



27 April 2012, Moscow

## **Ros Agro financial results for the year 2011**

**Moscow, 27 April 2012** – Today ROS AGRO PLC, Holding Company of Rusagro Group, a leading Russian diversified food producer with vertically integrated operations, has announced the financial results for the year ended 31 December 2011.

### **Year 2011 Highlights**

- Sales amounted to 39,715 mln rubles (1,351 USD), an increase of 8,759 mln rubles compared to 2010;
- Adjusted EBITDA (\*) amounted to 5,154 mln rubles (175 mln USD), a decrease of 2,726 mln rubles compared to 2010;
- Adjusted EBITDA margin achieved is 13 %;
- Adjusted Net profit (\*\*) for the period of 3,092 mln rubles (105 mln USD) (in comparable terms with 2010 excluding share-based remuneration of 672 mln), a decrease of 2,023 mln rubles compared to 2010;
- Net debt position (\*\*\*) on 31 December 2011 of 11,877 mln rubles (369 mln USD);
- Net Debt/ EBITDA (LTM) (\*\*\*\*) 2,3x.

Commenting on the results, Maxim Basov, a member of the Board of Directors of ROS AGRO PLC and CEO of the Group said:

“We are pleased with the operating indicators achieved but the past year has not been without its difficulties. Overall, 2011 was a year of production records, returning to the vegetable oil production business and record price volatility.

Development of all four business areas demonstrates the solid base we have built for further achievement of better production and financial results.

Production at our seven sugar plants in 2011 reached 627 thousand tonnes of raw sugar and 462 thousand tonnes of beet sugar, up 31% and 113%, respectively, on the previous year. We are a leading player in the Russian sugar market with a market share of approximately 16%. The company is a leader in the processing of raw sugar and in 2011 processed 26% of total imports. Our advantageous vertically integrated business model allowed us to source at least half of the required sugar beet from our own agriculture division. Modernization of our production facilities in 2011 resulted in a 13% increase in the total sugar beet processing capacity (to 34,350 tonnes per day), while the production capacities of packaged and cubed sugar (the most attractive market segment) increased by 33 % (to 115 thousand tonnes per year). In 2011 the National Trade Association awarded our Russkii Sakhar brand a “Product of the Year” title (within the sugar category). We have ended the year with all-time highest beet sugar reserves which will allow us to achieve record-high beet sugar sales in 2012. For 12 months 2011, total sales in the sugar segment reached 25.6 billion rubles with adjusted EBITDA amounting to 1.4 billion rubles.

In the meat business we produced and sold record high volumes for our company, obtained solid financial results and continued to build new pork complexes in Tambov and Belgorod regions,

which will enable us to triple pork production over the next two years. We are pleased that this result was achieved not only due to high meat prices on the Russian market but also due to high technological performance in the business. The company became involved in the meat business six years ago and it has become the direction with the highest profit. The meat business can maintain this position further with the 8 billion rubles in investment that we plan to make in 2012. We should note that biological safety is of the utmost importance to us in the meat segment – we continue to maintain the highest standards of biological safety in the production of pork in order to ensure healthy animals and top quality meat. Sales revenue in this segment was 5.4 billion rubles and adjusted EBITDA – 2.3 billion rubles.

Summing up the results of the agriculture division, we should note that in 2011 there were record harvests for sugar beet (100% of which is processed at our own plants), sunflower and grain; there was also record crop yield for sugar beet and sunflower. The company harvested 2,300 thousand tonnes of sugar beet (151% up on the previous year), 72 thousand tonnes of sunflower seed (47% up on the previous year) and 497 thousand tonnes of grain (wheat, barley and peas). Crop yield for sugar beet was 35.2 tonnes per hectare (in goal-weight) and 2.3 tonnes per hectare for sunflower seeds; thus, there were increases of 116% and 64%, respectively. These results were achieved thanks to good weather conditions and the use of modern agricultural technology. We also increased our land resources to 424 thousand hectares. Sales revenue in this segment was 6.7 billion rubles, and adjusted EBITDA – 1.9 billion rubles.

In the oil and fats segment we maintained our position as the largest manufacturer of packaged margarine with a share of approximately 32% and as the fifth largest manufacturer of mayonnaise with a 7% share. The high quality of our products ensures the popularity of our brands both in Russia and abroad. Exports increased 11% year-on-year in 2011; the geography of sales is constantly expanding. The company produced 57 thousand tonnes of mayonnaise and 35 thousand tonnes of margarine in 2011. The oil and fats division expanded in 2011 through the acquisition in March of an oil extraction plant in Samara region. The plant reached projected capacity in October and production in 2011 totalled 68 thousand tonnes. Sales revenue in this segment was 6.8 billion rubles, and adjusted EBITDA - 0.6 billion rubles.

The RUSAGRO Group constantly invests in production development in all its business segments. Capital expenditure in 2011 was 10.8 billion rubles.

The Company achieved positive financial results. Consolidated revenue in 2011 increased 28 % to reach 39.7 billion rubles. Adjusted EBITDA was 5.2 billion rubles, and net profit - 2.4 billion rubles.

We will adhere to the established strategy in each of our business directions and are confident in the potential of the Russian food market for our company. This is a huge fast-growing market and currently it is not sufficiently consolidated so there are opportunities in Russia for the most ambitious goals in terms of the rate and scale of growth on the food market. The strategy we have chosen of vertical integration, collaboration between business segments and cluster locations for production assets enables us to confidently speak about the potential for further company development and growth.

We have a professional qualified team with wide ranging expertise and skills to enable the realization of short-term plans and long-term targets. We highly value our employees whose responsible attitude to work is indispensable for the success of the company.

Overall we strengthened our positions in 2011, thus ensuring successful future development for ROS AGRO.”

## Consolidated Income statement, key indicators

in mln Rubles	2011	2010	% change
<b>Sales</b>	<b>39,715</b>	<b>30,956</b>	28%
<b>Gross profit</b>	<b>8,346</b>	<b>10,060</b>	-17%
<i>Gross margin, %</i>	21%	32%	
<b>Adjusted EBITDA*</b>	<b>5,154</b>	<b>7,880</b>	-35%
<i>Adjusted EBITDA margin, %</i>	13%	25%	
<b>Adjusted Net profit**</b>	<b>3,092</b>	<b>5,115</b>	-40%
<i>Adjusted Net profit margin %</i>	8%	17%	
<b>Net profit for the period</b>	<b>2,420</b>	<b>5,115</b>	-53%
<i>Net profit margin %</i>	6%	17%	

In general, year 2011 in the context of Group financial results was marked by significant growth in sales and decrease in operating profitability. Sales growth came from increase in sales volume in all business segments and increase in sales prices of all Group products except for the most agricultural crops. Profitability was damaged by high volatility and unfavorable price situation on commodity markets. Detailed explanations of our financial results from each segment perspective are given further in this section.

### Key financial indicators as per divisions

in mln Rubles	2011	% of segment in consolidated results 2011	2010	% of segment in consolidated results 2010	% change
<b>Sales, incl.</b>	<b>39,715</b>	100%	<b>30,956</b>	100%	28%
<i>Sugar</i>	25,634	65%	20,321	66%	26%
<i>Meat</i>	5,410	14%	4,572	15%	18%
<i>Agricultural</i>	6,720	17%	4,279	14%	57%
<i>Oil &amp; Fats</i>	6,752	17%	4,635	15%	46%
<i>Other</i>	347	1%	280	1%	24%
<i>Eliminations</i>	(5,148)	-13%	(3,132)	-10%	64%
<b>Gross profit, incl.</b>	<b>8,346</b>	100%	<b>10,060</b>	100%	-17%
<i>Sugar</i>	2,820	34%	5,566	55%	-49%
<i>Meat</i>	1,926	23%	1,908	19%	1%
<i>Agricultural</i>	2,817	34%	1,268	13%	122%
<i>Oil &amp; Fats</i>	1,495	18%	1,324	13%	13%
<i>Other</i>	347	4%	280	3%	24%
<i>Eliminations</i>	(1,060)	-13%	(287)	-3%	270%
<b>Adjusted EBITDA, incl.</b>	<b>5,154</b>	100%	<b>7,880</b>	100%	-35%
<i>Sugar</i>	1,442	28%	4,476	57%	-68%
<i>Meat</i>	2,309	45%	1,937	25%	19%
<i>Agricultural</i>	1,881	36%	1,115	14%	69%
<i>Oil &amp; Fats</i>	577	11%	651	8%	-11%
<i>Other</i>	(47)	-1%	(180)	-2%	-74%
<i>Eliminations</i>	(1,008)	-20%	(120)	-2%	737%
<b>Adjusted EBITDA margin, %</b>	13%		25%		
<i>Sugar</i>	6%		22%		
<i>Meat</i>	43%		42%		
<i>Agricultural</i>	28%		26%		
<i>Oil &amp; Fats</i>	9%		14%		
<i>Other</i>	-13%		-64%		
<i>Eliminations</i>	20%		4%		

## SUGAR SEGMENT

Sales in Sugar segment increased by 26% to 25,634 million rubles in 2011 compared to 20,321 million rubles in 2010. The main factors that stipulated this increase in Sales were price growth for cane sugar period and sales volume increase from 781 thousand tonnes in 2010 to 927 thousand tonnes in 2011. The average sale prices increased from 25.3 rubles per kilogram excl. VAT in 2010 up to 26.9 rubles per kilogram excl. VAT in 2011. We are pleased that part of our sales volume increase came from increase in refined packed cube sugar sales that is in line with Group's B2C expansion strategy.

One of the main operational results of Sugar segment in 2011 is the historical maximum of production volume which reached 1,090 thousand tonnes (excluding tolling).

Sales volume increase and raw cane sugar prices increase influenced the cost of sales of Sugar segment in 2011. Cost of sales summed up with Gain less losses from trading sugar derivatives increased by 55% from 14,756 million rubles in 2010 till 22,814 million rubles in 2011.

In 2011 in the end of the cane sugar period we faced loss of correlation between internal Russian prices for white sugar with international sugar prices (contract Sugar 11): despite the increase in international prices internal prices decreased due to market participants' expectations of high sugar beet harvest and respective sharp drop in prices. An additional factor that had a negative effect on profitability was the decrease in white sugar prices at the end of 2011. As a result we took the decision to keep sugar in stocks and move sales from Q4 2011 to the first half of 2012 where we expect a more favorable price situation. At 31 December 2011 we had 256 thousand tonnes of white sugar in stocks compared to 57 thousand tonnes as at 31 December 2010. This price situation had a significant negative effect on gross profit that was partly offset by an increase in sales volume. Gross profit decreased from 5,566 million rubles in 2010 to 2,820 million rubles in 2011. Gross profit margin decreased from 27% in 2010 to 11% in 2011.

To quantify the factors affecting Gross profit we divide the overall change in Gross profit by the following components: about 2.3 billion rubles decrease as a result of raw cane sugar operations, about 100 million rubles decrease as a result of sugar beet period operations (harvest of 2011) and about 200 million rubles decrease coming from opening balance effect (harvest of 2010).

In raw cane sugar period 2011 we had 650 million rubles increase in Gross profit as a result of a sales volume increase of 148 thousand tonnes (from 479 thousand tonnes in 2010 to 627 thousand tonnes in 2011) and more than 2.5 billion rubles increase in Gross profit as a result of sales price increase by 4.1 thousand rubles per tonne excl. VAT (from 23.5 thousand rubles in 2010 to 27.6 thousand rubles in 2011, excl. VAT). The positive effect of sales volume and sales prices increase was netted off by the effect of an increase in raw cane sugar prices, which including the result of trading operations with derivatives on the high volatile market totaled more than 5.4 billion rubles.

In 2011 sugar beet period we had about 600 million rubles increase in Gross profit as a result of a sales volume increase of 65 thousand tonnes (from 177 thousand tonnes in 2010 to 242 thousand tonnes in 2011) and about 1 billion rubles increase as a result of sugar beet prices falling by 0.6 thousand rubles per tonne excl. VAT (from 2.14 thousand rubles in 2010 to 1.57 thousand rubles in 2011, excl. VAT), that was netted off by about 1.3 billion rubles decrease due to sale price decrease in sugar beet period by 5.8 thousand rubles per tonne excl. VAT (from 29.2 thousand rubles in 2010 to 23.4 thousand rubles in 2011, excl. VAT) and about 350 million rubles decrease as a result of sugar beet conversion ratio reduction from 13.84% in 2010 to 12.63% in 2011, which is in turn resulted from high sugar beet harvest and prolonged period of sugar beet processing (123 days in 2011 compared to 67 days in 2010).

Opening balance effect in the amount of about 200 million rubles came from the 2010 drought that resulted in a significant reduction of white sugar stocks at the end of 2010 (by 68 thousand

tonnes from 125 thousand tonnes at the beginning of the year to 57 thousand tonnes at the end of the year) and related increase in white sugar costs per unit, that was partly offset by the sale price increase.

In 2011 Distribution and selling expenses in Sugar segment increased by 56% from 910 million rubles in 2010 to 1,418 million rubles in 2011. Basically this increase is explained by an increase in transportation and loading services of 344 million rubles from 617 million rubles in 2010 to 961 million rubles in 2011 and by an increase in payroll costs of 73 million rubles from 166 million rubles in 2010 to 239 million rubles in 2011, mainly due to the development of B2C segment.

In aggregate the factors mentioned above led to negative dynamic in operating profit that amounted to 739 million rubles in 2011 which is 81% lower than in 2010.

Adjusted EBITDA in Sugar segment decreased by 68%, from 4,476 million rubles in 2010 till 1,442 million rubles in 2011. Adjusted EBITDA margin amounted to 6% in 2011 and 22% in 2010.

## **MEAT SEGMENT**

In 2011 Meat segment has performed best results among the Group's segments. All financial and production targets have been achieved. *Sales* have increased by 18% from 4,572 million rubles in 2010 to 5,410 million rubles in 2011 due to attractive prices and increase in sales volume of fodder from 43 thousand tonnes in 2010 to 58 thousand tonnes in 2011. Sales volume of pigs livestock products remained nearly stable having increased from 62.4 thousand tonnes in 2010 to 62.5 thousand tonnes in 2011. The average pork sale prices increased from 67,77 rubles per kilogram excl. VAT in 2010 to 75.86 rubles per kilogram excl. VAT in 2011, average fodder sale prices increased from 7,922 rubles per tonne excl. VAT in 2010 to 10,462 rubles per tonne excl. VAT in 2011

*Revaluation of biological assets* (pigs) at fair value had negative net effect on profit figures in 2011 totaling 7 million rubles compared with positive net effect in 2010 in the amount of 305 million rubles. Net effect of pigs' revaluation represents the difference between gain on revaluation of pigs recognized for the period and gain on revaluation attributable to realized pigs and included in the Cost of sales for the same period. The difference in net effect of pigs' revaluation on profit figures between 2011 and 2010 is explained by the significant growth in pork market prices during 2010 compared with relatively modest increase in 2011.

*Cost of sales* increased by 17% from 4,499 million rubles in 2010 to 5,260 million rubles in 2011. 253 million rubles of this increase came from increase in Revaluation of biological assets attributable to realised biological assets and included in Cost of sales, which went up to 1,783 million rubles in 2011 compared to 1,530 million rubles in 2010. Remaining increase relates to increase in sales volume of fodder and higher cost per unit of fodder connected with the summer drought of 2010. Share of feed costs in cost of production (measured on cash basis) increased in 2011 and amounted to 69.18%.

The factors mentioned above led to *Gross profit* increase of 1% from 1,908 million rubles in 2010 to 1,926 million rubles in 2011 and gross profit margin decrease from 42% in 2010 to 36% in 2011. Gross profit excluding effect of biological assets revaluation totaled 1,933 million rubles in 2011 compared with 1,603 million rubles in 2010 (21% growth) with respective adjusted gross profit margin growth from 35% in 2010 to 36% in 2011.

We significantly improved the operating indicators of the Belgorod Bacon. The average weight of our pigs increased by almost 2 kilograms and amounted to 109,38 kilograms per head. The rate of sale of live stock per one sow improved from 20.8 up to 21.1 heads per sow. We significantly reduced culling rates at every production stage, and improved feed conversion ratio

from 2.9 in 2010 to 2.75 in 2011. At Belgorod Bacon we improved labour productivity by more than 6%.

*General and administrative expenses* increased by 30% from 247 million rubles in 2010 to 321 million rubles in 2011 mainly due to an increase in payroll costs of 52 million rubles, caused by a continued expansion of business in Meat segment.

Accrual of provision for impairment of advances paid for property, plant and equipment in the amount of 324 million rubles (2010: nil) net of government grants received for reimbursement of feed costs in 2011 in the amount of 103 million rubles (2010: nil) represent the main components of *Other operating expenses, net* in 2011. *Other operating expenses, net* in 2010 included 76 million rubles expenses from writing-off of receivables relating to government grants, which was not the case in 2011. These one-off income and expenses led to an increase of *Other operating expenses, net* by 128% from 95 million rubles in 2010 to 218 million rubles in 2011.

Adjusted EBITDA in Meat segment increased by 19%, from 1,937 million rubles in 2010 to 2,309 million rubles in 2011. Adjusted EBITDA margin amounted to 43% in 2011 and 42% in 2010. Tambov Bacon, greenfield project in the Meat segment, had negative effect on adjusted EBITDA of the Meat segment, totaling 63 million rubles in 2011 and 6 million rubles in 2010. Adjusted EBITDA in Meat segment excluding the effect of Tambov Bacon (which is currently under construction and does not produce products) amounted to 2,372 million rubles in 2011 and 1,943 million rubles in 2010, which is a 22% growth. Respective Adjusted EBITDA margin excluding losses of Tambov Bacon increased from 43% in 2010 to 44% in 2011.

## **AGRICULTURAL SEGMENT**

Sales in Agricultural segment increased by 57% to 6,720 million rubles in 2011 compared to 4,279 million rubles in 2010. The main factor of Sales growth was a record harvest of sugar beet (all of which is processed at our own plants), sunflower and grain that in turn led to increase in sales volume. Volume of sugar beet sold to Sugar segment in 2011 amounted to 2,143 thousand tonnes compared to 928 thousand tonnes in 2010. Sales volume of grain (wheat, barley, corn, peas, soya beans) in 2011 amounted to 334 thousand tonnes (incl. 139 thousand tonnes sold to Meat segment) compared to 253 thousand tonnes in 2010 (incl. 129 thousand tonnes sold to Meat segment). Sales volume of sunflower seeds in 2011 amounted to 61 thousand tonnes compared to 47 thousand tonnes in 2010, basically all sold to third parties. Increase in volume of agricultural crops harvested is explained first of all by increase in yield achieved because of good weather conditions and through the use of modern agricultural technology, and secondly by expansion of arable land cultivated during the year by 23 thousand hectares from 338 thousand in 2010 to 361 thousand in 2011.

The average sale prices per tonne (excl. VAT) in 2011 were as follows: 5.0 thousand rubles for wheat (compared to 3.9 thousand rubles in 2010), 4.5 thousand rubles for barley (compared to 2.9 thousand rubles in 2010), 8.2 thousand rubles for sunflower seeds (compared to 19.4 thousand rubles in 2010), 6.3 thousand rubles for peas (compared to 7.1 thousand rubles in 2010), 6.2 thousand rubles for corn (no sales in 2010).

Due to the volume factor the Gain on revaluation of biological assets and agriculture produce is more than doubled and amounted to 1,545 million rubles in 2011 compared to 738 million rubles in 2010. Basically all this gain was expensed in the same year and included in Cost of sales: the effect of this on cost of sales totaled 1,307 million rubles in 2011 and 767 million rubles in 2010.

Cost of sales in Agricultural segment increased by 45% to 5,447 million rubles in 2011 compared to 3,749 million rubles in 2010. Several factors caused this increase including the increase by 540 million rubles in gain on revaluation of biological assets and agricultural

produce included in the cost of sales; expansion of arable land cultivated during the year; price increase for fuel and fertilizers; decrease of expenses attributed to crops failure (lost harvest write-off) that is excluded from cost of sales and included in other operating expenses. In 2011 lost harvest write-off amounted to 17 million rubles compared to 191 million rubles in 2010.

The above mentioned factors with overwhelming influence of yield increase led to the growth of Gross profit by 122% from 1,268 million rubles in 2010 to 2,817 million rubles in 2011. Gross profit margin improved from 30% in 2010 to 42% in 2011. Gross profit excluding effect of agricultural produce and biological assets revaluation totaled 2,579 million rubles in 2011 compared with 1,297 million rubles in 2010 (99% growth) with respective adjusted gross profit margin growth from 30% in 2010 to 38% in 2011.

In 2011 distribution and selling expenses in Agricultural segment increased by 190% from 218 million rubles in 2010 to 632 million rubles in 2011, primarily due to an increase in transportation services, which is in turn resulted from sales volume increase and fuel prices growth.

Adjusted EBITDA in Agricultural segment increased by 69%, from 1,115 million rubles in 2010 to 1,881 million rubles in 2011. Adjusted EBITDA margin amounted 28% in 2011 and 26% in 2010.

## **OIL&FAT SEGMENT**

Sales in Oil&Fat segment increased by 46% from 4,635 million rubles in 2010 to 6,752 million rubles in 2011. 1,673 million rubles of Sales growth are attributed to external Sales by the new vegetable oil production plant located in Samara and acquired by the Group in March 2011. Sales volume of the new plant totaled 65 thousand tonnes, which include 39 thousand tonnes attributable to external sales and 26 thousand tonnes sold internally to the Group's fat and oil production plant in Yekaterinburg. Remaining growth in sales relates to mayonnaise and consumer margarine sales and was caused mainly by an increase in prices and to a lesser extent by an increase in sales volume. Mayonnaise sales volume grew from 56.4 thousand tonnes in 2010 to 56.9 thousand tonnes in 2011. Margarine sales volume grew from 32 thousand tonnes in 2010 to 34 thousand tonnes in 2011. The mayonnaise sale prices increased from 48.8 thousand rubles per tonne excl. VAT in 2010 to 53.4 thousand rubles per tonne excl. VAT in 2011, average margarine sale prices increased from 45.6 thousand rubles per tonne excl. VAT in 2010 to 48.7 thousand rubles per tonne excl. VAT in 2011

Cost of sales in Oil&Fat segment increased by 59% from 3,311 million rubles in 2010 till 5,256 million rubles in 2011 mainly due to launching of vegetable oil production. Cost of the oil extraction plant related to third party sales totaled 1,217 million rubles. Cost of sales of margarine and mayonnaise also increased primarily as result of higher vegetable oil prices in 2011 compared with 2010.

Due to factors mentioned above Gross profit of the segment increased by 13% from 1,324 million rubles in 2010 to 1,495 million rubles in 2011. Gross profit margin decreased from 29% in 2010 to 22% in 2011. Gross profit attributed to sales of raw vegetable oil to third parties totaled 456 million rubles (2010: nil) with gross profit margin 27%. Remaining gross profit in the amount 1,039 million rubles in 2011 is attributed to mayonnaise and consumer margarine sales, which is a 22% decrease compared to 2010. Gross profit margin of mayonnaise and consumer margarine sales amounted to 20% in 2011 compared to 29% in 2010.

The expansion of business through acquisition of oil extraction plant was also the main reason for 43% increase in *Distribution and selling expenses*, from 600 million rubles in 2010 to 856 million rubles in 2011, and 34% increase in *General and administrative expenses*, from 229 million rubles in 2010 to 308 million rubles in 2011. Most considerable changes in *Distribution*

and selling expenses were in transport costs and payroll costs that increased by 204 million rubles and 49 million rubles respectively. 51 million rubles of increase in *General and administrative expenses* relates to payroll costs.

Adjusted EBITDA decreased by 11%, from 651 million rubles in 2010 to 577 million rubles in 2011. All adjusted EBITDA 2010 is attributed to mayonnaise and consumer margarine sales. Adjusted EBITDA in 2011 is divided between raw vegetable oil sales to third parties that gave 275 million rubles in Adjusted EBITDA (with 16% of Adjusted EBITDA margin), and mayonnaise and consumer margarine sales, that gave 302 million rubles in Adjusted EBITDA (with 6% of Adjusted EBITDA margin).

## OTHER

In 2011 Other operating income of holding companies included 2,050 million rubles of intercompany dividends (2010: nil) that is netted out of our consolidated results owing to inter-segment eliminations.

In March 2011 5% shares of ROS AGRO PLC were granted by the controlling shareholder to the Group's CEO as part of his compensation package. The difference between the fair value of the shares granted and the considerations received is expensed in statement of comprehensive income under the headings "Share-based remuneration". Details of the transaction and its accounting treatment are disclosed in note 24 of the Group's consolidated financial statements. For the purpose of segment information we allocated share-based remuneration to "Other".

## ELIMINATIONS

Increase in white sugar stocks at the end of 2011 compared to 2010 gave reason for significant unrealized gain as at 31 December 2011, aroused on sales of sugar beet from Agro segment to Sugar segment, and unrealized fair value revaluation of sugar beet produced in 2011. As a result the net negative effect of inter-segment elimination on Adjusted EBITDA figure increased from 120 million rubles in 2010 to 1,008 million rubles in 2011.

### Consolidated Statement of cash flow – key indicators

in mln Rubles	2011	2010	% change
<b>Net Operating cash flow, incl.</b>	<b>2,875</b>	<b>4,106</b>	-30%
<i>Operating cash flow before working capital changes</i>	4,754	7,385	-36%
<i>Working capital changes</i>	(1,530)	(2,676)	-43%
<b>Net Cash flows from investing activities, incl.</b>	<b>(19,998)</b>	<b>(7,995)</b>	150%
<i>Purchases of property, plant and equipment</i>	(10,845)	(2,923)	271%
<b>Net cash from financing activities</b>	<b>17,410</b>	<b>6,558</b>	165%
<b>Net increase in cash and cash equivalents</b>	<b>337</b>	<b>2,662</b>	-87%

Net cash from operating activities decreased by 30% from 4,106 million rubles in 2010 to 2,875 million rubles in 2011 as result of negative changes in operating profit that was partly offset by favorable changes in working capital.

Capex investments in 2011 totaled 10,845 million rubles, 271% higher than in 2010 primarily due to purchases of property and equipment in Agricultural division of 4.9 billion rubles, in Meat division of 4.3 billion rubles and in Sugar division of 1.5 billion rubles. Capex investments in 2010 totaled 2,923 million rubles with major investments in Agricultural division in the amount 1.3 billion rubles and Sugar division in the amount 1.4 billion rubles.



For the capital expenditure financing purposes the Group uses both its own resources and long-term loans (typically with maturities of seven years) with the partial rebates of the interest expenses incurred provided by the State.

One of the main factors of increasing net cash from financing activities was the Group's IPO that attracts in the Group 8,227 million rubles, net of transaction costs.

### Debt position and liquidity management

in mln Rubles	At 31 December 2011	At 31 December 2010	% change
<b>Gross debt</b>	<b>31,972</b>	<b>19,472</b>	64%
<i>Short term borrowings</i>	17,129	11,210	53%
<i>Long term borrowings</i>	14,843	8,262	80%
<b>Net debt</b>	<b>11,877</b>	<b>8,672</b>	37%
<i>Short term borrowings, net</i>	(2,563)	509	-
<i>Long term borrowings, net</i>	14,440	8,163	77%
<b>Adjusted EBITDA (LTM***)</b>	<b>5,154</b>	<b>7,880</b>	-35%
<b>Net debt/Adjusted EBITDA (LTM)</b>	<b>2.3</b>	<b>1.1</b>	

Despite net debt increase, resulted basically from bank credits obtained to finance investment projects, and decrease in Adjusted EBITDA for reasons described above, ratio Net Debt/Adjusted EBITDA (LTM) totaling 2.3 as at 31 September 2011 remains on safe and comfortable level.

Net debt is well balanced by maturity and demonstrates the stable financial position of the Group. Group Treasury aims to maintain low currency risk in deposit and credit portfolio thereby all our borrowings and basically all our bank deposits are nominated in Russian Rubles.

On 31 December 2011 the Group has kept committed credit lines available in the amount 15.5 billion rubles.

### Net finance expense:

in mln Rubles	2011	2010	% change
<b>Net interest expense</b>	<b>(720)</b>	<b>(790)</b>	-9%
<i>Gross interest expense</i>	(1,999)	(1,689)	18%
<i>Reimbursement of interest expense</i>	1,279	899	42%
<b>Interest income</b>	<b>882</b>	<b>433</b>	104%
<b>Other financial income/(expenses), net</b>	<b>(76)</b>	<b>5</b>	-
<b>Total net finance expenses</b>	<b>86</b>	<b>(352)</b>	-

As an agricultural producer Rusagro benefits from government support in the form of government grants for repayment of interest paid. All gross debt excluding trade financing as at 31 December 2011 can be subsidized.

(\* ) Adjusted EBITDA is defined as operating profit before taking into account (i) depreciation, (ii) other operating income, net (other than reimbursement of fuel and fertilisers and feed costs (government grants)), (iii) the difference between gain on revaluation of biological assets and agriculture produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realized agricultural produce for the year and revaluation of biological assets attributable to realised biological assets and included in cost of sales (iv) provision/(reversal) for net realisable value, (v) share-based remuneration (see Note 26 of the Group's consolidated financial statements for the detailed calculation of Adjusted EBITDA). Adjusted EBITDA is not a measure of financial performance under IFRS. You should not consider it an alternative to profit for the year as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Our calculation of Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited. We believe that Adjusted EBITDA provides useful information to investors because it is an indicator of the strength and

*performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of subsidiaries and other investments and our ability to incur and service debt.*

*(\*\*) Adjusted Net profit is determined as Profit for the year excluding share-based remuneration of 672 mln rubles.*

*Share-based remuneration represents the fair value of shares of ROS AGRO PLC granted by the controlling shareholder in March 2011 to Maxim Basov as part of his compensation package and gradually expensed in statement of comprehensive income until 2014, providing Mr. Basov remains in the position of the Director.*

*(\*\*\*) The Group determines the net debt of the Group as short-term borrowings and long-term borrowings less cash and cash equivalents, bank deposits and bank promissory notes within short-term and long-term investments.*

*(\*\*\*\*) LTM – The abbreviation for the “Last twelve months”.*

**Note:**

**ROS AGRO PLC (LSE: AGRO)** – Holding Company of Rusagro Group, a leading Russian diversified food producer with vertically integrated operations in the following branches:

*Sugar:*

We are a leading Russian sugar producer, producing sugar on seven production sites from both sugar beets and raw cane sugar. We produce white cube sugar and white packaged sugar branded under the brands Chaikofsky, Russkii Sakhar, Brauni. Our Sugar division is vertically integrated with the sugar beet cultivation in our Agriculture division, through which we strive to ensure a consistent supply of sugar beets.

*Meat:*

Our pig breeding project was launched in 2006 and, according to the National Union of Pig Breeders, is currently the fifth largest pig breeding complex in Russia. We have implemented the best practices regarding biosecurity at our pig farms.

*Agricultural:*

The Group currently controls what it believes to be one of the largest land banks among Russian agriculture producers, with approximately 424 thousand hectares of land currently under our control located in the highly fertile Black Earth region of Russia, in the Belgorod, Tambov and Voronezh regions. Land and production sites are strategically located within the same regions to optimize efficiency and minimize logistical costs. We believe we are a leading Russian sugar beet producer, and our agricultural division also produces winter wheat and barley, sunflower products and soybeans. These products are partially consumed by the meat division, supporting and developing the synergic effect and lowering the price change risk.

*Oil&Fat:*

We are a leading producer of mayonnaise and consumer margarine in Russia, such as Provansal EZhK and Schedroe Leto. In addition, in March 2011, we acquired control of an oil extraction plant located in Samara, through which we expect to be able to control the source of 100% of the vegetable oil required by our oil and fats production plant.

Our sales in 2011 amounted to 39,715 mln. rubles (1,351 mln. USD), adjusted EBITDA amounted to 5,154 mln rubles, (175 mln USD), Net profit amounted to 2,420 mln rubles (82 mln USD). An average growth rate on Sales shows more than 30 % for the last four years and more than 25 % on Adjusted EBITDA.

## **Forward-looking statements**

This announcement includes statements that are, or may be deemed to be forward-looking statements. These forward-looking statements can be identified, that they do not relate to the historical or current events, or relate to any future financial or operational activity of the Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond the Rusagro Group's control. As the result, actual future results may differ materially from the plans and expectations set out in these forward-looking statements.

The Group undertakes no obligation policy to release the results of any revisions to any forward-looking statements that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

Rusagro management organizes the presentation on conference call for investors and analytics

### *Details of call:*

Date	27 April 2012
Time	4:00 PM (Moscow) /1:00 PM (London) 8:00 AM (New-York)
Subject	Ros Agro PLC Year Report 2011
UK Toll Free	<b>0800-358-5258</b>
UK Local Line	44-20-7190-1590
USA Toll Free	<b>1-877-941-6013</b>
USA Local Line	<b>1-480-629-9822</b>
Russia Toll Free	<b>810-8002-198-4011</b>
Conference ID	<b>4533237</b>

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### **Contacts:**

**Sergey Tribunsky**  
Chief Investment Officer (Deputy CEO on  
Investment) LLC Rusagro Group  
Тел.: +7 495 363 16 61  
[stribunsky@rusagrogroup.ru](mailto:stribunsky@rusagrogroup.ru)

**Vladimir Gromov**  
First Deputy CEO LLC Rusagro Group  
Тел. +7 495 363 16 61  
[vgromov@rusagrogroup.ru](mailto:vgromov@rusagrogroup.ru)

**Appendix 1. Consolidated statement of comprehensive income for the year ended 31 December 2011 (in thousand rubles)**

	Year ended 31 December 2011	Year ended 31 December 2010
Sales	39,715,115	30,955,530
Gain on revaluation of biological assets and agriculture produce	3,320,938	2,572,854
Cost of sales	(34,377,027)	(24,683,471)
Gains less losses from trading sugar derivatives	(313,264)	1,214,660
<b>Gross profit</b>	<b>8,345,762</b>	<b>10,059,573</b>
Distribution and selling expenses	(2,454,778)	(1,641,600)
General and administrative expenses	(2,431,696)	(2,235,004)
Share-based remuneration	(672,247)	-
Other operating expenses, net	(245,955)	(204,815)
<b>Operating profit</b>	<b>2,541,086</b>	<b>5,978,154</b>
Interest expense	(720,264)	(789,554)
Interest income	882,376	433,222
Other financial (expenses)/ income, net	(75,787)	4,743
<b>Profit before taxation</b>	<b>2,627,411</b>	<b>5,626,565</b>
Income tax expense	(207,565)	(511,427)
<b>Profit for the year</b>	<b>2,419,846</b>	<b>5,115,138</b>
<b>Total comprehensive income for the year</b>	<b>2,419,846</b>	<b>5,115,138</b>
<b>Profit is attributable to:</b>		
Owners of ROS AGRO PLC	2,364,732	5,078,430
Non-controlling interest	55,114	36,708
<b>Profit for the year</b>	<b>2,419,846</b>	<b>5,115,138</b>
<b>Total comprehensive income is attributable to:</b>		
Owners of ROS AGRO PLC	2,364,732	5,078,430
Non-controlling interest	55,114	36,708
<b>Total comprehensive income for the year</b>	<b>2,419,846</b>	<b>5,115,138</b>
Earnings per ordinary share for profit attributable to the equity holders of ROS AGRO PLC, basic and diluted (in RR per share)	103.57	253.92

**Appendix 2. Segment information for the year ended 31 December 2011 (in thousand rubles)**

<b>2011</b>	<b>Sugar</b>	<b>Meat</b>	<b>Other agriculture</b>	<b>Oil</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Sales	25,634,013	5,410,493	6,719,579	6,751,679	347,371	(5,148,020)	39,715,115
Gain on revaluation of biological assets and agriculture produce	-	1,776,032	1,544,906	-	-	-	3,320,938
Cost of sales <i>incl. Depreciation</i>	(22,501,030) (661,365)	(5,260,286) (563,496)	(5,447,263) (547,589)	(5,256,300) (215,080)	-	4,087,852 (4,367)	(34,377,027) (1,991,897)
Gains less losses from trading sugar derivatives	(313,264)	-	-	-	-	-	(313,264)
<b>Gross profit</b>	<b>2,819,719</b>	<b>1,926,239</b>	<b>2,817,222</b>	<b>1,495,379</b>	<b>347,371</b>	<b>(1,060,168)</b>	<b>8,345,762</b>
Distribution and Selling, General and administrative expenses <i>incl. Depreciation</i>	(2,153,421) (27,692)	(343,022) (19,500)	(1,355,876) (62,622)	(1,163,620) (30,104)	(398,733) (4,662)	528,198 4,367	(4,886,474) (140,213)
Share-based remuneration	-	-	-	-	(672,247)	-	(672,247)
Other operating income/(expenses), net <i>incl. Reimbursement of fuel and fertilisers and feed costs (government grants)</i>	72,724 -	(217,631) 102,570	16,361 45,847	(13,269) -	2,094,695 -	(2,198,835) -	(245,955) 148,417
<b>Operating profit</b>	<b>739,022</b>	<b>1,365,586</b>	<b>1,477,707</b>	<b>318,490</b>	<b>1,371,086</b>	<b>(2,730,805)</b>	<b>2,541,086</b>
<b>Adjustments:</b>							
Depreciation included in Operating Profit	689,056	582,995	610,211	245,185	4,662	-	2,132,109
Other operating (income) /expenses, net	(72,724)	217,631	(16,361)	13,269	(2,094,695)	2,198,835	245,955
Share-based remuneration	-	-	-	-	672,247	-	672,247
Reimbursement of fuel and fertilisers and feed costs (government grants)	-	102,570	45,847	-	-	-	148,417
Gain on revaluation of biological assets and agriculture produce	-	(1,776,032)	(1,544,906)	-	-	-	(3,320,938)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	-	-	1,328,532	-	-	(476,333)	852,199
Revaluation of biological assets attributable to realised biological assets and included in cost of sales	-	1,783,109	(21,687)	-	-	-	1,761,422
Provision/ (Reversal) for net realizable value	86,641	33,549	1,442	-	-	-	121,632
<b>Adjusted EBITDA</b>	<b>1,441,995</b>	<b>2,309,408</b>	<b>1,880,785</b>	<b>576,944</b>	<b>(46,700)</b>	<b>(1,008,303)</b>	<b>5,154,129</b>

**Appendix 2 (continued). Segment information for the year ended 31 December 2011 (in thousand rubles)**

<b>2010</b>	<b>Sugar</b>	<b>Meat</b>	<b>Other agriculture</b>	<b>Oil</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Sales	20,321,494	4,572,251	4,279,287	4,635,181	279,657	(3,132,340)	30,955,530
Gain/ (loss) on revaluation of biological assets and agriculture produce	-	1,834,626	738,229	-	-	-	2,572,855
Cost of sales	(15,970,621)	(4,498,618)	(3,749,020)	(3,310,943)	-	2,845,731	(24,683,471)
<i>incl. Depreciation</i>	<i>(530,605)</i>	<i>(572,503)</i>	<i>(491,042)</i>	<i>(127,849)</i>	-	<i>(26,036)</i>	<i>(1,748,035)</i>
Gains less losses from trading sugar derivatives	1,214,660	-	-	-	-	-	1,214,660
<b>Gross profit</b>	<b>5,565,533</b>	<b>1,908,259</b>	<b>1,268,496</b>	<b>1,324,238</b>	<b>279,657</b>	<b>(286,609)</b>	<b>10,059,574</b>
Distribution and Selling, General and administrative expenses	(1,638,959)	(256,670)	(832,618)	(828,879)	(462,426)	142,948	(3,876,604)
<i>incl. Depreciation</i>	<i>(19,047)</i>	<i>(17,952)</i>	<i>(45,015)</i>	<i>(28,107)</i>	<i>(2,843)</i>	<i>2,821</i>	<i>(110,143)</i>
Other operating income/(expenses), net	9,175	(95,445)	(117,100)	31,764	(14,710)	(18,500)	(204,816)
<i>incl. Reimbursement of fuel and fertilisers (government grants)</i>	-	-	<i>137,783</i>	-	-	-	<i>137,783</i>
<b>Operating profit</b>	<b>3,935,749</b>	<b>1,556,144</b>	<b>318,778</b>	<b>527,123</b>	<b>(197,479)</b>	<b>(162,161)</b>	<b>5,978,154</b>
<b>Adjustments:</b>							
Depreciation included in Operating Profit	549,652	590,455	536,057	155,956	2,843	23,215	1,858,178
Other operating (income)/expenses, net	(9,175)	95,445	117,100	(31,764)	14,710	18,500	204,816
Reimbursement of fuel and fertilisers (government grants)	-	-	137,783	-	-	-	137,783
Gain on revaluation of biological assets and agriculture produce	-	(1,834,626)	(738,229)	-	-	-	(2,572,855)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	-	-	766,994	-	-	-	766,994
Revaluation of biological assets attributable to realised biological assets and included in cost of sales	-	1,530,050	-	-	-	-	1,530,050
Provision/ (Reversal) for net realizable value	-	-	(23,592)	-	-	-	(23,592)
<b>Adjusted EBITDA</b>	<b>4,476,226</b>	<b>1,937,468</b>	<b>1,114,891</b>	<b>651,315</b>	<b>(179,926)</b>	<b>(120,446)</b>	<b>7,879,528</b>

**Appendix 3. Consolidated statements of financial positions as at 31 December 2011 (in thousand rubles)**

	<b>31 December 2011</b>	<b>31 December 2010</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,457,567	5,120,208
Restricted cash	29,618	305,276
Short-term investments	14,670,667	6,165,571
Trade and other receivables	2,315,475	2,237,468
Prepayments	507,009	906,444
Current income tax receivable	32,161	63,519
Other taxes receivable	1,480,439	725,322
Inventories	10,402,449	7,298,722
Short-term biological assets	1,145,562	855,069
<b>Total current assets</b>	<b>36,040,947</b>	<b>23,677,599</b>
<b>Non-current assets</b>		
Property, plant and equipment	21,537,127	13,721,002
Goodwill	1,175,578	474,899
Advances paid for property, plant and equipment	1,762,301	135,563
Long-term biological assets	880,048	703,676
Long-term investments	487,681	152,950
Deferred income tax assets	474,577	153,965
Other intangible assets	49,640	31,711
Restricted cash	101,432	-
<b>Total non-current assets</b>	<b>26,468,384</b>	<b>15,373,766</b>
<b>Total assets</b>	<b>62,509,331</b>	<b>39,051,365</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short-term borrowings	17,129,130	11,209,711
Trade and other payables	1,889,143	1,934,441
Current income tax payable	80,049	26,639
Other taxes payable	499,915	475,859
<b>Total current liabilities</b>	<b>19,598,237</b>	<b>13,646,650</b>
<b>Non-current liabilities</b>		
Long-term borrowings	14,842,960	8,262,101
Government grants	512,998	577,134
Deferred income tax liability	376,451	386,627
Other non-current liabilities	46,659	43,046
<b>Total non-current liabilities</b>	<b>15,779,068</b>	<b>9,268,908</b>
<b>Total liabilities</b>	<b>35,377,305</b>	<b>22,915,558</b>
<b>Equity</b>		
Share capital	9,734	85
Treasury shares	(303,750)	-
Share premium	10,557,573	341,317
Share-based payment reserve	672,247	-
Retained earnings	15,851,492	15,385,050
<b>Equity attributable to owners of ROS AGRO PLC</b>	<b>26,787,296</b>	<b>15,726,452</b>
Non-controlling interest	344,730	409,355
<b>Total equity</b>	<b>27,132,026</b>	<b>16,135,807</b>
<b>Total liabilities and equity</b>	<b>62,509,331</b>	<b>39,051,365</b>

**Appendix 4. Consolidated statements of cash flows for the year ended 31 December 2011  
(in thousand rubles)**

	Year ended 31 December 2011	Year ended 31 December 2010
<b>Cash flows from operating activities</b>		
Profit before taxation	2,627,411	5,626,565
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	2,132,110	1,858,178
Interest expense	1,999,337	1,688,503
Government grants	(1,522,577)	(1,230,239)
Interest income	(882,376)	(433,222)
Gain on initial recognition of agricultural produce, net	(660,904)	(100,349)
Change in provision for net realisable value of inventory	121,632	(23,592)
Revaluation of biological assets, net	(46,413)	(272,241)
Change in provision for impairment of receivables and prepayments	39,522	(888)
Unrealised foreign exchange gain	(93,666)	(32,063)
Write-off of trade and other receivables	20,709	75,959
Share-based remuneration	672,247	-
Lost harvest write-off	16,673	191,425
Change in provision for impairment of advances paid for property, plant and equipment	329,088	-
Other non-cash and non-operating expenses, net	711	37,401
<b>Operating cash flow before working capital changes</b>	<b>4,753,504</b>	<b>7,385,437</b>
Change in trade and other receivables and prepayments	424,162	(1,973,539)
Change in other taxes receivable	(755,116)	(155,307)
Change in inventories	(1,158,960)	(2,044,903)
Change in biological assets	(381,132)	1,466
Change in trade and other payables	70,562	1,390,468
Change in other taxes payable	270,557	106,161
<b>Cash generated from operations</b>	<b>3,223,577</b>	<b>4,709,783</b>
Income tax paid	(348,650)	(603,373)
<b>Net cash from operating activities</b>	<b>2,874,927</b>	<b>4,106,410</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(10,845,355)	(2,922,663)
Purchases of other intangible assets	(33,908)	(19,866)
Proceeds from sales of property, plant and equipment	40,541	52,762
Investments in subsidiaries, net of cash acquired	(1,963)	(1,469)
Proceeds from sale of subsidiaries, net of cash disposed	-	204
Purchases of promissory notes	(3,054,557)	(2,402,688)
Proceeds from sales of promissory notes	2,626,002	2,402,796
Proceeds from sales of other investments	-	4,500
Proceeds from cash withdrawals from deposits	12,733,790	3,020,000
Deposits placed with banks	(21,227,779)	(8,070,190)
Loans given	(1,392,965)	(1,643,129)
Loans repaid	255,173	1,506,263
Interest received	722,807	383,141
Dividends received	5,782	1,021
Movement in restricted cash	174,226	(305,276)
<b>Net cash used in investing activities</b>	<b>(19,998,206)</b>	<b>(7,994,594)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	28,454,169	15,099,244
Repayment of borrowings	(18,212,554)	(7,934,513)
Interest paid	(2,082,809)	(1,610,034)
Purchases of non-controlling interest	(116,813)	(46,499)
Sale of non-controlling interest	170	-
Proceeds from government grants	1,458,441	1,271,831
Proceeds from issue of own shares, net of transaction costs	8,227,414	-
Purchases of treasury shares	(303,750)	-
Dividends paid	-	(169)
Lease payments	(14,664)	(221,554)
<b>Net cash from financing activities</b>	<b>17,409,604</b>	<b>6,558,306</b>
Net effect of exchange rate changes on cash and cash equivalents	51,034	(7,835)
<b>Net increase in cash and cash equivalents</b>	<b>337,359</b>	<b>2,662,287</b>
Cash and cash equivalents at the beginning of the year	5,120,208	2,457,921
<b>Cash and cash equivalents at the end of the year</b>	<b>5,457,567</b>	<b>5,120,208</b>