



19 August 2019

ROS AGRO financial results for 1H 2019 and Q2 2019

19 August 2019 – 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 2019.

1H 2019 Highlights

- Sales amounted to RR 73,548 million (US\$ 1,129 million¹), an increase of RR 40,733 million compared to 1H 2018;
- Adjusted EBITDA² amounted to RR 8,809 million (US\$ 135 million), an increase of RR 3,038 million compared to 1H 2018;
- Adjusted EBITDA margin dropped from 18% in 1H 2018 to 12% in 1H 2019;
- Net profit for the period amounted to RR 3,336 million (US\$ 51 million);
- Net debt position³ as of 30 June 2019 amounted to RR 44,197 million (US\$ 701 million);
- Net Debt/ Adjusted EBITDA (LTM⁴) as of 30 June 2019 was 2.30x.

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

“Q2 2019 showed good results as sales and adjusted EBITDA of the Group continued to improve. Agriculture segment benefited from high sales prices partly caused by an increase in export sales leading to adjusted EBITDA margin growth. Meanwhile, Meat, Sugar and Oil & Fats segments showed strong sales results, but experienced margins drop. Meat segment was negatively influenced by increase in livestock pigs cost due to feed cost growth. Sugar segment faced EBITDA margin decrease due to high sugar prices during 2018 production season and, as result high sugar beet cost, and decrease in sugar prices in Q2 2019 due to market expectations related to overproduction. Oil & Fats segment sales were triggered by the growth of SolPro products sales related to tolling agreement with SolPro plants. However, the margin of this segment dropped due to the lack of EBITDA from SolPro assets on Ros Agro balance, which is compensated through interest income below EBITDA. All the SolPro plants have been rented by Ros Agro starting from 01.07.2019 and EBITDA margin is expected to rise in 2H 2019.”

Key consolidated financial performance indicators

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sales	73,548	32,815	40,733	124	41,381	17,547	23,834	136
Gross profit	11,141	8,080	3,061	38	6,124	5,125	999	19
<i>Gross margin, %</i>	<i>15%</i>	<i>25%</i>	<i>-10%</i>		<i>15%</i>	<i>29%</i>	<i>-14%</i>	
Adjusted EBITDA	8,809	5,772	3,037	53	4,715	4,057	658	16
<i>Adjusted EBITDA margin, %</i>	<i>12%</i>	<i>18%</i>	<i>-6%</i>		<i>11%</i>	<i>23%</i>	<i>-12%</i>	
Net profit for the period	3,336	2,338	998	43	1,689	2,129	(440)	(21)
<i>Net profit margin %</i>	<i>5%</i>	<i>7%</i>	<i>-2%</i>		<i>4%</i>	<i>12%</i>	<i>-8%</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 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sales, incl.	73,548	32,815	40,733	124	41,381	17,547	23,834	136
<i>Sugar</i>	15,674	10,671	5,004	47	11,149	5,458	5,691	104
<i>Meat</i>	11,171	9,417	1,754	19	5,983	5,091	892	18
<i>Agriculture</i>	9,334	3,212	6,122	191	3,779	1,745	2,034	117
<i>Oil and Fat</i>	36,337	10,029	26,308	262	19,408	5,551	13,857	250
<i>Milk products</i>	1,830	-	1,830	-	969	-	969	-
<i>Other</i>	1,276	114	1,162	1,019	830	39	791	2,028
<i>Eliminations</i>	(2,075)	(628)	(1,447)	(231)	(738)	(336)	(402)	(120)
Gross profit, incl.	11,141	8,080	3,061	38	6,124	5,125	999	19
<i>Sugar</i>	3,204	3,110	94	3	1,769	1,983	(214)	(11)
<i>Meat</i>	1,986	2,444	(458)	(19)	1,691	1,478	213	14
<i>Agriculture</i>	1,309	510	799	157	497	391	106	27
<i>Oil and Fat</i>	4,056	2,332	1,724	74	2,258	1,312	946	72
<i>Milk products</i>	151	-	151	-	98	-	98	-
<i>Other</i>	130	21	109	519	90	13	77	592
<i>Eliminations</i>	305	(338)	643	190	(280)	(52)	(228)	(438)
Adjusted EBITDA,	8,809	5,772	3,037	53	4,715	4,057	658	16
<i>Sugar</i>	2,377	2,320	57	2	1,260	1,651	(391)	(24)
<i>Meat</i>	2,594	2,844	(250)	(9)	1,757	1,702	55	3
<i>Agriculture</i>	2,771	216	2,555	1,183	1,320	152	1,168	768
<i>Oil and Fat</i>	578	1,080	(502)	(46)	265	687	(422)	(61)
<i>Milk products</i>	(3)	-	(3)	-	8	-	8	-
<i>Other</i>	(802)	(477)	(325)	(68)	(184)	(234)	50	21
<i>Eliminations</i>	1,293	(211)	1,504	713	288	98	190	194
Adjusted EBITDA margin, %	12%	18%	-6%	(32)	11%	23%	-12%	(51)
<i>Sugar</i>	15%	22%	-7%	(30)	11%	30%	-19%	(63)
<i>Meat</i>	23%	30%	-7%	(23)	29%	33%	-4%	(12)
<i>Agriculture</i>	30%	7%	23%	342	35%	9%	26%	300
<i>Oil and Fat</i>	2%	11%	-9%	0	1%	12%	-11%	0%
<i>Milk products</i>	0%	0%	0%	-	1%	0%	1%	-

Sugar Segment

The financial results of the sugar segment for 1H 2019 and Q2 2019 compared to 1H 2018 and Q2 2018 respectively are presented in the table below:

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sales	15,674	10,671	5,004	47	11,149	5,458	5,691	104
Cost of sales	(12,464)	(7,565)	(4,899)	(65)	(9,378)	(3,480)	(5,898)	(169)
Net gain/ (loss) from trading derivatives	(6)	5	(10)	-	(3)	6	(8)	-
Gross profit	3,204	3,110	94	3	1,769	1,983	(214)	(11)
<i>Gross profit margin</i>	<i>20%</i>	<i>29%</i>	<i>-9%</i>		<i>16%</i>	<i>36%</i>	<i>-20%</i>	
Distribution and selling expenses	(1,111)	(1,090)	(21)	(2)	(651)	(433)	(218)	(50)
General and administrative expenses	(723)	(806)	83	10	(358)	(387)	29	8
Other operating income/ (expenses), net	315	47	268	570	363	36	327	911
Operating profit	1,685	1,261	424	34	1,123	1,198	(76)	(6)
Adjusted EBITDA	2,377	2,320	57	2	1,260	1,651	(391)	(24)
<i>Adjusted EBITDA margin</i>	<i>15%</i>	<i>22%</i>	<i>-7%</i>		<i>11%</i>	<i>30%</i>	<i>-19%</i>	

Higher stock has been accumulated by the end of 2018 (650 ths tn vs normal 450 ths tn) in view of expected prices growth in 1H 2019. *Sugar sales revenue* increased by RR 4,790 million due to sales volume increase by 127 ths tn (+116%). By-products sales revenue increased by RR 258 million due to beet pulp and molasses selling prices increase.

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 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sugar production volume (in thousand tons)	24	26	(2)	(7)	7	17	(10)	(60)
Sales volume (in thousand tons)	453	326	127	39	348	161	187	(117)
Average sales price (roubles per kg, excl. VAT)	31.8	29.4	2.4	8	30.3	31.0	(0.7)	(2)

EBITDA margin decrease was caused by sugar beet purchase prices growth by 39% (due to high sugar price during production season Aug'18 – Dec'18) and selling prices drop in Jan'19-Jun'19 due to market expectations of sugar overproduction in Russia.

Meat Segment

The financial results of the meat segment for 1H 2019 and Q2 2019 compared to 1H 2018 and Q2 2018 respectively are presented in the table below:

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sales	11,171	9,417	1,754	19	5,983	5,091	892	18
Net gain/ (loss) on revaluation of biological assets and agricultural produce	(256)	(88)	(168)	(192)	103	(61)	164	-
Cost of sales	(8,930)	(6,886)	(2,044)	(30)	(4,395)	(3,552)	(843)	(24)
Gross profit	1,986	2,444	(458)	(19)	1,691	1,478	213	14
<i>Gross profit margin</i>	<i>18%</i>	<i>26%</i>	<i>-8%</i>		<i>34%</i>	<i>29%</i>	<i>5%</i>	
<i>Gross profit excl. effect of biological assets revaluation</i>	2,241	2,531	(290)	(11)	1,958	1,539	419	27
<i>Adjusted gross profit margin</i>	<i>20%</i>	<i>27%</i>	<i>-7%</i>	-	<i>33%</i>	<i>30%</i>	<i>3%</i>	-
Distribution and selling expenses	(367)	(276)	(91)	(33)	(210)	(164)	(46)	(28)
General and administrative expenses	(577)	(470)	(107)	(23)	(212)	(258)	46	18
Other operating income/ (expenses), net incl. reimbursement of operating costs (government grants)	140	102	38	37	125	69	56	82
	2	-	2	-	2	-	2	-
Operating profit	1,182	1,800	(618)	(34)	1,394	1,125	270	24
Adjusted EBITDA	2,594	2,844	(250)	(9)	1,757	1,702	55	3
<i>Adjusted EBITDA margin</i>	<i>23%</i>	<i>30%</i>	<i>-7%</i>	-	<i>29%</i>	<i>33%</i>	<i>-4%</i>	-

Sales in the meat segment increased by 19% in 1H 2019 and by 18% in Q2 2019 compared to the respective periods of prior year because of increase in sales prices and volumes of processed pork mainly due to CapitalAgro acquisition. Sales increase was partly offset by decrease in selling prices and volumes of livestock pigs as only culled pigs have been sold in 2019.

Cost of sales increased by 30% due to growth in feed cost in 1H 2019 and higher volumes of livestock pigs transfer to meat processing. Swine foot and mouth disease in Primorie in Q1 2019 resulted in additional loss of RR 136 million, which has been partly compensated by insurance income (recognized in Other operating income).

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 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sales volume (in thousand tonnes), incl.	85	78	7	9	45	39	6	15
livestock pigs	8	14	(6)	(38)	4	7	(3)	(43)
processed pork	78	64	14	22	41	32	9	28
Average sale prices (roubles per kg, excl. VAT):								
livestock pigs	73.2	82.9	(9.7)	(12)	76.1	86.0	(9.9)	(12)
processed pork	134.8	129.3	5.5	4	136.4	136.3	0.1	0

Net loss on revaluation of biological assets and agricultural produce in 1H 2019 resulted mainly from a decrease in market prices for livestock pigs during the period and a respective decrease in fair value of livestock in the closing balance compared to the beginning of the year.

An increase in *Distribution and selling expenses* in 1H 2019 and Q2 2019 compared to prior year periods included an increase in transportation costs as a result of higher sales volume of processed pork, an increase in payroll costs related to CapitalAgro acquisition.

An increase in *General and administrative expenses* in 1H 2019 compared to prior year period related to cost of farms in construction.

Agricultural Segment

As at 30 June 2019 the segment's area of controlled land stands at 648 thousand hectares (30 June 2018: 687 thousand hectares). Land bank was reduced as the result of disposal of non-arable land. The financial results of the agricultural segment for 1H 2019 and Q2 2019 compared to 1H 2018 and Q2 2018 are presented below:

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sales	9,334	3,212	6,122	191	3,779	1,745	2,034	117
Net gain/ (loss) on revaluation of biological assets and agricultural produce	(2,795)	(618)	(2,177)	(352)	(1,392)	(337)	(1,055)	(313)
Cost of sales	(5,230)	(2,083)	(3,146)	(151)	(1,890)	(1,016)	(873)	(86)
Net gain/ (loss) from trading derivatives	-	-	-	-	-	-	-	-
Gross profit	1,309	510	799	157	497	391	106	27
<i>Gross profit margin</i>	<i>14%</i>	<i>16%</i>	<i>-2%</i>		<i>13%</i>	<i>22%</i>	<i>-9%</i>	
<i>Gross profit excl. effect of biological assets and agricultural produce revaluation</i>	4,104	1,129	2,975	264	1,889	729	1,160	159
<i>Adjusted gross profit margin</i>	<i>44%</i>	<i>35%</i>	<i>9%</i>		<i>50%</i>	<i>42%</i>	<i>8%</i>	
Distribution and selling expenses	(1,592)	(643)	(949)	(148)	(700)	(434)	(266)	(61)
General and administrative expenses	(591)	(611)	19	3	(319)	(319)	1	0

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Other operating income/ (expenses), net	(108)	(68)	(40)	(59)	(70)	(52)	(17)	(33)
<i>incl. reimbursement of operating costs (government grants)</i>	72	60	12	19	36	33	3	10
Operating profit	(982)	(811)	(171)	(21)	(591)	(414)	(177)	(43)
Adjusted EBITDA	2,771	216	2,555	1,183	1,320	152	1,168	768
<i>Adjusted EBITDA margin</i>	<i>30%</i>	<i>7%</i>	<i>23%</i>		<i>35%</i>	<i>9%</i>	<i>26%</i>	

Sales increased due to increase both in selling volumes and prices (except for sunflower and soy). Higher crops sales volumes were affected by the management decision to transfer sales from the end of 2018 to Q1 2019 mainly due to expected increase in selling prices.

Sales volumes by product were as follows:

Thousand tonnes	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
sugar beet	-	2	(2)	(100)	-	-	-	-
wheat	262	113	149	131	83	74	9	11
barley	121	79	42	52	72	47	25	52
corn	125	76	49	64	40	34	6	16
sunflower seeds	8	3	5	182	8	1	7	682
soy	130	31	99	324	91	14	77	572

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

RR per kilogram, excl. VAT	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
sugar beet	-	1.0	(1.0)	-	-	-	-	-
wheat	12.8	7.2	5.6	79	12.9	7.6	5.3	70
barley	11.2	7.3	3.9	54	11.0	7.8	3.2	41
corn	12.1	9.5	2.6	28	12.6	9.5	3.1	32
sunflower seeds	18.8	18.5	0.3	2	18.8	18.8	-	-
soy	20.3	21.8	(1.5)	(7)	19.2	23.8	(4.6)	(19)

Net loss on revaluation of biological assets and agricultural produce in 1H and Q2 2019 and 2018 figures represents the realisation of gain from crops revaluation, recognised in the previous year financial statements and remained unrealised as at the year-end.

In IFRS financial statements of 2018 the Group recognised gain from all crops, harvested in 2018, including crops in stock at the year-end. Consequently, the crops in stock as at 31 December 2018 were measured at market prices prevailing at the time of harvest. In IFRS financial statements of 2019, 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 increased by RR 949 million in 1H 2019 (Q2 2019: RR 266 million) against 2018 as a result of higher sales volumes and crops held in stock for a longer period of time (according to changes in the timing of sales), which increased storage costs.

Other operating expenses, net include expenses from lost harvest write-off, which are higher by RR 81 million in 1H 2019 vs 2018 (Q2 2019: RR 83 million), loss from disposal of property, plant and equipment, and loss from sales of other services and materials higher by RR 47 million in 1H 2019 vs 2018. Further, an operating foreign exchange loss turned into gain in 1H 2019 resulting an increase by RR 60 million (Q2 2019: RR 5 million).

Oil and Fat segment

The financial results of the oil and fat segment for 1H 2019 and Q2 2019 as compared to 1H 2018 and Q2 2018 respectively are presented in the table below:

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sales	36,337	10,029	26,308	262	19,408	5,551	13,857	250
Cost of sales	(32,281)	(7,696)	(24,585)	(319)	(17,150)	(4,239)	(12,911)	(305)
Gross profit	4,056	2,332	1,724	74	2,258	1,312	946	72
<i>Gross profit margin</i>	<i>11%</i>	<i>23%</i>	<i>-12%</i>		<i>12%</i>	<i>24%</i>	<i>-12%</i>	
Distribution and selling expenses	(3,028)	(1,110)	(1,918)	(173)	(1,721)	(554)	(1,167)	(211)
General and administrative expenses	(741)	(385)	(356)	(93)	(421)	(192)	(229)	(119)
Other operating income/ (expenses), net	(209)	(26)	(183)	(703)	(191)	(41)	(150)	(369)
Operating profit/ (loss)	77	811	(734)	(90)	(75)	526	(601)	-
Adjusted EBITDA	578	1,080	(502)	(46)	265	687	(422)	(61)
<i>Adjusted EBITDA margin</i>	<i>2%</i>	<i>11%</i>	<i>-9%</i>		<i>1%</i>	<i>12%</i>	<i>-11%</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	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sales, incl.	36,337	10,029	26,30	262	19,408	5,551	13 857	250
<i>Samara oil plant</i>	22,051	5,314	16,73	315	11,554	3,107	8,447	272
<i>Ekat. fat plant</i>	20,792	3,855	16,93	439	11,436	2,170	9,266	427
<i>Far East</i>	1,706	2,062	(356)	(17)	854	1,152	(298)	(26)
<i>Eliminations(*)</i>	(8,212)	(1,202)	(7,010)	(583)	(4,436)	(878)	(3 558)	(405)
Gross profit, incl.	4,056	2,332	1,724	74	2,258	1,312	946	72
<i>Samara oil plant</i>	1,853	1,023	830	81	1,015	624	391	63
<i>Ekat. fat plant</i>	2,164	1,047	1,117	107	1,248	537	711	133
<i>Far East</i>	35	347	(312)	(90)	(8)	211	(219)	-
<i>Eliminations(*)</i>	3	(85)	88	-	4	(59)	63	-
Adjusted EBITDA, incl.	578	1,080	(502)	(46)	265	687	(422)	(61)
<i>Samara oil plant</i>	353	556	(203)	(37)	152	390	(238)	(61)
<i>Ekat. fat plant</i>	257	351	(94)	(27)	147	187	(40)	(22)
<i>Far East</i>	(48)	193	(241)	-	(42)	133	(175)	-
<i>Eliminations(*)</i>	16	(20)	36	-	8	(24)	32	-
Adjusted EBITDA	2%	11%	-9%	-	1%	12%	-11%	-
<i>Samara oil plant</i>	2%	10%	-8%	-	1%	13%	-12%	-
<i>Ekat. fat plant</i>	1%	9%	-8%	-	1%	9%	-8%	-
<i>Far East</i>	-3%	9%	-12%	-	-5%	12%	-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 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
mayonnaise	63	20	43	206	37	11	26	243
margarine	20	14	6	47	10	6	4	70
bottled oil	72	25	47	189	36	16	20	122
industrial fats	106	4	102	2932	62	3	59	2360
bulk oil	317	74	243	330	169	38	131	344
meal	334	133	201	152	168	67	101	149

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

RR per kilogram, excl. VAT	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
mayonnaise	79.9	80.6	(0.7)	(1)	80.2	81.5	(1.3)	(2)
margarine	81.0	79.5	1.5	2	80.7	82.3	(1.6)	(2)
bottled oil	52.5	53.9	(1.4)	(3)	52.7	54.0	(1.3)	(2)
industrial fats	50.0	48.8	1.2	2	48.9	48.2	0.7	1
bulk oil	44.0	43.2	0.8	2	44.4	45.2	(0.8)	(2)
meal	15.1	18.1	(3)	(16)	14.1	20.6	(6.5)	(31)

Sales increased due to tolling scheme with SolPro assets. At the same time EBITDA margin decreased to 2% in 1H 2019 as all sales have been transferred to Rusagro, while profit remains on SolPro entities and has been further withdrawn through interest income reflected in Other segment below EBITDA. Starting from July 2019 all the SolPro plants are rented by Rusagro and margin will be reflected in Rusagro EBITDA. Selling prices for meal decreased due to lower prices in sunflower and soy sector.

Increase in *Distribution and selling expenses* by RR 1,918 million in 1H 2019 and by RR 1,167 million in Q2 2019 compared to the prior period is mainly attributed to higher transportation and loading services expenses related to an increase in sales volume in Oil and Fat segment. Increase by RR 211 million was related to SolPro personnel added to EZhK.

Increase in *General and administrative expenses* by RR 356 million in 1H 2019 and by RR 229 million in Q2 2019 compared to the prior period is attributed to higher number of employees in administrative function in Oil and Fat segment. Increase by RR 183 million was related to SolPro personnel added to EZhK.

Increase in *Other operating expenses* by RR 183 million in 1H 2019 and by RR 150 million in Q2 2019 was mainly due to write-off of RR 175 million as result of sunflower technological losses.

Milk Products Segment

The financial results of the Milk Products segment for 1H 2019 and Q2 2019 as compared to 1H 2018 and Q2 2018 respectively are presented in the table below:

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Sales	1,830	-	1,830	-	969	-	969	-
Cost of sales	(1,679)	-	(1,679)	-	(871)	-	(871)	-
Gross profit	151	-	151	-	98	-	98	-
<i>Gross profit margin</i>	<i>8%</i>	-	<i>8%</i>	-	<i>10%</i>	-	<i>10%</i>	-
Distribution and selling expenses	(109)	-	(109)	-	(66)	-	(66)	-
General and administrative expenses	(46)	-	(46)	-	(24)	-	(24)	-
Other operating income/ (expenses), net	13	-	13	-	-	-	-	-
Operating profit	9	-	9	-	8	-	8	-
Adjusted EBITDA	(3)	-	(3)	-	8	-	8	-
<i>Adjusted EBITDA margin</i>	<i>0%</i>	-	<i>0%</i>	-	<i>1%</i>	-	<i>1%</i>	-

Group is now focusing on entering the retail chains with a consumer product, developing brands and increasing sales profitability.

Sales volumes by product were as follows:

Thousand tonnes	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
cheese	2	-	2	-	1,1	-	1,1	-
cheese product	2	-	2	-	0,9	-	0,9	-
butter	1	-	1	-	0,4	-	0,4	-
spread	0	-	0	-	0,1	-	0,1	-
dry mixes	7	-	7	-	3,9	-	3,9	-

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

RR per kilogram, excl. VAT	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
mixes dry	79	-	79	-	81.2	-	81.2	-
cheese	282.2	-	282.2	-	288.9	-	288.9	-
cheese product	176.6	-	76.6	-	173.3	-	173.3	-
butter	335.7	-	335.7	-	365	-	365	-
spread	97.9	-	97.9	-	91.6	-	91.6	-
dry mixes	79	-	79	-	81.2	-	81.2	-

Key consolidated cash flow indicators (not IFRS presentation*)

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

in million Roubles	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Net cash from operating activities,	18,624	7,306	11,318	155	14,710	193	14,517	7,515
<i>Operating cash flow before working capital changes</i>	9,604	6,543	3,062	47	7,484	3,505	3,979	114
<i>Working capital changes</i>	9,109	993	8,117	818	7,223	(3,239)	10,462	-
Net cash from investing activities,	(6,108)	(7,939)	1,830	23	(2,979)	(5,088)	2,109	41
<i>Purchases of property, plant and equipment and inventories intended for construction</i>	(6,405)	(7,882)	1,477	19	(3,306)	(4,981)	1,675	34
Net cash from financing activities	(11,452)	(1,749)	(9,703)	(555)	(7,285)	(8,239)	(954)	(12)
Net effect of exchange rate changes on cash and cash equivalents	(114)	63	(177)	-	(113)	160	(272)	-
Net increase/ (decrease) in cash and cash equivalents	949	(2,318)	3,268	-	4,333	(12,974)	17,307	-

(*) See Appendix 4

The main investments in property, plant and equipment and inventories intended for construction in H1 2019 were made in the Meat segment in the amount of RR 3,677 million (H1 2018: RR 5,267 million), related to the construction project in the Tambov and Far East regions. Significant investments were also made in Sugar segment in the amount of RR 1,672 million (H1 2018: RR 1,222 million) for construction of second desugarisation line. Investments in the Oil and Fat segment amounted to RR 100 million (H1 2018: RR 623 million) and in the Agriculture segment amounted to RR 838 million (H1 2018: RR 750 million), related to purchases of machinery and equipment.

Debt position and liquidity management

in RR million	30 June 2019	31 December 2018	Variance	
			Units	%
Gross debt	80,952	95,102	(14,150)	(15)
<i>Short-term borrowings</i>	17,268	32,514	(15,246)	(47)
<i>Long-term borrowings</i>	63,684	62,588	1,096	2
Cash and cash equivalents, bank deposits and bonds	(36,755)	(40,759)	4,004	10
<i>Short-term cash, deposits and bonds</i>	(2,885)	(4,543)	1,658	37
<i>Long-term cash, deposits and bonds</i>	(33,870)	(36,216)	2,346	6
Net debt	44,197	54,342	(10,145)	(19)
<i>Short-term borrowings, net</i>	14,384	27,971	(13,587)	(49)
<i>Long-term borrowings, net</i>	29,813	26,371	3,442	13
Adjusted EBITDA (LTM⁴)	19,216	16,179	3,037	19
Net debt/ Adjusted EBITDA (LTM)	2.30	3.36	(1.1)	

Net finance income/ (expense)

in RR million	Six months ended		Variance		Three months ended		Variance	
	30 June 2019	30 June 2018	Units	%	30 June 2019	30 June 2018	Units	%
Net interest expense	(2,718)	(1,079)	(1,639)	(152)	(1,142)	(397)	(745)	(188)
<i>Gross interest expense</i>	(3,336)	(1,589)	(1,747)	(110)	(1,517)	(763)	(753)	(99)
<i>Reimbursement of interest expense</i>	618	510	108	21	375	366	8	2
Interest income	3,988	1,815	2,173	120	993	873	119	14
Net gain/ (loss) from bonds held for trading	(23)	(8)	(15)	(183)	(19)	(39)	20	52
Other financial income, net	384	(81)	465	-	352	(83)	436	-
<i>Net foreign exchange gain/ (loss)</i>	10	(102)	113	-	68	(82)	150	-
<i>Other financial income / (expenses), net</i>	374	21	353	1 671	284	(1)	286	-
Total net finance income/ (expenses)	1,631	647	985	152	184	353	(169)	(48)

In Q2 2019 the Group continued to enjoy benefits from the state agriculture subsidies programme. In addition, in 2019 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 2019 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.

Net finance income in 1H 2018 in the sum of RR 647 million increased to net finance income in amount of RR 1,631 million in the 1H 2019 as a result of accrual of interest on rights to claims SolPro entities and an increase in other financial income due to revaluation effect of rights to claims SolPro entities.

(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 is one of the leading Russian sugar producers (№3 with 13% share in sugar production in Russia and №1 with 47% share of cubed sugar market), producing sugar from sugar beet at nine production sites in four regions. Group produces white and brown cube sugar and packaged sugar sold under the brands Russkii Sakhar, Chaikofsky, Mon Cafe and Brauni. Sugar segment is vertically integrated and sugar beet is supplied by Rusagro's Agriculture segment, which ensures a consistent supply of raw material. Sugar segment also operates a cereal plant and sell buckwheat and rice under the brand Tyoplye Traditsii.

Meat:

Rusagro is the third largest pork producer in Russia with 5% share of pork produced in Russia. It operates 18 commercial pork complexes with correspondence to high biosecurity standards, has own compound feed production, slaughterhouses and meat processing plants in Tambov and Belgorod Regions. Since 2016 Rusagro sells retail products under its own brand Slovo Myasnika (Butcher's word).

Agricultural:

The Group currently controls one of the largest land banks among Russian agriculture producers, with 648 thousand hectares of land under control located in the highly fertile Black Earth region of Russia (in the Belgorod, Tambov, Voronezh, Kursk and Orel regions) 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 producers in Russia, but it also produces wheat and barley, sunflower seeds and soybeans. These products are partially consumed by the meat segment, supporting a synergistic effect and lowering price change risk.

Oil and Fat:

Rusagro is one of the leading producers of mayonnaise and consumer margarine in Russia sold under a number of brands, such as EZhK, Schedroye Leto, Mechta Khozyaiki, Gotovim Doma, Maslava and Soyaco. The Group operates an Oil extraction plant in Samara and two oil and fats plant in Ekaterinburg and in the Far East Primorie Region. Own sunflower and soy oil production allows to control the source of the vegetable oil required to produce oil and fats products. In 2018 Rusagro acquired the debt of Solnechnye Producty from Russian Agriculture bank and is planning to purchase assets of some of its plants increasing the production and its market share.

Forward-looking statements

This announcement includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements do not relate to historical or current events, or to any future financial or operational activity of the Group.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond the Rusagro Group's control. As a result, actual future results may differ materially from the plans and expectations set out in these forward-looking statements.

The Group undertakes no obligation to release the results of any revisions to any forward-looking statements that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

Rusagro management is organizing a conference call about its 1H and Q2 2019 financial results for investors and analysts.

Details of call:

Date	19 August 2019
Time	4:00 PM (Moscow) / 2:00 PM (London)
Subject	ROS AGRO PLC 1H and Q2 2019 Financial results
UK Toll Free	0800 376 6183
UK Local Line	+44 207 194 3759
USA Toll Free	1 844 286 06 43
USA Local Line	+1 646 722 49 16
Russia Toll Free	8 800 500 9863
Russian Local Line	+7 495 646 9315
Conference ID	44198180#

Contacts:

Svetlana Kuznetsova, Chief Investment Officer

Phone: +7 495 363 1661, e-mail: ir@rusagrogroup.ru

Appendix 1. Unaudited consolidated statement of comprehensive income for the six months ended 30 June 2019 (in RR thousand)

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
Sales	73,547,786	32,814,570	41,380,829	17,547,016
Net gain on revaluation of biological assets and agricultural produce	(3,911,093)	(900,439)	(1,951,989)	(541,715)
Cost of sales	(58,490,212)	(23,838,828)	(33,302,315)	(11,885,498)
Net gain from trading derivatives	(5,823)	4,560	(2,542)	5,542
Gross profit	11,140,658	8,079,863	6,123,983	5,125,345
Distribution and selling expenses	(6,280,567)	(3,328,901)	(3,488,625)	(1,669,414)
General and administrative expenses	(3,422,817)	(2,641,801)	(1,569,552)	(1,318,112)
Other operating income/ (expenses), net	312,116	(23,146)	596,379	8,977
Operating profit / (loss)	1,749,390	2,086,015	1,662,185	2,146,796
Interest expense	(2,717,808)	(1,079,010)	(1,142,032)	(397,075)
Interest income	3,987,686	1,815,118	992,613	873,156
Net gain/ (loss) from bonds	(22,515)	(7,959)	(19,013)	(39,318)
Other financial income/ (expenses), net	384,022	(81,376)	352,330	(83,461)
Profit before income tax	3,380,775	2,732,788	1,846,083	2,500,098
Income tax expense	(44,995)	(395,288)	(156,717)	(371,153)
Profit for the year	3,335,780	2,337,500	1,689,366	2,128,945
Total comprehensive income for the period	3,335,780	2,337,500	1,689,366	2,128,945
Profit is attributable to:				
Owners of ROS AGRO PLC	3,355,489	2,317,189	1,713,075	2,113,255
Non-controlling interest	(19,709)	20,311	(23,709)	15,690
Profit for the period	3,335,780	2,337,500	1,689,366	2,128,945
Total comprehensive income is attributable to:				
Owners of ROS AGRO PLC	3,355,489	2,317,189	1,713,075	2,113,255
Non-controlling interest	(19,709)	20,311	(23,709)	15,690
Total comprehensive income for the period	3,335,780	2,337,500	1,689,366	2,128,945
Earnings per ordinary share for profit attributable to the owners of ROS AGRO PLC, basic and diluted (in RR per share)	124.74	86.14	63.68	78.56

Appendix 2. Segment information for the Six month ended 30 June 2019 (in RR thousand)

1H 2019	Sugar	Meat	Agriculture	Oil and Fat	Other	Elimination	Total
Sales	15,674,283	11,171,200	9,333,729	36,336,910	3,106,566	(2,074,903)	73,547,785
Net gain / (loss) on revaluation of biological assets and agricultural produce	-	(255,627)	(2,794,959)	-	-	(860,507)	(3,911,093)
Cost of sales	(12,464,131)	(8,929,821)	(5,229,822)	(32,281,154)	(2,825,991)	3,240,707	(58,490,212)
<i>incl. depreciation</i>	<i>(966,917)</i>	<i>(1,263,857)</i>	<i>(658,246)</i>	<i>(229,296)</i>	<i>(3,878)</i>	<i>(5,853)</i>	<i>(3,128,047)</i>
Net gain/ (loss) from trading derivatives	(5,817)	-	-	-	(6)	-	(5,823)
Gross profit / (loss)	3,204,335	1,985,752	1,308,948	4,055,756	280,569	305,297	11,140,657
General and administrative expenses, Distribution and selling expenses	(1,834,310)	(943,691)	(2,182,756)	(3,769,047)	(1,100,599)	127,019	(9,703,384)
<i>incl. depreciation</i>	<i>(40,185)</i>	<i>(30,825)</i>	<i>(120,082)</i>	<i>(62,067)</i>	<i>(11,495)</i>	<i>5,853</i>	<i>(258,801)</i>
Other operating (expenses)/ income, net	314,920	140,099	(107,984)	(209,494)	10,067,510	(9,892,935)	312,116
<i>incl. Reimbursement of operating costs (government grants)</i>	<i>-</i>	<i>1,575</i>	<i>71,783</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>73,358</i>
Operating profit / (loss)	1,684,945	1,182,160	(981,792)	77,215	9,247,480	(9,460,619)	1,749,389
Adjustments:							
Depreciation included in Operating Profit	1,007,102	1,294,682	778,328	291,363	15,373	-	3,386,848
Other operating income, net	(314,920)	(140,099)	107,984	209,494	(10,067,510)	9,892,935	(312,116)
Reimbursement of operating costs (government grants)	-	1,575	71,783	-	-	-	73,358
Net gain / (loss) on revaluation of biological assets and agricultural produce	-	255,627	2,794,959	-	-	860,507	3,911,093
Adjusted EBITDA	2,377,127	2,593,945	2,771,262	578,072	(804,657)	1,292,823	8,808,572

* Non-IFRS measure

Appendix 2 (continued). Segment information for the Six month 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 3. Consolidated statement of financial position as at 30 June 2019
(in RR thousand)**

	30 June 2019	31 December 2018
ASSETS		
Current assets		
Cash and cash equivalents	2,677,762	1,728,396
Restricted cash	274,468	49
Short-term investments	5,694,944	8,551,238
Trade and other receivables	8,291,015	6,226,403
Prepayments	2,462,921	2,194,971
Current income tax receivable	452,318	533,459
Other taxes receivable	3,788,155	4,420,011
Inventories and short-term biological assets	44,437,407	53,076,878
Total current assets	68,078,990	76,731,405
Non-current assets		
Property, plant and equipment	72,027,306	68,606,452
Inventories intended for construction	4,003,447	4,136,855
Goodwill	2,364,942	2,364,942
Advances paid for non-current assets	9,771,855	9,681,448
Long-term biological assets	3,111,851	2,650,201
Long-term investments and receivables	50,297,065	54,494,252
Investments in associates	7,320	7,320
Deferred income tax assets	3,273,216	1,866,593
Other intangible assets	4,060,223	2,202,786
Other non-current assets	-	215,417
Non-current assets held for sale	820,950	820,950
Total non-current assets	149,738,175	147,047,216
Total assets	217,817,165	223,778,621
Liabilities and EQUITY		
Current liabilities		
Short-term borrowings	17,268,064	32,513,595
Trade and other payables	16,575,811	12,190,160
Current income tax payable	117,232	60,913
Other taxes payable	4,069,388	4,023,910
Total current liabilities	38,030,495	48,788,611
Non-current liabilities		
Long-term borrowings	63,683,830	62,587,531
Government grants	8,189,125	7,310,975
Deferred income tax liability	1,570,468	359,051
Other non-current liability	4,167,325	2,465,813
Total non-current liabilities	77,610,748	72,723,370
Total liabilities	115,641,243	121,511,981
Equity		
Share capital	12,269	12,269
Treasury shares	(490,606)	(490,606)
Additional paid-in capital	26,964,542	26,964,479
Other reserves	1,326,579	1,326,579
Retained earnings	74,215,017	74,286,089
Equity attributable to owners of ROS AGRO PLC	102,027,801	102,098,809
Non-controlling interest	148,122	167,831
Total equity	102,175,922	102,266,640
Total liabilities and equity	217,817,165	223,778,621

**Appendix 4. Consolidated statement of cash flows for the six months ended 30 June 2019
(in RR thousand) – NOT IFRS PRESENTATION (*)**

	Six months ended 30 June 2019	Six months ended 30 June 2018
Cash flows from operating activities		
Profit before income tax	3,380,774	2,732,758
<i>Adjustments for:</i>	-	-
Depreciation and amortization	4,175,740	3,813,700
Interest expense	2,716,805	1,588,837
Government grants	(332,006)	(754,454)
Interest income	(3,987,686)	(1,815,118)
Loss/ (gain) on disposal of property, plant and equipment	93,300	14,767
Net (gain) / loss on revaluation of biological assets and agricultural produce	3,911,093	900,439
Change in provision for net realisable value of inventory	(38,719)	(66,378)
Change in provision for impairment of receivables and prepayments	71,869	7,562
Foreign exchange (gain) / loss, net	19,874	154,766
Lost/(reversal of) harvest write-off	82,785	2,224
Net (gain) / loss from bonds held for trading	22,515	7,954
Settlement of loans and accounts receivable previously written-off	(11)	(130)
Change in provision for impairment of advances paid for property, plant and equipment	29,235	(35,039)
Dividend income	39	-
Loss/(gain) on disposal of subsidiaries, net	(364 880)	-
Loss on other investments	575	-
Other non-cash and non-operating expenses, net	(176,806)	(9,360)
Operating cash flow before working capital changes	9,604,495	6,542,529
Change in trade and other receivables and prepayments	(2,329,312)	(106,072)
Change in other taxes receivable	631,855	(106,784)
Change in inventories and biological assets	4,222,699	245,011
Change in trade and other payables	6,552,036	896,768
Change in other taxes payable	32,176	63,868
Cash generated from operations	18,713,949	7,535,319
Income tax paid	(90,134)	(229,035)
Net cash from operating activities	18,623,815	7,306,285
Cash flows from investing activities	-	-
Purchases of property, plant and equipment	(5,643,964)	(7,083,672)
Purchases of other intangible assets	(47,092)	(93,666)
Proceeds from sales of property, plant and equipment	142,458	35,919
Purchases of inventories intended for construction	(761,049)	(797,854)
Investments in subsidiaries, net of cash acquired	-	80
Proceeds from sale of subsidiaries, net of cash disposed	478,710	-
Movement in restricted cash	(277,327)	658
Net cash from investing activities	(6,108,264)	(7,938,535)
Cash flows from financing activities	-	-
Proceeds from borrowings	19,753,266	5,975,114
Repayment of borrowings	(34,813,882)	(6,390,966)
Interest paid	(2,961,203)	(1,299,958)
Change in cash on bank deposits*	2,594,903	(1,947,002)
Proceeds from sales of bonds with maturity over six months	2,323,560	-
Loans given*	(87,189)	(1,404,808)
Loans repaid*	1,629,718	3,378
Interest received*	2,733,560	1,288,976
Proceeds from government grants	770,390	591,516
Purchases of non-controlling interest	-	(56,816)
Dividends paid to owners Ros Agro PLC	(3,401,828)	(2,384,983)
Lease payments	6,982	(17,605)
Net cash from financing activities	(11,452,177)	(1,749,149)
Net effect of exchange rate changes on cash and cash equivalents	(114,007)	63,011
Net increase/ (decrease) in cash and cash equivalents	949,366	(2,318,389)
Cash and cash equivalents at the beginning of the period	1,728,396	4,860,335
Cash and cash equivalents at the end of the period	2,677,762	2,541,947

(*) 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.