

Ekosem-Agrar produces over 2,000 tons of raw milk per day

- **Agricultural land expanded to 535,000 hectares as of end of March 2019**
- **Dairy cow herd increases to just under 75,000 animals as at 31 March 2019**
- **All dairy cow facilities started in 2018 to be taken into operation before the end of the year**

Waldorf, 5 April 2019 – Ekosem-Agrar AG, the German holding company of Russian milk producer EkoNiva Group, increased its raw milk output to over 2,000 tons per day for the first time this week. This means that Russia's largest milk producer has doubled its milk output per day over the past 15 months and ranks among the world's eight largest raw milk producers, according to the management. The increase was achieved through the expansion of the dairy cow herd from just under 45,000 animals at the end of 2017 to almost 75,000 dairy cows as of the end of March 2019. The controlled agricultural land amounted to 535,000 hectares as at 31 March 2019.

Ekosem-Agrar AG recorded strong operational growth in all areas in the financial year 2018. The Group controlled about 504,000 hectares of agricultural land at year end (+57%; previous year: 322,000 hectares), some 194,000 hectares (38%) of which were owned by the company as of 31 December 2018. The total dairy herd grew by 42% in the course of the year to over 133,000 animals at the end of 2018 (previous year: 93,500 animals). The number of dairy cows rose from 44,980 animals on 31 December 2017 by 48% to 66,500 animals on 31 December 2018. The Group's total raw milk output in the financial year 2018 amounted to 484,000 tons, up 62% on 2017 (approx. 298,000 tons). Based on the current daily output of 2,000 tons, the annualized milk output would total 730,000 tons.

In spite of the strong increase in the milk output, the temporary decline in the raw milk price in 2018 had a clearly adverse effect on the business development and will also be reflected in the result of the past reporting period. While the average price of a kilogram of raw milk stood at EUR 0.44 in 2017, it dropped to an average of EUR 0.35 in 2018. The milk price has recovered noticeably since the second half of 2018. On a ruble basis, the level of 2017 has been reached again; on a euro basis, the raw milk price currently stands at around EUR 0.39 incl. exchange rate effects.

Supported by the continued good growth conditions for milk production, primarily in the form of government subsidies, Ekosem-Agrar AG will continue to expand its herd and its milk production. In 2018, the Group began to build 14 modern dairy cow facilities with capacities for over 45,000 dairy cows. Some of these facilities have already been taken into operation; all remaining facilities are scheduled to be taken into operation in the course of 2019. The company plans to use the resulting capacity to expand its dairy cow herd to over 100,000 animals and to increase the Group's daily output to roughly 3,000 tons of raw milk. The management assumes that this would make the company the world's largest producer of raw milk.

The company is also intensively working to expand its own milk processing capacity in order to reduce its exposure to the volatile raw milk market and to extend its value chain. By converting two existing dairies in the Voronezh and Kaluga regions, the company intends to

increase its capacity for the production of higher-margin products such as curd, drinking yoghurt and desserts in the current year. Moreover, a small cheese dairy in the Voronezh region is under construction and scheduled for completion in 2019. A large dairy with a daily processing capacity of over 1,000 tons of raw milk is under construction in Novosibirsk. After its completion in late 2020, it will primarily produce cheese but also a wide range of fresh products for the Russian market as well as for export markets.

Stefan Dürr, main shareholder and CEO of Ekosem-Agrar AG: “We are highly satisfied with the development of our own milk processing activities. Our new ‘EkoNiva’ brand is already available in many stores of several large supermarket chains – including Globus Group, which operates high-turnover hypermarkets in the Moscow region. We will expand this market presence significantly in the current year and aim to cooperate with numerous other supermarket chains.”

The final 2018 full-year results and the consolidated financial statements will be published as planned in June 2019.

About Ekosem-Agrar

Ekosem-Agrar AG, Walldorf, Germany, is the German holding company of Ekoniva Group, one of the largest Russian agricultural companies. With more than 141,000 head of cattle in milk production (thereof approx. 75,000 dairy cows) and an average milk production of over 2,000 tonnes per day as of end of March 2019, the company is the largest milk producer in the country. The group controls more than 535,000 hectares of farmland and rates among the leading seed producers in Russia. Stefan Duerr, founder and CEO of the company, has been active in Russian agriculture since the 80s and has played a decisive role in its modernisation over the past three 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 about 10,000 employees in eight regions in Russia and achieved a total output of EUR 246 million and an adjusted EBITDA of EUR 69.5 million in financial year 2017. For further information visit: <http://www.ekosem-agrar.de/en>

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