

23.05.2022

## Rating of KSG Agro S.A. is updated

**May 23, 2022** the rating committee of RA “Expert-Rating” made decision to update a long-term credit rating of KSG Agro S.A. at the level **uaA+** according to the national scale (the rating according to the Agency’s international scale is at the level BBB.) The borrower or the particular debt instrument with rating uaA is characterized by a high creditworthiness compared to other Ukrainian borrowers or debt instruments. The level of creditworthiness is susceptible to the impact of adverse commercial, financial and economic conditions. The Agency updated the credit rating after the analysis of data of the consolidated statements of KSG Agro S.A for the 2021 year.

Table

### Indicators of KSG Agro S.A for the 2021 year (th. USD, p.p., %)

| Indicators  | 2021 year<br>(31.12.2021) | 2020 year<br>(31.12.2020) | Change        | Growth rate,<br>% |
|---|---------------------------|---------------------------|---------------|-------------------|
| <b>Balance sheet indicators and financial results</b>                         |                           |                           |               |                   |
| Fixed assets  | 15 398                    | 15 568                    | -170          | -1,09%            |
| Long-term biological assets   | 29 688                    | 27 816                    | 1 872         | 6,73%             |
| Current biological assets   | 9 670                     | 6 306                     | 3 364         | 53,35%            |
| Stocks and agricultural products  | 9 250                     | 7 952                     | 1 298         | 16,32%            |
| Cash and cash equivalents   | 637                       | 108                       | 529           | 489,81%           |
| Accounts receivable   | 3 880                     | 1 890                     | 1 990         | 105,29%           |
| <b>Total assets</b>   | <b>71 441</b>             | <b>62 952</b>             | <b>8 489</b>  | <b>13,48%</b>     |
| Long-term bank and other loans  | 24 944                    | 24 520                    | 424           | 1,73%             |
| Long-term liabilities, total  | 25 742                    | 32 379                    | -6 637        | -20,50%           |
| Short-term bank and other loans   | 2 647                     | 2 878                     | -231          | -8,03%            |
| Accounts payable  | 8 270                     | 10 118                    | -1 848        | -18,26%           |
| Current liabilities, total  | 22 365                    | 25 191                    | -2 826        | -11,22%           |
| <b>Total liabilities</b>  | <b>48 107</b>             | <b>57 570</b>             | <b>-9 463</b> | <b>-16,44%</b>    |
| <b>Shareholders' equity</b>   | <b>23 334</b>             | <b>5 382</b>              | <b>17 952</b> | <b>333,56%</b>    |
| Authorized (share) capital  | 150                       | 150                       | 0             | 0,00%             |
| Revenue   | 30 746                    | 21 338                    | 9 408         | 44,09%            |
| Net profit  | 20 270                    | 1 272                     | 18 998        | 1 493,55%         |
| <b>Calculated indicators and coefficients:</b>                                |                           |                           |               |                   |
| EBITDA  | 12 278                    | 6 022                     | 6 256         | 103,89%           |
| Ratio between shareholders' equity and liabilities, %                         | 48,50%                    | 9,35%                     | 39,15 p.p.    | -                 |
| Ratio between EBITDA and liabilities, %                                       | 25,52%                    | 10,46%                    | 15,06 p.p.    | -                 |
| Ratio between EBITDA and total loans (excluding cash and cash equivalents), % | 45,55%                    | 22,07%                    | 23,48 p.p.    | -                 |
| ROS   | 65,93%                    | 5,96%                     | 59,97 p.p.    | -                 |
| ROA   | 28,37%                    | 2,02%                     | 26,35 p.p.    | -                 |
| ROE   | 86,87%                    | 23,63%                    | 63,24 p.p.    | -                 |

Source: consolidated financial statements of KSG Agro S.A. (unaudited), calculations by RA “Expert-Rating”

1. Throughout the 2021 year the shareholders' equity of KSG Agro S.A. grew in 4,34 times and as at the beginning of the 2022 year amounted to USD 23,33 mln. The key factor of the increase of this indicator was the Company's profitable activity and the reduction of retained loss in the

structure of its shareholders' equity. The liabilities of KSG Agro S.A. for the 2021 year decreased by 16,44% down to USD 48,11 mln. The decrease in liabilities of KSG Agro S.A. was mainly due to selling three subsidiary companies in May, 2021 and two subsidiary companies in September, 2021. The corresponding movement of indicators resulted in an increase in the ratio between shareholders' equity and liabilities of KSG Agro S.A. by 39,15 p.p. up to 48,50% in the analyzed period. A considerable increase of KSG Agro S.A. provision level with shareholders' equity is appreciated by the Agency.

2. In the structure of long-term liabilities of KSG Agro S.A. as of 31.12.2021, the predominant share was occupied by long-term loans, their volume in the analyzed period grew by 1,73% up to USD 24,94 mln. Short-term loans, obtained by KSG Agro S.A., for the period from 31.12.2020 to 31.12.2021 decreased by 8,03% and amounted to USD 2,65 mln.

3. Sales of the Company's products in the analyzed period continued to increase. Thus, sales revenue for the 2021 year amounted to USD 30,75 mln, that by 44,09% exceeded the indicator for the 2020 year. In its turn, net profit of KSG Agro S.A. according to the results of the 2021 year compared to the 2020 year grew by USD 19 mln (almost in 16 times) up to USD 20,27 mln. Among the factors of the increase of the Company's profit in the analyzed period one can highlight the sale of its subsidiaries and a significant increase in sales volumes. A considerable increase in the financial results of KSG Agro S.A. positively affected the Company's profitability indicators, which reached very high values according to the results of 2021 year.

4. Analysis of the consolidated financial statements of KSG Agro S.A. showed that EBITDA according to the results of the 2021 year compared to the 2020 year grew more than in twice up to USD 12,28 mln., and the ratio between EBITDA for the 2021 year and the volume of loans as of 31.12.2021 grew up to 45,55%. The respective level of this indicator shows a high level of the Company's solvency.

The agency notes that the financial statements of KSG Agro S.A. for the 2021 year was compiled using judgments and estimates at the time before the Russian invasion of Ukraine, and did not take into account subsequent military events. Therefore, it is currently not possible to predict the impact of the invasion on the Company's operations. On the other hand, since the beginning of the Russian invasion no hostilities have taken place in the immediate vicinity of the assets of Agroholding, so on the date of preparation and signing of financial statements for the 2021 year, the management of KSG Agro S.A. did not expect a significant negative impact of the Russian invasion on the economic activities on the Company.

Therefore, having analyzed the consolidated financial statements of KSG Agro S.A. for the 2021 year, the Agency notes: a considerable increase in the level of liabilities coverage with shareholders' equity, an increase of financial results, high indicators of the Company's efficiency, as well as a good level of ratio between EBITDA and loans. However, the Agency notes that the current level of the rating determines the probability of default in the case of the company's activity under normal circumstances and does not take into consideration the action of force-majeure circumstances.

*Analytical service of RA «Expert-Rating»*