

focus

Dear Shareholders,
with this issue of **Isagro Focus** we are delighted to launch the new version of our newsletter. We have made it digital and interactive so it integrates more smoothly with our website and we can provide our followers with a simple and practical way of keeping up-to-date with what we are doing.

The year 2012, which also distinguished for a 40% increase in EBITDA, closed with a basically zero net result. This result was obtained in a global crop protection market experiencing a substantial growth, but with some specific segments, major focus of Isagro such as copper fungicides in Europe and *Tetraconazole*-based fungicides in the Americas, that were heavily affected by the worst droughts in the last fifty years, particularly in the U.S..

The effects of these droughts, which led to a cyclical, and therefore temporary, fall in sales of what we refer to as our “basic business”, were however more than offset by the larger sales of new registrations - arising from the significant investment in recent years - which led to actual results that were not as good as expected at the beginning of last year but stable nonetheless.

As for this year, we expect 2013 to be influenced by the “carried-over effect” of the 2012 drought, due to the need of selling the over stocks clogging distribution channels at the end of last year. We have already taken action in this regard and will continue to do so also by means of extraordinary operations, coherently with our strategic guidelines, in order to continue supporting our Research and Development programmes, primarily with resources generated from within.

In addition, despite the effects of cyclical phenomena, which are short-term by definition, we have

identified a number of high potential growth areas for our products where we could considerably ramp up our business.

Part of this strategy is the strengthening of our management structure with the appointment of a new *Chief Operating Officer* and *Chief Financial Officer* from within and the recruitment of a new *Group Marketing Director* and *Group Sales Director*.

We are also in the process of crafting the next business plan, to be presented in the last quarter of 2013, which will be nonetheless based on the following guidelines: investment in innovative and independent research, collaboration with industrial partners for the development of products with global potential and the development of a portfolio of generic products to create new blends with our specialty products - originally for the Indian market, where we have had an industrial and commercial presence for 12 years. We are also interested in selectively expanding our direct distribution operations, while financing this project by means of internally produced resources or cash flows from extraordinary transactions and agreements, so to limit the need for new bank debts.

In the pursuit of these strategies - and thanks to revenues resulting from already largely sustained investments - we expect approaching a biennium (2014-2015) of growing results, with a revenue target of € 200 million for 2015.

We will continue to work with passion, driven by our motto “*Italian creativity for plant health*”, which we proudly promote, and we hope that you remain by our side along this journey.

Thank you for taking the time to read this newsletter.
Best wishes,

Giorgio Basile

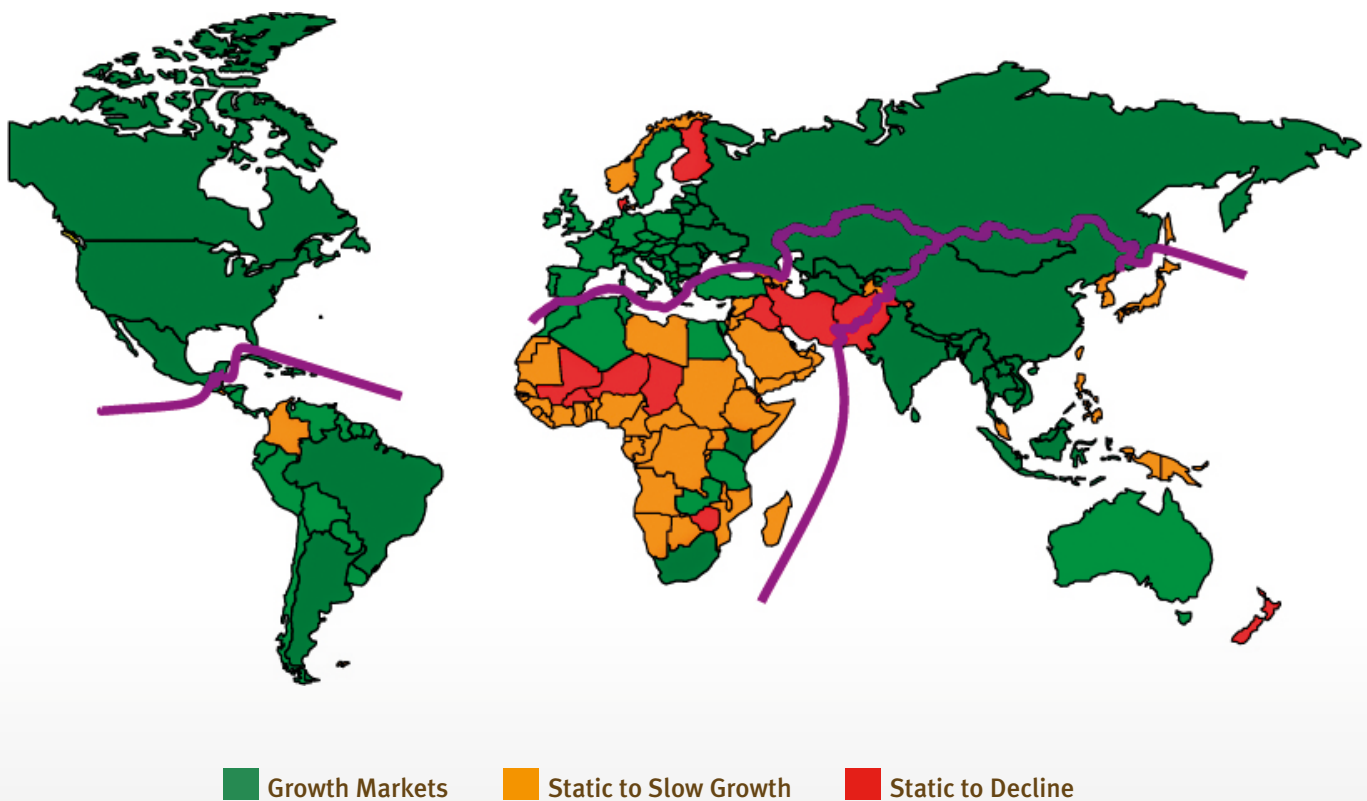
Close-up:

Isagro's market of reference in 2012

2012 was a positive year for the international crop protection market: according to a study by consultants Phillips McDougall, this market reached a value of US\$ 47.4 billion, a 6% increase over the previous year. This growth was driven, among other factors, by high price of agricultural commodities, with the notable exception of cotton.

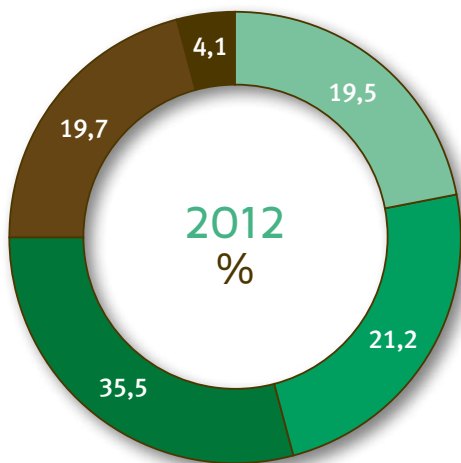
EMEA remains the largest single regional market with a value of about US\$ 12.5 billion, followed by South America and Asia. Despite a growing season that started out with drought in Argentina and in the south of Brazil, South America was the area with the highest growth rate over the previous year (+14%). The outlook for 2013, according to Phillips McDougall, continues to be positive.

In a highly segmented market, even a company like Isagro, relatively small but still capable of carrying out independent and innovative research aimed at discovering new crop protection products, can achieve important results. In fact, there are high potential-growth countries where local operators, who have effective distribution networks but no innovative research, want to access new and more effective crop protection solutions. In this context, in 2012, Isagro achieved its revenue growth target for foreign markets (+9.8%), particularly in the Americas (+33.6%), also due to sales of a new mixture of Tetraconazole + Azoxystrobin in Brazil. Hence, the percentage of turnover generated abroad increased from 76.5% to 80.5%. For 2013, however, Isagro expects a decline in turnover due to









Consolidated turnover by region 2012



- Italy
- Rest of Europe
- Americas
- Asia
- RoW

the reabsorption of the effects generated by the severe drought that affected the United States and Southern Europe, in particular last summer, reducing the consumption of fungicides and leaving behind large stocks of finished goods along distribution channels as of the end of 2012, while sales from the new registrations - obtained in many countries thanks to investments made over the past five years - are expected to grow.

Isagro market share 2011

	Brazil/Cotton/Ramularia	48%
	Japan/Beetroot/Cercospora	40%
	Italy/Olive Tree/Various fungal diseases	54%
	Italy/Vines/Peronospora	12%
	USA/Beetroot /Cercospora	20%
	USA/Soya/Various diseases	12%
	Spain/Olives/ Various fungal diseases	10%
	Brazil/Soya/Rust and secondary diseases	4%

Interview with...

Luca Fusarini



Luca Fusarini, a 54-year old Milan native with thirty years of experience in the world of crop protection products, joined Isagro following the group's decision to strengthen the sales department. With a degree in Agricultural Sciences, he began his brilliant career at the most important companies in the sector.

In 1984 he joined BASF-Agritalia, becoming Herbicides Product Manager four years later. In 1991 he was hired by Solplant-Zeneca as Marketing & Development Manager for Italy. In 2001 he joined Syngenta Crop Protection, initially responsible for national marketing and then expanding his role to include product development for the entire region of South Eastern Europe. He became a member of the Isagro team last summer.

2012 was a good year for the global crop protection product market. What are you expecting for 2013?

We are seeing a rather diverse scenario, characterised by different growth rates according to specific geographic area.

According to current forecasts, Asia and Latin America are expected to continue to enjoy strong growth. And considering the tendency to recover from initial droughts, we may also see considerable growth in North America. The situation is different and less dynamic in Europe, which has been affected by the stock resulting from the 2012 drought in the south, and which had a slow start to the year due to the cold and damp spring. In the primary market for the western area, cereal fungicides, the development of the market of new SDHi-class fungicides will increase the value of the product mix. In Central and Eastern Europe the trend of intensifying farming with a greater use of high-quality products will continue.

Despite some uncertainties, 2013 could still fall broadly into line with the positive trends witnessed in the crop protection product market in recent years.

Up to now, the biggest problems have been caused by the drought in North America, by the negative wheat growing conditions in Argentina and by the unusually cold and wet in climate in Europe in recent weeks.

The Indian market is crucial to Isagro. What strategy will you adopt to guarantee continued growth in this area?

India is one of the most attractive markets. It is already worth 1.8 billion dollars and, most importantly, continues to enjoy impressive growth in the order of 4-6% per year. Isagro has an established presence in the area in terms of production, formulation and distribution.

The positive way that the Group has positioned itself in India allows us to exploit the potential of this market where demand for insecticides and herbicides is especially high.

The market for products with expired patents is also particularly dynamic and we hope to achieve excellent results in this sector.

On the other hand, the challenge has only just begun for Isagro in China. For us, China is an enormous opportunity because the untapped potential there is huge. We are also considering forming partnerships with leading local businesses in this market in order to develop our sales.

We should also point out that the Chinese crop protection market has evolved considerably in recent years, reaching a value currently estimated to be at least \$2.5 billion. Until a short time ago, companies in the industry were concerned mainly with raw materials and products with expired patents. Today, however, also motivated by government guidelines, many local producers are consolidating into more expert businesses, capable of making significant investments, also in R & D. This gives Isagro the possibility of working with strategic partners. The arrival of international companies operating in the sector means the importation of technologies and innovative products that contribute to intensifying China's agricultural production. The Chinese crop protection market has structured itself rapidly, presenting Isagro with new and exciting opportunities to focus on and prioritize.



What products are you wagering on for 2013?

The company's portfolio is very good. At the heart of our portfolio is **Tetraconazole**, which is continually evolving thanks to new formulations and applications. In particular, we are focusing heavily on its soya bean application in South America and its very interesting prospects in North America. We decided to make major investments in the U.S. to remove certain limitations on the use of this product and we expect to reap the benefits of these efforts soon.

We are also expecting significant returns from copper-based products, even if we are aware that they are more affected by climatic conditions, and we believe organic products, particularly our Remedier brand, have great potential.

Works in progress

Isagro strengthens its presence in China



China is proving to be an increasingly important market, even in the field of crop protection products. In fact, in 2011 alone sales increased by more than 14%, coming to over 2.5 billion dollars, and this makes China the fifth largest market in the world for crop protection product sales.

Several factors have contributed to this growth: the reservation of 15% of the land for farming; the presence of a wide variety of crops over a vast area (rice, cereals, corn, fruit, vegetables ...); the government's willingness to maximise domestic agricultural production, also guaranteeing producer subsidies and investing in irrigation programmes and the "regeneration" of rural areas. Still very much an agrarian society, despite the increasing industrialisation and the development of trade and services, China has become increasingly important for Isagro, which has been operating in the country directly since 2007

through its subsidiary Isagro Shanghai Agrochemicals Technical Services.

The general manager and registration assistant work in the Shanghai office, with the mission of directly monitoring the dynamics of the market, providing support to the parent company for new registrations and supporting sales and customer assistance in the area.

The company began operating directly in the country with the distribution of Tetraconazole (Domark 40), which was joined by Orthosulfamuron (Kelion) in 2009. In 2013 the registration of Siapton is also expected to be granted.

The plan for the next few years in the Chinese market includes another very significant milestone in 2016 when a new formulation based on Tetraconazole will obtain approval for use in rice crops. With the introduction of this new product on the market, in 2016 Isagro Shanghai plans to meet its target of doubling its turnover.



2012 results

The year 2012 ended with a basically zero net profit despite the drought that struck the United States and Europe during the summer months, with a negative impact on the fungicide market segments that have a “relative” weight on the overall market but on which Isagro is historically focused. Revenues increased by 3%, mainly due to the contribution of new registrations in key markets such as Brazil that, on the one hand, confirmed the validity of the business model based on the development of new propriety crop protection products and, on the other, successfully absorbed the reduced sales in the “basic-business” area due to drought. EBITDA grew by 40% thanks

to an improved product mix, particularly to the increased sales of Tetraconazole-based formulations, and the substantial stability of fixed costs. EBT, excluding extraordinary items, came to 2 million euro compared to a loss of 5 million euro in 2011, while the net profit amounted to 0.2 million euro.

The net financial position increased by 5 million euro, reaching, at the end of 2012, a level of 62 million euro, with a significant improvement in terms of maturity thanks to the attainment of the first instalment (€ 15 million) of a medium to long-term loan from the European Investment Bank to finance Research and Development projects.

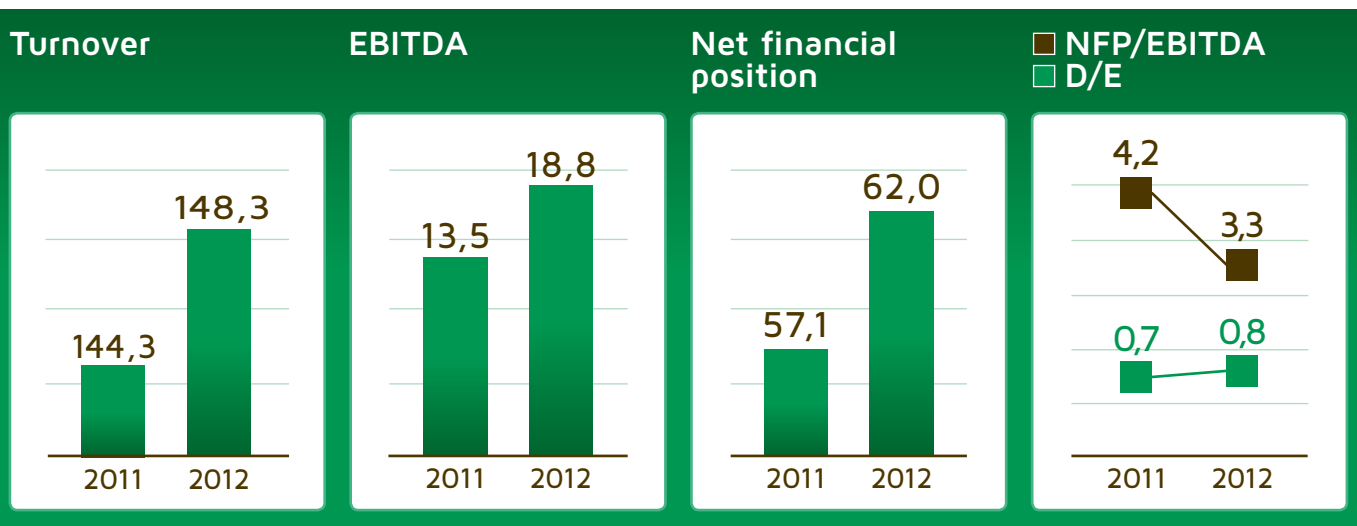
Total revenues

Consolidated revenues: 148 (3,0%)



Results 2012 vs. 2011

Million of €

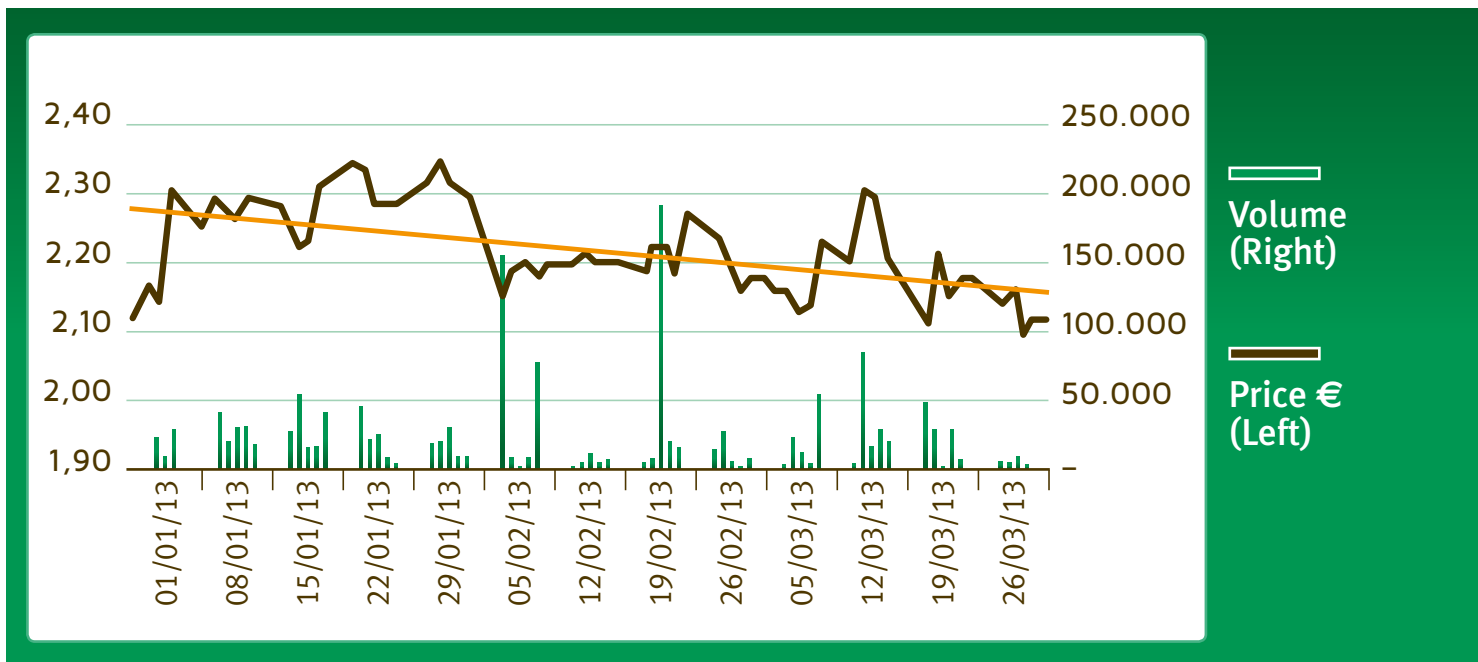


Financial data

Value

Since January 2013, Isagro shares have registered a downward trend, touching a minimum of 2.10 euro at the end of March. In particular, after an initial increase in January that pushed the share price up to 2.34 euro, in the first days of February, a surge in sales brought the share price down to 2.20 euro, a value that persisted until the end of February, if we exclude the intraday maximum of 2.45 euro recorded on 20 February following the announcement of the agreement with Syngenta for the distribution of an organic fungicide in EMEA. At the beginning of March a new bearish phase began that lasted until the end of the month, with the notable exception of the increases that occurred in the week prior to the announcement of the consolidated results for 2012.

We consider this trend and the consequent share price to be inconsistent with the “structural” growth expectations once the effects of the drought are overcome (which will continue in 2013 with a “drag-effect”) and, at the same time, with the actual liquidation value of Isagro, largely in excess of the book value - even considering that at the current prices the share is positioned at around the middle of the book-value.



ISAGRO in the world



News from the world of ISAGRO

Isagro has a new home in Vietnam

The new representative office is opened in Ho Chi Minh City, Vietnam.

This is another important step for the development of the group in Asia, a project that began in 2001 with the acquisition of the agrochemical division of RPG and continued in 2007 with the creation of the Chinese affiliate Isagro Shanghai. The representative office in Ho Chi Minh City will be the hub of Isagro's activities in the Vietnamese market and neighbouring countries.

