2020 annual results

- **Successful turnaround, supported by good production performance, commodity price increases, and management cost cutting**
  - ✓ **Remarkable EBITDA of €19.5 million vs (€1.2) million in 2019**
  - ✓ **Positive net result of €2.6 million**
  - ✓ **Equity strengthened and Net Debt reduced significantly**

Paris, April 28, 2021

AgroGeneration, a Ukraine based grain and oilseed producer, published its 2020 financial statements, as approved by the Board of Directors on April 27, 2021. Those statements are available on the website of the Company.

The Group's financial indicators improved sharply in 2020 as illustrated by an EBITDA of €19.5 million and Net Profit of €2.6 million. 2020 Group’s results were fueled by good production outcomes (mainly achieved yields, good quality of winter wheat and optimized production costs) and increased commodity crop prices that strongly supported the performance of EBITDA this year.

In addition, as expected, implementation of cost optimization initiatives, announced by the management at the end of 2019, significantly added to the improvement of AgroGeneration’s year-end returns. Among the major cost-cutting measures implemented during 2020 were: head office cost optimization, including changes to the management team of the Company, followed by a reduction in salary costs and related taxes; optimization of audit fees through the change of the statutory auditor; reduction of office rent through the relocation of the head offices in France and in Ukraine; and optimization of legal, listing, and accounting costs by renegotiating terms with the according partners. Administrative cost saving initiatives are still ongoing with their full effect to be visible in 2021YE.

Thanks to the above, the Group has considerably improved its economic fundamentals by strengthening its equity to €34.7 million and by significantly reducing net debt, by 34%.

Reflecting those improvements and the higher quality of AgroGeneration's creditworthiness, the financing of the 2021 harvest was fully secured sooner than last year. This includes both Alfa Bank external financing and internally generated operating cash flows, avoiding the necessity to conclude pre-payment trade agreements.

2020 Results

2020 financial statements will be posted not later than on 30th of April 2021 at www.agrogeneration.com

(in € thousands)	2019	2020
Revenue	**30,591**	**39,146**
Biological assets and finished goods (change in fair value)	(1,986) (1)	10,044 (1)
Cost of sales	(30,567)	(32,722)
Gross profit	**(1,962)**	**16,468**
Selling, general and administrative expenses	(8,962) (1)	(4,876) (1)
Other income and expenses	(8,942)	(370)
Operating profit	**(19,866)**	**11,222**
Net financial income (expense)	2,054	(9,174)
Tax	450	600
Net profit (loss) from continued operations	**(17,362)**	**2,648**
Net profit (loss) from discontinued operations	(10,288)	-
Net profit (loss)	**(27,650)**	**2,648**

(in € thousands)	2019	2020
EBITDA (2)	(1,184)	19,558
Equity	27,898	34,711
Net debt (3)	35,628	25,053
Net debt excl. IFRS16	16,697	10,969

(1) In 2020, reclassification of selected items from G&A expenses (related to farms and production expenses by nature) into production costs was conducted. Total amount of expenses reclassified came to c.a. €1.4 million in 2019 and c.a. €1.2 million in 2020. Consequently, a restatement was applied to the amount of the Group's change in fair value of BA and FG and selling, general and administrative expenses. As of December 31, 2019, it is necessary to read the change in fair value of BA and FG as €(1,986)K compared to €(610)K previously indicated, and selling, general and administrative expenses as €(8,962)K compared to €(10,338)K previously indicated. For 2020, above described restated P&L items represent comparable €1,188K amount. For more details, please refer to the Note 5 of Consolidated financial statements for the period ended December 31, 2020

(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 I 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 I for detail*

Production and revenue

In 2020, AgroGeneration produced around 169,150 tons of grain and oilseed (vs. 170,600 tons in 2019) over a cultivated area of circa 56,000 ha. The slight decrease in total volume yoy is mainly explained by the new crop mix adopted by management in 2020 with a focus on wheat and sunflower and minor areas engaged under other crops. Most other crops (corn, soy, peas, chickpea) were substituted with sunflower sowings in 2020.

At the same time, the 2020 wheat harvest in AgroGeneration was successful with over 114K tons produced in net weight, with an average yield of 4.4 tons/ha. This exceeds last year's result by 10% while outperforming the Ukrainian average yield by over 18%. Dry weather in summer resulted in good quality wheat.

Dry weather conditions, which lasted from mid-summer through autumn with rare occasional rains, on the other hand, negatively affected yields of the Group's sunflower compared to the prior year. Overall, the Group collected over 51K tons of sunflower in 2020 with an average net yield of 1.8 tons/ha (vs 2.0 tons/ha in 2019).

Comparison of gross yields (state statistics as of December, 2020):

Crops	AGG vs. Ukraine
Wheat	+18.4%
Sunflower	-4.9%

AgroGeneration posted 2020 revenues of €39.1 million, up €8.5 million from €30.6 million in 2019, primarily resulting from the sale of 175.7K tons (+14.8k tons vs 2019) of crops from 2019 inventories and the 2020 harvest, which were sold with significantly improved crop prices. Sales break down as follows:

- €29.1 million corresponds to revenue from the sale of c.a. 131,300 tons produced in 2020, a 14,800 tons increase versus 2019 mainly due to an increase in the sales of winter wheat. The difference between tonnage produced and sold of around 37,800 tons corresponds to production stored by the company for its own needs (seeds) and to inventory (mainly sunflower) to be sold in 2021;
- €9.2 million from the sale of 2019 inventory (44,310 tons);
- €0.8 million from other products and services (storage, drying).

The export share in the Company's revenues (including sales of inventories from prior year production) decreased to 33% (versus 60% in 2019). Such a decline was attributed to the favorable local crop prices, leading the Group's management to focus on the local (Ukrainian) market. Excluding crops not eligible for export (sunflower), the proportion would be 43%.

Earnings for the year

Gross result from operations substantially improved from the loss of €(2.0) million in 2019 to the profit of €16.5 million in 2020, a €18.5 million improvement. This increase can be broken down as follows:

- €7.0 million related to the effect of a price increase for both wheat (+12%/ton yoy) and sunflower (+39%/ton yoy) following global market trends;
- €7.1 million change in the fair value of biological assets and finished goods between the two year-ends representing a combined effect of commodity price increases and cost optimization as well as a crop mix revision towards higher-margin crops in 2020 vs 2019;
- €3.1 million associated with the decreased production cost of crops sold, resulting from optimized use of fertilisers and crop protection products, as well as cheaper seed material (for wheat -17%/ha yoy, for sunflower -13%/ha yoy);
- €1.3 million effect from forex and other activities.

Selling, general and administrative expenses significantly decreased by 47.5%, or by €4.1 million, from €9.0 million in 2019 to €4.9 million in 2020, mostly attributed to the following:

- €1.9 million reduction in administrative expenses associated with 2020 cost saving initiatives, in particular optimization of headcount structure and head office rent expenses, audit, legal and listing costs, and other administrative expenses;
- €1.4 million reduction in selling expenses mostly driven by a decline in export volumes and by a decrease in transport tariffs;
- €0.8 million impacted 2019 results (attributed to one off-costs related to farm disposal)

Due to both good production performance supported by increased commodity crop prices and a significant reduction in selling and administrative expenses described above, EBITDA reached a significantly improved €19.5 million vs €(1.2) million in 2019.

Net other expenses of €(0.4) million in 2020 refer mainly to the impairment of fixed assets during revaluation as of December 31, 2020. The comparative 2019 amount was €8.9 million, which was mostly attributable to the depreciation of goodwill of €(7.7) million (non-cash effect), but also caused by the decrease in the economies of scale for the new scope of Group's operations and €(1.4) million of net result on disposal of fixed assets, which occurred in 2019.

Consequently, operating profit reached €11.2 million compared to €(19.9) million in 2019, i.e. an increase of €31.1 million.

Net financial expense stood at €(9.2) million versus net financial income of €2.0 million in 2019. The decline of €11.2 million is primarily attributed to the variances in net foreign currency losses (c.a. €13.1 million negative effect) driven by the significant depreciation of the Ukrainian hryvnia in 2020. Despite the latter, excluding any forex impact, the Group substantially reduced its financial expenses (by c.a. €1.9 million vs 2019) on the back of significant debt burden reduction.

Overall, the Group achieved net profit from operations amounting to €2.6 million versus a net loss of €(17.4) million in 2019.

Financial structure

During the financial year, equity has increased from €27.9 million to €34.7 million. This improvement despite the currency translation differences of €(4.2) million has been driven by an achieved net profit of €2.6 million and by the revaluation of assets (appraised by an independent expert) for €8.4 million.

Operating cash flow totalled €13.8 million. This cash flow enabled the company to cover capital expenditures, repayment of borrowings, and interest paid during the year. At year-end, cash and cash equivalents amounted to €4.6 million.

The Group substantially decreased the amount of its net debt: from €35.6 million as of the end of 2019 to €25.1 million as of the end of 2020. Excluding IFRS 16, net debt came to €11.0 million as of the end of 2020 versus €16.7 million in 2019 (-34% yoy). The net debt ratio improved to 32% of equity.

AgroGeneration now benefits from a balanced and sound financial structure and management plans to continue to gradually reduce its debt so as to further reduce interest expenses.

Outlook 2021

2020 marked a genuine return to operating profitability for AgroGeneration. The new 2021 crop year has made a good start. Out of c.a. 56,000 hectares of land farmed this year, 28,000 hectares have already been sown with winter wheat under favorable weather conditions so far.

For the 2021 production season, AgroGeneration plans to follow the adopted in 2020 production strategy mainly focusing on wheat and sunflower, with only some small areas engaged under other crops (considering additional diversification and agronomical feasibility).

To sustain operating results in 2021, the Group plans to continue cost structure improvement via:

- *Completion of cost cutting measures announced in late 2019-early 2020*: entire effect from implemented cost savings in the head office of the Group is to be reflected in the 2021 year-end result. In addition, the Company will continue cost optimization on farms level (incl. optimization of the use of machinery and farms' infrastructure, revision of 3rd party services fees, etc.).
- *Optimizing expenditure*: already achieved significant improvements in Group's performance in 2020, leading to lower financing requirements. The Group has secured the financing for this year's season with its usual bank partner (Alfa Bank) and without arranging pre-payment agreements.

The positive start to the 2021 season coupled with continued cost savings are expected to result in the continued turnaround of the company.

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)	2019	2020
Operating profit	(19,866)	11,222
Amortization of non-current assets	7,223	6,314
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	9,774	426
Additional non-contractual portion of land lease *	1,685	1,596
EBITDA	**(1,184)**	**19,558**

** 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, 2020. It represented a lease payments of €1,671K for 2020. It would have represented a €1,596K impact on the EBITDA if included in IFRS 16 scope, and additional lease liabilities for an amount of €3,558K.*

Calculation of Net Debt

(in € thousands)	2019	2020
Borrowings excluding lease liabilities	18,977	15,592
Lease liabilities for right-of-use assets	12,754	10,527
Additional debt related to additional non-contractual portion of lease liabilities *	6,177	3,558
Financial debt	**37,908**	**29,677**
Available cash	(1,978)	(4,282)
Term deposits **	(302)	(342)
Net debt	**35,628**	**25,053**

*** Term deposits pledged as security for bank debt*