- **Weak 2022 annual results dramatically affected by the Russian invasion of Ukraine started in February 2022**

- **2023 production season off to a good start, though uncertainty remains as the war in Ukraine is still ongoing**

Paris, June 28, 2023

AgroGeneration, a Ukraine based grain and oilseed producer, published its 2022 financial statements, as approved by the Board of Directors on June 26, 2023. Those statements are available on the website of the Company. The delay in disclosure of the 2022 results occurred due to the ongoing full-scale Russian invasion of Ukraine launched on February 24th, 2022. As of the date of this release, the Group's performance has continued to be undermined by hostilities in the territories where all production facilities and head-office of the Group are located (the Kharkiv region), followed by the reduction of the effectiveness of all the Company's business activities.

The Group's financial indicators in 2022 significantly deteriorated as illustrated by a negative EBITDA of €(5.8) million (vs. positive €35.2 million in 2021) and Net Loss of €(31.6) million (vs. Net Profit of €14.2 million in 2021). Such a result caused, in large part, by the full-scale invasion of Ukraine by the Russian Federation in early 2022. The Group suffered direct material losses and costs of €16.7M (the figure was finalized compared to the one recognized in the interim results of the Company) comprised of lost land, machinery and equipment, inventories and additional expenses incurred due to the war. The company was forced to carry out a partial liquidation of assets (operational restructuring procedure was launched in Q3 2022 as earlier announced by the Group), thus halving the size of its business to c.a. 30,000 ha (vs. pre-war 56,000 ha). A dramatic drop (up to -30-40% yoy) in commodity crop prices took place from the very beginning of the war accompanied by increased prices in logistics. The grain corridor enacted in August 2022 helped ease the situation on the Ukrainian commodity market, yet prices did not return to the desired level, as the effectiveness of the grain deal remains under doubt being a short-term initiative to be extended each 2-4 months by all participants. In 2022, main inputs prices continued to increase, thus further reducing the Group's margin.

The Group managed to execute both the winter sowing campaign in late 2022 and the spring sowing campaign in April-May 2023 related to the new 2023 crop season. To date, the condition of sowings is good, thus the expectations for the 2023 harvest are more promising, though still limited by the events of the war. The Group expects to harvest c.a. 30,000 hectares in 2023. The financing of the new 2023 production season was additionally supported by trade financing from one of the suppliers of the Group, obtained in early 2023.

Despite the Group’s efforts to sustain the business activities, the environment remains challenging and unpredictable, as the war is ongoing in Ukraine. Thus, management has no ability to clearly predict the coming year’s performance of the Group.

<u>Disclaimer: Audit of financial statements – Notice of Annual General Meeting</u>

In the context of the ongoing military invasion of Ukraine by Russia that started in February 2022, the auditors of the Ukrainian subsidiaries are not able to perform the audit procedures necessary to issue an opinion on the accounts of these companies. Access to sites and supporting documents is still either physically impossible or too risky as the Group's activities are located in the frontline zone (the Kharkiv region), where the share of mined areas is among the highest in Ukraine, and regular missile and artillery strikes continue on a regular basis. As a result, the Group's auditors are unable to obtain an opinion on the accounts of the Ukrainian operating companies. In this context, as almost all of the Group's business and assets are based in Ukraine, particularly in the frontline zone, and as long as the active hostilities are ongoing, the auditors are unable to certify the consolidated and annual accounts as at 31 December 2022.

Nevertheless, the Annual General Meeting of the Company will be held on 29 September 2023, 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 for the 2023 accounts, if the situation allows it.

2022 Results

2022 financial statements will be posted not later than on June 30th, 2023 at www.agrogeneration.com

(in € thousands)	2021	2022
Revenue	**43,896**	**25,864**
Biological assets and finished goods (change in fair value)	20,006	(10,310)
Cost of sales	(31,541)	(21,162)
Gross profit	**32,361**	**(5,608)**
Selling, general and administrative expenses	(4,518)	(6,195)
Other income and expenses	(11,100)	(261)
Losses, expenses and other effects as the result of war(1)	-	(15,448)
Operating profit	**16,743**	**(27,512)**
Net financial income (expense)	(2,654)	(3,673)
Tax	113	(410)
Net profit (loss) from continued operations	**14,202**	**(31,595)**
Net profit (loss) from discontinued operations -	-	-
Net profit (loss)	**14,202**	**(31,595)**

(in € thousands)	2021	2022
EBITDA (2)	35,183	(5,845)
Equity	50,145	13,990
Net debt (3)	17,500	12,917
Net debt excl. IFRS16	632	2,198

(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

(2) EBITDA = earnings before interest, tax, depreciation, amortization, provision, net gain or loss on fixed asset divestiture and impairment of non-current assets. ***In 2022, 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 ***and additional debt related to additional non-contractual portion of lease commitments*** *- see appendix I for detail*

Production and revenue

In 2022, AgroGeneration produced around 75,512 tons of grain and oilseed (vs. 166,000 tons in 2021) over a cultivated area of circa 28,309 ha (vs. 56,109 ha in 2021). The sharp decline in production volume, over two times lower than the 2021 results, can be predominantly attributed to the loss of approximately 27k hectares of operated farmlands due to the war that unfolded in Ukraine starting in February 2022. The winter wheat harvest in AgroGeneration came to around 47K tons in net weight, with an average yield of 3.0 tons/ha (vs. 3.9 tons/ha in 2021), and with over 20% presented by milling wheat (vs. around 50% in 2021). The reduction in wheat yield and quality was mainly attributed to (1) weather issues (drought during the final stage of crop vegetation followed by intense rains during harvesting) and war related issues, precisely (2) logistics constraints followed by the inability to physically provide the Group’s farms with the necessary amount of fertilizers, while an under-application of nitrogen fertilizers took place mainly in the southern farms of the Group, where military activities continued regularly; and (3) damaged fields, where harvesting was impossible due to the presence of military equipment and unexploded ordnance.

In 2022, the Group collected over 24K tons of sunflower with an average net yield of 2.0 tons/ha (in line with 2021 yields). The total net production of other crops (corn and soy) came to around 5K tons, excluding c.a. 4k tons of corn harvested from 0.5k ha already harvested in January 2023. Such a delay in the harvesting campaign completion was caused by weather issues (hard rains) in autumn 2022.

AgroGeneration posted 2022 revenues of €25.9 million, down €18.0 million from €43.9 million in 2021, primarily resulting from the sale of 83.0K tons (-51.9k tons vs 2021) of crops from 2021 inventories and the 2022 harvest, which were sold with dramatically reduced crop prices affected by the full-scale war in Ukraine launched by the Russian Federation in February 2022 and followed by the blockade of Ukrainian seaports (until August 2022, when the grain corridor was enacted between the UN, Ukraine, Turkey, and the Russian Federation) and damages to the logistics infrastructure. Sales break down as follows:

- €17.5 million from the sale of 2021 inventory (46,612 tons, mainly sunflower and wheat), part of which was sold under pre-war high crop prices;
- €7.9 million corresponds to revenue from the sale of 36,423 tons produced in 2022, around 69,400 tons decrease versus 2021 representing a dramatic decrease both in production volumes in 2022 caused by the war, as noted earlier, and postponement of sales to 2023 to take advantage of restoration of prices which remained at low levels in H2 2022, despite enactment of the grain corridor in August. The difference between tonnage produced and sold of around 39,080 tons corresponds to production used by the company for its own needs (seeds) and to inventory be sold in 2023 (incl. over. 4,000 tons of corn harvested already in early 2023);

- €0.5 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 compared with 2021 and stood at 28% (in tonnage) vs. 33% in 2021. Excluding crops not eligible for export (sunflower), the proportion would be 50%.

Earnings for the year

The gross result from operations substantially deteriorated from a positive €32.4 million in 2021 to negative €(5.6) million in 2022, a €38.0 million reduction. This decline can be broken down as follows:

- €(22.2) million reduction in change in fair value of finished goods compared with 2021, representing a combined negative effect of selling crop prices reduction (€(10.5)M effect), production volumes reduction (€(10.0M) effect) on the back of reduced scope of operations (from 56k ha to 28k ha) and poor performance of winter wheat, and further increase in production expenses vs. 2021 (€(3.4)M effect), partially offset by forex and other non-material items (€1.7M effect);
- €(8.2) million reduction in change in fair value of biological assets compared with 2021 attributed to a number of negative factors: lost expected margin of winter wheat sown on lands lost due to war in the first half of 2022 (€(3.0)M effect), 2.5x lower area under winter wheat sown in autumn 2022 (€(2.5)M effect), significant winter wheat expected price reduction vs. 2021 (€(1.5)M effect), other factors (€(1.2)M effect);
- €(8.0) million related to the effect of a significant price drop for both wheat (-42%/ton yoy) and sunflower (-32%/ton yoy) sold during the reporting period;
- €(1.8) million associated with the increased production cost of crops sold on the back of key inputs prices further increase (for wheat +27%/ha yoy, for sunflower +44%/ha yoy);
- €(1.5) million of net effect on the back of reduced by around 40% sold volumes vs. 2021 (83k tons in 2022 vs. 135k tons in 2021);
- €3.7 million effect from forex and change in operational results from other activities.

Selling, general and administrative expenses increased by 37%, or by €1.7 million, from €4.5 million in 2021 to €6.2 million in 2022, mainly attributed to dramatic (up to 3x) increase in selling expenses (mainly cost of logistics) caused by the Russian invasion of Ukraine in February 2022 followed by seaports blockade and logistic infrastructure damages.

Net other expenses reduced to €(0.3) million in 2022 vs. €(11.1) million in 2021. The 2021 figure of (11.1) million refers 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 (there being no 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.

As a result of above adverse factors, EBITDA of the Company turned negative and totalled €(5.8) million vs. €35.2 million in 2021.

The Group realized the direct material losses related to the full-scale invasion of Ukraine by the Russian Federation. As of the end 2022, total direct material losses and costs came to c.a. €(16.7)M, €0.4M decrease compared with the losses amount recognized in the interim results of the Group. The change of € 0.4M is related to the reduced amount of inventories and fixed assets loss by €0.6M, transfer of €0.9M markdown of available stocks as of June 30th to gross profit as of the end of 2022 due to their actual sale, and added expenses of €1.1M related to operational restructuring launched in Q3 2022 (please see Note 5 to Consolidated Financial Statements for details). This loss amount of € (16.7)M was partially offset by €1.2M non-cash positive effect from reduction in IFRS-16 related liabilities, net, as the result of the above mentioned operational restructuring.

Consequently, the Group saw an operating loss of €(27.5) million as compared with €16.7 million profit in 2021, i.e. a reduction of €44.2 million.

Net financial expense stood at €(3.7) million versus €(2.7) million in 2021. The increase of €1.0 million is primarily attributed to the variances in net foreign currency losses (c.a. €3.4 million negative variance) driven by the depreciation of the Ukrainian hryvnia during 2022 fuelled by ongoing full-scale war in Ukraine vs. Ukrainian hryvnia strengthening during 2021. Despite the latter, excluding any forex impact, the Group continued to reduce its financial expenses (by c.a. €2.4 million vs. 2021) on the back of further debt burden reduction, including reduction of Lease liabilities for right-of-use assets (operated land). No additional external financing was attracted in 2022.

Overall, the Group’s net loss from operations amounted to €(31.6) million versus €14.2 million net profit achieved in 2021.

Financial structure

At year-end, equity reduced from €50.1 million to €14.0 million. This dramatic slump has been mostly driven by the net loss of €(31.6) million caused by the full-scale war in Ukraine.

Operating cash flow totalled €6.8 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 €5.1 million.

The Group further decreased the amount of its net debt: from €17.5 million as of the end of 2021 to €12.9 million as of the end of 2022 (-26% yoy). Excluding IFRS 16, net debt came to €2.2 million as of the end of 2022 versus €0.6 million in 2021.

Outlook 2023 and Going Concern

2023 prospects remain uncertain for the Group. A number of fundamental factors may negatively affect the Company's performance in the near future, in particular: ongoing Russian invasion of Ukraine with no visible end and continuing regular missile attacks, especially in the frontline regions, where all the production facilities of AgroGeneration are located; uncertainty with regard to the grain corridor as currently its operation relies on short-term (two-four months) periods to be further extended and agreed by all the parties of the grain deal, thus making buyers reluctant to enter into new export contracts and, all in all, reducing local crop selling prices and aggravating logistics of grains in Ukraine; limited sources of external financing, especially for those businesses located in the frontline regions; further increase in main input prices.

Despite the challenges and extremely difficult 2022, the Group continues to make all possible efforts to sustain its operations. As of the date of this release, AgroGeneration has executed the following activities related to the new 2023 crop production season:

- In autumn 2022, the Group's farms conducted its winter sowing campaign. As earlier announced, the Group managed to sow around 6.0k hectares with winter wheat, substantially lower area vs. planned due to weather constraints. To date, the condition of winter wheat is excellent or good, no re-sowing took place over spring.
- In late May 2023, the Group completed its spring sowing campaign with c.a. 24.0k hectares engaged under sunflower, corn, and soy. Despite the delay to the start of the spring sowing campaign due to hard rains in the Kharkiv region, all the sowing activities were completed within acceptable agronomical time-limits. 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 in 2023 (in line with 2022).

- In February 2023, the Group obtained $1.7M trade financing from one of its suppliers, thus easing the burden on cash flow during the period of highest cash outflow related to the spring sowing campaign. In addition, the Management of the Company is considering additional external financing from banks or trading partners in H2 2023 to finance the operating activities of the Group.
- In late 2022, the management of the Company started the optimization of the head-office of the Group to get it into accordance with the new/reduced size of the business after partial liquidation of assets caused by the full-scale war in Ukraine.

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

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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AgroGeneration
+33 1 55 27 38 40
investisseurs@AgroGeneration.com
www.AgroGeneration.com

Actus Finance
Anne-Pauline Petureaux, Investor Relations
+33 (0)1 53 67 36 72

APPENDIX

Calculation of EBITDA

(in € thousands)	2021	2022
Operating profit*	16,743	(12,064)
Amortization of non-current assets	7,123	5,839
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	11,317	380
EBITDA	**35,183**	**(5,845)**

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

Calculation of Net Debt

(in € thousands)	2021	2022
Borrowings excluding lease liabilities	7,731	7,346
Lease liabilities for right-of-use assets	16,868	10,719
Financial debt	**24,599**	**18,065**
Available cash	(4,408)	(5,073)
Short-term financial assets **	(2,691)	(75)
Net debt	**17,500**	**12,917**

*** For 2021: deposits and Ukrainian domestic government bonds redeemed in April 2022*