

# ISAGRO

\* \* \*

## ***INTERIM RESULTS REPORT***

***AS AT MARCH 31<sup>ST</sup>, 2015***

\* \* \*

### **Consolidated Data**

\* \* \*

***Milan, May 13<sup>th</sup>, 2015***

ISAGRO S.p.A.

(Company coordinated and directed by Holdisa S.r.l.)

Registered office: Via Caldera, 21 - 20153 Milan

Fully paid up share capital € 24,961,207.65

E.A.R. of Milan no. 1300947 – Registry of Companies Milan, Tax Code and VAT No. 09497920158

Centro Uffici San Siro - Edificio D - ala 3 - Via Caldera, 21 - 20153 Milan

Ph. 02-40901.1 - Fax 02-40901.287 - e-mail: [isagro@isagro.it](mailto:isagro@isagro.it) - [www.isagro.com](http://www.isagro.com)

---

<b>CORPORATE OFFICES .....</b>	<b>4</b>
<b>BOARD OF DIRECTORS .....</b>	<b>4</b>
<b>BOARD OF STATUTORY AUDITORS .....</b>	<b>4</b>
<b>EXPLANATORY NOTES.....</b>	<b>5</b>
<b>USE OF ESTIMATES.....</b>	<b>5</b>
<b>DIRECTORS' MANAGEMENT REPORT.....</b>	<b>6</b>
<b>FINANCIAL RESULTS.....</b>	<b>6</b>
<b>EVOLUTION OF THE CROP PROTECTION PRODUCT MARKET .....</b>	<b>14</b>
<b>RESEARCH, INNOVATION AND DEVELOPMENT .....</b>	<b>15</b>
<b>SIGNIFICANT EVENTS OF THE FIRST QUARTER OF 2015 .....</b>	<b>18</b>
<b>SUBSEQUENT EVENTS OCCURRED AFTER MARCH 31<sup>ST</sup>, 2015 .....</b>	<b>19</b>
<b>ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE     DECREE 231/2001 .....</b>	<b>21</b>
<b>TRANSACTIONS WITH RELATED PARTIES.....</b>	<b>21</b>
<b>PERSPECTIVES FOR THE CURRENT YEAR .....</b>	<b>22</b>
<b>RECLASSIFIED CONSOLIDATED BALANCE SHEET .....</b>	<b>23</b>
<b>AS AT MARCH 31<sup>ST</sup>, 2015 .....</b>	<b>23</b>
<b>RECLASSIFIED CONSOLIDATED INCOME STATEMENT .....</b>	<b>24</b>
<b>AS AT MARCH 31<sup>ST</sup>, 2015 .....</b>	<b>24</b>
<b>CONSOLIDATED CASH FLOW STATEMENT.....</b>	<b>25</b>
<b>AS AT MARCH 31<sup>ST</sup>, 2015 .....</b>	<b>25</b>
<b>BREAKDOWN OF CONSOLIDATED REVENUES AS AT MARCH 31<sup>ST</sup>, 2015.....</b>	<b>26</b>
<b>REVENUES BREAKDOWN BY TYPE .....</b>	<b>26</b>
<b>AGROPHARMA REVENUES BREAKDOWN BY GEOGRAPHIC AREA.....</b>	<b>26</b>
<b>STATEMENT PURSUANT TO ART. 36 OF CONSOB REGULATION 16191/2007 .....</b>	<b>27</b>
<b>CERTIFICATION OF THE MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS .....</b>	<b>27</b>

---



## **CORPORATE OFFICES**

### **BOARD OF DIRECTORS**

Giorgio Basile	–	President and C.E.O.
Maurizio Basile	–	Director and Deputy Chairman
Riccardo Basile	–	Director
Christina Economou	–	Director
Gianni Franco	–	Director
Adriana Silvia Sartor	–	Independent Director
Daniela Mainini	–	Independent Director
Stavros Sionis	–	Independent Director

### **BOARD OF STATUTORY AUDITORS**

Piero Gennari	–	President
Giuseppe Bagnasco	–	Statutory Auditor
Claudia Costanza	–	Statutory Auditor



## **EXPLANATORY NOTES**

This Interim Results Report as at March 31<sup>st</sup>, 2015 (hereinafter “Quarterly report” or “Report”) has been drafted in compliance with Art.154-ter, paragraph 5 of Legislative Decree 58/1998 (Consolidated Law on Finance - T.U.F.) and further amendments and supplements, as well as the Regulation and listing rules issued by Consob.

This Quarterly Report is not subject to audit by the independent auditing firm and has been drafted by applying the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union.

## **USE OF ESTIMATES**

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

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



## DIRECTORS' MANAGEMENT REPORT

### **FINANCIAL RESULTS**

In the first quarter of 2015, a period historically non representative of the performance for the entire year due to the season nature of the business in which the Group operates, Isagro reported a turnover amounting to € 44.7 million, up by € 3.3 million (+8%) compared to € 41.4 million in the same period of the previous year, and EBITDA equal to € 5.6 million, up by € 0.4 million (+7%) compared to € 5.2 million recorded on March 31<sup>st</sup>, 2014.

The previously mentioned growth in **Revenues** in the first three months of 2015, compared to the same period of 2014, was achieved in a context of a general increase in turnover for almost all the key products marketed by the Group and is mainly attributable to:

- the strong increase in copper-based product sales, especially in Italy, also as a result of the distribution-side partnership with Gowan that began in 2014;
- the growth in turnover generated by the subsidiary Isagro Asia, also due to the strengthening of the Indian Rupee (the accounting currency of Isagro (Asia) Agrochemicals Pvt. Ltd.) against the Euro.

Turnover related to the three-month period just ended, as well as turnover reported in the first quarter of 2014, is entirely ascribable to the Basic Business. To date, in fact, no Licensing agreements, other than the agreement signed with Rotam in December 2014, have been entered.

As already recalled in the Directors' Management Report of the Financial Statements as at December 31<sup>st</sup>, 2014, in light of evolutions related to the contacts underway and to the prospects related to this business line, Isagro is confident that the ceiling of € 13.0 million expected for the entire 2014-2018 Business Plan (€ 2.0 million were already achieved last year) will be reached, if not surpassed.

During the first three months of 2015, Isagro carried on its **Research, Innovation & Development** activity incurring total costs amounting to € 3.2 million (compared to € 2.8



million of the first quarter of 2014), of which € 2.0 million capitalised (compared to capitalisation amounting to € 1.9 million in the first three months of 2014), for the co-development of the new IR9792 molecule (a broad spectrum fungicide belonging to the SDHi class) with FMC Corporation, the extraordinary protection for proprietary products and the development of new registrations.

#### SUMMARY CONSOLIDATED PROFIT AND LOSS STATEMENT

(€ 000)	1st Quarter 2015	1st Quarter 2014	Variation		Year 2014
<b>Revenues</b>	<b>44,699</b>	<b>41,400</b>	<b>+3,299</b>	<b>+8.0%</b>	<b>145,939</b>
Memo: Labor costs and bonuses	(7,008)	(6,969)	-39	-	(27,397)
<b>EBITDA</b> <i>% on Revenues</i>	<b>5,610</b> <i>12.6%</i>	<b>5,238</b> <i>12.7%</i>	<b>+372</b>	<b>+7.1%</b>	<b>12,467</b> <i>8.5%</i>
Depreciation:					
- tangible assets	(908)	(943)	+35	-	(3,678)
- intangible assets	(1,164)	(1,180)	+16	-	(5,082)
- write-off of assets	-	-	-	-	(187)
<b>EBIT</b> <i>% on Revenues</i>	<b>3,538</b> <i>7.9%</i>	<b>3,115</b> <i>7.5%</i>	<b>+423</b>	<b>+13.6%</b>	<b>3,520</b> <i>2.4%</i>
Financial charges	(364)	(972)	+608	-	(2,807)
Exchange gains/losses, derivatives and others	(1,814)	(58)	-1,756	-	108
Write-off/revaluation of investments	21	16	+05	-	59
<b>Earnings before taxes</b>	<b>1,381</b>	<b>2,101</b>	<b>-720</b>	<b>-34.3%</b>	<b>880</b>
Current and deferred taxes	(561)	(1,093)	532	-	(1,758)
<b>Net result from continuing operations</b>	<b>820</b>	<b>1,008</b>	<b>-188</b>	<b>-18.7%</b>	<b>(878)</b>
Net result of discontinued operations	-	-	-	-	-
<b>Net result</b>	<b>820</b>	<b>1,008</b>	<b>-188</b>	<b>-18.7%</b>	<b>(878)</b>



**EBITDA** in the first quarter of 2015 was equal to € 5.6 million, up by € 0.4 million (+7%), compared to € 5.2 million reported in the same period of 2014.

However, it is worth noting that sales margins remained substantially unchanged compared to March 31<sup>st</sup>, 2014. The "operating leverage" effect had, in fact, no impact on revenues due to higher R&D costs, charged to income statement in the amount of € 0.3 million, as well as due to lower revenues with high margins from outsourcing services.

**Amortisation and Depreciation** for the period amounted to € 2.1 million, substantially in line compared to figures reported on March 31<sup>st</sup>, 2014.

Isagro therefore ended the first quarter of 2015 with an **Operating profit** of € 3.5 million, showing € 0.4 million (+13.6%) improvement, compared to € 3.1 million in the first quarter of the last year.

From a financial standpoint, in the first three months of 2015 the Isagro Group reported **Net financial charges** totalling € 2.1 million, up by € 1.1 million compared to € 1.0 million in the first quarter last year. This increase is due to the balance between:

- lower **interest fees, commissions and financial charges**, for € 0.6 million, resulting from better credit terms obtained by the Parent Isagro S.p.A. thanks to the equity-financial strengthening achieved between the last quarter of 2013 (transfer of the herbicide Orthosulfamuron, entrance of Gowan as minority shareholder in the Group controlling system and licensing agreement signed with Arysta) and the first half of 2014 (share capital increase of around € 29 million), as well as to the lower use of more onerous bank credit lines; this within a framework of financial markets with higher liquidity available;
- **Exchange and derivative financial instruments net losses**, amounting to € 1.8 million, against the loss of € 58 thousand in the first quarter of 2014, attributable to derivative contracts entered for hedging purposes and generated due to the recent strong appreciation of the US Dollar against the Euro.

With reference to the aforesaid issue, it is worth noting that Isagro acted as usual, within the corporate policy guidelines, by hedging the EUR/USD exchange rate risk of almost the



entire turnover in US Dollars expected in this twelve-month period, with the first three-month period reporting less than 10% of the annual turnover in US Dollars.

As a consequence, the results reported in the income statement for the first quarter of 2015 were negatively affected by the fair value adjustment related to the aforesaid hedges (resulting from the well-known strengthening of the Dollar against the Euro), and included the related benefits only marginally, at EBITDA level.

The Isagro Group operates in various markets, at international level, and a number of commercial businesses are managed in currency other than Euro, mainly US Dollars. Consequently, pursuant to its “Financial risk management policy”, the Company, aiming at “securing” the budget for the year, provided hedging against the exchange rate risk with respect to the US Dollar by using the prospective exposure for the year, resulting from the currency balance in USD, as a benchmark. As for the hedging transactions that the Group carried out during the period, please note that they are only for operating transactions and therefore are not speculative in nature. However, as they do not meet the requirements of IAS 39 for the hedging of “specific risks”, they are considered as “trading” transactions and are therefore recognised directly as finance income/costs in profit or loss, both for the realised and unrealised portion.

The Group consolidated **Result before taxes** in the first quarter of 2015 amounted to a profit of € 1.4 million (compared to € 2.1 million in the same period last year) and a **Net profit** of € 0.8 million (compared to a profit of € 1.0 million in the first quarter of 2014) after allocating taxes in the amount of € 0.6 million (compared to € 1.1 million allocated as at March 31<sup>st</sup>, 2014).

§ § §

Consolidated **Net invested capital** as at March 31<sup>st</sup>, 2015, amounted to € 139.4 million, up by € 14.4 million compared to € 125.0 million as at December 31<sup>st</sup>, 2014 and € 23.9 million compared to € 115.4 million as at March 31<sup>st</sup>, 2014.





## SUMMARY CONSOLIDATED BALANCE SHEET

(€ 000)	03.31.2015	03.31.2014	Variation		12.31.2014
<b>Net fixed assets</b>	<b>83,929</b>	<b>75,116</b>	<b>+8,813</b>	<b>+11.7%</b>	<b>81,577</b>
<b>Net current assets</b>	<b>58,259</b>	<b>43,774</b>	<b>+14,485</b>	<b>+33.1%</b>	<b>46,433</b>
<b>Severance indemnity fund (S.I.F.)</b>	<b>(2,829)</b>	<b>(3,463)</b>	<b>+634</b>	<b>-18.3%</b>	<b>(3,038)</b>
<b>Net invested capital</b>	<b>139,359</b>	<b>115,427</b>	<b>+23,932</b>	<b>+20.7%</b>	<b>124,972</b>
<b>Not financial assets and liabilities of discontinued operation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>139,359</b>	<b>115,427</b>	<b>+23,932</b>	<b>+20.7%</b>	<b>124,972</b>
<i>Financed by:</i>					
<b>Equity</b>	<b>100,462</b>	<b>66,923</b>	<b>33,539</b>	<b>50.1%</b>	<b>95,286</b>
<b>Net financial position (NFP)</b>	<b>38,897</b>	<b>48,504</b>	<b>-9,607</b>	<b>-19.8%</b>	<b>29,686</b>
<i>Debt/Equity ratio</i>	<i>0.39</i>	<i>0.72</i>			<i>0.31</i>
<b>Total</b>	<b>139,359</b>	<b>115,427</b>	<b>+23,932</b>	<b>+20.7%</b>	<b>124,972</b>

**Net fixed assets** as at March 31<sup>st</sup>, 2015, amounted to € 83.9 million, up by € 2.3 million compared to € 81.6 million as at December 31<sup>st</sup>, 2014 and € 8.8 million as at March 31<sup>st</sup>, 2014. These changes are primarily due to the following:

- **Intangible Assets**, up by € 1.2 million compared to December 31<sup>st</sup>, 2014, and € 5.5 million compared to the same period of last year, resulting from the increased investments in Research, Innovation & Development made by the Group and primarily due to the new broad spectrum fungicide SDHi, with respect to the value of the related amortisation for the period;
- **Tangible assets**, up by € 0.7 million, compared to December 31<sup>st</sup>, 2014, and € 2.2 million compared to March 31<sup>st</sup>, 2014, primarily related to investments made in restructuring the Research Center in Novara, inaugurated on April 13<sup>th</sup>, 2015;
- **Other net medium/long-term assets**, up by € 0.3 million compared to December 31<sup>st</sup>, 2014 and € 1.1 million compared to March 31<sup>st</sup>, 2014.



**Net current assets** as at March 31<sup>st</sup>, 2015 amounted to € 58.3 million, up by € 58.3 million, reporting an increase of € 11.8 million and € 14.5 million, compared to December 31<sup>st</sup>, 2014 and March 31<sup>st</sup>, 2014 respectively. More specifically:

- **Inventories**, amounting to € 48.1 million as at March 31<sup>st</sup>, 2015, reported both an increase of € 7.8 million compared to December 31<sup>st</sup>, 2014, primarily due to the strategic stock (mainly Tetraconazole, as well as the intermediate product M-Alcohol, and generic products sold by the subsidiary Isagro Asia in India and some other Countries), aimed at supporting the increase in sales expected for this year, and an increase of € 15.0 million compared to March 31<sup>st</sup>, 2014, due to the aforesaid and the repurchase of stocks in the United States carried out by the associate Isagro USA from the previous local distributor. To this purpose, it is worth noting that these repurchases amounted to around USD 12 million (adjusted in March 2015), of which around half have been already re-invoiced to Gowan, the new distributor in the USA, and collected during the first quarter of 2015;
- **Trade receivables**, equal to € 54.2 million, increased by € 4.6 million compared to December 31<sup>st</sup>, 2014 and € 6.8 million compared to the same period of the previous year thanks to the aforesaid sales increase;
- **Trade payables**, substantially in line with the value as at December 31<sup>st</sup>, 2014, reported an increase of € 9.6 million compared to the same period of the previous year due to higher purchases, directly attributable to the above-mentioned increase in sales;
- **Current provisions** as at March 31<sup>st</sup>, 2015, amounting to € 2.0 million, slightly increased compared to figures reported as at December 31<sup>st</sup>, 2014, but decreased by € 1.7 million compared to the same period in 2014, which included non-recurring allowances referred to the lay-off schemes that will end on December 31<sup>st</sup>, 2015.

As regards the Severance Indemnity Fund (T.F.R.), it amounted to € 2.8 million as at March 31<sup>st</sup>, 2015, with no significant changes compared to December 31<sup>st</sup>, 2014, but reporting a decrease of € 0.6 million compared to the same period of last year due to the termination of the employment relationship of some employees and managers within the Group.



As for funding, consolidated **Equity** as at March 31<sup>st</sup>, 2015 amounted to € 100.5 million, up by € 5.2 million compared to € 95.3 million as at December 31<sup>st</sup>, 2014 and by € 33.5 million compared to € 66.9 million recorded in the first quarter of 2014, primarily due to the following:

- The **share capital increase** of about € 29 million (including costs for an amount of € 1.0 million) was successfully concluded in May 2014 and is the main reason for the deviation between the value of equity as at March 31<sup>st</sup>, 2015 and the value reported at the end of the same period last year;
- The **Profit** of € 0.8 million, pertaining to the period, compared to the profit of € 1.0 million as at March 31<sup>st</sup>, 2014, and the loss of € 0.9 million as at December 31<sup>st</sup>, 2014;
- The variation of the **Translation reserve**, amounting to € -3.6 million, up by 4.4 million compared to December 31<sup>st</sup>, 2014 and by € 6.3 million compared to March 31<sup>st</sup>, 2014, is due to the revaluation of the Indian Rupee on the stock exchange markets, which in turn resulted in a higher book value, in terms of Euro, of items disclosed in the consolidated financial statements and related to the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd..

The consolidated **Net Financial Position (NFP)** as at March 31<sup>st</sup>, 2015 recorded a debt of € 38.9 million, up by € 8.9 million compared to € 29.7 million reported as at December 31<sup>st</sup>, 2014, albeit down by € 9.6 million compared to March 31<sup>st</sup>, 2014.

As regards the composition of the Net Financial Position as at March 31<sup>st</sup>, 2015, the following is to be highlighted:

- As regards the summary values as at December 31<sup>st</sup>, 2014:
  - medium/long-term debts increased by € 9.0 million, mainly due to (i) the attainment of four medium/long-term credit lines, with four primary financial institutes, for a total amount of € 14.0 million, out of which € 12.2 million due after the twelve months following March 31<sup>st</sup>, 2015, which was partially offset, on February 16<sup>th</sup>, 2015, through (ii) the early redemption to the E.I.B. of € 7.4 million, corresponding to the residual debt related to the instalment of original € 10.0 million disbursed in May 2012, out of the aggregate loan of € 22.5 million.

These transactions were implemented in view of optimizing debt costs at Group level and of obtaining a greater alignment between the timing of investments, and



related input and output cash flows, and the timing of finance sources supporting these investments;

- short-term debts increased € 9.1 million, including € 1.8 million related to the above-mentioned short-term portion of the new medium/long-term loans.
- As regards summary figures as at March 31<sup>st</sup>, 2014:
  - medium/long-term debts increased by € 28.8 million, mainly due to (i) six medium/long-term credit lines, with six primary banks, for a total amount of € 21.0 million, out of which € 17.8 million due after the twelve months following March 31<sup>st</sup>, 2015, and (ii) the reclassification under "Medium/long-term financial payables" of the portion of the original amount of € 17.9 million (equal to 10.5 million as at March 31<sup>st</sup>, 2015) related to the original loan of € 22.5 million, granted by the E.I.B.. As at March 31<sup>st</sup>, 2014, this amount was disclosed under short-term financial payables pursuant to IAS 1.

The effect of the above-mentioned components was partially offset by the above-mentioned early redemption of € 7.4 million paid to E.I.B.;

- short-term debts decreased by € 27.8 million due to (i) the reclassification of the aforesaid E.I.B. loan, (ii) the entire settlement of payables towards controlling companies, amounting to € 9.1 million as at March 31<sup>st</sup>, 2014, and (iii) the general lower use of more onerous bank credit lines following to the positive conclusion of the aforesaid share capital increase.

Moreover, it is noted that as at March 31<sup>st</sup>, 2015, net fixed assets were entirely financed by equity, which also financed a portion of current assets for around € 16.5 million.

In light of what stated above, the **Debt/Equity ratio** (i.e. the ratio between net financial position and equity) amounted to 0.39, slightly up compared to 0.31 as at December 31<sup>st</sup>, 2014, but substantially down compared to 0.72 as at March 31<sup>st</sup>, 2014.

As at March 31<sup>st</sup>, 2015, the operating companies reported an aggregate Net financial position at credit of € 5.0 million, while the Parent Isagro S.p.A., which concentrates most of Research, Innovation and Development, synthesis and formulation activities and includes amounts related to investments in subsidiaries, reported a Net financial position a debt of € 43.9 million, with unused bank credit lines amounting to over € 44 million.



## **EVOLUTION OF THE CROP PROTECTION PRODUCT MARKET**

The main issue that characterises the first quarter of 2015 is the fact that prices of food commodities (except for rice) are still low. This aspect is likely to have a favourable impact on agricultural input consumption.

Despite the mild and humid winter, favourable to the use of fungicides, the crop protection market in the European area is generally decreasing. The analysis can be divided in three sub-areas: (i) the market of the 15 EU countries, which reported a decrease due to high stock of wheat resulting from last year's excellent crop and low prices, as well as to the expected reduced incentive that grants for the "third crop", envisaged by the Common Agricultural Politics (PAC), will have on farmers; (ii) the market of Central European countries that adhered to the EU more recently, which is likely to grow thanks to PAC measures adopted by them; (iii) the markets in Russia and Ukraine, temporarily decreasing due to the embargo and the socio-political situation.

As regards the surface of cultivated land, the estimates issued by the EU Association for the trade of agricultural products (COCERAL), envisage 2.1% total reduction in cultivated land for cereals, maize and oilseeds and a related 8.9% reduction in production compared to last year.

The United States reported much lower prices for maize than last year, although early sowing made last year offers real recovery chances. The very cold winter temperatures of last year might have a negative impact on the growth cycle of some crops, such as cereals and citrus plants in southern regions. The US Administrative Department of Agriculture (USDA) envisages a reduction in cultivated land for maize, cereals and cotton; conversely, soybean is likely to increase slightly. In Canada, ministerial sources expect for 2015 an increase over the previous period by 4.4% of the land used for cereals, rape, soybean and maize crops, and by 5.4% of their productions.

According to figures provided by Phillips McDougall, in the 2014/2015 period the market of crop protection products in South America is likely to grow in Brazil and Argentina, albeit at a lower pace compared to last year, as most of maize and soybean production is destined to internal consumption and therefore it is not affected by price reduction for exports. The



total surface of cultivated land in Brazil remained unchanged compared to last year, with a slight increase in soybean and decrease in maize and cotton. The drought period of the last few months has ended; the season of the second maize crop is going on regularly and production is likely to fulfil expectations. In Argentina, the surfaces of land used for cereal crops remarkably increased, land used for soybean remained unchanged, but the heaviest rainfall over the last fifty years reported in the last few months might limit production. In Paraguay, favourable weather conditions allowed for the sowing of a second soybean crop on 20% of the land used for this type of crops.

In Asia and Australia, a potential economic benefit is estimated for farmers thanks to the increase in rice price resulting from the end of the stock reduction program in Thailand last year. Moreover, after last year's drought in Australia and poor monsoon season, a recovery is expected. In Indonesia, high levels of palm oil stocks had an impact on price. In India, due to unfavourable climate conditions, 2% drop in production of wheat is expected, compared to the record levels reported last year. The Japan Crop Protection Association reported 21.4% drop in sales of crop protection products (17.4% in the segment of fungicides only) in the country compared to last year, when sales increased just before the entry into force of the new tax regime.

## **RESEARCH, INNOVATION AND DEVELOPMENT**

During the first three months of 2015, Isagro incurred Research, Innovation and Development costs for a total amount of € 3.2 million, of which € 2.0 million were capitalised against investments for development, registration and extraordinary protection of proprietary products at global level. In the first quarter of last year, these expenses amounted to € 2.8 million, of which € 1.9 million were capitalised.

### *A) RESEARCH AND INNOVATION*

The Research and Innovation activities conducted by the Group focused on some lines of research aimed at obtaining new candidates for development, with the aim of achieving the development of at least one new active ingredient (in addition to SDHi) for the period related to the Business Plan. In particular, activities are focused on:



- a new broad spectrum fungicide that is to be added to the SDHi class, for which development began in 2012;
- a new series of herbicides (grass weed and dicotyledons control) for pre-emergence and post-emergence use on arable crop at global level.

The study continued for the identification of new copper-based formulations with wide spectrum features and with the peculiarity of acting at a lower dosage in comparison to those already on the market.

Lastly, the evaluation of new biostimulants, alone or in various combinations, are still underway.

#### *B) PRODUCT DEVELOPMENT*

The main development activities, carried out during the first quarter of 2015, are highlighted below:

##### *IR9792 (or Succinate dehydrogenase inhibitor or SDHi) – a broad spectrum fungicide*

Main regulatory studies on the active ingredient continued and no critical issues were reported. These studies include those aimed at evaluating the product in the various areas (soil, water and plants). Moreover, studies for 2015 were planned, such as tests on residues and effectiveness on the various crops.

##### *IR6141 (or Kiralaxyl® or Benalaxyl-M) – active isomer of Benalaxyl*

The development activity focused on the following projects:

- continuing preparation of the registration dossier for Kiralaxyl for seed treatment in the USA;
- follow-up of the dossier to obtain the import tolerance in the USA;
- follow-up of the re-registration process for all formulations containing Kiralaxyl and registered in Europe (STEP 2), in the EU Member States after the inclusion of Attachment 1 of the EC Regulation 1107/2009;
- starting of the registration procedure in China of Fantic M WG, as agreed with Rotam;
- support to Gowan for the preparation of the dossier on Kiralaxyl + zoxamide.

##### *Tetraconazole - broad spectrum fungicide*



The activity focused on the following projects:

- follow-up of the re-registration processes of formulations in Europe (STEP 2 of the European review process);
- study evaluation for re-registration in the USA;
- evaluation of the studies required to renew the approval of the active ingredient within the European Union;
- continuation of studies to the registration and extension of label indications in the USA, Canada and Brazil, as agreed upon with Arysta.

### Copper-based products

The main activities related to copper-based products were as follows:

- follow-up of the re-registration processes of formulations in Europe (STEP 2 of the European review process);
- attendance, within the European Copper Task Force, to meetings aimed at drawing up a dossier for the renewal of the approval of copper salts within the EU;
- preparation of the dossier of formulations containing oxychloride + hydroxide for Vietnam and Thailand;
- follow-up of the registration process in Central Europe of the Airone Sc and Airone WG formulations;
- sending of the registration dossier for the Airone WG formulation to Australia.

### Fumigants

- Follow-up of the registration process in Turkey;
- follow-up of the application for "Emergency use" in Italy;
- preparation of documents for the registration dossier in the United Arab Emirates and Egypt;
- support to registration activities in the USA.

### Biostimulants

The monitoring activity related to the authorisation processes, which are underway or aimed at supporting the business, continued.





### Microbiological products

End of the process to obtain the certificate for use in biological agriculture of Tricoderma spp.-based formulations.

### Pheromones

- Follow-up of the approval process at European level of a new molecule and related registration in Italy;
- starting of activities within the task force for the renewal of approvals of active ingredients in Europe.

### *C) REGISTRATIONS OBTAINED*

During the first quarter of 2015, 10 new registrations were obtained, amongst which 5 clones of copper-based products for the Italian market, the final registration in China of Eminent and the registration in Canada of Tamarak (trade name used for Siapton in Canada).

## **SIGNIFICANT EVENTS OF THE FIRST QUARTER OF 2015**

### *A) ACTIONS AIMED AT ENHANCING EFFICIENCY - NOVARA*

On January 13<sup>th</sup>, 2015, at the Associazione Industriali di Novara (Novara Association of Businessmen), the Agreement with Trade Unions for the temporary lay-off procedure was signed, pursuant to Law 223/91, and executed on December 1<sup>st</sup>, 2014 for six employees in the Novara facility.

The reasons that led to this agreement arise from the need for streamlining fixed costs related to service and structure activities for the Novara facility, according to similar measures already being implemented in other Offices/Firms in Italy, also through the partial or total outsourcing of some sectors/services.

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



**B) LIQUIDATION OF ISAGRO HELLAS**

Within a general reorganization of trade and cost optimization, the liquidation procedure of the company Isagro Hellas Ltd. was started on February 1<sup>st</sup>, 2015. The final shutdown of this company is expected within July this year once the local obligations have been fulfilled.

**C) EARLY REPAYMENT OF THE E.I.B. LOAN COUNTER GUARANTEED BY BNL AND UBI AND NEW M/L TERM LOANS**

In a view of optimizing debt costs at Group level and obtaining a greater alignment between the timing of investments, and related input and output cash flows, and the timing of finance sources supporting these investments, the Parent Isagro S.p.A.:

- on February 16<sup>th</sup>, 2015, provided for the early reimbursement of € 7.4 million, corresponding to the residual debt related to the original amount of € 10.0 million, granted in May 2012, within the aggregate credit line of € 22.5 million;
- during this quarter, subscribed four medium/long-term loans with four primary banks, for a total amount of € 14.0 million.

**SUBSEQUENT EVENTS OCCURRED AFTER MARCH 31<sup>ST</sup>, 2015**

**A) ISAGRO RESEARCH CENTER OPENING CEREMONY**

On April 13<sup>th</sup>, 2015, Isagro inaugurated its New Research Center (NRC) in Novara. This center covers a total surface of 9,400 square metres (including 2,250 sq metres of laboratories, 1,370 sq metres of greenhouses and 750 sq metres of production site), located in a historic area for the Italian Chemistry, the former Donegani Institute, which witnessed the birth of so many new products, with a unique innovation fever in this segment in Italy.

The NRC will catalyse most of the € 50 million R&D investments in the territory of Novara for the next four years. This is part of the development plan, which will allow Isagro to increase its annual turnover from around € 150 million to over € 200 million in 2018.



**B) APPROVAL OF THE 2014 FINANCIAL STATEMENTS AND APPOINTMENT OF THE NEW BOARD OF DIRECTORS**

On April 24<sup>th</sup>, 2015, the Shareholders' Meeting of Isagro S.p.A.:

- evaluated the consolidated data and approved the financial statements for 2014, including the Directors' Management Report, as approved by the Company's Board of Directors last March 11<sup>th</sup>, 2015 and already communicated to the Market. These statements carried forward the loss for the year;
- appointed, until approval of the Financial Statements as at December 31<sup>st</sup>, 2017, the new Board of Directors, comprising the following eight members, all elected in the sole list submitted by the majority shareholder Holdisa S.r.l.: Giorgio Basile (President); Maurizio Basile; Riccardo Basile; Christina Economou; Gianni Franco; Adriana Silvia Sartor (Independent Director); Daniela Mainini (Independent Director); Stavros Sionis (Independent Director).

Last May 5<sup>th</sup>, the Company's new Board of Directors resolve:

- to appoint, until approval of the financial statements as at December 31<sup>st</sup>, 2017:
  - Giorgio Basile as Chief Executive Officer (C.E.O.);
  - Maurizio Basile as Deputy Chairman;
  - Directors Adriana Sartor, Daniela Mainini and Stavros Sionis as components of the Independent Directors Committee;
  - Director Stavros Sionis as Lead Independent Director;
- to constitute the Nominations and Remuneration Committee, by appointing the Independent Directors Adriana Sartor (Chairman) and Stavros Sionis;
- to constitute the Control and Risks Committee, by appointing the Independent Directors Daniela Mainini (Chairman) and Stavros Sionis.

At that date, the BoD also evaluated, pursuant to Art. 3 of the Corporate Governance Code and Art. 144-novies of the CONSOB Issuers' Regulation, the presence of the independence requirements for Directors Adriana Sartor, Daniela Mainini and Stavros Sionis, appointed as independent (elected from the list submitted by the majority shareholder Holdisa S.r.l.).



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

On November 12<sup>th</sup>, 2013, the Board of Directors of Isagro S.p.A. updated the Organisation, Management and Control Model (hereinafter also "Model") absorbing the regulatory and legal updates on the subject in force at that date.

During the period in question, no regulatory changes occurred as regards the administrative liabilities of entities. As regards regulatory changes in 2014, reference is made to information given in the Directors' Management Report as at December 31<sup>st</sup>, 2014. To this purpose, it is worth recalling that the Company is implementing adequate measures to reflect the above-mentioned regulatory updates to the current Model.

**TRANSACTIONS WITH RELATED PARTIES**

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

The effects of transactions with related parties on the consolidated income statement and balance sheet of the Isagro Group and of the Parent Isagro S.p.A. as at March 31<sup>st</sup>, 2015, are illustrated in the tables hereunder.

Isagro Group - Income statement	03/31/2015	of which related parties				Incidence % on the financial statements item
		Associates	Parents	Other related parties	Tot. Related parties	
In migliaia di euro						
Revenues	44,699	0	0	2,702	2,702	6.04%
Other operating revenues	567	0	6	0	6	1.06%
Raw material	24,139	0	0	270	270	1.12%
Costs for services	7,323	49	0	26	75	1.02%
Other operating costs	1,449	0	0	5	5	0.35%



Isagro Group - Balance sheet	As of 03/31/2015	of which related parties					Incidence % on the financial statements item
		Associates	Parents	Other related parties	Tot. Related parties		
In thousands of Euro							
Trade receivables	54,241	0	0	5,622	5,622	10.36%	
Other current assets and other receivables	5,641	0	26	8	34	0.60%	
Trade payables	45,322	49	0	275	324	0.71%	

Isagro S.p.A. - Income statement	03/31/15	of which related parties					Incidence % on the financial statements item
		Controlled companies	Associates	Parents	Other related parties	Tot. Related parties	
In thousands of Euro							
Revenues	33,696	2,751	0	0	2,287	5,038	14.95%
Other operating revenues	614	202	0	6	0	208	33.88%
Raw materials and consumables used	17,718	1,962	0	0	270	2,232	12.60%
Costs for services	5,168	290	49	0	0	339	6.56%
Labor costs	5,293	3	0	0	0	3	0.06%
Other operating costs	397	23	0	0	5	28	7.05%
Financial incomes	2,498	27	0	0	0	27	1.08%
Financial charges	(4,371)	0	0	0	0	0	0.00%

Isagro S.p.A. - Balance sheet	As of 03/31/15	di cui parti correlate					Incidence % on the financial statements item
		Controlled companies	Associates	Parents	Other related parties	Tot. Related parties	
In thousands of Euro							
Financial credits and other non current financial assets	2,202	2,202	0	0	0	2,202	100.00%
Trade receivables	37,365	3,711	0	0	3,154	6,865	18.37%
Other current assets and other current receivables	3,341	627	0	26	8	661	19.78%
Financial credits and other current financial assets	2,747	2,739	0	0	0	2,739	99.71%
Trade payables	30,786	2,464	49	0	275	2,788	9.06%
Other current liabilities	3,367	339	0	0	0	339	10.07%

## **PERSPECTIVES FOR THE CURRENT YEAR**

In the light of the contacts underway aimed at signing licensing and long-term supply agreements for proprietary active ingredients – with particular reference to the new broad spectrum fungicides SDHi currently under development –, of the increase in terms of Turnover and EBITDA registered during 2015 first quarter and of the one expected hereinafter, Isagro confirms the growth targets outlined by the 2014- 2018 Business Plan.



## RECLASSIFIED CONSOLIDATED BALANCE SHEET AS AT MARCH 31<sup>ST</sup>, 2015

(€ 000)	03.31.2015	03.31.2014	Variation	12.31.2014	
<b><u>Net fixed assets</u></b>					
Goodwill	3,874	3,883	-9	3,762	
Other intangible assets	41,587	36,121	+5,466	40,339	
Tangible assets	24,844	22,660	+2,184	24,130	
Financial assets	273	221	+52	253	
Other medium/long term assets and liabilities	13,351	12,231	+1,120	13,093	
<b>Total net fixed assets</b>	<b>83,929</b>	<b>75,116</b>	<b>+8,813</b>	<b>+11.7%</b>	<b>81,577</b>
<b><u>Net current assets</u></b>					
Inventories	48,134	33,171	+14,963	40,364	
Trade receivables	54,241	47,422	+6,819	49,598	
Trade payables	(45,322)	(35,768)	-9,554	(44,578)	
Risk funds	(1,959)	(3,634)	+1,675	(1,651)	
Other current assets and liabilities	3,165	2,583	+582	2,700	
<b>Total net current assets</b>	<b>58,259</b>	<b>43,774</b>	<b>+14,485</b>	<b>+33.1%</b>	<b>46,433</b>
<b>Invested capital</b>	<b>142,188</b>	<b>118,890</b>	<b>+23,298</b>	<b>+19.6%</b>	<b>128,010</b>
<b>Severance indemnity fund (S.I.F.)</b>	<b>(2,829)</b>	<b>(3,463)</b>	<b>+634</b>		<b>(3,038)</b>
<b>Net invested capital</b>	<b>139,359</b>	<b>115,427</b>	<b>+23,932</b>	<b>+20.7%</b>	<b>124,972</b>
<b>Not financial assets and liabilities of discontinued operation</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
	<b>139,359</b>	<b>115,427</b>	<b>+23,932</b>	<b>+20.7%</b>	<b>124,972</b>
<i>financed by:</i>					
<b><u>Equity</u></b>					
Capital stock	24,961	17,550	+7,411	24,961	
Reserves and earnings brought forward	78,317	58,325	+19,992	79,195	
Translation adjustment reserve continuing	(3,636)	(9,960)	+6,324	(7,992)	
Net group result	820	1,008	-188	(878)	
<b>Total equity</b>	<b>100,462</b>	<b>66,923</b>	<b>+33,539</b>	<b>+50%</b>	<b>95,286</b>
<b><u>Net financial position:</u></b>					
<i>Medium/long term debts</i>					
- towards banks	25,771	-	+25,771	19,632	
- towards other financiers	249	72	+177	266	
- others	-	(2,875)	+2,875	(2,875)	
<b>Total medium/long term financial debts</b>	<b>26,020</b>	<b>(2,803)</b>	<b>+28,823</b>	<b>N/S</b>	<b>17,023</b>
<i>Short term debts</i>					
- towards banks	33,525	51,722	-18,197	27,344	
- towards other financiers	1,737	5,876	-4,139	1,839	
- towards parent companies	-	9,127	-9,127	-	
- others	3,658	(53)	+3,711	629	
<b>Total short term financial debts</b>	<b>38,920</b>	<b>66,672</b>	<b>-27,752</b>	<b>-41.6%</b>	<b>29,812</b>
<b>Cash and cash equivalents</b>	<b>(26,043)</b>	<b>(15,365)</b>	<b>-10,678</b>	<b>N/S</b>	<b>(17,149)</b>
<b>Total net financial position</b>	<b>38,897</b>	<b>48,504</b>	<b>-9,607</b>	<b>-19.8%</b>	<b>29,686</b>
<b>Total</b>	<b>139,359</b>	<b>115,427</b>	<b>+23,932</b>	<b>+20.7%</b>	<b>124,972</b>



## RECLASSIFIED CONSOLIDATED INCOME STATEMENT AS AT MARCH 31<sup>ST</sup>, 2015

(€ 000)	1st Quarter 2015	1st Quarter 2014	Variation		Year 2014
<b>Revenues from sales and services</b>	<b>44,699</b>	<b>41,400</b>	<b>+3,299</b>	<b>+8.0%</b>	<b>145,939</b>
Other operating revenues	567	610	-43		3,092
Consumption of materials and external services	(32,767)	(27,770)	-4,997		(115,240)
Variations in inventories of products	(567)	(2,712)	+2,145		4,638
Increases in assets through internal works	871	862	+09		3,306
Allowances and provisions	(185)	(183)	-02		(701)
Labor costs	(6,750)	(6,715)	-35		(26,153)
Labor costs allowances	(258)	(254)	-04		(1,244)
Other not recurrent income (costs)	-	-	-		(1,170)
<b>EBITDA</b>	<b>5,610</b>	<b>5,238</b>	<b>+372</b>	<b>+7.1%</b>	<b>12,467</b>
<i>% on Revenues</i>	<i>12.6%</i>	<i>12.7%</i>			<i>8.5%</i>
Depreciation:					
- tangible assets	(908)	(943)	+35		(3,678)
- intangible assets	(1,164)	(1,180)	+16		(5,082)
- write-off of assets	-	-	-		(187)
<b>EBIT</b>	<b>3,538</b>	<b>3,115</b>	<b>+423</b>	<b>+13.6%</b>	<b>3,520</b>
<i>% on Revenues</i>	<i>7.9%</i>	<i>7.5%</i>	-	-	<i>2.4%</i>
Financial charges	(364)	(972)	+608		(2,807)
Exchange gains/losses and derivatives	(1,814)	(58)	-1,756		108
Write-down/write-ups of investments	21	16	+05		59
<b>Earnings before taxes</b>	<b>1,381</b>	<b>2,101</b>	<b>-720</b>	<b>-34.3%</b>	<b>880</b>
Current and deferred taxes	(561)	(1,093)	+532		(1,758)
<b>Net result from continuing operations</b>	<b>820</b>	<b>1,008</b>	<b>-188</b>	<b>-18.7%</b>	<b>(878)</b>
Net result of discontinued operations	-	-	-		-
<b>Net result</b>	<b>820</b>	<b>1,008</b>	<b>-188</b>	<b>-18.7%</b>	<b>(878)</b>



## CONSOLIDATED CASH FLOW STATEMENT AS AT MARCH 31<sup>ST</sup>, 2015

(€ 000)	03.31.2015	03.31.2014
<b>Cash - opening balance</b>	<b>17,149</b>	<b>14,099</b>
<i>Operating activities</i>		
<b>Loss of the period - continuing operation</b>	<b>820</b>	<b>1,008</b>
- Depreciation of tangible assets	2,072	2,123
- Provisions to reserves (including employee indemnity)	359	386
<b>Cash-flow</b>	<b>3,251</b>	<b>3,517</b>
- Revaluation of participations and other financial assets	(20)	(16)
- Change in net current assets	(9,774)	5,881
- Net change in other assets/liabilities	(328)	(2,083)
- Use of funds (including employee indemnity)	(281)	(166)
<b>Cash flow from operations</b>	<b>(7,152)</b>	<b>7,133</b>
<i>Investment activities</i>		
- Investments in intangible assets	(2,127)	(1,914)
- Investments in tangible assets	(1,027)	(661)
<b>Cash flow from investments</b>	<b>(3,154)</b>	<b>(2,575)</b>
<i>Financing activities</i>		
- Increase/(decrease) in financial debts (current and non-current)	11,762	(4,270)
- Decrease in financial receivables, derivatives and other financial assets	5,919	110
- Shareholders' payments for increase in capital	-	-
<b>Cash flow from financing activities</b>	<b>17,681</b>	<b>(4,160)</b>
<b>Conversion differences</b>	<b>1,519</b>	<b>868</b>
<b>Cash flow of the period</b>	<b>8,894</b>	<b>1,266</b>
<b>Cash - closing balance</b>	<b>26,043</b>	<b>15,365</b>

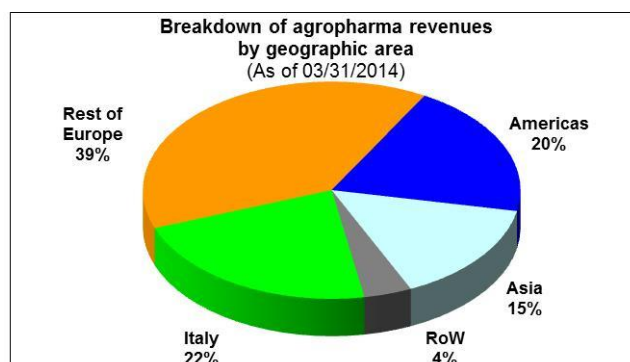
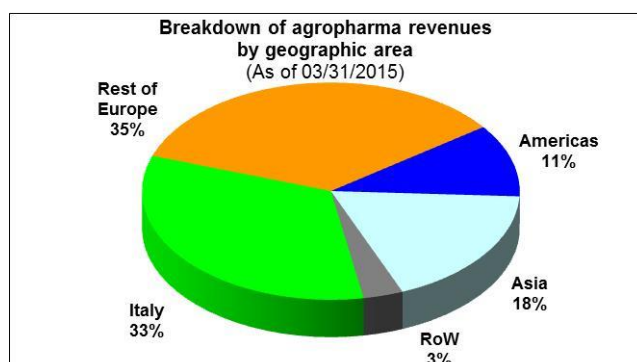


## BREAKDOWN OF CONSOLIDATED REVENUES AS AT MARCH 31<sup>ST</sup>, 2015

### REVENUES BREAKDOWN BY TYPE

<i>(amounts in thousands euro)</i>	MARCH 31 <sup>ST</sup> , 2015			MARCH 31 <sup>ST</sup> , 2014		
	Italy	Overseas	Total	Italy	Overseas	Total
<b>Sales</b>						
Agropharma	14,224	28,829	43,053	8,425	29,726	38,151
Raw materials	-	-	-	6	-	6
<b>Total sales</b>	<b>14,224</b>	<b>28,829</b>	<b>43,053</b>	<b>8,431</b>	<b>29,726</b>	<b>38,157</b>
<b>Services</b>						
Toll manufacturing fees	735	850	1,585	1,492	1,676	3,168
Innovative research	-	-	-	-	-	-
Defense and development	-	5	5	-	11	11
Commissions	-	10	10	-	11	11
Royalties, licenses and similar rights	-	-	-	-	-	-
Others	19	27	46	19	34	53
<b>Total services</b>	<b>754</b>	<b>892</b>	<b>1,646</b>	<b>1,511</b>	<b>1,732</b>	<b>3,243</b>
<b>Total Consolidated Revenues</b>	<b>14,978</b>	<b>29,721</b>	<b>44,699</b>	<b>9,942</b>	<b>31,458</b>	<b>41,400</b>

### AGROPHARMA REVENUES BREAKDOWN BY GEOGRAPHIC AREA





## **STATEMENT PURSUANT TO ART. 36 OF CONSOB REGULATION 16191/2007**

Pursuant to Article 2.6.2, paragraph 15 of the Regulation of Markets organised and managed by Borsa Italiana S.p.A., Isagro S.p.A. certifies that the conditions set forth under Article 36, paragraphs a), b) and c) of Consob Regulation 16191/2007 are fulfilled for the subsidiaries incorporated under and regulated by the laws of countries that are not Member States of the European Union.

### **CERTIFICATION OF THE MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS**

The Manager charged with preparing the company's financial reports, Mr Ruggero Gambini, hereby certifies, pursuant to Article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the financial information in this consolidated interim results report as at March 31<sup>st</sup>, 2015 is consistent with the entries in the accounting books and records.