



First Half 2023 Financial Results and Current Operational Update

- **EBITDA for the first half of 2023 remained negative amid the ongoing war in Ukraine, further decline in agricultural crop prices and moderate production expectations for full year 2023**
- **Preliminary mixed results of the 2023 late crop harvesting campaign on the back of mainly weather issues**
- **Fully completed 2024 crop winter sowing campaign with good current condition of winter wheat**

Paris, November 28th, 2023

AgroGeneration, a Ukraine based grain and oilseed producer, published its financial statements for the first half of 2023, as approved by the Board of Directors on November 27th, 2023. These financial statements were not subject to a limited review by the statutory auditors.

During the first half of 2023, the Company continued to take the necessary steps to ensure the continuity of operations of all the Group's farms in the context of the ongoing full-scale war in Ukraine and the extremely challenging operating environment caused by this war. These adverse conditions included logistical difficulties in selling the produced crops (incl. unstable operation of grain corridor at the Ukrainian seaports as well as overloading of other land routes within the country), further dramatic decline in selling crop prices along with increased logistics costs, and the absence of external financing sources.

During the reporting period, the Company's management completed the optimization of its head offices in Kyiv and Kharkiv amid a reduction in the scale of the business due to the operational restructuring carried out at the end of 2022, which resulted in a significant (nearly 50%) reduction in the Group's assets (including land). The optimization led to reduction in general and administrative expenses. Though the Group successfully conducted the spring sowing campaign in April-May 2023, the weather issues at different stages of the crop development led to moderate expectations for the 2023 harvest, which together with low crop prices negatively impacted the gross profit of the Group in H1 2023.





All of the above mentioned factors left the Company's EBITDA negative in H1 2023. EBITDA amounted to €(2.8) million (vs. €(6.8) million in H1 2022). The Group's net loss totaled €(5.8) million (vs. net loss of €(27.2) million in H1 2022). No additional losses related to the war were recognized in reported interim financial statements.

As of late-November 2023, the Group almost completed harvesting of its 2023 late crops (sunflower, soy, and corn) and executed 2024 crop winter sowing campaign. At the date of this release, 100% of winter wheat sowings sprouted and their condition was good.

H1 2023 Results

H1 2023 financial statements will be posted not later than on November 30th, 2023 at

www.agrogeneration.com

(in € thousands)	H1 2022	H1 2023
Revenue	16,378	8,640
Biological assets and finished goods (change in fair value)	(7,385)	(5,250)
Cost of sales	(15,501)	(6,340)
Gross profit (loss)	(6,508)	(2,950)
Selling, general and administrative expenses	(2,223)	(1,681)
Other income and expenses	18	(175)
Losses and expenses incurred as the result of war	(17,048)	-
Operating profit (loss)	(25,761)	(4,806)
Net financial income (expense)	(1,431)	(974)
Tax	-	-
Net profit (loss)	(27,192)	(5,780)

(in € thousands)	FY 2022	H1 2022	H1 2023
EBITDA ⁽¹⁾	(5,845)	(6,818)	(2,843)
Equity	13,990	22,575	8,040
Net debt ⁽²⁾	12,917	20,409	15,397
Net debt excl. IFRS16	2,198	(1,377)	3,176

(1) 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

(2) 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 €8.6 million in H1 2023, a 47.2% decrease compared to H1 2022 attributed mainly to smaller sold grain volumes (by 11%) and ongoing reduction in crop sale prices (caused by the full-scale invasion of Ukraine by Russia) vs. H1 2022. The gross profit of the Group remained negative and totalled €(2.9) million compared to €(6.5) million in H1 2022, representing a decline in gross losses of €3.6 million. Such result can be broken down as follows:

- -€3.6 million related to the effect of price reduction, observed in H1 2023 on the back of the ongoing grain export constraints within Ukraine caused by the full-scale invasion of the country by Russia. Despite a safe corridor agreement brokered by the United Nations and Turkey in late July 2022, which allowed exports from Ukraine seaports to resume, in H1 2023, the operation of mentioned grain corridor became unstable and inefficient on the back of its unclear future. In addition, in spring 2023, the EU imposed temporary import restrictions and allowed Poland, Bulgaria, Hungary, Romania, and Slovakia to ban domestic sales of Ukrainian wheat, corn, rapeseed, and sunflower. All in all, the Group's average crop sale prices declined dramatically in H1 2023 vs. H1 2022 (-39% yoy for sunflower, -25% yoy for corn).
- -€1.5 million of negative cumulative effect was obtained by lower sales volume in H1 2023 (36.0k tons vs. 40.4k tons sold in H1 2022).
- -€1.1 million attributed to increased production costs, related to 2022 stocks sold in H1 2023, by approx. 40% per 1 ha for sunflower, by 30% per 1 ha for winter wheat (2022 vs. 2021).
- +€2.2 million cumulative effect related to the change in fair value of biological assets, which includes:
 - -€6.4 million attributed to ongoing reduction in crop sale prices vs. 2022 (for winter wheat and sunflower -30% on average),
 - +€3.0 million positive comparative effect from reversal of one-off loss of H1 2022 related to lost expected margin of winter wheat on the risky lands, carved out from the Group's structure at end 2022 (toxic assets liquidation procedure¹),
 - +€3.0 million attributed to other factors, incl. changes in the crop mix and yields, IFRS 16 effect, others,
 - +€2.6 million attributed to forex (prevailing positive effect on cost part denominated in UAH due to UAH strong devaluation against USD from 29 UAH/USD in H1 2022 to 36 UAH/USD in H1 2023).

¹ as noted in the earlier press releases, the Group conducted the procedure of toxic assets liquidation in late 2022, as the value of such assets strongly decreased on the back of the full-scale Russian invasion of Ukraine.



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- +€7.6 million positive effect attributed mainly to the sale in H1 2023 of 2022 stocks of lower volume combined to lower fair value margin. This is explained by significantly lower crop prices (at the date of harvest) and therefore recognition at lower fair value in 2022 vs. 2021.

Selling, general and administrative expenses declined by €0.5 million vs. H1 2022, from €2.2 million to €1.7 million in H1 2023. The reduction was mostly attributed to lower general and administrative expenses, in particular reduced personnel costs on the back of head-office optimization (launched in late 2022).

As a result of the above factors, EBITDA of the Company remained negative and totalled €(2.8) million vs. €(6.8) million in H1 2022.

H1 2022 was affected significantly by the company's losses, expenses and other effects as the result of war in Ukraine, which amounted of €17.1M. In H1 2023, the group continued to incur expenses related to the ongoing war (albeit at a much reduced rate, i.e. €85k), such as charity expenses. These were recognized as operating expenses.

Consequently, operating losses came to €(4.8) million compared to €(25.8) million operating loss in H1 2022.

Net financial expenses stood at around €(1.0) million vs. €(1.4) million in H1 2022. The reduction of €0.4 million is attributed to a reduction in other financial expenses related to IFRS 16, which, in turn, reflects the reduction in the Group's leased land amount after executed operational restructuring (*as noted in the earlier press releases, the Group conducted the procedure of toxic assets liquidation in late 2022, as the value of such assets strongly decreased on the back of the full-scale Russian invasion of Ukraine*).

Overall, the Group's net loss amounted to €(5.8) million in H1 2023 vs. €(27.2) million net loss in H1 2022.

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 €15.4 million compared to €20.4 million as of June 30, 2022. This amount should be lower at the end of the financial period. Overall, the net debt was reduced after alienation of corporate rights of toxic assets (*as noted in the earlier press releases, the Group conducted the procedure of toxic assets liquidation in late 2022*). AgroGeneration transferred its responsibility for obligations related to such toxic assets.





Completion of 2023 late crops harvesting campaign

As of late-November 2023, the Group almost completed late crops harvesting. The Group's farms managed to collect around 42.8k 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 is 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 (lower oil content), and to (2) significant area engaged with sunflower in 2023 (over 70% of total operated land of the Company) due to under-sowing of winter wheat in autumn 2022, thus some Group's fields were under the same crop two years in a row. AgroGeneration harvested around 1.7k tons of soy with an average net yield came to 1.6 tons/ha. Obtained soy production results are assumed to be good reflecting the historical averages achieved by the Group over the past few years. 2022 soy yield of 2.5 tons/ha is not indicative, as the area under the crop was not significant that year. Around 0.3k ha of corn (from a total of 0.6k ha sown in spring) were still being harvested to the date of this release.

AgroGeneration. Late crop harvesting progress (as of late November, 2023):

Crop	2022			2023E		
	Hectares harvested	Net Production,	Net Yield, tons/ha	Hectares harvested	Net Production,	Net Yield, tons/ha
Sunflower	11,736	24,047	2.0	22,029	42,842	1.9
Soy	196	482	2.5	1,061	1,715	1.6

2024 Outlook

At the date of this release, the Group completed its 2024 winter crop sowing campaign. Of the c.a. 30k hectares to be planted, around 14.4k hectares were sown with winter wheat. The Group plans to gradually return back to the balanced crop mix the Company had before the war, thus in 2024, c.a. 50% are expected to be engaged with wheat and around 30% – with sunflower (vs.74% in 2023). As of the date of this release, the entire range of autumn technological operations has been completed by the Group farms according to the plan, which provides for the continuation of moderate savings in fertilizer use under wartime conditions. As of the end of November 2023, 100% of winter wheat sowings were sprouted and the condition of the crop was good.

The war in Ukraine is ongoing and the situation on the agricultural front, as well as on the military front, can change at any time, so the Company's management is unable to guarantee the full implementation of the Group's current plans and provide an accurate assessment of the business performance for the near future.



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 (0) 1 55 27 38 40

investisseurs@AgroGeneration.com

www.AgroGeneration.com

Actus Finance

Anne-Pauline Petureau, Relations investisseurs

+33 (0) 1 53 67 36 72

APPENDIX

Calculation of EBITDA

(in € thousands)	FY 2022	H1 2022	H1 2023
Operating profit ⁽¹⁾	(12,064)	(8,713)	(4,806)
Amortization of non-current assets	5,839	1,898	1,934
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	380	(3)	29
EBITDA	(5,845)	(6,818)	(2,843)

(1) Excluding one-off losses, adjustments and expenses (net) related to war of: €15,448k for FY 2022, €17,048 K for H1 2022

Calculation of Net Debt

(in € thousands)	FY 2022	H1 2022	H1 2023
Borrowings excluding land lease liabilities	7,346	8,100	6,957
Lease liabilities for right-of-use assets	10,719	21,786	12,221
Financial debt	18,065	29,886	19,178
Available cash	(5,073)	(9,314)	(3,774)
Term deposits	(75)	(163)	(7)
Net debt	12,917	20,409	15,397

