

- **FY 2007 IFRS Consolidated Financial Results**
- **Strategy to Restructure and Expand Agricultural Land Interests and Operations**



Igor Potapenko, Chairman of Board of Directors

Moscow, June 17th, 2008

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RAZGULAY GROUP

- **FY 2007 IFRS Consolidated Financial Results**

Y2007 Financial and Corporate Highlights



Financial Highlights

- Revenues up 35% Y-o-Y to RUR 31 bn
- EBITDA up 46% Y-o-Y to RUR 4.7 bn
- EBITDA margin of 15% (increased in comparison to Y2006)
- Net Profit up 33% Y-o-Y to RUR 1.2 bn
- Net Debt of RUR 11.3 bn (RUR 10.5 bn in Y2006)
- Total CapEx amounted to 3.6 bn rubles

Corporate Highlights

- Strengthening positions in the list of three leading Russian grain exporters with the share of 6% (export volumes doubled to 850 ths ton in 2007)
- Significant increase in agricultural land assets under control*, from 170 to 217 thousand ha
- Successful secondary public offering in amount of US\$70 mn at the end of 2007 as the base to finance expected more than twice increase in agricultural land assets under control in 2008
- Sugar beet harvest doubled to 1.5 mn ton in 2007 in comparison to 2006
- Increase in revenues from cereals operations by 1.6 times to RUR 3.8 bn
- Large-scale modernization of rice-processing plants has been started, completion of which is expected in the first half of 2008
- Deployment of 3-year long program for modernization of sugar-processing plants

4 *The "land bank under control" includes registered land, purchased Land Shares pending cadastre and title registration, registered long-term leases and land in the process of obtaining a leasehold or ownership interest pursuant to the cumulative effect of revocable powers of attorney, non-binding short-term leases with local governments or the use of Land Agents.

Grain Division: operational results

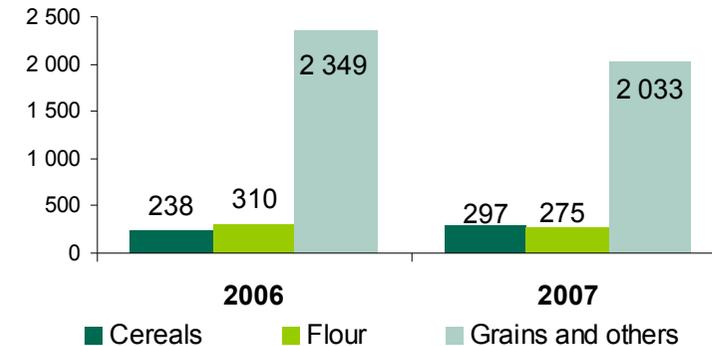
Grain market highlights

- Rapid growth of global export prices to 12-year high prices (up to US\$ 450-500 per ton) on the back of strained global supply/demand balance
- Premium returns on grain export (before introduction of export customs duties)
- Rise in prices in the domestic market following the global price growth
- In 2008 the domestic market is expected to strengthen to a new price level (not below the price of state interventions – RUR 5.5 ths per ton)

Rice market highlights

- Growth of world prices by the level of US\$900-1000 per ton
- Decrease in import on the back of increase in domestic rice production from 260 to 320 ths ton
- Domestic market prices expected to follow the increase in world rice prices (from RUR 16 ths to RUR 23 ths per ton within Y2007)
- Market growth is forecasted in the upcoming years due to increased per capita consumption (current per capita consumption in Russia varies from 4.5 to 5 kg p.a. vs. 10 kg in US)

Sales of cereals, flour and grains in ths ton



Y2007 Grain Division Highlights

- Increase in the export volumes of grains for 93% (from 440 ths ton in 2006 to 850 ths ton in 2007)
- Total sales of grain in 2007 amounted to 2,033 ths ton (87% of Y2006) on the back of significant increase in revenues due to moving to the new pricing levels
- Sales of cereals up 25% to 297 ths ton and sales of flour amounted to 275 ths ton (89% of Y2006)
- Significant harvest of grains in amount of 149 ths ton
- Increase in harvest of rice by 17% in 2007 due to increased yields

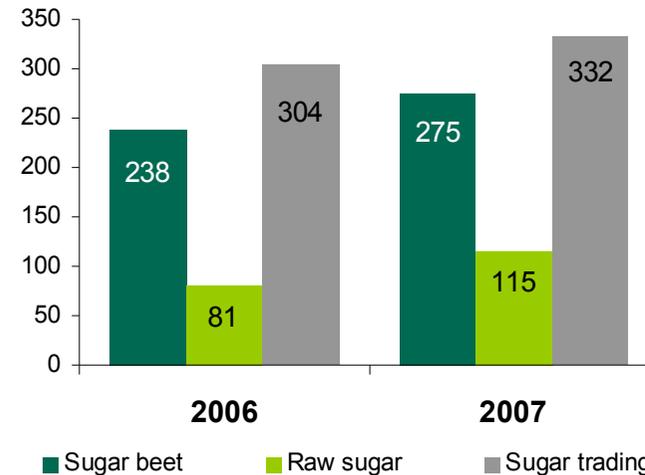
Sugar Division: operational results



Sugar market highlights

- Relatively stable domestic consumption at the level of 6.4 mn ton in 2007
- Introduction of seasonal customs duties supported the increase in production volumes of sugar from sugar beet from 2.5 mn ton in 2005 to 3.3 mn ton in 2007
- Depressed market situation continued through the end of fall in 2007 (average prices in 2007 were 10-15% lower than pricing levels in 2006)
- Introduction of seasonal customs duties in the end of 2007 triggered the continued growth trend in white sugar prices up to US\$800 per ton

Sales of sugar in ths ton



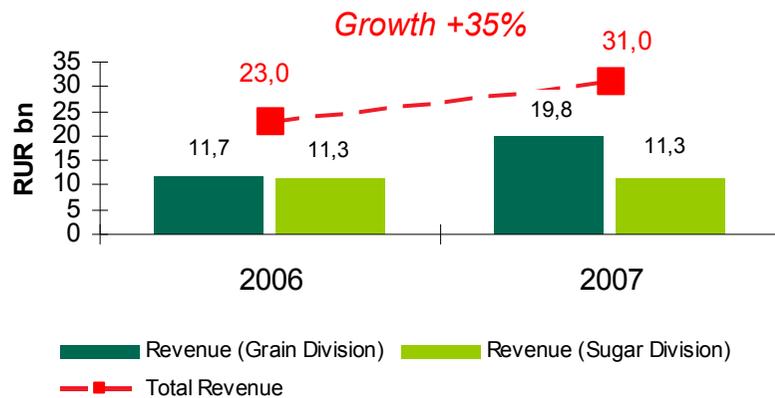
Y2007 Sugar Division Highlights

- 94% increase in harvest of sugar beet in 2007 (1,477 ths ton in comparison to 760 ths ton in 2006)
- Sales of sugar from sugar beet increased 16% to 275 ths ton, sales of raw sugar up 42% to 115 ths ton
- Volumes of sugar trading operations amounted to 332 ths ton in 2007 (304 ths ton in 2006)
- Following of its long-standing strategy, Company continues decreasing the share of low-margin sugar trading operations as a total volume of sales from 49% in 2006 to 45% in 2007

FY 2007 IFRS Consolidated Financial Results: Revenue, EBITDA and Net profit



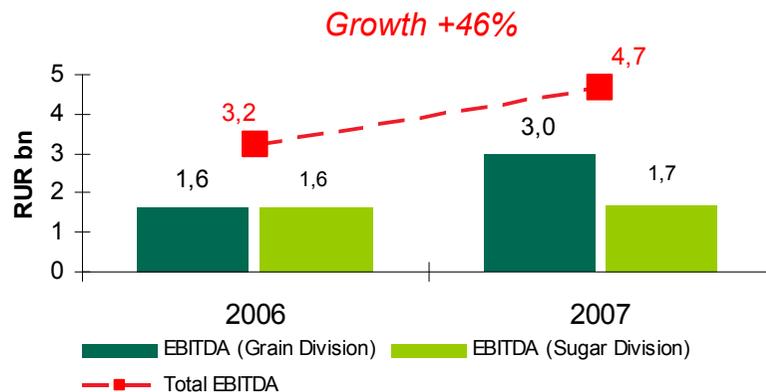
Revenue, RUR bn



Key Considerations

- Total Revenue up 35% Y-o-Y to 31 RUR bn
- Revenue of Grain Division up 69% Y-o-Y
- Revenue of Sugar Division remained unchanged Y-o-Y
- Increased export operations and rise in prices for agricultural commodities (grain, cereals and flour) are the main drivers of revenue growth in the Grain Division
- Sugar Division revenue was affected by the fact that seasonal customs duty for imported raw sugar was introduced later than expected. Average sugar selling price in 2007 was RUR 15.9 th per ton versus RUR 17.8 th per ton in 2006

EBITDA, RUR bn



Key Considerations

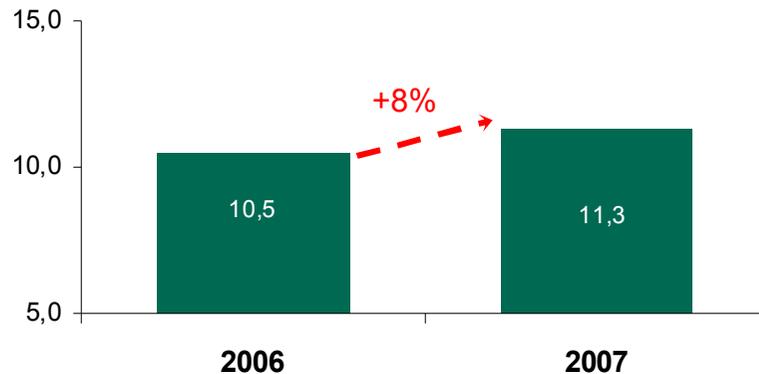
- Total EBITDA up 46% Y-o-Y to RUR 4.7 bn (RUR 3.2 bn in Y2006)
- EBITDA of Grain Division up 90% to RUR 3.0 bn
- EBITDA of Sugar Division increased insignificantly Y-o-Y to RUR 1.7 bn
- Total EBITDA margin increased from 14% in 2006 to 15% in 2007
- Net Profit up 33% to RUR 1.2 bn

FY 2007 IFRS Consolidated Financial Results:

Net Debt and CapEx



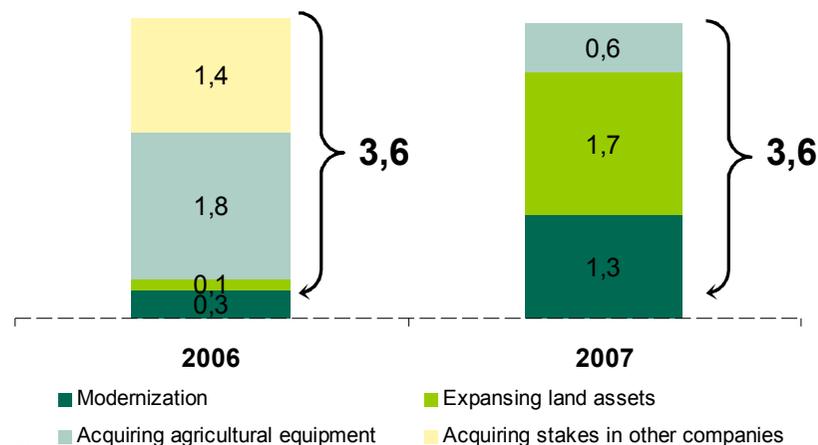
Net Debt, RUR bn



Key Considerations

- Net Debt at RUR 11.3 bn (RUR 10.5 bn in Y2006)
- Increase in Net Debt was driven mostly by increase in Working Capital
- Net interest expenses in Y2007 amounted to RUR 1.5 bn vs. RUR 1.0 bn in Y2006
- Total amount of state subsidies received in Y2007 up 3.5 times Y-o-Y to RUR 0.35 bn

CapEx, RUR bn



Key Considerations

- CapEx in Y2007 remained unchanged in comparison to Y2006 and amounted to RUR 3.6 bn
- CapEx financed by internally generated funds and SPO proceeds
- Company's Investment focus:
 - increasing agricultural land assets under control
 - acquisition of agricultural machinery
 - rehabilitation and modernization of processing capacities to increase processing volumes and production output

FY 2007 IFRS Consolidated Financial Results:

Key balance sheet items



Key balance sheet figures	Y2006	Y2007	<i>in RUR bn</i>
Property, plant and equipment	15.5	14.6	
Other non-current assets	1.7	3.8	
Inventories	3.5	3.4	
Trade and other receivables	5.5	12.3	
Short-term investments	1.5	2.1	
Cash and cash equivalents	2.2	2.7	
Total assets	29.9	39.0	
Total Equity	14.2	17.0	
Long-term loans and borrowings	4.0	5.0	
Short-term loans and borrowings	8.7	9.0	
Trade and other payables, incl. reserves	1.2	6.6	
Net Debt	10.5	11.3	
Net Debt to Assets	0.35	0.29	
Net Debt to Equity	0.74	0.66	
Net Debt to EBITDA	3.3x	2.4x	

Increase was mainly driven by investments undertaken to expand the agricultural land assets under control

Rise in receivables and payables as the result of increase in grain trading operations in Y2007
 Net Current Assets up 34% to RUR 15.4 bn

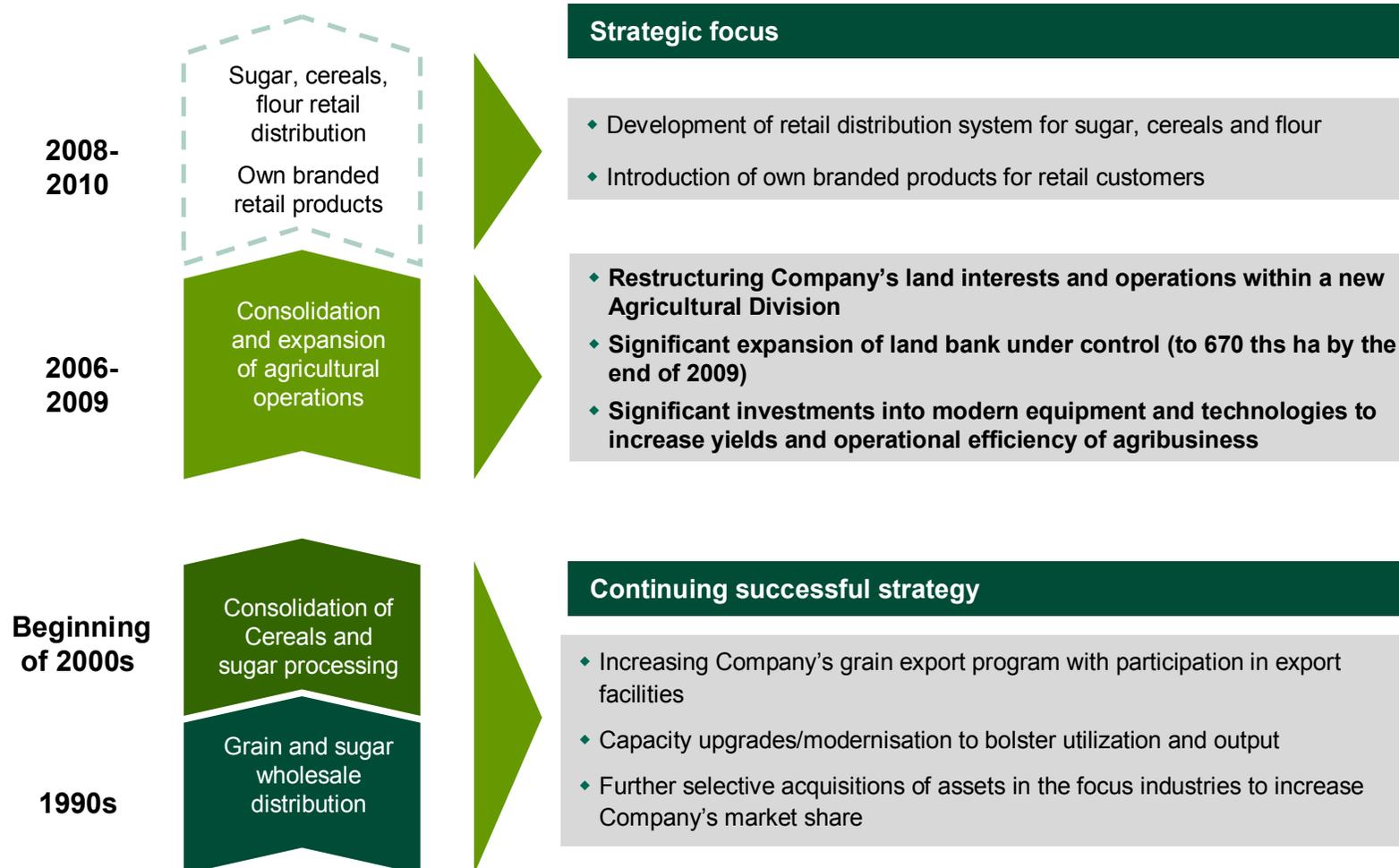
We believe the acceptable level of Net Debt to EBITDA ratio for agricultural industry is 4.5x – 5.0x by taking into account the interest rate subsidizing programs



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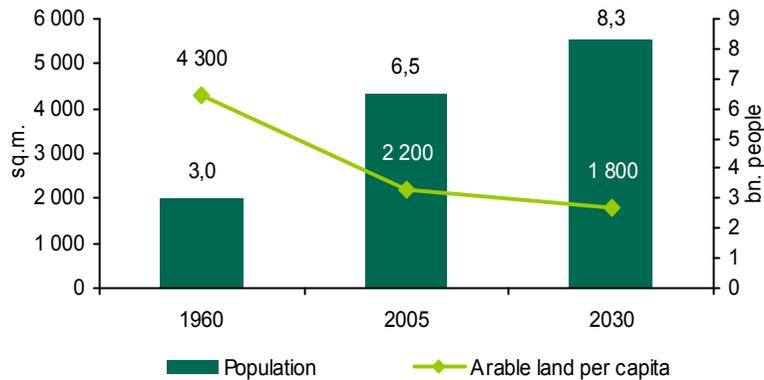
- **Strategy to Restructure and Expand Agricultural Land Interests and Operations**

Furtherance of the Company's strategy of strengthening vertical integration and diversification



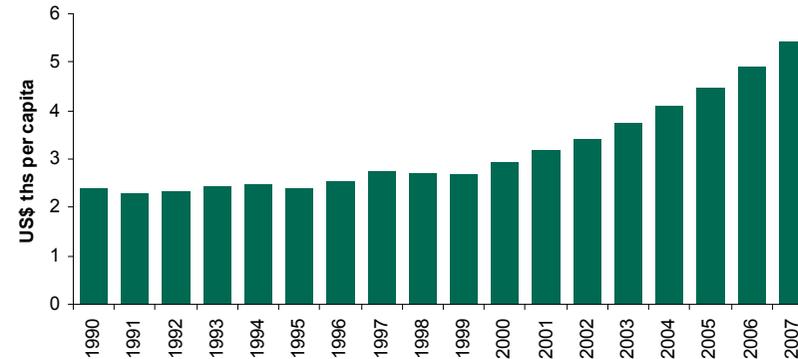
Key drivers for increase in world demand for agricultural commodities

Decreasing arable land per capita



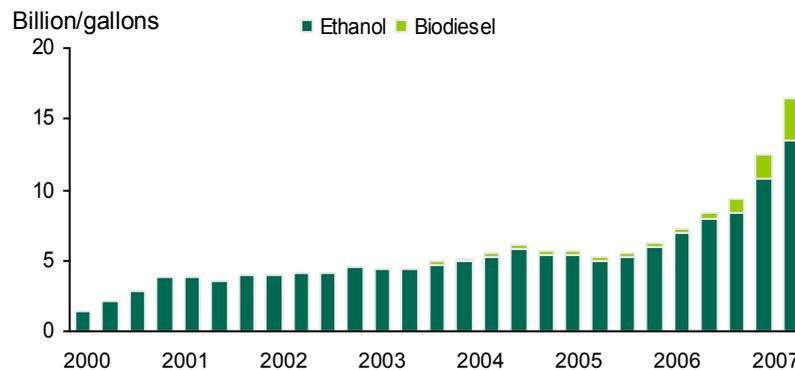
Source: United Nations, FAO

Growth of disposable income in the BRIC countries



Source: Economist Intelligence Unit

Increase in the global biofuel production



Source: International Energy Agency; FO Licht

Key considerations

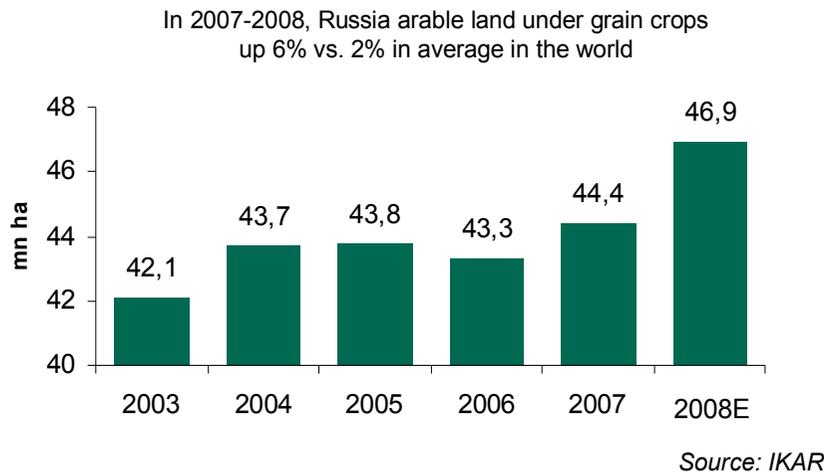
- Growth in population and decreasing arable land per capita
- Higher disposable incomes in developing countries resulted in increased consumption in premium products, including meat and poultry, which in turn pushes up demand for grains as main livestock feed
 - up to 8 kg of grains is necessary to produce 1 kg of beef
 - average Chinese individual who consumed 20 kg of meat in 1985 compared with 50 kg in 2007
- Substantial growth in world production of biofuel from 5 bn gallons in 2000 to 16 bn gallons in 2007

Source: IEA, Euromonitor, IKAR, The Economist

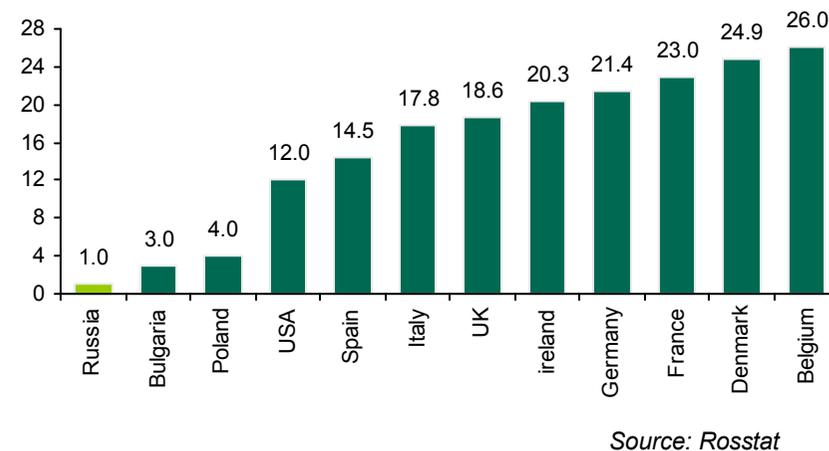
Russian agriculture: solid fundamentals with significant growth potential



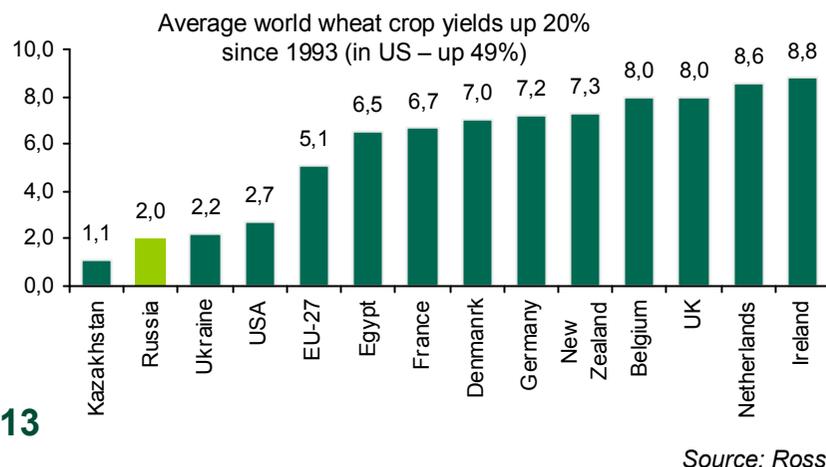
Arable land under grain crops in Russia, mn ha



Average price for arable land in 2007, US\$ ths per ha



Wheat yields by country, 2006-2007, tons per ha



Key Considerations

- Significant reserves to increase the arable land under grain crops from 46 to 61 mn ha (to the level of 1991)
- Significant potential for yields increase coming from higher investments into new technologies, modern equipment, and use of fertilizers
- Growing state support from US\$4.8bn in 2006 to above US\$8.2bn in 2008

Source: IKAR, Rosstat, European Union Commission

Restructuring and expansion Company's agricultural operations within new Agricultural Division



Agriculture Division

- ◆ Restructuring Company's agricultural land interests and operations within new Division LLC "Razgulay Agro"
- ◆ 416 ths ha of agricultural assets, of which 260 ths ha under control and additional 156 ths ha is currently in the process of being acquired under control
- ◆ Approximately 200 ths ha of total land area are under cultivation
- ◆ Plans to expand the total land bank under control to 600 ths ha by the end of 2008 and to 670 ths ha – by the end of 2009
- ◆ Plans to increase the total land area under cultivation to 90% of total land bank by the end of 2009



Grain Division

- Grain wholesale distribution
- Cereals processing
- Flour processing

- ◆ 13 elevators with total capacity of 1,920 th. tons
- ◆ 3 rice processing plants (the largest in Russia in terms of capacity) with total per annum capacity of 440 th. tons
- ◆ 6 flour processing plants with total capacity of 608 th. tons per annum

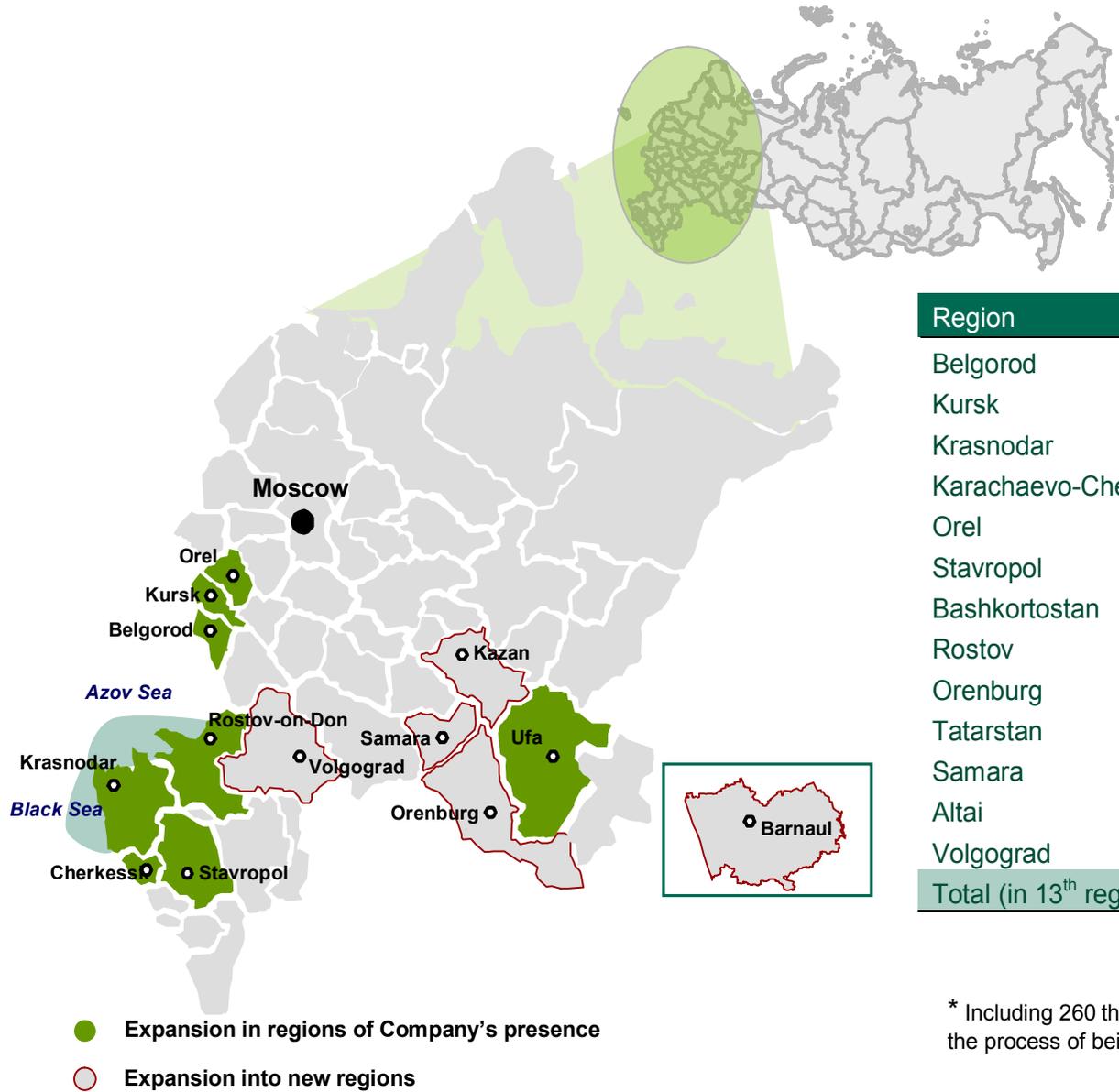
Cultivation assets to be transferred from Grain and Sugar division

Sugar Division

- Sugar beet processing
- Raw sugar processing
- Sugar wholesale distribution

- ◆ 12 plants for sugar beet processing with total annual capacity of 4,340 th. tons and 1,530 th. tons for raw sugar processing

Land assets location



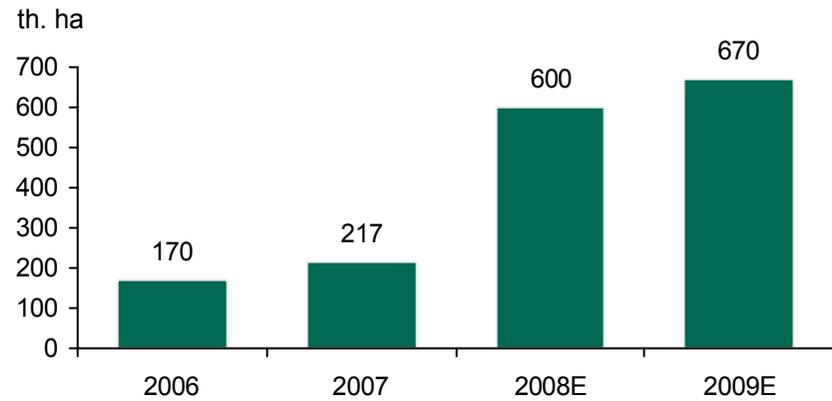
Region	ths ha
Belgorod	33
Kursk	47
Krasnodar	40
Karachaevo-Cherkessk	12
Orel	33
Stavropol	6
Bashkortostan	95
Rostov	61
Orenburg	7
Tatarstan	4
Samara	21
Altai	45
Volgograd	11
Total (in 13th regions of Russia)*	416*

* Including 260 ths ha under control and 156 ths ha in the process of being acquired under control

Investment program for expansion of agricultural operations

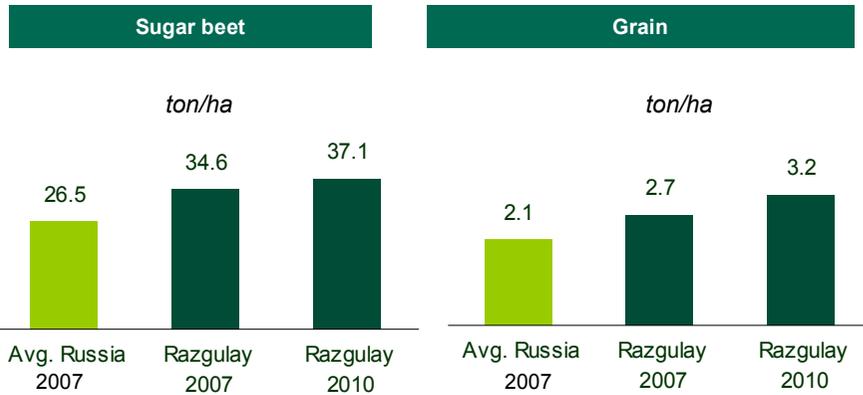


Expansion of land assets under control



Source: Razgulay

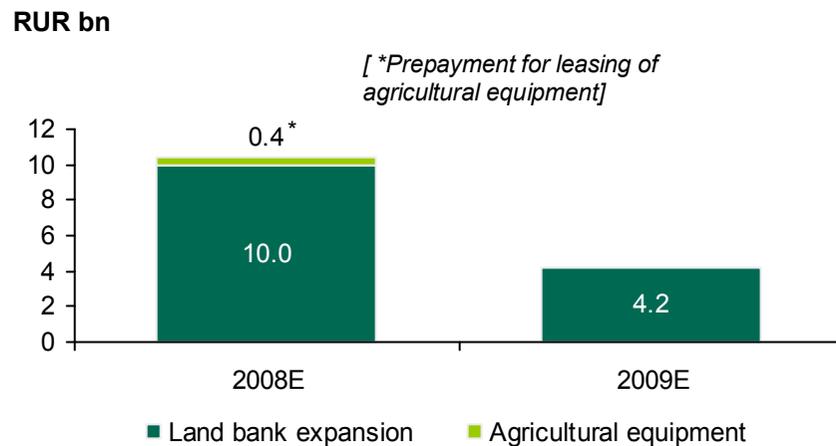
Plans to increase crop yields, 2007-2010E



Note: Grain yield is shown on the example of wheat

Source: Razgulay

CapEx, 2008E-2009E



Source: Razgulay

Key Considerations

- Estimated Y2008 CapEx for agricultural equipment in amount of RUR 0.4 bn comprises initial payment to lease equipment (7% of total equipment cost). The program operator is Rosagroleasing
- Total equipment cost amounts to RUR 5.3 bn, which will be repaid during 15 years with 2% interest rate

Estimated increase in the Company's land area under cultivation and total croppage for main crops



Land plots cultivated with main crops (ths ha)	2007	2008E	2010E
sugar beet	42	40	95
raw rice	16	16	34
wheat	37	48	168
barley	21	35	162
fallow land and other crops	15	61	161
total land plots under cultivation	130	200	620
unused land at the current season	87	400*	50
total	217	600	670

Total croppage for main crops (ths ton)	2007	2008E	2010E
sugar beet	1 477	1 473	3 509
raw rice	105	102	227
wheat	101	187	584
barley	36	118	476

**Includes 156 ths hectares in the process of acquisition and additional 244 ths hectares expected to be identified and subsequently purchased*

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