DIRECTORS' MANAGEMENT REPORT

Dear Shareholders,

Your Group's condensed consolidated half-year financial statements as at June 30th, 2019 disclosed, at the Income Statement level, **Revenues** of € 73.1 million (versus € 89.0 million in the first half of 2018), **EBITDA** of € 5.0 million (compared to € 13.3 million in the first six months of 2018) and **Net loss** of € 2.4 million (compared to the € 5.4 million net profit of the first half of 2018).
From an equity point of view, as at June 30th, 2019, your Group presents **net financial debt** of € 58.1 million, out of which € 5.6 million due to the application of new accounting standard IFRS 16 - Leases, whose provisions are effective from January 1st, 2019: excluding said component, net financial debt comes to € 52.5 million (compared to € 47.3 million as at June 30th, 2018 and to € 45.1 million as at December 31st, 2018), out of which € 42.2 million expiring beyond the year (compared to € 42.2 million as at June 30th, 2018 and to € 36.6 million as at December 31st, 2018) with a **debt/equity ratio** of 0.63 (0.57 excluding the effect of IFRS 16). This Net financial debt, moreover, is entirely backing Net working capital (equal to € 63.0 million), with Equity (equal to € 92.3 million) which contributes to financing the working capital itself for approximately € 5 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

EVOLUTION OF THE CROP PROTECTION PRODUCTS MARKET

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

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

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

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

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

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

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

<u>INCOME STATEMENT – SUMMARY DATA</u>

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

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

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

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

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

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

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

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

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

Table 1: Consolidated Revenues by Geographic Area

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

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

Table 2: Consolidated Income Statement - Summary Data

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

This decrease in EBITDA is due to:

- lower margins relating to Revenues from M/L Agreements of € 5.0 million;
- lower margins from sales of Crop Protection Products & Services of € 5.4 million, higher R,I&D costs charged to the Income Statement of around € 0.8 million,

partially offset by lower provisions relating to items adjusting assets and by the effect of the first application of IFRS 16 amounting to € 2.9 million (more specifically, the effect of IFRS 16 amounted to € 0.6 million).

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

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

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

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

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

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

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

It should be noted that the Isagro Group operates on several markets internationally and many trade relations are managed in currencies other than the Euro, mainly in US Dollars. As a result and in compliance with its "Financial risk management policy" designed to "grant security" to the interest rate in the budget, the parent Isagro S.p.A. arranges US Dollars exchange rate risk hedges, using its forecast exposure for the year as indicated by the currency budget in US Dollars as the reference basis. With regard to the hedging activities, it should also be noted that they were exclusively carried out by the Group in reference to operational transactions and therefore not for speculative purposes. Given the above, it should be noted that beginning from January 1st, 2018, Isagro started to apply the new accounting standard IFRS 9.

With reference to the tax management, it should be noted that the Group allocated taxes of € 1.3 million for the first six months of 2019, despite the presence of a consolidated loss: this related to the mix of pre-tax profits of the Group companies, with Isagro Asia and Isagro España allocating taxes on positive results for the period, while Isagro S.p.A. and Isagro USA, which reported a half-year loss, did not prudentially allocate the relevant deferred tax assets.
Thus, the Group closed the first six months of 2019 with a negative **Result before taxes** of € 1.2 million (compared to the positive result of € 8.4 million in the same period of the prior year) and with a **Net loss** of € 2.4 million (compared to the profit of € 5.4 million in the first six months of 2018).

BALANCE SHEET – SUMMARY DATA

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

Table 3: Consolidated Balance Sheet - Summary Data

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

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

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

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

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

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

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

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

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

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

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

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

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

With regard to the breakdown of the Net financial position as at June 30th, 2019, note that it is mostly represented by medium/long-term debt (more than 70%), with liquidity at Group level of over € 25 million.
The above-mentioned medium/long-term transactions were performed by the parent Isagro S.p.A. with a view to optimising the cost of medium/long-term borrowing and seeking greater alignment between the timing of the investments undertaken - particularly those relating to development of the new Fluindapyr SDHi broad spectrum fungicide - and that of the sources of finance supporting these investments, leaving the short-term facilities as a "liquidity" reserve. In this regard, Isagro closely monitors developments relating to the ECB's monetary policies, whose Quantitative Easing (QE) programme ended at the start of the year, with a subsequent slowdown in the granting of new medium/long-term loans to replace those expiring, as well as developments regarding public finance policies, which could influence the levels of the cost of procurement of debt capital. In this scenario, during the half year, new loans of € 16.2 million were taken out, out of which the portion expiring beyond 12 months corresponds to around € 12 million.

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

CASH FLOWS - SUMMARY DATA

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

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

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

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

Table 4: Cash Flows - Summary Data

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

RESEARCH, INNOVATION AND DEVELOPMENT ACTIVITIES

In the first half of 2019, the Isagro Group has incurred a research, innovation and development cost for a total of € 7.9 million, out of which € 3.6 million capitalised as investments for the development, registration and the extraordinary protection of its proprietary products on a worldwide basis. In the first six months of the previous year, these expenses totalled € 6.9 million, out of which € 3.4 million was capitalised.

A) RESEARCH AND INNOVATION

The research activities carried out by the Group focused on several lines of research aimed at obtaining new candidates for development. At the beginning of 2018, the management team approved the proposal to continue with "stage 2" of the development of a new molecule which, over 2017, had been classified as "worthy of development". The objective of achieving the qualification of "worthy of development" of another molecule by the end of this year is confirmed.

Research activities focused on:

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

  Finally, it should be noted that for the assessment of this intense research activity on innovative fungicides, the Research Centre of Novara has designed and implemented efficacy assessment techniques that were never before applied;
- new candidates to combat soil parasites. The validity of the “Nematocide” molecule, stage 2, for which several third party companies have also shown an interest, was confirmed. In addition, although in an earlier phase, research on other differential lines is continuing with the objective of creating an area of strategic strength for Isagro in this segment. The activities carried out in the first half concerned primarily the production of the necessary quantities of 3 molecules for the preparation of the experimental formulation to be tested in an initial field testing, under the control of the Research Centre of Novara, the results of which are expected to be available in the third quarter of this year;

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

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

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

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

B) PRODUCT DEVELOPMENT

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

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

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

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

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

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

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

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

Tetraconazole - a broad spectrum fungicide

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

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

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

Copper-based products

With reference to copper-based products, the main activities were as follows:

- the follow-up of the re-registration processes of formulations in Europe (STEP 2 of the European review process) and globally;
- the preparation and subsequent forwarding of the dossier for the renewal of the registrations of copper-based products in Europe (19 formulations and 141 registrations);
- the preparation of the dossier for the registration of Airone SC/Grifon SC in South Korea, Macedonia, Pakistan, Serbia and Badge WG in Lebanon;
- the participation in the European Copper Task Force's follow-up for the renewal of copper Salts approval at European level;
- the registration of the Airone SC/Grifon SC formulation in Brazil (two clones per soy), Germany, Hungary, Portugal, Bulgaria and Greece;
- the registration of the Badge WG/Airone WG formulation in Germany, Romania (Coprantol Duo clone), Spain, Hungary, Portugal, Bulgaria and Greece.
- the obtainment of the FIBL certification in Germany for the use of Airone SC/WG in organic farming.

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

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

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

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

Fumigant products

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

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

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

Biostimulants, microbiological products, pheromones

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

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

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

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

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

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

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

C) REGISTRATIONS OBTAINED

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

SIGNIFICANT EVENTS OF THE FIRST HALF OF 2019

A) LIQUIDATION OF ISAGRO POLAND

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

B) PHASE-OUT OF THE CHLOROTHALONIL IN EUROPE

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

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

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

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

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

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

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

D) WITHDRAWAL FROM FRAMEWORK AGREEMENT WITH GOWAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EVENTS SUBSEQUENT TO JUNE 30TH, 2019

A) *MODIFICATION OF GOWAN-ISAGRO-PIEMME AGREEMENTS*

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

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

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

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

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

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

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

D) *BINDING OFFER FOR ISAGRO ASIA PRIVATE LIMITED.*

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

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

HUMAN RESOURCES

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

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

Table 5: Number of Isagro employees

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

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

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

As part of the company organisation:

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

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

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

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

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

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

SELECTION AND TRAINING
In accordance with the content of the annual plan implemented in all the operating units, training activities continued regarding Quality, Safety and the Environment, learning foreign languages (English and Spanish) and specific technical training for specialist professional skills.
Plans were also launched for training and the development of the individual skills for particular professionals, to whom new engagements were assigned within the company organisation.
As regards selection, the agreement at Group level with the professional social network "LinkedIn" to recruit specific professionals with highly specialised skills continued.
Isagro also employs Headhunters to identify candidates for high-level positions.

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

On September 5th, 2018, the Board of Directors of Isagro S.p.A. approved the updated version of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 (hereinafter also "Model"), including the latest regulatory requirements as well as changes in the organisational structure.
On the same date, the Board also approved the updated version of the Group's Code of Ethics, an integral part of the Model, in order to make the rules of conduct and behavioural standards consistent with regulatory developments and with benchmark best practices.
The task of monitoring operations and compliance with the Model and ensuring its updating is entrusted to the Supervisory Body, in office until the approval of the financial statements as at December 31st, 2020.

LEGAL PROCEEDINGS

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

TRANSACTIONS WITH RELATED PARTIES

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

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

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

OBSERVATIONS ON THE FINANCIAL PROFILE AND GOING CONCERN

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

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

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

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

USE OF ESTIMATES

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

The estimates are used in order to recognise the provisions for doubtful debts and inventory obsolescence, as well as depreciation and amortisation, impairment losses, employee benefits, tax and other provisions. The calculation of the fair value of the performance obligations identified in contracts that envisage more than one service is an estimate; this usually regards M/L Agreements, such as that signed in the first half of 2019 by Isagro and AQL Agroquimicos de Levante. The estimates and the assumptions are periodically reviewed, and the effects of any changes are reflected in the Income Statement.

OUTLOOK FOR THE CURRENT YEAR

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

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

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

CONSIDERATIONS ON THE STOCK MARKET VALUE OF THE ISAGRO SHARE

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

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

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

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

With reference to the second point referred to at the start of this section, it should be recalled that Growth Shares, issued by Isagro in May 2014, are a new class of Special Shares, specially tailored for companies having a Controlling Subject (in Isagro's case, Piemme S.r.l.), that (i) in the absence of the voting right provide an extra-dividend with respect to Ordinary Shares (20% for Isagro), when a dividend for these shares is resolved, and (ii) envisage an innovative protection mechanism for the investor, according to which, if the Controlling Subject loses control, and in the event of any compulsory public offer (OPA), the Growth Shares are automatically converted into Ordinary Shares. Furthermore, Isagro Growth Shares are characterised by a free float amounting to around 13.7 million shares, compared with 11.4 million Ordinary Shares, which makes them more liquid than the latter.
Based on the afore-mentioned reasons, Isagro deems there is not rational justification, thus based on economic/financial considerations, for the existence of a spread to the detriment of the Growth Shares.

Attachment 1

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

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

Attachment 2

RECLASSIFIED CONSOLIDATED BALANCE SHEET

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

Attachment 3

CONSOLIDATED CASH FLOW STATEMENT

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

EXPLANATORY NOTES ON THE ALTERNATIVE PERFORMANCE INDICATORS

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

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

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

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

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

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

INFORMATION PURSUANT TO ARTICLE 15 OF CONSOB REGULATION 20249/2017

Pursuant to Article 2.6.2., paragraph 15 of the Regulation of Markets organised and managed by Borsa Italiana S.p.A., Isagro S.p.A. hereby certifies that the requirements set forth under Article 15, paragraphs a), b) and c) of CONSOB Regulation 20249/2017 are

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

INFORMATION PURSUANT TO ARTICLE 16 OF CONSOB REGULATION 20249/2017

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

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

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

CERTIFICATION OF THE MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS

The Manager charged with preparing the company's financial reports, Mr. Ruggero Gambini, hereby certifies, pursuant to Article 154-*bis*, paragraph 2 of the Consolidated Law on Finance, that the financial information in the Condensed consolidated half-year financial statements as at June 30th, 2019 is consistent with the entries in the accounting books and records.