

focus

Dear Shareholders,
the newsletter you are reading is the set of reports on commitments undertaken and a register of the projects-commitments we can expect. Let's consider the first point: the promise of better results, made after reporting the not wholly satisfactory 2013 figures. Well, the first half of 2014 closed with revenues up 20% on the same period of 2013, and a significant increase in all the profitability indicators. But there's more. Two commitments undertaken to boost Isagro, i.e. the definition of a major business partnership and the share capital increase to allow growth, were both achieved in full. As regards the future, i.e. the strategic turnaround for Isagro, the work being carried out is intense.

To go into detail. First and foremost the **business partnership** achieved through the alliance with Gowan, heralding important synergies and which has seen significant investment in Isagro by Gowan. Of course, 2014 will still feel the negative effect of stoppage of the previous distribution channel in USA, but the alliance - in the medium/long term - will certainly lead to the enhancement of Isagro's position on the market, initially in the United States and Italy. Then as regards the second commitment, in mid June, Isagro completed a **share capital increase** of € 29 million, fully subscribed by the control system and the market. The funding obtained on the market will be used to develop new products.

But it is the future, that we are working towards now, that will give meaning and substance to everything

achieved thus far. The strategic and operational boost can be summarised on one word: Licensing. Isagro plans to continue its innovative research activities independently, but also aims to develop new molecules and new products in partnership with others. Licensing is the tool for operating in the future. It involves exploiting Isagro's intellectual property which, despite investing directly in R&D on new molecules, is not extensive enough to allow direct operations in all markets where, potentially, this capital could give rise to sales. To overcome this obstacle we have started up the new Licensing business area, founded on granting licence rights to third parties for the development of products/mixtures based on Isagro's proprietary active ingredients, against recognition of an upfront payment. In addition, Isagro aims to finalise medium/long-term supply agreements with the licence holders for these active ingredients. In this respect, in November 2013 Isagro signed a contract with the Japanese multinational Arysta, which acquired user rights on an Isagro active ingredient, Tetraconazole, for the development of new mixtures.

With a view to maintaining these commitments, Isagro's 2014-2018 Business Plan proposes an increase in revenues from € 140 million in 2013 to € 232 million in 2018. In the same period, EBITDA is expected to more than double, rising from € 15 million to € 31 million. Full steam ahead, therefore, with faith in our vocation: "Italian Creativity for plant health". I thank you all once again and wish you a happy return to business.

Giorgio Basile

Close-up

Growing results in the first semester



For Isagro, the first half of 2014 closed in a positive manner, clearly overcoming the critical points of 2013. Sales increased and the drag effects of the 2012 drought came to an end. This growth in numbers is only the first step in a more complex and ambitious corporate development strategy for Isagro, based on five strategic guidelines and three new markets. We should mention that development, to be discussed further later in this report, is something very different to mere growth of financial statements figures, because it involves a strategic vision that encompasses all the dimensions of the company, involving all its human resources and cultural factors.

Revenues in the first half of 2014 came to € 72.9 million, up € 12.2 million (+20.2%) compared to the € 60.7 million of the first six months of 2013. Sales increased, especially in Italy (+35.5%) and the Americas (+32.8%). Isagro's "Italian Creativity for plant health" is appreciated the world over, so much so that the percentage turnover beyond Italy tops 75%. EBITDA for the first half of 2014 was € 6.9 million, up € 5.4 million on the same period of last year. The improved profitability derives from the higher turnover, but also from the increase in sales margins at Group level, particularly for copper-based products (with Airone recording the greater added value). All of this against a fixed cost structure that has basically remained stable. So Isagro closed the first half of 2014 with an operating result of € 2.6 million, recording a € 5.9 million improvement on the loss of € 3.3 million of the first six months of last year. Group profit for

the half year stood at € 0.8 million, as opposed to the loss of € 6.6 million loss as at June 30th, 2013. The consolidated net financial position (NFP) as at June 30th, 2014 was € 26.5 million, down € 27.4 million compared to € 53.9 million as at December 31st, 2013 as a result of the share capital increase that had increased the company's funding by almost € 29 million.

FUTURE GOALS

The **Business Plan** developed by Isagro for the period 2014-2018 is based on five strategic lines:

- defining guidelines on the innovative research and performing the related activities in a fully independent manner;
- in the development of new products, following two forms of action: in partnerships for new investment-intensive active ingredients with worldwide sales potential; autonomously to develop the active ingredients with sales potential in specific segments/areas and moderate levels of investment;
- developing the new Licensing business area, thereby also adding to the core business of sales of proprietary formulated products the promotion of active ingredients by granting rights related to proprietary products - against the recognition of upfront payments - and by signing long-term supply agreements;

- as opportunities arise, continuing also the local development through the launch of new generic products first in India-by taking advantage of Isagro's consolidated presence in this market;
- through business activities, maintaining a level of financial liabilities that does not exceed net working capital.

The Business Plan expects to reach a turnover of approximately € 230 million in 2018 investing in the five years from 2014 to 2018 approximately € 80 million in investments, over € 60 million of which in Research and Development. With particular reference to the investments in Research and Development, they are mainly represented by:

- completion of the registration dossier for the SDHi broad-spectrum fungicide (the launch of which is planned by the end of the Plan period) targeting the main reference markets (Europe, United States, Brazil and China) and for the new fumigant in the United States;
- the setup of new registration dossiers for propriety products and formulations based on proprietary active ingredients;
- the implementation of studies on the extraordinary protection of proprietary products;
- the option from 2017 of starting the development of a new product, the result of innovative Isagro research.

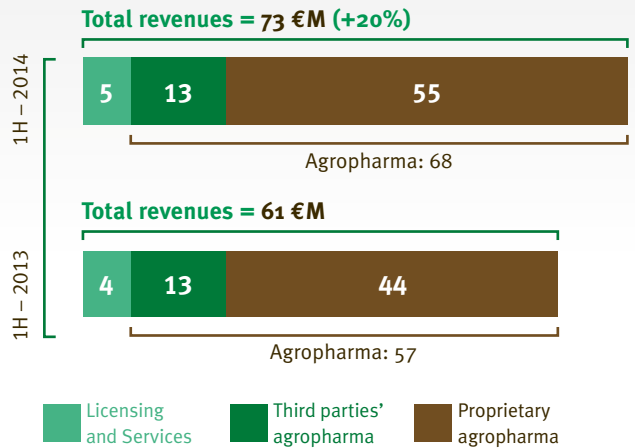
THREE BUSINESS AREAS

The revenues envisaged in the Business Plan come from three business areas:

- 1 Crop protection products.** The development of revenues in this area, which will be the key area, shall be the result of:
 - synergies from the alliance with Gowan;
 - development of the sales of Tetraconazole-based mixtures, also through label extension, in the Americas;
 - launch of the new fumigant in the USA in 2014 and then in the Mediterranean Area;
 - growth of Kiralaxyl sales by obtaining import tolerance for the USA and the development of new mixtures and new registrations;
 - development of sales of the new copper-based product Airone;
 - launch of new generic products in India.
- 2 Licensing.** Activities to enhance and exploit the Group's intellectual property assets, with the recognition of upfront payments, through the granting of development rights to third-party operators (by such operators) for mixtures/product combinations between their own active ingredients and those owned by Isagro, and the signing of long-term supply agreements.
- 3 Services.** Sales of services under contract to third parties, using the production capacity available at the Group's plants, plus research and development, using the R&D capacity of its sites in Novara (laboratories) and Galliera (field testing).

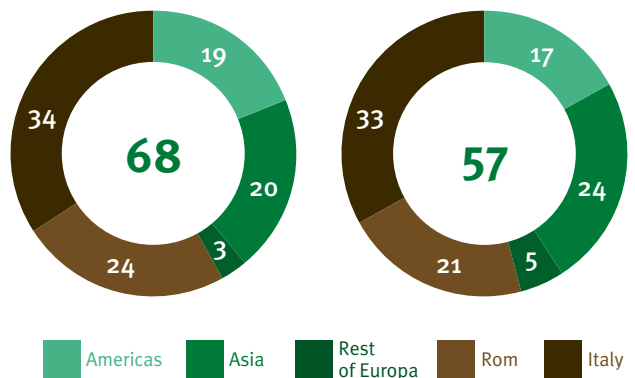
CONSOLIDATED REVENUES

Revenues breakdown by product category



CONSOLIDATED REVENUES

Revenues breakdown by region (agropharma only)



Photograms

Isagro and Gowan in Italy

«**T**his partnership combines Isagro's research capacity with Gowan's experience in the field and contact with the market. The first originates from excellent scientific creativity in the laboratory; the second began in the vegetable gardens of Arizona and later spread worldwide».

With these words **Juli Jessen**, CEO of the **Gowan Group**, announced a year ago - July 2013 to be precise - the strategic alliance between Isagro and the Gowan Group, a United States group operating in the crop protection products sector.

Now, over a year later, it is time to report on the fruits of the first six months of cooperation.

REORGANISATION AND ENHANCEMENT OF THE DISTRIBUTION STRUCTURE

In the first six months of this year the Isagro and Gowan teams focused on organising the joint distribution start-up of over 20 products.



For Isagro it was necessary to interact with all group departments - from Regulatory to Marketing, Supply Chain to Communications - with the aim of building an all-round partnership with the Gowan Team and quickly enter the market, given the imminent start of the agricultural year. «And we've managed it, starting from nothing», says Isagro's area manager for

Italy, Giovanni Tiglio. «The products were identified; dedicated trademarks have been registered; the product image has been enhanced, using all leverage possible: from packaging graphics to advertising on specialist media and even dedicated brochures; the correct market positioning has been analysed with the brand launched at the Gowan Convention at the beginning of 2014 and at numerous meetings held all over the country.

Thanks to the joint expertise of the Isagro and Gowan Teams we entered the market very quickly, in view of the fact that the first months of the year are strategic to business development.

The key words were: enthusiasm - transparency - flexibility.»

SKILLS AS THE FOCUS

Skills are the focal point of the Isagro-Gowan integration tasks,

and circularized because the Italian crop protection products market is at a turning point, a time of major changes. And not only because the country is third in Europe behind France and Germany in terms of sales. As never before, the Italian agricultural industry calls for innovative products and the right skills to go with them. Italy is the country with the European record: we know how to work the land.

The added value per hectare of land, i.e. the net wealth produced per unit of surface area in Italian agriculture is more than triple that of the UK, and double the French, German and Spanish yields. This despite having only half the cultivated surface area that France has. «This is why in these last six months, working alongside Gowan, we haven't neglected any form of "knowledge transfer" in relation to our formulations: from meetings held to illustrate the product lines, to animated onsite testing to present the products, preparation of the product technical sheets (circulated in catalogues, brochures and online via the **Gowan Italia web site**) and visits to the Adria plant (Rovigo)», Mr Tiglio continues.

«Furthermore, we are convinced that Italian farmers, now more than ever, prefer a hands-on approach. This is why we organised numerous meetings with customers to present the main products in the Isagro range: Domark (a Tetraconazole-based fungicide), Remedier (a biological crop protection product) for use against leaf streaking in vines, and Airone Più (an innovative copper-based fungicide) designed for use on a vast range of crops. And we'll be reorganising these meetings as we replicate the visits to Isagro plants. The meetings at the Adria plant, for example, offered Gowan customers the opportunity of learning about the production method for the copper-based "Fluid Bed Technology", an innovative approach allowing the formulation of high quality copper-based products: compact, equal-sized granules, powder-free and highly water-dispersible. In practical terms the benefits are: excellent efficacy, selectivity and adhesion to the plant matrix».

NEW PROJECTS: IN ARRIVAL, FANTIC A TO CONTROL DOWNY MILDEW

Isagro-Gowan projects span several years. For example, the multi-year project for Fantic A, a fungicide to control downy mildew in a variety of crops such as vines and tomatoes. This market segment is worth €



30 million in Italy, spread across the entire country from the Alps to the islands. Fantic A is due for launch in 2016, but work is already in progress on the pre-launch with efficacy testing throughout the country and the organisation of site visits with the Gowan Italia team and the Dealers. The idea is to gain 5% of the market in the first year. With Fantic A the plan is to develop the same concept as for Remedier: offer innovative solutions and open new market

niches. This remaining ever ready for the cycles imposed by nature, which are not always predictable and therefore call for flexibility and speed. An example? Spring this year “blessed” Northern Italy with copious amounts of rainfall, which led to an increase in orders of Isagro fungicides. This meant we had to be ready to meet demand, both at production and at distribution stages.

A word with...

Giovanni Tiglio: “the challenges of the future”



«Italian agriculture is undergoing a profound transformation: farmers are increasingly becoming businessmen, taking on all the responsibility of business risk. For this reason they look for reliable partners. Gowan Italia and Isagro are here to help them with this change». The words of **Giovanni Tiglio**, Area Manager for Italy with Isagro S.p.A. since January 2014. His position allows him to explain the complex yet exciting start-up of a multi-year process destined to enhance the Isagro molecules portfolio - particularly focused on biological and synthesis fungicides - through the distribution partner, Gowan Italia.

Q. *You have brought twenty years' experience in the crop protection products sector to the Isagro-Gowan project. What is changing in this market?*

A. The experience gained since 2006 in the Sales and Marketing Division of Syngenta Crop Protection, as well as

the one with Belchim Crop Protection, gave me an inescapable compass: stay focused on the end customer, which in Italy is evolving at remarkable speed. In Italy we are moving away from fragmented land ownership towards a fast grouping into much more extensive acreage. Agriculture is therefore facing a reorganisation of its labour and is handling it, also thanks to a generation - albeit still in a small percentage - that is younger and well-educated, that demands efficacy, fair prices and safety for the operator and consumer from the crop protection products industry. These are farmers who learn about every detail of the products - especially now in the digital and smartphone era. From the Internet to text messages, social media to sector portals; there is no resource not used by a farmer. They compare efficacy among different products, compare prices, demand compliance with national and European laws. In short, farmers are increasingly becoming businessmen, taking on all the responsibility of business risk. For this reason they look for reliable partners. Gowan Italia and Isagro are here to help them with this change.

Q. *The results?*

A. «At this moment in time I can say that the sales targets have been reached the preset budgets. But what's more important is the quantity of products launched under the Gowan Italia brand name. In addition to the fungicides available now in the catalogue we

have added Deltamethrin-based insecticides and Isagro's range of pheromones. A quantitative response with a high quality content that responds to a market - the Italian one - that is extremely important. In Italy crop protection products market is worth € 800 million at Distributor level. Italy is in third place behind France and Germany, with a specific feature: here, unlike for our cousins beyond the Alps, everything is grown, from cereals to fruit, vegetables to flowers - especially vines with 700 thousand hectares cultivated across the country. Gowan Italia has offered the market an innovative product like Remedier by Isagro, particularly for the control of leaf streaking. Another product with enormously satisfying results is Domark, in which strong investment was made for its relaunch, through field studies and through marketing and sales research. Obviously, in line with the philosophy behind the agreement with Gowan, this will involve all the skills of both teams».



Q. *Considering broader scenarios and compared with Europe. What is the future of Italian agriculture? And which role will Gowan and Isagro play?*

A. «The future in Europe lies in sustainable farming, where the utilisation stage of crop protection products is regulated so as to better protect the health of the operator, consumer (products that leave no residue) and the environment. So crop protection calls for a mix of both biological and synthesis products. This decision can now be found throughout EU legislation. Those who fail to comply with current directives and those being written will not receive economic support from the European Community. For Isagro and Gowan Italia this is a major league challenge. We are

seeing a change in the level of size and professionalism of farm produce growers in Italy, and consequently also in the selection of distributors and technical means. A decline will be seen in the number of operators, aligning with the figures for other countries. In France there are around 300 distributors; in Italy there are 3 thousand. I believe that Isagro and Gowan have expertise and professionalism on their side for the future challenges, but most of all the ability to work alongside the distributors and Italian farmers, intercepting their special skill in producing good raw materials, without losing sight of sustainability, innovation and tradition».



Zoom

Environmental Report: transparency and responsibility

«I am myself plus my circumstance and if I do not save it, I cannot save myself.», wrote the philosopher José Ortega y Gasset, referring to his environment not only in the ecological sense, but also as the set of people and situations that surround us and that allow us to live. True to this principle, for Isagro environmental management has always been of strategic importance and lends balance to the entire enterprise.

The **Environmental Report**, now in its twelfth edition, is a useful means of informing our stakeholders of the ways Isagro operates on the market, assessing the environmental impact of our corporate processes and products.

But how can the sustainability of a company be measured? Some of the key values on which Isagro has always opted to base its operations are *transparency, managerial skills and responsibility*. By transparency we mean the commitment to clearly and promptly reporting the facts and events of the company. By managerial skills we refer to the way our

managers operate, with an organisational, distributional, functional and efficient vision able to adapt to new market scenarios. Last, but no less important, is responsibility, i.e. the constant commitment to creating products that are safe, selective, effective and economically affordable.

A firm expression of this philosophy is Isagro's strong and constant involvement in Federchimica's Responsible Care programme, which formalises the intention of continuous compliance with agreed parameters in terms of safety and environmental protection, and maximises the commitment through constant upgrading of industrial production.





January 2014 - September 2014

Performance of the share

Ordinary Shares Isagro and Growth Shares Isagro: history of the last nine months

The first eight months of 2014 were characterised by the Isagro share capital increase successfully completed on May 21st, as a result of which the Company collected around € 29 million, also by introducing a new category of special shares to the market: Growth Shares.

The uptrend seen in the Isagro [share performance](#) in the last few months of 2013, which began following disclosure to the market of the alliance with Gowan, continued until just after the start of April 2014.

After opening the year with prices of almost € 2.3, the Isagro share reached € 3.0 on April 3rd (with approximately 1 million units traded that day), i.e. the day after publication of the 2014-2018 Business Plan. Then on April 7th, when the Financial Statements as at December 31st, 2014 and the share capital increase were approved, the peak value for 2014 of € 3.08 was recorded.

April 22nd was the opening date for the rights issue to shareholders of 7 million new Ordinary Shares and 14.175 million new [Growth Shares](#), offered together and at the same subscription price of € 1.37 each in indivisible packages of

40 Ordinary Shares plus 81 Growth Shares for every 100 Ordinary Shares held.

On May 21st the share capital increase ended with the final subscription of 6,999,960 Ordinary Shares and 14,174,919 Growth Shares, for a total value of € 29,009,584.23 (therefore 40 Ordinary Shares and 81 Growth Shares remained unsubscribed for a total value of € 165.77).

May 16th saw the debut of the Growth Shares on the STAR segment of the Italian Stock Exchange.

It should be remembered that the Growth Shares are a new category of special shares specifically designed for companies with a controlling entity (in Isagro's case, Piemme S.r.l.), which envisages (i) against the absence of voting rights an extra dividend compared to Ordinary Shares (for Isagro equal to 20%) when a dividend is approved for the Ordinary Shares, and (ii) an innovative protection mechanism for the investor by which, if the controlling entity loses its control and in any case of compulsory public offer, the Growth Shares are automatically converted to Ordinary Shares.

For these reasons Growth Shares and Ordinary Shares were

Performance of the share

offered on the market at the same price, and the company considers the current level of the spread between the two categories (26% as at August 31st, 2014) to be completely irrational in economic terms.

In absolute terms, from the second half of May both share categories recorded a downturn, both in terms of price and volumes, which halted in the first ten days of August (for the Ordinary Shares) and at the beginning of the last ten days of July (for the Growth Shares).

The Ordinary Shares gradually declined to touch upon € 1.62, the lowest for 2014, on August 8th. From the following day, also aided by the good half-yearly results published on August 6th, the share saw a recovery in market value that reached € 1.8 at the end of August.

The Growth Shares saw an almost identical trend. After closing the first day of trading at € 1.86, the price gradually fell to its lowest value of € 1.26 euro recorded on July 22nd, then the trend reversed to reach € 1.33 at the end of August.

During the month of September, the trend of Share price (both for Ordinary Shares and Growth Shares) reflected the downward trend that has characterized the entire market.

The values recorded as at September 30th, 2014, ie EUR 1.78 for Ordinary Share and 1.43 euro for Growth Shares, the market capitalization of Isagro corresponds to about two-thirds of the Equity book value of the Company.

