before financial income and expenses and income and social contribution taxes		25,786	36,253
Financial expenses	19	(84,052)	(52,075)
Financial income	19	41,362	22,838
		(42,690)	(29,237)
Income (loss) before income and social contribution taxes		(16,904)	7,016
Income and social contribution taxes			
Current		-	(75)
Deferred		4,914	(1,185)
	9	4,914	(1,260)
(Loss) income for the year		(11,990)	5,756
Number of shares		1,601,955,558	1,601,955,558
(Loss) earnings per thousand shares – in reais		(7.48)	3.59

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of comprehensive income (loss)
Year ended December 31, 2014
(In thousands of reais)

	<u>2014</u>	<u>2013</u>
Net (loss) income for the year	(11,990)	5,756
Other comprehensive income (loss)	-	-
Comprehensive income (loss)	<u>(11,990)</u>	<u>5,756</u>

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statements of changes in equity
Year ended December 31, 2014
(In thousands of reais)

	Capital	Accumulated losses	Total
Balances at December 31, 2012	145,124	(45,444)	99,680
Income for the year	-	5,756	5,756
Balances at December 31, 2013	145,124	(39,688)	105,436
Loss for the year	-	(11,990)	(11,990)
Balances at December 31, 2014	145,124	(51,678)	93,446

See accompanying notes.

Sipcam Nichino Brasil S.A.

Cash flow statements
Year ended December 31, 2014
(In thousands of reais)

	2014	2013
Operating activities		
(Loss)/income before income and social contribution taxes	(16,904)	7,016
Expenses/(income) that do not affect cash and cash equivalents		
Depreciation and amortization	4,382	4,024
Decrease/(increase) in operating assets		
Trade accounts receivable	(22,417)	(19,108)
Inventories	(26,465)	(18,680)
Taxes recoverable	(3,279)	(4,584)
Assets available for sale	(39)	924
Derivative financial instruments	(8,133)	(2,445)
Other accounts receivable	(513)	534
Increase/(decrease) in operating liabilities		
Trade accounts payable - domestic	17,729	6,925
Trade accounts payable - foreign	35,399	19,744
Provision for losses with derivative financial instruments	-	(177)
Provision for legal proceedings and other obligations	643	(2,517)
Salaries and social charges	(2,052)	820
Taxes paid	(215)	92
Cash used in operating activities	(21,864)	(7,432)
Investing activities		
Acquisition of property, plant and equipment and intangible assets	(6,551)	(6,420)
Short-term investments	997	7,043
Cash (used in)/from investing activities	(5,554)	623
Financing activities		
Loans and financing taken out	135,641	123,021
Debentures raised	-	72,557
Debenture raising costs	-	(2,043)
Payment of debentures	(6,596)	-
Repayment of loans and financing	(67,711)	(170,332)
Cash from financing activities	61,334	23,203
Net increase in cash and cash equivalents	33,916	16,394
Cash and cash equivalents at beginning of year	36,721	20,327
Cash and cash equivalents at end of year	70,637	36,721
Net increase in cash and cash equivalents	33,916	16,394

See accompanying notes.

Sipcam Nichino Brasil S.A.

Notes to financial statements

December 31, 2014

(In thousands of reais, unless otherwise stated)

1. Operations

Sipcam Nichino Brasil S.A., hereinafter referred to as “Company” or “Sipcam-Nichino”, is mainly engaged in the production, formulation, repackaging, import, export, sale and distribution of agrochemicals, e.g. herbicides, insecticides, acaricides, fungicides, fertilizers, plant nutrition products and chemicals for agriculture in general.

2. Presentation of the financial statements and summary of significant accounting practices

The Company’s financial statements for the year ended December 31, 2014 and 2013 were prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements, guidance and interpretations issued by the Brazilian FASB (CPC), which are in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Company’s financial statements were prepared based on different valuation bases used to prepare accounting estimates. The accounting estimates involved in the preparation of the financial statements considered objective and subjective factors, based on management judgment to determine the appropriate value to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the selection of the useful life of property, plant and equipment items and their recoverability in operations; the valuation of financial assets at fair value; analysis of the credit risk to determine the allowance for doubtful accounts; as well as the analysis of other risks to determine other provisions, including the provision for contingencies.

The settlement of transactions involving these estimates may result in amounts materially different from those recorded in the financial statements due to the probabilistic treatment inherent in the estimation process.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

The Company reviews its estimates and assumptions at least on an annual basis. See Note 2.13 for further details on estimates.

The financial statements were prepared based on the historical cost, except when otherwise stated, as described in the summary of significant accounting practices. Historical cost is generally based on fair value of consideration paid in exchange for the assets.

2.1. Determination of profit and loss

Revenues and expenses are stated on the accrual basis of accounting. Sales revenues are presented net, i.e., less taxes and discounts thereon, which are presented as accounts deducted from revenue accounts, as follows:

	<u>2014</u>	<u>2013</u>
Gross revenue from products sold	332,885	329,449
Gross revenue from services rendered	15,175	12,855
Gross revenue	348,060	342,304
Taxes on sales and services and on sales returns	(24,672)	(16,674)
Net revenue	323,388	325,630

Revenue from sales is recognized in P&L when they can be reliably measured, all risks and rewards of ownership of the products are transferred to the buyer, the Company no longer holds control over or responsibility for the goods sold, and economic benefits are likely to flow to the Company. Revenue is not recognized if there is a significant uncertainty as to its realization. Interest income and expenses are recognized under the effective interest rate method under financial income/ expenses.

2.2. Foreign currency transactions

Foreign currency-denominated monetary assets and liabilities are translated into the functional currency (Real) at the exchange rate prevailing at the corresponding balance sheet dates. Gains and losses resulting from restatement of these assets and liabilities between the exchange rate prevailing at the date of the transaction and the reporting period closing dates are recognized as financial income or expenses under P&L.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.3. Cash and cash equivalents

Cash and cash equivalents are held to meet short-term cash commitments rather than for investment or any other purposes. The Company considers cash equivalents to be short-term investments that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when falling due in the short term, i.e. within three months or less as from the investment date.

2.4. Trade accounts receivable

These are stated at realization values. An allowance for doubtful accounts was set up at an amount considered sufficient by management to cover doubtful receivables.

2.5. Inventories

These are valued at average acquisition or production cost, not exceeding their market value. Provisions for slow-moving or obsolete inventories are set up when deemed necessary by management (Note 6).

2.6. Property, plant and equipment

These items are recorded at cost of acquisition. Depreciation is calculated by the straight-line method at the rates mentioned in Note 10, which consider the estimated economic useful lives of the assets.

A property and equipment item is derecognized when disposed of or when no future economic benefit is expected from its use or disposal. Any gain or loss resulting from asset write-off (calculated as the difference between net sales value and book value of the asset) is recognized in P&L for the year in which the asset is written off.

The net book value and useful lives of assets and depreciation methods are reviewed every year, and adjusted prospectively, where applicable.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of summary of significant accounting practices (Continued)

2.7. Intangible assets

Intangible assets acquired separately are initially recognized at cost of acquisition, with subsequent deduction of accumulated amortization and impairment, when applicable.

Intangible assets generated internally, net of capitalized amounts of product development expenses, are recognized in P&L in the year they arise. Intangible assets with a finite useful lives are amortized based on their estimated economic useful life, and are submitted to impairment testing whenever there is indication of loss in the recoverable amount.

2.8. Provision for impairment of non-financial assets

Management annually reviews the net book value of assets so as to assess events or changes in economic, operating or technological circumstances which may indicate deterioration or impairment. When such evidences are identified and the net book value exceeds the recoverable amount, a provision for impairment is set up, adjusting the net book value to the recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its net sales value.

In estimating the asset's value in use, estimated future cash flows are discounted to present value, using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash generating unit operates. The net sales value is determined, where possible, based on firm sales agreements in a transaction carried out on an arm's length basis among well-informed and willing parties, adjusted by expenses attributable to sale of the asset or, when there is no firm sales agreement, based on the market price in an active market or at the most recent transaction price with similar assets.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)
December 31, 2014
(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.9. Other assets and liabilities

An asset is recognized in the balance sheet when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured.

A liability is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, the settlement of which is likely to generate an outflow of economic benefits.

2.10. Taxation

Revenues from sale of goods and services are subject to the following taxes and contributions at the following statutory rates:

State Value Added Tax	ICMS	Between 4% and 18%
Federal Value Added Tax	IPI	0%
Social Contribution Tax on Gross Revenue for Social Security Financing	COFINS	0%
Contribution Tax on Gross Revenue for Social Integration Program	PIS	0%

Pursuant to Decree No. 3777, dated March 23, 2001, amended by Decree No. 6006, of December 28, 2006, the sale of agrochemicals is subject to IPI reduced to 0%.

The Company has been granted 60% reduction in the ICMS tax base, as established by Agreement No. 100/97 and amended and extended by Agreement No. 191/2013 up to May 31, 2015. Some of its goods in accordance with Brazil's federal Senate Resolution 13 dated 2013 are taxed at the rate of 4%.

PIS and COFINS rates were reduced to 0%, pursuant to Law No. 10925/2004, and ratified by Decree No. 5630/2005.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.10. Taxation (Continued)

Current income and social contribution taxes

Income taxes comprise income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a surtax of 10% on taxable profit exceeding R\$240 over 12 months, whereas social contribution tax is computed at a rate of 9% on taxable profit, both recognized on an accrual basis; therefore additions to book income of temporarily non-deductible expenses or exclusions of temporarily non-taxable income upon determination of current taxable profit generate deferred tax assets or liabilities. Prepayments of taxes or recoverable taxes are recorded under current and noncurrent assets in accordance with forecast of their realization.

Deferred income and social contribution taxes

Deferred taxes are generated by temporary differences and income and social contribution tax loss carryforwards at the balance sheet date between asset and liability tax bases and their recorded amounts.

Deferred tax assets are recognized for all unused deductible tax losses, credits, or differences to the extent that taxable profit is likely to be available so that deductible temporary differences may be realized, and unused tax credits and losses may be used.

The book value of deferred tax assets is reviewed at each balance sheet date and written off when it is no longer probable that taxable profit will be generated to allow for all or part of the deferred tax asset to be used. Deferred tax assets written off are reviewed at each balance sheet date, and are recognized to the extent that future taxable profits are likely to allow such tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate expected to be applied in the year when the asset is realized or the liability settled, at tax rates (and based on tax law) in effect at balance sheet date.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.10. Taxation (Continued)

Deferred income and social contribution taxes (Continued)

Deferred tax assets and liabilities are stated net whenever there is a legal or constructive right to offset the deferred tax asset against the deferred tax liability and whenever deferred taxes concern the same taxed entity and are subject to the same tax authority.

2.11. Other employee benefits

The benefits granted to the Company's employees and officers include, besides a fixed compensation (salaries and social security contributions (INSS), vacation pay and 13th monthly salary), variable compensation, such as profit sharing and bonus payments. Such benefits are posted to P&L, under "Selling Expenses and General and Administrative Expenses", as incurred.

2.12. Present value adjustment of assets and liabilities

For this year, the Company ceased to recognize adjusted present value ("APV") of its assets and liabilities, since such adjustment is not deemed material for the overall financial statements. Accordingly, some balances impacted by the APV at December 31, 2013 were reclassified for a better presentation.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.13. Significant accounting judgment, estimates and assumptions

Judgments

Preparation of the financial statements by the Company requires that management make professional judgments, estimates and adopt assumptions that affect the revenues, expenses, assets and liabilities presented, as well as the disclosure of contingent liabilities at the financial statements date. Uncertainties related to these assumptions and estimates may require a significant adjustment to the book value of the affected asset or liability in future periods.

Accounting estimates and assumptions

Key assumptions concerning sources of uncertainty in future estimates and other significant sources of uncertainty in estimates at the balance sheet date, involving material risk of a significant adjustment in the carrying value of assets and liabilities for the following financial year, are discussed below.

Impairment of non-financial assets

Impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. Estimated fair value less cost to sell is based on information available regarding sales transactions of similar assets or market prices less additional costs for the disposal of the asset, whichever is higher.

Management annually tests the net book value of the assets with a view to determining whether there are any events or changes in economic, operating, or technological circumstances that may indicate deterioration or impairment loss.

Whenever such indications are identified and the book value exceeds the recoverable amount, a provision for impairment is set up, adjusting the net book value to the recoverable amount.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.13. Significant accounting judgment, estimates and assumptions (Continued)

Accounting estimates and assumptions (Continued)

Taxes

There are uncertainties related to the interpretation of complex tax regulations and to the amount and time of future taxable income. Given the broad aspect of international business relationships, as well as long-term nature and complexity of existing contractual arrangements, differences between actual results and assumptions adopted, or future changes to such assumptions could require future adjustments to the previously recorded revenue and expenses from taxes. The Company set up provisions based on reasonable estimates for possible consequences of audits by tax authorities of the jurisdictions in which it operates. The provision amounts are based on various factors, such as experience with prior audits and diverging interpretations of tax legislation by the taxpayer and the related tax authority. Such diverging interpretations could arise from a wide range of issues, depending on the conditions prevailing in the jurisdiction where the Company operates.

Significant judgment by management is required to determine the amount of recognizable deferred tax assets based on the probable term and level of future taxable profits, along with future tax planning strategies.

The Company recognizes a provision for civil and labor lawsuits. Assessment of the likelihood of loss includes an evaluation of available evidence, hierarchy of laws, available case laws, most recent court rulings and their relevance in the legal system, as well as the outside legal advisor's opinion. Provisions are reviewed and adjusted considering changes in circumstances, such as applicable statute of limitations, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.13. Significant accounting judgment, estimates and assumptions (Continued)

Taxes (Continued)

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

2.14. Cash flow statements

Cash flow statements were prepared under the indirect method and are presented in accordance with Accounting Pronouncement CPC 03 (R2) – Statement of Cash Flows, issued by the Brazilian FASB (CPC).

2.15. Financial instruments

a) Initial recognition and measurement

The Company's financial instruments are represented by cash and cash equivalents, trade accounts receivable, trade accounts payable, derivative financial instruments, loans and financing.

Financial instruments are initially recognized at their fair value plus costs directly attributable to their acquisition or issue, except for financial instruments at fair value through profit or loss, for which costs are recorded in P&L for the period.

The major financial assets recognized by the Company are cash and cash equivalents, trade accounts receivable and derivative financial instruments.

The major financial liabilities recognized by the Company are trade accounts payable, loans and financing and derivative financial instruments.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)
December 31, 2014
(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.15. Financial instruments (Continued)

b) Subsequent measurement

Measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss: These include financial liabilities for trading and financial liabilities initially stated at fair value through profit or loss.

Financial liabilities are classified as held for trading when acquired with the objective of sale in the short term. This category includes derivative financial instruments acquired by the Company which do not meet the criteria for hedge as defined by CPC 38 (IAS 39). Derivatives, including embedded derivatives not related to the main agreement and which must be separate, are also classified as held for trading, unless these are deemed as effective hedge instruments.

Gains and losses on liabilities held for trading are recognized in the statement of income/operations.

Loans and financing: These are recognized on an accrual basis and interest is calculated according to the contractual rate, with no significant difference in relation to the effective rate.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)
December 31, 2014
(In thousands of reais, unless otherwise stated)

3. New or revised pronouncements applied for the first time in 2014

<u>Amended pronouncement</u>	<u>Application</u>
CPC 36 (R3), CPC 45 and CPC 35 (R2)	Investment entities
CPC 39	Offsetting financial assets
CPC 38	Novation of derivatives and continuation of hedge accounting
ICPC 19	Levies

The Company management has assessed the accounting standards and pronouncements issued and/or amended as from January 1, 2014, as listed above, but has not identified impacts of such amendments, since these pronouncements are not applicable to the Company.

3.1 Pronouncements issued, but not yet effective at December 31, 2014

Standards and interpretations issued, but not yet adopted until the date the financial statements were issued, which are applicable to the Company, are described below:

IFRS 9 - Financial Instruments: introduces new requirements for classification, measurement and derecognition of financial assets and liabilities (effective for annual periods beginning on or after January 1, 2018). The Company does not expect significant impacts from the adoption of this pronouncement.

IFRS 15 - Revenue from Contracts with Customers: introduces new requirements for recognition of revenue from goods and services (effective for annual periods beginning on or after January 1, 2017). The Company is currently assessing the impact of IFRS 15 and is planning to review its policies, considering this standard effective date.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

5. Trade accounts receivable

	<u>2014</u>	<u>2013</u>
Trade notes receivable		
Third parties	190,103	164,665
Related parties (Note 22)	-	141
	190,103	164,806
Current	185,658	161,740
Noncurrent	4,445	3,066

At December 31, 2014, trade notes receivable were also offered as guarantee for loans and financing, and debentures, in the amount of R\$95,280 (R\$61,137 at December 31, 2013).

At December 31, 2013, the Company had rural credit transactions amounting to R\$9,110, for which it took the responsibility of settling the notes if the original debtors failed to pay such notes upon their maturity (Note 13). In 2014, the Company had no transactions of this nature.

Allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows:

	<u>2013</u>	<u>Additions</u>	<u>2014</u>
Allowance for doubtful accounts	5,105	2,880	7,985
Less current portion	(5,068)	(2,868)	(7,936)
Noncurrent assets	37	12	49

The management sets up allowance for doubtful accounts at an amount considered sufficient to cover possible accounts receivable realization risks, considering historical losses and collateral for amounts overdue.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

6. Inventories

	2014	2013
Finished goods	36,589	11,641
Raw material, packaging materials and supporting materials	7,791	13,294
Import in transit	36,124	29,104
	80,504	54,039

The Company records provisions for 100% of inventories without changes for more than 360 days, in addition to the analysis of individual inventory items.

Changes in provisions are presented below:

	2013	Additions	Reversals	2014
Provision for realization	-	315	(255)	60
Provision for obsolescence	945	63	(103)	905
	945	378	(358)	965

7. Taxes recoverable

	2014	2013
ICMS	17,383	13,943
IPI	10,051	7,850
PIS / COFINS	16,193	12,711
Income and social contribution taxes (IR / CSLL)	2,761	8,605
Social Security Funding Tax (FINSOCIAL)	1,099	1,099
	47,487	44,208
Current	(242)	(136)
Noncurrent	47,245	44,072

The Company will realize ICMS balances in its transactions, and other credits will be realized through generation of taxable income and claims for tax refunds.

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Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

8. Assets available for sale

The group of assets available for sale are measured based on the lowest amount between the book and fair value.

The amount of R\$4,052 refers to property received as debt payments from customers, which are under negotiation. This amount of R\$4,052 is recorded net of a provision of R\$987, which was set up based on the expectation of loss when the referred to asset is disposed of.

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Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

9. Income and social contribution taxes – current and deferred

Deferred income and social contribution taxes were set up at the effective rates as under:

	2014	2013
Deferred income tax assets on:		
Temporarily non-deductible provisions	1,099	3,609
Income and social contribution tax losses	35,335	29,211
Deferred social contribution tax assets on:		
Temporarily non-deductible provisions	396	1,299
Income and social contribution tax losses	12,035	9,831
	48,865	43,950
Less provision for non-realization	(9,939)	(9,939)
Noncurrent assets	38,926	34,011

The major provisions are shown below:

	2014	2013
Allowance for doubtful accounts	7,985	5,105
Provision for discount from customers	1,482	271
Audit and advisory services	371	208
Sales commissions	1,020	946
Incineration	612	377
Legal proceedings	850	403
Inventory losses	964	945
Provision for ICMS	-	2,560
Profit sharing/bonus payments	195	2,301
Unrealized derivative gains	(10,578)	-
Other	1,495	1,320
	4,396	14,436
Current rate 25% for income tax	1,099	3,609
Current rate 9% for social contribution tax	396	1,299
	1,495	4,908

Based on future taxable profit generation, determined in a technical study approved by the Board of Directors, the Company recognized tax credits on temporary differences and tax losses. The book value and the realization of tax credits are annually revised by the Company.

Based on this technical study of future taxable income generation, the Company expects to recover these tax credits in the next 10 years.

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Notes to financial statements (Continued)

December 31, 2014

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9. Income and social contribution taxes – current and deferred (Continued)

The estimated recoverability of tax credits was based on taxable profit forecasts, taking into consideration several financial and business assumptions at the year ended December 31, 2014. Consequently, these estimates may not materialize in the future considering the uncertainties inherent in such forecasts.

Reconciliation of income and social contribution tax expenses

Reconciliation of expense calculated by the application of combined nominal tax rates and income and social contribution tax expense recorded in P&L is as follows:

	<u>2014</u>	<u>2013</u>
Pretax income (loss)	(16,904)	7,016
Tax charges at nominal rate of 34%	5,747	(2,385)
Effective rate adjustments:		
Permanent differences and other	(833)	1,125
Net tax charges on P&L	4,914	(1,260)
Effective rate	29%	18%

The breakdown of accumulated income and social contribution tax losses are stated as follows:

	<u>2014</u>	<u>2013</u>
Income tax losses	141,342	116,847
Social contribution tax losses	133,724	109,229

Income and social contribution taxes losses have no set date for write-off, however, offset is limited to 30% of taxable profit each year.

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Notes to financial statements (Continued)
December 31, 2014
(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment

	2014									
	Land	Buildings and improvements	Machinery	Tools, presses and molds	Facilities	Furniture and fixtures	Vehicles	Hardware	Construction in progress	Total
Cost of acquisition										
Balance at beginning of period	1,375	15,897	22,902	98	13,229	3,969	82	1,285	2,160	60,997
Additions	-	2	1	-	12	18	-	-	4,640	4,673
Write-offs	-	-	(191)	(1)	(19)	(54)	-	(124)	(1)	(390)
Transfers	-	1,252	2,786	31	1,962	230	-	21	(6,282)	-
Balance at end of period	1,375	17,151	25,498	128	15,184	4,163	82	1,182	517	65,280
Depreciation										
Balance at beginning of period	-	(6,869)	(10,175)	(62)	(7,189)	(2,802)	(72)	(884)	-	(28,053)
Additions	-	(689)	(1,312)	(9)	(1,078)	(273)	(8)	(89)	-	(3,458)
Write-offs	-	-	187	1	19	53	-	123	-	383
Transfers	-	-	(3)	-	3	-	-	-	-	-
Balance at end of period	-	(7,558)	(11,303)	(70)	(8,245)	(3,022)	(80)	(850)	-	(31,128)
Net balance	1,375	9,593	14,195	58	6,939	1,141	2	332	517	34,152
Annual depreciation	-	4%	10% and 20%	10%	10% and 20%	10% and 20%	20%	20%	-	-

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Notes to financial statements (Continued)
December 31, 2014
(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment (Continued)

	2013									
	Land	Buildings and improvements	Machinery	Tools, presses and molds	Facilities	Furniture and fixtures	Vehicles	Hardware	Construction in progress	Total
Cost of acquisition										
Balance at beginning of period	1,375	15,731	22,067	95	12,380	3,862	82	1,005	263	56,860
Additions	-	-	811	3	282	73	-	274	2,795	4,238
Write-offs	-	-	-	-	-	-	-	-	(1)	(1)
Transfers	-	166	24	-	567	34	-	6	(897)	(100)
Balance at end of period	1,375	15,897	22,902	98	13,229	3,969	82	1,285	2,160	60,997
Depreciation										
Balance at beginning of period	-	(6,216)	(8,994)	(55)	(6,371)	(2,532)	(64)	(799)	-	(25,031)
Additions	-	(653)	(1,181)	(7)	(818)	(270)	(8)	(85)	-	(3,022)
Balance at end of period	-	(6,869)	(10,175)	(62)	(7,189)	(2,802)	(72)	(884)	-	(28,053)
Net balance	1,375	9,028	12,727	36	6,040	1,167	10	401	2,160	32,944
Annual depreciation	-	4%	10% and 20%	10%	10% and 20%	10% and 20%	20%	20%	-	-

Depreciation is calculated on a straight line basis, considering useful lives.

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Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

11. Intangible assets

2014						
	Trademarks and patents	Software	Products under registration	Products being sold	Intangible assets in progress	Total
Cost of acquisition						
Balance at beginning of period	138	2,719	19,084	4,940	29	26,910
Additions	-	-	1,616	-	269	1,885
Transfers	-	108	(212)	212	(108)	-
Balance at end of period	138	2,827	20,488	5,152	190	28,795
Amortization						
Balance at beginning of period	-	(2,026)	-	(4,501)	-	(6,527)
Additions	-	(104)	-	(231)	-	(335)
Balance at end of period	-	(2,130)	-	(4,732)	-	(6,862)
Net balance	138	697	20,488	420	190	21,933
Annual amortization	-	20%	-	20%	-	
2013						
	Trademarks and patents	Software	Products under registration	Products being sold	Intangible assets in progress	Total
Cost of acquisition						
Balance at beginning of period	138	2,087	17,254	4,709	440	24,628
Additions	-	102	2,061	-	19	2,182
Transfers	-	530	(231)	231	(430)	100
Balance at end of period	138	2,719	19,084	4,940	29	26,910
Amortization						
Balance at beginning of period	-	(1,961)	-	(4,152)	-	(6,113)
Additions	-	(65)	-	(349)	-	(414)
Balance at end of period	-	(2,026)	-	(4,501)	-	(6,527)
Net balance	138	693	19,084	439	29	20,383
Annual amortization	-	20%	-	20%	-	

Of total intangible assets at December 31, 2014, R\$20,488 refers to products for which registration is being obtained (R\$19,084 at December 2013). Once these registrations are obtained from the related Ministries, the products will start to be sold and the amounts recorded under intangible assets will be amortized over a period of 5 (five) years.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

12. Deferred taxes

Pre-operating expenses	2014	2013
Balance at beginning of period	5,881	5,881
Amortization		
Balance at beginning of period	(3,629)	(3,040)
Additions	(588)	(589)
Balance at end of period	(4,217)	(3,629)
Net balance	1,664	2,252
Annual amortization	10%	10%

13. Loans and financing

	Average rate of financing charges in 2014	2014	2013
Foreign currency			
Finimp	Forex + 2.23% p.a.	4,110	-
Law No. 4131	Forex + (Interest 0.88% p.a. to 2.53% p.a.)	70,650	22,930
Local currency			
Financing for acquisition of goods		-	109
Working capital	CDI + (4.91% p.a. to 5.54 % p.a.)	20,092	20,742
Working capital	Fixed 15.85% p.a. to 17.88% p.a.	19,953	8,181
Working capital	122% CDI	14,197	-
Debentures	CDI + 4.25% p.a.	65,459	72,557
Debenture raising costs		(1,540)	(2,043)
Rural credit (Note 5)	Interest of % p.a.	-	9,110
		192,921	131,586
Less portion classified as current liabilities		(183,461)	(62,335)
Noncurrent liabilities		9,460	69,251

Long-term loans mature as follows:

	2014	2013
2015	-	24,150
2016	4,730	20,175
2017	4,730	18,586
2018	-	6,340
	9,460	69,251

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Notes to financial statements (Continued)
December 31, 2014
(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

Since the Company failed to meet certain covenants, the debentures, amounting to R\$65,459 at December 31, 2014, were fully recognized in current liabilities.

At December 31, 2014, the Company granted, as guarantees for loans taken out, trade notes receivable of R\$95,280 (R\$61,137 at December 31, 2013), short-term investments amounting to R\$1,419 (R\$2,416 at December 31, 2013), mortgage of PP&E items of R\$9,819 (R\$11,015 at December 31, 2013).

Debentures

Issue	Principal	Annual remuneration	Final maturity	2014	2013
1 st issue	70,000	100% variation of CDI + 4,25% p.a.	January 23, 2018	65,459	72,557
Less portion classified under current liabilities				(65,459)	(8,920)
Noncurrent liabilities				-	63,637

On August 19, 2013, the Company obtained approval for the first issue of nonconvertible simple debentures amounting to R\$ 70,000, in a single series maturing on January 13, 2018.

Guarantees were granted for trade notes receivables amounting to R\$32,729, and mortgage and facilities carried under PP&E amounting to R\$9,819.

14. Provision for contingencies

The Company is a party to tax, civil and labor claims arising from the normal course of business. The Company's management believes that the provision for contingencies set up is sufficient to cover adventitious losses from lawsuits. Provisions for contingencies were set up for proceedings whose likelihood of an unfavorable outcome has been rated as probable, based on the opinion of its lawyers and outside legal advisors. The unfavorable outcome of these proceedings, individually or aggregate, will not have material adverse effect on the Company's business or financial position. Judicial deposits were made for some of these proceedings when required by the judicial branch.

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

14. Provision for contingencies (Continued)

The changes in provision for contingencies from 2013 to 2014, by nature, are as follows:

	2013	Provisions/ deposits	Restatements	Payments/ reversals	2014
Tax	560	-	27	(587)	-
Civil	225	17	60	(34)	268
Labor	178	35	386	(17)	582
Provision	963	52	473	(638)	850
Judicial deposits	935	-	15	(7)	943

15. Capital

As from July 9, 2014, United Phosphorus Holdings Brasil BV is no longer a shareholder and, from September 9, 2014, the Company has a new shareholder: Nihon Nohyaku CO. Ltd.

At December 31, 2014, the Company capital totals R\$145,124 (R\$145,124 at December 31, 2013) and is divided into 1,601,955,558 common shares (1,601,955,558 shares at December 31, 2013).

The Company's ownership structure at December 31, 2014 is as follows:

	Number of shares	%
Sipcam Nederland Holding N.V	150,127,424	9.37
Obras Latin América Participações Ltda	518,134,294	32.34
Obras S.R.L.	132,716,061	8.29
Nihon Nohyaku CO. Ltd.	800,977,779	50.00
	1,601,955,558	100.00

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Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

16. Risk considerations

a) Credit risk

The Company's sales policies are subject to credit policies established by management and are intended to minimize any customer default problems. This goal is achieved through a careful selection of customer portfolio that takes into consideration their credit worthiness (credit rating) and the diversification of sales (risk spread).

b) Liquidity risk

The Company prepares cash flow forecasts as a means to monitor its future needs in advance in order to ensure it has enough cash to meet the operational demands. The Company maintains excess cash, if any, in interest bearing short-term investments and in choosing instruments that provide liquidity adequate to its needs.

Below follows the Company's main financial liabilities (loans and financing) by maturity:

	<u>2014</u>	<u>2013</u>
2014	-	62,335
2015	183,461	24,167
2016	4,730	20,295
2017	4,730	18,704
2018	-	6,085
	<u>192,921</u>	<u>131,586</u>

c) Interest rate risk

The Company's P&L is subject to losses arising from changes in floating interest rates, such as: CDI, Long-Term Interest Rate (TJLP) and changes in inflation indices, such as the Extended Consumer Price Index (IPCA), levied on financial assets and liabilities. Amounts related to these operations are listed below:

Assets

<u>Short-term investments</u>	<u>Average yield rate</u>	<u>2014</u>	<u>2013</u>
CDB – Floating	95.00% to 99.50% of CDI	64,880	36,235
CDB – Floating	99.00% of CDI	1,419	2,416
		<u>66,299</u>	<u>38,651</u>

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

16. Risk considerations (Continued)

c) Interest rate risk (Continued)

Liabilities

	Average rate of financing charges in 2014	2014	2013
Loans			
Working capital	CDI + (4.91% p.a. to 5.54% p.a.)	20,092	20,742
Working capital	15.85% p.a. to 17.88% p.a.	19,953	-
Working capital	122% CDI	14,197	-
Debentures	CDI + 4.25% p.a.	65,459	72,557
(-) Debenture issue costs		(1,540)	(2,043)
FINIMP	Forex + 2.23% p.a.	4,110	-
Law No. 4131	Forex + (0.88% p.a. to 2.53% p.a.)	70,650	-
		192,921	91,256

d) Currency risk

The Company's income is subject to significant variations, since part of inputs used in the production process are impacted by the foreign exchange rate fluctuation, particularly the US dollar.

To reduce certain effects of exchange rate fluctuation, the Company hedges against the effects of exchange rate devaluation of local currency on its financial assets and liabilities denominated in dollars and/or Euros through Swap transactions and Non Deliverable Forwards – commitment to purchase US currency at previously agreed-upon rates – linked to US dollar fluctuation. Amounts related to such transactions are summarized below:

	2014	2013
Forward/swap agreements:		
Original amount contracted	US\$54,177	US\$30,010
Equivalent in local currency	130,968	71,284
Provision for gains in hedge transactions	10,578	2,445

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

17. Cost of goods sold and services rendered, by type

	2014	2013
General manufacturing costs (GMC)		
Direct labor costs - own	3,433	3,115
Direct labor costs – third parties	1,453	1,349
Electric power	1,207	1,358
Depreciation and amortization	2,863	2,705
Maintenance of PP&E	731	805
Other indirect costs	786	694
Indirect costs	9,563	8,487
	20,036	18,513
Inputs		
Raw material and packaging material	188,380	180,357
Goods for resale	45,630	47,881
	234,010	228,238
Other costs		
Freight on sales	8,536	8,714
Insurance on sales	359	310
Storeroom	1,536	1,159
INPEV	993	818
Other	1,022	990
	12,446	11,991
	266,492	258,742

18. Operating income (expenses)

Sipcam Nichino Brasil S.A.

Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

a) Selling, general and administrative expenses

	2014		2013	
	Sales	General and administrative	Sales	General and administrative
Salaries and social charges	7,371	5,978	6,071	7,154
Travel	573	205	572	204
Vehicles	1,263	69	1,043	77
Third-party services	1,245	2,977	1,105	2,546
Security equipment	9	708	-	623
Amortization and depreciation	260	430	383	366
Sales discounts	-	-	531	-
Allowance for doubtful accounts	3,000	-	3,222	-
Other	1,539	2,900	832	2,847
	15,260	13,267	13,759	13,817

b) Other operating income (expenses), net

	2014	2013
General manufacturing costs (GMC)	(3,538)	(2,684)
Depreciation	(1,085)	(1,098)
Maintenance of PP&E	(249)	(321)
Other production costs	(579)	(471)
Revenues from restatement of federal taxes	523	560
Debentures	(545)	(149)
Labor contingencies	(421)	(123)
Other income	3,311	1,227
	(2,583)	(3,059)

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Notes to financial statements (Continued)

December 31, 2014

(In thousands of reais, unless otherwise stated)

19. Financial income and expenses

	<u>2014</u>	<u>2013</u>
<u>Financial expenses</u>	<u>(84,052)</u>	<u>(52,075)</u>
Interest on financial transactions	(7,852)	(11,847)
Losses with financial instruments	(10,221)	(3,636)
Present value adjustment	-	(1,655)
Discounts given to customers	(11,374)	(5,279)
Foreign exchange gains (losses)	(40,376)	(25,651)
Tax on financial transactions	(778)	(992)
Interest payable on debentures	(10,761)	(2,383)
Other expenses	(2,690)	(632)
<u>Financial income</u>	<u>41,362</u>	<u>22,838</u>
Gains from financial instruments	17,049	7,267
Foreign exchange gains (losses)	19,636	11,945
Yield from short-term investments	2,155	1,850
Other financial income	1,031	546
Interest receivable	1,491	1,230

20. Key management personnel compensation

On April 22, 2014, the Annual and Special Shareholders' Meeting approved management compensation for the period of May 2013 to April 2014, in the amount of R\$2,000 for fixed remuneration and R\$140 for variable remuneration; and for the period May 2014 to April 2015, in the amount of R\$2,200 for fixed remuneration and R\$1,100 for variable remuneration.

21. Insurance coverage

The Company maintains insurance coverage for operating risks and others to safeguard its property, plant and equipment and inventories.

Based on the opinion of the Company's insurance brokers, the sum insured as at December 31, 2014, is considered sufficient to cover any losses.

The scope of our auditors' work does not include issuing an opinion on the sufficiency of the insurance coverage, which was determined and deemed adequate by the Company management.

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Notes to financial statements (Continued)
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22. Related-party balances and transactions

	Oxon Brasil Defensivos Agrícolas Ltda.		Oxon Itália S.p.A		Sipcam S.p.A		United Phosphorus Limited		United Phosphorus - Gibraltar		UPL Brasil		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Balances														
Current assets:														
Accounts receivable	-	-	-	141	-	-	-	-	-	-	-	-	-	141
Current liabilities:														
Trade accounts payable	-	-	64,496	20,335	-	-	-	2,414	-	-	-	492	64,496	23,240
Transactions														
Purchases	-	-	66,611	64,840	560	224	-	12,340	-	815	-	492	67,171	78,712
Other expenses	(300)	(300)	-	-	-	-	-	-	-	-	-	-	(300)	(300)
Financial income (expenses), net	-	-	(6,193)	(6,688)	(118)	(260)	-	(2,595)	-	(102)	-	677	(6,311)	(8,968)

Related party transactions are carried out at specific prices and conditions agreed-upon by the parties.