First Half 2022 Results

- **Full-scale war in Ukraine caused significant deterioration of the Group's financial performance in the first half of 2022 on the back of recognized €17 million losses, dramatic crop selling price reductions, main production input cost increases, and reduced scope of operations**
- **Restrained 2022 harvest expectations on the back of operational challenges with sowing and harvesting campaigns due to military activities, field damage, disruption of applied crop growing technologies (due to war), and weather issues**

Paris, November 30th, 2022

AgroGeneration, a Ukraine based grain and oilseed producer, published its financial statements for the first half of 2022, as approved by the Board of Directors on November 29th, 2022. These financial statements were not subject to a limited review by the statutory auditors.

During this six-month period, AgroGeneration's financial performance was severely worsened on the back of the full-scale war launched by the Russian Federation as it invaded Ukraine on February 24th. Since the beginning of the war, AgroGeneration lost a significant portion of its assets, located either in the temporarily occupied zones or zones with active military activities Total losses came to €17.1M, incl. crops, inventories, machinery, and equipment. The Group was not able to sell all its remaining stocks from the 2021 season by the end of the reporting period due to the blockade of Ukrainian seaports from the beginning of war, followed by logistical constraints all over the country and substantial reduction in crop prices within Ukraine. In addition, part of the stocks was lost (6.7k tons). Operationally, the Group reduced its scope by half, avoiding activities in the frontline zones or in the zones under occupation. A challenging spring sowing campaign on the back of a significant increase in main input prices together with military activities, field damage and overall disruption of applied crop growing technologies led to adverse 2022 harvest expectations. As a result of the above mentioned factors, H1 2022 EBITDA sharply declined, though one-off losses in assets of €17.1M were not included, turned negative and totaled €(6.8) million (vs. €7.2 million in H1 2021 restated).

Thanks to a strong financial position achieved at the end of a successful 2021, the Company avoided any external financing during H1 2022, which led to further reduction in financial expenses (excl. forex) for AgroGeneration. All in all, in H1 2022, under conditions of war, the Group's net result worsened to a loss of €(27.2) million (vs. net profit of €3.7 million in H1 2021 restated).

As of mid-November 2022, the Group continued harvesting its 2022 late crops. At the date of this release, 100% of soy and around 97% of sunflower were harvested. Corn harvesting has only just started. Apart from war related difficulties, weather conditions during autumn, specifically hard rains in September-October, led to significant postponement of harvesting completion terms and thus to issues with the winter wheat sowing campaign, which was conducted on the area over two times lower compared with the initial plan.

H1 2022 Results

H1 2022 financial statements will be posted not later than on November 30th, 2022 at www.agrogeneration.com

(in € thousands)	H1 2021	H1 2021 Restated (1)	H1 2022
Revenue	**13,880**	**13,880**	**16,378**
Biological assets and finished goods (change in fair value)	(181)	310	(7,385)
Cost of sales	(7,730)	(7,730)	(15,501)
Gross profit (loss)	**5,969**	**6,460**	**(6,508)**
Selling, general and administrative expenses	(1,414)	(1,414)	(2,223)
Other income and expenses	(33)	(33)	18
One-off losses and expenses incurred as the result of war	-	-	(17,048)
Operating profit (loss)	**4,522**	**5,013**	**(25,761)**
Net financial income (expense)	(866)	(1,282)	(1,431)
Tax	-	-	-
Net profit (loss)	**3,656**	**3,731**	**(27,192)**

(in € thousands)	FY 2021	H1 2021	H1 2021 Restated (1)	H1 2022
EBITDA (2)	35,183	7,130	7,171	(6,818)
Equity	50,145	39,887	39,028	22,575
Net debt (3)	17,500	27,512	27,799	20,409
Net debt excl. IFRS16	632	8,995	8,995	(1,377)

(1) During 2021 the Group has modified it's approach to the measurement of lease assets and liabilities related to land lease under IFRS16. This modification provided to include the full actual land lease payment (including that outside of contractual terms) which reflects the market rate. The Group believes that the modified approach provides more complete, relevant and useful information for the stakeholders. As such

this modification represents change in accounting policy and is applied retrospectively (IAS 8) by restating comparative H1 2021figures. For more information please refer to the Note 5 of the Consolidated Financial Statements 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****. In H1 2022, losses and expenses related to war were assumed to be one-off expenses and were not included into EBITDA calculation - 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 €16.4 million in H1 2022, an 18.0% increase compared to H1 2021 attributed mainly to larger (by 40%) sold grain volumes vs. H1 2021. Despite this, gross profit of the Group turned negative and totalled €(6.5) million compared to €6.5 million in H1 2021 restated, representing a decline of €13.0 million. Such substantial reduction can be broken down as follows:

- -€7.7 million related to the change in fair value of biological assets, which includes:
  - -€4.3 million attributed to significant increase in production costs per 1 hectare vs. 2021 (for winter wheat +29%, for sunflower +38%),
  - -€2.3 million explained by the reduction in area under crops by up to 50% (28.9k hectares vs. 56.1k hectares in H1 2021),
  - -€0.6 million on the back of lower winter wheat yield vs. 2021 (*the results of wheat harvesting were disclosed in the release of September 16th*).
  - -€0.5 million attributed to other factors, incl. forex, IFRS 16 effect, others.
- -€5.7 million effect attributed to sale of stocks (mainly sunflower and wheat) under increased COGS, which is explained by significantly higher crop prices (at the date of harvest) and therefore recognition at higher fair value in 2021 vs. 2020.
- -€3.3 million related to the effect of price reduction, observed in H1 2022 on the back of the Ukrainian seaports blockade, mainly for sunflower and wheat (harvested in 2021), up to 38k tons of which were sold in H1 2022.
- -€0.2 million attributed to increased production costs, related to 2021 stocks sold in H1 2022, by approx. 10% (2021 vs. 2020).
- +€3.9 million of positive effect was generated by higher sales volume (40k tons vs. 29k tons sold in H1 2021) and forex.

Selling, general and administrative expenses increased by €0.8 million vs. H1 2021, from €1.4 million to €2.2 million in H1 2022, mostly attributed to higher selling expenses fuelled by (1) higher transportation costs as the Group sold crops (mainly sunflower) to buyers within Ukraine (but outside the Kharkiv Region where it historically sold), as demand fell to zero in the Kharkiv Region since the beginning of war; and (2) overall increase in logistics tariffs all over Ukraine due to the war.

As a result of above adverse factors, EBITDA of the Company turned negative and totalled €(6.8) million vs. €7.2 million in H1 2021.

The company's losses occurred on the back of full-scale war in Ukraine and recognized in H1 2022 Group's results amounted to €17.1 million, including:

- €7.6 million (incl. depreciation) related to lost crops: the Group lost ≈26k hectares of operated lands for the 2022 crop, incl. both part of the farmlands engaged with winter wheat sowings (sown in autumn 2021) and part of those lands prepared for spring sowing campaign but where it was not executed due to war;
- €5.0M related to the book value of lost fixed assets of the Group;
- €2.7M related to lost stocks and inventories: 6.7k tons of stocks of 2021 crop, stored in the regions partially controlled by Russia or at the frontlines, destroyed, stolen by Russian troops, or considered to be lost as of the end of June 2022;
- €0.9M related to available stocks (as of 30/06/2022 – 6.2k tons) markdown on the back of market crop price reduction, affected by the blockade of Ukrainian seaports since February 2022;
- €0.9M were spent by the Group in H1 2022 on charitable activities, specifically aid to the Armed Forces of Ukraine and donations to Ukrainian charitable funds.

Consequently, operating losses reached €(25.8) million compared to €5.0 million operating profit in H1 2021 restated, i.e. a reduction of €30.8 million.

Net financial expenses stood at €(1.4) million vs. €(1.3) million in H1 2021 restated. The increase of €0.1 million is attributed to variances in net foreign currency exchange, while financial expenses decreased on the back of no additional external financing attracted by the Group over the reporting period.

Overall, Group net loss amounted to €(27.2) million in H1 2022 vs. €3.7 million net profit in H1 2021 restated.

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 €20.4 million compared to €27.8 million as of June 30, 2021 restated. This amount should be lower at the end of the financial period. In addition, the debt will be reduced by year-end since after alienation of corporate rights of toxic assets (*as noted in the earlier press release from October 7th, the Group started the procedure of toxic assets liquidation in early October 2022*) AgroGeneration will transfer its responsibility for obligations related to such toxic assets.

Status of 2022 late crops harvesting campaign and 2023 crop winter sowing campaign

As of mid-November, the late crops harvesting campaign was still in progress. Around 0.4k hectares of sunflower (from a total of 11.7k hectares sown in spring) were still being harvested. Corn harvesting has only just started. At the same time, the Group completed soy harvesting with around 480 tons of soy produced with an average net yield of 2.5 tons/ha. Overall, hard rains during September-October caused significant delay in harvesting completion and may affect the quality of crops still to be collected.

In addition, weather constraints followed by delay in harvesting completion led to an inability to execute 2023 crop winter sowing campaign within the initially planned area. As a result, at the date of this release, the Group managed to sow around 6.0k hectares with winter wheat out of the 12.6k hectares expected. Areas not sown will be engaged with spring crops. As noted in the earlier press release (*as of October 7th*), in the 2023 crop season, the Group will manage and operate around 30k hectares of farmlands in total.

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 30,000 hectares of high quality agricultural lands in the East of Ukraine.

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APPENDIX

Calculation of EBITDA

(in € thousands)	FY 2021	H1 2021	H1 2021 Restated (1)	H1 2022
Operating profit (1)	16,743	4,522	5,013	(8,713)
Amortization of non-current assets	7,123	2,130	2,130	1,898
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	11,317	28	28	(3)
Additional non-contractual portion of land lease (2)	-	450	-	-
EBITDA	**19,558**	**7,130**	**7,171**	**(6,818)**

(1) For H1 2022, excluding one-off losses and expenses related to war of €17,048 K
(2) 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.
During 2021 the Group has modified it's approach to the measurement of lease assets and liabilities related to land lease under IFRS 16. This modification provided to include the full actual land lease payment (including that outside of contractual terms) which reflects the market rate. The Group believes that the modified approach provides more complete, relevant and useful information for the stakeholders. As such this modification represents change in accounting policy and is applied retrospectively (IAS 8) by restating comparative H1 2021 figures. Application of the modified approach by accounting for full land lease payments for the purpose of Lease assets and liabilities under IFRS 16 results in the fact that for H1 2021 (restated) and for H1 2022 the "Additional non-contractual portion of land lease" are no longer required, since are recognized in the accounting. For more information, please refer to the Note 5 of the Consolidated Financial Statements 2021.

Calculation of Net Debt

(in € thousands)	FY 2021	H1 2021	H1 2021 Restated (1)	H1 2022
Borrowings excluding land lease liabilities	7,731	12,748	12,748	8,100
Lease liabilities for right-of-use assets	16,868	13,307	18,804	21,786
Additional debt related to additional non-contractual portion of lease liabilities (2)	-	5,210	-	-
Financial debt	**24,599**	**31,265**	**31,552**	**29,886**
Available cash	(4,408)	(3,690)	(3,690)	(9,314)
Term deposits (3)	(2,691)	(63)	(63)	(163)
Net debt	**17,500**	**27,512**	**27,799**	**20,409**

(3) Term deposits pledged as security for bank debt