2021 annual results completely offset by the Russian invasion of Ukraine that started in February 2022 and is still underway

Annual General Meeting of 30 September 2022

Paris, August 03, 2022

AgroGeneration, a Ukraine based grain and oilseed producer, published its 2021 financial statements, as approved by the Board of Directors on August 02, 2022. Those statements are available on the website of the Company. The delay in disclosure of the 2021 results occurred due to the full-scale Russian invasion of Ukraine launched on February 24th, 2022. This was followed by the abrupt undermining of Group's business activities and overall performance, as its main production assets are located in the Eastern part of Ukraine, precisely in the Kharkiv region, which is among those territories of the country where active military conflict is underway.

Despite improvements in the Group's financial indicators in 2021, as illustrated by an EBITDA of €35.2 million and Net Profit of €14.2 million, the environment has become challenging and unpredictable. For example, the ports had been blocked, which put downward pressure on commodity prices as the local market was hit by a glut of product, reducing the profitability of the company. This is in contrast to 2021, where the Group's results had been fueled primarily by favorable market crop prices, which supported the performance of EBITDA that year. In addition, in 2021, as expected, the full effect of implementation of cost optimization initiatives, commenced already at the end of 2019 and continued during 2020-2021, became visible by year end and thus also added to AgroGeneration's year-end results. It also put the company in a better position to survive in the current environment. By the end of 2021, the Group increased its equity to €50.1 million and further reduced its net debt to €17.5 million. Reflecting those results, the financing of the 2022 harvest was fully secured sooner than last year by internally generated operating cash flows.

Full-scale war in Ukraine, launched in February 2022 when Russian troops invaded the country, reset all prior performance achievements of the Group. The nearest future prospects of the Company, as well as Ukraine, remain uncertain. AgroGeneration's results of 2021 were fully offset by the war, yet still helped the Group to continue operations over the hardest time in the Company's history. According to current expectations, the certainty of which is extremely poor as the full-scale invasion of Ukraine continues at the date of this release,

future EBITDA of the Company will be significantly lower vs. 2021 results on the back of an already observed €19M loss in the Group’s assets and the reduced scope of the Group’s operations (by nearly half).

Disclaimer : Audit of financial statements - Notice of Annual General Meeting

In the context of the military invasion of Ukraine by Russia that started on 24 February 2022, the auditors of the Ukrainian subsidiaries were not able to perform the audit procedures necessary to issue an opinion on the accounts of these companies. Access to sites and supporting documents was either physically impossible or too risky as the Group's activities are mainly located in the conflict zone (Kharkiv). As a result, the Group's auditors were unable to obtain an opinion on the accounts of the Ukrainian operating companies and on the accounts of the Cypriot holding companies. In this context, as almost all of the Group's business and assets are based in Ukraine, the auditors are unable to certify the consolidated and annual accounts as at 31 December 2021.

Nevertheless, the Annual General Meeting of the Company will be held on 30 September 2022, convened by the Chairman of the Board of Directors.

As there is no visibility as to when the accounts will be available for audit, the Company has determined that it is appropriate to approve the accounts and, if necessary, to make adjustments at the Annual General Meeting on 2022 accounts, if the situation allows it.

2021 Results

2021 financial statements will be posted not later than on August 5th, 2022 at www.agrogeneration.com

(in € thousands)	2020 Published	2020 Restated(1)	2021
Revenue	**39,146**	**39,146**	**43,896**
Biological assets and finished goods (change in fair value)	10,044	10,351	20,006
Cost of sales	(32,722)	(32,722)	(31,541)
Gross profit	**16,468**	**16,775**	**32,361**
Selling, general and administrative expenses	(4,876)	(4,876)	(4,518)
Other income and expenses	(370)	(370)	(11,100)
Operating profit	**11,222**	**11,529**	**16,743**
Net financial income (expense)	(9,174)	(9,796)	(2,654)
Tax	600	600	113
Net profit (loss) from continued operations	**2,648**	**2,333**	**14,202**
Net profit (loss) from discontinued operations -	-	-	-
Net profit (loss)	**2,648**	**2,333**	**14,202**

(in € thousands)	2020 Published	2020 Restated(1)	2021
EBITDA (2)	19,558	19,419	35,183
Equity	34,711	33,858	50,145
Net debt (3)	25,053	26,546	17,500
Net debt excl. IFRS16	10,969	10,969	632

(1) 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 2020 figures. 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** - see appendix I for detail*

*(3) Total borrowings minus available cash and short-term financial assets **and additional debt related to additional non-contractual portion of lease commitments** - see appendix I for detail*

Production and revenue

In 2021, AgroGeneration produced around 166,000 tons of grain and oilseed (vs. 169,150 tons in 2020) over a cultivated area of circa 56,000 ha. Winter wheat harvest in AgroGeneration came to over 108K tons produced in net weight, with an average yield of 3.9 tons/ha (vs. 4.4 tons/ha in 2020). This lags behind 2020 successful result by 12% as well as the Ukrainian average yield. Still, dry weather favored good quality of produced wheat. Overall, AgroGeneration produced 56.1k tons of milling wheat in 2021, which composed over 50% of total wheat production. In 2021, the Group collected over 51K tons of sunflower with an average net yield of 2.0 tons/ha, outperforming 2020 result by 10% (vs 1.8 tons/ha in 2020). Total net production of other crops (peas, soy, and corn) came to over 6K tons.

AgroGeneration posted 2021 revenues of €43.9 million, up €4.8 million from €39.1 million in 2020, primarily resulting from the sale of 134.9K tons (-40.7k tons vs 2020) of crops from 2020 inventories and the 2021 harvest, which were sold with significantly improved crop prices. Sales break down as follows:

- €29.6 million corresponds to revenue from the sale of c.a. 105,800 tons produced in 2021, around 25,000 tons decrease versus 2020 representing a decrease in the sales of winter wheat and sunflower of current year harvest. The difference between tonnage produced and sold of around 60,000 tons corresponds to production used by the company for its own needs (seeds) and to inventory of around 53,700 tons to be sold in 2022;
- €13.9 million from the sale of 2020 inventory (29,200 tons, mainly sunflower);
- €0.4 million from other products and services (storage, drying).

The export share in the Company's revenues (including sales of inventories from prior year production) remained the same as compared with 2020 and stood at 33% (in tonnage). Excluding crops not eligible for export (sunflower), the proportion would be 47%.

Earnings for the year

Gross result from operations substantially improved from €16.8 million in 2020 (restated) to €32.4 million in 2021, a €15.6 million improvement. This increase can be broken down as follows:

- €14.0 million related to the effect of a remarkable price increase for both wheat (+30%/ton yoy) and sunflower (+55%/ton yoy) following global market trends;
- €5.7 million change in the fair value of biological assets and finished goods in 2021 as compared with 2020 representing a combined effect of selling crop prices increases, partially offset by production cost increase vs. 2020;

- €(1.7) million associated with the increased production cost of crops sold on the back of fertilisers and crop protection products prices increase mainly (for wheat +8%/ha yoy, for sunflower +11%/ha yoy);
- €(2.4) million effect from forex, IFRS16 effect, lower sold volumes, and change in operational results from other activities.

Selling, general and administrative expenses further decreased by 7.3%, or by €0.4 million, from €4.9 million in 2020 to €4.5 million in 2021, attributed to reduction in administrative expenses associated with finalized cost saving initiatives, in particular optimization of headcount structure, legal costs and other administrative expenses.

All in all, primarily supported by extremely favourable crop selling prices observed in 2021, EBITDA of the Group reached €35.2 million vs €19.4 million in 2020 (restated).

Net other expenses of €(11.1) million in 2021 refer mainly to the depreciation of goodwill (non-cash effect). Being objectively restricted to conduct reliable and effective testing to confirm the book value of the goodwill (on the back of non-availability of objective / realistic assumptions to be applied) and referring to the increasing risks and indicators of political and military escalation in Ukraine as of 31.12.2021 the Group recognised impairment of the goodwill in the full amount of €11.2 million.

Consequently, operating profit reached €16.7 million compared to €11.5 million in 2020 (restated), i.e. an increase of €5.2 million.

Net financial expense stood at €(2.7) million versus €(9.8) million in 2020 (restated). The decline of €7.1 million is primarily attributed to the variances in net foreign currency gains (c.a. €5.9 million positive variance) driven by the strengthening of the Ukrainian hryvnia during 2021 vs. Ukrainian hryvnia depreciation during 2020. Despite the latter, excluding any forex impact, the Group continued to reduce its financial expenses (by c.a. €1.2 million vs 2020) on the back of further debt burden reduction.

Overall, the Group achieved net profit from operations amounting to €14.2 million versus €2.3 million in 2020 (restated).

Financial structure

During the financial year, equity has increased from €33.8 million (restated) to €50.1 million. This improvement despite the currency translation differences of €2.1 million has been driven by an achieved net profit of €14.2 million.

Operating cash flow totalled €25.7 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 short-term financial assets (mainly Ukrainian domestic government bonds) amounted to €7.1 million.

The Group substantially decreased the amount of its net debt: from €26.5 million as of the end of 2020 (restated) to €17.5 million as of the end of 2021 (-34% yoy). Excluding IFRS 16, net debt came to €0.6 million as of the end of 2021 versus €11.0 million in 2020.

Outlook 2022 and Going Concern

Russian full-scale invasion of Ukraine launched on February 24th, 2022 dramatically changed all plans and expectations of the Group for 2022. As of today, the Group reduced its farmlands under operation by almost half due to the partial temporary occupation of lands and due to damaged assets and infrastructure, followed by inability to execute any operations on such lands. A special release was published by the Group on June 16th, 2022, which reflected the current preliminary loss estimate conducted by the Group's management. The total loss amount in monetary terms was preliminary assessed at around 19M USD, including lost crops, damaged machinery and infrastructure, inventories, inputs, etc. To date, there is no possibility to accurately confirm this amount, as intense military activities are in place of the location of Group's assets.

2022 prospects seem uncertain at the moment. A number of fundamental factors may further severely reduce the Company's performance in the near future, in particular: ongoing Russian invasion of Ukraine with no visible end; substantial increase in main input prices (fertilizers, fuel, chemicals) additionally fueled by the ongoing war; blockade of sea ports followed by significant reduction of local crop selling prices due to oversupply of grains in Ukraine; operational challenges with harvesting and sowing campaigns, followed by deterioration of production yields on the back of fields damage and violation of applied crop growing technologies.

The Group makes all possible efforts to sustain its operations. Over the course of seven months of 2022, the Group has taken the following emergency actions:

- The business processes within the Company have been rebuilt to adjust to the existing challenges and to provide continuity to the Group's activities. The Group's key personnel and top managers continue working, but remotely.
- Selling, general, administrative and other operating expenses, as well as CAPEX, have been reduced to the minimum required to meet the primary needs of the Group's core business. In addition, the Management considers further cost cutting measures to adjust to the reduced scope of operations.

- The spring sowing campaign was completed in May 2022; the Group had sufficient seeds, fertilizers, fuel, pesticides and other inputs required for the sowing areas, as well as the necessary vehicles, agricultural machinery and human resources. In total, the Group currently plans to harvest around 30k hectares (vs. 56k hectares in 2021) of its managed landbank (spring and winter crops) in 2022. The condition of sowings (mainly wheat and sunflower) is good or satisfactory, though new challenges may occur, as the risks of further field damages are very high as the war is still ongoing.
- Thanks to strong cash position of the Group at the end of 2021, the management of the Company was able to cover all operational expenses, including execution of 2022 spring sowing campaign in extremely difficult conditions of war with significant losses that occurred in the first half of 2022. Still, to strengthen its cash position, the management of the Company will consider attracting external financing from available sources.

The progress of war in Ukraine and its implications for the Croup's operations over the coming months remain extremely uncertain. Notwithstanding the Group's executed measures in maintaining operations thus far, it is not currently possible to provide guidance as to how the year may turn out.

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

Receive all AgroGeneration's financial information by e-mail for free by registering at: www.actusnews.com

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APPENDIX I

Calculation of EBITDA

(in € thousands)	2020	2020 Restated	2021
Operating profit	11,222	11,529	16,743
Amortization of non-current assets	6,314	7,464	7,123
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	426	426	11,317
Additional non-contractual portion of land lease *	1,596	-	-
EBITDA	**19,558**	**19,419**	**35,183**

** 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.*
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 2020 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 2020 (restated) and for 2021 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)	2020	2020 Restated	2021
Borrowings excluding lease liabilities	15,592	15,592	7,731
Lease liabilities for right-of-use assets	10,527	15,578	16,868
Additional debt related to additional non-contractual portion of lease liabilities *	3,558	-	-
Financial debt	**29,677**	**31,170**	**24,599**
Available cash	(4,282)	(4,282)	(4,408)
Short-term financial assets **	(342)	(342)	(2,691)
Net debt	**25,053**	**26,546**	**17,500**

*** Deposits and Ukrainian domestic government bonds redeemed in April 2022*