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WITH OUR FEET FIRMLY PLANTED ON THE LAND ANNUAL REPORT 2017

WITH OUR FEET FIRMLY PLANTED ON THE LAND

ANNUAL REPORT 2017



ABOUT THE REPORT

This Annual report for 2017 (hereinafter referred to as “the Report”) was prepared by ROS AGRO PLC. Rusagro Group (hereinafter referred to as the Group, the Company or Rusagro) should be understood to mean the group of companies consisting of ROS AGRO PLC and its subsidiaries.

Material subjects of the Report

The Report reviews the implementation of the Group’s Mid-Term Development Strategy in 2017, presents operating and financial results and describes the existing corporate governance framework. The Report focuses extensively on corporate social responsibility, in particular, on human resource management, social investment and environmental protection.

Standards

The Report was prepared on the basis of the Group’s management reporting and the consolidated financial statements of the Company and its subsidiaries for 2017. The Group’s consolidated financial statements were prepared in line with the International Financial Reporting Standards (IFRS) adopted by the European Union, and the requirements contained in Cap. 113 of the Cyprus Companies Law.

Audit

The audit of the IFRS consolidated financial statements of ROS AGRO PLC for 2017 was conducted by PricewaterhouseCoopers Limited.

Disclaimer

The Report contains estimations and forward-looking statements about operating, financial, economic, social and other indicators characterising the development of Rusagro Group. Actual events or results may vary materially from those expressed in the estimations and forward-looking statements due to various reasons, in particular the changing market situation and other direct risks to ROS AGRO PLC and its subsidiaries. The Company assumes no responsibility or liability for any losses or damages incurred by individuals or entities through their reliance on the forward-looking statements. Any of such forward-looking statements represent one of the many possible scenarios and should not be viewed as the most probable scenario. In addition to the official information on the activities of Rusagro Group, the Report contains data obtained from third parties or sources that ROS AGRO PLC considers to be trustworthy. This being said, the Company does not guarantee the accuracy of such information, since it may be abridged or incomplete.

Since some indicators and percentages in the tables and figures of the Report have been rounded to the nearest whole number or the nearest decimal place, the sum of the rounded values may not fully match the totals. Further, some percentages contained in the tables and figures were calculated on the indicators prior to the rounding and may therefore not fully match the percentages calculated with the rounded values.

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ABOUT RUSAGRO GROUP



BE GOOD TO THE LAND,
AND THE LAND WILL BE
GOOD TO YOU



ELENA POPOVA

Sugar Plant Production Engineer

HISTORY OF THE COMPANY



The Company is established

The Company's history starts with the establishment of LLC Rusagro Invest, with sugar imports as its core business.



Launching Oil and Fats and introducing the first retail brand

LLC Rusagro Group holding company is established. The Oil and Fats business is started with the purchase of a first vegetable oil and oil and fats production asset in Yekaterinburg. Around the same time the Sugar business launches Chaikofsky, its first retail sugar brand.



IPO

The Company makes its initial public offering of GDRs (global depository receipts) on the London Stock Exchange. The Oil and Fats business is expanded through the purchase of an oil extraction plant and the start-up of vegetable oil production in the Samara Region. The Sugar business increases its retail product mix; the Russkii Sakhar brand wins first prize of the National Trade Association's 2011 Product of the Year Award in the Sugar category.



Leadership in each of the four businesses

Rusagro becomes Russia's leading producer of sugar, pork, margarine, mayonnaise and vegetable oil, and the largest exporter of margarine to Central Asia. The Meat segment completes the construction of the pig farms in the Tambov Region. The Sugar segment extends the product mix to strengthen the four popular brands—Russkii Sakhar, Chaikofsky, Mon Café and Brauni, while the Oil and Fats is successfully developing its Mechta Khozyaiki brand distribution.



Production growth and SPO

The Company acquires three sugar plants in the Kursk and Orel Regions. The Sugar business sets a new record in sugar production levels and puts a first molasses desugarisation facility into operation in the Tambov Region. The Meat business approves a project for the construction of new pig farms. The Company's land bank totals 665 thousand hectares; the Agriculture business harvests a record grain crop. Rusagro signs a Memorandum of Understanding with Mitsui & Co., Ltd. aiming to enhance the cooperation between the two companies. The Company raises USD 250 million in a secondary listing on the London Stock Exchange.

1995–1996

1997–2002

2003

2009

2011

2012

2013

2014

2015

2016



Creating a vertically integrated business: launching the Sugar and Agriculture divisions

To increase profits, the Company acquires its first sugar plants and begins sugar production in the Belgorod Region. To satisfy its internal demand in sugar beet raw material, the Company expands its land bank, where it also produces crops for sale. The Company buys elevators to store the grain.



Launching Meat division.

Maxim Basov is appointed CEO

Having completed the construction of the pig farms in the Belgorod Region, Rusagro Group launches its fourth business—live pigs production. The Sugar segment is expanded—the Company buys two more sugar plants in the Belgorod and Tambov Regions. Maxim Basov is appointed CEO of LLC Rusagro Group.

463 THOUSAND HA
COMPANY'S
LAND BANK

Enhancing the vertical integration of the business

To enhance the vertical integration of the business, the compound feed plant was commissioned in the Tambov Region and the production of granulated meal is started in the Samara Region. The Oil and Fats business acquires the Mechta Khozyaiki brand. The Company has amassed a land bank of 463 thousand hectares. Its products are exported to more than 14 countries of the world. The Company adopts a dividend policy whereby 25% of IFRS net profit shall be paid in dividends.

72 BILLION RUB
SALES

Operating and financial results soar to new heights

The Company's sales hit a record RUB 72 billion with 34% EBITDA margin. The Sugar segment rolls out cereals and introduces a new Tyoplye Traditsii brand. The Meat segment makes a slaughterhouse operational in the Tambov Region and enters the consumer market. A project involving a creation of a production cluster in the Far East is launched. The Company's depository receipts are included in the MICEX and RTS indices.

2017 HIGHLIGHTS

SUGAR SEGMENT



58

The Group produces a record amount of sugar. In 2017 Rusagro Group produced 984 thousand tonnes of beet sugar, up 22% from 2016 and a new all-time record.



51

Capacity is increased at the sugar plants in Kursk. The sugar beet processing capacity of two sugar plants in Kursk was increased by 2,600 tonnes of beets per day (+34%).

AGRICULTURE SEGMENT



107

In 2017 Rusagro harvested its largest grain crop. Gross harvest totalled 1.2 million tonnes, a 25% increase from 2016.



The Company signs a Memorandum on Cooperation with the JSC Russian Space Systems. Rusagro and Russian Space Systems agree to jointly develop software solutions for precision farming, in particular, crop development assessment and modelling and machinery control.

MEAT SEGMENT



76

Positive profitability of meat processing is achieved. By the end of 2017 the meat processing unit reached full capacity and became profitable.



68

Expansion of the pig projects in the Tambov Region and the Primorye Territory is approved. The Board Directors of Rusagro Group approved the proposal to expand the capacities of the pig farms to be built in the Tambov Region and the Primorye Territory to 96 and 77 thousand tonnes of pork in live weight, respectively.



71

Slovo Myasnika is listed No. 1 in the Forbes Russia Most Powerful Brands rating. The Slovo Myasnika brand topped the ranking of most powerful new consumer brands of the Forbes Russia magazine for corporate identity and brand concept.

EVENTS AFTER THE REPORTING PERIOD



52

The project for launching a second desugarisation line is approved. The Board of Directors approved the launch of a second molasses desugarisation line. It will enable the Company to process all of its molasses and additionally produce up to 70 thousand tonnes of sugar each year.

THE COMPANY TODAY



4

VERTICALLY INTEGRATED
BUSINESSES



9

REGIONS
OF RUSSIA



79

BILLION RUB —
COMPANY'S SALES IN 2017



14

BILLION RUB —
COMPANY'S EBITDA IN 2017

KEY FIGURES

SUGAR SEGMENT



№1

producer of packaged sugar and sugar cubes in Russia

№2

sugar producer in Russia



share of sugar cubes market



share of sugar market

MEAT SEGMENT



№3

commercial pork producer in Russia



share of commercial pork market

OIL AND FATS SEGMENT



№1

consumer margarine producer in Russia

№5

mayonnaise producer in Russia

№8

unrefined sunflower oil producer in Russia



share of consumer margarine market



share of mayonnaise market

AGRICULTURE SEGMENT



№3

landowner in Russia



of land is owned

MARKET SHARE
END-2017

KEY PRODUCTION
RESULTS 2017

KEY FINANCIAL
RESULTS 2017

984 ▲+22%

thousand tonnes of beet sugar

207 ▲+7%

thousand tonnes of pork in live weight

603 ▲+1%

thousand tonnes of compound feed

111 ▼-12%

thousand tonnes of oil & fats

192 ▲+18%

thousand tonnes of unrefined vegetable oil

243 ▲+23%

thousand tonnes of meal

567 ▲+3%

thousand ha arable land

1,151 ▲+24%

thousand tonnes of grains

30.4 ▼-18%

billion RUB sales

5.5 ▼-43%

billion RUB EBITDA

20.5 ▲+15%

billion RUB sales

6.3 ▲+56%

billion RUB EBITDA

19.4 ▼-2%

billion RUB sales

0.7

billion RUB EBITDA

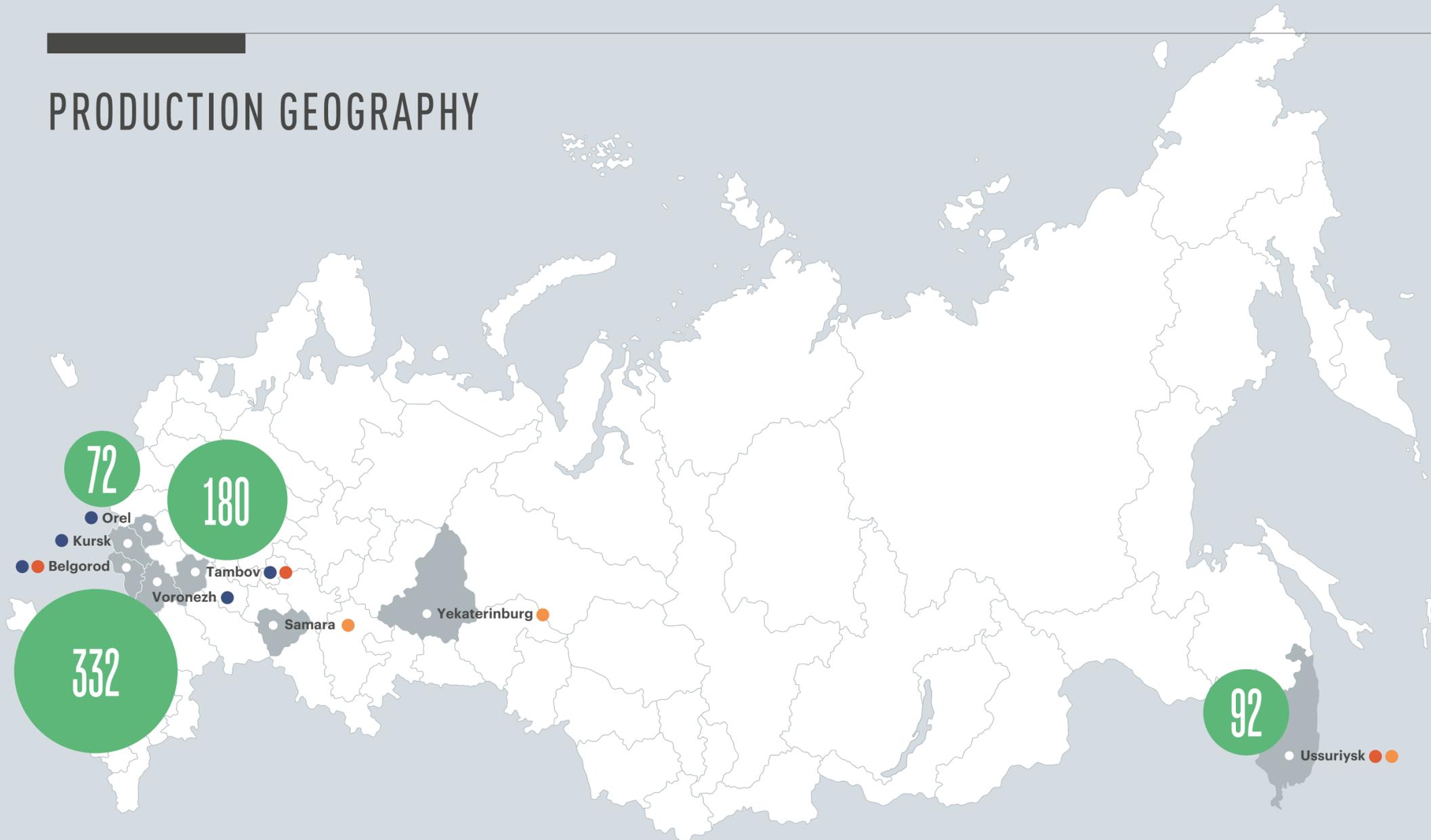
18.8 ▲-11%

billion RUB sales

0.1 ▲-99%

billion RUB EBITDA

PRODUCTION GEOGRAPHY



THE MAIN ASSETS OF RUSAGRO GROUP ARE LOCATED IN 9 CONSTITUENT ENTITIES OF RUSSIA, WHICH DRIVES THE REGIONAL DIVERSIFICATION OF THE BUSINESS.

BELGOROD REGION

- 3 sugar plants
- 6 pig farms
- 1 breeding farm
- 1 compound feed plant

OREL AND KURSK REGION

- 3 sugar plants

TAMBOV AND VORONEZH REGION

- 3 sugar plants
- 1 molasses desugarisation facility
- 1 cereal plant
- 7 pig farms

- 2 breeding farms
- 1 compound feed plant
- 1 slaughterhouse and meat processing plant

Scheduled for 2019:

- 5 pig farms
- 1 breeding farm

SAMARA REGION

- 1 oil extraction plant

Scheduled for 2018:

- 1 oil refining and deodorisation plant

YEKATERINBURG

- 1 oil and fats plant
- 1 oil refining, deodorisation and fats interesterification plant

PRIMORYE TERRITORY

- 1 oil and fats plant

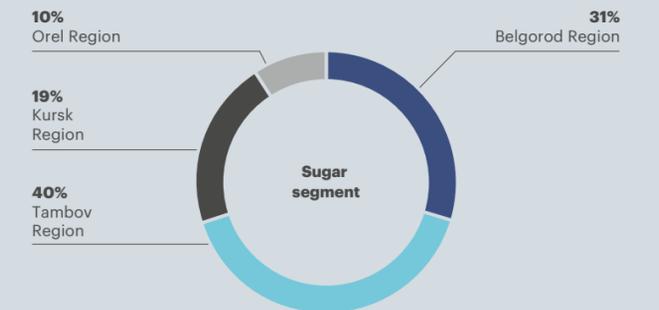
Scheduled for 2019:

- 7 pig farms
- 1 breeding farm
- 1 compound feed plant
- 1 slaughterhouse and meat processing plant

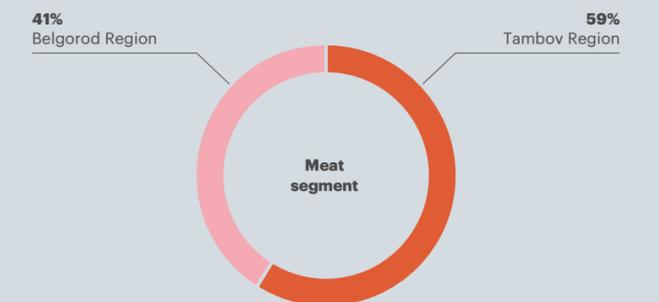
Land bank, thousand ha

STRUCTURE OF ASSETS BY REGION

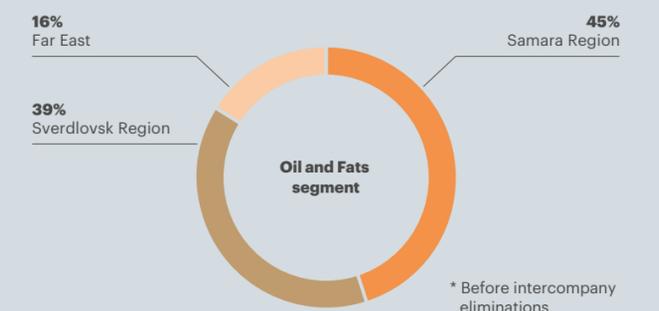
Sugar beet processing capacity of the plants



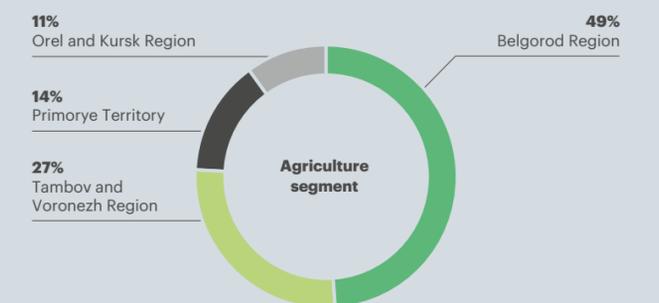
Pork production in live weight



Oil and fats sales*



Land bank structure



BRANDS



SUGAR SEGMENT

Russkii Sakhar, Chaikofsky, Mon Café, Brauni, Tyoplye Traditsii



MEAT SEGMENT

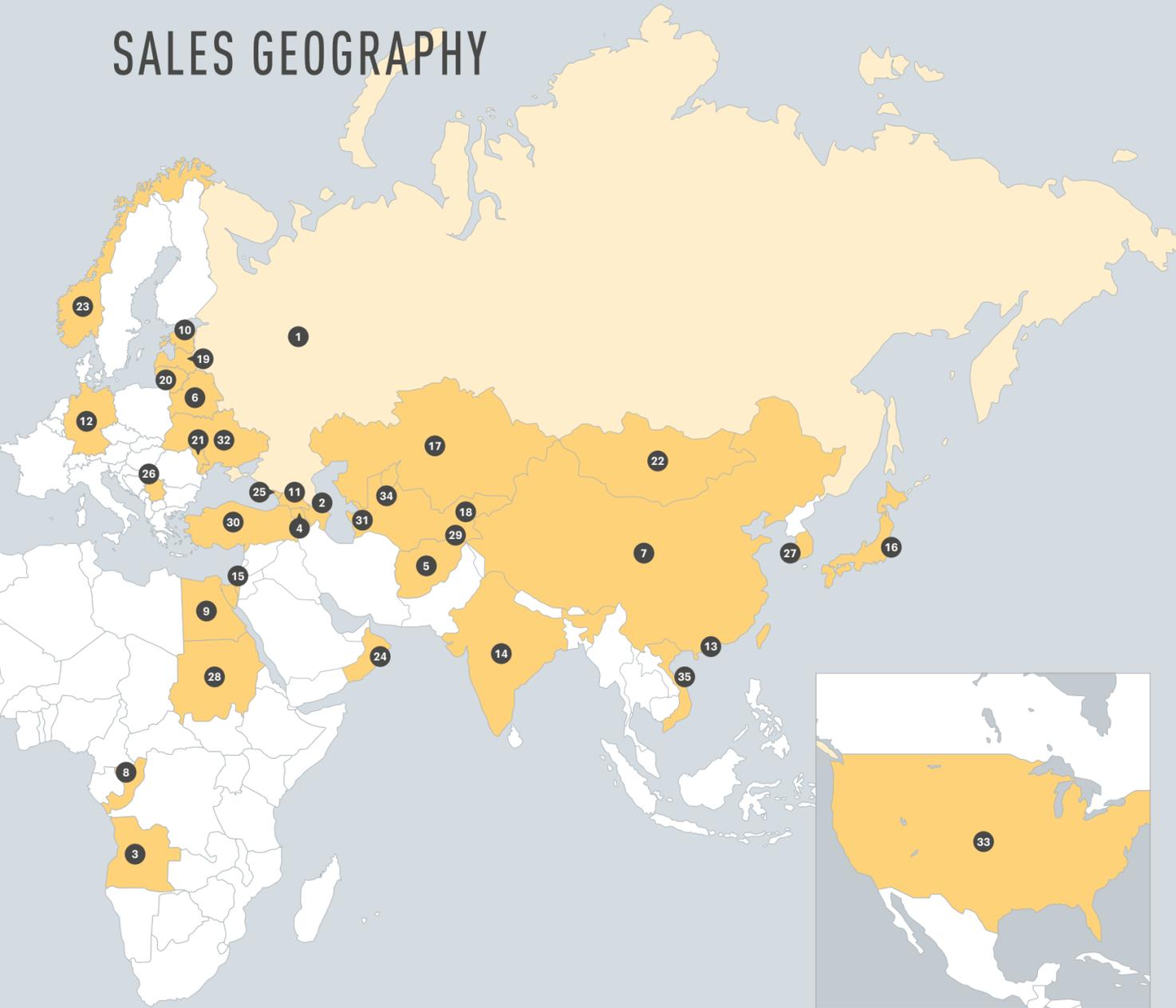
Slovo Myasnika



OIL AND FATS SEGMENT

Provansal EZhK, Mechta Khozyaiki, Schedroye Leto, Maslava, Soya co

SALES GEOGRAPHY



35

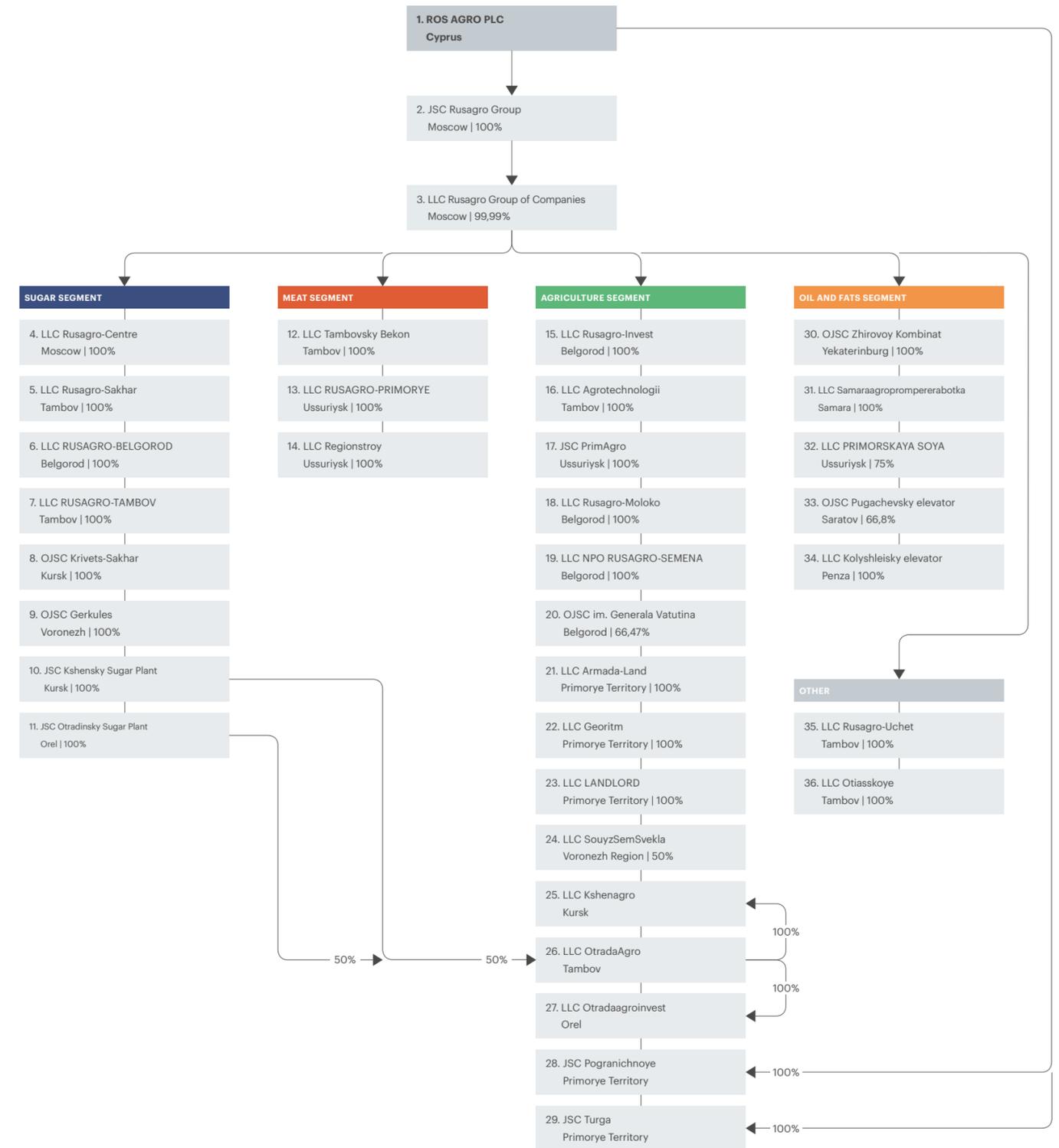
countries of sale

17

new exports destinations

- | | | |
|----------------|--------------------------|------------------|
| 1. Russia | 14. India | 26. Serbia |
| 2. Afghanistan | 15. Israel | 27. South Korea |
| 3. Angola | 16. Japan | 28. Sudan |
| 4. Armenia | 17. Kazakhstan | 29. Tajikistan |
| 5. Azerbaijan | 18. Kyrgyzstan | 30. Turkey |
| 6. Belarus | 19. Latvia | 31. Turkmenistan |
| 7. China | 20. Lithuania | 32. Ukraine |
| 8. Congo | 21. Moldova | 33. USA |
| 9. Egypt | 22. Mongolia | 34. Uzbekistan |
| 10. Estonia | 23. Norway | 35. Vietnam |
| 11. Georgia | 24. Oman | |
| 12. Germany | 25. Republic of Abkhazia | |

STRUCTURE OF RUSAGRO GROUP



USE YOUR HEAD
AND YOU'LL NEVER HAVE TO
BRING UP THE REAR



ILYA FEDOSSOV

On-the-job Deboning Trainer

LETTER FROM CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders,

2017 was a difficult year for the Company and the industry at large. The Company's revenues sank 23% as the result of the slump in the prices for sugar and other agricultural products, which in its turn put a downward pressure on Rusagro's share price. Despite the current situation, the Company has retained industry leadership and achieved solid operating and financial results.

In 2017 Rusagro set new records in beet sugar production, moving up to No. 2 among Russia's largest producers with a market share of 15%. Though in the pork market the Company was down from No. 2 to No. 3, it managed to boost its performance by increasing efficiency and even to exceed the project capacity. The Oil and Fats business successfully ran a raw material procurement campaign. As the result, the oil extraction plant in Samara was running at 97% capacity utilization for the first time in years. Finally, yet importantly, the Agriculture business, with a land bank increased by 10 thousand hectares, reported a record wheat harvest—up 57% from 2016.

The growing supply in the sugar, pork, oil and fats and agricultural commodities markets together with rather limited prospects for the expansion of domestic demand requires that the Company immediately intensify its efforts on exports development. Though the exports opportunities have been limited by low prices and a strong rouble, the Company has been quite successful in this field. In 2017 it exported nearly 49 thousand tonnes of sugar to 12 countries, 5 thousand tonnes of pork to 6 countries, as well as 76 thousand tonnes of unrefined oil and 53 thousand tonnes of oil and fat products to 31 countries of the world.

The Company made further progress in developing the consumer segment and its brands. In particular, in 2017 Rusagro became an absolute leader across all segments of the consumer sugar market, while the Slovo Myasnika brand was ranked No. 1 in the Forbes rating of emerging brands. The Company's portfolio includes 11 brands that have leading positions in their segments and key sales regions.

To ensure efficiency, Rusagro has consistently employed global best practices, automation approaches and innovation. For example, the Sugar business has implemented a project for monitoring the temperature of sugar beet piles to control the quality of beets during storage, and the Agriculture segment pilot tested a crop tracking system. In 2017 we launched a project for assessing the breeding potential of animals. In cooperation with its partners, the Company has continued the efforts on sugar beet hybrid breeding.

TODAY, THE COMPANY HAS ALL THE NECESSARY
RESOURCES TO INCREASE ITS MARKET VALUE.
IN 2018 RUSAGRO WILL APPROVE A NEW
DEVELOPMENT STRATEGY AND PRESENT
A COMPREHENSIVE PLAN FOR ACHIEVING A PROFIT
GROWTH ACROSS THE FOUR BUSINESS SEGMENTS.



VADIM MOSHKOVICH

Chairman of the Board of Directors, ROS AGRO PLC



I would like to thank the Board of Directors for their active role in improving corporate governance, shaping the development strategy and approving a generous dividend policy. After considering the results of 2017, the Board of Directors recommended that 71% of the Company's net profit (a total of RUB 4.1 billion) be paid as dividends to the shareholders, i.e. USD 0.52 per GDR.

Today, the Company has all the necessary resources to increase its market value. In 2018 Rusagro will approve a new development strategy and present a comprehensive plan for achieving a profit growth across the four business segments. I strongly believe that Rusagro's team can face up to the coming challenges and is ready to move towards the Company's new short- and long-term goals.



LETTER FROM CEO

Although 2017 saw a surge in production, the profitability of the business decreased on the face of a strengthening rouble, lowering global prices and growing costs. The Company's sales shrunk by 6% to RUB 79.1 billion, EBITDA dropped 23% to RUB 14.0 billion, net profit sank 60% to RUB 5.6 billion. The Sugar and Agriculture divisions reported reduced profits, while Meat and Oil and Fats were on an upswing.

The pork market conditions were favourable throughout 2017. The average annual price in the domestic live pigs market was up 2% reaching RUB 94 per kilogram, exclusive of VAT, whereas the price of grain feed ingredients sagged. Due to increased efficiency, pork production grew to 207 thousand tonnes in live weight. The Company increased the sales of processed products by 38% and achieved a reduction of production losses. As the result, the sales of the Meat business increased by 15% to RUB 20.5 billion, while EBITDA grew 56% to RUB 6.3 billion. The profitability of the Meat business jumped from 22% in 2016 to 31%. We continued with the construction of the pig farms in the Tambov Region and the Primorye Territory. The first farms will be commissioned as early as in 2018 and are expected to increase the Company's sales volume in 2019.

The bumper sugar beet harvests of the recent two years, the modernisation of the plants in the Kursk Region and the launch of a molasses desugarisation facility contributed to a record high sugar production of the Company's plants. Within the calendar year the production of beet sugar increased by 31% to 984 thousand tonnes. Meanwhile, the drop in the average annual global sugar price, the strengthening rouble and the domestic oversupply of sugar for the second consecutive year sent the price down from RUB 31 per kilogram to RUB 23 per kilogram (end-2017, exclusive of VAT). Due to high representation in the consumer segment the sales prices sank only 23%; the sales of the Sugar segment declined by 18% to RUB 30.4 billion. Though the sinking beet prices and record high

production had a positive effect on the cost, EBITDA was down 43% to RUB 5.5 billion. In 2017 the profit margin of the Sugar business dropped from 26% to 18%; within the first nine months of the year it grew from 14% to 27% (Q4).

2017 was a bad year for the Agriculture business: the increased gross grain harvest in Russia and worldwide together with a stronger rouble put severe downward pressure on the prices. A sharp slump in the sugar price caused the beet prices to drop. Reduced yields on later crops (beets, corn and soybean) that were partly offset by greater grain yields resulted in an 11% decrease in gross harvest. Consequently, the sales of the Agriculture business was down 11% to RUB 18.8 billion. Loss on revaluation of biological assets, increased transportation and payroll costs put additional downward pressure on EBITDA, causing the profitability of the business to drop down to zero. The positive trends include improved performance in the Primorye Territory and the progress in increasing automation.

The Oil and Fats business reported improved financial performance, reaching positive territory in the second half of the year. Though the price of unrefined oil dropped 18%, the successful procurement campaign in the latter half of the year made it possible to fully utilize the Company's processing capacities. The consumer segment saw increased bottled oil production and reduced mayonnaise production. The sales of the Oil and Fats business was down 2% to RUB 19.4 billion, whereas its EBITDA grew to RUB 0.7 billion. The profit margin of the business also increased from -2% to 4%.

In 2017 the Company invested a record RUB 17.5 billion in business development. In particular, RUB 6.3 billion was invested in the Meat business that is building pig farms in the Tambov Region and the Primorye Territory. The RUB 6.2 billion that was invested in the Agriculture business was used, among other things, for purchasing machinery. The Sugar business modernised the plants

RUSAGRO IS PREPARED TO FACE THE CHALLENGES AND EMBRACE THE OPPORTUNITIES OF THE COMING YEAR. CREATING VALUE FOR THE COMPANY'S SHAREHOLDERS WILL DEPEND ON THE EFFICIENCY, LOWER COST AND AN EFFECTIVE SALES SYSTEM.



MAXIM BASOV

Director, ROS AGRO PLC; Chief Executive Officer, LLC Rusagro Group of Companies

in the Kursk Region, increasing their capacity by 39%, and put into operation an automated beet reception laboratory. A total of around RUB 1.6 billion went to the Oil and Fats business and was used to build an oil refining and bottling plant.

As of end-2017 the Company had more than 14 thousand employees, which is 1 thousand employees more than in 2016. Huge progress was made in personnel engagement, training and development. In view of our development plans, we will be creating another 2 thousand jobs in the next two years, primarily in the Primorye Territory.

Rusagro is prepared to face the challenges and embrace the opportunities of the coming year. The new market conditions—Russia's self-sufficiency and the lower prices for basic foods—call for a revision of the development strategies by all the industry players.

Creating value for the Company's shareholders will depend on the efficiency, lower cost and an effective sales system, rather than on increasing the production capacities. The automation will increase alongside with the growth of human capital.

In 2018 we plan to invest up to RUB 20 billion in maintaining and developing the Company's business. The Meat segment will focus on increasing meat production and processing, as well as on achieving leadership in the retail market. The key objective of the Sugar business will be to reduce costs and increase molasses desugarisation. The efforts in Agriculture will be focused on costs reduction, in particular, through automation, precision farming technologies and seed production development. The priority of the Oil and Fats business will be to increase production of consumer goods.

BUSINESS MODEL

The business model of Rusagro Group is based on vertical integration. The Sugar, Meat and Oil and Fats businesses have fully integrated production systems, with raw materials supplied by the Agriculture business. The vertically integrated structure enables the business to build on diversification and effectively manage all elements of the value chain.

All of the harvested beets are used by the **Sugar** business. The beets come from the neighbouring fields, which makes it possible to minimise transportation costs. Pulp, sugar beet lime and molasses are co-products of sugar processing. Sugar beet pulp is used as a pig feed ingredient, and lime is a common soil amendment. The molasses desugarisation plant recovers sucrose extract that is used for the production of additional sugar. The Company sells its sugar and cereals under five different brands.

The **Meat** business buys the grain to produce granulated compound feed. The breeding farms raise young pigs and improve the pig breeds. The sow farms rear feeder pigs and breeding replacements. The slaughterhouses and meat processing facilities produce finished products to be sold under a private brand. There is a plant for waste rendering, and the manure is used on the farmlands as fertilizer.

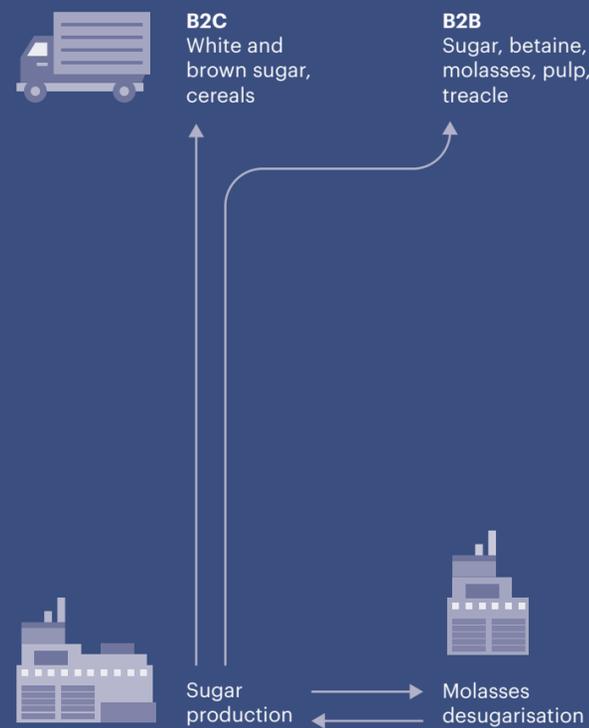
Though the Agriculture business does not usually sell the sunflower seeds to the **Oil and Fats** business, it supplies soybean to the extraction plant in the Primorye Territory. The produced unrefined oil is used for the production of oil and fat products that are sold under eleven brands. The meal is a source of protein and therefore a valuable ingredient of pig feed.

A high level of vertical integration both within each of the businesses and between the segments gives Rusagro Group a competitive edge in the markets, ensures superior production efficiency and financial stability.



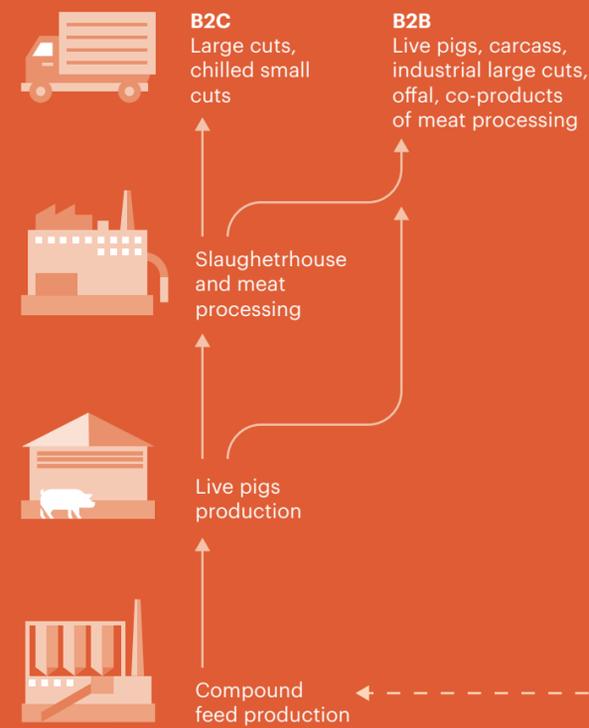
Selling the surplus of grains, legumes and oilseed

SUGAR SEGMENT



Sugar beet

MEAT SEGMENT

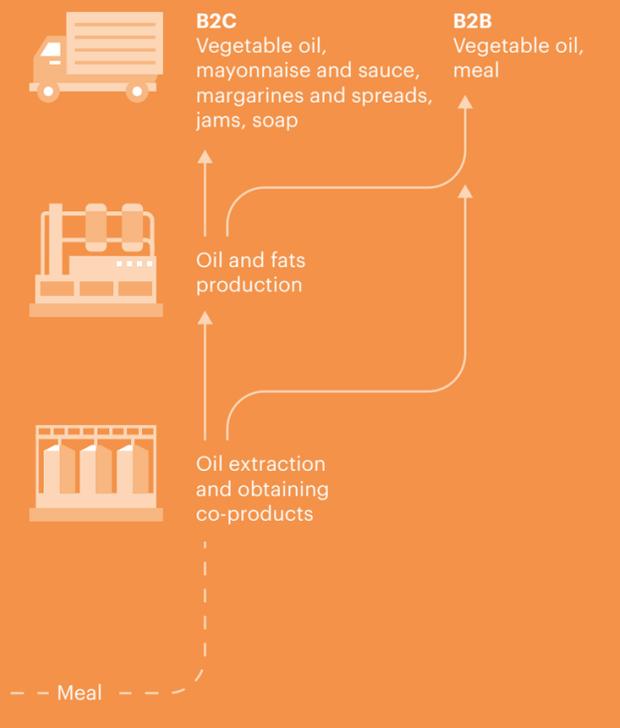


Grains



Corn

OIL AND FATS SEGMENT



Soybean



Sunflower

AGRICULTURE SEGMENT



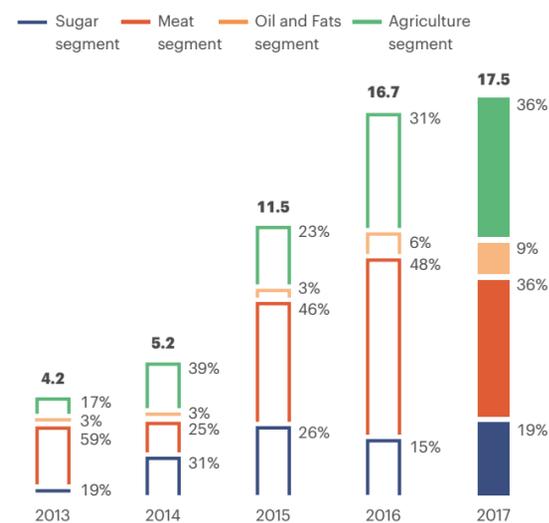
GROWTH STRATEGY

The strategy of the Company and the business units is developed for a period of five years and is annually reviewed by the Board of Directors, which makes it possible to redirect the efforts and respond to the changes in the external environment, and to effectively manage financial and human resources. The success of implementing the Company's strategy rests on careful selection of long-term priorities and the exceptional quality of the investment process that ensures a high return on equity. Such priorities include business expansion, human capital improvement, cost reduction and productivity growth through automation, as well as the development of Rusagro's retail products and brands.

In 2018 the Company will remain committed to its priorities. The launch of investment projects in Meat, Sugar and Oil and Fats will drive the growth in the next few years. Other potential sources of increasing the Company's value include the launches of new businesses, mergers and acquisitions and the development of strategic partnership with Asian countries.

From 2013 to 2016 Rusagro Group invested over RUB 37.6 billion in the implementation of its Strategy. In 2017 the Group invested a total of RUB 17.5 billion, a 5% increase from 2016. In 2018 the Group's total investment may amount to RUB 20.0 billion.

Rusagro Group's Capital Expenditures billion RUB



17.5

BILLION RUB
TOTAL INVESTMENT
BY THE COMPANY IN 2017

72%

OF TOTAL INVESTMENTS
WENT TO THE MEAT AND
AGRICULTURE BUSINESSES

THE STRATEGIC BUSINESS GOAL OF RUSAGRO GROUP IS TO INCREASE RETURNS FOR SHAREHOLDERS WHILE ADHERING TO THE MISSION "MAKING PEOPLE'S LIVES BETTER AND LONGER". TO ACHIEVE THIS GOAL, THE BOARD OF DIRECTORS APPROVED THE "FIELD TO SHELF" STRATEGIC CONCEPT, THE IMPLEMENTATION OF WHICH IS BASED ON THE COMPANY'S VERTICALLY INTEGRATED BUSINESS MODEL OF FOOD PRODUCTION.

KEY PRIORITIES OF GROWTH STRATEGY



BUSINESS EXPANSION

Rusagro Group intends to ramp up production and expand its regional presence across all four business areas to maintain market leadership. The ways of achieving this goal are as follows:

- Organic growth—building new production facilities, expanding the land bank, modernising and expanding the existing assets;
- Inorganic growth—acquiring additional companies and assets, in particular in previously unexplored business areas;
- Increasing the share in the current regions of presence and expanding to new regions of Russia and to new countries through the development of exports.



DEVELOPMENT OF HUMAN CAPITAL

Development of human capital is key for ensuring the Company's sustainable growth. To achieve this goal, the following measures are implemented:

- Comprehensive assessment of the strategically important personnel to identify the skills and competence deficiencies, form individual development plans, improve human resources and their efficiency;
- Regular assessment of human capital development progress using two parameters: personnel quality index and personnel efficiency index that are analysed basing on the employees' productivity and engagement;
- Timely succession planning, creating a talent pipeline of young professionals through cooperation with regional universities and vocational schools, in particular, by offering internal training and building a strong employer brand;
- Automation of HR processes.



AN INCREASE IN THE SALES OF RETAIL PRODUCTS AND BRANDS

Pursuant to its "Field to shelf" concept, Rusagro Group strives to develop its retail products taking the following measures:

- Increasing the depth of product processing;
- Expanding the product mix;
- Increasing representation in retail channels;
- Developing private brands and promote them on the consumer market.



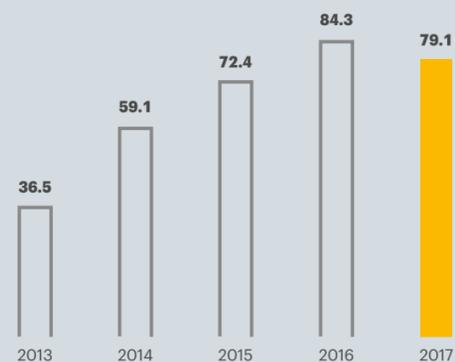
AUTOMATION AND INNOVATION

In an era of technological revolution, the development and introduction of innovative solutions in IT, automation and biotechnologies are becoming increasingly important in terms of their potential for cost reduction, product quality improvement and additional revenue generation. The key areas of the Group's activities related to this strategic priority include as follows:

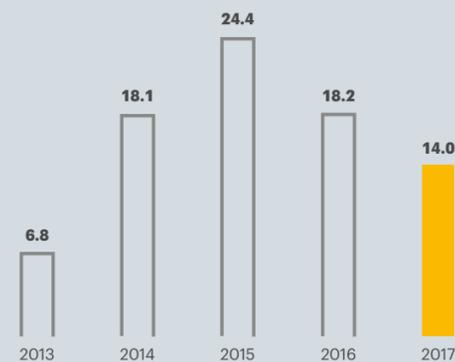
- Introducing precision farming technologies;
- Developing the automation of production and operating processes;
- Using advanced selection methods in crop and livestock farming, with a focus on sugar beet and pigs.

To achieve its goals, the Group forms teams of scientists and experts, supports and promotes mutually beneficial cooperation with leading Russian research organisations, development funds and the business community.

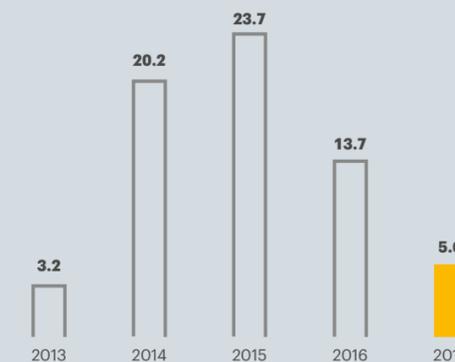
Sales billion RUB



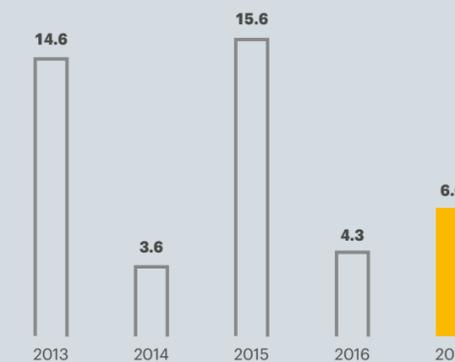
Adjusted EBITDA billion RUB



Net profit billion RUB



Net debt billion RUB



1. EXPANDING PRESENCE IN ALL AREAS OF BUSINESS



SUGAR SEGMENT

RESULTS

- From 2013 to 2017 Rusagro was consistently one of Russia's three largest sugar producers. In 2017 the Company ranked as the country's No. 2 producer with a market share of 15%.
- Between 2013 and 2017, the combined production capacity of the sugar beet processing plants increased by 58% to 53 thousand tonnes per day. In 2017, as the result of the modernisation of the plants in the Kursk Region, the combined capacity of the Company's plants grew 5%.
- Beet sugar production surged 106% between 2013 and 2017, reaching a record high of 984 thousand tonnes. In 2017 sugar total production increased by 22%, while beet sugar production jumped 31%.
- In 2017 the exports spiked by 740%, from 6 thousand tonnes in 2016 to 49 thousand tonnes in 2017. The Company started sugar exports to Mongolia, Turkmenistan and Uzbekistan.

2017 PROJECTS

- Increasing the sugar beet processing capacities of two plants in the Kursk Region by 2.6 thousand tonnes per day (+34%): depending on the duration of the season and the sugar content this may result in an additional 45 thousand tonnes of sugar per year.
- Putting into operation an automated beet laboratory at the sugar plant in Tambov to improve the quality and speed of beet reception and minimise beet losses during storage.
- Commissioning a sugar silo with a capacity of 60 thousand tonnes at the plant in the Tambov Region with an aim to increase the quality of the product and expand the sales through the factory channel. In addition, the new silo will help reduce the on-site sugar pressing and packaging cost.

PLANS FOR 2018

- Increase beet sugar production to 53.8 thousand tonnes per day.
- Ensure the daily processing capacity of 6 thousand tonnes at the Krivets sugar plant.
- Launch a project for building a molasses desugaring plant in the Belgorod Region.
- Build a sugar silo with a capacity of 60 thousand tonnes in the Belgorod Region.

MEAT SEGMENT

RESULTS

- In 2013–2017 the Company increased its market share from 4.5% to 5.4% and became Russia's third largest pork producer.
- Between 2013 and 2017 pork production jumped 50%—from 135 to 207 thousand tonnes. The rise in the production was achieved through organic growth and consistent productivity growth.
- In 2013–2017 compound feed production increased by 70%—from 360 to 603 thousand tonnes.
- The exports grew to 5 thousand tonnes between 2013 and 2017.

2017 PROJECTS

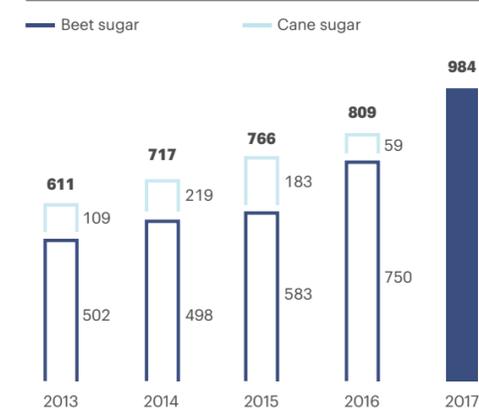
- Approving the new concept pig farms construction in the Tambov Region: the combined capacity was raised from 85 to 96 thousand tonnes of pork in live weight. The facilities are scheduled for commissioning in 2019. As soon as the planned capacity is reached in 2020, the Company's annual pork production in Central Russia will exceed 300 thousand tonnes.
- Commencing the initial construction phase for an elevator in the Belgorod Region with a capacity of 40 thousand tonnes that is expected to contribute to feed cost reduction due to greater self-sustainment.

- Continuing with the construction of a pig farm in the Far East. The pig farm will be producing 77 thousand tonnes of pork in live weight annually. The start of production is scheduled for 2020. As soon as it reaches the planned capacity in 2021, the annual capacity of the Company's Meat business is expected to increase to around 380 thousand tonnes of pork in live weight.

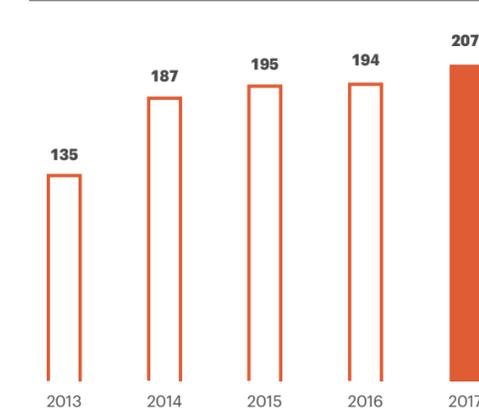
PLANS FOR 2018

- Complete the construction of the pig farms and expand the compound feed plant in the Tambov Region.
- Complete the construction of the pig farms, the breeding farm, the compound feed plant and the elevator; purchase the equipment for the slaughterhouse and supply first animals to the Primorye Territory.
- Complete the construction of the elevator in the Belgorod Region.
- Expanding the exports to the African countries and entering new markets: Ghana, Nigeria, Benin and Sierra Leone, as well as Haiti, Taiwan and Armenia. The exports to these countries are expected to grow to 1.4 thousand tonnes.

Sugar production thousand tonnes



Pork production in live weight thousand tonnes



1. EXPANDING PRESENCE IN ALL AREAS OF BUSINESS

OIL AND FATS SEGMENT

RESULTS

- At the end of 2017 Rusagro was Russia's largest margarine producer; it also ranked as No. 5 in mayonnaise production and No. 8 in the unrefined sunflower oil market.
- In 2013–2017 the Company's share in the margarine was up by 7 p.p. In the reporting period, the Company's share in the margarine market increased from 43% to 44%.
- The daily sunflower processing capacity grew 78%, from 700 to 1,244 tonnes between 2013 and 2017 due to production modernisation. The modernisation of the soy processing plant boosted its daily capacity by 16%, from 322 to 374 tonnes, between 2013 and 2017. Unrefined oil production surged 75% between 2013 and 2017. Sunflower oil production reached 173 thousand tonnes as the result of increased capacity utilisation and oil extraction rate.
- In 2013–2017 unrefined oil exports went up 240%, reaching 76 thousand tonnes. Meanwhile, the list of unrefined sunflower oil exports destinations was increased from 3 to 9 countries. In 2017 the Company doubled its unrefined oil exports.

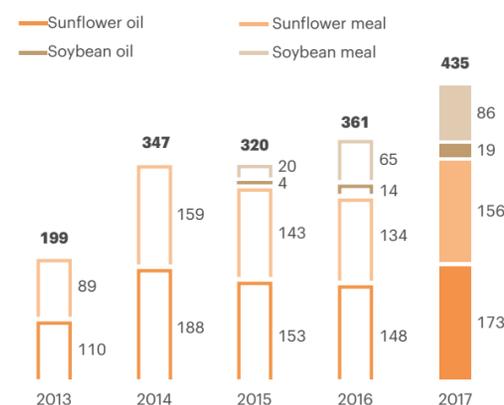
2017 PROJECTS

- Starting up the fats interesterification plant with an annual capacity of 50 thousand tonnes, refinement of the formulations, selling the first finished products.
- Increasing the sunflower seeds drying capacity of the Alekseevsky elevator by buying new dryers, with a view to increase the purchase rate in the largest sunflower seed harvesting areas.
- Putting into operation a line for bottling the Schedroye Leto vegetable oil in plastic at OJSC Zhirovoy Kombinat.

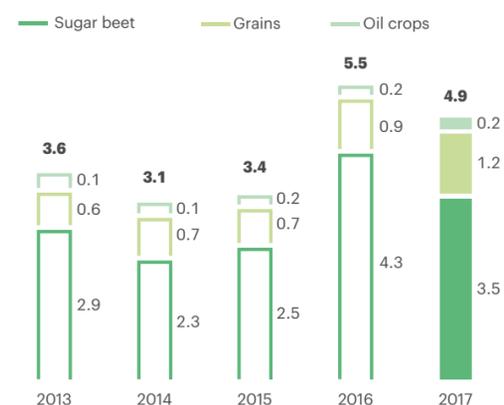
PLANS FOR 2018

- Complete the construction and officially open a new refining, deodorisation and bottling facility at CJSC Samaraagroprompererabotka with an annual capacity of over 100 thousand tonnes.
- Increase industrial fats production from 3 to 20 thousand tonnes. Launch a line of high-margin margarines for commercial manufacturing of confectionaries, introduce a new spread and start the sales of sunflower lecithin.
- Enter the markets in the Middle East (Afghanistan, Iran, UAE), begin soybean meal exports to Japan and Korea.

Unrefined oil and meal production thousand tonnes



Gross harvest million tonnes



AGRICULTURE SEGMENT

RESULTS

- Rusagro is Russia's third largest landowner.
- In 2013–2017 the land bank of the Group increased by 46%, from 463 to 675 thousand hectares, in particular, the arable land increased by 51% from 376 to 567 thousand hectares. In 2017 the land holdings in the Tambov Region and Primorye Territory grew by 10 thousand hectares.
- Corn exports from the Primorye Territory jumped almost five times compared to 2016, reaching 49 thousand tonnes. Pilot exports of soybean went to Japan.

PLANS FOR 2018

- Improve the quality of the land bank and the management by disposing of non-performing land assets and switching to case-by-case field control system.
- Implement projects for the construction of seed thrashing and goods storage facilities in the Tambov, Kursk and Orel Regions and the Primorye Territory. Complete the projects for reconstruction of the machine and tractor stations in Tambov and the Far East.
- Implement projects for the construction of fuel stations in Tambov and the Primorye Territory.

2017 PROJECTS

- Putting in place the required technological infrastructure for the newly acquired land assets in the Primorye Territory, Kursk and Orel Regions worth a total of RUB 2.6 billion.
- Launching a project for the reconstruction of machine and tractor stations in Belgorod to improve the machinery fleet and the labour conditions for the repair maintenance staff.

2. DEVELOPING HUMAN CAPITAL

RESULTS

- Internal hires increased from 36% in 2016 to 54% in 2017.
- Personnel engagement grew from 67% in 2016 to 73% in 2017.
- Employee turnover decreased from 10% in 2016 to 7% in 2017.

★ 2017 PROJECTS

- Launching the Employer Brand project aimed at developing and promoting Rusagro Group as an employer of choice both among the internal and external audiences.
- Introducing a new employee training and development system based on mentoring and coaching.
- Implementing the Work with Youth programme that involves cooperation with relevant vocational schools and building an attractive employer brand among the young people.

⚡ PLANS FOR 2018

- Increase internal hires and employee engagement; reduce turnover.
- Arrange leadership competencies development programmes for the training of successors.
- Implementing new youth programmes, including the project of the Meat segment aimed at attracting university graduates.
- Further implementation of the training and development system: training mentors and internal coaches.



THE DEVELOPMENT OF HUMAN CAPITAL HAS BEEN A PRIORITY OF RUSAGRO GROUP. THE PEOPLE ARE THE MAIN DRIVER OF THE COMPANY'S SUCCESS AND STABILITY.

3. DEVELOPING RETAIL BRANDS

SUGAR SEGMENT

RESULTS

- Rusagro has four sugar brands with a wide offering (Russkii Sakhar, Chaikofsky, Brauni, Mon Café) and a cereal brand (Tyoplye Traditsii).
- The Company is the leader in the Russian B2C sugar market. In 2017 it reported a 47% market share in the 'pressed sugar' category.
- Russkii Sakhar, the most popular mass brand, had a market share of 34%, as of end-2017, while Chaikofsky had a market share of 12% in the premium segment. Brauni became a leader in the B2C brown sugar with a share of 31%. The distribution of the Tyoplye Traditsii brand was expanded.

2017 PROJECTS

- Running a marketing programme aimed at promoting the Chaikofsky brand through television support and trade marketing activities.
- Installing three buckwheat and rice packaging lines for retail distribution at the OJSC Gerkules cereal plant.
- Introducing Chaikofsky sugar cubes in 250 grams package to expand representation in the format.

PLANS FOR 2018

- Maintain and strengthen the leading market position of Russkii Sakhar, Chaikofsky and Brauni as No. 1, in particular through further increasing the quality of logistics and planning.
- Expand the distribution and product line of the Tyoplye Traditsii brand. Introduce a redesigned brand package in the market and ensure strong marketing support for the brand.
- Start up a packaging line at the Gerkules plant with an annual capacity of 50 thousand tonnes of cereal.



MEAT SEGMENT

RESULTS

- The Slovo Myasnika brand was No.1 in the Forbes Russia rating of the most powerful new brands.
- In 2017 the Company sold 6 thousand tonnes of pork under the Slovo Myasnika brand.
- In 2017 the processed meat product line and the range of exported products were increased.
- Within the year, brand representation in the points of sale tripled. In 2017 the brand was represented at 2 thousand sales outlets and sold by X5 Retail (Perekryostok, Pyaterochka, Karusel), Tander (Magnit), Spar, Billa, METRO.
- In 2017 the annual share of animals slaughtered at the Company's facilities increased from 51% to 65%.

2017 PROJECTS

- Introducing products in a more affordable thermoformed packaging made it possible to enter mid-priced retail chains and discounters with ready-to-cook large cuts.
- Launching a line of products for the low-end consumer segment with a view to enter discounter stores made it possible to start the sales at Pyaterochka and Magnit chains.

PLANS FOR 2018

- Increase the share of animals slaughtered at the Company's facilities to 86%.
- Achieve a 7% share of chilled ready-to-cook meats market in Russia and make Slovo Myasnika the country's third largest retail brand.
- Extend the product line to include 7 new products, such as minced meat and steaks.
- Increase representation to more than 10 thousand sales outlets in Russia.

OIL AND FATS SEGMENT

RESULTS

- Five of Rusagro's oil and fats brands (Mechta Khozyaiki, Schedroye Leto, Provansal EZhK, Maslava and Soya co) are leaders in their respective categories and presence regions. Maslava is No. 1 in the Russian soybean oil market. Schedroye Leto is the No. 2 national brand in the consumer margarine category. The Provansal EZhK mayonnaise has a 6% market share in Russia and 50% market share in the Ural Federal District.
- Every year, the Company extends its oil and fats product mix; in 2017 it included 196 SKUs.

2017 PROJECTS

- Introducing new products in the mayonnaise, vegetable oil, consumer margarine categories, as well as a Schedroye Leto jam and a Mechta Khozyaiki ketchup and margarine.
- Relaunching the Maslava brand, including sunflower oil in the product mix, supporting the brand in the Primorye Territory with an ATL campaign.
- Supporting the brands in the focal growth regions (Russia, Azerbaijan, Moldova, Kazakhstan, Tajikistan). Active participation in exhibitions (China, Middle East) to prepare the ground for expansion to a new sales geography.

PLANS FOR 2018

- Redesign and actively develop the profit-generating brands: EZhK and Schedroye Leto.
- Adjust the product line of the Mechta Khozyaiki sauces; reposition Mechta Khozyaiki as a niche brand for high-end consumers.
- Introduce the low-end Gotovim Doma brand intended for the Ural Federal District and the export markets.
- Increase the range of solid fats products: introduce a new cream vegetable butter and a rendered mixture; launch a line of 'professional' vegetable oils for household use.
- Start the development of private brands.

4. AUTOMATION AND INNOVATION



RUSAGRO GROUP IS ONE OF RUSSIA'S LEADING AGRIBUSINESSES IN TERMS OF DRIVING AUTOMATION AND DIGITISATION.

IN RECENT YEARS, THE COMPANY HAS INCREASINGLY FOCUSED ON THE DEVELOPMENT AND IMPLEMENTATION OF INNOVATIVE SOLUTIONS, REGARDING THEM AS A KEY TO LONG-TERM SUSTAINABLE GROWTH.

Information technology (IT), as well as process and operations automation, is gaining importance as a valuable instrument of increasing business performance. Adopting the precision farming technologies implies switching to intensive agricultural practices and automated production, which ensures a steady increase of control over the results, in particular, improves risk management capabilities and forecast accuracy. One of the drivers of the progress in this area is the development of the Internet of Things (IOT) and BigData that help to build analytic systems of data evaluation and prediction.

Biotechnology combined with the IT tools is yet another important resource for increasing the productivity. It makes it possible to streamline the methods of plant and animal selection, breed crop hybrids and animal breeds that have an optimal set of characteristics. Other innovation technologies may be used to produce completely new consumer or industrial products, in particular, to process the by-products or organic waste into new finished products. Such goals are a key element of the Company's growth and are achieved as part of specific projects within the business segments.

In the context of implementing **the risk-oriented approach** to mapping and executing management processes and ensuring information security, Rusagro Group is continually working on increasing the effectiveness and automation of processes related to controlling vulnerabilities and information security incidents to timely prevent, identify and investigate them. In the next two years the Company plans to build its own Security Operation Centre—a combination of processes, software and hardware to ensure centralised collection and analysis of data related to the information security incidents and promptly responding to such incidents.

4. AUTOMATION AND INNOVATION



SUGAR SEGMENT

RESULTS

- An automated raw materials management program aimed at reducing losses during storage was successfully replicated at six plants.
- As part of the Smart Production project, a system for the automated on-line collection of data on sugar losses was successfully introduced at the Znamensky sugar plant. The system helps reduce sugar losses.
- As part of the Smart Production project, a unmanned reception system that ensures high quality of analysis of incoming raw material and allows to exclude the human factor was successfully introduced at the Znamensky sugar plant.

PLANS FOR 2018

- Continue the efforts on ensuring reliability and accuracy of measuring KPIs, technology parameters and of recording events in equipment control to prepare optimal recommendations for controlling equipment in sugar production.
- Continue to explore the effects of frame storage facilities on the sugar beet storage conditions with a view to extend the processing season at the Znamensky sugar plant as part of the Long-term Storage project.
- Continue the efforts on automating the decision making at the beet storage facility, and modify the control and reporting system.



MEAT SEGMENT

RESULTS

- The Experimental Pig Farm project for introducing innovative production practices at the Izmailovsky pig farm was further developed.
- A project was launched for the development and introduction of an information unit of breeding value calculation for predicting the performance of the core breeding stock.
- Pilot test of the maintenance, repair and operations (MRO) management system for the slaughterhouse and rendering facility in the Tambov Region was completed.

PLANS FOR 2018

- Further develop the Experimental Pig Farm project: create a centralised building management system and additional points for supervision and interaction with the operational staff.
- Create a system of vehicle monitoring and control at the meat processing plant in the Tambov Region.
- Introduce an integrated information system for managing feed formulations using the Adifo Bestmix software.
- Replicate and develop the MRO management system at other units of the Meat business.



OIL AND FATS SEGMENT

RESULTS

- An integrated information infrastructure was introduced at all enterprises of the business.
- To work with the federal chains, distributors and external contractors, an integrated electronic data interchange (EDI) and integrated document management system interface using a SAP platform was launched at all the units of the Company.
- The network and server architecture was further developed.

PLANS FOR 2018

- Introduce a line for continuous degumming of soybean oil for phosphatide concentrate (lecithin) production in the Primorye Territory.
- Automate sales support through launching CRM.



AGRICULTURE SEGMENT

RESULTS

- The cropland monitoring system was replicated at the production facilities in the Kursk and Orel Regions and the Primorye Territory. At the moment, the system covers more than 7.5 thousand fields.
- A vehicle monitoring system was introduced to control more than 6.5 thousand machines and vehicles. A system for tracking crop movement from the fields to the storage and processing facilities was piloted.
- A unified operational production reporting system was developed on the basis of SAP HANA. An automated enterprise resource planning system on the basis of SAP ERP was introduced and replicated at the assets newly included in the Agriculture business.
- A project for breeding sugar beet hybrids was launched at the SoyuzSemSvekla joint enterprise.
- A digital business transformation project was launched involving the establishment of agricultural innovation centres to develop technology decisions aimed at increasing production efficiency.

PLANS FOR 2018

- Further implementation, replication and development of the 2017 projects for the automation of production, operations and human resources management.
- Continue with the implementation of the project for breeding sugar beet hybrids.

COMPANY'S BUSINESS

WORKING THE LAND
IS THE BEST JOB ON EARTH



ELENA EROKHINA

Sugar Plant Quality Assurance Manager

984 ▲+22%

THOUSAND TONNES
OF SUGAR PRODUCED

30.4 ▼-18%

BILLION RUB
SALES

5.5 ▼-43%

BILLION RUB
EBITDA

SUGAR
SEGMENT

SUGAR SEGMENT

IN THE PAST 5 YEARS THE SUGAR PRODUCTION IN RUSSIA HAS INCREASED BY 33%, REACHING A RECORD HIGH OF 6.6 MILLION TONNES IN 2017. WITH THE DOMESTIC SUGAR CONSUMPTION AT 5.8 MILLION TONNES, THE COUNTRY'S SUGAR INDUSTRY HAS BEEN OVERPRODUCING IN THE LAST TWO YEARS.



NIKOLAI ZHIRNOV
Head of the Sugar business

The downward pressure on prices that was further intensified by the sinking global market price and a stronger rouble caused the market to fall, in terms of value. In 2017 the Company, with consumer branded sugar accounting for 27% of its product, was faced with a sales price reduction of 23% (to RUB 30.6 per kilogram, exclusive of VAT). As the result, the EBITDA margin also sank from 26% to 18%, with EBITDA totaling RUB 5.5 billion, which is 43% lower than in 2016. The decline in the revenues was partly offset by increased production due to the modernisation of the plants in Kursk, the sinking raw materials costs and the introduction of the desugarisation technology that minimise the sugar losses. Automating the production also had a positive effect on the results, in particular the automation of raw materials management systems and the systems for reducing sugar losses in storage. The Company consolidated its position in the consumer market and became an absolute market leader.

Amid low sugar prices, the Sugar segment will focus on cutting production costs and facilitating innovation-driven development. Completing the modernisation of the factories, extraction of additional sugar from molasses, further process automation and personnel development will enable the Company to remain competitive both in the domestic and international market.



6.6
million tonnes —
sugar production in Russia
in 2017

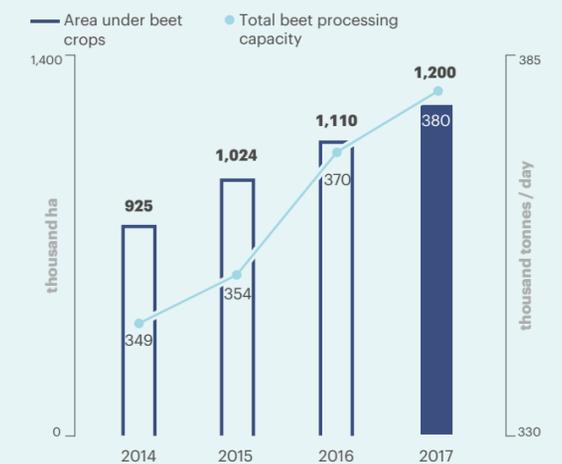
MARKET OVERVIEW

DOMESTIC PRODUCTION

In Russia, the main raw material used in sugar production has traditionally been the sugar beet. Indeed, in the last five years, only 7% of sugar in the country was produced from sugar cane. The growing beet crops and the import tariffs on raw cane sugar in 2017 took the production of sugar from raw sugar down to zero. According to Russia's Ministry of Agriculture, at the end of the year the total daily processing capacity of the country's sugar plants was 380 thousand tonnes of beets. Russia has 21 sugar beet processing regions, with the Krasnodar Territory accounting for roughly one fourth of the sugar produced in the country due to the fact that it has better soils and climate for growing sugar beet.

The sugar prices were high in the season of 2015-16, which prompted the agricultural producers to increase their processing capacities and the planting areas. As the result, the crop area in Russia increased by 8% to 1.2 million hectares in 2017. However, bad weather

Sugar beet planted area and processing capacities in Russia



Source: Soyuzrossakhar (Russian Sugar Producers Union)

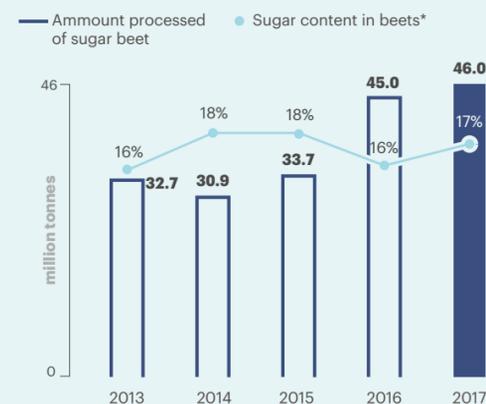
conditions, namely a spell of unusually cold and rainy weather from mid-May to July, affected the yield causing it to drop by 13% to 40.2 tonnes per hectare which in its turn resulted in a 6% decrease of the gross harvest to 48.2 million tonnes.

In 2017, though the yield was lower than in the previous year, it was still above the five-year average. This meant yet another extended processing season, with the last of the sugar factories finishing late in March. In 2017 the beet sugar output stood at 6.6 million tonnes, a 14% increase from the previous year. The amount of processed beet increased by 2% to 46.0 million tonnes, while the sugar content grew from 16% to 17%. The output in the season of 2017 was 6.5 million tonnes, a 7% increase from the previous year. The peak production reached in the past two years led to the build-up of massive stockpiles—more than 5 million tonnes as of end-2017.

These figures cannot be explained by increased yields and higher sugar content alone; indeed, they were equally the result of a 3% rise in the capacity and increased productivity of the beet plants on the back of the investment of the recent years and the ongoing industry modernisation. The productivity of the beet sugar sector has increased from 4.8 tonnes of sugar per hectare to 5.4 tonnes per hectare in the past five years.

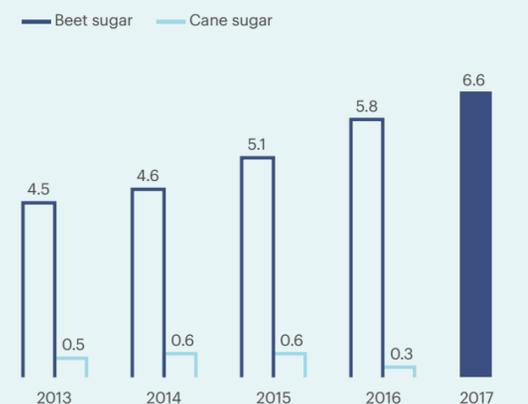
The demand for sugar as one of staple foods in an average Russian diet has remained rather high. Russia is one of top sugar consuming nations in the world; its annual sugar consumption is estimated at 5.8 million tonnes, i.e. around 40 kg per capita. At the end of 2017, the country's sugar surplus was estimated at 0.8 million tonnes.

Sugar beet processing in Russia



Source: Soyuzrossakhar (Russian Sugar Producers Union)

Sugar production in Russia



Source: Soyuzrossakhar (Russian Sugar Producers Union)

Average sugar prices**



Source: Institute for Agricultural Market Studies (IKAR)

* As weighted average to the amount of beet processed.

** ISCO-IKAR industrial index of wholesale sugar prices is the average weighted index of wholesale prices for 17 sugar-producing regions.

PRICES

High levels of sugar production, together with limited exports opportunities, low global prices and a stronger rouble caused the domestic wholesale sugar prices to decline in 2017.

Oversupply of sugar in the world markets due to high production levels in India, Thailand and the European Union put downwards pressure on the global prices in 2017. The year-average price dropped 14%, from 18.3 cents per pound in 2016 to 15.8 cents per pound, with a seasonal slump of 30%. The strengthening of the rouble by 13% enhanced the negative effect of the weakening global prices. In 2017 the year-average price in the rouble equivalent decreased by 25% to RUB 20.4 per kilogram, dropping 35% to RUB 19.0 per kilogram during the season.

As the result, the domestic prices in the reporting year also dropped 27% from RUB 30.7 to RUB 22.5 per kilogram. Compared to the July 2017 high of RUB 38.0 per kilogram, the prices went down by 41%. The year-average price dropped 23% to RUB 28.0 per kilogram, with a seasonal slump of 28% to RUB 23.3 per kilogram.

EXPORTS

The record high sugar production in 2017 made it possible not only to satisfy the domestic demand, but also to considerably increase the exports. According to the Russian Ministry of Agriculture, the country exported around 0.5 million tonnes of sugar in 2017, which is five times as much as in the previous year. The sugar has been traditionally exported to the CIS states, Afghanistan and Mongolia. In the season of 2017 the country made its first exports to Uzbekistan.

In terms of volume, the Russian exports have a growth potential of 0.9 million tonnes; however, the increase in exports is impeded by low global prices that are currently close to the cost of production. In this light, the markets of Kazakhstan and Uzbekistan appear most attractive, since they offer a price premium of app. USD 60 per tonne as compared to the global price.

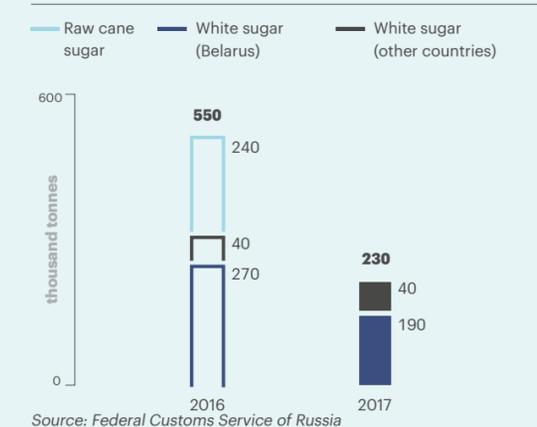
However, as far as Uzbekistan is concerned, there are risks that the new market will soon be closed: the country may restrict the imports in an attempt to support its two large raw sugar factories that have so far been idle. Full-scale exports to Kazakhstan with its potential of 450 thousand tonnes of sugar is impeded by the price fluctuations in the Russian market.

IMPORTS

In the early 2000s Russia was one of the largest sugar importers. For example, in the season of 1999–2000 the country imported 6.2 million tonnes of sugar. State support and the implementation of the Beet Sugar Sub-sector Development Programme in 2010–2015 made it possible to reduce sugar imports exponentially.

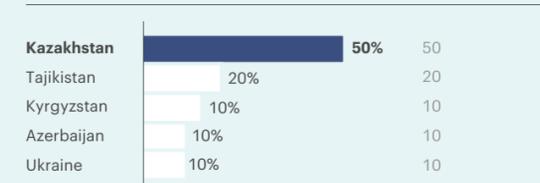
According to the Federal Customs Service of Russia, a total of 445 thousand tonnes of white sugar and 507 thousand tonnes of cane sugar was imported to Russia in 2015. In 2016 the imports of white sugar dropped 28% to 230 thousand tonnes, while the imports of raw cane sugar sank almost twice to 320 thousand tonnes. In 2017 the sugar imports decreased even further to 230 thousand tonnes. The sugar imports from Belarus fell by 30% due to lower raw cane sugar production levels.

Sugar imports to Russia

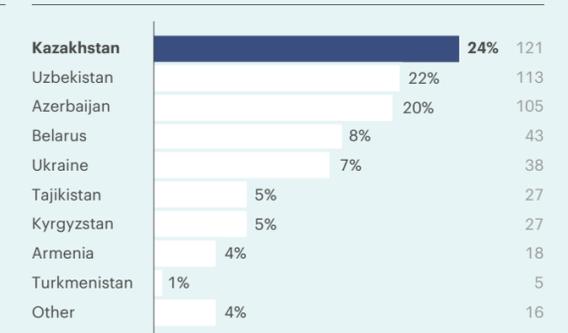


Source: Federal Customs Service of Russia

Sugar exports from Russia, 2016



Sugar exports from Russia, 2017



Source: Soyuzrossakhar (Russian Sugar Producers Union)



OUTLOOK FOR 2018

The Russian Ministry of Agriculture expects the sugar beet acreage to be reduced by 9% to 1.1 million hectares in 2018, in view of sugar overproduction in Russia and the sinking sugar prices. However, sugar overproduction is likely to continue due to the increased productivity of the beet sugar industry in Russia. According to the forecast of Soyuzsakh (Russian Sugar Producers Union), around 6.5 million tonnes of beet sugar will be produced in the season of 2018-19.

The exporting potential of the Russian sugar for the next few years is estimated at 0.9 million tonnes. However, low global prices and the high competition in the markets that Russia shares with Ukraine, Belarus,

Azerbaijan, Brazil and the EU states will create obstacles for exports growth. In addition, the existing logistics issues, such as rail-cars shortage or sea ports congestion, tend to slow down the exports.

In view of the situation in the Russian sugar market, in the next few years the sugar producers will be focusing on carefully planning the acreage, expanding their domestic and external markets and increasing their operational and production efficiency to achieve cost reduction.

ASSETS

THE COMPANY'S SUGAR BUSINESS IS REPRESENTED BY NINE SUGAR PLANTS LOCATED IN THE TAMBOV, BELGOROD, KURSK AND OREL REGIONS IN CLOSE PROXIMITY TO THE SUGAR BEET CULTIVATION AREAS OF THE AGRICULTURE SEGMENT.

In 2017 number of projects aimed at expanding and modernising the facilities of the sugar plants was implemented, and the construction of a molasses desugaring line was commenced. To do this, around RUB 3.6 billion was invested, a 35% increase from the previous year. As the result, the beet processing capacity of the Kshensky sugar plant was increased from 4.2 to 5.0 thousand tonnes per day, and the capacity of the Kri-vetsky sugar plant was increased from 3.5 to 5.3 thousand tonnes per day. The total sugar beet processing capacity reached 53 thousand tonnes per day, and the simultaneous sugar storage capacity— 428 thousand tonnes.

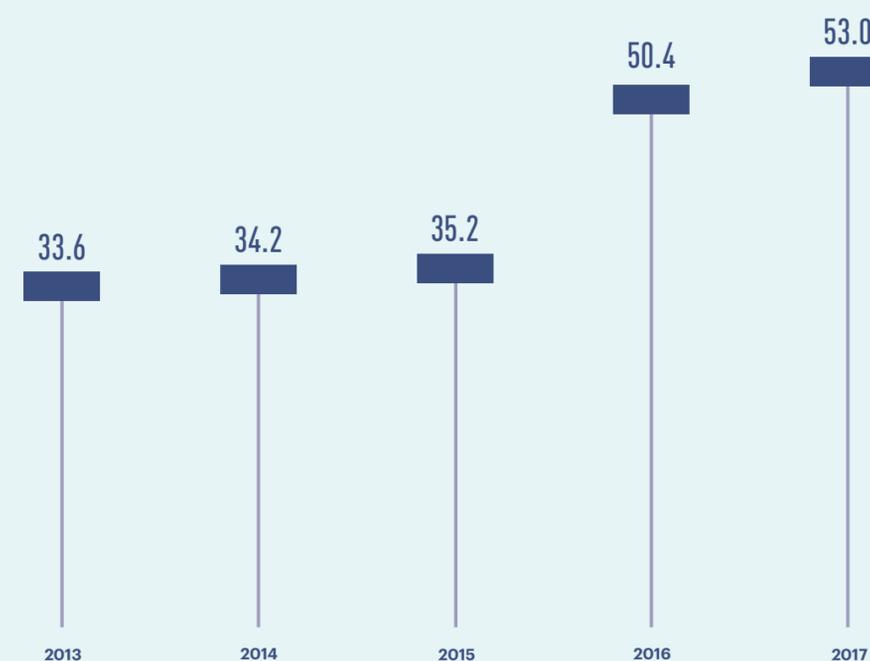
An automated beet laboratory was launched at the Tambov sugar plant in 2017. The laboratory should increase the quality and speed of beet reception and improve the control over beet losses in storage.

In addition, a sugar silo with a capacity of 60 thousand tonnes was commissioned. It should improve the quality of the product and expand the sales through the factory channel. Further, the silo will contribute to the reduction of on-site packaging and pressing cost.

The Company's assets include OJSC Gerkuless, a large cereal processing facility with a packaging line. The factory produces buckwheat and rolled oats for the B2B channel, and buckwheat, crushed buckwheat and rice for the B2C channel.

Increase of Rusagro sugar plants capacity

thousand tonnes / day





MOLASSES DESUGARISATION

The molasses desugarisation line of Znamensky Sugar Plant has been in operation since 2016. The molasses desugarisation line uses the molasses from three sugar plants in the Tambov Region to produce the extract for subsequent sugar extraction. The newly launched line became the second example of this technology being implemented in Russia. With this technology, the plant may increase its output by 40 thousand tonnes by reducing losses during sugar beet processing.

The desugarisation technology makes it possible to produce European-quality extra grade sugar, which opens up new marketing opportunities for the Group. In addition, the deep processing technology involves

the production of around 4 thousand tonnes of betaine each year. Betaine is a byproduct of sugar extraction, an amino acid used in the production of compound feed, dietary supplements and cosmetics, which will be supplied to the Russian and foreign markets.

At the end of 2017, the Group launched the project of building a second molasses desugarisation line—this time at the Chernyansky Plant in the Belgorod Region. The line should allow to process molasses produced at six Company's sugar plants and reduce sugar losses. An additional 74 thousand tonnes of sugar and 22 thousand tonnes of betaine should be produced annually.

Project cost
RUB 5.7 billion

Construction time
2018 to 2020

GEOGRAPHY OF ASSETS



Rusagro sugar plants capacity in 2017

thousand tonnes/day



53

thousand tonnes/day —
total sugar beet processing
capacity in 2017

BRANDS

SUGAR

The Group's product portfolio includes four brands in different price segments that meet the demands of all the main consumer groups: Russkii Sakhar, Chaikofsky, Mon Café and Brauni.

In 2017 the Company became a decisive leader in the consumer sugar market, and—for the first time—No. 1 among the producers of packaged brown sugar.

Russkii Sakhar, Chaikofsky and Brauni are market leaders in their respective segments; they are the most popular brands among the Russian consumers—a fact that has been confirmed by AC Nielsen retail audit and by the consumer preference tracking study of Synovate Comcon, an independent research company. Rusagro brands have the highest levels of brand recognition, consumption and brand loyalty.

The Company's long-term development strategy provides for further development and promotion of brands of the Sugar business. In 2017 the Company launched the production of Chaikofsky sugar cubes in a 250-gram package, extending the product line and offering the consumers highly refined sugar in a convenient individual package. Promoting the Chaikofsky brand—one of the 2017 priorities—was done through marketing and trade marketing activities.

CEREALS

In 2015 the Group started to expand into a totally new cereals market. In May 2015 it started with packaging non-branded cereals, and at the end of the year the Group launched the production of branded cereals Tyoplye Traditsii.

№1

packaged sugar producer
in Russia

№1

sugar cubes producer
in Russia

Sugar



Chaikofsky

Chaikofsky appeared in the market in 2003; it was the first Russian branded sugar. The brand mix includes seven extra grade products in the mid-price segment. Since 2015 the brand assortment has included sugar sticks that are available in three formats—white sugar, brown sugar and sugar mix.



Mon Café

Mon Café white extra grade fancy sugar shapes covering the high price segment were introduced in 2008.



Russkii Sakhar

Russkii Sakhar is the brand that has the highest recognition and popularity in the Russian market. It has a 93% recognition and a domestic market share of 34%. It has 66% consumer loyalty, whereas its nearest competitor has only 2%. The brand has been available in the market since 2008 and includes six products in the low price segment.



Brauni

Brauni, a natural cane sugar brand covering the high price segment, was introduced in 2008. Rusagro imports the sugar from Columbia and Mauritius. The brand mix includes four types of brown sugars. As of end-2017, Brauni had a 31% share of the Russian market.

Cereals



Tyoplye Traditsii

The brand was awarded with the Product of Superior Quality seal following an independent evaluation by the Russian System of Quality independent non-profit organisation. By the end of 2017 the Tyoplye Traditsii achieved a numerical distribution of 14% in the retail store segment of the Russian cities and was one of the Top-5 cereal brands. Early in 2018 the package was redesigned to mark the increased quality of the product. The newly purchased equipment will enable the plant of OJSC Gerkules to produce cereals of higher quality of purification.

SERGEY MELKOV

Desugarisation Line Supervisor



AUTOMATION AND INNOVATION

THE SUGAR BUSINESS IS ONE OF THE MOST TECHNOLOGY-INTENSIVE BUSINESSES OF THE COMPANY. TO MANAGE THE HIGH TECHNOLOGY PROJECTS, THE DEPARTMENT OF INNOVATION DEVELOPMENT WAS CREATED. THE STRATEGIC GOAL OF THE DEPARTMENT'S ACTIVITIES IS TO REDUCE LOSSES AT EVERY STAGE OF BEET SUGAR PRODUCTION BY ADOPTING GLOBAL BEST PRACTICES AND INNOVATIVE SOLUTIONS WITH AN EYE ON COST-EFFECTIVENESS.

In 2017 most of effort was focused on the three key projects:

1. RAW MATERIALS MANAGEMENT

The Raw Materials Management project focuses on reducing losses during storage and mastering the technology of long-term storage of sugar beet. To achieve this, an automated workplace was organised for the base manager that includes a system for monitoring the temperature of the sugar beet piles, enabling the personnel to automatically estimate the condition of the pile and make decisions as to which parts of the pile should be immediately sent for processing.

2. LONG-TERM STORAGE

The Long-term Storage project focuses on testing new ways to extend the processing period of a plant

by storing the beet for more than 90 days. The protection facilities and active ventilation systems have been tested since 2016. In 2018 the conservation will be tested and measures will be implemented jointly with the Agriculture segment to increase the quality of beet intended for storage.

3. SMART PRODUCTION

The Smart Production programme aims to reduce the losses on work sites through production digitalisation and the use of artificial intelligence. In 2017–18 the Company will focus on ensuring a reliable and accurate measurement of KPIs and process parameters, and logging of the events related to operating the equipment. On the basis of the data collected, the machine learning modules will give optimal recommendations on operating the equipment at the sugar production facility.



In 2017 the procedure of measuring the sugar content and the degree of dirtiness of beet was automated at the Znamensky plant. In addition, mass flow rate meters and infrared spectrometers were successfully tested on diffusion juice and syrup. Using a system of these two devices, it will be possible to measure the accurate weight of sugar in the flow in the online mode, which will be yet another step towards the automation of equipment control.

In addition to the above projects, the Sugar segment has intensified its efforts on implementing the Industry 4.0 in the production:

- **The Industrial Internet of Things (IIoT)** is represented by smart pile thermometers and smart adapters that can transmit the data on a real-time basis and generate recommendations for decision making;
- **BigData**, or specialized databases that can accumulate large amounts of information from thousands of sensors and devices that the traditional databases

cannot handle. Apache Cassandra, one of the BigData platforms, is used to store all the information accumulated across all of the projects of the Sugar segment;

- **Wireless communications** on the basis of the new LoraWAN protocol makes it possible to connect meters and sensors to the monitoring systems of the Smart Production project without laying cables;
- In 2017, following the tests of a robotic sugar content measuring system, a **robot-based system** was successfully introduced at one of the sugar plants;
- **Artificial intelligence was used at one of the plants** to detect dirt and foreign particles inside the beet truck. This module is expected to be used for automating production hubs and production lines.

2017 RESULTS

THE SUGAR BUSINESS HAS TRADITIONALLY BEEN THE COMPANY'S KEY BUSINESS AREA. RUSAGRO IS ONE OF THE LARGEST SUGAR PRODUCING COMPANIES.

COMPETITIVE LANDSCAPE

In 2017 the Company moved up in the ranking of Russia's largest producers and became No. 2 in the Russian market with a market share of 15%. According to Nielsen retail audit, Rusagro gained a 47% share by volume in the pressed sugar category in 2017.

OPERATING RESULTS

In the season of 2017-18 the Group's facilities produced 855 thousand tonnes of beet sugar, which is 43 thousand tonnes less than in the previous year, as the result of the plants having fewer operating days.

In 2017 a total of 984 thousand tonnes of sugar was produced from sugar beet (vs 750 thousand tonnes in the previous year) and no sugar was produced from raw cane sugar. The 31% increase in beet sugar production was attributable to a peak yield of sugar beet in the season of 2016-17 and the high yield of 2017-18, as well as to the additional sugar extraction from molasses.

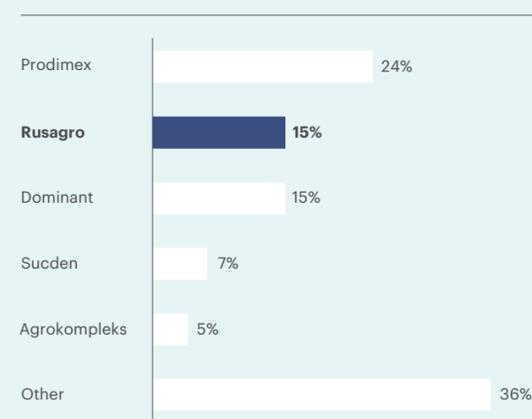
In 2017 the sales of sugar increased by 4% to 900 thousand tonnes. The sales of cereals stood at 25 thousand tonnes. The average sales price of the sugar produced

by the Company's plants dropped 23% from the previous year to RUB 30.6 per kilogram, exclusive of VAT. During the year, the Company increased the sales to industrial customers—one of the most attractive sales channels—by 17% to 359 thousand tonnes. As the result of tough competition and reduced sales margins, the sales in the B2C channel decreased by 13% in 2017—from 279 to 243 thousand tonnes. In 2017 the sugar exports increased 8.4 times, from 6 to 49 thousand tonnes. The Group reached out to new markets, such as Mongolia, Turkmenistan and Uzbekistan.

FINANCIAL RESULTS

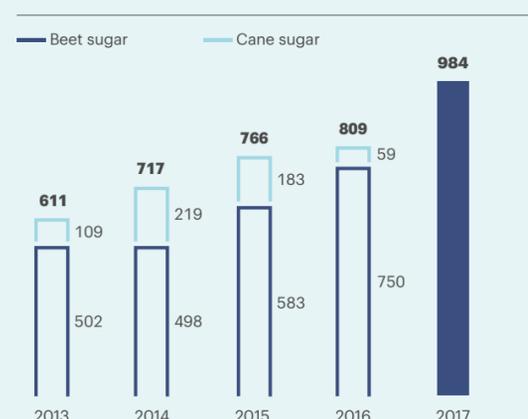
As the result of the sales price drop, the Company's gross sales in the Sugar segment in 2017 amounted to RUB 30.4 billion, an 18% decrease from the previous year. The adjusted EBITDA decreased by 43% to RUB 5.5 billion due to lower gross sales and increased costs for the transportation, marketing and payroll, and also due to the fact that the year's figures included the results of three new sugar plants and a cereal plant. To a certain extent, the increased costs were offset by a lower purchase price of sugar beet. The EBITDA margin dropped from 26% to 18%.

Key players in the Russian sugar market in 2017



Source: Soyuzrossakhar (Russian Sugar Producers Union)

Sugar production by the Group's plants thousand tonnes



Rusagro sugar sales and average prices



Financial results in the Sugar segment



PLANS FOR 2018

GIVEN THE TOUGH COMPETITION IN THE MARKET THAT HAS ONLY INTENSIFIED ON THE BACK OF THE PEAK SUGAR PRODUCTION IN THE PAST YEAR, THE SUGAR BUSINESS WILL MAINTAIN ITS FOCUS ON COST CONTROL AND INNOVATIVE DEVELOPMENT.

Building a second desugarisation facility will expand the deep sugar processing practice across the entire Sugar segment and make it possible to use all of the molasses for additional sugar extraction. Together with commissioning the Krivetsky plant that will be capable to process 6 thousand tonnes of beet per day when fully in operation, and building a new silo, these measures will help increase the productivity and product quality.

The Company's goal is to become a global leader in terms of efficiency and production culture. To achieve this goal, in 2018 the Company will implement

innovations and introduce advanced IT technologies through such projects as Raw Materials Management, Long-term Storage and Smart Production. In addition, it will continue to develop its automated system for the collection of data on sugar losses and for using infrared spectroscopy in measuring the losses in production. Introducing the machine vision technology at all of the Company's plants will make it possible to measure the beet stocks and assess the quality of incoming raw material. New professional development programmes will enable the business to effectively operate its new technology-intensive production facilities.

207.4 ^{▲+7%}

THOUSAND TONNES
OF PORK IN LIVE WEIGHT
PRODUCED

20.5 ^{▲+15%}

BILLION RUB
SALES

6.3 ^{▲+56%}

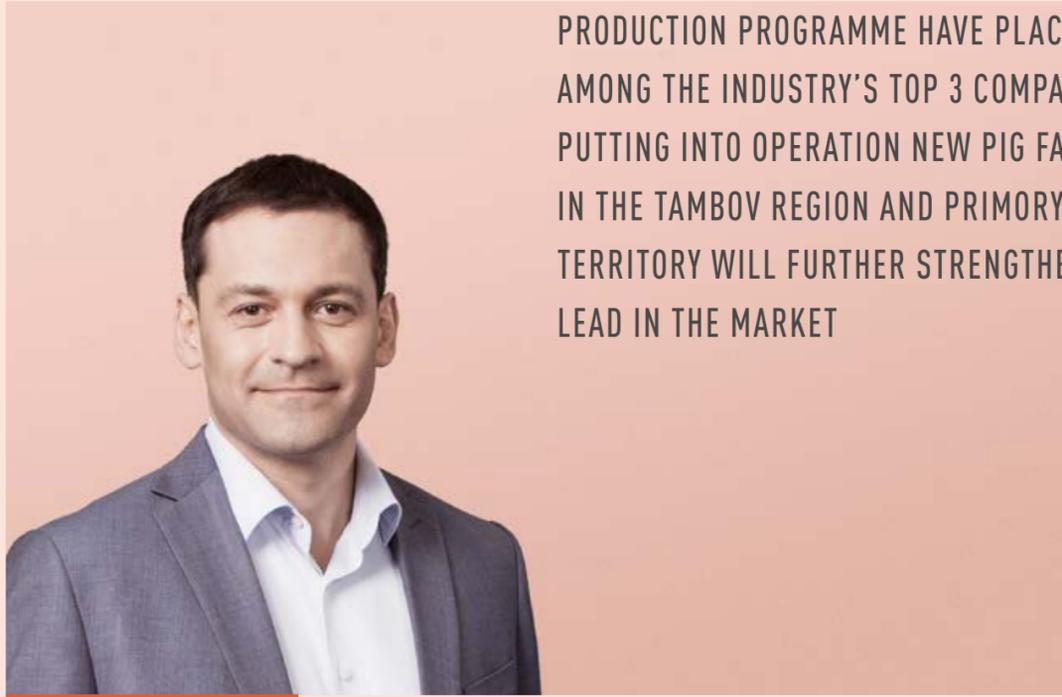
BILLION RUB
EBITDA



MEAT
SEGMENT

MEAT SEGMENT

MAINTAINING A FOCUS ON CONTINUOUS IMPROVEMENT AND INTRODUCING A LEAN PRODUCTION PROGRAMME HAVE PLACED US AMONG THE INDUSTRY'S TOP 3 COMPANIES. PUTTING INTO OPERATION NEW PIG FARMS IN THE TAMBOV REGION AND PRIMORYE TERRITORY WILL FURTHER STRENGTHEN OUR LEAD IN THE MARKET



ANTON ULANOV
Head of the Meat business

Pork production in Russia continued to grow in 2017. At the moment, the country is 93% self-sufficient in pork. Notably, the production has been increasingly focused on processed meat products. The high demand in live pigs in the first six months of the year as the result of processing capacity expansion caused the annual average price to go up by 2% to RUB 93.6 per kilogram, exclusive of VAT.

The actual production exceeded the target in 2017, owing to streamlined feeding programmes and improved livestock productivity. Greater company sales, together with lower feed prices, increased output and reduced processing losses drove up the profit margins from 22% to 31%. EBITDA rose 56% to RUB 6.3 billion.

Maintaining a focus on continuous improvement and introducing a lean production programme have placed us among the industry's Top 3 companies. Putting into operation new pig farms in the Tambov Region and Primorye Territory will further strengthen our lead in the market. Our solid performance in the reporting year will enable us to maintain our focus on developing retail sales and our Slovo Myasnika ("Butcher's Promise") brand in 2018, extending our geographic reach and broadening our range of exported products, as well as introducing innovative solutions at production facilities.



MARKET OVERVIEW

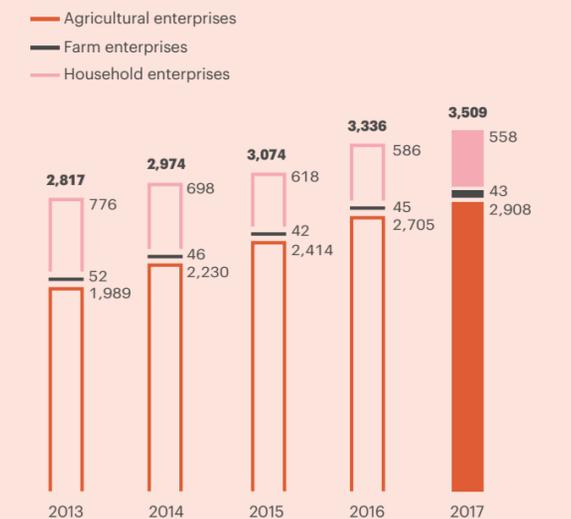
DOMESTIC PRODUCTION

In 2017 Russia produced 3.5 million tonnes of pork in slaughtered weight, a 5% increase from the previous year. In 2016–2017 Russia was the world's fifth largest pork producer.

The growth in the production is driven by the ramp-up in industrial pork production. In 2017 the share of agricultural enterprises in total production was 83%, which is 2 p.p. more than in the previous year.

The industry's 20 largest companies have traditionally been the major contributors to the pork production increase. At the end of 2017 they accounted for 61% of the total industrial pork production, which translates into 2.3 million tonnes.

Pork production in Russia, by enterprise category in slaughtered weight thousand tonnes



Source: Russian Federal Service for State Statistics, Company estimates

Meanwhile, the production volumes of farm and household enterprises have continued to steadily fall. Since 2013, their share in pork production has halved, which is attributable to poor competitiveness and the lack of resources to ensure the necessary level of biosecurity.

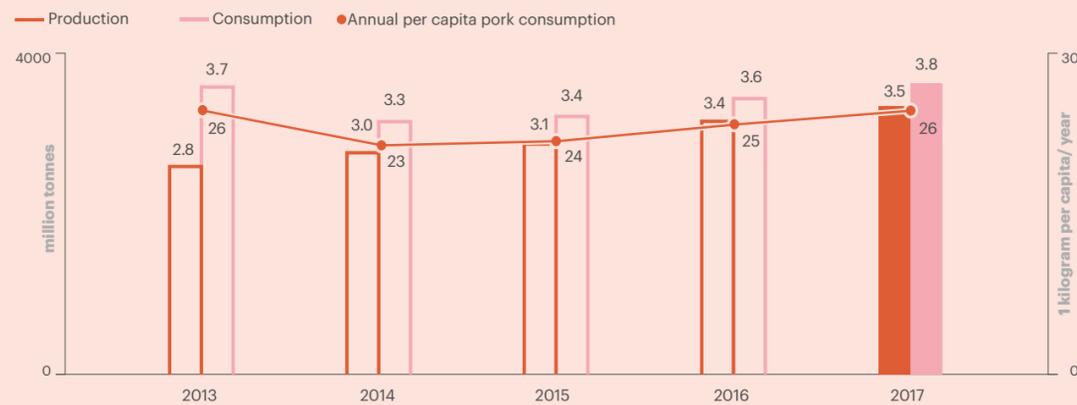
At the end of 2017, the annual consumption of the major types of meat reached a record high of 74.4 kilogram per capita. This was the result of a massive rise in pork and poultry intake, on the back of a slight decrease in beef consumption. In 2017 pork consumption hit a 25-year high of 26.1 kilogram per capita, a 5% uptick from the year before. Poultry per capita consumption increased by 6%—from 32.7 to 34.8 kilogram—due to a price drop that caused the demand to go up. The Russian market is characterised by persistent competition between poultry and pork that has been defused to a certain extent by the stabilized consumer purchasing power.

PRICES

In 2017 the average market price for live pigs went up 2% to RUB 93.6 per kilogram, exclusive of VAT. The increase is attributable to the fact that the market supply of live pigs has been limited, while the demand from meat processing plants remained the same. Notably, the slaughterhouse capacities of industry's largest companies cover 85% of their own demand and these companies would rather sell finished products. Consequently, the processing companies that do not have their own livestock have to compete for the remaining live pigs market, thus driving the prices further up.

Meanwhile, the rise in the prices for primal cuts, such as carcasses, large cuts, industrial products and offal, has been quite moderate—no more than 1%. The competing trends are explained by the fact that in 2017 processed products accounted for the increased supply, so the prices for processed products could hardly have increased as dramatically as did the prices for live pigs.

Domestic pork production and pork consumption in Russia



Source: Russian Federal Service for State Statistics, Company estimates

Changes in the average market prices for live pigs



Source: GlobalMonitoring

Another factor that had a negative effect on the prices was the decline in poultry prices. In particular, the average whole broiler price in 2017 was RUB 83 per kilogram, an 11% drop from 2016. The growing market capacity and stiff competition in the retail channel on the back of weak exports caused the drop from the usual price levels.

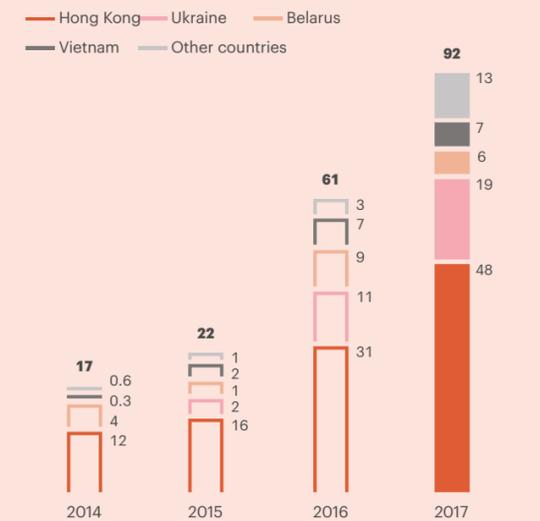
EXPORTS

The exports of pork and pork offal from Russia continued to grow in 2017, reaching 92 thousand tonnes, according to preliminary estimates—an increase of more than 50% from 2016. Offal made up the bulk of the exports, i.e. over 67% of the total amount. Eighty-five percent of the exports went to the major buyers—Hong Kong, Ukraine, Vietnam and Belarus.

As the domestic pork market gets increasingly saturated, the need to ensure the steady development of exports becomes particularly important. East Asia (China, Japan and South Korea) and Southeast Asia (the Philippines, Thailand and Vietnam) have been the most attractive regions for Russia, in terms of meat exports. According to preliminary estimates, these countries have imported a total of roughly 5 million tonnes of pork, including offal—an item the demand for which has been traditionally low in the Western markets.

Russia's pork exports remain constrained by outbreaks of African swine fever (ASF), veterinary control issues and lack of state involvement in promoting and supporting domestic products in the foreign markets.

Pork exports from Russia, slaughtered weight including the exports within the Eurasian Customs Union



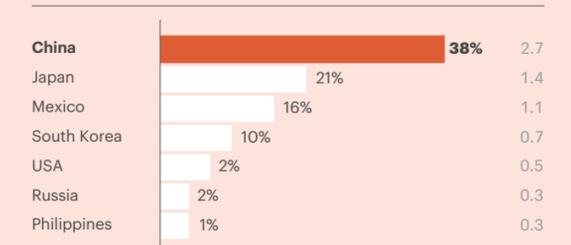
Source: foreign trade statistics of the Russian Federal Customs Service, Belstat (Belarus National Statistics Committee), Company estimates

92
thousand tonnes —
pork slaughtered weight
exported from Russia in 2017

Global pork exports, 2017



Global pork imports, 2017



Source: United States Department of Agriculture

IMPORTS

With the domestic production steadily climbing, the share of pork imports to Russia in 2017 remained rather modest, making up less than 8% of total consumption. However, in 2017 pork imports that had been on the downward slide in recent years went up 6% totalling almost 300 thousand tonnes in slaughtered weight. The key drivers of the persistent demand for imported pork have been the processing companies who seek cheap raw material as the rouble is strengthening against major currencies.

In 2017 Brazil remained the largest supplier of pork to Russia, as it had managed to keep the prices reasonably low. Brazil accounts for 90% of pork imports and 44% of offal imports. Chile, Argentina and the United States kept their position as the key suppliers of speck (over 65% of total imports). Belarus has doubled its exports of chilled meat to Russia to 5 thousand tonnes.

OUTLOOK FOR 2018

Taking into account the list of the announced investment projects and the estimates of Russia's National Union of Pig Producers, in 2018 pork production may increase by 130–150 thousand tonnes in live weight.

As there are currently no signs that Russia will witness a sharp rise in pork exports in 2018, whereas the demand for imported products persists, the market capacity may grow by 4%. Alongside with the increasing pork supply, the market will get more saturated with poultry, which may result in intensified competition at the end of the marketing channel.

The pork prices in 2018 will be influenced by a number of competing factors. Increased supply in major kinds of meat together with low consumer purchasing power and the difficulties for export development will drive down the prices. On the other hand, the prices will be supported by the gradual withdrawal from the market of inefficient smaller producers. Another positive factor will be a record grain harvest in the season of 2017–18. The stronger rouble will push down the cost of imported components, such as technology, equipment, feed enzymes and additives, and veterinary drugs. Notably, the recovering rouble will not put pressure on the prices because of Russia's low integration in the global market: the import quotas will not rise and the share of exports has so far been quite modest.

Structure of pork imports to Russia, slaughtered weight



Source: foreign trade statistics of the Russian Federal Customs Service, Company estimates

250%

decrease in pork imports
between 2013 and 2016



ASSETS

The Group's Meat business is represented by commercial pork production companies LLC Tambovsky Bekon and LLC Rusagro-Primorye that has been currently implementing a project for the construction of a pig farm in the Primorye Territory.

TAMBOVSKY BEKON

The pig farms of LLC Tambovsky Bekon are located in the Tambov and Belgorod Regions. Their combined projected production capacity is 207 thousand tonnes of pork in live weight annually.

Each pig farm is a state-of-the-art environmentally safe enterprise that meets global standards and builds on the most recent scientific and technical achievements in pig farming. In its day-to-day operations the Company adheres to the principles of environmental friendliness. The pig farms prioritize the compliance with the biosecurity requirements. A closed system is maintained at all of the production facilities, with disinfectant barriers for vehicles and sanitary permits for the employees.

The modern pig slaughtering technique ensures the highest level of hygiene, safety and operational ergonomics, and minimises undue stress for the animals.

A system for manure removal and waste rendering is installed at each of the enterprises. The organic fertilisers obtained as the result of waste rendering are used on the Company fields, which creates a synergistic effect of increasing the yield of arable crops while maintaining the soil fertility and reducing the costs for mineral fertilisers.

Each of the compound feed plants has two manufacturing lines that produce granulated compound feed formulas for animals of all technological stages— young pigs, sows and hogs. The plants' production technology labs are outfitted with advanced equipment ensuring high accuracy of chemical, technical and bacteriological testing.

The Company's long term development strategy implies the expansion of the production facilities in the Meat segment. In 2017 the investment in the development of the Meat business assets amounted to RUB 6.3 billion. Most of the funds were allocated to projects for the construction of pig farms in the Tambov Region and the Primorye Territory.



PROJECT: "BUILDING NEW PIG FARMS IN THE TAMBOV REGION"

A project for the construction of new pig farms was launched in the Tambov Region at the end of 2016. In 2017 it was decided to increase the project's target annual capacity from 85 thousand to 96 thousand tonnes of pork in live weight. The new project configuration includes the following steps:

- Building five pig farms with a total capacity of 96 thousand tonnes in live weight;
- Building a breeding farm for 3,200 purebred sows;
- Increasing the annual capacity of the compound feed plant from 370 thousand to 710 thousand tonnes of compound feed;
- Expanding the storage facilities by building an elevator for 140 thousand tonnes and an area for storing grain in grain bags for 70 thousand tonnes.

The total amount of pork will be processed at an in-house meat processing plant.

PROJECT STATUS AS OF END-2017:

- Engineering of all the production facilities was completed;
- The carcass work for all the production facilities and most of the construction and installation works at the commercial nucleus centres were completed;
- The assembly of the manufacturing equipment was begun at the commercial nucleus centres, the breeding farm and the additional manufacturing line of the compound feed plant;
- The equipment for the feeding rooms was being supplied.

Project cost
RUB 19 billion, excl. of VAT

Construction time
2016 to 2019

First production
mid-2019

Time to full production
mid-2020

An increase in the production resulting from the two new projects thousand tonnes



Cost of the project's first stage
RUB 25 billion exclusive of VAT

Construction time
2016 to 2019

First production
mid-2020

Time to full production
mid-2021

BUILDING NEW PIG FARMS IN THE PRIMORYE TERRITORY – LLC RUSAGRO-PRIMORYE

Since 2016 Rusagro Group is currently implementing its largest project for the construction of a pig farm in the Far East. The new production facility will be located in the Mikhailovsky Area of Priority Socio-economic Development in the Primorye Territory. LLC Rusagro-Primorye is acting as Project Operator. In 2017 it was decided to increase the target annual capacity to 77 thousand tonnes; a new project configuration was approved to include the following elements:

- 7 pig farms for 3,000 sows each;
- Breeding farm for 3,000 purebred sows;
- Semen production department;
- Compound feed production facility: compound feed plant with a capacity of 300 thousand tonnes and a grain storage facility with a capacity of 120 thousand tonnes;
- Slaughterhouse and meat processing facility with an annual capacity of 670 thousand heads (160 heads/hour);
- Offal processing and waste rendering plant.

The pig farms will be built in line with the best practices using the intensive breeding technology, with the production process split into stages, such as reproduction, nursery, fattening and the production of replacement females for the primary breeding stock.

The total amount of the pork produced by the farm will be processed at an in-house meat processing plant. The produce will target the market of Russian Far East where the domestic pork production shortfall is estimated at 70%.

The project is strategically important for the Company's future growth. As soon as the export markets are opened up, the Company, with its two newly-commissioned stages and the increased capacity of 340 thousand tonnes, will become one of Russia's largest pork exporters to Asia, in particular, to China, Japan and South Korea.

PROJECT STATUS AS OF END-2017:

- The footing was erected and the assembly of elevator storage facilities was in progress;
- The flat grain storage of the compound feed plant was built;
- New manufacturing equipment for the elevator and the compound feed plant was supplied;
- The main construction and assembly works were completed at the breeding farm and the assembly of the equipment was in progress;
- The construction and assembly works at the commercial pig farms were in progress;
- The subcontractor was selected for the slaughterhouse facility; the engineering works were in progress.

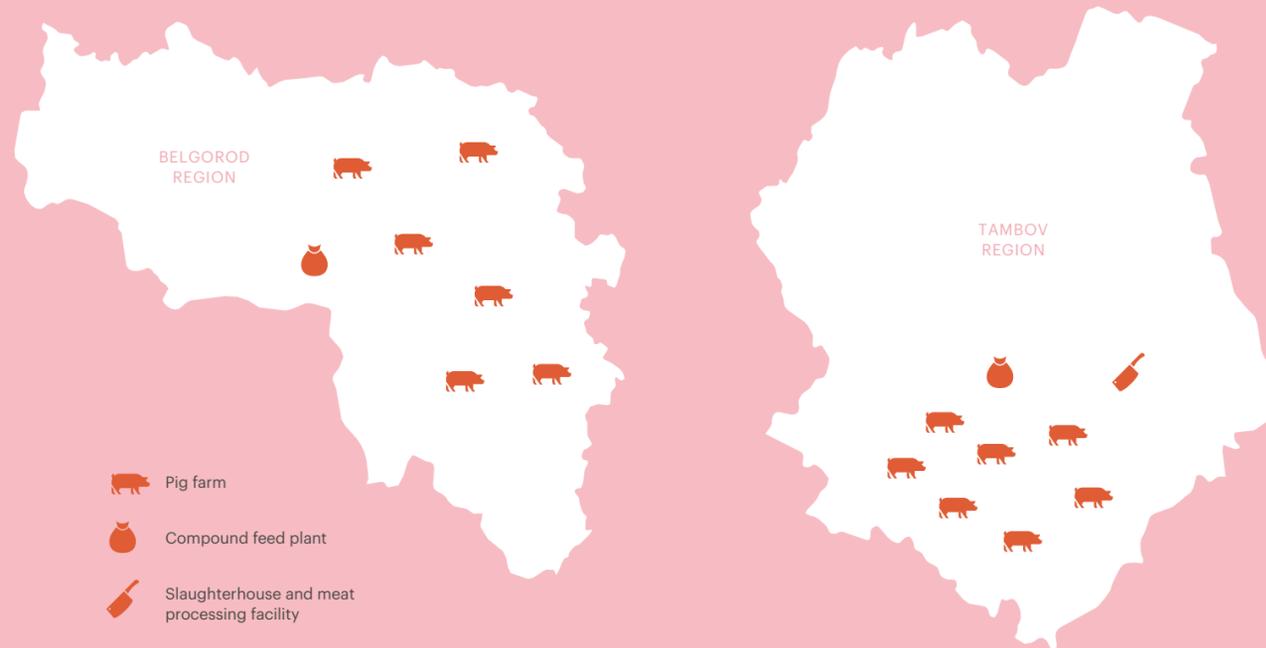
GEOGRAPHY OF ASSETS

85

thousand tonnes —
total annual capacity
of pork in live weight

122

thousand tonnes —
total annual capacity
of pork in live weight



Belgorod Region

6 commercial pig farms
for 4,800 sows each

1 breeding facility
with 2,400 sows

1 compound feed plant
with a capacity of 40 tonnes/hour

Tambov Region

7 commercial pig farms
for 4,800 sows each

1 compound feed plant
with a capacity of 50 tonnes/hour

1.95 million heads per year —
capacity of slaughterhouse
and meat processing facility

2 breeding facilities
for 1,200 and 1,700 sows

120 thousand tonnes —
capacity of elevators

350 heads per hour —
capacity of deboning shop,
pre-fabricated meat
production



№1

for brand concept
in the Forbes rating
of emerging brands

BRAND

SINCE 2016 THE COMPANY'S MEAT BUSINESS HAS BEEN REPRESENTED BY THE SLOVO MYASNICA ("BUTCHER'S PROMISE") BRAND. THE BRAND'S KEY FEATURE IS THE RESPONSIBILITY FOR THE PRODUCT QUALITY.



In 2017 the brand's product line was extended from 25 to 28 SKUs. By the end of 2017 the Slovo Myasnika products were available at eight national retail chains: METRO, X5 (Perekryostok, Pyaterochka, Karusel), Magnit, Lenta, Spar, Billa and at independent retailers. The number of outlets carrying the brand increased threefold reaching almost 2 thousand points of sale, and the brand's total sales amounted to 6 thousand tonnes.

In 2017 Slovo Myasnika was ranked No. 1 for brand concept in the Forbes rating of emerging brands¹. The brand has focused on reliable quality and consumer care. For the purposes of brand positioning, a Butcher's Code was developed that listed animal growing and feeding rules and the requirements to carcass dressing, meat packaging and storage.

1. The rating was published in the Forbes Russia No. 1 (166) 2018.

IT AND INNOVATION

IN THE RECENT YEARS THE MEAT BUSINESS HAS PRIORITIZED THE INTRODUCTION OF IT AND INNOVATIVE DEVELOPMENT. AUTOMATING THE PRODUCTION PROCESSES AT THE PIG FARMS, CREATING A SHARED INFORMATION NETWORK INSIDE THE BUSINESS AND IMPROVING THE STOCK QUALITY WILL BE ESSENTIAL FOR FURTHER EFFICIENCY IMPROVEMENT.

The most important six projects in this respect are as follows:

1. SMART FARM PROJECT

A project that builds upon the 'smart farm' concept has been piloted at one of the pig farms in the Tambov Region starting 2016. Under the project, advanced technology is implemented to automate the monitoring of the key production processes. This new technology is based on the existing pig farm management system and is integrated with the systems of operational planning and production tasks assignment. Together with the simulation modelling system, it will be instrumental in the assessment of resource sufficiency targets and events simulation (in particular, emergencies) for future staff training. In other words, the pig farm will move from incident management to incident prevention, which will enable it to obtain predictable, high-quality results for finished product. The solutions that prove to be cost-effective will be replicated at other production facilities of the Meat business.

2. INTEGRATING THE MANUFACTURING EXECUTION SYSTEMS OF THE MEAT PROCESSING PLANT

In 2017 the data exchange was established between SFK and Innova—the two shop control systems. As the result, the system of processed meat production shop control became part of the meat processing plant's IT landscape, while all the functions—from planning to chief technologist—obtained access to

the up-to-date information on raw materials and finished products from the supplier to the consumer.

3. PILOT TESTING AN MRO MANAGEMENT SYSTEM FOR THE SLAUGHTERING LINE AND THE RENDERING PLANT

In the 2017 an MRO (maintenance, repair and operations) management information system was introduced at the slaughtering line and the rendering plant. The system supports automatic collection of the data related to the performance of the manufacturing equipment for use in maintenance and repair planning. The system is supposed to be replicated at other units.

4. A PROJECT FOR THE INTRODUCTION OF AN INFORMATION SYSTEM OF FEED FORMULATION USING THE ADIFO BESTMIX SOFTWARE

In 2017 the project aimed at upgrading the existing feed formulation software. With support from Adifo, the developer company, experimental calculations were made for feed formulas on the basis of the actual data provided by the Meat business that proved the efficiency of the new software. The project will be completed in 2018.

ANDREY ROUD

Head of Selection Department





5. DEVELOPING COMPUTER ALGORITHMS FOR BREEDING STOCK MANAGEMENT AT THE PIG FARMS

To ensure efficient breeding stock management, a system for improving the quality of livestock management was developed and introduced at the pig factories. The main objective is to ensure that the pig farm has a maximum number of sows at peak reproductive performance that meet certain requirements. In addition, it is important to show the changes in the status of the breeding stock on a real time basis.

The quality of breeding stock management is achieved through tagging and tattooing of purebred and crossbred pigs that is followed by recording their productivity in the management programme.

6. PROJECTS AIMED AT IMPROVING THE BREEDING POTENTIAL OF ANIMALS

In 2017 analytical and experimental studies were launched to define specific models of different breeds and crossbreeds that have maximum productivity. In-house software development will create possibilities for independently assessing the breeding potential, constructing the indexes and predicting the effectiveness of their use. As the result, the Company will be able to quickly respond to the changes in the market needs, effectively manage the stock and produce high-index animals, thus increasing its performance. In addition, this will substantially reduce the dependence on outside breeding stock which will have a positive effect on the sustainability of the enterprise.



2017 RESULTS

COMPETITIVE LANDSCAPE

Since 2010, Rusagro Group has been one of Russia's five pork market leaders. At the end of 2017 the Company ranked No. 3 by production volume and had a market share of 5%.

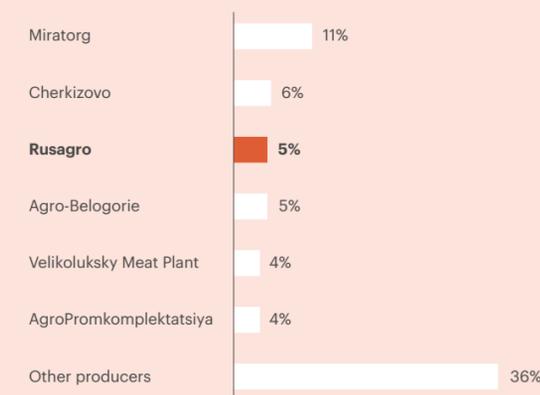
OPERATING RESULTS

In 2017 the Company's enterprises produced 207 thousand tonnes of pork in live weight, a 7% uptick

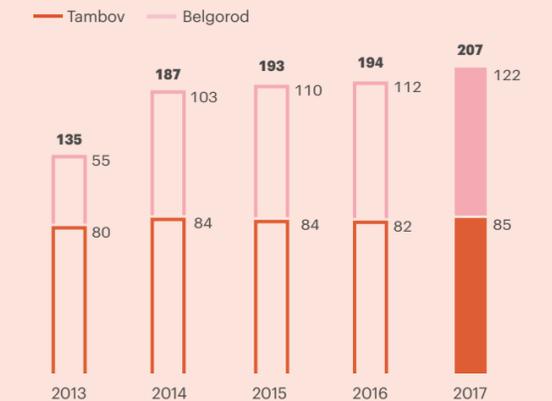
from 2016. This exceeded the estimated capacity of the pig farms and was the result of increased production and operational efficiency. In 2017 the share of livestock sent for processing went up 14 p.p. reaching a total average of 65%.

The compound feed plants raised production to 603 thousand tonnes in 2017, a 70% increase from 2013.

Russia's largest pork producers, 2017 market share



Pork production by Rusagro, live weight thousand tonnes

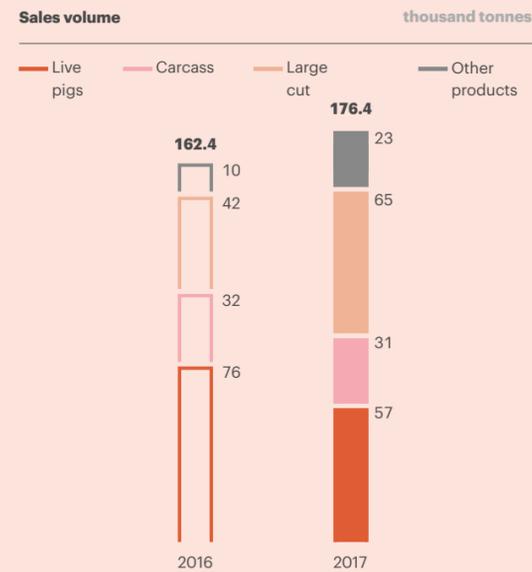


In 2017 the sales went up 9% to 176 thousand tonnes. The share of pork sales in live weight almost halved (a reduction from 47% to 32%), whereas the volume of processing increased by 37%. In particular, the sales of large cuts and offal grew 60% to 41.9 thousand and 15.6 thousand tonnes, respectively. The sales of half-carcasses remained the same as in 2016. In 2017 the Company introduced thermoformed package—a more affordable type of packaging material—which made it possible to introduce chilled big cuts to mid-priced retail chains and discounters. A total of 6 thousand tonnes of chilled small and big cuts was sold in 2017. In addition, the Company launched a line of products for the low-end consumer segment.

Most of the pork produced by the Company was sold domestically in 29 regions. Over 45% of the produce was sold in the Central Federal District; another 33% was sold in the Volga Federal District.

Over the year, the average price of pork in live weight sold by the Group increased by 4% from RUB 91.5 to RUB 94.6 per kilogram, exclusive of VAT. The price of large cuts remained roughly the same, while the price of small cuts meat products grew 12% to RUB 190.6 per kilogram.

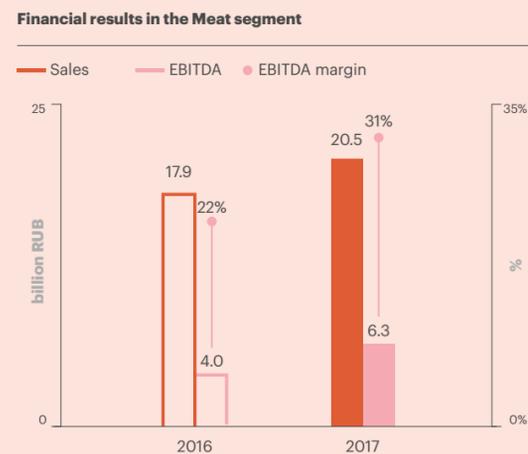
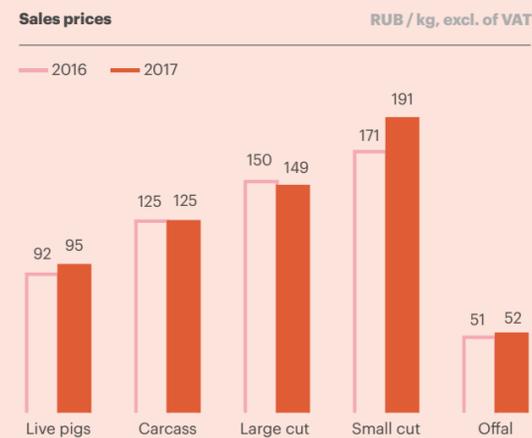
In 2017 the Company continued to expand both its exports geography (Ukraine Kazakhstan, African countries) and the range of exported products. Nine new SKUs were added to the list of exported products to cover the demand in the countries of export. The annual volume of pork exports was at 4.7 thousand tonnes.



FINANCIAL RESULTS

As the result of a growth in the sales prices, the Company's gross sales in the Meat segment went up 15% reaching RUB 20.5 billion. Increased sales of large cuts and the growing prices for live pigs accounted for most of the volume hike. EBITDA was up 56% and amounted to RUB 6.3 billion. The EBITDA margin increased to 31%. The cost of pork in live weight went down by 12% from 2016.

This was mostly attributable to low prices for the year's grain crop, animal health control and the implementation of programmes aimed at increasing production efficiency. The negative factors included the growing energy tariffs and transportation costs.



31%

EBITDA margin of the Meat business in 2017

PLANS FOR 2018

In 2018 the Group intends to maintain roughly the same level of pork production as in 2017, i.e. 207 thousand tonnes in live weight.

It will continue to reduce the sales of live pigs while increasing the output of finished products and cuts for processing companies and retail chains. Currently, around 65% of the animals are slaughtered; there are plans to raise this ratio to 86% in 2018.

The actual output of finished products will depend on the market situation and the level of demand. The Company is planning to expand to new export markets in

Africa, in particular Ghana, Nigeria, Benin and Sierra Leone, as well as to Haiti, Taiwan and Armenia with sales volume of over 2.1 thousand tonnes.

To ensure sustainable growth in the Meat segment in 2018, the Company will continue with the scheduled investment projects and will focus on addressing the challenges in the field of innovative development. The target production efficiency and increased profitability will be achieved through the introduction of the system of continuous improvement and the reduction of the production costs.

137.8 ^{▼-7%}

THOUSAND TONNES
OF SUNFLOWER OIL PRODUCED

19.4 ^{▼-2%}

BILLION RUB
SALES

0.7

BILLION RUB
EBITDA

OIL AND FATS
SEGMENT

OIL AND FATS SEGMENT

IN 2017 THE OIL AND FATS BUSINESS REPORTED A POSITIVE EBITDA. IN THE COMING YEAR WE WILL CONTINUE OUR EFFORTS ON EFFICIENCY IMPROVEMENT AND COST REDUCTION, AS WELL AS ON DOMESTIC SALES AND EXPORTS DEVELOPMENT.



ROMAN DANILIN
Head of Oil and Fats business

In the face of intensified competition in the Russian FMCG sector, the sharp devaluation of national currencies in the key markets in Central Asia and the strengthening rouble, the results of the Oil and Fats business in the first six months of 2017 were different from those in the second half of the year. Although in the first six months EBITDA continued its downward trend, sinking to a negative RUB 246 million, the Oil and Fats business was able to get back to positive revenue following the midyear decisions to adjust the development strategy for mayonnaise and to reduce a number of costs, as well as due to the favourable price trends for sunflower seeds and soybean. In 2017 the business reported positive full-year EBITDA of RUB 685 million.

In 2018 we will maintain our focus on increasing efficiency and reducing costs by introducing lean production approaches and energy efficiency programmes.

We are committed to developing production and exports. We will launch a sunflower oil refining and deodorisation facility in Samara which will enable us to expand to new sales regions with bottled oil. In addition, the production of industrial fats will be increased and the product range will be extended for sauce, soaps and solid fats. In terms of export development, we are planning to intensify our cooperation with China. Another 2018 objective is to become one of Russia's four largest soybean meal producers.



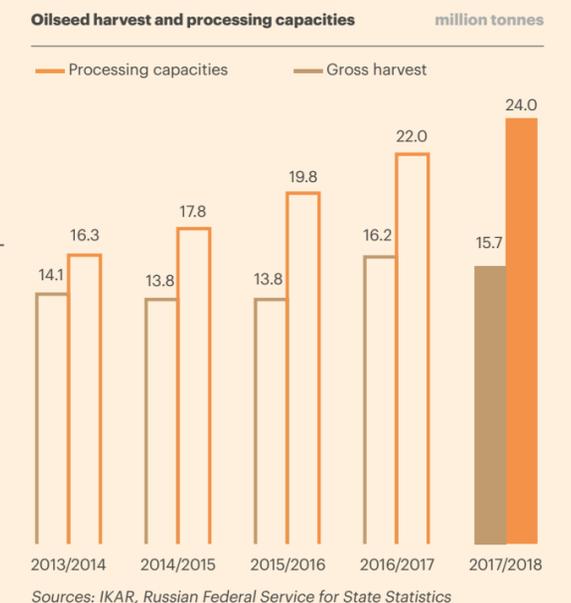
MARKET OVERVIEW

DOMESTIC PRODUCTION

Unrefined oil

In 2017 the oilseed planted acreage increased by 2% to 12.5 million hectares. The two major crops—sunflowers and soybean—accounted for 84% of the planted acreage. The weather conditions in 2017 had a negative effect on gross sunflower seeds harvest which amounted to 10.4 million tonnes in standard weight, a drop from the previous year when 11.2 million tonnes was harvested, as estimated by IKAR (Institute for Agricultural Market Studies).

Soybean has been an increasingly popular crop among the Russian farmers. In 2017 the soybean planted acreage grew 18% to 2.6 million hectares. In terms of yields and gross harvest, the performance of the soybean markets in Russia's East and West was very dissimilar. In European Russia the yield decreased causing a 6% drop in the gross harvest. In contrast, the yield in Russia's Far East hit a six-year record of 1.3 tonnes/hectare, and gross harvest went up 40% to 1.9 million tonnes.

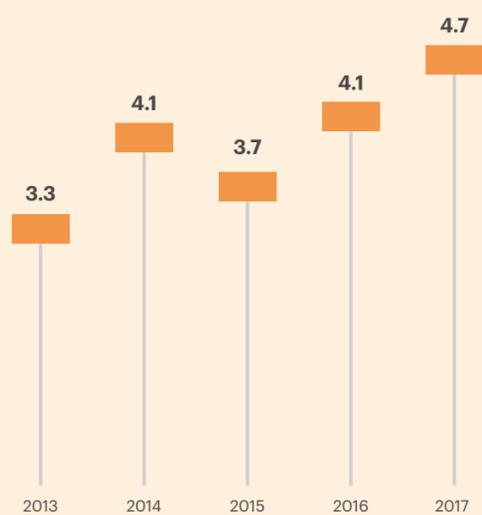




4.7

million tonnes of sunflower oil was produced in Russia in 2017

Unrefined sunflower oil production in Russia million tonnes



Source: Russian Federal Service of State Statistics

According to the Russian Ministry of Agriculture, the country has over 200 oil extracting plants with an aggregate annual processing capacity of more than 24 million tonnes of oilseed. However, for many years, the oilseed market has been rather tight. As the result, the plants have been running at a 70% capacity utilisation rate. According to IKAR's estimates, the shortage of oilseed in season 2017-18 amounted to around 8.3 million tonnes.

As oilseed production increases, so does the oil production. According to the Russian Federal Service of State Statistics, 4.7 million tonnes of unrefined sunflower oil was produced in Russia in 2017, a 13% jump from the previous year. Such production levels have secured Russia a place among the world's largest producers.

Russia is also one of the world leaders in terms of average per capita sunflower oil consumption, with an average Russian using around 9 kilograms of sunflower oil each year. Sunflower oil accounts for 91% of the vegetable oils market in Russia, by volume.

Sauce and fats

In Russia, mayonnaise has been one of the most popular products in the sauce and fats segment with an average per capita consumption of around 4.1 kilogram, which is more than anywhere in the world. Eighty seven percent of Russian households use mayonnaise on a regular basis, while the Urals report an even higher rate of 91%. The demand for mayonnaise has been quite stable among commercial users—food industry companies and the HoReCa sector. This being said, the mayonnaise market shrunk by 6% in 2017, according to AC Nielsen. Ketchup is the second most popular product in Russia in terms of volume, while mustard rounds up the Top 3.

Although Russia is one of the world's largest margarine producers, the domestic margarine consumption has remained lower than the global average—only 26% of Russian households report using margarine on a regular basis.

PRICES

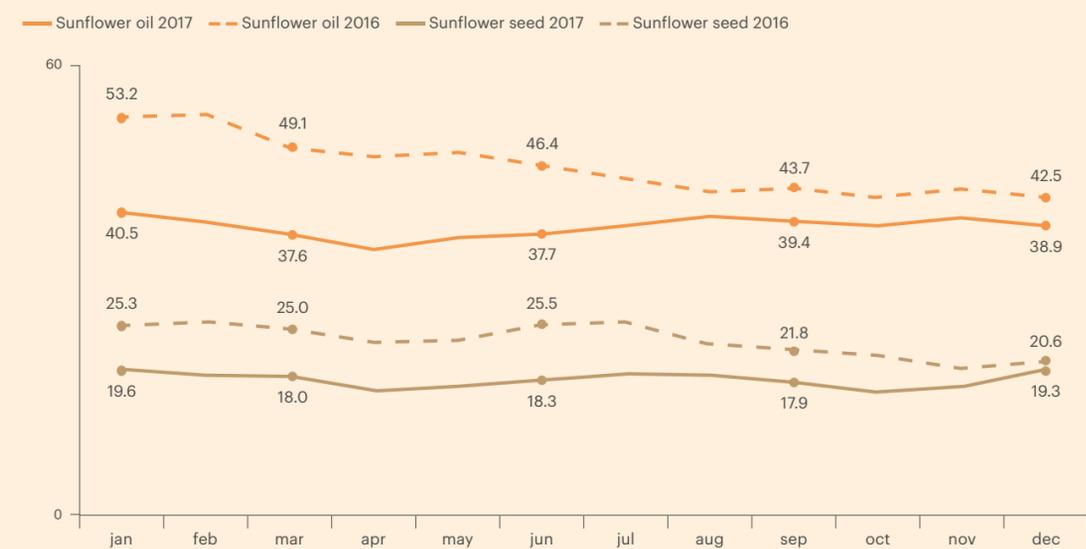
In 2017 the sunflower oil prices went down by 17% from the 2016 levels. The sharpest drop in the prices came in April, following Turkey's decision to impose restrictions on the duty-free supplies of Russian sunflower oil. Other factors that put pressure on the prices

included the strengthening rouble, the slump in the global prices and record production. The sunflower oil export prices fell to between USD 725 and USD 735 per tonne, FOB Russia, which is down by 5% to 6% from 2016.

Before July 2017, the sunflower seed prices averaged 27% lower than in the previous year, whereas from August to December the prices were only 15% down on 2016. By the end of 2017, on the back of intensified demand from oil refineries, the price jumped to RUB 19.3 thousand per tonne. The average price in 2017 was RUB 18.1 thousand per tonne.

According to AC Nielsen, the consumer prices for sunflower oil were also moving downward in 2017. Indeed, within seven months in 2017 the prices dropped 11%—from RUB 82.2 to RUB 72.8 per litre. The decrease was caused by the expansion of the private brands/no-name segment and greater price reductions on brands.

Sunflower seed prices (CPT Central Federal District) and sunflower oil prices (FOB Novorossiysk) thousand RUB/tonne, excl. of VAT



Source: Institute for Agricultural Market Studies (IKAR), Russian Federal Service of State Statistics

EXPORTS

Sunflower oil production in Russia is largely export-oriented, since the domestic demand for sunflower oil has remained flat at around 2.3 million tonnes for years on the back of growing production.

In 2017, due to increased throughput of sunflower seeds, 1.5 million tonnes of sunflower oil (+36%) was exported, which accounts for 49% of total sunflower oil production in Russia. Sunflower oil in bulk accounts for 91% of exports. In addition, Russia exports 357 thousand tonnes of finished products, including 275 thousand tonnes of bottled oil, 43 thousand tonnes of margarines and spreads and 33 thousand tonnes of mayonnaise.

Turkey and Egypt are the largest importers of Russian oil. Notably, in 2017 Turkey cut its imports by 41%, while Egypt almost doubled its imports from Russia. Bottled sunflower oil is exported mainly to the countries of the near abroad, such as Uzbekistan, Georgia, Tajikistan, Ukraine and Afghanistan.

Since the internal demand for the domestically produced rapeseed and soybean oils has been rather poor, most of the amount produced is intended for export. A total of 931 thousand tonnes of soybean oil and 365 thousand tonnes of rapeseed oil was exported in season 2016-17.

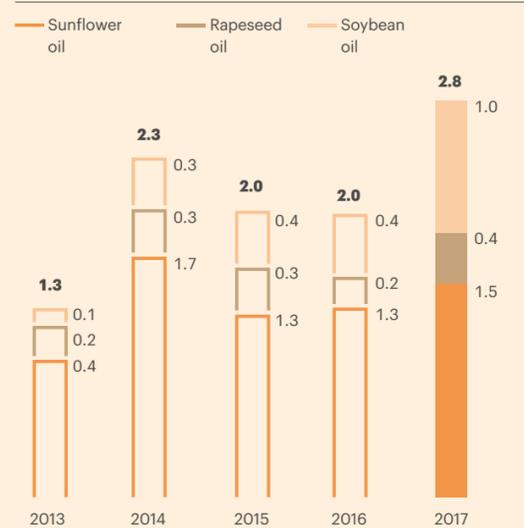
Russia's mayonnaise exports are several times higher than its imports. The main destinations of Russia's mayonnaise exports are the CIS states: most of the exports go to Kazakhstan, Azerbaijan, Moldova, Georgia and Uzbekistan. Most of margarine exports—around 66%—go to the countries of the near abroad, with Mongolia and Serbia accounting for 27% of the exports and China for another 7%.

IMPORTS

Only 9% of Russia's sunflower, rapeseed and soybean oils are imported, which is a very small amount. The imports have been declining year on year due to the increasing production. Palm oil accounts for most of the imports (90%, or 432 thousand tonnes). The largest supplier of palm oil to Russia is Indonesia: in 2017 it accounted for 69% of the palm oil imported to Russia. Palm oil has also been supplied from Malaysia (15%) and the Netherlands (13%).

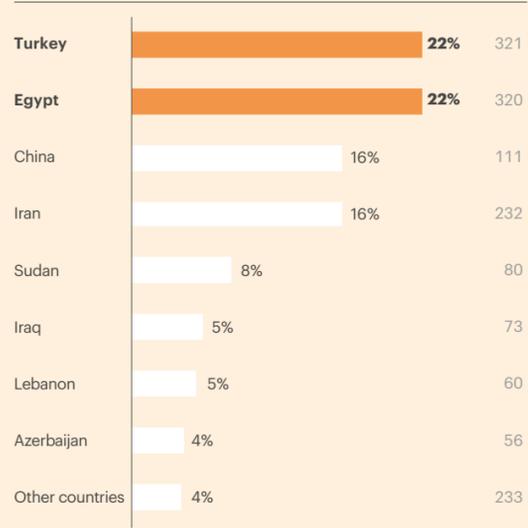
The amount of imported margarine is around 10% of the domestically produced amount. The main suppliers of margarine to the Russian market are Ukraine, Serbia and Poland. Most of the imported mayonnaise comes from Korea and Germany.

Russia's vegetable oil exports million tonnes



Sources: ProZerno, customs statistics 2017

Russian unrefined sunflower oil export destinations thousand tonnes



1.5

million tonnes of sunflower oil was exported from Russia in season 2016-17



OUTLOOK FOR 2018

According to the USDA projection, the global market of main vegetable oils may see an increase in production of 8.7 million tonnes, while the consumption may only be expected to grow by 7.2 million tonnes. Global production of sunflower oil will be down to less than 18 million tonnes as the result of a 4% drop in sunflower seed gross harvest. In particular, the USDA forecasts gross sunflower seed harvest in Ukraine (Russia's main competitor in the global market) at around 13 million tonnes, a 14% decrease from the previous year, and sunflower oil production level of 5.6 million tonnes (-12%). In contrast, Turkey is expected to increase its gross harvest by 21% to 1.6 million tonnes, which is likely to have a negative effect on Russia's sunflower oil exports to the country.

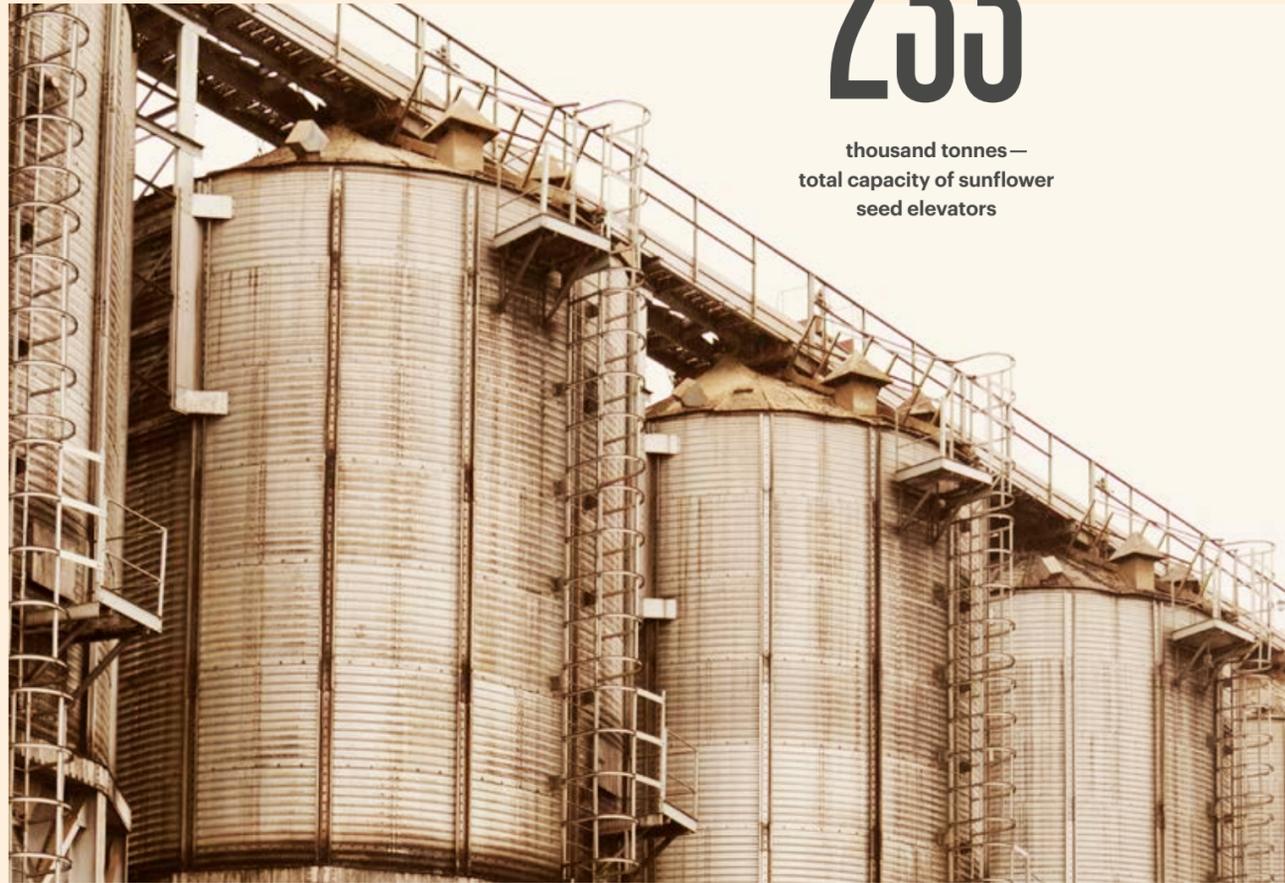
According to Russia's Oil and Fat Union, the Russian sunflower processing market will be gradually shrinking in 2018. The production is expected to decline in Q3 2018 due to a shortage of raw material, which will affect the industry's performance. In the estimation of IKAR, Russian processing plants will produce a total of around 4.3 million tonnes of sunflower oil in season

2017-18, which is 8% less than in the previous season. While on the whole the unrefined oil market has been loose, the expected decline in the consumption and the drop in exports are likely to put the prices under more pressure. However, the slump in the global sunflower oil production may actually cause the world prices to increase, which will have a positive effect on the domestic market.

The sales of sauces in Russia are expected to go down in 2018 in view of the decrease in annual per capita consumption. According to the projections by AC Nielsen, the market will shrink by 3% in 2018. The Russian solid fats market is also expected to see a slight decline, whereas the Central Asian markets will remain stable. The share of private labels and low-priced no-name products in the consumption pattern will increase.

233

thousand tonnes —
total capacity of sunflower
seed elevators



ASSETS

THE OIL AND FATS BUSINESS HAS THREE PLANTS FOR SUNFLOWER AND SOYBEAN OIL EXTRACTION AND OIL AND FATS PRODUCTION

The Oil and Fats business of Rusagro Group is represented by three enterprises:

- OJSC Zhirovoy Kombinat Fats Plant (Yekaterinburg);
- CJSC Samaraagroprompererabotka Oil Extraction Plant (Samara Region);
- LLC Primorskaya Soya (Ussuriysk).

In addition, the assets include seven sunflower seed elevators with a total capacity of 223 thousand tonnes. In the reporting period RUB 1.6 billion was invested in assets development, which is 65% more than in 2016.

CJSC SAMARAAGROPROMPERERABOTKA (SAPP)

The oil extraction plant is a leading sunflower oil production enterprise in the Samara Region and one of Russia's ten largest sunflower oil producers and exporters.

The plant's main products are unrefined sunflower oil (pressed and extracted) and high-protein granulated sunflower meal.

The plant has an annual processing capacity of 454 thousand tonnes of sunflower seeds. In 2017, with the planned quality of feedstock in terms of oil content, the plant produced 174 thousand tonnes of unrefined sunflower oil and 169 thousand tonnes of meal.

The Company has usually purchased raw material for processing from third party agribusinesses in the Volga Federal District (Samara, Orenburg and Saratov Regions).

The plant uses state-of-the-art equipment to deliver high quality products. The produce was certified under GMP+ B2, which confirms the Company's compliance with the domestic and international standards, production and product safety assurance principles (including HACCP and EU's regulatory requirements). SAPP was the second of Russia's sunflower processing enterprises to gain the certification. The plant has also implemented the ISO 22000:2005 food safety management system.

OJSC ZHIROVOY KOMBINAT FATS PLANT

OJSC Zhirovoy Kombinat (EZHK) is one of Russia's Top 5 companies in the industry and one of the market leaders in CIS. EZHK's rated production capacity is 75 thousand tonnes of margarine, 145 thousand tonnes of mayonnaise, and 35 thousand tonnes of bottled oil.

The product mix of the fats plant includes 92 products, such as mayonnaise, margarines, sunflower oil, ketchup, mustard, shortenings and confectionery fats, and soap. The use of quality natural products, advanced technology and automated state-of-the-art equipment ensures the high quality of EZHK's products.

The plant has been proactive in implementing projects aimed at improving process efficiency. In 2017 the losses of packaging materials were reduced by 5%, the operational efficiency of the production lines was increased by 3%, the obsolete ketchup production equipment was replaced, the raw materials storage facilities were expanded by converting the metal centres.

In 2017 a new refining, deodorisation and fats interesterification line was launched at EZHK, as well as a PET bottle filling line for vegetable oil.

Cream vegetable butter

EZHK is planning to launch the production of cream vegetable butter. This is a new product that is a cross between a spread and butter. Most importantly,

the name of the category implies a departure from the negative perception that is associated with the name 'spread' in Russia. As the result, the Company will carve out a new niche and expand its sales geography.

LLC PRIMORSKAYA SOYA

Primorskaya Soya is one of the largest producers of soybean oil and meal, mayonnaise, and is also the only manufacturer of beauty and household soap in Russia's Far East. The annual soybean processing capacity of the enterprise is 168 thousand tonnes.

Primorskaya Soya has focused on increasing performance and efficiency. In 2017 the performance of the oil extraction line was raised to 450 tonnes/day with two lines operating. Streamlining the refining process resulted in a 2% reduction of oil losses.

A line for continuous water degumming of soybean oil for phosphatide concentrate (lecithin) production will be launched at Primorskaya Soya in Q2 2018. First production is scheduled for mid-2019. Implementing this project will enable the Company to enter the market with a high-margin product and increase its profitability.



PROJECT “LAUNCHING THE SUNFLOWER OIL REFINING, DEODORISATION AND BOTTLING LINE”

A sunflower oil refining, deodorisation and bottling line will be launched at SAPP in June 2018. The oil will be marketed under the Mehta Khozyaiki and Schedroye Leto brands in the Volga and Ural Federal Districts and central Russia, and will also be exported to the countries of near and far abroad.

THE PROJECT INCLUDES THE FOLLOWING STEPS:

- Modernising the existing production facility of the oil extraction plant;
- Building a lecithin production line;
- Building a finished products warehouse that can store a week’s produce.

As of end-2017, the buildings were erected and the equipment was installed; interior works and preparations for start-up and commissioning were in progress.

Project cost
RUB 1.9 billion, excl. of VAT

Construction time
2017 to 2018

First production
2018

Annual refining and deodorisation capacity
over 100 thousand tonnes of oil

GEOGRAPHY OF ASSETS



1.6

thousand tonnes/day —
oilseed processing capacity

Samara Region

174 thousand tonnes/year
unrefined sunflower oil
production capacity

169 thousand tonnes/year
meal production capacity

Sverdlovsk Region

75 thousand tonnes/year
designed margarine
production capacity

145 thousand tonnes/year
designed mayonnaise
production capacity

35 thousand tonnes/year
designed bottled oil
production capacity

Primorye Territory

168 thousand tonnes/year
soybean processing capacity

94 thousand tonnes
designed meal
production capacity

BRANDS

THE PRODUCT MIX OF THE OIL AND FATS BUSINESS IS REPRESENTED BY HIGHLY POPULAR BRANDS OF MAYONNAISE, MARGARINES AND SPREADS, MUSTARD, KETCHUP AND VEGETABLE OILS. THE COMPANY'S PRODUCTS ARE AMONG THE MARKET LEADERS NOT ONLY IN THE URALS, BUT ALSO IN A NUMBER OF CIS STATES.

As part of its retail brand development strategy, EZhK introduced several new products in 2017: Schedroye Leto jams, Soya Co soy sauce, Mechta Khozyaiki ketchup, new flavour varieties of the Schedroye Leto margarine, EZhK Zolotoy mayonnaise.



Mechta Khozyaiki was introduced in 2001. It is the fastest growing Russian brand in the mayonnaise category. Mechta Khozyaiki also has a leading market share in Azerbaijan (44%) and Moldova (28%). The brand is represented in such categories as mayonnaise, vegetable oil, mustard, sauce and—since 2017—in ketchups. The product line includes 42 products.



The Provansal EZhK is the leading local brand in the Ural Federal District (50%) in the mayonnaise category. It is No. 2 in the ketchup and mustard categories. The product line includes 40 different products in such categories as mayonnaise, ketchup, mustard and margarines.



Soya co—is a local brand represented in Russia's Far East. In 2017 the product line that previously consisted of mayonnaise and soap was expanded to include soy sauce. The product line includes 77 products.



Schedroye Leto is the second largest margarine brand in Russia. It is a leader in the margarines and spreads categories in the Central Asian markets, in particular, in Uzbekistan (28%) and Tajikistan (29%). The brand is represented in such categories as vegetable oil, margarines and jams (since 2017). The Schedroye Leto product line includes 19 products.



The Maslava brand is represented in Russia's Far East and is No. 1 in Russia in the soybean oil category. The brand is also represented in the mayonnaise category and includes 18 products.



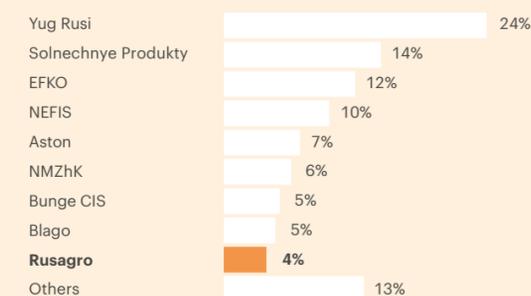
2017 RESULTS

COMPETITIVE LANDSCAPE

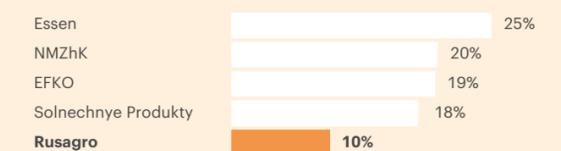
At the end of 2017 Rusagro Group ranked No. 8 among Russia's largest sunflower processing companies and had a market share of 4%. Rusagro Group is Russia's largest producer of consumer margarine and fifth largest producer of mayonnaise. In 2017 the Company

continued to strengthen its position in the margarines market increasing its share from 43% to 44%. The Group's share in the mayonnaise market slightly decreased from 12% to 10%.

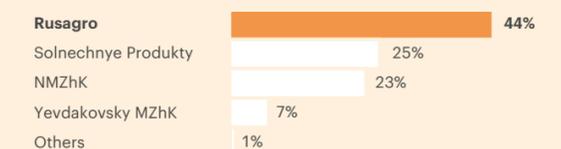
Russia's largest sunflower seed processing holdings in 2017



Russia's largest mayonnaise producers in 2017



Russia's largest producers of packaged margarine in 2017



Source: Russia's Oil and Fat Union

OPERATING RESULTS

In 2017 the Company processed 403 thousand tonnes of sunflower seeds and 110 thousand tonnes of soybean.

In 2017 the oil production grew 19% reaching 192 thousand tonnes due to successful raw materials purchasing, in particular to purchasing the raw materials directly from farmers. Unrefined oil production in 2013 through 2017 jumped 75%. Sunflower oil production surged from 110 thousand tonnes in the same period as the result of a 97% capacity utilisation and a 24% sunflower seed processing efficiency increase. Annual meal production grew 170% to 243 thousand tonnes.

In 2017 the Company produced 111 thousand tonnes of oil and fats products, including 56 thousand tonnes of mayonnaise, 40 thousand tonnes of margarine, spreads and industrial fats, and 7 thousand tonnes

of bottled sunflower oil. Mayonnaise production was reduced by 24% due to a drop in the sales of the Mechta Khozyaiki mayonnaise. In 2017 the Company produced its first batch of 3.4 thousand tonnes industrial fats and launched an in-house bottled oil production line.

Sixty percent of Rusagro's finished products in Russia are marketed through the B2B channel. In the consumer goods category, most of the oil and fats products (61%) are also sold domestically, with the Ural Federal District accounting for the bulk of the sales (66%).

EZhK introduced new product categories in the industrial fats segment in 2017, selling the first 3.2 thousand tonnes of the products. In mid-2017 it delivered its first supplies to the distributors and end users in the domestic region—the Ural Federal District—as well as in the Siberian and Far Eastern Federal Districts, and Uzbekistan.

Rusagro Group has been actively promoting its exported products. In 2017 the Company exported 37% of its B2B products. Thirty seven percent of the unrefined oil exports go to Central Asia and another 13% to Egypt, while 91% of the exported sunflower meal goes to the EU and another 7% to the UK. In 2017 unrefined oil exports surged 64% reaching 98 thousand tonnes.

In the consumer segment the Company exports 40% of the produce, 75% of which goes to Central Asia and 16% goes to China. The exports in this category increased by 15% to 53 thousand tonnes, including 29 thousand tonnes of margarines.

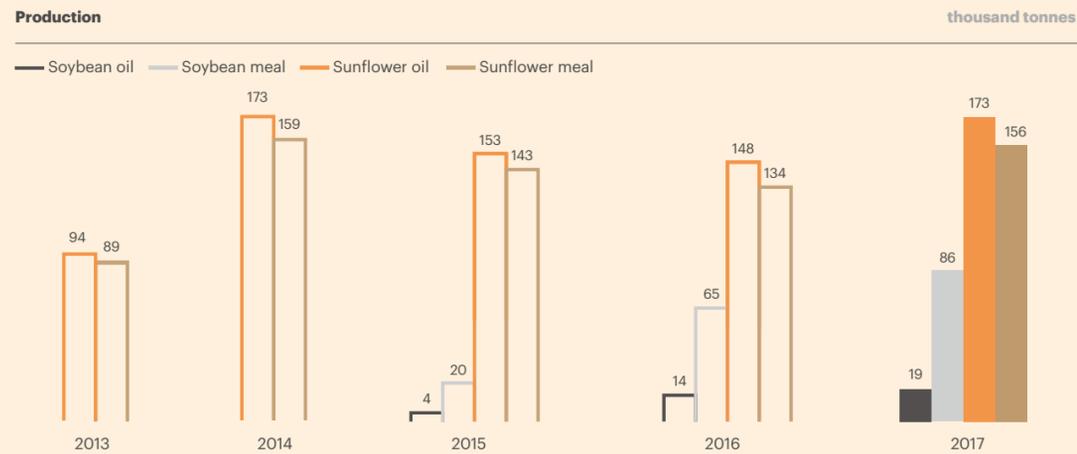
The current oversupply of margarine in the Russian market causes the Group to intensify its margarines and spreads export marketing activities, in particular, in Central Asia.

In 2017 direct export contracts were signed and first batches of oil and fat products were shipped to the United States, China, Afghanistan and Korea. In addition, export contracts were signed with Serbia and Mongolia. The supplies to China—the most attractive market for oil and fat products—increased by 44% in 2017.

FINANCIAL RESULTS

As the result of the declining oil prices, the Company's sales in the Oil and Fats segment decreased by 2% to RUB 19.4 billion in 2017. Reduced cost of raw material for processing and the scale-down of intensive marketing support for the Mechta Khozyaiki brand led to an increase in the profitability. EBITDA grew from negative RUB 0.4 billion to RUB 0.7 billion, reaching a positive EBITDA margin of 4%.

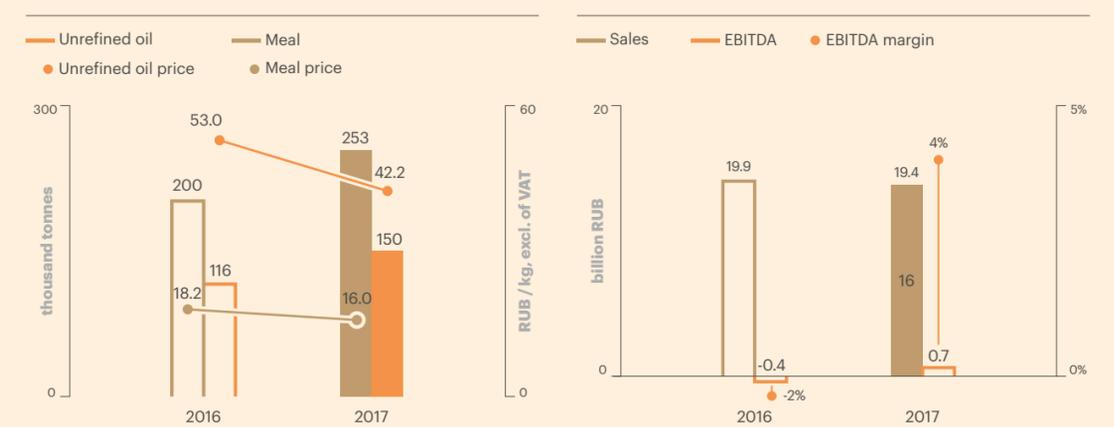
Production



Oil and Fats products sales volume and price



Unrefined oil and meal sales volume and price*



* To third party companies

Financial results in the Oil and Fats segment



Main consumer goods exports destinations



19.4

billion RUB—
sales in the Oil and Fats segment



PLANS FOR 2018

For Rusagro's Oil and Fats business, 2018 will be a year of increasing efficiency, launching new products and improving the consumer properties of the current product mix.

The Company is planning to buy more than 400 thousand tonnes of sunflower seeds, which will enable the SAPP plant to operate round the clock and sell oil and meal with positive returns. In addition, the centralisation of the procurement department within Oil and Fats segment will be completed, which will also contribute to the reduction of production costs.

A sunflower oil refining and deodorisation line and a oil packaging line will be launched at the SAPP production facility, thus beginning the production and sales of lecithin and bottled sunflower oil, which will increase the margin through additional processing of sunflower seeds. Since the plant boasts a more favourable geographic location than its competitors, Rusagro

will be able to reach to the Asian markets that it has been planning to focus on in the short and the medium term. The Company is also exploring the possibilities of entering the markets of Libya, Iran and UAE.

In 2018 124 thousand tonnes of finished products will be produced by EZhK, 365 thousand tonnes will be produced by SAPP and 140 thousand tonnes by Primorskaya Soya.

The Company will continue to increase production and market share in the solid fats category. In addition, Rusagro will be venturing into new segments, such as low-fat margarines, rendered mixtures and plant-based buttery spreads. The Schedroye Leto brand will be redesigned, and a new Gotovim Doma ("Cooking at Home") product line will be launched.



SERGEY KATKASSOV

Warehouse Operator

1,151 ^{▲+24%}

THOUSAND TONNES
OF GRAINS HARVESTED

18.8 ^{▼-11%}

BILLION RUB
SALES

0.1 ^{▼-99%}

BILLION RUB
EBITDA

AGRICULTURE
SEGMENT

AGRICULTURE SEGMENT

THE CHANGE IN THE EXTERNAL ENVIRONMENT CALLS FOR IMPROVED BUSINESS PERFORMANCE. IN 2017 I DECIDED TO TAKE CHARGE OF THE BUSINESS TO OVERSEE THE REFORM THAT WAS SO NECESSARY. IN 2018 WE WILL CONTINUE TO WORK ON REDUCING COSTS AND INCREASING LAND ASSET PERFORMANCE.



MAXIM BASOV

Head of Agriculture business

Two consecutive years of record domestic and global production sent grain prices into a downward plunge all over the world. The decline in the domestic prices was even more pronounced due to the strengthening rouble and Russia's greater export orientation. In addition, the costs increased, in particular the costs for fuel, oil and lubricants, the labour costs and the land rental costs.

As the result, the Company's sales in the Agriculture segment went down by 11%. The Group's EBITDA fell to all-time low of RUB 0.1 billion.

The change in the external environment calls for improved business performance. In 2017 I decided to take charge of the business to oversee the reform that was so necessary. In 2018 we will continue to work on reducing costs and increasing land asset performance. We strongly believe that the growth in the Company's Agriculture segment will largely depend on intensified automation and digitisation. We will also strive to improve our agricultural business practices and will start elite seed breeding of various crops. Our aim is to become a leader in innovation-based agriculture development, both in Russia and globally.

118.5

million tonnes—
gross grain harvest in Russia
in 2017

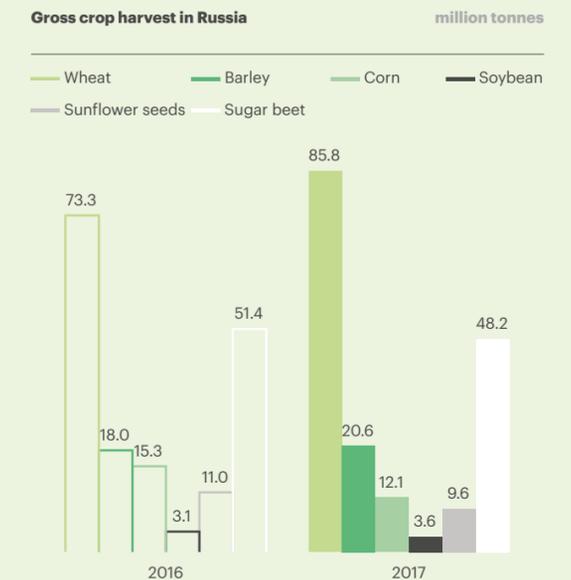


MARKET OVERVIEW

DOMESTIC PRODUCTION

2017 was a record year for Russia's crop farming in many respects: in terms of biological yield and gross harvest for a number of agricultural products, as well as in terms of exports. In 2017 the country produced a record grain and pulse harvest. According to preliminary estimates of the Russian Federal Service for State Statistics, the country's gross grain harvest increased by 11% to 118.5 million tonnes in net weight. Following five years of steady growth, gross wheat harvest jumped 17% to settle at 85.8 million tonnes.

In 2017 barley production also increased by 14% to 20.6 million tonnes. This figure falls just a little short of the 2008 bumper harvest of 23.1 million tonnes. According to preliminary data, 12.1 million tonnes of



Source: Russian Ministry of Agriculture (preliminary results for 2017)

grain corn was harvested in 2017; while this is a 21% drop from the previous year, it is still the third largest harvest in the history of contemporary Russia. Another 2017 breakthrough in crop farming was a record soybean production level of 3.6 million tonnes (+14% from 2016). In addition, in 2017 the country had a near-record harvest of sugar beet of 48.2 million tonnes, falling only 6% short of the all-time record of the previous year.

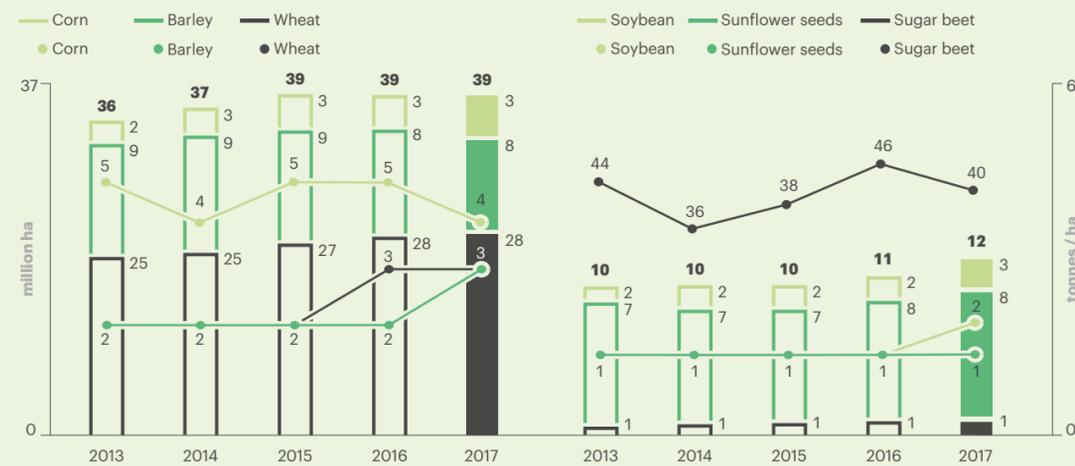
The peak harvest of 2017 is primarily attributable to increased planted acreage and high moisture availability during the growth season which created ideal conditions for the crops. Another important factor was the renewed agricultural machinery fleet at many of the farms and intensified use of fertilizers.

PRICES

In the recent years, the grain and oilseed prices have been decreasing due to the bumper crops and ample global stocks. In particular, the average wheat price in 2017 was RUB 7.4 thousand per tonne, a 37% drop from 2016. Global average corn prices decreased by 21% to RUB 9.3 thousand per tonne. The prices for barley, sunflower seeds and soybean were also down by 18%, 17% and 15%, respectively.

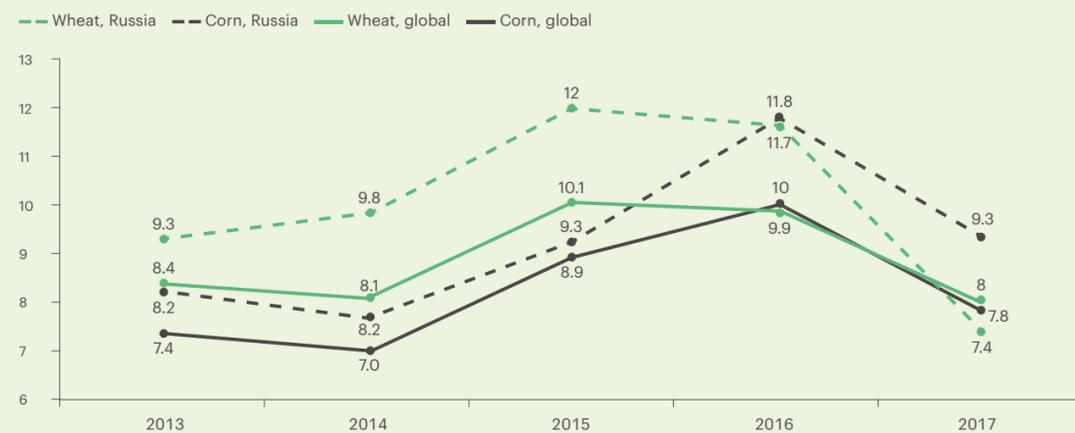
The Russian market saw a similar decline. Sunflower seed and corn (down by 26% to RUB 17.4 thousand per tonne and down by 23% to RUB 7.8 thousand per tonne, respectively) experienced the biggest price drop. In 2017 the average wheat price in Russia was RUB 8 thousand per tonne, a 19% decline from 2016.

Planted acreage and average biological yield of crops in Russia



Source: Russian Ministry of Agriculture (preliminary results for 2017)

Average grain prices

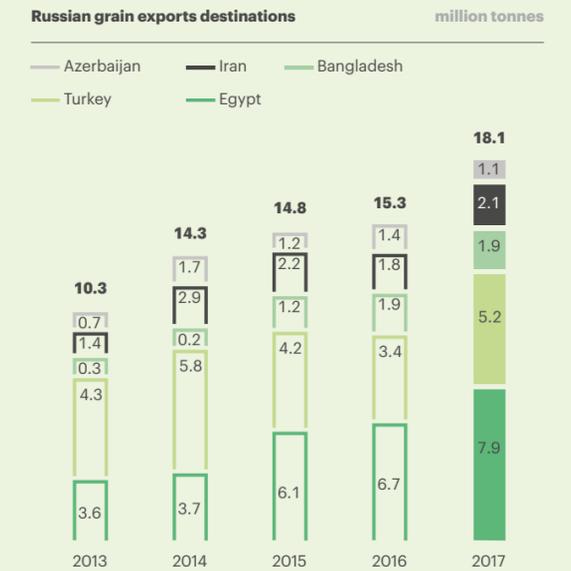


Source: APK-Inform agribusiness consultant agency

EXPORTS

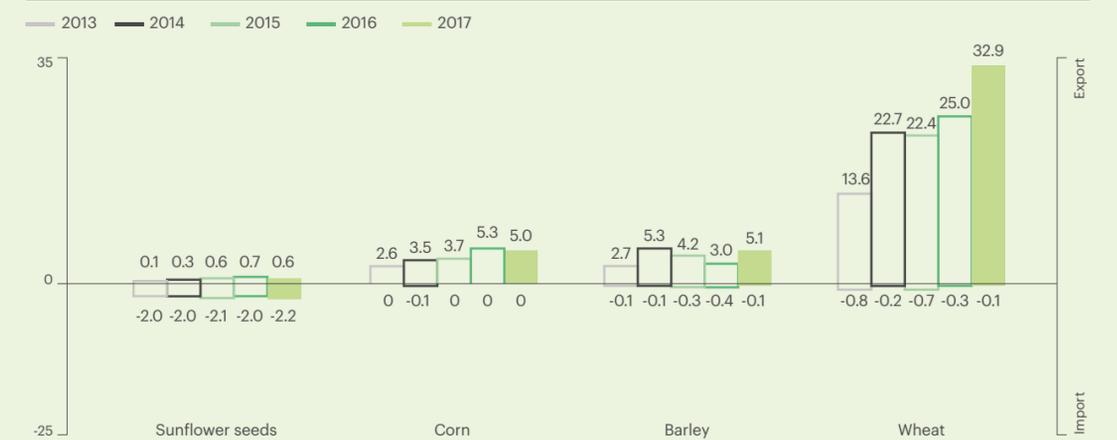
In the recent five years Russian grain exports increased by 130%. In 2017 Russian grain exports totalled 43.6 million tonnes, a 28% uptick from 2016. Wheat has traditionally been Russia's most exported grain (70–75% of total exports). The exports grew 140% from 2013 to 2017. After the increased gross harvest of 2017, Russia exported 32.9 million tonnes of wheat (+31%) and 5.1 million tonnes of barley (+73%). The exports figures could have been more impressive, but the limited railway and port capacities prevented the country from fully realising the export potential.

In the recent five years, Egypt and Turkey have been the largest importers of Russian grains, since the three countries have had a particularly high level of mutual trade, given the logistical advantages of their close geographic proximity. Before 2015 Turkey accounted for more than 41% of Russia's grain exports; another 30% of the exports went to Egypt. Starting 2015, in view of the deteriorating trade relations between the countries, the Russian exports to Turkey began to decline, finally reaching 22% in 2016, whereas the exports to Egypt went up to 44%, making Egypt the largest importer of Russian grains. In 2017 the situation was slowly going back to normal: a total of 7.9 million tonnes of grains were exported to Egypt (43% of total exports), and 5.2 million tonnes were exported to Turkey (28% of total exports).



Source: Federal Customs Service of Russia

Russian crops exports and imports



Source: Federal Customs Service of Russia



IMPORTS

Unlike with other crops, Russia remains a net importer of soybean. Soybean cultivation did not exist in Russia until rather recent times. There were no seeds, no technology, no knowledge and no equipment. As meat production grew, the demand in soybean as an excellent source of protein increased exponentially. The main soybean importers to Russia are Latin American countries: Brazil, Argentina, Paraguay and Uruguay.

Due to the climatic conditions—in particular, the lack of dry sunny days—the amount of whole wheat produced in Russia cannot cover the domestic demand. Russia imports high-protein food-grade wheat and exports softer wheat of lower grades and fodder wheat.

OUTLOOK FOR 2018

According to the USDA projection¹, a total of 2.6 billion tonnes of grains will be produced in the world in season 2017–18, with wheat accounting for 758.8 million tonnes of the total production. Global soybean production is predicted at 340.9 million tonnes, which is 10.5 million tonnes less than in season 2016–17.

Global wheat exports in season 2017–18 are forecast at 182.0 million tonnes, with 37.5 million tonnes to be exported by Russia which is supposed to produce around 85 million tonnes of wheat. Global soybean exports will total 150.6 million tonnes, with Brazil accounting for almost half of the exports. Egypt and Turkey are expected to buy 8.6 and 5.9 million tonnes of Russian grains, respectively, which is 19% and 13% of Russian grain exports.

At the moment, the vast export potential of Russian grains is being thwarted by the limited capacity of the specialised grain terminals in the sea ports, as well as by the size of grain car rolling stock. To tackle this problem, the Russian Ministry of Agriculture recommended that new export gateways be created within the next three years. This implies that by 2020 new grain terminals may appear at the ports in the Far East, in the Azov-Black Sea basin and in the Baltic basin with a total capacity of 44 to 54 million tonnes, which corresponds to the total annual amount of grains exported from Russia.

1. USDA World Agricultural Supply and Demand Estimates (WASDE), 8 March, 2018

ASSETS

THE MAJORITY OF THE AGRICULTURAL LANDS OF RUSAGRO GROUP ARE LOCATED IN RUSSIA'S CENTRAL BLACK EARTH REGION WITH ITS HIGHLY FERTILE CHERNOZEM BLACK SOILS.

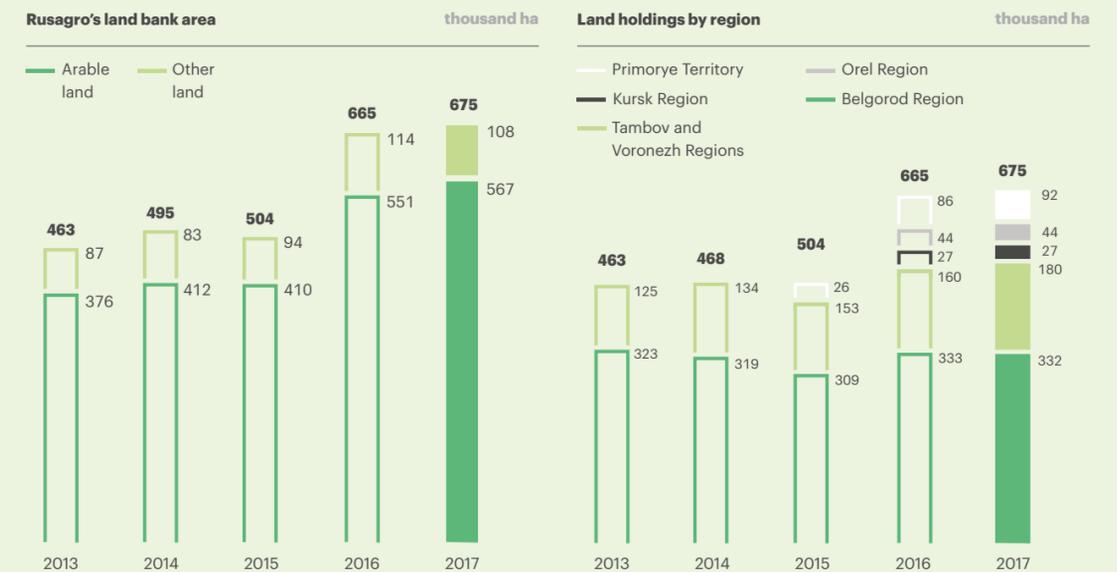
LAND BANK

According to BEFL data, as of May 2018, Rusagro Group had a land bank with an area of 675 thousand hectares and was Russia's third largest farmland owner.

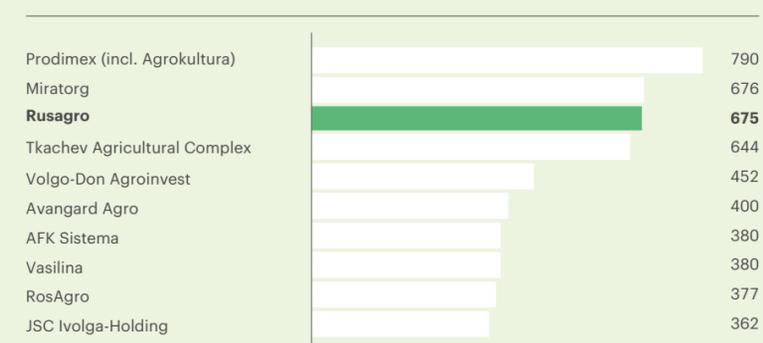
In 2017 Rusagro's total land holdings increased by 10 thousand hectares. The largest land holdings are located in the Belgorod and Tambov Regions—332 thousand and 164 thousand hectares, respectively.

The Agriculture business of Rusagro Group includes seven farming companies:

- LLC Rusagro-Invest (Belgorod Region);
- LLC Agrotechnologii (Tambov and Voronezh Regions);
- JSC PrimAgro (Primorye Territory);
- LLC Otradaagroinvest (Orel Region);
- LLC Kshenagro (Kursk Region).



Largest farmland owners in Russia 2017 (thousand ha)



№3

Rusagro Group is Russia's third largest farmland owner

LOGISTICS AND STORAGE

All farms are located in close proximity to the Company's processing complexes, which ensures the self-sufficiency of the sugar and compound feed plants, the soybean processing plant and the elevators. One hundred percent of the harvested sugar beet goes to the Group's plants; part of the grain is used as raw material for compound feed production at the pig farms, while the soybean is processed at the plant in the Primorye Territory. At each of the four elevators owned by the Company the grains can be conditioned and stored throughout the year. In 2017 the total aggregate storage capacity was 916 thousand tonnes.

In 2017 construction projects were launched for a commercial threshing facility in the Kursk Region and seed threshing facilities in Belgorod and Tambov. Implementing these projects will substantially reduce the grain conditioning and storage costs, while the increased seed preparation quality will contribute to a higher yield.

SOIL USE AND TECHNOLOGIES

The Company has been proactive in introducing environmentally friendly soil conservation technologies. The farms have practiced break crop planting, naked fallows and strip planting. Soil fertility is analysed annually and science-based crop rotation schedules and fertilizing patterns are prepared. In particular, individual fertilizing schedules are developed for each crop with due account for the specific variety or hybrid and the soil fertility level at each of the fields. Targeted fertilizing will ensure a near maximum yield and help avoid overuse of costly chemicals. In addition, the Company's experts have been studying, testing and putting into

production the newest high-yield crop varieties and hybrids. In 2017 on-the-farm tests for improving the seeding quality of winter wheat, soybean and sugar beet were carried out with positive results.

MACHINERY FLEET

Employing the latest crop farming technologies is impossible without using high-performance equipment. This is why all the machinery purchased by the Group meets the technological requirements of modern farming and is well suited to operate in the Russian edaphoclimatic conditions. The Company's total investment in the Agriculture segment has increased by 21% reaching RUB 6.2 billion. In particular, the Company bought agricultural machinery worth RUB 4.8 billion, including RUB 2.6 billion for acquiring the facilities and equipment for the land assets in the Primorye Territory, and the Kursk and Orel Regions purchased in 2016.

As of end-2017 the Group's fleet included 1.5 thousand self-propelled agricultural machines and over 3.7 thousand items of pulled equipment.

In 2017 a project for the reconstruction of machine and tractor stations in Belgorod. Implementing this project will ensure timely and quality machinery preparation, increase its reliability rate and create the appropriate social conditions for the maintenance staff.

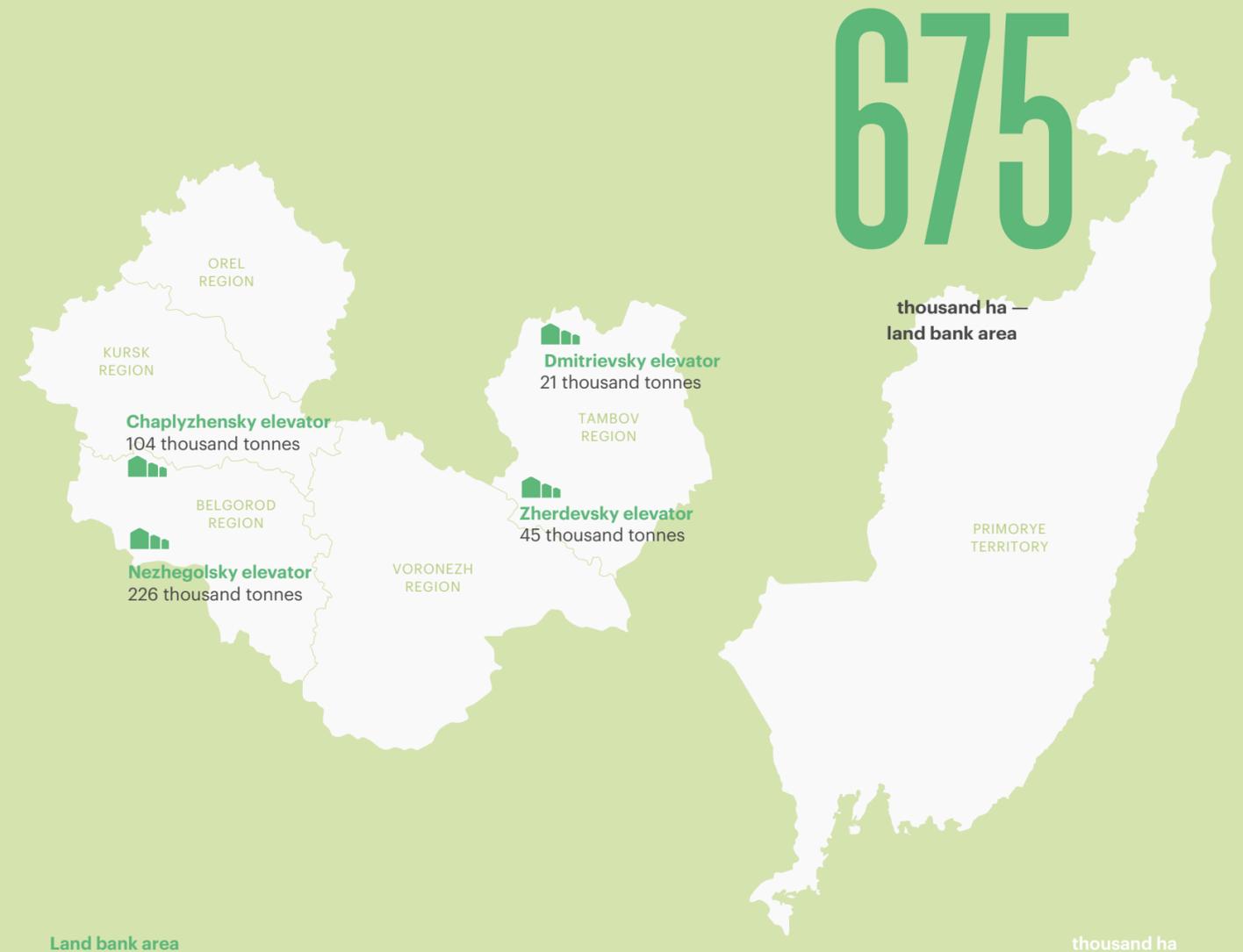
Legal structure of Rusagro's land bank



4.8

billion RUB
investments in agricultural
machinery in 2017

GEOGRAPHY OF ASSETS



AUTOMATION AND INNOVATION

THE COMPANY ADVOCATES THE STATE-OF-THE ART AGRICULTURAL TECHNOLOGIES AND IN THE RECENT YEARS HAS BEEN PROACTIVE IN INTRODUCING INNOVATIONS IN PRECISION FARMING. THE MAIN OBJECTIVE OF THE CURRENT PROJECTS IS TO ACHIEVE A HIGH LEVEL OF AUTOMATION IN FIELD AND CROP YIELD MANAGEMENT. RUSARGO'S AGRICULTURE ALSO RUNS ITS OWN BREEDING PROGRAM FOR BEET HYBRIDS.

The Company's five key projects in crop breeding are as follows:

1. DIGITAL BUSINESS TRANSFORMATION PROJECT

In 2017 the Company launched a project for the development of an advanced expert management system for Agriculture. The project is aimed at streamlining crop rotation and technologies, inventories and transportation logistics. The system will be instrumental in yield and crop development prediction depending on the technologies applied and the current weather conditions.

The system will use IoT, BigData and Machine Learning. The project will involve reviewing the Company's key business processes.

2. INTRODUCING A UNIFIED MACHINERY AND VEHICLE MONITORING SYSTEM

Due to a considerable increase of the machinery and vehicle fleet, and with a view to improve the reliability of the unified monitoring system, the Company implemented a project for migrating to a new hardware and software platform. The current monitoring system controls over 6.5 thousand machines and vehicles and can be scaled up to 10 thousand units. The system is integrated with the transactional system of Agriculture which facilitates greater integrity and transparency of the data obtained.

3. CROP YIELD TRACKING SYSTEM

A system for crop yield tracking was pilot tested in 2017. The system automatically monitors the harvesting operations, the machinery involved in the process (combine harvesters, grain transfer trailers—a total of 470 machines), as well as owned and leased vehicles (2.5 thousand vehicles approx.). If the time limit set for the harvesting operations is exceeded, the system

notifies the parties concerned. The system uses IoT and BigData and relies on telematics data it receives from the machinery, as well as on the performance targets contained in the transactional system.

4. INTEGRATION WITH THE INFORMATION SYSTEMS OF AGRICULTURE

In 2017 a project for integrating the information systems of the Sugar and Agriculture was successfully pilot-tested at one of the plants. Implementing the pilot project made it possible to obtain detailed statistics on the supply of beet to the sugar plants. Full automation of the sugar beet movement tracking systems is scheduled for 2018.

5. SUGAR BEET BREEDING

A project for breeding new sugar beet hybrids was launched in 2017. The project includes forming initial collections of parental lines, creating a database of genotypes and developing the breeding programmes for SoyuzSemSvekla plant breeding centre.

2017 RESULTS

OPERATING RESULTS

Rusagro's key cultivated crops are sugar beet, wheat, soybean, corn, barley and sunflower seeds. Rusagro is one Russia's Top 3 sugar beet producing companies.

HARVEST

Winter and spring wheat, barley, sugar beet and soybean accounted for around 78% of Rusagro's planted acreage in 2017.

In 2017 the Company significantly changed its wheat acreage (+25%), barley acreage (-22%) and sunflower seed acreage (-32%). The sugar beet acreage was also reduced by 5%. The crop rotation scheme in 2017 focused on mitigating weather risks. The winter and spring wheat acreage was increased in view of a reduction of barley acreage aimed at minimising the risks at harvest time.

2017 saw favourable farming conditions which increased the yield of early grains, in particular, wheat (+15%, Group average) and barley (+14% Group average). The reduced yield of late crops—corn, sunflower seeds, sugar beet and soybean—is attributable to lack of rain in the second half of the growth season and to higher temperatures at the time of flowering. This being said, the yield figures across the Group were still above the national average for wheat (+38% from Russia's average), barley (+36%), sunflower seeds (+30%) and corn (+22%).

The weather conditions were quite unfavourable for tuber growth (a prolonged period of drought from mid-July through end-September) which had a positive effect on the sweetness of sugar beet—its sugar content exceeded the five-year average and was also above the 2016 figures (18% vs 17% in 2016).

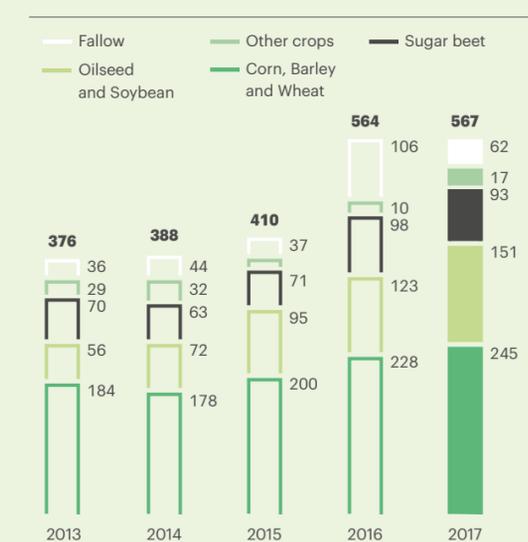
In 2017 the Company harvested a crop of 4,884 thousand tonnes, including 3,509 thousand tonnes of sugar beet (-19%), 1,151 thousand tonnes of grains (+24%) and 224 thousand tonnes of oil crops (-8%). As the result of the change in the crop structure and the reduced late crop yield, the harvested amount dropped 11% from 2016.

SALES

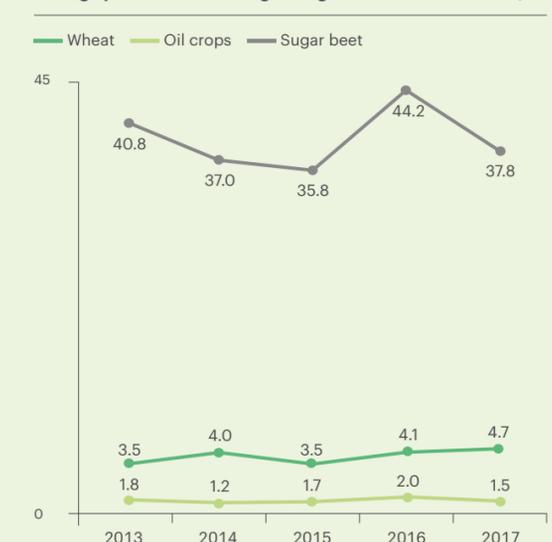
In 2017 the Company sold 3,957 thousand tonnes of sugar beet, 970 thousand tonnes of grains and 252 thousand tonnes of oilseed. Notably, the sales of wheat rose by 72% from 2016, and the sales of sunflower seeds and corn increased by 68% and 15%, respectively.

Most of the grains and oilseed were sold in the domestic market to agricultural companies—pig and poultry farms. The only exception was barley which is exported to the Middle East and Asia, in particular, to Iran and Japan.

Structure of Rusagro's crops



Average yield across all Rusagro's regions





All sugar beet was sold to the Group's Sugar segment. In addition, 410 thousand tonnes of grains was sold within the Group, including 253 thousand tonnes sold to the Meat segment and 40 thousand tonnes of soybean sold to Primorskaya Soya.

In 2017 Rusagro's crop exports fell by 57% from the previous year to 67.3 thousand tonnes. European Russia with its declining wheat and barley imports accounts for most of the drop in exports. The corn exports from the Primorye Territory increased by nearly 400%,

reaching 49 thousand tonnes. At the end of the year, a trial export shipment of soybean (36 tonnes) went from the Primorye Territory to one of Japan's largest tofu manufacturers.

On the back of the falling market prices, the Company's average sales prices also began to decline in 2017. The profits were most affected by the price drops for sugar beet (a 26% drop to RUB 1.8 per kilogram, excl. of VAT), sunflower seeds (a 21% drop to RUB 17.1 per kilogram), wheat (an 18% drop to RUB 6.1 per kilogram) and soybean (a 6% drop to RUB 20.0 per kilogram).

Sales of Rusagro's produce



FINANCIAL RESULTS

On the back of the drop in the prices for the products of the Agriculture segment, the 2017 sales decreased by 11% to RUB 18.8 billion. Adjusted EBITDA sunk by 99% to RUB 0.1 billion. The EBITDA margin was down from 29% to 0%. The decline in the income is attributable to the reduced gross sales and increased costs for logistics (due to higher sales), storage (due to large stocks), fuel, oil and lubricants, and wages. Revaluation of biological assets in view of lower prices caused the business' revenues to decrease by RUB 0.9 billion.

In the reporting period, sunflower seeds were the most profitable crop the demand for which had persisted both in the domestic and external markets. Barley and wheat were No. 2 in terms of profitability. Sugar beet was unprofitable in 2017 due to the drop in prices.

Financial results in the Agriculture segment



PLANS FOR 2018

IN 2018 AGRICULTURE EXPECTS TO INCREASE THE PRODUCTION AND MANAGEMENT EFFICIENCY. THERE ARE PLANS TO INCREASE THE SOYBEAN AND WHEAT SALES THROUGH EXPANDING THE PLANTED ACREAGE (BY 4% AND 3%, RESPECTIVELY). IN ADDITION, THE COMPANY INTENDS TO ACHIEVE IMPROVED YIELDS FOR ALL CROPS EXCEPT GRAINS AND TO ENHANCE LABOUR EFFICIENCY.

In 2018 seed threshing plants will be built and storage capacities will be expanded in the Tambov, Belgorod, Orel and Kursk Regions. Together with the fuel station to be built in the Tambov Region, as well as the machine and tractor station and fuel station to be built in the Primorye Territory, this will contribute to the improvement of the quality of the produce sold. In addition, technical re-equipment of the available machinery and vehicles will be carried out, in particular, the Company vehicles will be converted to operate on gas.

To increase the profitability of the crop producing business, the land resources management system will be revised: the cost-effectiveness of each field will be assessed to identify poorly performing assets; the criteria for the purchase of new land plots will be defined.

There are also plans to improve the precision of field management, which will allow optimising the cost per hectare and achieving higher yields. The Company will continue to intensify the controls over resources, assets and vehicle-related costs, in particular the costs for fuel and lubricants.

We strongly believe that promoting the automation and introducing advanced IT solutions and biological innovation is a key to increasing the profitability of Agriculture. We will continue to implement projects in this sphere and intend to become a leader in introducing IT and innovation, both in Russia and globally.



YOU HAVE TO WORK HARD
TO BECOME THE CREAM
OF THE CROP



PAVEL MILOSERDOV

Chief Agronomist

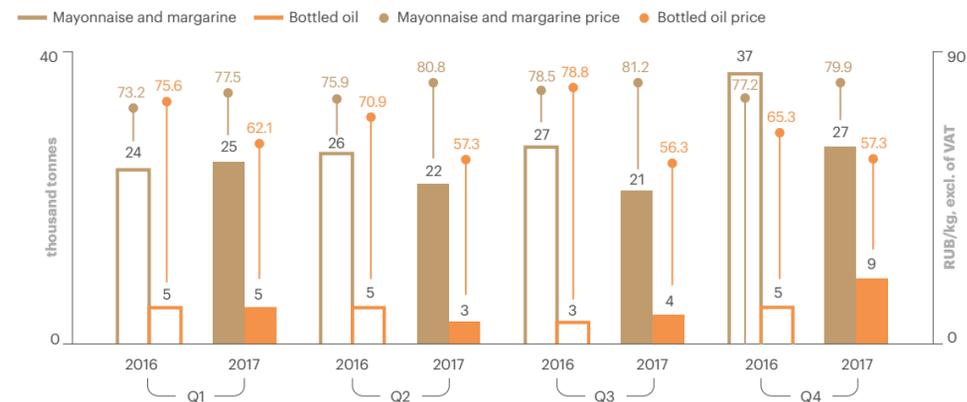
OPERATING RESULTS

Sugar



In 2017 sugar sales volume went up 4% from 866 to 900 thousand tonnes, as the result of the bumper sugar beet harvests and increased sugar content. The sales price dropped from 33.4 RUB/kg in Q1 2017 to 25.9 RUB/kg. The average annual price sank 23% from 39.4 RUB/kg to 30.6 RUB/kg.

Oil and Fats



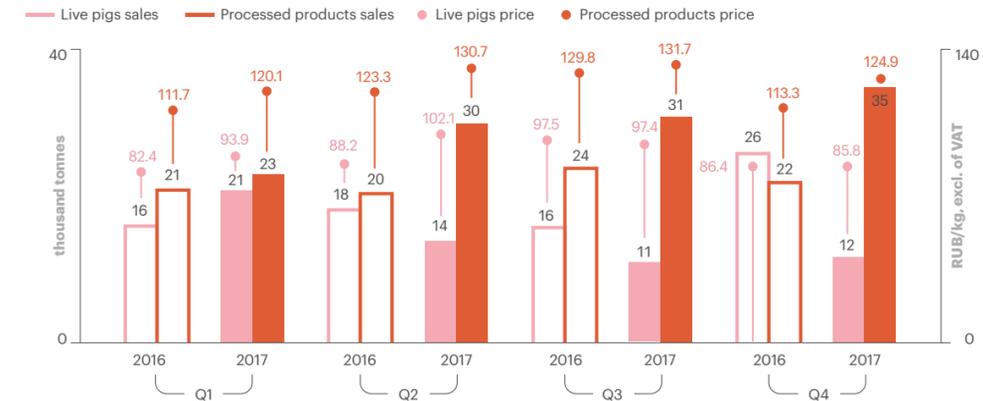
In 2017 the sales volume dropped 13% to 115 thousand tonnes. The slump was most severe in mayonnaise: down by 24% to 59 thousand tonnes due to the change in the business strategy. Mayonnaise and margarine prices went up by 5% and 3%, to 80.5 and 78.1 RUB/kg, respectively, with bottled oil prices down by 18%.

Agriculture



In 2017 the sales volume increased, mostly as the result of a surge in wheat sales (up by 72% to 710 thousand tonnes) and beet sales (up 4% to 4 million tonnes). The bumper harvests put a downward pressure on the prices: wheat price decreased by 18% to 6.1 RUB/kg and beet price sank 26% to 1.8 RUB/kg.

Meat



The sales volume rose 9% to 176 thousand tonnes due to production growth. The structure of sales changed: live pigs sales dropped 24%; the sales of processed products grew 38% to 118 thousand tonnes. Live pigs price was up 4% to 94.9 RUB/kg; the processed products price hiked 3% to 127.3 RUB/kg.

Oil and Fats



In 2017 the sales volume of unrefined oil and meal went up by 29% and 27% to 150 and 253 thousand tonnes, respectively, due to high plant capacity utilisation. The average unrefined oil prices dropped 20% to 42.2 RUB/kg; the meal prices were down by 13% to 16.0 RUB/kg.

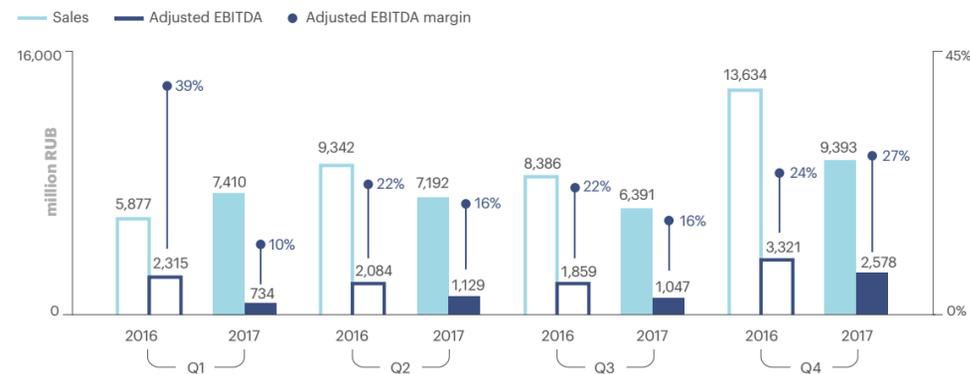
Agriculture



In 2017 sunflower seed sales volume surged 68% to 84 thousand tonnes, due to the bumper harvest of 2016. In contrast, soybean sales were down by 13% to 169 thousand tonnes, due to the decreased yield. The sunflower seed and soybean prices dropped 21% and 6% to 17.1 RUB/kg and 20.0 RUB/kg, respectively.

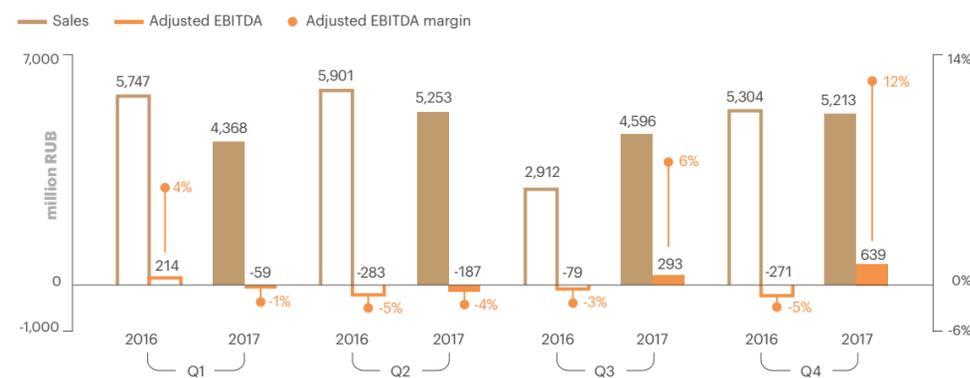
FINANCIAL RESULTS

Sugar



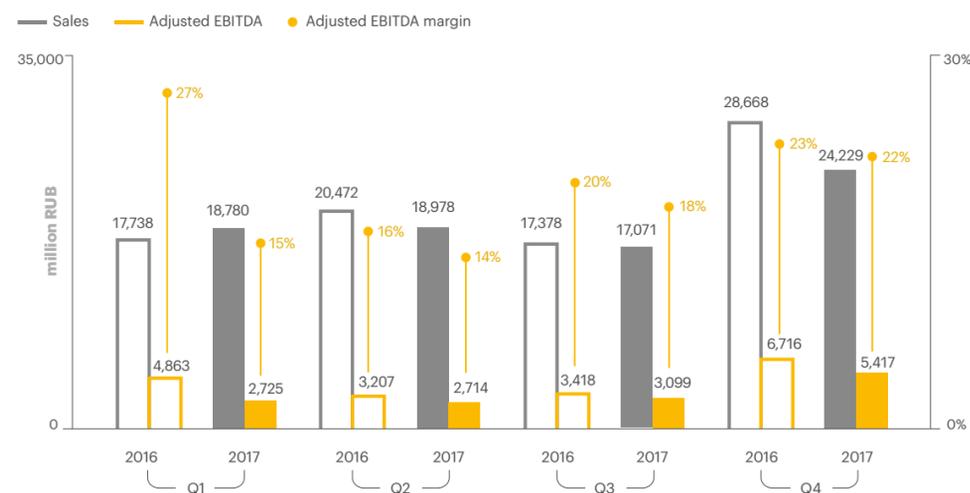
In 2017 the EBITDA of the Sugar business decreased by 43% to RUB 5.5 billion due to a 18% sales slump and increased costs for payroll, fuel, transportation and marketing. To a certain extent, the cost of sugar production was kept down by the falling sugar beet price. EBITDA margin was down from 26% to 18%.

Oil and Fats



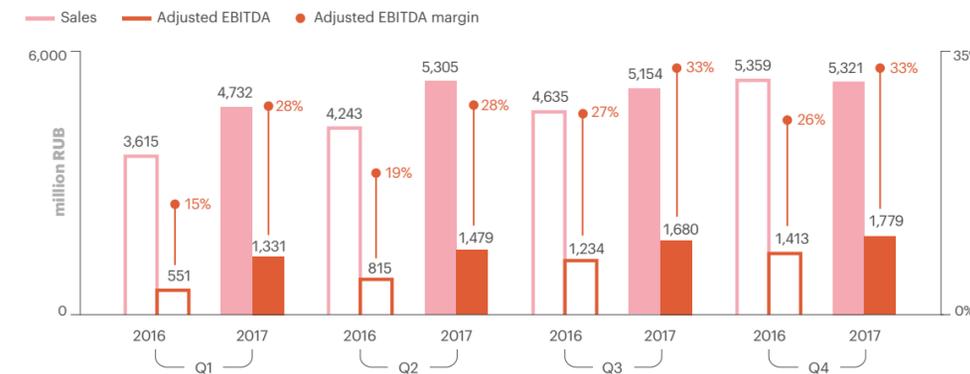
In 2017 the Oil and Fats business reached positive EBITDA of RUB 0.6 billion as the result of reduced marketing costs at the oil and fats plant in Yekaterinburg. The EBITDA margin increased from -2% to 4%.

Consolidated financial results of Rusagro Group



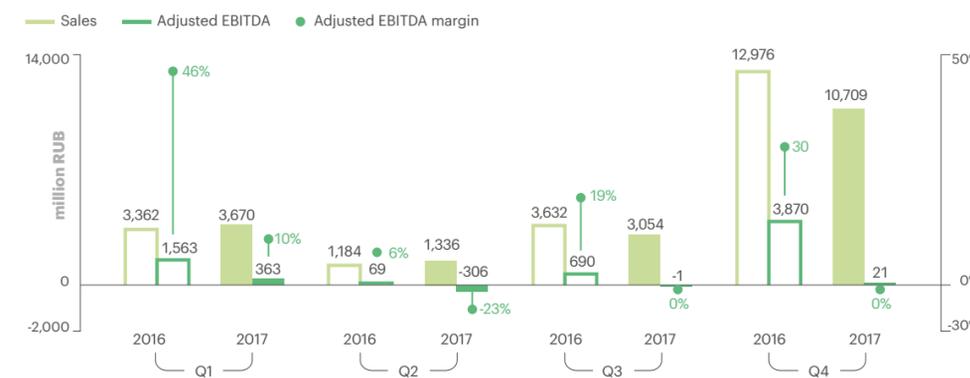
In 2017 the Company's EBITDA was down 23% to RUB 14.0 billion due to a sales slump 6% to RUB 79.1 billion and the loss on revaluation of biological assets resulting from the drop in prices. EBITDA margin declined by 4 p.p. from 22% to 18%.

Meat



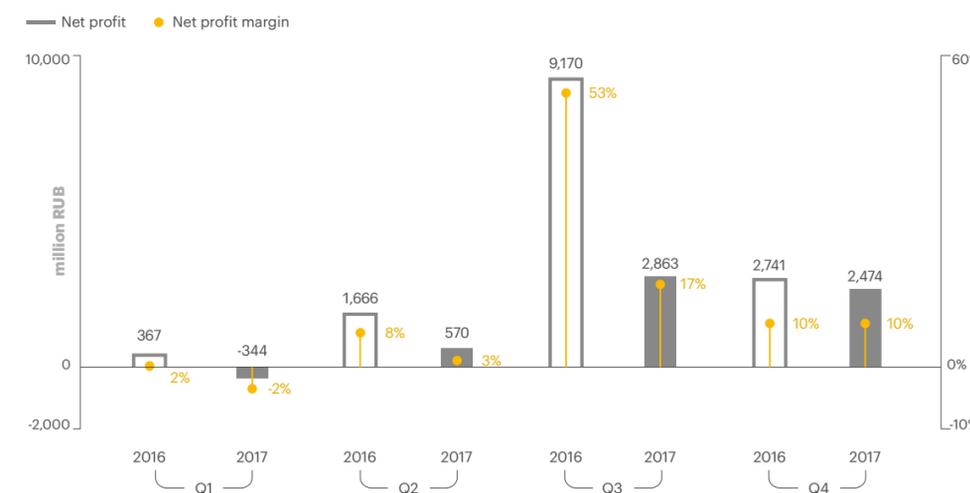
In 2017 the EBITDA of the Meat business increased by 56% to RUB 6.3 billion due to a 15% growth in sales and the positive profit achieved in meat processing, as well as the reduced production cost that is attributable to the slump in the feed prices. The growth in sales was the result of the price hike and the increased share of processed products in total sales. EBITDA margin went up from 22% to 31%.

Agriculture



In 2017 the EBITDA of the Agriculture business sunk by 99% to almost zero due to an 11% sales slump, which in its turn was the result of a drop in the prices across the entire product mix and increased costs. High production levels caused an increase in labour, marketing and storage costs. EBITDA margin was down from 29% to 0%.

Rusagro's net profit



In 2017 the Company's net profit dropped 60% from RUB 13.9 billion to RUB 5.6 billion. The net profit margin decreased by 10 p.p. from 17% to 7%.

KEY INDICATORS OF THE IFRS CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 THOUSAND RUB

	Year ended 31 December 2017	Year ended 31 December 2016
Sales	79,057,860	84,256,585
Net (loss)/gain on revaluation of biological assets and agricultural produce	(2,976,169)	48,176
Cost of sales	(58,115,770)	(58,915,613)
Net (loss)/gain from trading derivatives	(11,115)	335,997
Gross profit	17,954,806	25,725,145
Distribution and selling expenses	(8,360,964)	(7,993,094)
General and administrative expenses	(4,878,534)	(5,356,057)
Other operating income/(expenses), net	(665,918)	2,099,192
Operating profit	4,049,390	14,475,186
Interest expense	(2,259,804)	(3,614,107)
Interest income	4,189,550	4,465,667
Net gain/(loss) from bonds held for trading	29,783	(422)
Other financial (expenses)/income, net	(38,968)	(1,134,849)
Share of results of associates	11,060	20,831
Profit before income tax	5,981,011	14,212,306
Income tax expense	(417,848)	(267,790)
Profit for the year	5,563,163	13,944,516
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)
Fair value loss of available-for-sale financial assets transferred to profit or loss	301,335	-
Income tax relating to change in value of available-for-sale financial assets	30,816	21,556
Income tax relating to fair value loss of available-for-sale financial assets transferred to profit or loss	(60,267)	-
Total comprehensive income for the period	5,680,965	13,858,290
Profit is attributable to:		
Owners of ROS AGRO PLC	5,630,671	13,953,296
Non-controlling interest	(67,508)	(8,780)
Profit for the period	5,563,163	13,944,516
Total comprehensive income is attributable to:		
Owners of ROS AGRO PLC	5,748,473	13,867,070
Non-controlling interest	(67,508)	(8,780)
Total comprehensive income for the period	5,680,965	13,858,290
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



Audited Consolidated
Statements of Rusagro

SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2017 THOUSAND RUB

	Sugar	Meat	Agriculture	Oil and Fats	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)
incl. Depreciation and amortisation	(1,629,200)	(1,905,872)	(1,465,383)	(355,939)	-	(84,547)	(5,440,941)
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)
incl. Depreciation and amortisation	(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)
incl. Reimbursement of operating costs (government grants)	-	42,255	61,966	-	-	-	104,221
Operating profit	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

The Company annually prepares consolidated and separate IFRS financial statements. They include a Consolidated Statement of Financial Position prepared by the Board of Directors and an Independent Auditor's Report. In 2017 the independent auditors were PricewaterhouseCoopers Limited. In the opinion of the Auditor, the consolidated financial statements gave a true and fair view of the consolidated financial position of ROS AGRO PLC and its subsidiaries as of 31 December 2017, and of its consolidated financial

performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Complete copies of the Audited Consolidated Statements of ROS AGRO PLC and the Audited Separate Statements of ROS AGRO PLC for 2017 are available at the official web page of the Company.

SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016

THOUSAND RUB

	Sugar	Meat	Agriculture	Oil and Fats	Other	Eliminations	Total
Sales	37,239,582	17,851,245	21,154,816	19,863,845	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)
incl. Depreciation and amortisation	(1,239,315)	(1,827,178)	(1,496,844)	(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	(711,425)	25,725,145
Distribution and selling expenses, general and administrative expenses	(3,722,493)	(993,890)	(3,625,504)	(4,274,300)	(1,945,389)	1,212,425	(13,349,151)
incl. Depreciation and amortisation	(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)
incl. Reimbursement of operating costs (government grants)	-	107,853	337,328	-	-	-	445,181
Operating profit	8,285,732	2,512,744	4,497,567	(777,873)	16,274,528	(16,317,512)	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	59,996	(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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

THOUSAND RUB

ASSETS	31 December 2017	31 December 2016
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	63,729	99,450
Other taxes payable	4,072,364	3,814,278
Total current liabilities	19,772,687	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	64,682,046	59,653,256
Equity		
Share equity	12,269	12,269
Treasury shares	(491,978)	(499,590)
Share premium	26,964,479	26,964,479
Share-based payment reserve	1,308,188	1,181,437
Retained earnings	64,758,965	65,690,082
Equity attributable to owners of ROS AGRO PLC	92,551,923	93,348,677
Non-controlling interest	176,016	240,141
Total equity	92,727,939	93,588,818
Total liabilities and equity	157,409,985	153,242,074

Approved for issue and signed on behalf
of the Board of Directors on 16 March 2018


Maxim Basov
Director of ROS AGRO PLC



Vadim Moshkovich
Chairman of the Board of Directors

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

THOUSAND RUB

	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities		
Profit before income tax	5,981,011	14 212 306
Adjustments for:		
Depreciation and amortisation	7,155,334	5,819,850
Interest expense	3,512,362	4,810,145
Government grants	(1,733,537)	(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 realisable 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	19,761	4,026
Settlement of loans and accounts receivable previously written-off	(141,339)	(937,545)
Reversal of harvest write-off	82,119	(63,450)
Net (gain)/loss from bonds held for trading	(29,783)	14,864
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	-	(905,140)
Other provisions	-	(15,454)
Loss on disposal of associates, net	58,833	-
Loss on other investments	401,453	7,820
Other non-cash and non-operating expenses, net	109,201	41,511
Operating cash flow before working capital changes	14,843,119	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	18,096,614	12,925,406
Income tax paid	(423,213)	(1,116,502)
Net cash from operating activities	17,673,401	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)
Proceeds from cash withdrawals from deposits	34,227,159	22,469,547
Deposits placed with banks	(35,976,815)	(23,934,790)
Purchases of associates	(9,168)	-

	Year ended 31 December 2017	Year ended 31 December 2016
Proceeds from sale of associates	42,116	-
Investments in subsidiaries, net of cash acquired	79,426	(7,506,408)
Purchases of bonds with maturity over three months	-	(2,566,211)
Proceeds from sales of bonds with maturity over three months	-	3,433,426
Proceeds from sales of rights of claim	-	124,405
Loans given	(7)	(1,217,297)
Loans repaid	428,559	11,261,011
Purchases of loans issued	-	-
Movement in restricted cash	(846)	64,117
Interests received	4,336,595	4,585,875
Dividends received	19,558	12,198
Net cash from investing activities	(14,871,707)	(10,190,409)
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)
Purchases of non-controlling interest	(81,218)	(142,850)
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)
Proceeds from government grants	2,674,618	3,487,866
Lease payments	(14,919)	-
Proceeds from sales of own shares	-	6,373
Other financial activities	(4,625)	(4,135)
Net cash from financing activities	(4,479,583)	883,810
Net effect of exchange rate changes on cash and cash equivalents	(213,488)	(152,296)
Net increase/(decrease) in cash and cash equivalents	(1,891,377)	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



BORROWINGS

SHORT-TERM BORROWINGS

	31 December 2017		31 December 2016	
	Interest rate	Carrying amount	Interest rate	Carrying amount
Bank loans	1.0–13%	3,763,123	4.0–12,5%	6,079,514
Loans received from third parties	6.0%	293,506	6.0%	691,497
Finance leases		11,850		–
Interest accrued on borrowings from third parties		99,249		75,511
Current portion of long-term borrowings		4,695,797		4,857,754
Total		8,863,525		11,704,276

All short-term borrowings are at fixed interest rate. The above borrowings are denominated in the following currencies:

	31 December 2017	31 December 2016
Russian Roubles	8,481,006	11,353,699
US Dollars	–	13,047
Euro	382,519	337,530
Total	8,863,525	11,704,276

LONG-TERM BORROWINGS

	31 December 2017		31 December 2016	
	Interest rate	Carrying amount	Interest rate	Carrying amount
Bank loans	1.0–13%	42,380,111	1.0–13.0%	37,655,994
Finance leases		103,463		–
Less current portion of long-term borrowings from:				
Bank loans	1.0–13%	(4,695,797)	1.0–13.0%	(4,857,754)
Total		37,787,777		32,798,240

The long-term borrowings are denominated in the following currencies:

	31 December 2017	31 December 2016
Russian Roubles	37,720,381	32,798,240
US Dollars	–	–
Euro	67,396	–
Total	37,787,777	32,798,240

NET DEBT

	31 December 2017	31 December 2016
Long-term borrowings	37,787,777	32,798,240
Short-term borrowings	8,863,525	11,704,276
Cash and cash equivalents	(4,860,335)	(6,751,712)
Bank deposits within short-term investments	(18,040,994)	(16,292,400)
Bank deposits within long-term investments	(14,596,500)	(14,596,500)
Bonds held for trading	(2,549,698)	(2,519,915)
Net debt	6,603,775	4,341,989
including long-term Net debt	20,641,579	15,681,825
including short-term Net debt	(14,037,804)	(11,339,836)
Adjusted EBITDA	13,955,369	18,205,051
Net debt/Adjusted EBITDA	0.47	0.24

SUBSIDIES

THE MAIN TYPES OF RECEIVED GOVERNMENT SUPPORT, ACCORDING TO MANAGEMENT ACCOUNTS METHODOLOGY

MILLION RUB

Subsidy	Year ended		Units	Variance
	31 December 2017	31 December 2016		
Reimbursement of interest expenses on current loans	143	309	(166)	(54)
Reimbursement of interest expenses on investment loans	1,755	1,025	730	71
Reimbursement of CAPEX from regional budget	708	1,525	(817)	(54)
Subsidies under per hectare support in crop farming	41	210	(169)	(81)
Other subsidies	17	300	(283)	(94)
Total	2,664	3,369	(705)	(21)

In 2017 the Russian Ministry of Agriculture introduced a number of changes in the regulations, providing for a reduction in the number of government support measures through consolidation. In particular, the subsidies for the partial reimbursement of interest expenses on current loans, elite seeds, crop insurance and livestock farming were consolidated in a single program for state agribusiness support—the Unified Subsidy. Notably, the limits approved for 2017 were lower than the sum of the limits approved for the 2016 programmes. In addition, a number of regions of the Central Federal District, including the Belgorod, Tambov and Kursk Regions, were excluded from the list of regions eligible for per hectare support due to their high crop production. As the result, the subsidies paid as part of government support in 2017 were reduced.

Meanwhile, a new mechanism of subsidised lending to agribusinesses approved by Decree 1528 of the Russian Government was introduced on 1 January 2017. Therefore, Rusagro Group intends to obtain operating and investment loans under the new lending mechanism, at a rate of 1–5%. The previously used mechanism of subsidised lending required that the financing be raised on a commercial basis with subsequent reimbursement of partial interest.

YOU MUST KNOW
HOW TO SEPARATE
WHEAT FROM CHAFF
AND GOOD GOVERNANCE
FROM BAD GOVERNANCE



ANTON EVSTRATOV
Head of Production Department

IVAN NENASHEV
Head of Operations Control

CORPORATE GOVERNANCE

RUSAGRO GROUP HAS BEEN COMMITTED TO UPHOLDING THE RUSSIAN AND INTERNATIONAL STANDARDS AND BEST PRACTICES IN CORPORATE GOVERNANCE. AN EFFECTIVE CORPORATE GOVERNANCE SYSTEM IS KEY FOR THE LONG-TERM STABILITY OF THE BUSINESS AND THE INCREASE OF SHAREHOLDER VALUE.

CORPORATE GOVERNANCE SYSTEM

Rusagro strongly believes that a quality corporate governance system is an essential factor influencing the investment appeal, trust of the investment community and business reputation, and seeks to improve and develop its corporate governance system.

The public status of the Company requires higher standards of corporate governance. The global depositary receipts (GDRs) issued for the Company's shares are listed on London and Moscow stock exchanges.

The Company's fundamental documents on corporate governance are as follows:

- The Company's Articles of Association;
- Company Code of business Conduct and Ethics;
- Company Code of Conduct for the Prevention of Insider Trading;
- Regulation on the Board of Directors;
- Regulation on the Audit Committee of the Company's Board of Directors.

Code of business Conduct and Ethics

An amended text of the Company's 2014 Code of business Conduct and Ethics was approved in 2017.

It includes the following guidelines:

- Basic rules, principles and values governing the Company's activities;
- Standards of business and social conduct;

- Ethical standards for internal and external corporate relations;
- Principles of social responsibility to employees, shareholders, business partners, the state and the society.

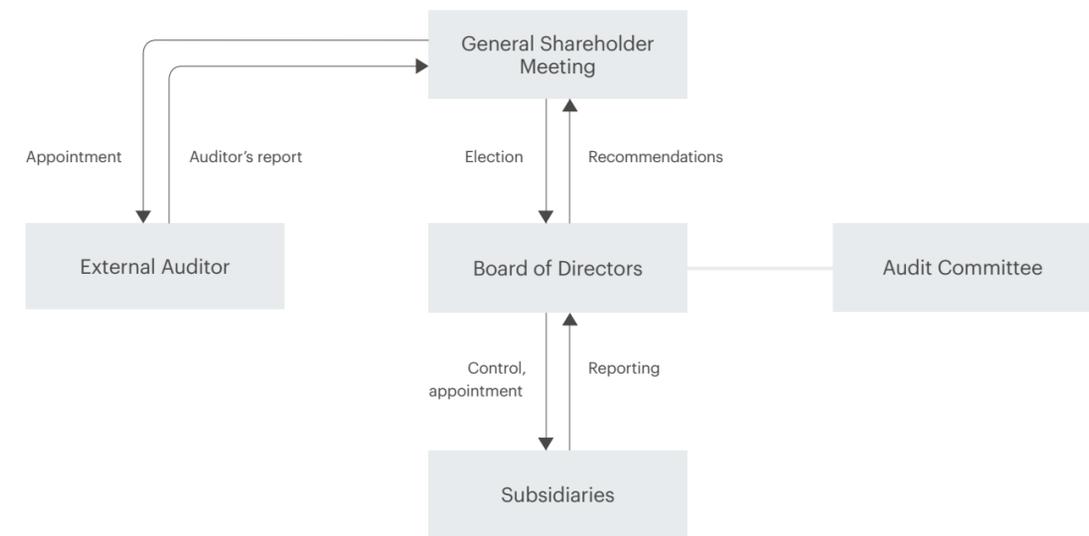
The Code builds upon generally accepted rules of corporate ethics and business conduct, international laws and documents that define best practices in corporate governance. It is a valuable instrument for creating a strong corporate culture and a well-defined system of corporate values that determine and shape the Company's reputation, its competitiveness and effectiveness.

Compliance with the Code is mandatory for all the subsidiaries and the companies that are part of the Group. The provisions of the Code apply to the members of the Board of Directors, senior executives and other employees of the Company.



Code of business Conduct and Ethics

The Company's governance and control system



In addition to the Code, all employees must observe the relevant international anti-corruption acts, in particular:

- The UK Bribery Act;
- The US Foreign Corrupt Practices Act (FCPA);
- The Company's anti-corruption regulations and other current anti-bribery laws that is applicable to the Company or its employees.

Code of Conduct for the Prevention of Insider Trading

As a public company, Rusagro has extensive responsibilities on establishing and observing a special procedure for the disclosure of information that can materially affect the price of the Company's securities.

In 2011 the Company adopted a Code of Conduct for the Prevention of Insider Trading that applies to all of its employees and members of the Board of Directors. The Company uses the relevant global best practices to ensure equal access of all securities market participants to sensitive information while striving to prevent unlawful use of insider information.

In addition to understanding and observing the Company Code of Conduct for the Prevention of Insider Trading, the employees must observe international acts on the use and disclosure of insider information, in particular:

- The Cyprus Market Abuse Law;
- The UK 2000 Financial Services and Markets Act (FSMA);

- The Disclosure and Transparency Rules (DTR) of the UK Financial Services Authority;
- The UK 1993 Criminal Justice Act and other applicable laws and (or) the rules of the regulatory authorities.

Governance and control system

In accordance with the Articles of Association, the Company's corporate governance system includes as follows:

- General Shareholder Meeting;
- Board of Directors;
- the Audit Committee of the Company's Board of Directors;
- Managing Director.

GENERAL SHAREHOLDER MEETING

The General Shareholder Meeting is the Company's supreme management body. The Annual General Meeting is held once a year; any additional General Shareholder Meeting is regarded as an extraordinary general meeting. The General Shareholder Meetings are held at 8 Mykinon Street, 1065, Nicosia, Cyprus. If there is a necessity to change the location, the Company's Board of Directors appoints the date and place of the Annual General Meeting and extraordinary meetings.



The General Shareholder Meeting holds exclusive authority to:

- Announce the payment of dividends on the Company's securities;
- Decide upon the issues of shares and other Company's securities;
- Decide upon the acquisition of the shares previously issued by the Company;
- Approve the Company's financial statements;
- Review the reports of the auditors and the Board of Directors;
- Approve the Company's annual reports;
- Appoint members of the Board of Directors;
- Elect an auditor for the Company and decide upon their remuneration;
- Approve the purchase of the Company's shares by the members of the Board of Directors;
- Decide on the dissolution of the Company.

In 2017 the Company held two General Shareholder Meetings: on 13 April (Annual General Meeting) and on 14 September (extraordinary General Shareholder Meeting).

The Annual General Meeting in April 2017 approved as follows:

- Audited Consolidated Financial Statements for 2016;
- Audited Separate Financial Statements for 2016;
- Independent Auditor's Report for 2016;
- Annual Report for 2016;
- Payment of dividends for 2016.

In September 2017 the extraordinary General Shareholder Meeting approved the decision on the payment of dividends for the first half of 2017.



Minutes of General Shareholder Meetings are available at the Group's web page under Corporate Documents of Ros Agro PLC

BOARD OF DIRECTORS

The Board of Directors is the Company's collective governance body responsible for overall management of the Company's business, with the exception of issues within the exclusive authority of the General Shareholder Meeting. The Board of Directors is collectively responsible to the shareholders for the Group's results.

The Board sets strategic goals, ensures there are the financial and human resources to achieve them and assesses the performance of the Group's management team. The Board of Directors also defines the values and standards of corporate governance and makes sure that the Group meets its obligations to the shareholders.

Pursuant to the Company's Articles of Association, the Board shall have no less than two and no more than five members, and include at least two non-executive directors.

The Annual General Meeting held on 13 April 2017 re-elected the following members to the Board (as shown on the right).

In 2017 the Board held four in-person meetings: on 13 March, 30 May, 12 August and 16 November. The meetings were chaired by Vadim Moshkovich. The quorum present met the requirements of the Company's Articles of Association.

In March 2017 the Board reviewed and decided on the following issues:

- Financial results for Q4 and the 12 months of 2016;
- Results of the Audit Committee meeting held on 10 March 2017;
- Annual Report, including information on the structure of the management team, corporate governance and corporate social responsibility and a review of financial results;
- Capex forecast for 2017 and report on capex for the period of 2012–15;
- Remuneration for the Company's senior management team for 2016 and scheduled changes in the management team;



VADIM MOSHKOVICH

Chairman of the Board, ROS AGRO PLC

Born in 1967, Mr Moshkovich graduated from the Moscow State Institute of Radio Engineering, Electronics and Automation (currently known as the Moscow Technological University) in 1992.

He started his career in agribusiness in 1995 as head of CJSC Shugarimpeks Trading and Sugarimpeks Trading Company. From 1999 to 2006 he was CEO and co-owner of a group of companies that were consolidated into LLC Rusagro Group of Companies in 2003.

From 2006 to 2014 he was a member of the Federation Council, the upper house of the Federal Assembly of Russia (the Parliament), where he represented the Belgorod Region and sat on the Committee for Economic Policy.

In May 2015 Mr Moshkovich was elected Chairman of the Board of ROS AGRO PLC.

He holds 70.7% of the Company's GDRs.



TASSOS TELEVANTIDES

Member of the Board, ROS AGRO PLC, Independent Director

Born in 1948, Mr Televantides was a member of the ICPAC Board of Directors from 1994 to 1998, and was Honorary Treasurer of the Limassol Chamber of Commerce and Industry from 2002 to 2008. He has been Chairman of CyproDirect Limited since 2008 and Board Chairman at Limassol Bishopric since 2009.

For more than 20 years, he has been a partner at Pricewaterhouse Coopers Cyprus. He has held directorships in a Canadian pharmaceuticals group, Norwegian construction and drilling company, Gazprombank Financial Services (UK) Limited and Olivant Investments.

Mr Televantides is a certified auditor of the highest category.

He was elected a member of the Board and Chairman of the Board Audit Committee of ROS AGRO PLC in November 2011.

He holds 0.01% of the Company's GDRs.



RICHARD ANDREW SMYTH

Member of the Board, ROS AGRO PLC, Independent Director

Born in 1962, Mr Smyth graduated from Oxford University in 1984.

He was General Manager at LLC Mars from 2003 to 2009, and has been Regional President of MARS Central Europe and CIS since 2009.

Mr Smyth was Chairman of the Board of Directors of ROS AGRO PLC from February 2011 to May 2015.

He holds 0.02% of the Company's GDRs.



ANNA KHOMENKO

Member of the Board, Managing Director and Compliance Officer, ROS AGRO PLC

Born in 1977, Anna Khomenko studied international law at the Institute of International Relations of the Taras Shevchenko National University of Kyiv, Ukraine. She continued her studies at Keele University in the UK, which she graduated with a dual degree in Law and International Politics.

In 2000 she completed a Legal Practice Course at the University of Law Chester, UK.

Before 2007, Ms Khomenko headed the Corporate Department of Excel-Serve Management (Cyprus), a service provider. From 2007 to 2009 she was the CEO of IFG Trust (Cyprus) Limited, specialising in financial and corporate services for businesses and individuals.

Ms Khomenko currently holds the position of Managing Partner at Fiduciana Trust (Cyprus) Limited.

Since 2011, she has been Member of the Board of ROS AGRO PLC.

She does not hold any securities of the Company.



MAXIM BASOV

Member of the Board, ROS AGRO PLC, CEO of JSC Rusagro Group, LLC Rusagro Group of Companies, Head of Agriculture division

Maxim Basov, born in 1975, graduated from New York University in 1996 where he majored in Economics and Finance, International business and Philosophy.

He has previously held management positions at OJSC Severstal, OJSC Kuzbassugol, OJSC Severstal Resource and Interpipe Research, Industries and Investment Group. He headed Metalloinvest Holding Company from April 2006 to May 2009.

In February 2011 Mr Basov was elected Member of the Board of ROS AGRO PLC. In 2009 he was appointed CEO of LLC Rusagro Group of Companies and JSC Rusagro Group.

He holds 7.1% of the Company's GDRs.

- Recommendations for payment of dividends for the second half of 2016 in accordance with the Company's dividend policy;
- Business plan for 2017;
- Presentation on M&A opportunities for the Group in 2017;
- Information on the status of negotiations with Mitsui;
- Appointment of the Auditor for 2017;
- Dates for the next Board Meetings.

In May 2017 the Board reviewed and decided on the following issues:

- Financial results for Q1 2017;
- Results of the Audit Committee meeting held on 24 May 2017;
- Information on the status of the M&A projects and the opportunities for 2017;
- Dates for the next two Board Meetings.

In August 2017 the Board reviewed and decided on the following issues:

- Financial results for Q2 and the six months of 2017;
- Requesting an extraordinary General Shareholder Meeting to decide on the payment of dividends for the first half of 2017;
- Recommendations for the payment of dividends for the first half of 2017 in accordance with the Company's policy;
- Results of the Audit Committee meeting held on 11 August 2017;
- Information on the status of M&A projects and the opportunities for 2017;
- Information on the status of negotiations with Mitsui;
- Presentation of the Group's business strategy for 2018–24;
- Updated information on capex;
- Amended Code of business Conduct and Ethics (approval of fifth draft Code);
- Date for the next Board Meeting.

In November 2017 the Board reviewed and decided on the following issues:

- Financial results for Q3 and the nine months of 2017;
- Results of the Audit Committee meeting held on 14 November 2017;

- Plans for possible changes in the structure of the management team and introduction of new positions by the end of 2018;
- Presentation on the report on capex for the Group's major projects, including the new concept for the development of then Far East Pig Farming Project, investment in each project and payback period;
- Information on the status of M&A projects and the opportunities for 2017.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee was established to enhance the performance and effectiveness of the Board of Directors. The Audit Committee is governed by the Charter of the Audit Committee adopted by the Board of Directors in line with the provisions of the legislation of the Republic of Cyprus, The Company's Articles of Association, the Regulation on the Board of Directors and the decisions of the Board.

The main responsibilities of the Audit Committee are as follows:

- Assist the Board in making decisions on reporting and audit;
- Increase the effectiveness of Board control over the financial and economic activities of the Company by preliminary reviewing and preparing recommendations for the Board on matters within the Board's authority;
- Create an affective system of control over the financial and economic activities of the Company and ensure the Board's participation in controlling the Company's financial and economic activities.

The Audit Committee is elected by the Company's Board of Directors. The Audit Committee may only be chaired by a non-executive director.

In 2017 the Audit Committee had the following membership:

- Tassos Televantides (Chairman),
- Richard Andrew Smyth,
- Anna Khomenko.

In 2017 the Board Audit Committee held four in-person meetings: on 10 March, 24 May, 11 August and 14 November.

CORPORATE MANAGEMENT

MAXIM BASOV

Member of the Board, ROS AGRO PLC, CEO of LLC Rusagro Group of Companies and JSC Rusagro Group, Head of the Agriculture business

Maxim Basov, born in 1975, graduated from New York University in 1996 where he majored in Economics and Finance, International business and Philosophy.

He has previously held management positions at OJSC Severstal, OJSC Kuzbassugol, OJSC Severstal Resource and Interpipe Research, Industries and Investment Group. He headed Metallinvest Holding Company from April 2006 to May 2009.

In February 2011 Mr Basov was elected Member of the Board of ROS AGRO PLC. In 2009 he was appointed CEO of LLC Rusagro Group of Companies and Rusagro Group JSC.

He holds 7.1% of the Company's GDRs.

SERGEY KOLTUNOV

Deputy CEO for Legal and Corporate Affairs, LLC Rusagro Group of Companies

Born in 1980, Sergey Koltunov graduated from the Lobachevsky State University of Nizhny Novgorod (UNN) Law Faculty in 2003. In 2004 he received a second higher degree in Economics and Management at the Faculty of Economics of UNN. In 2011 he completed a course at the Russian Presidential Academy of National Economy and Public Service.

Before joining Rusagro, Mr Koltunov headed legal departments and held other senior positions at Russky Alcohol Group and Danone Group.

He has been Director of Legal and Corporate Affairs of LLC Rusagro Group of Companies since 2013.

In 2017 Mr Koltunov was included in the Top 1000 Russian Managers rating by the Kommersant Publishing House, and the Legal 500 GC Powerlist: Russia 2017 rating.

AURIKA DMITRIEVA

HR Director, LLC Rusagro Group of Companies

Born in 1961, Aurika Dmitrieva graduated from the Leningrad State University in 1987 with a degree in Medical Psychology. She received a second university degree in Personnel Management under a joint programme of the St Petersburg University of Finance and Economics and Pierre Mendès-France University.

Before joining Rusagro, Ms Dmitrieva headed the HR departments in a number of companies, including Interpipe (Ukraine), Centraviv (Ukraine), Bochkarev (Russia, now owned by Heineken), ITALTEL Russia.

She has been Head of Human Resources of LLC Rusagro Group of Companies since October 2012.

Ms Dmitrieva has won multiple Top 1000 Russian Managers awards of the Kommersant Publishing House. She has completed the courses on Hogan Assessment Technology and Hay Group Effective System of Human Capital Management.

SVETLANA KUZNETSOVA

Head of Investment Department, LLC Rusagro Group of Companies

Born in 1989, Svetlana Kuznetsova graduated from the National Research University Higher School of Economics (HSE) in 2011 with a Specialist degree in World Economy and International business.

Before joining the Group, she headed the Funds and Investment Services department at Europe Finance Ltd and was Senior Analyst at the Skolkovo Institute of Science and Technology on National Technology Initiative FoodNet.

In June 2016 Ms Kuznetsova was appointed Marketing Manager of LLC Rusagro-Ovoschi where she was in charge of developing the business plan of an investment project for launching a vegetable business. In October 2016 she was appointed Investment Director of Rusagro Group of Companies.

ALEXEY PODOLYAKIN

Chief Financial Officer, LLC Rusagro Group of Companies

Born in 1976, Mr Podolyakin graduated from the Ivanovo State University in 1998 with a major in National Economy.

Before joining Rusagro, he held senior positions at SUN InBev Russia. On November 2013 he was appointed Financial Director of Rusagro's Sugar division.

Mr. Podolyakin was appointed Chief Financial Officer of LLC Rusagro Group of Companies in January 2018.

DMITRY BREKHOV

Head of Internal Audit, LLC Rusagro Group of Companies

Born in 1971, Dmitry Brekhov graduated from the Faculty of Economics of the Lomonosov Moscow State University in 1997 with a degree in Accounting and Audit.

Before joining the Company, Mr Brekhov headed the Internal Audit function at AGRICO Agricultural Investment Company and Antanta Pioglobal Investment Group.

In October 2010 he was appointed Head of Internal Audit of LLC Rusagro Group of Companies.



Detailed information on the decisions adopted is available at the Company's web page under Corporate Documents of Ros Agro PLC

CORPORATE MANAGEMENT



SVETLANA KUZNETSOVA

Head of Investment Department,
LLC Rusagro Group of Companies

MAXIM BASOV

Chief Executive Officer of LLC Rusagro Group
of Companies and JSC Rusagro Group

ALEXEY PODOLYAKIN

Chief Financial Officer, LLC Rusagro
Group of Companies

SERGEY KOLTUNOV

Deputy CEO for Legal and Corporate Affairs,
LLC Rusagro Group of Companies

AURIKA DMITRIEVA

HR Director, LLC Rusagro
Group of Companies

DMITRY BREKHOV

Head of Internal Audit, LLC Rusagro
Group of Companies



DIVISIONS MANAGEMENT



NIKOLAI ZHIRNOV
Head of the Sugar business



MAXIM BASOV
Head of Agriculture business



ANTON ULANOV
Head of the Meat business



ROMAN DANILIN
Head of the Oil and Fats business



DIVISIONS MANAGEMENT

NIKOLAI ZHIRNOV

Head of the Sugar business

Nikolai Zhirnov graduated from the Chelyabinsk State Technical University in 1996 with a degree in Applied Mathematics. In 2004 he completed an MBA at the Stockholm School of Economics (Sweden).

From 1997 to 2005 he worked at WRIGLEY Russia, and was General Director of SPORTLAND Russia of Sportland International from 2005 till 2009.

In September 2009 he was appointed Commercial Director of LLC Rusagro-Centre. In October 2011 he was appointed General Director of LLC Rusagro-Centre.

Since November 2011 Mr Zhirnov has headed the Sugar business.

ROMAN DANILIN

Head of the Oil and Fats business

Roman Danilin graduated from the Plekhanov Russian Academy of Economics with a degree in Corporate Management. From 2001 to 2011 he held various positions at OJSC Hleb-prom. Between 2011 and 2017 he was general director at CJSC Perm Flour Mill, LLC Venskiy Tsekh and LLC Chermushki Confectionery and Bakery Plant.

In 2017 Mr Danilin was included in Top 250 Executives rating of the Kommersant Publishing House in Consumer Products Manufacturing.

In July 2017 was appointed Deputy General Director of OJSC Zhirovoy Kombinat, and in October he took up the position of General Director and Head of the Oil and Fats business.

ANTON ULANOV

Head of the Meat business

Anton Ulanov graduated from the Nizhny Novgorod State Technical University in 2003 with a degree in Automation of Technological Processes and Production and in Economics and Company Management.

From 2003 to 2010 he held various positions at GAZ Group; from 2008 to 2010 he was Director of Economic Affairs and Finance at the GAZ Automobile Plant, in 2010–12 he was General Director of SOTEX Research and Production Enterprise. Before joining Rusagro Group, Mr Ulanov was the CEO of LLC Managing Company Agroholding Kuban.

In April 2016 he was appointed Head of the Meat business.

MAXIM BASOV

Head of Agriculture division

Maxim Basov, born in 1975, graduated from New York University in 1996 where he majored in Economics and Finance, International business and Philosophy.

He has previously held management positions at OJSC Severstal, OJSC Kuzbassugol, OJSC Severstal Resource and Interpipe Research, Industries and Investment Group. He headed Metalloinvest Holding Company from April 2006 to May 2009.

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He holds 7.1% of the Company's GDRs.

RELATIONS WITH SHAREHOLDERS AND INVESTORS



SVETLANA KUZNETSOVA

Head of Investment Department, LLC Rusagro Group of Companies

RUSAGRO VALUES ITS SHAREHOLDERS AND MAINTAINS A RELATIONSHIP OF TRUST WITH THEM. WE STRIVE TO LIVE UP TO THE HIGHEST INTERNATIONAL IR STANDARDS PROVIDING THE COMPANY'S SHAREHOLDERS WITH TIMELY AND RELIABLE INFORMATION AND ENSURING THEM HIGH DIVIDEND PAYMENTS.

SHARE CAPITAL STRUCTURE

As of end-2017, the Company's authorised capital consisted of 60,000,000 declared ordinary shares and 27,333,333 issued ordinary shares, with par value of EUR 0.01 each.

In April 2011 the Company made an initial public offering (IPO) of its shares (by listing its global depository receipts (GDRs) with five GDRs representing one share) and listed on the London Stock Exchange (LSE). The listing included 4,000,000 shares issued by the Company (including a greenshoe option) and 1,000,000 shares offered by the Company's controlling shareholders at a price of USD 15 per one global depository receipt. Alfa Capital Holdings (Cyprus) Limited, London Branch, Credit Suisse Securities (Europe) Limited and Renaissance Securities (Cyprus) Limited investment banks acted as joint global coordinators and bookrunners and lead managers. The Company raised a total of around USD 300 million from its IPO, before commission, with post-IPO market capitalisation at USD 1,800 million.

To expand the investor base, it was decided to list on the Moscow Exchange MICEX-RTS. In November 2014 the global depository receipts of ROS AGRO PLC

(ISIN US7496552057) were admitted for trading on First Tier (top) quotation list. The trading of the GDRs began on 1 December 2014.

In May 2016 the Company made a second public offering (SPO) of its depository receipts. A total of 3,333,333 shares issued by the Company or 16,665,665 GDRs, USD 15 each per one GDR, were listed. J.P.Morgan Securities plc, UBS Limited and VTB Capital plc investment banks acted as joint global coordinators and bookrunners. The Company raised a total of around USD 250 million, before commission, from its SPO. Rusagro's post-SPO market capitalisation was USD 2,050 million.

As of 31 December 2017, the Company owned a total of 2,172,368 GDRs, an equivalent of around 434,744 shares.

Company trading codes:

- Reuters — AGRORq.L
- Bloomberg — AGRO LI Equity
- LSE — AGRO
- MOEX — AGRO

REMUNERATION

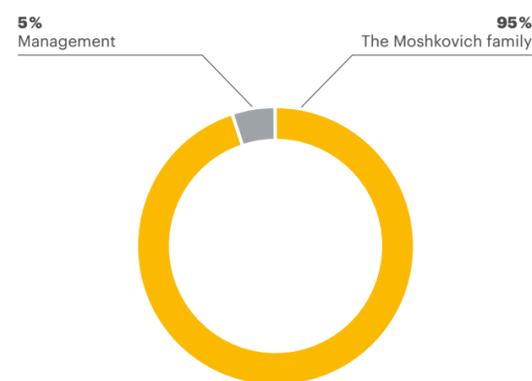
In 2017 the total amount of remuneration for the Company's 12 senior executives was RUB 1.1 billion, including RUB 96.8 million to be paid to State Pension Fund. This amount includes RUB 806.2 million paid to the Members of the Board of Directors. The remuneration includes salaries, discretionary bonuses and other short-term incentives.

In 2017 the Company's senior executives received dividends in the amount of RUB 228.5 million.

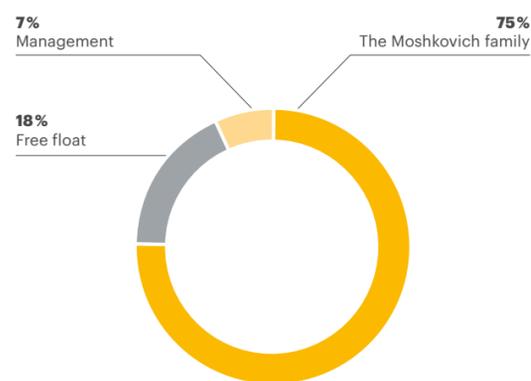
In 2014 the Group introduced a share-option scheme as an incentive for senior executives. Under this scheme, the employees will have the right to receive the Company's GDRs, provided that they remain in this position until a specified future date. The price of the GDRs received by the employees will depend on the average market price of the GDRs for a specific period. In 2017, in accordance with the terms of the options initiated by the Group in 2014, the Company's employees received 33,614 GDRs worth a total of RUB 7.6 million¹.

1. In 2017 the Group replaced it with a similar share-option incentive scheme for senior executives.

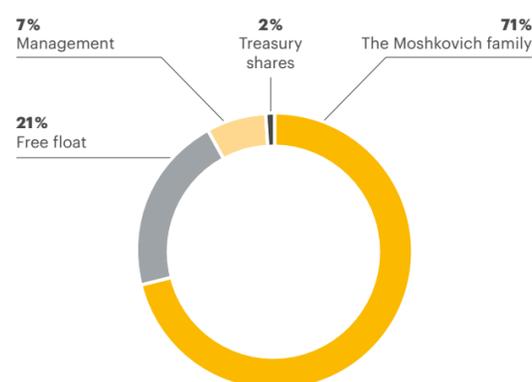
Structure of the Company's authorised capital, before IPO



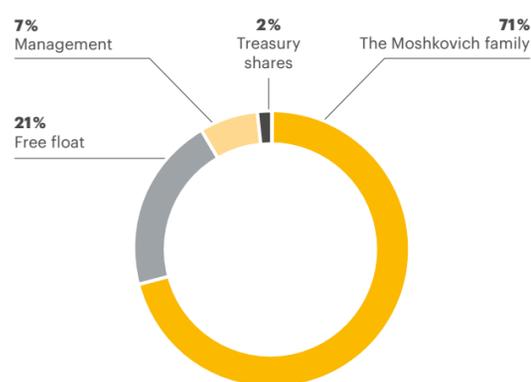
Structure of the Company's authorised capital, post-IPO



Structure of authorised capital, post-SPO



Structure of authorised capital as of 31 December 2017



Company GDR price on London Stock Exchange (from 1 January 2017 to 31 December 2017)

USD/GDR



DIVIDEND POLICY

In August 2013 the Company adopted a dividend policy stipulating that no less than 25% of the Company's net profit should be paid as dividends annually.

The Company's dividend policy is built on the following key principles:

- Respect for shareholder rights as defined by the legislation;
- Balance of Company and shareholders' interests;
- The need to develop the Company and increase its investment appeal;
- Transparency of the procedure for calculating and paying the dividends.

In 2017 the Board of Directors recommended that 71% of net profit for 2017 be paid to the shareholders as dividends, which is equivalent to RUB 4.1 billion (USD 69.9 million)¹.

For the first six months of 2017 the Company paid RUB 1.9 billion (USD 30.9 million) or RUB 69.20 (USD 1.15) per share and RUB 13.84 (USD 0.23) per GDR (with five GDRs representing one share), exclusive of 2,172,368 treasury GDRs held by the Company.

For the second half of 2017 a total of RUB 2.2 billion (USD 39.0 million) was paid as dividends, or RUB 82.68 (USD 1.45) per share and RUB 16.54 (USD 0.29) per GDR, exclusive of 2,166,313 treasury GDRs held by the Company.

Dividends paid in 2014-17

	Total		Per share		Per GDR	
	RUB billion	USD million	RUB	USD	RUB	USD
H1 2014	2.0	54.1	84.90	2.30	16.98	0.46
H2 2014	3.0	55.4	130.03	2.35	26.01	0.47
Total for 2014: RUB 5.0 billion (25% of net profit for 2014)						
H1 2015	1.8	27.1	76.45	1.15	15.29	0.23
H2 2015	5.3	77.9	198.45	2.90	39.69	0.58
Total for 2015: RUB 7.1 billion (30% of net profit for 2015)						
H1 2016	2.0	30.9	74.55	1.15	14.91	0.23
H2 2016	4.6	78.0	171.75	2.90	34.35	0.58
Total for 2016: RUB 6.6 billion (48% of net profit for 2016)						
H1 2017	1.9	30.9	69.20	1.15	13.84	0.23
H2 2017	2.2	39.0	82.68	1.45	16.54	0.29
Total in 2017: RUB 4.1 billion (71% of net profit for 2017)						

1. All dividend amounts are gross amounts.

INFORMATION FOR SHAREHOLDERS

Protection of shareholders' rights

The Company prioritises the protection of shareholders' interests, seeking to forge and maintain the relations of trust. In building its relations with the shareholders, the Company makes every effort to protect their rights and prevent any violation of these rights. The Company is engaged in a direct dialogue with the shareholders and investors and is guided by the current legislation and global best practices. The main standards of external corporate conduct and ethics to be applied in the relations with shareholders and investors are outlined in the Company Code of business Conduct and Ethics.

The Company strives to minimise the actual risks to the investors: it appropriately discloses the information on its activities and refrains from actions that may mislead the investors. The Company makes every effort to increase its shareholder value, prevent intercompany conflicts and ensure high quality of corporate governance.

The Company equally respects the rights of all shareholders, regardless of the number of shares or GDRs they own. The Company guarantees to all its shareholders the protection of all the rights stipulated by the current legislation and the rights resulting from the Company's obligations in relation to trading securities on the stock exchanges. The Company also offers assistance to the shareholders in line with the global best practices in corporate governance. In doing so, the Company constantly works towards making the exercise of these rights even easier and more accessible; more effective, yet less costly.

Information policy

Though the Company's investment appeal largely depends on its effectiveness and performance, corporate governance, especially the openness and the transparency of the Company's activities, is also very important for making a positive investment decision.

To ensure a high level of openness that is consistent to the global best practice, the Company timely provides the investment community with all the information

that may materially affect the value of the Company's securities, in particular:

- Annual and quarterly statements on the financial and operating performance;
- Information on all material events in the Company's activities;
- Specialised information and analytical materials for the investors.

Further, the Company ensures equal access to Company information for all representatives of the investment community and makes every effort to prevent separate groups of investors from gaining exclusive access to such information.

Any information that can have a material effect on the value of the Company's shares is published on the official web page of the Group, the RNS (LSE), the Moscow Stock Exchange and Interfax news agency, in line with the statutory requirements on information disclosure. As soon as the quarterly and annual financial results are available, the Company holds conference calls to inform on the results and provide additional comment that is required to assess the financial standing of the Group.

To ensure unified understanding of the results and events, the Company holds regular meetings between its senior executives and key managers and the representatives of media and the investment community, and maintains contact through internet and telecommunications networks. Once a year, the Company arranges visits to the Group's major facilities; these visits are timed to coincide with the Analyst and Investor Day.

The Company is committed to constantly improve its cooperation with the investment community and is open for comments and suggestions on its development. The Company values its shareholders and investors and will continue its efforts on better meeting their demand in accurate, complete and timely information.

Ten investment banks ensuring analytical coverage: BCS, VTB Capital, Gazprombank, Otkritie, BofAML, Credit Suisse, UBS, J.P. Morgan, Renaissance Capital, Sberbank CIB

RISK MANAGEMENT

Rusagro has invested heavily in risk identification, analysis and assessment as part of decision-making in business. The Company has been committed to observing the national and international standards

in risk management: its going concern has been to monitor the risks and to update its risk management toolkit in order to maximise the Company's value and reduce the risk impact severity.

Key risks

Risk description	Risk mitigation
Industry risks	
Decline in product prices	
<p>The Company's financial results depend on the prices of sugar, pork, agricultural products, vegetable oils and products made from them. The level of prices is driven by a number of factors that the Company cannot fully control. The key reasons that may cause a decline in prices include as follows:</p> <ul style="list-style-type: none"> • Increased supply from the competitors; • A decline in household purchasing power; • Restrictions on product exports; • Easing of the restrictions on imports; • A drop in global prices. 	<ul style="list-style-type: none"> • Diversifying the Company's product portfolio by extending the product range and developing retail brands; • Developing the sales channels, signing contracts with major industrial partners and retail chains; • Developing exports and entering new markets; • Maintaining ample stocks of finished products intended for sale during seasonal price hikes; • Continuously monitoring the market situation to get a full and accurate picture of the trends and to ensure a reliable basis for projections on the market dynamics.
Increase in the prices of purchased raw materials and services	
<p>Fluctuations in the prices of raw materials and services may directly affect the Company's profits. The Company's financial results are most sensitive to prices for the following types of raw materials:</p> <ul style="list-style-type: none"> • Sunflower seeds; • Grain and protein components of feed; • Sugar beet; • Live pigs. 	<ul style="list-style-type: none"> • Developing the Company's own raw material base; • Managing raw materials supplies and inventories to optimise the procurement cost and to ensure the continuity of the Company's operations; • Increasing material efficiency; • Finding new suppliers to ensure diversification of the supply channels and optimise procurement prices; • Analysing the macroeconomic and industry trends to timely identify and assess risks in business decision-making.
Operational risks	
Extreme weather	
<p>Extreme weather, such as drought, frost, excessive moisture, strong winds, hail, damping-off, may lead to reduced yield and poorer financial results.</p>	<ul style="list-style-type: none"> • Applying a comprehensive approach to weather forecasting on the basis of the data obtained from weather stations; • Monitoring the crops on a regular basis; • Managing the costs during crop vegetation based on data obtained through monitoring; • Developing the irrigation systems; • Identifying the best hybrids and pedigree seeds for each climatic zone; • Observing agronomic schedules for planting, selecting the best ways to cultivate crops (expansion of direct planting areas, crop treatment against diseases); • Controlling the actual amount of moisture per planted area, in particular, by snow retention in winter.

Risk description	Risk mitigation
<p>Agronomic errors</p> <p>In an agribusiness, agronomic errors may result in decreased yields or poor material efficiency, which can have a negative effect on the Company's financial results. The main risk factors include as follows:</p> <ul style="list-style-type: none"> • Qualification and experience of the employees; • Incomplete data on the soil and crop condition; • Quality of process execution. 	<ul style="list-style-type: none"> • Developing talent by signing agreements with vocational schools in the regions of presence and attracting students for internship in the Agriculture business; • Introducing automated crop monitoring systems to control the development of crops in the fields, the quality of soil cultivation, the changes in the agrochemical properties of soil; creating specialised maps to ensure selective use of fertilisers; • Develop the systems of automated control over the process execution quality, including the rate of fertiliser application, photopoint monitoring at time of loading and during operation, and control over material efficiency; • Introducing automated production planning based on SAP ERP and a system for the generation of immediate reporting on the basis of data obtained from different sources (SAP ERP, monitoring system, satellites, weather / climate services).
<p>African Swine Fever</p> <p>Taking into account the fact that there have been recorded ASF cases in wild boars and domesticated pigs in Russia, there is a possibility of infection among the pigs at the Company's farms.</p>	<ul style="list-style-type: none"> • Preventing access of vehicles and purchase of goods and materials from quarantine zones in ASF-infected areas; • Disinfecting the vehicles, goods and materials supplied to the Company's production facilities that have live pigs; • Preventing physical contact of the pigs at farms with wild animals; • Ensuring control over the food products supplied to the production facilities; • Monitoring the health of pigs grown at the Company's production facilities; • Monitoring the ASF incidents in Russia.

Financial risks

Credit risk

The risk of losses to the Company due to failure of the contractors to meet their obligations to transfer cash and cash equivalents and other financial assets to the Company. The risk factors related to the Company's activities includes as follows:

- Provision of loans;
- Selling on credit;
- Placing deposits with banks;
- Other transactions with the contractors involving the creation of financial assets.

The Company factors in this risk when formulating the contractual arrangements.

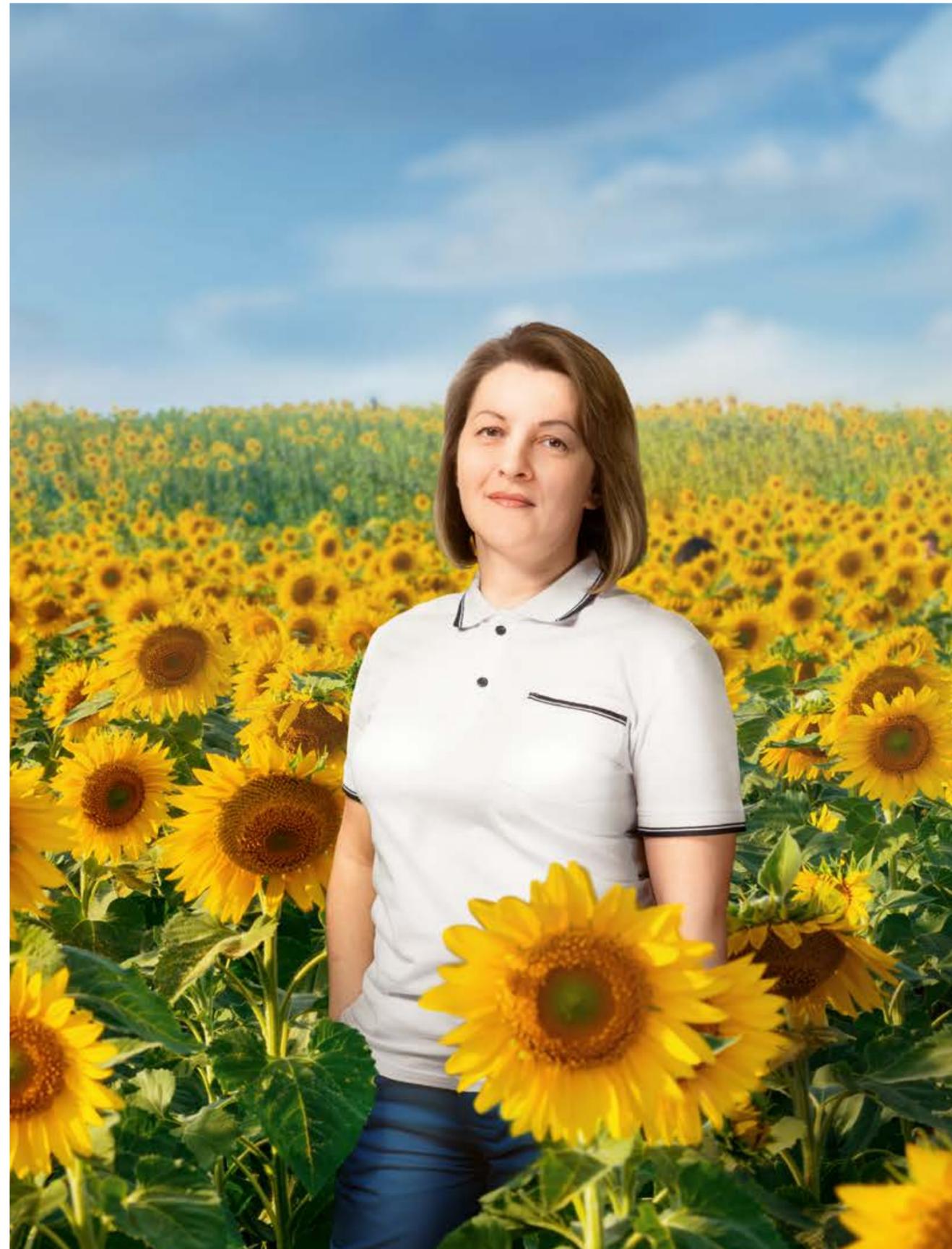
The Company takes a conservative approach to managing the cash in bank accounts and deposits, as well as restricted cash, placing the cash with financial institutions that have a minimal risk of default.

Risk description	Risk mitigation
<p>Interest rate risk</p> <p>The Company's financial results and operating cash flow can be affected by fluctuating market interest rates. The interest rate risk arises if the Company has short-term and long-term liabilities.</p> <p>The liabilities with a floating rate give rise to the risk that the Company's future cash flows may be changed due to the fluctuations of the market interest rate.</p> <p>The liabilities with a fixed rate are a source of risk of changes in the fair value of these liabilities due to the change in the market interest rate.</p>	<p>The Company regularly assesses its exposure to the risk of interest rate fluctuation, using scenario analysis for quantitative risk assessment. The various stress scenarios factor in refinancing, changes in position and alternative financing. On the basis of the scenarios that take into account both the changes in the interest rates and the availability of refinancing, the Company assesses their potential impact on the financial results, with due account for the structure of liabilities with fixed and floating rates.</p>
<p>Currency risk</p> <p>In the short- and medium-term perspective, the Company faces the risk of being negatively affected by the fluctuations of the exchange rates, since it operates in a number of foreign countries and its prices of finished goods depends on the global prices that are set in foreign currencies (prices for agricultural products, sugar, pork, oil and meal).</p> <p>In particular, the strengthening rouble puts a downward pressure on the profit, since the sales decrease faster than the cost of production.</p>	<p>To reduce the currency risks, the Company seeks to reduce its net currency position taking into account the expected cash flows in foreign currencies.</p>



CORPORATE SOCIAL
RESPONSIBILITY

THE HIGHER YOU RISE,
THE BETTER YOU SEE
WHO YOU CAN HELP



MARINA KISLINSKIKH
Packaging Shift Supervisor

CORPORATE SOCIAL RESPONSIBILITY

IN ITS ACTIVITIES, RUSAGRO STRIVES TO MEET THE INTERESTS OF THE SOCIETY AND RECOGNISES ITS ACCOUNTABILITY TO THE STAKEHOLDERS. THE GROUP INVESTS IN EMPLOYEE DEVELOPMENT, THE CREATION OF SAFE WORKING CONDITIONS AND EQUAL JOB OPPORTUNITIES, AND ENVIRONMENTALLY SOUND PRODUCTION. THE COMPANY CONTRIBUTES TO THE DEVELOPMENT OF THE REGIONS WHERE IT OPERATES THROUGH NEW JOB CREATION AND CHARITY PROGRAMMES.

HUMAN RESOURCES MANAGEMENT

Rusagro Group prioritises human resources development, since it is the people that make the Company successful and sustainable. In addition to ensuring decent working conditions in terms of remuneration and social guarantees, the Company also focuses on personal and professional development of the employees.

EMPLOYER BRAND (RUSAGRO'S NEW BRAND IMAGE)

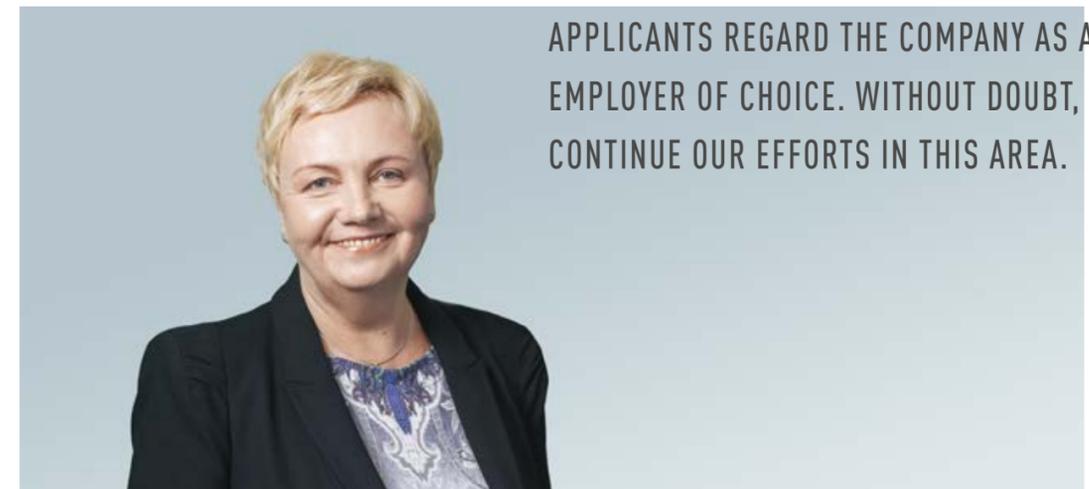
In 2017 the Company continued its intensive efforts on the Rusagro Employer Brand project. Subsequent to the results of a comprehensive research, the main body of Rusagro's Employee Value Proposition (EVP) was developed. The EVP includes a set of advantages available to the Company's employees that distinguishes Rusagro from its competitors. The brand that builds on the EVP contributes to talent retention and attraction.

The Company's EVP was supported by visuals that included slogans and pictures. The creative concept fully represents the Rusagro's spirit, its agility, distinction, modernity and scale. The visuals are based on photographic portraits of Rusagro's employees that capture genuine emotions.

The core slogan is a motto—Be a Part of the Growth Team—that bears reference to the Company's area of enterprise and reflects its focus on fostering an enabling environment for employee and technology development.

The early effects of the project have been appreciated both within and outside the Company. According to an international Randstad Employer Brand Research in 2017, Rusagro Group was acknowledged as Russia's most attractive employer in agriculture. In 2017 the Company's Employer Brand Index increased by 5 p.p. to 71%.

BOTH OUR EMPLOYEES AND POTENTIAL JOB APPLICANTS REGARD THE COMPANY AS AN EMPLOYER OF CHOICE. WITHOUT DOUBT, WE WILL CONTINUE OUR EFFORTS IN THIS AREA.



AURIKA DMITRIEVA

HR and Organisation Development Director, LLC Rusagro Group of Companies

Our goal is to become the 'best employer' in the agricultural sector. To achieve this goal, we continue to improve the remuneration system and the working conditions, create training and development opportunities for our employees and promote a unique corporate culture. In 2017 the Company was recognised as the most attractive employer in agriculture by the Randstad Employer Brand Research.

Rusagro's Employee Value Proposition

Distinctive advantages	
The Company's success and development drives the region's growth and contributes to the improvement of the overall quality of life	<ul style="list-style-type: none"> Contributing to the regional development through taxes and job creation Ensuring dynamic growth, offering quality products and entering new markets
Professional growth is encouraged by the Company and line managers	<ul style="list-style-type: none"> Supporting the development through the introduction of new technology, modernisation of equipment and challenging goal setting Making the training and development corporate system available to the employees, ensuring development support by line managers
Cutting edge technologies and global best practices are applied in production and governance	<ul style="list-style-type: none"> Using state-of-the-art equipment, introducing automated production and production standards Streamlining the business processes with due account for global best practices
Competitive advantages	
Mutual respect and peer support	<ul style="list-style-type: none"> Promoting an atmosphere of respect and trust, encouraging peer support and assistance Encouraging peer learning
The employees have the opportunity to share their ideas and propose projects	<ul style="list-style-type: none"> Promoting projects and ideas, in particular those with a good business case Supporting new ideas and process development through specialised programmes
The Company's managers are professionals the employees look up to for help and motivation	<ul style="list-style-type: none"> Ensuring on-the-job assistance and support Facilitating the promotion of professional development by line managers Encouraging peer learning
Basic advantages	
The Company strives to meet the needs of its employees, creating good working conditions and a positive environment, and offering a competitive benefits package	<ul style="list-style-type: none"> Ensuring comfortable working conditions and meeting the needs of the employees Providing recreational opportunities for the employees, arranging corporate events Offering a competitive benefits package



EMPLOYEE ENGAGEMENT

Another material effect of the Company's efforts in improving its HR processes in 2017 was the considerable surge in employee engagement: the index reached 73% (+6 p.p.). The performance and effectiveness of the business largely depends on the employees' commitment to the Company's cause and success. Once a year Rusagro conducts an employee engagement survey to understand the employees' sentiments and assess the changes in the level of general satisfaction with the working conditions. The first survey taken in 2012 put the employee engagement at only 40%. In 2017 employee engagement increased to 73%, which is 5% above the national average, 10% above the production companies average and 4% above the FMCG average. Rusagro is now just 2% below the 'high performance zone for engagement' that includes only 25% of the Russian companies with the highest levels of employee engagement.

WORKFORCE STRUCTURE

Rusagro Group has over 14 thousand employees. In 2017 the average headcount grew 6% to 14,362 employees. The Meat and Sugar businesses account for most of the increase, which is attributable to the Company's active growth in these segments.

More than half of the employees (53%) are aged between 36 and 55. Another 7% are young professionals under 25. Thirty two per cent of the Group's employees are women.

The majority of the Company's employees have post-secondary education (37%) or vocational secondary education (41%).

COMPETITIVE EMPLOYEE COMPENSATION

Rusagro's incentives and compensation policy is aimed at maintaining a competitive salary level. In 2017 the average salaries in productions and operations management increased across all business segments. The salary growth was most significant in the Sugar business: up 24% from 2016. The salaries in the Agriculture, Oil and Fats and Meat segments increased by 21%, 9% and 5%, respectively.

TRAINING AND DEVELOPMENT

Highly qualified employees are of key importance to the Company. Therefore, Rusagro regards employee training and development as a priority in human resources management. Effectively developing the Company and achieving its ambitious goals is impossible without employee development. This is especially relevant in terms of the Rusagro's ongoing business modernisation: a transition to modern innovative software and projects will only come about if there is the relevant technology and also the people who know how use it.

The Company's employees can choose from a wide range of opportunities to develop their competencies. The key elements of Rusagro's training and development system are mentorship, internal training and coaching. Both onsite and online training options are available. The system is based on the model of a self-training organisation that regards training and development as a regular and integral part of a job. One of the stages for building a self-training organisation is identifying mentors and internal trainers.

With that in mind, the Company introduced a centralised programme for building Rusagro's Pool of Internal Trainers. Under the programme, the first internal trainers were trained (over 200 trainers) who subsequently developed their own training programmes and held the first training events for the employees. The Company intends to further develop internal training in 2018.

In addition, a concept of a 4-module programmes for training the three levels of managers was developed in the reporting year. The programme was pilot tested in the Meat business with the first business game conducted and the first modules rolled out.

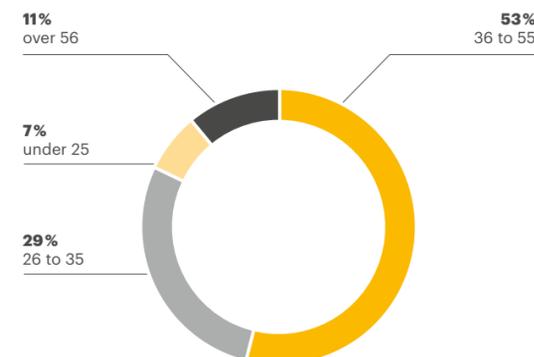
A valuable instrument for acquiring and reinforcing skills is the Remote Training System (RTS). In 2017 a total of 191 training courses were uploaded to the RTS portal, including 159 professional training courses and 32 courses for the development of managerial competencies. The Company's employees can enrol for the online courses at their own initiative or upon recommendation of their managers.

Headcount and average salaries at Rusagro Group

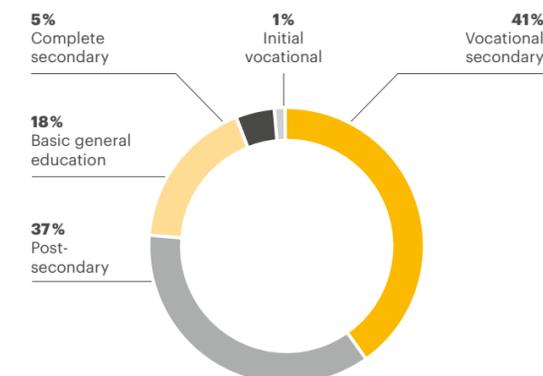
	The Group's average payroll count ¹ , pers				Average monthly salary at the Group's production facilities and operations management units ² , thousand RUB			
	2014	2015	2016	2017	2014	2015	2016	2017
Corporate Centre	100	113	144	157				
Meat business	2,256	2,846	3,789	4,186	28	34	37	39
Oil and Fats business	1,419	1,920	2,042	1,969	44	37	47	51
Sugar business	2,234	2,202	3,095	3,572	35	36	34	42
Agriculture business	3,326	3,368	4,292	4,478	28	31	38	46
Total	9,335	10,449	13,362	14,362				

- Including full-time employees and seasonal workers.
- The average monthly salaries for the year include the salaries paid to full-time employees and the ages of seasonal workers and bonuses paid for 2015, before insurance contributions.

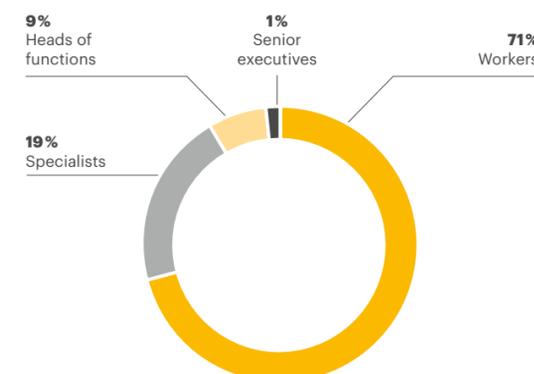
Structure of workforce by age, %



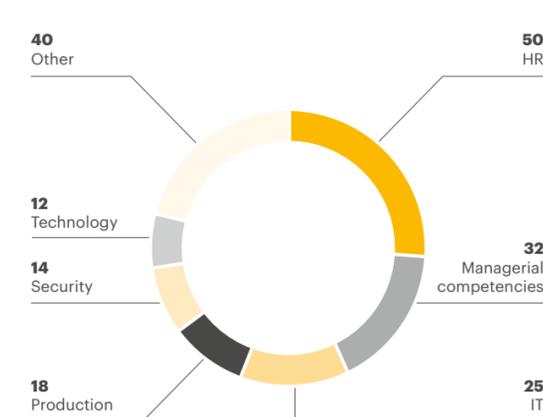
Workforce structure by education level, %



Workforce structure by category, %



Number of courses offered by the RTS by functional areas



191

courses were uploaded to the Remote Training System in 2017

5,214

man-courses were completed by the Company's employees in 2017

In 2017 the employees of the Company's businesses completed 5,214 man-courses, with around 18% courses completed at the employees' own initiative, which testifies to the fact that the entire Rusagro team recognises the importance of personal training.

Training and professional development empowers the employees to have control over their salaries by embracing new technologies and acquiring new skills. Subsequent to the results of the annual assessments, an employee may be eligible for a grade increase and a pay rise.

Rusagro prioritises the effective development of its training system in the short-and mid-term. In particular, the following measures are scheduled for 2018:

- Developing and uploading business-specific content for use in training on key processes;
- Developing unified courses for internal trainers;
- Developing/buying unified training courses for managers;
- Buying ready-to-use training courses on project management.

CAREER GROWTH

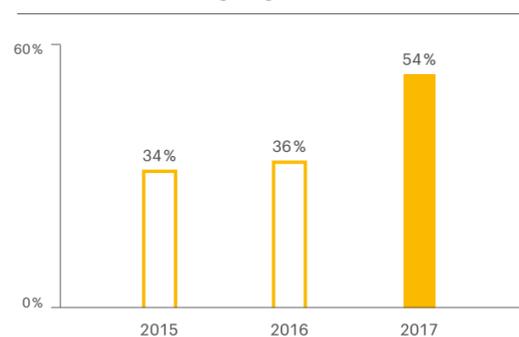
Rusagro Group regards its employees as its key asset with an inherent value and makes every effort to promote their development. The Company has developed career paths for each function that help every employee understand and realise their career growth opportunities. The employees can also share their career aspirations, including those that involve a transfer to another business within Rusagro Group.

Developing a talent pipeline is of key importance, since it contributes to process effectiveness and continuity. In addition, identifying and selecting high potential employees makes it possible to motivate and retain them. Rusagro's share of internal hires is increasing: it grew from 36% in 2016 to 54% in 2017. The figures vividly demonstrate the effectiveness of the Group's consistent efforts in increasing the quality of human capital, and prove that there the Company offers real opportunities for the career and professional growth of its employees.

Grade-up

In 2017 the Grade-up project implemented by the Sugar business won the Social Mobility Award at the IV All-Russian Contest of the Employer Best Practices on Human Capital Development "Creating the Future". Launched in 2015, the project is aimed at making the work of control operators more qualified, streamlined, challenging and lucrative. The control operators are required to receive additional training and master process control, repair and maintenance.

Internal hires in the strategic segment, %



In the course of developing the projects aimed at business expansion in the Primorye Territory, the Company identified a deficiency of qualified agricultural personnel. Rusagro is interested in changing the region's labour market and training qualified onsite locally.

With this in mind, the Company created a new state-of-the-art laboratory at the Ussuriysk Agroindustrial College. In December the College announced its new vocational training course, Meat and Meat Products Technology, that would start in the coming academic year. The Company will massively contribute to the educational process at the college: it will participate in approving the curriculum and the training programme, invite the instructors and students for internship and on-the-job training, and provide jobs to the college graduates.

In addition, starting the 2017-18 academic year, the academic programme of the Far Eastern Federal University will include an additional educational module that will be delivered with the participation of the Company's representatives. The module students will be assigned to Rusagro's enterprises where they will receive on-the-job training and do internships.

COMFORTABLE AND SAFE WORKING ENVIRONMENT

In addition to robust official salaries, Rusagro offers its employees a comfortable and safe working environment and a generous benefits package that includes meals, employee shuttles, voluntary health insurance schemes, sanatorium-resort care and quality workwear.

The Company makes every effort to improve the employees' working conditions, from purchasing new shuttle buses and furniture to the renovation of amenity spaces and provision of new desktop computers, tablets and plasma display panels. Self-service kiosks and terminals connected to the corporate portal were installed at the Company's plants and production facilities in 2017.

Young professionals working in rural areas may qualify for home-buying assistance from the Company. Students doing internships and receiving on-the-job-training are given rooms in the Company dormitories.

The occupational health and safety system is an integral element of the Company's effective production management.

To ensure occupational safety and prevent accidents and work-related diseases, the Company arranges regular trainings and safety briefings and provides medical care for the employees. Protective garments and personal protection equipment is purchased for the employees exposed to hazardous chemicals.

The amenity spaces, equipment and the processes of all the enterprises of the Group meet the highest occupational health and safety standards. To prevent employee ill-health, the Company introduced the Manage Your Health programme that includes vaccination, an office doctor, routine health checks, physical exercise and wellness promotion.

In 2017 five workplace accidents were recorded in the Oil and Fats segment (all of which were minor injuries); 12 workplace injuries were reported in the Sugar segment; the Meat segment informed of three workplace accidents (two minor injuries and a heavy injury); the Agriculture segment accounts for five workplace accidents (four minor injuries and a heavy injury). In the reporting year there were no fatalities.

In 2017 Rusagro completed the construction of two modern two-storey apartment houses for its employees in the Belgorod and Tambov Regions. The apartments are ready to move in. The employees may buy the apartments on the hire-purchase system at a below-cost price

WORKING WITH YOUNG PEOPLE

Rusagro is a modern and innovative company that seeks to introduce global best available technologies. Attracting young talent is aimed at increasing the Company's human capital quality index, since young professionals have greater flexibility, think unconventionally and have a fresh eye for technology and processes that are essential for Rusagro's innovation-driven development.

In 2017 the Company's main activities on its Work with Youth programme were centred on the following key areas:

- Licensing industry-specific occupations at vocational schools and launching dual education programmes;
- Providing occupational guidance for students during job fairs held at relevant universities and encouraging them to join Rusagro;
- Expanding the channels of communication with students and working young professionals: using information stands at universities and vocational schools, social networks, launching a mobile app for potential applicants.

Rusagro believes that to lay the foundation for the future, working with young people should start at schools. The school students watch presentations on the professions in agribusiness, go on excursions to the enterprises, meet the employees, learn more about the technologies and the automation processes that the Company is actively implementing. In 2018 Rusagro participated in a Russian national online demo lesson "What Do You Know About Food?" that offered an insight into the agricultural professions of the future to more than 18,000 schools across the nation. In cooperation with the Moscow Polytechnic University, Rusagro invited the schoolchildren to solve a case for the development of a smart farm that can autonomously control pig health. The recording of the demo lesson was viewed by more than 3 million users.

As there is a lack of quality vocational training in rare occupations that the company views as critically important, Rusagro opens new departments at vocational schools providing all the relevant technological infrastructure.

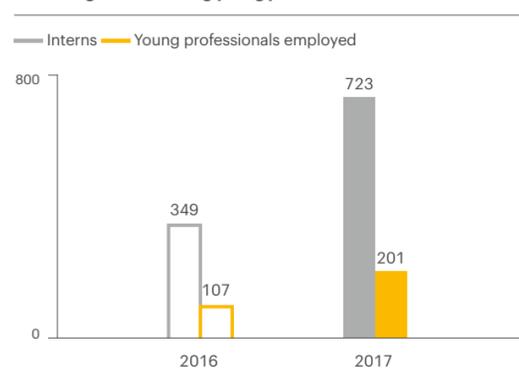
As part of Rusagro's cooperation with the educational institutions, the production facilities of each of the Company's businesses offer opportunities for educational internship and on-the-job training for the students. Internship and on-the-job training are provided onsite. This enables the future professionals to become acquainted with the equipment and working conditions, and also acquire the skills so that they can work without assistance when they join the Company. In 2017 a total of 723 students did their internships in the Company, and over 200 young professionals were employed. Compared to the previous year, the overall number of youth hires increased almost twofold in 2017.

To increase awareness of the jobs in agribusiness, Rusagro has actively developed industrial tourism: in 2017 the Company arranged 30 field trips for the students of the Ural Federal University, the Urals State Agrarian University, the Belgorod State Agrarian University and other major universities.

To identify and retain self-motivated and talented young professionals and create a favourable environment enabling them to unlock their potential, Rusagro held its first Youth Convention in 2017.

In late October 2017 the Rusagro's First Youth Convention in the Moscow Region welcomed more than 60 talented young professionals from the Company's four businesses. During the two-day event, the participants had an opportunity to develop their teamwork skills, meet interesting people and learn how an agribusiness works.

The changes in attracting young professionals



2017

Rusagro's First Youth Convention



RUSAGRO'S YOUTH CONVENTION

To participate in the exclusive event, the young people had to meet strict qualification requirements of the Rusagro's Future contest. The first stage of the contest involved the filing of application forms where the contestants described their achievements giving specific examples of situations where they had a chance to live up to the corporate values, and shared their ideas on improving the Company's performance. The second stage of the contest was a business game.

At the Convention, the young Company employees worked in teams to discuss potential projects aimed at facilitating the Company's growth. At the end of

the event, a number of priority projects were selected to be further developed in the next six months by 12 cross-divisional project teams supervised by experienced mentors. When the development stage is completed, the projects will be presented to the expert committee that will include general directors of the businesses.

The initiative won the 2017 Graduate Award of the GRADUATE-2018 VI Russian National Forum Congress.

RUSAGRO'S MISSION IS
TO MAKE PEOPLE'S LIVES
BETTER AND LONGER



CORPORATE CULTURE

A single corporate culture that is based on the Company values shared by all of the employees plays a key role in ensuring Rusagro's effective operation. To support its corporate culture, Rusagro annually holds multiple

teambuilding events: talent shows, family festivals and pre-olympics. The climax of the year has traditionally been Rusagro's Fair Games.

Rusagro's corporate values

Result	We set ambitious goals and achieve success
Continuous improvement	Every day we make a better job and every day we become our better selves
Teamwork	We achieve our goals together and value the contribution of every team member
Integrity	We value trust and rely on everyone's integrity. For us, 'honest' comes before 'profitable'
People	Successful people are the main driver of our success. We respect individuality, we value expertise and we fulfil our dreams together

12

different sports

4.4

thousand of employees participated
in Rusagro's Fair Games in 2017



RUSAGRO'S FAIR GAMES

In 2017 Rusagro's Fair Games Project won the Wow!HR business award and the award of the Russian national MOTIVATION AWARDS Contest of HR non-monetary rewards and incentives projects as the best and the largest national corporate event aimed at promoting healthy living among the employees.

The project covers all of the Company's four businesses and runs in all of its presence regions. Rusagro's corporate values are incorporated in the concept of the events. Rusagro's Fair Games have helped establish a tradition of promoting sports and healthy living as a unifying force for the Company's employees.

Rusagro's Fair Games celebrate the passion of the Company's employees for healthy living and sports. The Games include pre-olympics, elimination tournaments, play-offs and qualifying rounds, and well as a large-scale final Olympics featuring 12 different sports.

In 2017 more than 4.4 thousand of employees and members of their families participated in 14 pre-olympics. The final Fair Games Olympics held in Tambov brought together more than 3,500 sports enthusiasts and over 300 athletes.





SOCIAL INVESTMENT

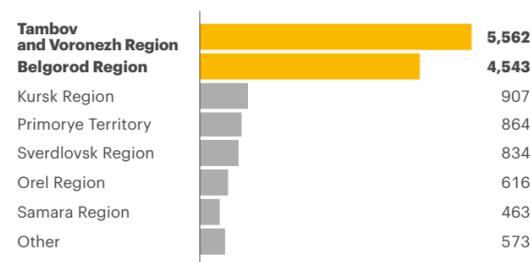
Rusagro Group is a socially responsible company that is aimed at long-term, consistent and sustainable development. The Company's activities contribute to social stability, prosperity and the development of its presence regions through job creation and tax payments to the regional budgets, as well as through charity programs.

Rusagro's Philanthropy Programme was approved by the Board of Directors in December 2015. It aims at creating a favourable business and living environment and includes three basic areas:

- Developing extracurricular education programmes and providing schools with relevant equipment;
- Providing equipment for pre-school institutions and child care centres;
- Assisting district administrations with the construction of playgrounds.

Most of the targeted assistance goes to the regions where Rusagro's employees live and work. The programme's budget is calculated as 0.5% of the payroll budget for the production facilities in Rusagro's presence regions, which means that the program expands and develops together with the Company.

Jobs in Rusagro's presence regions, 2017



IMPLEMENTATION OF THE PHILANTHROPY PROGRAMME

In 2017 the amount of assistance offered under the Programme almost doubled from the previous year, reaching RUB 17.5 million. In 2018 the project budget will increase to RUB 33.0 million.

In 2017 the geography of the Programme also expanded: in addition to the Belgorod, Tambov and Samara Regions it included three new regions—the Primorye Territory, the Kursk and Orel Regions. As the result, the Philanthropy Programme that used to include three regions and 21 districts now covers six regions and 42 districts, i.e. all of the Company's presence regions.

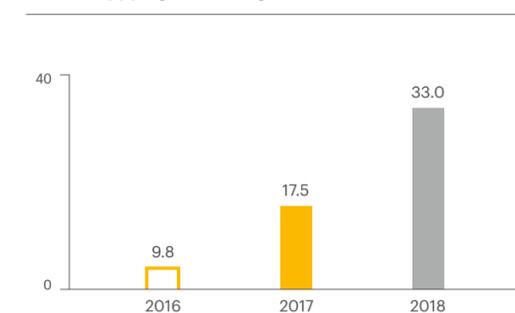
Subsequently, the number of educational institutions embraced by the Programme also increased: in 2016 assistance was provided to 29 educational institutions, while in 2017 the Programme included 26 schools and 16 pre-school institutions. The Programme embraced 10 schools and 7 child care centres in the Tambov Region and 11 schools and 5 child care centres in the Belgorod Region. In the Primorye Territory one school and one child care centre have been included in the Programme.

In 2017 the following initiatives were implemented as part of the Philanthropy Programme:

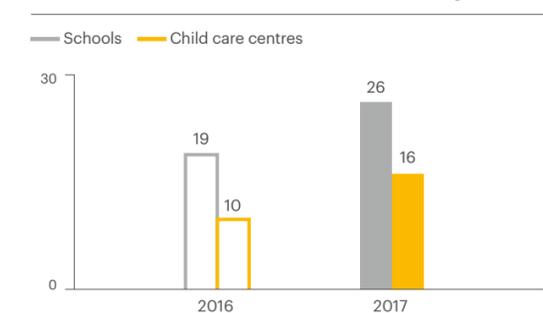
- Introducing extracurricular programmes in robotics and 3D-modelling;
- Purchasing educational and laboratory equipment for chemistry and biology classes;
- Updating the extracurricular programmes in arts, sports and civic and national education;
- Providing schools with modern computers and multimedia equipment; creating sensory rooms.

In 2017, play equipment and sensory rooms were provided for the child care centres, and the extracurricular programmes in arts and sports were further developed. In 2017, as part of Rusagro's Philanthropy Programme and the cooperation with the district administrations, two playgrounds were opened in the Tambov Region and a STREET WORKOUT outdoor fitness area in the Belgorod Region. In 2018 the Company is planning to build more playgrounds in the rural areas where its production facilities are located.

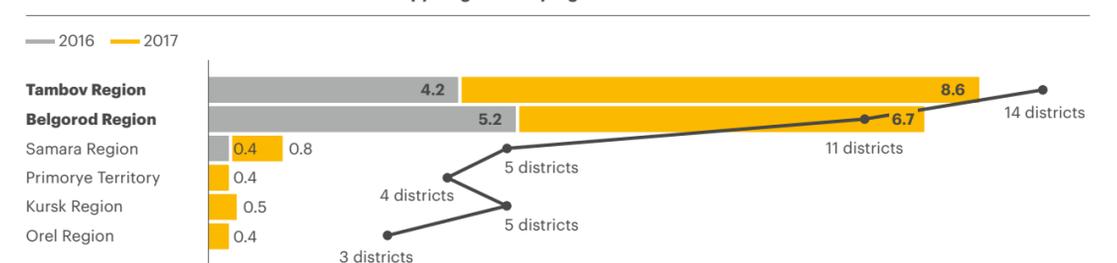
Philanthropy programme budget RUB million



Number of educational institutions included in the Programme



Amount of finance allocated under the Philanthropy Programme by region RUB million



THE SPROUTS OF THE FUTURE PROJECT
IS AIMED AT GIVING EQUAL OPPORTUNITIES
TO THE CHILDREN FROM VARIOUS SOCIO-
ECONOMIC BACKGROUNDS



SPROUTS OF THE FUTURE PROJECT

In 2018 a fourth area will be included in the Programme—the Sprouts of the Future project.

Sprouts of the Future, Rusagro's new project, is aimed at giving equal opportunities to the children from various socio-economic backgrounds. The projects will facilitate a positive social environment for the children to engage in project activities, development and experiments, and to acquire universal professional skills. Providing career guidance at such an early stage will enable the company to build an effective long-term talent pipelining strategy.

The project will be implemented in three stages: interactive lessons at schools, a project competition and a projects festival. The three stages will be centred on the four key areas of Rusagro's activities: plants, animals, machinery and technology.

ENVIRONMENTAL RESPONSIBILITY

In its activities Rusagro Group focuses on observing the applicable environmental legislation, ensuring rational use of natural resources, implementing environmentally safe technologies, as well as on ensuring biological and veterinary safety in its livestock division.

ENVIRONMENTAL PROTECTION

Rusagro's environmental management system has been developed in compliance with the Russian environmental legislation.

In addition to ensuring full compliance with all the requirements of the current environmental and health protection legislation, the Company seeks to minimise the negative impact on people, natural resources and the environment.

The principles of achieving sustainable balance between production and environmental protection lie at the core of the Company's activities enabling it to minimise financial and reputational risks, identify the areas of concern at early stages and make the best decisions. The Company is open for dialogue with the society and other stakeholders on environmental protection and rational use of natural resources.

The Company seeks to contribute to environmental conservation through implementing the following measures:

- Reducing the environmental footprint in all business segments;
- Producing more environmentally conscious products;
- Facilitating rational use of natural resources—both those included in production and those found in the Company's presence regions.

Every enterprise within the Group constantly monitors water discharge and air quality. The water and air treatment facilities of the enterprises comply with all the requirements of the applicable environmental legislation. To reduce the discharge, new air pollution control and dust and gas collection equipment is installed as part of modernising production. All pollutant discharge is within the limits and permits set by the Russian Federal Service for Supervision of Natural Resources.

Nearly all of the solid wastes resulting from the operations of the Group's enterprises are Class 4 (low-hazard) or Class 5 (practically non-hazardous) wastes. The amount of Class 1 (extremely hazardous) waste

was reduced through replacing the mercury-vapour lamps with LED lamps.

The Group's sugar plants have actively introduced industrial water recycling systems that make it possible to return process water to the flume water system and thus significantly reduce the water offtake from natural sources.

The enterprises of the Agriculture segment have sanitary protection zones where the warehouses for the storage of crop protection agents are located. Residual crop protection agents and fertilisers, as well as packaging waste, undergo treatment in order to prevent environmental contamination. As part of technical modernisation, effective state-of-the-art filters are installed at the threshing facilities.

The Group's livestock division uses 100% of the manure for subsurface application by injection to reduce ammonia emissions.

Energy saving equipment and LED-based lighting is installed at all the enterprises as part of the activities aimed at increasing energy efficiency. In addition, automated and remote lighting control systems are introduced, including systems with infrared motion and presence detection sensors.

BIOSECURITY AND VETERINARY SAFETY

Rusagro Group adheres to the latest standards on growing quality livestock and reducing the risk of disease. In its livestock farming activities the Company relies on the following key principles:

Physical separation—the land on which pig farms are situated is controlled by the Group. Within a 10-kilometer radius from its farms there are no other livestock farms or household animal breeding enterprises. The distance between the farms is one to three kilometres, which allows preventing the spread of infection.

AIAO (All-in/all-out) production—animals of different generations and different production functions are kept separately to prevent the spread of diseases.

Restricted access—the access to the areas inside the pig farms are stringently controlled and restricted. Each production facility is equipped with showers: every visitor is required to shower before entering



and exiting, and also to leave all personal belongings outside and use specialised clothing and footwear. The vehicles can enter the territory of the pig farms only after they have been washed and disinfected. The incoming and outgoing employees, visitors and vehicles must be registered.

Feed quality control—all feed ingredients are subject to constant laboratory control, which includes the assessment of quality and purity, and monitoring for pathogenic elements, infections and toxic substances. All feed is heat-treated in order to prevent the spread of disease through feed.

Strict sanitary procedures—the production areas at the farms are regularly cleaned and disinfected.

LEAN PRODUCTION

Rusagro Group has consistently implemented global best practices aimed at increasing production efficiency in all of its businesses. In particular, the Everest world class production system is being successfully implemented in the Sugar business; the Agriculture segment has put in place the 5S (Kaizen) continuous improvement system; the Meat segment has carried out the Lean Production project, and the Oil and Fats segment is using its own production system based on the WCM (World Class Manufacturing) methodology.

Essentially, all these programmes are about continuous efforts aimed at cost optimisation using the approaches that require constantly working toward eliminating all losses, engaging every employee in the optimisation process and ensuring maximal customer orientation.

The constant improvement system of the Agriculture segment is based on four key elements:

- 5S methodology;
- Improvement management system (rewarding the employees for filing proposals for improvement);
- Value stream mapping (identifying and eliminating losses in the processes);
- Overall maintenance of equipment.

The Group uses the AIAO (All-in/all-out) system, which implies that any production area may only be occupied by animals of the same generation. When the growing stage is completed, the area is thoroughly cleaned and disinfected.

Vaccination—the animals are regularly vaccinated to prevent all known diseases.

Disease monitoring—The Group's veterinarians constantly monitor the data on the spread of any disease, and follow the latest scientific achievements in bio-security and veterinary safety. The Group makes every effort to rapidly respond to any outbreaks of disease in the country by immediately interrupting feed purchases and supplies of animals to the affected regions.

Since late 2016 the Meat business has implemented the Lean Production project. The project is aimed at increasing overall equipment and operational efficiency, as well as at reducing production costs.

The World Class Production programme that is being implemented in the Oil and Fats segment covers ten key areas: occupational health and safety, finance, targeted improvements, autonomous maintenance, professional maintenance, quality, logistics and client service, equipment control, personnel development, environmental protection and energy.

In 2014 the Sugar business introduced a new Your Idea Works program aimed at stimulating the generation of ideas on improvement. The programme primarily targets the employees who have profound knowledge of their jobs and see what can be changed and improved and at what stage. Most of the proposed ideas are related to technology modernisation or rational use of available technology and resources. Under the programme, employees will be eligible for remuneration after their idea has been successfully implemented. The amount of remuneration depends on the annual economic effect achieved by implementing the idea.

QUALITY MANAGEMENT

The key priority of Rusagro Group is to produce competitive, high-quality products that comply with the requirements of the legislation and meet the expectations of the customers. The Company recognises the importance of safe high-quality food products for the nation's health and controls every stage of production in all of its business segments, including control of incoming materials, production control, control of finished products and control of vehicles used for the transportation of the products. The state-of-the-art production equipment ensures the quality of the manufactured products and their compliance with all relevant requirements on sanitary and hygienic practices.

The Group's enterprises are certified as compliant with the Russian and international standards, regulations, and safety principles applied to the production and supply of products. The enterprises have introduced the GOST ISO 9001–2011 quality management system and the ISO 22000:2005 food products safety management system. Separate enterprises have also been certified as compliant with ISO/TS22002–1, ISO/TS 22002 and FSSC 22000, if this was required by the specific aspects of their activities.

The two feed plants of LLC Tambovsky Bekon and all the enterprises of the Oil and Fats business have been certified by HACCP, a key element of the ISO 22000:2005 international standard for food safety management. HACCP certification implies that the required safety level should be ensured during production, storage, transportation and food preparation.

CJSC Samaraagroprompererabotka was the second sunflower seed processing facility in Russia to be certified under GMP+B2 good manufacturing practices standard. The Agriculture business operates in compliance with 015/2011 Technical Regulation on Grain Safety of the Customs Union.

The pig production division of the Meat segment is regularly assessed by the Russian Federal Service for Veterinary and Phytosanitary Surveillance and is assigned a zoosanitary status subsequent to the result of the assessment. Nearly all the production facilities (98%) have been assigned a high safety status: Compartment IV.

1. Of the Company's 55 production facilities only one (the Tyurinsky feeding facility) has been put in quarantine for African swine fever.

The Group focuses on increasing customer satisfaction and uses the information obtained in the process of handling complaints to improve its products. The Group's enterprises maintain extended complaints statistics that can be filtered by SKUs, shipments and customers. Every incoming complaint is compared to similar cases and the customer's complaints history is analysed, which makes it possible to reduce the complaint handling time. As soon as the root causes of the shortcoming are identified, the Company makes every effort to address them as quickly as possible and provide feedback. To ensure personnel engagement, a system of remuneration based on achieving specific KPIs was introduced.



EXTERNAL CORPORATE RELATIONS AND ETHICS STANDARDS

In its activities, the Company conducts is focused on strict compliance with the laws and other regulatory legal acts of the countries in which it operates. In addition, Rusagro and its employees adhere to the basic ethical principles set forth in the Code of business Conduct and Ethics.

Rusagro's ethical principles:

- **Effectiveness and profitability;**
- **Observing laws and regulations;**
- **Social responsibility;**
- **Integrity;**
- **Partnership.**

The Company's relations with the government agencies and local authorities are based on responsibility, trustworthiness, partnership and mutual trust, as well as on respect for and consistency with the obligations.

The underlying principles of the Company's relations with its business partners (customers, suppliers, contractors and consultants) are long-term cooperation,

mutual benefits, respect, trust, honesty and fairness. The Company does business only with reliable partners who are engaged in legal activities and observes the following basic rules:

- Being a public company, the Group primarily selects its suppliers on a competition basis;
- The Company fulfils the contractual obligations to its business partners and expects them to do the same;
- The Company settles any dispute that may arise in the process of its business activity by legal means and negotiation aimed at finding a mutually acceptable solution;
- The Company always takes into account the requirements of the legislation of the countries with which it does business.

The Company builds its relations with the competitors on mutual trust; it welcomes and encourages mutually beneficial cooperation. The Company regards any manifestation of unfair competition or abuse of market power as completely unacceptable. The Company fully complies with the competition laws of the countries where it operates.

PREVENTING CORRUPTION

As prescribed by the Code of business Conduct and Ethics, all the Company's employees observe the current anti-corruption and anti-money laundering legislation. The employees may not make, promise or receive illegal payments in cash, in kind or in any other form. The Company rules also prohibit the employees to offer, receive, or authorise offering of valuable gifts to public or private customers, business partners, their representatives or affiliated parties with an aim to obtain undue commercial advantages.

Any contact with government officials and other persons referred to in the UK Bribery Act and the US Foreign Corrupt Practices should strictly comply with the Company's anti-corruption regulations and the current legislation.

As part of its anti-corruption effort, the Company implements the following principles:

- Do business only with reliable business partners (customers, suppliers, contractors and consultants)

engaged in legal activities and not involved in corruption, and make every effort, to the extent permitted by the applicable law, to inform them thereof, and to examine their business practices;

- Make every possible effort to prevent bribery in the name of the Company by developing and introducing a system of adequate procedures;
- Make every effort, to the extent permitted by the current legislation, to obtain the information verifying the appropriate use of funds that the Company allocated for charity and sponsorship;
- Cooperate with the authorised agencies, partners and customers on preventing corruption, on the principle of reciprocity.

All the principles and restrictions set forth by the Code equally apply to agents, consultants and other third parties acting on behalf of the Company.

PROCUREMENT

Procurement efficiency is of key importance to Rusagro Group, for this process defines the cost and quality of the products, and ultimately its profit and its competitiveness in the market.

The Company introduced unified Tender Regulations defining the objectives and principles of organising and performing the procurement. The Group's procurement process is managed by a SAP-based system that contains actual information on the procurement process and generates reports on specific aspects for a selected period with various level of detail.

Rusagro's procurement principles:

- **Strict regulation;**
- **Maximum automation;**
- **Absolute transparency.**

The suppliers are selected on a competitive basis. To ensure equal opportunities, a single set of requirements will be applied to all potential suppliers, such as a standard package of documents for due diligence and unified formats for commercial proposals and terms of reference.

Today, most of the procurement is done on the electronic trading platforms, which saves time and effort, ensures the transparency of the procurement process and impartiality of contractor selection, and, consequently, fairness of competition.

All tenders are announced in the mass media, on the Internet and on the corporate web page of Rusagro Group, which means that any company can obtain information on the tender, see the commercial enquiry, the terms of reference and the contact information of the person responsible for the procurement.

Healthy competition and absence of monopoly for a specific product or service create favourable environment for securing contracts on most favourable terms possible. A significant economic effect is achieved by centralising procurement within the business, as well as by developing annual procurement schedules that factor in seasonal drops in the prices for specific goods and the time required for delivery.



CONTACT INFORMATION

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Public Company Limited by Shares ROS AGRO PLC

Abbreviated name

ROS AGRO PLC

Full corporate name in Russian

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