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Operator: Good day and welcome to the ROS AGRO PLC 12M and 4Q 2017 Financial Results conference call. Today's call is being recorded. At this time, I would like to turn the conference over to Mr Maxim Basov, CEO of Rusagro Group. Please go ahead, sir.

Maxim Basov: Thank you. Good day, ladies and gentlemen. Today we published the financial results for the fourth quarter and 2017 as well as the announcement – the recommendation by the Board of Directors for payment of dividends for the full year 2017.

Let me start with an overview of our results for the fourth quarter and 2017. I am referring you to our presentation that was published on our website. In the fourth quarter last year, the revenue of the Company fell down compared to 2016. In fact, all businesses for the fourth quarter decreased the revenue. Two businesses improved in EBITDA - it was Meat, and Oil and Fat - and two businesses fell in EBITDA - sugar and agriculture. The biggest fall was in agricultural division. Altogether for the fourth quarter, the revenue of the Company exceeded slightly RUB 24 billion, EBITDA was RUB 5.4 billion and net income for the last quarter was RUB 2.5 billion.

If you look at the whole year, you will see similar results. The revenue of the Company fell from RUB 84 billion to RUB 79 billion. All businesses fell in revenues – exception of Meat Division. And in EBITDA - two businesses improved EBITDA, which were Meat, and Oil and Fat and two businesses showed the low EBITDA numbers. For the full year, EBITDA was around RUB 14 billion, 23% below EBITDA for 2016.

The balance sheet of the Company continues to be strong and net debt at the end of last year was RUB 6.6 billion, which was RUB 2.3 billion increase from 31st December 2016. Then, the Company managed to have a positive financial balance. Our finance income and subsidies increased – exceeded the financial expense.

Now, I would like to discuss the situation in the businesses, and I will start with the *Sugar business*. Last season – the season which in in Sugar Division starts in August was again the record-production season in the history of Russia. It was expected that Russia will produce 6.5 million tonnes of sugar. This is the highest number in the history of Russia, higher than the previous season, which was also the highest number in the history of Russia. 2016-17, Russia produced 6.1 million tonnes. So, Russia produced a lot of sugar.

As a result, we had a large decrease in sugar price. Much decrease in sugar price happened because of large production, but also – of stronger Rouble and also because low international sugar price. The average sugar price for the fourth quarter last year was RUB 25.9, which is significantly lower than RUB 35.4 in the fourth quarter 2016. But actually, the margin of the Sugar Division, despite this fact, improved. The marginality of the Sugar business reached 27% and Sugar Division managed to

earn RUB 2.6 billion in EBITDA. But this is because, as we'll see later, primarily the prices of sugar beet that have declined very significantly. And we will see it in Rusagro Agricultural Division.

So, in 2017, fourth quarter, the Sugar Division increased its marginality and showed RUB 2.6 billion in EBITDA, because of the low price of sugar beet and because of higher sales and higher production than in the fourth quarter 2016.

Now if you look at the whole year, you'll see that marginality of the business decreased from 26% to 18%. For the whole year, the Sugar Division showed RUB 5.5 billion of EBITDA. And the main reason for that was the decline in the sugar price. Average price for 2016 was RUB 39.4 and the average price for 2017 was RUB 30.6. A lower sugar price and higher production did not allow the business to compensate loss in the sugar price. For the whole year, 2017, our business reached a record production of beet sugar and produced 984,000 tonnes of beet sugar, which was in my view a very good production result.

Agricultural division suffered the most from the weakness in the sugar price. The EBITDA in the fourth quarter and for the whole year was virtually zero. It was RUB 21 million for the fourth quarter and RUB 76 million for 2017. It was a huge decline, as the year before the EBITDA for the year exceeded RUB 6 billion. Three main reasons for the fall in EBITDA in agricultural division are the following.

First of all, it was decline in prices. In fact, all prices for the whole year were below the prices of 2016, especially a low price was in the sugar beet. Particularly, the price in sugar beet was more than 26% below prices for 2016. In fact, our agricultural division had a loss from sugar beet operations. We had a very good result in grain business, and had a very good yields and profit. However, all this profit was negatively compensated by a loss in the sugar beet business. Last year was also not very good for corn and soya in terms of climat conditions, and the yields in the late crops, such as soya and corn, were below the plan and below results of 2016.

Meat division had a very good year and a very good fourth quarter. In the fourth quarter, we had a marginality or EBITDA margin of 33%. EBITDA increased to RUB 1.8 billion as a result of a lower grain price and a profit from our meat processing division. Our slaughterhouse jumped from a loss-making into a profit-making part of the business. And I say again, as a result, despite lower prices in the fourth quarter of pork, the price fell from RUB 96.20 to RUB 85.80, a very big, in fact, decrease of RUB 10.00 per kilogram; our business managed to have a good marginality. For the whole year, marginality also improved. The business had RUB 6.3 billion of EBITDA, it means an EBITDA margin of 31%.

Oil and fat had a good fourth quarter. For the full year, the result improved by around RUB 1 billion. But only for the fourth quarter, results improved for RUB 900 compared to the year before. So, almost all improvement came as expected – and we discussed it last call – in the fourth quarter. There were several reasons, but the situation with the raw material in Samara region with sunflower, a much higher crop from all agricultural division in the Far East of Russia for soya, and our decision to stop participating in the price war on the loss-making market. As a result, we decreased our sales of Mechta Khozyaiki but returned to profitability of 12% in the fourth quarter last year.

I should also add that our projects in the Far East, and our project in Tambov for increase in our pork production, go ahead. We'll see start of production in Tambov early next year, and we'll see start of production in Far East in 2020. For 2017, the Company invested around RUB 18 billion, which was the second largest result in our history. In 2016, we invested RUB 24 billion. The plan for this year would be to invest around RUB 20 billion.

On Friday, the Directors decided to recommend to the Annual General Meeting of Shareholders which will take place in April to distribute RUB 2.2 billion in dividends in addition to what was distributed for the first half. This equals given the exchange rate of Friday of \$39 million of dividends, which is equal to distribution of \$0.29 cents per GDR.

That ends my short presentation and opens the floor to the questions. Please.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, if you do have a question, that is star one on your touchtone telephone. And we'll go to Nikolay Kovalev, VTB Capital.

Nikolay K.: Hi. Good day to everyone. I have two questions. The first question is on the beet planting area. Can you comment what are your expectations on the consolidated market? Do you see any declines in the planting area?

And can you also comment what's the strategy of Rusagro towards cultivating of beet this year? Are you maintaining planting area flat or are you cutting it?

Maxim Basov: We'll know quite soon the real situation, and I think in two months we'll know the factual situation. The planting season is only starting. We believe that the decline in the sugar beet area will not be very much, no more than 10%. And the question of balance will be decided only in autumn as a result of weather conditions and the yield per hectare.

We believe that the production of sugar – beet sugar next season will be from 5.8 to 6.5 million tonnes. So, in other words, we do not expect a big decrease in production of beet sugar and sugar beet – sugar beet and beet sugar.

There are several reasons for that. One reason is that some areas were already prepared in autumn by farmers who invested a significant amount of fertilisers. Second reason is quite strange – from our side of view – situation at the moment on the sugar market in Russia; actually, the price started to go up. And now it exceeds significantly the export parity price. So, it makes some people believe that the sugar price will be higher than it should be, but in fact it won't. So, we believe that overall, there will be no big decline in the area.

Our Company decreases the sugar beet area, not by much. We expect we'll provide this information also quite soon in one month or two months when the planting period is over. We decrease the planting area for sugar beet, but not more than 5,000 hectares. Since the decrease in the beet sugar price leads us to stop cultivating sugar beet at the areas that are farther apart from these sugar mills. This is not a big area in our situation, because normally our land, agricultural land is quite close to the sugar plants, but we do have some plants that are far away. Thank you.

Nikolay K.: Okay. It's clear. And I have one more question. You said that the capex would RUB 20 billion for this year. But can you remind us for your greenfield project and optimisation project how much of capital expenditures are outstanding?

Maxim Basov: We have several big projects. Out of RUB 20 billion, I believe most of the money, of course, will go to the Meat business. And we expect that from RUB 11 billion to RUB 12 billion out of RUB 20 billion will be invested in our Meat projects. Most of money, of which will go into the expansion in Far East and Tambov. There will be also some money invested in Agricultural Division, but this probably will be closer to RUB 3 billion. But this will be mostly for the maintenance capex for replacement of machinery, some capex in increasing the storage areas which we have and also to improve our infrastructure.

Then in Sugar Division, we have only one large project. This is the project to build the second molasses desugarisation plant in Belgorod region. The capex this year probably will be closer to RUB 2 billion. And then, you know, in fact we don't have significant capex. The biggest capex is to finish the refining and bottling facility in Samara, which is going to start production next month. Other than that, mostly it's the capex into the decrease in our costs. And for almost all of these investment projects, we already have secured the subsidised financing from the government.

We do have two projects which now are under review by the Board – two big projects. One project is for milk and cheese, but there will be no significant capex this year. We're now in conceptual engineering study and marketing studies, so we don't expect anything to be built this year. We'll review the project in autumn at the Board level following our feasibility study and some engineering works. Then we will make final decision.

Another project under consideration is chicken in Far East, and we wait for the decision by the Ministry of Agriculture to subsidise – to approve their subsidies on this loan. This probably will be happening in May, and we will making the decision to go ahead with this project also in autumn. So, I don't also expect big capex this year.

Nikolay K.: Maxim, can I just clarify one point? In the case you spent RUB11 billion to RUB 12 billion this year on Tambov and Far East, how much money would be needed to invest after that? So, I'm speaking about maybe 2019 and thereafter.

Maxim Basov: Okay, if we just discuss the current configuration of the projects, then for Tambov project, there will be maybe RUB 3 billion left, no more than that. And for the Far East project, this also will be probably – no, for Far East project, this will be from RUB 5 billion to RUB 10 billion left for 2019. I would say let's put it for the safe – about RUB 10 billion.

Nikolay K.: Okay. Thank you very much.

Operator: And as a reminder, that is star one on your touchtone telephone to ask a question. And we'll go to Victoria Petrova, Credit Suisse.

Victoria P.: Thank you very much for the presentation. My first question is related to meat prices. In the first quarter 2018, we are observing meat pricing falling, even from already pretty low fourth quarter levels. Do you expect it to continue, and are you able to take some measures to offset it through your costs?

Maxim Basov: Yes, at the moment, the price – well, first quarter normally is the lowest – is the lowest price quarter for the animals. At the moment, the price is below RUB 80.00 net of VAT, and now the price starting to go up. But overall, we believe that the price for the live animals will stay at this level, or even go down.

However, this is not as significant for us any longer, because the majority of our products now are being sold through the slaughterhouse. And the amount of live animals which we sell to the market is quite low. The situation this year, we expect, will be much better in processing among all processing companies than the year before. So, we believe our margin is not going down. In fact, we believe that our margin is going to improve as a result of improved processing of the meat.

There are several reasons why processing at this time is making money. Three reasons for that. First of all, this is improvement of yields. It means that our slaughterhouse is working at much better utilisation and efficiency.

The second reason is that there is a change in the balance of different meat segments. Last year, we had a problem as several slaughterhouses started to operate. And there was, I would say a surplus of slaughtering capacity. And now the production of live animals is increasing, and no new slaughterhouses are coming on line. In fact, we believe that no slaughterhouses will come on line ever. So, slowly their margin will shift from live animal to the meat processing.

The third reason is that Russia is making some gains in export. At the moment, we are not only selling domestically. Well first of all, we had very big success – not only us but the other couple of big companies – in export of some products to Africa and Asia. Today, as you can see in statistics, Russia significantly increased the export of some products. And we're even starting to export the meat, maybe not to the best markets where the price is as high as in South Korea, Japan or China. But we started to sell meat to some other smaller destinations.

And one more thing is the development of B2C products. We are not yet well-established in this area, as we are not a very big player at the moment. But our share is growing, and we have a plan to become one of the top players in this market. And we started to work at least without a loss in B2C product. We have a strategy and business plan to make even more money this year in B2C products. We have plans to invest in this, and we believe that in Russia the B2C area, both in fresh meat and processed meat, will be growing in importance. It's on one hand.

On the other hand, we have a plan to decrease the costs further in our live animal, though, of course, our costs are already quite low. The biggest opportunity to decrease the cost is to increase the production results, the efficiency of production of live animal. We did this last year, and we have further plans to do it this year. In addition to that, increase in volume of production in Tambov next year will allow us to spread our fixed administrative costs more evenly. And we believe we will further drive the improvement in our margins.

So, given the current prices which we today have on the market for grain and soya, we believe that our business may come to the marginality of 35%. Of course, if grain prices will increase significantly next year or next season and soya price will increase significantly next season as we expect, marginality of – and the price for meat will go down, marginality of Meat Division probably will go down. But we believe that it should not go below 25%. But if the grain prices will go up and soya price will go up as a whole, Rusagro will only gain because we are long in soya and we are long in grain.

Victoria P.: Thank you very much, and just one clarification question. When you talked about slaughterhouse facilities, to understand the capacities, do I understand it correctly that all your – all the large meat producers in Russia, who are consolidating with market, already have slaughter facilities?

Maxim Basov: That's right. There are I would say five big companies together. Today, they all have slaughterhouses. They are different slightly in capacity, but Miratorg has the largest slaughterhouse, we have the second largest, Agro-Belogorye has two smaller ones, altogether similar more or less with the size of ours. Then we have a company called AgroPromkomplektatsiya in Kursk, and also we have Cherkizovo. So, these are the big companies. In addition to that, there is a company which is a local producer in the north-western part of Russia in Pskov. They have big slaughterhouses which, I think, will be developed and grown. And now, I believe there will be no more slaughterhouses – big slaughterhouses which would appear here. So, there is also one local Urals producer in Chelyabinsk.

Victoria P.: But don't you think that all of those large players, which now, if I'm not mistaken – and correct me if I'm wrong – account already for over 60% of Russian market, all of them would be doing the same, switching from livestock sales to B2C or end-product sales, and then the price of that would go down there?

Maxim Basov: I agree. Yes, they already did it last year. That's why slaughtering was loss-making for almost everybody, in fact for everybody. But now since nobody else is building or increasing significantly the capacity of the slaughterhouses, and the supply of the animal increased, now the balance is more balanced. And now we believe that there will be even more live animals coming to the market in the coming two or three years based on the existing projects. Then, this balance will feel the shift.

Victoria P.: Thank you so much. And consumption is growing, right, a little bit?

Maxim Basov: Yes. And let me just say that Russia – in fact, you know that Russia became the largest beet sugar producer country in the world. But also, now in pork, Russia became a number five producer in the world. So, this is also a big achievement.

Victoria P.: Thank you. And the other block of questions is related to agricultural segment. Obviously, last year we had – and correct me again if my thinking is wrong – to some extent an abnormal situation, where on one hand we had extreme harvest in Russia, I think a record high since Soviet times.

Maxim Basov: Yes.

Victoria P.: Rouble appreciated and global prices stayed flat. Do you think it can be replicated in 2018? Or you think it's inevitable that agricultural sector prices – I'm not talking about sugar beet, for sugar beet it's clear it's oversupply – but with other non-sugar beet products of agricultural segment, the prices maybe will – should go up in Roubles?

Maxim Bosov: Yeah, absolutely, the last year, the last season, was abnormal, absolutely abnormal. And let me just repeat there are many reasons for that – but I just want to say the most important ones. First of all, the grain prices did not stay flat, they actually fell, and soya prices, for example, soya in Far East also fell I think around 20%. So, international prices fell, the Rouble became stronger, there was a record harvest. In addition to that, labour costs increased, and we have a growing labour inflation. And also, the gasoline prices increased. But of course, the main problem was that the sugar beet prices declined. And the problem here is that not only on the same fields we have less revenue, but also the fields that are, let's say, more than 50, 60 kilometres from the plants suddenly became very loss-making. And the loss-making was very big because the transportation costs increased, the prices of sugar beet decreased. So, suddenly, the fields that was 80 kilometres from the sugar plant became very loss-making. And also in addition to that, we had very bad weather for the late crops like soya, corn and also sugar beet.

This year, of course, there is a probability that this may happen because there is always probability. But we believe that in agriculture situation this year, this season will be much better than last year. We, of course, cannot know the weather conditions, but the prices – the grain prices, soya prices – are higher. We expect to have good harvest of winter wheat at least. We have a fairly large area for winter wheat, and the winter wheat is in very good condition. And we're also now cutting the costs so that on – in order to transform our agricultural business to a new situation with the low sugar prices. So, we expect that this season will be much better before, maybe not as good as many years before when we had RUB 5 billion or RUB 6 billion EBITDA per year. But we expect agricultural business to have profit this coming season.

Victoria P.: Yeah, thank you very much, it's very clear. And obviously, if your agricultural segments starts to perform, it will negatively affect – if sugar beet goes up, then even so, the negative affects your sugar division. But it's unlikely, given the oversupply from this year and leftover million tonnes of sugar or – not – less than that but still. And it could also affect profitability of meat segment because, obviously, it benefited from low costs.

Maxim Basov: Of course, but since we are long in grain, we'll gain much more by increasing grain prices and soya prices than the Meat Division will lose.

Victoria P.: Absolutely. And my last question, which is more of a philosophical one. Your company is involved in very important sort of sub-parts of Russia in food inflation drivers. Do you expect Russian food inflation, at least in the areas where you operate, to recover in the second half of the year? I guess the first half of the year is likely to follow generally the trends of the end of previous year. And again, correct me if you are of a different opinion. But all of – everything being said about grain prices and current market conditions, do you expect inflation to recover? Again, probably not in sugar but in other – driven by other sub-divisions where you're involved.

Maxim Basov: Well, if you take away for a second mayonnaise, which is a very small part of our sales, and maybe consumer margarine, then the prices for everything else is the result of the movement in international

prices and Rouble exchange rate. As we discussed before, at the moment, there is the upward tendency or growth, I would even say, in grain prices. And if the world grain prices will be higher, then of course the grain prices will be higher. In meat, as I said, I don't believe the competition is very high. In my view, there will be no increase meat prices. In sugar, it's also driven by international markets; I do not expect increase in the sugar prices as well. In vegetable oil, now the prices are quite low, but there is a tendency to – for the prices to go up at the moment. So, we don't think about inflation in Russia; we're just looking at the international prices and Rouble rate. So, the biggest uncertainty now is how will Rouble perform against the other currencies.

For us, inflation is a problem only in terms of labour, but here it's not driven by the consumer inflation, it's driven by the shortage of labour. And the only way to fight it is to increase the productivity, is to decrease the headcount and automate, automate and automate. And here, we are – I think we are trying hard, but we should try even harder. If you look at the whole company, then the labour costs do not account for more than 10% of our revenues, so it's not a very important driver for us.

Victoria P.: Understood. Thank you very much.

Operator: And we'll next go to Ulyana Lenvaskaya, UBS.

Ulyana L.: Hi everyone and thanks for the presentation. I have a few follow-ups. First of all, what was the end-of-year inventory of grain and sugar on the Rusagro's balance? And what is your strategy about the timing of sales of the newpork]?

Maxim Basov: In sugar, we had 422,000 tonnes of sugar. In addition to that, one week ago, the desugarisation plant started to operate, and we expect its production of around 35,000 tonnes of sugar. So, I would say altogether the inventory at the beginning of the year, plus the production in the first half of the year, would be 457,000 tonnes.

And the strategy is to sell all this more or less in equal instalments with a somewhat small amount in the first quarter of the year because of seasonality. So, all this sugar should be sold by us by end of August when the new sugar will start to come to our storage areas.

Ulyana L.: In your press release, you stated that the grain inventory was above average. So, would you expect kind of additional agriculture profits in the first quarter of the year, or first half?

Maxim Basov: Please find my apologies, data in presentation is incorrect and we will update the document accordingly. Grains inventory at the end of 2017 reached around 290,000 tonnes, which is almost equal to 2016 year level of 291,000.

Ulyana L.: And on the sugar volumes in 2018, what is your current expected production and sales in tonnes for 2018?

Maxim Basov: Well, the sugar production and sugar sales in 2018 can be divided in two parts. First of all, is there sugar production and sugar sales from January to August. And I said that the only sugar that we can produce is the sugar from the desugarisation, which is around 35,000. And the sugar sales will be

equal to –the balance for the beginning of the year, which is around 422,000 plus the sugar that's reduced. So, this will be 475,000 tonnes. This is from January to August.

And then the amount of production from, let's say, September to December, and amount of sales from September to December will depend upon the situation with the sugar beet. And at the moment, it's difficult to know for sure. But I think if we look at the numbers for the fourth quarter 2017, we will see that we sold around 300,000. Then we should add to this September. I would say this will be equal to something from 400,000 tonnes to 500,000 tonnes. This will depend upon availability of sugar beet, and this will depend upon the sugar content and the sugar beet. But it will be normal. It will be similar to 2016 and 2017, because I will remind you our strategy's very simple. We'll start working at the plants, and we keep at the end of the year the sugar – the volume of sugar enough to be stored at our facilities. All the storage area at our facilities is around 400,000 tonnes. Maybe we will increase it somewhat by the end this year, so this will be around 400,000 tonnes to 430,000 tonnes. Everything that is produced and doesn't fit in the storage areas will be sold.

Ulyana L.: It makes sense, thank you. And on the pork volumes, taking into account Tombov and the Far East, can you guide us in the total production volumes by year, say in 2018, 2019 and 2020 in live weight?

Maxim Basov: Well, last year, we know we produced in live animals 207,000 tonnes. This year, we'll probably produce a similar amount or slightly more. Now, it's only driven by the yield improvement. For the next year, 2019, we plan to produce from 240,000 to 250,000 tonnes and in 2020 350,000-360,000 tonnes reaching 400,000 tonnes in 2021.

Ulyana L.: Okay, thank you. And the last question on the Far East project about the second and third stage, do you get any more clarity on the probability of the other stages to be realised at some point?

Maxim Basov: No, we don't. At the moment, we are building capacities that would enable us to produce meat in processed form in equivalent of 75,000 to 100,000 tonnes of live animals. And then we will be just waiting when the markets will open. At the moment, we understand that there are some discussions this year, that will be opened chicken and beef markets of China, or maybe even of Japan. And then after chicken and beef markets open, the discussion will go ahead around the pork markets.

Ulyana L.: Okay, thank you.

Operator: And as a reminder, that is star one to ask a question. And we'll go to Elena Jurunova, JP Morgan.

Elena J.: Yes, good evening. A few questions, please. Firstly, to follow up on that comment that you expect potential talks with China, to open the pork market, to resume after the chicken and the beef markets are open. What makes you think that pork would eventually be allowed to export to China, because what – as I understand – and maybe I'm wrong – but as I understand, the problem is the African swine fever. And this is something that permits Chinese authorities to actually consider exporting pork, or importing pork from Russia. Or maybe there is a different agenda, and you think it's really just a matter of time. Basically, the question is what kind of scenario should the market follow for China to start importing meat – pork from Russia?

Maxim Basov: Okay, well first of all, China imports all the pork. And second of all, Russian pork – Russia's ready to export pork, and this is – this pork has a low cost. In general, China and Russia are interested in starting trading pork. This is on the political agenda of Putin and Xi Jinping, and I think eventually this will happen.

Yes, Russia does have African flu but so does the European Union. It doesn't stop Chinese buying from European Union, even though the European Union has an African flu. And there is African flu, in fact, that has grown in the European Union. So, there are some technical issues. And if you're interested, I would say that – I mean at the moment, the technical issue is called 'regionalisation.'

China agreed to view European countries separately, which in fact are not complete –it doesn't fully work according to the regulations, but China made an exception. And the countries are viewed independently. And in Russia, now the discussion is that Russia should also be viewed separately and for each region there should be a special certificate of health. So, when this happens, then the regions that do not have diseases will be open. Also, China and Brazil have their own diseases, but this also doesn't stop China to buy from Brazil and US.

Of course, sometimes when it's profitable or makes sense to change the services, they close these markets. But then they renegotiate and this market opens. So now, view this as a purely political and commercial issue, and has nothing to do with the unsolvable problems of health of the animals in the country.

Elena J.: Okay, that is very clear, thank you. And also, I wanted to ask a few questions about your meat business. So, you're investing in Tambov to increase the output of live pigs. And do I understand correctly that you do not need to invest further in slaughtering, but all the additional volume from Tambov will be just an incremental addition and just goes right into your slaughtering?

Maxim Basov: That's correct.

Elena J.: That's correct. And then do you have any plans to go deeper into processing that meat and really strengthen your B2C brand?

Maxim Basov: Yes. As I said already answering the questions, yes. In fact, B2C products are increasing. If I'm not mistaken last year, the fresh pork meat was the fastest growing product in modern trade in Russia. And we continue to see this happening, not only because it's driven by the demand, but also, it's driven by the supply – by the competition and supply. At the moment, the B2C market – only fresh meat is 200,000 tonnes of B2C product. And we believe this market will double in several years, and we start to produce this product only last year. For this year, we also have a plan, which is much higher than the year before. We're already working at full capacity at our existing slaughterhouse, and we plan to start a project to increase this capacity in several months.

And this is only one product – fresh meat. On the other hand, there is another product, which I think has a big potential. This is processed meat, but meat – not sausage per se,, both for the domestic market and for the export market. At the moment, only Miratorg is advancing this project, but I believe this is also future for the Russian slaughtering and pork industry, to process the parts of the animals that do not have the high value on the domestic market. And the possibility to penetrate export markets, given – current situation of the discussion on veterinary issues, is much higher in the

processed meat segment. So, we also expect that the processed meat segment will be growing in Russian slaughterhouses, and Russia will start exporting meat or if not in fresh, but in processed form.

Elena J.: And is there any percentage, like a share of B2C products, and how that will grow for Rusagro, let's say from 2017, in 2018 and 2019?

Maxim Basov: I can't share this number. But I can say that we are now – we plan to significantly increase the share of sales to the commercial segment. We are now in the process of reviewing the strategy, and also, we don't to announce these plans before we are ready to start investments; it's a little bit premature. But I think that probably in the second half of the year, we'll give some information on our commercial strategy in our meat division.

Elena J.: Okay. But just to be clear, do I understand it correctly that prices for this end-consumer product must be less volatile compared to the pork live-weight prices, meaning that if prices for live pigs go down, does it mean that your price for processed pork will actually go down to a similar extent?

Maxim Basov: Yes, you're absolutely right with the exception of the situation with the price wars. If we disregard the tactical situation in the market in terms of a fight for the market share, yes, you're absolutely right. The consumer products are – have a stickiness of the price, so the price is not that volatile. And also, if we believe that the – well, B2B meat will go down, then the marginality in B2C meat eventually would go up. But of course, that will go up only in the companies that have big scale. So, this market will consolidate, there will be several – few companies left, and those who produce this product, yes, they will have a good functionality. And of course, our strategy is to be one of these companies.

Elena J.: Okay, very clear. Thank you very much.

Maxim Basov: To give you completely full information, this is one scenario. The second scenario – well, this may change a little bit if, for example, China or Japan opens, because I know here there are certain parts of pork that are a little bit more profitable to sell in a B2B form to this market than to produce B2C out of them. But if you forget about this, yeah, you're absolutely right, yes.

Operator: And we'll go next to Arthur Galimov, Sova Capital.

Arthur G.: Good afternoon, thanks very much for the call. A couple of clarification questions from my side, please. First of all, on sugar segment, from your segment reporting it looks like your production costs – sugar production costs – declined quite a bit in Q4 versus Q3 – around 18% if I calculate correctly. So, the question is why was this production cost decline, even though you reported pretty much flat sugar beet prices in Q3 and Q4? And would it be fair to assume that current production costs for sugar will pretty much the same during the next three quarters until the new harvest plays in?

Maxim Basov: Yes, the biggest component of our sugar cost is the price of the sugar beet. In the third quarter, the Sugar Division operated two months selling the sugar from the previous season and only one month selling the sugar from the new season. And all the fourth quarter, the Sugar Division was selling the sugar from this season. The price of sugar beet is equal to around 8%, as you know, price of sugar. And it happens so that for some tactical and strategic reasons and also commercial reasons, that

this year – and you also saw it in our Agricultural Division discussion – the price of the sugar beet was around 2% below the price of sugar beet the previous year. So, it's not strange that the price of – or that the cost of sugar produced from sugar beet from this season is lower than before.

So, the – for the rest of the season, the cost of the sugar beet will be similar to the cost of the sugar beet from the fourth quarter with taking into account the mix between fixed costs and variable costs. So, in other words, the variable costs of sugar will be similar to the variable costs from the fourth quarter. And then the fixed costs will be allocated in accordance with volume of sugar sold during the quarter. So, in other words, probably the sugar cost altogether for the first, second and third quarter will be slightly higher than the sugar cost from the fourth quarter, because this is the sugar produced from the same sugar beet.

But of course, taking into account that in the first quarter – we'll also have 35,000 tonnes of sugar produced from the desugarisation, which in turn has a low cost. But to put it simply, I believe that the cost of sugar in the first, second and third quarter will be similar, or let's say – first part of third quarter will be similar to the cost of sugar in the fourth quarter.

Arthur G.: Right. And in terms of sugar prices as you mentioned – if I understood it correctly – that you've not seen much of an upside to where the sugar prices used to be in Q4, which is like around RUB 20.00 – RUB 26.00.

Maxim Basov: Yes, in the fourth quarter we have price of RUB 26.00, not of RUB 18.00. Now, we already have the surplus of sugar on the market, so basically the price should continue to be equal to the Export Parity Price. International price is falling, Rouble is weakening, so in other words the price, more or less, should be equal to the price in the fourth quarter.

However, and on the page 11 you can see current market prices which have been included for your attention we have RUB 23.00, RUB 24.00, RUB 25.00. Our prices are frankly higher because we have some premium products which we sell. But what happened last week actually, the price started to go up quite high. At the moment, the price is RUB 27.00, and we believe that this is a short-term fluctuation. But you know, this market is not fully rational and efficient. The distribution of sugar among players is uneven, so there are some tactical gains on the market played by some big players. But I will say that it will prudent to expect the price on the markets for the rest of the season equal to the price of the fourth quarter.

Arthur G.: Okay, understood. Thanks so much for that. The second question is about meat segment. In terms of slaughterhouse, I imagine that it became profitable in Q4 versus losses that it had for nine months. Could you give me like a rough idea of how much profit you recognised from the slaughterhouse in Q4 alone, like the positive contribution?

Maxim Basov: It's commercial information, and we normally don't disclose it.

Arthur G.: For the first quarter, I think you mentioned it was like minus RUB 300 million, if I remember rightly. But this is just in case you can share it with us.

Maxim Basov: Okay, I can tell you the range – let it be from 0 to RUB 300 million.

Arthur G.: Okay, fine. And in terms of agricultural segment, I'm not sure if I got it right from your introductory comment, but did I understand correctly that, essentially, you're not planning to expand your land bank this year, so mostly concentrating on efficiency of current assets – and how the structure of the land bank is going to look like as opposed to 2017 in terms of the different crops?

Maxim Basov: Well, we're always looking to expand our land bank, but at the moment, this is quite unlikely that we'll be able to do it significantly. Last year, we increased the land bank, only by around 10,000 hectares! don't think this year we will be able to increase it further. So, I think this year we are not going to expand our land bank, but we are going to buy some small amounts of land. Probably, we'll also be abandoning some of the lands. Most of the land we are going to expand will be in the Far East and in Tambov area.

Hence, you're absolutely right, this year, we'll focus and invest most in efficiency and also changing the way how we do agriculture, given the low prices which we have for sugar and other crops. This is the primarily the precision agriculture, this probably will be the main area.

Arthur G.: Okay, right. Thank you. And I promised it was going to be my final question, but just like the real final one, if I may. Any plans for – I think you mentioned about looking at potential M&A deals, in particular in poultry segment. But the more general question is do you have any plans for allocating quite a substantial cash pile that you still have on the balance sheet? And should investments – looking at M&A deals, or probably some other ways to spend this efficiently?

Maxim Basov: Well, we expect that by the end of the year, the net debt position of the Company, if we don't make big deals, will be closer to one times EBITDA – well, maybe slightly less, 0.8 to 1 times EBITDA. We have different views among our Board whether we will be able to buy companies or not. We are, of course, interested in buying the companies. The problem is that it's very difficult to find the targets which fit our payback period evaluation requirement. The companies we have on the market today form two groups – well, three groups.

First of all, there are companies that want to buy, that want to acquire. These are the leaders who want to play on the consolidation, and we are one of these companies. In the nature of the segments where we operate, there are from three to five companies, which actually believe that the market is going to consolidate. And they're looking to buy and – or expand somewhat.

The second group of the companies is the companies which probably – which can survive, or at the moment have their destiny in their hands. But they don't want to sell at the price which satisfies their evaluation criteria. If, for example, today the companies in Russia are valued by outside investors, at 5, 6, 7, 8 or maybe 9 times EBITDA, then such companies – the shareholders of those private companies – medium-sized companies – they want to sell their companies at a level of 8 to 15 times EBITDA. And it is very difficult, to make a transaction with them.

The third group of companies, they have – their debt level so high that these companies have negative or zero equity value. And if the company has a zero-equity value, the shareholders are not interested to sell. So, they are trying to work as long as they can, and then these companies will go to bankruptcy. And when they go to bankruptcy, then we have to work with the banks, which we do, trying to buy these assets from them. But since in Russia today, most of banks – most of big banks

are state-owned banks, this is not a purely commercial discussion. It involves some politics, so it's also not easy to get these companies from the banks, because banks – the managers of the state banks, they are not interested very often to show the losses on their books because of these debts.

So, it's not easy to buy assets even now when some companies are in difficult situation. But of course, we are looking to buy assets if we see a good opportunity to buy assets in sugar, in agriculture, in meat, in oils. So, we will be ready to do that.

Arthur G.: Okay. Thanks very much for that, Maxim. Thank you.

Operator: And that does conclude our question-and-answer session. I would like to turn things back over to Maxim Basov for any additional or closing remarks.

Maxim Basov: Well, ladies and gentlemen, thank you for attending the conference call and for your questions. We looking forward to an interesting year. I believe that the year will be financially better than the previous one, but still there are a lot of uncertainties. And thank you for your time, and talk to you at our next conference call or when we meet. Thank you.

Operator: And that does conclude today's conference call. We thank you all for joining us.