ISAGRO S.p.A.

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

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

AS AT JUNE 30TH, 2018

BOARD OF DIRECTORS

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Giorgio Basile

Deputy Chairman

Maurizio Basile

Directors

Riccardo Basile

Roberto Bonetti

Enrica Maria Ghia

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INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

DIRECTORS' MANAGEMENT REPORT

Dear Shareholders,

Your Group's condensed consolidated half-year financial statements as at June 30th, 2018 disclosed, at the Income Statement level, **Revenues** of € 89.0 million (versus € 86.9 million in the first half of 2017), **EBITDA** of € 13.3 million (compared to € 11.9 million in the first six months of 2017) and **Net profit** of € 5.4 million (compared to the € 4.6 million net profit of the first half of 2017).
As regards the Balance Sheet, as at June 30th, 2018 your Group disclosed **Net financial debt** of € 47.3 million (compared to € 45.7 million as at June 30th, 2017 and to € 46.2 million as at December 31st, 2017), of which € 42.2 million expiring beyond the year (compared to € 40.1 million as at June 30th, 2017 and to € 45.3 million as at December 31st, 2017), with a **debt/equity ratio** of 0.47. Such Net financial debt, moreover, is entirely backing Net working capital (equal to € 62.7 million, of which € 50.1 million refers to Trade receivables), with Equity (equal to € 100.6 million) which contributes to financing the working capital itself for approximately € 15 million.
Lastly, in terms of cash flows, in the first six months of this year, your Group generated a positive cash flow of € 6.2 million excluding changes in working capital which, including the changes in working capital that increased seasonally by € 7.3 million compared to the opening balance, contributed to the € 1.1 million increase of the NFP compared to the figures at the end of 2017.

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Note that, following the entry into effect of the new accounting standard IFRS 9 - Financial Instruments, the provisions of which took effect from January 1st, 2018, several items of the financial statements as at December 31st, 2017 have been restated in accordance with the new standard, without changing the NFP as at December 31st, 2017: therefore for the remainder of this report, when comparing six-monthly balance sheet figures, it was deemed necessary and correct to make reference to the opening financial statements as at January 1st, 2018, which reflects the restatement pursuant to IFRS 9 of the amounts as at December 31st, 2017.

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The first half of 2018 was characterised, in terms of market performance:

- in Southern Europe, by a second quarter that benefitted from favourable weather conditions, which in turn facilitated the consumption of the stock remaining at the end of 2017, although with a limited sell-in to national distributors in the period;
- in South America, and especially in Brazil, by continuing dry conditions, which led to a delay in the start of the commercial season.

In this regard, note that the sales figures for the main players in this sector relating to the first half of this year show a fall in aggregate sales figures of around 7% if reported in Euro currency, and a 4%

increase if reported in US Dollars currency, reflecting the strengthening of the Euro in the period against the other major currencies.
The latter circumstance also had a significant impact on the Group's half year results, with Revenues and EBITDA for the period which, at the same exchange rates as those of the first half of 2017, would have shown amounts for these two items that were higher than those recorded by € 4.6 million and € 1.9 million respectively.

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At Group level, the first half of 2018 was characterised by:

- the submission, in the first part of the year, of the registration demand for active ingredient and formulations based on the new broad spectrum fungicide Fluindapyr in Brazil;
- the entry into effect of the distribution contract for the new fungicide Fluindapyr in Brazil with its partner Arysta, which recorded initial revenues of USD 9 million (entirely booked to the Income Statement for the period, corresponding to € 7.5 million, but collected at the beginning of July) - for further information regarding this contract, refer to the content of the Explanatory Notes of this condensed consolidated half-year financial statements;
- the launch of the pre-development "stage two" of a new Nematicide originating from Isagro Innovative Research, the costs of which booked to the Income Statement in the year were around € 0.5 million.

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The results of the first half of 2018, achieved in a market context still unfavourable and with disadvantageous exchange rates with respect to the previous period, represent a comforting base for the rest of the year. Performance in the second half of the year is expected to be more positive than the second half of the previous year, mainly due to higher sales in India based on the current portfolio of products.

Moreover, for the medium term (by 2020/2021), Isagro confirms the target of around € 200 million revenues at a consolidated level, based on the implementation of the following Strategic Guidelines:

1. discovery of new molecules by ourselves;
2. development of proprietary molecules through agreements with Third Parties;
3. M/L Agreements to widen the commercial exploitation of our products;
4. growth in the Biosolutions business;
5. expansion of our global commercial organisation;
6. selective actions of growth through acquisitions.

EVOLUTION OF THE CROP PROTECTION PRODUCTS MARKET

The figures available for the sales of crop protection products of the major industry operators (Syngenta, DowDuPont, Basf, FMC, Platform) in the first half of 2018, compared to those of the first six months of 2017, show a 4% increase in terms of sales reported in US Dollars, while they show a 7% decrease if reported in Euro. This difference is due to the appreciation of the Euro against the US Dollar with respect to the first half of 2017.

With reference to the indications of Phillips McDougall, in the first half of 2018, the global crop protection market was affected by the low prices of agricultural commodities (which continued to limit farmers' economic-financial resources), by adverse climatic conditions in several parts of the world (which had a negative impact on the demand/consumption of crop protection products), by the increase of the prices of a high number of active ingredients and formulations (which led to higher production costs) and by a falling trend of the high levels of inventory previously recorded at distributors level and the consequent short supply of stock following the 2017/2018 season in South America and that underway in Europe and North America.

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 reflected the unfavourable climatic conditions in northern and south-western Europe. In fact the prolonged winter conditions and a cold spring season had a negative impact on the consumption/sales of fungicides, particularly in France, and of herbicides;
- in **North America**, the trade dispute underway between the USA and China is generating uncertainties about a possible rise of soya 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 the USA, where the drought affected the Texas area, an increase in the areas used for cotton and wheat crops was recorded to the detriment of areas dedicated to maize and soya crops, while in Canada an uptrend in the prices of several agricultural goods, favourable weather conditions and an increase in sowing areas were recorded;
- in **South America**, adverse drought weather conditions were recorded, which mainly affected Southern Brazil and Eastern Argentina. In particular:
  - high soya prices were recorded in Brazil, due essentially to the drought that hit Eastern Argentina and to the trade dispute underway between China and the USA, which could encourage the country's exports;
  - a fall in the demand/consumption of fungicides and insecticides was recorded in Argentina, due to the drought that also had a negative impact on the harvest;
  - in Uruguay, the serious drought that hit the country in the first quarter of 2018, followed by an extremely humid climate in the second quarter of 2018, had a negative impact on the production and the quality of the harvest;
- with regard to **Asia**:
  - India experienced an irregular start to the monsoon season, which hindered seasonal sowing. Nevertheless, a high proliferation of insects was recorded at the start of the season, which

had a positive impact on the demand/consumption of insecticides. The policy to review minimum support prices is expected to increase the available agricultural income;

- in China, the Regulating 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. Furthermore, Sinochem and ChemChina have announced their intention to merge, thus creating the largest chemical company in the world.

With regard to the process of consolidation of the main crop protection market operators, note that: (a) the “Agro Business” division of DowDuPont has been renamed Corteva Agriscience and the group is expected to split by June 2019; (b) in the second quarter of 2018, the acquisition of Monsanto by Bayer was completed and the merger process is underway. The antitrust authorities have requested that further divestments be made, including Bayer’s digital agriculture business, for which the only company interested at the moment is Basf; (c) Nufarm is the main beneficiary of the divestments of Adama and Syngenta products in Europe.

INCOME STATEMENT - SUMMARY DATA

Consolidated **Revenues** for the first half of 2018 amounted to € 89.0 million, up by € 2.1 million compared to € 86.9 million in the first six months of 2017. This positive difference is due to the combined impact of:

- higher Revenues from M/L Agreements of US$ 9 million (not present in the first half of 2017), corresponding to € 7.5 million, resulting from an Agreement to distribute the Fluindapyr fungicide in Brazil with Arysta LifeScience, better described in the Report below, which more than offset
- lower Revenues from the sale of Crop Protection Products of € 4.4 million and
- lower Revenues from the sale of Services, such as toll manufacturing proceeds, of € 1.0 million.

With regard to the change in Revenues from sales of Crop Protection Products compared to the first half of 2017, the lower sales figure, corresponding, as mentioned, to € 4.4 million, is mainly due to lower sales made in Italy and Southern Europe by the parent Isagro S.p.A, and to lower revenues, exacerbated by the Euro/Indian Rupee exchange rate, of Isagro Asia in India, partly offset by higher sales in Central and Western Europe.
It is worth noting, nonetheless, that if the 2017 exchange rates are applied, total Revenues from Crop Protection Products would have been substantially in line with the figure of the first half of 2017.

With regard to the breakdown of Revenues for Crop Protection Products only by geographic area, note that in the first half of 2018:

- sales in Italy represented approximately 19% of turnover (compared to 23% in the first half of 2017), for a total of € 15.2 million (down by € 4.0 million compared to the first half of 2017);
- sales in other EU countries represented approximately 38% of turnover (compared to 35% in the first half of 2017), for a total of € 30.0 million (up by € 0.7 million compared to the first half of 2017);

- sales in the Americas represented approximately 19% of turnover (substantially in line with the sales of the first half of 2017), for a total of € 14.8 million (down in terms of absolute value by € 0.4 million compared to the first half of 2017);
- sales in Asia represented approximately 19% of turnover (substantially in line with the sales of the first half of 2017), for a total of € 14.8 million (down in terms of absolute value by € 0.2 million compared to the first half of 2017);
- sales in the Rest of the World represented approximately 5% of turnover (substantially in line with the sales of the first half of 2017), for a total of € 4.2 million (down in terms of absolute value by € 0.2 million compared to the first half of 2017).

Note that following the entry into effect of the new international accounting standard IFRS 9 from January 1st 2018, which introduced a new hedge accounting model for the purpose of adapting the requirements envisaged by IAS 39, which at times were considered too stringent and not suitable for reflecting the company's risk management policies, the hedges relating to the revenues for the period will be directly reflected in the revenue item.

In relative terms, therefore, Isagro continues to be a strongly foreign-oriented group, with a percentage of interim sales from crop protection products achieved outside Italy of approximately 81%.

(€ 000)	1st half 2018		*Change*	1st half 2017	
Italy	15,222	19.3%	*-20.8%*	19,231	23.1%
Rest of Europe	30,013	38.0%	*+2.4%*	29,305	35.3%
Americas	14,813	18.8%	*-2.9%*	15,249	18.3%
Asia	14,775	18.7%	*-1.4%*	14,992	18.0%
Rest of the World	4,192	5.3%	*-3.6%*	4,350	5.2%
DCS gains/(losses)	(108)	-0.1%	*N/S*	-	0.0%
Crop protection products subtotal	**78,907**	100.0%	***-5.1%***	**83,127**	100.0%
Other products and services	10,138		*N/S*	3,744	
Consolidated Revenues	**89,045**		***+2.5%***	**86,871**	

Table 1: Consolidated Revenues by Geographic Area

During the first six months of 2018, Isagro carried on its research, innovation & development activity, incurring total costs of € 6.9 million (compared to € 7.2 million in the first half of 2017), of which € 3.4 million capitalised (compared to € 4.3 million capitalised in the first half of 2017) continuing the co-development of the new Fluindapyr molecule (an SDHi class broad spectrum fungicide) with FMC Corporation, the development of new products, the extraordinary protection of proprietary products and activities for new registrations on a global basis. The Income Statement of the first six months of 2018, therefore, was affected by higher expensed research, innovation & development costs compared to the same period of 2016 by € 0.6 million. In this regard, note that in the period, the Group decided to launch the so called “stage two” of the pre-development process of the new Nematicide originating from Isagro Innovative Research, the costs of which, corresponding to € 0.5 million, mostly represented by the above-cited increase, were booked to the Income Statement.

The **EBITDA** generated in the first half of 2018 amounted to € 13.3 million, up by 12.2% compared to € 11.9 million in the first half of 2017, with margins on Revenues rising from 13.7% to 15.0%.
This € 1.4 million increase in EBITDA was made possible by:

- higher margins from M/L Agreements, as mentioned above, equal to € 7.5 million, which more than offset
- lower margins from sales of crop protection products & services of € 3.8 million, higher fixed costs of € 0.8 million, higher provisions of € 0.9 million (mainly due to accounting effect of the application of the new international accounting standard IFRS 9 from January 1st, 2018 relating to estimated losses on receivables) and higher R,I&D costs charged to the Income Statement of around € 0.6 million.

In the first half of 2018, Isagro also incurred **Personnel costs** of € 15.8 million, down by € 0.6 million compared to the figure of € 16.4 million as at June 30th, 2017. This change is essentially due to higher costs for early retirement incentives in the first half of 2017: if these components are excluded, personnel costs for the first half of 2018 would have shown an increase of € 0.2 million, due to the increase in the average number of employees as at June 30th, 2018 versus June 30th, 2017.

Then, as regards the **Amortisation, depreciation and impairment losses** for the period, these amounted to € 4.6 million, slightly higher than the € 4.5 million recorded in the same period of the previous year.

Reflecting the items commented upon above, your Group closed the first half of 2018 with an **Operating profit** of € 8.8 million, increasing by 18.8% compared to the € 7.4 million profit for the first six months of last year.
With reference to financial management, in the first half of 2018, compared to the first half of 2017, your Group incurred:

- lower **Interest fees, commissions and financial charges** of € 0.1 million within the financial intermediation environment which, also due to the expansive monetary policies of the ECB that are still in place, continued to be favourable;
- higher **Net losses on foreign exchange and derivatives** of around € 350 thousand, due mainly to exchange rate adjustments for the portion of receivables in US Dollars as at December 31st, 2017 and relative derivatives, which were not reclassified in "hedge accounting".

It should be remembered that the Isagro Group operates on several foreign 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 of the budget, Isagro arranges USD exchange rate risk hedges, setting the rate at

Budget level and 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 transactions carried out by the Group, it should also be noted that they are exclusively for operational transactions and therefore not for speculative purposes. With regard to the above, note that hedging transactions carried out on exchange rates other than the Euro in place as at December 31st, 2017, your Group has continued to apply standard IAS 39, recording these transactions directly under the financial components of the Income Statement, while for those that relate to revenues and the relative receivables of 2018, it applied the new standard IFRS 9, attributing the effects directly to Revenues.

(€ 000)	1st half 2018	1st half 2017	Differences		Year 2017
Revenues	**89,045**	**86,871**	**+2,174**	**+2.5%**	**149,580**
Memo: Labour costs and provisions for bonuses	(15,773)	(16,396)	+623		(31,257)
EBITDA	**13,348**	**11,894**	**+1,454**	**+12.2%**	**12,557**
% on Revenues	*15.0%*	*13.7%*			*8.4%*
Depreciation and amortisation:					
- tangible assets	(1,792)	(1,939)	+147		(3,882)
- intangible assets	(2,794)	(2,584)	-210		(5,316)
- write-down of tangible and intangible assets	(7)	-	-7		(490)
EBIT	**8,755**	**7,371**	**+1,384**	**+18.8%**	**2,869**
% on Revenues	*9.8%*	*8.5%*			*1.9%*
Interest, fees and financial discounts	(109)	(208)	+99		(863)
Gains/(losses) on foreign exchange and derivatives	(378)	(27)	-351		154
Revaluations of equity investments	109	83	+26		135
Result before taxes	**8,377**	**7,219**	**+1,158**	**16.0%**	**2,295**
Current and deferred taxes	(2,946)	(2,641)	-305		(1,882)
Net profit from continuing operations	**5,431**	**4,578**	**+853**	**18.6%**	**413**
Net profit/(loss) from discontinued operations	-	-	-		(200)
Net profit	**5,431**	**4,578**	**+853**	**18.6%**	**213**

Table 2: Consolidated Income Statement - Summary Data

The consolidated **Result before taxes** was therefore a profit of € 8.4 million, up by 16.0% compared to the € 7.2 million recorded in the first six months of 2017.

In terms of tax management, no significant changes took place, with a tax rate at Group level of around 35%, slightly lower than the 36.5% applied to the same period of 2017, which reflects the trend of the results of the various companies and of the relative national taxes: however, it should be noted that in the financial statements for the first 6 months of 2018, € 133 thousand has been included in tax charges, as a final settlement agreed with the Italian Revenue Agency for the inspection conducted last year on tax years 2012, 2013 and 2014, illustrated later in this Report.

As a result of the above, the Group ended the first half of 2018 with a € 5.4 million **Net profit**, up by 18.6% versus the profit of € 4.6 million recorded for the first six months of 2017.

BALANCE SHEET - SUMMARY DATA

As regards equity, consolidated **Net invested capital** as at June 30th, 2018 amounted to € 147.9 million, with a seasonal increase of 4.6 million compared to € 143.3 million as at January 1st, 2018 (€ 145.5 million as at December 31st, 2017) and down by € 3.0 million compared to € 150.9 million as at June 30th, 2017.

More specifically, **Net fixed assets** as at June 30th, 2018 amounted to € 86.5 million, down by € 1.1 million compared to € 87.6 million as at January 1st, 2018 and by € 1.6 million compared to € 88.1 million as at June 30th, 2017. These differences are mainly due to changes in the following items:

- **Intangible assets,** totalling € 50.5 million as at June 30th, 2018, up by € 0.7 million compared to January 1st, 2018 and by € 0.4 million compared to June 30th, 2017, with slight increases versus the previous years as the development of the new broad spectrum fungicide, Fluindapyr, is close to completion and due to the fact that the initial costs of the "stage two" of the pre-development of the new Nematicide have been booked to the Income Statement;
- **Tangible assets,** amounting to € 19.6 million as at June 30th, 2018, down by € 1.0 million compared to January 1st, 2018 and by € 1.4 million compared to June 30th, 2017, due to reduced investments for the period compared to the level of the related depreciation;
- **Other medium/long term assets and liabilities**, totalling € 12.5 million as at June 30th, 2018, down by € 1.0 million compared to January 1st, 2018 and by € 0.7 million compared to June 30th, 2017, essentially due to the use of deferred tax assets against tax losses allocated to provisions in previous years by the parent Isagro S.p.A and the reallocation of the instalments of the M/L Agreements expiring in the following 12 months to short-term assets. In this regard, note that the initial US$ 9 million of Revenues originated from the Agreement to distribute Fluindapyr in Brazil with Arysta, accounted on an accruals basis under the Revenues of the first half of 2018 and collected in the first few days of July, were directly included under trade receivables as they were due within the year.

(€ 000)	June 30th, 2018	January 1st, 2018 as per IFRS 9	Differences		June 30th, 2017
Net fixed assets	**86,534**	**87,619**	**-1,085**	**-1.2%**	**88,108**
of which:					
Goodwill and Other intangible assets	*53,977*	*53,151*	*+826*		*53,544*
Tangible assets	*19,572*	*20,553*	*-981*		*20,963*
Other m/l-term assets and liabilities	*12,483*	*13,478*	*-995*		*13,205*

Net working capital	**62,727**	**55,522**	**+7,205**	**+13.0%**	**64,405**
of which:					
Inventories	*52,014*	*45,040*	*+6,974*		*52,142*
Trade payables	*(39,420)*	*(30,998)*	*-8,422*		*(37,426)*
Trade receivables	*50,133*	*41,480*	*+8,653*		*49,689*
Other short-term assets and liabilities and Current provisions	**1,029**	**2,740**	**-1,711**	**NS**	**901**
Severance Indemnity Fund (SIF)	**(2,428)**	**(2,591)**	**+163**	**-6.3%**	**(2,520)**
Net invested capital	**147,862**	**143,290**	**+4,572**	**+3.2%**	**150,894**
Total	**147,862**	**143,290**	**+4,572**	**+3.2%**	**150,894**
Financed by:					
Equity	**100,605**	**97,069**	**+3,536**	**+3.6%**	**105,220**
Net financial position	**47,257**	**46,221**	**+1,036**	**+2.2%**	**45,674**
of which:					
M/L-term debts:	*42,206*	*45,335*	*-3,129*	*-6.9%*	*+40,099*
Debt/Equity Ratio	***0.47***	***0.48***			***0.43***
Total	**147,862**	**143,290**	**+4,572**	**+3.2%**	**150,894**

Table 3: Consolidated Balance Sheet - Summary Data

Net working capital as at June 30th, 2018 amounted to € 62.7 million, up by € 7.3 million compared to January 1st, 2018 (the majority of the difference was offset at the beginning of July with the collection of the above-mentioned US$ 9 million of initial Revenues from Arysta) and down by € 1.7 million compared to June 30th, 2017.

More specifically, focusing the analysis with respect to January 1st, 2018:

- **Inventories** increased by € 7.0 million, mainly due to the constitution of stock to cover the sales estimated for the remainder of the year;
- **Trade payables** increased by € 8.4 million, both due to the increase in inventories and to a different timing in the purchasing cycle with respect to the first six months of 2017, when the increase of trade payables compared to December 31st, 2016 had been € 5.7 million against an increase in inventories of € 5.1 million;
- **Trade receivables** increased by € 8.7 million, mainly due to the effect of the receivable originating from the distribution Agreement signed with Arysta and collected in the first few days of July.

The **Severance Indemnity Fund (SIF)** amounted to € 2.4 million as at June 30th, 2018, down by € 0.2 million compared to the figure of € 2.6 million as at January 1st, 2018 and by € 0.1 million compared to € 2.5 million as at June 30th, 2017.

As for funding, consolidated **Equity** as at June 30th, 2018 amounted to € 100.6 million, up by € 3.5 million compared to € 97.1 million as at January 1st, 2018 and down by € 4.6 million compared to € 105.2 million as at June 30th, 2017, primarily due to the impact of the changes in the Net Results of the various periods and to changes in the translation reserve relating mostly to balance sheet items of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., due to the strengthening of the Euro against the Indian Rupee.

The consolidated **Net Financial Position (NFP)** as at June 30th, 2018 thus amounted to € 47.3 million, up by € 1.1 million compared to € 46.2 million as at January 1st, 2018 and by € 1.6 million compared to the € 45.7 million recorded as at June 30th, 2017.
Moreover, as already mentioned in the comments to the other half-year financial statement items, it should be noted that, if the collection of the initial Revenues originating from the distribution Agreement with Arysta in the first few days of July 2018 were to be included, Isagro's consolidated NFP would have been significantly better both compared to the opening balance and compared to June 30th of last year.

With regard to the breakdown of the Net financial position as at June 30th, 2018, note that it is mostly represented by medium/long-term debt, with liquidity at Group level of over € 40 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 is expected to end in September, which will lead to a 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 million were taken out, of which the portion expiring in the medium/long-term corresponds to around € 14 million.

In light of the above, the **debt/equity** ratio (i.e. the ratio between net financial position and equity) as at June 30th, 2018, at consolidated level came to 0.47 compared to 0.48 as at January 1st, 2018 and 0.43 as at June 30th, 2017.

CASH FLOWS - SUMMARY DATA

In the first six months of 2018, your Group generated:
- a positive cash flow of € 6.2 million, excluding changes in Net working capital (NWC);
- a negative cash flow of € 7.3 million due to changes in NWC (reflecting the already-mentioned receivable of US$ 9 million relating to the distribution Agreement with Arysta, which was then collected in July),

therefore recording a negative free cash flow of € 1.1 million for the period, which corresponds to the change in Net financial debt over the half year.

(€ 000)	6 months 2018	6 months 2017	Jul. '17 - Jun. '18	Jul. '16 - Jun. '17
Net profit	5,431	4,578	1,066	2,838
+ Depreciation, amortisation and write-downs	4,593	4,523	9,758	9,368
Gross Cash Flow	**10,024**	**9,101**	**10,824**	**12,206**
- Investments	(4,101)	(4,796)	(8,818)	(10,496)
- Distributed dividends	-	-	-	-
± Other changes*	246	1,239	(5,267)	(2,387)
Free Cash Flow before Δ NWC	**6,169**	**5,544**	**(3,261)**	**(677)**
Δ NWC	(7,205)	1,500	1,678	(2,876)
Free Cash Flow	**(1,036)**	**7,044**	**(1,583)**	**(3,553)**

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*

RESEARCH, INNOVATION AND DEVELOPMENT ACTIVITIES

During the first six months of 2018, the Isagro Group incurred research, innovation & development costs totalling € 6.9 million, of which € 3.4 million were capitalised against investments for the development, registration and the extraordinary protection of proprietary products worldwide; in the first six months of last year these expenses amounted to € 7.2 million, of which € 4.3 million were 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 the course of 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 2019 is confirmed.

Research activities are focused on:

- new series of broad-spectrum fungicides, in addition to that belonging to the SDHi class whose development started in 2012. The projects continued regularly and all the activities which are at the current phase of stage 1 were performed successfully, enabling the advancement of the projects towards the new phases of stage 1, already planned for 2018. The 2018 activity plan will focus mainly on candidates considered of interest;

- new candidates to combat soil parasites. One product line was confirmed: the new "nematicide" molecule, with a competitive profile such as to deserve transition from end of stage 1 to start of stage 2. 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 the company in this segment;
- new series of herbicides for arable crops. Two research lines were identified during 2017, of which one has already produced two candidates of potential value for an intermediate phase of stage 1 during 2018, while the second line is at an earlier stage and will be better assessed 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.

Lastly, the evaluation of new biostimulant products, alone or in combination with other molecules, continued: in this regard, a new formula proving interesting from "top profile" studies has moved on to the pre-sales assessment stage and profile studies will be conducted on second-generation formulas.

B) PRODUCT DEVELOPMENT

The main development activities carried out during the first half of 2018 are illustrated below.

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

In the second quarter of 2018, regulatory studies continued on the active ingredient and on the representative formulation, which envisages submitting the registration dossier for the inclusion in Annex I of the technical active ingredient in the European Union in the second half of this year. In April of this year, a meeting was held with the German authorities (pre-submission meeting). Germany will, in fact, be the reporting Member State; on that occasion, Italy was confirmed as the co-reporting Member State.

In China, following the submission of the dossier of the technical active ingredient at the end of October 2017 and earlier than planned, testing continues which envisages the completion of field trials in 2019.

In Brazil, following the submission of the dossier of the active ingredient and of two formulations in the first half of the current year, testing has started on a third formulation containing three active ingredients, the dossier for which is expected to be submitted in 2019. Other solutions are being evaluated/studied based on the objectives and on any commercial agreements.

The field trials programme is continuing in the major strategic areas of South America (Argentina in particular) and China.

Furthermore, the field trials and processing programme addressed to completing the Biological Assessment Dossier (BAD) for the single formulations and mixture envisaged for the European market continued. This programme will conclude in 2019, in time for the submission of the formulations different to the representative formulation.

Tetraconazole - a broad spectrum fungicide

Activities were focused on the following projects:

- the coordination of the planning and performance of the studies required to renew the approval of the active ingredient in the European Union;
- the follow-up of the last re-registration processes of formulations in Europe (STEP 2 of the European review process), still in progress;
- the follow-up of the sending of the studies to the USA for re-registration and the preparation of a draft agreement with Sipcam Agro USA for data compensation relating to new studies conducted;
- the submission of new registrations, via Mutual Recognition:
    - of straight formulations in different countries in the central area of the European Union (Belchim project);
    - of mixtures (tetraconazole/chlorothalonil) in the Southern area (Italy, Bulgaria).
- the preparation of dossiers for the registration of the tetraconazole/azoxystrobin mixture in several non-EU countries (Iran, Malaysia, Morocco, Paraguay).

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);
- the participation in the European Copper Task Force’s follow-up for the renewal of copper Salts approval at European level;
- the completion of the registration dossier of formulations containing oxychloride and hydroxide for Germany, Albania and the Czech Republic;
- the follow-up of the registration process at the European Center of the Airone SC and Airone WG formulations;
- the registration of the Grifon SC formulation (coloured version of the Airone SC) in the Czech Republic and Belgium.

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 registration 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.

Biofumigant

With reference to the Biofumigant, the main activities were as follows:

- the continuation of the support activities to obtain registration in California (USA), Egypt and Jordan;
- the preparation of the dossier for the registration of the substance on the basis of Regulation (EC) 1907/2006 (REACH);
- the follow-up of activities to conduct the studies needed to demonstrate the equivalence of three new Chinese sources of the technical AITC active ingredient for the United States.

It should also be noted that the Biofumigant has already obtained federal registration in the USA and that California, for which specific registration is expected by the end of the current year, 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. The registrations of biostimulants Ergostim XT and Goleador were obtained in Brazil.

As regards pheromones, the development and first presentation of the new Ecodian CT for containment of the main lepidopterans of the chestnut in Italy have produced encouraging results. In 2018, technical and commercial positioning will continue for the submission of the application for registration of the formulation in Italy and the simultaneous request for the inclusion of the active ingredient in Annex I.

C) REGISTRATIONS OBTAINED

In the first half of 2018, 22 new sales authorisations were obtained, including: Badge WG (copper-based formulation) in Slovakia, Airone SC (copper-based formulation) in Brazil, Czech Republic and Belgium (under the brand name Grifon SC in the latter two countries), Curzate E WG (copper-based formulation) in Malta, Siapton (biostimulant) in Russia, Concorde (formulation based on tetraconazole) in France, Scatto (formulation based on deltamethrin) in Germany, Goleador and Ergostim XT (biostimulants) in Brazil.

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2018

A) *COMMERCIAL AGREEMENT BETWEEN ISAGRO AND ARYSTA LIFESCIENCE*

Between the end of 2017 and the beginning of 2018 Isagro and Arysta LifeScience, a sister company of Platform Specialty Products, have finalized a long-term commercial agreement for the distribution in Brazil of mixtures based on the fungicide Fluindapyr, Isagro's new proprietary active ingredient, for use in that country on soybeans for protection against Asian Rust and on other extensive crops (e.g. corn, wheat, cotton, coffee). Under this agreement, on July 3rd, 2018, Isagro received the amount of US$ 9 million from Arysta LifeScience, already reflected in the Income Statement for the first half of 2018.

B) *APPOINTMENT OF THE GENERAL MANAGER*

On March 14th, 2018, Davide Ceper, formerly Isagro's Chief Commercial Officer, was appointed as the Company's General Manager. The General Manager is directly responsible for all activities relating to operations, assuming the role of "Manager with strategic responsibilities".

C) *TAX ASSESSMENT*

As already reported in previous Reports, note that, on the basis of the previous Formal Notice of Assessment (hereinafter "FNA") of July 31st, 2017 regarding tax years 2012, 2013 and 2014, on November 28th, 2017, the Revenue Agency had notified to Isagro S.p.A. two assessment notices (for IRES and IRAP purposes), for tax year 2012, with which it had made a total of € 3.4 million, relating to transfer pricing, newly subject to taxation; furthermore, with regard to tax years 2013 and 2014 (not notified), the FNA pointed out findings of a further € 4.4 million, giving a total of € 7.8 million newly subject to taxation.

On February 5th, 2018, the parties started the process of cross examination, following the tax settlement proposal submitted by Isagro on January 19th, 2018.

On April 24th, 2018, after the assessment process was concluded, the parties reached a settlement of the newly taxable amounts of € 2.6 million, against the original € 7.8 million.

For IRES purposes, this led to a reduction of the tax losses carried forward and the use of foreign tax receivables amounting to € 2.6 million and, for IRAP purposes, the payment of € 133 thousand to settle the years in question.

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

With reference to and following the request for a discount in January 2018 from Gowan Company, announced as one of the events subsequent to the financial statements as at December 31st, 2017, to which we refer, 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 on April 30th, 2018 as counterparty to the distribution agreement in question). After seeking to reach a settlement agreement, although it retained Gowan's request as 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 brief of Isagro USA. Isagro USA appealed, on August 20th, 2018, against the request for a third-party summons of Isagro S.p.A., and will submit further written defences to support its position within the set term. We are waiting for the first hearing for the discussion to be set.

E) APPROVAL OF 2017 FINANCIAL STATEMENTS AND APPOINTMENT OF THE NEW BOARD OF DIRECTORS

On April 24th, 2018 the Shareholders' Meeting of Isagro S.p.A.:

- reviewed the 2017 consolidated results and the non-financial Report of the Isagro Group and approved the 2017 financial statements of Isagro S.p.A., including the Directors' Management Report, as approved by the Company's Board of Directors on March 13th, 2018 and already communicated to the Market. The item "Retained earnings after Growth Shares listing - pursuant to Article 24 of the By-Laws" for Euro 1,454,684 and the item "Retained earnings" for Euro 804,635 were utilized to cover the loss of the year of Euro 2,259,319;
- resolved to increase the number of members of the Board of Directors from 8 to 11 and appointed, until approval of the financial statements as at December 31st, 2020, the new Board of Directors, composed as follows: Giorgio Basile (Chairman), Maurizio Basile, Riccardo Basile, Roberto Bonetti, Silvia Lazzeretti, Margherita Zambon, Enrica Maria Ghia (Independent Director), Marcella Elvira Antonietta Logli (Independent Director), Giuseppe Persano Adorno (Independent Director), Erwin Paul Walter Rauhe (Independent Director) and Angelo Zaccari (Independent Director).

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 and article 84-*quater* of the Issuers' Regulation adopted by Consob Resolution no. 11971/1999.

Subsequently, on May 2nd, Isagro's new Board of Directors resolved:

- to appoint the following until approval of the financial statements as at December 31st, 2020:
  - Giorgio Basile as Chief Executive Officer - C.E.O.;
  - Maurizio Basile as Deputy Chairman;
  - Directors Enrica Maria Ghia, Marcella Elvira Antonietta Logli, Giuseppe Persano Adorno, Erwin Paul Walter Rauhe and Angelo Zaccari as members of the Independent Directors Committee;
  - Director Erwin Paul Walter Rauhe as Lead Independent Director;
- to form the Appointments and Remuneration Committee, appointing Independent Directors Angelo Zaccari (President), Enrica Maria Ghia and Giuseppe Persano Adorno as its members;

- to form the Control, Risks and Sustainability Committee, appointing Independent Directors Marcella Elvira Antonietta Logli (President), Enrica Maria Ghia and Giuseppe Persano Adorno as its members;
- to appoint Ruggero Gambini as the "Manager charged with preparing the Company's financial reports".

On the same date, pursuant to article 3 of the Corporate Governance Code of listed companies and article 144-*novies* of the Consob Issuers' Regulation, the Board assessed the possession of independence requirements by the Directors Enrica Maria Ghia, Marcella Elvira Antonietta Logli, Giuseppe Persano Adorno, Erwin Paul Walter Rauhe and Angelo Zaccari, appointed as Independent Directors.

F) *APPROVAL OF THE 2018-2021 RETENTION AND INCENTIVE PLAN AND AUTHORISATION TO PURCHASE GROWTH SHARES AND TO SELL TREASURY ORDINARY SHARES*

Following the proposal of the Board of Directors on March 13th, 2018, the Shareholders' Meeting approved the long-term retention and incentive plan named "2018-2021 Restricted Shares and Performance Shares Plan", which provides the free assignment of Growth Shares to the top management of Isagro. Furthermore, the Shareholders' Meeting authorised the Board of Directors to proceed, for the above-mentioned Plan, with the purchase of Growth Shares (up to a maximum of 1,000,000 shares) and to sell 50,000 Treasury Ordinary Shares.

G) WITHDRAWAL FROM FRAMEWORK AGREEMENT WITH GOWAN

On June 25th, 2018 (following a resolution of the Board of Directors, with the approval of the Independent Directors Committee pursuant to the procedure that regulates related party transactions), Isagro sent to Gowan - with an appropriate notice period of 6 months - the withdrawal from the contract having an unlimited term called "Framework Agreement", signed on July 30th, 2013 by Piemme S.r.l., Isagro S.p.A. and Gowan Company LLC, considering it no longer in line with Isagro's interests. It shall be noted, however, that all commercial agreements that have already been signed will remain in place.

<u>EVENTS SUBSEQUENT TO JUNE 30th, 2018</u>

A) *ESTABLISHMENT OF ISAGRO KENYA*

On July 18th, 2018, Isagro Agrosolutions Kenya Limited was established, wholly controlled by Isagro S.p.A., which will initially be tasked with supporting registrations, market intelligence and local marketing.

HUMAN RESOURCES

The actual workforce as at June 30th, 2018 of the Isagro Group came to 662 employees, as summarized in the following table.

Number of employees	June 30th, 2018	June 30th, 2017	Difference
Executives	46	53	-7
Middle managers	146	136	+10
White-collar workers*	359	329	+30
Blue-collar workers	111	103	+8
Total	**662**	**621**	**+41**

Table 5: Number of Isagro employees

**includes workers with special skill level*

The workforce as at June 30th, 2018 had, therefore, increased by 41 employees compared to the first half of 2017. The changes are essentially due to the foreign subsidiaries. More specifically, 33 employees were hired by Isagro Asia (25 in the commercial area, with a view to expanding the geographic coverage of the Indian market, and 8 in purchasing, IT and administration functions), while the remaining employees were hired to the commercial functions of Isagro Brasil and Isagro Columbia.

The period was also characterised by a significant turnover, with the exit in particular, between the second half of 2017 and the first quarter of 2018, of the C.O.O. and the Group Director Business Development & Product Management.
As regards Isagro S.p.A., on March 14th, 2018, as illustrated in the paragraph entitled "Significant events in the first half of 2018", the General Manager was appointed and, from April 1st, 2018, Gianluca Fusco joined the company as Group Director Marketing & Sales.

In November 2017, with the support of a consulting firm, a project (called "Fit for our future") was launched, which seeks to identify possible areas for improvement in the organisational processes transversal to the organisation, to define and enhance approaches and methods that encourage cooperation and organisational wellbeing in view of Isagro's future business challenges.
The consulting firm had defined the methods and rules of the project, while the employees had had responsibility both for identifying the processes to be improved and for designing and testing the solutions.
The project was concluded in January 2018, and in March 2018 the results of the work undertaken were presented at the meetings held at the beginning of the year in all of the Italian locations.
In June 2018, the "Fit for our future" project continued to be implemented through another important initiative that involved Isagro employees throughout the world. More specifically, a survey prepared by an International Research Centre (High Performance Organisation - HPO Centre), was launched, with the objective of enhancing and complementing the results that had emerged during the course

of the project and establishing a quantitative starting point from which to measure the progress made by our organisation over time.
84% of the population responded to the survey in just over a week, demonstrating the high level of participation and of agreement with the objective of having an increasing efficient organisation in the future.
The results were presented to Top Management in July and, after the summer break, the activities that the Group should launch to respond to the indications that emerged, will be announced.

During the first half of 2018, 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 adopt all the flexibility opportunities offered by the National Labour Contracts. This allowed implementation of changes in working hours at the industrial sites, which became necessary to guarantee the different production demands and to optimise the overall company organisation;
- the renewal of the framework agreement for the 2017-2019 three-year period relating to the Participation Bonus for all locations of Isagro S.p.A.. The new agreements incorporated the legal changes pertaining to tax and social security benefits in the "performance bonuses" and they provide also for the option, available to workers, of replacing all or part of the bonus accrued with the reimbursement of the costs incurred by them for the corporate welfare services identified in the agreements. In May 2018, the bonus accrued on the basis of the objectives reached in 2017 was awarded (first year of the three-year period of the new agreements) and the participation of employees in welfare services represented 20% of the total workforce and 30% with respect to the bonus accrued.

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.
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 uses the services of Headhunters to identify candidates for high-level positions.

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

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

As already illustrated in the previous Report, note that starting from January 2018, Isagro S.p.A. began activities aimed at updating and supplementing the Model and the Group Code of Ethics (integral part of the same), with a view to reflecting the following new legal provisions introduced into the body of Italian Legislative Decree 231/2001: crimes on the subject of illegal immigration, crime of gangmastering, reformulation of corporate crimes and prescriptions on the subject of reporting crimes or irregularities (“whistleblowing”).
The integrated and updated version of the Model and of the Code of Ethics was first examined and validated by the Supervisory Body on July 26th, 2018, and then examined and approved by the Board of Directors at today’s meeting.
The task of monitoring the functioning of and compliance with the Model and arranging its updating was assigned to the Supervisory Body (composed of external members Renato Colavolpe and Antonio Zoncada and by Laura Trovato, Isagro’s Internal Auditing Manager), whose three-year term was renewed by the Board of Directors on May 2nd, 2018, and will expire on the approval of the financial statements as at December 31st, 2020.

CHANGES TO THE CORPORATE GOVERNANCE CODE

Isagro S.p.A. adopted the Corporate Governance Code of listed companies as its point of reference for an effective corporate governance structure.
On July 16th, 2018, the Corporate Governance Committee approved the changes to the above Code. The new version of the document was formally adopted with a resolution of the Board of Directors on August 1st, 2018.

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, 2017, with the exception of that illustrated in the paragraph above entitled “Significant events in the first half of 2018”, 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.
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.

<u>OBSERVATIONS ON THE FINANCIAL PROFILE AND THE GOING CONCERN</u>

As at June 30th, 2018 your Group was showing a sound and balanced financial structure, with a **debt/equity ratio** of 0.47 and Equity exceeding Fixed Assets including current provisions, other short-term assets and liabilities and the SIF, with a portion of approximately € 15 million of Net working capital directly financed by Equity and liquidity of € 43 million.

As already mentioned, during the first six months of 2018, however, the parent Isagro S.p.A. obtained new medium-long term loans of € 16.0 million, which raised the average duration of its financial debt at a low cost.

The repayment of the portion of the medium/long term debt maturing in the second half of 2018 will be guaranteed by current liquidity together with operating cash flows, and the use, where necessary, of available short-term bank credit facilities.

Lastly, the parent Isagro S.p.A. will continue to seize opportunities for new medium/long-term financing to replace expiring loans, therefore guaranteeing continuity with the ratio achieved between asset duration and debt duration.

In light of the above, these condensed consolidated half-year financial statements as at June 30th, 2018 have been prepared on a going concern basis.

<u>USE OF ESTIMATES</u>

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 also an estimate; this usually regards M/L Agreements, such as that signed in the first half of 2018 by Isagro and Arysta. The estimates and the assumptions are periodically reviewed and the effects of any changes are reflected in the Income Statement.

<u>OUTLOOK FOR THE CURRENT YEAR</u>

The 2018 full-year results are expected to improve versus 2017 thanks mostly to growth of Isagro Asia (still not reflected in the first half financial results) and higher initial revenues from new M/L Agreements (incorporated in the first half financial results in the Income Statement but still not reflected in the Net financial position).

Furthermore, for the medium term (by 2020/2021), Isagro confirms a consolidated sales target of around € 200 million, based on the implementation of the following Strategic Guidelines:

1. discovery of new molecules by ourselves;
2. development of proprietary molecules through agreements with Third Parties;
3. M/L Agreements to expand the commercial exploitation of our products;
4. growth in the Biosolutions business;
5. expansion of our global commercial organisation;
6. selective growth actions through acquisitions.

<u>COMMENTS ON THE STOCK MARKET VALUE OF ISAGRO SHARES</u>

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 3rd, 2018, i.e., considering both the capitalisation of Ordinary Shares and that of Growth Shares, amounted to 52% of the book value of Equity as at June 30th, 2018, 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 3rd, 2018, in the opinion of the Company’s management is not justified from an economic/financial standpoint.

In relation to the above, it is expected that the achievement of the first target mentioned above (with medium-term sales of approximately € 200 million) will already enable a large part of the asset-side “embedded” value to be transferred to the Income Statement results and cash flows, thus not recognizing 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)	1st half 2018	1st half 2017	Differences		Year 2017
Revenues from sales and services	**89,045**	**86,871**	**+2,174**	**+2.5%**	**149,580**
Other revenues and income	2,144	1,859	+285		3,299
Consumption of materials and external services	(67,691)	(66,043)	-1,648		(107,953)
Changes in inventories of products	5,784	4,810	+974		(2,316)
Costs capitalised for internal work	1,025	1,198	-173		2,204
Allowances and provisions	(1,186)	(405)	-781		(1,000)
Labour costs	(14,959)	(15,684)	+725		(29,427)
Bonus accruals	(814)	(712)	-102		(1,830)
EBITDA	**13,348**	**11,894**	**+1,454**	**+12.2%**	**12,557**
% on Revenues	*15.0%*	*13.7%*			*8.4%*
Depreciation and amortisation:					
- tangible assets	(1,792)	(1,939)	+147		(3,882)
- intangible assets	(2,794)	(2,584)	-210		(5,316)
- write-down of tangible and intangible assets	(7)	-	-7		(490)
EBIT	**8,755**	**7,371**	**+1,384**	**+18.8%**	**2,869**
% on Revenues	*9.8%*	*8.5%*			*1.9%*
Interest, fees and financial discounts	(109)	(208)	+99		(863)
Gains/(losses) on foreign exchange and derivatives	(378)	(27)	-351		154
Revaluations of equity investments	109	83	+26		135
Result before taxes	**8,377**	**7,219**	**+1,158**	**+16.0%**	**2,295**
Current and deferred taxes	(2,946)	(2,641)	-305		(1,882)
Net profit from continuing operations	**5,431**	**4,578**	**+853**	**+18.6%**	**413**
Net profit/(loss) from discontinued operations	-	-	-		(200)
Net profit	**5,431**	**4,578**	**+853**	**+18.6%**	**213**

Attachment 2

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ 000)	June 30th, 2018	January 1st, 2018 as per IFRS 9	Differences		June 30th, 2017	Dec. 31st, 2017
Net fixed assets						
Goodwill	3,437	3,377	+60		3,431	3,377
Other intangible assets	50,540	49,774	+766		50,113	49,774
Tangible assets	19,572	20,553	-981		20,963	20,553
Financial assets	502	437	+65		396	437
Other medium/long-term assets and liabilities	12,483	13,478	-995		13,205	12,693
Total net fixed assets	**86,534**	**87,619**	**-1,085**	**-1.2%**	**88,108**	**86,834**
Net current assets						
Inventories	52,014	45,040	+6,974		52,142	45,040
Trade receivables	50,133	41,480	+8,653		49,689	44,502
Trade payables	(39,420)	(30,998)	-8,422		(37,426)	(30,998)
Subtotal of Net working capital	***62,727***	***55,522***	***+7,205***		***64,405***	***58,544***
Current provisions	(1,162)	(2,055)	+893		(996)	(2,055)
Other current assets and liabilities	2,191	4,795	-2,604		1,897	4,795
Subtotal of Other assets and liabilities	***1,029***	***2,740***	***-1,711***		***901***	***2,740***
Total net current assets	**63,756**	**58,262**	**+5,494**	**+9.4%**	**65,306**	**61,284**
Invested capital	**150,290**	**145,881**	**+4,409**	**+3.0%**	**153,414**	**148,118**
Severance Indemnity Fund (SIF)	**(2,428)**	**(2,591)**	**+163**	**-6.3%**	**(2,520)**	**(2,591)**
Net invested capital	**147,862**	**143,290**	**+4,572**	**+3.2%**	**150,894**	**145,527**
Held for sale non-financial assets and liabilities	-	-	-		-	-
Total	**147,862**	**143,290**	**+4,572**	**+3.2%**	**150,894**	**145,527**
financed by:						
Equity						
Capital stock	24,961	24,961	-		24,961	24,961
Reserves and retained earnings	80,411	80,877	-466		82,959	82,901
Translation reserve	(10,198)	(8,769)	-1,429		(7,278)	(8,769)
Profit of the Group	5,431	-	+5,431		4,578	213
Total equity	**100,605**	**97,069**	**+3,536**	**+3.6%**	**105,220**	**99,306**
Net financial position						
Medium/long-term debts:						
- due to banks	43,290	43,728	-438		38,320	43,728
- due to other lenders and leasing companies	1,411	1,581	-170		1,757	1,581
- other financial assets/(liabilities) and IRS and trading derivatives	(2,495)	26	-2,521		22	26
Total medium/long-term debts	**42,206**	**45,335**	**-3,129**	**-6.9%**	**40,099**	**45,335**
Short-term debts:						
- due to banks	45,283	32,541	+12,742		31,483	32,541
- due to other lenders and leasing companies	2,956	348	+2,608		349	348
- other financial assets/(liabilities) and IRS and trading derivatives	45	(302)	+347		(1,257)	(302)
Total short-term debts	**48,284**	**32,587**	**+15,697**	**+48.2%**	**30,575**	**32,587**
Cash and cash equivalents/bank deposits	**(43,233)**	**(31,701)**	**-11,532**	**+36.4%**	**(25,000)**	**(31,701)**
Total net financial position	**47,257**	**46,221**	**+1,036**	**+2.2%**	**45,674**	**46,221**
Total	**147,862**	**143,290**	**+4,572**	**+3.2%**	**150,894**	**145,527**

Attachment 3

CONSOLIDATED CASH FLOW STATEMENT

(€ 000)	1st half 2018*	1st half 2017
Opening cash and cash equivalents (at January 1st)	**31,701**	**16,459**
Operating activities		
Net profit	**5,431**	**4,578**
- Depreciation of tangible assets	1,792	1,939
- Amortisation of intangible assets	2,794	2,584
- Impairment of tangible and intangible assets	7	-
- Provisions (including severance indemnity fund)	989	824
- Provisions to incentive and retention plan	19	-
- Gains from disposal of tangible and intangible assets	(26)	-
- Interests from held for trading assets	(384)	(107)
- Net interest expense due to financial institutes and leasing companies	779	497
- Net charges/(incomes) on derivative instruments	747	(1,016)
- Result on investments valued with the equity method	(109)	(83)
- Income taxes	2,946	2,641
Cash flow from current operations	*14,985*	*11,857*
- (Increase)/decrease in trade receivables	(9,372)	204
- Increase in inventories	(7,277)	(6,303)
- Increase in trade payables	8,661	6,215
- Net change in other assets/liabilities	889	2,489
- Use of provisions (including severance indemnity fund)	(2,007)	(1,977)
- Net interest expense due to financial institutes and leasing companies paid	(795)	(437)
- Cash flow from derivatives instruments	(609)	(312)
- Income taxes paid	(422)	(1,471)
Cash flow from operating activities	**4,053**	**10,265**
Investment activities		
- Investments in intangible assets	(3,565)	(4,520)
- Investments in tangible assets	(947)	(414)
- Net sale price on disposal of tangible and intangible assets	27	31
- Cash flow from assets held for trading	384	107
Cash flow for investment activities	**(4,101)**	**(4,796)**
Financing activities		
- Contracting of non-current financial debt	16,000	12,951
- Repayment of non-current financial debt	(15,225)	(9,168)
- Contracting/(repayment) of current financial debt	13,912	(656)
- Increase in financial receivables	(2,503)	-
- Purchase of own Growth Shares	(295)	-
- Sales of Treasury Ordinary Shares	78	-
Cash flow from financing activities	**11,967**	**3,127**
Change in translation difference	**(387)**	**(55)**
Cash flow for the period	**11,532**	**8,541**
Closing cash and cash equivalents (as at June 30th)	**43,233**	**25,000**

**Cash flows calculated as the difference between the figures as at June 30th, 2018 and those as at December 31st, 2017*

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 given by the difference in the item "Net Financial Position" in 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 UNDER THE TERMS OF ARTICLES 70 AND 71 OF CONSOB REGULATION 11971/99 (ISSUERS' REGULATION)

Note that, on September 25^{th}, 2012, pursuant to article 3 of Consob Resolution no. 18079 of January 20^{th}, 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 30^{th}, 2018 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	June 30th, 2018	*of which Related parties*	Dec. 31st, 2017	*of which Related parties*
NON-CURRENT ASSETS					
Tangible assets	1	19,572	-	20,553	-
Intangible assets	2	50,540	-	49,774	-
Goodwill	3	3,437	-	3,377	-
Equity-accounted investees		502	-	437	-
Non-current receivables and other assets	4	5,392	*3,780*	5,553	*3,754*
Financial receivables and other non-current financial assets	5	2,503	-	-	-
Financial assets - derivatives	11	27	-	-	-
Deferred tax assets	6	8,971	-	9,052	-
TOTAL NON-CURRENT ASSETS		**90,944**		**88,746**	
CURRENT ASSETS					
Inventories	7	52,014	-	45,040	-
Trade receivables	8	50,133	*4,262*	44,502	*3,769*
Other current assets and other receivables	9	7,295	*591*	6,801	*8*
Tax receivables	10	2,976	-	3,516	-
Financial assets - derivatives	11	168	-	314	-
Cash and cash equivalents	12	43,233	-	31,701	-
TOTAL CURRENT ASSETS		**155,819**		**131,874**	
Non-current assets held for sale and discontinued operations		-		-	
TOTAL ASSETS		**246,763**		**220,620**	
SHAREHOLDERS' EQUITY					
Share capital		24,961		24,961	
Reserves		44,747		46,663	
Retained earnings and profit for the year		30,897		27,682	
Equity attributable to owners of the parent		**100,605**		**99,306**	
Equity attributable to non-controlling interests		**-**		**-**	
TOTAL SHAREHOLDERS' EQUITY	13	**100,605**		**99,306**	
NON-CURRENT LIABILITIES					
Non-current financial payables and other financial liabilities	14	44,701	-	45,309	-
Financial liabilities - derivatives	11	35	-	26	-
Employee Benefits - Severance indemnity fund	15	2,428	-	2,591	-
Deferred tax liabilities	6	1,161	-	1,179	-
Other non-current liabilities	16	719	-	733	-
TOTAL NON-CURRENT LIABILITIES		**49,044**		**49,838**	
CURRENT LIABILITIES					
Current financial payables and other financial liabilities	14	48,239	-	32,889	-
Financial liabilities - derivatives	11	421	-	12	-
Trade payables	17	39,420	*528*	30,998	*20*
Current provisions	18	1,162	-	2,055	-
Tax payables	19	2,338	-	1,244	-
Other current liabilities and other payables	20	5,534	-	4,278	-
TOTAL CURRENT LIABILITIES		**97,114**		**71,476**	
TOTAL LIABILITIES		**146,158**		**121,314**	
Liabilities associated with discontinued operations		**-**		**-**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**246,763**		**220,620**	

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	Notes	1st half 2018	*of which Related parties*	1st half 2017	*of which Related parties*
Revenues from contracts with customers	22	89,045	*12,857*	86,871	*13,245*
Other operating revenues	23	2,144	*564*	1,859	*11*
Total revenues		**91,189**		**88,730**	
Raw materials and consumables used	24	(50,701)	*(602)*	(48,193)	*(42)*
Costs for services	25	(16,155)	-	(15,038)	-
Personnel costs	26	(15,773)	-	(16,396)	-
Other operating costs	27	(1,841)	*(163)*	(3,117)	-
Change in inventories of finished products and work in progress		5,604	-	4,710	-
Costs capitalised for internal work	28	1,025	-	1,198	-
EBITDA		**13,348**		**11,894**	
Depreciation and amortisation:					
- Depreciation of tangible assets	29	(1,792)	-	(1,939)	-
- Amortization of intangible assets	29	(2,794)	-	(2,584)	
- Impairment of fixed assets		(7)	-	-	-
Operating result		**8,755**		**7,371**	
Net financial charges	30	(487)	-	(235)	-
Profit/(loss) from associates		109	-	83	-
Pre-tax profit		**8,377**		**7,219**	
Income taxes	31	(2,946)	-	(2,641)	
Net profit/(loss) from continuing operations		**5,431**		**4,578**	
Net profit/(loss) from discontinued operations		-		-	
Net profit		**5,431**		**4,578**	

Attributable to:

Owners of the Parent	**5,431**	**4,578**
Non-controlling interests	**-**	**-**

Earnings per share (in Euro):	32	**1st half 2018**	**1st half 2017**
Earnings per share (basic = diluted)			
Ordinary Share		0.141	0.118
Growth Share		0.169	0.142

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of euro)	Notes	1st half 2018	1st half 2017
Net profit		**5,431**	**4,578**
Components that will later be reclassified in the profit/(loss) for the year:			
Change in translation reserve (difference)		(1,429)	(1,456)
Net loss from cash flow hedges:			
- Interest Rate Swaps		(47)	(22)
- Commodity Futures		(83)	-
- Currency Forwards		(359)	-
		(489)	(22)
Income taxes		135	5
		(354)	(17)
Net profit from hedging:			
- Currency Forwards		91	-
Income taxes		(25)	-
		66	-
Total	13	**(1,717)**	**(1,473)**
Components that will not be later reclassified in the profit/(loss) for the year:			
Gain regarding defined benefit plans		26	46
Income taxes		(6)	(16)
Total	13	**20**	**30**
Other comprehensive income		**(1,697)**	**(1,443)**
Total Comprehensive income		**3,734**	**3,135**
Attributable to:			
Owners of the Parent		**3,734**	**3,135**
Non-controlling interests		**-**	**-**

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)	Notes	1st half 2018	1st half 2017
Opening cash and cash equivalents	12	**31,701**	**16,459**
<u>Operating activities</u>			
Net profit		5,431	4,578
- Depreciation of tangible assets	29	1,792	1,939
- Amortisation of intangible assets	29	2,794	2,584
- Impairment of fixed assets		7	
- Provisions (including severance indemnity fund)	25.26	989	824
- Allocation to incentive and retention plan	52	19	-
- Net capital gains on disposal of tangible and intangible assets	23.27	(26)	-
- Interest income from assets held for trading	30	(384)	(107)
- Net interest expense due to financial institutes and leasing companies	30	779	497
- Net losses/(gains) on derivatives		747	(1,016)
- Share of profit/(loss) of equity-accounted investees		(109)	(83)
- Income taxes	30	2,946	2,641
Cash flow from current operations		*14,985*	*11,857*
- (Increase)/decrease in trade receivables	8(*)	(9,372)	204
- Increase in inventories	7(*)	(7,277)	(6,303)
- Increase in trade payables	17(*)	8,661	6,215
- Net change in other assets/liabilities		889	2,489
- Use of provisions (including severance indemnity fund)	15.18	(2,007)	(1,977)
- Net interest expense due to financial institutes and leasing companies paid		(795)	(437)
- Cash flow from derivatives		(609)	(312)
- Income taxes paid		(422)	(1,471)
Cash flow from operating activities		**4,053**	**10,265**
<u>Investment activities</u>			
- Investments in intangible assets	2	(3,565)	(4,520)
- Investments in tangible assets	1	(947)	(414)
- Sale price on disposal of tangible and intangible assets	1.2	27	31
- Cash flow from assets held for trading		384	107
Cash flow for investment activities		**(4,101)**	**(4,796)**
<u>Financing activities</u>			
- Contracting of non-current financial debt		16,000	12,951
- Repayment of non-current financial debt		(15,225)	(9,168)
- Contracting/(repayment) of current financial debt	14(*)	13,912	(656)
- Increase in financial receivables	5	(2,503)	-
- Purchase of own Growth Shares	13	(295)	-
- Sales of own Ordinary Shares	13	78	
Cash flow from financing activities		**11,967**	**3,127**
Change in translation difference		**(387)**	**(55)**
Cash flow for the period		**11,532**	**8,541**
Closing cash and cash equivalents	12	**43,233**	**25,000**

(*) 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 Shareholders' Equity in the first half of 2017

(in thousands of euro)	Equity attributable to owners of the Parent								Equity attributable to non-controlling interests	Total shareholders' equity
		Reserves								
	Share capital issued	Share premium reserve	Translation reserve (difference)	Hedging reserves	Other reserves	Total	Retained earnings and profit for the period	Total		
Balance as at Dec. 31st, 2016	24,961	44,910	(5,822)	-	10,541	49,629	27,495	102,085	-	102,085
Changes for the period:										
Profit for the period	-	-	-	-	-	-	4,578	4,578	-	4,578
Other comprehensive income	-	-	(1,456)	(17)	-	(1,473)	30	(1,443)	-	(1,443)
Total comprehensive income	-	-	(1,456)	(17)	-	(1,473)	4,608	3,135	-	3,135
Total changes for the period	-	-	(1,456)	(17)	-	(1,473)	4,608	3,135	-	3,135
Balance as at June 30th, 2017	24,961	44,910	(7,278)	(17)	10,541	48,156	32,103	105,220	-	105,220

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

(in thousands of euro)	Equity attributable to owners of the Parent								Equity attributable to non-controlling interests	Total shareholders' equity
		Reserves								
	Share capital issued	Share premium difference	Translation reserve (difference)	Hedging reserves	Other reserves	Total	Retained earnings and profit for the period	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)	(288)	-	(1,717)	20	(1,697)	-	(1,697)
Total comprehensive income	-	-	(1,429)	(288)	-	(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)	(288)	(198)	(1,915)	5,451	3,536	-	3,536
Balance as at June 30th, 2018	24,961	44,910	(10,198)	(307)	10,343	44,748	30,896	100,605	-	100,605

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, 2018 were authorised for publication by the Board of Directors of Isagro S.p.A. on September 5th, 2018.

Compliance with IFRS

The Isagro Group condensed consolidated half-year financial statements as at June 30th, 2018 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, 2017.

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;
- 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, 2018 the Isagro Group was showing a sound and balanced financial structure, with a debt/equity ratio of 0.47 and Equity exceeding Fixed Assets including current provisions, other short-term assets and liabilities and the SIF, with a portion of approximately € 15 million of Net working capital directly financed by Equity and liquidity of € 43 million.
As already mentioned, during the first six months of 2018, however, the parent Isagro S.p.A. obtained new medium-long term loans of € 16.0 million, which raised the average duration of its financial debt at a low cost.
The repayment of the portion of the medium/long term debt maturing in the second half of 2018 will be guaranteed by current liquidity together with operating cash flows, and the use, where necessary, of available short-term bank credit facilities.
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, 2018 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, 2018

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, 2018.

- On September 22nd, 2016, by means of Regulation no. 1905/2016, the European Commission endorsed IFRS 15 - Revenue from Contracts with Customers. This standard replaced IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as interpretations IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. The new model for recognition of revenues will apply to all agreements signed with customers, except for those under the application field of other IAS/IFRS standards, such as leasing, insurance contracts and financial instruments. The main steps in recognising revenues according to the new model are as follows:
    - identification of the agreement with the customer;
    - identification of the contractual performance obligations in the agreement;
    - definition of price;
    - allocation of price to the contractual performance obligations;
    - criteria for the recognition of revenues when the entity fulfils each performance obligation.

  The application of this standard did not have any impact on the amounts recognised by the Group as revenue. In fact, with regard to the business of selling crop protection products, the new "revenue recognition" concept prescribed by Paragraph 31 of IFRS 15, which is based on the acquisition of "control" of the good by the customer, i.e. the ability to decide on use of the asset and to obtain all remaining benefits therefrom, substantially overlaps the provisions of standard IAS 18. The latter standard prescribes that revenues from sales of goods shall be recognised, in particular, when the entity has transferred to the buyer the significant risks and benefits connected with ownership of the asset; IFRS 15, for its part, establishes that, to determine whether control was acquired or not at any given time, it is necessary to evaluate whether the customer has the ownership title of the activity, whether possession thereof has been transferred, whether the customer is already obligated at that time to pay for the asset and lastly whether the customer is entitled to the risks and significant benefits of ownership of the asset. In particular, in the sales carried out by the Group the transfer of control of the asset, which as highlighted above coincides with the transfer of the risks/benefits connected therewith, and hence the recognition of the related revenue, can take place at the time of shipment or at the time of delivery of the good to the customer on the basis of the International Commercial Terms (Incoterms) used by the Group companies in the various contracts stipulated with the customers ("F" or "C" terms in the first case and "D" term in the second case). If control of the asset by the customer takes place at the time of shipment, it should be stressed that the Group often organises (with third party carriers) the transportation of the asset to the point required by the customer. Although control over this asset constitutes a separate obligation with respect to the sale of the good, it should be stressed, on one hand, that the value of the revenue pertaining to this service is wholly negligible with respect to the value of the goods sold and on the other hand, that there was only a very small number of shipments still in progress at the end of the year and that the relative delivery of the goods took place in the first few days of the following year. Hence given its immaterial nature and irrelevance, the Group decided not to provide evidence thereof separately from the revenue connected with the sale of the goods at the time the new standard was adopted. As regards the revenues from Group M/L Agreements it should be noted that there are no standard contracts and each transaction is a separate case that must be examined in the light of the accounting standards in force. In any event, it should be noted that, based on the analyses conducted on the contracts stipulated in previous years, for this type of activity, too, no differences have emerged between IAS 18 and IFRS 15 relative to the time of recognition of the related revenues.

- On September 22nd, 2016, with Regulation no. 2067/2016, the European Commission endorsed IFRS 9 - Financial Instruments, which replaces IAS 39. The standard introduces new criteria for i) classification and measurement of financial assets and liabilities, ii) the impairment of financial assets and iii) a new hedge accounting model.

i) Classification and measurement of financial assets and liabilities

As regards financial assets, the new standard uses one single approach based on methods to manage financial instruments and on the characteristics of the contractual cash flows of financial assets, in order to determine the measurement criteria, therefore superseding provisions set out by IAS 39. For financial liabilities on the other hand, the main amendment made refers to the accounting treatment of the changes in fair value of a financial liability designated as a financial liability designated at fair value through profit or loss, in the cases in which these changes are due to the change in the credit rating of the issuer of the liability in question. Under the new standard, these changes must be recognised in the statement of “Other comprehensive income” and no longer in the Income statement. The introduction of these new classification criteria did not have an impact on the Group’s Balance Sheet.

ii) Impairment of financial assets

The new standard requires that the estimate of the losses on receivables is made 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 in the incurred losses model, provided for in IAS 39, it is no longer necessary for an event to occur before credit losses can be recognised. The standard envisages that this impairment model is applied to all financial instruments, or rather to financial instruments measured at amortised cost, those measured at fair value through other comprehensive income, and to receivables deriving from rental agreements and trade receivables. In particular, IFRS 9 requires that the credit loss estimate be made for an amount equal to the lifetime ECL if the credit risk related to the financial instrument has increased significantly since initial recognition. On the contrary, if the credit risk related to the financial instrument has not increased significantly since initial recognition, the credit loss estimate must be made for an amount equal to the 12-month ECL. In addition, IFRS 9 provides a simplified approach that involves recognising credit losses related to receivables deriving from rental contracts and trade receivables for an amount equal to lifetime ECL.

With regard to the application of this new method to measure the impairment of financial assets, note that the Group has applied the "simplified backdated" model, which provides the option of restating the comparative information of periods prior to the introduction of the new standard. Furthermore, the "simplified approach" mentioned above has been applied to trade receivables, by establishing a provision matrix based on past experience (namely on credit losses of previous periods), ma suitably adjusted to take additional and forward-looking risk factors into account, with a view to including the future probability of default of the debtor in the assessment. Said additional risk factor has been established taking the ageing of the receivables on one hand, and the geographic region of the debtor on the other.

The table below shows the impact, in thousands of euro, of the change in the accounting standard on the bad debt provision for trade receivables, on deferred tax assets and on the retained earnings of the group as at January 1st, 2018, the date of first-time application of the standard:

	Jan. 1st, 2018
Trade receivables	(3,022)
Deferred tax assets	785
Retained earnings	(2,237)

iii) A new hedge accounting model

IFRS 9 introduces a new hedge accounting model (application of which can only be made from January 1st, 2018) for the purpose of adapting the requirements envisaged by the current IAS 39, which at times are considered too stringent and not suitable for reflecting the Group's risk management policies. The main changes in the document regard:

- an increase in the types of transactions eligible for hedge accounting, also including the non-financial risks of assets/liabilities eligible for treatment under hedge accounting;
- the change in the accounting method for forward contracts and options when they are included in a hedge accounting relationship, in order to reduce the volatility of the income statement;
- changes to the effectiveness test by replacing the current methods based on the parameter of 80-125% with the principle of "economic ratio" between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

Greater flexibility of the new accounting rules is counterbalanced by additional requests for disclosure regarding the Group's risk management activities.

In this regard, note that from January 1st, 2018, the parent company Isagro S.p.A. decided to partially change its financial risk management model relating to changes in exchange rates and to changes in the price of the commodity "copper", resulting in a new hedge accounting model based on the new standard IFRS 9 illustrated above, and therefore envisaging the option of originating or not originating hedges. More specifically, the establishment of a hedge relationship was managed as follows:

- Exchange rate risk management

  Isagro enters into forward and non-deliverable forward contracts to hedge the exchange risk of the US Dollar and the Brazilian Real. More specifically the parent Isagro S.p.A. covers the net exposure in the foreign currency related to the expected level of sales (of products and services) stated in the budget. Entering into said relationship originates cash flow hedging transactions. The accounting rules for these transactions envisage that the derivatives are measured at fair value and recognised under "Other comprehensive income" (therefore fuelling an equity reserve), then booking them to the Income Statement consistently with the hedged item, and therefore partly to adjust the revenues received and partly to adjust the gains/losses on the exchange rates linked to the collection of the receivable. The hedges remain in place until the hedged receivable is transformed into the currency of the accounts. By virtue of the fact that the underlying asset is a trade receivable, the fair value of these hedges is not recorded in the Group's Net Financial Position.

- Management of the risk of changes in the price of "copper"

  Isagro enters into hedges on 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, the supply of copper for which will be purchased, by Isagro, at a later date. In this way, the mark-up is set insofar as both the sale price (in the sales order) and the purchase price (in the swap) have been rendered certain. In terms of their representation in the accounts, hedges entered to before the end of the reporting period are recognised as an adjustment of purchases and proportionally distributed between the cost of sales and final inventories. With regard to transactions still in place, the fair value will be recorded under "Other comprehensive income", therefore fuelling an equity reserve. By virtue of the fact that the underlying asset is a trade receivable, the fair value of these hedges is not recorded in the Group's Net Financial Position.

Instead, no changes to the interest rate risk management model, for which the reader should refer to the content of the financial statements as at December 31st, 2017.

- On February 7th, 2018, by means of Regulation No. 182/2018, the European Commission endorsed the changes to the following standards, as part of the process to improve the same:
  - IAS 28 - Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organization or another entity thus qualified (e.g. a mutual fund or a similar entity) to measure investments in associates and joint ventures at fair value through profit or loss (rather than by applying the equity method) is carried out for each individual investment at the time of the initial recognition;

- IFRS 12 - Disclosure of interests in other entities – Clarification of the scope of the Standard. The amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to all of the entity's interests that are classified as held for sale, as held for distribution to shareholders or as discontinued operations in accordance with IFRS 5.

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

- On February 26th, 2018, by means of Regulation No. 289/2018, the European Commission endorsed certain changes to the international accounting standard IFRS 2 - Share-based payments. The amendments provide a number of clarifications on recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with the characteristics of net settlements and the recognition of changes to the terms and conditions of a share-based payment that amend the cash-settled classification to equity-settled. The changes did not have any impact on the Condensed consolidated half-year financial statements of the Isagro Group.
- On March 28th, 2018, by means of Regulation No. 519/2018, the European Commission endorsed the interpretation IFRIC 22 - Foreign currency transactions and advance consideration. The purpose of the interpretation is to provide guidelines for foreign currency transactions when non-monetary advances are recognized in the financial statements, before recognition of the related asset, cost or revenue. The document provides indications on how an entity must determine the date of a transaction, and consequently the spot exchange rate to be used when foreign currency transactions are carried out in which payment is made or received in advance.

  The interpretation clarifies that the transaction date is the earlier one between:

  a) the date on which the early payment or the advance received is recorded in the financial statements of the entity; and

  b) the date on which the asset, the cost or the revenue (or part thereof) is recognized in the financial statements (with consequent reversal of the early payment or of the advance received).

  If there are numerous early payments or collections, a transaction date must be identified for each of them. The adoption of IFRIC 22 did not have an impact on the Condensed consolidated half-year financial statements of the Isagro Group insofar as the Group already uses this accounted method.

New standards and interpretations adopted by the European Union but not yet in force

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the potential impact of new standards or interpretations on the consolidated financial statements are indicated below. These standards were not applied early by the Group.

- On October 31st, 2017, with Regulation No. 1986/2017, the European Commission endorsed accounting standard IFRS 16 - Leases, which is set to replace 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 new 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 substantive right of substitution of the asset, the substantive right to economically benefit from use of the asset and the right to oversee the use of the underlying asset of 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. It is also possible not to recognise contracts pertaining to "low-value assets" and leases with a contract duration equal to or less than 12 months as leases. On the contrary, the Standard does not include significant changes for lessors. This standard will apply from January 1st, 2019, but early application is permitted only for companies which implemented the early application of IFRS 15 - Revenue from Contracts with Customers. It is deemed that adoption of this standard may have an impact on the recognition of operating lease contracts and on the related disclosure provided in the Group's consolidated financial statements, however, as the process of analysis is still underway, a reasonable estimate of the potential impact cannot be provided at this time.

- 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 "negative compensation" for the lender. The amendment applies from January 1st, 2019, but earlier application is permitted.

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 June 7th, 2017, the IASB published the interpretation document **IFRIC 23 - Uncertainty over Income Tax Treatments**. The document addresses the matter of uncertainties over the tax treatment to be adopted for income taxes. The document prescribes that uncertainties in the determination of liabilities or assets for taxes shall be reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. 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 will apply from January 1st, 2019, but early application is allowed.
- On October 12th, 2017 the IASB published the document "**Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**". This document clarifies 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 amendment applies from January 1st, 2019, but earlier application is permitted.
- On December 12th, 2017, the IASB published the document "**Annual Improvements to IFRSs: 2015-2017 Cycle**" which transposes the amendments to some standards within the scope of the annual process for their improvement. 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 amendments will apply from January 1st, 2019, but early application is allowed.
- On February 7th, 2018, the IASB published an amendment to accounting standard IAS 19 "***Plan Amendment, Curtailment or Settlement***" which clarifies how an entity should recognise a change (for example a curtailment or a settlement) in 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 new standard will be applied starting from January 1st, 2019.

Uncertainty in the use of estimates

As with the annual financial statements, the preparation of the condensed consolidated half-year financial statements requires management to make 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. 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. 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. The calculation of the fair value of the performance obligations identified in contracts that envisage more than one service is also an estimate; this usually regards M/L Agreements, such as that signed in the first half of 2018 by Isagro and Arysta.

Certain assessment processes, particularly the more complex such as impairment testing of non-current assets, are performed in full only when preparing the annual financial statements. 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. Furthermore, the accuracy of the impairment tests - and consequently of the values recognised under assets - is associated with fulfilment of the 2018 budget, together with the estimates/forecasts for the 2019-2022 time interval of Group companies which, though subject to uncertainty due to their nature as forecasts, are also influenced by uncontrollable external variables (in particular, climatic conditions and the time necessary to obtain the authorisations to sell the new products), were reconfirmed by Group Directors, also taking into consideration the results achieved in the first half of 2018, substantially in line with those envisaged in the budget as at June 30th, 2018 in terms of EBITDA. In the first half of the year, therefore, there were no particular signs of impairment that would have required the preparation or updating of impairment tests carried out as at the date of the condensed consolidated half-year financial statements.

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, 2018, the Isagro Group's financial statements recognised deferred tax assets for unused tax losses carried forward amounting to approximately € 2.9 million (approximately € 4 million as at December 31st, 2017). In assessing the recoverability of these deferred tax assets, the individual Group companies' budgets and plans, for which the Directors believe that the taxable income that will be generated in the forthcoming years are reasonably feasible and will be such as to allow recovering said amounts, were taken into consideration. However, it cannot be ruled out a priori that the onset of economic and/ or financial crises, as well as postponement in the expected time scales for obtaining new registrations and new M/L Agreements may raise doubts about the timing and methods set out in the budget and in the plans of Group companies concerning the recoverability of these 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, 2017.

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. 40.

Compared to the position as at December 31st, 2017, 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 reporting period;
- 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 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 June 30th, 2018	Average exchange rate 1st half 2018	Exchange rate as at Dec. 31st, 2017	Exchange rate as at June 30th, 2017	Average exchange rate 1st half 2017
Australian Dollar	1.5787	1.5693	1.5346	1.4851	1.43559
Singapore Dollar	1.5896	1.6058	1.6024	1.571	1.52003
US Dollar	1.1658	1.2108	1.1993	1.1412	1.08253
Vietnamese Dong	26,746	27,565.50	27,233	25,938.40	24,580.083
Argentine Peso	32.7048	26.0251	22.931	18.8851	16.99755
Chilean Peso	757.26	740.1717	737.29	758.214	714.13067
Colombian Peso	3,437.56	3,449.15	3,580.19	3,478.65	3,162.05
Mexican Peso	22.8817	23.0803	23.6612	20.5839	21.02797
South African Rand	16.0484	14.8895	14.8054	14.92	14.31
Brazilian Real	4.4876	4.1414	3.9729	3.76	3.4393
Chinese Renminbi (Yuan)	7.7170	7.71	7.8044	7.7385	7.44174
Indian Rupee	79.813	79.5123	76.6055	73.7445	71.1244
Polish Zloty	4.3732	4.22	4.177	4.2259	4.26847

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 – 19,572

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

Breakdown	Dec. 31st, 2017			Change	June 30th, 2018		
	Historical cost	Accum. depreciation	Book value		Historical cost	Accum. depreciation	Book value
Land	1,053	-	1,053	-	1,053	-	1,053
Buildings:							
- owned assets	18,878	(10,445)	8,433	(523)	18,784	(10,874)	7,910
	18,878	(10,445)	8,433	(523)	18,784	(10,874)	7,910
Plant and machinery:							
- owned assets	42,041	(33,885)	8,156	(888)	41,862	(34,594)	7,268
- capital grants	(357)	357	-	-	(357)	357	-
- leased assets	392	(298)	94	(28)	392	(326)	66
	42,076	(33,826)	8,250	(916)	41,897	(34,563)	7,334
Equipment:							
- owned assets	5,303	(4,661)	642	(47)	5,329	(4,734)	595
- leased assets	390	(175)	215	(29)	390	(204)	186
	5,693	(4,836)	857	(76)	5,719	(4,938)	781
Other assets:							
- furniture and fittings	1,366	(1,005)	361	(1)	1,400	(1,040)	360
- motor vehicles	247	(143)	104	(14)	169	(79)	90
- data processors	3,110	(2,655)	455	79	3,275	(2,741)	534
	4,723	(3,803)	920	64	4,844	(3,860)	984
Assets under development and payments on account:							
- owned assets	1,040	-	1,040	470	1,510	-	1,510
	1,040	-	1,040	470	1,510	-	1,510
Total	73,463	(52,910)	20,553	(981)	73,807	(54,235)	19,572

Changes for the period	Translation difference (hist. cost)	Purchases	Reclassifica-tions (hist. cost)	Disposals	Translation difference (acc. depr)	Deprecia-tion	Use of acc. depr.	Total change
Land	-	-	-	-	-	-	-	-
Buildings:								
- owned assets	(98)	-	4	-	43	(472)	-	(523)
	(98)	-	4	-	43	(472)	-	(523)
Plant and machinery:								
- owned assets	(356)	18	186	(27)	309	(1,044)	26	(888)
- leased assets	-	-	-	-	-	(28)	-	(28)
	(356)	18	186	(27)	309	(1,072)	26	(916)
Equipment:								
- owned assets	(13)	20	19	-	10	(83)	-	(47)
- leased assets	-	-	-	-	-	(29)	-	(29)
	(13)	20	19	-	10	(112)	-	(76)
Other assets:								
- furniture and fittings	(6)	39	1	-	(1)	(34)	-	(1)
- motor vehicles	(11)	-	-	(67)	6	(9)	67	(14)
- data processors	(6)	174	-	(3)	4	(93)	3	79
	(23)	213	1	(70)	9	(136)	70	64
Assets under development and payments on account:								
- owned assets	(16)	696	(210)	-	-	-	-	470
	(16)	696	(210)	-	-	-	-	470
Total	(506)	947	-	(97)	371	(1,792)	96	(981)

The item "Assets under development", amounting to € 1,510 thousand, essentially comprises:

- the construction, at the Panoli production site of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., of a new plant for the treatment of chemical production residues (€ 446 thousand);

- the investments made to increase plant efficiency and the level of safety of the Adria (€ 260 thousand) and Aprilia (€ 224 thousand) production sites of the parent;
- investments made at the Novara Research Centre of the parent, relating to rendering environmental safety compliant (€ 129 thousand) and to modernising laboratories and climate cells (€ 56 thousand).

During the first half of the year, no endogenous or exogenous impairment indicators were identified that would require impairment tests to be carried out.

2. Intangible assets – 50,540

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

Breakdown	Dec. 31st, 2017			Change	June 30th, 2018		
	Historical cost	Accum. amortisation	Book value		Historical cost	Accum. amortisation	Book value
Product development costs:							
- SDHi	19,343	-	19,343	1,118	20,461	-	20,461
- new formulations	1,164	-	1,164	219	1,383	-	1,383
	20,507	-	20,507	1,337	21,844	-	21,844
Process development costs	-	-	-	25	25	-	25
Product know-how:							
- fungicide IR 6141	10,196	(7,650)	2,546	(339)	10,196	(7,989)	2,207
- insecticides and fungicides	779	(189)	590	(73)	779	(262)	517
- Remedier	773	(604)	169	(26)	773	(630)	143
- biostimulants and fumigants	2,677	(425)	2,252	(86)	2,677	(511)	2,166
	14,425	(8,868)	5,557	(524)	14,425	(9,392)	5,033
Process know-how	1,216	(621)	595	(112)	1,213	(730)	483
Extraordinary protection	8,384	(4,723)	3,661	104	9,359	(5,594)	3,765
Patents, licences, trademarks and registrations	22,355	(11,733)	10,622	248	23,786	(12,916)	10,870
Other:							
- commercial relations	637	(555)	82	(31)	640	(589)	51
- software	1,288	(901)	387	92	931	(452)	479
	1,925	(1,456)	469	61	1,571	(1,041)	530
Assets under development and payments on account:							
- registrations	8,348	-	8,348	(401)	7,947	-	7,947
- other assets under development	15	-	15	28	43	-	43
	8,363	-	8,363	(373)	7,990	-	7,990
Total	77,175	(27,401)	49,774	766	80,213	(29,673)	50,540

Changes for the period	Translation difference	Acquisitions/ capitalisations	Reclassifications	Amortisation/ Write-downs	Total change
Product development costs:					
- SDHi	-	1,118	-	-	1,118
- new formulations	-	219	-	-	219
	-	1,337	-	-	1,337
Process development costs	-	25	-	-	25
Product know-how:					
- fungicide IR 6141	-	-	-	(339)	(339)
- insecticides and fungicides	-	-	-	(73)	(73)
- Remedier	-	-	-	(26)	(26)
- biostimulants and fumigants	-	-	-	(86)	(86)
	-	-	-	(524)	(524)
Process know-how	(3)	-	-	(109)	(112)
Extraordinary protection	(2)	977	-	(871)	104
Patents, licences, trademarks and registrations	(5)	152	1,284	(1,183)	248
Other:					
- commercial relations	3	-	-	(34)	(31)
- software	(2)	99	68	(73)	92
	1	99	68	(107)	61
Assets under development and payments on account:					
- registrations	7	883	(1,284)	(7)	(401)
- other assets under development	4	92	(68)	-	28
	11	975	(1,352)	(7)	(373)
Total	2	3,565	-	(2,801)	766

The Group’s intangible assets include “assets not yet available for use” for a total value of € 29,859 thousand, which essentially comprise:

- € 20,461 thousand in costs incurred for 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;
- € 1,383 thousand in development costs incurred for the start-up of new formulations of crop protection products;
- € 7,947 thousand for “Assets under development” which refer 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 € 1,284 thousand.

"Extraordinary protection", amounting to € 3,765 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.

As previously pointed out in the financial statements as at December 31st, 2017, after obtaining loans to support the Group's research and development activities (see note No. 14), the portion of finance costs incurred in the year relating to intangible assets under development was capitalised. The capitalised financial charges amounted to € 72 thousand. The average rate used to determine their amount was 1.83%, i.e. the effective interest rate of the loans described.

The residual value of the item “Patents, licences, trademarks, registrations and similar rights”, amounting to € 10,870 thousand, comprises:

- registrations of crop protection products 10,088
- trademarks, patents and licences 782.

Impairment test

Pursuant to IAS 36, impairment tests are performed by the Isagro Group on products under development and registrations in progress, at least annually, while preparing the financial statements as at December 31st. In fact, although these are assets with “finite useful life”, as 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, 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.

The following table highlights the value of the intangible assets grouped in accordance with the above:

	ASSETS WITH A FINITE USEFUL LIFE		
	Assets not yet available for use	Assets available for use	Total Book value
Research and development activities:			
- Kiralaxyl (IR6141)	2,110	6,376	8,486
- Tetraconazole	1,853	5,415	7,268
- Biological and biostimulant products	308	1,511	1,819
- Copper	1,390	2,494	3,884
- SDHi	21,656	349	22,005
- Nematicide	-	59	59
- Pyrethroids	284	470	754
- Fumigants	2,102	2,934	5,036
- Others	113	534	647
	29,816	20,142	49,958
Other intangible assets:			
- Commercial relations	-	51	51
- Software	43	479	522
- Trademarks and licenses	-	9	9
	43	539	582
	29,859	20,681	50,540

Impairment testing is carried out by comparing the book value of the various projects with their 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).

The performance of the cash generating units in the first half of 2018 compared to the 2018 budget saw no significant misalignment in terms of gross contribution margin with the forecast figures used to perform impairment tests for the financial statements as at December 31st, 2017, based on the 2018 budget together with estimates/forecasts for 2019-2022. Consequently, the Directors believe that the original estimates for 2018 results, as well as for subsequent years, are still valid. Furthermore, note that the update of interest rates (WACC) as at June 30th, 2018, did not result in any significant variances with respect to the values as at December 31st, 2017.

In the first half of the year, therefore, there were no particular signs of impairment that would have required the preparation or updating of impairment tests carried out as at the date of the condensed consolidated half-year financial statements. However, the future trend in various factors, including developments in the difficult global economic and financial context, requires that management 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, 2017.

3. Goodwill – 3,437

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

CGU description	Value as at Dec. 31st, 2017	Changes over the period				Value as at June 30th, 2018
		Translation difference	Acquisitions/ disposals	Write-downs	Total change	
- "Copper"	886	-	-	-	-	886
- "Biological products"	461	-	-	-	-	461
- Isagro Asia Agrochemicals	181	(7)	-	-	(7)	174
- "Tetraconazole"	209	-	-	-	-	209
- "Formulations"	20	-	-	-	-	20
- Isagro Colombia S.A.S.	1,620	67	-	-	67	1,687
Total	3,377	60	-	-	60	3,437

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 annual impairment tests as at December 31st each year. 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).

The performance of the cash generating units in the first half of 2018 compared to the 2018 budget indicated no significant misalignment in terms of gross contribution margin with the forecast figures used to perform impairment tests for the financial statements as at December 31st, 2017, based on the

2018 budget together with estimates/forecasts for 2019-2022. Consequently, the Directors believe that the original estimates of the expected results in the time interval covered by Company Plans are still valid. Furthermore, note that the update of interest rates (WACC) as at June 30th, 2018, did not result in any significant variances with respect to the values as at December 31st, 2017.
More specifically, during the first half of the year, no endogenous or exogenous impairment indicators were identified that would require impairment tests to be carried out, despite the limits indicated in the note on "Uncertainty in the use of estimates". In particular, reference should be made to the Directors' considerations in Note no. 2 "Intangible assets" regarding the absence of impairment indicators in the first half of 2018, based on information currently available, that could imply the need for impairment tests.

4. Non-current receivables and other assets - 5,392

Breakdown	Book values Dec. 31st, 2017	Increases/ decreases	Book values June 30th, 2018
Non-current receivables and other assets:			
- guarantee deposits	603	(211)	392
- know-how usage licenses	4,316	40	4,356
- prepaid expenses	478	(22)	456
- tax	56	32	88
- security deposits	100	0	100
Total	5,553	(161)	5,392

The item "know-how usage licenses" refers:

- for € 576 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 € two 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) € 150 thousand already collected in the first quarter of 2018;
    b) € 250 thousand to be paid by December 27th, 2018;
    c) € 300 thousand to be paid by December 27th, 2019;
    d) € 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 € 245 thousand was recognised under trade receivables;
- € 3,780 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 English company Gowan Crop Protection Limited (related party), definitively and non repeatably, 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, and of which the first of € 500 thousand was received in December 2017, according to the following schedule:

a) € 750 thousand on November 30th, 2018;
b) € 4,000 thousand in four instalments of € 1,000 thousand each, due on November 30th in the 2019 - 2022 time interval.

The current portion of the present value of the receivable, equal to € 744 thousand, was recognised under "trade receivables".

“Prepaid expenses” refers to the residual value of the expense from early payment, by the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. to the Indian government, of a consideration of 54.5 million Indian Rupees (equivalent value as at June 30th, 2018 was € 683 thousand) to acquire a 99-year leasehold over the plot of land where the Panoli plant is located. Note that in the first half of last year, the Indian governmental authority for railways expropriated, upon payment of an indemnity, a part of the above-mentioned plot of land to be able to build a railway corridor; for a more in-depth description of the transaction, reference is made to note no. 23 “Other operating revenues”.

The item “security deposits”, stated net of a write-down provision of € 1,300 thousand, refers to the estimated realisable value of the payment made by the parent Isagro S.p.A. on April 8th, 2014 to the Japanese company Sumitomo Chemical Co. Ltd. to guarantee any fulfilment of obligations associated with the disposal transaction for the equity investment in Isagro Italia S.r.l. (now Sumitomo Chemical Italia S.r.l.) to the Japanese company in 2011, details of which are contained in the consolidated financial statements as at December 31st, 2017.

5. 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 award, by the latter of a guarantee totalling € 7,586 thousand required by Arysta LifeScience Inc. under the M/L Agreement illustrated in note 22 to which reference is made.

6. Deferred tax assets and liabilities – 7,810

Deferred tax assets - 8,971

Deferred tax liabilities - 1,161

Breakdown	Book values Dec. 31st, 2017	Impact of IFRS 9	Book values Jan. 1st, 2018	Changes over the period				Book values June 30th, 2018
				Provisions	Uses	Other changes	Total change	
Deferred tax assets	9,052	785	9,837	821	(1,775)	88	(866)	8,971
Deferred tax liabilities	(1,179)	-	(1,179)	(83)	126	(25)	18	(1,161)
Total	7,873	785	8,658	738	(1,649)	63	(848)	7,810

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; in particular, the first table summarises the impact of the adoption of IFRS 9 (for a description of which, refer to the section "Accounting standards applied from January 1st, 2018") on the balances as at January 1st, 2018, while the second table shows the changes over the period:

Temporary differences	Deferred tax assets/liabilities Dec. 31st, 2017		Impact of IFRS 9 Jan. 1st, 2018		Deferred tax assets/liabilities Jan. 1st, 2018	
	Taxable base	Taxation	Taxable base	Taxation	Taxable base	Taxation
Deferred tax assets						
- tax losses	17,167	4,126	-	-	17,167	4,126
- allocations to taxed provisions	7,635	2,326	3,022	785	10,657	3,111
- grants related to R&D	194	53	-	-	194	53
- intragroup profits	6,774	1,879	-	-	6,774	1,879
- others	2,659	668	-	-	2,659	668
Total deferred tax assets	34,429	9,052	3,022	785	37,451	9,837
Deferred tax liabilities						
- amortisation/depreciation for tax purposes	3,372	940	-	-	3,372	940
- fair value assets from business combinations	96	32	-	-	96	32
- dividends from subsidiaries	1,000	200	-	-	1,000	200
- others	20	7	-	-	20	7
Total deferred tax liabilities	4,488	1,179	-	-	4,488	1,179
TOTAL	29,941	7,873	3,022	785	32,963	8,658

Temporary differences	Deferred tax assets/liabilities Jan. 1st, 2018		Transfers to Income Statement			Changes in equity	Deferred tax assets/liabilities June 30th, 2018	
	Taxable base	Taxation	Provisions	Uses	Other changes	Translation difference and other changes	Taxable base	Taxation
Deferred tax assets								
- tax losses	17,167	4,126	68	(1,228)	-	-	12,291	2,966
- allocations to taxed provisions	10,657	3,111	561	(318)	6	(45)	11,713	3,315
- grants related to R&D	194	53	-	(7)	-	-	168	46
- intragroup profits	6,774	1,879	16	(37)	2	(1)	6,679	1,859
- others	2,659	668	176	(185)	-	126	3,052	785
Total deferred tax assets	37,451	9,837	821	(1,775)	8	80	33,903	8,971
Deferred tax liabilities								
- amortisation/depreciation for tax purposes	3,372	940	53	(106)	(1)	-	3,306	886
- fair value assets from business combinations	96	32	-	(14)	-	1	60	19
- dividends from subsidiaries	1,000	200	-	-	-	-	1,000	200
- others	20	7	30	(6)	-	25	213	56
Total deferred tax liabilities	4,488	1,179	83	(126)	(1)	26	4,579	1,161
TOTAL	32,963	8,658	738	(1,649)	9	54	29,324	7,810

"Deferred tax assets" includes € 2,966 thousand related to tax losses (of which € 2,705 thousand referring to the parent Isagro S.p.A. and € 198 thousand referring to the subsidiary Isagro USA, Inc.), € 1,859 thousand referring to the tax effect of the elimination of intra-group profits and € 3,315 thousand relating to taxed risk and expense provisions. Note in particular that during the half year, the parent Isagro S.p.A. utilised € 1,217 thousand of deferred tax assets related to tax losses of previous years.

In recognising and measuring the recoverability of deferred tax assets, the 2018-2022 plan was taken into consideration; this is made up of the 2018 budget together with the estimates/projections for the 2019-2022 period prepared by Management for this purpose. Although the latter include assumptions and forward-looking statements subject to uncertainty, the Directors deem that the taxable income envisaged for the next few years, deemed to be reasonable and feasible, will be such as to allow those amounts to be recognised and recovered.

In particular, the convincing evidence which makes availability of sufficient future taxable income for the aforementioned recovery probable, over the timescale of the plan, is as follows:

- the recovery in the turnover in the last three years, relating to the sale of crop protection products, hit hard in previous years by the drought which had affected certain markets of great importance for the parent Isagro S.p.A.. This growth became possible mainly thanks to the new commercial strategies based on the development of new proprietary products;
- the significant reduction in the cost of money, obtained thanks to the new economic conditions granted by the banking system further to the share capital increase transaction of the parent Isagro S.p.A. in 2014;
- the financial support from the share capital increase described above to the investments forecast in the 2018-2022 plan;

- the launch of a new fumigant product and the confirmation of the validity of the new SDHi molecule under development;
- the strengthening of the synergies with the industrial partner Gowan (a US company operating in the crop protection products sector) following its entry into the Isagro control system in 2014, for the purpose of obtaining an important strategic and business enhancement, thanks in part to the pursuit of synergies which will be achieved.

The Directors therefore, believe that all the elements indicated above provide convincing evidence that makes the availability of future taxable incomes probable. These elements make it possible to deem the attainment of the taxable income indicated in said Plans probable, therefore emerging as sufficient for permitting the achievement of the benefit relating to the deferred tax assets.

It is also disclosed that as at June 30th, 2018 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 € 2,879 thousand, of which € 1,123 thousand relating to the subsidiary Isagro USA, Inc. and € 1,756 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, 2018, amount to € 18,588 thousand, in relation to which deferred tax assets were recognised for only € 2,705 thousand, corresponding to € 11,272 thousand in tax losses retained. The decrease of € 2,445 thousand in the parent Isagro S.p.A.'s tax losses, for which no deferred tax assets were allocated, and which as at December 31st, 2017, amounted to € 9,761 thousand, is due to the use of the same against the higher taxable income figure established by the Revenue Agency, following an inspection conducted in the previous year regarding tax years 2012, 2013 and 2014, illustrated in note 34, to which reference is made.

"Deferred tax liabilities" include an € 886 thousand misalignment between the statutory and tax depreciation and amortisation of tangible and intangible assets. In particular, this item includes € 834 thousand of the parent Isagro S.p.A., essentially related to capitalisation and amortisation of development costs for new products.

"Deferred tax assets and liabilities" include € 4,547 thousand and € 627 thousand, respectively, which are likely to be reversed beyond twelve months.

7. Inventories – 52,014

Breakdown	Book values Dec. 31st, 2017	Changes over the period					Book values June 30th, 2018
		Increases/ decreases	Write-downs/ allocations to inventory write-down provision	Translation difference and other changes	Use of provision for inventory write-down provision	Total change	
Raw and ancillary materials, and consumables	15,353	1,700	(169)	(124)	184	1,591	16,944
Work in progress and semi-finished goods	979	(73)	-	(39)	-	(112)	867
Finished products and goods	28,572	5,846	(180)	(144)	11	5,533	34,105
Payments on account	136	(42)	-	4	-	(38)	98
Total	45,040	7,431	(349)	(303)	195	6,974	52,014

The increase of inventories of raw materials and finished products, with respect to December 31st, 2017, is substantially due to the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., which increased its inventories of raw materials and finished products both to cover the sales expected in the second half of the year, in view of the peak of the monsoon season, and following payments on account for purchases planned for the following half year, in order to circumvent the prices increases of raw materials envisaged for the second part of the year.

Nevertheless, 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 values of inventories with those as at June 30th, 2017, corresponding to € 52,142 thousand, it can be seen that the increase of inventories as at June 30th, 2018 can be considered to be normal.

Inventories include goods, for a value of € 2,569 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 € 986 thousand. The provision registered increases totalling € 349 thousand and decreases amounting to € 195 thousand during the first half of the year.

8. Trade receivables – 50,133

Breakdown	Book values Dec. 31st, 2017	Impact of IFRS 9	Book values Jan. 1st, 2018	Changes over the period						Book values June 30th, 2018
				Increases/ decreases	Translation differences of bad debt provision	Write-downs/ allocations to bad debt provision	Use of bad debt provision	Other changes	Total total	
Trade receivables	48,721	-	48,721	9,311	-	(45)	-	-	9,266	57,987
- bad debt provision	(3,577)	(3,022)	(6,599)	-	53	(702)	28	36	(585)	(7,184)
- bad debt provision default int.	(642)	-	(642)	-	-	(73)	45	-	(28)	(670)
	44,502	(3,022)	41,480	9,311	53	(820)	73	36	8,653	50,133

Compared to January 1st, 2018, namely after the introduction of accounting standard IFRS 9, this item shows an increase of € 8,653 thousand, almost wholly due to the receivable of € 7,770 thousand relating to the income originating from the M/L Agreement signed with Arysta LifeScience Inc., which was collected in the first few days of the second half, and which is illustrated in note 22, to which reference should be made. This change, however, is of little significance as a result of the seasonal nature of the crop protection products market. Comparing therefore the balance of trade receivables, net of the amounts of the above-mentioned agreement and before the impact of the introduction of accounting standard IFRS 9, with amounts as at June 30th, 2017, equal to € 49,700, a decrease of approximately € 4.3 million was recorded, essentially due to the lower sales of products and services in the first half of 2018 compared to the same period of 2017, and to the devaluation of the Indian Rupee against the Euro. The change in the value of trade receivables, net of the above-described phenomena, also correlates with the lower value of the receivables transferred without recourse by the parent Isagro S.p.A., with maturity after June 30th, in the first half of 2018 compared to those transferred in the first half of 2017.

These transfer transactions regarded receivables of approximately € 12,660 thousand, which is higher than the approximately € 9,217 thousand in receivables due after December 31st and factored during 2017, but partially decreased compared to the value of receivables factored in the first half of 2017 due after June 30th (€ 14,207 thousand).

During the half year, the bad debt provision was used for € 28 thousand and was increased by € 702 thousand as a result of the amount allocated to it in the period. Interest on arrears was recognized for delays in payment from customers; a € 670 thousand provision was made for these receivables.

Regarding the total trade receivables due from related parties, please refer to note no. 35.

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

▪ Italy	3,903
▪ Other European countries	10,938
▪ Central Asia and Oceania	14,340
▪ Americas	23,280
▪ Far East	2,352
▪ Middle East	1,114
▪ Africa	2,060
Total	57,987

The average contractual maturity of trade receivables is as follows:

- Italy 145 days
- Foreign countries 93 days.

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

9. Other current assets and other receivables – 7,295

Breakdown	Book values Dec. 31st, 2017	Increases/ decreases	Book values June 30th, 2018
Other current assets and other receivables:			
- grants	27	-	27
- advance payments to suppliers and creditors	851	(53)	798
- employees	100	142	242
- export incentives	168	97	265
- due from tax authorities for VAT and other taxes	3,419	253	3,672
- receivables for "minimum guaranteed margins"	-	547	547
- others and prepaid expenses	2,599	(524)	2,075
	7,164	462	7,626
- bad debt provision	(363)	32	(331)
Total	6,801	494	7,295

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

The item "due from tax authorities for VAT and other taxes" relates, in the amount of € 3,245 thousand, to VAT credits and other indirect taxes pertaining to the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. and, in the amount of € 336 thousand, to the VAT credit pertaining to the parent Isagro S.p.A. During the first half of 2018, the parent Isagro S.p.A. partially used the VAT credit reported in the financial statements as at December 31st, 2017 (of € 1,153 thousand) both to offset the VAT payable for the initial months of 2018 (€ 433 thousand) and to offset social security contributions (€ 450 thousand).

"Receivables for minimum guaranteed margins" refers to the estimated amount that the British company Gowan Crop Protection Limited (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 the M/L Agreement signed in November 2016 and illustrated in note 23, to which reference is made.

"Others" refers for € 391 thousand to the recovery of research and development costs incurred by the parent Isagro S.p.A. vis-à-vis the American company FMC Corporation under the agreement entered into between the two companies for the co-development of a new fungicide. Prepaid expenses, amounting to € 976 thousand, are also included in this item.

For the total amount of other receivables due from related parties, please refer to Note no. 35.

These receivables are due within the next year.

10. Tax receivables - 2,976

Breakdown	Book values Dec. 31st, 2017	Total total	Book values June 30th, 2018
Tax receivables:			
- direct taxes	2,906	(290)	2,616
- R&D tax credit	610	(250)	360
Total	3,516	(540)	2,976

This item mainly refers to receivables of the parent Isagro S.p.A. (€ 1,226 thousand), of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (€ 1,389 thousand) and of the subsidiary Isagro USA, Inc. (€ 361 thousand).

The item "R&D tax credit" refers to the tax benefit due to the parent Isagro S.p.A. for research & development activities conducted in 2017, as described in the consolidated financial statements as at December 31st, 2017 to which reference should be made. The remaining credit will be used during the second half of the year to reduce payments of withholding tax and/or social security contributions.

11. Financial assets and liabilities - derivatives – -261

Non-current financial assets - 27

Current financial assets - 168

Non-current financial liabilities - 35

Current financial liabilities - 421

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, 2018:

Description of derivatives	Book values Dec. 31st, 2017	Increases/ decreases	Book values June 30th, 2018
Non-current financial assets:			
- interest rates	-	27	27
	-	27	27
Current financial assets:			
- foreign exchange	263	(95)	168
- commodities	51	(51)	-
	314	(146)	168
Non-current financial liabilities:			
- interest rates	(26)	(9)	(35)
	(26)	(9)	(35)
Current financial liabilities:			
- foreign exchange	(12)	(262)	(274)
- interest rates	-	(64)	(64)
- commodities	-	(83)	(83)
	(12)	(409)	(421)
Total	276	(537)	(261)

Description of derivatives	Fair value as at June 30th, 2018
Cash flow hedge derivatives:	
- interest rates	(72)
- foreign exchange	(125)
- commodities (copper)	(83)
	(280)
Trading derivatives:	
- foreign exchange	19
	19
Total	(261)

The cash flow hedge derivatives regard transactions of the parent Isagro S.p.A. relating to:

- 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	Fair value (Euro)/000
12/05/2017	31/05/2021	UNICREDIT	0.17%	4,516	(25)
29/06/2018	30/06/2023	CARIPARMA	0.18%	6,000	(25)
28/06/2018	30/06/2023	BANCO BPM	0.15%	5,000	(22)
				15,516	**(72)**

Characteristics of related loans				
Disbursement date	Expiration date	BANK	Residual notional value Euro	Floating interest rate (annual)
12/05/2017	31/05/2021	UNICREDIT	4,516	E6M/365 (floor-0.95%)
29/06/2018	30/06/2023	CARIPARMA	6,000	E6M/360
28/06/2018	30/06/2023	BANCO BPM	5,000	E3M/360 with floor of -1.15%
			15,516	

- the hedging of the risk of changes in euro/dollar and euro/Brazilian real exchange rates, relating to foreign sales of goods and services, by entering into forward and non-deliverable forward contracts. As the hedge relationship is maintained until the trade receivable linked to the hedged sale transaction is collected, the economic impact of these derivatives is partly recognised to adjust revenues and partly under net financial charges. 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 - Sale	USD/EUR	1.18	31,400	(143)
Forward - Sale	BRL/EUR	4.61	6,000	18
Total				(125)

- 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	297	5,957	1,769	(83)
	297		1,769	(83)

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.

Trading derivatives refer instead 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 sales and purchases of US dollars and Brazilian Real, described in the table below:

Contract type	Currency	Average exchange rate	Notional value (Currency/000)	Fair value (Euro/000)
Forward - Sale	USD/EUR	1.18	(3,755)	4
Forward - Sale	BRL/EUR	4.57	(6,000)	17
Forward - Sale	USD/INR	67.218	(514)	(9)
Forward - Purchase	USD/INR	67,782	819	9
Forward - Purchase	USD/COP	2,952.11	1,081	(2)
Total				19

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

- 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, 2018, properly adjusted to consider the premium connected with the "compliance risk";
- 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, 2018, 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 rate as at June 30th, 2018, appropriately adjusted to take into account the premium connected with the "compliance risk";

Additional information required by IFRS 7 and IFRS 13 is included under note no. 33.

12. Cash and cash equivalents — 43,233

Breakdown	Book values Dec. 31st, 2017	Increases/ decreases	Book values June 30th, 2018
Bank deposits:			
- demand deposits	22,788	1,053	23,841
	22,788	1,053	23,841
Securities maturing in less than three months	8,887	10,487	19,374
Cash on hand	26	(8)	18
Total	31,701	11,532	43,233

Cash and cash equivalents (bank deposits and cash on hand) as at June 30th, 2018 respectively refer to the parent Isagro S.p.A. for € 17,932 thousand and the subsidiaries for € 25,301 thousand.

The positive change in this item is essentially due to the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. and particularly to the item “Securities maturing in less than three months", which refers to investments in readily redeemable money market fund units and on which interest accrues at the rate of 5.50%.

Demand deposits are floating-rate deposits. The average interest rate on bank and foreign currency deposits of the Group as at June 30th, 2018 was 0.52% per year.

Note that for the purposes of the cash flow statement, the item “cash and cash equivalents” coincides with the respective item in the Balance Sheet.

13. Equity attributable to owners of the parent - 100,605

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 2018”.

The share capital of the parent Isagro S.p.A. amounted to € 24,961 thousand as at June 30th, 2018, 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.

As illustrated in the “Consolidated Statement of changes in shareholders’ equity”, the retained earnings of the Group, as at January 1st, 2018, recorded a negative change of € 2,237 thousand, relating to the introduction of the new accounting standard IFRS 9. In fact, the new procedures for calculating the impairment of the Group’s financial assets (in particular trade receivables and other assets/receivables), which are based on the expected credit losses model and no longer on the incurred losses model envisaged by the previous accounting standard IAS 39, led to a further write-down of trade receivables of € 3,022 thousand which, after the relative tax of € 785 thousand, resulted in the corresponding reduction of Group equity.

The item “Reserves", amounting to € 44,748 thousand, comprises:

- Share premium reserve	44,910	
- Hedging reserves	(307)	
- Translation difference	(10,198)	
- Other reserves:		
* merger surplus	7,023	
* legal reserve	3,680	
* treasury shares (development)	(295)	
* diff. disposal of treasury shares	(84)	
* top manager retention plan	19	
		10,343
- Total		44,748
		=====

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.

As regards "treasury shares" of the parent Isagro S.p.A., note that during the half year, the following transactions were performed:

- disposal of 50,000 own ordinary shares purchased in previous years for a countervalue of approximately € 78 thousand, recording a loss of € 84 thousand, recognised directly under equity reserves;
- purchase of 236,975 own "growth shares" for a countervalue of approximately € 295 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 and illustrated in note no. 26, to which reference should be made. The cost of the incentive, corresponding as at June 30th to € 19 thousand, was recognised under "personnel costs" and a balancing entry was recorded under equity reserves.

The changes in the "hedge reserve" are illustrated below; the item includes the loss, transited in the statement of comprehensive income, deriving from interest rate swap, commodity future and currency forward contracts (see note no. 11):

Cash flow hedge instruments	
Profits/(losses) reclassified to the Income Statement	(12)
Losses generated in the period	(386)
Tax effect	110
Net losses from cash flow hedge instruments	(288)

The negative change in the "Translation difference", of € 1,429 thousand, is to be attributed mainly to the depreciation 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.

No voting rights

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 profit distribution

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 division, in fact, shall be made so as each "growth share" has a total dividend added 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 into 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%.

14. Current and non-current financial payables – 92,940

Current financial payables - 48,239

Non-current financial payables - 44,701

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

Breakdown	Book values Dec. 31st, 2017	Increases/ decreases	Book values June 30th, 2018
Current financial payables:			
- banks	32,541	12,742	45,283
- other lenders	268	2,611	2,879
- obligations under finance leases	80	(3)	77
	32,889	15,350	48,239
Non-current financial payables:			
- banks	43,728	(438)	43,290
- other lenders	1,526	(136)	1,390
- obligations under finance leases	55	(34)	21
	45,309	(608)	44,701
Total	78,198	14,742	92,940

Current payables due to banks and other lenders as at June 30th, 2018 include the current portion of the medium/long term loans, amounting to € 22,583 thousand.

The average interest rate on short-term bank loans (in Euro, US Dollars, Brazilian Reals, Indian Rupees and Colombian Pesos), except for finance leases, is 1.46%.

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, 2018 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, 2017	
Loan granted by UniCredit S.p.A. with a duration of 4 years, repayable in half-yearly payments starting from 2016.	1,376
Loan granted by Banca Popolare Commercio & Industria with a duration of 4 years, repayable in quarterly payments starting from 2015 and requiring compliance with covenants.	962
Loan granted by Banca Mediocredito Italiano with a duration of 5 years, repayable in quarterly payments starting from 2015 and requiring compliance with covenants.	2,397
Loan granted by Banca Monte dei Paschi di Siena with a duration of 4 years, repayable in quarterly payments starting from 2015.	780
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.	4,050
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.	2,990
Loan granted by Banco Popolare with a duration of 4 years, repayable in half-yearly payments starting from 2017.	1,497
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.	2,553
Loan granted by UBI Banca with a duration of 99 months, repayable in half-yearly payments starting from 2021.	213
Subsidised loan granted by Cassa Depositi e Prestiti in relation to the research project "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.	1,660
Loan granted by Iccrea BancaImpresa S.p.A. with a duration of 4 years, repayable in quarterly payments starting from 2017. S.A.C.E. issued a guarantee on this loan for € 1,969 thousand.	3,106
Loan granted by Deutsche Bank with a duration of 48 months, repayable in half-yearly payments starting in 2016 and requiring compliance with covenants.	560
Loan granted by Banca CARIGE Italia S.p.A. with a duration of 4 years, repayable in half-yearly payments starting from 2017.	1,258
Loan granted by Banca Popolare di Milano with a duration of 37 months and repayable in monthly payments starting from 2017.	1,707
Loan granted by UniCredit S.p.A. with a duration of 48 months, repayable in half-yearly payments starting in 2017 and requiring compliance with covenants.	4,505
Loan granted by Banca Nazionale del Lavoro with a duration of 48 months, repayable in quarterly payments starting in 2017 and requiring compliance with covenants.	3,008
Loan granted by Banca Mediocredito Italiano with a duration of 4 years, repayable in half-yearly payments starting from 2017 and requiring compliance with covenants.	2,246
Loan granted by Banca Popolare del Lazio with a duration of 3 years, repayable in quarterly payments starting from 2018.	1,658
Loan granted by UBI Banca with a duration of 4 years, repayable in quarterly payments starting from 2018 and requiring compliance with covenants.	4,378
Loan granted by Banca CARIGE S.p.A. with a duration of 4 years, repayable in half-yearly payments starting from 2018.	2,192
Loan granted by Banca di Credito Cooperativo di Carate Brianza with a duration of 4 years, repayable in quarterly payments starting from 2018.	1,485
Loan granted by Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. with a duration of 5 years, repayable in half-yearly payments starting from 2017 and requiring compliance with covenants.	2,393
Loan granted by Credito Valtellinese with a duration of 48 months, repayable in quarterly payments starting from 2018 and requiring compliance with covenants.	1,866
Loan granted by Banca Popolare di Milano with a duration of 36 months, repayable in monthly payments starting from 2018.	2,405
Loans obtained in the first half of 2018	
Loan granted by Banca Monte dei Paschi di Siena with a duration of 5 years, repayable in half-yearly payments starting from 2019 and requiring compliance with covenants.	4,982
Loan granted by Banco BPM with a duration of 5 years, repayable in quarterly payments starting from 2019 and requiring compliance with covenants.	4,985
Loan granted by Cassa di Risparmio di Parma e Piacenza with a duration of 5 years, repayable in half-yearly payments starting from 2018 and requiring compliance with covenants.	5,964

In the first half of 2018, the parent Isagro S.p.A. obtained new medium/long-term loans from banks for a total of € 16,000 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 2018, 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, 2017, reference is expressly made to the consolidated financial statements of 2017.

Loan granted by Banca Monte dei Paschi di Siena:

- the parent Isagro S.p.A. does not fully pay even one loan repayment instalment;
- the parent Isagro S.p.A. does not fulfil the obligations of the loan agreement;
- the parent Isagro S.p.A. is subject to protests, seizure of bank assets or enforcement orders or judicial distraints or carries out any act that decreases its amount of equity, cash flow or income;
- the parent Isagro S.p.A. fails to punctually pay all or part of any amount due as a result of the loan and/or of the interest and related ancillary amounts;
- the parent Isagro S.p.A. or another Group company is subject to enforcement orders or seizure of bank assets, becomes subject to a legal order to pay, bankruptcy and/ or injunction proceedings, protests or other detrimental events that diminish the company's financial and economic position by amounts exceeding € 250 thousand;
- the parent Isagro S.p.A. or one of its subsidiaries, associates or parents fails to pay one of its financial debts of more than € 100 thousand on the due date.

In addition:

unless written consent is provided by the lender, the parent Isagro S.p.A. cannot: i) amend its corporate purpose in such a way as to result in a substantial change in the business activities conducted; ii) transfer its registered office to another country; iii) pledge its registered property and securities only against a loan granted by banks and financial institutions after signing the agreement for this loan, whilst guarantees may be offered, without the written consent of the lender, in favour of its customers and suppliers for transactions which are part of the core business activities of Isagro S.p.A., including the Licensing business; iv) grant right of pre-emption on repayment of the capital; v) take action that gives rise to a change in corporate control or implement mergers, spin-offs, demergers or other transactions involving the majority of the capital, it being hereby understood that any transfer of quotas between members of the Basile family is not considered a loss of the indirect control of the same, and therefore is not relevant for the purposes of this clause; vi) distribute dividends and capital reserves or make investments of any nature to an extent that both the covenants are not satisfied; vii) initiate voluntary liquidation proceedings.

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 the parent 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 the parent 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) establish equity funds addressed to a specific deal; v) 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 Cassa di Risparmio di Parma e Piacenza:

- the parent Isagro S.p.A. defaults on its payment obligations for any amount due to the lender, unless it remedies the situation within 10 working days from receipt of the written notice;
- 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. defaults or does not comply with any one of the obligations or commitments indicated in the loan agreement, unless, with relation to the nature of the default, has remedied the situation within 10 working days from receipt of the written notice to comply from the lender;
- the parent Isagro S.p.A. does not comply with both of the covenants described below;
- the parent Isagro S.p.A. and/or one of its subsidiaries fail to pay any amount relating to a financial debt due to banks and/or financial intermediaries within 15 working days from the day in which it became due as a result of a default;
- the parent Isagro S.p.A. defaults on the prompt payment of amounts due to third parties, other than those indicated in the previous point, and does not remedy the situation within 15 working days from receipt of a written notice to comply and this does not affect, in the indisputable opinion of the lender, the company's ability to meet the obligations of this contract;

- the parent Isagro S.p.A. and/or the holding company and/or one of its subsidiaries become insolvent, enter into negotiations with their creditors for the purpose of obtaining periods of grace or out-of-court agreements, dispose of assets to their creditors, request to be admitted or are admitted to bankruptcy proceedings, including receivership proceedings;
- the parent Isagro S.p.A., and/or Piemme S.r.l., the indirect holding company of Isagro S.p.A., and/or a subsidiary are placed into liquidation or the same are wound up;
- the parent Isagro S.p.A. and/or one of its subsidiaries are subject to judicial and enforcement proceedings, and the following are opened, also alternatively between them, urgent proceedings for the seizure of bank assets or for enforcement, judicial distraints are recorded, protests are raised, assets are confiscated, decisions or decrees or final judicial orders in general are issued for a single or cumulative amount exceeding € 1,000 thousand for the entire duration of the loan and this may have substantial detrimental effects on the company's ability to fulfil its obligations;
- any significant change takes place with respect to the equity and financial positions of the parent Isagro S.p.A. and/or one of its subsidiaries, or with regard to its goods, assets and property, and this may have substantial detrimental effects on the company's ability to fulfil the obligations of the loan agreement;
- the parent Isagro S.p.A. and/or one of its subsidiaries commit substantial breaches of the law or of primary or secondary regulations, which may have substantial detrimental effects on the company's ability to fulfil the obligations of the loan agreement;
- untruthful or misleading statements are made, and the company has not remedied the situation within 15 working days from receipt of the written notice to comply from the lender;
- any authorisation, concession, homologation or license, the absence of which may have a detrimental effect on the performance of the company's business activities, has not been renewed, if expired or is revoked;
- the parent Isagro S.p.A. ceases to carry out its current business activities or undertakes business activities which have substantial relevance and are not consistent with those currently carried out;
- a tax authority has issued an order of any nature, definitively or provisionally enforceable, to the parent Isagro S.p.A. and/or one of the subsidiaries, under which the beneficiary has to pay a tax, duty, fine or penalty, and this may have a substantially detrimental effect on the beneficiary's ability to meet the obligations of the loan agreement;
- at any time, circumstances in fact and in law emerge that: i) prevent the company from exercising its rights or fulfilling its obligations under this loan agreement; ii) lead to the loss of the legitimacy, effectiveness, validity or enforceability of the obligations undertaken by the company, due to legislative changes or provisions adopted by competent authorities; iii) prevent or substantially restrict the lender's right to act in a court of law to protect the rights resulting from the loan agreement;
- in its report on the annual and consolidated financial statements, the independent auditing firm expresses a negative opinion or issues a declaration on the impossibility of expressing an opinion;
- Piemme S.r.l., the indirect holding company of Isagro S.p.A., ceases to directly or indirectly control an investment that renders it the holder of 50% plus one of the shares with voting rights that may be exercised at the shareholders' meeting.

Current financial payables to other lenders, amounting to € 2,879 thousand as at June 30th, 2018, refer, for € 270 thousand, to the current portion of the subsidised loan granted by Cassa Depositi e Prestiti, already illustrated in the previous table, and for € 2,609 thousand, to payables to factoring companies in relation to the with-recourse factoring of receivables, while as at December 31st, 2017 they only referred to the current portion of the above-mentioned subsidised loan.

The item "obligations under finance leases" refers to the residual payable of € 89 thousand due to Crédit Agricole Leasing Italia S.r.l. in connection with the fees to pay, for a residual period of 16 months, for the supply of new analytical laboratory instruments used at the Novara research centre of the parent Isagro S.p.A..

The table below summarises the loans 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	87,093	87,093	1.20%
US Dollars	3,875	4,518	4.46%
Indian Rupees	1,958	156,301	9.50%
Brazilian Reals	10	43	20.27%
Colombian Pesos	4	12,469	28.81%
Total	92,940		

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	43,177	18,588	11,162	5,483	3,637	63	82,110
- fixed rate	2,106	2,136	1,901	320	-	-	6,463
Total Payables due to banks	45,283	20,724	13,063	5,803	3,637	63	88,573
Payables due to other lenders							
- floating rate	2,609	-	-	-	-	-	2,609
- fixed rate	270	272	275	278	281	284	1,660
Total Other lenders	2,879	272	275	278	281	284	4,269
Obligations under finance leases							
- fixed rate	77	21	-	-	-	-	98
Total Obligations under finance leases	77	21	-	-	-	-	98
Total	48,239	21,017	13,338	6,081	3,918	347	92,940

Lastly, it should be noted that, as at June 30th, 2018, the Group has a number of lines of credit outstanding, granted by banks and other financial institutions, totalling € 98,883 thousand (including "trade" facilities for € 66,848 thousand, of which € 22,977 thousand used, and "financial" facilities of € 32,035 thousand, of which € 13,343 thousand used), as shown in the table below:

	Lines of credit	
	granted	used
Parent	76,200	30,055
Subsidiaries	22,683	6,265
Total	**98,883**	**36,320**

<u>COVENANTS</u>

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**
Cassa di risparmio di Parma e Piacenza	€ 6,000	€ 5,965	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 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	Failure to comply with the two covenants

Banco BPM	€ 5,000	€ 4,985	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.	shall result in termination of the loan and the repayment of all amounts still due including interest.
Banca Monte dei Paschi di Siena	€ 5,000	€ 4,982	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 a 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	€ 4,050	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 termination of the loan and the repayment of all amounts still due including interest.
UBI Banca/Banca Popolare Commercio & Industria	€ 15,000	€ 7,893	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 termination of the loan and the repayment of all amounts still due including interest.
			a) ratio between consolidated net financial position and consolidated	Failure to comply with the two covenants

Mediocredito Italiano	€ 9,000	€ 4,643	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	shall result in termination of the loan and the repayment of all amounts still due including interest.
Banca del Mezzogiorno	€ 5,000	€ 2,990	a) consolidated debt/EBITDA ratio of less than 4.5 until full repayment of the residual debt. b) consolidated debt/equity ratio of less than 1.5 until full repayment of the residual debt.	Failure to comply with the two covenants shall result in termination of the loan and the repayment of all amounts still due including interest.
Deutsche Bank	€ 1,000	€ 560	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 termination of the loan and the repayment of all amounts still due including interest.
UniCredit S.p.A.	€ 6,000	€ 4,505	a) consolidated debt/EBITDA ratio as at December 31st, 2017 and until full repayment of the residual debt: less or equal to 4.5 b) consolidated debt/equity ratio as at December 31st, 2017 and until full repayment of the residual debt: less or equal to 1.5	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts still due including interest.
Banca Nazionale del Lavoro S.p.A.	€ 4,000	€ 3,008	a) consolidated debt/EBITDA ratio as at December 31st, 2017 and until full repayment of the residual debt: less or equal to 4.5 b) consolidated debt/equity ratio as at December 31st, 2017 and until full repayment of the residual debt: less or equal to 1.5	Failure to comply with the two covenants shall result in termination of the loan and repayment of all amounts due including interest.
Cassa Centrale Raiffeisen dell'Alto Adige S.p.A.	€ 3,000	€ 2,393	a) ratio between consolidated net financial position and consolidated EBITDA 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 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	€ 1,866	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 termination of the loan and repayment of all amounts due including interest.

The assessment of compliance with the above covenants, which is performed annually, did not reveal any criticalities as at June 30th, 2018.

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, 2018 was as follows:

	June 30th, 2018	Dec. 31st, 2017
Bank deposits and cash	(23,859)	(22,814)
Securities	(19,374)	(8,887)
Cash (A)	**(43,233)**	**(31,701)**
Current financial receivables and other assets (B)	**-**	**-**
Current payables due to banks	22,777	9,633
Current payables due to other lenders	2,879	-
Current portion of non-current financial payables	22,583	23,256
Current financial payables (C)	**48,239**	**32,889**
Net current financial debt (A+B+C)	**5,006**	**1,188**
Non-current payables due to banks	43,290	43,728
Non-current payables due to other lenders	1,390	1,526
Obligations under finance leases	21	55
Non-current financial payables (D)	**44,701**	**45,309**
Net financial debt as per CONSOB Communication DEM/6064293/2006 (A+B+C+D)	**49,707**	**46,497**
Other non-current financial assets	(2,503)	-
Financial assets for trading derivatives and I.R.S.	(72)	(314)
Financial liabilities for trading derivatives and I.R.S.	125	38
Net financial debt of the Group	**47,257**	**46,221**

The net financial position shows an increase of € 1,036 thousand against December 31st, 2017; this increase resulted from an increase in net working capital which, in turn, was influenced by the presence of a receivable of € 7,770 thousand originating from the M/L Agreement signed with Arysta LifeScience Inc., illustrated in note no. 22 to which reference is made, and collected in the first few days of July 2018.

15. Employee Benefits - 2,428

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, 2017	2,351	240	2,591
Cost of employee benefits	(33)	75	42
Settlements/transfers/payments	(195)	-	(195)
Translation difference	-	(10)	(10)
Value as at Jun. 30th, 2018	2,123	305	2,428

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 were as follows:

- discounting rate: 1.00%
- staff turnover rate: 4.60%
- inflation rate: 1.50%
- annual rate of increase in severance indemnity fund (SIF): 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	11
Actuarial (Gains)/Losses	(44)
Total	(33)

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 gains for the first half of 2018, corresponding to € 44 thousand, include gains attributable to changes in the financial assumptions for € 18 thousand and gains attributable to changes in the demographic assumptions for € 26 thousand.

Sensitivity analyses were 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.

<u>Information on the "Gratuity Fund" pension fund</u>

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 each year of service for every worker who has completed at least five years 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 were as follows:

- discounting rate: 8.14%

- staff turnover rate: 6.00%
- expected wage increase: 10.00%
- expected rate of return of the assets serving the plan: 8.14%

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

	Breakdown
Current cost of the plan	49
Net financial charges	8
Revaluation of assets serving the plan	(16)
Actuarial (Gains)/Losses	34
Total	75

The actuarial components for the "Gratuity Fund" are also recognised among "Other Comprehensive Income" and under Group equity in the item "Retained earnings". Actuarial losses for the half year, corresponding to € 34 thousand, include profits attributable to changes in the financial assumptions of € 37 thousand and losses attributable to changes in the demographic assumptions of € 71 thousand.

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

Present value of the obligation	(815)
Fair value of the assets	510
Surplus (deficit) of the plan	(305)

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	750
Financial charges	27
Current cost of the plan	49
Benefits paid	(15)
Actuarial (Gains)/Losses	34
Translation difference	(30)
Present final value of the obligation	815

Initial fair value of the assets	510
Financial income expected from the assets	19
Payments made during the year	-
Benefits paid	(15)
Revaluation of assets serving the plan	16
Translation difference	(20)
Final fair value of the assets	510

Based on legal requirements, the amount of the payments that the Group must make for this fund over the next 12 months is approximately € 93 thousand, while the amount of the benefits to pay outgoing employees, based on the projections and actuarial assumption of the plan, is € 88 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 € 50 thousand decrease in liabilities, while a decrease of one percentage point in the rate would bring about an increase in liabilities of € 56 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 2018, the total costs of such plans, included under "personnel costs", were € 534 thousand.

16. Other non-current liabilities - 719

Breakdown	Book values Dec. 31st, 2017	Increases/ decreases	Book values June 30th, 2018
Payables:			
- guarantee deposits from customers	733	(14)	719
Total	733	(14)	719

This item reflects 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.

17. Trade payables – 39,420

This item shows an increase of € 8,422 thousand compared to December 31st, 2017 (€ 30,998 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, 2017, amounting to € 37,426, shows an increase of € 1,994 thousand, strictly related to the increase in purchases in the half compared to the first half of 2017 (€ +2,500 thousand). This increase, attributable to the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., essentially regards advance purchases of strategic raw materials following the expected price increases for these products in the second half of the year.
For the total trade payables due to related parties, reference should be made to note no. 35.
Here below is the breakdown of trade payables by geographic area based on the supplier's location:

▪ Italy	18,357
▪ Other European countries	6,136
▪ Central Asia and Oceania	10,605
▪ Americas	2,790
▪ Far East	1,389
▪ Middle East and Africa	143
Total	39,420

Note that the average contractual maturity of trade payables is around 104 days.
The trade payables are due within the following year.

18. Current provisions – 1,162

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

Breakdown	Book values Dec. 31st, 2017	Changes over the period				Book values June 30th, 2018
		Provisions	Uses	Other changes	Total change	
Current provisions:						

- provision for goods destruction and disposal of obsolete materials	88	51	(12)	-	39	127
- provision for employee participation bonus and manager/director bonus	1,964	870	(1,797)	(2)	(929)	1,035
- others	3	-	(3)	-	(3)	-
Total	2,055	921	(1,812)	(2)	(893)	1,162

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 Adria and Aprilia industrial complexes.

19. Tax payables - 2,338

	Book values Dec. 31st, 2017	Increases/ decreases	Book values June 30th, 2018
Tax payables:			
- due to tax authorities for direct taxes	1,244	1,094	2,338
Total	1,244	1,094	2,338

The item includes the payable due to the tax authorities for income taxes of the various Isagro Group companies and comprises € 1,916 thousand of tax payables of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.. The increase in the item compared to December 31st, 2017 is attributable to the fact that the Indian subsidiary's tax payable for the previous year, approximately € 1,140 thousand at the exchange rate of June 30th, will be paid, net of the advances already paid, in the second part of the year.

20. Other current liabilities and other payables – 5,534

Breakdown	Book values Dec. 31st, 2017	Increases/ decreases	Book values June 30th, 2018
Payables:			
- due to social security institutions	1,186	87	1,273
- due to agents and canvassers	215	(39)	176
- due to employees	844	651	1,495
- due to tax authorities for VAT and similar taxes	42	32	74
- due to tax authorities for withholdings and other taxes	790	(114)	676
- advances from customers	224	568	792
- due to others	712	71	783
	4,013	1,256	5,269
Deferred income	265	-	265
Total	4,278	1,256	5,534

This item shows an increase of € 1,256 thousand, which is essentially attributable, on one hand, to payables due to employees for accrued holiday leave not taken and additional months' pay and, on the other hand, to the higher advances received from the customers of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., a growth phenomenon due to the seasonal nature of the crop protection product business of the Indian market.

"Payables due to others" include € 138 thousand relating to the balance of the food safety grant, which was paid in July 2018.

21. 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.

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

1st half 2018	**Continuing operations**					
	Area Europe	**Area Asia**	**Area North America**	**Area South America**	**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)	-
Revenues	**75,420**	**18,856**	**2,678**	**3,257**	**(11,166)**	**89,045**
Operating result	**7,316**	**1,615**	**(539)**	**285**	**78**	**8,755**
Net financial charges						**(487)**
Profits from associates						**109**
Pre-tax profit						**8,377**
Income taxes						**(2,946)**
Net profit						**5,431**
Depreciation and amortisation	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**

The table below shows the operating results of the operating segments for the first half of 2017:

1st half 2017	**Continuing operations**					
	Area Europe	**Area Asia**	**Area North America**	**Area South America**	**Adjustments**	**Total**
- Crop protection products	63,113	14,913	2,664	2,437	-	**83,127**
- Other	3,744	-	-	-	-	**3,744**
Revenue from third parties	**66,857**	**14,913**	**2,664**	**2,437**	**-**	**86,871**
Intra-segment revenue	5,298	1,959	513	376	(8,146)	-
Revenues	**72,155**	**16,872**	**3,177**	**2,813**	**(8,146)**	**86,871**
Operating result	**6,573**	**1,394**	**(938)**	**558**	**(216)**	**7,371**
Net financial charges						**(235)**
Profits from associates						**83**

Pre-tax profit						**7,219**
Income taxes						**(2,641)**
Net profit						**4,578**
Depreciation and amortisation	4,110	349	4	60	-	**4,523**
Allocations to provisions	655	13	96	13	-	**777**
Impairment losses on receivables	-	90	-	-	-	**90**
Severance indemnity fund and similar provisions	12	35	-	-	-	**47**

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 2018	1st half 2017
Italy	16,401	19,977
Europe	31,494	31,916
Americas	22,291	15,609
Africa	2,306	1,902
Middle East	1,886	2,475
Central Asia and Oceania	11,421	12,102
Far East	3,354	2,890
DCS gains/(losses)	(108)	-
Total	**89,045**	**86,871**

Intragroup transactions were carried out at arm's length.

Compared to the first half of 2017, (i) a fall in revenues of "Crop Protection Products" in the "Europe" segment was recorded, essentially due to lower sales made by the parent company Isagro S.p.A. in the Italian market, and (ii) a rise in "Other" revenues, following the recognition of revenues from M/L Agreements by the parent Isagro S.p.A. of € 7.5 million, illustrated in note no. 22 to which reference is made.

The fall in revenues in the "Asia" area, compared to the first half of 2017, is essentially due to the devaluation of the Indian rupee against the Euro; in fact, in the first half of 2018, the subsidiary Isagro Asia Agrochemicals Pvt. Ltd. increased its revenues by 5%, but this impact was substantially offset by the above-mentioned devaluation of the Rupee, the reporting currency of the Indian subsidiary and the currency in which transactions are performed.

Lastly, the increase in revenues in the "South America" area, compared to the first half of 2017, is due to higher sales made in Brazil by the subsidiary Isagro Brasil Ltda, starting last year.

With reference to the operating result, compared to the first half of 2017, an improvement was recorded in the "Europe" area (€ +743 thousand), due to the presence of the above-mentioned M/L Agreements, in "North America" (€ +399 thousand), thanks to higher sales margins, albeit in the presence of a lower level of revenue compared to the previous half year, and in "Asia" (€ +221 thousand). Instead, a fall in the operating result of the "South America" area was recorded, particularly following the rise in the structural costs of the subsidiary Isagro Brasil Ltda.

The tables below show the segments' assets and liabilities, as well as investments in tangible and intangible assets, as at June 30th, 2018 and December 31st, 2017:

As at June 30th, 2018	**Continuing operations**					
	Area Europe	**Area Asia**	**Area North America**	**Area South America**	**Adjustments Cancellations**	**Total**
Segment assets	155,102	28,569	7,837	6,050	(13,200)	184,358
Investments in associates						502
Unallocated assets						61,903

						246,763
Segment liabilities	31,598	17,176	4,325	4,835	(9,421)	48,513
Unallocated liabilities						97,645
						146,158
Investments in Intangible Assets	3,565	-	-	-	-	3,565
Investments in Tangible Assets	692	211	19	25	-	947

As at December 31st, 2017	**Continuing operations**					
	Area Europe	**Area Asia**	**Area North America**	**Area South America**	**Adjustments Cancellations**	**Total**
Segment assets	141,518	30,152	6,038	5,222	(11,159)	171,771
Investments in associates	437					437
Unallocated assets						48,226
						220,434
Segment liabilities	32,907	8,641	2,002	3,471	(7,384)	39,637
Unallocated liabilities						81,491
						121,128
Investments in Intangible Assets	7,595	59	-	4	-	7,658
Investments in Tangible Assets	1,385	720	4	48	-	2,157

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”.

With reference to segment assets, an increase in the assets of the “Europe”, “North America” and “South America” areas was recorded, following an increase in current assets related to the seasonal nature of the crop protection product business and to the impact of M/L Agreements.

With reference to segment liabilities, the “Asia” area recorded an increase in liabilities as a result of the increase in payables to suppliers for the purchases of strategic raw materials made in the final part of the first half year of 2018, due to the expected price increases of these products in the second half of the year.

INFORMATION ON THE INCOME STATEMENT

22. Revenues – 89,045

The breakdown of revenues is illustrated in the table below:

Breakdown	1st half 2018			1st half 2017		
	ITALY	FOREIGN COUNTRIES	TOTAL	ITALY	FOREIGN COUNTRIES	TOTAL
Revenue from sales of:						
- crop protection products	15,222	63,685	78,907	19,231	63,896	83,127
- raw materials	93	17	110	54	225	279
	15,315	63,702	79,017	19,285	64,121	83,406
Revenue from services:						
- toll manufacturing	1,080	1,322	2,402	648	2,657	3,305
- M/L-term agreements	-	7,478	7,478	-	20	20
- others	6	142	148	43	97	140
	1,086	8,942	10,028	691	2,774	3,465
Total	16,401	72,644	89,045	19,976	66,895	86,871

Compared to the previous year, this item showed an increase of € 2,174 thousand, essentially due to the presence, on one hand, of higher revenues resulting from M/L Agreements of € 7,458 thousand and, on the other hand, of lower sales revenues from crop protection products and toll manufacturing totalling € 5,123 thousand.

More specifically, compared to the first half of 2017, a fall in sales in both Italy (€ -4,009 thousand), and in the foreign market (€ -211 thousand) was recorded. The subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. recorded an increase in its sales in the Indian sub-continent (+5% compared to the previous period) which, however, was not reflected as an increase in consolidated revenues as the Indian Rupee, the reporting currency of the subsidiary and the currency in which its transactions are performed, suffered a significant devaluation, which substantially cancelled the positive effect of the higher sales.

The second half of 2017 was characterised by a significant period of drought in Southern Europe, with a consequent reduction of fungal diseases and the accumulation of high levels of stock of crop protection products (fungicides); this phenomenon led to a reduction in the first half of 2018 of formulation-related activities of the parent Isagro S.p.A., and the consequent fall in revenues for contract work.

In December 2017, the parent Isagro S.p.A. and the US company Arysta LifeScience Inc. entered into a ten-year distribution agreement, 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 the group 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 the Group, 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 June 15th, 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 company does not believe it is likely.

The agreement also envisages that the parent 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 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 2018);
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 S.p.A. has issued Arysta with a bank guarantee on behalf of the parent Isagro S.p.A., for a duration of 5 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. 5, to which reference is made.

With regard to the total revenues from related parties, please refer to note no. 35.

23. Other operating revenues – 2,144

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

Breakdown	1st half 2018	1st half 2017
Grants related to R&D expenditure	-	27
Recovery of research costs	891	777
Export incentives	437	161
Indemnities from governmental authorities	-	630
Capital gains from disposals	27	6
Minimum guaranteed margins	547	-
Recovery of sundry costs and other income	242	258
Total	2,144	1,859

The item "Recovery of research costs" refers to € 731 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 € 107 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 the parent Isagro S.p.A. for the registration of Fluindapyr-based mixtures.

"Minimum guaranteed margins" refers to the allocation of an amount that the British company Gowan Crop Protection Ltd. (related party) should 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. 4 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.

"Indemnities from governmental authorities" in the first half of 2017 refers to the net income recognised by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. as a result of the expropriation by the Indian governmental railway authority of a portion of the land on which the Panoli plant stands for the construction of a railway corridor.

24. Raw materials and consumables used – 50,701

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

Breakdown	1st half 2018	1st half 2017
For raw and ancillary materials, consumables and goods:		
- raw materials, packaging and crop protection products	51,750	49,251
- technical and research-related materials	504	409
- change in inventories of raw and ancillary materials, consumables and goods	(1,715)	(1,613)
- others	162	146
Total	50,701	48,193

The increase in “purchases of raw materials, packaging and crop protection products”, compared to the first half of 2017, essentially refers to the higher advance purchases of strategic raw materials made by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd., following the expected price increases for these products in the second half of the year.

For the amount of purchases from related parties, please refer to note no. 35.

25. Costs for services – 16,155

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

Breakdown	1st half 2018	1st half 2017
For services:		
- utilities	2,338	2,149
- technical maintenance	661	567
- transport and related purchase and sale transaction costs	4,071	3,721
- toll manufacturing	937	1,108
- consulting and professional services	2,281	1,714
- services connected to research	1,205	1,257
- IT system	260	248
- marketing costs	1,016	1,263
- allocation to provision for the destruction of goods	51	-
- provision for director bonuses	56	65
- leases and rents	627	621
- lease expense	622	550
- other services	2,030	1,775
Total	16,155	15,038

This item recorded an increase compared to the first half of 2017 of € 1,117 thousand, essentially due to, on one hand higher transport and warehousing costs and on the other, to extraordinary consulting and professional services.

For the amount of costs for services from related parties, please refer to note no. 35.

26. Personnel costs – 15,773

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

Breakdown	1st half 2018	1st half 2017
Personnel costs:		
- wages and salaries	9,957	10,012
- social security charges	2,697	2,747
- pay component related to the long-term incentive and retention plan	19	-

- employee benefits	49	29
- pension funds	534	542
- provision for participation bonus	814	712
- costs for employee services	1,392	1,331
- costs for early retirement incentives	80	868
- other costs	231	155
Total	15,773	16,396

Compared to the first half of 2017, this item recorded a decrease of € 623 thousand, essentially due to higher costs for early retirement incentives in the previous half year relating to the early, mutually agreed termination of the employment with the Chief Executive Officer of the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd..

Therefore, net of "Costs for early retirement incentives", the item shows an increase of € 165 thousand, attributable to the increase in the average number of employees in service compared to the first half of 2017.

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 will be approved before the end of November of this year.

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. 13).
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 2018	**Average for 1st half 2017**	**As at June 30th, 2018**	**As at June 30th, 2017**
- executives	44	54	46	53
- middle managers	147	137	146	136
- white-collar workers	347	325	356	323
- special qualified workers	3	6	3	6
- blue-collar workers	112	112	111	103
TOTAL	**653**	**634**	**662**	**621**

27. Other operating costs – 1,841

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

Breakdown	1st half 2018	1st half 2017
- losses on disposal of assets	1	6
- bad debt provision	681	90
- indirect, production and manufacturing taxes	504	2,623
- other operating costs	655	398
Total	1,841	3,117

This item decreased by € 1,276 thousand, essentially due to:

1) the absence, in the first half of 2018, of costs relating to consumption and manufacturing taxes incurred by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. following the introduction, from July 1st, 2017, of a new indirect tax (the Goods and Service Tax) which replaced a multitude of federal and state taxes in force up to June 30th, 2017; in fact, in the first half of 2017, the subsidiary had incurred costs of 149,143 thousand Rupees (corresponding to € 1,876 thousand at the average exchange rate for the first half of 2018);
2) higher allocations to the bad debt provision made in the first half of 2018 by the Indian subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. (€ +408 thousand) and by the parent Isagro S.p.A. (€ +221 thousand) due to the introduction of the new accounting standard IFRS 9.

28. Costs capitalised for internal work - 1,025

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 € 173 thousand compared to the first half of 2017, 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”.

29. Depreciation and amortisation - 4,586

Depreciation of tangible assets - 1,792
Amortisation of intangible assets - 2,794

Breakdown	1st half 2018	1st half 2017
Depreciation of tangible assets:		
- buildings	472	487
- plant and equipment	1,072	1,208
- industrial and commercial equipment	112	110
- furniture and fittings	34	22
- motor vehicles	9	14
- office equipment	93	98
	1,792	1,939
Amortisation of intangible assets:		
- development costs	871	809
- know-how	633	609
- patents, licenses, trademarks and registrations	1,183	1,044
- others	107	122
	2,794	2,584
Total	4,586	4,523

30. Net financial charges – 487

Breakdown	1st half 2018	1st half 2017
Gains/losses on financial assets/liabilities at fair value through profit or loss:		
- financial gains/losses on derivatives:		
commodities	-	(453)
exchange rates	(361)	214
	(361)	(239)
- fair value adjustments to derivatives:		
commodities	-	(19)
exchange rates	19	1,274
	19	1,255
- gains on assets held for trading:		
securities and mutual funds	384	107
	384	107
	42	1,123
Interest income/expense on financial assets/liabilities not designated at fair value:		
- interest income on bank deposits	53	208
- interest income on other receivables	85	7
- interest and fees paid to banks and other lenders	(830)	(701)
- interest/financial discounts on trade receivables and payables	27	(33)
- finance lease costs	(2)	(4)
- actuarial gains/losses	99	159
	(568)	(364)
Other financial income/charges:		
- foreign currency gains/losses	(36)	(1,043)
- others	75	49
	39	(994)
Total	(487)	(235)

The negative change compared to the first half of 2017, amounting to € 252 thousand, was the result of a combined effect essentially caused by lower losses on exchange rates of € 1,007 thousand, higher charges from derivatives of € 1,358 thousand and higher interest and fees paid to banks and other lenders of € 129 thousand.

The increase in interest and fees paid to banks and other lenders is related to the higher financial debt of the Group compared to the first half of 2017.

31. Income taxes - 2,946

Breakdown	1st half 2018	1st half 2017
Consolidated Income Statement		
Current tax:		
- income taxes	1,534	1,406
- IRAP	308	285
- use of deferred tax liabilities/deferred tax assets	1,649	1,602
- contingent assets and liabilities, taxes on foreign income and tax credits	201	127
	3,692	3,420
Deferred tax assets and liabilities:		
- deferred tax liabilities	83	11
- deferred tax assets	(821)	(790)
- write-downs/contingent deferred tax assets	(8)	-
	(746)	(779)
Total income taxes recognised in profit or loss (continuing operations)	2,946	2,641
Other comprehensive income		
Deferred tax assets and liabilities:		
- Tax effect on actuarial gains/losses regarding defined benefit plans	6	16
- Tax effect on derivatives (CFH)	(110)	(5)
	(104)	11
Total income taxes recognised in equity (continuing operations)	(104)	11

The item "Use of deferred tax assets/deferred tax liabilities", equal to € 1,649 thousand, reflects the difference between the use of deferred tax assets of € 1,775 thousand (€ 1,228 thousand of which for tax losses, € 1,217 thousand regarding the parent Isagro S.p.A., and € 318 thousand for taxed provisions) and the use of deferred tax liabilities, equal to € 126 thousand.

The recognition of deferred tax assets of € 821 thousand refers mainly to the tax benefits expected from the future use of taxed provisions (€ 561 thousand) and the tax effect of netting intragroup profits for the period (€ 16 thousand).

Contingent assets and liabilities, taxes on foreign income and tax credits refer to:

- a contingent liability of € 104 thousand recorded by the parent Isagro S.p.A. following the decision to write down several withholdings at the source on foreign income in previous years, as the company management judged them difficult to recover over the time frame of the Business Plans, and
- the payment of taxes (IRAP) of € 108 thousand, following the settlement signed by the parent Isagro S.p.A. relating to findings made by the Revenue Agency for tax years 2012, 2013 and 2014, illustrated in note no. 34 to which reference is made.

Lastly, note that the strong ratio between income taxes for the half year and the pre-tax profit of the Group (35.2%), compared to the theoretical one (27.9%), is due, on one hand to the inclusion in the scope of consolidation of companies with higher tax rates, such as Isagro (Asia) Agrochemicals Pvt. Ltd. and Isagro Colombia S.A.S, and on the other hand, to the non-allocation, for prudent reasons, of deferred tax assets for around € 130 thousand in relation to the tax loss recorded by the US subsidiary Isagro USA, Inc..

32. Earnings Per Share

	1st half 2018	1st half 2017
Earnings per share (basic and diluted)		
Net profit/(loss) for the year attributable to shareholders of the parent (thousands of euro)	5,431	4,578
Average number of Ordinary Shares and Growth Shares (thousands)	38,645	38,675
Earnings per share (basic and diluted) - Ordinary Shares	0.141	0.118
Dividend increase for Growth Shares	0.028	0.024
Earnings per share (basic and diluted) - Growth Shares (euro)	0.169	0.142
Earnings per share (basic and diluted) from continuing operations		
Profit/loss from continuing operations (in thousands of euro)	5,431	4,578
Average number of Ordinary Shares and Growth Shares (thousands)	38,645	38,675
Earnings per share (basic and diluted) from continuing operations - Ordinary Shares	0.141	0.118
Dividend increase for Growth Shares	0.028	0.024
Earnings per share (basic and diluted) from continuing operations - Growth Shares (euro)	0.169	0.142
Earnings per share (basic and diluted) from discontinued operations		
Profit/loss from discontinued operations	-	-
Average number of Ordinary Shares and Growth Shares (thousands)	38,645	38,675
Earnings per share (basic and diluted) from discontinued operations - Ordinary Shares	-	-
Dividend increase for Growth Shares	-	-
Earnings per share (basic and diluted) from discontinued operations - Growth Shares (euro)	-	-

	1st half 2018	1st half 2017
Average number of Ordinary Shares	24,509,046	24,499,960
Average number of Growth Shares	14,135,729	14,174,919
Total	**38,644,775**	**38,674,879**

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 held, equal to 236,975 in the first half of 2018, and 50,000 in the first half of 2017.

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 2018 or in the first half of 2017.

33. 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, 2018 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)	-	19,374	-	19,374
- exchange rate derivatives (forward purchase/sale)	-	168	-	168
- interest rate derivatives (interest rate swaps)	-	27	-	27
Total Financial assets	**-**	**19,569**	**-**	**19,569**
Financial liabilities measured at fair value:				
- exchange rate derivatives (forward purchase/sale)	-	(274)	-	(274)
- derivatives on commodities - copper (commodity swaps)	-	(83)	-	(83)
- interest rate derivatives (interest rate swaps)	-	(99)	-	(99)
Total Financial liabilities	**-**	**(456)**	**-**	**(456)**

As for the techniques for determining the fair value of the derivatives included in Level 2, please refer to note no. 11.

In the first half of 2018, 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 and to trade receivables, 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:		
Receivables measured at amortised cost:		
- Receivables from Arysta LifeScience	1,040	1,044
- Receivables from Gowan Company LLC	4,523	4,375
- Receivables from Rotam Agrochemical Company Ltd.	821	799
- Receivables from SumiAgro Europe Limited	500	543
Financial liabilities:		
Financial liabilities measured at amortised cost:		
- Loans from banks - floating rate (current and non-current)	66,651	67,582
- Loans from banks - fixed rate (current and non-current)	21,922	22,078
- Loans from other lenders - floating rate (current and non-current)	2,609	2,609
- Loans from other lenders - fixed rate (current and non-current)	1,758	1,746

* The floating rate loans granted by UniCredit S.p.A., Cassa di Risparmio di Parma e Piacenza 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 30^{th}, 2018, 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 30^{th}, 2018, obtained from the six-month LIBOR. 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 management's opinion, the aforementioned receivables and payables can be classified in Level 2 of the fair value hierarchy.

OTHER INFORMATION

34. Contingent liabilities, commitments and guarantees

Legal proceedings

Caffaro S.r.l. (in receivership)

During the second half of 2010 Isagro S.p.A. filed proceedings for admission as creditor of Caffaro S.r.l. (in receivership) in relation to the amount receivable under the guarantee issued in favour of Isagro S.p.A. as part of the preliminary business unit transfer agreement of July 4th, 2001 covering costs relating to reclamation works completed on the Aprilia site.
Note that, following lengthy and complex legal proceedings, in February 2015 the parties signed a settlement agreement, by virtue of which they waived legal redress to the statement of affairs, with subsequent annulment of proceedings and Isagro's admission as creditor of Caffaro for the unsecured receivable of € 2,250,000.
For the same receivable, a similar claim was filed against Snia S.p.A., also in receivership, as the sole shareholder of Caffaro and therefore jointly liable. As the Court of Milan rejected this claim, Isagro prepared and filed an appeal against the bankruptcy order, seeking admission of the proof of claim against Snia S.p.A. The first hearing was fixed for September 27th, 2011 and, by decree of December 13th, 2011, the Court of Milan rejected Isagro S.p.A.'s appeal, considering the receivable possible and future. Isagro therefore appealed against this decision to the Court of Cassation, which with a ruling filed on February 8th, 2018 rejected the appeal and ordered Isagro to pay the legal expenses. The allocations for the bad debt provision take into account the estimate of the risk of non-enforceability of the receivable position.

Appeal against Polven.Re and M.Business

Following the rejection of the guarantee claim formulated by Polven.Re against Isagro S.p.A. by the Court of L'Aquila with its decision of March 2nd, 2016, the losing party Polven.Re filed an appeal, requesting that the first degree decision be fully reformed. The hearing for discussion of the appeal which had been set initially for May 23rd, 2017, was postponed by the court to December 7th, 2017.
During the first degree proceeding, Polven.Re had been sued by M.Business which had complained of a series of contractual breaches and violations in relation to the land leased to it by Polven.Re. Since it is the same land that Polven.Re had purchased from Isagro S.p.A., Polven.Re had asked and obtained permission to summon Isagro S.p.A. itself to activate the contractual guarantee with respect to it. The damages claimed by M.Business had been quantified as € 709,547.26.
Polven.Re, which formulated a counterclaim against M.Business, amounting to € 628,769.63, therefore asked to be held harmless by Isagro, which objected.

As indicated above, this counterclaim was rejected by the Court and Polven.Re was also ordered to repay the litigation expenses.

Polven.Re has already filed with the Court of Appeal of L'Aquila a petition for the suspension of the provisional enforcement of the first degree decision, which was discussed on May 25th, 2017: the Court decided to allow the petition.

Following the hearing for discussion of December 7th, 2017, the Court of Appeal handed down a judgment in which, accepting the defensive arguments formulated by Isagro, it rejected the section of the appeal with which Polven.Re had asked for the judgment of first degree to be overturned in the part related to the guarantee claim against Isagro.

The Court also offset the litigation expenses between M.Business and Polven.Re while it ordered the latter to pay the legal expenses to Isagro.

Note that the term within which Polven.Re could have filed an appeal to the Court of Cassation against the Appeal Court judgment has expired, therefore it is considered *res judicata*.

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 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 retained Gowan's request as 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., and will submit further written defences to support its position within the set term.

We are waiting for the first hearing for the discussion to be set.

Based on the opinion of Isagro's external legal counsel, the Directors, who agree with the opinion of the same, believe that the risk of losing the case is remote.

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 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.

Labour-related disputes

With regard to the parent Isagro S.p.A., it should be noted that:

- an employee of the Bussi sul Tirino (PE) plant filed an urgent appeal against Isagro S.p.A. to challenge the dismissal due to assault against another worker. This employee was temporarily and urgently reinstated when the measure that had declared the dismissal legitimate was challenged.

Isagro then filed suit to have the dismissal declared legitimate in order to protect the safety of the other employees and to prevent action brought by the employee for damages, already rejected on a temporary and urgent basis. The value of the proceeding is about € 50 thousand. The Court had fixed the first hearing for February 27th, 2014; during the hearing, the Judge heard the first witnesses and then postponed the case to a hearing on May 29th, 2014 to complete the investigation phase. In the meantime, as the parties had sought to reach a settlement, the Court had first postponed the case to the hearing on July 3rd, 2014, and then to October 2014 in order to complete the investigation phase. The case had suffered a series of further adjournments, so as to allow the parties to come to a cordial agreement, until February 10th, 2015. During this hearing the Judge most recently assigned had returned the documentation to the Presiding Judge of the Court for a new reassignment of the case since, having already handled the case previously, the same had declared his desire to refrain handling the merits. The Presiding Judge had rejected the claim submitted for reassignment and the case had therefore been re-assigned to the previously appointed judge who, at the hearing of April 14th, 2015, had adjourned the case to October 16th, 2015. In the meantime, as the previously appointed Judge had terminated his office due to retirement, the Presiding Judge had appointed a new Judge who, at the hearing on October 16th, 2015, had confirmed the witness testimony previously admitted by the prior judge and had adjourned the case to December 11th, 2015. During this hearing, several witnesses had been heard and the Judge once again had adjourned the case to February 19th, 2016 to continue hearing witness testimony. Also during this hearing, a further two witnesses had been heard and the Judge had adjourned the case to June 17th, 2016 for the final discussion and ruling.
At the end of the hearing of June 17th, 2016, the Judge pronounced the ruling, declaring fully legitimate the dismissal for just cause and repealing the preliminary orders issued previously. The aforesaid decision had been appealed against late by the worker to the Court of Appeal of L'Aquila - as noted by the Judges who, among other things, rejected the plea for precautionary suspension of the effects of the first-degree judgment - and a hearing was set for discussion on February 15th, 2018, during which the Judge declared that the appeal was too late and consequently rejected it.
It should also be noted that the employee, previously reinstated while the above proceeding was still in progress, has once again been dismissed for just cause following a new disciplinary sanction. The employee then challenged the dismissal out of court in accordance with law, and filed a conciliation attempt before the Regional Labour Commission of Pescara pursuant to article 410 of the Italian Code of Civil Procedure. At the same time, the indictment was handed down for the (fast-track) criminal proceedings brought against the employee under the terms of the criminal complaint filed by the company (versus parties unknown) in relation to the events associated with the aforementioned dismissal.
After a series of meetings before the Regional Labour Commission, the parties sought to identify a possible settlement agreement which, in any event, would envisage termination of the employment contract. For this purpose, a hearing was recently set for October 8th, 2015, so that the Conciliation Chambers could learn of the outcome of the pending criminal proceedings

(expected at the end of September) and then formulate a settlement agreement for the parties. At that hearing, after verifying that the criminal proceedings were still pending and that the parties had been unable to reach a settlement agreement, the Conciliation Chambers declared the negative outcome of the procedure, without formulating a specific proposal.

After closure with a negative outcome of the out-of-court proceeding for the attempt at conciliation, the worker appealed the judgment to the Court of Pescara. During the inquiry stage, on the basis of the worker's probable forfeiture in the appeal against the judgment related to the first dismissal, the Court ordered the suspension of the case until the decision on the appeal by the Court of Appeal of L'Aquila.

In the meantime, the criminal proceeding against the worker was finalised, fully acquitting the worker.

The company and its lawyers deem these requests to be clearly groundless and the risk of an adverse outcome for the company in litigation to be remote.

<u>Tax disputes and tax assessments</u>

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, for which the Revenue Agency would require payment of taxes of € 14,304, the parent Isagro S.p.A., also taking into account the motivations expressed by the Court of Cassation, does not believe that as of today there are elements on the basis of which there could be a risk of losing;
- on the basis of the previous Formal Notice of Assessment (hereinafter "FNA") of July 31st, 2017 regarding tax years 2012, 2013 and 2014, on November 28th, 2017, the Revenue Agency served the parent Isagro S.p.A. two assessment notices (for IRES and IRAP purposes), for tax year 2012, with which it made a total of € 3.4 million, relating to transfer pricing, newly subject to taxation; furthermore, with regard to tax years 2013 and 2014 (at that time not yet notified), the FNA showed findings of a further € 4.4 million, giving a total of € 7.8 million newly subject to taxation. On February 5th, 2018, the parties started the process of cross examination, following the tax settlement proposal submitted by the parent Isagro on January 19th, 2018. Note that, as regards the tax settlement proposal procedure established for 2012,

the Revenue Agency accepted the Company's proposal to also settle the findings relating to 2013 and 2014. On April 24th, 2018, on conclusion of the tax settlement proposal process, the parties therefore re-established the newly taxable amounts for 2012, 2013 and 2014 as a total of € 2.6 million. For IRES purposes, this led to the use of tax losses carried forward for the amount of € 2.4 million, the use of foreign tax receivables for the amount of € 0.2 million and, for IRAP purposes, the payment (made on April 26th, 2018) of € 133 thousand to settle the years in question, of which € 108 thousand in taxes, € 15 thousand in interest and € 10 thousand in fines. Lastly, note that as regards the tax losses used following the definition for IRES purposes, the corresponding deferred tax assets had not been allocated to provisions in the financial statements of the parent.

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 and 2013/2014, for a total of INR 44,118 thousand (equal to € 553 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, 2018 the Group also has the following long-term obligations outstanding:

- € 3,998 thousand for the contractual obligation related to the rental of motor vehicles and other third-party assets (€ 1,290 thousand) and lease expenses (€ 2,708 thousand, of which € 2,601 thousand relating to the rental agreements for the offices of Isagro S.p.A., for a term of 6 years). In particular, the future fees due are as follows:
  - € 1,101 thousand within one year;
  - € 2,549 thousand between one and five years;
  - € 348 thousand over five years;
- € 706 thousand for payments due from the parent Isagro S.p.A. to Solvay Solexis S.p.A. in connection with the use, for a period of 99 years starting from 2005, of an area in the municipality of Bussi sul Tirino (Province of Pescara), where an industrial plant for the production of Tetraconazole was built.

The third party guarantees, granted essentially by banks for the obligations of Group companies, amount to € 8,892 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. 22 to which reference is made.

The guarantees received in relation to loans are described in note no. 14.

35. 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		of which related parties				
In thousands of euro	1st half 2018	Associates	Holding companies	Other related parties	Tot. Related parties	% incidence on the financial statement item
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	1,841	-	-	163	163	8.85%

Income Statement		of which related parties				
In thousands of euro	1st half 2017	Associates	Holding companies	Other related parties	Tot. Related parties	% incidence on the financial statement item
Revenues	86,871	-	-	13,245	13,245	15.25%
Other operating revenues	1,859	-	11	-	11	0.59%
Raw materials used	48,193	-	-	42	42	0.09%

Balance Sheet		of which related parties				
In thousands of euro	As at 30/06/2018	Associates	Holding companies	Other related parties	Tot. Related parties	% incidence on the financial statement item
Non-current receivables and other assets	5,392	-	-	3,780	3,780	70.10%
Trade receivables	50,133	-	-	3,678	3,678	7.34%
Other current assets and other receivables	7,295	44	-	547	591	8.10%
Trade payables	39,420	-	-	528	528	1.34%

Balance Sheet		of which related parties				
In thousands of euro	As at 31/12/2017	Associates	Holding companies	Other related parties	Tot. Related parties	% incidence on the financial statement item
Non-current receivables and other assets	5,553	-	-	3,754	3,754	67.60%
Trade receivables	44,502	-	-	3,769	3,769	8.47%
Other current assets and other receivables	6,801	-	7	1	8	0.12%
Trade payables	30,998	-	-	20	20	0.06%

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 associates

Other current assets and other receivables	1st half 2018	1st half 2017
Arterra Bioscience S.r.l.	44	-
Total	**44**	**-**

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.

Other operating revenues	1st half 2018	1st half 2017
Holdisa S.r.l.	7	7
Piemme S.r.l.	4	4
Total	**11**	**11**

Other current assets and other receivables	June 30th, 2018	Dec. 31st, 2017
Holdisa S.r.l.	-	4
Piemme S.r.l.	-	3
Total	**-**	**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 receivables and revenues from the Gowan Group refer to 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., while the other non-current receivables refer to the up-front payment recognised among revenues in the 2016 financial statements against the granting, by the parent Isagro S.p.A., of the exclusive right, for fourteen years, to develop, register, formulate, produce and market in Europe mixtures based on Kiralaxyl, for all types of use except for fertilizing seeds; for additional details relating to the aforesaid transactions, reference is made to note no. 4. Other current receivables and other revenues refers to the estimated amount that the British company Gowan Crop Protection Limited should pay to the parent Isagro S.p.A. following its failure to reach the contractual sales margins envisaged for Kiralaxyl-based products; for further details refer to the content of note no. 23. Transactions with the Gowan Group were carried out at arm's length.

Revenues	1st half 2018	1st half 2017
Gowan Group	12,273	13,245
Total	**12,273**	**13,245**

Other operating revenues	1st half 2018	1st half 2017
Gowan Group	553	-
Total	**553**	-

Raw materials used	1st half 2018	1st half 2017
Gowan Group	602	42
Total	**602**	**42**

Other operating costs	1st half 2018	1st half 2017
Gowan Group	163	-
Total	**163**	**-**

Non-current receivables and other assets	June 30th, 2018	Dec. 31st, 2017
Gowan Group	3,780	3,754
Total	**3,780**	**3,754**

Trade receivables	June 30th, 2018	Dec. 31st, 2017
Gowan Group	3,678	3,769
Total	**3,678**	**3,769**

Other current assets and other receivables	June 30th, 2018	Dec. 31st, 2017
Gowan Group	547	1
Total	**547**	**1**

Trade payables	June 30th, 2018	Dec. 31st, 2017
Gowan Group	528	20
Total	**528**	**20**

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**
Directors:					
Giorgio Basile	Chairman and C.E.O.	3 years	250,000	2,332	165,400
Maurizio Basile	Deputy Chairman	3 years	30,000	119	19,848
Giuseppe Persano Adorno	Member of the Control, Risk and Sustainability Committee and of the Appointments and Remuneration Committee since May 2nd, 2018	3 years	4,499	-	-
Riccardo Basile	Director	3 years	10,000	-	-
Roberto Bonetti	Director since April 24th, 2018	3 years	3,333		
Christina Economou	Former Director	In office until April 24th, 2018	6,667	-	-
Gianni Franco	Former Director	In office until April 24th, 2018	6,667	-	-
Enrica Maria Ghia	Member of the Control, Risk and Sustainability Committee and of the Appointments and Remuneration Committee since May 2nd, 2018 and former Chairperson of the Control and Risk Committee until May 2nd, 2018.	3 years	13,666	-	-
Silvia Lazzeretti	Director since April 24th, 2018	3 years	3,333	-	-
Marcella Elvira Antonietta Logli	Chairman of the Control, Risk and Sustainability Committee since May 2nd, 2018.	3 years	4,583	-	-
Erwin Paul Walter Rauhe	Lead Independent Director from May 2nd, 2018	3 years	4,167	-	-
Adriana Silvia Sartor	Former Chairperson of the Appointments and Remuneration Committee	In office until April 24th, 2018	7,667	-	-
Stavros Sionis	Former Member of the Control and Risk Committee and the Appointments and Remuneration Committee, former Lead Independent Director	In office until April 24th, 2018	9,000	-	-
Angelo Zaccari	Chairman of the Appointments and Remuneration Committee since May 2nd, 2018	3 years	3,833	-	-
Margherita Zambon	Director since April 24th, 2018	3 years	3,333	-	-
Key management personnel:					
Davide Ceper	General Manager since March 14th, 2018		50,993	4,760	51,401

Family members of key management personnel (directors or executives):					
Alessandra Basile			-	-	15,000
Statutory Auditors:					
Filippo Maria Cova	Chairman	3 years	15,000	-	-
Giuseppe Bagnasco	Statutory Auditor	3 years	10,000	-	-
Claudia Costanza	Statutory Auditor	3 years	10,000	-	-

It should be noted that the term of office of the parent's Board of Directors, appointed on May 2nd, 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 28th, 2016, will end on approval of the Financial Statements as at December 31st, 2018.

36. Significant non-recurring events and transactions

As in the first half of 2017, no significant non-recurring transactions were carried out during the first half of 2018.

37. 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 2018, 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.

38. Events subsequent to June 30th, 2018

A) *ESTABLISHMENT OF ISAGRO KENYA*

On July 18th, 2018, Isagro Agrosolutions Kenya Limited was established, wholly controlled by Isagro S.p.A., which will initially be tasked with supporting registrations, market intelligence and local marketing.

39. 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

International Accounting Standards			Endorsement regulation
IFRS	4	Insurance Contracts	2236/2004-108/2006-1165/2009
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	2067/2016-498/2018
IFRS	10	Consolidated Financial Statements	1254/2012-313/2013-1174/2013-1703/2016
IFRS	11	Joint Arrangements	1254/2012-313/2013-2173/2015
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
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
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
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	2236/2004-2238/2004-108/2006-243/2010-1986/2017
IAS	18	Revenue	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
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
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
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

International Accounting Standards			Endorsement regulation
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	1910/2005-1986/2017
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
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
SIC	7	Introduction of the Euro	1725/2003-2238/2004

Interpretations			Endorsement regulation
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	1725/2003-1986/2017
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	1725/2003-2238/2004-1986/2017
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

40. Isagro Group companies

Pursuant to CONSOB Resolution 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 Argentina Limitada S.r.l. (Management of the registration of crop protection products and commercial development)	Buenos Aires	Argentina	2,960,390	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	43,884,809	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.	Mexico City	Mexico	50,000	MXN	100%	Isagro S.p.A.	90%

(Management of the registration of crop protection products and commercial development)						Isagro USA, Inc.	10%
Isagro Poland Sp. z o.o. (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	871,000	ZAR	100%	Isagro S.p.A.	100%
Isagro USA, Inc. (Development, production, marketing of crop protection products)	Wilmington	United States	6,220,000	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
(Chairman and Chief Executive Officer)

Milan, September 5th, 2018

ISAGRO
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:
   - 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 2018.
2. Al riguardo non sono emersi aspetti di rilievo.
3. Si attesta, inoltre, che:

   3.1 il bilancio consolidato semestrale abbreviato al 30 giugno 2018:

   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, 5 settembre 2018

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

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

RELAZIONE DI REVISIONE CONTABILE LIMITATA SUL BILANCIO CONSOLIDATO SEMESTRALE ABBREVIATO

Agli Azionisti della Isagro S.p.A.

Introduzione

Abbiamo svolto la revisione contabile limitata del bilancio consolidato semestrale abbreviato, costituito dalla situazione patrimoniale-finanziaria consolidata, dal conto economico consolidato, dal conto economico complessivo consolidato, dal rendiconto finanziario consolidato, dal prospetto dei movimenti di patrimonio netto consolidato e dalle relative note illustrative della Isagro S.p.A. e controllate (Gruppo Isagro) al 30 giugno 2018. Gli Amministratori sono responsabili per la redazione del bilancio consolidato semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea. E' nostra la responsabilità di esprimere una conclusione sul bilancio consolidato semestrale abbreviato sulla base della revisione contabile limitata svolta.

Portata della revisione contabile limitata

Il nostro lavoro è stato svolto secondo i criteri per la revisione contabile limitata raccomandati dalla Consob con Delibera n. 10867 del 31 luglio 1997. La revisione contabile limitata del bilancio consolidato semestrale abbreviato consiste nell'effettuare colloqui, prevalentemente con il personale della società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. La portata di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità ai principi di revisione internazionali (ISA Italia) e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio sul bilancio consolidato semestrale abbreviato.

Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato semestrale abbreviato del Gruppo Isagro al 30 giugno 2018 non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

DELOITTE & TOUCHE S.p.A.

Giacomo Bellia
Socio

Milano, 6 settembre 2018