

Corporate News

Ekosem-Agrar reports strong revenue and earnings growth for 2017

- Sales revenues of EUR 174.6 million (+47%), driven by expanded milk production
- Net income of EUR 36.8 million; EUR 7.5 million in adjusted terms
- Milk output up by 35% to 297,000 tons
- Strong increase in own milk processing capacity
- Strategy: Transformation into a fully integrated producer of dairy products in Russia

Walldorf, 29 June 2018 – Ekosem-Agrar GmbH, the German holding company of Russian milk producer Ekoniva Group, generated sales revenues of EUR 174.6 million in the fiscal year 2017 (previous year: EUR 118,7 million; +47%). In exchange rate adjusted terms, i.e. on the basis of the weaker average rouble exchange rate of the prior year period, the Group's revenues increased by 34%. In accordance with the company's strategic focus, sales of milk made the biggest contribution to revenues, at EUR 123.9 million (previous year: EUR 74.6 million). The crop farming segment's revenues rose by 15% to EUR 33.4 million (previous year: EUR 29.1 million). Livestock and animal products contributed EUR 14.5 million (previous year: EUR 13.6 million) to the Group's total revenues.

The dairy cow herd increased noticeably to 45,100 animals in 2017 (previous year: 27,960 animals) and was further expanded in the first five months of 2018 (31 May: 51,850 animals). The total herd increased to 97,520 animals in the reporting period (previous year: 64,000 animals) and comprised 105,080 animals as of the end of May. The annual milk output rose by 35% to 297,000 tons (previous year: 220,000 tons). The daily output passed the 1,000 ton mark in December 2017 (previous year: 594 tons) and currently stands at approx. 1,370 tons. This growth was essentially achieved due to the strong expansion of the dairy cow herd and a growing milk output per animal. Prices for raw milk in Russia were volatile in 2017, but on average were around 10 euro cents higher than the low level of the previous year. The Group's total agricultural area increased by 61% to 322,000 hectares as a result of takeovers and land purchases. Thanks to the greatly increased milk output, Ekosem-Agrar continued to expand its market-leading position in raw milk production in Russia.

Total output (revenue plus changes in the value and inventory of finished and unfinished goods as well as biological assets and other operating income) amounted to EUR 246.1 million (previous year: EUR 149.2 million). This includes valuation gains ("lucky buy") from acquisitions in the amount of EUR 29.3 million. Adjusted for this one-time effect, total output amounted to around EUR 216.8 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved to EUR 98.8 million. Adjusted for the lucky buy, EBITDA of EUR 69.5 million (previous year: EUR 50 million) was within the range of the forecast (EUR 65–75 million). The same applies to earnings before interest and taxes (EBIT) in the amount of EUR 73.8 million (EUR 44.5 million in adjusted terms). Net income for the year amounts to EUR 36.8 million (EUR 7.5 million in adjusted terms), which represents a strong increase on the previous year's result (EUR 4.0 million).

The company's milk processing activities made noticeable progress in 2017. Having gained valuable experience in the production and distribution of dairy products at its small test facilities in Voronezh and Novosibirsk in the past years, the management decided to further expand this area. In Q4 2017, the Group acquired two additional dairies in Kaluga and Voronezh and thus increased its potential processing capacity of its own raw milk to 705 tons per day. In May 2018, around 20% of the daily milk output was already processed by the company itself. These acquisitions represent a further step towards becoming a vertically integrated producer of dairy products. The existing facilities produce high-quality sour and fresh milk products, long-life milk, butter, ice-cream, cheese and milk powder under own and private label brands. Last year, the Group's dairy products won the Metro Quality Award.

In the crop farming segment, the fodder crops harvest mostly yielded good results in 2017, resulting in a total harvest of 902,000 tons (previous year: 913,000 tons). While the harvest volumes of summer and winter wheat as well as sugar beet were good, the maize and soy harvest yields were lower than expected. The price trend of the more important crops was volatile but the Group's crop farming segment nevertheless recorded a sound 13% increase in revenues compared to the previous year. In this context, it should be noted that the expansion of the farmland took place primarily towards the end of the fiscal year.

The Group's expansion is primarily being driven by the continued good framework conditions, especially the existing structural undersupply of the Russian milk market with locally produced milk. In addition, the Group benefits from various government promotion measures for the agricultural sector such as low-interest loans and non-repayable subsidies for cow shed construction measures. The Group's total assets increased to EUR 943 million (previous year: EUR 615 million), primarily due to the construction of new dairy cow facilities and business acquisitions; at around 18%, the equity ratio was slightly below the previous year's level (19%).

Says Stefan Dürr, main shareholder and Managing Director of Ekosem-Agrar GmbH: "We made considerable progress in increasing our milk production in 2017. It is our strategic objective to continuously expand our value chain to establish EkoNiva as Russia's first vertically integrated producer of dairy products. In doing so, we benefit not only from government subsidies and the great potential of the market but also from our constantly growing experience in establishing dairy cow facilities, in livestock breeding and crop farming as well as in processing and marketing our products."

The consolidated financial statements of Ekosem-Agrar GmbH will be available on the company's website from June 30, 2018.

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 almost 105,000 head of cattle (thereof approx. 52,000 dairy cows) and an average milk production of over 1,370 tonnes per day, the company is the largest milk producer in the country. The group has approx. 360,000 hectares of farmland and is also one of the leading seed producers in Russia. Stefan Dürr, founder and Managing Director of the company, has been active in Russian agriculture since the 80s and has played a decisive role in its modernisation over the past two decades. In 2009, he was awarded the German Federal Cross of Merit for his contribution within the German-Russian Agricultural and Political Dialogue Project. The corporate group has over 7,000 employees in seven regions in Russia and achieved a total output of EUR 246 million and an adjusted EBIT of EUR 45 million in fiscal year 2017. For further information visit: <http://www.ekosem-agrar.de/en>

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