

Bit Market Services

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1Q2016 FINANCIAL RESULTS

Testo del comunicato

Vedi allegato.

PRESS RELEASE

ISAGRO BOD APPROVES QUARTERLY FINANCIAL RESULTS AS OF MARCH 31ST, 2016

- Consolidated revenues 51.9 Euro million (+16% vs. 2015)
- Consolidated EBITDA 7.7 Euro million (+38% vs. 2015)
- Net result 4.2 Euro million (vs. 0.8 Euro million of 2015)
- Net financial debt as at March 31st, 2016 equal to 41.0 Euro million (vs. 47.2 Euro million as of December 31st, 2015 and vs. 38.9 Euro million as of March 31st, 2015)

Milan, May 16th, 2016 – The Board of Directors of Isagro S.p.A. approved today the Consolidated Interim Result Report as of March 31st, 2016, which will be made available to the public following the terms and the modalities of the applicable Laws.

1Q 2016 consolidated results

In the first quarter of 2016, a period not historically representative of full-year results due to the well-known seasonal nature of the Group business, Isagro registered:

- a turnover of 51.9 Euro million, with a 7.2 Euro million (+16%) increase versus 44.7 Euro million of the first quarter of 2015;
- an EBITDA of 7.7 Euro million, with a 2,1 Euro million (+38%) increase versus 5.6 Euro million of 2015;
- a Net result before taxes of 6.7 Euro million, up by 5.3 Euro million versus 1.4 Euro million of 2015;
- a Net result of 4.2 Euro million, with an increase of 3.4 Euro million versus 0.8 Euro million of 2015;
- a Net financial position at debt as at March 31st, 2016 equal to 41.0 Euro million, with an improvement of 6.2 Euro million versus December 31st, 2015 and with an increase of 2.1 Euro million versus March 31st, 2015.

The above mentioned increase in Revenues in the first quarter of 2016 compared to 2015:

- is attributable to higher sales of proprietary formulations based on the fungicide Tetraconazole and, to a more limited extent, to copper products, biostimulants and pyrethroids, mainly in EU and United States - the latter representing a market where in 1Q 2016 continued the scheduled sales of the stocks repurchased at 2014-end from a previous distributor and being re-invoiced at cost value to new distributor;

- occurred as a result of purchases by national distributors in a market situation that still registers high level of inventory within distribution channels. In fact, in the 1Q of 2016 the same unfavorable conditions to consumption of crop protection products that marked 2015 occurred. Among these, widespread drought phenomenon, not fully positive performance of the main agricultural commodities prices and, in the important Brazilian market, the persistence of adverse economic/financial conditions, in terms of access to credit and of cost of the same.

With reference to the balance sheet, the consolidated data as at March 31st, 2016 highlight the financial soundness of Isagro Group, with a Debt/Equity ratio equal to 0.40, a portion of Equity backing Working capital for 20.7 Euro million and over half of the Net financial debt at medium/long term.

Dividend for Ordinary Shares and Growth Shares

Based on 2015 results and in relation to them, it shall be remembered that the Isagro Shareholders' Meeting held on April 28 resolved the payment of a dividend of 2.5 Eurocent for each Ordinary Share and of 3.0 Eurocent for each Growth Share, with ex-dividend date today and payment date on May 18th.

Considering stock prices as of May 13th, 2016, such dividends generate a yield of 2.38% for Ordinary Shares and of 3.46% for Growth Shares.

Perspectives for the current year

The financials for the whole 2016, the latter to be considered as a year of consolidation of 2015 results, are only partially linked to the good performance of 1Q, the latter being a period not historically representative of the 12-month results, while it shall depend largely by the normalization in the rest of the year of the climatic / external scenario conditions in the important Italian, Brazilian and United States markets, along with the definition of new Licensing agreements.

In the medium term, however, Isagro confirms the target of 200 Euro million revenues at a consolidate level, based on the following Strategic Guidelines:

1. *discovery* of new molecules alone;
2. development of new molecules mostly through attribution of rights to a "main developer" while retaining rights for Isagro on selected segments/markets;
3. value extraction from our I.P. and retained rights also through Licensing;
4. growth in the Biosolutions business, also through acquisitions;
5. opportunistic development of off-patented products;
6. expansion of our global commercial organization.



Observations on the current price levels of Isagro shares

With reference to the 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 of May 13th, 2016 was equal to 37% of the book value of the Equity at March 31st, 2016, the latter underestimating 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 as of May 13th, 2016, equal to 18%, in the Group's Management opinion is not justified under an economic/financial standpoint.

With reference to the first point above, it should be highlighted that the achievement of the mid-term objective of a consolidated turnover around 200 Euro million will allow to transfer a large part of the asset-side "embedded" value to P&L and cash flows.

With reference to the second point above, it should be recalled that Growth Shares are a new class of Special Shares specially tailored for companies having a Controlling Subject (in Isagro's case, Piemme S.r.l.), (i) not providing voting rights but an extra-dividend versus Ordinary Shares (20% in the case of Isagro) when a dividend for the latter is resolved-upon, and (ii) envisaging 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, 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 11.4 million Ordinary Shares, which makes them more liquid than the second ones. Based on the afore-mentioned reasons, Isagro deems there is not rational justification, thus based on considerations of economic/financial order, for the existence of a spread between Ordinary Shares and Growth Shares.

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Isagro S.p.A. informs that the Board of Directors carried out the assessment of the independence of the Director Enrica Maria Ghia appointed by the Shareholders' Meeting of April 28th, 2016, pursuant to article 144-*novies* of Consob Regulation of listed companies and according to the criteria set by article 3 of the Company's Corporate Governance Code.

Moreover, the Board of Directors assessed, pursuant to article 144-*novies* of Consob Regulation of listed companies and according to the criteria set by article 8 of the Company's Corporate Governance Code, with



a positive outcome, the requisites of independence for the members of the Board of Statutory Auditors Filippo Cova, Giuseppe Bagnasco, Claudia Costanza – effective Auditors - and Eleonora Ferraris and Renato Colavolpe – substitute Auditors – appointed by the Shareholders’ Meeting of April 28th, 2016.

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 € 160 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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CONSOLIDATED PROFIT & LOSS STATEMENT AS OF MARCH 31ST, 2016

(€ 000)	1st Quarter 2016	1st Quarter 2015	Variation	Year 2015
Revenues from sales and services	51,861	44,699	+7,162 +16.0%	156,048
Other operating revenues	765	567	+198	2,895
Consumption of materials and external services	(32,082)	(32,767)	+685	(117,822)
Variations in inventories of products	(5,616)	(567)	-5,049	5,028
Increases in assets through internal works	712	871	-159	3,507
Allowances and provisions	(288)	(185)	-103	(1,367)
Labor costs	(7,088)	(6,747)	-341	(27,240)
Bonus accruals	(540)	(261)	-279	(1,592)
EBITDA	7,724	5,610	+2,114 +37.7%	19,457
<i>% on Revenues</i>	<i>14.9%</i>	<i>12.6%</i>		<i>12.5%</i>
Depreciation:				
- tangible assets	(945)	(908)	-37	(3,748)
- intangible assests	(1,245)	(1,164)	-81	(5,146)
- write-off of tangible and intangible assets	-	-	-	(776)
EBIT	5,534	3,538	+1,996 +56.4%	9,787
<i>% on Revenues</i>	<i>10.7%</i>	<i>7.9%</i>		<i>6.3%</i>
Financial Charges	(17)	(364)	+347	(1,127)
Exchange gain/losses and derivatives	1,104	(1,814)	+2,918	(1,296)
Write-ups of investments	35	21	+14	54
Result before taxes	6,656	1,381	+5,275 N/S	7,418
Current and deferred taxes	(2,471)	(561)	-1,910	(4,036)
Net result from continuing operations	4,185	820	3,365 N/S	3,382
Net result of discontinued operations	-	-	-	(250)
Net result	4,185	820	3,365 N/S	3,132

CONSOLIDATED BALANCE SHEET AS OF MARCH 31ST, 2016

(€ 000)	31.03.2016	31.03.2015	Variation	31.12.2015	
<u>Net fixed assets</u>					
Goodwill	3,456	3,874	-418	3,447	
Other intangible assets	46,333	41,587	+4,746	45,282	
Tangible assets	23,075	24,844	-1,769	23,850	
Investments valued with the equity method	331	273	+58	296	
Other medium/long term assets and liabilities	11,647	13,351	-1,704	12,683	
Total net fixed assets	84,842	83,929	+913	+1.1%	85,558
<u>Net current assets</u>					
Inventories	44,058	48,134	-4,076	49,010	
Trade receivables	56,887	54,241	+2,646	52,000	
Trade payables	(38,036)	(45,322)	+7,286	(37,689)	
Risk funds	(2,281)	(1,959)	-322	(1,746)	
Other current assets and liabilities	1,078	3,165	-2,087	2,774	
Total net current assets	61,706	58,259	+3,447	+5.9%	64,349
Invested capital	146,548	142,188	+4,360	+3.1%	149,907
Severance Indemnity Fund (S.I.F)	(2,833)	(2,829)	-4		(2,872)
Net invested capital	143,715	139,359	+4,356	+3.1%	147,035
Net financial assets and liabilities of discontinued operation	-	-	-		-
Total	143,715	139,359	+4,356	+3.1%	147,035
<i>financed by:</i>					
<u>Equity</u>					
Capital stock	24,961	24,961	-		24,961
Reserves and earnings brought forward	81,357	78,317	+3,040		78,227
Translation adjustment reserve continuing	(7,820)	(3,636)	-4,184		(6,462)
Net profit of the Group	4,185	820	+3,365		3,132
Total equity	102,683	100,462	+2,221	+2.2%	99,858
<u>Net financial position</u>					
<i>Medium/long term debts:</i>					
- towards banks	24,078	25,771	-1,693		25,457
- towards other financiers	2,150	249	+1,901		191
- others	-	-	-		-
Total medium/long term financial debts	26,228	26,020	+208	+0.8%	+25,648
<i>Short term debts:</i>					
- towards banks	33,056	33,525	-469		35,947
- towards other financiers	2,494	1,737	+757		2,395
- others	(1,334)	3,658	-4,992		(99)
Total short term financial debts	34,216	38,920	-4,704	-12.1%	38,243
Cash and cash equivalents	(19,412)	(26,043)	+6,631	-25.5%	(16,714)
Total net financial position	41,032	38,897	+2,135	+5.5%	47,177
Total	143,715	139,359	+4,356	+3.1%	147,035

CONSOLIDATED CASH-FLOW STATEMENT OF JANUARY-MARCH 2016

(€ 000)	31.03.2016	31.03.2015
Cash and cash equivalents	16,714	17,149
<i>Operating activities</i>		
Net profit of continuing operation	4,185	820
- Depreciation of tangible and intangible assets	2,190	2,072
- Provisions to reserves (including employee indemnity)	607	359
Cash Flow	6,982	3,251
- Write-up-write down of investments and other financial assets	(35)	(20)
- Change in net current assets	1,199	(9,774)
- Net change in other assets and liabilities	965	(328)
- Use of funds (including employee indemnity)	(98)	(281)
Cash Flow from operations	9,013	(7,152)
<i>Investment activities</i>		
- Investments in intangible assets	(2,290)	(2,127)
- Investments in tangible assets	(353)	(1,027)
Cash Flow from investments	(2,643)	(3,154)
<i>Financing activities</i>		
- Increase/(decrease) in financial debts (current and non-current)	(1,947)	11,762
- (Increase)/decrease in financial receivable derivatives and other financial assets (current and non-current)	(1,239)	5,919
- Shareholders' payments for increase in capital	-	-
Cash flow from financing activities	(3,186)	17,681
Conversion differences	(486)	1,519
Cash flow of the period	2,698	8,894
Cash-closing balance	19,412	26,043

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