

Company: ROS AGRO PLC
Conference Title: ROS AGRO PLC 3Q and 9M 2018 Financial Results
Date: Monday, 12 November 2018
Conference Time: 16:00 (UTC+03:00)

Operator: Good day, and welcome to the ROS AGRO PLC Third Quarter and Nine Months 2018 Financial Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Maxim Basov, CEO of Rusagro Group. Please go ahead.

Maxim Basov: Ladies and gentlemen, good day. Today, we published the results for the third quarter and for the nine months of 2018. We also published our presentation with overview of the divisional results. I will give you my short overview, and then we'll open the floor for questions.

So the three months results of the company are overall good. We are pleased with them. The company increased revenue, increased EBITDA and increased net income. For the third quarter this year, our revenue reached RUB19.4 billion. EBITDA reached RUB4.4 billion, and net profit for the period reached RUB6.3 billion. This is a big increase from the same period last year.

For the nine months, we had revenue of RUB52.2 billion, which is lower than last year because of weaker first half. We had EBITDA of RUB10.2 billion, and we had net profit of RUB8.6 billion. In terms of results for the third quarter, all the business units increased revenue and all business units increased the EBITDA.

And now I am going through the presentation which we published today, page #5. And on page #6, you can see that same situation in terms of EBITDA was true for the first nine months results. The biggest increase in EBITDA was in Oil & Fats business. And the second largest increase in EBITDA was in Agriculture business. In terms of sales for the nine months, Sugar and Agriculture business have had lower revenues as a result of lower prices in the first half of the year.

Net debt of the group at the beginning of the fourth quarter or end of the third quarter was RUB15.6 billion. There was an increase of RUB1.6 billion throughout the third quarter, as a result of increase in working capital in the divisions and the capital expenditures.

Okay, now let's look at the situation in our businesses. Let me start with Meat. In Pork division, we had a good dynamics in prices. The average price of live animal increased in the third quarter from RUB97 to RUB107, which means an increase of RUB10. And we had a big increase in the price of the processed meat at our slaughterhouses, which indicated the

improvement in the performance of our meat processing division and change in the product mix.

On the other hand, we had a weaker production results. The production of livestock decreased from 51 to 44, primarily because of the diseases and loss of animals due to diseases. We are not pleased with our production numbers in our Meat division and we changed our management.

Meanwhile, the financial results were quite good. The EBITDA margin increased from 33% to 38%. And in the third quarter, we had EBITDA of RUB2.3 billion.

In Sugar division on page #14, prices of sugar in the third quarter fell down from RUB31 last year to RUB28 in the third quarter this year. The sales volume increased from 193 to 235. As a result, we had, in third quarter, increase in revenue and also increase in EBITDA. EBITDA was RUB1.3 billion and the EBITDA margin increased to 19%.

In Agriculture division, the third quarter in terms of EBITDA doesn't reflect the full results. In the third quarter, we were harvesting our crops. We're still harvesting today the crops in the Far East. And we will publish the results once the last tonne is harvested. Overall, this year we saw weaker production yields for the whole region, both for Russia overall and our company in particular. But the prices were much stronger. And though we didn't sell much crops, we still have sold enough to have the positive EBITDA of RUB766 million compared to minus RUB1 million for the third quarter last year. And our EBITDA margin for the third quarter 2018 reached 20%.

Oil and Fat business was also performing well. EBITDA for the third quarter was RUB684 million. EBITDA margin of the business increased to 15%, which is among the highest level across throughout our history and is in fact a targeted level for this business. All our business units in Oil and Fat showed positive results with construction plant in Samara posting the largest positive contribution.

On the corporate side - in terms of corporate development, there were three major developments. First of all, we bought the company called KapitalAgro in Belgorod region, which includes a slaughterhouse. So now we have started to operate two slaughterhouses. At the moment, we have a slaughterhouse in Tambov region and we have slaughterhouse in Belgorod region. KapitalAgro also has three small pig farms with around 3,000 heads per farm,.

We started the new division, which we called Milk Products division. At the moment, we have no own production facilities, but we started to work with a facility, where we can order the production of cheese and butter in Samara region. We have a plan to acquire this asset next year and we plan that our milk product division will become a large division, similar in size to the other four and will contribute to our profits.

Also we acquired 11,000 hectares of land in Tambov region, including the irrigated land through buying the company called Vozrozhdenie.

So this concludes my short overview of third quarter results. And we are ready to answer your questions. Thank you.

Operator: Ladies and gentlemen, if you wish to ask a question at this time, please press star one on your telephone keypad. Please make sure the mute function on your phone is switched off to allow your signal to reach our equipment. If you wish to cancel your request, please press star two. Again, please press star one to ask a question. We will now take our first question from Nikolay Kovalev, VTB. Please go ahead.

Nikolay Kovalev: Yes, good day to everybody. I have a couple of questions. I will ask them one by one. My first question is on the cost base. We already saw quite a sizable increase in prices on a year-on-year comparison. But yet in third quarter, we don't really fully understand your cost base from new harvest. So if you can comment for the next farming year and next couple of quarters, what kind of growth in the cash cost across segments do you anticipate on a year-on-year comparison?

Maxim Basov: Okay, let me start with Meat division. In Meat division, the biggest cost component is the feed cost and the biggest part of feed cost is grain, and the second part after grain is the soya products, the oil and fat products. And the next after feed, we have the labour cost. And after labour cost, the next cost is veterinary cost. So, briefly, if you ask me the question about the cash cost, I will tell you that the cash cost this season will be higher. If last year we had cash cost in between RUB50 and RUB55 per kilogram, which is among the lowest in the world, this year I think the cost will be from RUB60 to probably – to be on a safe side to RUB65.

The grain cost increased significantly, and you can see it in our presentation. But the same is true on reverse side of agricultural business. At the moment, our Meat division purchased almost all necessary grain for next year, which is because we expect the deficit of grain in terms of Russia, which of course will not lead to the overall deficit, as the grain will come from other regions, but overall the grain cost are almost certain at the moment.

Soya and sunflower meal is also more expensive than last year, though not by much, so to be more or less the same. Veterinary costs are higher for two reasons. The main reason is the Russian government significantly limited use of antibiotics in Russia. This is one of the reasons why we also have high losses of pigs, because at the moment, we're adjusting our weighting of instruments to deal with this. But again, overall, I answered question, so we expect an increase in cash cost for pigs from RUB8 to RUB10 per kilogram.

Now in terms of Sugar, the biggest cost in sugar is the cost of sugar beet. The sugar beet is – the price for sugar beet depends upon the price of sugar. So since the price of sugar in the fourth quarter actually will be higher in the last months of the third quarter will be higher, in other words, the sugar beet this season will be higher than the sugar last season. So the price of sugar beet will be also higher.

So also because of lower yields, we have less sugar available. We have less raw material. Therefore, the part of fixed cost in overall cost of sugar will be also higher this year. In other words, we expect higher sugarbeet price compared to last year. It's difficult to say at the

moment, I don't want to give you the numbers which I'm not sure about. We'll know the cost by the end of December when the sugar mills will stop producing the beet sugar.

Then, grain. In grain, the cost will be also higher because we have lower yields. That's the main factor. The second factor is the increase in prices for gasoline. We had some other good developments in terms of cost in terms of productivity, but the increase in gasoline price will be higher than the positive effects in the other factor, so the cost will be higher.

In Oil and Fat, actually the price of raw material this year is different. In sunflowers, we have an extremely positive development of situation in our region, Volga region. So the price of sunflower will not be higher than last year. On the other hand, the price of soya in Far East is quite high, as we see a big demand from Chinese consumers – production companies. So the cost of soya meal and soya oil products will be high.

In other words, almost all costs will be higher. On the other hand, the prices will be even higher, so we expect a good financial result. We believe that the cycle, which went down for the past 2, 2.5 years, is actually, in Russia, going up. So we expect very good results for the coming 12 months.

Nikolay Kovalev: It's very clear. Thank you very much. I have one more question on your CAPEX. I think previously you stated quite high figures, about like RUB25 billion or RUB30 billion, for this year in CAPEX. But so far we see only half of that in nine months. So may be two questions. How much money you believe you will spend in the last quarter? And if the feeling that CAPEX a bit lower than you previously anticipated, does it mean that you have delays on your greenfield projects in next year?

Maxim Basov: We expect this year to invest RUB21 billion to RUB22 billion. That's below expectation, which we had at the beginning of the year. There are two main reasons for that. One reason is that we decreased within CAPEX in Agriculture division as we saw some possibilities for improvement in productivity, as well as we didn't acquire as much land as we planned. So as a result, we significantly decreased CAPEX in Agricultural division. Also, as you know, in the first half of year, we did a lot of restructuring in our Agricultural division. We reassessed many processes. We reassessed many technologies. As a result, CAPEX went down.

In the Meat division, we will not invest as much as we have planned because we have a delay in our big CAPEX programmes. We have three big projects in all regions that we have delay. We have three months delay in our Tambov project, in our Tambov III project. This delay will not lead to the postponement of the production of live animals. In fact, we already supplied the sows to all of the three new farms that we plan to launch and as before, we plan to start production in the second quarter next year.

We have a delay in engineering study for the increase in our slaughterhouse in Tambov and beginning of the consumer production in Tambov, it is also around two, three months. We decided to reassess the market and spend more time on engineering. And we also have delays in our Far East project. Delay, I would say, will be around three to six months, and we still plan to start production in our Far East facilities in 2020.

Nikolay Kovalev: So you mean the sales volumes in 2020. Did I get correctly?

Maxim Basov: I don't remember actually the numbers, but we'll plan to publish our figures, our plans probably in next November. But probably there will be some decrease in production numbers in 2020. So, actually, the facility will start to still produce to 2020, but we expect a decrease in production in 2020, as some of the big farms will start production at later time in 2020.

Nikolay Kovalev: Thank you.

Operator: Ladies and gentlemen, as a final reminder, to ask a question, please press star one. We'll pause for just a moment to allow you an opportunity to signal for question. And we have another question from Alexey Krivoshapko from Prosperity. Please go ahead.

Alexey Krivoshapko: Hello everybody. Maxim, I got a question on last year. Can you share with us your CAPEX plan for 2019 and kind of main parts what that consists of?

Maxim Basov: It's very difficult, frankly speaking, to give you numbers for 2019 because we haven't yet finished our budgeting and also because we are working now on a transaction, on a very big transaction, as you know, with Solnechnye Producty and the CAPEX will depend upon these projects. I will say that if you look at division by division, then we'll have the following situation. In terms of Sugar, we do not plan to have big CAPEX. We are not expanding our sugar facilities, with the only exception by – actually by the end of the next year, we plan to finish the construction of our big project for the desugarization of sugar molasses in Belgorod region. This is probably the biggest project in Sugar division.

Then in Agriculture, we do not plan to acquire much land. The only land, which now we acquired, in fact, is Tambov and Far East region. So I won't expect to have a huge CAPEX in Agricultural division either.

In Meat division, actually we invested most of the money already in our Tambov expansion, but we expect CAPEX to finish slaughterhouse in our Far East project, which probably would mean investing to the Far East more than RUB5 billion. Also, we plan to expand our slaughterhouse in Tambov. We plan to expand our slaughterhouse in Belgorod and we plan to start construction of the production of additional B2C products. Altogether, this probably will mean a figure, I would say, RUB10 billion to RUB12 billion. So Meat division will be the highest in expenditure.

Also we have a project in China, which was not the feasibility study. It's not yet approved by the board. But I won't expect big CAPEX next year. Oil and Fat, at the existing facilities, we do not expect big CAPEX at all. However, this figure might change dramatically if we acquire assets of Solnechnye Producty. But in my view, we will not invest too much next year as we will spend the time on engineering.

So in other words, I wouldn't expect that the next year CAPEX will be higher than CAPEX this year. Okay, with exception of several new projects, which are now under consideration – the projects to invest in cheese and milk production in Far East and the project to invest in pork

production in Samara region. So, as I said, I don't want to guide you at the moment since still there are many uncertain things which we plan to make more certain by the end of the year.

Alexey Krivoshapko: Okay, thanks. It's clear. And maybe two more clarificational questions. I mean, can you talk a little bit about sugar market in terms of how do you see domestic market balance with the current harvest? Will Russia be exporting this year? Or if sold more to the key markets, what kind of realised prices do you think you are achieving now in the export markets?

Maxim Basov: Okay, well, the biggest things in sugar, the following: first of all, the global sugar price increased from USD0.10 to USD0.13. In terms of Russian development, we have the following situation. The biggest uncertainty is the beet sugar production, which we'll know by the end of December. At the moment, we decreased our estimate of production each week. If, at the beginning of the season, we expected the production of 6 million tonnes to 6.2 million tonnes, at the moment, the production is from 5.5 million to 5.7 million.

Both of those numbers, 5.5 million and 5.7 million, are below the demand. We expect that demand actually is growing for sugar, not by much, but slightly growing because of increase in export of confectionary to China. But in any case, we have a deficit. We have the amount of production below amount of consumption. We do have the big sugar inventory from last season, which is carried over to this season. So at the moment, because of lower estimation of production, we have an increase in sugar prices in the domestic market.

At the moment, the domestic sugar prices went up to RUB36.5, including VAT. So this is a big increase compared to the third quarter. And of course we're enjoying high profitability. In my view, the price will not go down because there is no pressure on the price from a supply point of view. In fact, if we see that the Russian production will go down to 5.5 million, we may even expect that the price will go up further.

Also, Russia managed to agree with customunion the evolution of certain subsidies and the Russia agreed with other custom unions countries that Kazakhstan will stop bringing their zero import duty sugar to Kazakhstan. So, at the moment, Kazakhstan is also very dependent upon the customs union and there is a deficit of sugar in Kazakhstan. So in other words, we see a good season with high prices.

The minimum price, which I expect, would be around RUB36 with VAT. So a very good situation on the sugar market today.

Alexey Krivoshapko: Okay. And if you were to export to neighbouring markets, what the price will be]?

Maxim Basov: We can export for sure, but we see no reason why, because at the moment the price – the export parity price judged by the current market price in the world would be at the level of RUB27- RUB28. Maybe even RUB30 depending upon the rouble rate. But the domestic price is higher, so there is no reason to export sugar. So sugar has been exported by very small quantities from the Siberian, probably, and Volga producers, but not from European producers. We will only export if the domestic price will fall.

Alexey Krivoshapko: And do you have some estimates of what kind of inventory is in the system of sugar which is produced but not sold?

Maxim Basov: I would say, yes, we do have a maximum but I would say that the increase of inventory from last season was at the level of 0.5 million tonne approximately, 400,000-500,000 tonnes. So this was an increase, which we can say is an excessive increase compared to last year. But I think that all the sugar is in the hands of very few players on the market.

Alexey Krivoshapko: Okay, that's clear. And can you explain, what were the rational or trends behind the margin improvement in Fats and Oils business?

Maxim Basov: Well, in Oil and Fat, there were several factors. The largest factor of course was the efficient purchasing of sunflower seeds last season. Volga region is the biggest producer of sunflower seeds. In fact, production of sunflower seeds in Volga region is even increasing and we are uniquely positioned to buy world high-quality seeds at very low price, with even better this season, where this season is even more sunflower seeds in Volga region. So we are very well-positioned.

On the second factor also connected to the first factor, that we managed to buy a lot of sunflower seeds and for the full season. So our utilisation of capacity is 100%.

Then in Ekaterinburg, the main factors was improvement of operations. Some optimisation that we did at the last year for the SKUs, decision not to participate in the price competition, so we changed our tactics from volume optimisation to profit optimisation.

Also we started to produce bottled oil in our Samara region. And in fact, now the plant is running at full capacity and reached actually the economic targets, which we originally envisioned. So in Oil and Fat business, we have almost only good news. The only problem was that our Far East plant was not working at full-time because we made a mistake and didn't buy enough raw material at the beginning of the year. But otherwise, I would say that we are doing very well on Oil and Fat division.

Alexey Krivoshapko: Maxim, let me ask if you also give procurement for this next season, which started basically already, because from what I can see even from your own presentation that prices for sunflower seed went up also by approximately 11% year over year. So I understand that you've kind of made some margin on kind of buying cheaper seed last year, but how do you think it would look like for the next 12 months?

Maxim Basov: I think the situation is perfect at the moment because the prices in European part of Russia is very high and our agricultural division's sale in sunflowers is quite high. The reason why it is high because, first of all, the yields are below last year, but also the agricultural producers benefited from high prices of grain and high prices of sugar beet. So they already sold this product and received a lot of cash. And since they saw a lot of cash, they are not in a hurry to sell soya and sunflower seeds, so they are not selling it. That's why the European producers, the European Russian producers are actually paying quite high price.

On the other hand, in Volga region, we had very bad harvest for grains and the local farmers could not receive high revenue from grains. But on the other hand, they have very big harvest on sunflower seeds. Unlike companies in Central Russia, they are selling the sunflower seeds. At the moment, we already bought, well, 400,000 tonnes of sunflower seeds, which covers fully, in fact, our needs on a season at a very low price. So this will be probably next season will be the best sunflower – the best season in our Oil and Fat division ever.

Alexey Krivoshapko: Okay, that's clear. Thank you.

Operator: Thank you. And as there are no further questions in the queue, I would like to turn the call back to Maxim Basov for any additional or closing remarks. Apologies, we have another pop-up question from Elena Jouronova of JP Morgan. Please go ahead.

Elena Jouronova: Yes, hi. Good day. I wanted to ask about the transaction with Solnechnye Producty purchase. If I missed this in your presentation earlier, but can you please remind us what are the transaction terms, the price of the asset, and how are you going to finance this acquisition?

Maxim Basov: Well, there is a good reason why we didn't publish any detailed information on this transaction because this transaction is not yet done. What was done was that we signed an option agreement to buy 85% of this company. The reason why we didn't buy this company yet because the value of this asset is uncertain at the moment and is not positive. This company has more than RUB40 billion of debt, which is too high even for such a big company. And at the moment, we're working with the creditors to restructure the debt. And only after we restructure the debt, the equity value of the company would become positive.

The second problem is there are issues about the accounts of this company and we do not trust the quality of the accounts. So probably, it will be not a good idea to consolidate the company in a way it is now. So the strategy of Rusagro is to restructure the debt and then restructure the assets themselves, and then buy these assets one by one, similarly to the way we did the transaction with Razgulay. So this will be very similar in format. Probably we'll buy the debt of the company and then we'll be restructuring the company, taking assets which we like, most of the assets are also probably very good. This is very high quality assets, some of them and some of them are not. So this will be a long process.

We will finance this transaction with debt. And we already agreed with one of the banks to finance it. Now, if we do this transaction and if we decide to go ahead with other potential acquisitions, which we now considering as well as investment projects, then possibly we'll test the market for an SPO some time probably next year or year after next year. But this is only, of course, if we see that the company needs capital.

What is happening at the moment, I want to add to what was said before, is that as you see, we expect high price environment and we expect good results. Grain prices are high. Sugar prices are high and might become even higher. And meat prices are also very high. The main reason for high meat prices is the high chicken prices, which in fact are high because there are problems, production problems in some big producers and there is a decrease in supply in Russia. But because of high chicken price, we also have high pork prices at the moment.

So the strategy, the commercial strategy of our divisions at the moment in fact is not so much because we expect increase in prices but to buy a lot of raw material. As a result, we have large investments in our working capital, which is ongoing. As I said, we already have 400,000 tonnes of sunflower seeds. We will probably have around 0.5 million tonnes of sugar by the end of the year. We will have a lot of grains still not sold. So the company is investing and – taking credits and investing a lot of money in the goods which we have and this will guarantee our high profits for the next seasons.

So again, as a result of that, we will consider the SPO sometime next year. We will be meeting with investors at VTB November conference. We are having an Analyst Day in November. And also, next spring we plan to make big road show, which we will test the market to see the potential for the SPO in which we plan to have sometime in the coming two years.

Elena Jouronova: Okay, thank you very much.

Operator: Thank you. There are currently no further questions in the queue. Pardon me, we have another pop-up question from Iryna Tarko of Montpelier Asset Management. Please go ahead.

Iryna Tarko: Good afternoon. Thanks very much for taking my questions. Many of them have already answered. Just have a few please. With regards to pork prices, this year there have been quite high and obviously they were supported, especially by ban on frozen import from Brazil. And currently the prices are higher because of the costing going up. And you did mention that you also expect higher prices next year. Could you please remind, what is the situation with this ban? Is it going to be removed, and if this happens, do you think it's going to have some pressure on prices?

Maxim Basov: Iryna, there are many things which are happening in meat division in terms of prices. I would slightly correct your assumptions. The prices are high not because of the higher cost. In fact, prices have not anything to do with the cost but the price, as we know, is a function of demand and supply. You're absolutely right that one of the reason why at the beginning, several months ago, the prices for pork started to grow significantly was the ban on the import of Brazilian meat because of ractopamine found in Brazilian meat.

At the moment, the Brazilian ban is clear. So Brazil can – actually, already, it happened last week, Brazil can start exporting to Russia. And we expect that there will be an increase of export to Russia from Brazil. And of course, it takes some time, a couple of months when the ships are ready to go.

But there are some other factors that actually make the prices for pork quite high, and it will take some time before Brazil can come to market and decrease the prices. What are these factors? First of all, as I said, the main meat in Russia today is chicken. And because several companies decreased the production of chicken in Russia, we came to a situation where there is a deficit of chicken. The chicken prices went up 20% in the coming several weeks. And at the moment, we see that meat processors are starting to buy pork first time in many years because the chicken meat is much more expensive.

Some of the facilities that decrease the production of chicken are not going to produce chicken any more, because these companies are bankrupt and slowly there is a decaying process, especially in Russia, because of stealing of equipment which is making facilities non-operational. And this will not be reversed.

On the other hand, Billorussia was opened for Chinese export of pork. And though Russia not open, Billorussia is open. And we see a start of export of carcasses to Belorussia, which are then processed into cuts and send to China, which actually also provides some support for the prices for pork in Russia. So the price on top actually in the fourth quarter for pork, I expect that they will eventually to go down but I do not expect that this will happen earlier than the second half of the year. So I expect that in the coming eight months, we will enjoy very good high prices for pork prices.

Iryna Tarko: All right, clear. Thanks very much. Another question I have is regards to your P&L. You have this line, other operating expenses, and in this quarter, they've increased quite a lot. And obviously it's not the forex losses because you have, I think, another line, which is something like other financial loss or something. Could you just elaborate what is this about?

Maxim Basov: We have two types of net gain or net loss on revaluation of biological assets. The figure of net gain on revaluation of biological assets on agricultural produce is RUB5 billion. This is net gain on the new harvest. The figure that we have of minus RUB1.8 billion operating income expense, this is a result of revaluation of the old harvest.

Iryna Tarko: Just a couple of more questions. You mentioned today this cheese and butter production and that you contracted this production with the third party. Could you maybe elaborate a little bit more what company is it and what agreement do you have? And actually what – because you also mentioned that you might be considering buying this asset next year.

Maxim Basov: First of all, we decided, at the board level, to start investing in cheese and milk production for the Russian market, for Chinese market and also possibly Japanese market. We believe that this industry, because of lack of consolidation growth, high dependence on import and Russian conditions, it is a good industry to invest in. And we believe we'll be able to build a big business and we plan to become one of the biggest producer in Russia.

At the moment, the strategy is to focus in two areas; areas of European part of Russia, where we plan to build our business based on the facilities of the company, Alev, which is now under bankruptcy. The company, had two facilities, one in Samara region and another one is in Ulyanovsk region. So all these facilities now is, as I said, under bankruptcy. We acquired the bank debt of one of this facility called Koshkinskiy and we started, while it's in the bankruptcy, to work with this.

When the bankruptcy procedure will be over next year, we plan to buy one or two plants of the company Alev. And on the basis of the company, Alev, we plan to build our production and

business in European part of Russia. The main products would be their cheese, their butter and spreads, as well as whey, that's a functional product, which is produced from milk.

On the other hand, we're now doing a feasibility study for the similar production in Primorskiy region, which will be coupled together with dairy production, because in Far East of Russia there is not enough milk. So at the moment, we are doing a feasibility study and negotiating with the government for the subsidies and credit resources.

If we are successful, we'll have the biggest production of cheese – one of the biggest in Russia with the two production facilities in Russia in Volga region and in the far east of Russia.

Iryna Tarko: Maxim, I read in the Russian press that, I think, one Asian fund – I'm not sure if I'm correct, the name I think Asian Generation Fund – that they were planning to invest up to RUB600 million in ROS AGRO to be build some daily capacity and expand pork production. Can you confirm if it's true or not?

Maxim Basov: Well, I can confirm that there are many companies that are now negotiating with us to participate in our projects, and our board is actually open to discuss participation of investors in milk production in Far East and pork production in China. But this is one of the possible investors. They just made a press release but no definitive agreements are yet signed and no obligations exist at this moment. Many investors – China is also growing as an importer of cheese and milk. In fact, Russia will start supplying China with chicken and their dairy products in the coming months. An agreement to do that was signed last week in Shanghai by our prime ministers. So there is a huge interest from most Chinese companies in Russian agriculture, especially in Russian agriculture in Far East.

On the other hand, you may know that there are massive loss of pigs in China because of African flu disease, and the Chinese authorities are interested in increasing production of pork in China, in a very safe way, in big, modern and secured pig farms. And they actually once asked official help of Russian government to see how they can decrease the influence of this disease on the pork population of China.

So in this respect, there is also big support, which we now start to receive from Chinese authorities, to advance our project for the pork production in China. We are not, of course, in a hurry because China is a difficult country and a new country for us. So it will take time until we agree to start investment. At the moment, we're doing a lot of feasibility studies, a lot of legal studies and probably we'll come to the market with this probably in the middle of next year.

Iryna Tarko: All right, great. Thanks very much for all your answers. Much appreciate.

Operator: Thank you. And we will pause for just a moment for a final question. As there are no further questions in the queue, that will conclude today's question and answer session. And now I would like to turn the call back to Maxim Basov for any additional or closing remarks. Over to you, Maxim.

Maxim Basov: Well, ladies and gentlemen, thank you very much. As you see, the cycle is moving in the right direction for our company. For several years, as we had factors that were not moving in our

direction. At the moment, everything, the trade war with China, the depreciation of Russian rouble, higher prices on the market are all good. So we expect very good results in the coming years and we appreciate your patience all those years. And we are looking forward to meet you in person and to meet with analysts to share our new strategy, which we are currently working with it.

If we're able to buy Solnechnye Producty, then to also transform the company. We'll change our strategy. And we're very excited about this and looking forward to meet you. Thank you very much.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.