Ekosem-Agrar on successful growth track in H1 2018

- Total output up 61% to EUR 162.2 million
- Sales revenues of EUR 96.6 million (previous year: EUR 77.8 million)
- Daily milk output increased to 1,365 tons (+25 %)
- EBITDA of EUR 45.0 million (previous year: EUR 30.8 million)
- Dr. Thomas Kirchberg, member of the Management Board of Südzucker AG, appointed as additional Supervisory Board member

Walldorf, 31 August 2018 – Ekosem-Agrar AG, the German holding company of Russian milk producer Ekoniva Group, again increased its revenues noticeably in the first half of 2018. Translated into euros, the Group’s revenues amounted to EUR 96.6 million (+24%). The milk output also picked up sharply to 225,000 tons, up 68% on the prior year period. At 64%, sales of raw milk again made the biggest contribution to revenues and totaled EUR 62.0 million (previous year: EUR 57.2 million). As the activities in the milk processing segment were expanded, the latter’s share in total revenues increased noticeably from 2% (EUR 1.6 million) to 13% (EUR 12.5 million). At EUR 11.1 million, revenues in the crop farming segment were close to the prior year level and represented 12% of total revenues. Revenues from the sale of livestock and animal products (sale of heifers, culled cows and fattening bulls) amounted to EUR 9.9 million (previous year: EUR 6.3 million), which is equivalent to 10% of total revenues.

In the first six months of 2018, the Group’s total herd increased from 97,520 to close to 110,000 cattle on 30 June 2018, while the dairy cow herd grew from approx. 45,100 to 51,750 animals. The daily milk output was expanded by 25% from 1,090 tons at the end of 2017 to 1,365 tons on 30 June 2018. The total agricultural area increased from 322,000 hectares at the end of 2017 to 386,000 hectares, which is equivalent to about 1.5 times the size of the federal state of Saarland.

Apart from the ongoing expansion of raw milk production, the processing of milk plays an increasingly important role for the strategic development of the Group. In this context, the expansion of the processing capacity through the acquisition of two dairies in the Kaluga and Voronezh regions in Q4 2017 represented an important step. These acquisitions have pushed up the Group’s processing capacity to approx. 600 tons per day. The two facilities are still being rebuilt and modernized to make the portfolio of dairy products even more attractive. It is the Group’s medium-term objective to position itself as Russia’s first fully integrated local producer of dairy products with practically nation-wide market coverage.

In the crop farming segment, the Group faced challenging weather conditions during the year. Nevertheless, the management currently expects sound results for the 2018 forage harvest. The wheat harvest is likely to fall short of the record level of 2017, but prices will be higher. By contrast, the large amounts of rain in July suggest that the soy, sugar beet and maize harvests will generate at least average yields.

Total output (revenue plus changes in the value and inventory of finished and unfinished goods as well as biological assets and other operating income) rose significantly by 61% to EUR 162.2 million in the first half of 2018 (previous year: EUR 100.5 million). Although the cost of materials and personnel expenses increased as a result of further investments, earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 46% to
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EUR 45.0 million (previous year: EUR 30.8 million). This is equivalent to an EBITDA margin of 27.7%. Earnings before interest and taxes (EBIT) climbed to EUR 26.9 million (previous year: EUR 18.8 million), which represents an EBIT margin of 16.6%. Earnings after taxes amounted to EUR 1.8 million (previous year: EUR 1.7 million).

Total assets rose from EUR 942.7 million at the end of the past fiscal year to EUR 1.1 billion on 30 June 2018 due to the strong expansion of raw milk production resulting from the construction of another 14 dairy farms (to be completed by the end of 2019) as well as to seasonal effects. Financial liabilities including obligations under financial lease totaled EUR 709.9 million (31 December 2017: EUR 579.0 million). Equity capital declined slightly from EUR 165.0 million to EUR 157.6 million. This is equivalent to an equity ratio of 13.9% (31 December 2017: 17.5%).

"While the expansion of raw milk production is very capital-intensive, it can be planned very reliably. Today we already know quite precisely, how many cows we will have in our sheds in late 2019 and what their milk output will be," said Wolfgang Bläsi, Board member and CFO of Ekosem-Agrar AG. "In addition, the Russian government continues to offer very attractive investment grants and interest subsidies to reduce the still high shortfall of domestic raw milk production."

"In spite of the low milk prices, we successfully stayed on the growth track in the first half of 2018," said Stefan Dürr, main shareholder and CEO of Ekosem-Agrar AG. "Agriculture has become one of Russia’s key growth industries and is recording above-average growth rates. The leading position in the production of raw milk we have reached over the past years now represents an important competitive advantage on our way towards becoming Russia’s first vertically integrated supplier of dairy products on a countrywide basis. Before the end of the year, we will launch our first range of dairy products under the new EkoNiva umbrella brand in the Russian market."

For the full year 2018, the Management Board projects an increase in the dairy cow herd to roughly 70,000 heads and, consequently, a raw milk output of roughly 500,000 to 520,000 tons. In addition, the agricultural area is to be expanded to clearly more than 400,000 hectares by the end of the year.

By the end of 2019, the number of dairy cows is expected to be in the range of 100,000 – 120,000 heads and the raw milk output for 2019 in the range of 900,000 to 1,100,000 tons. This growth is solely based on the 14 new dairy farms, which are under construction as per the balance-sheet date and will be completely up and running in the beginning of 2020. The financing for this whole investment is completely secured.

**Supervisory Board of Ekosem-Agrar AG completed**

At its constituent meeting, the Supervisory Board of the converted Ekosem-Agrar AG elected the entrepreneur Rolf Zürn as Chairman and Wolfgang Graf, former CFO of dairy group Ehrmann AG, as Vice Chairman. At a General Annual Meeting on 17 August 2018, Dr. Thomas Kirchberg, Management Board member of Südzucker AG, was appointed member of the five-strong Supervisory Board, which is now complete.

About Ekosem-Agrar

Ekosem-Agrar AG, Walldorf, Germany, is the German holding company of Ekoniva Group, one of the largest Russian agricultural companies. With around 110,000 head of cattle (thereof approx. 52,000 dairy cows) and an average milk production of 1,365 tonnes per day, the company is the largest milk producer in the country. The group has approx. 386,000 hectares of farmland and rates among the leading seed producers in Russia. Stefan Duerr, 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 approx. 9,000 employees in seven regions in Russia and achieved a total output of EUR 246 million and an adjusted EBITDA of EUR 69.5 million in fiscal year 2017. For further information visit: http://www.ekosem-agrar.de/en

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