



19 March 2018

ROS AGRO financial results for 12M 2017 and Q4 2017

19 March 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 year ended 31 December 2017.

12M 2017 Highlights

- Sales amounted to RR 79,058 million (US\$ 1,356 million¹), a decrease of RR 5,199 million compared to 12M 2016;
- Adjusted EBITDA² amounted to RR 13,955 million (US\$ 239 million), a decrease of RR 4,250 million compared to 12M 2016;
- Adjusted EBITDA margin decreased from 22% in 12M 2016 to 18% in 12M 2017;
- Net profit for the period amounted to RR 5,563 million (US\$ 95 million);
- Net debt position³ as of 31 December 2017 amounted to RR 6,604 million (US\$ 115 million);
- Net Debt/ Adjusted EBITDA (LTM⁴) as of 31 December 2017 was 0.47x.

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

“In Q4 2017 meat division enjoyed high price for meat, low price for grain and improved marginality in processing. Expansion projects in Tambov and Far East will lead to the sow increase in 2018. Meat processing turned into profit. Sugar and agricultural divisions had record production results but the lowest marginality in history due to low prices of sugar and grain. Large fall in net income for the quarter year-to-year is a result of low value of retained agricultural crop. Oil and fat division returned to profitability with good outlook for 2018.”

Key consolidated financial performance indicators

in RR million	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Sales	79,058	84,257	(5,199)	(6)	24,229	28,668	(4,439)	(15)
Gross profit	17,955	25,725	(7,770)	(30)	7,186	6,711	474	7
<i>Gross margin, %</i>	<i>23%</i>	<i>31%</i>	<i>-8%</i>		<i>30%</i>	<i>23%</i>	<i>7%</i>	
Adjusted EBITDA	13,955	18,205	(4,250)	(23)	5,417	6,717	(1,299)	(19)
<i>Adjusted EBITDA margin, %</i>	<i>18%</i>	<i>22%</i>	<i>-4%</i>		<i>22%</i>	<i>23%</i>	<i>-1%</i>	
Net profit for the period	5,563	13,945	(8,381)	(60)	2,474	2,741	(267)	(10)
<i>Net profit margin %</i>	<i>7%</i>	<i>17%</i>	<i>-10%</i>		<i>10%</i>	<i>10%</i>	<i>0%</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. Net profit for the period excl. effect of biological assets and agricultural produce revaluation amounted to RR 8,539 million in 12M 2017 and RR 2,895 million in Q4 2017 (12M 2016: RR 13,896 million; Q4 2016: RR 5,266 million), a decrease of RR 5,357 million or 39% compared to 12M 2016 and RR 2,371 million or 45% compared to Q4 2016.*

Key financial performance indicators by segments

in RR million	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Sales, incl.	79,058	84,257	(5,199)	(6)	24,229	28,668	(4,439)	(15)
<i>Sugar</i>	30,386	37,240	(6,854)	(18)	9,393	13,634	(4,241)	(31)
<i>Meat</i>	20,512	17,851	2,661	15	5,321	5,359	(38)	(1)
<i>Agriculture</i>	18,768	21,155	(2,387)	(11)	10,709	12,976	(2,268)	(17)
<i>Oil and Fat</i>	19,430	19,864	(433)	(2)	5,213	5,304	(91)	(2)
<i>Other</i>	118	95	23	24	67	19	49	263
<i>Eliminations</i>	(10,156)	(11,948)	1,791	15	(6,474)	(8,623)	2,149	25
Gross profit, incl.	17,955	25,725	(7,770)	(30)	7,186	6,711	474	7
<i>Sugar</i>	8,090	11,948	(3,858)	(32)	3,481	4,230	(748)	(18)
<i>Meat</i>	5,060	3,175	1,885	59	1,652	1,330	321	24
<i>Agriculture</i>	2,591	7,848	(5,257)	(67)	1,308	879	429	49
<i>Oil and Fat</i>	3,551	3,370	181	5	1,371	940	431	46
<i>Other</i>	118	95	23	24	67	19	49	263
<i>Eliminations</i>	(1,455)	(711)	(744)	(105)	(694)	(686)	(8)	(1)
Adjusted EBITDA, incl.	13,955	18,205	(4,250)	(23)	5,417	6,717	(1,299)	(19)
<i>Sugar</i>	5,488	9,579	(4,091)	(43)	2,578	3,321	(743)	(22)
<i>Meat</i>	6,269	4,013	2,256	56	1,779	1,413	366	26
<i>Agriculture</i>	76	6,192	(6,116)	(99)	21	3,870	(3,849)	(99)
<i>Oil and Fat</i>	685	(420)	1,106	-	639	(271)	910	-
<i>Other</i>	(923)	(1,828)	906	50	(194)	(406)	212	52
<i>Eliminations</i>	2,359	670	1,689	252	595	(1,211)	1,805	-
Adjusted EBITDA margin, %	18%	22%	-4%		22%	23%	-1%	
<i>Sugar</i>	18%	26%	-8%		27%	24%	3%	
<i>Meat</i>	31%	22%	9%		33%	26%	7%	
<i>Agriculture</i>	0%	29%	-29%		0%	30%	-30%	
<i>Oil and Fat</i>	4%	-2%	6%		12%	-5%	17%	

Sugar Segment

The financial results of the sugar segment for 12M 2017 and Q4 2017 compared to 12M 2016 and Q4 2016 respectively are presented in the table below:

in RR million	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Sales	30,386	37,240	(6,854)	(18)	9,393	13,634	(4,241)	(31)
Cost of sales	(22,284)	(25,627)	3,342	13	(5,911)	(9,407)	3,497	37
Net gain/ (loss) from trading derivatives	(11)	335	(346)	-	(1)	2	(4)	-
Gross profit	8,090	11,948	(3,858)	(32)	3,481	4,230	(748)	(18)
<i>Gross profit margin</i>	<i>27%</i>	<i>32%</i>	<i>-5%</i>		<i>37%</i>	<i>31%</i>	<i>6%</i>	
Distribution and selling expenses	(2,871)	(2,534)	(337)	(13)	(1,010)	(1,052)	42	4
General and administrative expenses	(1,501)	(1,189)	(312)	(26)	(368)	(357)	(11)	(3)
Other operating income/ (expenses), net	(8)	60	(68)	-	64	(82)	146	-
Operating profit	3,710	8,286	(4,575)	(55)	2,168	2,739	(571)	(21)
Adjusted EBITDA	5,488	9,579	(4,091)	(43)	2,578	3,321	(743)	(22)
<i>Adjusted EBITDA margin</i>	<i>18%</i>	<i>26%</i>	<i>-8%</i>		<i>27%</i>	<i>24%</i>	<i>3%</i>	

Sales revenue decreased in 12M 2017 compared to 12M 2016 mainly due to sugar sales price decreased by 23%. Buckwheat, rice and oatmeal sales volume decreased by 13 thousand tons. Revenue decrease was partially compensated by growth in sales volume of sugar by 34 thousand tons and increase of cereal products sales prices.

Sales revenue decreased in Q4 2017 compared to Q4 2016 mainly due to lower sugar and molasses sales price and decrease in sales volume of sugar, buckwheat and oatmeal.

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

	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Sugar production volume (in thousand tons), incl.	984	810	175	22	637	572	65	11
beet sugar	984	750	234	31	637	572	65	11
cane sugar	-	59	(59)	(100)	-	-	-	-
Sales volume (in thousand tons)	900	866	34	4	316	334	(18)	(5)
Average sales price (roubles per kg, excl. VAT)	30.6	39.4	(8.9)	(23)	25.9	35.4	(9.5)	(27)

Distribution and selling expenses in 12M 2017 compared to 12M 2016 increased by RR 337 million mainly due to transportation and loading expenses, payroll and advertising expenses. Changes in transportation expenses related to increased export sales. In 12M 2017 advertising expenses increased due to TV-advertising of sugar brands.

An increase in General and administrative expenses in 12M 2017 by RR 312 million compared to the respective period of 2016 includes RR 79 million of an increase attributed to three sugar plants

and a buckwheat processing plant that joined the Group in May 2016. The financial results of the new plants are included in the consolidated segment's results starting 1 June 2016.

The remaining increase in General and administrative expenses mainly relates to higher payroll costs connected with the increase in number of employees in the management company, which also correlates with the acquisition of new plants, and higher average salary.

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

Meat Segment

The financial results of the meat segment for 12M 2017 and Q4 2017 compared to 12M 2016 and Q4 2016 respectively are presented in the table below:

in RR million	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Sales	20,512	17,851	2,661	15	5,321	5,359	(38)	(1)
Net gain/ (loss) on revaluation of biological assets and agricultural produce	(319)	146	(465)	-	53	20	33	162
Cost of sales	(15,133)	(14,822)	(311)	(2)	(3,722)	(4,048)	326	8
Gross profit	5,060	3,175	1,885	59	1,652	1,330	321	24
<i>Gross profit margin</i>	<i>25%</i>	<i>18%</i>	<i>7%</i>		<i>31%</i>	<i>25%</i>	<i>6%</i>	
<i>Gross profit excl. effect of biological assets revaluation</i>	5,379	3,029	2,350	78	1,599	1,310	289	22
<i>Adjusted gross profit margin</i>	<i>26%</i>	<i>17%</i>	<i>9%</i>		<i>30%</i>	<i>24%</i>	<i>6%</i>	
Distribution and selling expenses	(439)	(280)	(159)	(57)	(138)	(93)	(46)	(49)
General and administrative expenses	(661)	(714)	53	7	(207)	(195)	(11)	(6)
Other operating income/ (expenses), net	236	332	(96)	(29)	35	60	(25)	(41)
<i>incl. reimbursement of operating costs (government grants)</i>	42	108	(66)	(61)	19	-	19	-
Operating profit	4,196	2,513	1,683	67	1,342	1,102	240	22
Adjusted EBITDA	6,269	4,013	2,256	56	1,779	1,413	366	26
<i>Adjusted EBITDA margin</i>	<i>31%</i>	<i>22%</i>	<i>8%</i>		<i>33%</i>	<i>26%</i>	<i>7%</i>	

Sales in the meat segment increased by 15% in 12M 2017 compared to the respective periods of prior year because of an increase in sales volume of processed pork and an increase in sales prices of livestock pigs and processed pork. Overall sales volume increased due to increase in livestock population and the average weight of pigs.

Sales in the meat segment decreased by 1% in Q4 2017 compared to the respective periods of prior year because of a decrease in sales prices of livestock pigs and processed pork.

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

	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Sales volume (in thousand tonnes), incl.	176	162	14	9	46	48	(2)	(4)
livestock pigs	57	76	(18)	(24)	12	26	(15)	(56)
processed pork	118	86	32	38	35	22	13	59
Average sale prices (roubles per kg, excl. VAT):								
livestock pigs	94.9	91.7	3.2	4	85.8	86.4	(0.6)	(1)
processed pork	127.3	124.1	3.2	3	124.9	113.3	11.6	10

Net loss on revaluation of biological assets and agricultural produce in 12M 2017 resulted mainly from a decrease in market prices for live pigs during 12M 2017 and a respective decrease in fair value of livestock in the closing balance compared to the beginning of the year. In 12M 2016 an increase in live pigs market prices was accompanied by an increase in cost due to higher grain and other feed components prices. A increase in net gain from the revaluation of biological assets in Q4 2017 against Q4 2016 is attributed to an increase in prices during Q4 2016 with nearly flat prices in Q4 2017.

An increase in *Distribution and selling expenses* in 12M 2017 and Q4 2017 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 and an increase in marketing expenses due to promotion of “Slovo miaysnika” brand.

A decrease in *General and administrative expenses* in 12M 2017 by RR 53 million includes RR 106 million of an increase in payroll costs and RR 162 million of a decrease in property tax expenses. In 12M 2017 the Group recognised gain from reverse of property tax for 2016 resulted from tax relief legally confirmed in Q1 2017. *General and administrative expenses* decreased in Q4 2017 compared to Q4 2016 by 6% due to a decrease in payroll expenses.

Other operating income, net includes income from reimbursement of operating expenses (government grants), which is lower by RR 66 million in 12M 2017 compared to the prior year periods.

Agricultural Segment

As at 31 December 2017 the segment's area of controlled land stands at 675 thousand hectares (31 December 2016: 665 thousand hectares). The financial results of the agricultural segment for 12M 2017 and Q4 2017 compared to 12M 2016 and Q4 2016 respectively are presented below:

in RR million	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Sales	18,768	21,155	(2,387)	(11)	10,709	12,976	(2,268)	(17)
Net gain/ (loss) on revaluation of biological assets and agricultural produce	(862)	69	(931)	-	(632)	(4,049)	3,417	84
Cost of sales	(15,315)	(13,376)	(1,939)	(14)	(8,769)	(8,048)	(721)	(9)
Net gain/ (loss) from trading derivatives	-	1	(1)	-	-	-	-	-
Gross profit	2,591	7,848	(5,257)	(67)	1,308	879	429	49
<i>Gross profit margin</i>	<i>14%</i>	<i>37%</i>	<i>-23%</i>		<i>12%</i>	<i>7%</i>	<i>5%</i>	
<i>Gross profit excl. effect of biological assets and agricultural produce revaluation</i>	3,453	7,780	(4,326)	(56)	1,939	4,928	(2,988)	(61)
<i>Adjusted gross profit margin</i>	<i>18%</i>	<i>37%</i>	<i>-18%</i>		<i>18%</i>	<i>38%</i>	<i>-20%</i>	
Distribution and selling expenses	(4,249)	(2,733)	(1,516)	(55)	(2,607)	(1,845)	(762)	(41)
General and administrative expenses	(1,088)	(893)	(195)	(22)	(369)	(334)	(35)	(10)
Other operating income/ (expenses), net	28	275	(247)	(90)	(8)	(3)	(5)	(170)
<i>incl. reimbursement of operating costs (government grants)</i>	62	337	(275)	(82)	20	40	(20)	(50)
Operating profit	(2,718)	4,498	(7,216)	-	(1,676)	(1,303)	(373)	(29)
Adjusted EBITDA	76	6,192	(6,116)	(99)	21	3,870	(3,849)	(99)
<i>Adjusted EBITDA</i>	<i>0%</i>	<i>29%</i>	<i>-29%</i>		<i>0%</i>	<i>30%</i>	<i>-30%</i>	

A significant decrease in sales prices had the main negative impact on lower *Sales* in 12M 2017 and Q4 2017 compared to 12M 2016 and Q4 2016, which was partly compensated by higher sales volume of certain crops resulted from the increase in land bank cultivated and increase in yields.

Sales volumes by product were as follows:

Thousand tonnes	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
sugar beet	3,957	3,798	159	4	2,472	2,889	(417)	(14)
wheat	710	413	297	72	402	242	160	66
barley	193	377	(184)	(49)	113	212	(99)	(47)
sunflower seeds	84	50	34	68	35	17	18	105
corn	105	91	13	15	30	41	(11)	(27)
soy	169	182	(13)	(7)	118	102	17	17

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

RR per kilogram, excl. VAT	Year ended		Variance		Three months ended		Variance	
	31	31	Units	%	31	31	Units	%
	December 2017	December 2016			December 2017	December 2016		
sugar beet	1.8	2.4	(0.6)	(26)	1.7	2.4	(0.7)	(28)
wheat	6.1	7.4	(1.3)	(18)	5.8	6.4	(0.6)	(9)
barley	6.2	7.2	(1.0)	(14)	6.1	7.1	(1.1)	(15)
sunflower seeds	17.1	21.7	(4.7)	(21)	19.1	18.1	1.0	6
corn	7.9	8.1	(0.2)	(2)	6.4	7.6	(1.3)	(16)
soy	20.0	21.2	(1.2)	(6)	20.1	20.7	(0.6)	(3)

Net loss on revaluation of biological assets and agricultural produce in 12M 2017 represents the gain recognised from revaluation of crops for 2017 harvest, which is turned over into the loss by the realisation of gain from revaluation of 2016 crops harvest remained in stock as at 31 December 2016 and being sold to customers during 2017. Significant drop in sales prices of crops in the current year resulted in lower gain recognised on revaluation of the 2017 harvest against 2016.

Net gain/ (loss) on revaluation of crops and its subsequent realisation do not affect the Adjusted EBITDA figure.

Distribution and selling expenses increased by RR 1,516 million or 55% in 12M 2017 and by RR 762 million or 41% against 2016 due to higher volumes of crops sold during the current year. Higher crops sales caused an increase in transportation and loading services and fuel expenses. Further, there was an increase in crops storage expenses as volumes of harvest remaining in stock as at 31 December 2016 were higher compared to 2015.

General and administrative expenses increased by RR 195 million in 12M 2017 (Q4 2017: RR 35 million) against comparatives in 2016, which is attributed to the higher payroll costs as a result of higher number of employees in administrative function and an increase in average salaries.

Other operating income decreased in 12M 2017 against 2016 due to a lower value of operating expenses reimbursed (government grants) by RR 275 million, expenses provided for lost harvest in amount of RR 82 million against RR 63 million of gain (part of provision for lost harvest was released in prior year), which was compensated by RR 44 million increase in operating foreign exchange gain and RR 126 million increase in gain from disposal of PPE and sales of materials.

Oil and Fat segment

The financial results of the oil and fat segment for 12M 2017 and Q4 2017 compared to 12M 2016 and Q4 2016 respectively are presented below:

in RR million	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Sales	19,430	19,864	(433)	(2)	5,213	5,304	(91)	(2)
Cost of sales	(15,879)	(16,494)	615	4	(3,842)	(4,364)	522	12
Gross profit	3,551	3,370	181	5	1,371	940	431	46
<i>Gross profit margin</i>	<i>18%</i>	<i>17%</i>	<i>1%</i>		<i>26%</i>	<i>18%</i>	<i>8%</i>	
Distribution and selling expenses	(2,653)	(3,554)	902	25	(694)	(1,249)	555	44
General and administrative expenses	(696)	(720)	24	3	(155)	(169)	14	9
Other operating income/ (expenses), net	128	127	2	1	36	(14)	51	-
Operating profit/ (loss)	331	(778)	1,108	-	559	(492)	1,051	-
Adjusted EBITDA	685	(420)	1,106	-	639	(271)	910	-
<i>Adjusted EBITDA margin</i>	<i>4%</i>	<i>-2%</i>	<i>6%</i>		<i>12%</i>	<i>-5%</i>	<i>17%</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	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Sales, incl.	19,430	19,864	(433)	(2)	5,213	5,304	(91)	(2)
<i>Samara oil plant</i>	9,604	10,879	(1,275)	(12)	2,033	2,548	(515)	(20)
<i>Ekat. fat plant</i>	8,311	9,679	(1,369)	(14)	2,444	2,909	(464)	(16)
<i>Far East</i>	3,454	2,952	502	17	1,101	923	178	19
<i>Eliminations(*)</i>	(1,939)	(3,647)	1,708	47	(366)	(1,076)	710	66
Gross profit, incl.	3,551	3,370	181	5	1,371	940	431	46
<i>Samara oil plant</i>	884	1,158	(274)	(24)	421	463	(42)	(9)
<i>Ekat. fat plant</i>	2,460	2,205	255	12	821	573	248	43
<i>Far East</i>	294	272	23	8	185	81	104	128
<i>Eliminations(*)</i>	(87)	(266)	178	67	(56)	(178)	121	68
Adjusted EBITDA, incl.	685	(420)	1,106	-	639	(271)	910	-
<i>Samara oil plant</i>	(47)	238	(285)	-	142	97	46	47
<i>Ekat. fat plant</i>	618	(770)	1,388	-	409	(458)	867	-
<i>Far East</i>	77	151	(74)	(49)	104	143	(39)	(27)
<i>Eliminations(*)</i>	38	(39)	77	-	(17)	(53)	36	68
Adjusted EBITDA	4%	-2%	6%		12%	-5%	17%	
<i>Samara oil plant</i>	0%	2%	-3%		7%	4%	3%	
<i>Ekat. fat plant</i>	7%	-8%	15%		17%	-16%	32%	
<i>Far East</i>	2%	5.1%	-3%		9%	15.5%	-6%	

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	Year ended		Variance		Three months ended		Variance	
	31	31	Units	%	31	31	Units	%
	December	December			December	December		
	2017	2016			2017	2016		
mayonnaise	59	77	(19)	(24)	15	25	(10)	(40)
margarine	36	37	(1)	(3)	11.6	11.8	(0.2)	(2)
bottled oil	20	18	2	9	9	5	3	67
bulk oil	150	116	34	29	31	26	5	18
meal	253	200	53	27	70	59	11	19

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	
	31	31	Units	%	31	31	Units	%
	December	December			December	December		
	2017	2016			2017	2016		
mayonnaise	80.5	76.7	3.8	5	80.2	76.2	4.1	5
margarine	78.1	75.6	2.6	3	79.5	79.2	0.3	0.4
bottled oil	58.8	71.9	(13.1)	(18)	57.3	65.3	(8.0)	(12)
bulk oil	42.2	53.0	(10.8)	(20)	42.6	48.3	(5.6)	(12)
meal	16.0	18.2	(2.3)	(13)	15.4	18.2	(2.8)	(16)

Decrease in *Distribution and selling expenses* by RR 902 million in 12M 2017 (Q4 2017: RR 555 million) compared to the respective periods of previous year is attributed to the limitation of marketing and brands promotion at Ekaterinburg fat plant including restrictions in trade marketing activities provided by the retailers in 2017.

A decrease in Adjusted EBITDA of Samara oil plant and Far East in 12M 2017 relates to a drop in sales prices that was partly compensated by a decrease in raw materials costs (sunflower seeds and soybeans).

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	Year ended		Variance		Three months ended		Variance	
	31 December 2017	31 December 2016	Units	%	31 December 2017	31 December 2016	Units	%
Net cash from operating activities, incl.	17,673	11,809	5,864	50	162	174	(12)	(7)
<i>Operating cash flow before working capital changes</i>	14,843	18,066	(3,223)	(18)	5,205	7,000	(1,795)	(26)
<i>Working capital changes</i>	3,253	(5,140)	8,394	-	(4,979)	(6,390)	1,411	22
Net cash from investing activities, incl.	(17,887)	(24,346)	6,459	27	(6,258)	(11,523)	5,265	46
<i>Purchases of property, plant and equipment and inventories intended for construction</i>	(17,534)	(16,713)	(821)	(5)	(6,021)	(10,284)	4,263	41
Net cash from financing activities	(1,464)	15,040	(16,504)	-	(11,680)	4,628	(16,309)	-
Net effect of exchange rate changes on cash and cash equivalents	(213)	(152)	(61)	(40)	(21)	(97)	75	78
Net increase/ (decrease) in cash and cash equivalents	(1,891)	2,350	(4,241)	-	(17,798)	(6,818)	(10,980)	(161)

(*) See Appendix 4

The main investments in property, plant and equipment and inventories intended for construction in 12M 2017 were made in the agriculture segment in the amount of RR 6,219 million (12M 2016: RR 5,145 million), related to purchases of machinery and equipment and in the Meat segment in the amount of RR 6,283 million (12M 2016: RR 8,066 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 3,387 million (12M 2016: RR 2,504 million) in modernization of sugar plants. Investments in the Oil and Fat segment amounted to RR 1,570 million (12M 2016: RR 951 million).

Debt position and liquidity management

in RR million	31 December 2017	31 December 2016	Variance	
			Units	%
Gross debt	46,651	44,503	2,149	5
<i>Short-term borrowings</i>	8,864	11,704	(2,841)	(24)
<i>Long-term borrowings</i>	37,788	32,798	4,990	15
Cash and cash equivalents, bank deposits and bonds	(40,048)	(40,160)	113	0.3
<i>Short-term cash, deposits and bonds</i>	(22,901)	(23,044)	143	1
<i>Long-term cash, deposits and bonds</i>	(17,146)	(17,116)	(30)	(0.2)
Net debt	6,604	4,342	2,262	52
<i>Short-term borrowings, net</i>	(14,038)	(11,340)	(2,698)	(24)
<i>Long-term borrowings, net</i>	20,642	15,682	4,960	32
Adjusted EBITDA (LTM⁴)	13,955	18,205	(4,250)	(23)
Net debt/ Adjusted EBITDA (LTM)	0.47	0.24	0.2	

Net finance income/ (expense)

in RR million	Year ended		Variance		Three months ended		Variance	
	31	31	Units	%	31	31	Units	%
	December	December			December	December		
	2017	2016			2017	2016		
Net interest expense	(2,260)	(3,614)	1,354	37	(398)	(793)	395	50
<i>Gross interest expense</i>	(3,512)	(4,810)	1,298	27	(1,129)	(1,051)	(78)	(7)
<i>Reimbursement of interest expense</i>	1,253	1,196	57	5	731	258	473	184
Interest income	4,190	4,466	(276)	(6)	992	1,112	(120)	(11)
Net gain/ (loss) from bonds held for trading	30	-	30	-	21	(1)	22	-
Other financial income, net	(39)	(1,135)	1,096	97	(51)	(113)	62	55
<i>Net foreign exchange gain/ (loss)</i>	11	(1,107)	1,118	-	(15)	(105)	89	85
<i>Other financial income / (expenses), net</i>	(50)	(28)	(22)	(81)	(35)	(8)	(27)	(331)
Total net finance income/ (expenses)	1,921	(284)	2,204	-	564	205	358	175

In 2017 the Group continued to enjoy benefits from the state agriculture subsidies programme. In 12M 2017 RR 1,253 million of subsidies received covered 35% of gross interest expense. In addition, in 2017 the Group received 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 12M 2017 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:

We are a leading Russian sugar producer, producing sugar on nine production sites from sugar beet. We produce white and brown cube sugar and packaged sugar sold under the brands Chaikofsky, Russkii Sakhar, Mon Cafe and Brauni. Our sugar segment is vertically integrated with

sugar beet cultivation in our agriculture segment, through which we strive to ensure a consistent supply of sugar beets. We also operate a cereal plant and sell buckwheat and rice under the brand Tyoplye Traditsii.

Meat:

According to the National Union of Pig Breeders, we are the third largest pork producer in Russia on the ground of relative production volumes for 2017. We have implemented best practices in biosecurity at our pig farms.

Agricultural:

The Group currently controls what it believes to be one of the largest land banks among Russian agriculture producers, with 675 thousand hectares of land under our control located in the highly fertile Black Earth region of Russia (in the Belgorod, Tambov and Voronezh 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. We believe we are one of the major sugar beet producers in Russia, and our agricultural segment also produces winter wheat and barley, sunflower products and soybeans. These products are partially consumed by the meat segment, supporting a synergistic effect and lowering price change risk.

Oil and Fat:

We are a leading producer of mayonnaise and consumer margarine in Russia, such as "Provansal EZhK" and "Schedroe Leto". In January 2013 the Company has begun production of mayonnaise under brand "Mechta Khozyayki". Our oil extraction plant located in Samara (Samara oil plant) enables us to control the source of 100% of the vegetable oil required by our oil and fats production plant in Ekaterinburg (Ekaterinburg fat plant).

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 12M and Q4 2017 financial results for investors and analysts.

Details of call:

Date	19 March 2018
Time	4:00 PM (Moscow) / 1:00 PM (London)
Subject	ROS AGRO PLC 12M and Q4 2017 Financial results
UK Toll Free	0800 358 6377
UK Local Line	+44 330 336 9105
USA Toll Free	800-239-9838
USA Local Line	+1 929-477-0449
Russia Toll Free	+7 495 213 1767
Conference ID	1477146

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Appendix 1. Consolidated statement of comprehensive income for the Year ended 31 December 2017 (in RR thousand)

	Year ended 31 December		Three months ended 31 December	
	2017	2016	2017	2016
Sales	79,057,860	84,256,585	24,229,150	28,668,346
Net gain / (loss) on revaluation of biological assets and agricultural produce	(2,976,169)	48,176	(421,173)	(2,524,741)
Cost of sales	(58,115,770)	(58,915,613)	(16,621,290)	(19,434,739)
Net gain from trading derivatives	(11,115)	335,997	(1,177)	2,440
Gross profit	17,954,806	25,725,145	7,185,510	6,711,307
Distribution and selling expenses	(8,360,964)	(7,993,094)	(3,051,169)	(3,306,279)
General and administrative expenses	(4,878,534)	(5,356,057)	(1,331,076)	(1,439,634)
Other operating income/ (expenses), net	(665,918)	2,099,192	(453,587)	699,444
Operating profit	4,049,390	14,475,186	2,349,678	2,664,838
Interest expense	(2,259,804)	(3,614,107)	(398,110)	(792,895)
Interest income	4,189,550	4,465,667	991,577	1,111,526
Net gain from bonds	29,783	(422)	20,983	(556)
Other financial income/ (expenses), net	(38,968)	(1,134,849)	(50,567)	(112,666)
Share of results of associates	11,060	20,831	-	(5,575)
Profit before income tax	5,981,011	14,212,306	2,913,561	2,864,672
Income tax expense	(417,848)	(267,790)	(439,638)	(123,642)
Profit for the year	5,563,163	13,944,516	2,473,923	2,741,030
Other comprehensive income:				
Items that may be subsequently reclassified to profit and loss:				
Change in value of available-for-sale financial assets	(154,082)	(107,782)	-	41,746
Net change in fair value of available-for-sale financial assets transferred to profit or loss	301,334	-	-	-
Income tax relating to other comprehensive income	30,816	21,556	-	(16,395)
Income tax relating to other comprehensive income transferred to profit or loss	(60,267)	-	-	-
Total comprehensive income for the period	5,680,964	13,858,290	2,473,923	2,766,381
Profit is attributable to:				
Owners of ROS AGRO PLC	5,630,671	13,953,296	2,452,189	2,749,294
Non-controlling interest	(67,508)	(8,780)	21,734	(8,264)
Profit for the period	5,563,163	13,944,516	2,473,923	2,741,030
Total comprehensive income is attributable to:				
Owners of ROS AGRO PLC	5,748,472	13,867,070	2,452,189	2,774,645
Non-controlling interest	(67,508)	(8,780)	21,734	(8,264)
Total comprehensive income for the period	5,680,964	13,858,290	2,473,923	2,766,381
Earnings per ordinary share for profit attributable to the owners of ROS AGRO PLC, basic and diluted (in RR per share)	209.33	542.01	91.16	106.80

Appendix 2. Segment information for the Year ended 31 December 2017 (in RR thousand)

12M 2017	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Sales	30,385,814	20,512,135	18,768,283	19,430,347	117,753	(10,156,472)	79,057,860
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	(319,136)	(862,189)	-	-	(1,794,844)	(2,976,169)
Cost of sales	(22,284,480)	(15,133,016)	(15,315,051)	(15,879,149)	-	10,495,926	(58,115,770)
<i>incl. Depreciation</i>	(1,629,200)	(1,905,872)	(1,221,267)	(355,939)	-	(84,547)	(5,196,825)
Net gain/ (loss) from trading derivatives	(11,115)	-	-	-	-	-	(11,115)
Gross profit / (loss)	8,090,219	5,059,983	2,591,043	3,551,198	117,753	(1,455,390)	17,954,806
Distribution and Selling, General and administrative expenses	(4,371,691)	(1,100,094)	(5,336,802)	(3,348,896)	(1,098,874)	2,016,859	(13,239,498)
<i>incl. Depreciation</i>	(140,264)	(42,077)	(432,567)	(127,221)	(58,516)	81,914	(718,731)
Other operating income/(expenses), net	(8,082)	235,884	27,608	128,206	7,003,732	(8,053,266)	(665,918)
<i>incl. Reimbursement of operating costs (government grants)</i>	-	42,255	61,966	-	-	-	104,221
Operating profit / (loss)	3,710,446	4,195,773	(2,718,151)	330,508	6,022,611	(7,491,797)	4,049,390
Adjustments:							
Depreciation included in Operating Profit	1,769,464	1,947,948	1,897,950	483,160	58,516	2,633	6,159,671
Other operating (income) /expenses, net	8,082	(235,884)	(27,608)	(128,206)	(7,003,732)	8,053,266	665,918
Reimbursement of operating costs (government grants)	-	42,255	61,966	-	-	-	104,221
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	319,136	862,189	-	-	1,794,844	2,976,169
Adjusted EBITDA *	5,487,992	6,269,228	76,346	685,462	(922,605)	2,358,946	13,955,369

* Non-IFRS measure

Appendix 2 (continued). Segment information for the Year ended 31 December 2016 (in RR thousand)

12M 2016	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Sales	37,239,582	17,851,245	21,154,816	19,863,843	94,920	(11,947,821)	84,256,585
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	145,878	68,934	-	-	(166,636)	48,176
Cost of sales	(25,626,600)	(14,822,058)	(13,375,993)	(16,493,978)	-	11,403,016	(58,915,613)
<i>incl. Depreciation</i>	(1,239,315)	(1,827,178)	(1,496,884)	(356,307)	-	(70,555)	(4,990,239)
Net gain/ (loss) from trading derivatives	335,277	-	720	-	-	-	335,997
Gross profit	11,948,259	3,175,065	7,848,477	3,369,865	94,920	(711,441)	25,725,145
Distribution and Selling, General and administrative expenses	(3,722,493)	(993,890)	(3,625,504)	(4,274,300)	(1,945,389)	1,212,425	(13,349,151)
<i>incl. Depreciation</i>	(113,749)	(42,811)	(203,840)	(127,743)	(22,231)	68,561	(441,813)
Other operating income/(expenses), net	59,966	331,569	274,594	126,562	18,124,997	(16,818,496)	2,099,192
<i>incl. Reimbursement of operating costs (government grants)</i>	-	107,853	337,328	-	-	-	445,181
Operating profit / (loss)	8,285,732	2,512,744	4,497,567	(777,873)	16,274,528	(16,586,616)	14,475,186
Adjustments:							
Depreciation included in Operating Profit	1,353,064	1,869,989	1,700,725	484,051	22,231	1,992	5,432,052
Other operating (income) /expenses, net	(59,966)	(331,569)	(274,594)	(126,562)	(18,124,997)	16,818,496	(2,099,192)
Reimbursement of operating costs (government grants)	-	107,853	337,328	-	-	-	445,181
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	(145,878)	(68,934)	-	-	166,636	(48,176)
Adjusted EBITDA *	9,578,830	4,013,139	6,192,092	(420,384)	(1,828,238)	669,612	18,205,051

* Non-IFRS measure

**Appendix 3. Consolidated statement of financial position as at 31 December 2017
(in RR thousand)**

	31 December 2017	31 December 2016
ASSETS		
Current assets		
Cash and cash equivalents	4,860,335	6,751,712
Restricted cash	42	39
Short-term investments	18,457,778	17,230,012
Trade and other receivables	3,196,315	4,607,634
Prepayments	1,201,479	746,886
Current income tax receivable	212,026	97,461
Other taxes receivable	3,352,606	3,663,194
Inventories	25,665,886	29,538,204
Short-term biological assets	4,009,965	4,696,957
Total current assets	60,956,432	67,332,099
Non-current assets		
Property, plant and equipment	56,390,084	45,791,288
Inventories intended for construction	795,314	38,963
Goodwill	1,826,258	2,225,304
Advances paid for property, plant and equipment	13,841,743	14,172,240
Long-term biological assets	1,719,784	1,745,467
Long-term investments	17,594,030	17,751,740
Investments in associates	7,320	110,504
Deferred income tax assets	1,992,839	1,935,298
Other intangible assets	2,286,181	2,139,171
Total non-current assets	96,453,553	85,909,975
Total assets	157,409,985	153,242,074
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	8,863,525	11,704,276
Trade and other payables	6,773,069	6,988,905
Current income tax payable	63,727	99,450
Other taxes payable	4,072,364	3,814,278
Total current liabilities	19,772,685	22,606,909
Non-current liabilities		
Long-term borrowings	37,787,777	32,798,240
Government grants	6,377,469	3,712,593
Deferred income tax liability	744,113	535,514
Total non-current liabilities	44,909,359	37,046,347
Total liabilities	64,682,044	59,653,256
Equity		
Share capital	12,269	12,269
Treasury shares	(491,978)	(499,590)
Share premium	26,964,480	26,964,479
Share-based payment reserve	1,308,188	1,181,437
Retained earnings	64,758,966	65,690,082
Equity attributable to owners of ROS AGRO PLC	92,551,925	93,348,677
Non-controlling interest	176,016	240,141
Total equity	92,727,941	93,588,818
Total liabilities and equity	157,409,985	153,242,074

**Appendix 4. Consolidated statement of cash flows for the Year ended 31 December 2017
(in RR thousand) – NOT IFRS PRESENTATION (*)**

	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities		
Profit before income tax	5,981,013	13,943,202
<i>Adjustments for:</i>	-	-
Depreciation and amortization	7,155,336	5,819,850
Interest expense	3,512,362	4,810,145
Government grants	(1,733,538)	(1,943,206)
Interest income	(4,189,550)	(4,465,667)
Loss/ (gain) on disposal of property, plant and equipment	78,849	31,217
Net (gain) / loss on revaluation of biological assets and agricultural produce	2,976,169	(48,176)
Change in provision for net realizable value of inventory	2,222	92,961
Share of results of associates	(11,060)	(20,831)
Change in provision for impairment of receivables and prepayments	181,757	(28,388)
Foreign exchange (gain) / loss, net	(15,949)	1,074,439
Share based remuneration	19,909	4,026
Lost / (reversal of) harvest write-off	82,119	(63,450)
Net (gain) / loss from bonds held for trading	(29,783)	14,864
Settlement of loans and accounts receivable previously written-off	(141,339)	(937,545)
Change in provision for impairment of other taxes receivables	-	(197,409)
Change in provision for impairment of advances paid for property, plant and equipment	6,220	(7,405)
Impairment of goodwill	399,046	589,416
Excess of the Group's share of identifiable net assets acquired over consideration paid	-	(636,036)
Other provisions	-	(15,454)
Loss on sale of associates, net	58,833	-
Loss on other investments	401,453	7,820
Other non-cash and non-operating expenses, net	109,053	41,511
Operating cash flow before working capital changes	14,843,122	18,065,884
Change in trade and other receivables and prepayments	855,801	371,138
Change in other taxes receivable	999,150	(1,440,920)
Change in inventories	1,438,041	(6,093,853)
Change in biological assets	304,866	842,463
Change in trade and other payables	(568,000)	1,354,325
Change in other taxes payable	223,637	(173,631)
Cash generated from operations	18,096,617	12,925,406
Income tax paid	(423,213)	(1,116,502)
Net cash from operating activities	17,673,404	11,808,904
Cash flows from investing activities	-	-
Purchases of property, plant and equipment	(16,684,987)	(16,642,716)
Purchases of other intangible assets	(514,318)	(275,416)
Proceeds from sales of property, plant and equipment	29,891	71,637
Purchases of inventories intended for construction	(848,870)	(69,787)
Purchases of associates	(9,168)	-
Proceeds from sale of associates	42,116	-
Investments in subsidiaries, net of cash acquired	79,426	(7,506,408)
Movement in restricted cash	(846)	64,117
Dividends received	19,558	12,198
Net cash from investing activities	(17,887,198)	(24,346,375)
Cash flows from financing activities	-	-
Proceeds from borrowings	18,819,053	26,104,909
Repayment of borrowings	(16,860,947)	(33,949,009)
Interest paid	(2,865,059)	(3,823,363)
Proceeds from cash withdrawals from deposits*	34,227,159	22,469,547
Deposits placed with banks*	(35,976,815)	(23,934,790)
Purchases of bonds with maturity over three months*	-	(2,566,211)
Proceeds from sales of bonds with maturity over three months*	-	3,433,426
Loans given*	(7)	(1,217,297)
Loans repaid*	428,559	11,261,011
Interest received*	4,336,595	4,585,875
Proceeds from government grants	2,674,618	3,487,866
Purchases of non-controlling interest	(81,218)	(142,850)
Proceeds from sales of treasury shares	-	6,373
Proceeds from issue of own shares, net of transaction cost	-	16,328,269
Dividends paid to owners Ros Agro PLC	(6,146,486)	(7,124,250)
Lease payments	(14,918)	-
Other financial activities	(4,625)	(4,135)
Net cash from financing activities	(1,464,092)	15,039,776
Net effect of exchange rate changes on cash and cash equivalents	(213,490)	(152,296)
Net increase/ (decrease) in cash and cash equivalents	(1,891,376)	2,350,009
Cash and cash equivalents at the beginning of the year	6,751,712	4,401,703
Cash and cash equivalents at the end of the year	4,860,335	6,751,712

() 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.*