

## focus

Dear Shareholders,

the results for the first nine months of 2015, up compared to 2014, which had also marked an improvement over 2013, confirm that Isagro is on the right path. This path, launched two years ago with the objective of achieving turnover of 200 million in the middle-term, is based on better exploitation of Isagro's intellectual property through progressive development of our direct commercial capabilities worldwide, also by creating new companies on markets that are strategic for us and capitalizing on them via agreements with third parties.

We are simultaneously continuing to invest in Research, Innovation and Development, to increase new registrations of proprietary products, as well as to develop new molecules: in this respect, development of the new SDHi fungicide is proceeding according to plan and the potential profile of this future product is growing from month to month; we consider this product to be our next blockbuster, providing Isagro with a truly long-term project.

However, the journey over the short term will not be an easy one: unfavourable climatic and market conditions in three key markets (Brazil, India and United States) will weigh heavily on sales over the upcoming months, with turnover growth rates at the end of 2015 expected to be lower than the 9-month figure, not taking into account possible proceeds from the new business line launched in 2013 and based, as we mentioned, on third-

party agreements for indirect exploitation of Isagro's intellectual property.

Challenges in the upcoming months include the continuation of measures aimed at growth in turnover and those for development of the SDHi, seeking agreements with third parties, even at 5-7 years from the launch of said product, thereby confirming its technical and commercial potential. By doing so, we also intend to reduce the gap between the stock market value of Isagro and the book value of its Equity, the latter of which is equal to two times the former and in turn well below the market value of our key assets. Moreover, this occurs during a period in which our Growth Shares are still traded at a sharp discount compared to the Ordinary Shares, although their features should give them a value at least in line with the latter.

We therefore continue to work passionately and with conviction in achieving the Isagro Project, for an Italian Crop Protection company based on the global development of proprietary products stemming from its own Innovative Research.

We thank you for your time in reading this newsletter and take this opportunity to wish you and your families a happy and safe holiday season.

*Giorgio Basile*

Close-up

# Isagro's figures for the first 9 months and the year-end forecast

The first nine months of 2015 recorded growth in turnover compared to September 2014, which in turn increased over 2013, with an improvement in all income statement items, in line with the objectives of the period: this is clearly an encouragement for the path initiated with the “strategic shift” of 2011, further refined in 2013, when Isagro decided to pursue the objective of enhancing its intellectual portfolio not only directly, through development of its commercial strength and presence around the world, but also through a specific policy of stipulating agreements with third parties.

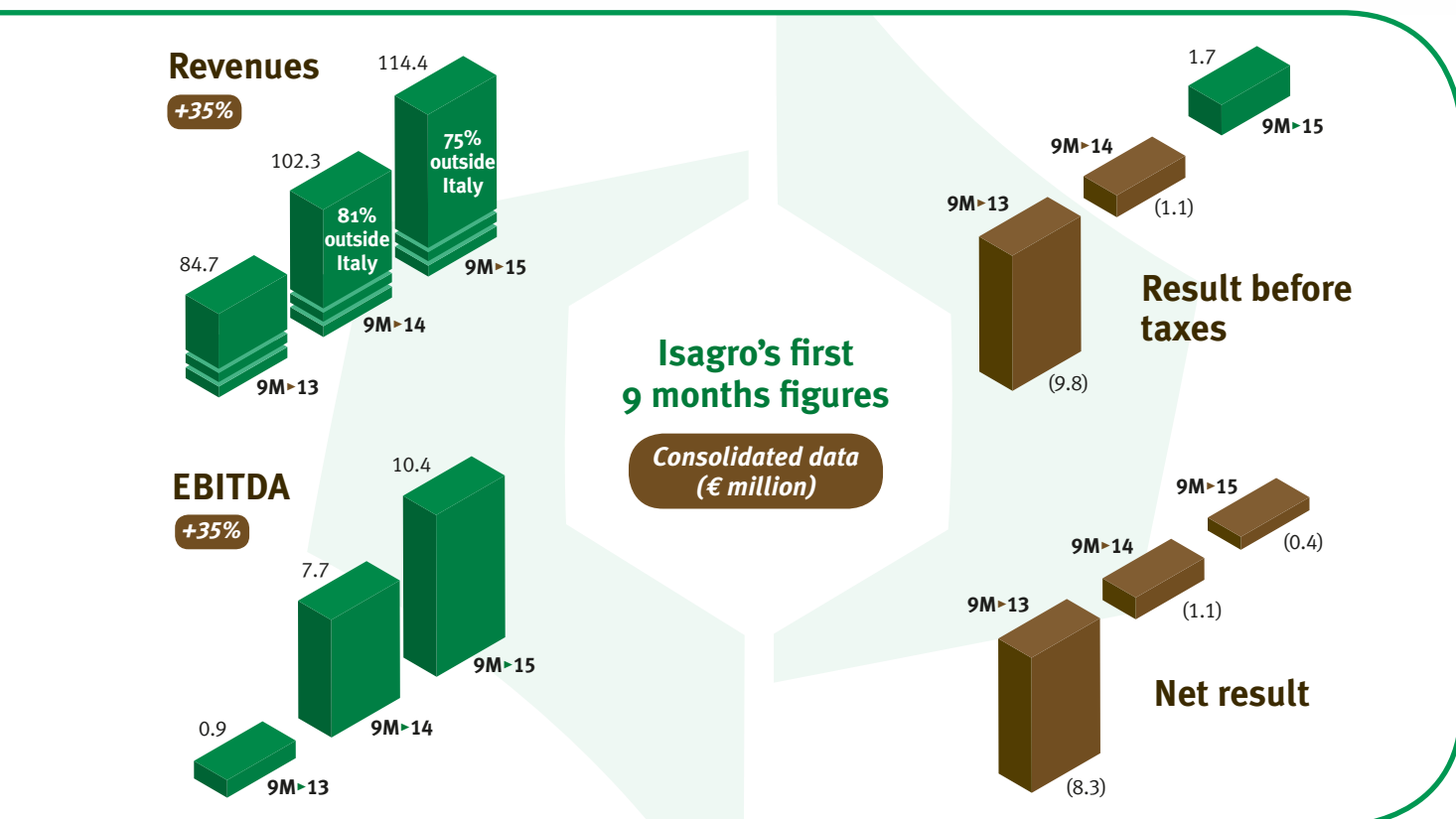
More in detail in the first 9 months of 2015, Isagro recorded:

- **Revenues** of € 114.4 million, up 12.1 million (+12%) compared to € 102.3 million during the same period of 2014, mainly due to higher sales in Italy and India.
- **EBITDA** (Gross Operating Margin) of € 10.4 million, up € 2.7 million (+35%) compared to € 7.7 million recorded as at September 30<sup>th</sup>, 2014, as a direct effect of the increase in turnover.



- A loss of € -0.4 million during the period January-September 2015, which is however an improvement compared to the € -1.1 million loss during the same period of 2014, without any provisions for deferred tax assets on the tax loss of the holding company Isagro S.p.A., which were present in 2014, with a

negative consolidated net financial position as at September 30<sup>th</sup>, 2015 of € 51.0 million (compared to € 27.3 million as at September 30<sup>th</sup>, 2014 and € 29.7 million as at December 31<sup>st</sup>, 2014, mainly due to the increase in Working Capital) and a Debt/Equity ratio of 0.53.



For the 12 months of 2015, Isagro still estimates a higher turnover than 2014, but with a growth rate for sales of products and services lower than that of the first nine months, due to adverse climatic and weather conditions in two key markets for the Group (Brazil and India), which are however of an economic nature and, in management's objectives, can be offset by proceeds for agreements with third parties, still not finalised. Moreover, Isagro's objective over the medium term is recovery of the € 200 million in turnover, which would represent satisfactory results for management, as the target of the journey that began in 2013. This objective, strengthened by the period results, appears to be even more solid, considering the as-of-yet untapped commercial potential of existing proprietary products such as Biosolutions and the contributions that in terms of initial down payments for third-party agreements may involve both existing products as well as those in the pipeline. The latter include the new wide-spectrum SDHi fungicide, created by Isagro Research and in the co-development phase with FMC Corporation, for which we envisage a blockbuster role over the next decade but from which we also expect short-term contributions from agreements with leading operators.

Photograms

# Isagro at Expo: between growth opportunities and Biosolutions



**O**n October 15<sup>th</sup> at Expo 2015, at the Mipaaf Pavilion (Ministero delle Politiche Agricole Alimentari e Forestali - Ministry of Agricultural, Food and Forestry Policies), Isagro presented **Ecodian SL**, an innovative product of our Biosolutions portfolio, created in the Novara Research Center and developed mainly for horticultural crops.

The event was introduced by the Chairman and CEO Giorgio Basile, who outlined Isagro's mission and objectives, describing them as part of its new season as "Global Independent Originator" for the crops protection. Mr Basile underlined the adjective "Italian", highlighting a fully national control structure (also due to Isagro's presence in Borsa Italiana) as well as - and above all - because the creativity of its product researchers and developers is Italian as well, a creativity that is deep-rooted in the "chemical know-how" cultivated since 1956, at the beginning in Montecatini and then in Montedison.





Mr Basile also recalled the commitment made with the market: increasing turnover by 25% in medium term years, from € 150 million to € 200 million. The greatest possible leap forward. Because, while it is true that the multinationals are leaders in the global Crop Protection market, Isagro can still play a significant role, because “it is able to invent and pre-develop new molecules; it has equipped itself to ensure proper optimisation of its inventions worldwide, through the assignment of rights to third parties; it strives to grow its Biosolutions business by optimising on its existing products portfolio and on the ability to innovate”.

David Cambri, Product Manager of Biosolutions, discussed the portfolio, focusing on the

importance of these products created from natural organic substances or synthetic substances already present in nature, which may be obtained from biological sources, optimising on the mix of tradition and innovation in an increasingly demanding market in terms of respect of man and of the environment.

First Davide Ceper, new Group Director Marketing & Sales, and then Giovanni Tiglio, Area Manager for Italy & East Med, recalled that Biosolutions already account for 10% of company revenues at Isagro. A result that can definitely be improved, as important signs indicating consumption trends that are about to take off have already been identified, with Isagro ready to take advantage of these growth opportunities thanks to its pool of researchers already at work.

And Research was the key participant of the meeting, presenting one of Isagro’s R&D latest achievements: **Ecodian SL**. Franca Reggiori, Technical Manager for Italy, detailed the product’s profile with scientific clarity: the Mater-Bi biodegradable wire, soaked in a specific pheromone for *Spodoptera littoralis*, a voracious parasite of plants, uncontrollable in its attack



stages, on a multitude of crops designated for the so-called IV range of products. The wire constantly releases a pheromone for 50-60 days, period during which the male cannot recognise and therefore reach and fertilise the female.

**Ecodian SL** will become a valid instrument to be used in integrated pest management.

The subsequent presentations were dedicated to on-site trials held by professors of the Department of Agricultural Sciences of the University of Bologna, Giovanni Burgio and Alberto Lanzoni. Then Raffaele Rocchetti, Head of the O.P. Oasi Agronomy Service, described the positive results from use of **Ecodian SL** on crops designated for the so-called IV range of products. The event ended with the exclusive visit to the Italy Pavilion and to the “Albero della Vita” (Tree of Life), Italian symbol of EXPO.



A word with...

# Davide Ceper, Isagro's Group Director Marketing & Sales

Winston Churchill often said that life was

full of challenges.

And Davide Ceper, 35 years old, with a degree in Bocconi and a resume that until now has entirely focused on consulting under the McKinsey brand, likes challenges. In September

2015, Ceper returned to Italy

after years in Brazil working in agrobusiness. A resource that returned thanks to Isagro, which entrusted him with the management of the Marketing & Sales Department of all Group, covering a key role in implementing the growth project in revenues from approximately € 150 to € 200 million, over a period of few years.

"Isagro is a very engaging challenge", said Davide Ceper. "For two reasons. First, its business model is daring, as it is a small company on a global scale but one that can work with the big ones, thanks to independent research and to its top-notch ability for pre-development. Second, the Isagro team has high-profile characteristics, particularly if one considers the size and complexity of the market in which it operates".



No regrets in leaving the world of consulting. "I

needed the company experience and a company that works in all continents. Only in this way can my international experience be enhanced and optimised. Figures

don't lie, and at my age being on hot coals on

a daily basis puts your mind in the best condition to find innovative and performing solutions".

And Ceper seems to be very much at ease on Isagro's hot coals. The Marketing & Sales Director sees the company's growth opportunities clearly: "There are high-potential markets in which we have a very limited presence, particularly in South-East Asia and Latin America. Contemplating aggressive growth is not a gamble, via development of our sales organisation and activation of alternative distribution channels. As we know, Isagro has a predominantly indirect sales structure, thanks to the valuable collaboration of a number of distributors/partners. Consequently, marketing strategies become the key to qualitatively and quantitatively support partners and, at the same time, convey the value

of the Isagro brand to customers, particularly in markets where it is not yet well-known".

Ceper also said: "Those who choose us must fully understand the Isagro brand's content of creativity and innovation, and as customers must become our supporters with regard to third parties. We will take a different approach with regard to distributors/partners, because while the importance of discount and price principles cannot be entirely excluded, we cannot always rely only on these".

At the international level, it is important to clearly understand how the formula to sell differs depending on the relative country and market. Therefore, according to Ceper: "We need to conduct detailed work aimed at identifying the approach strategies for each individual market, and consequently the structure to be adopted. Among the challenges, we do not rule out the opportunity of directly investing in a number of new Countries to grow business, such as the recent establishment of Isagro Singapore".

Ceper did not go into detail with regard to the Countries in question, but does not exclude an analysis of Brazil, a continent-country that comprises the largest agricultural market in the world and which the manager is very well acquainted with, but "it is premature to discuss it at this time. Of course, the



opportunities are huge because, like few other markets, it has the advantage of having large clients. This means that the number of counter-parties is rather limited, and it may provide an opportunity to be present in certain specific segments, even directly”.

An area on which Ceper focused particular attention is that of Biosolutions. “The market is very interested in these types of products, which now account for 10%

of our revenues. In the future, interest in these solutions for monitoring and nutrition of plants will see exponential growth, and we must have the energy to follow the trend and oversee the market. Biosolutions are highly interesting, as the authorisation and bureaucratic processes for their distribution and sale are much faster and more streamlined compared to traditional Crop Protection products. Biosolutions versus Agrochemicals? Absolutely not. The two

lines will continue to coexist, because at Isagro, “home-made” research provides effective solutions to the EFSA (European Food Safety Authority) regulations, even the recent highly stringent one on agrochemicals. “While regulations are a risk for many, at Isagro we consider them to be an opportunity. An analysis of the EFSA dossiers provides insight into the regulatory trends that will develop in the rest of the world with regard to the protection and care of plants”.

## Zoom

# Laura Tricomi wins the Top Legal Counsel Award by Top Legal

**T**hirty-five years old. Classical studies in Lecco. Childhood dreams: donning the robes of a criminal judge, taking on a diplomatic career. Legal studies at Università degli Studi of Milan with a sudden obsession with commercial law. Degree at 23 years of age, a short yet intensive academic journey: assistant in private law, various ongoing publications and a doctorate in Civil and Commercial Law from the University of Venice, with a period of study at King’s College in London. Work at the international legal firms of DLA Piper, Norton Rose and Allen & Overy. At Isagro in 2012.

First place at the Top Legal Corporate Counsel Awards as Emerging Corporate Lawyer 2015 and an award nearly achieved at the finals of the General Counsel Award of Inhousecommunity.

This short summary is certainly not enough to describe Laura Tricomi, Corporate & Legal Affairs Manager at Isagro. There’s much more. And it comes out in her watchword: “R&D. An acronym that I use to describe Isagro’s mission: where R stands for Research, through the study of innovative solutions to offer the company as a whole, and where D stands for total Dedication to the mission dictated by management”.

It is no surprise, therefore, that Laura Tricomi won her first award based on the following reason: “Working with the Corporate Affairs department in the areas of Finance, Administration and Internal Auditing, she monitored all Group transactions, including the capital increase and the issue of Growth Shares, which took place in just four months. Working alongside the Corporate Affairs Department, she handled preparation of all company documentation and disclosure to CONSOB for the industrial partnership with Gowan”.

But she received her most important award at Isagro, on the field. “Among the recognitions of merit received, I



would like to recall two particularly significant ones: the first from the General Counsel of Arysta, upon conclusion of the licensing agreement for Tetraconazole, and the second from a colleague who said to me: “Until you are sure, I’m not signing”. It was then that I knew I was on the right path. I was acquiring - not without effort - my internal confidence”.

Laura has broad shoulders. She gained experience through international studies, which focused mainly on M&A, Real Estate and Contracts.

On December 10<sup>th</sup>, 2012, Laura Tricomi joined Isagro’s Legal Affairs department and began her season as “midfielder”. This definition is her own: “During these years at Isagro, I have grown in the understanding that one must always be ready in midfield, making yourself available to the various company functions and aiming to be both filter and constructor of business, particularly in this sector of Crop Protection products, which requires vast, detailed knowledge. A good teacher in this respect has been Filippo de’ Donato, who occupied the position before me”. The year that Tricomi will not forget is 2013, specifically from July to November. “Tough training months, alongside Management and, in particular, our Chairman Giorgio Basile, to outline Isagro’s business of the future: to invent and pre-develop independently, and to co-develop also on a licensing basis, expanding our direct presence on key markets. I will certainly never forget the Due Diligence with Gowan, working together with a large part of our colleagues to set up the data room and achieve the industrial partnership”.

With regard to that 2013 season - during which high-profile agreements were signed - Laura Tricomi comments: “I entered the pulsating heart of the company during the very phase of change. The future? More research, more dedication. Isagro has entered a new phase of its life”.

## Performance of the share

June 2015-November 2015

The downward trend that characterised the performance of both Isagro share types (Ordinary Shares and Growth Shares) during the first part of 2015 continued during the period June to mid-November 2015 as well: as at November 16<sup>th</sup>, 2015, each Ordinary Share was worth € 1.40 and each Growth Share € 1.03 (record low).

The spread between the two shares was 26% on average, with a low of 20% in September and a high of 33% in the early June.

The average volume traded during the same period was approximately 25,000 for Ordinary Shares and about 18,000 for Growth Shares.

At the end, Isagro's average capitalisation during the period June 1<sup>st</sup>, 2015 – November 16<sup>th</sup>, 2015 was approximately € 55 million, corresponding to just over half of the Group's shareholders' equity value as at September 30<sup>th</sup>, 2015.

