

Ekosem-Agrar GmbH: Creditreform adjusts rating outlook to “watch”

Walldorf, 10 March 2014 – Due to the ongoing crisis in Crimea, the Ukrainian peninsula, Creditreform Rating AG has adjusted the rating of Ekosem-Agrar GmbH, the German holding company of Russian milk producer Ekoniva Group, from BB (outlook: stable) to BB (outlook: watch). Such adjustments were made for several companies which, like Ekosem-Agrar, are active in Russia or Ukraine and which may be affected by potential sanctions or exchange rate effects resulting from the crisis.

From Ekosem-Agrar’s point of view, the current political crisis in Crimea has so far not had any negative impact on agricultural and milk production – right on the contrary. Because of the current crisis, an agreement under preparation with New Zealand has been frozen, which would have facilitated more imports of milk or milk production to the Russian Federation. In addition, the planned lifting of import restrictions for US products has been suspended.

The Group produces in Russia for domestic consumption and is therefore not dependent on imports or exports of its products. Accordingly, potential trading restrictions would have no direct consequences.

At the bottom line, the depreciation of the rouble, which started almost one year ago, has had clearly positive effects on the Group’s business trend. Domestic production currently covers only about 60% of Russia’s demand for raw milk. The remaining 40% needs to be imported. The rouble sales price is therefore regularly derived from the world market price, which is denominated in euros and US dollars. These higher rouble prices can be passed on to the dairies. After the latest depreciation of the rouble, for instance, the company agreed a 15% price increase (in roubles) to the equivalent of 47 euro cents with one of its main customers. This means that the Group today generates much higher revenues in euros than one year ago.

Ekoniva currently produces over 400 tons of milk per day. The average sales price today stands above 23 roubles, which represents an increase of 15% since the beginning of the year – and rising. The prices of agricultural products and meat are picking up as well. By contrast, personnel expenses and rouble-denominated liabilities – which represent most of the Group’s debt capital – stay at the low rouble level. While the weak rouble has negative effects on euro-denominated liabilities, these are more than offset by the positive effects described above, all the more so if one considers that corresponding rouble-denominated liabilities exist whose repayment is facilitated because of these effects.

Basically, the current crisis will lead to the Russian government attaching even greater importance to a strong agricultural industry and promoting investments in the sector. At the end of 2013, German national Stefan Dürr, majority shareholder of Ekosem-Agrar, was additionally granted Russian nationality by the President in recognition of his achievements for Russia's agricultural industry. He maintains a regular exchange with political and economic decision-makers in order to secure positive conditions for the company's business activities.

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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