



First Half 2020 Results

- **EBITDA significantly improved by better wheat harvest and commodity price increase**
- **The Company has implemented cost optimization initiatives that supported EBITDA**
- **The Group has changed its registered office in Paris**

Paris, October 28th, 2020

AgroGeneration, a Ukraine based grain and oilseed producer, published its financial statements for the first half of 2020, as approved by the Board of Directors on October 27th, 2020. These financial statements were not subject to a limited review by the statutory auditors.

Since the beginning of the year, AgroGeneration sold all the crops that remained in inventories from the 2019 season. As of the date of this press release, the Group completed harvesting of 2020 crop, including 100% of early crops, mainly winter wheat, and 100% of late crops represented only by sunflower. The Group can state that the improved winter wheat harvest together with an increase in commodity prices strengthened the Group's half-year 2020 financial performance. H1 2020 EBITDA totaled €2.8 million (vs. €(6.3) million yoy).

AgroGeneration continued to implement cost optimization initiatives announced at the end of 2019. The first positive effects became visible in the H1 2020 financial result primarily via a reduction in general and administrative costs. This includes a decline in payroll due to head office structure optimization, as well as a reduction in management, listing, audit and legal fees.

In addition, AgroGeneration announces that its registered office was changed to 19 Boulevard Malesherbes 75008, Paris with effect from October 1st, 2020.





H1 2020 Results

H1 2020 financial statements will be posted not later than on October 31st, 2020 at

www.agrogeneration.com

(in € thousands)	H1 2019 Published	H1 2019 Pro-forma ⁽³⁾	H1 2020
Revenue	10,892	9,328	9,474
Biological assets and finished goods (change in fair value)	(5,960)	(4,695)	1,634
Cost of sales	(10,501)	(8,928)	(8,632)
Gross profit	(5,569)	(4,295)	2,476
Selling, general and administrative expenses	(5,200)	(4,851)	(2,818)
Other income and expenses	13	(52)	2
Operating profit	(10,756)	(9,198)	(340)
Net financial income (expense)	(361)	(94)	(5,222)
Tax	6	6	101
Net profit (loss) from continued operations	(11,111)	(9,286)	(5,461)
Net profit (loss) from discontinued operations	(6,469)	(8,294)	-
Net profit (loss)	(17,580)	(17,580)	(5,461)

(in € thousands)	FY 2019	H1 2019	H1 2019 Pro-forma ⁽³⁾	H1 2020
EBITDA ⁽¹⁾	(1,184)	(7,765)	(6,347)	2,834
Equity	27,898	35,646	35,646	19,792
Net debt ⁽²⁾	35,628	50,775	47,781	37,181

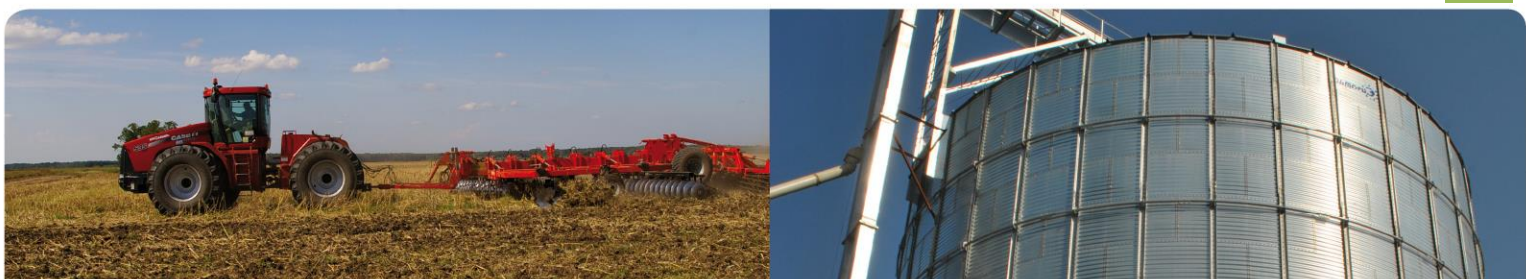
(1) EBITDA = earnings before interest, tax, depreciation, amortization, provision, net gain or loss on fixed asset divestiture and impairment of non-current assets **and additional non-contractual portion of lease commitments** - see appendix for detail

(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

(3) The pro-forma information for H1 2019 is presented based on the basis of the new scope of the Group (new scope following sale of a farm carried out in late 2019).

AgroGeneration posted revenues of €9.5 million in H1 2020, a 1.6% increase compared to H1 2019 pro-forma.

Gross profit totaled €2.5 million compared to €(4.3) million in H1 2019 pro-forma representing an increase of €6.8 million. This growth is mostly attributed to the €6.3M increase in the fair value of biological assets and can be broken down as follows:





- +€1.7million related to the effect of price increase for both wheat and sunflower (key crops in the 2020 crop mix);
- +€1.7million of total volume effect of the late and early crops, which includes:
 - +€1.0 million of positive volume effect from cutting of production of poor-performing crops (chickpea, peas, soy) compared with H1 2019 pro-forma,
 - +€0.7 million of positive volume effect representing good performance of wheat, which compensated vs expected performance of sunflower on the back of non-favourable weather conditions in the second half of summer and early autumn 2020;
- +€2.8 million related to decreased cost of production supported by the revision of the crop mix, followed by downsizing the use of fertilisers and minimizing capital expenditures.

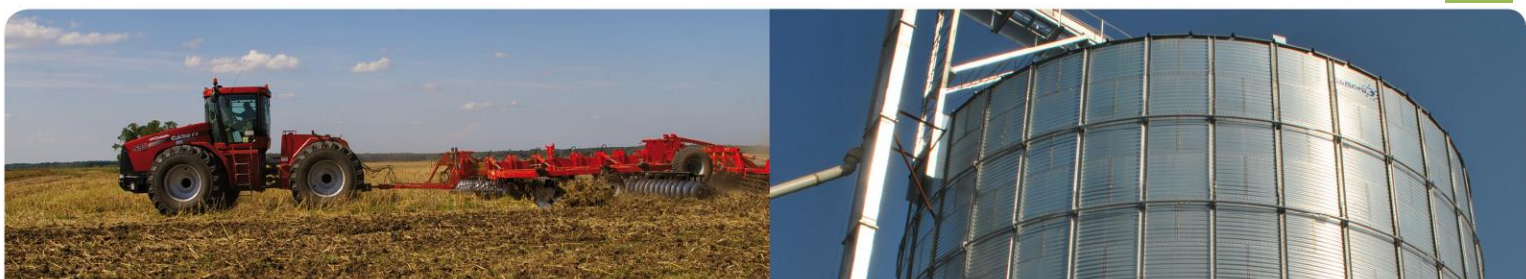
An additional €0.5 million increase in H1 2020 gross margin is mainly attributed to the successful sale of stocks of the 2019 harvest with actual crop prices higher compared with expectations at the beginning of the year, partially offset by the increased cost of production (due to more intensive technology applied to 2019 harvest).

Selling, general and administrative expenses decreased by €2.0 million vs. pro-forma H1 2019, from €4.8 million to €2.8 million in H1 2020, mostly attributed to lower selling expenses due to a decrease in export volumes followed by a reduction of logistic costs; as well as salaries and related tax reductions due to head office structure optimization conducted at the beginning of 2020, and optimization of listing, audit, and legal fees. All cost saving initiatives are still ongoing, and will be further disclosed in the annual results with the full effect to be visible in 2021YE.

As a result of all the positive effects EBITDA totaled €2.8 million vs €(6.3) million in H1 2019 pro-forma. Consequently, operating profit amounted to €(0.3) million compared to €(9.2) million in H1 2019 pro-forma, i.e. an increase of €8.8 million.

Net financial expenses stood at €(5.2) million versus €(0.1) million in H1 2019 pro-forma. The decrease of €(5.1) million is primarily attributed to variances in net foreign currency losses (partly a non-cash effect, which should not be extrapolated to year-end and will likely be compensated by future revenues in foreign currency, incl. adjustment of local commodity prices to worldwide USD-denominated prices).

Overall, the Group's net loss from continued operations amounted to €(5.5) million in H1 2020 versus €(9.3) million in H1 2019 pro-forma.





Financial structure

The Group reduced its Net debt to €37.2 million as of June 30, 2020 (including additional non-contractual part of lease payments) compared to €47.8 million as of June 30, 2019 (pro-forma).

Status of 2020 harvesting campaign

To date, AgroGeneration successfully completed 2020 harvesting campaign and produced c.a. 168k tons of grain across a surface area of around 56,000 ha. Production focus in 2020 was shifted towards drought resistant crops, wheat and sunflower, due to recent results in Ukraine (and Kharkiv region in particular, where the Company's lands are concentrated), which experienced severe droughts in spring and summer over the past several years. 2020 year was not an exception and AgroGeneration's production strategy paid off. Dry weather in Ukraine in 2020 lasted from mid-summer through autumn with rare occasional rains. The eastern and southern parts of the country suffered the most.

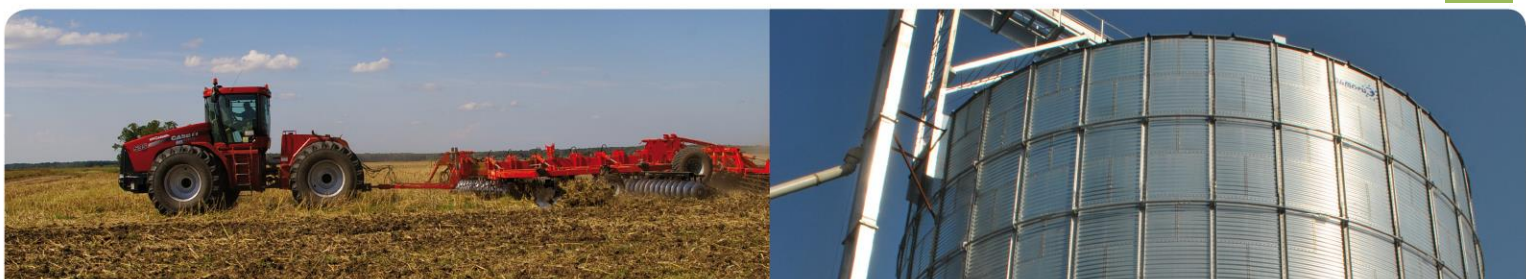
Still, despite the drought, the wheat harvest in AgroGeneration generally met expectations with over 114k tons produced in net weight, with an average yield 10% higher than last year's result as well as the Ukrainian average yield. Dry weather favoured good quality of produced wheat. Overall, AgroGeneration produced over 58k tons of milling wheat in 2020 vs. 16k tons initially planned, which composed over 50% of total wheat production. The high quality of collected grain and favourable market prices set positive expectations for potential gains in revenue.

Crop Type	2019 Pro-Forma Actual ¹			2020 Actual ²		
	Area	Production	Net Yield	Area	Production	Net Yield
	hectares	tons	tons/ha	hectares	tons	tons/ha
Wheat	25,809	102,882	4.0	26,051	114,297	4.4
Sunflower	19,022	36,892	1.9	28,701	51,455	1.8
Other	11,171	27,655	-	1,288	2,038	-
Total	56,002	167,429	-	56,040	167,790	-

(1) The pro-forma information for 2019 is presented based on the basis of the comparable scope of the Group (new scope following sales of farms carried out in 2019)

(2) Preliminary results as of October 8th, 2020

Adverse weather conditions negatively impacted yields for the Group's sunflower compared with the prior year. Still, compared with Ukrainian averages, AgroGeneration stayed in line with the market slightly outperforming the average sunflower yield for the country by 1%. Overall, the Group collected over 51k tons of sunflower from the 2020 harvest with an average yield of 1.8 tons/ha. Due to lower than expected sunflower harvest in Ukraine, market prices demonstrated an upward trend, which coupled with good wheat sales forecasts is expected to compensate achieved reduction in production volumes.





Comparison of gross yields (state statistics as of October 8th, 2020):

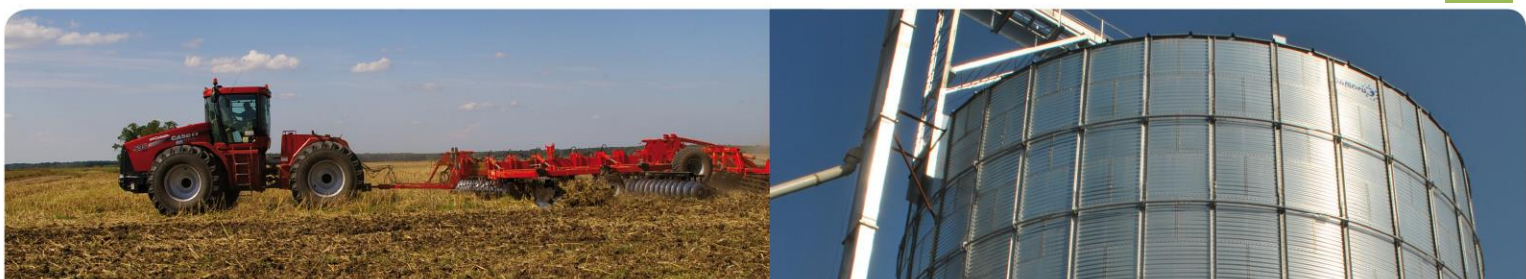
Crop Type	AGG vs Ukraine
Wheat	+10%
Sunflower	+1%

Outlook 2020 and 2021

In 2021, AgroGeneration plans to repeat its 2020 production strategy with the main focus on wheat and sunflower and minor areas engaged under other crops in view of additional diversification and agronomical feasibility. For the 2021 production season, the Group completed sowing of c.a. 28k ha under winter wheat and plans to engage another 28k ha under spring crops.

To further strengthen its financial position and operational performance for the rest of 2020 and next 2020/2021 production season, the Group will continue to implement changes to its cost structure as announced and commenced in early 2020:

- *Administrative costs savings.* By 2021YE the Group plans to reduce the level of administrative costs by half versus 2019YE level through:
 - ✓ *Payroll cost optimization.* Significant corporate organizational structure revision already took place in early 2020 followed by payroll cost reduction, incl. applied changes in top management.
 - ✓ *Office rent cost reduction.* In May 2020, Kyiv office of the Group was transferred to cheaper premises with 4x positive effect on total office rent cost amount. In October 2020, the Paris office was transferred to a new address with 2x cost saving effect.
 - ✓ *Audit and audit related cost reduction.* The Group is under the process of changing its statutory auditors to significantly reduce costs. New statutory auditors are to be appointed by 2020YE via ordinary General meeting planned for the end of November 2020.
 - ✓ *Other 3rd party services cost optimization,* incl. legal, listing related and accounting costs. Partial positive effect from revision of the latter expenses has been already reflected in the H1 2020 financial result of the Group.
- *Production costs optimization.* For the season 2020/2021, the Group plans to optimize general production expenses through a revision of payroll for general production staff and optimization of work loading; reduction of security costs through optimization of a number of check points in the fields followed by the reduction of average labour hours of security services provided per 1 ha; and other optimization initiatives related to on-farm infrastructure through divestiture from non-effective assets.





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

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APPENDIX

Calculation of EBITDA

(in € thousands)	FY 2019	H1 2019	H1 2019 Pro forma	H1 2020
Operating profit	(19,866)	(10,756)	(9,198)	(340)
Amortization of non-current assets	7,223	1,975	1,975	2,373
Provision, net gain or loss on fixed-asset divestiture and impairment of non-current assets	9,774	80	80	67
Additional non-contractual portion of land lease *	1,685	936	796	734
EBITDA	(1,184)	(7,765)	(6,347)	2,834

*the additional non-contractual portion of leases was not restated as right-of-use assets / lease liabilities in the published financial statements as of June 30, 2020. It represented a lease payments of 1,070 K€ for H1 2020. It would have represented a 734 K€ impact on the EBITDA if included in IFRS 16 scope, and additional lease liabilities for an amount of 7,285 K€.

(in € thousands)	FY 2019	H1 2019	H1 2019 Pro forma	H1 2020
Borrowings excluding land lease liabilities	18,977	33,391	33,391	19,303
Lease liabilities for right-of-use assets	12,754	15,186	13,013	11,860
Additional debt related to additional non-contractual portion of lease liabilities *	6,177	5,373	4,552	7,285
Financial debt	37,908	53,950	50,956	38,448
Available cash	(1,978)	(3,004)	(3,004)	(1,109)
Term deposits **	(302)	(171)	(171)	(158)
Net debt	35,628	50,775	47,781	37,181

** Term deposits pledged as security for bank debt

