

PRESS RELEASE

ISAGRO COMMUNICATES 2014-2018 BUSINESS PLAN

which foresees at end of period:

- Revenues of around 230 Euro million
- EBITDA of around 30 Euro million

and assumes:

- the hypothesis of a capital increase to be finalized in the first semester of 2014, for a total amount of around 29 Euro million (out of which 16 Euro million by the Controlling System of Isagro)
- investments for around 80 Euro million, out of which around 60 Euro million for R&D
- return to dividend from 2016 (on 2015 expected Net Result), with the start of a stable dividend policy based on a *pay-out* ratio of around 40% of Net Result

Milan, Aprile 2nd, 2014 – Isagro SpA communicates that it made available to the public on its corporate website www.isagro.com, the 2014-2018 Business Plan (to which make reference for further details), approved by the Board of Directors on March 4th but subject to the issue of a comfort letter by the audit firm Deloitte & Touche S.p.A., that was released today.

1. STRATEGIC GUIDE-LINES

The action of Isagro shall be led by the following five Strategic Guide-Lines:

1. to define and to manage the activities of Innovative Research, which do not require a large scale nor large financial resources, in full autonomy;
2. to operate in the Development of new products (i) in partnership for the new active ingredients / products having a world-wide market potential and requiring large investments (ii) in autonomy for the new active ingredients / products having a market potential limited to specific areas / segments and requiring a reduced level of investments;
3. to focus the managerial action on market, clients and sales, thus adding to the core business (i.e. commercialization of proprietary agropharma) the valorization of the active ingredient also by means of licensing agreement and operating as a Supplier of “technical products”. In such a way,



the Group shall exploit the potential of its invention along the following three “dimension”: (i) divesting new molecules that it is not its interest to develop, (ii) operating as a supplier of active ingredients, also based on license agreements and (iii) operating as a seller of finished / formulated products;

4. to pursue the Local Development in markets having a high potential, through: (i) the launch of new generic products initially in India, leveraging on Isagro’s consolidated presence in such a market and (ii) the direct distribution presence, on an opportunistic basis, on selected markets;
5. to have financial debts only for the working capital, with the fixed assets financed by the Equity,

2. KEY WORKING HYPOTHESES

- **Revenues** of the Group from three Business Lines:

- “**Agropharma**”: discovery, development, manufacturing and commercialization (along with direct distribution in those Markets where the Group already has direct distribution presences) on a global scale of proprietary Agropharma. The Group is aiming at developing revenues from such business line thanks to:
 - i. synergies from the strategic Alliance with Gowan (yielding a negative impact in 2014 due to the discontinuation of the current distribution channel in US);
 - ii. development of sales of Tetraconazole ready mixtures and label extension in the Americas;
 - iii. launch of anew fumigant in the US in 2014 and in the Mediterranean Area from 2015;
 - iv. growth of sales of Kiralaxyl thanks to (i) the obtainment of the import tolerance in the US, (ii) the development of new mixtures and new registrations and (iii) the contribution of the new partner Gowan in Italy;
 - v. development of sales of new copper product Airone;
 - vi. launch of new generic products in India;

With reference to such business line, revenues have been estimated around 137 Euro million in 2014 and around 225 million in 2018;

- “**Licensing**”: activities of value extraction from the proprietary know-how of the Group, mainly through: (i) granting to third parties the rights to develop mixtures with Isagro’s and third parties’ active ingredients, against upfront payments, (ii) the regulatory/registration



support by Isagro and (iii) mid/long term supply agreements for proprietary active ingredients.

Isagro assumes to finalize further agreements in line with the 2013 one with Arysta, obtaining upfront payments for a total amount of 13 Euro million in period 2014-2017;

- “**Services**”: sale to third parties of (i) Toll Manufacturing services, utilizing the spare capacity of the manufacturing plants of the Group, and (ii) R&D services, exploiting the R&D know how in the sites of Novara (laboratories) and Galliera (field tests). With reference to such business line, revenues have been estimated around 7 Euro million in 2014 and around 7.4 million in 2018;
- **Investments** in 2014-2018 for around 80 Euro million, out of which around 60 Euro million for **Research & Development**, to be mainly addressed to:
 - Completion of the registration dossier of the broad spectrum fungicide SDHi (to be launched after planning period) for the main related Markets (Europe, United States, Brazil, China) and of the fumigant in Europe and in the United States;
 - Realization of new registration dossiers for proprietary products and for proprietary active ingredients based mixtures;
 - Studies for proprietary products Extraordinary Defense purposes;
 - Potential start, from 2017, of development of a new product, result of Isagro discovery activities;
- **Labor Cost** estimated considering, with reference to Isagro SpA, rationalization in 2014 (with full effect from 2015) and the average labor cost variation linked to contractual wage increases and wage policy. With reference to the other Group’s entities, labor cost has been calculated considering the relevant wage policies and local inflation (particularly significant in India);
- Overheads dynamic estimated considering in particular inflation rate as well as some minor additional costs linked to the estimated huge growth of revenues during the Plan period;
- hypothesis of a **capital increase** within first semester 2014 for a total amount of around 29 Euro million, by means of a joint issue of Ordinary Shares and Growth Shares to be offered in option to the Shareholders of Isagro, by means of indivisible blocks (“pacchetti inscindibili”). Out of such amount, around 16 million Euro will be subscribed by the Controlling System of Isagro through the exercise of the option rights pertaining to the majority shareholder Holdisa, while a counter-value of around 13 million Euro shall be offered in option to the minority shareholders. The proceeds coming from the capital increase above shall be utilized:

- with reference to the portion of capital increase to be offered in option to the minority shareholders, for the financing of the co-development of new broad spectrum fungicide SDHi and for the development of the new fumigant for the countries of the Mediterranean area;
- with reference to the portion of capital increase to be offered in option to the majority shareholder Holdisa, for the financial strengthening of Isagro – such that the net fixed assets less the severance indemnity fund is fully covered by equity – and to the financing of the other investments.
- Subject to the achievement of the Business Plan results, Isagro shall start again a stable dividend policy, based on a 40% pay-out ratio vs. Net Result (excluding extraordinary incomes), beginning from 2016 (on 2015 Net Result).

3. ECONOMIC ESTIMATES

The economic estimates for Revenues and EBITDA of the Group for the period 2014-2018 are here below reported.

(€/million)	2013	2014E	2015E	2016E	2017E	2018E
Revenues	139.8	152.0	170.3	191.0	211.4	232.4
EBITDA	14.8	14.8	18.6	24.1	27.9	30.9

Isagro S.p.A. is the holding company of a group which, in twenty years, has become a qualified operator in the agrochemicals business, with global sales of around € 140 million and over 600 employees worldwide. Listed on the Italian Stock Exchange since 2003, Isagro is active in the innovative research, development, production and marketing, on a worldwide scale, of proprietary agrochemicals, as well as in their distribution in some key markets.

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