



RAZGULAY GROUP



RAZGULAY GROUP

Q1 2010 Management accounts

Moscow, 2010





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- **Q1 2010 Management accounts**

Results of the Group's operations in Q1 2010



Key financial indicators*

- Improved financial performance; increased efficiency: Q1 EBITDA amounted 1.3 billion rubles (growth of 67%)
- Cost control:
 - Decrease of general and administrative costs by 5% (a 10% decrease of non-production-related costs)
 - Headcount optimization: Grain division headcount reduced by 500 FTEs
- Control over investments: investments decrease twofold (from 342 to 185 million rubles).
 - Investment program fulfilled in 2007-2009 allows the Company to minimize current investment levels without any deterioration of performance of its manufacturing assets

Key corporate events

- Completion of restructuring of the Group's loan portfolio. Put options of the bond issues were exercised in full.
- Annual IFRS financials audited in record time: April 2010 (prior years' audits were completed in June or July)
- The Group will start disclosing quarterly IFRS results (starting from Q3 2010)

Note: here and throughout this presentation (except for slide #6) data from the Group's management accounts is used. Potential differences between management accounts and IFRS are discussed in slide #6.

Trends in key financial indicators



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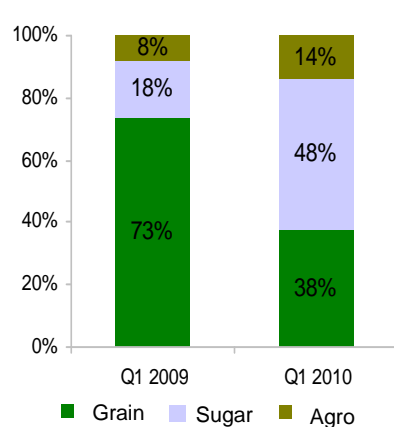
Q1 2010 results: key sources of increased efficiency

Sources of increased efficiency:

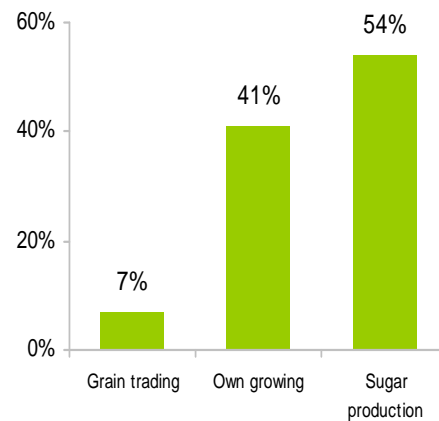
- ◆ Higher volume (and share of total) of operations in the most profitable sectors with high value-added (sugar production from sugar beet; own agricultural production);
- ◆ Lower volumes of low-margin trading business

In billion rubles	Q1 2009	Q1 2010
Revenue	7,5	5,8
<i>Trading operations</i>	3,2	1,3
<i>Own production</i>	4,3	4,5
Gross profit	2,0	2,1
<i>Gross profit margin</i>	27%	36%
Selling expenses	-0,7	-0,5
Administrative expenses	-0,5	-0,4
Net other operating revenues (expenses)	0,0	0,1
EBITDA from operations	0,8	1,3
<i>EBITDA margin</i>	11%	22%

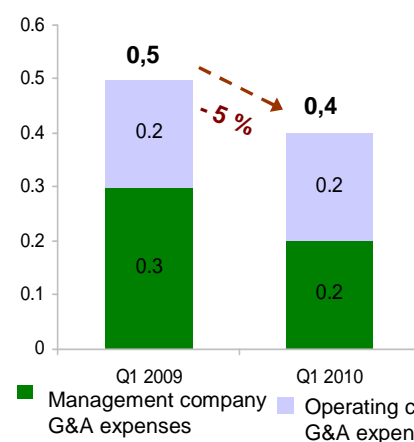
Revenue breakdown trends, in %



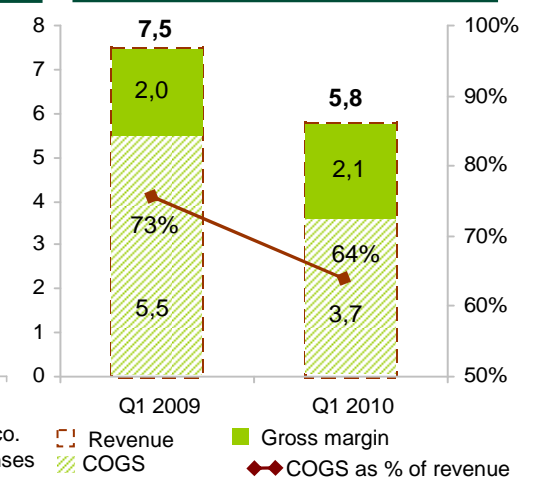
Margins by type of business, %



Trends in G&A costs, in billion rubles



Revenue and COGS, in billion rubles



Projected EBITDA adjustments under IFRS



- ◆ Source of data provided in this presentation is the Group's internal reporting (management accounts)
- ◆ There is a number of differences between procedures of calculation of financial metrics used in the Group's management accounts and in the IFRS financial statements. The most material of these differences are listed below:
 - ◆ Recognition of incoming and outgoing VAT in management accounts for revenue and expense line items;
 - ◆ Lack of biological asset fair value adjustments in management accounts (including fair value adjustments for cost of sales of inventories being sold; IAS 41);
- ◆ The Group performed preliminary calculations of possible negative adjustments of consolidated management accounting data to be made in IFRS financial statements.

In billion rubles	Q1 2009	Q1 2010	Increase
EBITDA from management accounts	0,8	1,3	0,5
IFRS adjustments (impact on EBITDA)	0,6	0,6	
<i>Reversal of income from VAT reimbursement</i>	-0,2	-0,2	
<i>Reversal of VAT from expenses</i>	+0,1	+0,1	
<i>IAS 41: COGS revaluation due to agricultural asset revaluation</i>	-0,5	-0,5	
Total EBITDA taking into account possible adjustments under IFRS	0,2	0,7	0,5

- ◆ The above-mentioned adjustments represent the most conservative scenario
- ◆ A significant amount of these adjustments is caused by seasonality (e.g. cost of inventories sold includes gain from revaluation of fair value of biological assets recognized in prior periods – but recognition of a portion of the revenue from the 2010 crop will only occur under IFRS in financial statements for H1 2010)
- ◆ Amount of adjustments is the same for comparable periods, it does not affect the trends in EBITDA between Q1 2010 and Q1 2009.
- ◆ Calculations given above are for reference only. This presentation is commenting on management accounts data (without any adjustments)



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- **Q1 2010 management accounts by sub-holding of the Group**

Grain sub-holding

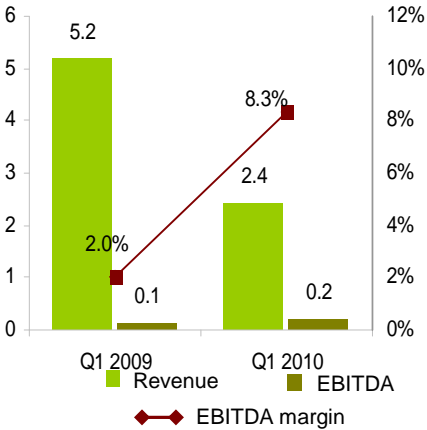


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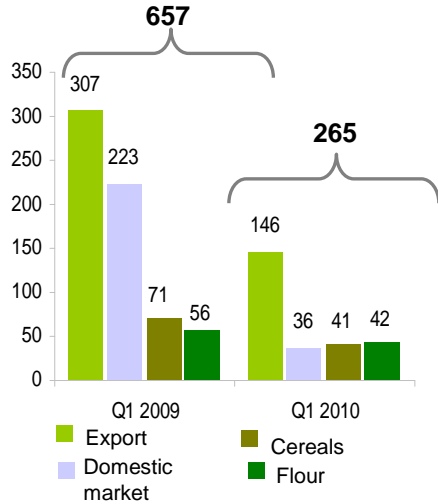
Key factors of Q1 2010

- ◆ Revenue was 2.4 billion rubles. EBITDA was 0.2 billion rubles (vs. 5.2 billion rubles and 0.1 billion rubles in Q1 2009 respectively).
- ◆ EBITDA margin grew 4x: from 2% to 8.3%
- ◆ Key factors influencing trends in financial performance:
 - ◆ Lower volumes of grain trading: in 2009 we had large opening balances of our inventories that had to be sold – in a falling prices environment – even with a negative margin. After open position limits were set, we only can do a transaction in grain if our markup is positive. Due to that volumes are going down, but average markup is increasing.
 - ◆ Rice prices down by 20% compared to Q1 2009, leading to lower sales volumes, lower revenue and lower margin in processed rice (cereals).
 - ◆ Higher volume of grain owned by third parties in our storage facilities – growth of 38% (from 658,000 tons to 908,000 tons).
- ◆ Achievements of the sub-holding's management team:
 - ◆ Higher operating margins in spite of negative price situation
 - ◆ Optimization of sub-holding's headcount numbers (headcount decline by 15%), decrease of G&A expenses by 13%
 - ◆ Faster reimbursement of export VAT: +83 million rubles vs. 2009 levels
 - ◆ The Group won a number of tenders for delivery of grain to several countries (total volume contracted exceeds 300,000 tons of grain)

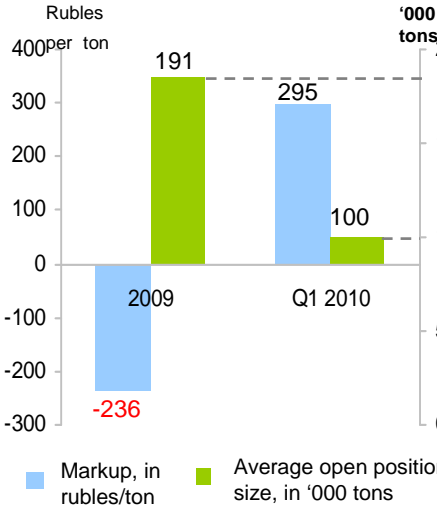
Revenue and EBITDA, in billion rubles



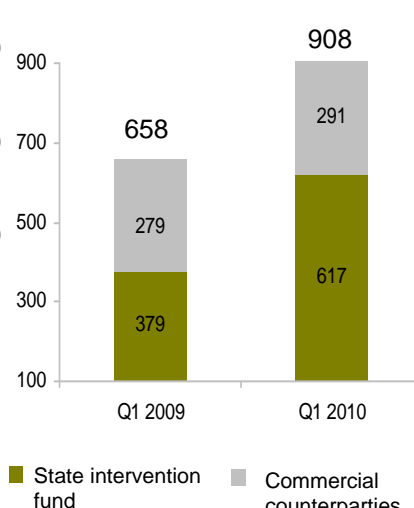
Physical volumes (in '000 tons)



Trading margin, open position size



Third-party-owned grain in Group's storage (in '000 tons)



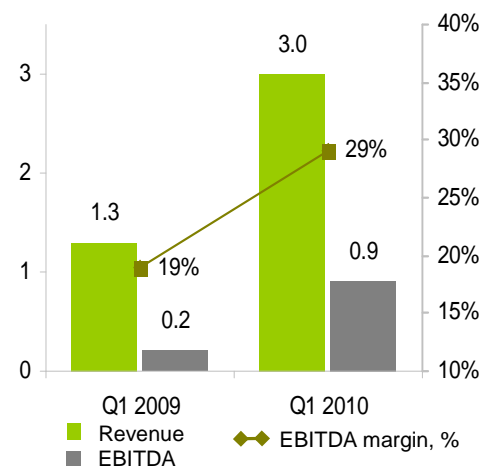


Sugar sub-holding

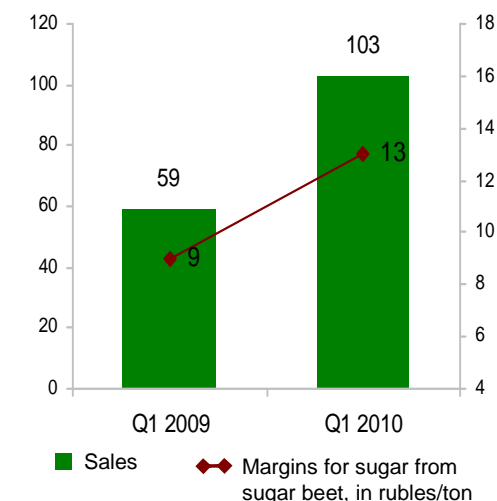
Key factors defining trends in revenue and EBITDA

- ◆ Sugar sub-holding revenue in Q1 2010 was 3 billion rubles (in Q1 2009 - 1.3 billion rubles) - growth of 2.3x
- ◆ EBITDA increased by 4.5x and was 0.9 billion rubles. EBITDA margin was 29% vs. 19% in 2009
- ◆ Factors defining trends in financial performance:
 - ◆ Sugar sales volumes doubled (103,000 tons vs. 59,000 tons)
 - ◆ Growth of prices and margins (9,000 to 13,000 rubles per ton)
- ◆ Achievements of the sub-holding's management team:
 - ◆ Decrease of non-production-related G&A costs by 20%. This led to share of G&A costs in revenue decreasing from 8% to 4%
 - ◆ Raw sugar refining program started earlier: no downtime at sugar mills
 - ◆ Optimization of procurement of materials: procurement prices fixed at 2009 levels

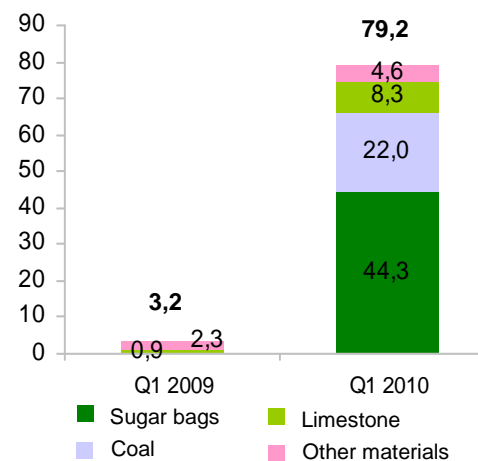
Revenue, in billion rubles



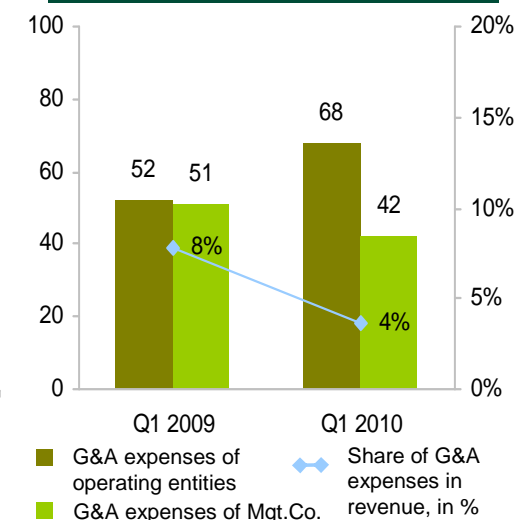
Sugar sales, in '000 tons



Materials purchasing, in million rubles



Trends in G&A expenses, in million rubles





Agricultural sub-holding

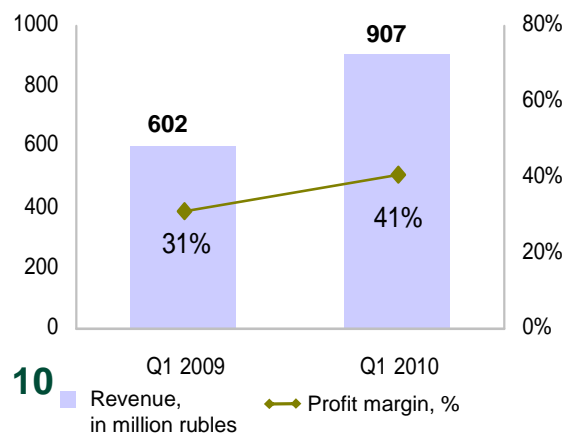
Key drivers of operating performance

- ◆ Q1 2010 revenue was 907 million rubles, EBITDA was 17 million rubles (in Q1 2009 - 602 million rubles and 13 million rubles respectively).
- ◆ Sources for further efficiency increases at the agricultural sub-holding in 2010:
 - ◆ Increase in land under crops of 5% (to 332,000 hectares);
 - ◆ Increase in land under the most profitable crops (sugar beet, soybean, flax)
 - ◆ Lower cost of growing (average price declines of 40% for fertilizers)

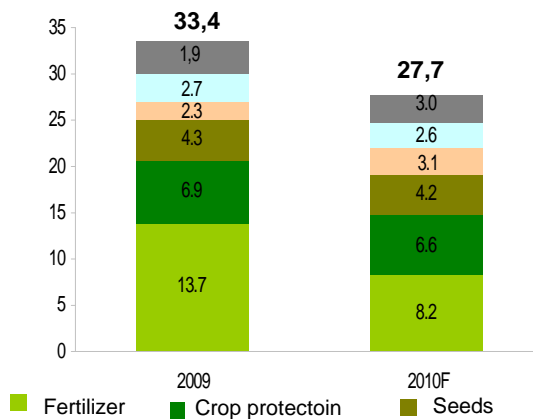
Trends in land under main crops, in '000 hectares

Crop	Land under crop	
	2009	2010
Sugar beet	46	49
Wheat, barley, rye	165	152
Rice	18	18
Soybean	7	34
Flax	-	9
Sunflower	28	20
Animal fodder and other crops	55	50
TOTAL:	319	332

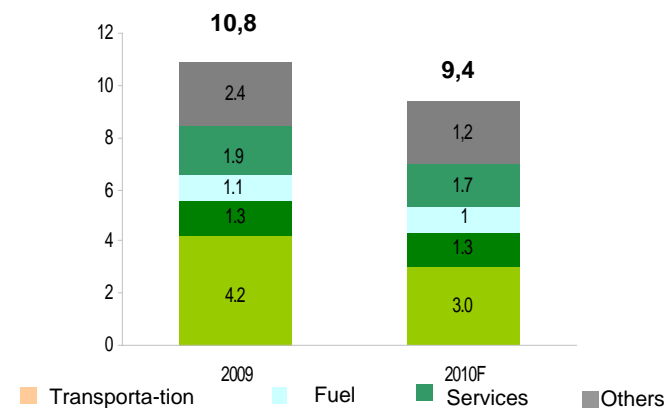
Revenues and margins



Variable costs per hectare, Sugar beet, in '000 rub/hectare



Variable costs per hectare, Wheat, in '000 rub/hectare





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- **Cash flows. CAPEX. Loan portfolio**

Loan portfolio. CAPEX

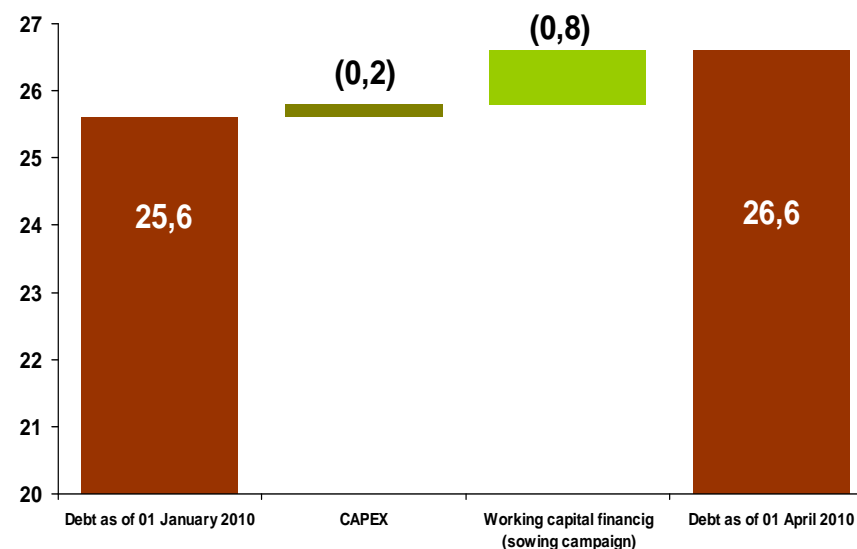


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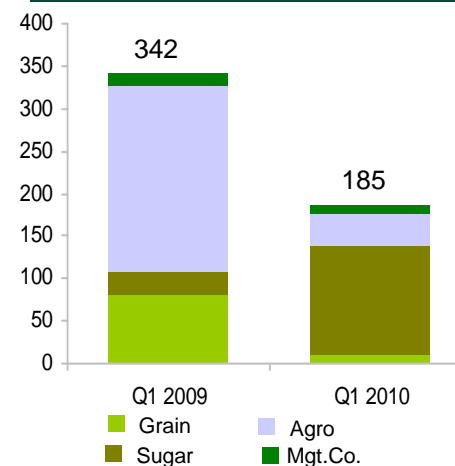
Debt load: trends and restructuring of the loan portfolio.

- ◆ Presently the Group has fully completed its restructuring of loan portfolio.
- ◆ The Group has fully met its obligations under the bonds put options
- ◆ At the end of Q1 2010 total debt of the Group was 26.6 billion rubles.
- ◆ The Group's loan portfolio increased by 1 billion rubles from 01.01.2010:
 - ◆ CAPEX was 0.2 billion rubles (vs. 0.3 billion rubles in Q1 2009)
 - ◆ Financing seasonal need for working capital (sowing campaign) – 0.8 billion rubles

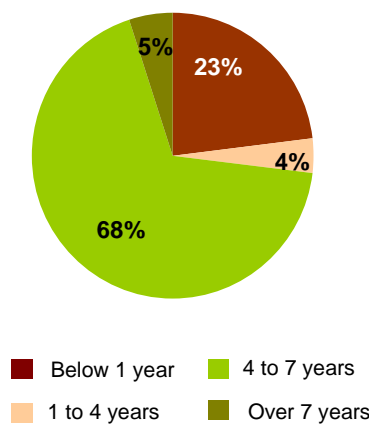
Factor analysis of the Group's debt in Q1 2010 (in billion rubles)



CAPEX trends, in million rubles



Debt structure as of 01 April 2010



Take-aways



- **Strong performance compared to Q1 2009. The most important sources for increased efficiency were:**
 - Revenue mix adjustment: increased share of high-margin operations (sugar from sugar beet, own agricultural produce) in total revenue.
 - Trading: shift from transactions involving risk to stable revenue stream
 - Optimization of administrative and management costs
 - Control over CAPEX

- **Current objective: cost reduction**
 - Bringing down the cost of funds
 - Optimization of organizational structure, headcounts (in line with applicable legislation economic impact lags the decisions by 2 to 3 months)
 - Search for additional sources of optimization/savings in order to achieve target operating margins for the whole of 2010



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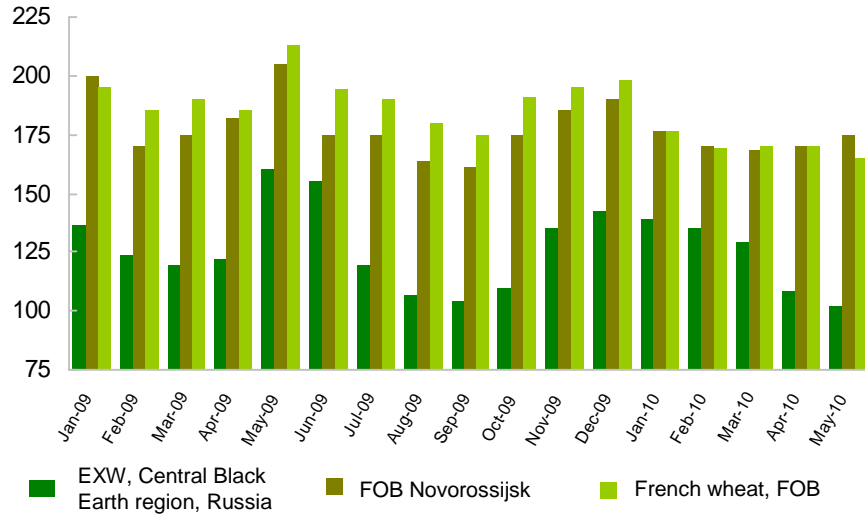
- **Appendix. Market situation in agricultural commodity markets**

Market for grain crops and rice



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Price trends for grain, in USD/ton



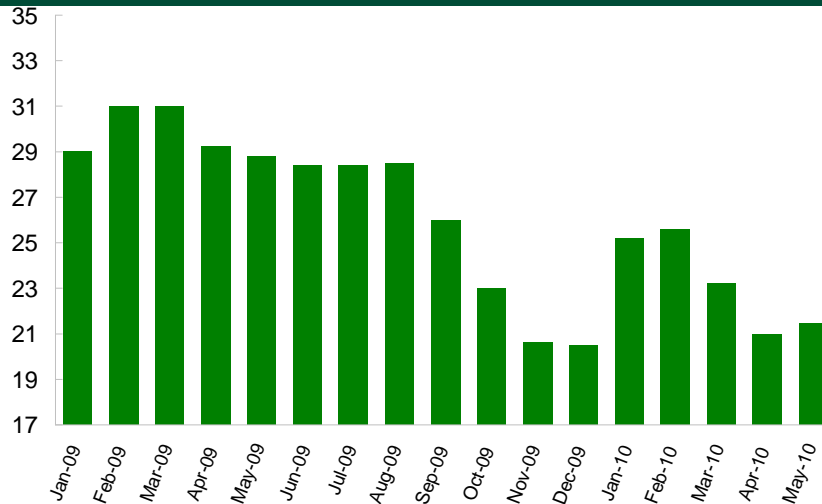
Grain balance of Russian Federation, in million tons

	08/09	09/10П	10/11П
Opening balance	6,3	16,3	16,1
Gross harvest	108,1	97,0	90
Imports	0,6	0,6	0,8
Domestic consumption	76	76,6	77,0
Exports	22,7	21,2	19,3
Closing balance	16,3	16,1	10,6

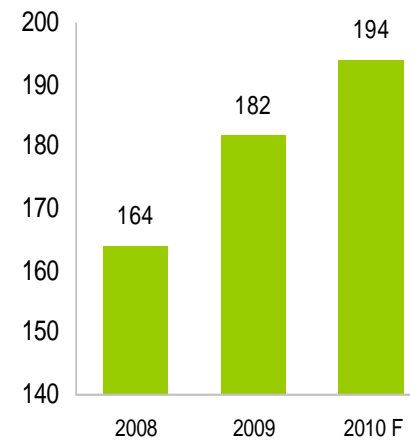
Global grain balance, in million tons

	08/09	09/10П	10/11П
Opening balance	284	362	399
Production	1 784	1 782	1 802
Consumption	1 706	1 745	1 785
Closing balance	362	399	416

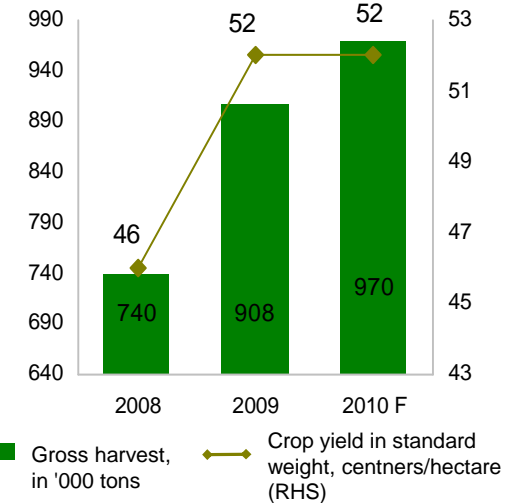
Price trends for milled rice*, in '000 rubles per ton



Land under rice crop in Russia (in '000 hectares)



Gross harvest and crop yield of raw rice in Russia



* EXW Krasnodar region

Sugar market

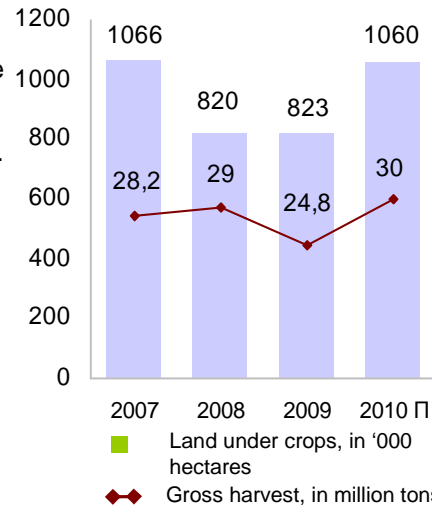


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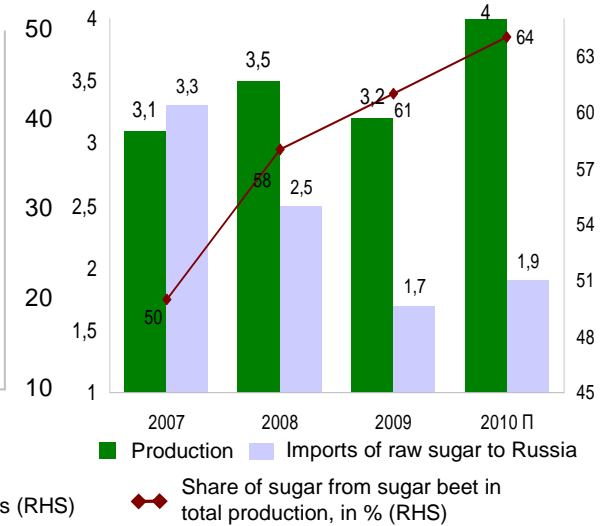
Current market trends

1. Lower prices for raw sugar (from record-setting USD 0.29 per pound in January 2010 to USD 0.15 per pound in March 2010) due to higher production of raw sugar. Domestic prices declined from 29,000 rubles per ton in January to 24,000 rubles per ton in March. Prices are 15% higher than in Q1 2009
2. Record-setting areas under sugar beet in Russia in the current season – over 1 million hectares. Forecasted 2010 production of sugar from sugar beet is up to 4 million tons.
3. Imports of raw sugar in 5 months of 2010 were over 1 million tons. In early 2009 there were no imports of raw sugar.

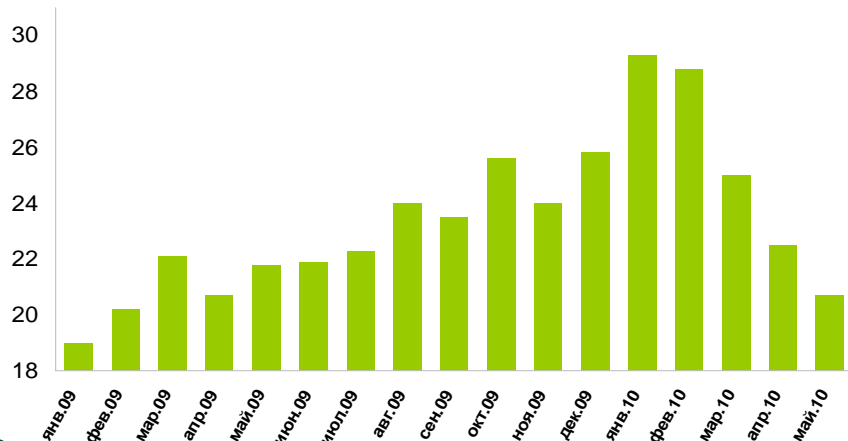
Land under crops and gross harvest, sugar beet



Production of sugar from sugar beet, in million tons



Refined (white) sugar price trends, in '000 rubles per ton



Global sugar balance, in million tons

	07/08	08/09	09/10П
Opening balance	35,8	39,8	27,6
Production	163,3	143,8	153,5
Consumption	152,2	154,4	153,7
Closing balance	39,8	27,6	26
Inventory/Consumption	26%	18%	17%

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