



## **AgroGeneration (pre-merger footprint) reports first-half 2013 results**

**The combined Company (post-merger footprint) full year harvest  
should reach 450,000 metric tons**

Paris, 26<sup>th</sup> November 2013

**Michael Bleyzer, Chairman of AgroGeneration's Board of Directors, said:**

*"2013 has been a year of major changes for AgroGeneration. The company has completed the merger with Harmelia, creating a large, well-diversified farming enterprise in Ukraine. This combination created a platform for a significant growth in the short to medium term due to synergies, economies of scale, and better efficiencies. The agricultural sector in Ukraine is entering consolidation stage due to a unique role Ukrainian agriculture will play in solving global food security crisis, and the potential Ukrainian black soils offer to the world. As a result an interest to Ukrainian agriculture from regional and global investors continues to grow. The merger positions AgroGeneration as one of the significant players in this consolidation process.*

*Our total production of grain and oilseed in 2013 will reach 450,000 tons, beating our earlier estimates of 400,000 tons. The harvesting season is almost over in Ukraine with only some corn harvesting still continuing in selected regions. The teams at AgroGeneration and Harmelia continue to make good progress in integrating the business and improving efficiencies. We anticipate significant savings next year as a result of the merger that will contribute directly to the bottom line. Our agronomists, engineers, planners, economists and business analysts are working hard to make 2014, our first full year of the combined Company operations, a great success. The most important elements of this success will be improved yields and quality of our products, as well as significantly improved efficiency of farming operations.*

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*To accomplish these goals we have engaged Texas A&M, one of the global leaders in agricultural research, with the objective of bringing the latest agricultural science to the best, most fertile lands in the world. AgroGeneration and Texas A&M AgriLife Research, the agricultural research agency of The Texas A&M University System, have initiated the evaluation of key crops in Ukraine as a first step in developing a comprehensive model for improving production of wheat, corn, and other crops. Both parties are in discussions to expand this project to develop systematic approaches to analyzing and upgrading agricultural production systems worldwide to meet the challenge of feeding the world's growing population and improve global stability through food security.*

*However, 2013 has also been a very difficult year for most agricultural companies due to overproduction of corn in the US and globally, and the resulting collapse in corn and other agricultural commodity prices. Corn prices declined 40% YTD (36% YOY), with wheat prices declining 24.4% YTD (21.4% YOY). Sunflower prices declined 35.3% YTD (26.9% YOY). Barley prices declined 26.2% YTD (24.1% YOY). Other agricultural commodity prices saw similar declines in 2013. Both Harmelia and AgroGeneration (pre-merger footprint) delivered good yields in most of our products, which were significantly higher than national average. The total production volume has also exceeded the original plan by a good margin. But these accomplishments were not sufficient to offset the dramatic decline in commodity prices. The price declines will, however, have a favorable impact on the purchase price of our inputs in 2014.*

*The half-year results published today reflect only former AgroGeneration footprint. Given the seasonality of the business, we anticipate, for the second half of the year, a positive EBITDA on AgroGeneration's former scope, which will result in reducing the EBITDA annual loss. These results are not representative of the new scope of the Group, given the fact that Harmelia is more profitable; on 2013 full year, Harmelia should deliver a slightly positive EBITDA, before merger costs.*

*While we are disappointed with 2013 results, we believe that long-term trends for agricultural commodity prices are still intact, and the opportunities for Ukrainian agriculture to make a meaningful contribution to the solution of the global food security crisis are still there. But the volatility of commodity prices will also be there for a long time. It is our belief that to be a successful business in this environment we at AgroGeneration must focus on being the best at executing our strategy under any conditions and circumstances. The Board and the management team of the company are singularly focused on that. ”*





### **Note on accounting impact of the merger**

As the merger agreement was signed after 30<sup>th</sup> June 2013, however, the statements published today for regulatory purposes are those reflecting AgroGeneration's pre-merger operations.

In contrast, the full-year 2013 financial statements to be issued by AgroGeneration will be those of Harmelia for 12 months, with AgroGeneration consolidated over the three months from 1<sup>st</sup> October to 31<sup>st</sup> December 2013. According to international accounting standards (IFRS), when the acquired company becomes the majority shareholder of the acquiring company, the financial statements used to present the activities of the current financial year should be those of the acquired company for the period preceding the consolidation.

### **Interim 2013 results for AgroGeneration**

AgroGeneration has published its interim 2013 financial statements, impacted by the decline in crop prices across the world. This is what accounts for nearly all of the negative change in biological assets.

#### Consolidated income statement for the first half of 2013

(in k€)	H1 2013	H1 2012
<b>Turnover</b>	<b>11,836</b>	<b>10,256</b>
Other income and operating expenses	-	-
Biological assets – valued at fair value	(8,448)	5,753
Cost of sales	(13,600)	(12,205)
<b>Gross profit</b>	<b>(10,212)</b>	<b>3,804</b>
Selling, general and administrative expenses	(3,885)	(3,994)
Other expenses	64	97
<b>Operating income</b>	<b>(14,033)</b>	<b>(93)</b>
Net financial income	(2,283)	(1,415)
Tax	184	296
<b>Net income</b>	<b>(16,132)</b>	<b>(1,212)</b>
<b>EBITDA<sup>(1)</sup></b>	<b>(11,699)</b>	<b>1,712</b>
<b>Equity</b>	<b>16,106</b>	<b>38,965</b>
<b>Net debt</b>	<b>43,198</b>	<b>23,163</b>

<sup>(1)</sup>EBITDA: Operating income plus depreciation and provisions

#### **Turnover**

In H1 2013, the Group posted sales of €11.8 million, up 15%. Turnover included sales in Ukraine of €9.3 million in inventoried products from the 2012 harvest and €2.5 million in initial sales from the 2013 harvest in Argentina.

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#### **Gross profit**





Gross profit was €(10.2) million. This accounting loss broke down into:

- €(7.3) million deriving from an adjustment to the fair value of biological assets as of 30<sup>th</sup> June 2013 compared with costs on crops already planted as of 31<sup>th</sup> December 2012;
- €(1.7) million deriving from the difference between the sales price of inventories compared with their value as of 31<sup>th</sup> December 2012;
- €(1.3) million deriving from the fair value calculation of biological assets as of 30<sup>th</sup> June 2013 compared with costs on crops planted in the Spring;
- €0.1 million deriving from slightly higher results compared with the fair value of biological assets calculated as of 31<sup>th</sup> December 2012 (better yields).

### **Operating income / EBITDA**

Operating profit was €(14.0) million. Selling, general and administrative costs were held in check during the period at €3.9 million, identical to the year-earlier period, even though they included merger costs of €0.3 million.

After restating for depreciation and provisions, EBITDA stood at €(11.7) million.

### **Net income**

After accounting for financial expense, which was up €2.3 million, and income tax, net income was €(16.1) million.

### **Balance sheet / Cash flow statement**

Equity on the balance sheet, after accounting for the results of the first half of the year, amounted to €16.1 million.

During the first half, the Group undertook capital expenditure of €3.5 million (compared with €5.4 million in H1 2012), of which €2.9 million related to agricultural machinery and €0.4 million to leasehold rights.

The net debt amounts to 43.2 M€ as of 30<sup>th</sup> June 2013 and includes 19.6 M€ of long term bond debt. This figure takes into account the strong seasonality of the cash requirements, with a high working capital needs at this time preceding the revenues from 2013 sales.





## Outlook

For the 2013 season, 110,098 hectares of land were planted in Ukraine. Crops already harvested (wheat, rapeseed, barley, peas, sunflower and 70% of corn) represent 103,231 hectares, or 94% of all cultivated land. Total production for the combined Group is expected to be in the vicinity of 450 000 tons, an improvement over the expectation of over 400 000 tons in May. This makes the post-merger entity one of the largest pure crop producers in Ukraine.

Even though the prices of agricultural commodities are currently less favorable, the Group believes the value of annual production in the newly merged company will total around €70 million. As for the second half of the year and, given the seasonality of the business, AgroGeneration's former scope should post a positive EBITDA, which will result in reducing the EBITDA annual loss. In parallel, on 2013 full year, Harmelia, which is more profitable, should post a slightly positive EBITDA, before merger costs.

AgroGeneration started its 2014 growing season operations with close to 40,000 ha planted and a mix of crops very similar to that of 2013 (wheat, rapeseed). The decline in crop prices has lowered input costs; combined with productivity gains in the new, larger footprint, production costs per hectare should decline. As in previous years, working capital needed for the next crop year will be covered by the available cash of the Group and bank loans currently being finalized.

AgroGeneration also expects an improvement in yields, especially corn. The Group, has positioned itself to generate a positive EBITDA as prices are at lows not seen in some time and would benefit from a significant upside for future improvements and further opportunity to recover margins once prices improve.

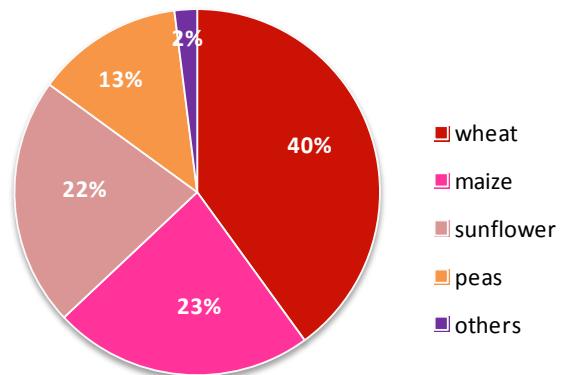




## Results of Ukraine harvest over the entire footprint

### Harmelia scope

Harmelia's footprint,  
hectares planted (%)



During the 2013 season, Harmelia cultivated 63,651 hectares. The most important crops were wheat, corn and sunflower.

### Results of harvests already carried out, in net volume terms (excluding corn)

Harvest	2012			2013			
	Hectares	Production (Metric tons)	Yield (T/ha)	Hectares	Production (Metric tons)	Yield (T/ha)	Chg in yield
Wheat	24,033	91,207	3.8	25,512	127,604	5.0	+31.6%
Barley	2,044	5,703	2.8	114	477	4.2	+50.0%
Peas	6,506	13,362	2.1	8,283	13,180	1.6	-23.8%
Sunflower	10,204	21,595	2.1	14,187	33,485	2.4	+14.3%
Other	3,422	23,276	6.8	1,929	17,965	9.3	+36.8%
<b>Total</b>	<b>46,209</b>	<b>155,143</b>	<b>3.4</b>	<b>50,025</b>	<b>192,711</b>	<b>3.9</b>	<b>+13.3%</b>

(Company data)

Looking at these results, Harmelia produced 192,711 metric tons, with a high average net yield of 3.9 t/ha, up 13% compared to the previous year. This result was driven by very good performance in wheat (5.0 t/ha), well in excess of the national average. These improvements were partially offset by the decline in peas.

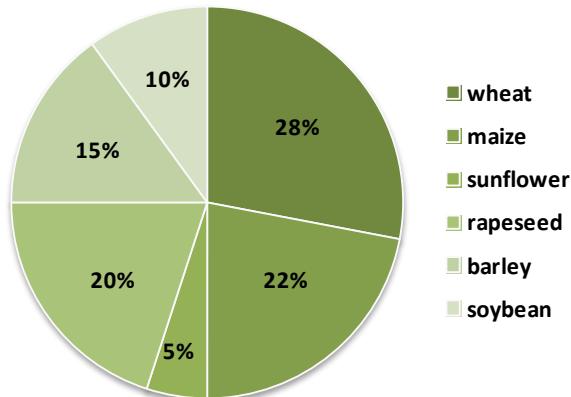
To date, Harmelia has also harvested 12,332 hectares, or over 91% of farmlands under corn. As of today, 62,357 hectares have been harvested or 98% of the total.





## AgroGeneration scope

AgroGeneration's footprint,  
hectares planted (%)



For the current year, a total of 46,447 hectares were planted in Ukraine.

### Results of harvests already carried out, in net volume terms (excluding corn and sunflower)

Harvest	2012			2013			
	Hectares	Production (Metric tons)	Yield (T/ha)	Hectares	Production (Metric tons)	Yield (T/ha)	Chg in yield
Wheat	12,882	55,376	4.3	12,803	57,434	4.5	+4.6%
Barley	9,286	34,346	3.7	6,956	24,697	3.6	-2.7%
Rapeseed	7,051	18,333	2.6	9,221	20,831	2.3	-11.5%
Soybeans	4,881	9,567	1.9	4,829	7,674	1.6	-15.7%
Other (including peas)	3,495	6,154	1.8	455	1,393	3.1	+72.2%
<b>Total</b>	<b>37,595</b>	<b>123,776</b>	<b>3.3</b>	<b>34,264</b>	<b>112,030</b>	<b>3.3</b>	<b>-</b>

The average yields on the harvested crops (wheat, peas, barley, rapeseed, and soy), were 3.3 t/ha, identical to the previous year. The yield on wheat, the principal summer crop, rose again, by 4.6%, to 4.5 t/ha. This performance also exceeded the Ukrainian average. This increase offset a significant part of the 11.5% decline in rapeseed yield, which had increased 40% in the previous year, as well as the decline in soybean yield.

The company continued harvesting sunflower and corn. To date, 2,077 ha (or 95% from the total area) under sunflower, and 4,533 ha (or 44% from the total area) under corn have been harvested. As of today, AgroGeneration has harvested 88% of its total cultivated area, producing a total net volume of 147,766 metric tons of grain and oilseeds.

To date, net harvest production (including interim corn figures) totaled 400,565 metric tons, representing an average yield of 3.9 t/ha.

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The half-yearly 2013 report was filed on 26<sup>th</sup> November 2013 on the AgroGeneration's website:  
[www.AgroGeneration.com](http://www.AgroGeneration.com)

### AgroGeneration on Alternext

#### Shares

**ALAGR**  
LISTED  
NYSE  
ALTERNEXT

**ISIN Code:** FR0010641449  
**Abbreviation:** ALAGR

#### Bonds

**BAGRO**  
LISTED  
NYSE  
ALTERNEXT

**ISIN code:** FR0011270537  
**Abbreviation:** BAGRO

#### About AGROGENERATION

Founded in 2007, AgroGeneration is a global producer of grain and oilseed. Following its merger with Harmelia, the new Group has become one of the top 5 producers of grain and oilseed in Ukraine, with close to 120,000 hectares of farmland. It also jointly operates 16,000 hectares of farmland in Argentina. Through the high-potential farmland it leases, the Group's ambition is to meet the food challenges of tomorrow as global consumption doubles in scale between now and 2050.

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