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2015 FINANCIAL RESULTS 3.0

Testo del comunicato

Vedi allegato.

PRESS RELEASE

ISAGRO BOD APPROVES 2015 RESULTS: RETURN TO PROFIT AND TO DIVIDEND, WITH NET FINANCIAL DEBT INCREASING ONLY FOR WORKING CAPITAL

(In an unfavorable market context due to adverse climatic conditions, low prices of agricultural commodities and economic/financial crisis in the important Brazilian market, with negative price variations partially off-set by exchange rate benefits)

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- Consolidated revenues 156 Euro million (+7% vs. 2014)
- EBITDA 19.5 million (+56% vs. 2014)
- Net result 3.1 million (vs. the loss of -0.9 million of 2014)
- Net financial debt at 47 Euro million, entirely in relation to Working capital (increasing versus 30 million of 2014-end only for working capital variations)
- Working capital increasing for building strategic stock of high added-value products / decrease of trade payables
- Equity, equal to twice the Net financial debt, backing Working capital for 17.2 million

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BOD PROPOSES TO THE ASSEMBLY THE PAYMENT OF DIVIDENDS (2.5 EUROCENT FOR ORDINARY SHARES AND 3.0 EUROCENT FOR GROWTH SHARES)

Milan, March 14th, 2016 – The Board of Directors of Isagro S.p.A. approved today the 2015 consolidated drafted financial statements, which will be made available to the public following the terms and the modalities of the applicable Laws.

2015 consolidated financial results

The consolidated financial statement of Isagro Group as of December 31st, 2015 shows, at a Profit & Loss level, Revenues equal to 156.0 Euro million (+6.9% versus 2014), EBITDA of 19.5 Euro million (versus 12.5 million of 2014) and a positive Net result for 3.1 Euro million (versus the loss of 0.9 million of 2014).

The increase of EBITDA, direct consequence of turnover increase, was made possible by:

1. an increase in margins from the direct exploitation of the Intellectual Property of Isagro (sales of products and services) for 2.5 Euro million, with higher sales in Europe which off-set lower volumes in the Americas; this, even within a crop protection market that in 2015 decreased by 8.5% versus 2014 in USD terms because of adverse climatic conditions, lower prices of the main agricultural commodities and, in the important Brazilian market, also a difficult financial context. In such a frame, benefits from the weakening of the Euro versus US Dollar only partially off-set, at the EBITDA level, the negative impact of price reduction;
2. higher proceeds from third parties' agreements, aimed at the indirect exploitation of the Intellectual Property of Isagro, for 5.0 Euro million.

With reference to the second point, it is reported that the new broad spectrum fungicide belonging to the SDHi class – found by Isagro Research Center and being co-developed with the North American company FMC Corporation – has already generated in 2015, albeit with a planned launch at the end of 2020 and with significant revenues from 2021/2022, proceeds for 5 Euro million, totally cashed-in in December, in relation to the Licensing to the same FMC of co-exploitation rights of Isagro in North America. This deal, on top of leading to higher royalties for Isagro at the time of sales by FMC, confirms, given the distance from the market launch, the significant commercial potential of this new product, with an efficient technical profile in terms both of effectiveness and eco-toxicology.

With reference to Balance Sheet as of December 31st, 2015, Isagro Group shows Net financial debt amounting to 47.2 Euro million (up by 17.5 million versus the value of 29.7 Euro million at December 31st, 2014), with a debt/equity ratio at 0.47; Net financial debt, moreover, is entirely against Working capital, with Equity (increased from 95.3 Euro million as of December 31st, 2014 to 99.9 Euro million as of December 31st, 2015) contributing to finance the Working capital itself for 17.2 Euro million.

Relating to financial aspects and compared to 17.5 Euro million of free cash flow absorbed in the 12 months of 2015, precisely amounting to the increase in Net financial debt versus 2014, it is reported that Isagro has:

- **generated a positive free cash flow excluding the variations of Net working capital** for 0.4 Million Euro (versus a 2014 absorption of -9.2 Euro million);
- **increased the Net working capital** for 17.9 Euro million, out of which 8.6 Euro million of higher inventory (due to the decision to build an important stock of strategic products, high added value, even to face the expected 2016 sales and thanks to the low cost of money), 6.9 million of lower trade payables (due to the payment in 2015 of tetraconazole stock bought-back in 2014 from previous US distributor of Isagro products) and for about 2 Euro million of higher receivables (due to higher sales).



Dividend for Ordinary Shares and Growth Shares

Based on 2015 results and in relation to them, the Board of Directors resolved to propose to the Shareholders' Meeting, which will be held on April 28, the payment of a dividend of 2.5 Eurocent for each Ordinary Share and of 3.0 Eurocent for each Growth Share.

Considering today stock prices, such dividends generate a yield of 2.48% for Ordinary Shares and of 3.95% for Growth Shares.

Status of the Industrial Project and Isagro's Group perspectives

The 2015 results, even realized as afore-mentioned in an unfavorable market context, highlight the effects of the strategic and operational "rethinking" process initiated by the Group since 2011.

With regards to the expectations of the consolidated turnover evolution of Isagro:

- **in the short term** (current year), it shall depend by the normalization of climatic conditions in particular in the North American, South American, Indian and Italian markets, towards which Isagro is particularly exposed, also in light of the stocks within distribution channels at the beginning of the year;
- **in the mid-term** (by 2020), it will be affected by the continuation of the implementation of the Strategic Lines of Isagro and new initiatives currently underway (discovery of new molecules and value extraction from the same and other IP mostly through agreements with third parties, growth in the Biosolutions business, opportunistic development of off-patented products, expansion of global commercial organization), with a confirmation of the target of 200 Euro million revenues at a consolidate level, to which are associated satisfactory profitability profiles.

Observations on the current price levels of Isagro shares

With reference to price trend of Isagro's Ordinary Shares and Growth Shares on the "STAR" segment managed by Borsa Italiana S.p.A., it is highlighted that:

1. the total market capitalization of Isagro as at the date of March 14th, 2016, considering jointly the capitalization of Ordinary Shares and the one of Growth Shares, was equal to 36% of the book value of the Equity at December 31st, 2015, which in turn provides a lower value of the real market net value of the Group's assets;
2. the discount applied by the Market to the Growth Shares versus the Ordinary Shares, equal to 25% as at the date of March 14th, 2016, in the Group's Management opinion is not justified under an economic/financial standpoint.

In relation to the above, it should be highlighted that the achievement of mid-term objective of Isagro of a consolidated turnover level of around 200 Euro million will allow the transfer of a large part of the "embedded" value in the financial statement assets to the Income Statement results and cash flows.



With reference to the second point called in the opening paragraph, lastly, it should be recalled that Growth Shares, issued by Isagro on May 2014, are a new class of Special Shares specially tailored for companies having a Controlling Subject (in Isagro's case, Piemme S.r.l.), that, (i) in the absence of the voting right provide an extra-dividend with respect to the Ordinary Shares (20% for Isagro) when a dividend for these shares is resolved, and (ii) envisage an innovative protection mechanism for the investor, according to which, if the Controlling Subject loses control and in any event of a compulsory public offer (OPA), Growth Shares are automatically converted into Ordinary Shares. Moreover, Isagro Growth Shares are characterized by a free float amounting to around 13.7 million shares, compared with 11.3 million Ordinary Shares, which makes them more liquid than the latter.

For the afore-mentioned reasons, Isagro deems there are not rational justifications, thus based on considerations of economic/financial order, for the existence of a spread to the detriment of Growth Shares.

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Isagro S.p.A. finally informs that the Board of Directors carried out the periodic assessment of the independence of the Directors Daniela Mainini, Adriana Silvia Sartor and Stavros Sionis, according to the criteria set by article 3 of the Company's Corporate Governance Code.

Finally, Isagro informs that Daniela Mainini resigned from its charge of Independent Director starting from today, after the conclusion of the Board meeting, due to incompatibility following a recent public assignment. The appointment of a new Independent Director, in substitution of Daniela Mainini, shall be resolved-upon by next Shareholders' Assembly, which shall take place of April 28th.

Isagro S.p.A. is the holding company of a group which, in twenty years, has become a qualified operator in the crop protection business, with global sales of around € 150 million and over 600 employees worldwide. Listed on the Italian Stock Exchange since 2003, Isagro is active in the innovative research, development, production and marketing, on a worldwide scale, of proprietary crop protection products, as well as in their distribution in some key markets.

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Attachment 1

RECLASSIFIED CONSOLIDATED PROFIT & LOSS STATEMENT

(€ 000)	Year 2015	Year 2014	Variation	
Revenues from sales and services	156,048	145,939	+10,109	+6.9%
Other operating revenues	2,895	3,092	-197	
Consumption of materials and external services	(117,822)	(115,240)	-2,582	
Variations in inventories of products	5,028	4,638	+390	
Costs capitalized for other works	3,507	3,306	+201	
Allowances and provisions	(1,367)	(701)	-666	
Labor costs	(27,240)	(26,153)	-1,087	
Labor costs allowances	(1,592)	(1,244)	-348	
Other not recurrent income (costs)	-	(1,170)	+1,170	
EBITDA	19,457	12,467	+6,990	+56.1%
<i>% on Revenues</i>	<i>12.5%</i>	<i>8.5%</i>		
Depreciation:				
- tangible assets	(3,748)	(3,678)	-70	
- intangible assets	(5,146)	(5,082)	-64	
- write-off of tangible and intangible assets and assets revaluation (IFRS 10)	(776)	(187)	-589	
EBIT	9,787	3,520	+6,267	N/S
<i>% on Revenues</i>	<i>6.3%</i>	<i>2.4%</i>		
Financial charges	(1,127)	(2,807)	+1,680	
Exchange gains/losses and derivatives	(1,296)	108	-1,404	
Write-down/write-ups of investments	54	59	-5	
Earnings before taxes	7,418	880	+6,538	N/S
Current and deferred taxes	(4,036)	(1,758)	-2,278	
Net result from continuing operations	3,382	(878)	4,260	N/S
Net result of discontinued operations	(250)	-	-250	
Net result	3,132	(878)	4,010	N/S

Attachment 2

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ 000)	31.12.2015	31.12.2014	Variation	
Net fixed assets				
Goodwill	3,447	3,762	-315	
Other intangible assets	45,282	40,339	+4,943	
Tangible assets	23,850	24,130	-280	
Investments valued with the equity method	296	253	+43	
Other medium/long term assets and liabilities	12,683	13,093	+90	
Total net fixed assets	85,558	81,577	+3,981	+4.9%
Net current assets				
Inventories	49,010	40,364	+8,646	
Trade receivables	52,000	49,598	+1,902	
Trade payables	(37,689)	(44,578)	+6,889	
Subtotal Net commercial working capital	63,321	45,384	+17,937	
Risk funds	(1,746)	(1,651)	-95	
Other current assets and liabilities	2,774	2,700	+74	
Subtotal Other assets and liabilities	1,028	1,049	-21	
Total net current assets	64,349	46,433	+17,916	+38.6%
Invested capital	149,907	128,010	+21,897	+17.1%
Severance indemnity fund (S.I.F.)	(2,872)	(3,038)	+166	
Net invested capital	147,035	124,972	+22,063	+17.7%
Not financial assets and liabilities of discontinued operation	-	-	-	
Total	147,035	124,972	+22,063	+17.7%
<i>financed by:</i>				
Equity				
Capital stock	24,961	24,961	-	
Reserves and earnings brought forward	78,227	79,195	-968	
Translation adjustment reserve continuing	(6,462)	(7,992)	+1,530	
Net group result	3,132	(878)	+4,010	
Total equity	99,858	95,286	+4,572	+4.8%
Net financial position				
<i>Medium/long term debts:</i>				
- towards banks	25,457	19,632	+5,825	
- towards other financiers	191	266	-75	
- others	-	(2,875)	+2,875	
Total medium/long term financial debts	25,648	17,023	+8,625	+50.7%
<i>Debiti a breve termine:</i>				
- towards banks	35,947	27,344	+8,603	
- towards other financiers	2,395	1,839	+556	
- others	(99)	629	-728	
Total short term financial debts	38,243	29,812	+8,431	+28.3%
Cash and cash equivalents	(16,714)	(17,149)	+435	-2.5%
Total net financial position	47,177	29,686	+17,491	+58.9%
Total	147,035	124,972	+22,063	+17.7%

Attachment 3

CONSOLIDATED CASH-FLOW STATEMENT

(€ 000)	2015	2014
Cash and cash equivalents (as of January 1st)	17,149	14,099
<i>Operating activities</i>		
Net result of continuing operation	3,382	(878)
Net result of discontinued operation	(250)	-
- Depreciation of tangible assets	3,748	3,678
- Amortization of intangible assets	5,146	5,082
- Losses in value of tangible and intangible assets	776	187
- Provisions to reserves (including employee indemnity)	1,775	1,768
- Losses from disposal of tangible and intangible assets	174	57
- Interests from held for trading assets	(134)	(400)
- Net interest expenses paid to financial institutions and leasing companies	1,077	3,068
- Net income/(charges) on derivative instruments	3,065	1,150
- Result on investments valued with the equity method	(54)	(59)
- Income taxes	4,036	1,758
<i>Cash flow from current operations</i>	<i>22,741</i>	<i>15,411</i>
- Increases in trade receivables	(1,335)	(1,435)
- Increases in inventories	(7,684)	(4,798)
- Increases/(decreases) in trade payables	(8,338)	12,706
- Net change in other assets/liabilities	(772)	(1,600)
- Use of funds (including employee indemnity)	(1,970)	(3,488)
- Net interest expenses paid to financial institutions and leasing companies	(1,205)	(3,294)
- Financial flow from derivative instruments	(3,793)	(392)
- Income taxes paid	(1,915)	(3,167)
Cash flow from operating activities	(4,271)	9,943
<i>Investment activities</i>		
- Investments in intangible assets	(11,398)	(10,034)
- Investments in tangible assets	(3,415)	(4,345)
- Net sale price of from disposal of tangible/intangible assets	1	10
- Dividends from affiliated companies	11	11
- (Purchase)/sale of financial assets	134	437
Cash flow from investment activities	(14,667)	(13,921)
<i>Financing activities</i>		
- Obtainment of non-current financial debts	27,500	7,343
- Repayment of non-current financial debts	(17,256)	(3,883)
- Increase/(decrease) in current financial debts	7,671	(25,565)
- (Increase)/decrease in financial receivables	-	-
- Shareholders' payments for increase in capital	-	28,074
Cash flow from financing activities	17,915	5,969
Changes from exchange differences	588	1,059
Cash flow of the period	(435)	3,050
Cash and cash equivalents at end of period (as of December 31st)	16,714	17,149

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