



**RAZGULAY GROUP**

# 2007 Top-line

February 2008



# Grain Market



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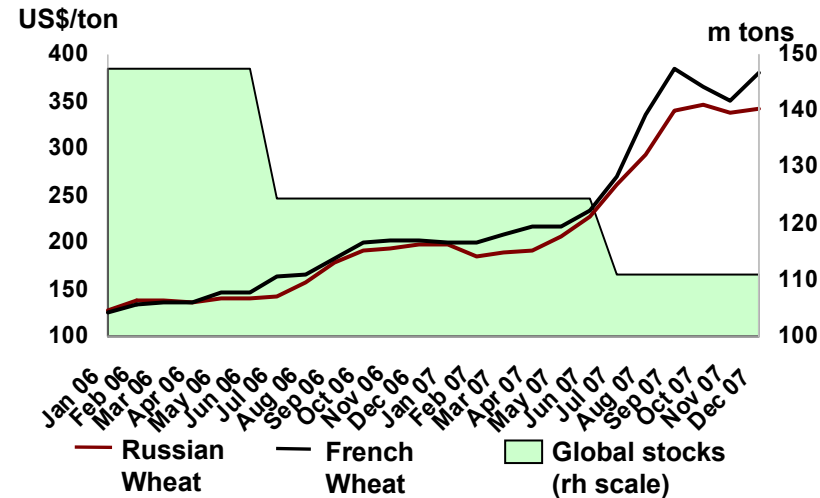
## Trends in the grain market in 2007

- ◆ Global supply/demand balance strained;
  - ◆ Increased consumption of grain (biofuels)
  - ◆ Lower crops in some grain-producing countries
  - ◆ Global stocks of grain are currently at their lowest level since 1980-81
  - ◆ Rapid growth of global export prices (to 12-year high levels)
- ◆ Premium returns on grain exports (before introduction of export customs duties)
- ◆ Price growth in the domestic market following the global price growth

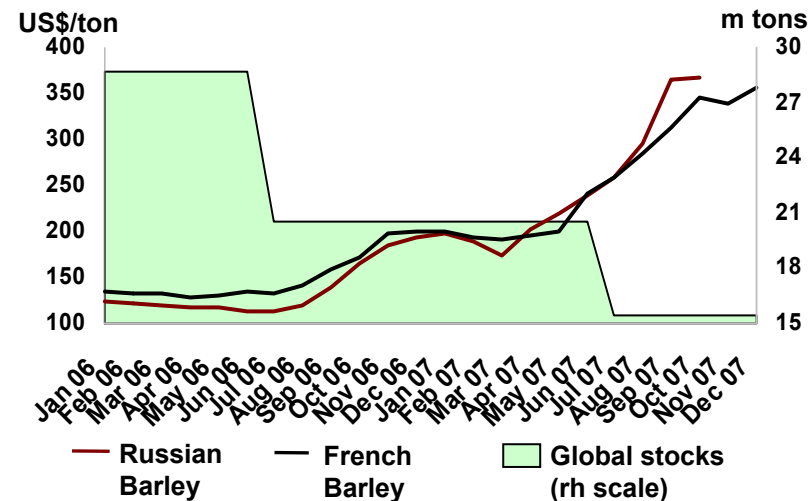
## Grain market outlook

- ◆ Markets are seen as strengthening at new price levels; retreat to previous price levels unlikely
- ◆ Russian Federation's increased importance in global grain production and strengthening of Russia's position among the top-5 global grain exporting countries
- ◆ Going forward, Russian state policy in grain export regulation will be determined primarily by the forecasts for the size of the 2008 grain crop

**Wheat, price trends\*; US\$/ton**



**Barley, price trends\*; US\$/ton**



# Rice Market

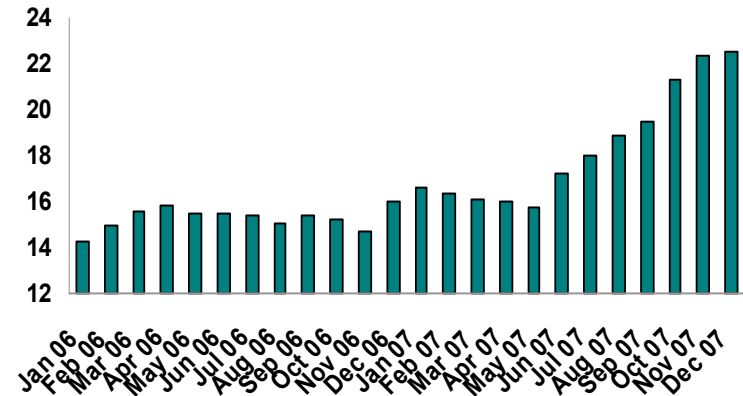


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## Major trends in the rice market in 2007

- ◆ Growth of domestic production; decreased imports
- ◆ Increased customs protection of the market (introduction of seasonal customs duty; tougher quality control measures for imported rice)
- ◆ Depletion of stocks (already led to the start of another price growth trend)
- ◆ Increasing prices for milled rice

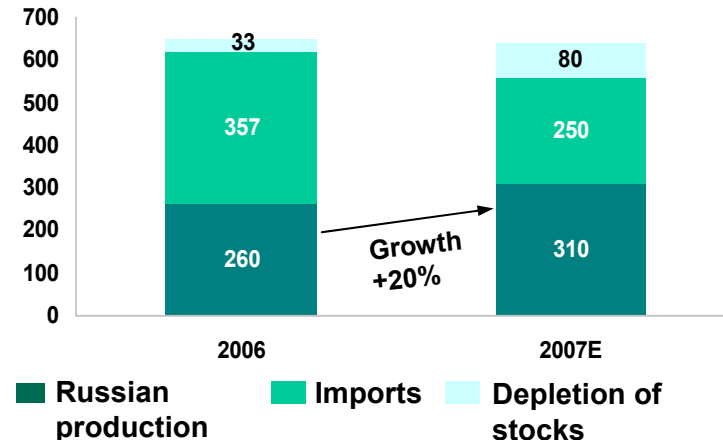
**Milled rice prices (in '000 RUR/ton)**



## Russian rice market outlook

- ◆ Price growth trend continues
- ◆ Further development of rice growing industry in Russia
- ◆ Market growth forecast based on increased per capita consumption (current per capita consumption in Russia – 4.5 to 5 kilograms p.a. in the US – 10 kg p.a.)
- ◆ Increased consumption of high value-added rice-based products

**Russian rice market capacity (in '000 tons)**



# Sugar market

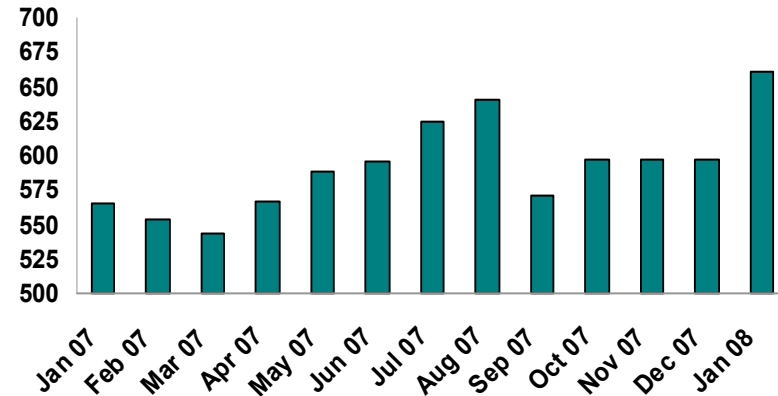


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## Main sugar market trends in 2007

- ◆ Increased customs protection of the industry – introduction of seasonal customs duty (end 2007) that started a new price growth trend
- ◆ Growth of volumes of raw sugar imports spurred by expectations of introduction of seasonal customs duties

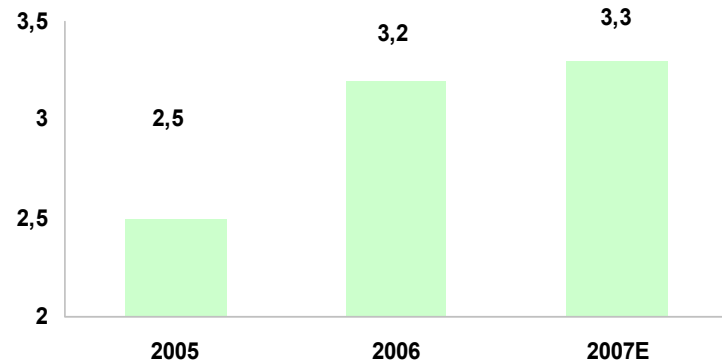
Sugar, US\$/ton



## Russian sugar market outlook

- ◆ Continuing growth trend in white sugar prices (up to 750US\$/ton of white sugar)
- ◆ Further growth of share of domestically produced sugar in total consumption (up to 75% - 80% from total consumption in the short-term future)

Domestic production of sugar in mn tons



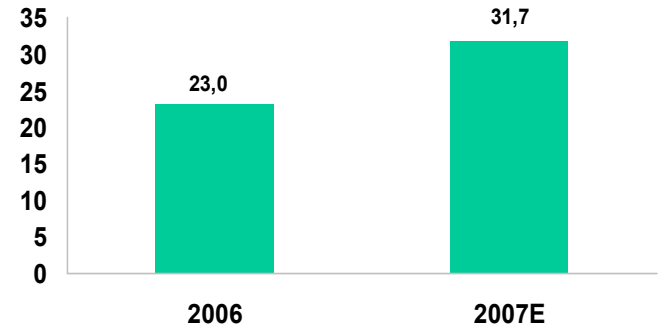
# Revenue



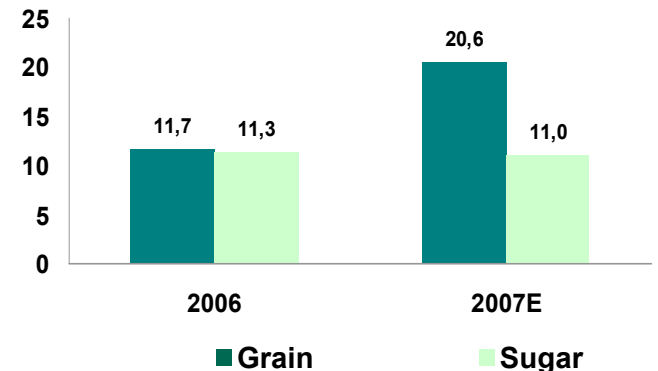
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- ◆ Aggregate 2007 revenue of the Group's companies was RUR 31.7 bn (138% of 2006 revenue)
- ◆ Revenue of the grain sub-holding grew by 77%; sugar sub-holding revenue remained unchanged compared to respective 2006 numbers
- ◆ Increased prices for agricultural commodities (grain, cereals and flour) are the main driver of revenue growth in the grain sub-holding
- ◆ Sugar sub-holding revenues were squeezed by the fact that seasonal customs duty for imported raw sugar was introduced later than expected. Average sugar selling price in Sugar Division in 2007 was 15,9 th RUR per ton versus 17,8 RUR per ton in 2006.

**Revenue, in bn RUR**



**Revenue by Segment, in bn RUR**



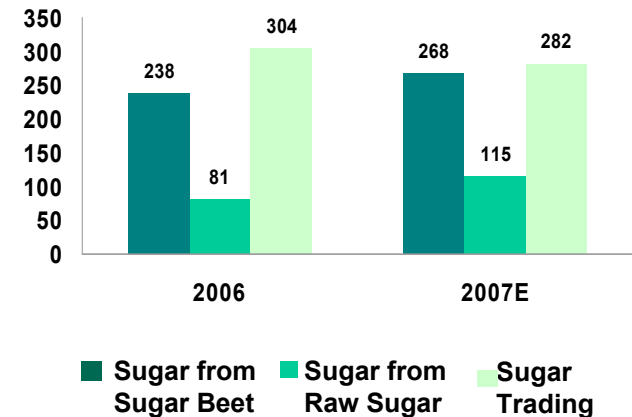
# Group's Performance in Physical Terms



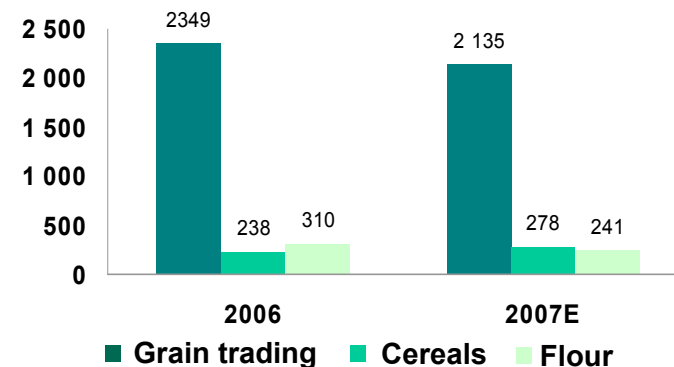
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- ◆ Sales of sugar from sugar beet were 268,000 tons (113% compared to 2006 levels); sales of sugar manufactured from raw sugar were 115,000 tons (142% compared to 2006). Sugar trading volumes in 2007 were 282,000 tons (304,000 tons in 2006).
- ◆ Executing its previously announced strategy, the Group continues growing the share of sugar production from sugar beet (from 38% of total in 2006 to 43% in 2007) and decreasing the share of trading (from 49% in 2006 to 45% in 2007)
- ◆ Grain sales in 2007 were 2,135,000 tons (91% compared to 2006 levels); export volumes grew by 93% (from 440,000 tons in 2006 to 850,000 tons in 2007). Sales of cereals were 278,000 tons (117% compared to 2006 results), flour sales were at 241,000 tons (78%)
- ◆ The operations of grain sub-holding of the Group in 2007 were aligned with the Group's strategic objectives: increasing export volumes and growing production of cereals
- ◆ In 2007 the Group for the first time ever harvested a sizable grain crop (153,000 tons)

**Sugar sales in '000 tons**



**Grain sales, in '000 tons**



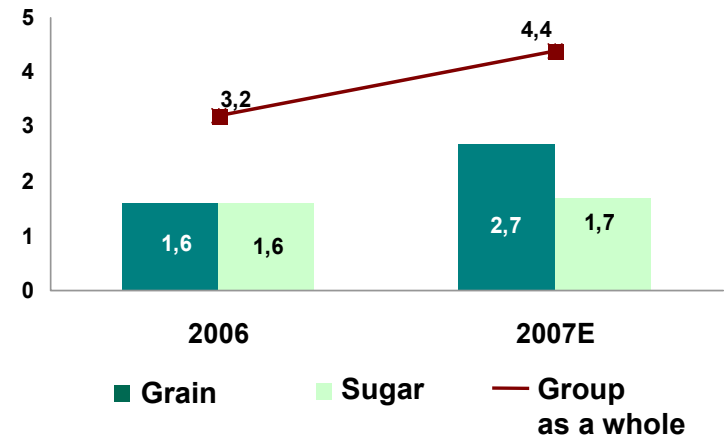
# EBITDA



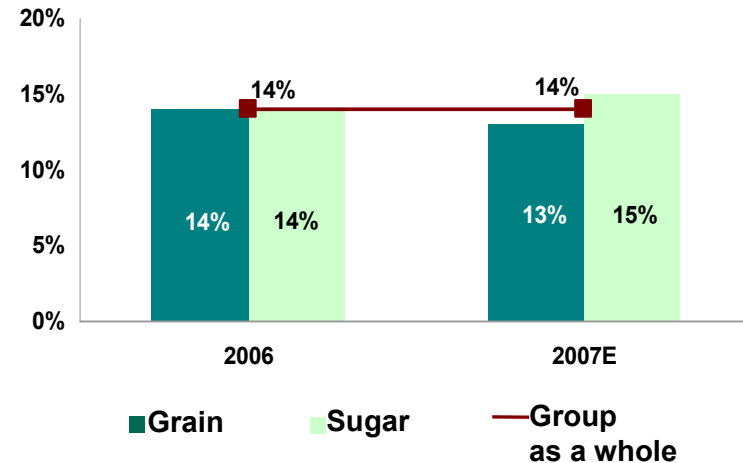
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- ◆ The Group's aggregate EBITDA for 2007 was 4.4 bn RUR (as compared to 3.2 bn RUR in 2006; EBITDA growth was 36%)
- ◆ 2007 EBITDA of the grain sub-holding increased by 70% and was 2.7 bn RUR; 2007 EBITDA of the sugar sub-holding remained at 2006 levels and was equal to 1.7 bn RUR
- ◆ EBITDA margin of sugar sub-holding increased from 14% in 2006 to 15% in 2007 (due to decreased share of trading in total volume); EBITDA margin of grain sub-holding decreased from 14% to 13% (at the same time EBITDA per 1 ton of product sold increased in grain trading by 60% and in cereal sales – increased by 4%). Total EBITDA margin for the Group remained at the level of 2006 and was equal to 14%.

**EBITDA; in bn RUR**



**EBITDA Margin**



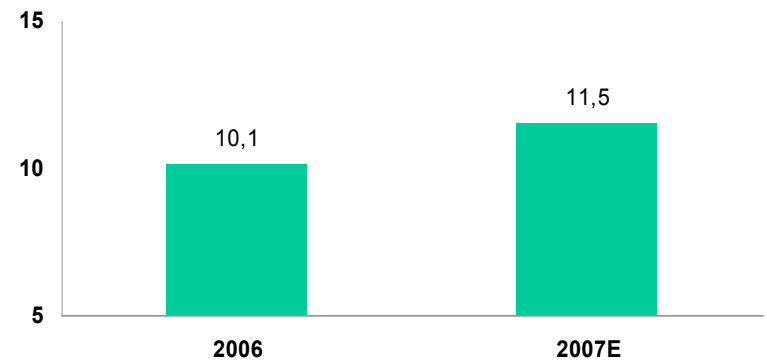
# Net Debt & CAPEX



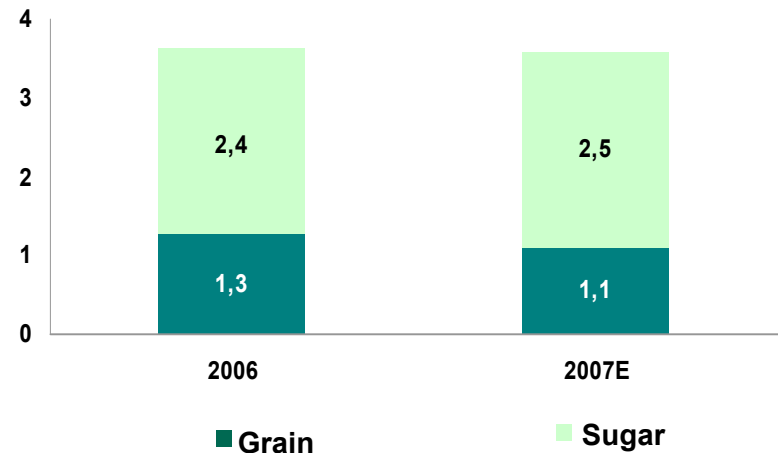
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- ◆ Net debt at end of 2007 stood at 11.5 bn RUR (as of end 2006 net debt was 10.1 bn RUR)
- ◆ An increase in net debt was caused by growth of working capital
- ◆ 2007 CAPEX was 3.6 bn RUR (similar to 2006 numbers). Investments were funded with internally generated funds and with SPO proceeds.
- ◆ The Group's investment policy guidelines are:
  - ◆ Increasing output of internally grown sugar beet through increased land areas under the crop and through acquisition of agricultural machinery
  - ◆ Increasing the processing yields and overall processing capacity of the plants through modernization of processing equipment at the plants.

**Net Debt, in bn RUR**



**CAPEX, in bn RUR**



# Contact Information



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