

ISAGRO S.p.A.

A company directed and coordinated by Holdisa S.r.l.

**CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL
STATEMENTS**

AS AT JUNE 30TH, 2019

BOARD OF DIRECTORS

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Giorgio Basile

Deputy Chairman

Maurizio Basile

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Deloitte & Touche S.p.A.

DIRECTORS' MANAGEMENT REPORT

Dear Shareholders,

Your Group's condensed consolidated half-year financial statements as at June 30th, 2019 disclosed, at the Income Statement level, **Revenues** of € 73.1 million (versus € 89.0 million in the first half of 2018), **EBITDA** of € 5.0 million (compared to € 13.3 million in the first six months of 2018) and **Net loss** of € 2.4 million (compared to the € 5.4 million net profit of the first half of 2018).

From an equity point of view, as at June 30th, 2019, your Group presents **net financial debt** of € 58.1 million, out of which € 5.6 million due to the application of new accounting standard IFRS 16 - Leases, whose provisions are effective from January 1st, 2019: excluding said component, net financial debt comes to € 52.5 million (compared to € 47.3 million as at June 30th, 2018 and to € 45.1 million as at December 31st, 2018), out of which € 42.2 million expiring beyond the year (compared to € 42.2 million as at June 30th, 2018 and to € 36.6 million as at December 31st, 2018) with a **debt/equity ratio** of 0.63 (0.57 excluding the effect of IFRS 16). This Net financial debt, moreover, is entirely backing Net working capital (equal to € 63.0 million), with Equity (equal to € 92.3 million) which contributes to financing the working capital itself for approximately € 5 million.

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It should be noted that starting from January 1st, 2019, Isagro has been applying the new accounting standard IFRS 16 - Leases, that provides for a single lessee accounting model for the recognition and the valuation of lease contracts, both operational and financial, and which requires the recognition of the asset leased with a corresponding increase in the NFP. At the Income Statement level, the application of the new accounting standard has involved a decrease in the item "Costs for services", which so far included the cost of the operating leases, with the consequent increase of the EBITDA and an increase in amortisation and depreciation (to reflect the portion accrued during the period of the leased item) and in the financial charges (to reflect the portion of figurative interests). Therefore, the results as at June 30th, 2019 reflect the effects of the application of this new accounting standard. Given the above, the condensed consolidated half-year financial statements as at June 30th, 2019 include at the Balance Sheet level, the recognition of higher assets for € 6.1 million, with a counter-entry of € 5.6 million of higher NFP and of € 0.5 million as a mere reclassification of prepaid expenses concerning the prepayment of surface rights by the subsidiary Isagro Asia, already recorded in the financial statements as at December 31st, 2018 in the item other non-current assets.

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The first half of 2019 was characterised, in terms of market performance:

- in Europe, by the tightening of the regulatory framework and, with specific reference to the Italian market, by the stock above the expectations at a major Group distributor;

- in North America, by extreme weather conditions (heavy snowfall followed by floods and droughts) which involved delays to the start of the sowing season, a reduction in the planted areas and the subsequent need for distributors and farmers to consume existing stocks before making new purchases;
- in South America, by unfavourable weather conditions, despite the presence of growing demand for new products (owing to the phenomenon of disease resistance of the current products in the market) and the increased competitiveness of Brazilian agriculture as a whole (as a result of the increase in customs duties on US products to China, which boosted exports from South America to said Country).

As outlined above, note that the sales figures for the main players in the sector relating to the first half of this year show a fall in aggregate sales figures of around 4% in US Dollars currency.

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Within the framework of the market situation described above, Isagro, which mainly sells to national distributors, was impacted in particular by the need of some of its major customers, especially in the United States and in Italy, to limit purchases for the period in order to consume existing stocks at the start of the year - stocks that are normally established to cover the next campaign.

In this context, the Group recorded lower seasonal sales in the first six months of the year with respect to 2018:

- in North America, of around € 5 million concentrated on two customers;
- in Italy and Europe, of around € 6 million concentrated on three customers.

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With reference to the full year 2019 perspectives, Isagro estimates a level of sales from Agropharma and Services lower but not far from the value of the 12 months of 2018, with a recovery concentrated in the fourth quarter mainly thanks to the expectation of higher sales in the MEA area (Middle East and Africa) and South America, while it is confirmed the lower contribution from M/L Agreements versus the previous year.

With regard to medium-long term perspectives (2021), Isagro confirms, on a like-for-like basis, the expectation of an important growth based in particular on the new fungicide Fluindapyr, whose sales are expected to start next year; further, Fluindapyr was included in the priority list for the “fast-track” registration procedure in the important Brazilian market.

Isagro, moreover, after having already communicated in the past its strategic decision to no longer invest in the development of new organic chemical molecules originated from its own Innovative Research, is further revising the business model, also considering well-structured extraordinary operations - including therein the opportunity to redefine the Group’s asset allocation policy, considered likely by the Directors, and despite depending on the progress of the ongoing negotiations - aimed at better valorising corporate assets that the Directors consider, at present, are not adequately

valorised and, through the resources thus generated, at accelerating a higher strategic focus on biorationals.

Within the above setting, as better explained in the section “Events subsequent to June 30th, 2019”, Isagro S.p.A.’s Board of Directors resolved, on today’s date, the acceptance of a binding offer received by PI Industries for the divestment to the latter of the entire stake in the fully controlled company Isagro Asia Private Limited. It is estimated that the closing will take place within the current year.

EVOLUTION OF THE CROP PROTECTION PRODUCTS MARKET

According to data provided by Phillips McDougall and Agro Pages, in the first half of 2019, the global crop protection market was characterised by various adverse factors, as discussed in more detail later, which negatively impacted the demand/consumption of crop protection products.

The figures currently available for the sales of crop protection products of the major industry operators (Adama, Bayer/Monsanto, Corteva, FMC and Syngenta) in the first half of 2019, compared to those of the first six months of 2018, show a decrease of around 4% in terms of sales expressed in US Dollars.

The crop protection market in the first half was affected at global level: (i) by adverse weather conditions mainly in North America, Europe and Asia Pacific (which negatively influenced the demand/consumption of crop protection products), (ii) by the low consumption of stocks from the end of 2018 in some parts of Asia and Europe due to prolonged drought conditions, (iii) by the tightening of the regulatory framework in Europe (which negatively impacted the use of many crop protection products/sales), (iv) by the permanently high prices of many active ingredients and formulations produced in China given the restrictions on the production activities in said Country for environmental issues (which caused an increase in the cost of production), (v) by the continuous trade tensions between the US and China (which created uncertainties over exports of soybean to China with negative impacts on the crop protection product business). Chinese exports of formulations fell by 9% in the US, while they rose by 2% in the rest of the world.

With regard to the performance of specific markets, and again with reference to Phillips McDougall's indications, it should be noted that:

- in **Europe**, the market was affected:
 - by the unfavourable weather conditions in northern and eastern Europe. In fact, the drought conditions caused a decline in consumption/sales of fungicides and herbicides (delay and reduction in applications of crop protection products);
 - tightening of the regulatory framework in Europe, which negatively impacted the use of many crop protection products/sales (traditional molecules such as, for example, copper);
- in **North America**, the market was affected (i) by the extreme weather conditions in the US (heavy snowfall followed by unprecedented floods) and in Canada (drought), delaying sowing and reducing the planted areas and (ii) the destocking at distribution channels. Furthermore, the

trade dispute between the USA and China continues to generate uncertainties about a possible rise of soybean imports to China from South America, to the detriment of the USA, with consequent negative repercussions on the crop protection products market for the latter;

- in **South America**, it is highlighted the growing demand for new crop protection products to combat the disease resistance of the current products on the market that have been identified in recent years. In Brazil and in Argentina, soybean and maize areas rose significantly, but adverse weather factors caused delays to the start of the season and to pre-seasonal applications. Trade tensions between the US and China (increase in customs duty on soybean imported to China from the US) favoured the markets in South America, making them more competitive and leading to an increase in the soybean planted areas, in particular, in Brazil (+4.7%) and in Argentina (+1.7%);
- with regard to **Asia**:
 - in India, the monsoon rains recorded a slow start, which then covered most of the planted areas with sugar cane, cotton and soybean in western India, as well as some regions in which rice is grown in the central and northern areas of the country. Despite the precipitation, the monsoon rains were, nonetheless, 37% lower than the long-term average, delaying the sowing of summer crops. However, the sudden proliferation of insects in rice during the second quarter of 2019 positively impacted the consumption of insecticides in the period. Furthermore, note that the prices of all agricultural products were supported by the Government;
 - in China, the Regulatory bodies are continuing to put pressure on environmental issues, which had led to a fall in domestic production capacity and a simultaneous increase in production costs;
 - in Australia and in Indonesia, the market was negatively impacted by the dry weather conditions recorded in the semester;
- in the **Middle East and Africa**, the market registered growth in high-value crops, legumes and cotton.

INCOME STATEMENT – SUMMARY DATA

Consolidated **Revenues** for the first half of 2019 amounted to € 73.1 million, down by € 15.9 million compared to € 89.0 million in the first six months of 2018. This negative difference is due to the combined effect of:

- lower Revenues from the sale of crop protection products of € 10.2 million and lower Revenues from the sale of services, such as toll manufacturing proceeds, of € 0.7 million;
- lower Revenues through M/L Agreements for € 5.0 million.

With regard to the change in Revenues from sales of crop protection products compared to the first half of 2018, the lower sales figure, totalling, as mentioned, € 10.2 million, is mainly due to lower sales made in Italy and Europe by the parent Isagro S.p.A. for € 5.9 million, and to lower revenues of Isagro USA in North America of € 4.7 million, partly offset by higher sales in the Rest of the World. The lower half-year sales in North America (mainly tetraconazole-based products) were due

to the high stock at the main distributors at the start of the season, which triggered lower repurchases in the semester, and to the adverse weather conditions, which led to the delay of the start of the season itself. In Italy and Europe, moreover, the lower sales are attributable, in addition to the high levels of stock of copper products at distributor level, also to the recent regulatory restrictions (re-registrations).

With regard to the breakdown of Revenues for crop protection products only by geographic area, note that in the first half of 2019:

- sales in Italy represented approximately 16% of turnover (compared to 19% in the first half of 2018), for a total of € 11.2 million (down by € 4.0 million compared to the first half of 2018);
- sales in other EU countries represented approximately 41% of turnover (compared to 38% in the first half of 2018), for a total of € 28.1 million (down by € 1.9 million in terms of absolute value compared to the first half of 2018);
- sales in the Americas represented approximately 15% of turnover (compared to 19% in the first half of 2018), for a total of € 10.2 million (down by € 4.6 million compared to the first half of 2018);
- sales in Asia represented approximately 21% of turnover (compared to 19% in the first half of 2018), for a total of € 14.1 million (down by € 0.7 million in terms of absolute value compared to the first half of 2018);
- sales in the Rest of the World represented approximately 7% of turnover (compared to 5% in the first half of 2018), for a total of € 4.9 million (up by € 0.7 million compared to the first half of 2018).

Note that, following the application of accounting standard IFRS 9 – Financial instruments from January 1st, 2018, the revenues include losses on hedging against exchange rate risk (domestic currency swap). It should also be noted, as outlined in more detail below, that Isagro's policy and procedures provide for the Company hedging of the exchange rate risk (and in particular the risk linked to the US Dollar) of the forecast net exposure in the year relating to the parent Isagro S.p.A., by freezing its exchange rate at the value of the annual budget.

Therefore, in relative terms, Isagro continues to focus heavily on foreign markets, with a percentage of sales in the period from crop protection products achieved outside Italy of approximately 83%, increasing compared to 81% in the first half of 2018.

(€ 000)	June 30 th , 2019		Change	June 30 th , 2018	
Italy	11,241	16.5%	-26.2%	15,222	19.3%
Rest of Europe	28,138	41.2%	-6.2%	30,013	38.0%
Americas	10,230	15.0%	-30.9%	14,813	18.8%
Asia	14,055	20.6%	-4.9%	14,775	18.7%
Rest of the World	4,872	7.1%	+16.2%	4,192	5.3%
DCS gains/(losses)	(230)	-0.3%	N/S	(108)	-0.1%
Crop protection products subtotal	68,306	100.0%	-13.4%	78,907	100.0%
Other products and services	4,748		-53.2%	10,138	
Consolidated Revenues	73,054		-18.0%	89,045	

Table 1: Consolidated Revenues by Geographic Area

During the first six months of 2019, Isagro carried on its research, innovation & development activity, incurring total costs of € 7.9 million (compared to € 6.9 million in the first half of 2018), out of which € 3.6 million capitalised (compared to € 3.4 million capitalised in the first half of 2018) in relation to (a) the continuation of the co-development with FMC Corporation of the new proprietary molecule Fluindapyr (an SDHi class broad spectrum fungicide), (b) the development of new products, (c) the extraordinary protection of proprietary products (excluding the one relating to the re-registration of tetraconazole in the EU, which costs in the semester were charged to the Income Statement) and (d) the activities for new registrations on a global basis. The Income Statement of the first six months of 2019, therefore, was affected by higher expensed research, innovation & development costs compared to the same period of 2018 by € 0.8 million.

(€ 000)	1 st half 2019	1 st half 2018	Differences		Year 2018
Revenues	73,054	89,045	-15,991	-18.0%	152,771
Memo: Labour costs and provision for bonus	(15,743)	(15,773)	+30		(29,913)
EBITDA	4,974	13,348	-8,374	-62.7%	14,024
<i>% on Revenues</i>	<i>6.8%</i>	<i>15.0%</i>			<i>9.2%</i>
Depreciation and amortisation:					
- tangible assets	(1,495)	(1,792)	+297		(3,405)
- intangible assets	(3,239)	(2,794)	-445		(5,911)
- right-of-use asset IFRS 16	(603)	-	-603		-
-write-down of tangible and intangible assets	(688)	(7)	-681		(265)
EBIT	(1,051)	8,755	-9,806	N/S	4,443
<i>% on Revenues</i>	<i>-1.4%</i>	<i>9.8%</i>			<i>2.9%</i>
Interest, fees and financial discounts	(346)	(109)	-237		(247)
Gains/(losses) on foreign exchange and derivatives	74	(378)	+452		(1,199)
Revaluations of equity investments	168	109	+59		200
Result before taxes	(1,155)	8,377	-9,532	N/S	3,197
Current and deferred taxes	(1,292)	(2,946)	+1,654		(2,734)
Net result from continuing operations	(2,447)	5,431	-7,878	N/S	463
Net result from discontinued operations	-	-	-		(100)
Net result	(2,447)	5,431	-7,878	N/S	363

Table 2: Consolidated Income Statement - Summary Data

The **EBITDA** generated in the first half of 2019 amounted to € 5.0 million, down by € 8.3 million compared to € 13.3 million in the first half of 2018, with margins on Revenues dropping from 15.0% to 6.8%.

This decrease in EBITDA is due to:

- lower margins relating to Revenues from M/L Agreements of € 5.0 million;
 - lower margins from sales of Crop Protection Products & Services of € 5.4 million, higher R,I&D costs charged to the Income Statement of around € 0.8 million,
- partially offset by lower provisions relating to items adjusting assets and by the effect of the first application of IFRS 16 amounting to € 2.9 million (more specifically, the effect of IFRS 16 amounted to € 0.6 million).

In the first half of 2019, Isagro also incurred **Personnel costs** of € 15.7 million, in line, net of rounding, with the figure of € 15.8 million as at June 30th, 2018.

Amortisation, depreciation and write-downs for the period amounted to € 6.0 million, increasing by € 1.4 million compared to € 4.6 million recorded as at June 30th, 2018. This increase is attributable

for € 0.6 million to the IFRS 16 effect, for an additional € 0.7 million to the write-downs of formulations containing chlorothalonil (a product excluded from re-registration in Europe, as better described in the following paragraph “Significant events of the first half of 2019”) and, for € 0.1 million, to the increase in amortisation and depreciation as a reflection of the ordinary investment activities of the Group.

Consequently, your Group closed the first half of 2019 with an **Operating result** in loss of € 1.1 million, decreasing by € 9.9 million compared to the € 8.8 million profit of the first six months of last year.

At the financial management level, in the first six months of 2019, the Group recorded **Net financial charges** for a total of € 0.1 million compared to € 0.4 million in the first half of 2018, as a combined effect of:

- higher **Gains on foreign exchange and derivatives** for € 0.4 million, realised primarily by the parent Isagro S.p.A. and attributable to the positive effect of hedging of the Indian Rupee;
- higher **Revaluations of equity investments** for € 0.1 million, attributable to the gains realised by the associate Arterra Bioscience,

partially offset by higher **Interest, fees and financial charges** for € 0.2 million, attributable primarily to the parent Isagro S.p.A. and relating to the effect of the first application of IFRS 16.

It should be noted 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 and in compliance with its “Financial risk management policy” designed to “grant security” to the interest rate in the budget, the parent Isagro S.p.A. arranges US Dollars exchange rate risk hedges, using its forecast exposure for the year as indicated by the currency budget in US Dollars as the reference basis. With regard to the hedging activities, it should also be noted that they were exclusively carried out by the Group in reference to operational transactions and therefore not for speculative purposes. Given the above, it should be noted that beginning from January 1st, 2018, Isagro started to apply the new accounting standard IFRS 9.

With reference to the tax management, it should be noted that the Group allocated taxes of € 1.3 million for the first six months of 2019, despite the presence of a consolidated loss: this related to the mix of pre-tax profits of the Group companies, with Isagro Asia and Isagro España allocating taxes on positive results for the period, while Isagro S.p.A. and Isagro USA, which reported a half-year loss, did not prudentially allocate the relevant deferred tax assets.

Thus, the Group closed the first six months of 2019 with a negative **Result before taxes** of € 1.2 million (compared to the positive result of € 8.4 million in the same period of the prior year) and with a **Net loss** of € 2.4 million (compared to the profit of € 5.4 million in the first six months of 2018).

BALANCE SHEET – SUMMARY DATA

(€ 000)	30.06.2019	31.12.2018	Differences		30.06.2018
Net fixed assets	89,922	83,895	+6,027	+7.2%	86,534
<i>of which:</i>					
<i>Goodwill and Other intangible assets</i>	<i>52,495</i>	<i>52,818</i>	<i>-323</i>		<i>53,977</i>
<i>Tangible assets</i>	<i>18,351</i>	<i>19,228</i>	<i>-877</i>		<i>19,572</i>
<i>Right-of-use asset IFRS 16</i>	<i>6,109</i>	<i>-</i>	<i>+6,109</i>		<i>-</i>
<i>Other medium/long-term assets and liabilities</i>	<i>12,272</i>	<i>11,256</i>	<i>+1,016</i>		<i>12,483</i>
<i>Equity-accounted investees</i>	<i>695</i>	<i>593</i>	<i>+102</i>		<i>502</i>
Net working capital	59,083	55,224	+3,859	+7.0%	62,727
<i>of which:</i>					
<i>Inventories</i>	<i>52,466</i>	<i>48,097</i>	<i>+4,369</i>		<i>52,014</i>
<i>Trade payables</i>	<i>(35,759)</i>	<i>(32,696)</i>	<i>-3,063</i>		<i>(39,420)</i>
<i>Trade receivables</i>	<i>42,376</i>	<i>39,823</i>	<i>+2,553</i>		<i>50,133</i>
Other short-term assets and liabilities and Current provisions	3,875	3,212	+663	N/S	1,029
SEVERANCE INDEMNITY FUND (SIF)	(2,468)	(2,384)	-84	+3.5%	(2,428)
Net invested capital	150,412	139,947	+10,465	+7.5%	147,862
Total	150,412	139,947	+10,465	+7.5%	147,862
<i>Financed by:</i>					
Equity	92,311	94,830	-2,519	-2.7%	100,605
Net financial position	58,101	45,117	+12,984	+28.8%	47,257
<i>of which:</i>					
<i>Medium/long-term payables</i>	<i>37,678</i>	<i>36,612</i>	<i>+1,066</i>	<i>+2.9%</i>	<i>+42,206</i>
<i>Financial liabilities ex IFRS 16</i>	<i>5,632</i>	<i>-</i>	<i>+5,632</i>		<i>-</i>
<i>Debt/Equity Ratio</i>	<i>0.63</i>	<i>0.48</i>			<i>0.47</i>
Total	150,412	139,947	+10,465	+7.5%	147,862

Table 3: Consolidated Balance Sheet - Summary Data

As regards equity, consolidated **Net invested capital** as at June 30th, 2019 amounted to € 150.4 million, marking a seasonal increase of € 10.5 million compared to € 139.9 million as at December 31st, 2018 and of € 2.5 million compared to € 147.9 million as at June 30th, 2018, incorporating, for € 6.1 million, the effects of the first application of IFRS 16 - Leases. In this regard, it should be noted that, excluding said item for comparison purposes, Net invested capital as at June 30th, 2019 would be approximately € 3.6 million lower than the one as at June 30th, 2018.

More specifically, **Net fixed assets** as at June 30th, 2019 amounted to € 89.9 million, up by € 6.0 million compared to € 83.9 million as at December 31st, 2018 and by € 3.4 million compared to € 86.5 million as at June 30th, 2018.

These differences are mainly due to changes in the following items:

- **Right-of-use asset IFRS 16**, totalling € 6.1 million as at June 30th, 2019 and absent as at December 31st, 2018 and as at June 30th, 2018. In this regard, it shall be remembered the first application of said standard from January 1st, 2019;
- **Intangible assets**, amounting to € 49.1 million as at June 30th, 2019, down by € 0.4 million compared to December 31st, 2018 and by € 1.4 million compared to June 30th, 2018. In this regard, note that Isagro entered the final phase of co-development of Fluindapyr, the new broad-spectrum fungicide, whose associated investments are in a decreasing phase with respect to previous years, owing to the closeness of conclusion of its development;
- **Tangible assets**, amounting to € 18.4 million as at June 30th, 2019, down by € 0.8 million compared to December 31st, 2018 and by € 1.2 million compared to June 30th, 2018, due to reduced investments for the period compared to the level of the related depreciation;
- **Other medium/long term assets and liabilities**, totalling € 12.3 million as at June 30th, 2019, up by € 1.1 million compared to December 31st, 2018 and down by € 0.1 million compared to June 30th, 2018, essentially due to the trends in the reallocation to short-term assets of the instalments of the former M/L Agreements expiring in the following 12 months. In addition, it should be noted that a M/L Agreement was signed during the semester and the portion expiring after 12 months was classified in the item long-term assets.

Net working capital as at June 30th, 2019 amounted to € 59.1 million, registering a seasonal increase of € 3.9 million compared to December 31st, 2018 and decreasing by € 3.6 million compared to June 30th, 2018 (in the latter case as a result of the drop in turnover in the first six months of the current year, reflected in particular in the reduction of trade receivables).

More specifically, focusing the analysis with respect to December 31st, 2018:

- **Inventories** increased by € 4.4 million, mainly due to the effect of low sales in the semester and the establishment of a stock to cover the estimated recovery in sales for the remainder of the year;
- **Trade payables** rose by € 3.1 million, primarily due to the increase in inventories;
- **Trade receivables** rose by € 2.6 million, mainly due to the effect of the receivable originating from the M/L Agreement signed in the semester, whose short-term portion (still not collected) was reclassified in the item trade receivables and was equal to € 1.1 million.

The **Severance Indemnity Fund (SIF)** amounted to € 2.5 million as at June 30th, 2019, up by € 0.1 million compared to € 2.4 million as at December 31st, 2018 and by € 0.1 million compared to € 2.4 million as at June 30th, 2018.

As for funding, consolidated **Equity** as at June 30th, 2019 amounted to € 92.3 million, down by € 2.5 million compared to € 94.8 million as at December 31st, 2018 and down by € 8.3 million compared to € 100.6 million as at June 30th, 2018, primarily due to the impact of the changes in the Net Results of the period and to the decrease in the translation reserve relating mostly to the balance sheet items of the subsidiary Isagro Asia (due to the strengthening of the Indian Rupee against the Euro).

The consolidated **Net Financial Position (NFP)** as at June 30th, 2019 thus amounted to € 58.1 million, up by € 13.0 million compared to € 45.1 million as at December 31st, 2018 and by € 10.8 million compared to the € 47.3 million recorded as at June 30th, 2018.

The change with respect to December 31st, 2018 is due to:

- a € 5.6 million increase, as a result of the first application of the new accounting standard IFRS 16 - Leases;
- a € 3.9 million increase, as a result of the seasonal effect of the Net working capital;
- a € 3.5 million increase, as a result of the negative cash flow.

The change when compared to the June 30th, 2018 is instead attributable to:

- a € 5.6 million increase, as a result of the first application of the new accounting standard IFRS 16 - Leases;
- a € 3.6 million decrease, as a result of the trend in the Net working capital;
- a € 8.8 million increase, as a result of the negative cash flow.

With regard to the breakdown of the Net financial position as at June 30th, 2019, note that it is mostly represented by medium/long-term debt (more than 70%), with liquidity at Group level of over € 25 million.

The above-mentioned medium/long-term transactions were performed by the parent Isagro S.p.A. with a view to optimising the cost of medium/long-term borrowing and seeking greater alignment between the timing of the investments undertaken - particularly those relating to development of the new Fluindapyr SDHi broad spectrum fungicide - and that of the sources of finance supporting these investments, leaving the short-term facilities as a “liquidity” reserve. In this regard, Isagro closely monitors developments relating to the ECB’s monetary policies, whose Quantitative Easing (QE) programme ended at the start of the year, with a subsequent slowdown in the granting of new medium/long-term loans to replace those expiring, as well as developments regarding public finance policies, which could influence the levels of the cost of procurement of debt capital. In this scenario, during the half year, new loans of € 16.2 million were taken out, out of which the portion expiring beyond 12 months corresponds to around € 12 million.

In light of the above, the **debt/equity** ratio (i.e. the ratio of Net financial position to Equity), at a consolidated level, came at 0.63 as at June 30th, 2019 (equal to 0.57 net of the IFRS 16 effect), compared to 0.48 as at December 31st, 2018 and to 0.47 as at June 30th, 2018.

CASH FLOWS - SUMMARY DATA

In the first six months of 2019, your Group generated:

- a negative cash flow of € 3.5 million excluding changes in Net working capital (NWC);
- a negative cash flow of € 3.9 million due to changes in Net working capital (NWC),

therefore recording a negative free cash flow of € 7.4 million for the period. Considering said value together with the effect of the first application of IFRS 16, the NFP was up by € 13.0 million.

(€ 000)	6 months 2019	6 months 2018	Jul. '18 - Jun. '19	Jul. '17 - Jun. '18
Net result	(2,447)	5,431	(7,515)	1,066
+ Depreciation, amortisation and write-downs	6,025	4,593	11,013	9,758
Gross Cash Flow	3,578	10,024	3,498	10,824
- Investments	(3,886)	(4,101)	(7,362)	(8,818)
- Distributed dividends	-	-	-	-
± Other changes (excl. IFRS 16)*	(3,185)	246	(4,992)	(5,267)
Free Cash Flow before Δ NWC	(3,493)	6,169	(8,856)	(3,261)
Δ NWC	(3,859)	(7,205)	3,644	1,678
Free Cash Flow	(7,352)	(1,036)	(5,212)	(1,583)
Memo: IFRS 16 effect**	(5,632)	-	(5,632)	-
Change in NFP	(12,984)	(1,036)	(10,844)	(1,583)

Table 4: Cash Flows - Summary Data

* Includes, inter alia, the change in deferred tax assets/liabilities, the change in receivables from M/L Agreements and the changes in provisions

** non-cash components

RESEARCH, INNOVATION AND DEVELOPMENT ACTIVITIES

In the first half of 2019, the Isagro Group has incurred a research, innovation and development cost for a total of € 7.9 million, out of which € 3.6 million capitalised as investments for the development, registration and the extraordinary protection of its proprietary products on a worldwide basis. In the first six months of the previous year, these expenses totalled € 6.9 million, out of which € 3.4 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. At the beginning of 2018, the management team approved the proposal to continue with “stage 2” of the development of a new molecule which, over 2017, had been classified as “worthy of development”. The objective of achieving the qualification of “worthy of development” of another molecule by the end of this year is confirmed.

Research activities focused on:

- a new series of broad-spectrum fungicides, in addition to that belonging to the SDHi class whose development started in 2012. The projects continued and all activities of the current phase of stage 1 have been successfully completed, thus allowing for their advancement. The activity plan for 2018, implemented in the Research Centre of Novara, has highlighted some valuable changes:
 - a new chemical structure with a likely innovative Mode of Operation for which the main target to date is the Asian Soybean Rust, the potential market of which has a value of USD 2 billion and is concentrated in South America; among the 97 molecules under study, only a few candidates were selected and promoted to phase 1.2. and among these two have emerged for the high activity profile. In the first quarter of the current year, the experimental formulations for these two candidates were entered into a small number of initial field tests (RET 1) in Brazil, the results of which, obtained under extremely severe testing conditions, were still valid. Furthermore, some additional opportunities are being studied for the cereal fungal diseases: to this end, the experimental formulations themselves were entered into a programme for an initial field testing phase on cereals, conducted in Europe, the results of which will be available in the third quarter. The project is expected to undergo a first revision by the middle of September, for the continuation of activities in Brazil in October;
 - a new competitive chemical structure, for which two continuation strategies were defined, with a production of more than 100 molecules studied in phase 1.1 (screening phase). In strategy 1, a valid performance molecule was identified with a broad action spectrum that will be subject to a further analysis in 2019, in particular through formulation and efficacy studies carried out at the Research Centre of Novara. Strategy 2, particularly broad and complex, has shown the progressive emergence of candidates, to which high performance selection criteria were applied. Phase 1.1 is not yet concluded; however, it should be considered as a very significant research for both the potential width of the spectrum and its efficacy level. The screening activity carried out at the Research Centre of Novara for the selection of the best molecules also continued in the second quarter.

Finally, it should be noted that for the assessment of this intense research activity on innovative fungicides, the Research Centre of Novara has designed and implemented efficacy assessment techniques that were never before applied;

- new candidates to combat soil parasites. The validity of the “Nematocide” molecule, stage 2, for which several third party companies have also shown an interest, was confirmed. In addition, although in an earlier phase, research on other differential lines is continuing with the objective of creating an area of strategic strength for Isagro in this segment. The activities carried out in the first half concerned primarily the production of the necessary quantities of 3 molecules for the preparation of the experimental formulation to be tested in an initial field testing, under the control of the Research Centre of Novara, the results of which are expected to be available in the third quarter of this year;

- new series of herbicides for arable crops. In 2017, two lines of research were identified, one of which had already shown in 2018 two candidates of potential value for an intermediate phase of stage 1. The studies carried out in the previous year, have led to the selection of a single valid candidate for the selective weeding of corn and soybean crops, and this will be subject to a broader assessment in order to consolidate phase 1.2 in view of a possible advancement to the final phase. In the first quarter, field testing was planned, along with the identification of the testing fields under our strict control. Although the dry conditions had initially raised some concerns, the experimental season proved to be extremely favourable for the evaluation of the pre-emergency herbicide candidate with a high level of success. During the third quarter, the experimental field data will be analysed which, together with some planned laboratory studies, will contribute to the revision of the project for any necessary promotion to the subsequent phase in the year. The second line is at an earlier stage and will be better assessed as a 1.1 phase during the year.

In compliance with the objectives and the schedules of the projects, studies continued for the identification of new copper-based formulations capable of acting at a lower dosage and with a broader spectrum than those already in the market. It should also be noted that, at the end of 2018, a broader in-house innovation programme was launched aiming at more substantial technological innovation.

As for the assessment of new biostimulant products, alone or in combination with other molecules:

- a new formulation, deemed as interesting in the “first profile” studies was successfully moved to the pre-marketing assessment stage in 2018 and the launch into the market is expected during the year;
- profile studies for formulations of the second generation had already shown in 2018 some candidates responding to the agreed upon trade objectives. In 2019, optimisation will continue in preparation for the pre-marketing phase of 2020.

B) PRODUCT DEVELOPMENT

The main development activities, carried out starting from the beginning of the year, are highlighted below.

Fluindapyr (or Succinate dehydrogenase inhibitor or SDHi, formerly IR9792) - a broad spectrum fungicide

In 2018, activities focused particularly on the completion of the regulatory studies on the active ingredient and the representative formulation that are necessary for filing the registration dossier for inclusion in Annex I of the technical active ingredient within the European Union, with a subsequent forwarding of the related documentation to the Relator Member State (Germany) and the Co-Relator Member State (Italy) at the beginning of October. In April 2019, a positive response on the completion of this dossier was received. This was later sent to all the Member States, to the EFSA (European Food Safety Authority), to the European Commission, and the process of evaluation by the Rapporteur Member State is in progress.

On April 5th, 2019, the application was sent for the authorisation of Fluindapyr and the associated representative formulated product in the United Kingdom. Due to the UK's impending exit from the European Union, the application is viewed as a national evaluation for a new active ingredient.

Furthermore, the field testing and processing programme to complete the Biological Assessment Dossier (BAD) for the single formulations and mixtures envisaged for the European market continued. This programme is expected to conclude in 2019, in line with the plan that envisages submitting the registration/zonal assessment dossiers (for the Southern and Central European Union area) in 2020. The whole plan was drawn up and contracted with the testing facilities (CRO = Contract Research Organization) of different European countries based on data production objectives for the BAD (Biological Assessment Dossier) and the execution was carried out according to the usual time frame in the second quarter with results expected in the third and fourth quarters of 2019.

In China, the field testing of the formulated product containing two active ingredients continues and will be completed in 2019.

In Brazil, following the filing of the dossier of the active ingredient and of two formulations in 2018, testing started on a third formulation containing three active ingredients, the dossier for which is expected to be submitted in 2019. Assessment/study activities regarding other solutions continue based on their purpose and on any commercial agreements. It should also be noted that, in April, MAPA (Brazilian Agricultural Ministry) published a first list of product priorities which it intends to propose for the so-called "fast track" (faster than the normal registration procedure), and which did not include Fluindapyr. In this regard, it should be noted that at the beginning of May, an appeal was already filed with MAPA itself and, in July, the priority list was revised with the inclusion of Fluindapyr.

Finally, the field-testing programme continues in Argentina, on the mixture of two active ingredients, to be completed in the first half of 2020. Other registration projects are starting in other countries of the "Southern Cone" of that same mixture, in particular in Paraguay. For that mixture, the studies necessary for the compilation of the registration dossier are planned for 2019, which will allow to complete the submission of the dossier itself by the end of the current year.

On February 28th, an application was filed for the technical active ingredient dossier in India in order to obtain authorisation to export: this authorisation was obtained in the second quarter of this year. In addition, in India, a first phase of field tests was initiated.

Tetraconazole - a broad spectrum fungicide

This activity was mainly concentrated on the coordination of the activities for the finalisation of the studies necessary for the renewal of the approval of the active ingredients in the European

Union, including also the relationship with the regulatory consultant for the compilation of the dossier. The dossier for the renewal was sent on June 26th, 2019. Some collateral activities were:

- the follow-up with the local partners for the finalisation of the registration dossier for the tetraconazole/azoxystrobin mixture in Malaysia and Pakistan;
- the follow-up of the registration processes in the EU via Mutual Recognition (“straight” formulations in the Central area of the European Union);
- the obtainment of the registration for extension of the use of tetraconazole in Canada on extensive crops;
- the planning of the regulatory activities for the countries outside of the EU on the tetraconazole/chlorothalonil formulations following the non-renewal in the EU of chlorothalonil;
- the completed registration of the carbendazim substance based on Regulation (EC) 1907/2006 (REACH), relevant for the purpose of the formulations with tetraconazole.

Copper-based products

With reference to 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) and globally;
- the preparation and subsequent forwarding of the dossier for the renewal of the registrations of copper-based products in Europe (19 formulations and 141 registrations);
- the preparation of the dossier for the registration of Airone SC/Grifon SC in South Korea, Macedonia, Pakistan, Serbia and Badge WG in Lebanon;
- the participation in the European Copper Task Force’s follow-up for the renewal of copper Salts approval at European level;
- the registration of the Airone SC/Grifon SC formulation in Brazil (two clones per soy), Germany, Hungary, Portugal, Bulgaria and Greece;
- the registration of the Badge WG/Airone WG formulation in Germany, Romania (Coprantol Duo clone), Spain, Hungary, Portugal, Bulgaria and Greece.
- the obtainment of the FIBL certification in Germany for the use of Airone SC/WG in organic farming.

Kiralaxyl® (or Benalaxyl-M, formerly IR6141) - active isomer of Benalaxyl

The development activity focused, inter alia, on the following projects:

- the follow-up for checking the document for reassessment of the available toxicological studies on Kiralaxyl;
- the follow-up of the re-registration process in EU member states for all formulations containing Kiralaxyl registered in Europe (STEP 2), after the inclusion in Annex 1 of EC Regulation 1107/2009;
- the support to Isagro Colombia for submitting the dossier to register Fantic Star in Ecuador and Peru;

- the follow-up of the project for the registration of Fantic M WP in Pakistan;
- the coordination with Gowan for registration activities to support the business development of Kiralaxyl-based formulations in the European Union;
- the preparation of the dossiers for the revision in the European Union of the maximum residue limits according to article 12 of the European Regulation;
- the follow-up and preparation of the additional documentation requested by the French authorities (Reporting Table) for the zonal registration of Fantic A (Benalaxyl-M + Airone) in Southern Europe;
- the preparation of the dossier for the registration of Fantic A (Benalaxyl-M + Airone) in Turkey;
- the preparation of the documentation and support to the local team for the preparation of the dossier for the registration of Fantic A (Benalaxyl-M + Airone) in Argentina;
- the coordination for dossier preparation for the protection of Fantic A according to the new European format;
- the coordination with Adama for registration activities in support of the business development of the formulations for the Kiralaxyl-based Seed Treatment;
- the follow-up and the preparation of the supplementary documentation as required by the authorities in support of the registration of Fantic Star and Fantic M in Brazil.

Fumigant products

With reference to the Dominus fumigant, the main activities were the following:

- the continuation of the support activities to obtain registration in California (USA), Algeria, Egypt, Jordan, Iran, Kenya, South Korea;
- the continuation of the support activities to obtain authorisation to produce in India and export technical and formulated AITC;
- the follow-up of activities to conduct the studies necessary to obtain registration of the new AITC 20 formulation in the US;
- the follow-up of activities to request the equivalence of three new Chinese sources and one Indian source of the technical AITC active ingredient for the United States;
- the authorisation to use the Dominus on peppers and carnations in Turkey.

It should also be noted that the Dominus has already obtained federal registration in the USA as a biofumigant and that California, for which specific registration is expected by the end of 2020, is its main reference market.

Biostimulants, microbiological products, pheromones

The authorisation processes, which are underway or aimed at supporting the business, continued to be monitored. It should be noted that the full registration of Siapton in China (it previously had a temporary registration) was obtained in 2018. In China also, the new Ergostim XG, with an ad-hoc formulation, had an excellent response from the local market.

In addition, registrations were obtained for Siapton and Goleador in Vietnam and the package of products intended for distribution in Italy was expanded, including Ergovit Stim, Tamarack, Aminogreen (the latter two also included in the fertilisers register).

Preparatory activities for obtaining authorisation to market the new fertilizer Premio continued, especially in countries outside of the EU, such as Brazil, India and China. In particular, for China, ad hoc formulations, containing CA (calcium) were completed to meet local registration requirements.

As regards products with a specific action on soil, mycorrhizal fungi inoculants, which exploit waste material from the Remedier production process, a new product was developed, Biocross Plus, which will be targeted at the foreign market in particular.

On June 25th, 2019, the new EU Regulation on fertilisers was published in the official journal, ***Fertilising Products Regulation (FPR) (EU) 2019/1009***. Effective from July 15th, 2019, the date of entry into force of the Regulation, the European Commission will be able to adopt its own delegated powers for the implementation of the regulation and to amend Regulation EC 1107/2009 (in order to exclude bio-stimulants from the field of application of the regulation on crop protection products) and Regulation EC 1069/2009 (to establish the end-point for fertiliser products). Between the new elections of the European Parliament and the necessary implementations, the new regulation will be fully applicable starting on July 16th, 2022.

As regards the pheromones, the development and presentation of the new Ecodian CT for the containment of the main lepidopterans of the chestnut in Italy continue with the preparation of information documentation and the organisation of events aimed at achieving public awareness of the product. On July 6th, 2018, an application for the registration of the formulation in Italy and the concomitant request for inclusion in Annex I of the active ingredient were filed. In September 2018, the request for submission for an assessment of the dossier was received by the Ministerial Body. The process for the renewal of the inclusion in Annex 1 of the *Trichoderma asperellum* and *gamsii* with comments and documentation to the Rapporteur Member State (Sweden) continues. The authorisation of these active ingredients was postponed in Europe to April 2020 with Regulations of January 31st, 2019 (2019/168).

In addition, the dossier for obtaining the registration of Remedier in Kenya was submitted.

C) REGISTRATIONS OBTAINED

In the first half of 2019, 29 new sales authorisations were obtained, 17 of which concerned copper-based formulations (Airone), 15 of which in the European Union and 2 in Brazil (for the use on soybean against the Asian Rust in this country). It should also be noted that the registration of the Kiralaxyl + Oxychloride of copper + copper hydroxide (FANTIC A) in Spain, Portugal and Greece, was granted.

SIGNIFICANT EVENTS OF THE FIRST HALF OF 2019

A) LIQUIDATION OF ISAGRO POLAND

Effective from January 11th, 2019, the procedure for the liquidation of the company Isagro Poland, fully owned by the parent Isagro S.p.A., was started. This company will be finally ending operations once all the local requirements are fulfilled.

B) PHASE-OUT OF THE CHLOROTHALONIL IN EUROPE

On March 25th, the Standing Committee on Plants, Animals, Food & Feed (SCOPAF) of the European Commission voted in favour of the proposal for not renewing the approval, in the European Union, of the chlorothalonil fungicide active ingredient. On April 29th, 2019, the European Commission has issued the related Regulations that set the withdrawal of the registration of products containing chlorothalonil by November 20th, 2019, with the possibility for the end-users to utilise the inventory existing as at that date by May 20th, 2020. In this regard, it should be noted that Isagro does not produce the chlorothalonil active ingredient but that it uses it in combination with some formulations of the proprietary fungicide tetraconazole which generated in 2018 a turnover of about € 3.4 million. The phase-out of chlorothalonil in Europe involved, for Isagro, a write-down of assets in the semester for € 0.4 million.

C) DISTRIBUTION AGREEMENT WITH GOWAN COMPANY LLC OF OCTOBER 18TH, 2013

With reference to and upon the request for discounts in January 2018 by Gowan Company (following which an arbitration procedure is under way), already communicated in previous reports, to which reference should be made, Isagro USA and Gowan exchanged additional written information concerning the requests/allegations regarding the evidentiary phase and on February 28th, 2019, filed the declarations by the witnesses who were respectively selected. Each party had until March 15th, 2019 to respond to these declarations. Finally, Gowan, on March 1st, 2019, filed an additional memorandum responding to the written counterarguments of Isagro USA, amending its pecuniary request from around USD 1.9 million to around USD 2.5 million. On March 29th, 2019, following Isagro USA objections, the Arbitration Board rejected the Gowan request for the additional damages of around USD 0.5 million requested only in its final memorandum filed on March 1st, 2019, stating its lateness with respect to the first request. In addition, on April 7th, 2019, Gowan, following a total lack of written evidence in support of its request, waived its claim for damages concerning Affiance (tetraconazole + azoxystrobin - based fungicide) quantified to be about USD 0.3 million, so that the pecuniary request by Gowan went down to around USD 1.7 million.

Between April 8-10th, 2019, the witnesses identified by the parties were heard and the parties' attorneys formalised the closing arguments in light of the evidence submitted also based on the examinations of the witnesses.

On July 2nd, 2019, the Court of Arbitration of New York notified Isagro of an arbitration award, which established the following:

1. Gowan's request for the recognition of a net margin of 30% on the price paid retroactively was rejected, as was any other request for damages;

2. declared Isagro S.p.A. to be a party in the proceedings (a declaration which, however, did not have any practical repercussions for the Parent);
3. clarified that clause 3 (d) of the Domark 230 Distribution Agreement must be applied at the moment of the annual definition, and by September 1st, of the prices for the subsequent season with the express exclusion of subsequent and retroactive “price adjustments”.
4. declared its lack of jurisdiction in deciding on Isagro USA’s counterclaim regarding the recognition of a credit relating to sales made to the company Basf for approximately USD 220,000;
5. compensated expenses and legal costs for the parties.

D) WITHDRAWAL FROM FRAMEWORK AGREEMENT WITH GOWAN

On June 25th, 2018, the parent Isagro S.p.A. and Piemme S.r.l. (following a resolution of the Board of Directors, with the approval of the Committee of Independent Directors pursuant to the procedure that governs related party transactions), had already sent to Gowan Company LLC - with a 6 month advance notice - their intent to withdraw from the contract of indefinite duration, called the Framework Agreement, stipulated on July 30th, 2013 by Piemme, Isagro and Gowan, deeming that it was no longer in the interest of Isagro. On March 18th, 2019, Gowan notified Isagro and Piemme of an arbitration request before the International Court of Arbitration of Geneva to object to this withdrawal. In particular, Gowan had asked for the following:

- to declare as void the communications of withdrawal sent by Isagro and Piemme;
- to declare the validity and efficacy of the Framework Agreement;
- to declare the obligation of Isagro to comply with the clause that stipulates the “first refusal right” (Article 6 of the Framework Agreement);
- to declare Isagro and Piemme liable for infringing the Framework Agreement by expressing their intent of not complying with the obligations stated therein and to this end, to recognise the right of Gowan to obtain compensation for damages suffered or to be suffered, also on a fairness basis (however never quantified).

Following notification of the above, the attorneys of Gowan proposed to Isagro and Piemme to resort to a Board of Arbitration composed of 3 Arbiters as opposed to only one (as set forth in the arbitration clause of the Framework Agreement). Isagro and Piemme, through their respective attorneys, accepted this proposal as long as the location for the arbitration was transferred to Milan. Following an agreement on this request, Isagro and Piemme, with their respective attorneys, on April 15th, 2019, filed the first written arguments, objecting to all of Gowan requests, appointing their arbiter and reserving the right to attach additional arguments in support of their position, once the Board of Arbitration was constituted.

Isagro and Piemme filed their defences regarding the merits of the case on May 29th, 2019. Furthermore, the ICC (*Italia International Chamber of Commerce*) had appointed the two arbiters nominated by the parties to identify the president.

Subsequently, the parties asked the Court of Arbitration to suspend the terms of the arbitration proceedings until September 6th, 2019.

On August 2nd, the parties jointly sent the Court of Arbitration a communication on the signing of a settlement agreement and the subsequent renouncement of the arbitration in progress, each waiving their claims, as better described in the paragraph “Events subsequent to June 30th, 2019”. On August 5th, the ICC, following the receipt of said communication, ordered the closing of the above-mentioned arbitration proceedings.

E) 2018-2021 RETENTION AND INCENTIVE PLAN AND AUTHORISATION TO PURCHASE GROWTH SHARES AND TO SELL OWN ORDINARY SHARES

The Shareholders' Meeting, upon proposal by the Board of Directors of March 13th, 2018, had approved the Plan for the long term retention and incentive called “Restricted Shares and Performance Shares 2018-2021 Plan”, initially included in the significant events section subsequent to the interim results report as at March 31st, 2018 and in the events of the year of the interim results report as at March 31st, 2019 (last updates), to which reference should be made. At the date of this Report, Isagro, through Banca Leonardo, purchased 890,000 Growth Shares (of a maximum of 1,000,000 shares) at the average price of € 1.2607, funding it partially through the sale of 50,000 Ordinary Shares already owned.

F) APPROVAL OF THE 2018 FINANCIAL STATEMENTS AND APPOINTMENT OF THE NEW BOARD OF STATUTORY AUDITORS

On April 30th, 2019 the Shareholders' Meeting of the parent Isagro S.p.A.:

- reviewed the consolidated data and the non-financial report of the Isagro Group relating to 2018 and approved the 2018 financial statements of Isagro S.p.A., accompanied by the Directors' Management Report, as approved by Isagro's Board of Directors on March 13th, 2019 and already communicated to the Market. The item “Merger surplus” was used to cover the loss for the year of Isagro S.p.A. of € 5,944,018;
- appointed the Board of Statutory Auditors which shall remain in office for three periods and in all cases, until the date of the Shareholders' Meeting that will approve the financial statements as at December 31st, 2021. The new Board of Statutory Auditors is composed of the following members:

Statutory Auditors:

- Roberto Cassader (Chairman) – proposed by the minority shareholder Mediolanum Gestione Fondi SGR
- Silvia Baroffio – proposed by the majority shareholder Holdisa S.r.l.
- Filippo Cova – proposed by the majority shareholder Holdisa S.r.l.

Substitute Auditors:

- Marco Giuliani – proposed by the majority shareholder Holdisa S.r.l.
- Sonia Peron – proposed by the minority shareholder Mediolanum Gestione Fondi SGR

On the same date, the Shareholders' Meeting resolved in favour of the Report on Remuneration – first section – prepared pursuant to Article 123-ter of Italian Legislative Decree 58/1998.

Furthermore, the Board, on February 28th, 2019, pursuant to Article 3 of the Corporate Governance Code for listed companies, carried out the periodic assessment of the independence of the Directors Enrica Maria Ghia, Marcella Elvira Antonietta Logli, Giuseppe Persano Adorno, Erwin Paul Walter Rauhe and Angelo Zaccari, in their capacity as Independent Directors.

EVENTS SUBSEQUENT TO JUNE 30TH, 2019

A) MODIFICATION OF GOWAN-ISAGRO-PIEMME AGREEMENTS

A settlement agreement was signed in July which involved Gowan (related party), Isagro and Piemme and which entailed:

- the cancellation of the arbitration on the Framework Agreement, with the renouncement of any further claim in relation to it (it shall be remembered it was a request from Gowan following Isagro's withdrawal in June 2018). In addition, each party incurs legal costs and expenses relating to the arbitration proceedings within their competence;
- the modification of the termination clauses set forth in the existing distribution agreements (signed with Gowan in 2013), all expiring on December 31st, 2026, irrespective of any event involving Gowan's equity interest in Holdisa (change of control in Isagro).

Pursuant to the CONSOB Regulation on Related parties, Isagro activated the procedure adopted by the company itself. Therefore, the transaction in question was approved by Isagro's Board of Directors at the meeting on July 31st, 2019, based on the prior favourable opinion of the Company's Independent Directors' Committee.

B) INCLUSION OF FLUINDAPYR IN THE FAST-TRACK PROCEDURE IN BRAZIL

It should also be noted that, in July, as a result of Isagro's appeal for non-inclusion in the priority list, MAPA (Brazilian Agricultural Ministry) included Fluindapyr in said list of products which it intends to propose for the so-called "fast track" process (faster than normal registration procedure).

C) DISTRIBUTION AGREEMENT WITH GOWAN COMPANY LLC OF OCTOBER 18TH, 2013

With reference to the events relating to the Distribution Agreement with Gowan Company LLC of October 18th, 2013, please refer to the information already provided in the previous section "Main events of the first half of 2019".

D) BINDING OFFER FOR ISAGRO ASIA PRIVATE LIMITED.

On September 12th, 2019, the parent Isagro S.p.A. received a binding offer from the Indian company PI Industries for the purchase, by the latter, of 100% of the share capital of the subsidiary Isagro Asia Private Limited. This binding offer was presented on today's date to Isagro S.p.A.'s Board of Directors, which resolved its acceptance. It is estimated that the closing will take place within the current year. Isagro Asia Private Limited is a company based in India and active in production (through its site in Panoli – Gujarat), registration and local distribution (through a distribution network in India), with export activities.

The divestment is part of the process of redefinition of Isagro's asset allocation on a global basis. It should be noted that, as at June 30th, 2019, Isagro Asia's total assets, net of consolidation entries, accounted for 22.4% of the Isagro Group's total assets. The associated income, which will generate a significant capital gain at Income Statement level, will help to reduce Isagro's net financial position and will also be used to support the Group's future economic growth.

HUMAN RESOURCES

The actual workforce as at June 30th, 2019 of the Isagro Group came to 673 employees, as summarised in the following table.

Number of employees	30/06/2019	30/06/2018	Difference
Executives	57	46	+11
Middle managers	134	146	-12
White-collar workers*	373	359	+14
Blue-collar workers	109	111	-2
Total	673	662	+11

Table 5: Number of Isagro employees

**includes workers with special skill level and "trainees" of the subsidiary Isagro Colombia*

The workforce as at June 30th, 2019 had, therefore, increased by 11 employees compared to the first half of 2018. This increase is attributable to:

- an increase of 28 employees in foreign subsidiaries as a result of (i) the direct hiring by Isagro Colombia of employees previously employed on temporary employment contracts and (ii) the strengthening of Isagro Asia's sales network;
- a decrease of 17 employees at Isagro S.p.A. due to less use, in the production units, of workers on fixed-term contracts for seasonal activities and retirements resulting from the entry into force of the new reform.

As part of the company organisation:

- the Project Management Office function was created, in order to analyse, adjust and develop the operating processes. This activity is carried out as part of a cross-company endeavour with the company functions concerned by said processes, by redefining the roles and responsibilities within said functions;
- the Head of the Adria Facility (*Fabrizio Bartocci*) and the Head of the Bussi sul Tirino Facility (*Giorgia Sgarretta*) were appointed, personnel already employed by the Group.

The High Performance Organisation (HPO) project, launched last year, continued its development process, with the involvement of voluntary candidates, known as Champions, organised into work groups and coordinated by the Deputies (team spokesperson), with the objective of spreading,

through bi-monthly meetings (Skype calls), the company values and monitoring the process of improving company business.

During the first half of 2019, relations with the Trade Unions continued on a mutual cooperation basis, which enabled excellent results to be achieved within the sphere of industrial relations management.

The main activities were:

- the sharing and definition of specific agreements on working hours, which acknowledge all the flexibility opportunities offered by the National Collective Labour Contracts and by the bargaining with the Trade Unions;
- the definition of new versatile professionals in the production sites.

This allowed the implementation of changes in working hours especially at the production sites, which became necessary to guarantee the different production demands and to optimise the overall company organisation.

SELECTION AND TRAINING

In accordance with the content of the annual plan implemented in all the operating units, training activities continued regarding Quality, Safety and the Environment, learning foreign languages (English and Spanish) and specific technical training for specialist professional skills.

Plans were also launched for training and the development of the individual skills for particular professionals, to whom new engagements were assigned within the company organisation.

As regards selection, the agreement at Group level with the professional social network “LinkedIn” to recruit specific professionals with highly specialised skills continued.

Isagro also employs Headhunters to identify candidates for high-level positions.

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

On September 5th, 2018, the Board of Directors of Isagro S.p.A. approved the updated version of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 (hereinafter also “Model”), including the latest regulatory requirements as well as changes in the organisational structure.

On the same date, the Board also approved the updated version of the Group’s Code of Ethics, an integral part of the Model, in order to make the rules of conduct and behavioural standards consistent with regulatory developments and with benchmark best practices.

The task of monitoring operations and compliance with the Model and ensuring its updating is entrusted to the Supervisory Body, in office until the approval of the financial statements as at December 31st, 2020.

LEGAL PROCEEDINGS

With reference to legal proceedings in progress, for which there are no significant updates to report compared to those reported as at December 31st, 2018, with the exception of that illustrated in the paragraph above entitled “Significant events in the first half of 2019”, reference should be made to the specific paragraph of the Explanatory Notes.

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 normal 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.

For more information regarding the transactions concluded with Gowan, please refer to the paragraph “Events subsequent to June 30th, 2019”.

As regards the economic and equity effects of transactions with related parties, reference should be made to information given in the Explanatory Notes to these condensed consolidated half-year financial statements.

OBSERVATIONS ON THE FINANCIAL PROFILE AND GOING CONCERN

As at June 30th, 2019, your Group had a sound and balanced financial structure, with a **debt/equity ratio** of 0.63 - equal to 0.57 without the effect of IFRS 16 - (compared to a value of 0.48 as at December 31st, 2018 and 0.47 as at June 30th, 2018), Equity of € 92.3 million (compared to € 94.8 million as at December 31st, 2018 and € 100.6 million as at June 30th, 2018) and actual liquidity of over € 25 million.

During the first six months of 2019, moreover, the parent Isagro S.p.A. obtained new medium-long term loans of € 16.2 million, which extended the average duration of its financial debt at a low cost. The company intends to guarantee the repayment of the medium/long-term borrowings expiring in the second half of 2019 and in the first half of 2020 by using current liquidity, together with the ordinary practice of renewing the medium/long-term credit lines, the use of short-term bank credit facilities and/or income deriving from extraordinary transactions, including the disposal of company assets no longer deemed strategic, considered likely by the Directors and despite, however, depending on the outcome of the negotiations in progress.

Besides, the parent Isagro S.p.A. will continue to seize opportunities for new medium/long-term finance, replacing expiring loans, in order to ensure continuity with the consistency achieved between duration of the assets and duration of the debt.

In light of the above, these condensed consolidated half-year financial statements as at June 30th, 2019 have been prepared on a going concern basis.

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 then 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 calculation of the fair value of the performance obligations identified in contracts that envisage more than one service is an estimate; this usually regards M/L Agreements, such as that signed in the first half of 2019 by Isagro and AQL Agroquimicos de Levante. The estimates and the assumptions are periodically reviewed, and the effects of any changes are reflected in the Income Statement.

OUTLOOK FOR THE CURRENT YEAR

On a like-for-like basis, Isagro expects in 2019 a level of sales from Agropharma and Services lower but not far from the value of the 12 months of 2018, with a turnover recovery concentrated in the fourth quarter and with expectation of an important growth in the medium-long term thanks in particular to the new fungicide Fluindapyr, whose sales are expected to start next year.

Isagro, moreover, after having already communicated in the past its strategic decision to no longer invest in the development of new organic chemical molecules originated from its own Innovative Research, is further revising the business model, also considering well-structured extraordinary operations - including therein the opportunity to redefine the Group's asset allocation policy, considered likely by the Directors, and despite depending on the progress of the ongoing negotiations - aimed at better valorising corporate assets that the Directors consider, at present, are not adequately valorised and, through the resources thus generated, at accelerating a higher strategic focus on biorationals.

In this frame, it shall be remembered the acceptance by Isagro of a binding offer received by PI Industries for the divestment to the latter of the entire stake in the fully controlled company Isagro Asia Private Limited. The associated income, which will generate a significant capital gain at Income Statement level, will help to reduce Isagro's net financial position and will also be used to support the Group's future economic growth.

CONSIDERATIONS ON THE STOCK MARKET VALUE OF THE ISAGRO SHARE

With reference to the prices of Ordinary Shares and Growth Shares of Isagro on the "STAR" segment of the Stock Market managed by Borsa Italiana S.p.A., it should be noted that:

1. the total market capitalisation of Isagro as at September 9th, 2019, i.e., considering both the capitalisation of Ordinary Shares and that of Growth Shares, amounted to 49% of the book value of Equity as at June 30th, 2019, which, in turn, provides a lower value for the real net market value of your Group's assets;

2. the average discount applied by the Market to the Growth Shares with respect to the Ordinary Shares, equal to 17% as at September 9th, 2019, in the opinion of the Group's management is not justified from an economic/financial standpoint.

In relation to the above, it is expected that the incremental contribution from the sales of the new fungicide Fluindapyr, together with the extraordinary transactions, considered likely by the Directors and, despite depending on the progress of ongoing negotiations, will enable a large part of the asset-side "embedded" value to be transferred to the Income Statement results and cash flows, thus not recognising the current surplus of Equity with respect to stock market capitalisation as an asset impairment indicator.

With reference to the second point referred to at the start of this section, it should be recalled that Growth Shares, issued by Isagro in May 2014, are a new class of Special Shares, specially tailored for companies having a Controlling Subject (in Isagro's case, Piemme S.r.l.), that (i) in the absence of the voting right provide an extra-dividend with respect to Ordinary Shares (20% for Isagro), when a dividend for these shares is resolved, and (ii) envisage an innovative protection mechanism for the investor, according to which, if the Controlling Subject loses control, and in the event of any compulsory public offer (OPA), the Growth Shares are automatically converted into Ordinary Shares. Furthermore, Isagro Growth Shares are characterised by a free float amounting to around 13.7 million shares, compared with 11.4 million Ordinary Shares, which makes them more liquid than the latter.

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

Attachment 1

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€ 000)	1 st half 2019	1 st half 2018	Differences		Year 2018
Revenues from sales and services	73,054	89,045	-15,991	-18.0%	152,771
Other revenues and income	1,740	2,144	-404		3,922
Consumption of materials and external services	(59,686)	(67,691)	+8,005		(115,336)
Changes in inventories of products	4,495	5,784	-1,289		1,456
Costs capitalised for internal work	740	1,025	-285		1,945
Allowances and provisions	374	(1,186)	+1,560		(821)
Labour costs	(15,286)	(14,959)	-327		(28,964)
Bonus accruals	(457)	(814)	+357		(949)
EBITDA	4,974	13,348	-8,374	-62.7%	14,024
<i>% on Revenues</i>	<i>6.8%</i>	<i>15.0%</i>			<i>9.2%</i>
Depreciation and amortisation:					
- tangible assets	(1,495)	(1,792)	+297		(3,405)
- intangible assets	(3,239)	(2,794)	-445		(5,911)
- Right-of-use asset IFRS 16	(603)	-	-603		-
-write-down of tangible and intangible assets	(688)	(7)	-681		(265)
EBIT	(1,051)	8,755	-9,806	N/S	4,443
<i>% on Revenues</i>	<i>-1.4%</i>	<i>9.8%</i>			<i>2.9%</i>
Interest, fees and financial discounts	(346)	(109)	-237		(247)
Gains/(losses) on foreign exchange and derivatives	74	(378)	+452		(1,199)
Revaluations of equity investments	168	109	+59		200
Result before taxes	(1,155)	8,377	-9,532	N/S	3,197
Current and deferred taxes	(1,292)	(2,946)	+1,654		(2,734)
Net result from continuing operations	(2,447)	5,431	-7,878	N/S	463
Net result from discontinued operations	-	-	-		(100)
Net result	(2,447)	5,431	-7,878	N/S	363

Attachment 2

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ 000)	30.06.2019	31.12.2018	Differences		30.06.2018
<u>Net fixed assets</u>					
Goodwill	3,347	3,308	+39		3,437
Other intangible assets	49,148	49,510	-362		50,540
Tangible assets	18,351	19,228	-877		19,572
Right-of-use asset IFRS 16	6,109	-	+6,109		-
Financial assets	695	593	+102		502
Other medium/long-term assets and liabilities	12,272	11,256	+1,016		12,483
Total net fixed assets	89,922	83,895	+6,027	+7.2%	86,534
<u>Net current assets</u>					
Inventories	52,466	48,097	+4,369		52,014
Trade receivables	42,376	39,823	+2,553		50,133
Trade payables	(35,759)	(32,696)	-3,063		(39,420)
Subtotal of Net Working Capital	59,083	55,224	+3,859		62,727
Current provisions	(620)	(1,151)	+531		(1,162)
Other current assets and liabilities	4,495	4,363	+132		2,191
Subtotal of Other assets and liabilities	3,875	3,212	+663		1,029
Total net current assets	62,958	58,436	+4,522	+7.7%	63,756
Invested capital	152,880	142,331	+10,549	+7.4%	150,290
SEVERANCE INDEMNITY FUND (SIF)	(2,468)	(2,384)	-84	+3.5%	(2,428)
Net invested capital	150,412	139,947	+10,465	+7.5%	147,862
Held for sale non-financial assets and liabilities	-	-	-		-
Total	150,412	139,947	+10,465	+7.5%	147,862
<i>financed by:</i>					
<u>Equity</u>					
Capital stock	24,961	24,961	-		24,961
Reserves and retained earnings	79,442	79,820	-378		80,411
Translation difference	(9,645)	(10,314)	+669		(10,198)
Profit/(loss) of the Group	(2,447)	363	-2,810		5,431
Total equity	92,311	94,830	-2,519	-2.7%	100,605
<u>Net financial position</u>					
<i>Medium/long-term debts:</i>					
- due to banks	38,861	37,855	+1,006		43,290
- due to other lenders	1,294	1,254	+40		1,411
- financial liabilities ex IFRS 16	4,506	-	+4,506		-
- other financial assets/(liabilities) and IRS and trading derivatives	(2,477)	(2,497)	+20		(2,495)
Total medium/long-term debts	42,184	36,612	+5,572	+15.2%	42,206
<i>Short-term debts:</i>					
- due to banks	37,893	38,511	-618		45,283
- due to other lenders	2,760	1,738	+1,022		2,956
- financial liabilities ex IFRS 16	1,126	-	+1,126		-
- other financial assets/(liabilities) and IRS and trading derivatives	(14,225)	(13,825)	-400		45
Total short-term debts	27,554	26,424	+1,130	+4.3%	48,284
Cash and cash equivalents	(11,637)	(17,919)	+6,282	-35.1%	(43,233)
Total net financial position	58,101	45,117	+12,984	+28.8%	47,257
Total	150,412	139,947	+10,465	+7.5%	147,862

Attachment 3

CONSOLIDATED CASH FLOW STATEMENT

(€ 000)	1st half 2019	1st half 2018
Opening cash and cash equivalents (as at January 1st)	17,919	31,701
<i><u>Operating activities</u></i>		
Net result	(2,447)	5,431
- Depreciation of tangible assets	1,495	1,792
- Amortisation of intangible assets	3,239	2,794
- Amortisation of right-of-use asset IFRS 16	740	-
- Losses in value of tangible and intangible assets	688	7
- Provisions to reserves (including severance indemnity fund)	590	989
- Provisions to incentive and retention plan	192	19
- Gains from disposal of tangible and intangible assets	(330)	(26)
- Interest income from assets held for trading	(478)	(384)
- Net interest expense due to financial institutes and leasing companies	824	779
- Financial losses on derivatives	132	747
- Result on investments valued with the equity method	(168)	(109)
- Income taxes	1,292	2,946
<i><u>Cash flow from current operations</u></i>	<i><u>5,769</u></i>	<i><u>14,985</u></i>
- Increase in trade receivables	(2,275)	(9,372)
- Increase in inventories	(4,125)	(7,277)
- Increase in trade payables	2,907	8,661
- Net change in other assets/liabilities	(2,399)	889
- Use of provisions (including severance indemnity fund)	(1,131)	(2,007)
- Net interest expenses paid to financial institutes and leasing companies	(799)	(795)
- Interest from held for trading assets cashed-in	164	-
- Cash flow from derivatives	(616)	(609)
- Income taxes paid	(440)	(422)
Cash flow from/(for) operating activities	(2,945)	4,053
<i><u>Investment activities</u></i>		
- Investments in intangible assets	(3,707)	(3,565)
- Investments in tangible assets	(766)	(947)
- Net sale price on disposal of tangible and intangible assets	570	27
- Dividends collected by associates	66	-
- Cash flow from assets held for trading	(49)	384
Cash flow for investment activities	(3,886)	(4,101)
<i><u>Financing activities</u></i>		
- Contracting of non-current financial debt	16,242	16,000
- Repayment of non-current financial debt	(12,201)	(15,225)
- Reimbursement of lease liabilities	(648)	(40)
- Contracting/(repayment) of current financial debt	(2,524)	13,952
- Increase in financial receivables and term deposits	-	(2,503)
- Purchase Growth Shares	(272)	(295)
- Sales Ordinary treasury Shares	-	78
Cash flow from financing activities	597	11,967
Translation difference changes	(48)	(387)
Cash flow of the period	(6,282)	11,532
Cash-closing balance (as at June 30th)	11,637	43,233

EXPLANATORY NOTES ON THE ALTERNATIVE PERFORMANCE INDICATORS

In compliance with the ESMA recommendation on alternative performance indicators (ESMA/2015/1415), note that the reclassified statements presented in this Directors' Management Report contain certain differences in terminology used and the degree of detail compared to the official statements presented in the following tables.

The reclassified Consolidated Income Statement, provided in Attachment 1, introduces in particular the significance of **EBITDA**, which in the Consolidated Income Statement equates to the Gross operating profit.

The reclassified Balance Sheet, as provided in Attachment 2, was prepared on the basis of items recognised in the corresponding sections of the consolidated Balance Sheet, and introduces the following items:

- **Net fixed assets**, given by the difference between, on one hand, the aggregate of the items "Tangible assets", "Intangible assets", "Goodwill", "Equity-accounted investees", "Non-current receivables and other assets", "Deferred tax assets", and, on the other hand, the aggregate of the items "Deferred tax liabilities" and "Other non-current liabilities";
- **Net current assets**, given by the difference between, on one hand, the aggregate of the items "Inventories", "Trade receivables", "Other current assets and other receivables", "Tax receivables" and, on the other hand, the aggregate of "Trade payables", "Current provisions", "Tax payables" and "Other current liabilities and other payables";
- **Invested capital**, given by the algebraic sum of "Net fixed assets" and "Net current assets";
- **Net invested capital**, given by the algebraic sum of "Invested capital" and "Employee benefits - Severance indemnity fund".

With reference to the "Cash flows - summary data" section of this Report, it should be noted that:

- **Investments**, corresponds to the "Cash flow for investment activities" indicated in the Cash Flow Statement;
- **Net Working Capital (NWC)**, is given by the sum of "Inventories", "Trade receivables" and "Trade payables";
- **Free cash flow (FCF)**, is the difference between the "Net financial position" of the reference periods considered in the analysis.

INFORMATION PURSUANT TO ARTICLE 15 OF CONSOB REGULATION 20249/2017

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. hereby certifies that the requirements set forth under Article 15, paragraphs a), b) and c) of CONSOB Regulation 20249/2017 are

fulfilled for subsidiaries established and regulated by the laws of countries that are not member states of the European Union.

INFORMATION PURSUANT TO ARTICLE 16 OF CONSOB REGULATION 20249/2017

Pursuant to Article 2.6.2., paragraph 13 of the Regulation of Markets organised and managed by Borsa Italiana S.p.A., Isagro S.p.A. hereby certifies that the Company's shares are validly admitted to trading, as the inhibitory conditions set forth in Article 16 of Consob Regulation 20249/2017 do not apply.

INFORMATION PURSUANT TO ARTICLES 70 AND 71 OF CONSOB REGULATION 11971/99 (ISSUERS' REGULATION)

It is noted that, on September 25th, 2012, pursuant to article 3 of CONSOB Resolution no. 18079 of January 20th, 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 the Condensed consolidated half-year financial statements as at June 30th, 2019 is consistent with the entries in the accounting books and records.

CONSOLIDATED FINANCIAL STATEMENTS

- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Statement of Other Comprehensive Income
- Consolidated Cash Flow Statement
- Consolidated Statement of Changes in Shareholders' Equity

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

	Notes	30.06.2019	of which Related parties	31.12.2018	of which Related parties
NON-CURRENT ASSETS					
Tangible assets	1	18,351	-	19,228	-
Intangible assets	2	49,148	-	49,510	-
Usage rights	3	6,109	-	-	-
Goodwill	4	3,347	-	3,308	-
Equity-accounted investees		695	-	593	-
Non-current receivables and other assets	5	4,727	2,862	4,262	2,832
Financial receivables and other non-current financial assets	6	2,503	-	2,503	-
Financial assets - derivatives	13	66	-	35	-
Deferred tax assets	7	8,489	-	8,658	-
TOTAL NON-CURRENT ASSETS		93,435		88,097	
CURRENT ASSETS					
Inventories	8	52,466	-	48,097	-
Trade receivables	9	42,376	4,086	39,823	5,022
Other current assets and other receivables	10	9,705	526	7,178	10
Tax receivables	11	2,437	-	2,384	-
Current financial receivables and other financial assets	12	14,374	-	13,796	-
Financial assets - derivatives	13	254	-	213	-
Cash and cash equivalents	14	11,637	-	17,919	-
TOTAL CURRENT ASSETS		133,249		129,410	
Non-current assets held for sale and discontinued operations		-		-	
TOTAL ASSETS		226,684		217,507	
EQUITY					
Share capital		24,961		24,961	
Reserves		38,674		44,625	
Retained earnings and profit for the year		28,676		25,244	
Equity attributable to owners of the parent	15	92,311		94,830	
Equity attributable to non-controlling interests		-		-	
TOTAL EQUITY		92,311		94,830	
NON-CURRENT LIABILITIES					
Non-current financial payables and other financial liabilities	16	44,661	-	39,109	-
Financial liabilities - derivatives	13	92	-	41	-
Employee Benefits - Severance indemnity fund	17	2,468	-	2,384	-
Deferred tax liabilities	7	944	-	918	-
Other non-current liabilities	18	-	-	746	-
TOTAL NON-CURRENT LIABILITIES		48,165		43,198	
CURRENT LIABILITIES					
Current financial payables and other financial liabilities	16	41,779	-	40,249	-
Financial liabilities - derivatives	13	266	-	134	-
Trade payables	19	35,759	232	32,696	231
Current provisions	20	620	-	1,151	-
Tax payables	21	1,799	-	1,132	-
Other current liabilities and other payables	22	5,985	-	4,117	-
TOTAL CURRENT LIABILITIES		86,208		79,479	
TOTAL LIABILITIES		134,373		122,677	
Liabilities associated with discontinued operations		-		-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		226,684		217,507	

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	Notes	1st half 2019	of which Related parties	1st half 2018	of which Related parties
Revenue from contracts with customers	24	73,054	9,433	89,045	12,857
Other operating revenues	25	1,740	530	2,144	564
Total revenues		74,794		91,189	
Raw materials and consumables used	26	(44,187)	-	(50,701)	(602)
Costs for services	27	(14,574)	-	(16,155)	-
Personnel costs	28	(15,743)	-	(15,773)	-
Write-downs/write-backs of trade receivables and other receivables	29	484	-	(681)	-
Other operating costs	30	(1,000)	-	(1,160)	(163)
Change in inventories of finished products and work in progress		4,460	-	5,604	-
Costs capitalised for internal work	31	740	-	1,025	-
EBITDA		4,974		13,348	
Depreciation and amortisation:					
- Depreciation of tangible assets	32	(1,495)	-	(1,792)	-
- Amortisation of intangible assets	32	(3,239)	-	(2,794)	-
- Amortisation of usage rights	32	(603)	-	-	-
- Impairment of tangible and intangible assets	33	(688)	-	(7)	-
Operating result		(1,051)		8,755	
Financial income	34	559	12	795	-
Borrowing costs	34	(905)	-	(904)	-
Gains/(losses) on foreign exchange and derivatives	34	74	-	(378)	-
Profits from associates		168	-	109	-
Pre-tax profit/(loss)		(1,155)		8,377	
Income taxes	35	(1,292)		(2,946)	
Net profit/(loss) deriving from continuing operations		(2,447)		5,431	
Net profit/(loss) from discontinued operations		-		-	
Net profit/(loss)		(2,447)		5,431	

Attributable to:

Owners of the Parent	(2,447)	5,431
Non-controlling interests		-

Earnings per share (in Euro):

Earnings per share (basic = diluted)

	37	1st half 2019	1st half 2018
Ordinary Share		(0.065)	0.141
Growth share		(0.065)	0.169

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	1st half 2019	1st half 2018
(in thousands of euro)			
Net profit/(loss)		(2,447)	5,431
Components that will later be reclassified in the profit/(loss) for the year:			
Change in translation reserve (difference)		669	(1,429)
Net profit/(loss) from cash flow hedges:			
- Interest Rate Swaps		(80)	(47)
- Commodity Futures		75	(83)
- Currency Forwards		(101)	(359)
		(106)	(489)
Income taxes		-	135
		(106)	(354)
Net profit/(loss) from costs for hedging:			
- Currency Forwards		(490)	91
Taxation		-	(25)
		(490)	66
Total	15	73	(1,717)
Components that will not be later reclassified in the profit/(loss) for the year:			
Actuarial gains/(losses) regarding defined benefit plans		(89)	26
Income taxes		24	(6)
Total	15	(65)	20
Other comprehensive income		8	(1,697)
Total Comprehensive income		(2,439)	3,734
Attributable to:			
Owners of the Parent		(2,439)	3,734
Non-controlling interests		-	-

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)	Notes	1st half 2019	1st half 2018
Opening cash and cash equivalents	14	17,919	31,701
<u>Operating activities</u>			
Net profit/(loss)		(2,447)	5,431
- Depreciation of tangible assets	32	1,495	1,792
- Amortisation of intangible assets	32	3,239	2,794
- Amortisation of usage rights	32	740	-
- Impairment of tangible and intangible assets	33	688	7
- Provisions (including severance indemnity fund)	27.28	590	989
- Allocation to incentive and retention plan	28	192	19
- Net capital gains on disposal of tangible and intangible assets	25.30	(330)	(26)
- Interest income and other income from assets held for trading	34	(478)	(384)
- Net interest expense paid to financial institutes and leasing companies	34	824	779
- Financial losses on derivatives	34	132	747
- Share of profit/(loss) of equity-accounted investees		(168)	(109)
- Income taxes	35	1,292	2,946
Cash flow from current operations		5,769	14,985
- Increase in trade receivables	9(*)	(2,275)	(9,372)
- Increase in inventories	8(*)	(4,125)	(7,277)
- Increase in trade payables	19(*)	2,907	8,661
- Net change in other assets/liabilities		(2,399)	889
- Use of provisions (including severance indemnity fund)	17.20	(1,131)	(2,007)
- Net interest expense paid to financial institutes and leasing companies		(799)	(795)
- Interest income and other income from assets held for trading collected		164	-
- Cash flow from derivatives		(616)	(609)
- Income taxes paid		(440)	(422)
Cash flow from/for operating activities		(2,945)	4,053
<u>Investment activities</u>			
- Investments in intangible assets	2	(3,707)	(3,565)
- Investments in tangible assets	1	(766)	(947)
- Sale price on disposal of tangible and intangible assets	1.2	570	27
- Dividends collected by associates		66	-
- Cash flow from/for assets held for trading		(49)	384
Cash flow for investment activities		(3,886)	(4,101)
<u>Financing activities</u>			
- Contracting of non-current financial debt		16,242	16,000
- Repayment of non-current financial debt		(12,201)	(15,225)
- Reimbursement of financial lease liabilities		(648)	(40)
- Contracting/(repayment) of current financial debt	16(*)	(2,524)	13,952
- Increase in financial receivables and term deposits	6	-	(2,503)
- Purchase of own Growth Shares	15	(272)	(295)
- Sales of own Ordinary Shares		-	78
Cash flow from/for financial activities		597	11,967
Change in translation difference		(48)	(387)
Cash flow for the period		(6,282)	11,532
Closing cash and cash equivalents		11,637	43,233

(*) The net change in the item is different from that presented in the Explanatory Notes due to foreign exchange adjustments.

Consolidated Statement of Changes in Equity in the first half of 2018

(in thousands of euro)	Equity attributable to owners of the Parent									Equity to non-controlling interests	Total shareholders' equity
	Share capital	Share						Retained earnings	Total		
		Share	Translation	Hedging	attributable to non-controlling interests of the hedge	Other					
		issued	premium reserve	difference reserve	reserve <i>Cash flow Hedge</i>	reserves	Total				
Balance as at Dec. 31st, 2017	24,961	44,910	(8,769)	(19)	-	10,541	46,663	27,682	99,306	-	99,306
Impact of IFRS 9	-	-	-	-	-	-	-	(2,237)	(2,237)	-	(2,237)
Balance as at Jan. 1st, 2018	24,961	44,910	(8,769)	(19)	-	10,541	46,663	25,445	97,069	-	97,069
Changes for the period:											
Profit for the period	-	-	-	-	-	-	-	5,431	5,431	-	5,431
Other comprehensive income	-	-	(1,429)	(354)	66	-	(1,717)	20	(1,697)	-	(1,697)
Total comprehensive income	-	-	(1,429)	(354)	66	-	(1,717)	5,451	3,734	-	3,734
Purchase of own Growth Shares	-	-	-	-	-	(295)	(295)	-	(295)	-	(295)
Disposal of own Ordinary Shares	-	-	-	-	-	78	78	-	78	-	78
Incentive and retention plan	-	-	-	-	-	19	19	-	19	-	19
Total changes for the period	-	-	(1,429)	(354)	66	(198)	(1,915)	5,451	3,536	-	3,536
Balance as at Jun. 30th, 2018	24,961	44,910	(10,198)	(373)	66	10,343	44,748	30,896	100,605	-	100,605

Consolidated Statement of Changes in Equity in the first half of 2019

Consolidated Statement of Changes in Equity in the first half of 2019												
(in thousands of euro)	Share capital issued	Equity attributable to owners of the Parent							Retained earnings for the period	Total	Equity attributable to non-controlling interests	Total shareholders' equity
		Share										
		Share premium reserve	Translation difference reserve	Share Hedging reserve <i>Cash flow Hedge</i>	Reserve for cost of the hedge	Other reserves	Total					
Balance as at Dec. 31st, 2018	24,961	44,910	(10,314)	(257)	298	9,988	44,625	25,244	94,830	-	94,830	
Changes for the period:												
Profit for the period	-	-	-	-	-	-	-	(2,447)	(2,447)	-	(2,447)	
Other comprehensive income	-	-	669	(106)	(490)	-	73	(65)	8	-	8	
Total comprehensive income	-	-	669	(106)	(490)	-	73	(2,512)	(2,439)	-	(2,439)	
Coverage of loss of previous year	-	-	-	-	-	(5,944)	(5,944)	5,944	-	-	-	
Purchase of own Growth Shares	-	-	-	-	-	(272)	(272)	-	(272)	-	(272)	
Incentive and retention plan	-	-	-	-	-	192	192	-	192	-	192	
Total changes for the period	-	-	669	(106)	(490)	(6,024)	(5,951)	3,432	(2,519)	-	(2,519)	
Balance as at Jun. 30th, 2019	24.961	44.910	(9.645)	(363)	(192)	3.964	38.674	28.676	92.311	-	92.311	

EXPLANATORY NOTES

GENERAL INFORMATION

Reporting entity

Isagro S.p.A. is a corporate body organised in accordance with the Italian Republic's legal system. Isagro S.p.A. and its subsidiaries (hereinafter, the "Isagro Group") are active in the research, the management of Intellectual Property rights, the development, manufacturing, marketing and distribution of crop protection products. The Group's registered office is in Via Caldera 21, Milan, Italy.

Isagro S.p.A. is listed on the STAR segment of the Milan Stock Exchange.

Publication of the consolidated financial statements

The Isagro Group's condensed consolidated half-year financial statements as at June 30th, 2019 were authorised for publication by the Board of Directors of Isagro S.p.A. on September 12th, 2019.

Compliance with IFRS

The Isagro Group condensed consolidated half-year financial statements as at June 30th, 2019 were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union, and in particular in compliance with IAS 34 "Interim financial reporting". They do not include all the disclosures required by IFRS for preparation of the annual financial statements and must therefore be read jointly with the consolidated financial statements as at December 31st, 2018.

Basis of presentation

The consolidated financial statements comprise the Balance Sheet, the Income Statement, the Statement of comprehensive income, the Cash Flow Statement, the Statement of changes in shareholders' equity, and the Explanatory Notes.

In particular:

- current and non-current assets and liabilities have been stated separately in the Balance Sheet; Current assets are those intended to be realised, disposed or consumed during the normal operating cycle or within 12 months after the close of the period (or year, with reference to December 31st, 2018); current liabilities are those which are expected to be extinguished during the normal operating cycle or within 12 months after the close of the period (or year, with reference to December 31st, 2018);
- in the Income Statement, the analysis of the costs is carried out on the basis of their nature; please note the "EBITDA" aggregates that include all the revenue and cost components except for the amortisation and depreciation and impairments of tangible and intangible assets, the

financial management components and income taxes and “EBIT”, which includes all cost and revenue components except financial management and income taxes;

- the indirect method is used for the Cash Flow Statement. The average exchange rates for the period were used for translating the cash flows of foreign subsidiaries.

With reference to CONSOB Resolution 15519 of July 27th, 2006 on financial statements, special sections have been included to illustrate significant related-party transactions, together with specific items of profit or loss, to highlight any significant non-recurring transactions carried out in the ordinary course of business.

All amounts reported in the Financial Statements and the Explanatory notes are presented in thousands of Euro, unless otherwise indicated.

Going concern

As at June 30th, 2019, your Group had a solid and balanced financial structure, with a debt/equity ratio of 0.63 - equal to 0.57 without the effect of IFRS 16 - (compared to a value of 0.48 as at December 31st, 2018 and 0.47 as at June 30th, 2018), equity of € 92.3 million (compared to € 94.8 million as at December 31st, 2018 and € 100.6 million as at June 30th, 2018) and actual liquidity of over € 25 million.

During the first six months of 2019, however, the parent Isagro S.p.A. obtained new medium-long term loans of € 16.2 million, which extended the average duration of its financial debt at a low cost. The parent Isagro S.p.A. intends to guarantee the repayment of the medium/long-term borrowings expiring in the second half of 2019 and in the first half of 2020 by using current liquidity, together with the ordinary practice of renewing the medium/long term credit lines, the use of short-term bank credit facilities and/or income deriving from extraordinary transactions, including the disposal of company assets no longer deemed strategic, considered likely by the Directors and despite, however, depending on the outcome of the negotiations in progress.

Besides, the parent Isagro S.p.A. will continue to seize opportunities for new medium/long-term finance, replacing expiring loans, in order to ensure continuity with the consistency achieved between duration of the assets and duration of the debt.

In light of the above, these condensed consolidated half-year financial statements as at June 30th, 2019 have been prepared on a going concern basis.

Segment reporting

The Group's operating segments, in accordance with IFRS 8 – Operating Segments, are identified in the organisational geographic areas from which the Group may earn revenues and incur expenses, whose results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which separate financial information is available.

ACCOUNTING STANDARDS, BASIS OF CONSOLIDATION AND VALUATION CRITERIA

The accounting standards, basis of consolidation and valuation criteria adopted for the preparation of the financial statements are consistent with those used for the previous year's statements, with the exception of that explained in the following paragraph.

Accounting standards, amendments and interpretations applied as from January 1st, 2019

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the impact of new standards or new interpretations on the consolidated financial statements is indicated below. These standards were applied by the Group starting from January 1st, 2019.

- On October 31st, 2017, with Regulation No. 1986/2017, the European Commission endorsed accounting standard IFRS 16 - Leases, which replaced IAS 17 - Leases, as well as the interpretations IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating leases - Incentives and SIC-27 - Evaluating the substance of transactions involving the legal form of a lease.

The standard provides a new definition of lease and introduces a criterion based on control (right of use) over an asset to distinguish lease contracts from services contracts, identifying the following discriminating factors: identification of the asset, the right of substitution of the asset, the right to obtain substantially all benefits from use of the asset and, lastly, the right to direct the use of the asset underlying the contract.

The standard introduces a single lessee accounting model for recognition and valuation of lease contracts, which requires the recognition of the asset leased, also under operating lease, with a balancing entry of financial debt in the balance sheet.

In particular, the application of the new standard involves, for the lessee:

- a) the recognition of the right of use of the asset and the corresponding financial payable in the statement of financial position at the present value of the payments due for use of the asset itself and still not paid;
- b) the recognition in the income statement of the amortisation of the right of use of the asset and the interest of the lease liability;
- c) the subdivision in the cash flow statement of the total amount paid between the principal (recognised in the cash flow deriving from financial activities) and interest (booked to the cash flow deriving from operating activities).

Consequently, at the Income Statement level, the application of the new standard involves a decrease in the item "Costs for services" which, up until December 31st, 2018, included the cost of the operating lease with the consequent increase of the EBITDA and an increase in amortisation and the financial charges.

The right of use is then amortised systematically at the lower of the lease term and the residual useful life of the underlying asset from the start of effectiveness of the lease. If the contract should transfer ownership of the relevant asset and the wish to exercise the purchase option

should materialise, the associated right of use would be amortised over the entire useful life of the asset in question.

The Group adopted the new accounting standard at the transition date (January 1st, 2019) using the modified retrospective approach. In particular, for leases previously classified as operating leases, this method makes provision for the accounting of:

- a) a financial liability, equal to the present value of future residual payments at the transition date, discounted by using, for each contract, the incremental borrowing rate applicable at the transition date;
- b) a fixed asset corresponding to the right of use of the asset for an amount equal to the value of the financial liability at the transition date, net of any prepaid expenses and accrued liabilities relating to the lease and booked to the balance sheet as at December 31st, 2018.

It should be noted that, while for fixed assets corresponding to the various rights of use, an appropriate financial statements item was created in the Group's statement of financial position, correlated financial liabilities were inserted in the financial statements items "Non-current financial payables" and "Current financial payables"; additional detailed information relating to the financial lease liability were therefore provided in the explanatory notes corresponding to the aforementioned financial items.

The application of the "modified retrospective method" enabled the Group to maintain unaltered the book values of the rights of use and financial liabilities of the contracts classified in the 2018 financial statements as finance leases pursuant to IAS 17. It should also be noted that the application of this method does not make provision for the re-statement of the comparative information of the previous year.

In the process of evaluation of the lease term of the various contracts, aside from the period that cannot be cancelled as envisaged contractually, the effects of the extension or early termination clauses, whose exercise was deemed reasonably certain, were considered. More specifically, for properties, this evaluation considered the specific facts and circumstances of each case, while for other categories of assets (vehicles and equipment) the exercise of any extension or early termination clauses was deemed unlikely in consideration of the procedure normally followed.

The determination of the discount rate (incremental borrowing rate) started with the risk-free rate of each country in which the contracts were stipulated, with expiries commensurate to the duration of the various contracts, to which was added a spread representative of the credit risk of the contracting company.

With reference to the transition rules, it should be pointed out that the Group availed itself of the practical expedient provided by the standard, which allows entities not to re-state comparative information when a contract is or contains a lease. Therefore, no revaluations were carried out of positions already examined on the basis of IAS 17 and/or IFRIC 4 at the transition date. In addition, again as a practical expedient, the information present at the transition date was used to determine the lease term, with particular reference to the exercise of extension and early termination options.

In adopting IFRS 16, for short-term leases with a term of no more than 12 months and for leases for low-value assets, for which the value of the underlying assets when new does not exceed € 5,000, the Group has opted for the recognition of lease expenses on a straight-line basis in the income statement, without the recognition of the financial lease liability and the associated right of use. However, the practical expedient, which makes it possible to classify contracts that expire within 12 months of the transition date as short-term leases, was not used in the transition phase.

Lastly, IFRS 16 makes provision for an additional practical expedient which allows the lessee not to separate the lease components, offering the possibility to register the lease components together with the corresponding non-lease components as a single contract. The Group, however, did not use said expedient.

Equity and economic effects of the application of the new accounting standard

The table below shows the effects on the statement of financial position of the adoption of IFRS 16 on the transition date (January 1st, 2019);

	amounts in thousands of euro
Assets	
- Right of use - "Land and buildings"	5,380
- Right of use - "Equipment"	312
- Right of use - "Vehicles"	707
- Tangible assets - leased assets	(143)
- Other non-current assets	(454)
- Other current assets (deferrals)	(87)
	5,715
Liabilities	
- Non-current financial liabilities	4,554
- Current financial liabilities	1,194
- Trade payables	(33)
	5,715

The value of the item "Tangible assets - Leased equipment" refers to the laboratory equipment of the parent Isagro S.p.A. for which, as at December 31st, 2018, finance leases were in place, while the value of the item "Other non-current assets" refers to the residual value as at December 31st, 2018 of the payment already made as at said date relating to the right of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., to occupy the land where the Panoli plant is located for a period of 99 years. These values were reclassified, as at January 1st, 2019, to the items "Right of use - Equipment" and "Right of use - Land and buildings" respectively.

In order to provide further help in understanding the impacts of the first-time application of the standard, as required by paragraph C12 of IFRS 16, the reconciliation between the future commitments relating to operating lease contracts indicated in note no. 41 of the consolidated financial statements as at December 31st, 2018, and the lease liabilities recorded in the statement of financial position as at January 1st, 2019 is reported below:

	amounts in thousands of euro
- Operating lease commitments as at December 31st, 2018	8,527
- Fees for low value leases and others	(83)
- Amount of non-lease components	(1,327)
- Operating lease commitments as at December 31st, 2018 to be discounted	7,117
- Effect of discounting	(1,369)
Incremental liabilities for transition to IFRS 16 as at January 1st, 2019	5,748

Lease liabilities were discounted using the incremental borrowing rate of January 1st, 2019; the weighted average rate is 4.1%.

In relation to the consolidated income statement for the first half of 2019, the adoption of the new accounting standard involved:

- i) an increase of € 614 thousand in the EBITDA;
- ii) an increase of € 39 thousand in EBIT;
- iii) a decrease of € 77 thousand in the pre-tax result; and
- iv) a decrease of € 55 thousand in net profit.

Lastly, it should be noted that, “Rights of use” were included in the condensed consolidated half-year financial statements for the period ended as at June 30th, 2019, net of amortisation for the period, amounting to € 6,109 thousand and “Financial lease liabilities” for € 5,632 thousand, of which € 4,506 thousand booked to “Non-current financial payables” and € 1,126 thousand to “Current financial payables”.

- On March 22nd, 2018, by means of Regulation No. 498/2018, the European Commission endorsed the change to accounting standard IFRS 9 - Financial instruments. The change specifies that a debt instrument that provides for an early repayment option could have the features of contractual cash flows (“SPPI test”) and, consequently, could be measured at amortised cost or at fair value through other comprehensive income also if the “reasonable additional compensation” provided for in the event of early repayment is a “negative compensation” for the lender. The change did not have any impact on the Condensed consolidated half-year financial statements of the Isagro Group.
- On October 23rd, 2018, by means of Regulation No. 1595/2018, the European Commission endorsed the interpretation IFRIC 23 - Uncertainty over income tax treatments. The interpretation requires an entity to analyse uncertain tax treatments (individually or as a group), by always assuming that the tax authority will examine the tax position in question, with full knowledge of all relevant information. In the event in which the entity considers it not likely that the tax authority will accept the tax treatment applied, the entity must reflect the effect of the uncertainty of the measurement of its current and deferred income taxes. In addition, the document contains no new disclosure obligation but stresses that the entity shall establish whether it will be necessary to provide information on the considerations made by the management and relating to the uncertainty over the accounting for taxes, in accordance with the provisions of IAS 1.

The new interpretation did not have any impact on the condensed consolidated half-year financial statements of the Isagro Group.

- On February 8th, 2019, by means of Regulation No. 237/2019, the European Commission endorsed the change to accounting standard IFRS 28 - Investments in associates and joint ventures. The amendment specifies the need to apply IFRS 9, including the requirements linked to impairment, to other long-term interests in associates and joint-ventures for which the equity method is not applied. The change did not have any impact on the condensed consolidated half-year financial statements of the Isagro Group.
- On March 13th, 2019, by means of Regulation No. 402/2019, the European Commission endorsed the change to accounting standard IAS 19 - Employee benefits, which clarifies how an entity must recognise an amendment (e.g. a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update its assumptions and to remeasure the net liability or asset resulting from the plan. The amendments clarify that, after this event has occurred, an entity uses updated assumptions to measure the current service cost and the interest for the remaining period of reference subsequent to the event. The change did not have any impact on the condensed consolidated half-year financial statements of the Isagro Group.
- On March 14th, 2019, by means of Regulation No. 412/2019, the European Commission endorsed the changes to some accounting standards, as part of their annual improvement process. The main amendments regard:
 - IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements: the amendment clarifies that at the moment in which an entity obtains control over a business that represents a joint-operation, it must remeasure the interest held previously in this business. This process is, instead, not provided for in the event that joint control is obtained.
 - IAS 12 - Income Taxes: the amendment clarifies that all the tax effects associated with dividends (including payments on financial instruments classified in shareholders' equity) should be accounted for in a way consistent with the transaction that generated these profits (Income statement, OCI or shareholders' equity).
 - IAS 23 - Borrowing costs: the amendment clarifies that in the case of loans that remain active even after the qualifying asset of reference is already ready for use or for sale, these become part of the set of loans used to calculate borrowing costs.

The changes did not have any impact on the condensed consolidated half-year financial statements of the Isagro Group.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

At the reporting date, the competent bodies of the European Union have not yet completed the endorsement process necessary for adoption of the amendments and standards described below.

- On September 11th, 2014, the IASB published the amendment to **IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture**. The document was published for the purpose of settling the current conflict between IAS 28 and IFRS 10. In accordance with the provisions of IAS 28, the gain or loss deriving from the disposal or transfer of a non-monetary asset to a joint venture or to an associate in exchange

for a holding in the share capital of the latter is limited to the holding held in the joint venture or associate by the other investors extraneous to the transaction. By contrast, IFRS 10 envisages recognition of the entire gain or loss in the event of loss of control over a subsidiary, even if the entity retains a non-controlling interest, also including the sale or contribution of a subsidiary to a joint venture or associate in this category. The amendments introduced envisage that in a disposal/conferral of an asset or of a subsidiary to a joint venture or to an associate, the extent of the gain or the loss to be recognised in the financial statements of the transferor/deliverer depends on the fact that the assets or the subsidiary company transferred/delivered represent or otherwise a business, in the sense envisaged by IFRS 3. In the event that the assets or the subsidiary transferred/delivered represents a business, the entity must recognise the gain or the loss on the entire holding previously owned; whilst, otherwise, the portion of gain or loss relating to the holding still held by the entity must be eliminated. At present the IASB has suspended the application of this amendment.

- On October 22nd, 2018, the IASB published the document “***Definition of a Business (Amendments to IFRS 3)***” which provides some clarifications regarding the definition of a business for the purposes of the correct classification of IFRS 3. In particular, the amendment clarifies that, while a business normally produces an output, the presence of an output is not strictly necessary for identifying a business in the presence of an integrated set of activities/processes and assets. However, in order to satisfy the definition of a business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantial process which together contribute significantly to the ability to create an output. To this end, the IASB replaced the term “ability to create outputs” with the “ability to contribute to the creation of outputs” to clarify that a business can also exist without the presence of all inputs and processes needed to create an output. The amendment also introduced a concentration test, optional for the entity, to determine whether a set of activities/processes and assets acquired is not a business. If the test provides a positive result, the set of activities/processes and assets acquired does not constitute a business and the standard does not require further checks. In the event in which the test produces a negative outcome, the entity must conduct further analyses on the activities/processes and assets acquired to identify the presence of a business. To this end, the amendment added a number of illustrative examples to standard IFRS 3 in order to understand the practical application of the new definition of a business in specific cases. The amendments apply to all business combinations and acquisitions of assets after January 1st, 2020, but early application is allowed.
- On October 31st, 2018, the IASB published the document “***Definition of Material (Amendments to IAS 1 and IAS 8)***” which introduces a change to the definition of “material” in standards IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of “material” more specific and introduced the concept of “*obscured information*” alongside the concepts of omitted or incorrect information already present in the two standards subject to change. The amendment clarifies that information is “obscured” if it has been described in such a way as to produce, for the main readers of a set of financial statements, an effect similar to

that which would be produced if said information was omitted or incorrect. The amendments introduced by the document apply to all transactions after January 1st, 2020.

Uncertainty in the use of estimates

The preparation of the consolidated financial statements requires the preparation of estimates and assumptions by the management 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 then differ from said estimates.

In particular, the estimates are used in order to recognise the provisions for doubtful debts and inventory obsolescence, depreciation and amortisation, impairment losses, employee benefits, tax and other provisions, together with the calculation of the fair value of the performance obligations identified in contracts that envisage more than one service; this usually regards M/L Agreements, such as that signed in the first half of 2019 by Isagro and AQL Agroquimicos de Levante.

The estimates and the assumptions are periodically reviewed and the effects of any changes are reflected in the Income Statement, in the period in which the estimate is reviewed.

It should be noted that certain assessment processes, particularly the more complex such as impairment testing of non-current assets, are performed in full at least once per year, when preparing the annual financial statements, or, otherwise, if the Directors identify impairment indicators during the year. Note that the calculation of the recoverable value of assets with an indefinite useful life (goodwill) and intangible assets with a finite useful life, not yet available for use, also consider the values of the intangible assets already available for use and the tangible assets pertaining to the various CGUs, calls for management's discretion and the use of estimates, particularly as regards calculation of the interest rate (WACC) used to discount future cash flows expected from the assets and the Group's CGUs, these also subject to an estimate by the management. In addition, the accuracy of the impairment tests and, consequently, the maintenance of the values booked to assets, is connected to the realisation of the 2019 budget and the plan for the 2020-2023 period of the Group companies (as a group also the "Plan"), approved by the Board of Directors on January 15th, 2019. In the half ended as at June 30th, 2019, the Directors did not carry out a full impairment test of the recoverability of the non-current assets recognised. However, in the presence of significant negative deviations between the value of the revenues from the sale of crop protection products and the associated margins realised in the first half of 2019 compared to those forecast in the Plan, a "sensitivity" analysis was conducted on the impairment tests carried out as at December 31st, 2018, with reference solely to the CGUs for which significant negative deviations to the initial forecasts are expected at year-end, by applying to the sales revenues and the associated margins of the various years of the Plan the same deviation in absolute terms expected as at December 31st, 2019 with respect to the same provisional values of the 2019 budget. This analysis did not identify any signs of criticality, essentially confirming the conclusions reached by the impairment tests performed as at December 31st, 2018.

The write-downs booked in the period, in fact, refer for € 431 thousand to the write-down of the residual book value of the costs incurred in relation to the authorisations of the sale of crop protection products in the process of being obtained containing the fungicide Chlorothalonil, the object of a

non-renewal at European level, and for € 257 thousand to the write-down of the residual book value of the costs incurred in relation to the authorisations of the sale of additional crop protection products in the process of being obtained, whose continuation was considered by the Group to be unprofitable. In any event, it cannot be excluded that the future trend in various factors, including developments in the difficult global economic and financial context, might call for a write-down in the value of goodwill and intangible assets that, at present, cannot be foreseen or calculated on the basis of the best information available. The Group's management will continuously monitor the circumstances and events that could bring about such a result, with a view to promptly verifying the recoverability of asset recognition values.

As at June 30th, 2019, the Isagro Group's financial statements recognised deferred tax assets for unused tax losses carried forward of the parent Isagro S.p.A. amounting to approximately € 4 million, in line with the values as at December 31st, 2018. In conducting the test on the recoverability of these deferred tax assets, the budget and plans of the company were taken into account, by considering, together with these, the effects on future taxable income deriving from structured extraordinary transactions, deemed likely by the Directors as a result of some negotiations entered into in the first half of 2019 and still in progress - which makes it possible to highlight significant capital gains deriving from the policy of redefinition of the "asset allocation" of property of the Group. In fact, as already reported in the consolidated report as at June 30th, 2019, Isagro, after having communicated its strategic decision in the past to no longer engage in the development of new organic chemical molecules originating from its Innovative Research, is further revising its business model. Based on these considerations, the Directors believe that the taxable income that will be generated in the forthcoming years is reasonably feasible and will be such as to allow said amounts to be recovered.

These extraordinary transactions also aim to generate the funds also targeted at concluding potential external growth operations, in particular in the organic segment.

However, it cannot be ruled out a priori that the onset of economic and/or financial crises, unfavourable weather conditions for Isagro's business, as well as postponement in the expected time-scales for obtaining new registrations (together with the probabilities of obtaining these) and new M/L Agreements, as with the time-scales envisaged in concluding the above extraordinary transactions, may raise doubts about the timing and methods envisaged by the Directors concerning the recoverability of these financial statements items.

For more in-depth examination of uncertainty in the use of estimates by the Group, reference should be made to the description in the consolidated financial statements as at December 31st, 2018.

Scope of consolidation

The scope of consolidation includes the financial statements of Isagro S.p.A., its subsidiaries and associates.

Pursuant to IFRS 10, companies are considered to be subsidiaries if the Group simultaneously possesses the following three elements:

- a) power over the enterprise;
- b) exposure or rights to variable returns deriving from its involvement in the investee;

c) the ability to use its power to influence the amount of said variable returns.

On the other hand, jointly-controlled companies are those over which the Group exercises control together with another investor with which it makes decisions on the relevant activities, so that control over the investees is shared.

For a list of companies included in the scope of consolidation, reference should be made to Note no. 45.

Compared to the position as at December 31st, 2018, there have been no changes in the scope of consolidation.

Translation of foreign currency financial statements

The presentation currency adopted by the Group is the Euro, which is also the functional currency of the parent Isagro S.p.A.

At the end of the reporting period, the financial statements of foreign operations with a functional currency other than the Euro are translated into the presentation currency in accordance with the following procedures:

- assets and liabilities are translated using the exchange rate in force as at the reporting date;
- income statement items are translated at the average exchange rate for the year;
- equity components are translated at historical exchange rates, maintaining the existing stratification (if any) of reserves.

Exchange differences arising on translation are recognised in the statement of other comprehensive income and accumulated in a separate component of equity (Translation reserve or difference) until disposal of the foreign operation.

The equity-financial situation and the economic result of a foreign company whose functional currency is the currency of a hyperinflationary economy are instead translated in Euro using the exchange rate at the date of the close of the reporting period. An economy is considered hyperinflationary when the cumulative inflation rate exceeds or is close to 100% over a three-year period.

Hyperinflation in Argentina

In Argentina, following a long period of observation of inflation rates and other indicators, the unanimous consensus was reached regarding the existence of a hyperinflationary economy as of July 1st, 2018. The result was that all companies operating in Argentina, as of said date, were required to apply “IAS 29 - Financial reporting in hyperinflationary economies” in preparing their financial reports.

With reference to the Group, the consolidated financial results as at June 30th, 2019 include the effects of the application of the above-mentioned accounting standard, while it was not necessary to re-state the values of the first half of 2018, by presenting the consolidated financial data of the Group in Euro.

However, it should be noted that the effects of the application of the standard on the Group’s results, taking into account the small income statement and balance sheet values of the Argentinian subsidiary, were proved to be altogether negligible.

The exchange rates applied on translation of the financial statements of the companies included in the scope of consolidation are listed in the table below:

Currency	Exchange rate as at 30.06.2019	Average exchange rate 1st half 2019	Exchange rate as at 31.12.2018	Exchange rate as at 30.06.2018	Average exchange rate 1st half 2018
Australian Dollar	1.6244	1.6002	1.622	1.5787	1.5693
Singapore Dollar	1.5395	1.5354	1.5591	1.5896	1.6058
US Dollar	1.1380	1.1298	1.145	1.1658	1.2108
Vietnamese Dong	26,527	26,269.3333	26,547	26,746	27,565.50
Argentine Peso	48.5678	48.5678	43.1593	32.7048	26.0251
Chilean Peso	773.85	763.1283	794.37	757.26	740.1717
Colombian Peso	3,638.99	3,601.6017	3,721.81	3,437.56	3,449.15
Mexican Peso	21.8201	21.6539	22.4921	22.8817	23.0803
South African Rand	16.1218	16.0439	16.4594	16.0484	14.8895
Brazilian Real	4.3511	4.3407	4.444	4.4876	4.1414
Chinese Renminbi (Yuan)	7.8185	7.6670	7.8751	7.7170	7.71
Indian Rupee	78.524	79.1182	79.7298	79.813	79.5123
Kenyan Shilling	116.4115	114.1291	116.6284	-	-
Polish Zloty	4.2496	4.2920	4.3014	4.3732	4.22

Earnings Per Share

Basic earnings per share are calculated by dividing profit or loss attributable to the Group by the weighted average number of shares outstanding during the period. For the purpose of calculating the diluted earnings per share, the weighted average number of shares is modified assuming that all convertible instruments are converted and all warrants are exercised, should these have been issued by the parent.

INFORMATION ON THE BALANCE SHEET

1. Tangible assets – 18,351

The breakdown and summary changes in tangible assets are described in the following tables:

Breakdown	31.12.2018			Change	30.06.2019		
	Historical cost	Accum. depreciation	Book value		Historical cost	Accum. depreciation	Book value
Land	1,053	-	1,053	-	1,053	-	1,053
Buildings:							
- owned assets	18,660	(11,218)	7,442	(210)	18,936	(11,704)	7,232
- improvements to third-party assets	148	(33)	115	(15)	150	(50)	100
	18,808	(11,251)	7,557	(225)	19,086	(11,754)	7,332
Plant and machinery:							
- owned assets	42,831	(35,658)	7,173	(31)	43,380	(36,238)	7,142
- capital grants	(357)	357	-	-	(357)	357	-
	42,474	(35,301)	7,173	(31)	43,023	(35,881)	7,142
Equipment:							
- owned assets	5,514	(4,839)	675	(77)	5,520	(4,922)	598
- leased assets (finance)	353	(210)	143	(143)	-	-	-
	5,867	(5,049)	818	(220)	5,520	(4,922)	598
Other assets:							
- furniture and fittings	1,284	(1,042)	242	(10)	1,292	(1,060)	232
- motor vehicles	213	(66)	147	(25)	200	(78)	122
- data processors	3,377	(2,829)	548	101	3,589	(2,940)	649
	4,874	(3,937)	937	66	5,081	(4,078)	1,003
Assets under development and payments on account:							
- owned assets	1,690	-	1,690	(467)	1,223	-	1,223
	1,690	-	1,690	(467)	1,223	-	1,223
Total	74,766	(55,538)	19,228	(877)	74,986	(56,635)	18,351

Changes for the period	Translation differences (hist. cost)	Purchases	Reclassifications (hist. cost)	Disposals	Translation differences (acc. depr)	Depreciation	Use of acc. depr.	Reclassifications (acc. depr)	Change equity
Land	-	-	-	-	-	-	-	-	-
Buildings:									
- owned assets	35	8	233	-	(15)	(471)	-	-	(210)
- improvements to third-party assets	2	-	-	-	(1)	(16)	-	-	(15)
	37	8	233	-	(16)	(487)	-	-	(225)
Plant and machinery:									
- owned assets	137	67	678	(333)	(119)	(772)	311	-	(31)
	137	67	678	(333)	(119)	(772)	311	-	(31)
Equipment:									
- owned assets	6	5	12	(17)	(4)	(80)	1	-	(77)
- leased assets (finance)	-	-	(353)	-	-	-	-	210	(143)
	6	5	(341)	(17)	(4)	(80)	1	210	(220)
Other assets:									
- furniture and fittings	3	2	11	(8)	(2)	(24)	8	-	(10)
- motor vehicles	3	-	-	(16)	-	(12)	-	-	(25)
- data processors	4	219	-	(11)	(3)	(120)	12	-	101
	10	221	11	(35)	(5)	(156)	20	-	66
Assets under development and payments on account:									
- owned assets	2	465	(934)	-	-	-	-	-	(467)
	2	465	(934)	-	-	-	-	-	(467)
Total	192	766	(353)	(385)	(144)	(1,495)	332	210	(877)

The main changes occurred in the half concern:

- the completion, at the Adria production site of the parent Isagro S.p.A. of investments regarding new systems (reactor, oxidiser, tank) dedicated to the production of copper

oxychloride technical grade; these investments determined an increase in the historical cost of the item “plant and equipment” for € 339 thousand and the item “buildings” for € 8 thousand; these projects were present as at December 31st, 2018 under “assets under development” for € 347 thousand;

- the completion of investments targeted at boosting the efficiency of systems and the level of safety of the parent’s Adria and Aprilia production sites; the conclusion of these projects determined an increase in the historical cost of the item “buildings” for € 106 thousand and the item “plant and equipment” for € 261 thousand; these investments were present as at December 31st, 2018 under “assets under development” for € 354 thousand;
- the reclassification, following the introduction, on January 1st, 2019, of the new accounting standard IFRS 16 - Leases, to the item “Rights of use”, of the residual value of € 143 thousand, of a piece of laboratory equipment acquired under a finance lease in 2014 for the parent’s Novara Research Centre;
- the disposal of obsolete plant and machinery no longer available for use in the production sites of Adria and Aprilia; these disposals determined a decrease in the historical cost of the item “Plant and machinery” of € 326 thousand and a capital loss of € 21 thousand.

The item “assets under development”, amounting to € 1,223 thousand, essentially concern the realisation of investments targeted at increasing plant efficiency and the level of safety of the Adria (€ 345 thousand) and Aprilia (€ 637 thousand) production sites of the parent.

As reported in the previous paragraph “Uncertainty in the use of estimates”, in the half ended as at June 30th, 2019, the Directors did not carry out a full impairment test of the recoverability of the non-current assets recognised. However, in the presence of significant negative deviations between the value of the revenues from the sale of crop protection products and the associated margins realised in the first half of 2019 compared to those forecast in the Plan, a “sensitivity” analysis was conducted on the impairment tests carried out as at December 31st, 2018, with reference solely to the CGUs for which significant negative deviations to the initial forecasts are expected at year-end, by applying to the sales revenues and the associated margins of the various years of the Plan the same deviation in absolute terms expected as at December 31st, 2019 with respect to the same provisional values of the 2019 budget. This analysis did not identify any signs of criticality, essentially confirming the conclusions reached by the impairment tests performed as at December 31st, 2018.

2. Intangible assets – 49,148

The breakdown and summary changes in intangible assets in the first half of the year are described in the following tables.

Breakdown	31.12.2018			Change	30.06.2019		
	Historical cost	Accum. amortisation	Book value		Historical cost	Accum. amortisation	Book value
Product development costs:							
- SDHi (Fluindapyr)	21,150	-	21,150	434	21,584	-	21,584
- new formulations	1,272	-	1,272	504	1,776	-	1,776
	22,422	-	22,422	938	23,360	-	23,360
Process development costs	-	-	-	30	30	-	30
Product know-how:							
- fungicide IR 6141	10,196	(8,330)	1,866	(341)	10,196	(8,671)	1,525
- insecticides and fungicides	1,207	(334)	873	(26)	1,207	(360)	847
- Remedier	773	(656)	117	(91)	773	(747)	26
- biostimulants and fumigants	2,743	(598)	2,145	(112)	2,743	(710)	2,033
	14,919	(9,918)	5,001	(570)	14,919	(10,488)	4,431
Process know-how	1,009	(581)	428	(93)	1,009	(674)	335
Extraordinary protection	8,767	(5,579)	3,188	700	10,304	(6,416)	3,888
Patents, licences, trademarks and registrations	25,222	(14,338)	10,884	(659)	26,183	(15,958)	10,225
Other:							
- commercial relations	639	(623)	16	(16)	639	(639)	-
- software	972	(495)	477	49	1,124	(598)	526
	1,611	(1,118)	493	33	1,763	(1,237)	526
Assets under development and payments on account:							
- registrations	7,049	-	7,049	(734)	6,315	-	6,315
- other assets under development	45	-	45	(7)	38	-	38
	7,094	-	7,094	(741)	6,353	-	6,353
	81,044	(31,534)	49,510	(362)	83,921	(34,773)	49,148

Changes for the period	Translation differences	Acquisitions/ capitalisations	Reclassifications and other changes	R&D tax Credit	Amortisation, depreciation/ Write-downs (*)	Total change
Product development costs:						
- SDHi (Fluindapyr)	-	406	-	28	-	434
- new formulations	-	603	-	17	(116)	504
	-	1,009	-	45	(116)	938
Process development costs	-	30	-	-	-	30
Product know-how:						
- fungicide IR 6141	-	-	-	-	(341)	(341)
- insecticides and fungicides	-	-	-	-	(26)	(26)
- Remedier	-	-	-	-	(91)	(91)
- biostimulants and fumigants	-	-	-	-	(112)	(112)
	-	-	-	-	(570)	(570)
Process know-how	-	-	-	-	(93)	(93)
Extraordinary protection	-	1,724	(187)	-	(837)	700
Patents, licences, trademarks and registrations	-	134	827	-	(1,620)	(659)
Other:						
- commercial relations	-	-	-	-	(16)	(16)
- software	-	119	33	-	(103)	49
	-	119	33	-	(119)	33
Assets under development and payments on account:						
- registrations	-	665	(827)	-	(572)	(734)
- other assets under development	-	26	(33)	-	-	(7)
	-	691	(860)	-	(572)	(741)
	-	3,707	(187)	45	(3,927)	(362)

(*) composed of amortisation/depreciation of € 3,239 thousand and write-downs of € 688 thousand.

The Group's intangible assets include "assets not yet available for use" for a total value of € 29,743 thousand, which essentially comprise:

- € 21,584 thousand in costs incurred for the start of the development phase of the new proprietary product, the fungicide Fluindapyr (in the SDHi class), for which a co-development agreement has been entered into with the US company FMC Corporation;
- € 1,776 thousand in development costs incurred for the start-up of new formulations of crop protection products;
- € 6,315 thousand for “Assets under development” which refer primarily to registration costs incurred to obtain authorisations to sell formulations of the main proprietary products of the Group in various countries.

It should be noted that, during the first half of the year, the obtainment of new authorisations to sell led to the reclassification from “assets under development” to “registrations”, triggering the beginning of the amortisation period, for € 827 thousand.

"Extraordinary protection", amounting to € 3,888 thousand, refers to costs incurred by the Group to extend the useful life (i.e. the shelf-life) of certain products already on the market and also includes expenses incurred in order to comply with the requirements of EU regulations. In particular, the increase in the period, amounting to € 1,724 thousand, refers for € 1,166 thousand to the studies requested by the European Union for the renewal of the registrations of some fungicide formulations. An update was made during the half to the analyses relating to the technical progress status of the projects under way and the results obtained up to now, which highlighted some criticalities in relation to certain assets which proved to be no longer usable or cost effective for the Group. In particular, the Directors of the parent Isagro S.p.A., pursuant to IAS 38, fully wrote down the costs incurred in relation to the investments regarding sale authorisations still in the process of being obtained for a total of € 688 thousand, of which € 431 thousand relating to the non-renewal of the fungicide Chlorothalonil in the European Union.

The residual value of the item “Patents, licences, trademarks, registrations and similar rights”, amounting to € 10,225 thousand, comprises:

- registrations of crop protection products	9,287
- trademarks, patents and licences	938.

Impairment test

Pursuant to IAS 36, impairment tests are performed by the Isagro Group on the Group assets allocated to the CGUs, at least annually, while preparing the financial statements as at December 31st.

In particular, the recoverability of the products under development and registrations in progress (impairment test) is verified, given that, despite being assets with “finite useful life”, as with the rest of the Group’s intangible assets, they are not yet available for use.

It should be noted that also the total carrying amounts of product and process know-how, as well as of patents and registrations obtained, classifiable as assets with “finite useful life”, are tested for impairment at least annually by the Group, as those are strictly related to the assets not yet available for use, and cannot therefore be measured independently. If the product assessed is part of a CGU (Cash Generating Unit), to which a portion of the Group’s goodwill has been allocated, the

recoverable amount of the entire CGU is estimated. Consequently, for “biological products”, “copper products” and “Tetraconazole”, please refer to note no. 4.

The following table shows the book values, as at June 30th, 2019 of the intangible assets grouped in accordance with the above:

	ASSETS WITH A FINITE USEFUL LIFE		
	Assets not yet available for use	Assets already available for use	Total Book value
Research and development activities:			
- KiralaxyI (IR6141)	1,391	5,629	7,020
- Tetraconazole	1,132	4,468	5,600
- Biological and biostimulant products	258	967	1,225
- Copper	727	3,734	4,461
- SDHi	23,914	378	24,292
- Pyrethroids	102	380	482
- Fumigants	2,151	2,839	4,990
- Others	30	484	514
	29,705	18,879	48,584
Other intangible assets:			
- Software	38	526	564
	38	526	564
	29,743	19,405	49,148

Impairment testing is carried out by comparing the book value of each project with its recoverable value. This value is calculated using the “Discounted cash flow” model, which estimates the value in use of an asset on the basis of the discounting of future cash flows at an appropriate rate, coinciding with the weighted average cost of capital (WACC).

As reported in the previous paragraph “Uncertainty in the use of estimates”, in the half ended as at June 30th, 2019, the Directors did not carry out a full impairment test of the recoverability of the non-current assets recognised. However, in the presence of significant negative deviations between the value of the revenues from the sale of crop protection products and the associated margins realised in the first half of 2019 compared to those forecast in the Plan, a “sensitivity” analysis was conducted on the impairment tests carried out as at December 31st, 2018, with reference solely to the CGUs for which significant negative deviations to the initial forecasts are expected at year-end, by applying to the sales revenues and the associated margins of the various years of the Plan the same deviation in absolute terms expected as at December 31st, 2019 with respect to the provisional values of the 2019 budget. These analyses did not identify any signs of criticality, essentially confirming the conclusions reached by the impairment tests performed as at December 31st, 2018. Furthermore, note that the update of interest rates (WACC) as at June 30th, 2019, did not result in any significant variances with respect to the values as at December 31st, 2018.

Nonetheless, we should not exclude the fact that the future trend in various factors, including developments in the difficult global economic and financial context, requires management to continuously monitor the circumstances and events that could bring about a write-down of the Group’s intangible assets.

Lastly, note that the criteria for identifying research and development costs are the same as those used for preparation of the financial statements as at December 31st, 2018.

3. Usage rights – 6,109

The breakdown and summary changes in usage rights in the first half of the year are described in the following table:

Changes for the period	01.01.2019 IFRS 16	Acquisitions	Early extinguishments	Amortisation and depreciation	Translation difference	30.06.2019
Usage rights:						
Land	627	-	-	(4)	7	630
Buildings	4,753	192	(21)	(411)	11	4,524
Vehicles	707	255	(7)	(246)	1	710
Equipment	312	12	-	(79)	-	245
Total	6,399	459	(28)	(740)	19	6,109

The financial statements item includes, pursuant to the new accounting standard IFRS 16 - Leases, the residual value of the usage rights held by the Group through both operating and finance leases. The usage right of assets, comprising the initial value of the liability deriving from the lease agreement, is booked to the financial statements net of amortisation/depreciation calculated systematically at the lower of the lease term and the residual useful life of the underlying asset.

The item “Land” refers for € 457 thousand to the residual value of the right held by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., to occupy the land where the Panoli plant is located for a period of 99 years, and for € 173 thousand, to the residual value of the usage right, for a period of 99 years starting from 2005, by the parent Isagro S.p.A., of an area in the municipality of Bussi sul Tirino (PE) owned by the company Solvay Solexis S.p.A..

The item “Buildings” refers, for € 3,533 thousand, to the usage right of the offices and associated pertinences of the registered office of the parent Isagro S.p.A.. This value was calculated over a duration of twelve years, inclusive of the renewal option of the contract, whose exercise was considered to be reasonably certain at the date of recognition of the usage right.

Lastly, it should be noted that depreciation of the vehicles granted to Group employees for personal and business use, amounting to € 137 thousand, was included under “Personnel costs” in the Income Statement.

4. Goodwill – 3,347

The breakdown and the changes in this item compared with the previous year are shown in the following table.

CGU description	Value as at 31.12.2018	Changes over the period				Value as at 30.06.2019
		Translation differences	Acquisitions/ disposals	Write-downs	Total change	
- "Copper"	886	-	-	-	-	886
- "Biological products"	461	-	-	-	-	461
- Isagro Asia Agrochemicals	174	3	-	-	3	177
- "Tetraconazole"	209	-	-	-	-	209
- "Formulations"	20	-	-	-	-	20
- Isagro Colombia S.A.S.	1,558	36	-	-	36	1,594
Total	3,308	39	-	-	39	3,347

Goodwill, acquired in business combinations, was allocated to the Cash Generating Units (CGU) listed and described in the table below:

- "Copper"	the CGU refers to the copper-based product business, their production at the Adria (RO) plant and their worldwide distribution
- "Biological products"	the CGU refers to the biological product business, their production at the Novara plant and their worldwide distribution
- Isagro Asia Agrochemicals Pvt Ltd	the CGU refers to the production and marketing activities for crop protection products in the Indian subcontinent
- "Tetraconazole"	the CGU refers to the business of the fungicide Tetraconazole
- "Formulations"	the CGU refers to the crop protection product formulations business which takes place at the production site in Aprilia (LT)
- Isagro Colombia S.A.S.	the CGU refers to crop protection product marketing activities in Colombia and in South America

In compliance with international accounting standards, goodwill is not amortised but rather subjected to an impairment test at least annually. This test is performed by comparing the book value of goodwill with its recoverable amount. This value is calculated using the "Discounted cash flow" model, which estimates the value in use of an asset on the basis of the discounting of future cash flows at an appropriate rate, coinciding with the weighted average cost of capital (WACC).

Since the performance of the cash generating units in the first half of 2019 compared to the 2019 budget indicated significant misalignment in terms of revenues and gross contribution margins with respect to the figures used to perform impairment tests for the financial statements as at December 31st, 2018, with subsequent repercussions also on the expected estimates as at December 31st, 2019, the Directors conducted sensitivity analyses by applying, for the various years of the Group plan (2020-2023), the deviation in absolute terms with reference to the revenues and margins expected as at December 31st, 2019 with respect to the same provisional values of the various products relating to the research and development assets reported in the annual budget for said year. These analyses did not, however, highlight any impairment that made it necessary to write down the goodwill booked to the financial statements. Also note that the update of interest rates (WACC) as at June 30th, 2019, did not result in any significant variances with respect to the values as at December 31st, 2018.

5. Non-current receivables and other assets - 4,727

Breakdown	Book value 31.12.2018	Increases/ decreases	Book value 30.06.2019
Non-current receivables and other assets:			
- guarantee deposits	618	(97)	521
- know-how usage licenses	3,121	1,036	4,157
- prepaid expenses	454	(454)	-
- tax	69	(20)	49
	4,262	465	4,727

The item "know-how usage licenses" refers:

- for € 295 thousand to the present value of the non-current portion of the residual receivable relating to the up-front payment made in 2014 to the parent Isagro S.p.A. by the Hong Kong-based company Rotam Agrochemical Company Ltd., for the granting of the right to use the know-how and the existing studies relating to three Isagro proprietary active ingredients (Tetraconazole, Copper and Kiralaxyl) to process three mixtures with Rotam proprietary products and/or other Isagro proprietary products, to be marketed in some Far East countries, for a total value of € 2 million. On December 1st, 2017 the parties agreed a remodulation of the original maturities of the receivable, providing in particular for payment of the following instalments:
 - a) € 400 thousand already collected as at December 31st, 2018;
 - b) € 300 thousand to be paid by December 27th, 2019;
 - c) € 300 thousand to be paid by December 27th, 2020.

It must be noted that the instalments maturing in the years 2019 and 2020 will bear interest calculated at the fixed rate of 2%; note that the current portion of the receivable, corresponding to € 305 thousand was recognised under trade receivables;

- € 2,862 thousand to the present value of the non-current portion of the receivable relating to the up-front payment recognised to the parent Isagro S.p.A. by the British company Gowan Crop Protection Limited (related party), in the form of a one-off definitive payment, following the stipulation, in November 2016, of an agreement for the exclusive granting of the right to develop, register, formulate, produce and market, in Europe, mixtures based on the parent Isagro S.p.A. proprietary active ingredient Kiralaxyl; the contract states that the price agreed of € 5,250 thousand, the present value of which was calculated by discounting the expected cash flows at a rate agreed by the parties of 2%, must be paid in six annual instalments, including the interest accrued, of which the first of € 500 thousand was received in December 2017 and the second of € 750 thousand was received in November 2018, while the remaining four instalments of € 1,000 thousand are each expected to be paid in November 30th in the 2019-2022 four-year period.

The current portion of the present value of the receivable, equal to € 992 thousand, was recognised under "trade receivables".

- for € 1,000 thousand to the non-current portion of the receivable relating to the upfront payment totalling € 2,500 thousand recognised to the parent Isagro S.p.A. by the Spanish company AQL Agroquimicos de Levante S.A., in the form of a one-off definitive payment, following the signing of an agreement in March 2019 which makes provision, among other

things, for the concession of the exclusive right to use the data relating to the biofumigant *Allyl Isothiocyanate*, owned by the parent Isagro S.p.A., both for the development and obtainment of registrations and the production and market of products and/or mixtures in some countries; the contract requires the agreed consideration to be paid as follows:

- € 1,500 thousand in four instalments of € 375 thousand each, due in April, June, September and December 2019;
- € 1,000 thousand in four annual instalments of € 250 thousand each starting from November 20th, 2020 and which accrue interest at the 12-month EURIBOR + 2% spread.

The current portion of the receivable, equal to € 1,125 thousand, was recognised under "trade receivables" and refers to the portions expiring in September and December 2019, as well the portion that expired in June and was collected in the first few days of July. For more details on the aforementioned agreement please make explicit reference to note no. 24.

Following the entry into force, on January 1st, 2019, of IFRS 16 - Leases, provision was made for the reclassification to the item "Usage rights" of the residual value of the prepaid expense deriving from the early payment, by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., to the Indian Government, of the right to occupy the land where the Panoli plant is located for a period of 99 years.

6. Financial receivables and other non-current financial assets - 2,503

This item refers to a medium-long term restricted current account, which bears interest at a rate of 0.001% per annum, which the parent Isagro S.p.A. opened at UniCredit S.p.A.. This deposit was set in place as a pledge in favour of the bank, following the granting, by the latter of a guarantee totalling € 7,586 thousand required by Arysta LifeScience Inc. as a counterparty in a M/L Agreements. For details please refer to the consolidated financial statements as at December 31st, 2018.

7. Deferred tax assets and liabilities – 7,545

Deferred tax assets - 8,489

Deferred tax liabilities - 944

Breakdown	Book value 31.12.2018	Changes over the period				Book value 30.06.2019
		Provisions	Uses	Other changes	Overall change	
Deferred tax assets	8,658	655	(557)	(267)	(169)	8,489
Deferred tax liabilities	(918)	(69)	114	(71)	(26)	(944)
Total	7,740	586	(443)	(338)	(195)	7,545

The table below shows the temporary differences between the tax base and statutory income that led to the recognition of deferred tax assets and liabilities:

Temporary differences	Deferred tax assets/liabilities 31.12.2018		Transfers to Income Statement			Changes in equity	Deferred tax assets/liabilities 30.06.2019	
	Taxable base	Taxation	Provisions	Uses	Other changes	Translation difference and other changes	Taxable base	Taxation
<u>Deferred tax assets</u>								
- tax losses	16,370	3,925	3	(2)	(1)	-	16,389	3,925
- allocations to taxed provisions	10,562	2,339	206	(343)	(294)	21	6,814	1,929
- grants related to R&D	142	40	-	(7)	-	-	116	33
- intragroup profits	5,817	1,655	349	(65)	(29)	-	6,855	1,910
- others	2,690	699	97	(140)	-	36	3,098	692
Total deferred tax assets	35,581	8,658	655	(557)	(324)	57	33,272	8,489
<u>Deferred tax liabilities</u>								
- amortisation/depreciation for tax purposes	2,611	728	-	(106)	72	(1)	2,452	693
- fair value assets from business combinations	17	6	-	(6)	-	-	-	-
- others	686	184	69	(2)	-	-	851	251
Total deferred tax liabilities	3,314	918	69	(114)	72	(1)	3,303	944
TOTAL	32,267	7,740	586	(443)	(396)	58	29,969	7,545

“Deferred tax assets” includes € 3,925 thousand related to tax losses (of which € 3,922 thousand referring to the parent Isagro S.p.A.), € 1,910 thousand referring to the tax effect of the elimination of intra-group profits and € 1,929 thousand relating to taxed risk and expense provisions.

In conducting the test on the recoverability of these deferred tax assets, the budget and plans of the company were taken into account, by considering, together with these, the effects on future taxable income deriving from structured extraordinary transactions, deemed likely by the Directors as a result of some negotiations entered into in the first half of 2019 and still in progress - which makes it possible to highlight significant capital gains deriving from the policy of redefinition of the “asset allocation” of property of the Group. In fact, as already reported in the consolidated report as at June 30th, 2019, Isagro, after having communicated its strategic decision in the past to no longer engage in the development of new organic chemical molecules originating from its Innovative Research, is further revising its business model. Based on these considerations, the Directors believe that the taxable income that will be generated in the forthcoming years is reasonably feasible and will be such as to allow said amounts to be recovered.

These extraordinary transactions also aim to generate the funds also targeted at concluding potential external growth operations, in particular in the organic segment.

However, it cannot be ruled out a priori that the onset of economic and/or financial crises, unfavourable weather conditions for Isagro's business, as well as postponement in the expected time-scales for obtaining new registrations (together with the probabilities of obtaining these) and new M/L Agreements, as with the time-scales envisaged in concluding the above extraordinary transactions, may raise doubts about the timing and methods envisaged by the Directors concerning the recoverability of these financial statements items.

It is also disclosed that as at June 30th, 2019 there are deferred tax assets not provided for in the Financial Statements relating to tax losses for the period and for previous years for a total value of € 4,757 thousand, of which € 1,777 thousand relating to the subsidiary Isagro USA, Inc. and € 2,980 thousand relating to the parent Isagro S.p.A. Taking this into account, note that the parent's overall tax losses as at June 30th, 2019, amount to € 28,762 thousand, in relation to which deferred tax assets were recognised for only € 3,922 thousand, corresponding to € 16,344 thousand in tax losses retained.

"Deferred tax liabilities" include a € 693 thousand misalignment between the statutory and tax amortisation of tangible and intangible assets, and refers essentially to the capitalisations and amortisations of the costs of development of the new products of the parent Isagro S.p.A..

Taking into account the above extraordinary transactions, "Deferred tax assets and liabilities" include € 2,711 thousand and € 473 thousand, respectively, which are likely to be reversed beyond twelve months.

8. Inventories – 52,466

Breakdown	Book value 31.12.2018	Changes over the period					Book value 30.06.2019
		Increases/ decreases	Write-downs/ allocations to for inventory write-down	Translation difference and other changes	Use of provision for inventory write-down	Overall change	
Raw materials and consumables	17,354	(609)	(64)	71	57	(545)	16,809
Work in progress and semi-finished goods	576	47	-	9	-	56	632
Finished products and goods	30,036	4,447	(35)	164	1	4,577	34,613
Payments on account	131	281	-	-	-	281	412
Total	48,097	4,166	(99)	244	58	4,369	52,466

The increase of inventories of finished products with respect to December 31st, 2018, is related to the establishment by the subsidiaries Isagro (Asia) Agrochemicals Pvt. Ltd., Isagro Brasil Ltda and Isagro Colombia S.A.S. of a strategic stock of products to cover expected sales in the second half of the year.

In fact, it should be noted that, given the seasonal nature of the Group's business, the level of inventories as at June 30th shows values that are historically higher than those at year-end, insofar as the majority of purchases and production is concentrated in the first half of the year. Therefore,

comparing the value of inventories with those as at June 30th, 2018, corresponding to € 52,014 thousand, it can be seen that the increase of inventories as at June 30th, 2019 can be considered to be altogether normal.

Inventories include goods, for a value of € 2,197 thousand, stored at the warehouse of the French plant of Arysta LifeScience by way of guarantee of obligations set out in the “Licence, development, distribution and supply” agreement that the parent Isagro S.p.A. concluded with Arysta LifeScience Corporation in 2013.

Inventories, net of the allowance for inventory obsolescence, relating to goods either obsolete or to be re-processed, amounted to € 1,257 thousand. The provision during the half registered increases totalling € 100 thousand and decreases amounting to € 57 thousand.

9. Trade receivables – 42,376

Breakdown	Book value 31.12.2018	Changes over the period						Book value 30.06.2019
		Increases/ decreases	Translation differences write-down provisions	Write-downs/ allocations to write-down provisions	Use of write-down provisions	Other changes	Overall change	
Trade receivables	46,540	2,185	-	-	-	-	2,185	48,725
- bad debt provision	(6,075)	-	(37)	(20)	491	-	434	(5,641)
- bad debt provision default int.	(642)	-	-	(66)	-	-	(66)	(708)
	39,823	2,185	(37)	(86)	491	-	2,553	42,376

The item recorded an increase of € 2,553 thousand compared to December 31st, 2018; this variation is, however, insignificant due to the seasonal nature that characterises the crop protection products market and the presence, under trade receivables, of the current portions of non-current receivables relating to M/L Agreements; therefore, excluding the value of these receivables, amounting to € 2,421 thousand as at June 30th, 2019, and € 1,280 thousand as at December 31st, 2018, total trade receivables, gross of the bad debt provisions, came to € 46,304 thousand as at June 30th, 2019. Therefore, comparing this value with the corresponding one as at June 30th, 2018, which amounted to € 48,189 thousand, this value always net of the current portions of non-current receivables relating to M/L Agreements, a decrease of € 1,885 thousand was recorded; this variation is less marked than the reduction in crop protection product sales revenues, due to the concentration of the decrease in turnover in the first few months of the year.

It should also be noted that the non-recourse transfers, expiring beyond the reporting date, carried out by the parent Isagro S.p.A., also contributed to the change in trade receivables; these transactions actually regarded receivables of approximately € 13,100 thousand, which is higher than the approximately € 9,600 thousand in receivables due after December 31st, 2018, but essentially in line with the value of the receivables factored in the first half of 2018 due after June 30th (€ 12,700 thousand).

The item “uses” of the bad debt provision, amounting to € 491 thousand, concerned, for € 389 thousand, the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.; this use was necessary, given that the analysis conducted in accordance with accounting standard IFRS 9 showed a surplus of the value of the provision as at December 31st, 2018, due to both the decrease in the amount of receivables past due and the total amount of the non-group receivables of the Indian subsidiary.

Interest on arrears was recognized for delays in payment from customers; a € 708 thousand provision was made for these receivables.

Regarding the total trade receivables due from related parties, please refer to note no. 40.

Here below is the breakdown of trade receivables by geographic area based on the customer's location:

▪ Italy	4,640
▪ Other European countries	12,684
▪ Central Asia and Oceania	12,972
▪ Americas	14,038
▪ Far East	1,318
▪ Middle East	1,389
▪ Africa	1,684
Total	48,725

The average contractual maturity of trade receivables is as follows:

- Italy 140 days
- Foreign countries 115 days.

The trade receivables reported in the financial statements do not include any receivables due beyond 12 months.

10. Other current assets and other receivables – 9,705

Breakdown	Book value 31.12.2018	Increases/ decreases	Book value 30.06.2019
Other current assets and other receivables:			
- grants	27	-	27
- advance payments to suppliers and creditors	868	202	1,070
- employees	95	191	286
- export incentives	207	(61)	146
- due from tax authorities for VAT and other taxes	4,000	1,019	5,019
- receivables for "minimum guaranteed margins"	-	519	519
- others and prepaid expenses	2,325	644	2,969
	7,522	2,514	10,036
- bad debt provision	(344)	13	(331)
Total	7,178	2,527	9,705

"Advance payments to suppliers and creditors" relate to payments on account made to suppliers during the year, especially for services pertaining to research activities.

The item "due from tax authorities for VAT and other taxes" relates, in the amount of € 4,688 thousand, to VAT credits and other indirect taxes pertaining to the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. and, in the amount of € 299 thousand, to the VAT credit pertaining to the parent Isagro S.p.A..

The item "Receivables for minimum guaranteed margins", which as at June 30th, 2018, amounted to € 547 thousand, refers to the estimated amount that the British company Gowan Crop Protection Ltd (related party) should pay to the parent Isagro S.p.A. following its failure to reach the contractual sales margins envisaged for Kiralaxyl-based products, a proprietary fungicide of Isagro, for which

the British company became the sole distributor in the European market under a M/L Agreement signed in 2016.

The item “Other” essentially concerns: i) for € 554 thousand, the recovery by the parent Isagro S.p.A. from Sipcam Agro USA, of a part of the costs incurred in previous years in relation to some studies regarding the molecule Tetraconazole, following the signing of an agreement to share the expenses to be incurred for the renewal of the registration of the technical product in the United States, ii) for € 165 thousand, the recovery of the research and development costs incurred by the parent Isagro S.p.A. from the American company FMC Corporation under an agreement entered into between the two companies for the co-development of a new fungicide and iii) for € 53 thousand the recovery of the costs incurred by the parent Isagro S.p.A. in Brazil from Arysta LifeScience, based on a distribution agreement signed in 2017. Prepaid expenses, amounting to € 1,059 thousand, are also included in this item.

These receivables are due within the next year.

11. Tax receivables - 2,437

The financial statements item which, as at December 31st, 2018, amounted to € 2,384 thousand, refers essentially to receivables for direct taxes of the parent Isagro S.p.A. (€ 968 thousand euro, of which € 563 thousand in relation to the so-called tax credit “A.C.E. - Aid for economic growth”) and of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (€ 1,460 thousand).

12. Current financial receivables and other financial assets - 14,374

The financial statements item, which presents an increase of € 578 thousand compared to December 31st, 2018, attributable almost entirely to the revaluation of the Rupee against the Euro, and the fair value measurement of financial assets as at June 30th, 2019, refers to the investment made by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. in mutual investment funds held for trading in order to adequately remunerate temporary surplus liquidity.

In particular, the investment concerns, for € 7,157 thousand, monetary funds with the distribution of returns obtained and, for € 7,217 thousand, accumulation bond funds, with the reinvestment of periodic income.

The securities are booked to the financial statements at their fair value calculated on the basis of the official listing of funds as at June 30th, 2019.

13. Financial assets and liabilities - derivatives – -38

Non-current financial assets - 66

Current financial assets - 254

Non-current financial liabilities - 92

Current financial liabilities - 266

The values of the financial assets and liabilities for derivatives coincide with their fair value, which accounting standard IFRS 13 defines as the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators on the date of measurement. Since a listed price for the type of financial instruments the Group uses is

not available, proper measurement techniques based on the discounting of expected cash-flows in connection with ownership of the derivatives were used. Such measurement particularly required that an adjustment factor for the risk of non-fulfilment referring to the counterparty for the financial assets and the credit risk of the Group for the financial liabilities (own credit risk) be included.

The following tables disclose the types of derivative contracts outstanding as at June 30th, 2019:

Description of derivatives	Book value 31.12.2018	Increases/ decreases	Book value 30.06.2019
Non-current financial assets:			
- interest rates	35	31	66
	35	31	66
Current financial assets:			
- foreign exchange	213	21	234
- commodities	-	20	20
	213	41	254
Non-current financial liabilities:			
- interest rates	(41)	(51)	(92)
	(41)	(51)	(92)
Current financial liabilities:			
- foreign exchange	(1)	(125)	(126)
- interest rates	(74)	(60)	(134)
- commodities	(59)	53	(6)
	(134)	(132)	(266)
Total	73	(111)	(38)

Description of derivatives	Fair value as at June 30th, 2019
Cash flow hedge derivatives:	
- interest rates	(160)
- foreign exchange	123
- commodities (copper)	14
	(23)
Trading derivatives:	
- interest rates	(15)
	(15)
Total	(38)

The cash flow hedge derivatives concern:

- the hedging of the interest rate risk of floating rate medium-long term loans, to transform them into a fixed rate loans. In particular, the item refers to the valuation of interest rate swap derivatives intended to hedge the fluctuation of the flows of interest expense relating to three floating-rate loans, illustrated in the table below:

Characteristics of derivatives					
Stipulation date	Expiration date	BANK	Fixed interest rate (annual)	Residual notional value Euro/000	Fair value (Euro)/000
12/05/2017	31/05/2021	UNICREDIT	0.17%	3,021	(20)
29/06/2018	30/06/2023	CARIPARMA	0.18%	4,800	(59)
28/06/2018	30/06/2023	BANCO BPM	0.15%	4,453	(55)
29/05/2019	30/06/2023	BANCO BPM	0.12%	4,000	(26)

				16,274	(160)
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Characteristics of related loans			
Disbursement date	Expiration date	Residual value Euro/000	Floating interest rate (annual)
12/05/2017	31/05/2021	3,021	E6M/365 (floor -0.95%)
29/06/2018	30/06/2023	4,800	E6M/360
28/06/2018	30/06/2023	4,453	E3M/360 with floor of -1.15%
29/05/2019	30/06/2023	4,000	E3M/360 with floor of -1.15%
		16,274	

- the hedging of the risk of changes in Euro/Dollar, Euro/Brazilian Real and Euro/Indian Rupee exchange rates, relating to sales and purchases of goods and services in foreign currency, by entering into forward and non-deliverable forward contracts. As the hedge relationship is maintained until the collection of the trade receivable linked to the sale or until the payment of the trade payable linked to the purchase, the economic impact of these derivatives is partly recognised to adjust revenues or purchases and partly under item “Gains/(losses) on foreign exchange and derivatives”. The characteristics of these instruments are described in the table below:

Contract type	Currency	Average exchange rate	Notional value (Currency/000)	Fair value (Euro/000)
Forward - Purchase	INR/EUR	82.90	482,567	195
Forward - Sale	USD/EUR	1.13	(21,805)	10
Forward - Sale	BRL/EUR	4.53	(19,461)	(82)
Total				123

- to hedge the risk of changes in the purchase price of the commodity “copper” through forward purchases of equivalent copper via swaps, which are entered into when a sales order for copper-based products is acquired, for which the future purchase of the commodity “copper” is envisaged. The hedges entered into are recognised as an adjustment of purchases and therefore proportionally distributed between the cost of sales and final inventories based on the consumption made. The characteristics of these instruments are described in the table below:

Contract type	Hedged quantity (tons)	Strike price (Euro)	Notional value (Euro/000)	Fair value (Euro/000)
Commodity swap - purchase	598	5,234	3,130	14
	598		3,130	14

As provided for by the international accounting standards, the portion of gain or loss relating to the valuation of these derivatives regarding hedge transaction that have not yet taken place, was recognised, net of the related tax effect, under other comprehensive income, and will be subsequently booked to the income statement consistently with the hedged element.

The effects on the separate income statement and other comprehensive income of the hedging transactions described above are summarised, pursuant to IFRS 7, in the table below:

	Change in fair value of hedging instrument booked to O.C.I.	Cost of the hedge booked to O.C.I.	Amount reclassified from hedging reserve (cash flow hedge) to the separate income statement in the following financial statements items			Amount reclassified from reserve for cost of the hedge to the separate income statement in the following financial statements items		
			Revenues	Purchases	Financial	Revenues	Purchases	Financial

	(Cash Flow Hedge)				components			components
Cash flow hedge:								
- sales of products and purchases of raw materials in foreign currency highly likely	(143)	(375)	58	(86)	70	173	(153)	(135)
- purchases of copper	73	-	-	2	-	-	-	-
- floating rate loans	(110)	-	-	-	30	-	-	-

Trading derivatives refer to transactions that do not meet international accounting standard requirements for the application of hedge accounting.

These derivatives regard forward contracts on currencies related to forward purchases of US Dollars, described in the table below:

Contract type	Currency	Average exchange rate	Notional value (Currency/000)	Fair value (Euro/000)
Forward - Purchase	USD/INR	69.40	346	(1)
Forward - Purchase	USD/COP	3,238.50	1,574	(14)
Total				(15)

The valuation techniques used to calculate the fair value of derivative contracts are explained below:

- Foreign exchange rates: Discounted cash flow method, where the expected cash flows to discount have been estimated on the basis of the difference between the forward exchange rates seen in the curve of market rates as at the date of the financial statements and the contractual forward exchange rates; discounting was calculated on the basis of the zero coupon curve as at June 30th, 2019, properly adjusted to consider the premium connected with the “compliance risk”;
- Copper: Discounted cash flow method, where the expected cash flows to discount were calculated on the basis of the difference between the expected future value of the average price of copper on the London Metal Exchange (L.M.E.) and the contractually agreed fixed price; discounting was calculated on the basis of the zero coupon curve as at June 30th, 2019, appropriately adjusted to take into account the premium connected with the “compliance risk”;
- Interest rates: Discounted cash flow method, where the expected cash flows to discount have been estimated on the basis of the difference between the forward interest rates seen in the curve of market rates as at the date of the financial statements and the contractual forward interest rates; discounting was calculated on the basis of the zero coupon curve as at June 30th, 2019, properly adjusted to consider the premium connected with the “compliance risk”;

Additional information required by IFRS 7 and IFRS 13 is included under note no. 38.

14. Cash and cash equivalents — 11,637

Breakdown	Book value 31.12.2018	Increases/ decreases	Book value 30.06.2019
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Bank deposits:			
- demand bank deposits	17,906	(6,289)	11,617
- term bank deposits	-	8	8
	17,906	(6,281)	11,625
Cash on hand	13	(1)	12
Total	17,919	(6,282)	11,637

Cash and cash equivalents (bank deposits and cash on hand) as at June 30th, 2019 respectively refer to the parent Isagro S.p.A. for € 7,885 thousand and the subsidiaries for € 3,752 thousand.

The decrease in cash and cash equivalents, compared to December 31st, 2018, is attributable to the absorption of resources by current operations, as well as the continued investments in tangible and intangible assets, as highlighted in the cash flow statement to which reference should be made.

Demand deposits are floating-rate deposits. The average interest rate on bank and foreign currency deposits of the Group as at June 30th, 2019 was 0.08% per year.

15. Equity attributable to owners of the parent - 92,311

The breakdown of and changes in Equity attributable to owners of the parent are explained in the “Consolidated Statement of changes in shareholders’ equity in the first half of 2019”.

The share capital of the parent Isagro S.p.A. amounted to € 24,961 thousand as at June 30th, 2019, fully subscribed and paid up, and comprised 24,549,960 Ordinary Shares and 14,174,919 "Growth Shares", which are included in a new class of special shares whose characteristics are described below.

The item “Reserves”, amounting to € 38,674 thousand, comprises:

- Share premium reserve	44,910	
- Hedging reserve (<i>cash flow hedge</i>)	(363)	
- Reserve for cost of the hedge (<i>hedging</i>)	(192)	
- Translation difference	(9,645)	
- Other reserves:		
* merger surplus	1,079	
* legal reserve	3,680	
* treasury shares	(1,203)	
* top manager retention plan	408	
		3,964
- Total		38,674

The “share premium reserve” is recognised net of the costs incurred by the parent in relation to the share capital increase transactions carried out in previous years. These costs, net of the tax effect of € 1,228 thousand, amount to € 2,356 thousand.

In relation to the item “Treasury shares”, it should be noted that the parent Isagro S.p.A. purchased 890,000 own “growth shares” for a value of € 1,119 thousand, recognised under equity reserves.

The purpose of the purchase of these shares was for the “Incentive and long-term retention plan” reserved for top managers of the parent Isagro S.p.A. and illustrated in note no. 28, to which reference should be made. The cost of the incentive, corresponding as at June 30th, 2019, to € 407 thousand, of which € 192 thousand pertaining to the first half of 2019, was recognised under “personnel costs” and a balancing entry was recorded under equity reserves. The item also includes € 84 thousand relating to the capital loss, realised in 2018 and booked directly to equity reserves, following the sale of 50,000 ordinary treasury shares.

An amount of € 5,944 thousand of the item “merger surplus” was utilised in the half by the parent Isagro S.p.A. to fully cover the loss of the previous year.

The changes in the “Hedging reserve - cash flow hedge” are illustrated below; the item includes the amount, transferred to the statement of comprehensive income, of the gains and losses relating to cash flow hedge transactions, deriving from interest rate swaps, commodity futures and currency forwards contracts (see note no. 13): The accumulated gains and losses are then released to the income statement when the hedged transaction impacts the Group income statement:

<u>Hedging reserve (cash flow hedge)</u>	<i>Interest</i>	<i>Commodity</i>	<i>Currency</i>	<i>Total</i>
Value as at December 31st, 2018	(60)	(44)	(153)	(257)
Profits/(Losses) generated in the period	(110)	73	(143)	(180)
Losses reclassified to the Income Statement	30	2	42	74
Value as at June 30th, 2019	(140)	31	(254)	(363)

Prudentially, no deferred tax effect was allocated.

The “Cost of the hedge” reserve includes the effect of the change in the fair value of the forward element of the “currency forward” contracts following the decision to designate only the change in the spot element of the forward contract as a hedging instrument, therefore, excluding its forward element. Nonetheless, the latter regards a hedged element relating to a given operation/transaction given that, in relation to the type of hedges put in place to manage exchange rate risk, the nature of the hedged element is an operation for which the forward element represents a cost. Also in this case, the accumulated gains and losses in the reserve are then released to the income statement when the hedged transaction impacts the company’s income statement. The following table shows the change in the reserve during the year:

<u>“Cost of the hedge” reserve</u>	
Value as at December 31st, 2018	298
Losses generated in the period	(375)
Profits reclassified to the Income Statement	(115)
Value as at June 30th, 2019	(192)

Prudentially, no deferred tax effect was allocated.

The positive change in the “Translation difference”, of € 669 thousand, is to be attributed mainly to the revaluation of the Indian Rupee against the Euro.

Characteristics of the “Growth Shares”

The rights and characteristics of the Growth Shares issued by the parent Isagro S.p.A. are summarized hereunder. These shares were listed on the STAR segment of the Electronic Stock Market of Borsa Italiana, where the company’s ordinary shares are also listed.

Absence of voting right

Pursuant to article 7 of the Company’s Articles of Association, the Growth Shares are without voting rights in the Shareholders’ Meetings, while, pursuant to article 14 of the Company’s Articles of Association, they have a voting right in the special Shareholders’ Meetings for owners of Growth Shares, pursuant to regulations and legal majority rules. In particular, resolutions affecting the rights of the Growth Shares shall be approved by the aforesaid special Shareholders’ Meeting.

Privilege in the distribution of profits

Pursuant to article 24 of the Company’s Articles of Association, net profit resulting from the Financial Statements, duly approved by the Shareholders’ Meeting, after deducting 5% for the legal reserve, until reaching the threshold set by law, will be distributed according to decisions made by the Shareholders’ Meeting. "Growth shares" have a privilege on profit distribution decided by the Shareholders' Meeting, for amounts available as from the year ended December 31st, 2014. The distribution, in fact, shall be carried out so that each "growth share" has a total dividend increased by 20% with respect to the dividend assigned to ordinary shares. In the event of distribution to any other reserve, Growth Shares will have the same rights as Ordinary Shares.

Conversion to ordinary shares

All “Growth Shares” are automatically converted into Ordinary Shares, with a one-to-one ratio, in the event that Piemme S.r.l., which currently heads the Isagro Group’s chain of control, directly or indirectly reduces its interest to below 50%, or if one or more parties are required to launch a mandatory public offer, to which the holders of Growth Shares can then subscribe as a result of their shares being converted into Ordinary Shares with voting rights. Moreover, the “Growth Shares” will be converted in the event a voluntary offer is called for which the offeror who, at the close of the offer, would exceed the 30% limit set out by law, is not obliged to call for a subsequent offer, and when the holding Holdisa S.r.l. subscribed to this offer with a number of ordinary shares sufficient to reduce its equity investment to below 50%.

16. Current and non-current financial payables – 86,440

Current financial payables - 41,779

Non-current financial payables - 44,661

The following table illustrates changes in current and non-current financial payables:

Breakdown	Book value 31.12.2018	Impact of IFRS 16	Book value 01.01.2019	Increases/ decreases	Book value 30.06.2019
Current financial payables:					
- banks	38,511	-	38,511	(618)	37,893
- other lenders	1,683	-	1,683	1,077	2,760
- lease	55	1,194	1,249	(123)	1,126
	40,249	1,194	41,443	336	41,779

Non-current financial payables:					
- banks	37,855	-	37,855	1,006	38,861
- other lenders	1,254	-	1,254	40	1,294
- lease	-	4,554	4,554	(48)	4,506
	39,109	4,554	43,663	998	44,661
Total	79,358	5,748	85,106	1,334	86,440

The item presents, with respect to January 1st, 2019, i.e. after the introduction of accounting standard IFRS 16 - which provides a new method of accounting for lease contracts (for a more in-depth analysis of the effects of this adoption please make explicit reference to paragraph “Accounting standards, amendments and interpretations applied as from January 1st, 2019”) -, an increase of € 1,334 thousand.

Current payables due to banks, other lenders and leases as at June 30th, 2019 include the current portion of the medium/long term loans, amounting to € 27,178 thousand.

The average interest rate on the bank loans (in Euro, US Dollars, Colombian Pesos and Brazilian Reals), except for finance leases, is 1.52%.

The characteristics of the main medium/long-term loans granted to the parent Isagro S.p.A. are summarised in the following table. The balances of the residual debt as at June 30th, 2019 include both the short-term portions of the loans described, included in the financial statements under current financial liabilities, and the accrued interest.

Amounts in thousands of euro	
Loans outstanding as at December 31st, 2018	
Loan granted by Banca Mediocredito Italiano with a duration of 5 years, repayable in quarterly payments starting from 2015 and requiring compliance with covenants.	1,199
Loan granted by Banca Monte dei Paschi di Siena with a duration of 4 years, repayable in quarterly payments starting from 2015.	156
Loan granted by BPER: Banca (Banca Popolare dell'Emilia Romagna) with a duration of 42 months, repayable in half-yearly payments starting from 2017 and requiring compliance with covenants.	2,048
Loan granted by Banca del Mezzogiorno with a duration of 5 years, repayable in half-yearly payments starting from 2016 and requiring compliance with covenants.	1,995
Loan granted by Banco Popolare with a duration of 4 years, repayable in half-yearly payments starting from 2017.	1,000
Loan granted by Banca Popolare Commercio & Industria with a duration of 4 years, repayable in quarterly payments starting from 2016 and requiring compliance with covenants.	1,290
Loan granted by UBI Banca with a duration of 99 months, repayable in half-yearly payments starting from 2021.	239
Subsidised loan granted by Cassa Depositi e Prestiti in relation to the research project “Utilizzo di piattaforme bioinformatiche per l’individuazione di nuovi agrofarmaci” [Use of bio-IT platforms to identify new crop protection products], with a duration of 99 months, repayable in half-yearly payments starting from 2017.	1,609
Loan granted by Iccrea BancaImpresa with a duration of 4 years, repayable in quarterly instalments starting from 2017. S.A.C.E. issued a guarantee on this loan for € 984 thousand.	1,868
Loan granted by Deutsche Bank with a duration of 48 months, repayable in half-yearly instalments starting in 2016 and requiring compliance with covenants.	312
Loan granted by Banca CARIGE Italia with a duration of 4 years, repayable in half-yearly instalments starting from 2017.	760
Loan granted by Banca Popolare di Milano with a duration of 37 months and repayable in monthly instalments starting from 2017.	505
Loan granted by UniCredit with a duration of 48 months, repayable in half-yearly instalments starting in 2017 and requiring compliance with covenants.	3,018
Loan granted by Banca Nazionale del Lavoro with a duration of 48 months, repayable in quarterly instalments starting in 2017 and requiring compliance with covenants.	2,016
Loan granted by Banca Mediocredito Italiano with a duration of 4 years, repayable in half-yearly instalments starting from 2017 and requiring compliance with covenants.	1,500
Loan granted by Banca Popolare del Lazio with a duration of 3 years, repayable in quarterly instalments starting from 2018.	1,005
Loan granted by UBI Banca with a duration of 4 years, repayable in quarterly instalments starting from 2018 and requiring compliance with covenants.	3,149

Loan granted by Banca CARIGE with a duration of 4 years, repayable in half-yearly instalments starting from 2018.	1,575
Loan granted by Banca di Credito Cooperativo di Carate Brianza with a duration of 4 years, repayable in quarterly instalments starting from 2018.	1,072
Loan granted by Cassa Centrale Raiffeisen dell'Alto Adige with a duration of 5 years, repayable in half-yearly instalments starting from 2017 and requiring compliance with covenants.	1,814
Loan granted by Credito Valtellinese with a duration of 48 months, repayable in quarterly instalments starting from 2018 and requiring compliance with covenants.	1,380
Loan granted by Banca Popolare di Milano with a duration of 36 months, repayable in monthly instalments starting from 2018.	1,209
Loan granted by Banca Monte dei Paschi di Siena with a duration of 5 years, repayable in half-yearly instalments starting from 2019 and requiring compliance with covenants.	4,988
Loan granted by Banco BPM with a duration of 5 years, repayable in quarterly instalments starting from 2019 and requiring compliance with covenants.	4,444
Loan granted by Banca Crédit Agricole Cariparma with a duration of 5 years, repayable in half-yearly instalments starting from 2018 and requiring compliance with covenants.	4,776
Loan granted by Banca di Credito Cooperativo di Caravaggio, Adda e Cremasco with a duration of 4 years, repayable in quarterly instalments starting from 2019 and requiring compliance with covenants.	1,987
Subsidised loan granted by Banca del Mezzogiorno – Mediocredito Centrale in relation to the first S.A.L. (progress report) of the research project called “Difendere la produzione agricola dagli stress abiotici (siccità, salinità, caldo, freddo) mediante prodotti di origine naturale” [Protecting agricultural production from abiotic stresses (drought, salinity, hot, cold) with natural products], with a duration of 8 years, repayable in half-yearly instalments starting from 2019.	184
Loan granted by Iccrea BancaImpresa with a duration of 4 years, repayable in half-yearly instalments starting from 2018 and requiring compliance with covenants.	3,611
Loans obtained in the first half of 2019	
Loan granted by Unicredit with a duration of 4 years, repayable in quarterly instalments starting from 2019 and requiring compliance with covenants.	2,811
Loan granted by Banca Mediocredito Italiano with a duration of 4 years, repayable in quarterly payments starting from 2019.	2,804
Loan granted by Banco BPM with a duration of 4 years, repayable in quarterly instalments starting from 2019 and requiring compliance with covenants.	3,989
Loan granted by Banca Popolare di Sondrio with a duration of 4 years, repayable in quarterly payments starting from 2019.	2,995
Loan granted by Banca del Mezzogiorno – Mediocredito Centrale with a duration of 3 years, repayable in quarterly payments starting from 2019 and requiring compliance with covenants.	1,996
Loan granted by Credito Valtellinese, in the form of a stand-by credit line, with a duration of eighteen months less one day.	998

In the first half of 2019, the parent Isagro S.p.A. obtained new medium/long-term loans from banks and other lenders for a total of € 16,242 thousand.

The covenants to be complied with for a number of the aforementioned loans are described later in this report.

With reference only to the loans obtained in the first half of 2019, the main events, whose occurrence entitles the financing institution to withdraw from the agreement, are indicated below, while their description, referred to loans existing as at December 31st, 2018, reference is expressly made to the consolidated financial statements of 2018.

Loan granted by UniCredit:

- the parent Isagro S.p.A. uses the loan for purposes other than those for which the loan was granted;
- the parent Isagro S.p.A. did not arrange for the full and timely payment of even one loan repayment instalment;
- the parent Isagro S.p.A. is subject to enforcement orders or seizure of bank assets or there was objective danger of loan prejudice;
- the parent Isagro S.p.A. or one of its subsidiaries fails to pay one of its financial debts on the due date.

Loan granted by Banca Mediocredito Italiano:

- the parent Isagro S.p.A. does not respect the various obligations to the lender set forth in this contract;
- the documentation produced or the declarations made by the parent Isagro S.p.A. are not truthful;
- the parent Isagro S.p.A. i) does not provide prompt information to the lender of any event that concerns it or other companies in the Group it belongs to, for which there is an obligation of communication to the public pursuant to Legislative Decree no. 58 of 24 February 1998 and part III, title II of the implementing regulation regarding the regulation of issuers pursuant to CONSOB resolution no. 11971 of 14 May 1999 and subsequent

- amendments; ii) does not provide the lender with all the documents required by sections IV and V of part III, title II, chapter II of the CONSOB regulation mentioned in point i);
- the lender has information of seizures, forfeitures or judicial mortgages regarding assets owned by the parent Isagro S.p.A.;
- Piemme S.r.l., that currently indirectly controls the parent Isagro S.p.A., cedes to third parties its equity investment that ensures indirect control before the claims of the lender deriving from the loan are satisfied.
- the lender has information on the non-fulfilment of the credit, financial or guarantee obligations assumed by the parent Isagro S.p.A. to other banks in the Group to which the lender or another entity belongs.

Loan granted by Banco BPM:

- Holdisa S.r.l. and Piemme S.r.l., respectively direct and indirect holding company of the parent Isagro S.p.A., cease i) to hold the majority of the shares of Isagro S.p.A., ii) to hold the power to appoint the majority of the directors of Isagro S.p.A. and of Holdisa S.r.l., iii) to hold the power to exercise the majority of voting rights that may be exercised in the extraordinary shareholders' meeting of Isagro S.p.A. and of Holdisa S.r.l.;
- the parent Isagro S.p.A. does not comply with both of the covenants described below;
- the parent Isagro S.p.A. fails to promptly and fully pay any amount due to the bank and has not remedied this situation within 10 working days;
- the parent Isagro S.p.A. uses the loan for purposes other than those for which it was granted;
- the parent Isagro S.p.A. is subject to any insolvency proceeding, is declared as insolvent or declares that it has become insolvent, third parties file for enforcement proceedings on assets exceeding € 1,000 thousand, lawsuits, disputes, litigation, arbitration, administrative or judicial proceedings are filed that may compromise its ability to repay its debts;
- the parent Isagro S.p.A. does not fulfil its financial obligations, other than those which are covered by the loan agreement, for amounts exceeding a total of € 250 thousand.

In addition:

the parent Isagro S.p.A. cannot i) amend its articles of association, without the prior written consent of the lender, in such a way as to prejudice its legal, equity, financial, economic, administrative or technical situation, and thereby compromise its ability to repay its debts; ii) suspend, interrupt or change its current business activity; iii) resolve to reduce its share capital, with the exception of cases of legal obligation; iv) propose the placement into voluntary liquidation; v) establish equity funds addressed to a specific deal; vi) grant mortgages to other lenders, mandates to enter into mortgages or real guarantees on its tangible or intangible assets, and arrange for its shares to constitute a pledge, without prejudice to the real restrictions that were in place on the date of signature of the loan agreement and to those imposed by the law or by judicial orders.

Loan granted by Banca Popolare di Sondrio:

- the parent Isagro S.p.A. has failed to disclose payables for taxes, duties, services of any kind and taxes relating to the credit of the lender;
- events are verified as such to negatively impact the equity, financial and economic position of the parent Isagro S.p.A. which puts the satisfaction of the claims of the lender in danger;
- the parent Isagro S.p.A. is subject to protests, seizure of bank assets or enforcement orders or bankruptcy proceedings, seizures or judicial mortgages;
- the parent Isagro S.p.A. does not pay an instalment 15 days after expiry.

In addition:

the parent Isagro S.p.A., for the entire duration of the loan and until the full repayment of the loan, is obliged to i) immediately inform the lender, via registered letter, of any circumstance or event that may substantially modify its equity balance; ii) inform the lender of any new medium and long-term loans requested from other institutions or entities; iii) not change and not cease its main business.

Loan granted by Banca del Mezzogiorno-Mediocredito Centrale:

- the parent Isagro S.p.A. uses the loan for purposes other than those for which the loan was granted;
- the parent Isagro S.p.A. does not make the payment of just one instalment and does not remedy the situation within 30 days of the communication of said non-fulfilment;
- the non-truthfulness or incompleteness of one or more declarations issued by the parent Isagro S.p.A. is identified or a substantial inconsistency of the actual legal, technical, financial, corporate, equity, economic or ownership situation of Isagro S.p.A. or its subsidiaries with respect to the position resulting from the documentation delivered is identified;
- the parent Isagro S.p.A. has transferred, suspended or modified substantially its core business or one of the situations set forth in articles 2446, 2447, 2842-bis and 2482-ter of the Italian Civil Code is verified;
- enforcement procedures are initiated or seizures of bank assets performed or judicial mortgages recorded on the assets of the parent Isagro S.p.A. for amounts exceeding a total of € 500 thousand.

In addition:

the parent Isagro S.p.A., for the entire duration of the loan and until the full repayment of the loan, is obliged to i) immediately inform the lender of any circumstance or event that may substantially modify its equity balance; ii) not approve changes to the articles of association which may involve substantial changes to its object or activities carried out; iii) not transfer its registered office abroad; iv) not enter into any transactions of any kind involving speculative financial instruments; v) not grant any intercompany loans to its parent companies; vi) not establish mortgages on its immovable assets or allow them to be established.

Current financial payables to other lenders refer, for € 315 thousand, to the current portion of the subsidised loan granted by Cassa Depositi e Prestiti, already illustrated in the previous table, and for € 2,445 thousand, to payables to factoring companies in relation to the reverse factoring transactions.

The item “leases” refers to the residual value as at June 30th, 2019, of the present value of future payments due for use of the assets, whose associated right was booked to the item “Rights of use”; for more details in relation to the effects of the application of accounting standard IFRS 16, please refer to note 3.

The table below summarises the loans, including those relating to leases, granted to the Group, broken down by currency:

Currency of the loan	Amount in thousands of euro	Amount in currency (thousands)	Effective average interest rate %
Euro	80,677	80,677	1.40%
US Dollars	4,496	5,116	4.76%
Indian Rupees	706	55,420	10.00%
Colombian Pesos	501	1,823,765	5.99%
Brazilian Reals	29	127	7.61%
Chinese Renminbi (Yuan)	26	200	0.94%
Vietnamese Dong	4	119,338	0.73%
Argentine Peso	1	58	13.68%
Total	86,440		

The debt exposure of the Group broken down by maturity is shown in the table below:

	Payables broken down by maturity						
	Within 1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
Payables due to banks:							
- floating rate	30,968	17,064	11,144	7,778	494	-	67,448
- fixed rate	6,925	1,923	342	23	23	70	9,306
Total Payables due to banks	37,893	18,987	11,486	7,801	517	70	76,754
Payables due to other lenders							
- floating rate	2,445	-	-	-	-	-	2,445
- fixed rate	315	318	321	324	331	-	1,609
Total Other lenders	2,760	318	321	324	331	-	4,054
Leases							
- fixed rate	1,126	1,090	453	377	349	2,237	5,632
Total leases	1,126	1,090	453	377	349	2,237	5,632
Total	41,779	20,395	12,260	8,502	1,197	2,307	86,440

Lastly, it should be noted that, as at June 30th, 2019, the Group has a number of lines of credit outstanding, granted by banks and other financial institutions, totalling € 91,813 thousand (including “trade” facilities for € 64,040 thousand, of which € 17,846 thousand used, and “financial” facilities of € 27,773 thousand, of which € 10,630 thousand used), as shown in the table below:

	Lines of credit	
	granted	used
Parent	76,850	23,206
Subsidiaries	14,963	5,270
Total	91,813	28,476

COVENANTS

In compliance with the CONSOB Communication of July 28th, 2006, the loans for which certain equity and economic requirements (covenants) must be satisfied are listed below, together with the features of such requirements. The amounts indicated are shown before commissions and ancillary charges.

Bank	Nominal amount of the loan	Residual amount of the loan	Covenants	Effects
Bank Crédit Agricole Cariparma	€ 6,000	€ 4,776	a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year as from that ended on December 31st, 2018 and until the full repayment of the loan. b) consolidated debt/equity ratio not greater than 1.50 for each year as from that ended on December 31st, 2018 and until full repayment of the loan.	Failure to comply with the two covenants shall result in the termination of the loan and the repayment of all amounts still due including interest.
Banco BPM	€ 9,000	€ 8,433	a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year as from that ended on December 31st, 2018 and until the full repayment of the loan. b) consolidated debt/equity ratio not greater than 1.50 for each year as from that ended on December 31st, 2018 and until full repayment of the loan.	Failure to comply with the two covenants shall result in the termination of the loan and the repayment of all amounts still due including interest.
			a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year	Failure to comply with the two covenants shall result in a

Banca Monte dei Paschi di Siena	€ 5,000	€ 4,988	b) as from that ended on December 31st, 2018 and until the full repayment of the loan. consolidated debt/equity ratio not greater than 1.50 for each year as from that ended on December 31st, 2018 and until full repayment of the loan.	revision of the spread to an additional 0.5% and also the termination of the loan and repayment of all amounts still due including interest.
BPER: Banca (Banca Popolare dell'Emilia-Romagna)	€ 7,000	€ 2,048	a) ratio between the consolidated net financial position and consolidated EBITDA: less than 4.5 for each year as from that ended on December 31st, 2015 and until the full repayment of the loan. b) ratio between the consolidated net financial position and consolidated equity not greater than 1.50 for each year as from that ended on December 31st, 2015 and until full repayment of the loan.	Failure to comply with the two covenants shall result in the termination of the loan and the repayment of all amounts still due including interest.
UBI Banca/Banca Popolare Commercio & Industria	€ 10,000	€ 4,439	a) ratio between the consolidated net financial debt and the consolidated EBITDA from December 31st, 2017 and until full repayment of the residual debt: less than 4. b) consolidated debt/equity ratio from December 31st, 2017 and until full repayment of the residual debt: less than 0.75.	Failure to satisfy even one of the financial indicators will result in the application of the following spreads: - with reference to the debt/EBITDA ratio : 1.55% if the ratio is less than 4; 1.80% if the ratio is greater than 4 and less than 4.25; 2.05% if the ratio is greater than 4.25 and less than 4.5; 2.30% if the ratio is greater than 4.5; - with reference to the debt/equity ratio : 1.55% if the ratio is less than 0.75; 1.80% if the ratio is greater than 0.75 and less than 1; 2.05% if the ratio is greater than 1 and less than 1.5; 2.30% if the ratio is greater than 1.5. Failure to comply with both the covenants with ratios exceeding 4.5 (for the consolidated debt/EBITDA ratio) and 1.5 (for the consolidated debt/equity ratio) shall result in the termination of the loan and the repayment of all amounts still due including interest.
Mediocredito Italiano	€ 12,000	€ 5,503	a) ratio between consolidated net financial position and consolidated EBITDA from December 31st, 2015 and until full repayment of the residual debt: less than 4.5 b) ratio between consolidated net financial position and consolidated equity from December 31st, 2015 and until full repayment of the residual debt: less than 1.5	Failure to comply with the two covenants shall result in the termination of the loan and the repayment of all amounts still due including interest.
			a) consolidated debt/EBITDA ratio until full repayment of the residual debt: less than 4.5	Failure to comply with the two covenants shall result in the termination of the loan

Banca del Mezzogiorno	€ 7,000	€ 3,991	b) consolidated debt/equity ratio until full repayment of the residual debt: less than 1.5	and the repayment of all amounts still due including interest.
Deutsche Bank	€ 1,000	€ 312	a) ratio between consolidated net financial position and consolidated EBITDA until full repayment of the residual debt: less than 4.5 b) ratio between consolidated net financial position and consolidated equity until full repayment of the residual debt: less than 1.5.	Failure to comply with the two covenants shall result in the termination of the loan and the repayment of all amounts still due including interest.
UniCredit	€ 9,000	€ 5,829	a) consolidated debt/EBITDA ratio as at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 4.5 b) consolidated debt/equity ratio as at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 1.5	Failure to comply with the two covenants shall result in the termination of the loan and repayment of all amounts still due including interest.
Banca Nazionale del Lavoro	€ 4,000	€ 2,016	a) consolidated debt/EBITDA ratio as at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 4.5 b) consolidated debt/equity ratio as at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 1.5	Failure to comply with the two covenants shall result in the termination of the loan and repayment of all amounts due including interest.
Cassa Centrale Raiffeisen dell'Alto Adige	€ 3,000	€ 1,814	a) ratio between consolidated net financial position and consolidated EBITDA as at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 4.5. b) ratio between consolidated net financial position and consolidated equity as at December 31st, 2017 and until full repayment of the residual debt: less than or equal to 1.5.	Failure to comply with one of the covenants will entail an increase of 0.25% in the spread.
Credito Valtellinese	€ 2,000	€ 1,380	a) ratio between consolidated net financial position and consolidated EBITDA until full repayment of the residual debt: less than or equal to 4.5. b) ratio between consolidated net financial position and consolidated equity until full repayment of the residual debt: less than or equal to 1.5.	Failure to comply with one of the covenants will entail an increase of 0.25% in the spread. Failure to comply with both the covenants shall result in the termination of the loan and repayment of all amounts due including interest.
Iccrea BancaImpresa	€ 4,000	€ 3,611	a) ratio between the consolidated net financial debt and the consolidated EBITDA: less than 4.5 for each year as from that ended on December 31st, 2018 and until the full repayment of the loan. b) consolidated debt/equity ratio not greater than 1.50 for each year as from that ended on December 31st, 2018 and until full repayment of the loan.	Failure to comply with the two covenants shall result in the termination of the loan and repayment of all amounts still due including interest, except where, Isagro S.p.A., within 30 working days of the date of approval of the financial statements, has undertaken initiatives to remedy said violation.
Banca di Credito Cooperativo di Caravaggio, Adda e Cremasco	€ 2,000	€ 1,987	a) ratio between consolidated net financial position and consolidated EBITDA until full repayment of the residual debt: less than or equal to 4.5. b) ratio between consolidated net financial position and consolidated equity until full repayment of the residual debt: less than or equal to 1.5.	Failure to comply with one of the covenants will entail an increase of 0.25% in the spread.

The assessment of compliance with the above covenants is performed annually; if the assessment had been performed as at June 30th, 2019, non-compliance with solely the covenant relating to the consolidated net financial position/consolidated EBITDA ratio would have been recorded.

Moreover, it is reported that solely non-compliance with both financial covenants set forth in the above loan agreements (ratio between NFP/EBITDA and NFP/SE) shall result in termination of the associated loan agreements, with the subsequent repayment of all amounts still due including interest.

NET FINANCIAL POSITION

As required by CONSOB Communication no. DEM/6064293/2006 of July 28th, 2006, and also in accordance with the Recommendation of the ESMA (European Security & Market Authority), formerly the CESR (Committee of European Securities Regulators), of February 10th, 2005, the net financial position of the Group as at June 30th, 2019 was as follows:

	30.06.2019	31.12.2018
Bank deposits and cash	(11,637)	(17,919)
Cash (A)	(11,637)	(17,919)
Other current financial assets (securities)	(14,374)	(13,796)
Current financial receivables and other assets (B)	(14,374)	(13,796)
Current payables due to banks	12,034	13,648
Current payables due to other lenders	2,445	1,412
<i>Leases</i>	122	-
Current portion of non-current financial payables	27,178	25,189
Current financial payables (C)	41,779	40,249
Net current financial debt (A+B+C)	15,768	8,534
Non-current payables due to banks	38,861	37,855
Non-current payables due to other lenders	1,294	1,254
<i>Leases</i>	4,506	-
Non-current financial payables (D)	44,661	39,109
Net financial debt as per CONSOB Communication no. DEM/6064293/2006 (A+B+C+D)	60,429	47,643
Other non-current financial assets	(2,503)	(2,503)
Financial assets for trading derivatives and IRS	(76)	(138)
Financial liabilities for trading derivatives and IRS	251	115
Net financial debt of the Group	58,101	45,117

The net financial position recorded an increase of € 12,984 thousand compared to December 31st, 2018, i.e. before the adoption of accounting standard IFRS 16 - Leases, which took place with effect from January 1st, 2019 and which involved an increase of € 5,748 thousand in financial liabilities; considering the balance as at January 1st, 2019, the increase in net financial indebtedness would be € 7,236 thousand. This increase was generated primarily as a result of the continuation of the investments in intangible assets of the Group, and following the absorption of financial resources by operating activities, as shown in the statement of cash flows.

17. Employee Benefits - 2,468

The following table illustrates the change in the severance indemnity fund (SIF) of the parent Isagro S.p.A. and in the “Gratuity Fund” of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., which can be classified, as per IAS 19, as “defined benefits plans” among “post-employment benefits”:

	Severance Indemnity Fund (SIF)	Gratuity Fund (pension fund)	Total
Value as at Dec. 31st, 2018	2,072	312	2,384
Cost of employee benefits	138	74	212
Settlements/transfers/payments	(133)	-	(133)
Translation difference	-	5	5
Value as at Jun. 30th, 2019	2,077	391	2,468

Information on the Severance Indemnity Fund

The “Severance Indemnity Fund” reflects the Group’s residual obligation regarding the indemnity to pay Italian employees when their employment ceases. This indemnity can be partially paid in advance to the employee during his or her working life in certain circumstances. It is a defined unfunded benefit plan only in connection with the indemnity employees accrue up until December 31st, 2006. In fact, certain legislative changes turned the severance indemnity fund into a defined

benefit plan starting from that date, resulting in the Group paying indemnities that accrued in each year (equal to about 7.41% of the employees' wages) into outside pension funds.

The actuarial valuations used to calculate the liabilities were made using the Projected Unit Credit Method.

The main demographic and financial assumptions used to measure the obligations as at June 30th, 2019, were as follows:

- discount rate: 0.40%
- staff turnover rate: 4.60%
- inflation rate: 1.50%
- annual rate of increase in severance indemnity fund 2.62%.

A probability of turnover consistent with the historic trend of the phenomenon was used for the staff turnover rate, whereas for the discounting rate it was decided to use the rate of return of corporate AA-rated securities in the Eurozone as reference.

The table below shows the total cost of the severance indemnity fund:

	Breakdown
Financial charges for the obligation	12
Actuarial (Gains)/Losses	126
Total	138

The actuarial gains and losses coming from remeasurement of the liabilities were recorded in "Other Comprehensive Income" and recognised under Group equity in the item "Retained earnings". Actuarial losses for the half year, amounting to € 126 thousand, include losses attributable to changes in the financial assumptions of € 123 thousand and losses attributable to changes in the demographic assumptions of € 3 thousand.

Sensitivity analyses were also conducted as regards the option of changing the discounting rate of the obligation, from which it emerged that a parameter increase of a quarter of a percentage point would bring about a € 40 thousand decrease in liabilities, while a decrease of a quarter of a percentage point in the rate would bring about an increase in liabilities of € 42 thousand.

Information on the "Gratuity Fund" pension fund

The "Gratuity Fund" is a funded defined benefit plan that the Group guarantees to the employees of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.. The plan requires that the subsidiary pay in the equivalent of 15 days of wages for every worker who has completed at least one year of service. The payment is made to a special trust fund that invests the funds received in financial assets with a low risk profile (insurance funds). The obligation recognised in the financial statements is therefore the net residual obligation for the Group, meaning the difference between current obligation value and the fair value as at the date of the financial statements of the assets serving the plan. If the pension fund is overfunded, an asset for defined benefits is recorded in the consolidated financial statements since the Group has the right to not fund the plan as long as this condition is maintained.

The actuarial valuations were made using the Projected Unit Credit Method for this plan as well. The main demographic and financial assumptions used as at June 30th, 2019, were as follows:

- discount rate: 7.07%
- staff turnover rate: 10.00%
- expected salary increase: 10.00%
- expected rate of return of the assets serving the plan: 7.07%

The table below shows the breakdown of the cost of the plan:

	Breakdown
Current service cost of the plan	59
Previous service cost of the plan	40
Net financial charges	12
Revaluation of assets serving the plan	(14)
Actuarial (Gains)/Losses	(23)
Total	74

The actuarial components for the “Gratuity Fund” are also recognised among “Other Comprehensive Income” and recorded under Group equity in the item “Retained earnings”. Actuarial gains for the period, corresponding to € 23 thousand, include losses attributable to changes in the financial assumptions for € 21 thousand and gains attributable to changes in the demographic assumptions for € 44 thousand.

The amount recognised to the Balance Sheet breaks down as follows:

Present value of the obligation	(910)
Fair value of the assets	519
Surplus (deficit) of the plan	(391)

Lastly, the following tables show the changes in the current value of the plan obligation and the fair value of the assets serving the plan:

Current initial value of the obligation	822
Borrowing costs	31
Current service cost of the plan	59
Previous service cost of the plan	40
Benefits paid	(32)
Actuarial (Gains)/Losses	(23)
Translation difference	13
Present final value of the obligation	910

Initial fair value of the assets	510
Financial income expected from the assets	19
Revaluation of assets serving the plan	14
Benefits paid	(32)
Translation difference	8
Final fair value of the assets	519

Based on legal requirements, the amount of the payments that the Group must make for this fund over the next 12 months is approximately € 96 thousand, while the amount of the benefits to pay outgoing employees in the next 12 months, based on the projections and actuarial assumptions of the plan, is € 135 thousand.

Sensitivity analyses were also conducted for this fund, as regards the option of changing the discounting rate of the obligation, from which it emerged that a parameter increase of one percentage point would bring about a € 45 thousand decrease in liabilities, while a decrease of one percentage point in the rate would bring about an increase in liabilities of € 50 thousand.

The Group also participates in the “pension funds” which, pursuant to IAS 19, can be classified “defined contribution plans” among the “post-employment benefits”. In relation to these plans, the Group has no additional monetary obligations once the contributions have been paid.

In the first half of 2019, the total costs of such plans, included under “personnel costs”, were € 539 thousand.

18. Other non-current liabilities - 0

Breakdown	Book value 31.12.2018	Increases/ decreases	Book value 30.06.2019
Payables: - guarantee deposits from customers	746	(746)	-
Total	746	(746)	-

The financial statements item related to the amounts received from certain customers of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. as a guarantee for the performance of obligations connected to sale and purchase agreements for crop protection products.

19. Trade payables – 35,759

This item shows an increase of € 3,063 thousand compared to December 31st, 2018 (€ 32,696 thousand); this change, however, is of little significance as a result of the seasonal nature of the crop protection products market of the Group’s business, which tends to focus purchases of raw materials and finished products in the first half of the year. Therefore, a comparison between the balance of trade payables and the values as at June 30th, 2018, amounting to € 39,420 thousand, shows a decrease of € 3,661 thousand, strictly related to the fall in the purchases of raw materials and finished products in the half compared to the first half of 2018 (€ -8,700 thousand approximately), in turn related to a significant drop in the turnover of crop protection products compared to the first half of 2018 and expected forecasts for the second half of the current year.

For the total trade payables due to related parties, reference should be made to note no. 40.

Here below is the breakdown of trade payables by geographic area based on the supplier’s location:

▪ Italy	18,043
▪ Other European countries	3,605
▪ Central Asia and Oceania	11,131
▪ Americas	2,104
▪ Far East	742
▪ Middle East and Africa	134
Total	<u>35,759</u>

Note that the average contractual maturity of trade payables is approximately:

- Italy 95 days;

- Foreign countries 110 days.

The trade payables are due within the following year.

20. Current provisions – 620

The breakdown of the item and changes in current provisions are illustrated in the following table:

Breakdown	Book value 31.12.2018	Changes over the period				Book value 30.06.2019
		Provisions	Uses	Other changes	Overall change	
Current provisions:						
- provision for goods destruction and disposal of obsolete materials	130	-	-	-	-	130
- provision for employee participation bonus and manager/director bonus	1,021	467	(998)	-	(531)	490
Total	1,151	467	(998)	-	(531)	620

The provision for “goods destruction and disposal of obsolete materials” essentially refers to the costs the parent Isagro S.p.A. will incur for the disposal of obsolete materials, needed to improve logistics and storage conditions at the Aprilia industrial complex.

21. Tax payables - 1,799

	Book values 31.12.2018	Increases/ decreases	Book values 30.06.2019
Tax payables:			
- due to tax authorities for direct taxes	1,132	667	1,799
	1,132	667	1,799

The item includes the payable due to the tax authorities for income taxes of the foreign subsidiaries of the Isagro Group and comprises € 1,612 thousand of tax payables of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.. The increase in the item compared to December 31st, 2018 is attributable to the fact that the Indian subsidiary’s tax payable for the previous year, approximately € 1,090 thousand at the exchange rate of June 30th, will be paid, net of the advances already paid, in the second part of the year.

22. Other current liabilities and other payables – 5,985

Breakdown	Book value 31.12.2018	Increases/ decreases	Book value 30.06.2019
Payables:			
- due to social security institutions	1,236	30	1,266
- due to agents and canvassers	155	(38)	117
- due to employees	940	558	1,498
- due to tax authorities for VAT and similar taxes	48	136	184
- due to tax authorities for withholdings and other taxes	769	(219)	550
- advances from customers (contract liabilities)	339	691	1,030
- others	630	710	1,340
Total	4,117	1,868	5,985

The item “advances from customers (contract liabilities)” includes the liabilities deriving from contracts with the customers of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.. In fact, according to accounting standard IFRS 15, the revenue deriving from the sale of crop protection products is recognised at the moment of the transfer of control of the good to the customer, which coincides with the transfer of the risks/benefits connected with ownership of the good, which normally happens at the moment of shipping or delivery of the good to the customer based on the International Commercial Terms (Incoterms) used in the various contracts stipulated with customers; the collection received before the transfer of the risks/benefits connected with ownership of the good is recorded as a liability deriving from contracts with customers until the moment in which the good is shipped or delivered to the customer.

The change in the liabilities deriving from contracts with customers in the first half of 2019 is summarised below:

Value as at Jan 1st, 2019	339
Advances in the previous year closed in relation to sales	(65)
Advances received in the 1st half of 2019	746
Translation difference	10
Value as at Jun 30th, 2019	<u>1,030</u>

Payables due to personnel include payables for holidays accrued and not yet taken, additional months’ pay and expense accounts.

The item “Other” includes € 136 thousand relating to the advance of the food safety grant, which was paid in July 2019, as well as € 784 thousand relating to guarantee deposits received from customers of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd..

23. Segment reporting

As already mentioned, the Isagro Group identified its operating segments pursuant to IFRS 8 in the geographic areas from which the Group may earn revenues and incur expenses, whose results are regularly reviewed by the Group’s chief operating decision maker to assess performance and resource allocation decisions, and for which separate Financial Statements figures are available.

The geographic areas that constitute the Group’s operating segments are as follows:

- Europe

- Asia
- North America
- South America.

The Group assesses the performance of its operating segments on the basis of “Operating result”; the revenues of the above segments include revenue deriving from transactions with both third parties and other segments, measured at arm’s length. In the Group’s ordinary course of business, financial income and charges and taxes are recognised by the corporate entity, because they are not related to operating activities and, therefore, not allocated to single segments.

The table below shows the operating results of the operating segments for the first half of 2019:

1st half 2019	Continuing operations					
	Europe Area	Asia Area	North America Area	South America Area	Adjustments	Total
- Crop protection products	49,658	13,707	1,175	3,766	-	68,306
- Other	4,748	-	-	-	-	4,748
Revenue from third parties	54,406	13,707	1,175	3,766	-	73,054
Intra-segment revenue	5,168	5,440	154	118	(10,880)	-
Revenue from contracts with customers	59,574	19,147	1,329	3,884	(10,880)	73,054
Operating result	(1,609)	1,905	(850)	513	(1,010)	(1,051)
Financial income						559
Borrowing costs						(905)
Gains/(losses) on foreign exchange and derivatives						74
Profits from associates						168
Result before taxes						(1,155)
Income taxes						(1,292)
Net loss						(2,447)
Amortisation and depreciation	4,785	351	42	159	-	5,337
Allocations to provisions	379	24	30	34	-	467
Impairment losses on receivables	7	(389)	(11)	(91)	-	(484)
Severance indemnity fund and similar provisions	138	74	-	-	-	212

The table below shows the operating results of the operating segments for the first half of 2018:

1st half 2018	Continuing operations					
	Europe Area	Asia Area	North America Area	South America Area	Adjustments	Total
- Crop protection products	59,606	13,915	2,235	3,151	-	78,907
- Other	10,138	-	-	-	-	10,138
Revenue from third parties	69,744	13,915	2,235	3,151	-	89,045
Intra-segment revenue	5,676	4,941	443	106	(11,166)	-
Revenue from contracts with customers	75,420	18,856	2,678	3,257	(11,166)	89,045
Operating result	7,316	1,615	(539)	285	78	8,755
Financial income						795
Borrowing costs						(904)
Gains/(losses) on foreign exchange and derivatives						(378)
Profits from associates						109
Result before taxes						8,377
Income taxes						(2,946)
Net profit						5,431
Amortisation and depreciation	4,202	325	5	54	-	4,586
Allocations to provisions	780	36	87	18	-	921
Impairment losses on receivables	201	498	(28)	10	-	681
Severance indemnity fund and similar provisions	(33)	75	-	-	-	42

As the location of the Group's operations is different from that of customers, the following table shows the breakdown of revenues based on the customers' location:

	1st half 2019	1st half 2018
Italy	11,812	16,401
Europe	32,315	31,494
Americas	10,230	22,291
Africa	2,243	2,306
Middle East	2,629	1,886
Central Asia and Oceania	12,231	11,421
Far East	1,824	3,354
DCS losses	(230)	(108)
Total	73,054	89,045

Intragroup transactions were carried out at arm's length.

With respect to the first half of 2018, a decrease in turnover was registered in all operating segments, excluding the "South America" area; for the reasons please see the description later in note no. 24; in particular, the reduction in the turnover of the "Europe" area, and subsequently of the associated operating profit, is attributable to lower sales in Italy and in Europe of the parent Isagro S.p.A., plus the difficult market situation of copper-based products - with high levels of stock at distributors - and also recent regulatory restrictions. Note that the item "Other" of the "Europe" area includes € 2,500 thousand in revenues from M/L Agreements. For a description, please make explicit reference to note no. 24, down € 4,978 thousand compared to the first half of 2018.

With reference to the operating result, compared to the first half of 2018, a significant decrease was recorded in the "Europe" area, as well as an improvement in the "South America" area (€ +228 thousand), thanks to the higher sales in the Brazilian territory by the subsidiary Isagro Brasil Ltda,

and Asia area (€ +290 thousand), as a result of better profit margins on sales, despite a lower level than the first half of the previous year.

The tables below show the segments' assets and liabilities, as well as investments in tangible and intangible assets, as at June 30th, 2019 and December 31st, 2018:

As at June 30th, 2019	Continuing operations					Total
	Europe	Asia	North America	South America	Adjustments	
	Area	Area	Area	Area	Cancellations	
Segment assets	147,582	32,781	7,749	9,207	(16,304)	181,015
Investments in associates						695
Unallocated assets						44,974
						226,684
Segment liabilities	33,640	14,751	954	6,866	(12,113)	44,098
Unallocated liabilities						90,275
						134,373
Investments in Intangible Assets	3,707	-	-	-	-	3,707
Investments in Tangible Assets	575	189	-	2	-	766

As at December 31st, 2018	Continuing operations					Total
	Europe	Asia	North America	South America	Adjustments	
	Area	Area	Area	Area	Cancellations	
Segment assets	135,263	27,353	7,388	6,759	(9,633)	167,130
Investments in associates	593					593
Unallocated assets						49,784
						217,507
Segment liabilities	30,206	9,973	732	5,798	(6,432)	40,277
Unallocated liabilities						82,400
						122,677
Investments in Intangible Assets	5,702	-	-	8	-	5,710
Investments in Tangible Assets	1,801	418	22	104	-	2,345

Segment assets include non-current assets, inventories, trade and other receivables, while tax and financial receivables, equity investments and cash are excluded; the excluded items were recognised as “Unallocated assets”. Liabilities pertaining to each segment do not include tax liabilities and liabilities connected with loans. These amounts were recognised under “Unallocated liabilities”.

The increase in the assets of all sectors with respect to those as at December 31st, 2018, is essentially attributable to the introduction, from January 1st, 2019, of the new accounting standard IFRS 16, which modified the accounting of lease contracts, for which the usage right is now booked under segment assets (€ 6,109 thousand as at June 30th, 2019), as well as the seasonal nature of the Group's business, which involves an increase in working capital in the first half of the year.

With reference to segment liabilities, the “Asia” area recorded an increase as a result of the rise in payables to suppliers for the purchases of raw materials made in the final part of the half to cover production in the second half of 2019. In addition, again due to the application of IFRS 16, an increase was registered in unallocated liabilities due to the recognition under financial payables of the present value of payments due for leases (€ 5,632 thousand as at June 30th, 2019).

INFORMATION ON THE INCOME STATEMENT

24. Revenue from contracts with customers - 73,054

The breakdown of revenues is illustrated in the table below:

Breakdown	1st half 2019			1st half 2018		
	ITALY	FOREIGN COUNTRIES	TOTAL	ITALY	FOREIGN COUNTRIES	TOTAL
Revenue from sales of:						
- Crop protection products	11,241	57,065	68,306	15,222	63,685	78,907
- Raw materials	127	328	455	93	17	110
	11,368	57,393	68,761	15,315	63,702	79,017
Revenue from services:						
- Toll manufacturing	432	1,240	1,672	1,080	1,322	2,402
- M/L-term agreements	-	2,500	2,500	-	7,478	7,478
- Others	11	110	121	6	142	148
	443	3,850	4,293	1,086	8,942	10,028
Total	11,811	61,243	73,054	16,401	72,644	89,045

The item recorded a decrease of € 15,991 thousand, which was determined by a drop in revenues from the sales of crop protection products and raw materials (€ -10,256 thousand), from lower income from M/L Agreements (€ -4,978 thousand) and from less revenues deriving from formulation-related activities carried out at the Aprilia (LT) and Adria (RO) plants of the parent Isagro S.p.A. (€ -730 thousand).

As regards sales of crop protection products, in the first half of 2019, a decrease in sales was recorded in both the Italian market (€ -4 million compared to the first half of 2018) and in the foreign market (€ -7 million compared to the first half of 2018), in particular in Europe (€ -2 million) and in the Americas (€ -5 million). While lower sales made in the Americas, and in particular in the United States, are attributable to both high stocks of Tetraconazole-based crop protection products at distributors at the start of the campaign and adverse weather conditions, which involved a delay to the start of the campaign, lower sales in Italy and in Europe are due not only to the difficult market situation of copper-based products - with high stock levels at distributors - but also recent regulatory restrictions (re-registrations) which had a negative impact on the sales of said copper-based products. The item “M/L Agreements” refers to the upfront payment paid to the parent Isagro S.p.A. by the Spanish company AQL Agroquimicos de Levante S.A. in relation to the seven-year agreement, which can be extended if necessary, in relation to the fumigant Allyl Isothiocyanate which makes provision for the following performance obligations: i) the attribution by Isagro to AQL of a licence right and exclusive data access in relation to the intellectual ownership of the fumigant in given areas and ii) the commitment, on the part of Isagro, to acquire from AQL given quantities of technical product at a pre-established price.

With reference to the first performance obligation, the agreement allows AQL to use the intellectual property relating to the fumigant in order to be able to develop, register, formulate, produce and sell, on an exclusive basis, products based on said active ingredient in some countries; the one-time fee of € 2,500 thousand, which has been recognised as revenue for the year in the item “M/L Agreements” and which is expected to be collected according to the plan described below, was deemed by management to be in line with the market value (so-called fair value) - although difficult

to determine this value, dependent on the type of M/L Agreement - by comparing it with other M/L Agreements signed by Isagro, similar to the one in question.

It should also be noted that the parent Isagro S.p.A. is pressing ahead with the development of a new product formulation with a 20% concentration for which it is envisaged that, once the process of development and registration has been completed, Isagro will guarantee AQL the right to be able to develop, register, formulate, produce and sell said new formulation; the fee for the transfer of this right will be a 2.5% royalty on sales which, according to Isagro's experience - for example, by making reference to the contract stipulated with the US company Arysta LifeScience, described hereunder, which also made provision for a royalty-based remuneration mechanism, combined with the fact that these royalty percentages are in line with those applied in other exclusive distribution agreements signed between the "players" in the crop protection products sector -, would, nonetheless, represent the fair value for said future right.

The aforementioned upfront payment will be collected according to the following plan:

- € 1,500 thousand will be collected in four instalments of € 375 thousand each, due in April, June, September and December 2019;
- € 1,000 thousand will be collected in four annual instalments of € 250 thousand each starting from November 20th, 2020 and which accrue interest at the 12-month EURIBOR + 2% spread.

The agreement also sets forth that AQL can make an early payment of the entire amount of € 1,000 thousand, by only paying the interest accrued until the date of said payment.

With reference to the second performance obligation, the agreement requires Isagro to purchase from AQL volumes of technical product and/or formulations with 20% concentration according to the following plan:

- in the first three years of the sale of the product, Isagro is expected to purchase at least 80% of its requirements and, nonetheless, for a total amount of no less than 500 tonnes;
- between the fourth and seventh years of sale, at least 50% of its requirements.

If the parties decide to extend the agreement, between the eighth and tenth years of sales, Isagro will purchase at least 25% of its requirements.

It should be noted that the price applied by AQL for supplies of the technical product is approximately 10% less than the price currently applied by third-party suppliers for the sale of the same product, in the same way the future requested price for the formulation is roughly 28% less than the production price that would be applied by third-party suppliers.

If Isagro should violate the exclusive right in relation to the sale and distribution of the product in certain areas, AQL would be entitled to receive compensation based on the residual term of the agreement according to the following scheme:

- € 2,500 thousand if the violation occurs in 2020;
- € 1,000 thousand if the violation occurs in the 2021-2022 period;
- € 750 thousand if the violation occurs in the 2023-2025 period.

In the opinion of the Directors of the parent Isagro S.p.A, the likelihood of the occurrence of a violation of the aforementioned exclusive right is, at present, deemed remote.

The item “M/L Agreements” in the previous year referred to the ten-year distribution agreement signed in December 2017, by the parent Isagro S.p.A. and the US company Arysta LifeScience Inc., which can be extended for a further five years, valid only in Brazil, for mixtures based on Fluindapyr, a fungicide owned by Isagro, which is still under development. More specifically, the agreement became effective from June 2018 after the suspensive conditions were met, and envisages the following performance obligations: i) that Arysta is appointed the exclusive distributor of mixtures containing its active ingredients and Fluindapyr, ii) that the same is appointed non-exclusive distributor for mixtures containing Tetraconazole and Fluindapyr, both fungicides owned by Isagro, and iii) that Isagro provides the support needed in Brazil for the registration of mixtures of Fluindapyr and Arysta’s active ingredients. The agreement, which also envisages that Isagro is the exclusive supplier of Arysta for the above-mentioned mixtures in Brazil, provides, with specific reference to the first performance obligation above, that the US company pays Isagro, from the first year of distribution of the mixtures it has exclusive rights over, royalties calculated on sales, according to the following table:

- 4% of total annual sales if the same are less than or equal to US\$ 90 million;
- 3% of total annual sales if the same are between US\$ 90 and 150 million;
- 2% of total annual sales if the same are higher than US\$ 150 million.

Although difficult to determine, given the specific and unique nature of the M/L Agreements signed by Isagro, management deemed that the value of the royalty percentages established contractually should be considered a market value (fair value), insofar as in line with the percentages applied in other exclusive distribution agreements signed with other players in the industry of crop protection products, Isagro’s core business.

In any event, regardless of the level of sales achieved, it is envisaged that Arysta pays the parent Isagro S.p.A. the following minimum amounts (minimum annual fee):

- a) US\$ 1 million to be paid on January 1st of the year following the first sales of the mixtures over which Arysta has exclusive rights;
- b) US\$ 2 million to be paid on January 1st of the year following the payment date indicated in point a) above;
- c) US\$ 3 million to be paid on January 1st of the year following the payment date indicated in point b) above for the entire duration of the agreement.

With regard to the second performance obligation, Isagro’s management deemed that the margin applied for the supplies to be made to Arysta of the mixtures of Tetraconazole and Fluindapyr is in line with the supplies of other crop protection products made by Isagro in Brazil.

The one-time fee of US\$ 9 million, paid to the parent Isagro S.p.A. (third performance obligation of the agreement), which has been recognised as revenue under “M/L Agreements” and collected in the first few days of July 2018, was deemed by management to be in line with the market value - although difficult to determine this value, dependent on the type of M/L Agreement - by comparing it with other M/L Agreements signed by Isagro, similar to the one in question.

The agreement also envisages that, if Isagro manages to obtain the first registration of a Fluindapyr-based product in Brazil before 15 June 2021, Arysta should pay it a further amount varying between a minimum of zero and a maximum of US\$ 8 million, depending on the date on which registration

is obtained; this event was not reflected in the financial statements insofar as the parent Isagro S.p.A. does not believe it is likely.

The agreement also envisages that Isagro S.p.A. must pay a fine of up to a maximum of US\$ 9 million in the period between 2018 and 2035, if one of the following events takes place:

- a) there is a change in the control structure (direct or indirect) of the parent Isagro S.p.A. up until the date on which the registration dossier for Technical Fluindapyr is filed in Europe by Isagro (which occurred in October 2018) or in the United States by FMC (co-developer of the active ingredient), the folder for which has been indicated as complete by the Government Authority (i.e. presumably by the end of the first half of 2019);
- b) the parent Isagro S.p.A. decides not to continue with the co-development of the fungicide Fluindapyr;
- c) Arysta is denied, for any reason, its exclusive distribution rights for the Fluindapyr-based mixtures.

In the opinion of the Directors of the parent Isagro S.p.A., the occurrence of one of the above-cited events is, at present, deemed remote.

To guarantee the proper fulfilment of the obligations envisaged in the agreement, UniCredit has issued Arysta with a bank guarantee on behalf of the parent Isagro S.p.A., for a duration of 6 years, which may be extended, for up to a total amount of € 7,586 thousand; in turn, to guarantee its obligations to the bank issuing the guarantee, Isagro has pledged the sum of € 2,503 thousand, deposited in a restricted interest-bearing account, as already illustrated in note no. 6, to which reference is made.

25. Other operating revenues – 1,740

The breakdown of other operating revenues is described in the following table.

Breakdown	1st half 2019	1st half 2018
Recovery of research costs	249	891
Export incentives	331	437
Indemnities from insurance companies	122	-
Capital gain on disposal of fixed assets	373	27
Minimum guaranteed margins	519	547
Recovery of sundry costs and other income	146	242
Total	1,740	2,144

The item “Recovery of research costs” refers to € 165 thousand for the recovery of 50% of costs incurred by the parent Isagro S.p.A. on behalf of the American company FMC Corporation under the terms of the agreement signed between the two companies for the co-development of a new fungicide, and to € 35 thousand for the recovery of research costs incurred by the parent Isagro S.p.A. in Brazil on behalf of Arysta LifeScience for research and development activities commissioned to Isagro for the registration of Fluindapyr-based mixtures.

“Minimum guaranteed margins” refers to the amount that the British company Gowan Crop Protection Ltd. (related party) is required to pay to the parent Isagro S.p.A. under an agreement signed in 2016. In addition to granting exclusive rights, for fourteen years, to be able to develop, formulate, produce and sell in Europe mixtures based on Kiralaxyl - a proprietary fungicide of Isagro

-, as already illustrated in note no. 5 to which reference is made, this agreement envisaged that Gowan should be appointed the exclusive distributor in Europe of products based on this fungicide. In terms of fees, the agreement acknowledged a minimum guaranteed margin of € 900 thousand to Isagro, calculated on the basis of the margins previously obtained by Isagro: therefore, if the margin resulting from sales made in the period between September 1st and August 31st were lower than said minimum amount, Gowan should pay Isagro the difference between the margin achieved and the minimum guaranteed amount, whereas, if the margin was higher than said minimum amount, Isagro should pay Gowan the difference.

Following the signing of an agreement to share the costs to be incurred for renewing the registration of technical Tetraconazole in the United States, the parent Isagro S.p.A. received US\$ 630 thousand (equal to € 559 thousand) from the company Sipcam Agro USA as recovery of part of the costs incurred in previous years - and booked under intangible assets - in relation to some studies concerning said product; the revenues were recognised in the item “Capital gain on disposal of fixed assets”, net of the proportional share of the costs already incurred (€ 187 thousand).

26. Raw materials and consumables used – 44,187

The breakdown of costs for the purchase of raw materials and consumables is illustrated in the following table.

Breakdown	1st half 2019	1st half 2018
Raw and ancillary materials, consumables and goods:		
- purchases of raw materials, packaging and crop protection products	42,898	51,750
- purchases of technical and research-related materials	543	504
- change in inventories of raw and ancillary materials and consumables	616	(1,715)
- other purchases	130	162
Total	44,187	50,701

The decrease in the item “purchases of raw materials, packaging and crop protection products” compared to the previous year, is related to the significant reduction in the turnover from crop protection products compared to the first half of 2018.

For the amount of purchases from related parties, please refer to note no. 40.

27. Costs for services – 14,574

The breakdown of costs for services is illustrated in the table below:

Breakdown	1st half 2019	1st half 2018
For services:		
- utilities	2,377	2,338
- technical maintenance	706	661
- transport and related purchase and sale transaction costs	2,985	4,071
- toll manufacturing	1,064	937
- consulting and professional services	2,112	2,281
- services connected to research	1,517	1,205
- IT system	275	260
- marketing costs	1,113	1,016
- leases and rents	352	627
- lease expense	119	622
- provision for director bonuses	10	56
- allocation to provision for the destruction of goods	-	51
- other services	1,944	2,030
Total	14,574	16,155

The item recorded a decrease of € 1,581 thousand compared to the previous year, which is essentially due to lower transport costs and accessory purchase and sale costs, in turn related both to less purchases of raw materials and finished products and lower turnover from crop protection products, as already described previously.

For the amount of costs for services from related parties, please refer to note no. 40.

28. Personnel costs – 15,743

The breakdown of personnel costs is shown in the following table:

Breakdown	1st half 2019	1st half 2018
Personnel costs:		
- wages and salaries	10,019	9,957
- social security charges	2,770	2,697
- pay component related to the long-term incentive and retention plan	192	19
- employee benefits	99	49
- pension funds	539	534
- provision for participation bonus	457	814
- costs for employee services	1,478	1,392
- costs for early retirement incentives	1	80
- other costs	188	231
Total	15,743	15,773

The item was, on the whole, essentially in line with the values of the first half of 2018; an analysis of the individual items shows, on the one hand, an increase in the items “wages and salaries” and “social security charges”, essentially due to the increase in the average number of employees compared to the first half of 2018 and, on the other, a lower provision to the participation bonus, as a result of the non-attainment of the profitability objectives set.

On March 13th, 2018, the Board of Directors of the parent Isagro S.p.A. approved the introduction of a long-term (2018-2021) incentive and retention plan reserved for top managers of the company and addressed to guarantee the retention of resources who have a significant impact on the achievement of the business plan and to encourage the focus on reaching long-term objectives. The plan, also approved by the Shareholders’ Meeting on April 24th, 2018, was therefore formally accepted by the nine Group Directors of the company in June.

The plan envisages the free allocation of a total of 890,000 “growth shares” of the company to the beneficiaries; consequently, the Shareholders’ Meeting also approved the purchase of own “growth shares” to serve the plan.

The allocation of the shares will take place in the following way:

- 1) the first 50% of shares (Restricted Shares) based on the continuity of employment, structured as follows:
 - 31/12/2019: 50% of the shares;
 - 31/12/2020: 25% of the shares;
 - 31/12/2021: 25% of the shares;
- 2) as regards the remaining 50% of the shares allocated (Performance Shares), the allocation will take place at the end of the plan based on the achievement of four performance objectives, the weight of each is 25%:

- a) percentage increase of the price of Isagro's ordinary shares between the beginning and the end of the performance period;
- b) EBITDA/Revenues ratio as an average value for the four-year period 2018-2021;
- c) Net Current Assets/Revenues ratio as an average value for the above-cited four-year period;
- d) Net Financial Position/EBITDA ratio as an average value for the above-cited four-year period.

For objectives b), c) and d), the value of the reference target will be calculated as an average of the 2018 budget values and of the first three years of the 2019-2023 Business Plan, which were approved on January 15th, 2019.

Based on accounting standard IFRS 2, this transaction is classified as an incentive plan with share-based payment, settled with instruments representing equity. According to this standard, the company receives goods or services from the employee and must therefore recognise the relative cost within labour costs, for a value corresponding to the fair value of the goods or services received. In the case of Isagro's incentive plan, the fair value was calculated indirectly by making reference to the fair value of the "growth shares" to be allocated.

The cost of the incentive was therefore determined both with reference to the fair value of the instruments allocated, and to the expected number of shares that will be actually allocated; the portion pertaining to the period was determined pro-rata temporis for the duration of the vesting period, namely the period in which the conditions for the exercise of the rights envisaged by the plan must be met, and is recognised as a balancing entry to the equity reserve (see note no. 15).

The fair value of the shares of the plan was calculated as at the date of allocation based on the market prices of the instrument, taking the terms on the basis of which the instrument was allocated into account. The average fair value of the Growth Shares as at the date of allocation to the employees has been estimated as € 1.16 per share.

Below is the number of employees, broken down by category:

	Average for 1st half 2019	Average for 1st half 2018	As at 30.06.2019	As at 30.06.2018
- executives	58	44	57	46
- middle managers	136	147	134	146
- white-collar workers	366	347	369	356
- special qualified workers	4	3	4	3
- blue-collar workers	111	112	109	111
TOTAL	675	653	673	662

29. Write-down/write-back of trade and other receivables - -484

The item is broken down as follows:

- Allocation to the Bad Debt Provision for Trade Receivables	20
- Use of Bad Debt Provision - for surplus	(504)
Total	(484)

Following the introduction on January 1st, 2018 of the new accounting standard IFRS 9, losses on receivables are estimated on the basis of the expected credit losses model (ECL) using information which can be supported, available free of charge and without unreasonable efforts, which include historical, current and forecast data; unlike what was envisaged in the incurred losses model of IAS 39, it is no longer necessary for an event to occur for losses on receivables to be recognised. In order to carry out the evaluation of expected credit losses, a provision matrix has been constructed, by applying differentiated percentages depending on the receivable maturity brackets.

Provisions in the period essentially concerned the parent Isagro S.p.A. and the subsidiary Isagro España S.L..

The use of the surplus amount of the provision instead concerned, for € 389 thousand, the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.; this use was necessary, given that the analysis conducted in accordance with accounting standard IFRS 9 showed a surplus of the value of the provision as at December 31st, 2018, due to both the decrease in the amount of receivables past due and the total amount of the non-group receivables of the Indian subsidiary as at June 30th, 2019.

30. Other operating costs – 1,000

The breakdown of this item is shown in the following table.

Breakdown	1st half 2019	1st half 2018
- capital losses on disposal of assets	43	1
- indirect, production and manufacturing taxes	515	504
- other operating costs	442	655
Total	1,000	1,160

The item “indirect production and manufacturing taxes” includes € 136 thousand relating to the advance of the food safety grant and € 115 thousand relating to the single municipal tax paid by the parent Isagro S.p.A..

“Other operating costs” in the first half of 2018 included € 162 thousand relating to the contribution margin recognised to the US company Gowan Company LLC (related party), designated as the exclusive distributor in the US for technical Tetraconazole on given cultures, for the sales of said product by the Group to other local distributors.

As regards Other operating costs vis-à-vis related parties, please refer to note no. 40.

31. Costs capitalised for internal work - 740

The item refers to the capitalisation of personnel costs, overheads and consumption of technical material related to extraordinary protection costs, development expenditure and expenses for registration of the Group’s new products. This item decreased by € 285 thousand compared to the previous year, essentially due to greater use of the Group’s internal resources for innovative research, pre-development and ordinary defence activities, which according to Group accounting principles do not qualify as projects subject to capitalisation.

Services received from third parties relating to capitalised development projects are deducted directly from “consulting and professional services” under “costs for services”.

32. Depreciation and amortisation - 5,337

Depreciation of tangible assets - 1,495

Amortisation of intangible assets - 3,239

Amortisation of usage rights - 603

Breakdown	1st half 2019	1st half 2018
Depreciation of tangible assets:		
- buildings	487	472
- plant and equipment	772	1,072
- industrial and commercial equipment	80	112
- furniture and fittings	24	34
- motor vehicles	12	9
- office equipment	120	93
	1,495	1,792
Amortisation of intangible assets:		
- development costs	837	871
- know-how	663	633
- patents, licenses, trademarks and registrations	1,620	1,183
- others	119	107
	3,239	2,794
Amortisation of usage rights:		
- Land and buildings	415	-
- Vehicles	109	-
- Equipment	79	-
	603	-
Total	5,337	4,586

33. Impairment of tangible and intangible assets - 688

During the half, due to the non-renewal at European level of the fungicide Chlorothalonil, the parent Isagro S.p.A. wrote down the residual book value of the costs incurred in relation to the authorisations of the sale of crop protection products in the process of being obtained containing said active ingredient for € 431 thousand; it also wrote down, for € 257 thousand, the residual book value of the costs incurred in relation to the authorisations of the sale of additional crop protection

products in the process of being obtained, whose continuation was considered by the Group to be unprofitable.

34. Financial income - 559

Financial charges - 905

Gains/(losses) on foreign exchange and derivatives - 74

Breakdown	1st half 2019	1st half 2018
Interest income from financial instruments at amortised cost:		
- bank deposits:	8	53
- medium/long-term receivables	56	118
	64	171
Interest income from financial instruments at FVTPL:		
- interest income from financial instruments measured at FVTPL	164	384
- fair value adjustments to financial instruments	314	-
	478	384
Other:		
- default interest	-	47
- cash discounts from suppliers	12	13
- interest income on tax and other receivables	5	85
- others	-	95
	17	240
Total	559	795

Breakdown	1st half 2019	1st half 2018
Interest paid to banks and other lenders	715	832
Other:		
- interest payable to tax authorities	-	4
- interest payable on employee benefits - Severance indemnity fund	24	19
- interest payable to suppliers and cash discounts to customers	6	33
- financial expense pursuant to IFRS 16	117	-
- others	13	4
	160	60
(Gains)/losses from IRS derivatives	30	12
Total	905	904

Breakdown	1st half 2019	1st half 2018
Exchange gains and losses:		
- exchange gains	435	1,074
- exchange losses	(372)	(1,110)
- gains/(losses) from currency forward derivatives	65	(102)
	128	(138)
Derivative instruments (trading)		
- exchange rates (currency forwards)	(38)	(259)
- fair value adjustments to exchange rates (currency forwards)	(16)	19
	(54)	(240)
Total	74	(378)

The positive change with respect to the previous year of € 215 thousand is the result of the combined effect essentially of i) lower interest income from financial instruments at amortised cost for € 107 thousand, ii) higher income from securities measured at fair value through profit and loss of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (up € 94 thousand), already described in note no. 12 to which reference should be made, and iii) lower expenses from trading derivatives for € 186 thousand.

35. Income taxes - 1,292

Breakdown	1st half 2019	1st half 2018
Consolidated income statement		
<i>Current tax:</i>		
- income taxes	967	1,534
- IRAP	-	308
- use of deferred tax liabilities/deferred tax assets	443	1,649
- contingent assets and liabilities, taxes on foreign income and tax credits	72	201
	1,482	3,692
<i>Deferred tax assets and liabilities:</i>		
- deferred tax liabilities	69	83
- deferred tax assets	(655)	(821)
- contingent assets and liabilities and write-downs of deferred tax assets	396	(8)
	(190)	(746)
Total income taxes recognised through profit or loss (continuing operations)	1,292	2,946
Other comprehensive income		
<i>Deferred tax assets and liabilities:</i>		
- Tax effect on actuarial gains/losses regarding defined benefit plans	(24)	6
- Tax effect on derivatives (CFH)	-	(110)
	(24)	(104)
Total income taxes recognised in equity (continuing operations)	(24)	(104)

The item “Use of deferred tax assets/deferred tax liabilities”, equal to € 443 thousand, reflects the difference between the use of deferred tax assets of € 557 thousand (€ 343 thousand of which for the use of taxed provisions and € 65 thousand relating to the tax effect of intercompany profits) and the use of deferred tax liabilities, equal to € 114 thousand.

The recognition of deferred tax assets of € 655 thousand refers mainly to the tax benefits expected from the future use of taxed provisions (€ 206 thousand) and the tax effect of netting intragroup profits for the period (€ 349 thousand).

The item “Contingent assets and liabilities, taxes on foreign income and tax credits”, amounting to € 72 thousand, refers to the contingent liability recorded by the parent Isagro S.p.A. following the decision to write down several withholdings at source on foreign income in previous years, as the company management judged them difficult to recover over the time-frame of the 2019-2023 plan. The item “contingent liabilities - deferred tax assets”, amounting to € 396 thousand, essentially reflects the effect of changes in the tax rates of some foreign subsidiaries.

Lastly, it should be noted that the high tax burden recognised, despite the presence of a pre-tax loss, is attributable not only to the presence of the above contingent liabilities, but also the non-allocation, for prudential reasons, of deferred tax assets on tax losses for € 902 thousand, of which € 651 thousand relating to the parent Isagro S.p.A. and € 251 thousand relating to the US subsidiary Isagro USA, Inc..

36. Distributed dividends

In the first half of 2019, no dividends were distributed by the parent Isagro S.p.A..

37. Earnings Per Share

	1st half 2019	1st half 2018
Earnings per share (basic and diluted)		
Net profit/(loss) for the year attributable to shareholders of the parent (thousands of euro)	(2,447)	5,431
Average number of Ordinary Shares and Growth Shares (thousands)	37,844	38,645
Earnings per share (basic and diluted) - Ordinary Shares	(0.065)	0.141
Dividend increase for Growth Shares	0.000	0.028
Earnings per share (basic and diluted) - Growth Shares (euro)	(0.065)	0.169
Earnings per share (basic and diluted) from continuing operations		
Profit/loss from continuing operations (thousands of euro)	(2,447)	5,431
Average number of Ordinary Shares and Growth Shares (thousands)	37,844	38,645
Earnings per share (basic and diluted) from continuing operations - Ordinary Shares	(0.065)	0.141
Dividend increase for Growth Shares	0.000	0.028
Earnings per share (basic and diluted) from continuing operations - Growth Shares (euro)	(0.065)	0.169
Earnings per share (basic and diluted) from Discontinued operations		
Profit/loss from discontinued operations	0	0
Average number of Ordinary Shares and Growth Shares (thousands)	37,844	38,645
Earnings per share (basic and diluted) from discontinued operations - Ordinary Shares	0.000	0.000
Dividend increase for Growth Shares	0.000	0.000
Earnings per share (basic and diluted) from discontinued operations - Growth Shares (euro)	0.000	0.000
	1st half 2019	1st half 2018
Average number of Ordinary Shares	24,509,046	24,509,046
Average number of Growth Shares	13,335,219	14,135,729
Total	37,844,265	38,644,775

The value of basic earnings per share is calculated based on the average number of Isagro S.p.A. shares outstanding, deducting the average number of treasury shares in the portfolio, equal to 839,700 in the first half of 2019, and 236,975 in the first half of 2018.

Diluted earnings per share is calculated taking into account, in addition to the average number of shares outstanding, also any shares already resolved, but not yet subscribed. These situations did not occur either in the first half of 2019 or in the first half of 2018.

38. Fair value: measurement and hierarchy of levels

IFRS 13 requires that items of the Balance Sheet measured at fair value be classified according to a hierarchy of levels that reflects the significance of the inputs used to calculate the fair value. The following levels are distinguished:

- Level 1 - prices (not adjusted) quoted on an active market for assets or liabilities to be assessed;
- Level 2 - inputs other than the quoted prices per the previous point, observable directly (prices) or indirectly (derived from prices) on the market;
- Level 3 - inputs not based on observable market data.

The following table shows the assets and liabilities measured at fair value as at June 30th, 2019 broken down by fair value hierarchy level.

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
- financial assets held for trading (securities)	14,374	-	-	14,374
- exchange rate derivatives (forward purchase/sale)	-	234	-	234
- derivatives on commodities - copper (future buys)	-	20	-	20
- interest rate derivatives (interest rate swaps)	-	66	-	66
Total Financial assets	14,374	320	-	14,694
Financial liabilities measured at fair value:				
- exchange rate derivatives (forward purchase/sale)	-	(126)	-	(126)
- derivatives on commodities - copper (future buys)	-	(6)	-	(6)
- interest rate derivatives (interest rate swaps)	-	(226)	-	(226)
Total Financial liabilities	-	(358)	-	(358)

As for the techniques for determining the fair value of the derivatives included in Level 2, please refer to note no. 13.

In the first half of 2019, there were no transfers between Level 1 and Level 2 of fair value measurements, or from Level 3 to other levels and vice versa.

The fair value of (trade and other) receivables due beyond 12 months and loans obtained from banks is summarised in the table below; with reference to the receivables deriving from M/L Agreements, it should be pointed out that they also include the portion due within 12 months. With the exception of that described in detail in the table below, in the management's opinion the book value of the other assets and liabilities (financial, commercial and other) of the Group is a reasonable approximation of their fair value.

	Book value	Fair value
Receivables and other assets:		
<i>Receivables measured at amortised cost:</i>		
- Receivables from Gowan Company LLC	3,854	3,845
- Receivables from AQL Agroquimicos de Levante S.A.	2,125	2,139
- Receivables from Rotam Agrochemical Company Ltd.	600	604
Financial liabilities:		
<i>Financial liabilities measured at amortised cost:</i>		
- Loans from banks - floating rate (current and non-current)	55,987	57,784
- Loans from banks - fixed rate (current and non-current)	20,767	21,575
- Loans from other lenders - floating rate (current and non-current)	2,445	2,445
- Loans from other lenders - fixed rate (current and non-current)	7,241	7,304

* floating rate loans granted by UniCredit, Banca Crédit Agricole Cariparma and Banco BPM to which interest rate swap contracts are associated, for the purposes of this table were classified as fixed rate loans

The fair value measurement was carried out in accordance with the generally accepted methods, which use valuation models based on the Discounted cash flow method. Specifically, the parent Isagro S.p.A. used the models in the Bloomberg database. Discounting of the future cash flows of receivables and loans expressed in Euro was calculated based on the market zero coupon rates curve as at June 30th, 2019, obtained from the six-month EURIBOR curve, while discounting of future cash flows of loans expressed in US dollars was calculated based on the market zero coupon rates curve as at June 30th, 2019, obtained from the six-month LIBOR curve. The above-mentioned curves were adjusted to bear in mind the creditworthiness of the parent Isagro S.p.A. (own credit risk) in the case of loans payable and the creditworthiness of the counterparty (counterparty credit risk) in the case of receivables claimed by the parent Isagro S.p.A. Please also note that, in order to

render the fair value of the loans comparable with their book value, the related ancillary charges were taken into account.

In the management's opinion, the aforementioned receivables and payables can be classified in Level 2 of the fair value hierarchy.

OTHER INFORMATION

39. Contingent liabilities, commitments and guarantees

Legal proceedings

Dispute with Gowan Company LLC regarding the distribution agreement dated October 18th, 2013

In January 2018, Gowan Company LLC (a related party) asked Isagro S.p.A., on the basis of the distribution contract signed on October 18th, 2013 - following the reduction in the prices of Tetraconazole-based products consequent to entry into the USA of competing products supplied by a Chinese generic company - to grant it a "discount" on the price of Domark 230 (a fungicide based on Tetraconazole 230 g/l) already purchased and paid for by Gowan (and by its customers) between 2014 and 2017. Isagro promptly replied that the request was groundless, de facto and de jure. The value of the request made by Gowan Company LLC amounted to approximately US\$ 1.9 million.

On April 23rd, 2018, Gowan submitted a request for arbitration in the State of New York (at the headquarters of the International Court of Arbitration - notified to Isagro USA, Inc. on April 30th, 2018 as counterparty to the distribution agreement in question), to obtain an arbitration award for the acknowledgment of a Net Margin of 30% on the price paid, also backdated, as well as the payment by Isagro USA of the so-called "discount" on the stock of Domark 230, already purchased and paid for, stored in Gowan's warehouses and in those of its customers.

After seeking to reach a settlement agreement, although it maintained that Gowan's request was unfounded, on June 29th, 2018, Isagro USA filed its written defence with the New York International Court of Arbitration, appointing its arbitrator on this occasion.

Subsequently, Gowan filed (i) a request for a third-party summons of Isagro S.p.A. as the guarantor of Isagro USA and (ii) a document responding to the written defence of Isagro USA. Isagro USA appealed, on August 20th, 2018, against the request for a third-party summons of Isagro S.p.A.. Therefore, within the deadline granted to it on September 5th, 2018, Isagro USA submitted additional written defence memos to support its position, which Gowan provided further response. The Parties also exchanged additional written information concerning the requests/allegations regarding the evidentiary phase and on February 28th, 2019, filed the declarations by the witnesses who were respectively selected. Each party had until March 15th, 2019 to respond. Finally, Gowan filed an additional memorandum responding to the written counterarguments of Isagro USA, amending its pecuniary request from about USD 1.9 million to USD 2.5 million.

On March 29th, 2019, following Isagro USA objections, the Arbitration Board rejected the Gowan request for the additional damages of about USD 0.5 million requested only in its final memorandum filed on March 1st, 2019, stating its lateness with respect to the first request. In addition, on April 7th, 2019, Gowan, following a total lack of written evidence in support of its request, waived its claim for damages concerning Affiance (tetraconazole+azoxystrobin-based fungicide) quantified to

be about USD 0.3 million, so that the pecuniary request by Gowan went down to about USD 1.7 million.

Between April 8-10th, 2019, the witnesses identified by the parties were heard and the parties' attorneys formalised the closing arguments in light of the evidence submitted also based on the examinations of the witnesses.

On July 2nd, 2019, the Court of Arbitration of New York notified the parent Isagro S.p.A. of an arbitration award, which established the following:

1. Gowan's request for the recognition of a net margin of 30% on the price paid retroactively was rejected, as was any other request for damages;
2. declared Isagro S.p.A. to be a party in the proceedings (a declaration which, however, did not have any practical repercussions for the company);
3. clarified that clause 3 (d) of the Domark ® 230 Distribution Agreement must be applied at the moment of the annual definition, and by September 1st, of the prices for the subsequent season with the express exclusion of subsequent and retroactive "price adjustments";
4. declared its lack of jurisdiction in deciding on Isagro USA's counterclaim regarding the recognition of a credit relating to sales made to the company Basf for approximately USD 220 thousand;
5. compensated expenses and legal costs for the parties.

Appeal filed by Polven.Re against the Municipality of L'Aquila, ARTA Abruzzo, Provincial authority of L'Aquila, Regional authority of Abruzzo and Isagro S.p.A. with the TAR (Regional administrative court) of L'Aquila to annul the municipal resolution of the Municipality of L'Aquila

On March 22nd, 2018, Polven.Re S.r.l. filed an appeal for the annulment, subject to the adoption of suitable preventive measures, of the municipal resolution of the Municipality of L'Aquila, sent via certified e-mail on January 22nd, 2018, regarding the "*Contaminated site procedure under Heading V - Part IV of Italian Legislative Decree no. 152/2006 and any subsequent amendments or supplements - relating to the former AgriFormula plant, Caselle di Bazzano, Municipality of L'Aquila. Acknowledgement of the approval of the site-specific risk analysis and conclusion of the proceeding*" in the part in which it states that Polven.Re must guarantee the integrity of the flooring inside the industrial sheds insofar as, in certain areas, the "inhalation of indoor dusts" procedure had not been activated. The appellant also requested compensation for damages suffered by the same due to the assumed general "decrease in value" of the area.

Isagro filed a notice of appearance in the proceedings on the merits on March 30th, 2018 and in the interim and precautionary measure on May 4th, 2018, asserting the correctness of the administrative proceedings and the groundlessness of Polven.Re's appeal, and requesting the rejection of the appeal and of the related application for interim relief.

During the injunction hearing on May 9th, 2018, the TAR ruled to accept the application for interim relief of Polven.Re, setting the hearing for discussion on the merits of the appeal as May 8th, 2019. Nevertheless, said acceptance was not full. While, in fact, the appellant requested a remand order that requested the Public Administration to conduct a supplementary examination, the TAR - which had, in any event, found the examination to be lacking - opted for the suspension of the disputed

instructions. Said suspension, in absolute terms, does not result in any detriment for Isagro, who has not been requested to perform an additional activity, but is simply an obligation for the Public Administration to provide more solid grounds for the disputed municipal resolution.

Following the above-mentioned precautionary injunction, the Municipality of L'Aquila convened, on July 5th, 2018, a services conference with a view to ascertaining which investigating requirements the public administration must fulfil. Following in-depth discussions, also with the attendance of Isagro and Polven.Re, the work of the services conference was adjourned to July 18th, 2018. The conclusive session of the services conference convened for July 5th, 2018, was held on said date, in compliance with Precautionary Injunction no. 130/2018, and the Municipality and the competent Authorities convened observed that all investigative activities had been correctly conducted during the course of the proceeding, and that, therefore, no additional investigation was necessary. Therefore, by means of management determination of the Municipality of L'Aquila no. 3518 of October 22nd, 2018, the decision was taken to "*confirm, in all its parts, Management Determination no. 78/2018*" challenged by Polven.Re with the main appeal. However, Polven.Re also challenged the latter determination through an appeal for additional reasons communicated on November 28th, 2018. The appeal also included an application for interim relief against the provision challenged by asking, in substance, the TAR (regional administrative court) to grant the interim measures considered most appropriate to force the Municipality to reconsider the disputed instructions. The hearing for the application for interim relief was held on December 19th, 2018. As a result of said hearing, the TAR (regional administrative court), by means of Order 270/2018 of December 28th, 2018, essentially rejected Polven.Re's application for interim relief, deferring the case, for an appeal decision, to the hearing on the merits set for May 8th, 2019. Subsequently, the Presiding Judge of the TAR (regional administrative court) of Abruzzo - L'Aquila, postponed the hearing on the merits until November 6th, 2019.

Dispute regarding I.P. raised by Syngenta Brazil vs Isagro Brasil

On February 19th, 2018, Syngenta Brazil notified Isagro Brasil of a summons for an alleged violation of patents relating to Syngenta's process of synthesis in Brazil, granted respectively on August 11th, 2015 (application filed in 2006) and February 14th, 2017 (application filed in 2007), of the active ingredient Azoxystrobin. In order to bring proceedings, Syngenta analysed two product batches of Domark Excell and Galileo Excell sold by Isagro and containing Azoxystrobin, acquired by Isagro from Syngenta, based on a supply agreement in place at the time of purchase. In light of the above, Isagro considered the claims of Syngenta (including a generic but never quantified claim for compensation) to be groundless. Moreover, Syngenta had, at the same time as the start of the proceedings on the merits against Isagro, launched two urgent procedures, *inaudita altera parte* (not in the presence of the opposing party) at the Court of the State of San Paolo. These urgent procedures were both rejected by the competent court, with neither *fumus bonis juris* (likelihood of success on the merit of the case) nor *periculum in mora* (danger in delay) having been asserted. After the appearance of Isagro at the proceedings, which occurred with the filing of its written defence briefs on April 16th, 2018 and the exchanging of additional written defence briefs, the parties started to discuss a possible commercial agreement for Syngenta's supply to Isagro of technical Azoxystrobin

with the relevant regulatory support. In order to help the commercial negotiations bring about a closure of dispute in question, the parties repeatedly suspended the case starting from the middle of October 2018 until March 15th, 2019. On December 6th, 2018, Isagro S.p.A. and Syngenta Crop Protection A.G. signed a Binding Term-sheet containing the main terms and conditions of the technical Azoxystrobin supply and data access agreement for certain countries, based on which the parties also undertook to sign said definitive agreement by February 28th, 2019 and, consequently, to drop the existing case at the Court of the State of San Paolo. Having defined the final text of the supply and data support agreement on March 11th, 2019, the parties will exchange the final signed agreement within the terms of suspension of March 15th and, before said date, will jointly request the cancellation of the legal proceedings, except where a brief deferment should be agreed between the parties.

On March 29th, 2019, the parties filed a joint request to drop the case and, therefore, on said date the case was removed from the register.

Dispute with Gowan Company LLC regarding withdrawal from the Framework Agreement of July 30, 2013

On March 18th, 2019, Gowan Company LLC notified Isagro S.p.A. and Piemme S.r.l of an arbitration request before the International Court of Arbitration of Geneva to object to the withdrawal from the Framework Agreement of July 30th, 2013, exercised respectively by Isagro S.p.A. and Piemme S.r.l. in June 2018. Gowan, in particular, asked the withdrawal exercised by Isagro and Piemme to be declared ineffective and formulated a request for compensation for damages suffered or to be suffered, including on a fairness basis.

Following notification of the above, the attorneys of Gowan proposed to Isagro and Piemme to resort to a Board of Arbitration composed of 3 Arbiters as opposed to only one (as set forth in the arbitration clause of the Framework Agreement). Isagro and Piemme, through their respective attorneys, accepted this proposal as long as the location for the arbitration was transferred to Milan. Following said agreement, Isagro and Piemme, with their respective attorneys, on April 15th, 2019, filed the first written arguments, objecting to all of Gowan's requests, appointing their arbiter and reserving the right to attach additional arguments in support of their position, once the Board of Arbitration was constituted.

Isagro and Piemme filed their defences regarding the merits of the case on May 29th, 2019. Furthermore, the International Court of Arbitration had appointed the two arbiters nominated by the parties to identify the president.

Subsequently, the parties asked the Court of Arbitration to suspend the terms of the arbitration proceedings until July 8th, 2019, pending negotiations. The parties subsequently jointly requested a further suspension of 60 days, i.e. until September 6th, 2019.

On August 2nd, 2019, the parties jointly sent the Court of Arbitration a renouncement of the arbitration in progress, each waiving their claims. On August 5th, the Court of Arbitration, following the receipt of said communication, ordered the closing of the above-mentioned arbitration proceedings.

Tax dispute

Isagro S.p.A.

With regard to the parent Isagro S.p.A., it should be noted that, on December 22nd, 2006, the Revenue Agency, subsequent to a general tax audit for 2003, served the Company with an assessment notice for IRPEG (the income tax for legal entities), IRAP and VAT violations, demanding an additional tax payment of € 83,251 plus penalties and interest. The parent Isagro S.p.A. lodged an appeal against this order, which, through several levels of judgment, reached the Supreme Court of Cassation. On November 29th, 2017 the Supreme Court of Cassation filed judgment no. 28578/17 on the appeal lodged by the company against the Revenue Agency accepting it partially, annulling the judgment appealed and referring the examination of the pending violations back to the Lombardy Regional Tax Commission sitting in a different formation.

In particular, the Court accepted some of the objections raised by the Revenue Agency with consequent definition of higher taxes payable by the company of € 68,947. For the assessments referred back to the Regional Tax Commission of Lombardy, for which the Revenue Agency would require payment of taxes of € 14,304, it should be noted that the commission appeared in court, as a result of the appeal for the resumption of proceedings put forward on May 7th, 2018, and addressed the counter-claims on February 11th, 2019.

Despite the fact the outcome of the discussion is still not available, also taking into account the reasons expressed by the Court of Cassation, the company does not believe that, at present, there are elements on the basis of which there could be a risk of losing the case;

Isagro (Asia) Agrochemicals Pvt. Ltd

With reference to the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., it is hereby noted that there is an ongoing dispute with local taxation authorities regarding income taxes for the years 2007/2008, 2008/2009, 2009/2010, 2010/2011, 2012/2013, 2013/2014 e 2015/2016, for a total of INR 43,326 thousand (equal to € 548 thousand). The dispute filed by Indian tax authorities allegedly refers to the non-recognition for tax purposes of certain costs incurred by the company. The subsidiary appealed with the relevant authorities, and to date it does not believe that there are elements that could lead to an adverse outcome in litigation.

Commitments and guarantees

Following the transfer in 2011 of the investment in Isagro Italia S.r.l., now Sumitomo Chemical Italia S.r.l., to Sumitomo Chemical Co. Ltd., the parent Isagro S.p.A. has a commitment in place for the guarantees issued to the buyer as regards potential future liabilities, for losses or damages related to taxes, the environment, social security and labour. The maximum risk is measured at € 7,500 thousand and the expiry of the guarantees is to be correlated to time-barring and lapse of the related events.

As at June 30th, 2019 the Group also has long-term commitments of € 55 thousand relating to the rental of printers (€ 54 thousand) and rental expense (€ 1 thousand). In particular, the future fees due are as follows:

- € 49 thousand within one year;
- € 6 thousand between one and five years.

The third party guarantees, granted for the obligations of Group companies, amount to € 8,746 thousand, of which € 7,586 thousand relating to a guarantee in favour of Arysta, issued on June 27th, 2018, following the signature of the commercial agreement for the distribution of mixtures based on the fungicide Fluindapyr in Brazil, already illustrated in note no. 24 to which reference is made.

The guarantees received in relation to loans are described in note no. 16.

40. Related party disclosures

Here below are the Group's transactions with related parties, including:

- parent companies;
- associates;
- entities which hold a direct or indirect interest in the share capital of the parent, its subsidiaries, its holding companies, and are presumed to have significant influence over the Group. In particular, significant influence is objectively presumed to exist when an entity owns, directly or indirectly, over 10% of the parent, or when it owns over 5% and, at the same time, it has entered into agreements which generate transactions during the year amounting to at least 5% of consolidated sales. These companies are known as "other related parties";
- directors, statutory auditors and key management personnel, and any family members.

The following table highlights the income statement and balance sheet amounts relating to transactions with the different categories of related parties:

Income Statement	1st half			of which related parties		% incidence on the financial statements value
		Associated	Parent	Other related	Total Related	
	2019	companies	companies	parties	parties	
In thousands of euro						
Revenues	73,054	-	-	9,433	9,433	12.91%
Other operating revenues	1,740	-	11	519	530	30.46%
Financial income	559	-	-	12	12	2.15%

Income Statement	1st half			of which related parties		% incidence on the financial statements value
		Associated	Parent	Other related	Total Related	
	2018	companies	companies	parties	parties	
In thousands of euro						
Revenues	89,045	-	-	12,273	12,273	13.78%
Other operating revenues	2,144	-	11	553	564	26.31%
Raw materials used	50,701	-	-	602	602	1.19%
Other operating costs	1,160	-	-	163	163	14.05%

Balance Sheet	of which related parties					
	As at	Associated	Parent	Other related	Total Related	% incidence on the financial statements value
	30/06/2019	companies	companies	parties	parties	
In thousands of euro						
Non-current receivables and other assets	4,727	-	-	2,862	2,862	60.55%
Trade receivables	42,376	-	-	4,086	4,086	9.64%
Other current assets and other receivables	9,705	-	7	519	526	5.42%
Trade payables	35,759	-	-	232	232	0.65%

Balance Sheet	of which related parties					
	As at	Associated	Parent	Other related	Total Related	% incidence on the financial statements value
	31/12/2018	companies	companies	parties	parties	
In thousands of euro						
Non-current receivables and other assets	4,262	-	-	2,832	2,832	66.45%
Trade receivables	39,823	-	-	5,022	5,022	12.61%
Other current assets and other receivables	7,178	-	7	3	10	0.14%
Trade payables	32,696	-	-	231	231	0.71%

The above amounts, broken down by company in the following tables, essentially refer to commercial relations (purchases and sales of products, M/L Agreements, processing fees, provision of administrative services), whose transactions are carried out at arm's length and outlined in the various notes to the financial statement items.

Relations with holding companies

Relations with the holding companies Piemme and Holdisa are limited to the provision of administrative services by the parent Isagro S.p.A. and occasional financial transactions.

<u>Other operating revenues</u>		1 ° sem.2019	1 ° sem.2018
Holdisa S.r.l.		7	7
Piemme S.r.l.		4	4
Total		11	11

<u>Other current assets and other receivables</u>		30.06.2019	31.12.2018
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Holdisa S.r.l.	4	4
Piemme S.r.l.	3	3
Total	7	7

Relations with other related parties

“Other related parties” refers exclusively to the Gowan Group, which became a related party following its inclusion on October 18th, 2013 in the share capital of the former indirect holding company BasJes Holding S.r.l. (now the direct holding company under the name of Holdisa S.r.l.) for 49% of its share capital. The trade and other receivables and revenues from the Gowan Group refer to both the sale of crop protection products to companies of Gowan Group both on the part of the parent Isagro S.p.A. and of the US subsidiary Isagro USA, Inc., and the deferred component of the upfront payment registered in 2016 against the granting, by the parent Isagro S.p.A., of the exclusive right, for fourteen years, to develop, register, formulate, produce and sell in Europe mixtures based on Kiralaxyl, for all types of use except for fertilising seeds.

Transactions with the Gowan Group were carried out at arm's length.

<u>Revenues</u>	1 ° sem.2019	1 ° sem.2018
Gowan Group	9,433	12,273
Total	9,433	12,273

<u>Other operating revenues</u>	1 ° sem.2019	1 ° sem.2018
Gowan Group	519	553
Total	519	553

<u>Raw materials used</u>	1 ° sem.2019	1 ° sem.2018
Gowan Group	-	602
Total	-	602

<u>Other operating costs</u>	1 ° sem.2019	1 ° sem.2018
Gowan Group	-	163
Total	-	163

<u>Financial income</u>	1 ° sem.2019	1 ° sem.2018
Gowan Group	12	-
Total	12	-

Non-current receivables and other assets

	30.06.2019	31.12.2018
Gowan Group	2,862	2,832
Total	2,862	2,832

Trade receivables

	30.06.2019	31.12.2018
Gowan Group	4,086	5,022
Total	4,086	5,022

Other current assets and other receivables

	30.06.2019	31.12.2018
Gowan Group	519	3
Total	519	3

Trade payables

	30.06.2019	31.12.2018
Gowan Group	232	231
Total	232	231

Remuneration for Directors and Statutory Auditors

The table below shows the economic benefits for the Directors of the parent company, and the members of the Board of Statutory Auditors (amounts in Euro):

Party	Description of office		Remuneration		
	Office held	Duration of the office	Emoluments for the office	Bonuses, other incentives and fringe benefits	Other remuneration
<i>Directors:</i>					
Giorgio Basile	Chairman and C.E.O.	3 years	250,000	1,854	-
Maurizio Basile	Deputy Chairman	3 years	45,000	62	-
Riccardo Basile	Director	3 years	10,000	-	-
Roberto Bonetti	Director	3 years	10,000	-	-
Enrica Maria Ghia	Member of the Control, Risk and Sustainability Committee and of the Appointments and Remuneration Committee	3 years	13,500	-	-
Silvia Lazzeretti	Director	3 years	10,000	-	-
Marcella Elvira Antonietta Logli	Chairman of the Control, Risk and Sustainability Committee	3 years	13,750	-	-
Giuseppe Persano Adorno	Member of the Control, Risk and Sustainability Committee and of the Appointments and Remuneration Committee	3 years	13,500	-	-
Erwin Paul Walter Rauhe	<i>Lead Independent Director</i>	3 years	12,500	-	-
Angelo Zaccari	Chairperson of the Appointments and Remuneration Committee	3 years	11,500	-	-
Margherita Zambon	Director	3 years	10,000	-	-
<i>Key management personnel:</i>					
Davide Ceper	<i>General Manager</i>		87,692	6,183	29,292
<i>Family members of key management personnel (directors or executives):</i>					
Alessandra Basile				-	15,000
<i>Statutory Auditors:</i>					
Roberto Cassader	Chairman since April 30th, 2019	3 years	5,000	-	-
Silvia Baroffio	Statutory Auditor since April 30th, 2019	3 years	3,333	-	-
Filippo Maria Cova	Statutory Auditor since April 30th, 2019 (former Chairman)	3 years	13,333	-	-
Giuseppe Bagnasco	Former Statutory Auditor		6,667	-	-
Claudia Costanza	Former Statutory Auditor		6,667	-	-

It should be noted that the term of office of the parent Isagro S.p.A.'s Board of Directors, appointed on April 24th, 2018, will end on approval of the Financial Statements as at December 31st, 2020, while that of the Board of Statutory Auditors, appointed on April 30th, 2019, will end on approval of the Financial Statements as at December 31st, 2021.

41. Significant non-recurring events and transactions

As in the first half of 2018, no significant non-recurring transactions were carried out during the first half of 2019.

42. Transactions resulting from atypical and/or unusual operations

Pursuant to CONSOB Communication dated July 28th, 2006, it is specified that, in the first half of 2019, the Group did not carry out any atypical and/or unusual operations, i.e. operations which, due to the significance, nature of the counterparties, subject of the transaction, pricing procedures and timing of the event, may raise doubts about the accuracy of the information contained in the financial statements, the conflict of interest, the protection of the company's assets, or the safeguarding of minority shareholders.

43. Events subsequent to June 30th, 2019

A) Modification of Gowan-Isagro-Piemme agreements

A settlement agreement was signed in July which involved Gowan (related party), Isagro and Piemme and which entailed:

- the cancellation of arbitration on the Framework Agreement, with the renouncement of any further claim in relation to it (note the request from Gowan following Isagro's withdrawal in June 2018). In addition, each party incurs legal costs and expenses relating to the arbitration proceedings within their competence;
- the modification of the termination clauses set forth in the existing distribution agreements (signed with Gowan in 2013), all expiring on December 31st, 2026, regardless of any event that involves a shareholding of Gowan in Holdisa (change of control in Isagro).

Pursuant to the CONSOB Regulation on Related parties, Isagro activated the procedure adopted by the company itself. Therefore, the transaction in question was approved by Isagro's Board of Directors at the meeting on July 31st, 2019, based on the prior favourable opinion of the company's Independent Directors' Committee.

B) Inclusion of Fluindapyr in the fast-track procedure in Brazil

It should also be noted that, in July, as a result of Isagro's appeal for non-inclusion in the priority list, MAPA (Brazilian Agricultural Ministry) included Fluindapyr in said list of products which it intends to propose for the so-called "fast track" process (faster than normal registration procedure).

C) Distribution agreement with Gowan Company LLC of October 18th, 2013

With reference to the events relating to the Distribution Agreement with Gowan Company LLC of October 18th, 2013, please refer to the information already provided in note no. 39 "Contingent liabilities, commitments and guarantees".

D) Binding offer for Isagro (Asia) Agrochemicals Pvt. Ltd

On September 12th, 2019, the parent Isagro S.p.A. received a binding offer from the Indian company PI Industries for the purchase, by the latter, of 100% of the share capital of the subsidiary Isagro Asia Private Limited. This binding offer was presented on today's date to Isagro S.p.A.'s Board of Directors, which approved its acceptance. It is estimated that the closing will take place within the

current year. Isagro Asia Private Limited is a company based in India and active in production (through its site in Panoli – Gujarat), registration and local distribution (through a distribution network in India), with export activities. The disinvestment is part of the process of redefinition of Isagro’s asset allocation on a global basis. It should be noted that, as at June 30th, 2019, Isagro Asia’s total assets, net of consolidation entries, accounted for 22.4% of the Isagro Group’s total assets. The associated income, which will generate a significant capital gain at Income Statement level, will help to reduce Isagro’s net financial position and will also be used to support the Group’s future economic growth.

44. List of the main international accounting standards approved by the European Commission as of the date of preparation of the Financial Statements

International Accounting Standards			Endorsement regulation
IFRS	1	First-time Adoption of International Financial Reporting Standards (IFRS)	707/2004-2236/2004-2237/2004-2238/2004-211/2005-1751/2005-1864/2005-1910/2005-108/2006-69/2009-1136/2009-662/2010-574/2010-149/2011-1255/2012-301/2013-1361/2014-182/2018
IFRS	2	Share-Based Payment	211/2005-1261/2008-243/2010-244/2010-28/2015-289/2018
IFRS	3	Business combinations	2236/2004-495/2009-149/2011-1361/2014-28/2015-412/2019
IFRS	4	Insurance Contracts	2236/2004-108/2006-1165/2009-1988/2017
IFRS	5	Non-current Assets Held for Sale and Discontinued Operations	2236/2004-70/2009-243/2010-2343/2015
IFRS	6	Exploration for and Evaluation of Mineral Resources	1910/2005-108/2006
IFRS	7	Financial Instruments: Disclosures	108/2006-1165/2009-574/2010-149/2011-1205/2011-1256/2012-2343/2015
IFRS	8	Operating Segments	1358/2007-632/2010-243/2010-28/2015
IFRS	9	Financial Instruments	2067/2016-2395/2017-498/2018
IFRS	10	Consolidated Financial Statements	1254/2012-313/2013-1174/2013-1703/2016
IFRS	11	Joint Arrangements	1254/2012-313/2013-2173/2015-412/2019
IFRS	12	Disclosure of Interests in Other Entities	1254/2012-313/2013-1174/2013-1703/2016-182/2018
IFRS	13	Fair Value Measurement	1255/2012-1361/2014-28/2015
IFRS	15	Revenue from contracts with customers	1905/2016-1987/2017
IFRS	16	Leases	1986/2017
IAS	1	Presentation of Financial Statements	2236/2004-2238/2004-1910/2005-108/2006-1274/2008-53/2009-70/2009-243/2010-149/2011-475/2012-301/2013-2406/2015
IAS	2	Inventories	2238/2004
IAS	7	Statement of Cash Flows	1725/2003-2238/2004-243/2010-1990/2017
IAS	8	Accounting Policies, Changes in Accounting Estimates and Errors	2238/2004-70/2009
IAS	10	Events After the Reporting Period	2236/2004-2238/2004-70/2009
IAS	11	Construction Contracts	1725/2003
IAS	12	Income taxes	1725/2003-2236/2004-2238/2004-211/2005-1255/2012-1989/2017-412/2019

International Accounting Standards			Endorsement regulation
IAS	14	Segment reporting	1725/2003-2236/2004-2238/2004-108/2006
IAS	16	Property, Plant and Equipment	2236/2004-2238/2004-211/2005-1910/2005-70/2009-301/2013-28/2015-2113/2015-2231/2015
IAS	17	Leases	2236/2004-2238/2004-108/2006-243/2010
IAS	18	Revenues	1725/2003-2236/2004
IAS	19	Employee benefits	1725/2003-2236/2004-2238/2004-211/2005-1910/2005-70/2009-475/2012-29/2015-2343/2015-402/2019
IAS	20	Accounting for Government Grants and Disclosure of Government Assistance	1725/2003-2238/2004-70/2009
IAS	21	The Effects of Changes in Foreign Exchange Rates	2238/2004-149/2011
IAS	23	Borrowing costs	1725/2003-2238/2004-1260/2008-70/2009-412/2019
IAS	24	Related Party Disclosures	2238/2004-1910/2005-632/2010-28/2015
IAS	26	Accounting and Reporting by Retirement Benefit Plans	1725/2003
IAS	27	Separate Financial Statements	2236/2004-2238/2004-69/2009-70/2009-494/2009-149/2011-1254/2012-1174/2013-2441/2015
IAS	28	Investments in Associates and Joint Ventures	2236/2004-2238/2004-70/2009-149/2011-1254/2012-1703/2016-182/2018-237/2019
IAS	29	Financial Reporting in Hyperinflationary Economies	1725/2003-2238/2004-70/2009
IAS	31	Interests in Joint Ventures	2236/2004-2238/2004-70/2009-149/2011-1254/2012
IAS	32	Financial Instruments: Presentation	2236/2004-2237/2004-2238/2004-211/2005-1864/2005-108/2006-53/2009-1293/2009-149/2011-1256/2012-301/2013
IAS	33	Earnings Per Share	2236/2004-2238/2004-211/2005-108/2006
IAS	34	Interim Financial Reporting	1725/2003-2236/2004-2238/2004-70/2009-149/2011-301/2013-2343/2015
IAS	36	Impairment of Assets	2236/2004-2238/2004-70/2009-243/2010-1374/2013
IAS	37	Provisions, Contingent Liabilities and Contingent Assets	1725/2003-2236/2004-2238/2004
IAS	38	Intangible assets	2236/2004-2238/2004-211/2005-1910/2005-70/2009-243/2010-28/2015-2231/2015
IAS	39	Financial Instruments: Recognition and Measurement	707/2004-2086/2004-2236/2004-211/2005-1751/2005-1864/2005-1910/2005-2106/2005-108/2006-70/2009-1171/2009-243/2010-149/2011-1375/2013
IAS	40	Investment Property	2236/2004-2238/2004-70/2009-1361/2014-400/2018
IAS	41	Agriculture	1725/2003-2236/2004-2238/2004-70/2009-2113/2015

Interpretations			Endorsement regulation
IFRIC	1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2237/2004
IFRIC	2	Members' Shares in Co-operative Entities and Similar Instruments	1073/2005
IFRIC	4	Determining Whether an Arrangement Contains a Lease	1910/2005
IFRIC	5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1910/2005
IFRIC	6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	108/2006
IFRIC	7	Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies	708/2006
IFRIC	8	Scope of IFRS 2	1329/2006
IFRIC	9	Reassessment of Embedded Derivatives	1329/2006-1171/2009-243/2010

Interpretations			Endorsement regulation
IFRIC	10	Interim Financial Reporting and Impairment	610/2007
IFRIC	11	IFRS 2 - Group and Treasury Share Transactions	611/2007
IFRIC	12	Service Concession Arrangements	254/2009
IFRIC	13	Customer Loyalty Programmes	1262/2008-149/2011
IFRIC	14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008-633/2010-475/2012
IFRIC	15	Agreements for the Construction of Real Estate	636/2009
IFRIC	16	Hedges of a Net Investment in a Foreign Operation	460/2009-243/2010
IFRIC	17	Distribution of Non-Cash Assets to Owners	1142/2009
IFRIC	18	Transfers of Assets from Customers	1164/2009
IFRIC	19	Extinguishing Financial Liabilities with Equity Instruments	662/2010
IFRIC	20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012
IFRIC	21	Levies	634/2014
IFRIC	22	Foreign Currency Transactions and Advance Consideration	519/2018
IFRIC	23	Uncertainty over income tax treatments	1595/2018
SIC	7	Introduction of the Euro	1725/2003-2238/2004
SIC	10	Government Assistance - No Specific Relation to Operating Activities	1725/2003
SIC	12	Consolidation - Special Purpose Entities	1725/2003-2238/2004-1751/2005-1254/2012
SIC	13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	1725/2003-2238/2004-1254/2012
SIC	15	Operating Leases - Incentives	1725/2003
SIC	25	Income Taxes - Changes in Tax Status of an Entity or its Shareholders	1725/2003-2238/2004
SIC	27	Evaluating the Substance of Transactions in the Legal Form of a Lease	1725/2003-2238/2004
SIC	29	Service Concession Arrangements: Disclosures	1725/2003
SIC	31	Revenue - Barter Transactions Involving Advertising Services	1725/2003-2238/2004
SIC	32	Intangible Assets - Web Site Costs	1725/2003-2236/2004-2238/2004

45. Isagro Group companies

Pursuant to CONSOB Resolution no. 11971 of May 14th, 1999, as amended (article 126 of the Regulation), the Isagro Group companies and equity-accounted investees are listed below.

The list includes all the companies operating in the crop protection products industry, broken down by consolidation method. The following are also shown for each company: corporate name, business description, registered office, country of incorporation and share capital denominated in the original currency. Furthermore, the list also shows the Group's consolidated share, as well as the ownership interest held by Isagro S.p.A. or any other subsidiaries. The percentage of voting rights in the various Ordinary Shareholders' meetings coincides with the ownership interest.

Corporate name and business description	Registered offices	Country	Share Capital	Currency	Consolidated % share of the Group	Investing companies	Investment %
Holding company							
Parent							
Isagro S.p.A. (R&D, production, marketing of crop protection products)	Milan	Italy	24,961,207.65	EUR	-	-	-
Subsidiaries consolidated using the line-by-line method							
Isagro Agrosolutions Kenya Limited (Management of the registration of crop protection products and commercial development)	Nairobi	Kenya	1,000,000	KES	100%	Isagro S.p.A.	100%
Isagro Argentina Ltd. (Management of the registration of crop protection products and commercial development)	Buenos Aires	Argentina	5,321,262	ARS	100%	Isagro S.p.A. Isagro España S.L.	95% 5%
Isagro (Asia) Agrochemicals Pvt Ltd. (Development, production, marketing of crop protection products)	Mumbai	India	148,629,000	INR	100%	Isagro S.p.A.	100%
Isagro Australia Pty Ltd. (Management of the registration of crop protection products)	Sydney	Australia	435,000	AUD	100%	Isagro S.p.A.	100%
Isagro Brasil Ltda (Management of the registration of crop protection products and commercial development)	São Paulo	Brazil	1,307,210	BRL	100%	Isagro S.p.A. Isagro España S.L.	99% 1%
Isagro Chile Ltda (Management of the registration of crop protection products and commercial development)	Santiago	Chile	43,987,670	CLP	100%	Isagro S.p.A. Isagro España S.L.	90% 10%
Isagro Colombia S.A.S. (Distribution of crop protection products)	Cota	Colombia	2,000,000,100	COP	100%	Isagro S.p.A.	100%
Isagro España S.L. (Development and distribution of crop protection products)	Madrid	Spain	120,200	EUR	100%	Isagro S.p.A.	100%
Isagro Mexicana S.A. de C.V. (Management of the registration of crop protection products and commercial development)	Mexico City	Mexico	50,000	MXN	100%	Isagro S.p.A. Isagro USA, Inc.	90% 10%
Isagro Poland Sp. z o.o. in liquidazione (in liquidation) (Management of the registration of crop protection products and commercial development)	Warsaw	Poland	10,000	PLN	100%	Isagro S.p.A.	100%
Isagro Shanghai Co. Ltd. (Management of the registration of crop protection products and commercial development)	Shanghai	People's Republic of China	235,000	USD	100%	Isagro S.p.A.	100%
Isagro Singapore Pte Ltd. (Management of the registration of crop protection products and commercial development)	Singapore	Singapore	300,000	EUR	100%	Isagro S.p.A.	100%
Isagro South Africa Pty Ltd. (Management of the registration of crop protection products and commercial development)	La Lucia	Republic of South Africa	1,071,000	ZAR	100%	Isagro S.p.A.	100%
Isagro USA, Inc. (Development, production, marketing of crop protection products)	Wilmington	United States	7,720,601	USD	100%	Isagro S.p.A.	100%
Isagro Vietnam Company Limited (Management of the registration of crop protection products and commercial development)	Ho Chi Minh City	Vietnam	1,113,750,000	VND	100%	Isagro Singapore Pte Ltd	100%
Associates accounted for using the equity method							
Arterra Bioscience S.r.l. (R&D biology & molecular genetics)	Naples	Italy	250,429	EUR	22%	Isagro S.p.A.	22%

on behalf of the Board of Directors

Giorgio Basile

Milan, September 12th, 2019

(Chairman and Chief Executive Officer)



Caldera Park - Via Caldera, 21 - 20153 Milano - Italia
Tel. 02 40901.1 - Fax 02 40901.287 - e-mail: isagro@isagro.com - www.isagro.com

**Attestazione del bilancio consolidato semestrale abbreviato ai sensi dell'art. 81-ter del
Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche ed integrazioni**

1. I sottoscritti Giorgio Basile, Presidente e Amministratore Delegato di Isagro S.p.A., e Ruggero Gambini, Dirigente preposto alla redazione dei documenti contabili societari di Isagro S.p.A., attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58 (T.U.F.):

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio consolidato semestrale abbreviato nel corso del primo semestre 2019.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:

3.1 il bilancio consolidato semestrale abbreviato al 30 giugno 2019:

- a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità Europea ai sensi del regolamento CE n. 1606/2002 del Parlamento Europeo e del Consiglio Europeo del 19 luglio 2002;
- b) corrisponde alle risultanze dei libri e delle scritture contabili;
- c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento;

3.2 la relazione intermedia sulla gestione comprende un'analisi attendibile dei riferimenti agli eventi importanti che si sono verificati nei primi sei mesi dell'esercizio e alla loro incidenza sul bilancio consolidato semestrale abbreviato, unitamente ad una descrizione dei principali rischi ed incertezze per i sei mesi restanti dell'esercizio; detta relazione comprende, altresì, un'analisi attendibile delle informazioni sulle operazioni rilevanti con parti correlate.

Milano, 12 settembre 2019

Presidente
e Amministratore Delegato

(Giorgio Basile)

Dirigente preposto alla redazione
dei documenti contabili societari

(Ruggero Gambini)



ISAGRO S.p.A. - società diretta e coordinata da Holdisa S.r.l.

Sede legale e amministrativa: Caldera Park - Via Caldera, 21 - 20153 Milano - Italia

Capitale Sociale Euro 24.961.207,65 i.v. - R.E.A. Milano 1300947 - Registro Imprese Milano, Cod. Fisc. e P.IVA 09497920158