First Half 2018 Results

- **Strong performance of Net result thanks to positive currency effects**
- **EBITDA affected by adverse weather conditions for early crops**
- **An early adoption of IFRS 16 with a significant impact on Net debt and EBITDA**

Paris, 9th october 2018

AgroGeneration, a Ukraine based grain and oilseed producer, published its financial statements for the first half of 2018, as approved by the Board of Directors on October 8, 2018. These financial statements were not subject to a limited review by the statutory auditors.

Since the beginning of the year, AgroGeneration managed to sell all the crops that remained in inventories from 2017 season and harvested part of 2018 season's crops. As presented in the press release dated September 10, 2018, weather adverse conditions during summer significantly hit the yield and quality of early crops. However, during the first six months, the Group was partly able to mitigate the drop in gross profit thanks to some decrease in overhead costs and significant improvement in net financial income, related to the appreciation of Hryvnia versus Euro, and managed to turn a positive net result.

Accounting impact of adoption of IFRS 16

Considering the strategic importance of land lease rights in its business model, AgroGeneration decided to be an early adopter of the IFRS 16 accounting standard as of January 1, 2018. This accounting standard considers all lease contracts under a single model by which a lease contract is accounted for as a liability (discounted future payments), and a right of use is accounted for as an asset. The rights of use assets and lease liabilities in the interim financial statements incorporated only the contractual part of the leases. However, the Group provides below the calculation of EBITDA and Net debt with the full impact of the restatement of the leases including their

additional non-contractual portion, related to current market conditions, in order to provide a more economic view. In addition, the Group used a modified retrospective approach that does not require restatement of comparative periods. In the interest of clarity, the Group provides below the key financial indicators before and including IFRS 16.

The total impact of the restatements of leases represented an increase of EBITDA of 3.8 M€ (i.e. 60% of total EBITDA) and of Net Debt of 31.7 M€ (ie 41% of total Net Debt).

H1 2018 Results

H1 2018 financial statements will be posted on 9 October 2018 at www.agrogeneration.com

Financial highlights

(en k€)	H1 2017 published	H1 2018 before IFRS 16	H1 2018
Revenue	**11 429**	**17 428**	**17 428**
Biological assets and finished goods (change in fair value)	9 934	4 039	5 920
Cost of sales	(10 920)	(16 626)	(16 613)
Gross profit	**10 443**	**4 841**	**6 735**
Selling, general and administrative expenses	(5 595)	(4 721)	(4 652)
Other income and expenses	(1 459)	(181)	(181)
Operating profit	**3 389**	**(61)**	**1 902**
Net financial income (expense)	(3 569)	1 505	(16)
Tax	(125)	(53)	(53)
Net profit (loss)	**(305)**	**1 391**	**1 833**

(en k€)	H1 2017	FY 2017	H1 2018 before IFRS 16	H1 2018
EBITDA (1)	5 950	9 095	2 553	6 319
Equity	66 049	56 083	58 802	59 270
Net debt (2)	44 155	45 436	45 090	76 848
Structural debt (3)	12 335	9 784	7 361	7 361

*(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** - see appendix I 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 I for detail*

(3) Principal amount of loan granted by EBRD plus amount of capitalized future interest on OSRANEs - see appendix I for detail

Revenues in H1 amounted to 17.4 M€, representing an increase of 6 M€ compared to H1 2017. This significant increase is due to higher sold volumes (95,000 tons vs. 66,000 tons in H1 2017), corresponding to the sale of crop inventories held at December 31, 2017.

Gross profit totalled 6.7 M€ compared to 10.4 M€ in H1 2017 representing a decrease of 3.7 M€. The variation can be broken down as follows :

- (4.2) M€ related to the lower performance of early cops (captured in change in fair value of biological assets), excluding currency effect
- +0.9 M€ related to increase of volume sold at the beginning of the year (net of related costs)
- (2.3) M€ related to negative currency effects
- +1.9 M€ related to IFRS 16 application

Selling, general and administrative expenses stood at 4.7 M€ compared to 5.6 M€ in H1 2017. This represented a decrease of 0.9 M€ mainly driven by a decrease in personnel costs.

Other income and expenses totalled a loss of (0.2) M€ versus (1.5) M€ in H1 2017. This variation is attributable to one-off costs in 2017, related notably to disposal of assets.

Consequently, operating profit amounted to 1.9 M€ compared to 3.4 M€ in H1 2017 i.e. a decrease of 1.5 M€ (and 3.4 M€ before IFRS 16).

EBITDA stood at 6.3 M€ compared to 6.0 M€ in H1 2017. Net of the positive effect of 3.8 M€ related to the adoption of IFRS 16 on EBITDA, the decrease in EBITDA amounted to 3.4 M€.

Similarly, net of the negative effect of (1.5) M€ related to IFRS 16, the financial result stood at 1.5 M€ versus (3.6) M€ in H1 2017, thanks to the combined effect of a decrease in the cost of debt for an amount of 0.9 M€ and a significant positive currency effect. This mainly non-cash effect is volatile and should not be extrapolated at year-end.

Overall, the net result amounted to 1.8 M€ at June 30, 2018, including a positive adjustment of 0.4 M€ related to IFRS 16, versus (0.3) M€ at June 30, 2017.

Financial structure

Net debt totalled 76.8 M€ at end of June 2018. Net of the impact of IFRS 16 and of lease liabilities relative to the additional non-contractual part of lease payments - for a total of 31.7 M€ - net debt is at a similar level compared

to previous year with a continous decrease in structural debt with the OSRANE close to full maturity (end of March 2019). The application of IFRS 16 had no cash impact and the Cash at end of period stood at 1.3 M€.

Outlook

As previously announced AgroGeneration will not be able to reach its past performance in EBITDA this year. The negative impact of the underperformance of early crops of (9) M€ on EBITDA as recently stated, has been already partially accounted for in the Interim Result. The Group confirms that it will not be in a position to compensate for this loss at year-end.

After a year of investment in modernization of its fleet, the capital expenditures will be limited to a minimum and the Group will closely monitor the management and financing of its working capital. For the coming harvest season, AgroGeneration will pursue its historical relationship with Alfa-Bank Ukraine while taking adavantage of the proposed alternatives notably with Quadra Commodities (trade financing) and European High Growth Opportunities (ORNANE).

About AGROGENERATION

Founded in 2007, AgroGeneration is a global producer of grain and oilseed. Following its merger with Harmelia, the new group has become one of the top five producers of grain and oilseed in Ukraine, with close to 120,000 hectares of farmland. Through the high-potential farmland it leases, the group's ambition is to meet the food challenges of tomorrow as global consumption doubles in scale between now and 2050.

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APPENDIX

Calculation of EBITDA

(in € thousands)	H1 2017	FY 2017	H1 2018 before IFRS 16	H1 2018
Operating profit	3 389	844	(61)	1 902
Amortization of non-current assets	1 798	6 245	2 391	2 575
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	763	2 006	223	223
Additional non-contractual portion of land lease *	n/a	n/a	n/a	1 619
EBITDA	**5 950**	**9 095**	**2 553**	**6 319**

***the additional non-contractual portion of leases was not restated as right-of-use assets / lease liabilities in the published financial statements as of 30 June 2018. It represented a lease expense of 1 970 K€ as at June 30, 2018. It would have represented a 1 619 K€ impact on the EBITDA if included in IFRS 16 scope, and additonal lease liabilities for an amount of 12,507 k€.

Calculation of net debt

(in € thousands)	H1 2017	FY 2017	H1 2018 before IFRS 16	H1 2018
Borrowings excluding lease liabilities	48 516	47 204	46 648	46 648
Lease liabilities for righ-of-use assets	n/a	n/a	n/a	19 251
Additional debt related to additional non-contractual portion of lease liabilities *	n/a	n/a	n/a	12 507
Financial debt	**48 516**	**47 204**	**46 648**	**78 406**
Available cash	(3 300)	(1 768)	(1 322)	(1 322)
Term deposits **	(1 061)	0	(236)	(236)
Net debt	**44 155**	**45 436**	**45 090**	**76 848**

** Term deposits pledged as security for bank debt

Structure of Financial debt

(in € thousands)	H1 2017	FY 2017	H1 2018 before IFRS 16	H1 2018
Structural debt	**12 335**	**9 784**	**7 361**	**7 361**
OSRANE *	8 070	6 293	4 379	4 379
EBRD - principal amount	4 265	3 491	2 982	2 982
Other debt	**36 181**	**37 420**	**39 287**	**71 045**
Total Financial debt	**48 516**	**47 204**	**46 648**	**78 406**

* This amount represents interest to be paid until the maturity of the instrument. There is no principal amount to be repaid