



Merger agreement between AgroGeneration and Harmelia

A strategic alliance to form a world leader in agricultural production

Strong ambition and drive to ensure its short and long-term growth

Paris - May 3rd, 2013

The principal shareholders of AgroGeneration and Harmelia - two international groups specializing in large-scale agriculture - have announced the signing of a binding Term Sheet for a future merger built on their strong operating and financial synergies.

Born out of the ambition of two players with proven track records in Ukraine to boost their development, the future merger will see AgroGeneration embark on a new phase in its expansion and more than double in size with close to 120,000 hectares of farmland in Ukraine and 16,000 hectares in Argentina as part of a joint venture.

After a difficult year in 2012 due to poor weather conditions (major drought for Harmelia and the very wet conditions that affected harvesting for AgroGeneration), the new group and its 1,500-strong workforce has set itself the target of a global production of over 400,000 tons for the current crop year, and an EBITDA of around €20 million based on current market price conditions.

At a time when opportunities abound - not just in logistics and primary processing in Ukraine but also in farming in Latin America and Africa - the new Group is already one of the few major global operators in Upstream agriculture to be listed on the capital markets, and fully intends to rapidly cement its place in the months and years to come.





Harmelia, a very high-performance player in Ukraine

Controlling and cultivating close to 70,000 hectares in the Kharkov region in East Ukraine, Harmelia group's operations perfectly complement AgroGeneration's own farmland which is spread across close to 50,000 hectares in the North and West of the country. With climate conditions that can vary to extremes between East and North West and in the same year, the new entity will benefit from a natural geographic diversification that will reduce its exposure to weather-related risks.

The merger also means the new Group will have access to major storage capacity of around 200,000 tons.

Harmelia ranks amongst the best-performing agricultural producers in Ukraine, drawing, like AgroGeneration, on modern farming techniques and machinery. 2011 was an excellent year for the group, with revenues of €40 million and an EBITDA of close to €15 million generating a level of profitability that more than confirms its expertise in the field. For 2012, however, its results which are currently being audited will be significantly lower, impacted by the particularly difficult weather conditions (severe drought) that affected the East of Ukraine. Financed almost exclusively through private equity investment of close to €90 million from day one, Harmelia has an extremely sound financial structure.

The Harmelia group is wholly-owned by an international investment fund SigmaBleyzer Fund IV (SBF IV), which is managed by an American company SigmaBleyzer Investment Group, LLC (www.sigmableyzer.com) headquartered in Houston, Texas. Investing in Ukraine since 1994, SigmaBleyzer manages close to a billion dollars across six investment vehicles invested in Ukraine, Romania, Kazakhstan and Texas.

Terms and conditions

Parity based on a share price of € 2.05

According to the Term Sheet, in consideration for transfer to AgroGeneration of 100% of Harmelia's stock, SBF IV will be awarded 57,264,394 new shares in AgroGeneration *i.e.* 62.0% of the capital of the new Group following the merger. Parity is defined on the basis of the two groups' respective EBITDA targets for 2013 and their growth prospects, thereby justifying the valuation of AgroGeneration shares at a unit price of €2.05, *i.e.* 24% above their average trading price over the last 30 days. SBF IV's share may be increased up to 63.0% of the capital of the new Group following the merger should the EBITDA of Harmelia exceed 2x the EBITDA of AgroGeneration in 2013.

As an additional consideration for the transfer to AgroGeneration of 100% of the capital of Harmelia, SBF IV will award AgroGeneration a vendor loan of \$ 40.0 million reimbursed in full at par value on July 1st, 2019 at the latest. After the operation, AgroGeneration will continue to be listed on the NYSE-Alternext in Paris.





The due diligence procedures are already underway and completion remains subject to a certain number of conditions precedent, including the approval of AgroGeneration's shareholders at its General Meeting, Harmelia and SBF IV Board, obtaining from the AMF the waiver to a mandatory tender offer and the green light from the Ukraine's competition authorities.

Shared governance

A shareholders' agreement is to be signed between SigmaBleyzer and the principal shareholders of AgroGeneration, first and foremost of which are Gravitation, GreenAlliance, Vivescia (formerly Champagne Céréales), Aloe Private Equity and A Plus Finance. According to this agreement, the Supervisory Board of AgroGeneration will be made up of eleven members, six of whom would be put forward by SigmaBleyzer and five of whom will be chosen by AgroGeneration's current shareholders whose veto rights, combined with existing legislation, would allow them to represent the interests of all minority shareholders.

The executive management of the Group will be shared between John Shmorhun, a US citizen of Ukrainian origin and living in Ukraine, current Chairman of Harmelia and Charles Vilgrain. John Shmorhun will be appointed Chairman of the Board of Directors and, more specifically, will head up all of the Group's activities in the country. Whilst continuing to oversee the Group's finances and investor relations, Charles Vilgrain would be responsible for pursuing and accelerating AgroGeneration's expansion in Argentina and around the world.

A major global Group present across both hemispheres with excellent growth potential

The idea of this merger is born out of a shared vision of the major development potential of AgroGeneration and Harmelia at a time when the world's agricultural supply must increase sharply if it is to meet the food challenges of tomorrow.

It will enable AgroGeneration to achieve the crucial critical mass needed to streamline its agricultural operations and margins in Ukraine. The new Group would be able to draw upon another strong growth driver in a new production region with strong growth potential in Argentina.

In 2013, AgroGeneration will be able to draw upon:

- Close to 120,000 hectares of farmland in Ukraine, ranking it amongst the country's top 5 producers of grains and oilseeds ;
- A potential yearly production volume of over 400,000 tons in Ukraine ;
- A storage capacity of approximately 200,000 tons that would enable it to preserve the quality of harvests for longer and subsequently optimize its sales prices ;





- A first-rate operational team in Ukraine with the expertise to achieve agricultural yields that far exceed the national average ;
- The critical mass needed in Ukraine to generate further economies of scale on production costs (shared procurement of inputs and machines, synergies in terms of storage capacities, joint commercialization giving it added weight in negotiations with major purchasers) and overheads ;
- A significant presence in Argentina, the Group's second largest production region, where it currently operates 16,000 hectares of farmland as part of a joint venture with local partner, La Suerte Agro, and where its growth prospects are excellent ;
- A healthy financial structure.

In combining the agricultural, financial and acquisitions expertise of the two partners, the new Group's development prospects are excellent and will enable it to become a major global leader with the ambition to duplicate its business model across the continents.

Through its joint venture, AgroGeneration intends to progressively expand its operations in Argentina in the future.

According to **Michael Bleyzer**, Chairman of SigmaBleyzer: *"Our reasoning is based on the same conclusion that there will be a supply deficit to fill in agricultural commodities in the future. Our approaches are similar, our teams have known each other for a long time now, and certain Gravitation shareholders are also limited partners in our fund - all factors that will make the merger between Harmelia's and AgroGeneration's respective teams easier and immediately productive. But this merger is by no means an end in itself. We share the same strong ambitions for growth, and pooling our networks and expertise will significantly accelerate the development of the new Group to become a world leader in its field."*

For **Charles Beigbeder**, Chairman of the Supervisory Board of AgroGeneration, *"adapting to the new trends that shape today's agricultural sector, and meeting the challenge of being able to feed the planet will require colossal investment. One inevitable way forward is the forging of major international agro-holdings that are able to mobilize the know-how and capital needed. I am delighted that, six years after it was founded, AgroGeneration has been admitted to this very exclusive club which has every intention of becoming one of the crucial links in the value chain of the agricultural sector. Alain Mallart and I share the same vision, values and ambitions as Michael and Lev Bleyzer. Our companies' cultures and philosophies are similar, making the merger a natural step in their development, and I know that it will lead to the creation of major value in both the short and medium term."*

Charles Beigbeder, Michael Bleyzer and the Management teams of both AgroGeneration and Harmelia will provide additional elements on the deal and the next steps during an analysts conference to be held end of May.





AgroGeneration on Alternext

Equities

ALAGR
LISTED
NYSE
ALTERNEXT

ISIN Code FR0010641449
Mnemonic: ALAGR

Bonds

BAGRO
LISTED
NYSE
ALTERNEXT

ISIN code FR0011270537
Mnemonic: BAGRO

About AGROGENERATION

Founded in 2007, AgroGeneration is a global producer of grain and oilseed with c. 50,000 hectares in Ukraine and c. 16,000 hectares 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 volume between now and 2050. Committed to a sustainable business model, its agricultural strategy is modern and measured. With a strategic presence that covers both hemispheres in order to benefit from the best weather conditions, the group intends to actively pursue its development both in Ukraine and in Latin America.

If you would like to receive financial information about AgroGeneration by e-mail, register at:
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