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Don Agro International enters the flour market and starts cultivating new protein-rich crops

- **The expansion strategy is targeted on reducing dependence on wheat and the corresponding harvesting costs**
- **The Group's flour production, which has a total annual capacity of 13.0 thousand tonnes, will allow the Group flexibility in deciding whether to sell the wheat or to mill it into flour**
- **The Group's FY2022 revenue increased by approximately \$7.0 million or 22.6% yoy.**

Singapore, 17 April 2023 – Don Agro International Limited (the “Company” or “Don Agro”) and its subsidiaries (collectively the “Group”), one of the biggest agricultural companies in the CIS countries, is pleased to release its annual report for the financial year ended 31 December 2022 (“FY2022”) and introduce its new business initiatives, such as entry onto the flour market and cultivation of new protein-rich crops.

In FY2022, the Group reached a key milestone: an all-time record winter wheat harvest of 89,108 tonnes, which is 23.3% growth yoy. Russia remained as the world's biggest wheat producer, with 153.8 million tonnes grain harvest, including 104.4 million tonnes wheat harvest in 2022, according to Rosstat¹. The US Department of Agriculture (USDA) calculated Russian wheat production in the previous year at 91.0 million tonnes². Nevertheless, this record harvest, together with the geopolitical situation, has caused dramatic global wheat price volatility³.

Taking into consideration the falling trend on the global grain market, the Group explored other growth opportunities. In 2023, the Group has purchased flour production equipment with a total annual capacity of 13.0 thousand tonnes of flour. To hit maximum capacity, the Group needs to utilise the 19.0 thousand tonnes of winter wheat, which is well below the Group's 2022 output of 89,108 tonnes.

This purchase will give the Group flexibility in deciding whether to sell grain to traders or to mill it into two different flour grades, bran or semolina. The global wheat flour market was USD 155.08 billion in 2020 and it is projected to grow from USD 160.66 billion in 2021 to USD 210.77 billion by 2028, exhibiting a CAGR of 3.95% from 2021 to 2028⁴.

¹ <https://interfax.com/newsroom/top-stories/88152/>

² <https://www.uswheat.org/wheatletter/wheat-prices-trend-lower-even-as-uncertainty-continues/>

³ <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

⁴ <https://www.fortunebusinessinsights.com/wheat-flour-market-106313>

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With higher flour prices per tonne compared to 12.5% protein wheat and the lower worldwide shipping costs, producing flour will enable the Group to enter the markets of South-East Asia and the MENA countries.

“Our Company not only produces goods in demand on the market, it is also one of the elements of ensuring global food security, since our products are vital for their consumers. That is why we perceive our work as fulfilment of an important civilisational and humanitarian mission. Winter wheat has been Don Agro’s main source of profit over the years but we now need to adapt to the everchanging economy. Consequently, the Group has started exploring different opportunities for further business development”, said Mr Evgeny Tugolukov, Executive Chairman of Don Agro.

The Group’s revenue for FY2022 increased by approximately \$7.0 million or 22.6%, from \$31.0 million in the financial year ended 31 December 2021 (“FY2021”) to \$38.0 million in FY2022 as a result of increased revenues from sale of sunflowers harvested in FY2021 and of milk and livestock.

The cost of sales went up by approximately \$8.0 million or 27.7% from approximately \$29.0 million in FY2021 to approximately \$37.0 million in FY2022. The increase in the cost of sales is mainly attributable to the significant increase in the price of seeds, fertilisers and spare parts in March 2022, as well as a substantial rise in crop yield, resulting in a need for more manpower and agricultural machinery and equipment.

The gain from change in a fair value of biological assets and agricultural produce decreased by approximately \$8.2 million or 82.8% from approximately \$9.9 million in FY2021 to approximately \$1.7 million in FY2022. This is mainly attributable to falling agricultural produce prices due to the peak harvest in the Russian Federation and decreased winter wheat harvest area for next year’s harvest due to unfavourable weather conditions.

To be less tied to global winter wheat prices, the Group has allocated 6.1 thousand hectares of its land bank to produce barley, peas, lentils and chickpeas.

These crops, along with wheat, are among the main sources of plant-based protein. According to a World Health Organisation report⁵, people’s tendency to shift towards plant-based diets is rapidly gaining pace. Such diets are widely associated with a lower risk of premature death and offer protection against noncommunicable diseases (NCDs). So, expanding the Group’s crops is another step towards its sustainable development.

In FY2022, the Group also quadrupled the area sown to organic wheat and increased no-till farming acreage to 7.6 thousand hectares. In 2023, Don Agro expects to undergo organic wheat certification. If all the tests prove that no pesticides were found in the samples, the Group will be able to sell its first organic wheat harvest.

– The End –

⁵ <https://www.who.int/europe/publications/i/item/WHO-EURO-2021-4007-43766-61591>

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About Don Agro International Limited

Don Agro is a Singapore agricultural company with assets in CIS countries. It is principally engaged in agricultural crop cultivation and raw milk production. The Group has a total controlled land bank of 67,340 hectares, of which more than 54,420 hectares are arable land. The Group owns approximately 17,200 hectares of the land bank used.

The Group is a Singapore company listed on the Catalist of SGX on 14 February 2020. Within the crop production segment, the Group is primarily engaged in farming commercial crops such as winter wheat, sunflower and corn. The crops are sold to key international and local traders in the regions of operation and the Group also has a grain storage capacity of 105,000 tonnes.

In addition, the Group is the biggest milk producer operating in the region and owns more than 4,400 head of dairy cattle, including approximately 2,200 milking cows.

Issued for and on behalf Don Agro by Financial PR

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