

# **ISAGRO**

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## ***INTERIM RESULTS REPORT***

***AS AT MARCH 31<sup>ST</sup>, 2016***

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### **Consolidated Data**

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***Milan, May 16<sup>th</sup>, 2016***

ISAGRO S.p.A.

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

Registered office: Caldera Business Park - Via Caldera, 21 - 20153 Milan

Fully paid up share capital € 24,961,207.65

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## CORPORATE OFFICES

### **BOARD OF DIRECTORS**

Giorgio Basile	–	Chairman and C.E.O.
Maurizio Basile	–	Director and Deputy Chairman
Riccardo Basile	–	Director
Christina Economou	–	Director
Gianni Franco	–	Director
Enrica Maria Ghia	–	Independent Director (from April 28 <sup>th</sup> , 2016)
Adriana Silvia Sartor	–	Independent Director
Stavros Sionis	–	Independent Director

### **BOARD OF STATUTORY AUDITORS**

Filippo Maria Cova	–	Chairman
Giuseppe Bagnasco	–	Statutory Auditor
Claudia Costanza	–	Statutory Auditor



## **EXPLANATORY NOTES**

This Interim Results Report as at March 31<sup>st</sup>, 2016 (hereinafter “Quarterly Report” or “Report”) has been drafted in compliance with Article 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 Issuers' Regulation 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.

## **USE OF ESTIMATES**

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

The estimates are used in order to recognise the provisions for doubtful debts and inventory obsolescence, as well as depreciation and amortisation, impairment losses, employee benefits, tax and other provisions. The estimates and the assumptions are periodically reviewed and the effects of any changes are reflected in the Income Statement.



## DIRECTORS' MANAGEMENT REPORT

### **ECONOMIC-FINANCIAL RESULTS**

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

- a turnover of 51.9 Euro million, up by 7.2 Euro million (+16%) compared to 44.7 Euro million in the first quarter of 2015;
- an EBITDA of 7.7 Euro million, up by 2.1 Euro million (+38%) compared to 5.6 Euro million of 2015;
- a Result before taxes of 6.7 Euro million, up by 5.3 Euro million compared to 1.4 Euro million of 2015;
- a Net Result of 4.2 Euro million, up by 3.4 Euro million compared to 0.8 Euro million of 2015;

with a Net financial position at debt as at March 31<sup>st</sup>, 2016 equal to 41.0 Euro million, with an improvement of 6.2 Euro million versus December 31<sup>st</sup>, 2015 and with an increase of 2.1 Euro million versus March 31<sup>st</sup>, 2015.

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The above-mentioned increase in **Revenues** in the first three months of 2016 compared to the same period in 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. In the latter market the scheduled sales of stocks repurchased at 2014-end from a previous distributor continued as they were partially re-invoiced at cost value to the new distributor.

The above increase in revenues furthermore occurred following purchases by third party national distributors in a market situation that still registers high level of inventory within distribution channels. In fact, in the first quarter of 2016, the same unfavourable conditions to consumption of crop protection products that marked 2015 occurred. Among these,



widespread drought phenomenon, not fully positive performance of the main agricultural commodity prices and, in the important Brazilian market, the persistence of adverse economic/financial conditions, in terms of access to credit and cost of the same.

In this context, it shall be noticed that the progress of the main global companies operating in the crop protection market, which, unlike Isagro, are completely vertically integrated and therefore operate on a wide scale which includes direct distribution to farmers and resellers, reported actually a negative trend in revenues in the quarter just ended, compared to the same period of the previous year.

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During the first three months of 2016 Isagro carried on its **Research, Innovation & Development** activity incurring in total costs amounting to 3.4 Euro million (versus 3.2 Euro million of the first quarter of 2015), of which 2.2 Euro million were capitalised (versus 2.0 Euro million capitalised in the first three months of 2015) vis-à-vis the continuation of the co-development with FMC Corporation of the new molecule IR9792 (a broad spectrum fungicide belonging to the SDHi class), as well as the extraordinary protection of proprietary products and the development of new registrations.

The **EBITDA** generated in the first quarter of 2016 was equal to 7.7 Euro million, increased by 2.1 Euro million (+38%) compared to 5.6 Euro million in the same period last year.

This increase was mostly the result of higher contribution margins by 2.6 Euro million (despite the price drop of 0.7 Euro million), net of higher allocations by 0.4 Euro million, while the increase for the period of 0.3 Euro million in labour costs was essentially counterbalanced by lower overheads.



## SUMMARY OF CONSOLIDATED INCOME STATEMENT

(€ 000)	1st Quarter 2016	1st Quarter 2015	Differences		FY 2015
<b>Revenues</b>	<b>51,861</b>	<b>44,699</b>	<b>+7,162</b>	<b>+16.0%</b>	<b>156,048</b>
Memo: Labour costs and provision for bonuses	(7,628)	(7,008)	-620		(28,832)
<b>EBITDA</b>	<b>7,724</b>	<b>5,610</b>	<b>+2,114</b>	<b>+37.7%</b>	<b>19,457</b>
<i>% on Revenues</i>	<i>14.9%</i>	<i>12.6%</i>			<i>12.5%</i>
Amortisation/Depreciation:					
- tangible assets	(945)	(908)	-37		(3,748)
- intangible assets	(1,245)	(1,164)	-81		(5,146)
- write-down of tangible and intangible assets	-	-	-		(776)
<b>EBIT</b>	<b>5,534</b>	<b>3,538</b>	<b>+1,996</b>	<b>+56.4%</b>	<b>9,787</b>
<i>% on Revenues</i>	<i>10.7%</i>	<i>7.9%</i>			<i>6.3%</i>
Interest, fees and financial discounts	(17)	(364)	+347		(1,127)
Gains/losses on foreign exchange and derivatives	1,104	(1,814)	+2,918		(1,296)
Reversals of impairment of investments	35	21	+14		54
<b>Result before taxes</b>	<b>6,656</b>	<b>1,381</b>	<b>5,275</b>	<b>N/S</b>	<b>7,418</b>
Current tax and deferred tax liabilities	(2,471)	(561)	-1,910		(4,036)
<b>Profit/(loss) of the Group from continuing operations</b>	<b>4,185</b>	<b>820</b>	<b>3,365</b>	<b>N/S</b>	<b>3,382</b>
Profit/(loss) from discontinued operations	-	-	-		(250)
<b>Net result</b>	<b>4,185</b>	<b>820</b>	<b>3,365</b>	<b>N/S</b>	<b>3,132</b>

The **Amortisation/Depreciation** for the period amounted to 2.2 Euro million, substantially in line compared to 2.1 Euro million reported on March 31<sup>st</sup>, 2015.

Therefore, Isagro ended the first quarter of 2016 with an **Operating profit** of 5.5 Euro million, up by 2.0 Euro million (+56%) compared to 3.5 Euro million in the same period of last year.

As regards financial management, in the first three months of 2016 the Isagro Group reported **Net financial charges** totalling 1.1 Euro million, significantly improved from the



Net financial charges of - 2.2 Euro million in the first quarter of last year; this improvement is due to:

- lower **Interest, fees and financial charges** for 0.3 Euro million, resulting from the better borrowing terms secured by the Parent Company Isagro S.p.A. and the decreased use of more expensive credit lines, in a financial market environment with abundant liquidity;
- improved results from the non-speculative hedging of foreign exchange and price risk of copper by 2.9 Euro million, with **Net profits on foreign exchange and derivatives** as at March 31<sup>st</sup>, 2016 of 1.1 Euro million compared to the Net loss of 1.8 Euro million in the first quarter of 2015.

With reference to the second point above, it is worth noting that, following the corporate policy guidelines, Isagro hedged the EUR/USD exchange rate risk of almost the entire turnover in US Dollars expected in this twelve-month period, at approximately USD 1.08 per Euro and therefore incorporated the fair value of the relative hedges into its accounts as at March 31<sup>st</sup>, 2016.

It should be remembered that the Isagro Group operates on several markets internationally and many trade relations are managed in currencies other than the Euro, mainly in US dollars. As a result of and in compliance with its "Financial Risk Management Policy" designed to "secure" the annual budget, the Company arranges USD exchange rate risk hedges, using its forecast exposure for the year as indicated by the currency budget in USD as the reference basis. With regard to the hedging transactions carried out by the Group, it should also be noted that they are exclusively for operational transactions and therefore not for speculative purposes; however, as they do not meet the requirements of IAS 39 for the hedging of "specific" risks, they are considered as "trading" transactions and therefore both the realised and unrealised portions are recognised directly as financial items in the Income Statement.

The Group ended the first quarter of 2016 with a **Result before taxes** of 6.7 Euro million (compared to 1.4 Euro million in the same period of the previous year) and a **Net result** of 4.2 Euro million (compared to a net result of 0.8 Euro million in the first quarter of 2015),





after having allocated taxes of 2.5 Euro million (versus the 0.6 Euro million allocated on March 31<sup>st</sup>, 2015).

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As regards equity, consolidated **Net invested capital** as at March 31<sup>st</sup>, 2016 was equal to 143.7 Euro million, up by 4.3 Euro million compared to 139.4 Euro million as at March 31<sup>st</sup>, 2015 and down by 3.3 Euro million compared to 147.0 Euro million as at December 31<sup>st</sup>, 2015.

#### SUMMARY OF CONSOLIDATED BALANCE SHEET

(€ 000)	March 31 <sup>st</sup> , 2016	March 31 <sup>st</sup> , 2015	Differences		Dec. 31 <sup>st</sup> , 2015
<b>Net fixed assets</b>	<b>84,842</b>	<b>83,929</b>	<b>+913</b>	<b>+1.1%</b>	<b>85,558</b>
<b>Net current assets</b>	<b>61,706</b>	<b>58,259</b>	<b>+3,447</b>	<b>+5.9%</b>	<b>64,349</b>
<b>Severance Indemnity Fund</b>	<b>(2,833)</b>	<b>(2,829)</b>	<b>-4</b>	<b>+0.1%</b>	<b>(2,872)</b>
<b>Net invested capital</b>	<b>143,715</b>	<b>139,359</b>	<b>+4,356</b>	<b>+3.1%</b>	<b>147,035</b>
<b>Non-financial assets and liabilities of discontinued operation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>143,715</b>	<b>139,359</b>	<b>+4,356</b>	<b>+3.1%</b>	<b>147,035</b>
<i>Financed by:</i>					
<b>Equity</b>	<b>102,683</b>	<b>100,462</b>	<b>+2,221</b>	<b>+2.2%</b>	<b>99,858</b>
<b>Net financial position</b>	<b>41,032</b>	<b>38,897</b>	<b>+2,135</b>	<b>+5.5%</b>	<b>47,177</b>
<i>Debt/Equity ratio</i>	<i>0.40</i>	<i>0.39</i>			<i>0.47</i>
<b>Total</b>	<b>143,715</b>	<b>139,359</b>	<b>+4,356</b>	<b>+3.1%</b>	<b>147,035</b>



The **Net fixed assets** as at March 31<sup>st</sup>, 2016 amounted to 84.8 Euro million, with an increase of 0.9 Euro million compared to 83.9 Euro million as at March 31<sup>st</sup>, 2015 and a decrease of 85.6 Euro million as at December 31<sup>st</sup>, 2015.

The **Net current assets** as at March 31<sup>st</sup>, 2016 amounted to 61.7 Euro million, with an increase of 3.4 Euro million compared to 58.3 Euro million as at March 31<sup>st</sup>, 2015 and a decrease of 2.6 Euro million compared to 64.3 Euro million as at December 31<sup>st</sup>, 2015.

In particular, compared to December 31<sup>st</sup> of last year:

- the value of the **Inventories** net of the **Trade payables** decreased by 5.3 Euro million, because of the normalisation of the strategic stocks which were builded in the previous year;
- the **Trade receivables** increased by 4.9 Euro million, reflecting the increased turnover during the period, net of collections;
- the **Other assets and liabilities** decreased by 2.2 Euro million, mainly due to the allocation of bonuses for the period that were allocated but not yet paid and the collection of receivables from the co-development of the fungicide SDHi.

The Severance Indemnity Fund as at March 31<sup>st</sup>, 2016 totalled 2.8 Euro million, substantially in line with the value as at March 31<sup>st</sup>, 2015 and December 31<sup>st</sup>, 2015.

In terms of funding, the consolidated **Equity** as at March 31<sup>st</sup>, 2016 was equal to 102.7 Euro million, up by 2.2 Euro million compared to the value of 100.5 Euro million as at March 31<sup>st</sup>, 2015 and 2.8 Euro million compared to the value of 99.9 Euro million as at December 31<sup>st</sup>, 2015, mainly due to the profits for the period net of the translation reserve for the balance sheet items of subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., which has the Indian Rupee as its accounting currency.

The consolidated **Net financial position (NFP)** as at March 31<sup>st</sup>, 2016 is therefore at debt by 41.0 Euro million, of which 26.2 Euro million is medium/long term.

The above value of NFP as at March 31<sup>st</sup>, 2016 is:

- up by 2.1 Euro million compared to March 31<sup>st</sup>, 2015, reflecting the increase in the current assets and



- down by 6.2 Euro million compared to December 31<sup>st</sup>, 2015, due to the marked decrease of the current assets (by 2.6 Euro million) and the generation of cash from operations (by 3.6 Euro million).

The above consolidated data as at March 31<sup>st</sup>, 2016 highlight the financial soundness of Isagro Group with:

- a Debt/Equity ratio of 0.40;
- a portion of Equity backing Working capital for 20.7 Euro million;
- over half of the Net financial debt at medium/long term.

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

In the first quarter of the current year, the crop protection market continued to be characterised by high inventories and low prices of the main agricultural commodities which, in conjunction with the unfavourable weather conditions, led to less demand for crop protection products and price pressures. As at the date that these notes were drafted, the major crop protection product companies (BAYER CROPSCIENCES, SYNGENTA, DU PONT, BASF, DOW and MONSANTO) posted turnover results in local currencies for the first quarter that were lower than those of the same period in the previous year.

As regards the reference market framework in the main geographic areas in the remainder of the year, based on available public information sources it shall be noted that:

- in the European Union, the EU Association for the trade of agricultural products and foodstuff communicates maintenance of the land sown with wheat and fibre plants and a slight increase in corn production. In Russia as well, ministerial sources confirm a slight increase in surfaces sown with corn and soybean;
- in the United States, according to USDA (the U.S. Department of Agriculture) estimates, throughout the entire year 2016 the production of soybean and wheat will have increased slightly, while corn, rice and cotton will decrease;
- In Brazil, the area devoted to sugar cane is expected to increase in 2016;

- in India, according to ministerial sources, production of wheat in the current season is expected to increase compared to the previous year, despite unfavourable draught conditions and the warm winter;
- in South America (Argentina, Chile, Uruguay and Paraguay), the surface devoted to soybean production is expected to remain stable, as is the area dedicated to grain and corn.

As regards the performance of the individual markets, it shall be noted that:

- in **Europe**, the mild winter and a good level of rain in the northern regions resulted in good sales volumes: however, the subsequent continuing winter conditions have led to a reduction in the applications of fungicides. The prices of wheat are recovering slowly after last year's season. In Eastern Europe, in the CIS area, prices increased. In Italy, there was a slight growth in the beginning of the year (+ 3%);
- in **North America**, the first indication that the high inventory levels were beginning to decrease of the distribution level became apparent, with possible positive effects on future repurchase levels. In California, after the draught in 2015, the market is expected to recover, though there remains the risk that the negative effects of El Niño could continue. The negative effects of the high soybean inventories on prices do not indicate increases in the consumption of fungicides for this crop. In Canada, for 2016 a potential market was created after the low production and last year's drop in the usage of products for crop protection;
- in **South America**:
  - in Brazil, in continuation of the previous year, the agricultural economy continues to be weakened from the effects of the Dollar/Real exchange rate, the low prices of agricultural foods and the high cost of credit. There is currently a very strong draught problem which has a negative impact on the second harvesting of soybean. Conversely, the strong rains caused by El Niño in January had a negative influence on the harvesting of soybean and delayed the sowing. The current prices of soybean are low as are the relative trends, even though the actual stock levels are lower than last year's. An upturn in the market is expected from the announced increasing of the biodiesel in fuel usage target.



The restriction regarding the second harvesting of soybean has limited the dissemination of Asian Rust in Mato Grosso and Parana;

- In Argentina, the market conditions are difficult due to the high level of inflation and the difficult access to credit, though there is a high potential of recovery due to the announced elimination of the tax on corn and wheat exports and the reduction of the tax for soybean exports, with a consequent possible recovery of the market and expected short-term cultivation of corn in areas for soybean;
- in **Asia**, Indian government sources expect that in 2016 the monsoon phenomenon will be heavier than the historical averages with a consequent impact in favour of the Indian agricultural economy. It is however to be noted that in India and Pakistan, the cotton crop could be negatively affected by heavy precipitation in the second part of the monsoon season. In Australia, after the persistent draught, there were good levels of rain in the initial months of the year which generated a strong demand for crop protection products. In Indonesia, the market suffered due to the long dry spell. The El Niño phenomenon had a negative influence in many markets of the Pacific area. In Thailand, there was a reduction in government's subsidies which resulted in the rice market shrinking; despite this, including thanks to completion of the plan to reduce the rice inventories that are now at 5 year minimum levels, the prices have begun to trend upward. Finally, it shall be noted the end of a prolonged dry spell in Vietnam.

## **RESEARCH, INNOVATION AND DEVELOPMENT ACTIVITY**

During the first three months of 2016, the Isagro Group incurred Research, Innovation & Development costs totalling 3.4 Euro million, of which 2.2 Euro million was capitalised against investments for development, registration and the extraordinary protection of proprietary products worldwide. In the first quarter of last year, these expenses amounted to 3.2 Euro million, of which 2.0 Euro million was capitalised.

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

The research activities carried out by the Group focused on several lines of research aimed at obtaining new candidates for development, with a view to promoting the



development of at least one new active ingredient for the period 2016-2018. In particular, this activity was focused on:

- a new series of broad-spectrum fungicides, additional with respect to that belonging to the SDHi class development of which was launched 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 also continued for the identification of new copper-based formulations capable of acting at a lower dosage and with a broader spectrum than those already on the market. Furthermore, the study of new candidates to combat soil parasites, with the long-term goal of strengthening Isagro's range of "soil management" products, has produced several promising molecules in 2015, which will be subject to the necessary development in 2016, selecting a short-list of potential company development projects.

Finally, the assessment of new products with by a biostimulating action continues, whether alone or in combination with other molecules: to this end, a new formula appears to be interesting based on the "first profile" studies and will move on to the pre-sales assessment stage during 2016.

## **B) PRODUCT DEVELOPMENT**

The main development activities, carried out during the first quarter of 2016, are highlighted below.

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

The main regulatory studies on the active ingredient continued and can at present be confirmed as following with the plan envisaged for submission of the dossier in Europe and the USA.

The experimentation program and the registration testing in the field for 2016 have been established so to cover the strategic areas of Europe, Brazil and China, as well as the registration of basic formulations, programs for definition of the technical profile of various other potentially interesting formulations insofar as segmentation, distribution and cost optimisation have been foreseen. The main results in Brazil, which is particularly significant insofar as sales of the active ingredient, will be available at the end of the second quarter of 2016.



### IR6141 (or Kiralaxyl® or Benalaxyl-M) – fungicide for vines and horticultural production

The development activity focused on the following projects:

- continuation of preparation of the Kiralaxyl registration dossier for seed treatment in the USA; There was a particular concentration on preparing the "pre-submission" meeting with the United States regulatory authorities (EPA);
- follow-up of the re-registration process in the member states of the European Union for all formulations containing Kiralaxyl registered in Europe (the so-called "STEP 2"), after inclusion of Annex 1 in EC Regulation 1107/2009;
- continuation and support of Fantic M WG registration activities in China, as per agreements with Rotam;
- support to Gowan for preparation of the Kiralaxyl + Zoxamide combination dossier;
- updating of the Fantic M WG registration dossier for France.

Furthermore, the registration testing is scheduled for the year underway for Fantic M in China.

### Tetraconazole - broad spectrum fungicide

Activities were focused on the following projects:

- follow-up of the re-registration processes of formulations in Europe ("STEP 2" of the European review process) and evaluation of the studies necessary for renewal of the approval of the active ingredient in the European Union;
- evaluation of studies for re-registration in the USA;
- identification and exploitation of studies sent for registration in the USA for an eventual third party request for "data compensation" in return for their request to quote our data;
- conclusion of the studies to obtain registration and label extension in the USA, Canada and Brazil, as envisaged in the agreement with Arysta.

Finally, field programs are under way for 2016 as well in two areas of major significance:

- Brazil: continuation of programs for new technical position for soybean in various blends;
- Europe: programs for the registration confirmation and new optimised formulations.



### Copper-based products

For copper-based products, the main activities were as follows:

- the follow-up of the re-registration processes of formulations in Europe (STEP 2 of the European review process);
- the participation, as part of the European Copper Task Force, in the follow-up for the renewal of the approval of the European levels for copper Salts;
- the completion of the registration dossier for formulations containing oxychloride and hydroxide for Algeria and support to Bayer for registration in Russia of a blend containing copper oxychloride;
- the follow-up of the registration process in the Centre Europe of the Airone SC and Airone WG formulations. In particular, the activity was focused on commenting the draft Registration Report (dRR) prepared by the Czech Republic in its capacity as the Rapporteur Member State for the area.

For copper as well, in 2016 field programs are ongoing in 3 areas of key importance:

- Brazil: continuation of technical positioning programs and extension of the label to include soybean;
- Europe: completion of the registration programs and extension of Airone in the South and Central EU area;
- China: program for registration of Airone.

### Biofumigant

With regard to the Biofumigant, are reported:

- the support to activities to obtain registration in California (USA);
- the support for registration activities in Canada and Mexico;
- the follow-up of the registration process in Turkey;
- the follow up of the registration dossier in the United Arab Emirates and Egypt.

It shall be remembered that the Biofumigant has already obtained the federal registration in the USA and that California, for which specific registration is expected by the end of 2017, represents its main reference market.





### Biostimulants

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

### Microbiological products

Main activities:

- assessment of the studies required for renewal of the approval of the active principle in the European Union in meetings with other companies for establishment of a task force with sharing of costs and the defence strategy in view of the meeting with the Swedish regulatory authorities, as Sweden has been appointed the Rapporteur Member State for *Trichoderma spp.*

### Pheromones

- conclusion of the follow-up of the European approval process for a new molecule and related registration in Italy;
- continuation of task force activities for renewal of the active ingredient approvals in Europe.

### *C) REGISTRATIONS OBTAINED*

In the first quarter 2016, the following sales authorisations were obtained: Tamarak (trade name used for Siapton) in Australia, Talendo extra (blend of tetraconazole + proquinazide) in Russia and, in Italy, Ecodian SL, Copper combi WG and Dotrin 25 EC.

### **SIGNIFICANT EVENTS OF THE FIRST QUARTER OF 2016**

No significant events occurred in the first quarter of 2016.

### **SUBSEQUENT EVENTS AS AT MARCH 31<sup>st</sup>, 2016**

#### **A) APPROVAL OF 2015 FINANCIAL STATEMENTS WITH DISTRIBUTION OF A DIVIDEND AND APPOINTMENT OF A NEW INDEPENDENT DIRECTOR**

On April 28<sup>th</sup>, 2015 the Shareholders' Meeting of Isagro S.p.A.:

- reviewed the consolidated results for the Isagro Group and approved the 2015 financial statements of Isagro S.p.A., accompanied by the Directors' Management Report, as approved by the Company's Board of Directors on March 14<sup>th</sup>, 2016 and already disclosed to the Market, allocating the Company's profit for the year of Euro 3,395,071 as follows:
  - to the Legal reserve for Euro 169,754;
  - to the Shareholders 2.5 Eurocent for each of the 24,499,960 Ordinary Shares (excluding treasury shares) for a total of Euro 612,499 and 3.0 Eurocent for each of the 14,174,919 Growth Shares for a total of Euro 425,248. As a result, the total dividend amounts to Euro 1,037,747;
  - to "Retained earnings" for the remaining part of Euro 2,185,570 to be registered, pursuant to article 24 of the By-Laws, in a specific Equity reserve;
- appointed Enrica Maria Ghia Director (Independent director) until the date of the Shareholders' Meeting convened for the approval of the Financial Statements as at December 31<sup>st</sup>, 2017. It has to be remembered that this appointment was necessary following the resignation from the charge of Independent Director as at March 14<sup>th</sup>, 2016 of Daniela Mainini due to incompatibility following a recent public assignment.

It should be recalled that the dividend as approved by the Shareholders' Meeting will be payable, for both categories of Shares, on May 18<sup>th</sup>, 2016 (payment date). The ex-dividend date (coupon no. 7 for the Ordinary Shares, no. 1 for the Growth Shares) will be on May 16<sup>th</sup>, 2016 and the record date will be on May 17<sup>th</sup>, 2016.

On the same date, the Shareholders' Meeting resolved favourably on the Compensation Report – first section – drafted pursuant to article 123-ter of Legislative Decree no. 58/1998 and pursuant to article 84-quater of the Consob Issuers' Regulation no. 11971/1999.

#### **B) APPOINTMENT OF THE NEW BOARD OF STATUTORY AUDITORS**

On April 28<sup>th</sup>, 2016, the Shareholders' Meeting of Isagro S.p.A. also appointed the new Board of Statutory Auditors which will be in charge for three years and will expire on the date of the Shareholders' Meeting approving the Financial Statements



as of December 31<sup>st</sup>, 2018. The new Board of Statutory Auditors is composed of the following members (all belonging to the only one list submitted and presented by the majority shareholder Holdisa S.r.l.):

Statutory Auditors:

1. Filippo Cova, Chairman
2. Giuseppe Bagnasco
3. Claudia Costanza

Substitute auditors:

1. Renato Colavolpe
2. Eleonora Ferraris

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

The Board of Director of Isagro S.p.A. has adopted, since 2006, an Organisation, Management and Control Model pursuant to the Italian Legislative Decree 231/2001 (hereinafter also the “Model”) and appointed the Supervisory Body.

In the board meeting held on May 16<sup>th</sup>, 2016, the Board of Directors examined and approved the updated version of the Model which implements the consolidated legal guidelines set forth in the Italian Legislative Decree 231/2001 up to that date and, in particular, the introduction of the following offences: environmental offences and self-laundering offences.

This Model also reflects the updates/integrations following the organisational changes which took place in the reference period and the addition of the new corporate functions and relevant amendments to the powers and delegations system.

The Supervisory Body was appointed to supervise the operation of and compliance with the Model, and to update the latter. The membership of this Body was partly renewed by resolution of the Board of Directors on May 5<sup>th</sup> and September 29<sup>th</sup>, 2015, with term of office expiring on approval of the financial statements as at December 31<sup>st</sup>, 2017.



## **TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties, including intercompany transactions and those with Gowan, cannot be defined as atypical and/or unusual transactions and form part of the ordinary business of the Group companies. These transactions are carried out at arm's length, taking into account the characteristics of the goods and services traded.

Further details related to the economic and equity effects of transactions with related parties on the consolidated figures of the Isagro Group and of the parent Isagro S.p.A. as at March 31<sup>st</sup>, 2016, are illustrated in the tables here under.

<b>Isagro Group - Income Statement</b>		of which related parties				
	03/31/2016	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
In thousands of euro						
Revenues	51,861	-	-	5,064	5,064	9.76%
Other operating revenues	764	-	6	124	130	17.02%
Costs for services	7,027	50	-	-	50	0.71%

<b>Isagro Group - Balance Sheet</b>		of which related parties				
	As of 03/31/16	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
In thousand euro						
Trade receivables	56,887	-	-	4,356	4,356	7.66%
Other current assets and other current receivables	4,375	-	17	-	17	0.39%
Trade payables	38,036	17	-	33	50	0.13%



<b>Isagro S.p.A. - Income Statement</b>		of which related parties					
	03/31/2016	Controlled companies	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
In thousands of euro							
Revenues	38,699	2,683	-	-	3,121	5,804	15.00%
Other operating revenues	542	56	-	6	-	62	11.44%
Raw materials and consumables used	18,871	2,620	-	-	-	2,620	13.88%
Costs for services	5,120	382	50	-	-	432	8.44%
Labor costs	5,754	1	-	-	-	1	0.02%
Other operating costs	423	27	-	-	-	27	6.38%
Financial incomes	1,778	29	-	-	-	29	1.63%

<b>Isagro S.p.A. - Balance Sheet</b>		of which related parties					
	As of 03/31/16	Controlled companies	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
In thousands of euro							
Trade receivables	36,925	3,228	-	-	2,355	5,583	15.12%
Other current assets and other current receivables	2,243	104	-	17	-	121	5.39%
Financial credits and other current financial assets	2,999	2,999	-	-	-	2,999	100.00%
Trade payables	28,990	3,295	17	-	33	3,345	11.54%
Other current liabilities	3,712	540	-	-	-	540	14.55%

## **BUSINESS OUTLOOK**

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, a period historically not representative of the 12-month results, 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.

For the MID term, instead, Isagro confirms the target of 200 Euro million revenues at a consolidated 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 Intellectual Property 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.

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31<sup>st</sup>, 2016

(€ 000)	March 31 <sup>st</sup> , 2016	March 31 <sup>st</sup> , 2015	Differences		Dec.31 <sup>st</sup> , 2015
<b><u>Net fixed assets</u></b>					
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
<b>Total net fixed assets</b>	<b>84,842</b>	<b>83,929</b>	<b>+913</b>	<b>+1.1%</b>	<b>85,558</b>
<b><u>Net current assets</u></b>					
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
<b>Total net current assets</b>	<b>61,706</b>	<b>58,259</b>	<b>+3,447</b>	<b>+5.9%</b>	<b>64,349</b>
<b>Invested capital</b>	<b>146,548</b>	<b>142,188</b>	<b>+4,360</b>	<b>+3.1%</b>	<b>149,907</b>
<b>Severance Indemnity Fund (SIF)</b>	<b>(2,833)</b>	<b>(2,829)</b>	<b>-4</b>		<b>(2,872)</b>
<b>Net invested capital</b>	<b>143,715</b>	<b>139,359</b>	<b>+4,356</b>	<b>+3.1%</b>	<b>147,035</b>
<b>Net financial assets and liabilities of discontinued operation</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Total</b>	<b>143,715</b>	<b>139,359</b>	<b>+4,356</b>	<b>+3.1%</b>	<b>147,035</b>
<i>financed by:</i>					
<b><u>Equity</u></b>					
Capital stock	24,961	24,961	-		24,961
Reserves and earnings brought forward	81,357	78,317	+3,040		78,227
Translation reserve	(7,820)	(3,636)	-4,184		(6,462)
Net profit of the Group	4,185	820	+3,365		3,132
<b>Total equity</b>	<b>102,683</b>	<b>100,462</b>	<b>+2,221</b>	<b>+2.2%</b>	<b>99,858</b>
<b><u>Net financial position</u></b>					
<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
- other assets (liabilities) and derivatives	-	-	-		-
<b>Total medium/long term debts</b>	<b>26,228</b>	<b>26,020</b>	<b>+208</b>	<b>+0.8%</b>	<b>+25,648</b>
<i>Short term debts:</i>					
- towards banks	33,056	33,525	-469		35,947
- towards other financiers	2,494	1,737	+757		2,395
- other assets (liabilities) and derivatives	(1,334)	3,658	-4,992		(99)
<b>Total short term debts</b>	<b>34,216</b>	<b>38,920</b>	<b>-4,704</b>	<b>-12.1%</b>	<b>38,243</b>
<b>Cash and cash equivalents</b>	<b>(19,412)</b>	<b>(26,043)</b>	<b>+6,631</b>	<b>-25.5%</b>	<b>(16,714)</b>
<b>Total net financial position</b>	<b>41,032</b>	<b>38,897</b>	<b>+2,135</b>	<b>+5.5%</b>	<b>47,177</b>
<b>Total</b>	<b>143,715</b>	<b>139,359</b>	<b>+4,356</b>	<b>+3.1%</b>	<b>147,035</b>



## CONSOLIDATED INCOME STATEMENT OF THE FIRST QUARTER OF 2016

(€ 000)	1 <sup>st</sup> Quarter 2016	1 <sup>st</sup> Quarter 2015	Differences		FY 2015
<b>Revenues from sales and services</b>	<b>51,861</b>	<b>44,699</b>	<b>+7,162</b>	<b>+16.0%</b>	<b>156,048</b>
Other revenues and income	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)
Labour costs	(7,088)	(6,747)	-341		(27,240)
Bonus accruals	(540)	(261)	-279		(1,592)
<b>EBITDA</b>	<b>7,724</b>	<b>5,610</b>	<b>+2,114</b>	<b>+37.7%</b>	<b>19,457</b>
<i>% on Revenues</i>	<i>14.9%</i>	<i>12.6%</i>			<i>12.5%</i>
Amortisation/Depreciation:					
- tangible assets	(945)	(908)	-37		(3,748)
- intangible assets	(1,245)	(1,164)	-81		(5,146)
-write-off of tangible and intangible assets	-	-	-		(776)
<b>EBIT</b>	<b>5,534</b>	<b>3,538</b>	<b>+1,996</b>	<b>+56.4%</b>	<b>9,787</b>
<i>% on Revenues</i>	<i>10.7%</i>	<i>7.9%</i>			<i>6.3%</i>
Financial Charges	(17)	(364)	+347		(1,127)
Exchange gains/losses and derivatives	1,104	(1,814)	+2,918		(1,296)
Write-ups of investments	35	21	+14		54
<b>Result before taxes</b>	<b>6,656</b>	<b>1,381</b>	<b>+5,275</b>	<b>N/S</b>	<b>7,418</b>
Current and deferred taxes	(2,471)	(561)	-1,910		(4,036)
<b>Net result from continuing operations</b>	<b>4,185</b>	<b>820</b>	<b>3,365</b>	<b>N/S</b>	<b>3,382</b>
Net result of discontinued operations	-	-	-		(250)
<b>Net result</b>	<b>4,185</b>	<b>820</b>	<b>3,365</b>	<b>N/S</b>	<b>3,132</b>



## CONSOLIDATED CASH-FLOW STATEMENTS OF JANUARY-MARCH 2016

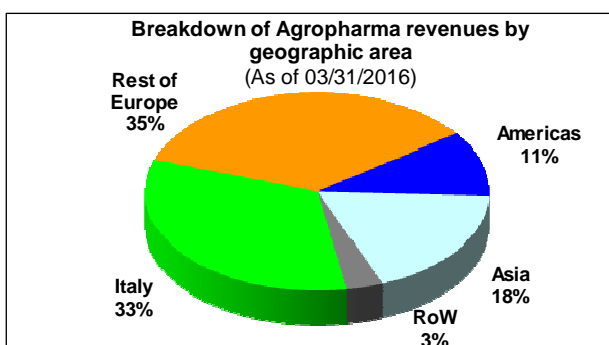
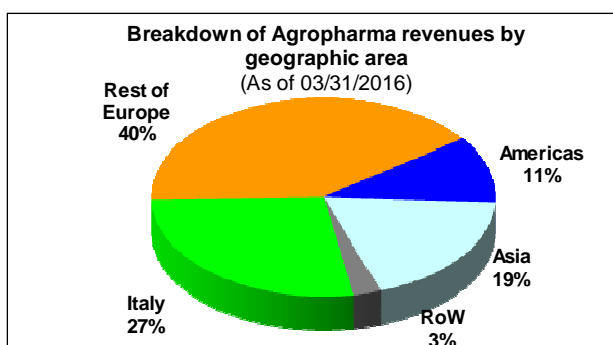
(€ 000)	March 31 <sup>st</sup> , 2016	March 31 <sup>st</sup> , 2015
<b>Cash and cash equivalents - opening balance</b>	<b>16,714</b>	<b>17,149</b>
<i>Operating activities</i>		
<b>Net profit of the period from continuing operation</b>	<b>4,185</b>	<b>820</b>
- Depreciation/amortisation of tangible and intangible assets	2,190	2,072
- Provisions (including severance indemnity fund)	607	359
<b>Cash Flow</b>	<b>6,982</b>	<b>3,251</b>
- Write-ups of investments and other financial assets	(35)	(20)
- Change in net current assets	1,199	(9,774)
- Net change in other assets/liabilities	965	(328)
- Use of provisions (including severance indemnity fund)	(98)	(281)
<b>Cash flow from operations</b>	<b>9,013</b>	<b>(7,152)</b>
<i>Investment activities</i>		
- Investments in intangible assets	(2,290)	(2,127)
- Investments in tangible assets	(353)	(1,027)
<b>Cash flow from investments</b>	<b>(2,643)</b>	<b>(3,154)</b>
<i>Financing activities</i>		
- Increase/(decrease) in financial payables (current and non-current)	(1,947)	11,762
- (Increase)/decrease in financial receivables derivatives and other financial liabilities (current and non-current)	(1,239)	5,919
<b>Cash flow from financing activities</b>	<b>(3,186)</b>	<b>17,681</b>
<b>Conversion differences</b>	<b>(486)</b>	<b>1,519</b>
<b>Cash flow of the period</b>	<b>2,698</b>	<b>8,894</b>
<b>Cash and cash equivalents - closing balance</b>	<b>19,412</b>	<b>26,043</b>

## BREAKDOWN OF CONSOLIDATED REVENUES OF THE FIRST QUARTER OF 2016

### REVENUES BREAKDOWN BY TYPE

Thousands of Euro	MARCH 31ST, 2016			MARCH 31ST, 2015		
	Italy	Overseas	Total	Italy	Overseas	Total
<b>Sales</b>						
Agropharma	13,592	36,060	49,652	14,224	28,829	43,053
Raw materials	2	-	2	-	-	-
<b>Total sales</b>	<b>13,594</b>	<b>36,060</b>	<b>49,654</b>	<b>14,224</b>	<b>28,829</b>	<b>43,053</b>
<b>Services</b>						
Toll manufacturing fees	617	1,242	1,859	735	850	1,585
Innovative research	-	-	-	-	-	-
Defense and development	-	-	-	-	5	5
Commissions	-	-	-	-	10	10
Royalties, licenses and similar rights	10	-	10	-	-	-
Others	41	297	338	19	27	46
<b>Total services</b>	<b>668</b>	<b>1,539</b>	<b>2,207</b>	<b>754</b>	<b>892</b>	<b>1,646</b>
<b>Total Consolidated Revenues</b>	<b>14,262</b>	<b>37,599</b>	<b>51,861</b>	<b>14,978</b>	<b>29,721</b>	<b>44,699</b>

### AGROPHARMA REVENUES BREAKDOWN BY GEOGRAPHIC AREA





## **STATEMENT PURSUANT TO ARTICLE 36 OF CONSOB REGULATION NO. 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. declares that the requirements set forth under Article 36, paragraphs a), b) and c) of the Consob Regulation No. 16191/2007 are fulfilled for subsidiaries established and regulated by laws of countries that are not Member States of the European Union.

## **STATEMENT ACCORDING TO ARTICLES 70 AND 71 OF CONSOB REGULATION 11971/99 (ISSUERS' REGULATION)**

It is noted that, on September 25<sup>th</sup>, 2012, pursuant to Article 3 of CONSOB Resolution no. 18079 of January 20<sup>th</sup>, 2012, the Board of Directors of Isagro S.p.A. resolved to apply the opt-out regime under articles 70, paragraph 8, and 71, paragraph 1-*bis* of the Issuers' Regulation. Isagro therefore availed of the option to derogate from the obligation to publish information documents required for significant mergers, spin-offs, share capital increases through contribution of assets in kind, acquisitions or disposals.

## **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>, 2016 is consistent with the entries in the accounting books and records.