FINEXSI AUDIT

ERNST & YOUNG et Autres

This is a free translation into English of the statutory auditors' review report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

AgroGeneration

Period from January 1 to June 30, 2014

Statutory auditors' review report on the interim condensed consolidated financial statements

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Commissaire aux Comptes
Membre de la compagnie
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AgroGeneration

Period from January 1 to June 30, 2014

Statutory auditors' review report on the interim condensed consolidated financial statements

To the Executive Director,

In our capacity as statutory auditors of AgroGeneration and in accordance with your request, we have performed a review of the accompanying interim condensed consolidated financial statements for the period from January 1 to June 30, 2014.

The preparation of these interim condensed consolidated financial statements is the responsibility of your board of directors. Our role is to express a conclusion on the interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that these interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

Without modifying the conclusion expressed above, we draw your attention to the following points disclosed in the notes to the financial statements:

- The macroeconomic environment in Ukraine and its potential evolutions that could negatively affect the operating results, as well as the financial situation of the group (note 3.1 *Political risks in Ukraine*).

- The sensitivity of profit or loss to management assumptions related to biological assets valorization according to IAS 41 (note 4.1 *Fair value of biological assets and net realizable value of agricultural produce*).

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim, dispute or difference resulting from our engagement letter or the present report, or any related matters. Each party irrevocably waives its right to oppose any action brought before French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Paris and Paris-La Défense, October 30, 2014

The statutory auditors
French original signed by

FINEXSI AUDIT	ERNST & YOUNG et Autres
Olivier Péronnet	Jean-Christophe Goudard

Interim Condensed Consolidated Financial Statements as of 30 June, 2014

AGRO Generation

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Consolidated statement of financial position

(in thousands of Euros)

Assets	*Note*	June 30, 2014	December 31, 2013
Non-current assets		**72 468**	**94 275**
Intangible assets and leasehold rights	8	43 210	48 623
Property, plant and equipment	9 & 10	28 642	44 953
Financial assets	11	365	394
Biological assets	13	251	305
Deferred tax assets		-	-
Current Assets		**54 650**	**51 275**
Inventories	12	4 842	21 435
Biological assets	13	39 961	10 398
Trade and other receivables	14	7 228	6 448
Cash and cash equivalents	15.1	2 619	8 902
Total assets of disposal group classified as held for sale		-	4 092
Total assets		**127 118**	**145 550**

Equity and Liabilities	*Note*	June 30, 2014	December 31, 2013
Equity		**21 601**	**51 055**
Share capital	16	4 618	4 618
Share premium	16	166 468	166 468
Other reserves		(101 146)	(101 169)
Retained earnings		(18 275)	4 283
Currency translation differences		(18 136)	(587)
Net Income		(11 928)	(22 558)
Non-controlling interests			-
Non-current liabilities		**50 960**	**50 951**
Provisions	17	4	4
Non current borrowings	15.2	50 956	50 947
Deferred tax liabilities		-	0
Current liabilities		**54 557**	**43 544**
Provisions	17	24	659
Current borrowings	15.2	37 036	27 833
Trade and other payables	18	16 680	9 019
Current income tax liability		817	817
Bank overdraft	15.1	-	1 677
Total liabilities of disposal group classified as held for sale		-	3 539
Total equity and liabilities		**127 118**	**145 550**

Consolidated income statement

(in thousands of Euros)	Note	First-half 2014	First-half 2013
Revenue	19	**4 940**	**7 333**
Change in fair value of biological assets and finished goods		8 258	2 906
Cost of sales	20	(5 239)	(7 466)
Gross profit / (loss)		**7 959**	**2 773**
Selling, general and administrative expenses	20	(6 669)	(5 300)
Other income and expenses	21	2 079	1 035
Profit before interest and tax		**3 369**	**(1 492)**
Financial net expenses	22	(16 751)	113
Income tax expense		25	(6)
Profit / (loss) from continued operations		**(13 357)**	**(1 385)**
Profit after tax from discontinued operations (attributable to the Group)	23	**1 429**	**-**
Profit / (loss) for the period		**(11 928)**	**(1 385)**
Non-controlling interests			
Profit / (loss) from continued and discontinued operations attributable to the Group		**(11 928)**	**(1 385)**
Profit / (Loss) attributable to equity holders of the company		(11 928)	(1 385)
Weighted average number of ordinary shares		91 948 633	57 264 394
Basic earnings / (loss) per share (in Euros per share)	24	**(0,13)**	**(0,02)**
Weighted average number of ordinary and potential shares		91 948 633	57 264 394
Diluted earnings / (loss) per share (in Euros per share)	24	**(0,13)**	**(0,02)**

Consolidated statement of comprehensive income

(in thousands of Euros)	First-half 2014	First-half 2013
Profit / (loss) for the period	**(11 928)**	**(1 385)**
Items recyclable in income, net of tax	**(17 549)**	**49**
Currency translation differences	(17 549)	49
Total comprehensive income of the period	**(29 477)**	**(1 336)**

Consolidated statement of changes in equity

(in thousands of euros)	Share capital	Share premium	Other reserves	Retained earnings	Other comprehensive income (expense)	Total, Group share	Non-controlling interest	Total equity
Balance as of December 31, 2013	**4 618**	**166 468**	**(101 169)***	**(18 275)**	**(587)**	**51 055**	**-**	**51 055**
Issue of new shares	-	-	-	-	-	-	-	-
Change in scope	-	-	-	-	-	-	-	-
Currency translation differences (1)	-	-	-	-	(17 549)	(17 549)	-	(17 549)
Shared-based payments	-	-	(4)	-	-	(4)	-	(4)
Own shares	-	-	27	-	-	27	-	27
Net Income / (loss) for the year	-	-	-	(11 928)	-	(11 928)	-	(11 928)
Balance as of June 30, 2014	**4 618**	**166 468**	**(101 146)**	**(30 203)**	**(18 136)**	**21 601**	**-**	**21 601**

(*) Harmelia Group adopted IFRS for the first time on January 1, 2011. For business combinations acquired before that date no goodwill had been recognised as accounts were prepared under Ukrainian GAAP rules. As of the date of transition to IFRS, January 1, 2011, the deemed goodwill has been impaired and written off to the opening cumulative losses due to the lack of sufficient documentation on valuation of fair value of purchased business combinations. This impairment is included in "Other reserves" as of January 1, 2011 (€37 913K).

(1) Currency translation differences

As presentation currency of the Consolidated Financial Statements (EURO), differs from the functional currency of Ukrainian entities (Ukrainian hryvnia), the Group translates their results and financial position into the presentation currency using the following procedures:

(a) each ***statement of financial position***: assets and liabilities are translated at the closing rate;
(b) each ***statement presenting profit or loss***: income and expenses are translated at average exchange rate of the period;
(c) ***equity***: all resulting exchange differences shall be recognised in other comprehensive income. These differences result from:

- translating *income and expenses* at the average exchange rates and assets and liabilities at the closing rate;
- translating the opening *net assets* at a closing rate that differs from the previous closing rate.

Significant devaluation of Ukrainian hryvnia (cf Note 3.2) had significant impact on assets and liabilities of the Consolidated Financial Statements. The impact on Equity is composed of:

€ 1 215 K gain due to translation difference arising from the difference between average and closing rate (Ukrainian hryvnia/EURO)

€ 8 332 K gain due to translation difference arising from the difference between opening and closing rates (Ukrainian hryvnia/EURO)

€ 27 096 K loss due to inter-company loans (monetary items) of Ukrainian entities denominated in USD and translated into the functional currency, Ukrainian hryvnia, at the closing rate. These loans were treated as net investment (cf Note 22).

Consolidated cash flow statement

(in thousands of Euros)	Note	first-half 2014	first-half 2013
Profit / (loss) for the period		**(11 928)**	**(1 385)**
Depreciation on fixed assets		4 345	2 317
Provisions		(3 052)	417
Capital (gains) / losses from disposals		1 627	140
Net financial (income) / loss		16 755	(113)
Deferred and income taxes (income) / expense		218	6
Impairment of finished goods inventory		(73)	(9)
Other (income) / expense with no cash impact		121	(90)
Cash flow from operating activities		**8 013**	**1 283**
Trade and other payables (decrease) / increase		7 433	5 860
Inventories decrease / (increase)		4 320	3 443
Biological assets and finished goods fair value decrease / (increase)		(9 515)	(2 614)
Biological assets cost decrease / (increase)		(20 743)	(12 215)
Trade and other receivables decrease / (increase)		(1 131)	(1 402)
Income tax paid		(37)	(6)
Working capital variation		**(19 673)**	**(6 934)**
Net operating cash flow		**(11 660)**	**(5 651)**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	(189)
Purchase of property, plant and equipment		(926)	(1 280)
Purchase of intangible assets		(131)	(21)
Purchase of financial assets		(28)	-
Disposal of subsidiaries		1 284	-
Disposal of property, plant and equipment		63	-
Disposal of intangible assets		-	-
Disposal of financial assets		-	-
Net investing cash flow		**262**	**(1 490)**
Cash flow from financing activities			
Amounts received from shareholders following a capital increase		-	-
Purchase/sale of treasury shares		27	-
Issue of bonds		-	-
Proceeds from borrowings		17 129	3 957
Repayment of borrowings		(5 027)	(1 162)
Financial instruments gain / (losses)		(638)	68
Paid interests		(3 269)	(280)
Costs of capital increase		-	-
Net cash generated from financing activities		**8 222**	**2 583**
Effects of exchange rate changes on cash and cash equivalents		(1 430)	13
Net movement in cash and cash equivalents		**(4 606)**	**(4 545)**
Cash and cash equivalents at beginning of period	15.1	**7 225**	**5 246**
Cash and cash equivalents at end of period	15.1	**2 619**	**701**
Cash and cash equivalents at the end of period from continued operations		**2 619**	**701**

Notes to the Consolidated Financial Statements

The Interim Condensed Consolidated Financial Statements of the AgroGeneration Group (“AgroGeneration”, “the Group” or “the Company”) for the six months ended June 30, 2014 were authorized for issue by the Board of Directors on October 29, 2014. These Financial Statements are presented in thousands of euro for all financial years, except for the per-share information.

1. Scope of consolidation

The Group’s Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2014 include the accounts of AgroGeneration SA and of all companies controlled by the Group, as well as those of jointly controlled companies and companies over which the Group exercises significant influence. Please refer to the Note 26 for the List of consolidated entities.

1.1. Changes in the Group structure

In 2013 the scope of consolidation changed following the reverse acquisition (merger was completed on October 11th, 2013). As a result the control over the Legal Acquirer (AgroGeneration SA, "ex-AgroGeneration Group") passed to the Legal Acquiree (Harmelia Investments Limited, "Harmelia Group").

The Interim Condensed Consolidated Financial Statements for the first six months 2013 are consolidated financial figures of Harmelia Group. The Interim Condensed Consolidated Financial Statements for the first six months 2014 reflect the new combined group AgroGeneration and include financial figures of Harmelia Group and financial figures of ex-AgroGeneration Group.

Please refer to consolidated Financial Statements as of 31 December 2013 for further details.

1.2. General information and background

AgroGeneration was created in March 2007. The parent company is a Joint Stock Company (AgroGeneration SA) recorded on the Paris Trade and Companies Register with number 494 765 951, whose shares have been listed on the Alternext market of NYSE-Euronext Paris since March 1, 2010.

The registered office address is 33 rue d'Artois, 75008 Paris.

2. Major events of the period

2.1. Merger with Harmelia

Although it occurred during the previous reporting period, AgroGeneration reminds that it announced on May 3, 2013 the signing of a merger agreement with Harmelia, which controlled and operated c.a. 70 000 hectares across 9 farms in the Kharkiv region in Eastern Ukraine, with a storage capacity 126 000 tonnes. The merger was finalised on 11 October, 2013 and was treated as "reverse acquisition" for IFRS reporting purposes (please refer to the Consolidated Financial Statements as of 31 December 2013 for further details).

2.2. Discontinued operations in Argentina

In November 2013, the Board of Directors decided to discontinue AgerAustral activity in Argentina and to sell the company. In compliance with IFRS 5 as of December 2013, AgerAustral was classified as disposal group held for sale. As of 31 December 2013, the management assessed that the potential selling price of AgerAustral was €2,5 million lower than its net assets due to risks related to exchange rates and capital repatriation risks attributed to Argentina. As a result, the Group recognised a provision for €2,5 million in "Profit/(loss) from discontinued operations".

On 5 June 2014 AgerAustral was sold and the overall result in first half 2014 from the transaction (taking into account the release of the provision made in 2013) amounted to €1 018k gain. Together with the profit from operations relating to the first five months of 2014, €411k, the net result from discontinued operations in Argentina amounted to €1 429k.

3. Financial risk management

3.1. Political risks in Ukraine

The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, fiscal, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets. The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

The protests and signs of political unrest, which began in late 2013, have escalated in 2014. Specifically, in February 2014, the President and majority of Government officials were dismissed by the Parliament, and a new Government was appointed. On 25 May 2014, the new President was elected.

In March 2014, following a referendum and declaration of independence the Autonomous Republic of Crimea was annexed by the Russian Federation. The referendum and declaration of independence have been ruled unconstitutional by the Ukraine's Constitutional Court.

From the beginning of March 2014, demonstrations by anti-government groups took place in the Donetsk and Luhansk oblasts of Ukraine. These demonstrations escalated into ongoing armed conflict between the separatist forces of the self-declared Donetsk and Luhansk People's Republics, and the Ukrainian Government.

The Group has a number of farming subsidiaries in the Kharkiv oblast of Ukraine, where there is a certain risk in the escalation of protests and possible military conflicts. As of 31 December 2013, the carrying value of the Group's assets located in the Kharkiv oblast is EUR 34 758 thousand. Sowings of the Group in 2014 in Kharkiv oblast came to 62 465 ha.

Management is monitoring these developments in the current environment and taking actions where appropriate as significant part of Group's farmland is located in Kharkiv's oblast. Further negative developments in the political, macroeconomic or international trade conditions may adversely affect the Group's operating results and financial position in a manner not currently determinable.

From 1 January 2014 to 30 September 2014, the Ukrainian Hryvnia devaluated against major foreign currencies by approximately 49%, and the National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market, and also mandated obligatory conversion of foreign currency proceeds into Ukrainian Hryvnia. The international rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

On 27 June 2014, Ukraine signed the Ukraine–European Union Association Agreement being a treaty between the European Union (EU) and Ukraine that establishes a political and economic association between the two parties. The EU-Ukraine association agreement was ratified by the parliaments of the signing parties on 16 September 2014. Free trade with Europe was postponed until 1 January 2016, due to the weak state of Ukraine's economy which would make it vulnerable to a sudden influx of European goods. By the beginning of September 2014, the International Monetary Fund made available to Ukraine US dollar 4,6 billion loan from the 17 billion two-year Stand-By Arrangement, and Ukraine is further negotiating additional financial aid from other international financial sources.

Note that devaluation tends to have a favourable impact on agricultural production as domestic crops prices are usually pegged to international market prices.

3.2. Risks related to currency and exchange rates variation

Incomes and expenses of the Group are partly exposed to changes in exchange rates, particularly the euro, the USD and the hryvnia.

Ukraine

Starting 9 July 2012 the National Bank of Ukraine (NBU) fixed the exchange rate for USD / hryvnia at the rate of 7,993 hryvnia per 1 USD. On 6 February 2014 this measure was released and NBU stopped supporting the exchange rate of hryvnia. This measure together with the current economic situation resulted in a precipitation of hryvnia foreign exchange rate which reached 11,823 UAH/USD as of the end of the reporting period and 12,95 UAH/USD as of the 30 September 2014.

The devaluation of hryvnia against the euro was in line with EURO/USD exchange rate.

Ukrainian legislation concerning the hryvnia prohibits the use of most of the exchange rate hedging instruments that are available in other countries. Options, futures, forwards, and swaps are not available in hryvnia. Therefore, AgroGeneration does not actively cover its exposure to fluctuations in the hryvnia on financial markets.

However, the Group is thereby naturally hedged against a risk of change in exchange rate of the hryvnia against the USD.

Indeed, in the scope of its operations in Ukraine, some of the Group's costs are U.S. dollar-indexed (seeds, chemicals, pesticides, etc.) and revenues are definitively indexed to the USD (grain sales related to the worldwide commodities market, itself denominated in USD).

Moreover, to mitigate the risk of hryvnia devaluation, the Group has the possibility to increase the share of sales toward export and sufficient storage capacity to postpone its sales until the local price adjusts to the international market.

At last, the currency risk to secure Group's USD denominated liabilities is mitigated by the existence of USD linked proceeds from sales.

Foreign currency exchange rate sensitivity analysis

The Group's foreign currency denominated monetary assets and liabilities as of 30 June 2014 consist of USD and EURO denominated loans and other debts. Other monetary assets and liabilities are not significant.

At 30 June 2014, if the UAH had weakened/increased by 10 per cent against the US dollar with all other variables held constant, pre-tax profit for the year would have been €6 625 lower/higher.

At 30 June 2014, if the UAH had weakened/increased by 10 per cent against the EURO with all other variables held constant, pre-tax profit for the year would have been €2 174 K lower/higher.

4. Critical accounting judgments and estimates

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Interim Condensed Consolidated Financial Statements are the followings.

Estimates and judgments are continually evaluated on the basis of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1. Fair value of biological assets and net realisable value of agricultural produce

The Group's biological assets are measured at fair value less point-of-sale costs at each balance sheet date as required by the Group accounting policies (cf. 6.6) and IAS 41 "Agriculture". The fair value of biological assets varies according to climatic conditions during growth and harvest, yield potential and price development. A change in any of these estimates could lead to a material change in the income statement. If the management team's assumptions as of 30 June, 2014, would have been different by 10% better/lower, then the fair value of the biological assets and gross margin would increase/decrease by around € 5 113 K.

The agricultural produce harvested by the Group is first fair valued at the harvest date when accounted for in inventory in the "Finished Products". They are later re-valued at the lower of that fair value and the market price at the balance sheet date.

4.2. Equity-settled share-based transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

4.3. Pre-emptive rights on land leases

Due to the existence of a moratorium on any sale of arable land in Ukraine, either to nationals or foreigners, it has been decided to recognise land leases as operational leases, and not to take into account the pre-emptive rights to buy the land at the term of the lease in the assessment of the qualification of the lease. The moratorium will be lifted after the laws on the State land registry and the real estate market are passed. The deadline to pass these laws has already been pushed forward several times, and the Group is retaining this accounting method in the absence of any information concerning the actual lifting of the moratorium.

5. Events after the balance sheet date

Since 30 June, 2014 the Group is finalizing the harvesting of 2014 crops on schedule and preparing documents for the next tranches to finance 2015 winter crops sowing campaign.

Geopolitical events between Russia and Ukraine since the beginning of 2014 did not affect our agricultural operations. AgroGeneration farmed 103,000 hectares in 2014 and as of 29 October, 2014 has nearly completed its harvest (97%). The total volume of production for its harvested crops (wheat, barley, rapeseed and peas…) amounted to 333,994 tons.

The interest on listed bonds (cf Note 15.2) payable on 1 October 2014 was paid without delay.

6. Summary of significant accounting policies

The most significant accounting policies applied are summarized below. For other principle accounting policies applied by the Group, please refer to the Consolidated Financial Statements for the year ended 31 December, 2013.

6.1. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2014 are prepared in accordance with IAS 34 "Interim Financial Reporting" and with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB), as endorsed by the European Union and effective at January 1, 2014. They comprise (i) the IFRS, (ii) the International Accounting Standards (IAS) and (iii) the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Pursuant to IAS 34, the Notes to these Interim Condensed Consolidated Financial Statements are designed to:

- update the accounting and financial information contained in the last published Consolidated Financial Statements at December 31, 2013;
- include new accounting and financial information about significant events and transactions that occurred during the period.

These notes therefore discuss significant events and transactions having occurred in the first six months of 2014 and should be read in conjunction with the information set out in the Consolidated Financial Statements for the year ended 31 December, 2013.

The IFRS accounting principles used by AgroGeneration in the preparation of the Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2014 are the same as those used to prepare the 2013 annual Consolidated Financial Statements, except for those relating to the effect of the new or amended standards detailed below.

(a) Standards and amendments for mandatory application in the European Union for financial years ended December 31, 2013 and that may have an effect on the Group's Financial Statements

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans
- Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IAS 12 Income Taxes: Deferred Tax - Recovery of Underlying Assets
- IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- Amendments to IAS 19 Employee Benefits
- Annual Improvements to IFRSs 2009-2011 Cycle (issued by the IASB in May 2012)

The application of these standards and amendments has had no significant impact on the Group's accounts as of 30 June, 2014.

(b) Standards and Interpretations published by IASB and approved by the EU (application of the following texts published by the IASB is not yet mandatory for financial periods ended December 31, 2013):

- IFRIC Interpretation 21 Levies
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance
- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

The potential impact of the above standards are currently under examination.

(c) Standards and Interpretations published by the IASB but not yet endorsed by the EU

- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 June 2014)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle
- IFRS 9 Financial Instruments
- Amendments to IAS 27: Equity Method in Separate Financial Statements

6.2. Consolidation

All intercompany balances and transactions as well as income, expenses and unrealised gain/losses, which are included in the net book value of assets, which derive from intercompany transactions, are fully eliminated. Subsidiaries are consolidated with effect from the date of acquisition, which corresponds to the date on which the Group obtained control, and they continue to be consolidated until the date when the Group loses control. The entities over which the Group does exert sole control are consolidated according to the full consolidation method. The Group does not exert joint control over any of the entities within its scope of consolidation as of 30 June, 2014.

6.3. Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of each Group entity are measured using the currency of primary economic environment in which the entity operates ("the functional currency").

The functional currency of the parent and Cypriote subsidiaries is the euro (EUR), the functional currency of Ukrainian subsidiaries is the hryvnia (UAH).

The presentation currency of the Consolidated Financial Statements is the euro (EUR).

(b) Foreign transactions

Foreign currency transactions are translated into the respective functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as financial income in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Translation of Financial Statements expressed in foreign currencies

The income statements and balance sheets of all Group entities that have a functional currency different from the presentation currency (none having a currency of a hyperinflationary economy as of 30 June, 2014) are translated into the presentation currency as follows:

- Assets and liabilities of the balance sheet are translated at the exchange rate of closing date,
- Revenues and charges in the income statement are translated at average exchange rate for the year,
- Residual foreign exchange differences are recognised in a separate component of equity.

The exchange rate used for translating Financial Statements of subsidiaries in Ukraine are the following:

	June 30, 2014		December 31, 2013		June 30, 2013	
Monetary unit per € 1	Average	Closing	Average	Closing	Average	Closing
Ukrainian hryvnia (UAH)	13,9529	16,0868	10,6157	11,0415	10,4941	10,4101
American Dollar (USD)	1,3709	1,3606	1,3281	1,3814	1,3129	1,3024

The rates used for the hryvnia and the USD are those of the National Bank of Ukraine ("NBU") in force.

Exchange rate differences on a monetary item forming part of the net investment of the entity presenting the Financial Statements in a foreign operation are recognised in other comprehensive income and reclassified from equity to profit or loss upon partial or total disposal of this net investment.

Goodwill and fair value adjustments recognised in the acquisition of a foreign entity are recognised as assets and liabilities of the foreign entity and translated at closing exchange rate.

6.4. Intangible assets

The main intangible assets recognised are goodwill and leasehold rights. These have been recognised as part of the business combination process. Depreciation of the leasehold rights is calculated on a linear basis using average residual useful lives until the term of the lease contract.

The average residual term of depreciation of the leasehold rights is 8,5 years as of 30 June, 2014.

6.5. Property, plant and equipment

Fixed assets are stated at their acquisition cost or fair value for those acquired in business combinations, net of depreciation and impairment losses.

The acquisition cost of the tangible fixed assets includes all the expenses directly attributable to the acquisition of the fixed assets.

The carrying amount of the replaced limited-life component is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Fixed assets are depreciated over their estimated useful lives:

- Buildings 10 – 40 years
- Machinery and equipment 5 – 20 years
- Other tangible assets 3 - 20 years

Production facilities represent immobile agricultural production equipment, mainly dryers and cleaners. Machinery and vehicles include other mobile agricultural equipment (tractors, combines, harvesters, seed planters, trucks etc).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

6.6. Agriculture

The Group accounting policies for agricultural activities are based on IAS 41 "Agriculture".

(a) Definitions

Agricultural activity is defined as an activity to transform biological assets into agricultural products or into other biological assets.

Biological assets are plants grown for a future sale which are plants in the ground, as well as livestock.

Agricultural produce are the products of the harvest of biological assets of the Group and produce received from cattle breeding, i.e. harvested grain that is stored, milk, meat and other livestock produce.

(b) Biological assets

Biological assets are measured at initial recognition and at each balance sheet date at their fair value less point-of-sale cost at harvest date, except where fair value cannot be measured reliably.

The Fair value of plant-growing Biological assets is determined based on, among other estimates, weather conditions, quality of soils, growth potential, yields, harvest conditions and price development.

The fair value of livestock is based on expected volume of milk produced during the productive lives of the dairy cattle and expected volume of meat at the date of slaughter, respective anticipated prices, average expected productive lives of the livestock and future production costs. The discount rate is estimated by reference to current market-determined pre-tax rates.

Given the nature of these input parameters, the fair value of the biological assets is categorised as Level 3 as defined by IFRS 13. Change in any estimates could lead to recognition of significant fair values changes in income statement.

Biological assets are recorded as current or non-current assets based on the operational cycle of the Group's biological assets.

(c) Agricultural produce (inventory of finished goods)

Agricultural produce harvested by the Group is initially measured at the time of harvest at its fair value less estimated point-of-sale costs. It is subsequently recorded as inventory in "Finished Goods" and stated at the lower of fair value at the time of harvest and net realizable value. This valuation at net realizable value is presented in the form of inventory depreciation ("Change in fair value of finished goods", cf. note 12).

The value of agricultural produce used for the assessment of fair value at the time of harvest and subsequent net realizable value is determined based on the actual prices on the principle market and contract prices on the presold crops.

(d) Work in progress (inventory of work in progress)

Work in progress is represented by the costs of preparing the land which has not been sown at balance sheet date. The soil preparation costs are appraised on the basis of the historical costs incurred by the Group.

6.7. Current and deferred income tax

(a) General tax treatment

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax rates applicable on 30 June, 2014 are 33,33% in France, 19% in Ukraine (see (b) Agricultural tax schemes for agricultural concerns in Ukraine) and 12,5% in Cyprus.

The deferred tax is determined using the tax rate and the tax regulations in effect or in effect in essence at the balance sheet date and which are likely to be applied when the deferred tax assets will be used or when the deferred tax liability will be paid.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

However, the deferred tax is not accounted for if, at initial recognition of an asset or a liability at the time of a transaction other than a combination of companies, the transaction has no implications for the accounting income or the taxable income.

(b) Agricultural tax scheme for agricultural concerns in Ukraine

In Ukraine, a company is considered to be a farming company if at least 75% of its revenues from the previous fiscal year arise from the sale of agricultural products. In this case, a farming company enjoys special regime on corporate income tax and privileged VAT regime as described below.

- Corporate income tax: agricultural companies are not subject to corporate income tax but to the tax on land which is calculated on the basis of a percentage of the value of the land used for agricultural production. The related corresponding costs are classified in "Cost of sales".
- Privileged VAT regime:
    - Revenues expenses and assets are recognized net of VAT, except where the VAT incurred on purchase of assets or services is not recoverable from tax authorities, in which case the VAT is recognized as part of the acquisition cost of the assets or as part of the expense item as applicable. Receivables, payables, prepayments made and advances received are stated with the VAT amounts included.

    - The net amount of VAT recoverable from or payable to the tax authorities is recorded in a specific account as part of other current assets or liabilities in the statement of financial position.

    - the entities eligible to the privileged VAT regime transfer net VAT payable to special restricted accounts and are allowed to use the funds accumulated on these accounts for the purchase of goods and services related to their agricultural activities, rather than remitting such amounts to the state budget, as other taxpayers are required to do. At the same time, such entities are not allowed to claim net VAT credit for refund from the state budget. The net amount of VAT payable, established at the entity level, is recorded as deferred income on government grants in the statement of financial position until the moment the respective entity incurred qualifying expenses, upon which the related amount was recognized in profit and loss as income from government grants.

Among the 27 legal entities that the Group controls in Ukraine in as of 30 June, 2014, 16 are involved in agricultural production and are eligible for the special tax arrangements for agricultural companies in Ukraine in first-half 2014.

6.8. Leases – The Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases in which the risks and rewards incidental to the ownership of an asset are transferred substantially to the lessee are classified as finance leases. At the commencement of the lease, the Group recognises the asset purchased on finance lease term (cf. note 10) and the relative debt (cf. note 15) on its balance sheet at the amount equal to the fair value of the leased asset or, if it is lower, at the present value of the minimum rent payments of the deal.

Each lease payment is allocated between the liability and finance charges and amortization of the balance of the debt so as to achieve a constant periodic rate on the finance balance outstanding.

The assets acquired under finance leases are depreciated over the shorter of their useful life or lease term if it is lower and if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

6.9. Share-based payment

The fair value of services assumed to have been received in exchange for the equity instruments (warrants) issued is recognised as an expense in the income statement and in other reserves in equity during the vesting period (from the grant date of warrants until the vesting date). The fair value of the services received is determined by reference to the fair value (market value) of equity instruments granted at the grant date.

6.10. Presentations of Consolidated Cash Flow Statement

The Group presents its cash-flow statement using the indirect method.

7. Segment reporting

7.1. Group's operational structure

- Ukraine

In 2013, Harmelia Group historical perimeter consisted of 15 Ukrainian agricultural conso units (16 agricultural legal entities) operating c. 70,000 hectares before the merger with AgroGeneration.

Ex-AgroGeneration historical perimeter was composed of 10 Ukrainian agricultural entities (13 agricultural legal entities) operating around 50,000 hectares before the merger with Harmelia Group.

At the 30 June 2014, the new combined group AgroGeneration is composed of 27 agricultural legal entities.

The new group controls c. 120,000, hectares of farmland in Ukraine.

- Holdings

Holdings are represented by Cyprus and French companies.
The respective contributions of the various operating segments are presented below:

Segment reporting 2014 - in thousand of euros	Ukraine	Holdings Holdings Cyprus	Holdings Holding France	Eliminations	30 June 2014
-	Total	-	-	-	-
Revenue	4 815	-	616	(491)	**4 940**
Change in fair value of biological assets	8 258	-	-	-	**8 258**
Cost of sales	(5 239)	-	(549)	549	**(5 239)**
Gross profit / (loss)	**7 834**	**-**	**67**	**58**	7 959
Sales, general and administrative expenses	(3 759)	(2 065)	(845)	-	**(6 669)**
Other income and expenses	2 042	-	37	-	**2 079**
Profit before interest and tax	**6 117**	**(2 065)**	**(741)**	**58**	3 369
Financial net income	(15 390)	1 136	(2 439)	(58)	**(16 751)**
Income tax	-	25	-	-	**25**
Profit / (loss) for the period from continued activity	**(9 273)**	**(904)**	**(3 180)**	**-**	**(13 357)**
Assets	**91 725**	**54 464**	**79 182**	**(98 253)**	**127 118**
Liabilities (other than shareholders' equity)	**178 706**	**129 287**	**(104 238)**	**(98 253)**	**105 517**

Segment reporting 2013 - in thousand of euros	Ukraine	Holdings Holdings Cyprus	Holding France	Eliminations	30 June 2013
-	Total	-	-	-	-
Revenue	7 333	-	-	-	**7 333**
Change in fair value of biological assets	2 906	-	-	-	**2 906**
Cost of sales	(7 466)	-	-	-	**(7 466)**
Gross profit / (loss)	**2 773**	**-**	**-**	**-**	**2 773**
Sales, general and administrative expenses	(2 840)	(2 460)	-	-	**(5 300)**
Other income and expenses	1 035	-	-	-	**1 035**
Profit before interest and tax	**968**	**(2 460)**	**-**	**-**	**(1 492)**
					-
Financial net income	(1 379)	1 492	-	-	**113**
					-
Income tax	(6)	-	-	-	**(6)**
Profit / (loss) for the period from continued activity	**(417)**	**(968)**	**-**	**-**	**(1 385)**
					-
Assets	**69 051**	**51 364**	**-**	**(51 429)**	**68 986**
Liabilities (other than shareholders' equity)	**106 271**	**(39 681)**	**-**	**(51 424)**	**15 166**

8. Intangible fixed assets and land leases

(in thousands of Euros)	Gross value				Depreciation				Net value			
	Goodwill (1)	Leasehold rights	Others	Total	Goodwill	Leasehold rights	Others	Total	Goodwill	Leasehold rights	Others	Total
December 31, 2013	**34 350**	**15 072**	**816**	**50 238**	**-**	**(1 358)**	**(257)**	**(1 615)**	**34 350**	**13 714**	**559**	**48 623**
Change in scope	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of assets	-	-	131	131	-	-	-	-	-	-	131	131
Depreciation	-	-	-	-	-	(951)	(43)	(994)	-	(951)	(43)	(994)
Exchange rate differences (2)	(210)	(4 766)	(167)	(5 143)	-	552	48	600	(210)	(4 214)	(119)	(4 543)
Disposals of assets	-	-	(14)	(14)	-	-	14	14	-	-	-	-
Other transactions	-	124	(155)	(31)	-	-	24	24	-	124	(131)	(7)
Transfer toward assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
June 30, 2014	**34 140**	**10 430**	**611**	**45 181**	**-**	**(1 757)**	**(214)**	**(1 971)**	**34 140**	**8 673**	**397**	**43 210**

(1) As of 30 June 2014, the goodwill of € 34 140 K is composed of :

- € 399 K arising from AF Barvenkovskaya LLC (BAR) acquisition
- € 59 K arising from Vybor LLC (VYB) acquisition
- € 33 682 K arising from the acquisition of ex-AgroGeneration Group on 11 October, 2013.

(2) Significant exchange differences resulted from translation of statement of financial position of Ukrainian entities with functional currencies Ukrainian hryvnia into consolidated statement of financial position with presentation currency EURO (cf Note 6.3 (c)). As a result, the net intangible fixed assets and land leases decreased by € 4 543 K (decrease of gross value by € 5 143K and decrease of accumulated depreciation by € 600K).

9. Property, plant and equipment

(in thousands of Euros)	Buildings	Agricultural machinery and others	Agricultural machinery and others through under finance leases	Assets under construction and payments in advance	Total
As of December 31, 2013					
Gross Value	17 286	28 706	12 180	878	**59 050**
Accumulated depreciation	(2 070)	(10 162)	(1 865)	-	**(14 097)**
Net closing value	**15 216**	**18 544**	**10 315**	**878**	**44 953**
Period closing as of June 30, 2014					
Opening balance	**15 216**	**18 544**	**10 315**	**878**	**44 953**
Purchases (gross value)	119	609	262	59	**1 049**
Disposals (gross value)	(172)	(141)	-	(11)	**(324)**
Other movements on gross value (1)	7	1 387	(1 323)	(144)	**(73)**
Exchange rate differences on gross value (2)	(5 608)	(10 332)	(3 678)	(262)	**(19 880)**
Depreciation	(626)	(2 194)	(513)	-	**(3 333)**
Reversal of depreciation on disposal	1	114	-	-	**115**
Other movements on depreciation (1)	18	(250)	244	-	**12**
Exchange rate differences on depreciation (2)	922	4 581	620	-	**6 123**
Net closing value	**9 877**	**12 318**	**5 927**	**520**	**28 642**
As of June 30, 2014					
Gross Value	11 632	20 229	7 441	520	**39 822**
Accumulated depreciation	(1 755)	(7 911)	(1 514)	-	**(11 180)**
Net closing value	**9 877**	**12 318**	**5 927**	**520**	**28 642**

(1) the most significant amount of "other movement on gross value" and "other movement on depreciation" relates to the reclassification of the assets under finance leases to " Agricultural machinery and others" after the end of the lease term (€ 1 380 K) and relating accumulated depreciation (€ 245 K).

(2) Due to significant exchange differences of the functional currencies of Ukrainian entities (cf Note 6.3 (c)), the net amount of Property, plant and equipment decreased by € 13 757 K (decrease of gross value by € 19 880 K and decrease of accumulated depreciation by € 6 123 K).

The total net carrying amount of tangible assets pledged as of 30 June , 2014 amounts to €6 403 K (€ 3 503 K pledge on buildings, and € 2 900 K pledge on agricultural machinery and other tangible fixed assets).

10. Finance leases

(in thousands of Euros)	June 30, 2014		December 31, 2013	
	Minimum payments	Discounted value of minimum payments	Minimum payments	Discounted value of minimum payments
Less than one year	2 797	2 288	2 777	2 198
Between one and five years	2 188	1 843	2 966	2 343
After five years	-	-	-	-
Total minimum leases	**4 985**	**4 131**	**5 743**	**4 541**
Financial cost	(854)	-	(1 202)	-
Present value of minimum payments	**4 131**	**4 131**	**4 541**	**4 541**

11. Financial assets

(in thousands of Euros)	Non-consolidated subsidiaries (1)	Long-term loans	Security deposit	Other financial assets (2)	Total
	-	-	-	-	-
December 31, 2013	**192**	**6**	**43**	**153**	**394**
Acquisition of subsidiaries					-
Purchases of assets		1		27	28
Disposals of assets					-
Other transactions		(4)			(4)
Exchange rate difference	(51)	(2)			(53)
Depreciation					-
Transfer toward assets held for sale					-
June 30, 2014	**141**	**1**	**43**	**180**	**365**

(1) In March 2013 AgroDomPlus acquired 8,96% share of Agro-Farme.

(2) The "Other financial assets" are mainly a deposit made with a specialized financial intermediary in the scope of liquidity contract concerning transactions on the AgroGeneration share on the NYSE Euronext Alternext market. This contract has been in place since March 1, 2010, the date that the AgroGeneration security was admitted to Alternext. It is in line with the code of ethics of the AFEI approved by the AMF by decision of September 11, 2006.

The amount allocated to this liquidity contract is € 800 K as of 30 June, 2014. Over the first half of 2014 financial year, and in the application of the liquidity contract, 169 254 securities were purchased at the average price of € 1,11 and 186 455 securities were sold at the average price of € 1,15.

As of 30 June, 2014, the situation of the contract is as follows:

- 403 840 shares valued at €438k (1,09€/share) were owned by the Group under its liquidity contract;
- the cash position available under this contract of € 180k which is shown in "Other financial assets" in the above statement.

12. Inventories

(in thousands of Euros)

Gross Value	**June 30, 2014**	**December 31, 2013**
Raw materials and other supplies	3 273	4 012
Works in progress	1 537	10 751
Finished goods	137	8 200
Change in fair value of finished goods	23	(830)
Total	**4 970**	**22 133**

Depreciation	**June 30, 2014**	**December 31, 2013**
Raw materials and other supplies	(119)	(174)
Works in progress	-	-
Finished goods	(9)	(524)
Total	**(128)**	**(698)**

Net value	**4 842**	**21 435**
Raw materials and other supplies	3 154	3 838
Works in progress	1 537	10 751
Finished goods	151	6 846

(1) The inventory of Finished goods as of 30 June 2014, representing €137k, is made up of 1 407 tons of crops (52 490 tons as of 31 December, 2013).

The inventory of Raw materials and other supplies are inputs to be used in the 2014 harvest and spare parts.

13. Biological assets

(in thousands of Euros)	
Book value as of December 31, 2013	**10 703**
Current Biological Assets	10 398
Non-current Biological Assets	305
Acquisition of subsidiaries	-
Acquisition of non-current biological assets	
Reclassification of work in progress to biological assets	8 474
Costs incurred over the period	21 858
Biological assets decrease due to harvest	(704)
Disposal of non-current biological assets	
Gain/loss due to change in fair value	8 258
Impairment of biological assets	
Exchange rate differences	(8 377)
Other movements	
Book value as of June 30, 2014	**40 212**
Current Biological Assets	39 961
Non-current Biological Assets	251

The Group's biological assets are cereals and oilseeds that are planted as of 30 June 2014 for harvest in the second half of 2014 in Ukraine.

(in hectares)	June 30, 2014	December 31, 2013		
	Ukraine	Ukraine	Argentina	Total
Winter Rapeseed	6 485	6 486		6 486
Winter Wheat	27 143	27 147	-	27 147
Winter Barley	3 166	3 165	-	3 165
Spring Barley	9 586	-	-	-
Corn	8 027	-	1 996	1 996
Soybean	4 018	-	5 871	5 871
Sunflower	32 047	-	345	345
Other	12 926	-	-	-
Total	**103 398**	**36 798**	**8 212**	**45 010**

The fair value of the biological assets is determined on the basis of the planted area, the expected yields (average yield used is 3,59 t/ha), as well as prices (average price used is € 148,76 per t), at the balance sheet date.

As of 30 June, 2014 € 27 376 K of biological assets have been pledged for the trade financing credit facility (cf. note 15.2).

14. Trade and other receivables

(in thousands of Euros)	June 30, 2014	December 31, 2013
Trade receivables	591	1 518
Prepayments to suppliers	1 367	1 184
Other receivables	964	473
Social and tax receivables (excl. VAT receivables)	209	399
VAT receivables	3 304	2 490
Prepaid expenses	793	384
Trade and other receivables	**7 228**	**6 448**

(in thousands of Euros)	June 30, 2014	December 31, 2013
Currency:		
Denominated in EUR	959	546
Denominated in USD	74	435
Denominated in UAH	6 195	5 467
Trade and other receivables	**7 228**	**6 448**

The maximum exposure to credit risk as of the balance sheet date amounts to the fair value of each class of receivables mentioned above. The Group has no collateral for hedging.

(1) The advances paid correspond to prepayments to suppliers of inputs for the 2014 harvest.

(2) The VAT receivable of €3 304k includes:

€ 3120 relating to the Ukrainian entities enjoying special agricultural regime (note 6.7 (b));

€ 29 k relating to the Ukrainian entities that did not opt for the special tax scheme for agricultural producers. It represents input VAT

€155k relating input VAT of AgroGeneration SA.

15. Net Debt

15.1. Cash and cash equivalents

(in thousands of euros)	June 30, 2014	December 31, 2013
Cash	2 619	8 902
Restricted cash		-
Investment securities		-
Cash and cash equivalents	**2 619**	**8 902**
Bank overdraft	-	(1 677)
Net cash & cash equivalent	**2 619**	**7 225**

The Cash and cash equivalents and the Bank overdraft are denominated in the following currencies as of 30 June, 2014:

	June 30, 2014	December 31, 2013	
(in thousands of euros)	Cash and cash equivalents	Cash and cash equivalents	Bank overdraft
Currency :			
Denominated in EUR	202	2 347	(1677)
Denominated in USD	1 758	1 854	
Denominated in UAH	659	4 701	
Net cash & cash equivalent	**2 619**	**8 902**	**(1677)**

15.2. Borrowings

(in thousands of euros)	June 30, 2014	December 31, 2013	
Listed bonds	19 714	19 647	(1)
Konkur bonds	29 399	28 957	(2)
Bank borrowings	-	-	
Lease payments	1 843	2 343	(4)
Other financial debt	-	-	(5)
Non-current borrowings	**50 956**	**50 947**	
Bank borrowings	32 820	24 458	(3)
Listed bonds	406	411	(1)
Konkur bonds	1 135	514	(2)
Lease payments	2 288	2 198	(4)
Other financial debt	387	252	(5)
Current borrowings	**37 036**	**27 833**	
Total borrowings	**87 992**	**78 780**	

(1) The bonds issues of July 2012 and April 2013 were initially recognized at their fair value based on a gross amount of € 20 379k net of transaction costs incurred of € 885k. The current part of €406k corresponds to accrued interests as of 30 June, 2014 payable on 1 October 2014.

(2) Konkur bonds (USD 40 mln) were issued in relation to the merger on 11 October 2013. The current part of € 1 135 k represents accrued interests payable.

(3) Bank borrowings include short-term borrowing from Alfa bank (€ 14,6 m), Credit Agricole (€ 7,3 m), UkrSibbank (€ 5,4 m) and EBRD (€ 5,1 m).

In the scope of these borrowings, the Group has pledged part of its current and non-current assets including:

- Some of the Fixed assets (Buildings and Agricultural machinery; cf. note 9),
- Some of the Finished goods (cf. note 12).

The shares in the subsidiaries Marrimore, AJU, AFU and UCD are pledged to the benefit of the European Bank of Reconstruction and Development (EBRD) in the scope of the financing agreement signed in 2011.
In accordance with the agreement signed on September 29, 2011, EBRD obtained 850 000 warrants which entitle EBRD for additional 850 000 shares with exercise price of €2,05, these warrants have been classified as equity instruments.

The loan granted by the EBRD is subject to covenants. As of 30 June, 2014, the Group is not compliant with some of these covenants and the related loan amount (net carrying amount €5 083k as of December 31, 2013) is consequently classified as Current borrowings. The Group expects to obtain the waiver any time soon.

The shares in Harmelia, Wellaxo, Zito, Zeanovi, Azent and their subsidiaries are pledged to the benefit Alfa Bank as part of loan agreement.

(4) Current and non-current lease payments are disclosed in note 10.

(5) Other borrowing mostly relate to (€ 208k) payable to Vivescia.

The maturity of the current and non-current borrowings is as follows:

(in thousands of euros)	2 015	2 016	2 017	2018 and after	Total
Bonds	1 541			49 113	50 654
Bank borrowings	32 820			-	32 820
Other financial debt	2 675	1 281	300	262	4 518
Total borrowings	**37 036**	**1 281**	**300**	**49 375**	**87 992**

Details of the variable-rate and fixed-rate borrowings:

(in thousands of euros)	June 30, 2014		December 31, 2013	
	Variable	Fixed	Variable	Fixed
Bonds		49 113	-	48 604
Bank borrowings		-	-	-
Other financial debt	1 503	340	992	1 351
Non-current borrowings	**1 503**	**49 453**	**992**	**49 955**
Bank borrowings	5 083	27 737	4 999	19 234
Bonds		1 541		925
Other financial debt	1 386	1 289	959	1 716
Current borrowings	**6 469**	**30 567**	**5 958**	**21 875**

The carrying amounts of the Group's borrowings are denominated in the following currencies:

(in thousands of euros)	June 30, 2014	December 31, 2013
Currency:		
EUR	21 737	21 923
USD	66 252	52 541
UAH	3	4 316
Total borrowings	**87 992**	**78 780**

The average interest rates of the Group by currency are:

	June 30, 2014	December 31, 2013
Currency:		
EUR	8,82%	8,2%
USD	10,35%	8,2%
UAH	-	19,2%

16. Share Capital

	Share capital in euros	Number of shares	Share premium
December 31, 2013	**4 618 096**	**92 361 928**	**166 467 669**
Additional shares issued	-	-	-
June 30, 2014	**4 618 096**	**92 361 928**	**166 467 669**

Instruments in circulation as of 30 June, 2014

As of 30 June, 2014, the financial instruments in circulation and the respective numbers of shares that could be issued by exercise of these instruments are presented below:

	Number of instruments	Potential additional shares
BSPCE	5 327	106 540
Stock-options	1 367 833	1 367 833
EBRD warrants	850 000	850 000
Konkur warrants	57 264 394	2 496 268
Total number of potential additional shares		**4 820 641**

Konkur warrants

The warrants issued for Konkur's shares may be exercised until the third anniversary of their issuance. Warrants will be exercisable and will give right to subscribe to a number of AgroGeneration new ordinary shares if Harmelia Group EBITDA ratio is more than twice that of AgroGeneration in 2013. If the ratio is between 1,5 - 2,0 the number of warrants exercised will be in pro rata to the ratio; if ratio is below 1.5 the warrants will not be exercisable.

EBITDA ratio for ex-AgroGeneration Group and Harmelia should be calculated based on the audited financial statements for 12 months 2013 applying accounting policies of AgroGeneration existing as of December 31, 2012. The parties have not started this process as of the date of issuing these consolidated financial statements, therefore it is not possible to assess the fair value of these warrants and the Group has not integrated any debt in its accounts related to these warrants.

17. Provisions

	Provisions for litigations	Provisions for liabilities and expenses	Provisions for restructuring	Total
December 31, 2013	**559**	**4**	**100**	**663**
Additional				-
Reversal (used)	(139)		(100)	**(239)**
Reversal (unused)	(313)			**(313)**
Change in perimeter				-
Other variations				-
Exchange rate differences	(83)			**(83)**
June 30, 2014	**24**	**4**	**-**	**28**

In 2013 the Group accrued the provision for litigation relating to the usage of land rights. The appeal court was lost by AgroGeneration in April 2014. The amount provided (€ 412k) includes missed profit of third party and court expenses. In May 2014 Supreme Court of Appeal cancelled the decision of appeal court in favour of AgroGeneration, therefore, the provision was reversed in the first-half of 2014.

The Provisions for liabilities and charges related to Pension obligations (€ 4k) and are classified as non-current provisions.

The management closely monitors legal and tax litigations and assesses the relating risks. As of 30 June, 2014, the Group is not exposed to any other significant legal or tax litigation.

18. Trade and other payables

(in thousands of euros)	Trade payables	Advance payments received	Social & tax payables	Other payables	Total
December 31, 2013	**3 189**	**1 294**	**1 727**	**2 809**	**9 019**
Current	9 629	2 285	1 157	3 609	**16 680**
Non current	-	-	-	-	**-**
June 30, 2014	**9 629**	**2 285**	**1 157**	**3 609**	**16 680**

The Trade and other payables are denominated in the following currencies :

(in thousands of euros)	June 30, 2014	December 31, 2013
Currency :		
EUR	2 714	2 331
UAH	13 966	6 688
Trade and other payables	**16 680**	**9 019**

19. Revenues from operating activities

(in thousands of euros)	First-half, 2014	First-half, 2013
Sales of agricultural produce (1)	4 501	7 127
Services and others (2), (3)	439	206
Total revenue from operating activities	**4 940**	**7 333**

(1) In the first-half 2014, AgroGeneration sold 28 024 tons of cereals and oilseeds.

(2) The services are mainly composed of activities of drying, storage or loading grain for third parties.

Detail of revenue by geographical region:

(in thousands of euros)	First-half, 2014	First-half, 2013
Ukraine	4 325	7 333
France	615	-
Total revenue excluding discontinued operations	**4 940**	
Argentine - discontinued operations	2 726	-
Total revenue	**7 666**	**7 333**

20. Functional costs / costs by nature

(in thousands of euros)	first-half 2014	first-half 2013
Cost of sales	(5 239)	(7 466)
Administrative & Selling expenses	(6 669)	(5 300)
Cots by function	**(11 908)**	**(12 766)**
Raw materials, purchases services and leasing	(7 084)	(7 791)
Personnel costs	(2 823)	(2 300)
Depreciation and provision	(1 237)	(1 329)
Other expenses	(764)	(1 346)
Costs by nature	**(11 908)**	**(12 766)**

(1) On average in first-half 2014 the Group had 1 470 employees.

21. Other income and expense

(in thousands of euros)	first-half 2014	first-half 2013	
Proceeds from fixed assets sold	63	-	
Reverse of litigation provision	313	-	(1)
Government grant (arising from net VAT)	1 718	1 325	(2)
Other income	458	270	
Other operating Income	**2 552**	**1 595**	
Net book value of fixed assets sold	(209)	(140)	
Litigation provision	-	(417)	
Other expenses	(264)	(3)	
Other operating expenses	**(473)**	**(560)**	
Other operating income and expenses	**2 079**	**1 035**	

(1) cf Note 17.

(2) cf Note 6.7 (b)

22. Net financial income / (expenses)

(in thousands of euros)	First-half, 2014	First-half, 2013
Interests income	-	-
Exchange rate gains (1)	1 592	994
Gains from financial instruments	-	-
Other financial income	34	-
Financial income	**1 626**	**994**
Interests expenses (2)	(4 153)	(280)
Exchange rate losses (1)	(14 199)	(516)
Losses from financial instruments	-	-
Other financial expenses	(25)	(85)
Financial expenses	**(18 377)**	**(881)**
Financial net income / (loss)	**(16 751)**	**113**

(1) Due to the impact of the current political situation on the volatility of Ukrainian hryvnia (cf. Note 3.2), the exchange rate Ukrainian hryvnia/USD as of reporting date decrease from 7,993 UAH/USD on 31 December 2013 to 11,82 UAH/USD on 30 June 2014. As a result all monetary items of Ukrainian entities (mostly bank loans and intercompany loans) generated significant unrealised foreign exchange loss.

Foreign exchange gains and losses generated by the Group in the first half 2014 included:

- € 1 592k Foreign exchange rate gains: realised (€ 945k) and unrealised (€ 647 K)
- € 14 199k Foreign exchange rate losses: realised (€ 1 588k) and unrealised (€ 12 611 K)

Unrealised foreign exchange loss generated included:

- € 9591 K unrealised foreign exchange loss relating to the bank loans and other debt in foreign currency
- € 3 020 K unrealised foreign exchange loss relating to the inter-company loans between Ukrainian and Cyprus entities.

Note that certain intercompany loans are classified as net investments (cf Note 6.3), therefore, corresponding unrealised foreign exchange loss (€ 27 096 K) is recognised directly in equity.

Unrealised foreign exchange gain was generated by Cyprus and French Holding companies from Inter-company loans in USD.

(2) Interest expense is mostly composed of:

€ 1 977 K on listed and Konkur bonds (€ 811 K and € 1 166 K respectively);
€ 2 123 K on bank loans (€ 226 K on EBRD loan, € 637 K on Alfa loan, €1 260 K on Credit Agricole, UkrSibbank and other loans).

23. Discontinued operations

In November 2013, the Board of Directors decided to discontinue AgerAustral activity in Argentina and this company was sold on 5 June 2014 (cf Note 2.2).

(in thousands of Euros)	AgerAustral
	First-half 2014 (5 months)
Revenue	**2 726**
Other operating income	-
Total revenues	**2 726**
Change in fair value of biological assets and finished goods	1 179
Cost of sales	(2 747)
Gross profit / (loss)	**1 158**
Sales, general and administrative expenses	(499)
Other income and expenses	-
Financial net income	(4)
Gain from disposal of the discontinued operations	1 018
Profit / (loss) before income tax	**1 673**
Income tax from discontinued operations	(244)
Profit / (loss) from discontinued operations	**1 429**

(1) *Disposal of operations in Argentina,* AgerAustral

In 2013, the management assessed that the potential selling price of AgerAustral was €2,5 million lower than its net assets due to risks related to exchange rates and capital repatriation risks attributed to Argentina. As a result, the Group recognised a provision for €2,5 million in "Profit/(loss) from discontinued operations".

In June 2014 AgerAustral was sold the deal resulted in the recognition of € 1 018 K gain (including € 2 500 K gain from reversal of 2013 provision and € 1 482 K of actual loss from the deal). The current 5 months 2014 result of Argentinian subsidiary amounted to € 411 K gain resulting in Profit / (loss) from discontinued operations of € 1 429 K.

24. Earnings per share

The basic earnings per share are calculated by dividing:

- The net earnings, group share,
- By the weighted average number of ordinary shares in circulation during the financial year.

The diluted earnings per share are calculated by dividing:

- The net earnings, group share, taking into account the instruments that cause dilution,

- By the weighted average number of ordinary shares in circulation during the financial year plus the weighted average number of ordinary shares that would have been issued following the conversion of all the potential ordinary shares that cause dilution into ordinary shares.

Related to the reverse acquisition of AgroGeneration by Harmelia, in accordance with IFRS 3 review “Business Combinations”, the calculation of weighted average number of shares issued used, was established before and after merger.

For the previous period (2012) (before merger), the weighted average number of shares issued reflect Harmelia outstanding number of shares before the merger multiplied by the exchange ratio established by the acquisition agreement.

For the period post-merger, the weighted average number of shares is AgroGeneration-Harmelia weighted average number of shares issued during this period.

(in thousands of euros)	**June 30, 2014**	**June 30, 2013**
Net consolidated income / (loss) - group from continued activity (K€)	(13 357)	(1 384)
Net consolidated income / (loss) - group from discontinued activity (K€)	1 429	-
Net consolidated income / (loss) - group share (K€)	**(11 928)**	**(1 384)**
Dilution impact (K€)	-	-
Net consolidated income / (loss) after dilution impact	**(11 928)**	**(1 384)**
Weighted average number of ordinary shares	91 948 633	57 264 394
Potential dilution	-	-
Weighted average number of shares after dilution impact	**91 948 633**	**57 264 394**
Net income / (loss) per share (Euros) - group share	**(0,13)**	**(0,02)**
Net income / (loss) per share (Euros) after dilution - group share	**(0,13)**	**(0,02)**
Net income / (loss) per share (Euro) - from continued operations	(0,15)	
Net income / (loss) per share (Euro) after dilution - from continued operations	(0,15)	
Net income / (loss) per share (Euros) - from discontinued operations	0,02	
Net income / (loss) per share (Euros) after dilution - from discontinued operations	0,02	

Over the first half 2013 and first half 2014 financial years, the potential ordinary shares that would have been issued after the conversion of the stock-options and warrants are not included in the measurement, since they have an anti-dilutive effect.

25. Transactions with related parties

Material transactions entered into over the period and remaining balances as of 30 June 2014 with parties that have significant influence over the Group are as follows:

kEURO		ASSETS	LIABILITIES	INCOME	EXPENSE
SigmaBleyzer group	*various entities under common control*				
	Management Fees		(145)		(145)
	Bonds issued to Konkur		(29 399)		
	Interest on bonds		(1135)		(1166)
	Consulting services				
	Loans	292	(147)		
	Rent services				
Register LLC	*under influence of Group*				
	Consulting services	4	(5)	2	(100)
Gravitation SAS	*shareholder*				
	Re-invoicing of rent			35	
Group Vivescia	*shareholder*				
	Interest on debt				
	Other debt payable		(209)		
Safari Arms	*controlled by a member of the Board of Directors*				
	Consulting services	7	(107)		(673)
John Shmorhun	*Key management*				
	Consulting services				(109)
Cordial	*shareholder*				
	Consulting services				(147)
TOTAL		**303**	**(31 147)**	**37**	**(2 340)**

26. List of consolidated companies

All companies are fully consolidated.

	Name	Conso name	Registered office	31 December 2013	30 June 2014
				% of interest	% of interest
1	AgroGeneration	AgroGeneration	Paris - France	Consolidating entity	Consolidating entity
2	Marrimore Holdings Ltd	Marrimore	Nicosia - Cyprus	100%	100%
3	Haberly Properties Ltd	Haberly	Nicosia - Cyprus	100%	100%
4	Harmelia Investments Limited	Harmelia	Nicosia - Cyprus	100%	100%
5	Zeanovi Limited	Zeanovi	Nicosia - Cyprus	100%	100%
6	Wellaxo Investments Limited	Wellaxo	Nicosia - Cyprus	100%	100%
7	Azent Limited Company	Azent	Nicosia - Cyprus	100%	100%
8	Zito Investments Limited	Zito	Nicosia - Cyprus	100%	100%
9	AgerAustral*	AgerAustral	Buenos Aires - Argentine	100%	-
10	UCD Ukraine	UCD UA	Kiev - Ukraine	100%	100%
11	LLC Agro NovaNyva	ANN	Kiev - Ukraine	100%	100%
12	Agrofuel Ukraine	Agrofuel	Kiev - Ukraine	100%	100%
13	AFT-Agro	AFT	Kiev - Ukraine	100%	100%
14	Agroziom	AGZ	Sumy - Ukraine	100%	100%
15	Vinal Agro	VKD	Lviv - Ukraine	100%	100%
16	Knyazhi Lany (VKL)	VZL	Lviv - Ukraine	100%	100%
17	Zborivski Lany (VZB)	VZL	Ternopol - Ukraine	100%	100%
18	Agrodruzstvo Jevisovice Ukraine	AJU	Ternopol - Ukraine	100%	100%
19	Lishchynske	VLY	Zhitomir - Ukraine	100%	100%
20	TOV CF Leschin	VLY	Zhitomir - Ukraine	100%	100%
21	Vidrodzhennya	VZH	Zhitomir - Ukraine	100%	100%
22	Agro-Vilshanka	AgroVylshyanka	Zhitomir - Ukraine	100%	100%
23	Agro Fund Terestchenko	AFT	Zhitomir - Ukraine	100%	100%
24	APK Novy Stil LLC	NST	Kharkiv - Ukraine	100%	100%
25	APK Donets LLC	DON	Kharkiv - Ukraine	100%	100%
26	Burlukskoje PC	BUR	Kharkiv - Ukraine	100%	100%
27	Zachepilovskoje LLC	ZACH	Kharkiv - Ukraine	100%	100%
28	AF Barvenkovskaya LLC	BAR	Kharkiv - Ukraine	100%	100%
29	APK Ukraina Nova LLC	APK	Kharkiv - Ukraine	100%	100%
30	AF Podoljevskaja LLC	POD	Kharkiv - Ukraine	100%	100%
31	FG Podoljevskaja	POD	Kharkiv - Ukraine	100%	100%
32	AF Ukraina Nova LLC	UNA	Kharkiv - Ukraine	100%	100%
33	Lan LLC	LAN	Kharkiv - Ukraine	100%	100%
34	Vybor LLC	VYB	Kharkiv - Ukraine	100%	100%
35	Harmelia Trading LLC	HAR	Kharkiv - Ukraine	100%	100%
36	Agro Dom Plus	AgroDom	Kharkiv - Ukraine	100%	100%

*AgerAustal was disposed of in June 2014 (cf Note 2.2).