

13 August 2018

ROS AGRO financial results for 1H 2018 and Q2 2018

13 August 2018 – Today ROS AGRO PLC (the “Company”), the holding company of Rusagro Group (the “Group”), a leading Russian diversified food producer with vertically integrated operations, has announced the financial results for the Six months ended 30 June 2018.

1H 2018 Highlights

- Sales amounted to RR 32,815 million (US\$ 552 million¹), a decrease of RR 4,943 million compared to 1H 2017;
- Adjusted EBITDA² amounted to RR 5,772 million (US\$ 97 million), an increase of RR 333 million compared to 1H 2017;
- Adjusted EBITDA margin increased from 14% in 1H 2017 to 18% in 1H 2018;
- Net profit for the period amounted to RR 2,338 million (US\$ 39 million);
- Net debt position³ as of 30 June 2018 amounted to RR 11,331 million (US\$ 181 million);
- Net Debt/ Adjusted EBITDA (LTM⁴) as of 30 June 2018 was 0.79x.

Commenting on the results, Maxim Basov, a member of the Board of Directors of ROS AGRO PLC and CEO of the Group, said:

“In the 2Q 2018 Rosagro’s revenue decreased compared to the 2Q 2017 due to the lower prices of sugar and meat, but EBITDA increased in all business units due to the lower costs. Net income of the Company increased but net debt augmented too as well as the capital expenditures.”

Key consolidated financial performance indicators

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Sales	32,815	37,758	(4,943)	(13)	17,547	18,978	(1,431)	(8)
Gross profit	8,080	5,428	2,652	49	5,125	3,018	2,107	70
<i>Gross margin, %</i>	<i>25%</i>	<i>14%</i>	<i>11%</i>		<i>29%</i>	<i>16%</i>	<i>13%</i>	
Adjusted EBITDA	5,772	5,439	333	6	4,057	2,714	1,343	50
<i>Adjusted EBITDA margin, %</i>	<i>18%</i>	<i>14%</i>	<i>4%</i>		<i>23%</i>	<i>14%</i>	<i>9%</i>	
Net profit for the period	2,338	226	2,111	934	2,129	570	1,559	274
<i>Net profit margin %</i>	<i>7%</i>	<i>1%</i>	<i>6%</i>		<i>12%</i>	<i>3%</i>	<i>9%</i>	

**Net profit for the period is affected by non-cash loss on revaluation of biological assets and agricultural produce. See details in business-sections below.*

Key financial performance indicators by segments

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Sales, incl.	32,815	37,758	(4,943)	(13)	17,547	18,978	(1,431)	(8)
<i>Sugar</i>	10,671	14,601	(3,931)	(27)	5,458	7,192	(1,734)	(24)
<i>Meat</i>	9,417	10,037	(620)	(6)	5,091	5,305	(215)	(4)
<i>Agriculture</i>	3,212	5,006	(1,794)	(36)	1,745	1,336	409	31
<i>Oil and Fat</i>	10,029	9,621	407	4	5,551	5,253	298	6
<i>Other</i>	114	31	82	262	39	16	23	149
<i>Eliminations</i>	(628)	(1,540)	912	59	(336)	(124)	(212)	(17)
Gross profit, incl.	8,080	5,428	2,652	49	5,125	3,018	2,107	70
<i>Sugar</i>	3,110	2,987	123	4	1,983	1,594	390	24
<i>Meat</i>	2,444	1,851	592	32	1,478	1,230	248	20
<i>Agriculture</i>	510	(168)	678	-	391	(128)	519	-
<i>Oil and Fat</i>	2,332	1,263	1,069	85	1,312	595	718	121
<i>Other</i>	21	31	(10)	(33)	13	16	(3)	(18)
<i>Eliminations</i>	(338)	(537)	199	37	(52)	(288)	235	82
Adjusted EBITDA, incl.	5,772	5,439	333	6	4,057	2,714	1,343	50
<i>Sugar</i>	2,320	1,863	457	25	1,651	1,129	522	46
<i>Meat</i>	2,844	2,810	34	1	1,702	1,479	224	15
<i>Agriculture</i>	216	56	159	282	152	(306)	458	-
<i>Oil and Fat</i>	1,080	(246)	1,326	-	687	(187)	874	-
<i>Other</i>	(477)	(436)	(42)	(10)	(234)	(300)	66	22
<i>Eliminations</i>	(211)	1,391	(1,602)	-	98	899	(801)	(89)
Adjusted EBITDA margin, %	18%	14%	4%		23%	14%	9%	64
<i>Sugar</i>	22%	13%	9%		30%	16%	14%	88
<i>Meat</i>	30%	28%	2%		33%	28%	5%	18
<i>Agriculture</i>	7%	1%	6%		9%	-23%	32%	-
<i>Oil and Fat</i>	11%	-3%	14%		12%	-4%	16%	-

Sugar Segment

The financial results of the Sugar segment for 1H 2018 and Q2 2018 compared to 1H 2017 and Q2 2017 respectively are presented in the table below:

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Sales	10,671	14,601	(3,931)	(27)	5,458	7,192	(1,734)	(24)
Cost of sales	(7,565)	(11,612)	4,047	35	(3,480)	(5,600)	2,120	38
Net gain/ (loss) from trading derivatives	5	(3)	7	-	6	2	4	193
Gross profit	3,110	2,987	123	4	1,983	1,594	390	24
<i>Gross profit margin</i>	<i>29%</i>	<i>20%</i>	<i>9%</i>		<i>36%</i>	<i>22%</i>	<i>14%</i>	
Distribution and selling expenses	(1,090)	(1,313)	223	17	(433)	(588)	155	26
General and administrative expenses	(806)	(744)	(63)	(8)	(387)	(363)	(25)	(7)
Other operating income/ (expenses), net	47	(52)	99	-	36	25	11	44
Operating profit	1,261	879	382	43	1,198	668	531	79
Adjusted EBITDA	2,320	1,863	457	25	1,651	1,129	522	46
<i>Adjusted EBITDA margin</i>	<i>22%</i>	<i>13%</i>	<i>9%</i>		<i>30%</i>	<i>16%</i>	<i>14%</i>	

Sales decreased in 1H 2018 compared to 1H 2017 mainly due to sugar sales price decreased by 13% and sales volume decreased by 16% (1H 2018: 326 ths tn, 1H 2017: 390 ths tn). Buckwheat sales prices decreased by 58%.

Sugar sales, production volumes and average sales prices per kilogram (excl. VAT) were as follows:

	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Sugar production volume (in thousand tonnes), incl.								
beet sugar	26	137	(110)	(81)	17	15	3	18
cane sugar	26	137	(110)	(81)	17	15	3	18
	-	59	(59)	(10)	-	59	(59)	(10)
Sales volume (in thousand tonnes)	326	390	(64)	(16)	161	194	(33)	(17)
Average sales price (roubles per kg, excl. VAT)	29.4	33.9	(4.5)	(13)	31.0	34.4	(3.4)	(10)

Sales decreased in 2Q 2018 compared to 2Q 2017 mainly due to sugar sales price decreased by 10% and sales volume decreased by 17% (2Q 2018: 161 ths tn, 2Q 2017: 194 ths tn).

Cost of sales decreased in 1H 2018 compared to 1H 2017 by RR 4,047 million mainly due to sugar beet purchase prices of harvest 2017 decreased by 25%.

Distribution and selling expenses decreased by 223 million mainly due to payroll, provision for impairment of receivables and fuel and energy expenses.

The sales price decline was the main driver of a negative dynamics in profitability of the segment.

Meat Segment

The financial results of the Meat segment for 1H 2018 and Q2 2018 compared to 1H 2017 and Q2 2017 respectively are presented in the table below:

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Sales	9,417	10,037	(620)	(6)	5,091	5,305	(215)	(4)
Net gain/ (loss) on revaluation of biological assets and agricultural produce	(88)	(411)	324	79	(61)	(75)	14	19
Cost of sales	(6,886)	(7,775)	889	11	(3,552)	(4,000)	449	11
Gross profit	2,444	1,851	592	32	1,478	1,230	248	20
<i>Gross profit margin</i>	<i>26%</i>	<i>18%</i>	<i>8%</i>		<i>29%</i>	<i>23%</i>	<i>6%</i>	
<i>Gross profit excl. effect of biological assets revaluation</i>	2,531	2,262	269	12	1,539	1,305	234	18
<i>Adjusted gross profit margin</i>	<i>27%</i>	<i>23%</i>	<i>4%</i>		<i>30%</i>	<i>25%</i>	<i>6%</i>	
Distribution and selling expenses	(276)	(184)	(92)	(50)	(164)	(98)	(66)	(68)
General and administrative expenses	(470)	(257)	(213)	(83)	(258)	(236)	(21)	(9)
Other operating income/ (expenses), net	102	154	(52)	(34)	69	84	(15)	(18)
<i>incl. reimbursement of operating costs (government grants)</i>	-	23	(23)	-	-	23	(23)	-
Operating profit	1,800	1,564	236	15	1,125	980	145	15
Adjusted EBITDA	2,844	2,810	34	1	1,702	1,479	224	15
<i>Adjusted EBITDA margin</i>	<i>30%</i>	<i>28%</i>	<i>2%</i>		<i>33%</i>	<i>28%</i>	<i>5%</i>	

Sales in the meat segment decreased by 6% in 1H 2018 and by 4% in Q2 2018 compared to the respective periods of prior year as a result of a decrease in sales volume and price of livestock pigs that was partly compensated by an increase in sales volume and price of processed pork.

Pork sales volumes and the average pork sales prices per kilogram (excl. VAT) were as follows:

	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Sales volume (in thousand tonnes), incl.	79	88	(8)	(10)	40	44	(4)	(8)
livestock pigs	14	35	(22)	(61)	7	14	(7)	(49)
processed pork	66	52	13	25	33	30	3	10
Average sale prices (roubles per kg, excl. VAT):								
livestock pigs	82.9	97.2	(14.2)	(15)	86.0	102.1	(16.1)	(16)
processed pork	126.4	126.3	0.1	0	136.3	130.7	5.7	4

Net loss on revaluation of biological assets and agricultural produce in 1H 2017 resulted mainly from a decrease in market prices for live pigs during 1H 2017. There was not significant change in market prices for live pigs in 1H 2018.

An increase in *Distribution and selling expenses* in 1H 2018 and Q2 2018 compared to prior year periods includes an increase in transportation costs as a result of higher sales volume of processed pork, an increase in payroll costs related to growth in staff of logistic department.

An increase in *General and administrative expenses* in 1H 2018 by RR 213 million includes RR 146 million of an increase in property tax expenses (RR 106 million of expenses in 1H 2018 compared to RR 40 million of net gain in 1H 2017). In 1H 2017 the Group recognised gain from reverse of property tax for 2016 resulted from tax relief legally confirmed in 1H 2017. *General and administrative expenses* increased in Q2 2018 compared to Q2 2017 by 9% due to an increase in cost of professional services.

Other operating income, net includes income from reimbursement of operating expenses (government grants), which is lower by RR 23 million in 1H 2018 and Q2 2018 compared to the prior year periods.

Agricultural Segment

As at 30 June 2018 the segment's area of controlled land stands at 687 thousand hectares (30 June 2017: 664 thousand hectares), an increase of 23 thousand hectares or 3%. The financial results of the Agricultural segment for 1H 2018 and Q2 2018 compared to 1H 2017 and Q2 2017 respectively are presented below:

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Sales	3,212	5,006	(1,794)	(36)	1,745	1,336	409	31
Net gain/ (loss) on revaluation of biological assets and agricultural produce	(618)	(1,493)	875	59	(337)	(347)	10	3
Cost of sales	(2,083)	(3,681)	1,597	43	(1,016)	(1,117)	101	9
Net gain/ (loss) from trading derivatives	-	-	-	-	-	(1)	1	-
Gross profit	510	(168)	678	-	391	(128)	519	-
<i>Gross profit margin</i>	<i>16%</i>	<i>-3%</i>	<i>19%</i>		<i>22%</i>	<i>-10%</i>	<i>32%</i>	
<i>Gross profit excl. effect of biological assets and agricultural produce revaluation</i>	1,129	1,325	(197)	(15)	729	219	510	232
<i>Adjusted gross profit margin</i>	<i>35%</i>	<i>26%</i>	<i>9%</i>		<i>42%</i>	<i>16%</i>	<i>25%</i>	
Distribution and selling expenses	(643)	(1,321)	678	51	(434)	(494)	61	12
General and administrative expenses	(611)	(445)	(166)	(37)	(319)	(192)	(127)	(66)
Other operating income/ (expenses), net	(68)	64	(132)	-	(52)	36	(88)	-
<i>incl. reimbursement of operating costs (government grants)</i>	60	40	20	51	33	40	(7)	(17)
Operating profit	(811)	(1,868)	1,057	57	(414)	(779)	364	47

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Adjusted EBITDA	216	56	159	282	152	(306)	458	-
<i>Adjusted EBITDA</i>	<i>7%</i>	<i>1%</i>	<i>6%</i>		<i>9%</i>	<i>-23%</i>	<i>32%</i>	

An increase in sales volumes and sales prices was the main driver of an increase in *Sales* in Q2 2018 compared to Q2 2017.

As for *Sales* in 1H 2018 compared to 1H 2017, the drop was resulted by lower sales volumes of almost all crops and lower sales price of sugar beet in 1H 2018 compared to the prior year period.

Sales volumes by product were as follows:

Thousand tonnes	Year ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
sugar beet	2	452	(450)	(100)	-	-	-	-
wheat	113	183	(70)	(38)	74	16	59	375
barley	79	25	54	217	47	13	35	275
sunflower seeds	3	49	(46)	(94)	1	31	(30)	(97)
corn	76	71	5	7	34	33	1	4
soy	31	46	(15)	(33)	14	15	(1)	(9)

The average sale prices per kilogram (excl. VAT) were as follows:

RR per kilogram, excl. VAT	Year ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
sugar beet	1.0	2.1	(1.1)	(53)	0.0	0.0	-	-
wheat	7.2	7.2	(0.0)	(1)	7.6	6.8	0.8	12
barley	7.3	6.8	0.5	7	7.8	6.6	1.3	19
sunflower seeds	18.5	15.7	2.8	18	18.8	15.1	3.7	24
corn	9.5	8.7	0.8	9	9.5	8.1	1.4	18
soy	21.4	19.5	1.9	10	23.0	18.9	4.1	22

Net loss on revaluation of biological assets and agricultural produce in 1H 2018 represents the realisation of gain from crops revaluation, recognised for harvest of 2017 in the financial statements of 2017 and remained unrealised as at 31 December 2017.

In IFRS financial statements of 2017 the Group recognised gain from all crops, harvested in 2017, including crops in stock at the year-end. Consequently, the crops in stock as at 31 December 2017 were measured at market prices prevailing at the time of harvest. In IFRS financial statements for 2018, as these crops are realised, the gain on revaluation is written off in the statement of comprehensive income decreasing the profit of the segment. The gain on revaluation of crops and its subsequent realisation do not affect the Adjusted EBITDA figure.

Distribution and selling expenses decreased by RR 678 million in 1H 2018 (Q2 2018: RR 61 million) as volumes of crops sold during 2018 compared to 2017 were significantly lower with the highest drop in volume of sugar beet sold, which also resulted in decrease of transportation and loading services expenses and fuel and energy expenses.

General and administrative expenses increased by RR 145 million in 1H 2018 (Q2 2018: RR 127 million), which is attributed to the higher payroll costs as a result of higher number of employees in administrative function, an increase in property tax and higher amortisation as the result of an increase in balance of intangibles (acquisition and put in use of servers for SAP and surveillance system).

Oil and Fat segment

The financial results of the oil and fat segment for 1H 2018 and Q2 2018 compared to 1H 2017 and Q2 2017 respectively are presented below:

in RR million	Year ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Sales	10,029	9,621	407	4	5,551	5,253	298	6
Cost of sales	(7,696)	(8,358)	662	8	(4,239)	(4,659)	420	9
Gross profit	2,332	1,263	1,069	85	1,312	595	718	121
<i>Gross profit margin</i>	<i>23%</i>	<i>13%</i>	<i>10%</i>		<i>24%</i>	<i>11%</i>	<i>13%</i>	
Distribution and selling expenses	(1,110)	(1,389)	279	20	(554)	(717)	163	23
General and administrative expenses	(385)	(363)	(21)	(6)	(192)	(178)	(15)	(8)
Other operating income/(expenses), net	(26)	115	(141)	-	(41)	82	(123)	-
Operating profit/ (loss)	811	(374)	1,185	-	526	(217)	743	-
Adjusted EBITDA	1,080	(246)	1,326	-	687	(187)	874	-
<i>Adjusted EBITDA margin</i>	<i>11%</i>	<i>-3%</i>	<i>14%</i>		<i>12%</i>	<i>-4%</i>	<i>16%</i>	

The breakdown of Sales, Gross profit and Adjusted EBITDA between the Samara oil plant, the Ekaterinburg fat plant and Far East operations is as follows:

in RR million	Year ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Sales, incl.	10,029	9,621	407	4	5,551	5,253	298	6
<i>Samara oil plant</i>	5,314	5,014	300	6	3,107	3,068	39	1
<i>Ekat. fat plant</i>	3,855	3,977	(122)	(3)	2,170	1,880	290	15
<i>Far East</i>	2,062	1,781	281	16	1,152	875	277	32
<i>Eliminations(*)</i>	(1,202)	(1,151)	(51)	(4)	(878)	(570)	(308)	(54)
Gross profit, incl.	2,332	1,263	1,069	85	1,312	595	718	121
<i>Samara oil plant</i>	1,023	200	823	411	624	42	582	1,38
<i>Ekat. fat plant</i>	1,047	973	75	8	537	547	(10)	(2)
<i>Far East</i>	347	94	253	268	211	22	188	839
<i>Eliminations(*)</i>	(85)	(4)	(81)	(1,86)	(59)	(16)	(43)	(262)
Adjusted EBITDA, incl.	1,080	(246)	1,326	-	687	(187)	874	-
<i>Samara oil plant</i>	556	(231)	788	-	390	(172)	562	-
<i>Ekat. fat plant</i>	351	(64)	414	-	187	12	175	1,40
<i>Far East</i>	193	(8)	201	-	133	(44)	178	-
<i>Eliminations(*)</i>	(20)	57	(77)	-	(24)	17	(41)	-

in RR million	Year ended		Variance		Three months ended		Variance	
	30 June	30 June	Units	%	30 June	30 June	Units	%
	2018	2017			2018	2017		
Adjusted EBITDA	11%	-3%	14%	-	12%	-4%	16%	
<i>Samara oil plant</i>	10%	-5%	15%	-	13%	-6%	18%	
<i>Ekat. fat plant</i>	9%	-2%	11%	-	9%	1%	8%	
<i>Far East</i>	9%	-0.4%	10%	-	12%	-5.1%	17%	

Intra-segment sales include sales of bulk oil from Samara oil plant and bulk and bottled oil from Far East to Ekaterinburg fat plant.

Sales volumes to third parties by product were as follows:

thousand tons	Six months ended		Variance		Three months ended		Variance	
	30 June	30 June	Units	%	30 June	30 June	Units	%
	2018	2017			2018	2017		
mayonnaise	20	31	(10)	(33)	11	15	(4)	(28)
margarine	14	16	(2)	(15)	6	7	(1)	(11)
bottled oil	25	7	18	243	16	3	13	486
bulk oil	74	79	(5)	(7)	38	54	(16)	(30)
meal	133	137	(4)	(3)	67	68	(0)	(0)

The average sale prices per kilogram (excl. VAT) for sales to third parties were as follows:

RR per kilogram, excl. VAT	Year ended		Variance		Three months ended		Variance	
	30 June	30 June	Units	%	30 June	30 June	Units	%
	2018	2017			2018	2017		
mayonnaise	80.6	79.6	1.0	1	81.5	82.3	(0.8)	(1)
margarine	79.5	77.8	1.7	2	82.3	77.5	4.8	6
bottled oil	53.9	60.3	(6.3)	(10)	54.0	57.3	(3.3)	(6)
bulk oil	43.2	41.9	1.3	3	45.2	40.9	4.3	11
meal	18.1	16.4	1.8	11	20.6	16.5	4.1	25

Decrease in Distribution and selling expenses by RR 279 million in 1H 2018 (Q2 2018: RR 163 million) compared to the respective periods of previous year is attributed to the limitation of marketing and brand promotion, decrease in payroll expenses as a result of a significant drop in personnel employed in sales and marketing, and lower transportation and loading services expenses related to the lower sales volume of mayonnaise and margarine and optimization of the logistics process with cancellation of distribution to unprofitable locations at Ekaterinburg fat plant.

An increase in Adjusted EBITDA of Samara oil plant and Far East in 1H 2018 relates to a decrease in raw materials costs (sunflower seeds and soybeans), an increase in sales volume of all products in Far East and start production of bottled oil on Samara oil plant.

Key consolidated cash flow indicators (not IFRS presentation*)

The key consolidated cash flow indicators presented according to management accounts methodology were as follows:

in mln Roubles	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Net cash from operating activities, incl.	7,306	12,940	(5,634)	(44)	3,392	5,827	(2,435)	(42)
<i>Operating cash flow before working capital changes</i>	6,543	6,187	356	6	4,422	3,149	1,272	40
<i>Working capital changes</i>	993	7,034	(6,041)	(86)	(894)	2,802	(3,696)	-
Net cash from investing activities, incl.	(7,939)	(7,362)	(577)	(8)	(4,809)	(4,511)	(298)	(7)
<i>Purchases of property, plant and equipment and inventories intended for construction</i>	(7,882)	(7,347)	(535)	(7)	(4,783)	(4,446)	(337)	(8)
Net cash from financing activities	(1,749)	2,087	(3,837)	-	2,418	(4,402)	6,820	-
Net effect of exchange rate changes on cash and cash equivalents	63	(117)	180	-	64	(20)	84	-
Net (decrease) / increase in cash and cash equivalents	(2,318)	7,549	(9,868)	-	1,066	(3,106)	4,172	-

(*) See Appendix 4

The main investments in property, plant and equipment and inventories intended for construction in 1H 2018 were made in the Meat segment in the amount of RR 5,267 million (1H 2017: RR 1,708 million), related to the construction projects in the Tambov and Far East regions and in Sugar segment in the amount of RR 1,222 (1H 2017: RR 1,130 million). Significant investments were also made in the Agriculture segment in the amount of RR 750 million (1H 2017: RR 3,864 million), related to purchases of machinery and equipment. Investments in the Oil and Fat segment amounted to RR 623 (1H 2017: RR 636 million).

Debt position and liquidity management

in RR million	30 June 2018	31 December 2017	Variance	
			Units	%
Gross debt	47,128	46,651	477	1
<i>Short-term borrowings</i>	6,314	8,864	(2,549)	(29)
<i>Long-term borrowings</i>	40,814	37,788	3,026	8
Cash and cash equivalents, bank deposits and bonds	(35,797)	(40,048)	4,251	11
<i>Short-term cash, deposits and bonds</i>	(18,659)	(22,901)	4,243	19
<i>Long-term cash, deposits and bonds</i>	(17,138)	(17,146)	8	0
Net debt	11,331	6,604	4,728	72
<i>Short-term borrowings, net</i>	(12,344)	(14,038)	1,693	12
<i>Long-term borrowings, net</i>	23,676	20,642	3,034	15
Adjusted EBITDA (LTM⁴)	14,289	13,955	333	2
Net debt/ Adjusted EBITDA (LTM)	0.79	0.47	0.3	

Net finance income/ (expense)

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2018	30 June 2017	Units	%	30 June 2018	30 June 2017	Units	%
Net interest expense	(1,079)	(1,324)	245	18	(397)	(483)	86	18
<i>Gross interest expense</i>	(1,589)	(1,599)	10	1	(763)	(739)	(24)	(3)
<i>Reimbursement of interest expense</i>	510	275	235	85	366	256	110	43
Interest income	1,815	2,105	(290)	(14)	873	971	(98)	(10)
Net gain/ (loss) from bonds held for trading	(8)	7	(15)	-	-39	15	(54)	-
Other financial income, net	(81)	62	(143)	-	-83	97	(181)	-
<i>Net foreign exchange gain/ (loss)</i>	(102)	72	(174)	-	(82)	104	(186)	-
<i>Other financial income / (expenses), net</i>	21	(10)	31	-	(1)	(7)	5	78
Total net finance income/ (expenses)	647	851	(204)	(24)	353	601	(247)	(41)

In Q2 2018 the Group continued to enjoy benefits from the state agriculture subsidies programme. In addition, in 2018 the Group continued the receiving bank loans with decreased preferential interest rates under the new programme of government support. Under this programme, the government provides subsidies to the banks to compensate the loss of income on credits with decreased interest rates, given by the banks to agricultural producers. In Q2 2018 IFRS accounts these credits are accounted for according to its face value with no adjustments to prevailing market rates. The differences between nominal and market interest rate is recognized as interest expenses and government grants in a statement of comprehensive income or in a statement of financial position.

(1) The exchange rates used for translation of RR amounts into USD represent average Central Bank official exchange rate for the respective reporting period for income, expenses and profits and the Central Bank official exchange rate as at the reporting date for balance figures.

(2) Adjusted EBITDA is defined as operating profit before taking into account (i) depreciation included in operating profit, (ii) other operating income/ (expenses), net (other than reimbursement of operating costs (government grants)), (iii) net gain/ (loss) on revaluation of biological assets and agricultural produce, (iv) provision/ (reversal of provision) for net realizable value of agricultural products in stock, (v) share-based remuneration (see Appendix 2 for the detailed calculation of Adjusted EBITDA). Adjusted EBITDA is not a measure of financial performance under IFRS. It should not be considered as an alternative to profit for the period as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Our calculation of Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited. We believe that Adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of subsidiaries and other investments and our ability to incur and service debt.

(3) The Group determines the net debt as short-term borrowings and long-term borrowings less cash and cash equivalents, bank deposits, bank promissory notes and bonds held for trading.

(4) LTM – The abbreviation for the “Last twelve months”.

Note:

ROS AGRO PLC (LSE: AGRO) – a holding company of Rusagro Group, a leading Russian diversified food producer with vertically integrated operations in the following branches:

Sugar:

Rusagro Group is a leading Russian sugar producer, producing beet sugar on nine production sites. The Company produces white and brown cube sugar and packaged sugar sold under the brands Chaikofsky, Russkii Sakhar, Mon Cafe and Brauni. The Sugar division is vertically integrated and it processes sugar beet cultivated by Rusagro's Agriculture division, through which we strive to ensure a consistent supply of sugar beets. The Sugar division also operates a cereal plant and sells buckwheat and rice under the brand Tyoplye Traditsii.

Meat:

According to the National Union of Pig Breeders, Rusagro Group is the third largest pork producer in Russia on the ground of production volumes of 2017. The Company has vertically integrated pork production with feed production plant, breeding centres, pig farms, a slaughterhouse and waste utilization plants. The Meat division has implemented best practices in biosecurity at the pig complexes. It produces a wide range of B2B and B2C products sold under the brand Slovo Myasnika launched in 2016.

Agricultural:

The Group currently controls one of the largest land banks among Russian agriculture producers, with 687 thousand hectares of land under control located in the highly fertile Black Earth region of Russia and in the Far East Primorie region. Land and production sites are strategically located within the same regions to optimize efficiency and minimize logistical costs. Rusagro is one of the major sugar beet and grains producers in Russia and it also produces sunflower seeds and soybeans. These products are partially consumed by the Meat division, supporting a synergistic effect and lowering price change risk.

Oil and Fat:

Rusagro is a leading producer of mayonnaise and consumer margarine in Russia, such as "Provansal EZhK", "Schedroe Leto", "Mechta Khozyayki". The oil extraction plant located in Samara enables to control the source of 100% of the sunflower oil required by our oil and fats production plant in Ekaterinburg. The Oil and Fats division also operates soybean extraction plant with a range of consumer products located in the Russian Far East.

Details of call:

Date	13 August 2018
Time	4:00 PM (Moscow) /2:00 PM (London)
Subject	ROS AGRO PLC 1H and Q2 2018 Financial results
UK Toll Free	0800 358 6377
UK Local Line	+44 330 336 9125
USA Toll Free	888-204-4368
USA Local Line	+1 323-794-2423
Russia Toll Free	+7 495 213 1767
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Appendix 1. Unaudited consolidated statement of comprehensive income for the Six months ended 30 June 2018 (in RR thousand)

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
Sales	32,814,570	37,757,805	17,547,016	18,978,297
Net gain on revaluation of biological assets and agricultural produce	(900,439)	(3,393,028)	(541,715)	(1,424,719)
Cost of sales	(23,838,828)	(28,934,217)	(11,885,498)	(14,537,495)
Net gain from trading derivatives	4,560	(2,647)	5,542	1,893
Gross profit	8,079,863	5,427,913	5,125,345	3,017,976
Distribution and selling expenses	(3,328,901)	(3,845,683)	(1,669,414)	(1,752,878)
General and administrative expenses	(2,641,801)	(2,224,088)	(1,318,112)	(1,258,738)
Other operating income/ (expenses), net	(23,146)	(116,845)	8,977	(191,345)
Operating profit / (loss)	2,086,015	(758,703)	2,146,796	(184,985)
Interest expense	(1,079,010)	(1,323,602)	(397,075)	(483,262)
Interest income	1,815,118	2,105,354	873,156	971,296
Net gain/ (loss) from bonds	(7,959)	7,271	(39,318)	15,113
Other financial income/ (expenses), net	(81,376)	61,532	(83,461)	97,457
Profit before income tax	2,732,788	107,173	2,500,098	427,533
Income tax expense	(395,288)	118,905	(371,153)	142,227
Profit for the year	2,337,500	226,078	2,128,945	569,760
Other comprehensive income:				
Items that may be subsequently reclassified to profit and loss:				
Change in value of available-for-sale financial assets	-	(154,082)	-	-
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	301,334	-	301,334
Income tax relating to other comprehensive income	-	30,816	-	-
Income tax relating to other comprehensive income transferred to profit or loss	-	(60,267)	-	(60,267)
Total comprehensive income for the period	2,337,500	343,879	2,128,945	810,827
Profit is attributable to:				
Owners of ROS AGRO PLC	2,317,189	307,465	2,113,255	585,049
Non-controlling interest	20,311	(81,387)	15,690	(15,289)
Profit for the period	2,337,500	226,078	2,128,945	569,760
Total comprehensive income is attributable to:				
Owners of ROS AGRO PLC	2,317,189	307,465	2,113,255	585,049
Non-controlling interest	20,311	(81,387)	15,690	(15,289)
Total comprehensive income for the period	2,337,500	226,078	2,128,945	569,760
Earnings per ordinary share for profit attributable to the owners of ROS AGRO PLC, basic and diluted (in RR per share)	86.14	11.94	78.56	22.73

Appendix 2. Unaudited segment information for the Six months ended 30 June 2018 (in RR thousand)

1H 2018	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Sales	10,670,515	9,416,924	3,212,126	10,028,581	113,960	(627,537)	32,814,569
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	(87,502)	(618,239)	-	-	(194,698)	(900,439)
Cost of sales	(7,564,829)	(6,885,919)	(2,083,484)	(7,696,415)	(92,775)	484,594	(23,838,828)
<i>incl. Depreciation</i>	<i>(1,057,184)</i>	<i>(1,035,071)</i>	<i>(203,648)</i>	<i>(176,330)</i>	<i>(492)</i>	<i>(6,990)</i>	<i>(2,479,715)</i>
Net gain/ (loss) from trading derivatives	4,560	-	-	-	-	-	4,560
Gross profit / (loss)	3,110,246	2,443,503	510,403	2,332,166	21,185	(337,641)	8,079,863
Distribution and Selling, General and administrative expenses	(1,896,708)	(746,003)	(1,253,626)	(1,494,715)	(511,967)	(67,682)	(5,970,701)
<i>incl. Depreciation</i>	<i>(49,418)</i>	<i>(23,816)</i>	<i>(76,830)</i>	<i>(66,382)</i>	<i>(12,967)</i>	<i>6,990</i>	<i>(222,423)</i>
Other operating income/(expenses), net	46,978	102,417	(67,816)	(26,008)	10,840,370	(10,919,086)	(23,145)
<i>incl. Reimbursement of operating costs (government grants)</i>	<i>-</i>	<i>-</i>	<i>60,277</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>60,277</i>
Operating profit / (loss)	1,260,516	1,799,917	(811,039)	811,443	10,349,588	(11,324,409)	2,086,015
Adjustments:							
Depreciation included in Operating Profit	1,106,601	1,058,886	280,478	242,712	13,459	-	2,702,136
Other operating (income) /expenses, net	(46,978)	(102,417)	67,816	26,008	(10,840,370)	10,919,086	23,145
Reimbursement of operating costs (government grants)	-	-	60,277	-	-	-	60,277
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	87,502	618,239	-	-	194,698	900,439
Adjusted EBITDA *	2,320,139	2,843,888	215,771	1,080,163	(477,323)	(210,744)	5,771,894

* Non-IFRS measure

Appendix 2 (continued). Unaudited segment information for the Six months ended 30 June 2017 (in RR thousand)

1H 2017	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Sales	14,601,491	10,037,183	5,005,911	9,621,299	31,482	(1,539,561)	37,757,805
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	(411,093)	(1,493,100)	-	-	(1,488,834)	(3,393,027)
Cost of sales	(11,611,604)	(7,775,083)	(3,680,574)	(8,358,195)	-	2,491,238	(28,934,218)
<i>incl. Depreciation</i>	<i>(877,385)</i>	<i>(940,719)</i>	<i>(400,330)</i>	<i>(184,298)</i>	-	<i>(5,329)</i>	<i>(2,408,061)</i>
Net gain/ (loss) from trading derivatives	(2,647)	-	-	-	-	-	(2,647)
Gross profit	2,987,240	1,851,007	(167,763)	1,263,104	31,482	(537,157)	5,427,913
Distribution and Selling, General and administrative expenses	(2,056,601)	(441,096)	(1,765,098)	(1,752,066)	(492,424)	437,515	(6,069,770)
<i>incl. Depreciation</i>	<i>(55,257)</i>	<i>(25,129)</i>	<i>(56,007)</i>	<i>(58,524)</i>	<i>(25,175)</i>	<i>3,426</i>	<i>(216,666)</i>
Other operating income/(expenses), net	(51,778)	154,314	64,406	115,279	6,071,927	(6,470,993)	(116,845)
<i>incl. Reimbursement of operating costs (government grants)</i>	<i>-</i>	<i>22,957</i>	<i>39,903</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>62,860</i>
Operating profit / (loss)	878,861	1,564,225	(1,868,455)	(373,683)	5,610,985	(6,570,635)	(758,702)
Adjustments:							
Depreciation included in Operating Profit	932,642	965,848	456,337	242,822	25,175	1,903	2,624,727
Other operating (income) /expenses, net	51,778	(154,314)	(64,406)	(115,279)	(6,071,927)	6,470,993	116,845
Reimbursement of operating costs (government grants)	-	22,957	39,903	-	-	-	62,860
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	411,093	1,493,100	-	-	1,488,834	3,393,027
Adjusted EBITDA *	1,863,281	2,809,809	56,479	(246,140)	(435,767)	1,391,095	5,438,757

* Non-IFRS measure

**Appendix 3. Unaudited consolidated statement of financial position as at 30 June 2018
(in RR thousand)**

	30 June 2018	31 December 2017
ASSETS		
Current assets		
Cash and cash equivalents	2,541,947	4,860,335
Restricted cash	45	42
Short-term investments	18,230,000	18,457,778
Trade and other receivables	3,278,950	3,196,315
Prepayments	1,286,852	1,201,479
Current income tax receivable	133,097	212,026
Other taxes receivable	3,459,392	3,352,606
Inventories and short-term biological assets	29,160,961	29,675,851
Total current assets	58,091,244	60,956,432
Non-current assets		
Property, plant and equipment	59,463,487	56,390,084
Inventories intended for construction	2,125,259	795,314
Goodwill	1,826,258	1,826,258
Advances paid for non-current assets	14,140,345	13,841,743
Long-term biological assets	1,905,138	1,719,784
Long-term investments and receivables	17,758,147	17,594,030
Investments in associates	7,320	7,320
Deferred income tax assets	2,148,919	1,992,839
Other intangible assets	2,179,078	2,286,181
Total non-current assets	101,553,951	96,453,553
Total assets	159,645,195	157,409,985
Liabilities and EQUITY		
Current liabilities		
Short-term borrowings	6,314,378	8,863,525
Trade and other payables	8,016,583	6,773,069
Current income tax payable	137,567	63,727
Other taxes payable	4,170,525	4,072,364
Total current liabilities	18,639,053	19,772,685
Non-current liabilities		
Long-term borrowings	40,814,071	37,787,777
Government grants	6,514,588	6,377,469
Deferred income tax liability	886,924	744,113
Total non-current liabilities	48,214,552	44,909,359
Total liabilities	66,853,605	64,682,044
Equity		
Share capital	12,269	12,269
Treasury shares	(491,978)	(491,978)
Additional paid-in capital	26,964,480	26,964,480
Other reserves	1,308,189	1,308,188
Retained earnings	64,866,877	64,758,966
Equity attributable to owners of ROS AGRO PLC	92,659,837	92,551,925
Non-controlling interest	131,753	176,016
Total equity	92,791,590	92,727,941
Total liabilities and equity	159,645,195	157,409,985

Appendix 4. Unaudited consolidated statement of cash flows for the Six months ended 30 June 2018 (in RR thousand) – NOT IFRS PRESENTATION (*)

	Six months ended	
	30 June 2018	30 June 2017
Cash flows from operating activities		
Profit before income tax	2,732,758	107,172
<i>Adjustments for:</i>		
Depreciation and amortization	3,813,700	3,478,520
Interest expense	1,588,837	1,598,758
Government grants	(754,454)	(525,113)
Interest income	(1,815,118)	(2,105,354)
Loss/ (gain) on disposal of property, plant and equipment	14,767	44,053
Net (gain) / loss on revaluation of biological assets and agricultural produce	900,439	3,393,028
Change in provision for net realisable value of inventory	(66,378)	(24,876)
Share of results of associates	-	(15,321)
Change in provision for impairment of receivables and prepayments	7,562	37,402
Foreign exchange (gain) / loss, net	154,766	(116,587)
Lost / (reversal of) harvest write-off	2,224	-
Net (gain) / loss from bonds held for trading	7,954	(7,271)
Settlement of loans and accounts receivable previously written-off	(130)	(99,915)
Change in provision for impairment of advances paid for property, plant and equipment	(35,039)	24,908
Loss on other investments	-	400,400
Other non-cash and non-operating expenses, net	(9,360)	(3,080)
Operating cash flow before working capital changes	6,542,529	6,186,725
Change in trade and other receivables and prepayments	(106,072)	1,161,934
Change in other taxes receivable	(106,784)	1,288,221
Change in inventories and biological assets	245,011	3,604,179
Change in trade and other payables	896,768	1,077,577
Change in other taxes payable	63,868	(98,023)
Cash generated from operations	7,535,319	13,220,613
Income tax paid	(229,035)	(280,383)
Net cash from operating activities	7,306,285	12,940,230
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,083,672)	(7,188,112)
Purchases of other intangible assets	(93,666)	(109,919)
Proceeds from sales of property, plant and equipment	35,919	19,268
Purchases of inventories intended for construction	(797,854)	(158,867)
Investments in subsidiaries, net of cash acquired	80	79,426
Movement in restricted cash	658	(3,432)
Other investing activities	-	36
Net cash from investing activities	(7,938,535)	(7,361,600)
Cash flows from financing activities		
Proceeds from borrowings	5,975,114	9,322,128
Repayment of borrowings	(6,390,966)	(12,194,414)
Interest paid	(1,299,958)	(1,507,944)
Change in cash on bank deposits*	1,947,002	7,143,400
Loans given*	(1,404,808)	(7)
Loans repaid*	3,378	407,522
Interest received*	1,288,976	2,393,054
Proceeds from government grants	591,516	969,623
Purchases of non-controlling interest	(56,816)	(81,218)
Proceeds from sales of treasury shares	-	6,664
Dividends paid to owners Ros Agro PLC	(2,384,983)	(4,366,760)
Lease payments	(17,605)	-
Other financial activities	-	(4,625)
Net cash from financing activities	(1,749,149)	2,087,423
Net effect of exchange rate changes on cash and cash equivalents	63,011	(116,762)
Net increase/ (decrease) in cash and cash equivalents	(2,318,389)	7,549,291
Cash and cash equivalents at the beginning of the period	4,860,335	6,751,712
Cash and cash equivalents at the end of the period	2,541,947	14,301,003

Net decrease in cash and cash equivalents, adjusted for:	(2,318,389)
Non-cash adjustments affecting Net Debt	(1,007,327)
Change in financial instruments not included in Net debt	(1,401,430)
Change in Net debt	(4,727,146)

() For the purpose of conformity with the methodology of the Group's net debt calculation, investments in financial assets related to financial activities are presented in Cash flows from financing activities in the Group's management accounts.*