

# **ISAGRO**

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## ***INTERIM RESULTS REPORT***

### ***AS OF SEPTEMBER 30<sup>TH</sup> 2014***

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### **Consolidated Data**

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***Milan, November 13<sup>th</sup> 2014***

ISAGRO S.p.A.

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

Registered office : Via Caldera, 21 - 20153 Milano

Fully paid share capital Euro 24,961,207.65 i.v.

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## **CORPORATE OFFICES**

### **BOARD OF DIRECTORS**

Giorgio Basile	–	President and C.E.O.
Maurizio Basile	–	Director and Vice President
Christina Economou	–	Director
Gianni Franco	–	Director
Riccardo Basile	–	Director
Adriana Silvia Sartor	–	Independent Director
Elena Vasco	–	Independent Director
Antonio Zoncada	–	Independent Director

### **BOARD OF STATUTORY AUDITORS**

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



## **EXPLANATORY NOTES**

This interim result report as of September 30<sup>th</sup>, 2014 (hereinafter “Quarterly report” or “Report”) has been drafted in compliance with art. 154-ter, paragraph 5 of Legislative Decree 58/1998 (Unified Finance Law) and further amendments and integrations, as well as the Regulation and listing rules issued by Consob.

This report is not the subject of undergo accounting review process by the independent auditing firm and has been drafted by applying International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board and ratified by the European Union.

## **PRESENCE OF POSSIBLE ESTIMATED DATA**

The preparation of consolidated financial statements requires the making of estimates and assumptions that affect the reported values of assets and liabilities as well as the information on possible assets and liabilities at the reference date: consequently the results which may later on be achieved might differ from these estimates.

The estimates have been used to point out provisions for credit risks and for inventory obsolescence, as well as depreciations, amortizations, employee benefits, taxes and other fund provisions. The estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement.



## **DIRECTORS' MANAGEMENT REPORT**

### **INTRODUCTION**

The first nine months of 2014 have been characterized, in terms of sales, by the recovery versus 2013, a year which was negatively affected by the “carried-over” effect of 2012 drought, and, furthermore, by the start of the commercial cooperation with the partner Gowan in USA and in Italy. Turnover as of September 30<sup>th</sup> increased by 21% in comparison to 2013 same period.

Furthermore, sales in IV Quarter of the current year are expected to be lower than IV Quarter 2013 ones, due to reduced year-end purchases by the distribution systems in Brazil (due to consumption of existing stock and to a weakening of market conditions for Isagro’s products) and in Italy (to limit year-end stocks).

From a financial/strategic point of view, the first 9 months of 2014 were characterized by the successful conclusion, in May, of the share capital increase of 29 million Euros (out of which 16 million Euros contributed by the controlling system), through which the parent Isagro S.p.A. intends to finance, in particular in the 2014-2015 year-period, the investments in R,I&D of the Group which are not covered by cash flow from operations.

The share capital increase enabled Isagro to:

- transfer in Isagro S.p.A. most of the financial resources allocated in BasJes Holding S.r.l. by the partner Gowan between October 2013 and March 2014;
- create the conditions for a material simplification of the Group’s controlling structure - through the “exit”, which took place between May and June 2014, of all the Minorities from the controlling structure of the parent Isagro S.p.A. - which will be finalized by the end of 2014 with the notarial deed of merger by incorporation of the sub-holdings Manisa S.r.l. and Holdisa S.r.l. in BasJes Holding S.r.l. (which shall be renamed Holdisa S.r.l.), as already resolved by the different Shareholders’ meetings on 22<sup>nd</sup> October 2014;
- launch a new class of special shares, called Growth Shares, tailored for companies having a Controlling Subject, that, against the absence of voting right, remunerates the investor with an extra-dividend (20% for Isagro) and safeguards him through the



automatic conversion into Ordinary Shares in the event the Controlling Subject loses control and in any event of a compulsory public offer (OPA).

A more detailed description of the above-mentioned events is herein reported in the section “Main events as of September 30<sup>th</sup>, 2014”.

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The actions of Isagro Group management, which enabled to achieve the results that have been briefly described here above and are aimed at implementing the targets set out in 2014-18 Business Plan, are guided by the following five Strategic Guidelines:

1. define the guidelines for innovative research and carrying out independently all research activities, which need neither a large scale nor strong financial resources;
2. developing new products (i) in partnership for new investment-intensive active ingredients with worldwide sales potential and requiring high investments, and (ii) autonomously for active ingredients with sales potential in specific segments/areas and moderate levels of investments;
3. develop the new business licensing, in this way adding to the core business of selling proprietary formulations the promotion of active ingredients, by granting rights related to proprietary products against upfront payments and while signing long term supply agreements;
4. develop proprietary products' portfolio through (i) new formulations with proprietary molecules, (ii) launch of new products (Fumigants, Bio-stimulants and generics) and (iii) development of direct distribution in selected markets, preferably in *partnership*;
5. perform business while maintaining a level of financial debt not exceeding net working capital.

## **FINANCIAL RESULTS**

In the first nine months of 2014 Isagro Group consolidated revenues amounted to 102.3 million Euros, registering an increase of 17.6 million Euros (+20.8%) compared to 84.7 million Euros in the same period of last year.



The increase in turnover, which took place in a context of re-launch of commercial activities of Isagro and in presence of favorable weather conditions to a demand for fungicides, has been the result of:

- Recovery of sales lost in 2013 due to “carried-over” effect of 2012 drought;
- The start of the commercial cooperation with the new partner Gowan in USA and in Italy;

elements which have counterbalanced a decrease in sales of Isagro in Brazil, only partially expected, and lower sales of Orthosulfamuron and Valiphenalate, the latter two molecules divested in 2013.

Furthermore, sales in IV Quarter of the current year are expected to be lower than IV Quarter 2013 ones, due to reduced year-end purchases by the distribution systems in Brazil (due to consumption of existing stock and to a weakening of market conditions for Isagro’s products) and in Italy (to limit year-end stocks).

During the first nine months 2014 Isagro has carried out its own activity of **Research, Innovation & Development** for a total amount of 10.7 million Euros (first nine months of 2013 8.6 million Euros), of which 7.8 million Euros capitalized (capitalizations for 6.6 million Euros during first nine months of 2013) against investments in the new molecule IR9792 co-developed with FMC Corporation (a broad spectrum fungicide belonging to the SDHi class), in “Extraordinary Defence” for proprietary products, in development of new registrations.

#### SUMMARY CONSOLIDATED PROFIT AND LOSS STATEMENT

(€ 000)	Jan.-Sep. 2014	Jan.-Sep. 2013	Variation	
<b>Revenues</b>	<b>102,303</b>	<b>84,717</b>	<b>+17,586</b>	<b>+20.8%</b>
Memo: Labor costs and bonuses	(20,322)	(19,215)	-1,107	-
<b>EBITDA</b>	<b>7,698</b>	<b>905</b>	<b>+6,793</b>	<b>N/S</b>
<i>% on Revenues</i>	<i>7.5%</i>	<i>1.1%</i>		
Depreciation:				
- tangible assets	(2,794)	(2,986)	+192	-
- intangible assets	(3,684)	(4,208)	+524	-



- write-off of assets

<b>EBIT</b>	<b>1,220</b>	<b>(6,289)</b>	<b>+7,509</b>	<b>N/S</b>
<i>% on Revenues</i>	<i>1.2%</i>	<i>-7.4%</i>		
Financial charges	(2,139)	(3,488)	+1,349	-
Exchange gains/losses, derivatives and others	(207)	(41)	-166	-
Write-off/revaluation of investments	38	6	+32	-
<b>Earnings before taxes</b>	<b>(1,088)</b>	<b>(9,812)</b>	<b>8,724</b>	<b>88.9%</b>
Current and deferred taxes	(50)	1,506	-1,556	-
<b>Net result</b>	<b>(1,138)</b>	<b>(8,306)</b>	<b>7,168</b>	<b>86.3%</b>

*\* it refers to accruals of deferred taxes of the parent Isagro S.p.A. that have been not included in the consolidated financial statements as of December 31st 2013*

**EBITDA** in the first 9 months of 2014 was equal to 7.7 million Euros, with an increase of 6.8 million Euros compared to 0.9 million Euros reported in 2013 same period. This increase was due to higher volumes in sales - as mentioned above - and in sales margins, especially with reference to copper-based products, whose mix shifted towards the higher added value product “Airone”.

**Amortizations** amounted to 6.5 million Euros, down of 0.7 million Euros compared to 7.2 million Euros in the first 9 months of 2013, substantially following the disposals of the herbicide Valiphenalate and of the fungicide Orthosulfamuron, respectively occurred in April and October 2013.

Therefore, Isagro ended the first nine months of 2014 with an operating profit of 1.2 million Euros, showing a 7.5 million Euros improvement compared to the loss of 6.3 million Euros during same period of last year.

As regards financial situation, during the first nine months of 2014 the Group registered **Net financial charges** totaling 2.3 million Euros, down by 1.2 million Euros compared to 3.5 million Euros reported during the first nine months of 2013; this improvement is primarily attributable to:

- lower **interest fees, commissions and financial charges** for 1.4 million Euros, as result of better credit terms obtained by the Parent Isagro S.p.A., thanks to the equity-financial strengthening achieved between last quarter of 2013 (disposal of the herbicide





Orthosulfamuron, entrance of Gowan as minority shareholder in the Group's Controlling Structure and licensing agreement signed with Arysta) and the first half of 2014 (share capital increase of 29 million Euros) as well as to the lower use of more onerous bank credit lines; all this, in a context of markets with higher liquidity;

- **Exchange and financial instruments net losses** for 41 thousand Euros, compared to profits of 166 thousand Euros in the first nine months of 2013.

As for the hedging transactions carried out during this period, please note that they are only for operating transactions and therefore they 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 thus directly recognized as finance income/costs in profit or loss, both for the realized and unrealized portion.

Group's **Consolidated Result before taxes** amounted to a loss of 1.1 million Euros (compared to the loss of 9.8 million Euros same period 2013) with a **Net Loss** of 1.1 million Euros (compared to the loss of 8.3 million Euros reported in the first nine months of 2013); all this after having allocated deferred taxes referred to Isagro S.p.A. for an amount of 2.2 million Euros.

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As regards consolidated balance sheet, **Net invested capital** as at September 30<sup>th</sup>, 2014 was equal to 122.4 million Euros, up by 3.2 million Euros compared to 119.2 million Euros as at December 31<sup>st</sup>, 2013, but down by 3.0 million Euros as at September 30<sup>th</sup>, 2013.

#### SUMMARY CONSOLIDATED BALANCE SHEET

(€ 000)	09.30.2014	09.30.2013	Variation		12.31.2013
<b>Net fixed assets</b>	<b>81,960</b>	<b>83,022</b>	<b>-1,062</b>	<b>-1.3%</b>	<b>73,495</b>
<b>Net current assets</b>	<b>43,683</b>	<b>45,995</b>	<b>-2,312</b>	<b>-5.0%</b>	<b>49,174</b>
<b>Severance indemnity fund (S.I.F.)</b>	<b>(3,266)</b>	<b>(3,655)</b>	<b>+389</b>	<b>-10.6%</b>	<b>(3,517)</b>
<b>Net invested capital</b>	<b>122,377</b>	<b>125,362</b>	<b>-2,985</b>	<b>-2.4%</b>	<b>119,152</b>

**Not financial assets and**

liabilities of discontinued operation	-	-	-	-	-
<b>Total</b>	<b>122,377</b>	<b>125,362</b>	<b>-2,985</b>	<b>-2.4%</b>	<b>119,152</b>
<i>Financed by:</i>					
<b>Equity</b>	<b>95,059</b>	<b>61,486</b>	<b>33,573</b>	<b>54.6%</b>	<b>65,222</b>
<b>Net financial position (NFP)</b>	<b>27,318</b>	<b>63,876</b>	<b>-36,558</b>	<b>-57.2%</b>	<b>53,930</b>
<i>Debt/Equity ratio</i>	<i>0.29</i>	<i>1.04</i>			<i>0.83</i>
<b>Total</b>	<b>122,377</b>	<b>125,362</b>	<b>-2,985</b>	<b>-2.4%</b>	<b>119,152</b>

**Net fixed assets** as at September 30<sup>th</sup>, 2014 amounted to 82.0 million Euros, up by 8.5 million Euros compared to 73.5 million Euros as at December 31<sup>st</sup>, 2013 and by 1.1 million Euros as at September 30<sup>th</sup>, 2013. These changes are primarily due to the evolution of the following items:

- **Goodwill and other intangible assets**, totaling 43.8 million Euros as at September 30<sup>th</sup>, 2014, up by 4.5 million Euros as at December 31<sup>st</sup>, 2013, resulting from new capitalization occurred over the period, but down by 3.6 million Euros compared to September 30<sup>th</sup>, 2013, mainly due to the disposal of the activities regarding the molecule Orthosulfamuron in October 2013;
- **Other medium/long term net assets** equal to 14.2 million Euros, up by 3.3 million Euros compared to December 31<sup>st</sup>, 2013 and up by 2.6 million Euros compared to the value as at September 30<sup>th</sup>, 2013.

**Net current assets** at September 30<sup>th</sup>, 2014 totaled 43.7 million Euros, down by 5.5 million Euros and by 2.3 million Euros compared to December 31<sup>st</sup>, 2013 and September 30<sup>th</sup>, 2013 respectively. More in detail:

- **Inventories**, as at September 30<sup>th</sup>, 2014 amounted to 38.6 million Euros, showing an increase of 4.4 million Euros compared to 34.2 million Euros registered at December 31<sup>st</sup>, 2013 (in order to face winter campaign) but decreased by 7.1 million Euros compared to the 45.7 million Euro of 2013 September-end (when inventory level was high caused by a drop in sales);
- **Trade receivables**, equal to 38.2 million Euros, increased by 8.9 million Euros compared to the same period of the previous year, thanks to a sales recovery during



current year. Comparison with figures as at December 31<sup>st</sup>, 2013 is not significant due to the seasonality of the business in which the Group operates;

- **Trade payables**, equal to 34.6 million Euros, result slightly higher compared to 31.5 million Euros of the same period 2013. Comparison with figures as at December 31<sup>st</sup>, 2013 is not significant due to the seasonality of the business in which the Group operates;
- **Current provisions**, equal to 1.4 million Euros, decreased by 2.0 million Euros in comparison to the 3.4 million Euros as at December 31<sup>st</sup>, 2013, which included also non-recurring allowances referred to the lay-off schemes described in paragraph “Main events as of September 2014”, but increased by 0.7 million Euros compared to September 30<sup>th</sup>, 2013, as result of the allowances made with reference to employees bonuses;

As regards the **Severance Indemnity Fund** (T.F.R.), it amounted to 3.3 million Euro as at September 30<sup>th</sup>, 2014, with no significant changes compared to September 30<sup>th</sup>, 2013 and to December 31<sup>st</sup>, 2013.

As for funding, consolidated **Equity** as at September 30<sup>th</sup>, 2014 amounted to 95.1 million Euros, up by 29.9 million Euros compared to 65.2 million Euros registered at December 31<sup>st</sup>, 2013 and by 33.6 million Euros compared to 61.5 million Euros of the first nine months of 2013, mainly due to the following:

- The share capital increase of about 29 million Euros (including costs for an amount of 1.0 million Euros) mentioned in the introduction of this Report;
- A **loss** of 1.1 million Euros registered in the period;
- Variation of the **Translation reserve**, down by 2.7 million Euros and by 2.4 million Euros compared to the values registered at December 31<sup>st</sup>, 2013 and at September 30<sup>th</sup>, 2013 respectively. To be noted that the **Translation reserve**, equal to 8.0 million Euros as at September 30<sup>th</sup>, 2014, is linked to the exchange rate trend of the Indian rupee, the currency of Isagro (Asia) Agrochemicals Pvt. Ltd., the Indian subsidiary of Isagro Group.



Considering the above, consolidated **Net Financial Position (PFN)** as at September 30<sup>th</sup>, 2014 amounted to 27.3 million Euros (out of which about half the amount represented by mid-long term debt), down by 26.6 million Euros compared to 53.9 million Euros registered at December 31<sup>st</sup>, 2013 and by 36.6 million Euros compared to 63.9 million Euros as at September 30<sup>th</sup>, 2013.

In light of what has been explained above, the consolidated **debt/equity** ratio (i.e. ratio between net financial position and equity) decreased to 0.29, compared to the value of 0.83 registered as at December 31<sup>st</sup>, 2013 and to that of 1.04 reported at September 30<sup>th</sup>, 2013.

To be noted also that the operating companies reported, as at September 30<sup>th</sup>, 2014, an aggregated Net financial position at credit for about 2.8 million Euros, while the parent Isagro S.p.A., which concentrates most of R,I&D, synthesis and formulations activities and includes amounts related to investments in subsidiaries, reported a Net financial position at debt for 30.8 million Euros, against unused bank credit lines of various types amounting to around 62 million Euros.

### **EVOLUTION OF THE AGROPHARMA MARKET**

In the first nine months of 2014, the worldwide crop protection market which depicts the trend of the agrochemicals demand, was characterized by:

- in Europe, mild and rainy weather conditions;
- in North America, poor rainy conditions in western and southern territories;
- in South America, extreme drought in Brazil which affected sugar can, although local market registered strong demand and growth;
- in Asia, favorable weather conditions in China, which led to a sensitive growth in cotton production;
- generally speaking, a decrease in price of main food commodities.

The above elements led to a continuous growing trend in the agrochemicals market value and, in particular, in the fungicide consumption. The possible impact of the above



mentioned droughts in North and South America in the next months and on 2015 campaign are still to be evaluated.

Accurate data for the agropharma market as at September 30<sup>th</sup>, 2014 will be available beginning 2015. Presently, it is estimated that worldwide agropharma sales in the first nine months of 2014 registered a few percentage points increase compared to same period 2013.

## **RESEARCH, INNOVATION AND DEVELOPMENT**

During the first nine months of 2014 Isagro incurred in Research Innovation and Development costs for an amount of 10.7 million Euros, of which 7.8 million Euros capitalized against investments for development, registration and “extraordinary defence” of proprietary products on a worldwide level; during the first nine months of 2013 such expenses were equal to 8.6 million Euros, out of which 6.6 million Euros were capitalized.

### ***A) RESEARCH AND INNOVATION***

Research and innovation activities of the Group focused on some working lines aimed at obtaining new candidates for development, with the aim of achieving the development of at least a new active ingredient in the time period of the Business Plan. In particular, activities have been targeted towards:

- A new line of broad-spectrum fungicides, to be added to the fungicide belonging to the SDHi class for which development began in 2012;
- A new series of herbicides for grass weed and dicotyledons control, for pre/post emergence use on arable crops 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 bio-stimulants, alone or in various combinations, are still underway.

### ***B) PRODUCTS DEVELOPMENT***

Below the main development activities carried out during the first nine months of 2014.



#### *IR9792 (or Succinate Dehydrogenase Inhibitor or SDHi) – a broad spectrum fungicide*

The identification of the first formulations of Isagro exclusive development, which began in 2013, and the development of the synthesis processes and preparation of the registration dossier for the SDHi active ingredient in the major markets (Europe, USA, and Brazil) continued in the first nine months of 2014, following the Research Plan scheduled together with the developing partner FMC. Field testing and further evaluations in greenhouse achieved the highest level for Northern Hemisphere crops, while as for Brazil only data of tests carried out during winter 2013 - spring 2014 have been collected. A complete evaluation of the results will be edited during last quarter of 2014, which will include the complete trial report. Meanwhile, the available results confirm the profile traced previously and, therefore, the high potential mentioned in the previous reports.

Main regulatory studies on the active ingredient have been started and until today no critical points highlighted.

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

The development activity is focused on the following projects:

- Completion of the registration dossier for Southern Europe Countries of the formulation Kiralaxyl + copper oxychloride + copper hydroxide WG on grapes and vegetables;
- Continuing preparation of the registration dossier for Kiralaxyl for seed treatments in USA;
- Dossier follow-up to obtain the import tolerance in USA;
- Drawing-up and sending of documents required after the inclusion of all formulation containing Kiralaxyl registered in Europe (STEP 1) in Annex 1 of the EC 1107/2009 Regulation.

#### *Tetraconazole – broad spectrum fungicide*

Activity focused on the following projects:

- *follow-up* of the re-registration processes of formulations in the EU (STEP 2 of the European Review Process);
- studies evaluation for re-registration in USA.



- registration and label extension in USA, Canada and Brazil, as agreed with Arysta.

### Copper-based products

In line with plan, the registration application for Airone® Sc and Airone® WG has been sent to Southern and Central European Countries and the registration dossier of Airone® WG was completed for Egypt. To be recalled also follow-up activities of re-registration of formulations in EU (STEP 2 of the European Review Process).

### Fumigants

The valuation of data available in preparing the registration dossier has intensified, while giving special attention to the registration of the dossier for Turkey. In October 2013, Isagro obtained from EPA (environmental Protection Agency) the authorization to use its fumigants in USA, the first product to be classified as bio-fumigant.

The product is already on the market in the USA.

### Bio-stimulants

The monitoring activity related to the authorization processes is underway with the aim of supporting the business.

### Microbiological products

Development was mainly related to the planning, the drawing-up of dossiers and their sending to obtain the registration of Tricoderma ssp-based formulations in various European Countries.

### Pheromones

Follow-up of the European Review Process. For all above-mentioned product families classification and labelling for each single formulation were adjusted pursuant to Regulation 1272 of 2008.

## **ISAGRO BUSINESS DEVELOPMENT ACTIONS**



The significant events of the Group, during the first nine months of 2014, are reported here under:

- A) 28 new registrations obtained, among which Deltametrine-based ones in Spain and Italy, bio-stimulant Siapton in Egypt, Canada and Turkey, and also Azoxystrobin based fungicide mixed products in USA, Chlorotalonil + Tetraconazole based ones in Turkey and Czech Republic and Tetraconazole + Proquinazid-based in France;
- B) a further reinforcement of the Marketing & Sales team, with new professional positions and
- C) targeted new actions in the single commercial areas in which Isagro operates, in particular an intense support activity – customers' oriented - to promote and develop proprietary products, with positive returns expected in the next 12-24 months. Negotiations for licensing and sales of proprietary products are in progress with an important Far East Asia player.

### **MAIN EVENTS AS OF SEPTEMBER 30<sup>TH</sup>, 2014**

#### **A) APPROVAL OF THE 2014-2018 BUSINESS PLAN**

The Board of Directors of the parent Isagro S.p.A. approved the 2014-2018 Business Plan in March 2014, later published in April and widely illustrated in the Half Year Financial Statement as at June 30<sup>th</sup>, 2014 (cross-refer to that document for in-depth analysis).

#### **B) STREAMLINING ACTIVITY**

In January 2014 the Parent Isagro S.p.A. signed a trade-union agreement on redundancy scheme for 41 workers/employees. 16 employees were placed on redundancy scheme as at September 30<sup>th</sup>, 2014. The redundancy scheme will reach its end at December 31<sup>st</sup>, 2015.

#### **C) WIND-UP OF ISEM**

On April 1<sup>st</sup>, 2014 Isem Shareholders' Meeting. (*Joint Venture* between Isagro S.p.A. and Chemtura Netherlands B.V.) resolved on the winding-up and liquidation of the company and, pursuant to law provisions, appointed the Liquidator.

Based on the resolution adopted by the Isem Shareholders' Meeting on July 29<sup>th</sup>, 2014, the liquidation final financial statement was filed at the Company Register of Milan on July





31<sup>st</sup>, 2014 and the company was definitely removed from such Register on October 7th 2014

#### *D) SHARE CAPITAL INCREASE*

The Extraordinary General Shareholders' meeting held on April 7th 2014 resolved on the share capital increase of maximum 29,009,750 Euros, through the issue of maximum 7,000,000 Ordinary Shares and maximum 14,175,000 Growth Shares offered under option to Shareholders.

The share capital increase, for which Isagro S.p.A. obtained CONSOB approval for the publication of the Information Statement on April 15<sup>th</sup>, 2014, was successfully concluded on May 21<sup>st</sup>, 2014, with the subscription of 6,999,960 Ordinary and 14,174,919 Growth Shares, for an overall value of 29,009,584.23 Euros.

It should be also recalled that Growth Shares are a new class of Special Shares, tailored for companies having a Controlling Subject (in the event of Isagro, Piemme S.r.l.), that (i) provide, against the absence of voting right, an extra-dividend with respect to Ordinary Shares (20% for Isagro), when a dividend for these shares is resolved, and (ii) provide for 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 automatically convert into Ordinary Shares.

With decision no. 7868 of April 11<sup>th</sup>, 2014, Borsa Italiana S.p.A. provided for the listing of Growth Shares on the STAR segment of the Borsa Italiana "Mercato telematico Azionario". They have been traded since May 16<sup>th</sup> 2014, after Borsa Italiana assessed their sufficient public dissemination.

For further detailed information please refer to the Half Year Condensed Consolidated Financial Statement as at June 30<sup>th</sup>, 2014.

#### **SUBSEQUENT EVENTS AS OF SEPTEMBER 30<sup>TH</sup>, 2014**

On October 22<sup>nd</sup>, 2014, consistently with what already communicated to the Market, the General Shareholders' Meetings of BasJes Holding S.r.l., of Manisa S.r.l. and of Holdisa



S.r.l. approved the plan of merger by incorporation of Manisa S.r.l. and Holdisa S.r.l. into BasJes Holding S.r.l..

Following the notarial deed of merger, which will be signed pursuant to the applicable law, the process of simplification of the Group's controlling structure will be finalized within the current year and BasJes Holding S.r.l. will be renamed Holdisa S.r.l..

### **ORGANIZATION, MANAGEMENT AND CONTROL MODEL**

On November 12<sup>th</sup>, 2013 the Board of Directors of Isagro S.p.A. revised the Organization, Management and Control Model (hereinafter also "Model") in accordance with the latest regulatory and jurisprudence requirements in force at that date.

No updated or amendments are reported in the field of administrative liability of companies within the referred quarter. As regards new regulations of the first semester 2014, please refer to the chapter illustrated in the half-year financial statement.

To be advised that last July, with reference to the news introduced by the Trade Associations, Confindustria published a new issue of the "Linee Guida of Confindustria". The publication for the construction of the Organizational Models, Management and Control in compliance with the Legislative Decree 231/2001, updated in March 2014. The document results in accordance with the latest regulatory and juridical requirements and of best practice effective since March 2008.

To all those companies which decided to adopt an Organizational Model, Confindustria, through its "Linee Guida" intends to offer a series of information and means, mainly taken from business practice, considered adequate to comply with any specific demand required by the Legislative Decree 231. In consideration of the above, Isagro, on the advice of the Supervisory Committee, is evaluating if what is said in the mentioned "Linee Guida" is in line with what is stated in the current Organizational Model of Isagro in order to better identify possible subject matter which need to be analyzed in detail and or upgrade the Model itself.

## **TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties, including intercompany transactions and with Gowan, cannot be considered atypical and/or unusual; they are included instead in the ordinary business of the Group companies. These transactions are settled at market conditions, taking account of the nature of the goods and services provided.

The effects of related parties transactions on the consolidated income statement and balance sheet of the Isagro Group and of the parent company Isagro S.p.A. as at September 30<sup>th</sup>, 2014 are illustrated in the tables here under.

<b>Isagro Group - Income statement</b>		<b>of which related parties</b>					
In thousands of Euro	09/30/2014	Jointly controlled companies	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Revenues	102,303	7	0	0	14,697	14,704	14.37%
Other operating revenues	1,853	65	0	50	316	431	23.26%
Costs for services	18,263	4	160	0	63	227	1.24%
Other operating costs	3,556	(2)	0	0	20	18	0.51%
Financial incomes	1,297	0	0	0	0	0	0.00%
Financial charges	2,346	0	0	187	0	187	7.97%

<b>Isagro Group - Balance sheet</b>		<b>of which related parties</b>					
In thousands of Euro	As of 09/30/2014	Jointly controlled companies	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Trade receivables	38,174	0	0	0	4,055	4,055	10.62%
Other current assets and other receivables	8,846	0	0	61	0	61	0.69%
Trade payables	34,611	0	89	0	34	123	0.36%

<b>Isagro S.p.A. - Income statement</b>		of which related parties						
	09/30/2014	Controlled companies	Jointly controlled companies	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
In thousands of Euro								
Revenues	64,666	7,663	15	0	0	8,100	15,778	24.40%
Other operating revenues	1,453	358	130	0	49	6	543	37.37%
Raw materials and consumables used	43,850	7,386	1	0	0	0	7,387	16.85%
Costs for services	12,459	1,307	8	160	0	63	1,538	12.34%
Labor costs	15,439	7	0	0	0	0	7	0.05%
Other operating costs	1,022	133	(3)	0	0	20	150	14.68%
Financial incomes	1,835	104	0	0	0	0	104	5.67%
Financial charges	3,956	1	0	0	187	0	188	4.75%
Incomes from participations	418	407	0	11	0	0	418	100.00%

<b>Isagro S.p.A. - Balance sheet</b>		of which related parties						
	As of 09/30/2014	Controlled companies	Jointly controlled companies	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
In thousands of Euro								
Trade receivables	21,453	3,198	0	0	0	3,558	6,756	31.49%
Other current assets and other current receivables	6,995	407	0	0	61	0	468	6.69%
Financial credits and other current financial assets	2,599	2,528	0	0	0	0	2,528	97.27%
Trade payables	28,348	6,976	0	89	0	34	7,099	25.04%
Other current liabilities	6,120	316	0	0	0	0	316	5.16%

## **PERSPECTIVE FOR THE CURRENT YEAR**

For the whole year 2014 Isagro forecasts:

- Revenues from products and services substantially in line with the 144 million Euros of the Business Plan;
- Revenues from Licensing of 2 million Euros versus the 8 million Euros of the Business Plan (confirming the objective of the Business Plan of realizing, in the 2014-2018 period, total revenues of 13 million Euros, even if with a different timing in the single years);
- EBITDA of around 11 million Euros versus the 14.8 million Euros of the Business Plan (due to lower Licensing for 6 million Euros);
- Result before taxes not far from break-even.



## RECLASSIFIED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30<sup>TH</sup>, 2014

(€ 000)	09.30.2014	09.30.2013	Variation		12.31.2013
<b><u>Net fixed assets</u></b>					
Goodwill	4,031	4,581	-550		3,915
Other intangible assets	39,761	42,849	-3,088		35,387
Tangible assets	23,727	23,782	-55		23,081
Financial assets	231	201	+30		205
Other medium/long term assets and liabilities	14,210	11,609	+2,601		10,907
<b>Total net fixed assets</b>	<b>81,960</b>	<b>83,022</b>	<b>-1,062</b>	<b>-1.3%</b>	<b>73,495</b>
<b><u>Net current assets</u></b>					
Inventories	38,571	45,696	-7,125		34,202
Trade receivables	38,174	29,299	+8,875		46,716
Trade payables	(34,611)	(31,506)	-3,105		(30,212)
Risk funds	(1,408)	(682)	-726		(3,356)
Other current assets and liabilities	2,957	3,188	-231		1,824
<b>Total net current assets</b>	<b>43,683</b>	<b>45,995</b>	<b>-2,312</b>	<b>-5.0%</b>	<b>49,174</b>
<b>Invested capital</b>	<b>125,643</b>	<b>129,017</b>	<b>-3,374</b>	<b>-2.6%</b>	<b>122,669</b>
<b>Severance indemnity fund (S.I.F.)</b>	<b>(3,266)</b>	<b>(3,655)</b>	<b>+389</b>		<b>(3,517)</b>
<b>Net invested capital</b>	<b>122,377</b>	<b>125,362</b>	<b>-2,985</b>	<b>-2.4%</b>	<b>119,152</b>
<b>Not financial assets and liabilities of discontinued operation</b>					
	-	-	-		-
	<b>122,377</b>	<b>125,362</b>	<b>-2,985</b>	<b>-2.4%</b>	<b>119,152</b>
<i>financed by:</i>					
<b><u>Equity</u></b>					
Capital stock	24,961	17,550	+7,411		17,550
Reserves and earnings brought forward	79,203	62,569	+16,634		62,658
Translation adjustment reserve continuing	(7,967)	(10,327)	+2,360		(10,657)
Net group result	(1,138)	(8,306)	+7,168		(4,329)
<b>Total equity</b>	<b>95,059</b>	<b>61,486</b>	<b>+33,573</b>	<b>+55%</b>	<b>65,222</b>
<b><u>Net financial position:</u></b>					
<i>Medium/long term debts</i>					
- towards banks	14,598	18,955	-4,357		-
- towards other financiers	22	165	-143		125
- others	(2,875)	(2,875)	-		(2,875)
<b>Total medium/long term financial debts</b>	<b>11,745</b>	<b>16,245</b>	<b>-4,500</b>	<b>-27.7%</b>	<b>-2,750</b>
<i>Short term debts</i>					
- towards banks	25,881	50,404	-24,523		40,561
- towards other financiers	2,321	4,207	-1,886		21,575
- towards parent companies	-	579	-579		8,806
- others	155	(508)	+663		(163)
<b>Total short term financial debts</b>	<b>28,357</b>	<b>54,682</b>	<b>-26,325</b>	<b>-48.1%</b>	<b>70,779</b>
<b>Cash and cash equivalents</b>	<b>(12,784)</b>	<b>(7,051)</b>	<b>-5,733</b>	<b>N/S</b>	<b>(14,099)</b>
<b>Total net financial position</b>	<b>27,318</b>	<b>63,876</b>	<b>-36,558</b>	<b>-57.2%</b>	<b>53,930</b>
<b>Total</b>	<b>122,377</b>	<b>125,362</b>	<b>-2,985</b>	<b>-2.4%</b>	<b>119,152</b>



## RECLASSIFIED CONSOLIDATED INCOME STATEMENT AS OF SEPTEMBER 30<sup>TH</sup> 2014

(€ 000)	3rd Quarter 2014	3rd Quarter 2013	Variation		Jan.-Sep. 2014	Jan.-Sep. 2013	Variation	
<b>Revenues from sales and services</b>	<b>29,69</b>	<b>24,020</b>	<b>+5,349</b>	<b>+22.3%</b>	<b>102,303</b>	<b>84,717</b>	<b>+17,586</b>	<b>+20.8%</b>
Other operating revenues	394	431	-37		1,853	1,554	+299	
Consumption of materials and external services	(23,148)	(17,580)	-5,568		(79,710)	(71,908)	-7,802	
Variations in inventories of products	(158)	(2,315)	+2,157		1,665	3,983	-2,318	
Increases in assets through internal works	700	919	-219		2,482	2,617	-135	
Allowances and provisions	(168)	(547)	+379		(573)	(843)	+270	
Labor costs	(5,895)	(5,384)	-511		(19,511)	(18,766)	-745	
Labor costs allowances	(296)	(185)	-111		(811)	(449)	-362	
<b>EBITDA excl. Non recurrent income (costs)</b>	<b>798</b>	<b>(641)</b>	<b>+1,439</b>	<b>N/S</b>	<b>7,698</b>	<b>905</b>	<b>+6,793</b>	<b>N/S</b>
<i>% on Revenues</i>	<i>2.7%</i>	<i>-2.7%</i>			<i>7.5%</i>	<i>1.1%</i>		
Other not recurrent income (costs)	-	-	-		-	-	-	
<b>EBITDA</b>	<b>798</b>	<b>(641)</b>	<b>+1,439</b>	<b>N/S</b>	<b>7,698</b>	<b>905</b>	<b>+6,793</b>	<b>N/S</b>
<i>% on Revenues</i>	<i>2.7%</i>	<i>-2.7%</i>			<i>7.5%</i>	<i>1.1%</i>		
Depreciation:								
- tangible assets	(871)	(939)	+68		(2,794)	(2,986)	+192	
- intangible assets	(1,274)	(1,395)	+121		(3,684)	(4,208)	+524	
- write-off of assets	-	-	-		-	-	-	
<b>EBIT</b>	<b>(1,347)</b>	<b>(2,975)</b>	<b>+1,628</b>	<b>+55%</b>	<b>1,220</b>	<b>(6,289)</b>	<b>+7,509</b>	<b>N/S</b>
<i>% on Revenues</i>	<i>-4.6%</i>	<i>-12.4%</i>			<i>1.2%</i>	<i>-7.4%</i>		
Financial charges	(394)	(1,067)	+673		(2,139)	(3,488)	+1,349	
Exchange gains/losses and derivatives	(193)	114	-307		(207)	(41)	-166	
Write-down/write-ups of investments	19	-	+19		38	6	+32	
<b>Earnings before taxes</b>	<b>(1,915)</b>	<b>(3,928)</b>	<b>+2,013</b>	<b>+51.2%</b>	<b>(1,088)</b>	<b>(9,812)</b>	<b>+8,724</b>	<b>+88.9%</b>
Current and deferred taxes	11	2,270	-2,259		(50)	1,506*	-1,556	
<b>Net result from continuing operations</b>	<b>(1,904)</b>	<b>(1,658)</b>	<b>-246</b>	<b>-14.8%</b>	<b>(1,138)</b>	<b>(8,306)</b>	<b>7,168</b>	<b>+86.3%</b>
Net result of discontinued operations	-	-	-		-	-	-	
<b>Net result</b>	<b>(1,904)</b>	<b>(1,658)</b>	<b>-246</b>	<b>-14.8%</b>	<b>(1,138)</b>	<b>(8,306)</b>	<b>7,168</b>	<b>+86.3%</b>

\* it refers to accruals of deferred taxes of the parent Isagro S.p.A. that have been not included in the consolidated financial statements as of December 31st 2013.

## CONSOLIDATED CASH FLOW STATEMENT AS OF SEPTEMBER 30<sup>TH</sup> 2014

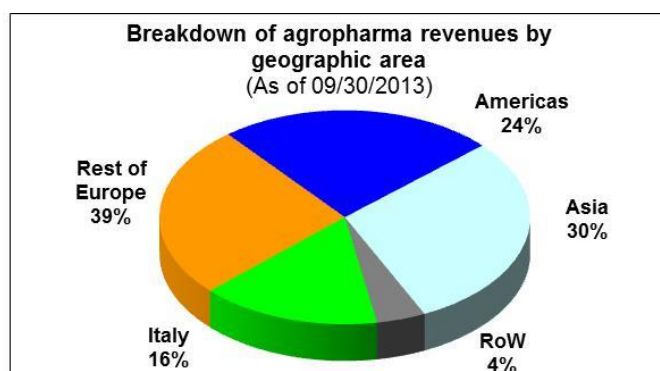
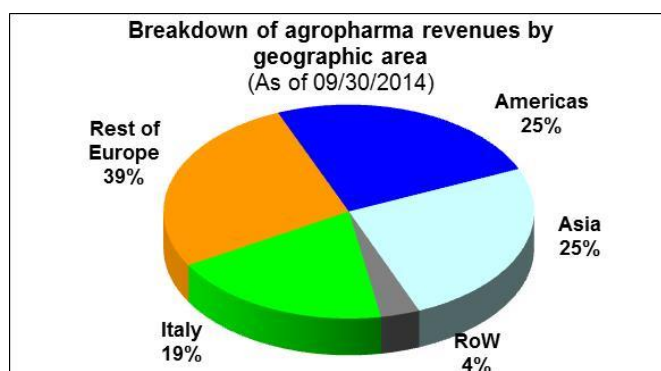
(€ 000)	Jan.-Sep. 2014	Jan.-Sep. 2013
<b>Cash - opening balance</b>	<b>14,099</b>	<b>14,739</b>
<i><u>Operating activities</u></i>		
<b>Loss of the period - continuing operation</b>	<b>(1,138)</b>	<b>(8,306)</b>
- Depreciation of tangible assets	6,478	7,194
- Provisions to reserves (including employee indemnity)	1,005	638
<b>Cash-flow</b>	<b>6,345</b>	<b>(474)</b>
- (Write-up)/write-down of investments and other financial assets	45	(29)
- Result on investments valued with the equity method	(38)	(6)
- Change in net current assets	9,794	2,271
- Net change in other assets/liabilities	(4,495)	(2,443)
- Use of funds (including employee indemnity)	(2,725)	(1,360)
<b>Cash flow from operations</b>	<b>8,926</b>	<b>(2,041)</b>
<i><u>Investment activities</u></i>		
- (Investments)/disinvestments in intangible assets	(7,873)	(6,588)
- (Investments) in tangible assets	(3,104)	(1,459)
- Dividends from affiliated companies	11	-
- Realization price on sale of tangible, intangible assets and branches	7	9,253
<b>Cash flow from investments</b>	<b>(10,959)</b>	<b>1,206</b>
<i><u>Financing activities</u></i>		
- Increase/(decrease) in financial debts (current and non-current)	(28,546)	(7,425)
- (Increase)/decrease in financial receivables, derivatives and other financial assets	321	1,649
- Shareholders' payments for increase in capital	28,073	-
<b>Cash flow from financing activities</b>	<b>(152)</b>	<b>(5,776)</b>
<b>Conversion differences</b>	<b>870</b>	<b>(1,077)</b>
<b>Cash flow of the period</b>	<b>(1,315)</b>	<b>(7,688)</b>
<b>Cash - closing balance</b>	<b>12,784</b>	<b>7,051</b>

## BREAKDOWN OF CONSOLIDATED REVENUES AS OF SEPTEMBER 30<sup>TH</sup> 2014

### REVENUES BREAKDOWN BY TYPE

<i>(amounts in thousands euro)</i>						
	SEPTEMBER 30TH, 2014			SEPTEMBER 30TH, 2013		
<b>Sales</b>	Italy	Overseas	Total	Italy	Overseas	Total
Agropharma	18,617	77,429	96,046	12,663	67,938	80,601
Raw materials	8	-	8	53	5	58
<b>Total sales</b>	<b>18,625</b>	<b>77,429</b>	<b>96,054</b>	<b>12,716</b>	<b>67,943</b>	<b>80,659</b>
<b>Services</b>						
Toll manufacturing fees	1,837	3,772	5,609	1,742	1,864	3,606
Innovative research	-	-	-	-	-	-
Defense and development	1	50	51	270	29	299
Commissions	-	27	27	-	16	16
Royalties, licenses and similar rights	64	498	562	56	81	137
Others	-	-	-	-	-	-
<b>Total services</b>	<b>1,902</b>	<b>4,347</b>	<b>6,249</b>	<b>2,068</b>	<b>1,990</b>	<b>4,058</b>
<b>Total Consolidated Revenues</b>	<b>20,527</b>	<b>81,776</b>	<b>102,303</b>	<b>14,784</b>	<b>69,933</b>	<b>84,717</b>

### AGROPHARMA REVENUES BREAKDOWN BY GEOGRAPHIC AREA







## **STATEMENT ACCORDING TO THE TERMS OF ART. 36 OF CONSOB REGULATION 16191/2007**

Pursuant to Art. 2.6.2 Paragraph 15 of the Regulation of markets organized and managed by Borsa Italiana S.p.A., Isagro S.p.A. declares that the requirements of Art. 36 of the Consob Regulation No. 16191/2007 Letters a), b) and c) relative to companies which are controlled, constituted and regulated by laws in countries not belonging to the European Union subsist.

## **STATEMENT BY THE MANAGER RESPONSIBLE FOR PREPARING CORPORATE FINANCIAL STATEMENTS**

The manager responsible for preparing corporate financial statements, Mr. Ruggero Gambini, states that the accounting information in this consolidated Interim results report as of September 30th, 2014 corresponds to the documentation, ledgers and journal entries, pursuant to Art. 154 bis Paragraph 2 bis of the Consolidated Finance Law.