ISAGRO

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INTERIM RESULTS REPORT

AS AT SEPTEMBER 30th, 2017

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Consolidated data

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Milan, November 14th, 2017

ISAGRO S.p.A.
(A company directed and coordinated by Holdisa S.r.l.)
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ADMINISTRATION AND CONTROL BODIES

BOARD OF DIRECTORS

Giorgio Basile	–	Chairman and Chief Executive Officer
Maurizio Basile	–	Director and Deputy Chairman
Riccardo Basile	–	Director
Christina Economou	–	Director
Gianni Franco	–	Director
Enrica Maria Ghia	–	Independent Director
Adriana Silvia Sartor	–	Independent Director
Stavros Sionis	–	Independent Director

BOARD OF STATUTORY AUDITORS

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

EXPLANATORY NOTES

This Interim Results Report as at September 30th, 2017 (hereinafter “Quarterly Report” or “Report”) was prepared in accordance with Article 154-*ter*, paragraph 5, of Italian Legislative Decree 58/1998 (Consolidated Law on Finance – T.U.F.) as amended and supplemented, as well as with the Issuers' Regulation issued by Consob.

This Quarterly Report is not subject to audit by the Independent Auditors and is prepared in accordance with the International Accounting Standards (IFRS) issued by the International Accounting Standard Board and approved by the European Union.

USE OF ESTIMATES

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

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

DIRECTORS' MANAGEMENT REPORT

ECONOMIC-FINANCIAL RESULTS

In the first nine months of 2017, the Isagro Group recorded:

- a turnover of € 112.1 million, up by € 1.8 million compared to € 110.3 million in the first nine months of 2016;
- an EBITDA of € 10.5 million, up by € 0.6 million compared to € 9.9 million in the first nine months of 2016;
- a Result before taxes of € 3.4 million, down by € 0.1 million compared to € 3.5 million in the first nine months of 2016;
- a Net profit of € 1.5 million, up by € 0.6 million compared to € 0.9 million in the first nine months of 2016,

with a Net financial position at debt as at September 30th, 2017 equal to € 52.1 million, improving by € 0.6 million compared to € 52.7 million as at December 31st, 2016 and up by € 4.2 million compared to € 47.9 million as at September 30th, 2016.

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During the first nine months of 2017, Isagro continued its research, innovation & development activities incurring total costs of € 10.4 million (compared to € 11.7 million in the first nine months of 2016), of which € 6.3 million capitalised (compared to capitalisations of € 8.2 million in the first nine months of 2016) continuing the co-development of the new Fluindapyr molecule (an SDHi class broad spectrum fungicide) with FMC Corporation, the development of the new Biofumigant for the United States, the extraordinary protection of proprietary products and the activities for new registrations.

Therefore, the first nine months of 2017 were affected by higher research, innovation & development costs charged to the Income Statement of € 0.6 million, compared to the same period of 2016.

(€ 000)	9 months 2017	9 months 2016	Differences		Year 2016
Revenues	**112,130**	**110,349**	**+1,781**	**+1.6%**	**149,717**
Memo: Labour costs and provision for bonuses	(22,813)	(21,264)	-1,549		(29,308)
EBITDA	**10,468**	**9,911**	**+557**	**+5.6%**	**16,217**
% on Revenues	*9.3%*	*9.0%*			*10.8%*
Depreciation and amortisation:					
- tangible assets	(2,910)	(2,854)	-56		(3,829)
- intangible assets	(3,960)	(4,021)	+61		(5,344)
- write-down of tangible and intangible assets	(87)	(38)	-49		(174)
EBIT	**3,511**	**2,998**	**+513**	**+17.1%**	**6,870**
% on Revenues	*3.1%*	*2.7%*			*4.6%*
Interest, fees and financial discounts	(369)	(517)	+148		(747)
Gains/(losses) on foreign exchange and derivatives	165	963	-798		719
Revaluations of equity investments	111	8	+103		28
Result before taxes	**3,418**	**3,452**	**-34**	**N/S**	**6,870**
Current and deferred taxes	(1,958)	(2,560)	+602		(3,887)
Net result from continuing operations	**1,460**	**892**	**568**	**N/S**	**2,983**
Net result from discontinued operations	-	-	-		(250)
Net result	**1,460**	**892**	**568**	**N/S**	**2,733**

Table 1: Consolidated Income Statement - Summary Data

The slight increase in **Revenues** in the first nine months of 2017 compared to the same period in 2016 is mainly due to:

- higher sales in the Americas of approximately € 6 million;
- higher sales in Central and Northern Europe of approximately € 2 million,

these factors more than offset:

- lower sales in Asia of approximately € 3 million;
- lower sales in Southern and Eastern Europe of approximately € 2 million;
- lower initial revenues from *Licensing & other Business Agreements* of approximately € 1 million.

In the period from January to September 2017, Isagro incurred personnel costs of € 22.8 million, compared to € 21.3 million in the same period of 2016. This increase of € 1.5 million is due to:

- higher **Labour costs** of € 1.3 million, mainly due to early retirement incentives attributable to the subsidiary Isagro Asia;
- higher **Bonus accruals** of 0.2 million.

EBITDA generated in the first nine months of 2017 came to € 10.5 million, up by € 0.6 million (+6%) compared to € 9.9 million in the corresponding period of the previous year, with margins on Revenues increasing from 9.0% in the first nine months of 2016 to 9.3% in the first nine months of 2017. Excluding from EBITDA as at September 30th, 2016 the initial revenues from *Licensing & other Business Agreements*, the increase in EBITDA of the first nine months of 2017 was 16%.

Amortisation, depreciation and write-downs for the period amounted to € 7.0 million, substantially in line with the value of € 6.9 million recorded as at September 30th, 2016.

Consequently, Isagro ended the first nine months of 2017 with a consolidated **Operating result** of € 3.5 million, up by € 0.5 million (+17%) compared to the value of € 3.0 million of the corresponding period of the last year.

With reference to financial management, in the first nine months of 2017, compared to the first nine months of 2016, the Group incurred:

- lower **Interest fees, commissions and financial charges** by € 0.1 million, though there was an increase in financial debt, as a result of the improved funding conditions negotiated by the parent Isagro S.p.A. with various banks;
- **Net gains on foreign exchange and derivatives** amounting to € 0.2 million compared to € 1.0 million in the first nine months of 2016, mainly attributable to net gains of € 567 thousand on the hedges of the exchange rate risk associated with sales in US Dollars, partially offset by losses on copper hedging of € 402 thousand. With specific reference to net gains on exchange rate risk hedging, it is noted that they derive from gains

achieved by Isagro S.p.A. during the period of approximately € 1.0 million, which more than offset the losses of the subsidiaries Isagro Asia, Isagro Colombia and Isagro USA;

- higher **Revaluations of equity investments** by € 0.1 million, attributable to gains realised by the subsidiary Arterra Bioscience.

It should be remembered that the Isagro Group operates on several markets internationally and many trade relations are managed in currencies other than the Euro, mainly in US dollars. As a result and in compliance with its "Financial risk management policy" designed to "protect" the interest rate of the budget, the Company arranges US 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 hedging transactions carried out by the Group, it should also be noted that they are exclusively for operational transactions and therefore not for speculative purposes; however, as they do not meet the requirements of IAS 39 for the hedging of “specific” risks, they are considered as “trading” transactions and are therefore recognised directly as financial items in the Income Statement, both for the realised and unrealised portion.

With reference to tax management, **Current and deferred taxes** of the first nine months of 2017 amounted to € 2.0 million compared to € 2.6 million of the same period of 2016, with an impact on pre-tax profit from 74% to 57%. This is due to a different mix at Group level, and more specifically:

- to the reduction in IRES tax rate, from 27.5% in 2016 to 24% in 2017, in the parent Isagro S.p.A., which in 2017 reduced significantly seasonal tax losses in a situation of non-allocation of deferred tax assets other than on temporary differences;
- to the non-allocation of deferred tax assets in the parent Isagro S.p.A. on tax loss as at September 30th, 2016, with consequent penalisation of the net result in the same period;
- to a lower tax base of the subsidiary Isagro Asia, which applies a tax rate of approximately 34%;
- to a reduction in losses for the period of the subsidiary Isagro USA, for which equally no deferred tax assets were allocated also in 2017.

The Group ended the first nine months of 2017 with a positive **Result before taxes** of € 3.4 million (compared to € 3.5 million of the same period last year) and with a **Net profit** of € 1.5 million (compared to the profit of € 0.9 million of the first nine months of 2016).

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As regards equity, consolidated **Net invested capital** as at September 30th, 2017 amounted to € 152.6 million, down by € 2.2 million compared to € 154.8 million as at December 31st, 2016 and up by € 5.8 million compared to € 146.8 million as at September 30th, 2016.

(€ 000)	Sept. 30th, 2017	Dec. 31st, 2016	Differences		Sept. 30th, 2016
Net fixed assets	**89,623**	**89,682**	**-59**	**-0.1%**	**89,218**
of which:					
Intangible assets	*50,643*	*48,209*	*+2,434*		*49,548*
Tangible assets	*20,744*	*22,620*	*-1,876*		*23,113*
Other m/l term assets and liabilities	*14,395*	*14,941*	*-546*		*12,693*
Net working capital	**64,225**	**65,905**	**-1,680**	**-2.5%**	**59,889**
of which:					
Inventories	*47,434*	*46,971*	*+463*		*48,557*
Trade payables	*(25,160)*	*(31,663)*	*+6,503*		*(31,105)*
Trade receivables	*41,951*	*50,597*	*-8,646*		*42,437*
Current provisions	**(1,248)**	**(1,991)**	**+743**	**NS**	**(1,004)**
Other short-term assets and liabilities	**2,534**	**3,954**	**-1,420**	**NS**	**1,496**
Severance Indemnity Fund (S.I.F.)	**(2,545)**	**(2,747)**	**+202**	**-7.4%**	**(2,771)**
Net invested capital	**152,589**	**154,803**	**-2,214**	**-1.4%**	**146,828**
Total	**152,589**	**154,803**	**-2,214**	**-1.4%**	**146,828**
Financed by:					
Equity	**100,513**	**102,085**	**-1,572**	**-1.5%**	**98,980**
Net financial position	**52,076**	**52,718**	**-642**	**-1.2%**	**47,848**
of which:					
M/L term payables	*42,983*	*39,861*	*+3,122*	*7.8%*	*38,773*
Debt/Equity Ratio	***0.52***	***0.52***			***0.48***

Total	**152,589**	**154,803**	**-2,214**	**-1.4%**	**146,828**

Table 2: Consolidated Balance Sheet - Summary Data

Net fixed assets as at September 30th, 2017 amounted to € 89.6 million, down by € 0.1 million compared to € 89.7 million as at December 31st, 2016 and up by € 0.4 million compared to € 89.2 million as at September 30th, 2016, values substantially in line.

Net working capital as at September 30th, 2017 amounted to € 64.2 million, down by € 1.7 million compared to € 65.9 million as at December 31st, 2016 and up by € 4.3 million compared to € 59.9 million as at September 30th, 2016. More specifically:

- **Trade receivables** as at September 30th, 2017, amounting to € 42.0 million, were in line with the value as at September 30th, 2016 (amounting to € 42.4 million) and in ordinary seasonal decline compared to December 31st, 2016 (amounting to € 50.6 million);
- the balance between **Inventories** and **Trade payables**, amounting to € 22.3 million as at September 30th, 2017, appears to increase both compared to the value as at September 30th, 2016 and compared to that as at December 31st, 2016, as a result of a different timing in the purchases / payments cycle in 2017 compared to 2016. With reference to this aspect, the recourse to the CIGO (Ordinary Redundancy Fund) in the period from July to October 2017, more fully commented in the course of the Report in the paragraph "Significant events in the first nine months of 2017", led to the concentration of purchases in the first part of the year, with consequent payment of suppliers with anticipated timing compared to 2016.

The **Severance Indemnity Fund** (SIF) amounted to € 2.5 million, down by € 0.2 million compared to the value of € 2.7 million as at December 31st, 2016 and down by € 0.3 million compared to the value of € 2.8 million as at September 30th, 2016.

As for funding, consolidated **Equity** as at September 30th, 2017 amounted to € 100.5 million, down by € 1.6 million compared to € 102.1 million as at December 31st, 2016 and up by € 1.5 million compared to € 99.0 million as at September 30th, 2016, primarily due to the profit for the period net of changes in the translation reserve relating mostly to financial statement items of the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd.

The consolidated **Net financial position (NFP)** as at September 30th, 2017 is therefore at debt for € 52.1 million at debt, down by € 0.6 million compared to € 52.7 million as at December 31st, 2016 and up by € 4.2 million compared to € 47.9 million as at September 30th, 2016.

Lastly, it should be noted, at the consolidated level, that as at September 30th, 2017:

- the net financial debt is entirely backing a portion of the Net working capital which, for the residual portion of approximately € 12 million, is directly financed by Equity;
- more than half of the Net financial position is represented by medium/long term debts;
- the **debt/equity** ratio (i.e. the ratio between Net financial position and Equity) at consolidated level is equal to 0.52, in line with the value of 0.52 as at December 31st, 2016 and slightly higher than the value of € 0.48 as at September 30th, 2016.

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With regard to cash flows, in the first nine months of this year, a free cash flow of € 0.6 million was generated (compared to the absorption of € 0.7 million as at September 30th, 2016), of which € 1.7 million derived from the decrease in Net working capital and € 1.1 million from a negative operating cash flow. In the period from October 2016 to September 2017, the operating cash flow was marginally positive by € 0.1 million, despite lower collections during that period from *Licensing & other Business Agreement*s of approximately € 6.6 million compared to the period from October 2015 to September 2016.

(€ 000)	9 months 2017	9 months 2016	Oct. 16 - Sept.17	Oct. 15 - Sept.16
Net profit	1,460	892	3,301	4,468
+ Depreciation and amortisation and write-downs	6,957	6,913	9,391	9,987
Gross Cash Flow	**8,416**	**7,805**	**12,692**	**14,455**
- Investments	(7,797)	(10,553)	(9,365)	(13,388)
- Distributed dividends	-	(1,038)	-	(1,038)
± Other variations*	(1,657)	(317)	(3,219)	962
Free Cash Flow before Δ NWC	**(1,038)**	**(4,103)**	**108**	**991**

Δ NWC	1,680	3,432	(4,336)	2,158
Free Cash Flow	**642**	**(671)**	**(4,228)**	**3,149**

Table 3: Cash Flows - Summary Data

** Includes, inter alia, the change in deferred tax assets/liabilities, the change in receivables from Licensing & other Business Agreements and the change in provisions*

EVOLUTION OF THE CROP PROTECTION PRODUCTS MARKET

Referring to Phillips McDougall's indications, the crop protection products market was still characterised by low prices of agricultural commodities (which continued to limit farmers' economic-financial resources), by high levels of inventory at the distributor level in almost all markets (which limited repurchase levels), by adverse climatic conditions in Europe (which limited the recovery in the consumption of crop protection products) and by the effect deriving from the massive adoption of genetically modified crops in the Americas.

With reference to the consolidation process of the main operators of the market of crop protection products in the first nine months of 2017, it is noted that: (a) the acquisition of Syngenta by Chemchina was completed at the end of June 2017, after receiving the favourable opinions by the supervisory authority; (b) the merger between Dow and DuPont was completed following its approval in the first quarter of 2017 by the European Commission, with consequent disposal of DuPont asset for a value of turnover of approximately € 1.6 billion; (c) the examination of the European Commission of the acquisition of Monsanto by Bayer - which was approved by the shareholders of Monsanto in December 2016 - continued with consequent disposal of some assets of the latter to BASF.

A more accurate analysis by single geographic market will also be possible, as usual, with data for the whole of 2017, normally available in the first part of the new year.

RESEARCH, INNOVATION AND DEVELOPMENT ACTIVITIES

During the first nine months of 2017, the Isagro Group incurred research, innovation & development costs totalling € 10.4 million, of which € 6.3 million were capitalised against investments for development, registration and the extraordinary protection of proprietary products worldwide. In the first nine months of last year, these expenses amounted to € 11.7 million, of which € 8.2 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. Currently, the aim is to achieve a "development-worthy" qualification for at least one new molecule during 2017 and one new molecule by 2019.

Research activities are focused on:

- a new series of broad spectrum fungicides, additional with respect to that belonging to the SDHi class whose development started in 2012;
- new candidates to combat soil parasites;
- new series of herbicides for arable crops.

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.

Moreover, continued the evaluation of new biostimulant products, alone or in combination with other molecules: in this respect, a new formula proving interesting from "top profile" studies has moved on to the pre-marketing assessment stage, whilst second generation formulas will be subjected to profile studies. Finally, some solutions dedicated to the so-called "biocontrol" are being evaluated.

B) *PRODUCT DEVELOPMENT*

The main development activities carried out during the first nine months of 2017 are highlighted below:

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

In 2017, regulatory studies continued on the active ingredient and on the formulations in line with the plan that prescribes the filing of the first registration dossiers in Brazil and in the EU in 2018. In China, evaluation work is being carried out on the impact of the registration programme on the development plan as a result of the entry into force, from June 1st, 2017 onwards, of the new Regulation concerning the granting of the registrations.

The field testing programme for 2017 is confirmed in major strategic areas in Europe, South America and China.

Tetraconazole - a broad spectrum fungicide

Activities were focused on the following projects:

- the follow-up of the re-registration processes of formulations in Europe (STEP 2 of the European review process) and evaluation of the studies necessary for renewal of the active ingredient approval in the European Union;
- the evaluation of studies for re-registration in the USA;
- the coordination for preparation and transmission of two zonal registration dossiers in the European Union:
  - Domark Combi WG (Tetraconazole/sulphur): the registration dossier for grape was sent to the Rapporteur country (France) and to the other member States belonging to the Southern area of the European Union;
  - Eminent Star (Tetraconazole/Chlorothalonil): the work plan is being updated for the transmission of the registration dossier for label extension on sugar beet in the Central area of the European Union, in light of the need for further studies related to the renewal of Chlorothalonil in the EU;
- the support to Belchim to obtain "clones" in different European Union countries.

Lastly, it shall be remembered the publication in the first part of 2017 of EU Regulation no. 555/2017, which states the extension of the validity of the approval of Tetraconazole in the European Union from December 2019 to December 2021.

Copper-based products

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

- follow-up of the re-registration processes of formulations in Europe (STEP 2 of the European review process);
- participation in the European Copper Task Force's follow-up for the renewal of copper Salts approval at European level;
- completion of the registration dossier of formulations containing oxychloride and hydroxide for Germany and Albania;

* follow-up of the registration process at the European Centre of the Airone SC and Airone WG formulations;
* coordination of the preparation activities to submit the application for the registration of Airone SC in China.

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

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

* the continuation of preparation of the registration dossier for Kiralaxyl for seed treatment in the USA;
* 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 update of the registration dossier for the Fantic M WG registration in France;
* the follow-up of the project for the registration of the Kiralaxyl + Mancozeb (WP) formulation in India;
* the follow-up of the projects for the registration of technical Kiralaxyl, of the Kiralaxyl + Mancozeb (WG) formulation in Brazil and China and of the Kiralaxyl + Chlorothalonil in Brazil;
* sending the registration dossier in Pakistan.

Biofumigant

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

* the continuation of the support activities to obtain registration in California (USA), Canada and Mexico;
* the continuation of the support activities to obtain registration in Lebanon and in Egypt;
* the presentation of the registration dossier in Algeria.

The registration of the Biofumigant in Turkey and the authorisation to import in Oman were obtained in the period of reference.

It shall be remembered, moreover, that the Biofumigant has already obtained federal registration in the USA and that California, for which specific registration is expected by the first part of 2018, represents its main reference market.

Biostimulants, microbiological products, pheromones

The monitoring activity related to the authorisation processes, which are underway or aimed at supporting the business, continued.

C) *REGISTRATIONS OBTAINED*

In the first nine months of 2017, 22 new sales authorisations were obtained, including: Domark 40 EW (Tetraconazole) in Ethiopia, Coprantol Duo (copper-based formulation) in the Czech Republic, Airone liquido (copper-based formulation) in the United Arab Emirates, Tempio F (mixture based on Kiralaxyl and Folpet) and Tempio M (mixture based on Kiralaxyl and Mancozeb) in Spain, Dominus (Biofumigant) in Turkey and Oman, Siapton (biostimulant) in France.

SIGNIFICANT EVENTS IN THE FIRST NINE MONTHS OF 2017

A) *CORPORATE GOVERNANCE CRITERIA*

On March 14th, 2017 the Board of Directors of Isagro S.p.A. approved a set of Governance Criteria for a more effective operational and strategic coordination at the Group level, with the implementation of a system of functional reports of the top level and first-line functions of the subsidiaries to the same function of the parent company Isagro S.p.A..

B) *APPROVAL OF 2016 FINANCIAL STATEMENTS*

On April 26th, 2017, the Shareholders' Meeting of Isagro S.p.A. acknowledged the 2016 consolidated results of the Isagro Group and approved the 2016 Financial Statements of Isagro S.p.A., accompanied by the Directors' Management Report, as approved by the Company's Board of Directors on March 14th, 2017 and already disclosed to the Market.

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 no. 58/1998 and pursuant to Article 84-*quater* of the Issuers' Regulation adopted by CONSOB Resolution no. 11971/1999.

C) APRILIA AND BUSSI TEMPORARY LAY-OFFS

On June 22nd, 2017, a trade union agreement was signed at Unindustria, Latina, for recourse to a period of suspension of production at the Aprilia plant, with support from the CIGO (Ordinary Redundancy Fund) activated on July 10th, 2017 until October 8th, 2017 (13 weeks in total).

The reasons that made necessary the recourse to the CIGO are due to economic and transitional factors attributable mainly to:

- *for proprietary products*, the deterioration of the economic and financial conditions of the agricultural sector in South America and, in particular in Brazil;
- *for productions carried out for third party customers*, major third party customers' failure to confirm significant Toll Manufacturing contracts.

The return to production, which was expected on October 9th, 2017, took place on October 2nd, 2017.

As stated in the 2016 financial statements, on December 13th, 2016 a trade union agreement, initially signed on September 20th, 2016 was extended; it entails recourse to a period of suspension of production at the Bussi sul Tirino site, with support from the CIGO (Ordinary Redundancy Fund) for a total of 13 weeks with activation from January 2nd, 2017 and duration until April 2nd, 2017. Activities resumed on April 3rd, 2017.

D) TAX ASSESSMENT

On May 18th, 2017, the Regional Department of Revenue of Lombardy - Major Taxpayers Office opened a tax assessment on Isagro S.p.A. pertaining to the fiscal years ended on December 31st, 2012, December 31st, 2013 and December 31st, 2014, which ended on July 31st, 2017.

In the Report on Findings (hereinafter referred to as "RoF"), the Tax Authority pointed out, for each of the three years, certain observations pertaining to direct taxes (IRES and IRAP) on transfer prices transactions between the parent company Isagro S.p.A. and certain subsidiaries, for a total amount of approximately € 7.8 million. These additional taxable amounts could abstractly lead, taking into account the use of tax losses available to the company on which no deferred tax assets were recognised in the financial statements, to the assessment of higher direct taxes of a total amount of approximately € 510 thousand, in addition to interest and penalties. Upon being served the RoF, the company, objected the aforesaid observations, lamenting their groundlessness in law and in the merits. In light of the above, the Directors, agreeing with the opinion of their own tax advisors, deem that, taking into account also the fact that no tax assessment notice has yet been issued by the Revenue Agency, at the moment there are no elements for estimating potential contingent liabilities that may arise to the charge of the parent Isagro S.p.A., all the more so considering the complexity of transfer pricing matters, which by its very nature is centred on valuation aspects on which the discretionary component can at times be significant.

EVENTS SUBSEQUENT TO SEPTEMBER 30TH, 2017

No significant events occurred between September 30th, 2017 and the date of this Report.

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

With reference to the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001, there are no updates compared to the previous Reports.

Note that the task of monitoring the operations and compliance with the Model and arrange its updating was assigned to the Supervisory Body, whose three-year term expires on approval of the Financial Statements as at December 31st, 2017.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties, including intercompany transactions and those with Gowan, cannot be defined as atypical and/or unusual transactions and form part of the 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.

The economic and equity effects of transactions with related parties on consolidated figures of the Isagro Group and of the parent company Isagro S.p.A. as at September 30th, 2017 are detailed below.

Isagro Group - Income Statement In thousands of euro	09/30/2017	of which related parties Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Revenues	112,130	-	-	14,037	14,037	12.52%
Other operating revenues	2,601	-	18	1	19	0.73%
Costs for services	20,716	-	-	7	7	0.03%
Other operating costs	3,326	-	-	20	20	0.60%

Isagro Group - Balance Sheet In thousands of euro	As of 09/30/17	of which related parties Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Trade receivables	41,951	-	-	731	731	1.74%
Credits / other non current assets	7,349	-	-	4,462	4,462	60.72%
Other current assets and other current receivables	6,139	-	7	1	8	0.13%
Trade payables	25,159	-	-	58	58	0.23%

Isagro S.p.A. - Income Statement In thousands of euro	09/30/2017	of which related parties Controlled companies	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Revenues	78,524	11,244	-	-	13,127	24,371	31.04%
Other operating revenues	1,674	405	-	18	1	424	25.33%
Raw materials and consumables	42,840	3,509	-	-	-	3,509	8.19%
Costs for services	15,258	1,951	-	-	7	1,958	12.83%
Labor costs	15,991	2	-	-	-	2	0.01%
Other operating costs	1,155	116	-	-	20	136	11.77%
Financial incomes	2,786	40	-	-	-	40	1.44%
Incomes from participations	711	700	11	-	-	711	100.00%

Isagro S.p.A. - Balance Sheet		of which related parties					
In thousands of euro	As of 09/30/17	Controlled companies	Associates	Parents	Other related parties	Tot. Related parties	Incidence % on the financial statements item
Trade receivables	23,762	6,233	-	-	615	6,848	28.82%
Other current assets and other current receivables	4,555	554	-	7	-	561	12.32%
Credits / other non current assets	6,314	-	-	-	4,462	4,462	70.67%
Financial credits and other current financial assets	1,525	1,525	-	-	-	1,525	100.00%
Trade payables	17,087	1,763	-	-	58	1,821	10.66%
Other current liabilities	4,030	621	-	-	-	621	15.41%

BUSINESS OUTLOOK

The outlook for the last quarter of the current year will depend mostly upon:

- the finalization by December 31st of new *Licensing & other Business Agreements*;
- the impact of adverse climatic conditions particularly in South Europe on sales in the winter campaign.

Moreover, for the mid-term (2020) Isagro confirms the target of around € 200 million revenues at a consolidated level, based on the application of the following Strategic Guidelines:

1. *discovery* of new molecules by ourselves;
2. development of proprietary molecules mainly in collaboration with Third Parties;
3. *Licensing & other Business 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.

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30TH, 2017

(€ 000)	Sept. 30th, 2017	Dec. 31st, 2016	Differences		Sept. 30th, 2016
Net fixed assets					
Goodwill	3,428	3,599	-171		3,571
Other intangible assets	50,643	48,209	+2,434		49,548
Tangible assets	20,744	22,620	-1,876		23,113
Financial assets	413	313	+100		293
Other medium/long term assets and liabilities	14,395	14,941	-546		12,693
Total net fixed assets	**89,623**	**89,682**	**-59**	**-0.1%**	**89,218**
Net current assets					
Inventories	47,434	46,971	+463		48,557
Trade receivables	41,951	50,597	-8,646		42,437
Trade payables	(25,160)	(31,663)	+6,503		(31,105)
Subtotal of Net working capital	***64,225***	***65,905***	***-1,680***		***59,889***
Current provisions	(1,248)	(1,991)	+743		(1,004)
Other current assets and liabilities	2,534	3,954	-1,420		1,496
Subtotal of Other assets and liabilities	***1,286***	***1,963***	***-677***		***492***
Total net current assets	**65,511**	**67,868**	**-2,357**	**-3.5%**	**60,381**
Invested capital	**155,134**	**157,550**	**-2,416**	**-1.5%**	**149,599**
Severance Indemnity Fund (S.I.F.)	**(2,545)**	**(2,747)**	**+202**	**-7.4%**	**(2,771)**
Net invested capital	**152,589**	**154,803**	**-2,214**	**-1.4%**	**146,828**
Held for sale non-financial assets and liabilities	-	-	-		-
Total	**152,589**	**154,803**	**-2,214**	**-1.4%**	**146,828**
financed by:					
Equity					
Capital stock	24,961	24,961	-		24,961
Reserves and retained earnings	82,940	80,213	+2,727		80,246
Translation reserve	(8,848)	(5,822)	-3,026		(7,119)
Profit of the Group	1,460	2,733	-1,273		892
Total equity	**100,513**	**102,085**	**-1,572**	**-1.5%**	**98,980**
Net financial position					
Medium/long term debts:					
- due to banks	41,204	37,929	+3,275		36,693
- due to other lenders	1,741	1,932	-191		2,080
- other financial liabilities (assets) and derivatives	38	-	+38		-
Total medium/long term financial debts	**42,983**	**39,861**	**+3,122**	**+7.8%**	**+38,773**
Short-term debts:					
- due to banks	34,759	28,259	+6,500		24,224
- due to other lenders	349	987	-638		1,691
- other financial liabilities (assets) and derivatives	149	70	+79		63
Total short-term financial debts	**35,257**	**29,316**	**+5,941**	**+20.3%**	**25,978**
Cash and cash equivalents/bank deposits	**(26,164)**	**(16,459)**	**-9,705**	**+59.0%**	**(16,903)**
Total net financial position	**52,076**	**52,718**	**-642**	**-1.2%**	**47,848**
Total	**152,589**	**154,803**	**-2,214**	**-1.4%**	**146,828**

CONSOLIDATED INCOME STATEMENT OF THE FIRST NINE MONTHS OF 2017

(€ 000)	September 30th, 2017	September 30th, 2016	Differences		Year 2016
Revenues from sales and services	**112,130**	**110,349**	**+1,781**	**+1.6%**	**149,717**
Other revenues and income	2,601	2,528	+73		3,347
Consumption of materials and external services	(83,560)	(80,483)	-3,077		(105,051)
Changes in inventories of products	1,016	(1,830)	+2,846		(2,786)
Costs capitalised for internal work	1,672	2,140	-468		2,858
Allowances and provisions	(578)	(1,529)	+951		(2,560)
Labour costs	(21,753)	(20,492)	-1,261		(27,677)
Bonus accruals	(1,060)	(772)	-288		(1,631)
EBITDA	**10,468**	**9,911**	**+557**	**+5.6%**	**16,217**
% on Revenues	*9.3%*	*9.0%*			*10.8%*
Depreciation and amortisation:					
- tangible assets	(2,910)	(2,854)	-56		(3,829)
- intangible assets	(3,960)	(4,021)	+61		(5,344)
- write-down of tangible and intangible assets	(87)	(38)	-49		(174)
EBIT	**3,511**	**2,998**	**+513**	**+17.1%**	**6,870**
% on Revenues	*3.1%*	*2.7%*			*4.6%*
Interest, fees and financial discounts	(369)	(517)	+148		(747)
Gains/(losses) on forex/commodities	165	963	-798		719
Revaluations of equity investments	111	8	+103		28
Result before taxes	**3,418**	**3,452**	**-34**	**-1.0%**	**6,870**
Current and deferred taxes	(1,958)	(2,560)	+602		(3,887)
Net result from continuing operations	**1,460**	**892**	**568**	**N/S**	**2,983**
Net result of discontinued operations	-	-	-		(250)
Net result	**1,460**	**892**	**568**	**N/S**	**2,733**

CONSOLIDATED CASH-FLOW STATEMENT
OF THE FIRST NINE MONTHS OF 2017

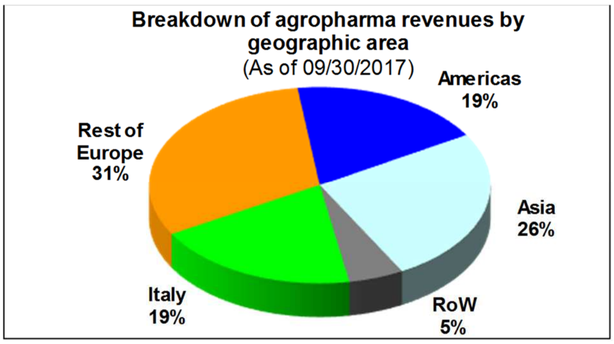
(€ 000)	Sept. 30th, 2017	Sept. 30th, 2016
Cash and cash equivalents (as at January 1st)	**16,459**	**16,714**
Operating activities		
Net profit for the period from Continuing operations	**1,460**	**892**
- Depreciation of tangible assets/amortisation of intangible assets	6,870	6,875
- Losses in value of tangible and intangible assets	87	38
- Provisions to reserves (including severance indemnity fund)	1,256	900
Cash-Flow	*9,673*	*8,705*
- Losses from disposal of tangible and intangible assets	2	2
- Share of profit/(loss) of equity-accounted investees	(111)	(8)
- Change in net current assets	(821)	2,925
- Change in other assets/liabilities	1,783	1,268
- Use of provisions (including severance indemnity fund)	(2,126)	(1,842)
Cash-Flow from operating activities	**8,400**	**11,050**
Investment activities		
- Investments in intangible assets	(6,514)	(8,318)
- Investments in tangible assets	(1,324)	(2,248)
- Dividends from affiliated companies	11	11
- Net sale price on disposal of tangible and intangible assets	30	2
Cash-Flow for investment activities	**(7,797)**	**(10,553)**
Financing activities		
- Increase in financial debts (current and non-current)	9,575	860
- Decrease in financial receivables, derivatives and other financial liabilities (current and non-current)	80	162
- Dividend distribution	-	(1,038)
Cash-Flow from/(for) financing activities	**9,655**	**(16)**
Change in translation difference	**(553)**	**(292)**
Cash-Flow for the period	**9,705**	**189**
Cash and cash equivalents - closing balance (as at September 30th)	**26,164**	**16,903**

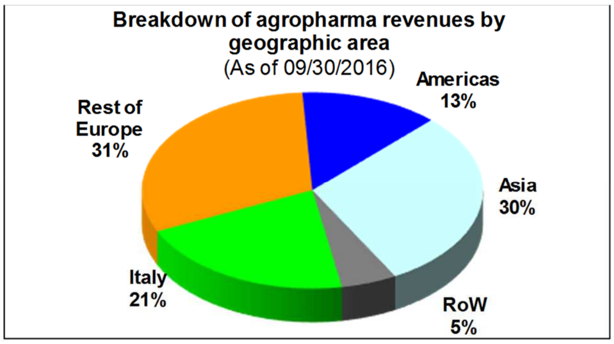
DETAILS OF CONSOLIDATED REVENUES OF THE FIRST NINE MONTHS OF 2017

BREAKDOWN OF REVENUES BY TYPE

(amounts in thousands euro)	SEPTEMBER 30TH, 2017			SEPTEMBER 30TH, 2016		
Sales	**Italy**	**Overseas**	**Total**	**Italy**	**Overseas**	**Total**
Agropharma	21,035	87,154	108,189	21,877	82,847	104,724
Raw materials	75	225	300	138	315	453
Total sales	**21,110**	**87,379**	**108,489**	**22,015**	**83,162**	**105,177**
Services						
Toll manufacturing fees	648	2,667	3,315	923	2,468	3,391
Royalties, licences and similar rights	-	170	170	60	1,000	1,060
Others	47	109	156	130	591	721
Total services	**695**	**2,946**	**3,641**	**1,113**	**4,059**	**5,172**
Total Consolidated Revenues	**21,805**	**90,325**	**112,130**	**23,128**	**87,221**	**110,349**

BREAKDOWN OF CROP PROTECTION PRODUCT REVENUES BY GEOGRAPHIC AREA





INFORMATION PURSUANT TO ARTICLE 36 OF CONSOB REGULATION 16191/2007

Pursuant to Article 2.6.2, paragraph 15 of the Regulation on Markets organised and managed by Borsa Italiana S.p.A., Isagro S.p.A. certifies that the requirements set forth under Article 36, paragraphs a), b) and c) of Consob Regulation 16191/2007 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 37 OF CONSOB REGULATION 16191/2007

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. certifies that the Company's shares are validly admitted to trading, as the inhibitory conditions as described in Article 37 of Consob Regulation 16191/2007 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 this consolidated quarterly report as at September 30th, 2017 is consistent with the entries in the accounting books and records.