



AGRO Generation

First Half 2021 Results

- **Commodity price increases led to significant improvement in EBITDA**
- **Further reductions in administrative and financial costs contributed to a positive net result**
- **Good visibility on 2021 crop year**

Paris, October 28th, 2021

AgroGeneration, a Ukraine based grain and oilseed producer, published its financial statements for the first half of 2021, as approved by the Board of Directors on October 27th, 2021. These financial statements were not subject to a limited review by the statutory auditors.

During this six-month period, AgroGeneration achieved sound performance across all its key indicators. Since the beginning of the year, AgroGeneration sold its remaining inventories from the 2020 season with high crop prices. In addition, the Group further reduced its general and administrative expenses, reflecting the effect of earlier implemented cost optimization initiatives announced in late 2019 and executed during 2020. H1 2021 EBITDA increased two and a half times and totaled €7.1 million (vs. €2.8 million yoy).

Thanks to a strong financial position achieved at the end of 2020, the Company avoided signing crop prepayment contracts, less rewarding, and reduced the amount of external bank financing during H1 2021, followed by the reduction of financial expenses for AgroGeneration. All in all, in H1 2021, the Group managed to turn a positive net result of €3.6 million (vs. €(5.5) million yoy).

As of early October 2021, the Group almost completed harvesting of its 2021 crop, including 100% of early crops, mainly winter wheat, and over 70% of late crops represented mainly by sunflower. The 2021 harvest is off to a solid start with reasonably good results in terms of wheat quality (over 60% share of milling wheat). Nonetheless, dry weather in the eastern part of Ukraine observed during July-August affected the winter wheat yield and is a matter of concern notably for sunflower. Overall, the price scenario is favourable and should compensate for potential production volumes decrease.





H1 2021 Results

H1 2021 financial statements will be posted not later than on October 31st, 2021 at

www.agrogeneration.com

(in € thousands)	H1 2020 Published	H1 2020 Restated ⁽¹⁾	H1 2021
Revenue	9,474	9,474	13,880
Biological assets and finished goods (change in fair value)	1,634	1,036 ⁽¹⁾	(181)
Cost of sales	(8,632)	(8,632)	(7,730)
Gross profit	2,476	1,878	5,969
Selling, general and administrative expenses	(2,818)	(2,220) ⁽¹⁾	(1,414)
Other income and expenses	2	2	(33)
Operating profit	(340)	(340)	4,522
Net financial income (expense)	(5,222)	(5,222)	(866)
Tax	101	101	-
Net profit (loss)	(5,461)	(5,461)	3,656

(in € thousands)	FY 2020	H1 2020	H1 2021
EBITDA ⁽²⁾	19,558	2,834	7,130
Equity	34,711	19,792	39,887
Net debt ⁽³⁾	25,053	37,181	27,512
Net debt excl. IFRS16	10,969	18,036	8,995

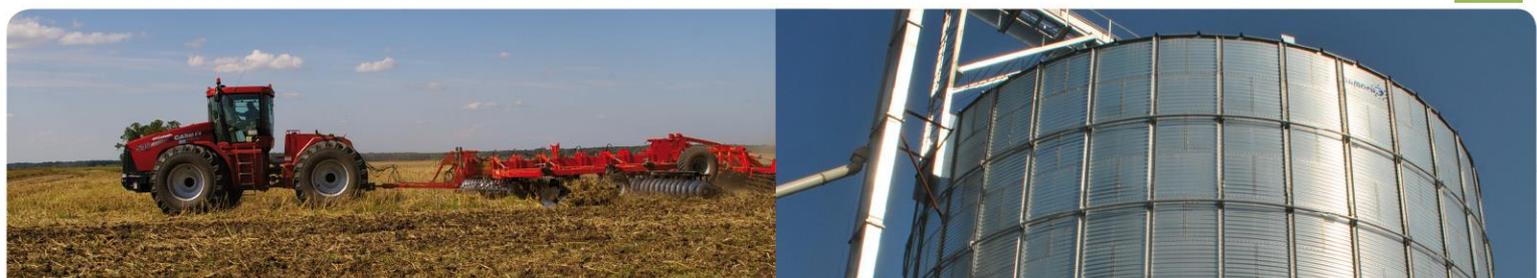
(1) In 2020, reclassification of selected items from G&A expenses (related to farms and production expenses by nature) into production costs was conducted. For H1 2020, above described restated P&L items represent c.a. €0.6 million amount. For more details, please refer to the Note 5 of Consolidated financial statements for the period ended December 31, 2020 and Note 5 of Interim Condensed Consolidated financial statements for the six months ended June 30, 2021.

(2) 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 for detail

(3) 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 for detail

AgroGeneration posted revenues of €13.9 million in H1 2021, a 46.5% increase compared to H1 2020.

Gross profit totalled €6.0 million compared to €1.9 million in restated H1 2020 representing an increase of €4.1 million, which corresponds to 2020 stocks.





This growth is mostly attributed to commodity price increases and can be broken down as follows:

- +€7.4 million related to the effect of price increases mainly for sunflower (harvested in 2020), over 20k tons of which were sold in H1 2021;
- -€3.3 million related to the change in the fair value of biological assets and finished goods between the two reporting dates, which includes:
 - -€1.2 million effect, which is explained by the lower yield of winter wheat captured in change in fair value of biological assets,
 - -€2.1 million effect attributed to sale of stocks (mainly sunflower) under increased COGS, which is explained by higher crop prices (at the date of harvest) and therefore recognition at higher fair value in 2020 vs. 2019.

Selling, general and administrative expenses decreased by €0.8 million vs. H1 2020 restated, from €2.2 million to €1.4 million in H1 2021, mostly attributed to salaries and related tax reductions due to head office structure optimization conducted at the beginning of 2020, and further optimization of rental, audit, and legal fees; as well as lower selling expenses due to a decrease in export volumes followed by a reduction of logistic costs.

As a result, EBITDA totalled €7.1 million vs. €2.8 million in H1 2020. Consequently, operating profit amounted to €4.5 million compared to €(0.3) million in H1 2020, i.e. an increase of €4.8 million.

Net financial expenses stood at €(0.9) million vs. €(5.2) million in H1 2020. The decrease of €4.3 million is attributed to further reduction in external bank financing amount, followed by the reduction in the cost of financing, as well as to variances in net foreign currency exchange.

Overall, Group net profit amounted to €3.6 million in H1 2021 vs. €(5.5) million in H1 2020.

Financial structure

In terms of financing, debt is traditionally higher in the first half of the year due to greater working capital requirements when crops are still below ground. The Group reduced its Net debt to €27.5 million as of June 30, 2021 (including additional non-contractual part of lease payments) compared to €37.2 million as of June 30, 2020. This amount should be lower at the end of the financial period.





Status of 2021 harvesting campaign

As of the date of this press release, AgroGeneration completed 2021 early crops harvesting, presented mainly by winter wheat. The wheat harvest in AgroGeneration was affected by dry weather in July and came to 108.4k tons produced in net weight, with an average yield over 10% lower than last year's result as well as the Ukrainian average yield. Still, dry weather favoured good quality of produced wheat. Overall, AgroGeneration produced 65.0k tons of milling wheat in 2021, which composed over 60% of total wheat production (vs. over 50% share in 2020). The high quality of collected grain and favourable market prices set good expectations for potential gains in revenue. AgroGeneration successfully harvested around 500 ha of peas. Peas' production volume in net weight came to around 1.4k tons with an average yield 27% higher than last year's result, which was 20% higher than the Ukrainian average yield. The company plans a further staged increase in acreage under peas considering agronomical feasibility.

Crop Type	2020 Actual			2021 Estimate ⁽¹⁾		
	Area	Production	Net Yield	Area	Production	Net Yield
	hectares	tons	tons/ha	hectares	tons	tons/ha
Wheat	26,051	114,182	4.4	27,911	108,384	3.9
Peas	251	558	2.2	496	1,398	2.8
Soy	-	-	-	661	979	1.5

(1) Preliminary results for harvested crops as of October 5th, 2021

The late crops harvesting campaign was still in progress as of early October. Around 6.8k hectares of sunflower (from a total of 26.0k hectares) and 0.8k hectares of corn (from a total of 1.0k hectares) were still being harvested. At the same time, the Group completed soy harvesting with around 1.0k tons of soy produced. Dry weather in mid-late summer affected late crop yields, which may lead to some reduction in expected production volumes. Still, crop market prices, which demonstrate continuous upward trend, are expected to fully compensate for potential reductions in production volumes.

Outlook

For the 2022 crop season, AgroGeneration plans to continue focusing on wheat and sunflower, with slight increases in areas engaged under other crops, in view of agronomical feasibility and maintaining sowing structure balance. As of early October, the Group completed 60% of sowing of the planned c.a. 26-27k ha to be engaged under winter wheat and plans to engage the remaining hectares under spring crops.

AgroGeneration, based on a careful soil analysis and production results of 2021, will use more inputs (meaning fertilizers) for the next 2022 crop season, which would increase the cost of production per hectare. The





corresponding increase in yields of the sowings should offset this effect and lead to a favourable yield/cost ratio per hectare, the Group's principal performance indicator.

The Group remains cautious to changes in exogenous factors that could have an impact on economic results, such as the increase in energy costs. The Group could expect its input costs to rise much more rapidly in the year ahead if significant gas price increases continue (currently observed all over the world), which would lead to increases in primarily chemicals and fertilizers costs.

In addition, enactment of a land law in Ukraine in summer of 2021 created prerequisites for local lessors for potential movements in the size of land leased by the Company as well as a further increase in land rental costs.

About AGROGENERATION

Founded in 2007, AgroGeneration is a large-scale producer of grain and oilseed. 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

Calculation of EBITDA

(in € thousands)	FY 2020	H1 2020	H1 2021
Operating profit	11,222	(340)	4,522
Amortization of non-current assets	6,314	2,373	2,130
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	426	67	28
Additional non-contractual portion of land lease ⁽¹⁾	1,596	734	450
EBITDA	19,558	2,834	7,130

(1) The additional non-contractual portion of leases was not restated as right-of-use assets / lease liabilities in the published financial statements as of June 30, 2021. It represented a lease payments of €889 K for H1 2021. It would have represented a €450 K impact on the EBITDA if included in IFRS 16 scope, and additional lease liabilities for an amount of €5,210 K.

Calculation of Net Debt

(in € thousands)	FY 2020	H1 2020	H1 2021
Borrowings excluding land lease liabilities	15,592	19,303	12,748
Lease liabilities for right-of-use assets	10,527	11,860	13,307
Additional debt related to additional non-contractual portion of lease liabilities ⁽¹⁾	3,558	7,285	5,210
Financial debt	29,677	38,448	31,265
Available cash	(4,282)	(1,109)	(3,690)
Term deposits ⁽²⁾	(342)	(158)	(63)
Net debt	25,053	37,181	27,512

(2) Term deposits pledged as security for bank debt

