

LETTER FROM THE CHIEF EXECUTIVE OFFICER OF LLC RUSAGRO GROUP OF COMPANIES

Dear shareholders,

Rusagro showed the all-time best financial performance in 2020. Despite the difficulties caused by the COVID-19 pandemic, year-on-year sales rose by 15% — to RUB 159.0 billion, and adjusted earnings before interest, taxes, depreciation, and amortisation (EBITDA) — by 65%, amounting to RUB 32.0 billion. The growing income derived from the successful implementation of strategic priorities and beneficial market conditions, specifically the positive movements of global prices for agri-food products and the devaluation of the rouble.

Rusagro delivered the following results in terms of earnings across the core business segments:

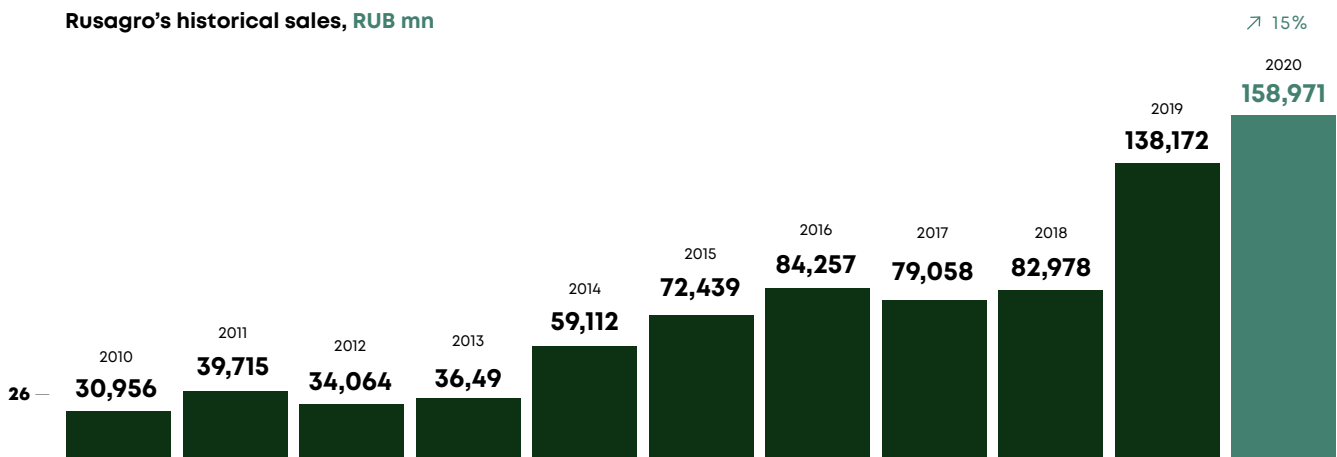
- Based on the year-end results, **the Agriculture Business** turned out to be the most lucrative segment — it accounted for 41% of Rusagro’s EBITDA (before intersegmental eliminations and accounting for other operating incomes), which was equal to RUB 15.2 billion with a 157% year-on-year increase. Such growth was driven by the rising world prices and the devaluation of the rouble. Thus, the selling price of sugar beets went up by 119%, oil crops — by 47%, grain crops — by 20%, allowing for EBITDA margin of 44% on an annual basis.
- **The Oil and Fats Business** also displayed a higher EBITDA pushed up by a 22% increase in sales against the backdrop of rising world prices and a significant share of sell products made from cheaper sunflower of the 2019 season. EBITDA reached RUB 9.4 billion, up 177% above the 2019 level, and the business margin grew by 7 p. p. — to 12%.
- **The Meat Business** enjoyed a bump in EBITDA by 34% to RUB 6.5 billion, in profit margin — by 1 p. p. — up to 20%, driven by increased sales on the back of higher volumes of meat production and the development of export supplies, which doubled year-on-year (up to 31 thousand tonnes). Three new pig farms in the Tambov Region reached full capacity and the meat processing plant was expanded: the number of animals for slaughter increased by 22%, for deboning — by 15%.
- Even with the lower sales (–10%) pushed down by decreased sugar output amid a lower sugar beet crop in Russia, **the Sugar Business** posted a notable increase in EBITDA (+59%) — to RUB 6.4 billion. A 10 p. p. rise in profit margin (up to 23%) was defined by the relatively low cost of sugar sold and the growing market prices.



Maxim Basov

the Chief Executive Office,
Rusagro Group of Companies

Rusagro’s historical sales, RUB mn



With the global over demand and positive year-on-year behaviour of world prices, Rusagro massively scaled up the share of proceeds from export operations, which reached 32% (+8 p. p). **The Oil and Fats Business** was the best performer in terms of the export sales – RUB 34.3 out of 76.2 billion (45%, +5 p. p.) was earned from the international sales of products. A noticeable increase in the share of export proceeds was also registered in **the Sugar and Meat Businesses**, where it reached 20 and 13%, respectively (+11 and 6 p. p).

Last year Rusagro invested RUB 14.1 billion in delivering the development strategy and in maintaining the existing business, 62% of which was directed to **the Meat Business**. The gradual completion of key investment projects dragged down investments by 16% compared to the previous year. The Company plans to launch a pig-breeding cluster in the Primorye Territory in 2021. Along with the implementation of capital projects, the Company's investments cover the digital transformation strategy and the development of new technologies, laying down the background requisite for the long-term development of Rusagro.

Sustainable growth of Rusagro would not have been possible without high quality human capital. The Company heavily invests in the professional development of its employees and providing them with safe working conditions. Employee engagement rates in 2020 improved by 6 p. p. – up to 72%, and voluntary turnover reduced by 1 p. p. – up to 9%. The epidemic necessitated all possible measures to be taken to protect employees and to lend support for testing and vaccination. Thanks to the well-coordinated and prompt actions, the Company assesses its financial losses from the COVID-19 epidemic as insignificant – all key production facilities and business services were functioning in a normal operation mode. The Company recorded a total of 630 sickness cases (3.2% of the average headcount) in 2020.

Our plans for 2021 include the completion of large investment projects, but I am positive that we will be able to offer our Board of Directors new high added value projects, covering primarily the expansion of oil & fat and crop-growing production, advances in new technologies, new consumer products, and foreign investments.

Rusagro's historical adjusted EBITDA, RUB mn

