2023 FULL-YEAR RESULTS

- **In 2023, the landscape was marked by the ongoing war, a notable further drop in crop prices, and rising operational costs**
- **The Company was able to recover some of its financial performance compared to 2022, but was still well below its pre-war levels with net losses remaining quite high**

Paris, April 30, 2024

AgroGeneration, a Ukraine based grain and oilseed producer, published its 2023 financial statements, as approved by the Board of Directors on April 29, 2024. Those statements are available on the website of the Company.

Throughout 2023, AgroGeneration faced persistent challenges stemming from the full-scale war in Ukraine, initiated by Russian forces in February 2022 and continuing to date. Although, fortunately, there were no additional direct damages to the Group’s assets throughout the reported year, the company's performance was significantly affected by several factors. Further dramatic decrease in crop prices was exacerbated by a reduction in export volumes caused by inefficiency of the grain corridor in the first half of 2023 and final termination of the grain agreement (brokered by the United Nations and Turkey in late July 2022) by Russia in July 2023. This was further compounded by an embargo on exports of certain agricultural products imposed by several neighboring countries on Ukraine earlier in 2023. Escalating operational costs further strained the Group’s financial performance. In addition, the Group’s business operations were constantly under pressure of regular missile and artillery strikes from Russia. Throughout 2023, the Kharkiv region, where all production assets of the Company are located, experienced an average of five air alerts daily on average, lasting up to four hours in total. In early 2024, the intensity of the attacks dramatically heightened, with seven air alerts daily on average, lasting over seven hours per day in total.

The Group's financial results were bolstered by the completion of headcount optimization procedures, with their full effect reflected in the year-end 2023 results. Implementation of other efficiency measures by the management,

incl. negotiated trade financing from suppliers in early 2023 and cash flow management, removed the need for external bank financing throughout the year (which was difficult to get in 2023).

All in all, the Group's EBITDA recovered somewhat from the dramatic drop in 2022, reaching €0.3M in 2023, compared to a loss of €(5.8M) in 2022. The company was still far below its pre-war levels, though net losses decreased from €(31.6M) in 2022 to €(7.9M) in 2023.

In late 2023, the Group successfully executed the winter sowing campaign. Current winter wheat sowings are in respectable condition. In mid-April 2024, the spring sowing campaign has also been launched by all the Group's farms according to agronomical time-limits. Moreover, trade financing secured from several suppliers in early 2024 helped ensure the working capital needs for the 2024 production season.

2023 Results

2023 financial statements will be posted not later than on April 30th, 2024 at www.agrogeneration.com

(in € thousands)	2022	2023
Revenue	**25,864**	**16,914**
Biological assets and finished goods (change in fair value)	(10,310)	(4,781)
Cost of sales	(21,162)	(13,261)
Gross profit	**(5,608)**	**(1,128)**
Selling, general and administrative expenses	(6,195)	(2,970)
Other income and expenses	(261)	(600)
Losses, expenses and other effects as the result of war	(15,448) (1)	(197)
Operating profit	**(27,512)**	**(4,895)**
Net financial income (expense)	(3,673)	(3,043)
Tax	(410)	30
Net profit (loss) from continued operations	**(31,595)**	**(7,908)**
Net profit (loss) from discontinued operations	-	-
Net profit (loss)	**(31,595)**	**(7,908)**

(1) Incl. direct material losses and costs of €16.7M occurred due to the full-scale war in Ukraine partially offset by €1.2M reduction of IFRS 16 related liabilities

(in € thousands)	2022	2023
EBITDA (2)	(5,845)	277
Equity	13,990	13,242
Net debt (3)	12,917	14,756
Net debt excl. IFRS16	2,198	5,925

(2) EBITDA = earnings before interest, tax, depreciation, amortization, provision, net gain or loss on fixed asset divestiture and impairment of non-current assets. ***Losses, adjustments and expenses (net) related to war were assumed to be one-off expenses and were not included into EBITDA calculation*** *- see appendix I for detail*

(3) Total borrowings minus available cash and short-term financial assets - see appendix I for detail

Production and revenue

In 2023, AgroGeneration produced around 72,445 tons of grain and oilseed (vs. 79,305 tons in 2022) over a cultivated area of circa 29,621 ha (vs. 28,900 ha in 2022). This 9% decline in production volume can be mainly attributed to forced changes in the 2023 crop mix due to the reduced sowing of winter wheat in autumn 2022. This, in turn, was caused by weather issues and resulted in over 70% of the cultivated area being less productive, with some land being planted with sunflower in back to back years.

In 2023, the Group's total winter wheat net production came to around 23k tons. The net crop yield increased by over 30% yoy and amounted to around 4.0 tons/ha (vs. 3.0 tons/ha in 2022). Despite the increase in the crop's production performance, the quality of wheat declined yoy with almost 100% presented as feed grain (vs. c.a. 80% in 2022). The wheat's quality deteriorated (all over Ukraine as well) due to heavy rains prior to the harvesting campaign in June-July 2023 and due to late timing of the sowing campaign execution in the fall of 2022 on the back of bad weather conditions. The Group's farms managed to collect around 43k tons of sunflower with an average net yield of 1.9 tons/ha (vs. 2.0 tons/ha in 2022). The slight reduction in sunflower yield vs. the previous year was attributed to (1) non-favorable weather conditions at different stages of the crop development which led to some reduction in the quality of the sunflower grain, and to (2) significant area engaged with sunflower in 2023, thus some Group's fields were under the same crop two years in a row. The total net production of other crops (corn and soy) came to around 6K tons.

AgroGeneration posted 2023 revenues of €16.4 million, down €8.9 million from €25.9 million in 2022, primarily resulting from the sale of 75.7K tons (-7.4k tons vs 2022) of crops from 2022 inventories and the 2023 harvest, which were sold with significantly reduced crop prices. Sales break down as follows:

- €9.3 million from the sale of 2022 inventory (41,849 tons, mainly sunflower and wheat);
- €7.4 million corresponds to the revenue from the sale of 33,808 tons produced in 2023 (mainly sunflower) under notably reduced crop prices as compared with both the first half of 2023 and 2022 prices. The difference between tonnage produced and sold of around 38,637 tons corresponds to production used by the company for its own needs (seeds) and inventory to be sold in 2024;
- €0.2 million from other products and services.

The export share in the Company's revenues (including sales of inventories from prior year production) decreased compared with 2022 and stood at 18% (in tonnage) vs. 28% in 2022. Excluding crops not eligible for export (sunflower), the proportion would be 39%. In 2023, export abilities were dramatically limited (even compared with 2022, the first year of the full-scale war in Ukraine) on the back of the following: (1) low efficiency in H1 2023 and further closure of the grain corridor in mid-July 2023, when Russia withdrew from the grain agreement and continued shelling the Ukrainian port infrastructure; (2) the embargo on exports of certain agricultural products by five neighboring to Ukraine countries: Poland, Bulgaria, Hungary, Romania, and Slovakia, enacted in May 2023, (3) high logistics costs, and (4) low crop prices.

Earnings for the year

The gross result from operations was still negative at €(1.1) million in 2023 vs. €(5.6) million in 2022 (a €4.5 million improvement). This change can be broken down as follows:

- €(8.7) million related to a significant price drop for both sunflower (-42%/ton yoy) and wheat (-11%/ton yoy) sold during the reporting period;
- €(4.1) million associated with the increased production cost of crops sold, which was related to key input price increases (cost increase of 2022 crop (sold in 2023) vs. 2021 crop (sold in 2022): for wheat +27%/ha yoy, for sunflower +41%/ha yoy; cost increase of 2023 crop vs. 2022: for wheat +16%/ha yoy, for sunflower +8%/ha yoy);
- €(1.1) million reduction in change of fair value for finished goods (fair value of 2023 crop recognized at the date of harvest) compared with 2022, representing a combined negative effect of crop price reduction (€(2.3) million effect), production expenses increase (€(0.5) million effect), partially offset by positive cumulative effect due to change in the crop mix from wheat towards sunflower (€1.4 million effect) and other non-material items (€0.2 million effect);
- €1.6 million of net volume effect on the back of a change in the sales crop mix in favor of traditionally more marginal sunflower vs. wheat, though the overall sold volume declined (75.7k tons in 2023 vs. 83.0k tons in 2022);

- €6.7 million increase in change in fair value of biological assets compared with 2022 attributed to a number of factors: winter wheat expected further price reduction vs. 2022 (€(1.6) million effect) to be fully compensated by expected cost reduction (€0.7 million effect), 2.4x higher area under winter wheat sown in autumn 2023 (€3.0 million effect), positive comparative effect from reversal of one-off loss of 2022 related to lost expected margin of winter wheat on the risky lands, carved out at end 2022 (€3.0 million effect), other factors (€1.5 million effect);
- €8.3M positive effect in change in fair value adjustment in cost of sales due to decline of the FV margin of 2023 crops vs. 2022 on the back of an increase in production costs and a reduction in crop prices. This comparative effect is especially significant due to the sale in 2022 of major volumes of 2021 high-marginal sunflower stocks, while in 2023 mainly lossmaking 2022 and 2023 crops were sold;
- €1.8 million effect from forex and change in operational results from other activities.

Selling, general and administrative expenses declined by over 50%, or by €3.2 million, from €6.2 million in 2022 to €3.0 million in 2023, mainly attributed to a reduction in selling expenses on the back of reduced export volumes (13k tons in 2023 vs. 23k tons in 2022) and completed headcount optimization initiated in the 2nd half of 2022. This led to an over 50% reduction in administrative personnel related costs vs. 2022. This personnel optimization corresponds to the scope of the business reduction caused by the war in Ukraine.

Net other operating expenses increased to €(0.6) million in 2023 vs. €(0.3) million in 2022 mainly on the back of recognized impairment of some fixed assets as a result of the revaluation of the latter conducted in late 2023.

As a result of above factors, EBITDA of the Company turned slightly positive and totalled €0.3 million vs. €(5.8) million.

In 2023, the Group recognized €0.2 million as losses, expenses and other effects as the result of war. The figure included charitable activity costs and the payments to mobilized employees of the Group. No other direct material losses due to the war were recognized during the reporting period.

Consequently, the Group saw an operating loss of €(4.9) million compared with a €(27.5) million loss in 2022, i.e. a reduction in losses of €22.6 million.

Net financial expense stood at €(3.0) million versus €(3.7) million in 2022. The decline is primarily attributed to the reduction of the Group’s cost of debt (as no new external financing was attracted throughout the year) and decline in other financial expenses attributed to a reduction of Lease liabilities for right-of-use assets (operated land) with total positive effect of €1 million. The effect of net foreign currency variances losses came to €(0.3) million (vs. €(3.4) million in 2022).

Overall, the Group's net loss from operations declined by €23.7 million and amounted to €(7.9) million vs. €(31.6) million net loss in 2022.

Financial structure

At year-end, the Group's equity slightly reduced from €14.0 million to €13.2 million. This reduction has been mostly driven by the net loss of €(7.9) million obtained by the Group in 2023, the major part of which was compensated by the positive effect of conducted revaluation of fixed assets.

At year-end, cash and cash equivalents amounted to €0.7 million vs. €5.1 million at 2022 year-end.

The Group increased the amount of its net debt: from €12.9 million as of the end of 2022 to €14.8 million as of the end of 2023 (+15% yoy). The increase is mostly attributed to the decline in available cash and cash equivalents generated by the Company. Excluding IFRS 16, net debt came to €5.9 million as of the end of 2023 versus €2.2 million in 2022.

Outlook 2024 and Going Concern

The 2024 outlook remains uncertain due to the ongoing Russian invasion of Ukraine, accompanied by regular missile attacks, particularly in the frontline regions where all of AgroGeneration's production facilities are situated.

Since the start of 2024, Russia has significantly escalated military attacks on Ukrainian cities. According to available data, during the first three months of the year, Russia launched towards Ukraine over 1,200 "Shahed" drones, approximately 400 missiles of various types, and more than 3,000 guided bombs. Over 40% of these strikes targeted the Kharkiv region, home to all of the Group's production assets.

Recent Russian assaults have mainly targeted Ukrainian energy infrastructure, resulting in more severe consequences for the Ukrainian energy system compared to attacks in the previous two years. Restoring the damaged energy infrastructure will require significant expenditures and time, making it difficult to predict the extent of the negative consequences for the country and its economy. The situation is particularly dire in frontline areas, especially in the Kharkiv region, where electricity blackout schedules have been implemented, while Russia continues daily attacks in this area.

Furthermore, the operation of the new Ukrainian grain corridor, established in late summer 2023, has been severely impacted by continuous missile attacks from Russia, casting doubt on its operational viability and Ukraine's overall export potential. These factors contribute to reduced expectations for local crop selling prices, while logistics of grain transportation within Ukraine continue to incur high costs. Moreover, limited access to external financing, especially for businesses located in frontline regions, leaves little opportunity for notable improvements in the Group's performance in the near future.

Despite facing challenges, the Group remains committed to sustaining its operations. As of the date of this release, AgroGeneration has undertaken the following initiatives in preparation for the new 2024 crop production season:

- During the autumn of 2023, the Group's farms completed their winter sowing campaign. As previously communicated, the Group successfully sowed approximately 14.4k hectares with winter wheat, a substantial increase compared to the 5.9k hectares sown in 2022. Presently, the condition of the winter wheat is reported to be fair or better.
- In mid-April 2024, the Group has already started the spring sowing campaign within all its farms. Adequate reserves of seeds, fertilizers, fuel, chemicals, and other essential inputs required for the sowing areas have been secured, alongside the necessary vehicles, agricultural machinery, and workforce. As previously communicated, AgroGeneration anticipates a gradual return to the balanced crop mix observed before the onset of the war. Consequently, in 2024, it is expected that approximately 50% of the crop area will be dedicated to wheat, with around 30% allocated to sunflower cultivation, compared to 74% in 2023. Some other crops are planned as well, such as soy, corn, and peas. The total area under cultivation is projected to reach approximately 28.6k hectares.
- In early 2024, the Group successfully contracted c.a. $2M trade financing from several suppliers, easing the burden on cash flow during the period of highest cash outflow related to the spring sowing campaign. Additionally, the Company's management is exploring the possibility of securing further external financing from banks or trading partners in the first half of 2024 to support the Group's operational activities.

The developments of the full-scale war in Ukraine and its potential impact on the Group's operations for the upcoming year remain uncertain. Despite the measures taken by the Group to sustain operations thus far, it is currently challenging to offer definitive guidance on the year ahead.

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)	2022	2023
Operating profit*	(12,064)	(4,698)
Amortization of non-current assets	5,839	4,500
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	380	475
EBITDA	**(5,845)**	**277**

** excl. losses, adjustments and expenses (net) related to war: €15,448k in 2022, €197k in 2023*

Calculation of Net Debt

(in € thousands)	2022	2023
Borrowings excluding lease liabilities	7,346	6,647
Lease liabilities for right-of-use assets	10,719	8,831
Financial debt	**18,065**	**15,478**
Available cash	(5,073)	(715)
Short-term financial assets	(75)	(7)
Net debt	**12,917**	**14,756**