

# RUSAGRO GROUP

## FY 2011 / 1Q 2012 OPERATING AND FINANCIAL RESULTS



31 May – 4 June 2012

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- 1. Rusagro Group at a glance**
- 2. Trading and financial update**
- 3. Business segments overview**
- 4. Summary investment highlights**

# Rusagro Group at a glance



# Rusagro Group at a glance

## Business segments

### Sugar

- Top 2 sugar producer in Russia with a 16% market share<sup>(1)</sup>
- Largest B2C player with 30% market share<sup>(2)</sup>

### Meat

- Top 5 pig breeding company in Russia<sup>(3)</sup>
- One of the lowest cost pork producers with own fodder production
- Significant CAPEX in new projects and high planned capacity growth

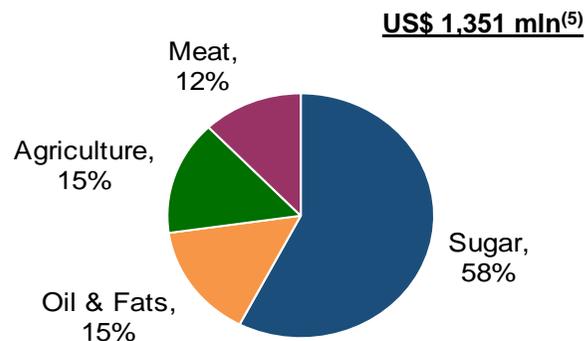
### Agriculture

- Approx. 440 thousand ha of agricultural land under control
- A leading Russian sugar beet producer with 100% of sugar beet supplied to own plants
- Always profitable on an annual basis

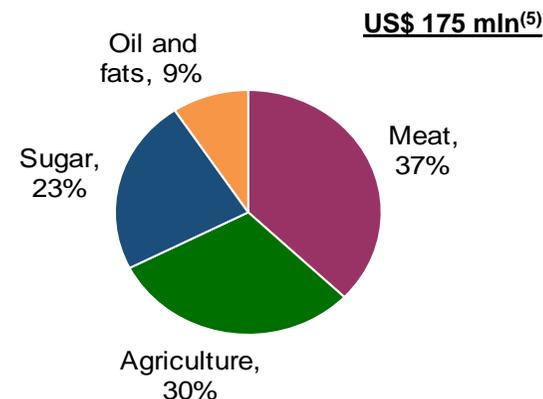
### Oil and Fats

- A leading producer of consumer packed margarine and mayonnaise<sup>(4)</sup>
- Vertically integrated operations – own sunflower oil extraction plant allowing for full self sufficiency in sunflower oil

### Sales 2011 breakdown\*



### Adjusted EBITDA 2011 breakdown\*\*



(1) Source: Soyuzrossakhar, 2011  
 (2) Source: Company's estimates, 2011  
 (3) Source: National Union of Pork Producers, 2011  
 (4) Source: Russian Oil and Fats Union, 2011  
 (5) Source: 2009-2011 audited IFRS financial statements, using \$/RUR average 2011 exchange rate of 29.4

Source: audited 2011 IFRS financial statements  
 Note: \* - breakdown shown before other sales and intragroup eliminations  
 \*\* - breakdown shown before other sales and costs and intragroup eliminations

# Rusagro Group

## Trading and Financial Update



# FY 2011 Key developments

## Financial highlights

- Consolidated revenue reached RUB39.7bn (28% YoY increase)
- Strong YoY growth posted by all business segments (26% in sugar, 18% in meat, 56% in agriculture and 46% in oils and fats)
- Consolidated adjusted EBITDA reached RUB5.2bn, 13.0% margin
- EBITDA decline of 35% YoY primarily reflects negative sugar pricing anomaly in 2H 2011 – sugar segment EBITDA dropped 68% YoY, while operating efficiencies and yields improved across all business segments
- RUB10.8bn of CAPEX invested in business expansion program
- Net debt grew by 39% to RUB11.9bn. Coupled with the decline of adjusted EBITDA, the Net Debt/EBITDA ratio in 2011 rose to 2.3x
- Rusagro benefits from subsidised interest rate with respect to its loan portfolio which resulted in net financial income of RUB86mln

RUB mln	2009	2010	2011
Revenue	24,821	30,956	39,715
YoY growth, %	+39.7%	+24.7%	+28.3%
Adjusted EBITDA	5,087	7,880	5,154
Adjusted EBITDA margin, %	20.5%	25.5%	13.0%
Share-based remuneration			(672)
Net income	2,324	5,115	2,420
Net margin, %	9.4%	16.5%	6.1%
Net debt (eop)	9,010	8,570	11,877
Net debt/EBITDA	1.8x	1.1x	2.3x
Net finance income (expense)	(647)	(352)	86

Source: audited 2011 IFRS financial statements

## Operating highlights

### Solid YoY production and sales growth across all business segments:

- Sugar**
  - 31% production growth in cane sugar and 113% growth in beet sugar
  - Total sugar sales growth of 19% in volume terms
  - All-time high beet sugar reserves at 2011 year end driving stronger sales growth in 2012
- Meat**
  - Record pork production and sales volumes
- Agriculture**
  - Record crop harvests (151% growth of sugar beet volume)
- Oil and Fats**
  - Acquired sunflower oil extraction plant reached full capacity in 4Q 2011

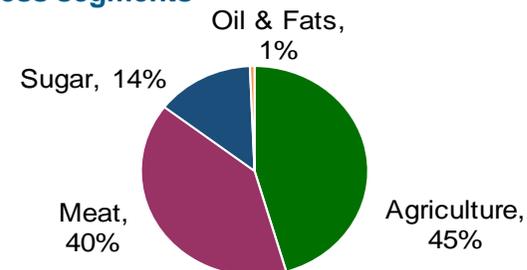
### Significant capacity and efficiency improvements:

- Increase in beet processing and B2C sugar production capacities by 13% and 33% YoY, respectively
- Total land bank growth to 424 th. ha (12% growth YoY)
- Increase in beet and sunflower crop yields of 116% and 64% YoY, respectively
- New pork complexes construction on schedule: Shidlovsky and first part of the Tambov complex were housed with animals in 4Q 2011
- Vertical integration in the oil and fats segment

### CAPEX by business segments

Total 2011 CAPEX

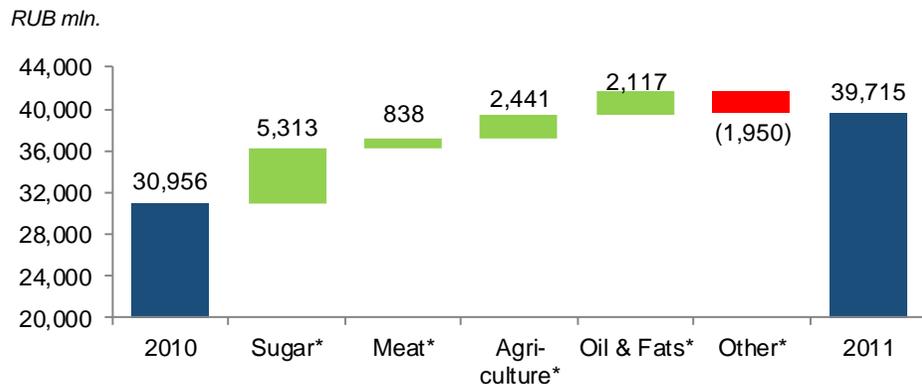
RUB10.8bn



Source: audited 2011 IFRS financial statements

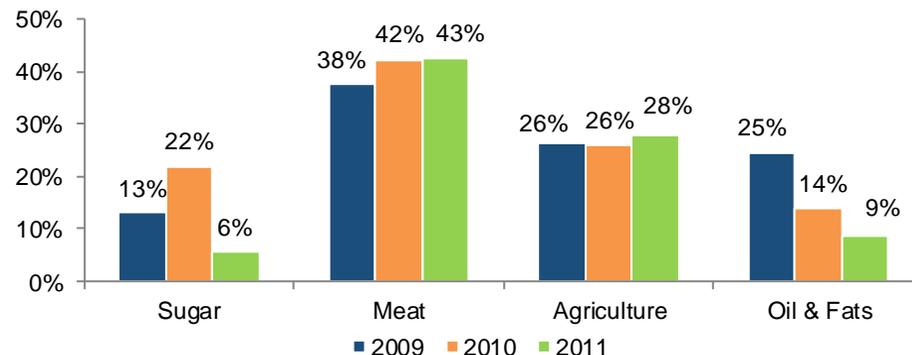
# FY 2011 Group financial performance

## Sales 2010-2011 – Growth contributors



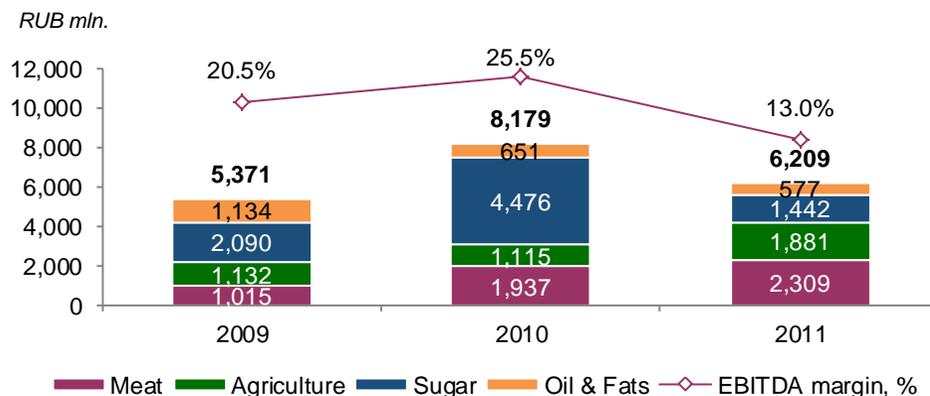
Note: \* – each segment's sales include intragroup sales. "Other" represents eliminations  
Source: Audited 2010-2011 IFRS financial statements

## Adjusted EBITDA margin development



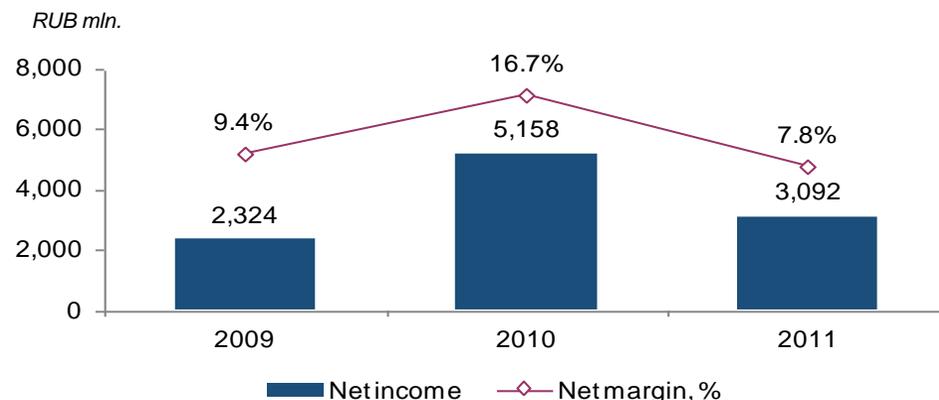
Source: Audited 2009-2011 IFRS financial statements

## Adjusted EBITDA breakdown by division\*\*



Note: \*\* – excluding effect from eliminations and unallocated corporate expenses  
Source: Audited 2009-2011 IFRS financial statements

## Net income dynamics\*\*\*



Note: \*\*\* – Adjusted Net profit for 2011 determined as Profit for the year excluding share-based remuneration of 672 mln rubles (granted to Maxim Basov and gradually expensed in income statement until 2014)  
Source: Audited 2009-2011 IFRS financial statements

# Q1 2012 Trading update

## Consolidated financial highlights

- Consolidated revenue reached RUB6.3bn – an increase of 4% compared to first quarter 2011
- Consolidated adjusted EBITDA reached RUB1.5bn – an increase of 5.6 times compared to first quarter 2011
- Consolidated adjusted EBITDA margin increased to 23.6% compared to 4.4% in first quarter 2011
- Consolidated net income reached RUB558mln compared to net loss of RUB29mln in first quarter 2011
- As of 31 March 2012, total net debt amounted to RUB12.1bn compared to RUB10.8bn as of 31 December, 2011

## Key consolidated financials

RUB mln	1Q 2011	1Q 2012	YoY growth %
Revenue	6,060	6,302	4.0%
Adjusted EBITDA	264	1,487	463.7%
Adjusted EBITDA margin, %	4.4%	23.6%	
Net income	-29	558	n.m.
Net margin, %	-0.5%	8.8%	n.m.

## Key highlights by segment

- Strong revenue and profitability growth across segments
- Sugar:** Despite YoY revenue decline of 27% (due to lower sugar prices), segment EBITDA profitability increased from 6.1% to 12.7% as a result of higher sales of beet sugar
- Meat:** revenue growth of 11% YoY and strong increase in EBITDA margins from 32.0% to 45.4% due to favorable pork prices and lower grain costs
- Agriculture:** rapid YoY revenue growth of 964% and strong increase in EBITDA margin (16.6% compared to negative margins in first quarter 2011) due to sugar beet sales growth (recognized when beet sugar has been sold)
- Oil & Fats:** strong revenue growth of 74% and increase of EBITDA margin (21.5% compared to negative margin in first quarter 2011) due to SAPP plant operating at full capacity and improved input costs

## Adjusted EBITDA margin and revenue growth by segments

RUB mln	1Q 2011	1Q 2012	1Q 2011	1Q 2012
	<b>Revenue, RUB mln</b>		<b>YoY revenue growth, %</b>	
Sugar	3,844	2,818		-26.7%
Meat	1,106	1,223		10.6%
Agriculture	75	799		964.0%
Oil & Fats	1,050	1,823		73.6%
	<b>EBITDA, RUB mln</b>		<b>EBITDA margin, %</b>	
Sugar	234	358	6.1%	12.7%
Meat	354	556	32.0%	45.4%
Agriculture	-147	133	neg.	16.6%
Oil & Fats	-81	392	neg.	21.5%

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# Rusagro Group

## Business segments overview

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# Rusagro's Sugar Business

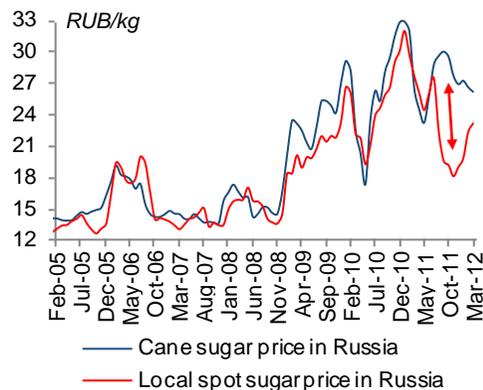
## Highlights

- A leading white sugar producer in Russia
  - Total 2011 sugar production reached 627 and 462 th. tons for cane and beet sugar, respectively (31% and 113% YoY growth)
- Focus on higher margin operations:
  - Strategic focus on beet sugar
  - Growing share of B2C products (30% of all sugar sales in 2011)
- 7 sugar plants vertically integrated with own sugar beet cultivation with approximately 50% self-sufficiency in own sugar beet (2011)
- Significant capacities and active investment program
  - 13% YoY growth in total daily sugar beet processing capacity
  - Further RUB1.3bn to be invested in sugar beet processing and B2C production capacities in 2012

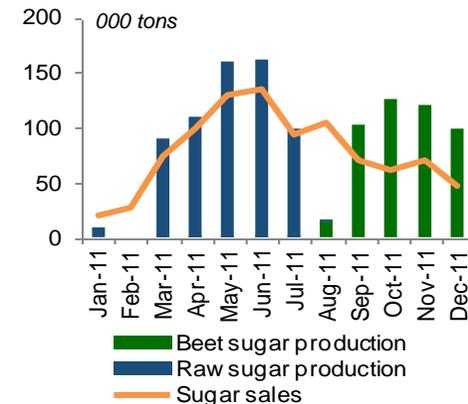
## Strategic decision to reduce beet sugar sales in 2H 2011

- Record sugar beet harvest in 2011 resulted in oversupply
- Local sugar price dynamics decoupled from global raw sugar prices
- Beet sugar sales were deferred to 2012 when local prices are expected to recover
- As of 31 Dec 2011, total beet sugar stock reached 256 th. tons (+350% YoY)

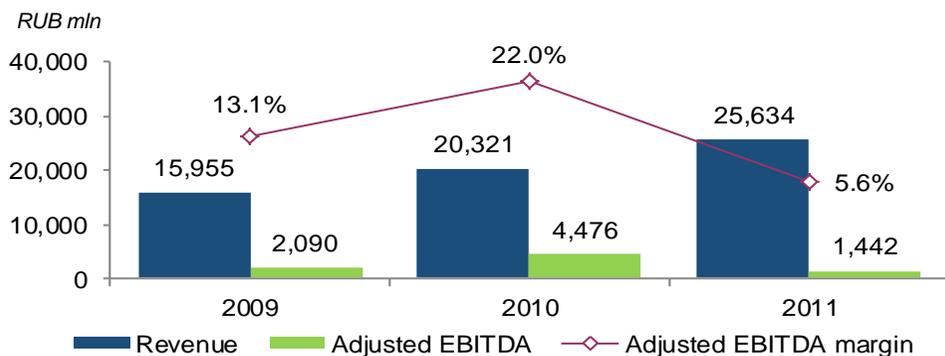
Sugar price in Russia



Rusagro's sugar production / sales



## Revenue\* and adjusted EBITDA\* development



Note: \*- Including intragroup sales and costs

Source: Audited 2009-2011 IFRS financial statements

## Q1 2012 update

- Segment revenue amounted to RUB2.8bn compared to RUB3.8bn in 1Q 2011 (decline of 26.7% YoY)
  - Total sugar sales in 1Q 2012 of 112 th. tons compared to 121 th. tons in 1Q 2011 (decline of 7% YoY)
  - Average selling price in 1Q 2012 decreased by 21%
- Despite sales decline, EBITDA in 1Q 2012 increased to RUB358mln from RUB234mln in 1Q 2011 (increase in EBITDA margin from 6.1% to 12.7%)
  - The Company only sold beet sugar in 1Q 2012 compared to sales comprising mostly of cane sugar in 1Q 2011

# Rusagro's Meat Business

## Highlights

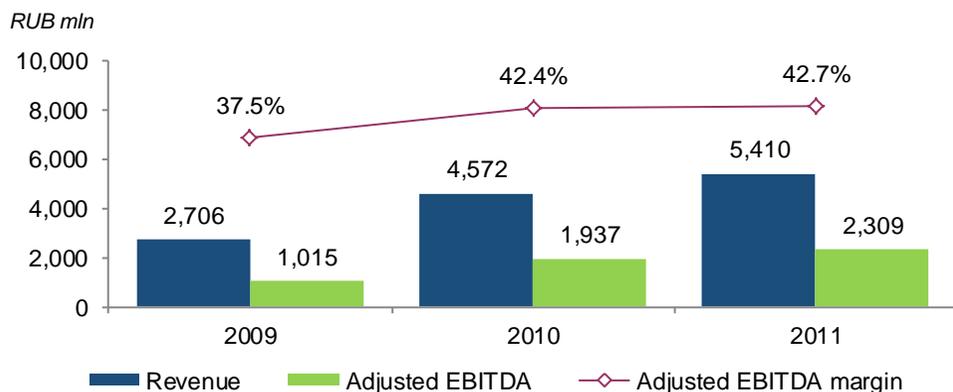
- Top 5 pig breeding complex in Russia (by output volume, liveweight) <sup>(1)</sup> with annual production capacity of approximately 63.5 th. tons
- Modern production facilities with high quality standards
- One of the lowest feed conversion ratios and, consequently, production costs in Russia resulting in further growth of adjusted EBITDA margin to 42.7% in 2011
- Vertical integration with Rusagro's agriculture business in terms of supply of raw materials for fodder production, farm wastes utilization and efficient internal logistics
- Significant capacity growth prospects :
  - Planned increase in total production capacity by 3.3x in 2015
  - Expected CAPEX of RUB5.7bn in 2012

(1) National Union of Pig-Breeders

## Construction progress on schedule

- Shidlovskiy complex to begin sales in 4Q 2012 and reach full capacity by end of 2012
- Tambovskiy Bacon to begin first sales in 4Q 2012 and reach full capacity by end of 2013
- The Company is planning to start construction of additional pork complex in Tambov and a slaughterhouse for 1.5 th. heads
- The Company expects to receive approximately RUB350mIn in government grants in 2012
- Total segment pork production volumes are expected to reach 67 th. tons in 2012, 140 th. tons in 2013 and over 200 th. tons in 2014

## Revenue\* and adjusted EBITDA\* development



Note: \* - Including intragroup sales and costs

Source: Audited 2009-2011 IFRS financial statements

## Q1 2012 update

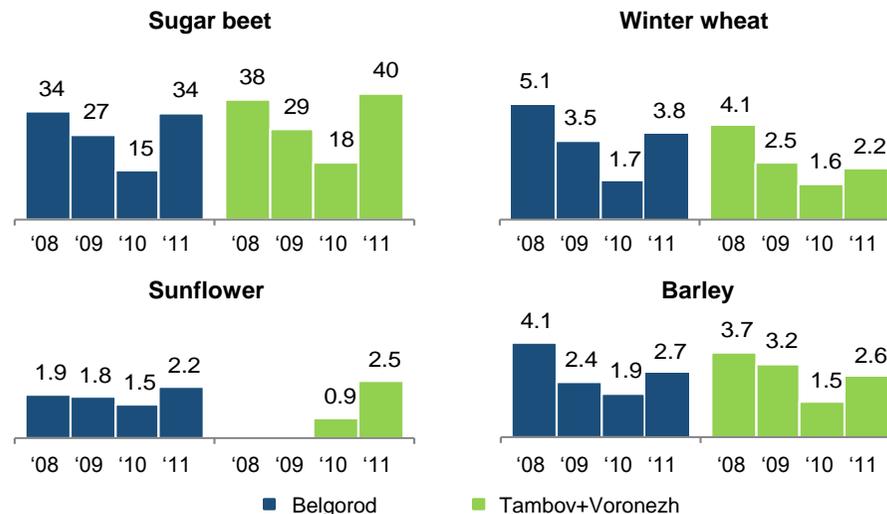
- Segment revenue grew to RUB1.2bn compared to RUB1.1bn in 1Q 2011 (increase of 10.6% YoY)
- EBITDA in 1Q 2012 increased to RUB556mIn from RUB354mIn in 1Q 2011 (increase in EBITDA margin from 32.0% to 45.4%)
- Total pork production in 1Q 2012 reached 15.4 th. tons compared to 14.1 th. tons in 1Q 2011 (increase of 9% YoY). Total fodder production increased from 12.9 th. tons to 13.4 th. tons (+4% YoY)
- The Company is currently conducting a feasibility study regarding the construction of the 8<sup>th</sup> production complex in Tambov

# Rusagro's Agriculture Business

## Highlights

- Approximately 440 thousand ha of agricultural land under control (424 thousand ha at end of 2011)
  - 44 thousand ha added in 2011, 16 thousand ha added in 1Q 2012
  - Approximately 380 thousand ha of land in cultivation (361 at end of 2011)
  - Nearly 191 thousand ha in ownership or in the process of registration
- Record beet harvest in 2011 (2.3 mln tons) with beet yield reaching 35 tons per ha (+116% YoY)
- Four own elevators allow for optimization of storage and distribution costs
- Vertically integrated with other business segments
  - One of the largest Russian sugar beet producers
  - Grain and other crops used for fodder production in Meat segment
  - Pig breeding facilities provide organic fertilizer, while sugar processing plants supply calcium carbonate to increase land production efficiency

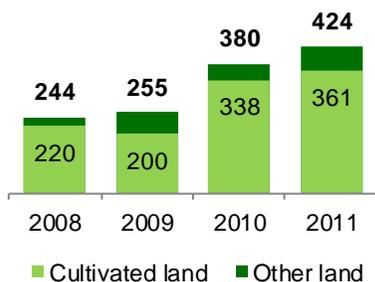
## Net crop yields (tons/ha): strong YoY growth in 2011



Source: Rusagro

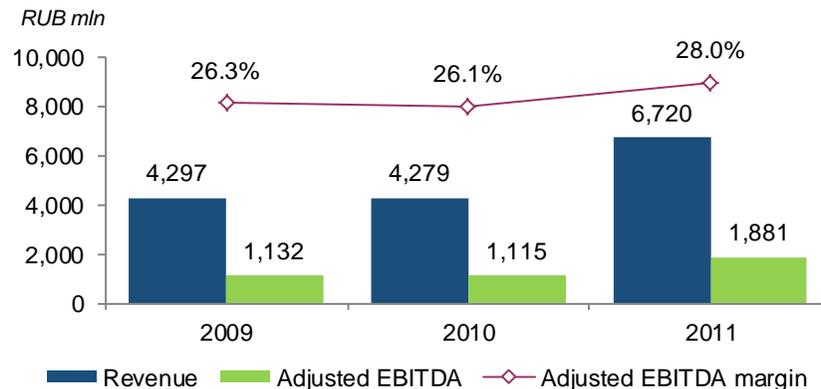
## Growing land bank, th.ha

### Total and cultivated land resources



Source: Rusagro

## Revenue\* and adjusted EBITDA\* development



Note: \* – Including intragroup sales and costs  
Source: Audited 2009-2011 IFRS financial statements

## Q1 2012 update

- Segment's revenue increased ten fold to RUB799mln from RUB75mln in 1Q 2011
- EBITDA increased to RUB133mln (EBITDA margin of 16.6%) compared to loss of RUB147mln in 1Q 2011
- Total crop sales reached 240 th. tons (incl. 163 th. tons of sugar beet) compared to 5 th. tons in 1Q 2011 (no sugar beet sales)
- Total land bank increased to 440 th. ha by 31 March 2012

# Rusagro's Oil & Fats Business

## Highlights

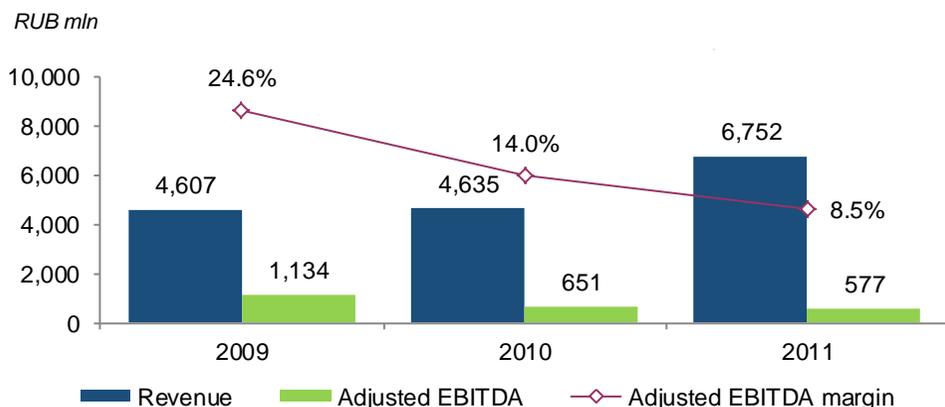
### Production of sauces and fats

- Oil and fats plant in Yekaterinburg focused on mayonnaise and consumer margarine production
- A leading player in Russia and selected Central Asia countries
- Segment's production in 2011 amounted to 57 th. tons of mayonnaise (+0.2% YoY) and 35 th. tons of margarine (+8.9% YoY)

### Vegetable oil production

- SAPP - oil extraction plant in the Samara region (area with surplus supply of sunflower seeds) acquired in March 2011
- 2011 production reached 67 th. tons (incl. 34 th. tons of sunflower oil)
- Yekaterinburg plant is 100% self-sufficient in vegetable oil whereas existing SAPP capacity allows for double increase in oil procurement requirements

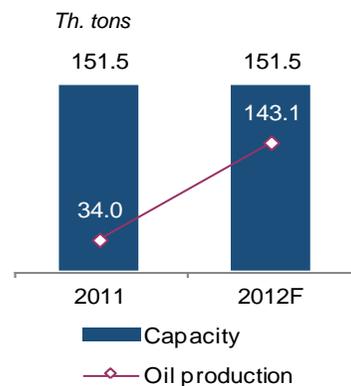
## Revenue\* and adjusted EBITDA\* development



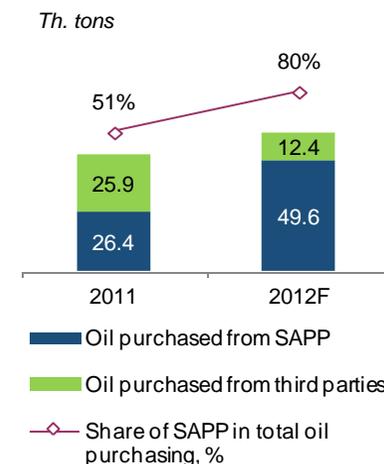
Note: \* - Including intragroup sales and costs  
Source: Audited 2009-2011 IFRS financial statements

## Vertically integrated operations with the launch of SAPP

### SAPP: full production capacity utilization expected in 2012



### Yekaterinburg plant: expected self sufficiency in sunflower oil



## Q1 2012 update

- Segment revenue amounted to RUB1.8bn compared to RUB1.1bn in 1Q 2011 (increase of 73.6% YoY)
- EBITDA increased to RUB392mln (EBITDA margin of 21.5%) compared to loss of RUB81mln in 1Q 2011
- Total oil and fats products sales by the Yekaterinburg plant reached 19.7 th. tons compared to 19.9 th. tons in 1Q 2011 (decline of 1% YoY)
- Total sunflower oil sales by the SAPP plant increased from 0.2 th. tons to 39.7 th. tons as it operated at full capacity

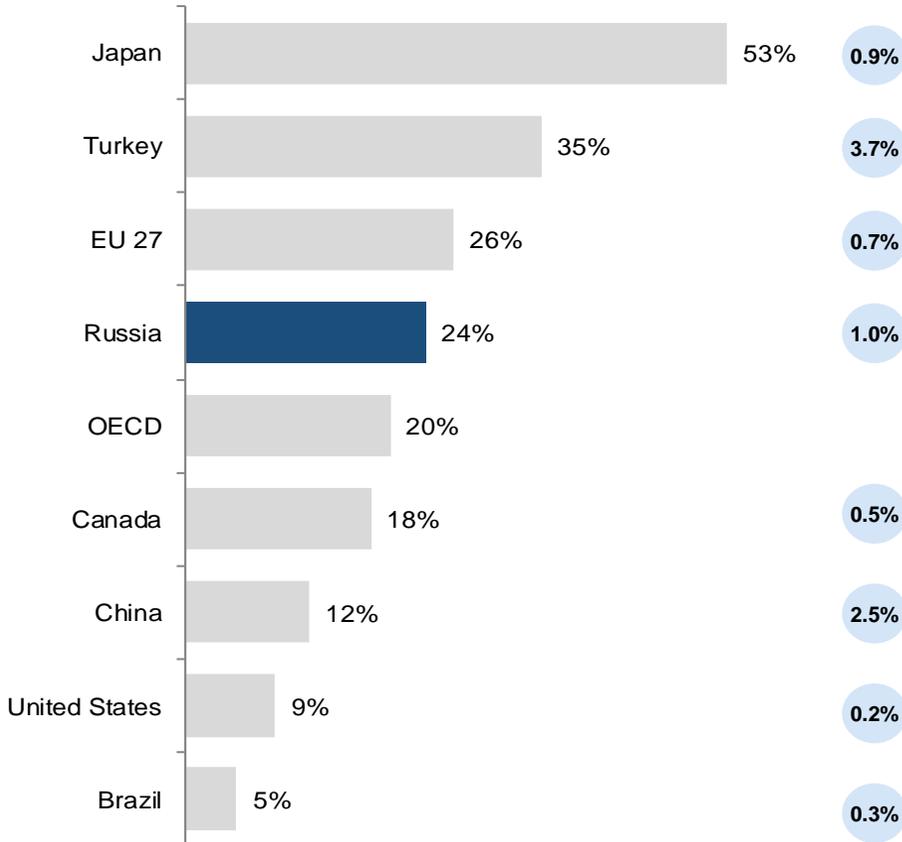
# Consistent government support program

## Worldwide

### Government agricultural support as a % of gross farm receipts

Producer Support Estimate (PSE)<sup>1</sup> as % of gross farm receipts, last 3 years average<sup>2</sup>

PSE as a % of GDP (2010)



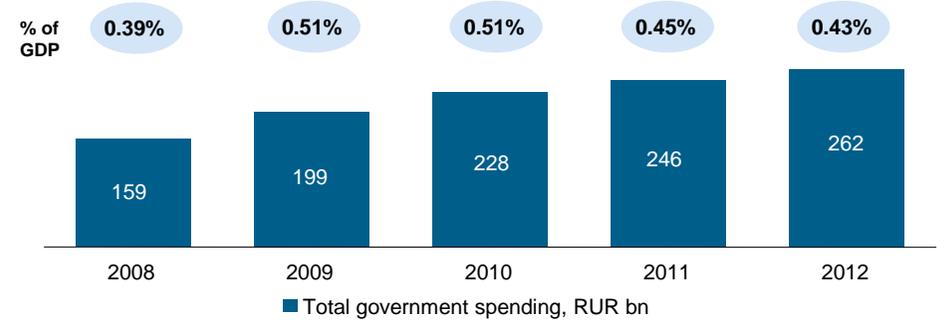
Source: OECD, PSE database, 2011

(1) PSE is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, arising from policy measure. It measures support arising from policies targeted to agriculture relative to a situation without such policies

(2) 2008-10 average for all countries (latest available)

## Russia

### 2008-2012 Federal Program for Agriculture Development



Source: Federal Program for Agriculture Development and Regulation of Agricultural Markets for 2008-2012; 2008-2011 GDP data - Rosstat, 2012 GDP - Federal Law for Federal budget

Note: Total government spending includes plant growing subsidies, interest subsidies, animal breeding subsidies, land fertilities subsidies, construction capex, etc.

### Potential regulatory changes after Russia's entrance to WTO in 2012

- Sugar business:
  - Russia is expected to switch to a single raw sugar import duty (from current low- and high-season duties)
  - No impact on local market if the global raw sugar price remains above \$0.18/lb
- Pork business:
  - Expected decline in pork import duties which will likely negatively affect local prices
    - Zero import duty on pork imported within approved quotas (currently 15%)
    - Decrease in import duty for live pigs from 40% to 5%
  - Resulting decline in profitability of local producers may be compensated for by direct government subsidies to industrial pork producers
- Oils & Fats business:
  - Expected decline in export duty for oil seeds will positively influence agricultural producers but will also negatively impact oil extraction companies

# Rusagro Group

## Investment Highlights



# Summary investment highlights

## Leading Russian diversified food producer with vertically integrated operations

- Leading positions in all product segments
- More stable cash flows through mitigating seasonal and pricing cyclicalities
- Secure supply of raw materials
- Operating efficiency and reduced risks

## Impressive financial track record and strong balance sheet

- Continuous sales growth across all business segments (consolidated sales 09-11 CAGR of 27%)
- Adjusted EBITDA 09-11 CAGR of 8% despite sugar pricing anomaly in 2H 2011
- Net debt/EBITDA 2011 of just 2.3x (with positive financial income as all debt is subsidized)



## Large, fast-growing sector with strong government support

- Total Russian food consumption exceeds US\$200bn with 10-14F CAGR of over 13%
- Strong state support measures such as sugar import tariff, meat import quotas, 0% income tax for some products, long-term subsidized loans etc

## Successful track record of executing acquisitions and greenfield projects

- Over 15 successful acquisitions and 7 disposals since the foundation of the Company
- Completed construction of one of the largest pig breeding facilities in Russia within the budget and ahead of construction schedule

## Experienced management team

- Strong management with extensive experience in the sector and highly committed to the Group
- Independent chairman with strong international experience in the food sector
- IFRS financials prepared since 2003