



AGRO Generation

2015 Annual Results

- **EBITDA of €20 million confirming the Group's ability to operate despite market challenges**
- **Debt reduced very significantly and equity strengthened**

Paris, April 21th 2016

AgroGeneration, a Ukraine-based grain and oilseed producer, has published its 2015 financial results, as approved by the Board of Directors on April 19th 2016.

AgroGeneration has been highly resilient in 2015 while facing a very unfavorable environment, with very low worldwide commodity prices (at around half of 2012 prices) and an economic environment in Ukraine still under strain as illustrated by the hryvnia's depreciation and limited access to bank financing.

In this context, AgroGeneration maintained EBITDA in line with last year, and demonstrated, for the second year in a row after the merger with Harmelia, that its business model is sound and can generate a significant performance on the positive operating profit even during a down cycle of commodity prices. The Group has considerably improved its economic fundamentals, thanks to a successful financial restructuring and generation of operating cash flows. Equity was significantly increased and debt was reduced.

Reflecting those improvements and the quality of AgroGeneration's creditworthiness, the financing of the 2016 harvest was secured sooner than last year and has been further diversified, notably with major pre-payment trade agreements.

The Group is now operationally and financially structured to pursue its development, even though the down cycle of commodity prices will persist in 2016 as evidenced by a consensus of experts.





2015 earnings

2015 financial statements are published on the website www.AgroGeneration.com

Financial highlights

(in € thousands)	2014	2015
Revenue	64,620	58,861
Biological assets and finished goods (change in fair value)	12,732	18,921
Cost of sales	(55,679)	(53,814)
Gross profit	21,673	23,968
Selling, general and administrative expenses	(14,647)	(13,417)
Other income and expenses	6,085	855
Operating profit	13,111	11,406
Net financial income (expense)*	(36,190)	(19,556)
Tax	(15)	222
Net profit/(loss)	(21,665)	(7,928)

(in € thousands)	2014	2015
EBITDA**	20,749	19,941
Equity	6,569	69,462
Net debt***	75,390	35,487
Structural debt****	61,254	19,099

(*) Includes unrealized currency losses of €14.9 million in 2014 and €10.9 million in 2015

(**) EBITDA = earnings before interest, tax, depreciation, amortization, provisions and net gain or loss on fixed asset divestiture and impairment on non-current assets – see appendix for detail

(***) Gross debt – available cash – term deposits pledged as security for the repayment of bank debt – see appendix for detail

(****) Principal amount of loan granted by the EBRD and the amount of capitalized future interest on the OSRANEs (vs. listed bonds and Konkur bonds in previous periods) – see appendix for detail

Production and revenue

In 2015 AgroGeneration produced 376,000 tons of grain and oilseed, a decline of 6% in volume. The yields were lower this year due to less favorable weather conditions, specifically with regard to corn and soybean crops and also due to a reduced use of fertilizers following the group's strict crop management policy, focused on gross profit per hectare. Yet, yields outperformed the average yields in Ukraine. Furthermore, the Group successfully cultivated 108,000 ha, vs. 103,000 ha last year.





As of 31 December 2015, 338,600 tons out of 376,000 tons produced in 2015 had been sold. The difference in tonnage corresponded to production retained by the company for its own needs (seed and payment of part of its leases) and to an inventory of 31,800 tons as of 31 December 2015 to be sold during 2016.

AgroGeneration posted **revenues of €58.9 million vs. €64.6 million in 2014**, against a backdrop of low prices. Those revenue streams are broken down as follows:

- €55.1 million represented proceeds from the sale of part of the 2015 production;
- €2.1 million represented the sale of all inventories of the 2014 production;
- €1.7 million represented sales of services and other.

Still, EBITDA remained robust and comparable with last year, despite those declines in revenue

Gross profit totaled €24 million, up 10.6% or €2.3 million. This increase can be split as follows:

- €-5.3 million from the decline in agricultural prices;
- €+0.6 million from the decline in yields, offset by the Group's tight management of production costs;
- €+3.9 million from changes in fair value of winter crop biological assets;
- €+3.1 million mainly from the favorable impact of the appreciation of the dollar against the euro.

The valuation of winter crops is based on conservative yield projections and on sales prices mainly related to export sales. The focus in export sales is stimulated by the government's decision to gradually remove most of the VAT government subsidies beginning in 2016 in an effort to move to zero subsidies in 2017.

The agronomic and commercial performance, measured by the ability of the group to offset headwinds of negative prices and yields, thanks to strict cost controls and export focus, enabled henceforth the group to maintain its gross profit at a level similar to the one in 2014.

Selling, general and administrative expenses declined by €1.2 million and totaled €13.4 million during the year. The change resulted from non-recurring costs in 2014 and from positive currency fluctuations. Other income and expenses declined to €0.9 million, vs. €6.1 million in 2014, mainly because the VAT government subsidy declined due to increase of export sales (-€2.9 million) and the non-cash impact of fixed asset impairment (-€1.4 million).

Consequently, EBITDA totaled €19.9 million, vs. €20.7 million in 2014, a very favorable performance in the current environment.





Net result still impacted by currency fluctuations

After financial losses and tax, the net result significantly improved with a loss of (€7.9) million vs. (€21.7) million in 2014.

Net financial expense was (€19.5) million, which significantly impacted Group earnings. Nevertheless, it improved substantially compared with 2014 and is broken down as follows:

- €6.2 million in debt servicing costs, including €1.6 million in net interest on OSRANE/bonds, €3.8 million in net interest on bank loans and €0.8 million in other financial interest;
- €13.3 million in currency losses on the Group's dollar-denominated loans, including €10.9 million in unrealized losses related to bank loans (€5.5 million) and intragroup loans (€5.4 million).

Before the unrealized currency loss, the net result would be positive.

Very significant improvement in the Group's financial structure

In 2015, the Group made a decisive step forward: its strengthened, sound financial structure will safeguard its short- and medium-term future.

During the financial year, equity has increased from €6.6 million to €69.5 million. This spectacular improvement in spite of a net loss of (€7.9) million and currency translation differences of (€12.7) million, has been driven by the issuance of OSRANE for €44.5 million (equity component) and by the reevaluation of assets (appraised by an independent expert) for €39 million.

Net operating cash flow totaled €9.7 million, despite an increase in working capital mainly related to an increase of inventory at year-end. This Cash flow enabled to cover capital expenditure (€1.6 million) and interest paid during the year (€8.2 million). At year end, cash and cash equivalents amounted to €3.9 million.

Net financial debt amounted to €35.5 million, composed of the interest portion of the OSRANEs (€12.7 million) and net bank debt provided by Alfa Bank Ukraine and EBRD. Net debt ratio improved to 50% of equity. Financing for the 2016 crop was additionally secured through prepayment contracts and forward sales (see press release dated April 6th).

AgroGeneration now benefits from a balanced and sound financial structure. The Group plans to continue gradually to reduce its debt so as to cut interest expense. In this regard, as of 31 March 2016, 3,728 outstanding OSRANEs were redeemed in shares (correspond to the issuance of 805,248 new shares), which will generate less interest expense in the coming years.





2016 Outlook

The political situation in Ukraine is now relatively stable. GDP is expected to bounce back this year after two years of sharp decline. Inflation is also expected to decline significantly. Through these developments, together with a tight budget and the continuation of much needed reforms, the country will be able to continue to benefit from IMF loans.

In this context, AgroGeneration is confident about its 2016 crop season. Financing has been in place since the end of December and has been beefed up since then by forward sales and prepayments.

For the 2016 season, the Group plans to harvest 110,000 ha, vs. 108,000 ha in 2014 (up 2%). This year's spring crops (corn, peas, soybeans, sunflower) should account for 63,000 ha and were given priority over winter crops (wheat, rapeseed), planted on 47,000 ha, in particular because of unfavorable weather at the end of the year (rain and frozen ground). Among the spring crops, priority was on peas, soybeans and sunflower, which are currently more profitable than corn.

Production costs/ha should increase slightly in 2016 as the Group uses marginally more inputs as part of its sustainable agricultural strategy. Sales prices thus remain a key variable, with worldwide prices currently still below those of last year. In this context, the Group remains focused on its operating profitability and continues to optimize costs, in particular operating expenses.

In this way, AgroGeneration keeps actively working to strengthen its operations during the cyclical trough and preserve its margins to the fullest extent possible. Through these initiatives and despite the probable end of VAT subsidies, the Group should be ideally positioned to take advantage of operating leverage on its earnings as soon as agricultural prices begin to rise.

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)	2014	2015
Operating profit	13,111	11,406
Amortization of non-current assets	7,294	7,037
Net gain or loss on fixed asset divestiture (including provisions)	344	113
Impairment of non-current assets		1,385
EBITDA	20,749	19,941

Calculation of net debt

(in € thousands)	2014	2015
Gross debt	82,603	54,547
Available cash	(5,415)	(3,931)
Term deposits*	(1,798)	(15,129)
Net debt	75,390	35,487

* Term deposits pledged as security for bank debt

Structure of gross debt

(in € thousands)	2014	2015
Structural debt	61,254	19,099
OSRANE*	-	12,704
Listed bonds	20,195	-
Konkur bonds	35,359	33
EBRD – principal amount	5,700	6,362
Other financial debt	21,349	35,448
Total borrowings	82,603	54,547

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

