

focus

Dear Shareholders,
2013 represents an important milestone for Isagro, but also a new beginning.

An important milestone because in 2013 the Company celebrated its 20th anniversary as an independent entity and the 10th anniversary of its listing on the stock market.

A new beginning because in October we finalised a strategic alliance which we have been pursuing for many years and which will significantly strengthen Isagro from a financial point of view as well as form the basis for a new phase of strategic and business creativity.

The alliance with **Gowan**, a large North American company more than twice the size of Isagro whose management approach is focused on commercial aspects and highly complementary to Isagro throughout the entire “value chain” of the business, is a goal which we have pursued with great determination with the aim of overcoming the limitations dictated by our size and giving ourselves a more suitable “scale”.

Gowan, a family-run business known for its long-term strategic vision and, as already mentioned, its commercial and market culture, has become a minority shareholder in Isagro together with Piemme which continues to play the guiding role of parent company.

We have always believed that our “ideal partner” must identify Isagro’s research and our industrial project and business model as the primary reasons for forming an alliance with us as we want the basis of our partnerships to be the generation of synergies on a reciprocal basis. This is why we have created a Gowan and Isagro “permanent committee” which endeavours to identify joint business opportunities. At the same time we wanted the alliance to be long-term, consistent with the timescales of our business: this is why we were looking for a long-term commitment rather than an “agreement”, something that is only guaranteed by direct investment focusing on long-term synergies and not the governance of Isagro (which continues to be fully independent).

However in 2013 - which we knew would be a difficult year for Isagro in operating terms, mainly due to the ongoing drought dating from 2012 - we also finalised other extraordinary operations and agreements for the development of the business in the mid to long-term. In fact, we sold two molecules created by our Innovative Research department which, developed by Isagro alone, generated lower than expected sales. Of particular importance was the agreement finalised with Arysta LifeScience through which we recognised the right of the latter to develop new fungicide mixes using their Fluoxastrobin and our Tetraconazole.

Thanks to these operations, the fourth quarter will see a recovery at income statement level when compared with the results at 30 September and an initial equity boost; the majority of the expected financial strengthening is expected to take place in the first half of 2014, when the Isagro control system - using the resources deriving from Gowan’s investment as minority shareholder - will jointly finance a share capital increase in Isagro SpA (without the exclusion of the purchase option and, therefore, dedicated to all shareholders).

Partly with a view to this important transaction, we are working on the 2014-2018 business plan which we will disclose in the first few months of next year and which will reflect the contribution of the investments of the last few years, the effects of strengthening the marketing and sales teams and, clearly, the expected synergies from the alliance with Gowan.

As always, we will continue to work passionately, guided by our *Italian Creativity for Plant Health*.

Thanking you for the attention you have dedicated to this newsletter, I would like to wish you and your families a Merry Christmas and a very Happy New Year.

Giorgio Basile

Close-up

Isagro partners up with Gowan Group

Can you be “small” yet “global”, operate successfully in a market dominated by large multinationals, where R&D investments absorb significant resources that only give returns after 10-12 years?

The answer to this question could be yes - provided a suitable minimum “scale” is achieved on which innovative product development can be selective and which offers worldwide access to key markets for these products.

This is the reason for the recent alliance between the Italian company Isagro and the US company Gowan, which operate in the crop protection product market, a market worth around USD 50 million at global level and is of enormous strategic significance. It is sufficient to think that, without crop protection products, about half the world’s agricultural production would be lost.

The two players in this alliance are of international importance. Isagro is a “small global player”, integrated in terms of its molecule invention (a culture inherited from Montedison) and its sales of crop protection products in over seventy countries around the world, which closed 2012 with revenues of €148.3 million and EBITDA of 18.8 million. Gowan is a USD 470 million group, active in the same sector as Isagro but with products and a commercial presence in part complementary to those of Isagro. What the two companies also have in common is that they are controlled by their respective families, which aim to fuel growth without giving up control. The use of Development

Shares (see the box explaining the concept) stems from this need.

Today 45.3% of Isagro is floating. The remaining 54.7% is held by a chain of three holdings: Holdisa, Manisa and Piemme. Piemme is positioned at the top of the pyramid and controlled by the Basile family. On conclusion of the transaction the aim will be to focus control of Isagro in a NewCo - 51% owned by Piemme and 49% by Gowan – which will have direct possession of the majority of ordinary shares. **“The alliance with Gowan,”** Giorgio Basile explains, “isn’t only to strengthen capital, though that is important, but is instead primarily to develop business and simplify the control system – objectives that the characteristics of our partner Gowan satisfy extremely well. Gowan needs Isagro’s products and services: the products to be distributed through its sales network and the services for its own development and production activities, all fully respecting Isagro’s operating independence. Furthermore, compared to Isagro its size is not much bigger and its culture is essentially compatible and complementary in that it is less oriented to R&D and more towards market monitoring. In other words it all makes sense. And for this reason we are satisfied.”

The alliance was announced at the end of July. At the beginning of October Consob confirmed that the transaction was not subject to mandatory takeover and the due diligence conducted by Gowan on Isagro was successfully completed.



From the left: Marcello Re, Gianni Franco, Juli Jessen and Pierre Ferrand from Gowan
Giorgio Basile, Salvatore Gargano, Luca Fusarini e Roberto Bonetti from Isagro.

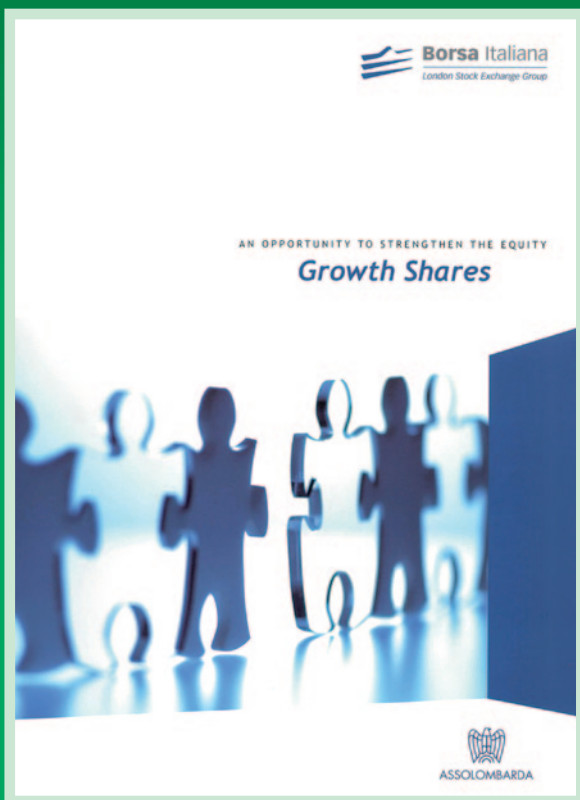


A new holding was founded: named “BASJES”, of which Piemme owns 51%, thus maintaining the control of Isagro, while with a capital increase reserved to Gowon, it possesses the remaining 49%.

The project entails then a capital increase of Isagro which will issue a new category of shares called “*Growth Shares*” aimed at strengthening Isagro assets and support its long term industrial plan.

Works in progress

Growth Shares make their debut



Assolombarda and Italian Stock Exchange, back in 2007 gave birth to a new financial instrument built to allow the entrepreneur to raise adequate financial resources to carry out developing projects without giving up control of the company.

This new financial product, called “*Growth Shares*” was created by a team directed by Giorgio Basile - a that time Councillor for Research and Innovation and later on Vice President for Finance, Fiscal affair and Management in Assolombarda.

A valuable contribution to the development of the *Growth Shares* was given also by MedioBanca, Legal Office Bonelli Erede Pappalardo, Italian Stock Exchange and Assolombarda.

Promote the growth of Italian companies, guarantee the value of the entrepreneurial “vision”, allow the market to contribute to a higher value of the company: these are the main features of “*Growth Shares*”, whose premise is an agreement between the entrepreneur and the market.

The market invests in the entrepreneur and accepts not to take part to the management, because the entrepreneur’s control and business know-how are considered fundamental to realize the development project.

If the entrepreneur loses such control, the power goes to the market and as per statutory norms, thanks to the automatic conversion: “*Growth Shares*” are automatically converted to ordinary shares.

An interview with

Juli Jessen, Ceo of Gowan Group



A broad-based agreement, where professional contacts merged into that “chemistry”, fundamental for two companies similar for product portfolio and sales network.

Juli Jessen, whose family is the shareholder of **Gowan** Group, explains the reasons why the agrochemical company from Arizona negotiated with Isagro an alliance between Italian research talents and the American implementation gift, between lab smocks (overalls) and muddy boots.

An alliance between two “family - run“ enterprises who have decided to support one another while keeping their own independence.

D. What are the goals of the Agreement with Isagro?

R. Our people have been co-operating – in sales and product development – with the management of Isagro for a long time, and this inevitably led us both to be “in tune”.

We believe that together we can promote blockbuster products which in the future will be successful in the agrochemical market.

D. What are the main synergies between the two companies?

R. Our Group started with my father, who began working in 1963 as a consultant for the farmers visiting the wheat fields together with the customers. Our roots are in the fields, our offices based in Yuma, AZ, in a wide-spread agricultural area. Isagro is well known worldwide for its creativity in research and development and I believe that this feature, together with

our knowledge based on our experience, is a perfect combination.

D. Speaking of the agrochemical market: what is the worldwide trend?

R. The legislation bureaucracy plays a dominant role. All products must respond to very strict regulations, with molecules which must be quickly disposed and environmentally friendly, but meanwhile be performance-enhancing. It is harder and harder to find a combination capable of satisfying both these needs.

Our work is oriented in this direction.

D. What are your main objectives in the following 5 years?

R. Gowan is more and more oriented to the biological sector. We are in fact now developing a set of products which we consider as part of our traditional product range, and not as a market segment set aside.

They are generics (products with a low technological content) developed to satisfy needs in specific agricultural areas and not like the products developed by Isagro which arise from “pure research”.

Geographically, our highest market share is in Mexico but we are present also in Italy, France, Spain, UK, USA and other countries.

D. What is your opinion regarding the EU agrochemical market?

R. No doubt...it is a great challenge, particularly as far as the regulatory requirements are concerned.

Investments are massive and regulatory requirements more and more severe: the way that the EU Authorities face the problems is a bit uncertain: no desire to introduce technology in agriculture.

Meanwhile this approach strongly guarantees the product’s intellectual property, an aspect which in the developing Countries is lacking.

Nonetheless, considering our business model, EU remains an interesting area.

D. Yours is a family run Company. What does this mean to you?

R. This question could be better answered by someone who has had a long working experience in other types of companies and can better describe the differences.

I believe that our main feature, as a family run business, is the attention and care to our employees, customers and agriculture.

This does not mean that other companies cannot act alike. But we work with passion. The company is all what our family owns and our intention is to preserve it.

D. Are there any negative aspects to a family run company?

R. Pros and cons apply to everything in life.

Presently the company is run from second generation who is passion - driven for agriculture.

Future generations might not have the same passion as myself and my siblings have .

On the other side since we are a 100% family owned company, we are not accountable to outside investors or quarterly balance statements, but we are certainly accountable to family shareholders, and we can take decision without external interference.

Orthosulfamuron transaction finalised



The rights and fixed assets relating to the herbicide **Orthosulfamuron** have been sold. In fact ISEM S.r.l., the 50-50 joint venture of Isagro S.p.A. and Chemtura Netherlands B., has transferred the asset to Nihon Nohyaku Co., Ltd. This transaction forms part of

the plan to focus Isagro efforts on more strategic projects that optimise the respective product portfolios.

Orthosulfamuron is a systemic herbicide in the sulphonyl urea chemical family, used in rice

fields for example to control broadleaf weeds and cyperaceae. In addition to rice, Orthosulfamuron was recently registered in Brazil to regulate sugar cane growth.

Photograms

Isagro through history

This year Isagro celebrated the **XX anniversary** of its founding and the 10-year anniversary of its listing on the Stock Exchange. It seems like only yesterday that a group of Montedison and Enichem managers decided to believe in the future of Italian crop protection chemistry, exercising a management buy out to revive the fortunes of one of the sector's most celebrated names. Yet 20 years have now passed. Two decades of hard work for sharehold-



ers and stakeholders. We celebrated these two anniversaries by remembering some of the most significant moments in Isagro's history. From important patents and the opening of branches of the company all over the world, right through to the recent entrance into the world of generic products. The latter is an ever-expanding sector that Isagro is developing by leveraging on its industrial and commercial presence in India, one of the key reference markets for these types of products.

To mark the 10th anniversary of its listing on the stock market, Isagro organised a concert at Palazzo Mezzanotte in Milan, a preview of the 12th edition of the Festival Paganiniano di Carro (SP) with the La Scala String Quartet. A packed programme included the music of Paganini, Verdi and Brahms.

The decision to involve the Festival Paganiniano di Carro stemmed from Isagro's own history, the company having supported the event since it was founded in 2002, also actively contributing to promoting the culture of the local area that hosts the festival.



A word with...

Salvatore Gargano and the new Isagro commercial department



Investments to boost the sales drive and offer a greater presence on emerging markets, with a particular focus on the fungicides segment where a new direction will be followed: innovation through new mixtures. Outlining the latest changes is Salvatore Gargano, the Group Director of Sales, who some time ago rejoined the agrochemicals' world where his career began during the Agrimont and Enichem Agricoltura era. This return came after a series of professional experiences in other parts of the world (Asia, Spain and Switzerland), motivated by the appeal of the "Isagro project". Salvatore explains, "In the group's business I saw the characteristics - referring here to innovation, flexibility and initiative typical of Italy - that help it stand out from the rest at international level". Here are some examples of the new initiatives.

Disseminating the strategy. The success of a plan depends mostly on the capacity to implement it efficiently. And then it is crucial to communicate and disseminate the plan to the team and to national distribution partners, confirming the customer's importance at the heart of the project. It is important to offer them solutions, understand their needs and communicate in a way that allows them to be

as competitive as possible. All these actions are based on one of our key strengths: though Isagro is not a "Big Company", it is able to innovate and differentiate with solutions that best meet local "think global, act local" needs.

The target markets. The traditional markets - Europe, and Italy in particular - will remain our strongholds, developed with the aid of companies able to promote our solutions and work with us on the supply side by investing in the market.

The real challenge for "profitable growth" are the more distant and complex markets. For years, in fact, Isagro has had direct distribution networks in India, the United States and Colombia, and the aim is for a positioning on growing markets through a series of partnerships in China, the Philippines, Vietnam and other countries in SE Asia.

The segments. First and foremost in the company's plans is the strengthening of its presence in the fungicides segment, where it already has a successful, product mix but where it wishes to consolidate its position. The path identified for achieving this milestone is to mix proprietary products such as tetraconazole and Benalaxyl-M (Kyrilaxyl) – just included in Annex 1 in Europe – with other complementary active ingredients, not necessarily Isagro's own.

Moreover, in line with the global trend to reduce environmental impact, top management intends to structure new, more efficient copper-based formulas that are able to act at especially low dosages and with a much wider sphere of action than those currently available on the market.

There will be a special focus on the biostimulants segment, also known as plant hormones or special fertilizers. The product range already contem-

plates this type of formula (Siapton, Ergostim) but the decision has been made to expand the range through partnerships that co-develop new products.

Communications is the password even in marketing. It is vital that communications are clear and transparent to customers, and that the messages are regulated and adapted to the various markets and customer types. Even when we are talking about highly technological and scientific solutions, it is important that we adapt the language to our audience, in the full knowledge that the DNA of Isagro, a company founded on research, will provide the highly scientific substantiation underlying the Marketing Departments advertising messages.

The short-term objectives. The company is concentrating its efforts in a sales drive: sales and marketing, working hand in hand to stimulate customer demand, departments that have to be balanced out with the already consolidated research and registrations departments. This means investments in human resources operating on the spot in foreign markets, which will allow a stronger international market presence and reduce outsourcing to other companies. All of this with the use of a series of Key Performance Indicators needed to measure the return on investments at single customer and single project level.



Under the microscope

A look at the Environmental Report

Making environmental protection an integral part of business activities and the industrial growth process. This is the first point in the Charter of principles for environmental sustainability of Confindustria, which regards time as a key factor in the concept of sustainability. As defined by the Brundtland Commission (which in fact introduced the concept of sustainability), sustainability is a “balance between meeting the needs of the present without compromising the ability of future generations to meet their own needs.” Later, the concept of sustainability evolved, also encompassing the economic and social dimensions of development projects or sectors of society or the economy.

And so sustainability can be an idea, a lifestyle and a production method at the same time.

But sustainability also, and above all, means close attention on the management of environmental issues through a precise MANAGEMENT PROTOCOL which at local level takes the form of an Environmental Report and management systems that are implemented by every site.

These are the principal activities that characterised the management protocol during the period of the **2012-2013 Isagro Environmental Report:**

- ▶ periodic monitoring of the consumption of natural resources (water, energy);
- ▶ accurate monitoring of outgoing pollution parameters;
- ▶ ordinary and extraordinary maintenance of reduction/purification systems.
- ▶ participation in trade fairs, workshops and conferences to keep up to date on cutting-edge technologies already available on the market.

The ENVIRONMENTAL POLICY, which every Isagro plant establishes and modifies on a cyclical basis, enables the company to meet its objectives, indicating environmental impact reduction targets and the guidelines to follow.

THE MANAGEMENT SYSTEMS implemented by each site include a series of operating instructions that make it possible to control all of the consequences on nature, describing in particular: the operations, controls and analyses carried out on discharges; the monitoring



and optimisation of consumption; performance assessment in the attainment of objectives; the evolution of targets in relation to the advancement of technology.

Additional proof of Isagro's desire to maintain, improve and refine the environmental performances of its plants can be seen in Aprilia's participation in the local EMAS project of the Province of Latina, Adria's conservation of its EMAS registration, and the adoption of INAIL and LHA prevention techniques for all sites in Italy.



THE VALUE Performance of the share

June 2013 –
November 2013

The downward trend that characterized the **Isagro stock** in the first half of 2013 continued during the months of June and July registering the absolute minimum, under the value of 2 Euros.

The communication of the operation of strategic alliance with Gowan marked a recovery of the stock price, which first reached again a value of 2 Euros and then consolidated among 2.20 and 2.40 Euros, with a more between 15% and 20% increase versus the minimum.

