



2019 annual results

- **EBITDA heavily impacted by weather conditions and prices and amplified by non-recurring items linked to the disposal of farms**
- **Improvement in balance sheet due to extensive deleveraging**

Paris, April 29, 2020

AgroGeneration, a Ukraine based grain and oilseed producer, published its 2019 financial statements, as approved by the Board of Directors on April 28, 2020.

As expected, 2019 results were heavily impacted by adverse weather conditions and low prices that strongly hit the performance of EBITDA this year. The persisting drought in the East of Ukraine, lasting from June until autumn 2019, curtailed yields in both early (mainly wheat) and late (sunflower, soybean and corn) crops. Although EBITDA was negative, excluding embedded currency effects in gross profit related to hryvnia appreciation in Ukraine this year, the Group would have posted a slightly positive EBITDA in 2019.

2019 was marked also by the sale of 6 farms in the Ternopil, Zhytomyr and Lviv regions of Western Ukraine and the Sumy region in the East, spanning a total of about 49,000 ha of farmland. The Group is currently operating with around 58,000 ha in the Kharkiv region of Eastern Ukraine.

As a result of these change of scope, the Group is therefore posting 2018 results on a like-for-like basis for the sake of comparison between the two periods. The farmlands divested this year were largely loss-making in 2019, which had a material impact on net profit. This impact was amplified by non-cash items such as currency translation differences and goodwill. Nevertheless, these deals were concluded under favorable price conditions for a total amount of €36 million (including lease rights). The proceeds were assigned to the repayment of bank borrowings, enabling AgroGeneration to deleverage significantly and clean up its balance sheet.





2019 Results

2019 financial statements will be posted not later than on 30th of April 2020 at www.agrogeneration.com

(in € thousands)	2018 Published ⁽⁵⁾	2018 Pro-forma ⁽⁴⁾	2019 Published
Revenue	41,007	27,789	30,591
Biological assets and finished goods (change in fair value)	9,819	4,917	(610)
Cost of sales	(39,561)	(26,229)	(30,567)
Gross profit	11,265	6,477	(586)
Selling, general and administrative expenses	(9,602)	(7,962)	(10,338)
Other income and expenses	(180)	(191)	(8,942)
Operating profit	1,483	(1,676)	(19,866)
Net financial income (expense)	(7,795)	(6,828)	2,054
Tax	56	56	450
Net profit (loss) from continued operations	(6,256)	(8,448)	(17,362)
Net profit (loss) from discontinued operations	(4,379)	(2,187)	(10,288)
Net profit (loss)	(10,635)	(10,635)	(27,650)

(in € thousands)	2018 ⁽⁵⁾	2018 Pro-forma ⁽⁴⁾	2019 Published
EBITDA ⁽¹⁾	10,167	5,648	(1,184)
Equity	48,214 ⁽⁵⁾	48,214 ⁽⁵⁾	27,898
Net debt ⁽²⁾	62,155	57,725	35,628
Net debt excl. IFRS16	41,895	41,990	16,697
Structural debt ⁽³⁾	2,264	2,264	0

(1) EBITDA = earnings before interest, tax, depreciation, amortization, provision, net gain or loss on fixed asset divestiture and impairment of non-current assets **and additional non-contractual portion of lease commitments** - see appendix I for detail

(2) Total borrowings minus available cash and term deposits pledged as security for repayment of bank debt **and additional debt related to additional non-contractual portion of lease commitments** - see appendix I for detail

(3) Principal amount of loan granted by EBRD plus amount of capitalized future interest on OSRANes - see appendix I for detail

(4) The pro-forma information for 2018 is presented based on the basis of the new scope of the Group (new scope following sales of farms carried out over 2019).

(5) The group has noted an error in the 2018 financial statements related to the estimate of the value of the net assets sold (on the farms of Ternopil, Zhytomyr, and Sumy) and the associated goodwill, under the application of IFRS 5. Consequently, a correction was made to the amount of the Group's shareholders' equity and net profit/(loss) of discontinued operations. At December 31, 2018, it was necessary to read the equity as €48,214,000 compared to €50,328,000 previously indicated, and net profit/(loss) of discontinued operations as €(4,379,000) compared to €(2,265,000) previously indicated. For more details please refer to the Note 5 of Consolidated financial statements as of and for the period ended December 31, 2019.





Production and revenue

In 2019, the current scope of operations of AgroGeneration produced around 170,600 tons of grain and oilseed (vs. 161 000 tons in 2018 pro-forma) over a cultivated area of circa 56,000 ha. The increase in production is driven by improved production volumes of wheat, which despite the difficult weather conditions demonstrated better yields than last year (though still lower than in normal years).

At the same time, the persisting drought in the East of Ukraine, in the second half of the summer and early autumn negatively impacted yields of the Group's late crops, which resulted in yields below the Ukrainian farming sector average both for early and late crops.

Comparison of gross yields (state statistics as of December, 2019):

Crops	AGG vs. Ukraine
Wheat	-0.4%
Sunflower	-15.5%
Corn	-8.5%

AgroGeneration posted 2019 revenues of €30.6 million (continued operations), up €2.8 million from €27.8 million in 2018 pro-forma, primarily resulting from the sale of the previous year's inventories and increased production in 2019. It breaks down as follows:

- €20.4 million corresponds to revenue from the sale of 116,550 tons produced in 2019, a 13,000 tons increase versus 2018 pro-forma sales mainly due to increase in sales of wheat. The difference between tonnage produced and sold corresponds to production stored by the company for its own needs and to inventory of around 45,000 tons, similar to 44,000 tons the previous year (pro-forma);
- €9,2 million from the sale of the previous year's inventory;
- €1,1 million from other products and services (storage, drying).

The export share of continued operations (including inventories from prior year production) increased to 60% of sales (versus 53% last year pro-forma). Excluding crops not eligible for export (sunflower), the proportion would be 76%.

Revenues on discontinued farmland amounted to €15.0 million.





Earnings for the year

Gross profit from continued operations decreased from €6.5 million in 2018 pro-forma to €(0.6) million in 2019, a €7.1 million decline. This decrease can be broken down as follows:

- €2.2 million total effect from increase in volume of crops sold represents :
 - €4.6 million due to increase in wheat sales mainly thanks to improvement in yield compared to poor 2018 performance (though still lower than in normal years) and;
 - €(2.4) million negative effect in other early (other than wheat) and late crops due to decline in production due to unfavourable weather conditions;
- €(1.4) million related to the effect of a price decrease for both early and late crops following global market tendencies ;
- €(2.6) million associated with the increased costs of production, resulting from more intensive use of fertilisers related to crop mix, but hindered by adverse weather conditions, and annual inflation of costs ;
- €(3.2) million in change in the fair value of biological assets and finished goods representing a combined effect of decline in yields and prices in addition to cost inflation ;
- € (2.1) million forex reflecting increase of UAH-denominated expenses when presented in euro.

Selling, general and administrative expenses increased by €2.4 million from 2018 pro-forma, from €8 million up to €10.3 million in 2019, mostly attributed to one off-costs of €(1) million related to farm disposal and an increase in selling expenses €(1.2) million mostly driven by an increase in transport tariffs. The Group undertook a number of initiatives to reduce overheads and administrative costs which will give substantial improvements in 2020-2021.

EBITDA totalled €(1.2) million vs €5.6 million in 2018 pro-forma. Excluding forex effects in gross profit, EBITDA would be slightly positive.

Net other income and expenses increased by €(8.9) million from 2018 pro-forma, mostly attributable to the depreciation of goodwill of €(7.7) million (non-cash effect), caused by the decrease in the economies of scale for the new scope of Group's operations and €(1) million of net result on disposal of fixed assets. Other expenses also include a provision booked to cover risks related to the litigation with EGHO, for which no judgement has been yet pronounced.

Consequently, operating profit amounted to €(19.9) million compared to €(1.7) million in 2018 pro-forma i.e. a decrease of €18.2 million.





Net financial income stood at €2.1 million versus €(6.8) million in 2018 pro-forma. The decrease of €(8.9) million is primarily attributed to the variances in net foreign currency gains driven by the significant appreciation of the Ukrainian hryvnya in 2019.

Overall, the Group net loss from continued operations amounted to €(17.4) million in 2019 versus €(8.4) million in 2018 pro-forma.

Results from discontinued operations totalled a loss of €(10.3) million versus €(2.2) million in 2018 pro-forma. The variation is mostly attributable to the net result of the sale of farm assets of €(4.8) million and loss making activity of the farm in Western Ukraine sold in the second half of 2019. This net result is impacted by €(19) million of non-cash items such as currency translation differences and allocated goodwill.

Financial structure

As a result of full redemption of OSRANE (as of 1st of April 2019) the structural debt stood at zero as of December 31, 2019.

With the net proceeds from the disposal of the farmlands, AgroGeneration has repaid nearly all its borrowings (a total of €37.7 million were repaid in 2019), thus greatly improving its balance sheet.

The Group then substantially decreased the amount of its net debt: from €42 million (or €58 million including IFRS 16 related lease liabilities (both contractual and non-contractual) as mentioned in this press-release as of the end of 2018 pro-forma to close to €17 million (or €35.6 million including IFRS 16 related lease liabilities (both contractual and non-contractual) as mentioned in this press-release) as of the end of 2019.

Outlook 2020

The new 2020 crop year has made a good start, across a surface area of around 56,000 ha and thanks to more favorable weather. AgroGeneration has cultivated 26,000 ha of winter crops (primarily winter wheat) and plans to cultivate around 30,000 ha of a spring crops.

For the 2020 production season, the Group has reviewed the crop mix by prioritizing less cost-intensive crops, mainly comprising wheat and sunflower, and reducing the use of fertilizers and related expenses. These crops are more resistant to drought than soybean and corn, which are more exposed to weather variations. To forestall the impact of another potential drought, this year the Group also plans to introduce a two-field crop mix.





The Group will also reuse machinery and equipment from the disposed farms in order to minimize capital expenditure.

Lastly, to optimize operating results in 2020, the Group plans to improve the cost structure by:

- *Cutting administrative costs.* The Group plans to cut administrative costs by around 30% - instead of 20% previously announced - (office cost reduction and headcount cost optimization) ;
- *Optimizing expenditure:* optimized scope of operations leads to lower financing requirements. The Group has secured the financing for this year's season (for an amount of USD13,5 million in 2019 compared to USD 20 million in 2018 and USD 35 million in 2017) with its usual bank partners and is currently arranging pre-payment agreements.

The positive start to the 2020 season coupled with the cost savings initiatives are expected to lead to an improvement in 2020 results. The Company will continue these strategic measures in 2021, focusing on reducing both administrative and production costs in order to reach an optimum level.

About AGROGENERATION

Founded in 2007, AgroGeneration is a large-scale producer of grain and oilseed. Following its merger with Harmelia, AgroGeneration today is ranked amongst some of the largest agricultural firms in Ukraine. The company's core business is grains and oil commodity crop farming, operating near 60,000 hectares of high quality agricultural lands in the East of Ukraine.

All information on AgroGeneration's website : www.AgroGeneration.com

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APPENDIX I

Calculation of EBITDA

(in € thousands)	2018	2018 Pro-forma	2019
Operating profit	1,483	(1,676)	(19,866)
Amortization of non-current assets	6,554	5,308	7,223
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	408	407	9,774
Additional non-contractual portion of land lease *	1,722	1,609	1,685
EBITDA	10,167	5,648	(1,184)

*the additional non-contractual portion of leases was not restated as right-of-use assets / lease liabilities in the published financial statements as of December 31, 2019. It represented a lease payments of 2,052 K€ for 2019. It would have represented a 1,685 K€ impact on the EBITDA if included in IFRS 16 scope, and additional lease liabilities for an amount of 6,177 k€.

(in € thousands)	2018	2018 Pro-forma	2019
Borrowings excluding lease liabilities	43,875	43,875	18,977
Lease liabilities for right-of-use assets	14,111	11,110	12,754
Additional debt related to additional non-contractual portion of lease liabilities *	6,149	4,625	6,177
Financial debt	64,135	59,610	37,908
Available cash	(1,074)	(979)	(1,978)
Term deposits **	(906)	(906)	(302)
Net debt	62,155	57,725	35,628

** Term deposits pledged as security for bank debt

Structure of Financial debt

(in € thousands)	2018	2018 Pro-forma	2019
Structural debt	2,264	2,264	0
OSRANE *	2,264	2,264	0
Other debt	61,871	57,346	37,908
Total Financial debt	64,135	59,610	37,908

* This amount represents interest to be paid until the maturity of the instrument. There is no principal amount to be repaid

