

## PRESS RELEASE

### BOD APPROVES HALF-YEAR RESULTS AS OF JUNE 30<sup>TH</sup>, 2020

- First “full semester” with new business model benefitting of actions of commercial and business development, re-focused research activities, reduced fixed costs
- Revenues **from Agropharma and Services +19% vs. 2019** (68.5 Euro million vs. 57.6 million)
- Consolidated EBITDA: 7.5 Euro million vs. 3.0 million of 2019 (which included 2.5 million from M/L Agreements, absent in 2020)
- Net result of continuing operations: **1.0 Euro million profit vs. loss of 3.6 million of 2019**
- Net financial debt as of June 30<sup>th</sup>, 2020: 34.0 Euro million (out of which 4.3 million for IFRS 16) vs. 34.4 million as of December 31<sup>st</sup>, 2019 and vs. 58.1 million as of June 30<sup>th</sup>, 2019, with a **debt/equity ratio of 0.37** (0.33 excluding the effect of IFRS 16 accounting principle), against a net working capital of 47.7 million

### CALL OF EXTRAORDINARY SHAREHOLDERS’ MEETING FOR BY-LAWS AMENDMENTS

Milan, September 10<sup>th</sup>, 2020 – The Board of Directors of Isagro S.p.A. approved today the Condensed consolidated half-year financial statements as of June 30<sup>th</sup>, 2020, which will be made available to the public following the terms and the modalities of the applicable laws.

#### **Redefinition of business model of Isagro**

Isagro, after having already communicated in the past its strategic decision to no longer invest in the research and development of new organic chemistry molecules, is actively working at a new strategic model which will have a specific focus on the development of market positions and products/formulations related to “**Bio-Copper**” (i.e. products of biological/natural origin and copper-based products, the latter ones belonging to inorganic chemicals), also through operations of external growth. Such redefinition of business model will be financed by extraordinary operations aiming at better valorizing, through the divestment of selected assets related to organic chemicals, corporate assets the value of which is deemed currently not adequately expressed and will be accompanied by the necessary measures of organizational/structural redefinition.

The experience of the last years, in fact, proved that Isagro has the capability to invent new products/molecules of organic chemical origin with high market potential but does not have the scale capacity to adequately extract value from them, within an external context showing increasing costs/timing for the development of new organic chemical products/molecules and a parallel strong concentration in the Industry among discovery-based players for this type of active ingredients.

In such frame, Isagro believes that it will be possible to create value for its Stakeholders in a more effective way by concentrating its strategic development in the products of **biologic origin** (growing sector with an average size of players largely smaller than the organic chemicals’ one) and **copper-based products** (where Isagro can already rely on solid market positions, with a project of growth already underway), with the possibility for Isagro to develop its already existing product portfolio and to proceed with selected acquisition(s). Moreover, specific organic chemical products will be kept in portfolio based on a rationale of integrated crop management and with a cash-cow logic.



In coherence with the above-said redefinition of the business model:

1. in December 2019 the sale of the fully controlled company Isagro Asia was completed, at the price of 52.1 Euro million, already net of the withholding tax, out of which 46.2 million cashed-in at Closing date and further 3.3 Euro million between April and July 2020, while the residual amount was provisioned;
2. during 2Q2020 the Board of Directors of Isagro accepted a binding offer from the North American company FMC Corporation for the purchase of the fungicide Fluindapyr at the price of 55 Euro million (against a consolidated book value for Isagro of around 25 Euro million). In July 2020, moreover, it was signed the related Asset Purchase Agreement, the Closing of which (with the simultaneous payment of the Price), subject to certain conditions precedent, is expected to take place by the end of the third quarter and in any case by the end of the current year.

### **1H2020 consolidated financial results**

In 1H2020, Isagro registered:

- **Revenues** equal to 68.5 Euro million vs. the 60.1 million of 1H2019 (which included 2.5 Euro million of revenues from M/L Agreements, absent in the first semester 2020). 2019 data were re-stated to include also for such period the economic results of Isagro Asia Private Limited, divested on December 27<sup>th</sup>, 2019, within the discontinued operations;
- an **EBITDA** of 7.5 Euro million vs. 3.0 million of 1H2019 re-stated (+150%);
- a **Result before taxes** of 1.9 Euro million vs. the loss of 3.1 million of 1H2019 re-stated;
- a **Net result of continuing operations** equal to 1.0 Euro million vs. the loss of 3.6 million of 1H2019 re-stated;
- a **Net result** in profit for 1.0 Euro million vs. the loss of 2.4 million of 1H2019 re-stated, which included for 1.2 million the positive Net result of Isagro Asia;
- a **Net financial position** at debt as of June 30<sup>th</sup>, 2020 equal to 34.0 Euro million (out of which 4.3 Euro million due to the adoption of the accounting principle IFRS 16-Leases) decreasing by 0.4 million vs. the 34.4 Euro million as of December 31<sup>st</sup>, 2019 and by 24.1 million vs. the 58.1 Euro million as of June 30<sup>th</sup>, 2019, mainly as an effect of the sale of Isagro Asia.

**Revenues from Agropharma and Services**, equal to 68.5 Euro million in the first six months of 2020, increased by 10.9 million vs. the first six months of 2019 re-stated (+19%), with a growth regarding all geographic areas and in particular the Americas and Europe, especially in the copper-based products (Airone formulations), as well as deltamethrin-based formulations and biostimulants. In particular, the increase of copper-based products reflects the positive effect of the new registrations obtained in 2019 worldwide. Such new registrations allowed the launch of new copper formulations as well as the scale-up of formulations launched in 2019, thus confirming the solidity of the business development of copper-based products and contributing to offset, together with higher sales of Tetraconazole-based products, the phase-out of Tetraconazole formulations containing Chlorothalonil in the first semester of 2020.

The positive performance of Revenues is partially attributable to (i) the shifting to the beginning of 2020 of some 2019-end orders by the customer Gowan USA, as well as to (ii) the tendency by some clients to anticipate orders, based on fears about a possible block of the global supply chain due to the effects of Covid-19 pandemic. With reference to the latter topic, moreover, it shall be highlighted that, currently, it is estimated that the pandemic effects in the 12-month 2020 period will not have significant impacts on the Group, contrary to what assumed in the initial phase of the pandemic itself, when the information framework was less complete than today.



The positive variation of EBITDA of 1H2020 vs. 1H2019 re-stated, equal to 4.5 Euro million is attributable, on one side, to higher margins related to higher Agropharma and Services sales and, on the other side, to lower labor costs and overheads, which have more than offset the lower revenues from M/L Agreements and the higher allowances in the period.

With reference to cash flows, Isagro generated in the first six months of 2020:

- an operating cash flow (i.e. excluding Net working capital variations, the effects of Isagro Asia sale and changes in NFP stocks linked to IFRS 16) positive for 3.3 Euro million;
  - a cash flow for the Net working capital variations negative for 5.8 Euro million;
  - a cash flow deriving from escrow fund collections related to Isagro Asia sale for 2.7 Euro million,
- thus registering a positive free cash flow in the period of 0.2 Euro million. Considering this value together with the decreasing variation of IFRS 16 items, equal to 0.2 Euro million, the NFP as of June 30<sup>th</sup>, 2020 improved by 0.4 Euro million vs. the one of December 31<sup>st</sup>, 2019.

### **Perspectives**

With reference to the economic results expected for the full year, Isagro forecasts a level of sales moderately higher than 2019, due to a second semester awaited to be affected by the phase-out of some formulations in Europe.

The Net result expected in 2020 will depend in a decisive way upon extraordinary operations consistent with the redefinition of the business model.

Moreover, the actions of commercial development and of organizational redefinition, which are underway and have already positively contributed to the first semester results, will express a wider impact in the next year.

### **Other information**

- With reference to the possible effects of the global sanitary crisis, the current uncertainty on multiple variables that could impact also the crop protection products market (including the effective duration and intensity of the emergency phase, the effects of monetary and fiscal policies on expendable incomes and global demand and the trend of agricultural commodity prices) makes it difficult to make precise estimates. In such uncertain frame and to the best of the information currently available, Isagro reports, compared to the estimates previously released, the following: (i) in the current year the pandemic appears to have no significant effects, regarding both economic results and financial projections (regarding the latter, with particular reference to collections from customers and bank financing) and (ii) in 2021, a maximum risk up to 3.9 Euro million of lower sales (considering 70% of copper-based sales forecast in Brazil, the only Country for which is currently possible to estimate pandemic effects), up to 1.0 Euro million of lower margins/EBITDA/Result before taxes, up to 0.7 Euro million of lower Net result (corresponding to the maximum risk of impact on Equity), up to 3.9 million of lower receivables, assuming the usual 365 average payment days for the direct sales in Brazil and up to 3.2 million of higher NFP at debt.
- The Board of Directors resolved to call the extraordinary Shareholders' Meeting of Isagro S.p.A. – that will be held on October 14<sup>th</sup>, 2020 at 11:00 am, in a single call – to resolve regarding the approval of By-laws amendments aimed at improving the organizational efficiency of the Board of Directors.
- The Manager charged with preparing the company's financial reports, Ruggero Gambini, hereby certifies, pursuant to Article 154-*bis*, paragraph 2 of the Consolidated Law on Finance, that the financial information in this press release is consistent with the entries in the accounting books and records.



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**About Isagro**

*Isagro S.p.A., an independent company born in 1993 with Montecatini/Montedison origin, is listed on the Milan Stock Exchange since 2003. Initially based on the discovery and development of new chemical molecules, the last one being Fluindapyr, the Company leads today a Group offering agricultural solutions at low environmental impact, with a growth project focused on biorationals as part of its new business model aimed also at capitalizing on the current product portfolio qualified for an integrated crop management.*

*In 2014 Isagro issued Growth Shares, an innovative category of special shares specifically conceived for companies having a Controlling Subject. Main characteristics of Growth Shares are the absence of voting rights, an extra-dividend vs. Ordinary Shares (20% in the case of Isagro) and the automatic conversion into Ordinary Shares in the ratio 1:1 in any case of loss of controlling stake by the Controlling Subject and/or of Compulsory Public Offer.*

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## CONSOLIDATED P&L STATEMENT OF THE FIRST SEMESTER 2020

(€ 000)	1° Semester 2020	1° Semester 2019 re-stated	Differences	Year 2019
<b>Revenues from sales and services</b>	<b>68,536</b>	<b>60,052</b>	<b>+8,484</b> +14.1%	<b>105,369</b>
Other revenues and income	718	1,173	-455	2,151
Consumption of materials and external services	(48,987)	(49,197)	+210	(86,661)
Variations in inventories of products	(909)	3,636	-4,545	3,338
Costs capitalized for internal works	656	740	-84	1,192
Allowances and provisions	(979)	(15)	-964	(2,272)
Labour costs	(11,131)	(12,961)	+1,830	(24,942)
Bonus accruals	(453)	(441)	-12	(793)
<b>EBITDA</b>	<b>7,451</b>	<b>2,987</b>	<b>+4,464</b> N/S	<b>(2,618)</b>
<i>% on Revenues</i>	<i>10.9%</i>	<i>5.0%</i>		<i>-2.5%</i>
Depreciation and amortisation:				
- tangible assets	(1,222)	(1,299)	+77	(2,622)
- intangible assets	(2,979)	(3,232)	+253	(6,552)
- right-of-use asset IFRS 16	(399)	(468)	+69	(910)
- write-down of tangible and intangible assets	(12)	(689)	+677	(1,034)
<b>EBIT</b>	<b>2,839</b>	<b>(2,701)</b>	<b>+5,540</b> N/S	<b>(13,736)</b>
<i>% on Revenues</i>	<i>4.1%</i>	<i>-4.5%</i>		<i>-13.0%</i>
Interests, fees and financial discounts	(510)	(720)	+210	632
Exchange profits/(losses) and derivatives	(443)	108	-551	(569)
Revaluation of equity investments	-	168	-168	191
<b>Result before taxes</b>	<b>1,886</b>	<b>(3,145)</b>	<b>+5,031</b> N/S	<b>(13,482)</b>
Current and deferred taxes	(919)	(450)	-469	(1,568)
<b>Net result of continuing operations</b>	<b>967</b>	<b>(3,595)</b>	<b>+4,562</b> N/S	<b>(15,050)</b>
Net result of Discontinued operations	-	1,148	-1,148	1,143
<b>Net result</b>	<b>967</b>	<b>(2,447)</b>	<b>+3,414</b> N/S	<b>(13,907)</b>



## CONSOLIDATED BALANCE SHEET AS OF JUNE 30<sup>TH</sup>, 2020

(€ 000)	June 30, 2020	Dec. 31, 2019	Differences		June 30, 2019 re-stated	June 30, 2019
<b>Net fixed assets</b>						
Goodwill	2,956	3,148	-192		3,170	3,347
Other intangible assets	20,925	47,387	-26,462		49,124	49,148
Tangible assets	14,815	15,585	-770		15,407	18,351
Right-of-use asset IFRS 16	4,171	4,421	-250		4,970	6,109
Financial assets	3,195	4,176	-981		695	695
Other medium/long terms assets and liabilities	7,045	7,228	-183		10,704	12,272
<b>Total net fixed assets</b>	<b>53,107</b>	<b>81,945</b>	<b>-28,838</b>	<b>-35.2%</b>	<b>84,070</b>	<b>89,922</b>
<b>Net current assets</b>						
Inventories	38,313	40,853	-2,540		41,492	52,466
Trade receivables	34,014	27,227	+6,787		32,182	42,376
Trade payables	(24,578)	(26,143)	+1,565		(28,893)	(35,759)
<b>Subtotal Net working capital</b>	<b>47,749</b>	<b>41,937</b>	<b>+5,812</b>		<b>44,781</b>	<b>59,083</b>
Current provisions	(1,474)	(1,781)	+307		(580)	(620)
Other current assets and liabilities	1,962	5,190	-3,228		1,518	4,495
<b>Subtotal Other assets and liabilities</b>	<b>488</b>	<b>3,409</b>	<b>-2,921</b>		<b>938</b>	<b>3,875</b>
<b>Total net current assets</b>	<b>48,237</b>	<b>45,346</b>	<b>+2,891</b>	<b>+6.4%</b>	<b>45,719</b>	<b>62,958</b>
<b>Invested capital</b>	<b>101,344</b>	<b>127,291</b>	<b>-25,947</b>	<b>-20.4%</b>	<b>129,789</b>	<b>152,880</b>
<b>Severance Indemnity Fund (S.I.F)</b>	<b>(1,679)</b>	<b>(1,877)</b>	<b>+198</b>	<b>-10.5%</b>	<b>(2,077)</b>	<b>(2,468)</b>
<b>Net invested capital</b>	<b>99,665</b>	<b>125,414</b>	<b>-25,749</b>	<b>-20.5%</b>	<b>127,712</b>	<b>150,412</b>
<b>Held for sale non-financial assets and liabilities</b>	<b>25,145*</b>	<b>-</b>	<b>+25,145</b>		<b>22,700**</b>	<b>-</b>
<b>Total</b>	<b>124,810</b>	<b>125,414</b>	<b>-604</b>	<b>-0.5%</b>	<b>150,412</b>	<b>150,412</b>
<i>financed by:</i>						
<b>Equity</b>						
Capital stock	24,961	24,961	-		24,961	24,961
Reserves and retained earnings	66,637	81,084	-14,447		79,442	79,442
Translation difference	(1,717)	(1,118)	-599		(1,170)	(9,645)
Translation difference of Discontinued operations	-	-	-		(8,475)	-
Profit/(Loss) of the Group	967	(13,907)	+14,874		(2,447)	(2,447)
<b>Total equity</b>	<b>90,848</b>	<b>91,020</b>	<b>-172</b>	<b>-0.2%</b>	<b>92,311</b>	<b>92,311</b>
<b>Net financial position</b>						
<i>Medium/long term debts:</i>						
- due to banks	17,998	28,615	-10,617		38,861	38,861
- due to other lenders	974	1,133	-159		1,294	1,294
- financial liabilities ex IFRS 16	3,462	3,709	-247		4,028	4,506
- other financial liabilities/(assets), IRS and trading derivatives	(2,490)	(2,473)	-17		(2,477)	(2,477)
<b>Total medium/long term financial debts</b>	<b>19,944</b>	<b>30,984</b>	<b>-11,040</b>	<b>-35.6%</b>	<b>41,706</b>	<b>42,184</b>
<i>Short term-debts:</i>						
- due to banks	21,685	47,328	-25,643		37,893	37,893
- due to other lenders	318	1,793	-1,475		2,760	2,760
- financial liabilities ex IFRS 16	823	813	+10		899	1,126
- other financial liabilities/(assets), IRS and trading derivatives	(852)	57	-909		148	(14,225)
<b>Total short-term financial debts</b>	<b>21,974</b>	<b>49,991</b>	<b>-28,017</b>	<b>-56.0%</b>	<b>41,700</b>	<b>27,554</b>
<b>Cash and cash equivalents</b>	<b>(7,956)</b>	<b>(46,581)</b>	<b>+38,625</b>	<b>-82.9%</b>	<b>(10,216)</b>	<b>(11,637)</b>
<b>Total Net financial position</b>	<b>33,962</b>	<b>34,394</b>	<b>-432</b>	<b>-1.3%</b>	<b>73,190</b>	<b>58,101</b>
<b>Net financial position of Discontinued operation</b>					<b>(15,089)**</b>	
<b>Total</b>	<b>124,810</b>	<b>125,414</b>	<b>-604</b>	<b>-0.5%</b>	<b>150,412</b>	<b>150,412</b>

\*Value pertaining to the assets relating to the fungicide Fluindapyr

\*\* Values pertaining to Isagro Asia



## CONSOLIDATED CASH-FLOW STATEMENT JANUARY-JUNE 2020

(€ 000)	1° Semester 2020	1° Semester 2019
<b>Cash and cash equivalents (as of January 1<sup>st</sup>)</b>	<b>46,581</b>	<b>17,919*</b>
<i>Operating activities</i>		
<b>Profit/(loss) of Continuing operations</b>	<b>967</b>	<b>(3,595)</b>
<b>Net result of Discontinued operations</b>	<b>-</b>	<b>1,148</b>
- Depreciation of tangible assets	1,222	1,495
- Depreciation of intangible assets	2,979	3,239
- Depreciation of right-of-use asset IFRS 16	522	740
- Losses in value of tangible and intangible assets	12	688
- Provisions to reserves (including employee indemnity)	610	590
- Provisions to incentive and retention plan	77	192
- Gains from disposal of tangible and intangible assets	-	(330)
- Interests from held for trading assets	-	(478)
- Net interest expenses paid to financial institutions and leasing companies	626	824
- Net charges/(profits) on derivative instruments	(1,080)	132
- Result on investments valued with the equity method	-	(168)
- Income taxes	919	1,292
<b>Cash flow from current operations</b>	<b>6,854</b>	<b>5,769</b>
- Increase in trade receivables	(7,620)	(2,275)
- (Increase)/decrease in inventory	1,394	(4,125)
- Increase/(decrease) in trade payables	(1,143)	2,907
- Net change in other assets/liabilities	875	(2,399)
- Use of funds (including employee indemnity)	(1,109)	(1,131)
- Net interest expenses paid to financial institutions and leasing companies	(667)	(799)
- Interests from held for trading assets cashed-in	-	164
- Financial flow from derivative instruments	652	(616)
- Income taxes paid	(400)	(440)
<b>Cash flow for operating activities</b>	<b>(1,164)</b>	<b>(2,945)</b>
<i>Investments activities</i>		
- Investments in intangible assets	(1,677)	(3,707)
- Investments in tangible assets	(463)	(766)
- Net sale price from disposal of tangible/intangible assets	1	570
- Net cash-flow generated by the sale of Discontinued operations	2,444	-
- Dividends from affiliated companies	-	66
- Cash flow from assets held for trading	-	(49)
<b>Cash flow from/(for) investment activities</b>	<b>305</b>	<b>(3,886)</b>
<i>Financing activities</i>		
- Contracting of non-current financial debts	-	16,242
- Repayment of non-current financial debts	(16,312)	(12,201)
- Repayment of lease liabilities	(553)	(648)
- Contracting/(repayment) of current financial debts	(21,528)	(2,524)
- Increase in financial receivables and pledged banking account	(871)	-
- Purchase Growth Shares	-	(272)
<b>Cash flow from/(for) financing activities</b>	<b>(39,264)</b>	<b>597</b>
<b>Translation difference changes</b>	<b>1,498</b>	<b>(48)</b>
<b>Cash flow of the period</b>	<b>(38,625)</b>	<b>(6,282)</b>



<b>Cash-closing balance (as of June 30<sup>th</sup>)</b>	<b>7,956</b>	<b>11,637</b>
<b>out of which related to:</b>		
Continuing operations	7,956	10,215
Discontinued operations	-	1,422

*\* including discontinued operations cash and cash equivalents*