

Trigon Agri A/S 1H 2016 Interim Report

CEO Statement

Physical Highlights

- Winter Wheat harvest completed and above expectation at 3.91 Tonnes / ha Net
- Spring Wheat harvest completed and below expectation at 3.21 Tonnes / ha Net
- Oilseed Rape crop harvest completed and as expectation at 1.50 Tonnes / ha Net
- Wheat quality shows 76% of harvest at Export levels, similar to 2015
- Rainfall levels in July and August have been good for the summer crops of Maize, Soya and Sunflower, particularly in the Kharkov region
- 2017 crop Oilseed Rape sowing is nicely advanced with 8,5 thousand ha now completed

Our 2016 Wheat (Winter and Spring) harvest which has averaged circa 3.9 tonnes / hectare Net was completed on 10th August having been delayed a little in July by slightly above average rainfall. Export is a very important sales route for us, due to the advantages it gives us with both price and the present VAT regime in Ukraine; of the 75 thousand tonnes of wheat harvested this year initial testing shows that 76% is of export quality, 12% is domestic quality and 12% has been reserved as seed for the 2017 crop and for rental payments. To date we have physically moved to the port 29 thousand tonnes (51%) of the export quality wheat.

The 2016 Oilseed rape crop which consisted of 70% Winter Crop and 30% Spring Crop yielded an average of 1.5 Tonnes / ha which was as forecast. Sowing of the 2017 Oilseed Rape crop commenced at the end of July and has now been completed, this year there is at present adequate moisture for germination. For the 2017 Winter Wheat Crop we are targeting 22 thousand ha.

In summary the yields of Wheat and Oilseed Rape were as expected, somewhat lower than our 5-year average, due to as reported in May, having been adversely affected by the very dry autumn in 2015. It should be appreciated though that the direct inputs, particularly Nitrogen fertilizer were reduced significantly on these crops in recognition of the perceived lower potential, so that the costs were in effect tailored to the potential yield. Rainfall levels have been variable in July and August across the group, generally Nikolaev and Kirovograd have been relatively dry, whilst Kharkov has been quite wet. This is positive for the summer crops in Kharkov, but did give us some quality issues with wheat. Harvesting of summer crops will start in late August in the South and the group aims to complete harvest of all crops during October.

Our dairy business in Russia continues to become more efficient having had a high level of management in place now for two years. The fruits of this increase in "attention to detail" and management ability should start to be realised over the next twelve months.

Financial Highlights

- The Rostov farms were sold in early June at a sales price of Euro 13.3 million
 - Total revenue, other income, fair value adjustments and net changes in inventory from continuing operations amounted to EUR 24.2 million (EUR 28.1 million in 1H 2015).
 - EBITDA from continuing operations stood at EUR 12.3 million (EUR 9.7 million in 1H 2015).
 - The Net profit from continuing operations was EUR 7.2 million (EUR 1.6 million in 1H 2015).
 - The Net Loss from all activities (Continued and discontinued) for the period was Euro -14.9 million (Profit EUR 2.5 million in 1H 2015).
 - The consolidated assets as of June 30, 2016 amounted to EUR 69.9 million (EUR 67.8 million at December 31, 2015).

The restructuring of the business has continued in the second quarter, with the most significant event being the divestment of the Rostov business for the price of EUR 13.3 million, allowing full repayment of the Rietumu Bank loan (including interest) of EUR 8. million. The net proceeds from the sale shall be used to pay the annual interest of the Bonds on 31 August 2016 and the balance will be released to the Company as working capital.

The loss from the Rostov divestment amounted to EUR 22.1 million, out of which Currency translation differences in amount of EUR 19.9 million were recycled from Other comprehensive income to the Income Statement. The remaining loss includes one-off re-measurement in amount of EUR 3.3 million (as reported in 1Q 2016 report) and a profit of EUR 1.1 million mainly related to the gain from exchange rate differences.

The improvement in operational EBITDA is very encouraging and shows the underlying profitability of the production business.

Continuing the drive to reduce our overhead costs we have relocated our head office in Tallinn to more modest accommodation and are now operating with a reduced team. The other large saving for 2016 and going forward has been the termination of the management fee (Euro 2.5 million 2015) For 2016 as a result of the corporate and debt restructuring exercises that are ongoing we do though anticipate additional legal and consultancy costs; these though must be considered as investments for the future.

Now the Winter crop harvest is completed, having assessed both its yield and quality, and with the Spring crops in relatively good condition and despite crop prices being under pressure, we now predict a stronger projected cereal revenue from the 2016 harvest. A usual farmer's caveat must be included, that of course 48% of the area is still to be harvested, and you do not realise crop potential until it is in the barn.

Telephone conference details

A telephone conference will be held today, on August 31, 2016 at 10.00 CET.

Program:

Simon Boughton, CEO and Konstantin Kotivnenko, Executive Board member, will present and comment upon the results. There will also be an opportunity to ask questions.

To participate in the telephone conference, please call one of the following numbers:

DK: +45 35 445 575
FI: +35 898 171 0491
UK: +442 030 089 806
NO: +47 235 002 54
SE: +46 856 642 662

The presentation material will be available on www.trigonagri.com before the telephone conference starts. A recording of the telephone conference will be available afterwards on www.trigonagri.com.

Investor enquiries:

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About Trigon Agri

Trigon Agri is an integrated soft commodities production, storage and trading company with operations in Ukraine, Russia and Estonia. Trigon Agri's shares are traded on the main market of Nasdaq Stockholm.

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