



10 Collyer Quay
#10-01 Ocean Financial Centre
Singapore 049315
Registration No: 201835258H

Don Agro International acquires Volgo-Agro to expand arable land bank and accelerate growth in new markets

- Volgo-Agro LLC is an agricultural company based in the Volgograd region of Russia, operating a controlled land bank of approximately 10,040 hectares
- Total purchase consideration of 95.5 million rubles (approximately S\$1.7 million) comprises the acquisition of a 99.99% stake in Volgo-Agro for 40.6 million rubles (approximately S\$0.7 million) and of outstanding debt carried by Volgo-Agro for 54.9 million rubles (approximately S\$1.0 million).
- Following the acquisition, the Group's controlled land bank increased by 18.9% to 63,240 hectares
- The Group is now favourably positioned to reach new markets in the Caspian region and beyond as the new land bank is located in close proximity to important trading routes

Singapore, 2 February 2021 – Don Agro International Limited (the “**Company**” or “**Don Agro**”) and its subsidiaries (collectively the “**Group**”), one of the largest agricultural companies based in the Rostov region of Russia, is pleased to announce that it has acquired a 99.99% stake in Volgo-Agro LLC (“Volgo-Agro”) for an aggregate consideration of 95.5 million rubles (approximately S\$1.7 million) from the Russian-based private equity firm New Investment Group LLC following the entry of a sale and purchase agreement dated 27 October 2020. This consideration includes the purchase of a 99.99% stake in Volgo-Agro for 40.6 million rubles (S\$0.7 million) and of outstanding debt carried by Volgo-Agro for 54.9 million rubles (S\$1.0 million); consideration will be settled fully in cash and funded fully via the Group's internal source of funds. The remaining 0.01% stake in Volgo-Agro is currently held by an independent party and is expected to be acquired by the Company in due course.

No independent valuation was commissioned by a third-party valuer for the purpose of the acquisition, other than an internal valuation of Volgo-Agro performed by the Company's management, which amounted to approximately 100.0 million Russian rubles (approximately S\$1.9 million). The book value of total assets of Volgo-Agro was 198.0 million Russian rubles (approximately S\$3.5 million) and net tangible assets value was 96.0 million Russian rubles (approximately S\$1.7 million) based on the latest unaudited six-month financial period ended 30 June 2020.

Volgo-Agro is an agricultural company that focuses on crop production. It operates a land bank of approximately 10,040 hectares in the area which provides favourable levels of precipitation and quality of soil that is highly suited for winter wheat production. Volgo-Agro also owns important assets including a grain cleaning machine and grain storage facilities for 10,000 tonnes.

Following the acquisition of Volgo-Agro, the Group will harness an enlarged land bank of approximately 63,240 hectares in total, representing a growth rate of 18.9%. This new land capacity will accelerate

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growth for the Group's winter wheat production to capture the strong and growing global demand for wheat. Tapping on this new land bank, the Group also intends to expand its income stream by diversifying its range of offerings through crop rotation. This includes producing highly demanded crops such as chickpeas which could be sold to India and other Asian countries in the region.

Operationally, the Group intends to increase the utilisation of its machinery and equipment such as seeders and cultivators by re-allocating underutilised resources to the new land bank. Due to the increased scale of operations, the Group will also enjoy synergies relating to procurement due to economies of scale, while being able to adopt new sales strategies to negotiate better prices for its crops as they will be sold in larger quantities.

Speaking on the Group's latest acquisition, **Mr. Evgeny Tugolukov, Executive Chairman of Don Agro International** said, *"We are pleased to have completed our very first acquisition for Don Agro since our initial public offering earlier on last year. In line with our plans at IPO to increase our arable land bank in the region, the acquisition of Volgo-Agro will enable us to quickly raise production volume to capitalise on the burgeoning demand for wheat and wheat-based products around the world. Driven by favourable weather conditions and our expertise in implementing best agricultural practices, we will also be able to increase harvest yields and enhance the overall quality of crops produced at these new sites."*

Based in the Volgograd region of Russia, Volgo-Agro's land bank is located north of the Caspian region and in basin of the Volga River, which has historically been Russia's main waterway for trade with the Middle East and Asia. The Volgograd region also borders on Kazakhstan, a key gateway to Central Asia.

"Geographically located in close proximity to important trading routes, Don Agro is now positioned favourably to ship crops to the Middle East and Asia via the Volga River and further through the neighbouring Caspian Sea. Apart from these key waterways, Kazakhstan's improving road and railroad infrastructure, which links it to China, offers attractive new opportunities for us to sell our agricultural produce. Overall, this acquisition supports our strategic direction to reach new markets and customers, so as to drive long-term sustainable growth for the Group." added **Mr. Tugolukov**.

Fresh off the heels of its initial public offering in February 2020, the Group has already successfully implemented various strategic initiatives to drive growth. This includes investing S\$0.4 million in purchasing the latest John Deere R4023 Self-Propelled Sprayer to enhance productivity, as well as the completion of additional storage facilities in October 2020, raising storage capacity from 63,000 tonnes to 93,000 tonnes. The inclusion of Volgo-Agro's existing storage facilities of 10,000 tonnes further raises total storage capacity to 103,000 tonnes, enabling the Group to store more winter wheat for sale during peak pricing periods.

Apart from these growth initiatives, Don Agro is exploring opportunities in mergers and acquisitions, joint ventures and strategic alliances with both domestic and foreign companies. By leveraging on the

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expertise, experience and track record of its management team, the Group intends to seek new and suitable opportunities to expand into other high growth regional markets within Russia, such as districts within the Rostov and Krasnodar regions.

This press release is released by the Company on a voluntary basis and the disclosures are referenced from the disclosure requirements of a non-discloseable transaction upon the relevant computations of Rule 1006 under Chapter 10 of the Catalist Rules. None of the directors and controlling shareholders of the Company have any interest, direct or indirect, in the acquisition other than through their respective directorships and shareholdings in the Company.

– The End –

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About Don Agro International Limited

Don Agro is one of the largest agricultural companies in the Rostov region in Russia principally engaged in the cultivation of agricultural crops and production of raw milk. The Group is also engaged in crop production in the Volgograd region in Russia. The Group has a total controlled land bank of 63,240 hectares, of which more than 51,200 hectares are arable land. The Group owns approximately 16,600 hectares of its controlled land bank.

The Group's operations are principally located in the Rostov region, one of the most fertile regions of Russia, situated close to the Azov and Black Seas and the Don River which house major international ports. The Group's second operating division in the Volgograd region is located in close proximity to key trading routes including the Volga River. This allows the Group's customers, who are mainly traders and exporters, to save on transportation costs and, as a result, be able to offer higher prices for the Group's crops. Within the crop production segment, the Group is primarily engaged in the farming of commercial crops such as winter wheat, sunflower and corn.

In addition, the Group is one of the top farms in terms of milk production in the Rostov region and owns more than 4,000 heads of dairy cattle which includes approximately 2,000 milking cows.

Issued for and on behalf Don Agro by Financial PR

For more information please contact:

Ngo Yit Sung / Jonathan Wee

tech@financialpr.com.sg

Tel: (65) 6438 2990, Fax: (65) 6438 0064

Don Agro International Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "Exchange") on 14 February 2020. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This press release has been reviewed by the Sponsor. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Joseph Au, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.
