

**Ekosem-Agrar continues to grow:  
Russia offers huge potential for milk production**

Walldorf/Hannover, 14 November 2012 – “The world’s largest territorial state, in which some 70 million tons of food crops were harvested this year, boasts excellent conditions for the agricultural sector. The Russian milk market continues to suffer from a clear undersupply and offers farmers opportunities of which their German counterparts can only dream.” Thus the conclusion drawn by Stefan Dürr, CEO and main shareholder of Ekosem-Agrar GmbH, the German holding company of Russian dairy producer Ekoniva Group, at EuroTier 2012.

**New subsidy programme and unlimited exemption from corporate income tax**

Russia continues to produce far less milk than is consumed. Only 12 to 15 million tons of raw milk produced in Russia are processed commercially. Dairy products with raw milk equivalent of about 8 million tons are imported. This corresponds to the production of about one million high-performance dairy cows. The new agricultural subsidisation programme for the period from 2013 to 2020, which was adopted in July 2012, is designed to help reduce the country’s dependence on imports. The programme with a total volume of RUB 2.3 trillion (EUR 57.5 billion) is jointly funded by the federal budget and the budgets of the region. A major focus is the continued promotion of animal husbandry, especially of investment in dairy and suckler cows. In 2013 alone, an amount of RUB 99 billion is earmarked for building up animal production, of which two thirds come from the federal budget and one third from regional budgets. Unlike in Western Europe, where agricultural subsidies are essentially linked with the ownership of land, investment in the modernization of production are in Russia specifically promoted through direct grants and subsidized loans. In addition, amendments to tax law also benefit Russia’s agricultural sector, as agricultural enterprises will be exempted from income tax for an unlimited time.

**Russian milk price at 42 to 44 euro cents per litre in 2013**

The undersupply of the Russian milk market is also reflected in the milk price. Between January and September the price per litre for Ekosem Group averaged 39.20 euro cents which was about 20 percent higher than in Germany. Ekoniva is currently feeling a strong shortage of raw milk, which will additionally push up prices. Says Stefan Dürr: “We expect the price of milk to average 42 to 44 euro cents next year.”

**2015 target: Business expansion to 30,000 dairy cows and over 238,000 hectares of farmland**

173,000 hectares of agricultural land (equivalent to nearly two thirds of the size of the Saarland) and an annual milk output of over 80,000 tons make Ekosem-Agrar one of the leading agricultural holding companies and the third largest dairy producer in Russia. The company plans to increase its farmland to over 238,000 hectares and its dairy cow stock to over 30,000 animals by the year 2015. Our own breeding of young cattle has reached a size that will allow us to grow strongly without importing young cows going forward," says Wolfgang Bläsi, CFO and Managing Director of Ekosem-Agrar GmbH. "As the acquisition of breeding heifers is currently the largest cost item in our growth strategy, this will significantly reduce our investment requirements in the coming years." The farmland expansion will take place at the company's six existing locations in Voronezh, Kaluga, Orenburg, Novosibirsk, Tyumen and Kursk. The suckler cow husbandry should also be expanded to about 4000 suckler cows in 2015.

In addition, the Company takes the first steps in the field of their own milk processing. "In the medium and long term we want to process our raw milk itself, and so generate a bigger share of the value creation in the company," says Stefan Dürr. "The size of the company allows to make this economically effective. We focus on a concept with "transparent dairy", visitor farm and agricultural theme park. "

With the conversion of a partial operation in the Kaluga region on ecological agriculture Ekosem-Agrar is also one of the pioneers in this field in Russia.

"Our Group is clearly on the growth track. In the last six months alone, we expanded our farmland by 12,500 hectares and increased our livestock by roughly 20% to 36,500 cattle, including 13,850 milk cows," says Stefan Dürr. This growth is financed with equity capital, Russian subsidies (grants and low-interest loans) and, starting this year, with corporate bonds issued in the German capital market. Following the first successful issue (agricultural bond I), the company has announced another corporate bond in the amount of EUR 60 million. Subscription is scheduled to start on 26 November: The proceeds from the issue will be used to optimise the company's financing structure and to finance its future growth.

The agricultural bond II (WKN: A1R0RZ / ISIN: DE000A1R0RZ5) offers a fixed annual coupon of 8.5% and has a term of six years. It will be targeted at institutional investors and asset managers as well as private investors. Subscriptions to the bond, which has a nominal value of EUR 1,000, may

be made through banks and online brokers by sending a buying order to the Stuttgart Stock Exchange. Equinet Bank AG, Frankfurt am Main, holds the mandate for institutional investors.

Says Wolfgang Bläsi: “We have been on a roadshow to European investors for one and a half weeks and have already received a lot of positive feedback.”

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**About Ekosem-Agrar**

Ekosem-Agrar GmbH Walldorf, Germany is the German holding company in the Ekoniva Group, one of the largest Russian agricultural companies. With over 36,000 head of cattle and an average milk production of more than 225 tons per day, the company is the third largest milk producer in the country. The group has more than 173,000 hectares of land and is also one of the leading producers of seed in Russia. A third area of business is currently being established with premium beef. The founder and managing director of the company is Stefan Duerr. He has been active in Russian agriculture since the 1980s and has played a decisive role in its modernization over the past two decades. In 2009, he was awarded the German Federal Cross of Merit for his contributions to the agricultural policy dialog between Germany and Russia. The corporate group has about 2,900 employees at six locations in Russia and achieved revenues from operations of € 81 million in fiscal year 2010/2011. The Ekosem-Agrar bond (ISIN: DE000A1MLSJ1) is listed in the Bondm of the Stuttgart Stock Exchange. For further information visit: [www.ekosem-agrar.de](http://www.ekosem-agrar.de)