

Ekosem-Agrar boosts milk output over 400 tons per day

- **YE 2013: 46,500 cattle; 19,300 dairy cows; 196,000 hectares**
- **Milk output of 370 tons per day at YE 2013; over 400 tons**
- **Milk price hits record of 47 euro cents**
- **Weak rouble clearly has more positive than negative impacts**

Walldorf, 6 March 2014 – Ekosem-Agrar GmbH, the German holding company of Russian milk producer Ekoniva Group, clearly strengthened its leading position among Russia's raw milk producers in 2013. The Group expanded its dairy cow herd by 24.5% from 15,500 to 19,300 cows in the course of the year. The total livestock increased by 18.9% from 39,100 to 46,500 animals in 2013. The milk output rose at a disproportionate rate. At the end of the year, the company produced 370 tons of milk per day – an increase by 37.5% on the 269 tons produced in 2012 on average. In the meantime, Ekosem has passed the 400 ton mark.

The Group not only expanded its livestock but also invested in state-of-the-art technology. At one of the Group's farms in the Kaluga region, which is home to many industrialised companies and therefore suffers from a lack of labour, the first two milking robots were taken into operation in the fourth quarter of 2013. The aim is to reach a milestone in modernisation and to use as many as twelve robots to milk 1,800 dairy cows.

Thanks to the integrated business model, which is based on in-house cultivation of animal feed, the supply is secured until 2015. In 2013, the Group expanded its total arable land by 20,000 hectares to 196,000 hectares. 13,700 hectares of own farmland were acquired in 2013, bringing the total of company-owned land to 106,700 hectares or clearly over 50%. Says Stefan Dürr, Managing Director and main shareholder of Ekosem-Agrar GmbH: "By expanding our livestock and constantly growing our milk output, we have laid the basis for a successful year 2014. Moreover, we have agreed higher milk prices with some key customers in the past days."

Environment for Russia's milk producers remains positive

The general environment for Russia's milk producers remains positive. Demand exceeds domestic supply by approximately eight million tons. This is equivalent to the output of roughly one million dairy cows and an investment of eight billion euros. As the number of private and

small producers is on the decline and businesses intending to build up large herds are facing high market entry barriers, the structural undersupply will not be eliminated any time soon.

Wolfgang Bläsi, Managing Director and CFO of Ekosem-Agrar GmbH: “We have no problem with the depreciation of the rouble. On balance, a weak rouble clearly has more positive than negative impacts.” The Group does not consider the depreciation of the rouble to pose a risk to its business. Due to the high dependence on imports, the rouble sales price is regularly derived from the world market price, which is denominated in euros and US dollars. Due to the depreciation of the rouble, the company has only recently agreed a 15 percent price increase (in roubles) to the equivalent of 47 euro cents with one of its main customers. By contrast, personnel expenses and rouble-denominated liabilities – which represent most of the Group’s debt capital – stay at the low rouble level. The weak rouble only has negative effects on euro-denominated liabilities.

About Ekosem-Agrar

Ekosem-Agrar GmbH Walldorf, Germany is the German holding company in the Ekoniva Group, the largest Russian agricultural companies. With over 46,500 head of cattle and an average milk production of more than 400 tons per day, the company is the largest milk producer in the country. The group has more than 196,000 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 3,600 employees at six locations in Russia and achieved a total output of € 108.2 million and an EBIT of € 17.2 million in fiscal year 2012. For further information visit: www.ekosem-agrar.de

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