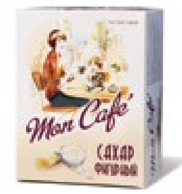
ROS AGRO PLC



Closer to the consumer

ANNUAL REPORT 2012

KEY INDICATORS

Financial indicators for the group in 2012

34.06 billion roubles
Revenue

8.78 billion roubles
Adjusted EBITDA

8.65 billion roubles
Investment in production

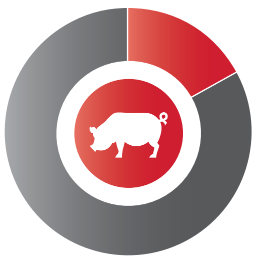
17.26 billion roubles
Net Debt

Financial indicators by business segments*

41%** Sugar business**

16.18 billion roubles
Revenue

2.15 billion roubles
EBITDA



14%** Meat business**

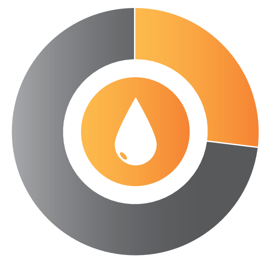
5.63 billion roubles
Revenue

2.13 billion roubles
EBITDA

22%** Agriculture business**

8.83 billion roubles
Revenue

2.95 billion roubles
EBITDA



23%** Oil & fats business**

9.20 billion roubles
Revenue

1.83 billion roubles
EBITDA

Production indicators by business segments*

57,000 tonnes
of raw sugar produced in 2012

547,000 tonnes
of beet sugar produced in 2012

76,000 tonnes
of pork produced in 2012

246,000 tonnes
of fodder produced in 2012

2,552,000 tonnes
of beet sugar harvested in 2012

55,000 tonnes
of sunflower seed harvested in 2012

553,000 tonnes
of grain harvested in 2012

152,000 tonnes
of vegetable oil produced in 2012

55,000 tonnes
of mayonnaise produced in 2012

36,000 tonnes
of margarine produced in 2012

Market position

Cubed sugar production

38% share

Pork production

3.2% share

Mayonnaise production

7% share

Margarine production

34% share

* Operating data and certain financial information used in this Annual Report are based on management accounting data which is subject to the management judgment and presentation. The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables and charts in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded number.

** Based on the Group's revenue, calculated as a sum of the revenue for each business-segment before other sales and intragroup eliminations.

About RUSAGRO

The RUSAGRO Group of Companies[1] is one of Russia's largest vertically-integrated agricultural holding companies. The companies within the Group work in four core businesses: sugar (seven sugar plants in Belgorod and Tambov regions), meat (two large pork complexes in Belgorod and Tambov regions), agriculture (extensive land resources controlled by the Group in Belgorod, Voronezh and Tambov regions used to grow sugar beet, sunflower seeds and different grain crops) and oils and fats (an oil extraction plant in Samara region and a fats factory in Yekaterinburg).

The Group holds a leading position in all four segments. RUSAGRO is Russia's largest importer and processor of raw sugar and the country's second largest manufacturer of sugar and largest manufacturer of sugar cubes. In the meat segment, he Group is Russia's fourth largest pork producer, in oil and fats – it is the number one manufacturer of consumer margarine, the fifth largest producer of mayonnaise and eighth largest manufacturer of oil. RUSAGRO also exports oils and fats to Central Asia, where it holds a leading position on the market.

Forward-looking statements

This annual report was written using the information available to ROS AGRO PLC and its subsidiaries (hereinafter also the Group») at the time of its preparation. Some of the statements in this Annual Report regarding the Group's business activities, economic indicators, financial position, business and operating performance, plans, projects and expected results, as well as tariff trends, costs, anticipated expenses, development prospects, industry and market forecasts, individual projects and other factors are forward looking statements, i.e. they are not established facts. The forward-looking statements which the Group may make from time to time (but which are not included in this document) may also contain planned or expected data on revenue, profits (losses), dividends and other financial indicators and ratios. The words «intends», «aims», «projects», «expects», «estimates», «plans», "believes», «assumes», «may», «should», «will», «will continue» and similar expressions usually indicate forward-looking statements. However, this is not the only way to denote the forward-looking character of information.

Due to their specific nature, forward-looking statements are associated with inherent risk and uncertainty, both general and specific, and there is the danger that assumptions, forecasts and other forward-looking statements will not actually come to pass. In light of these risks, uncertainties and assumptions, the Group cautions that, owing to the influence of a wide range of material factors, actual results may differ from those indicated, directly or indirectly, in the forward-looking statements, which are only valid as at the time of preparation of this Annual Report. ROS AGRO PLC neither affirms nor guarantees that the performance results set forth in the forward-looking statements will be achieved. The Group accepts no liability for losses which may be incurred by individuals or legal entities who act on the basis of the forward-looking statements. In each particular case, the forward-looking statements represent only one of many possible development scenarios, and should not be seen as the most probable. Except in those cases directly stipulated by applicable legislation and the Listing Rules of the UK Listing Authority, the Group assumes no obligation to publish updates and amendments to the forward-looking statements to reflect new information or subsequent events.

[1] Hereafter,"the Group", "RUSAGRO Group" or "RUSAGRO" implies the Company (ROS AGRO PLC) and its subsidiaries.

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PDF-version and recent updates are available on **www.rusagrogroup.ru/en**

LETTER FROM THE CHAIRMAN OF THE BOARD

The fundamental global issues of limited agricultural land and rapidly rising population will remain key drivers of food demand and pricing, for many years ahead.

Context and performance

After a long wait for Russian accession to the WTO, we now have our first experience of life in the post-WTO duty regime. The impact has been broadly in line with our expectations in terms of stability of Government support levels and in-market pricing. The main surprise has been the sharp reduction in pork prices and the resulting margin pressure on our most profitable segment. However, whilst the import duty change is undoubtedly a contributory factor, additional local capacity coming on stream has had the most significant impact.

In this challenging context, we are very pleased with our growth of EBITDA of Rub 8.78 Bn (up 70% on last year). This strong operational performance was achieved with growth contributions across all business segments. Indeed, this is a reflection of the competitiveness and resilience afforded by our diversity of portfolio and integrated model. The highlights, in terms of strategy execution, include completion of several facilities of our meat facility in Tambov; land bank expansion by 16,000 hectares and further progress on premiumisation of our sugar portfolio. Whilst the completion of our meat facility marks an end to a period of heavy capital investment, the Board of Directors does not recommend a dividend payment and the net income for the year is retained.

Governance

The role of our Board is primarily to support and advise our senior management team on Corporate strategy delivery, within a clear governance framework. Over the last two years, we have assembled a small Board, including two independent directors, with a broad diversity of perspective, business leadership background, Russian experience and functional expertise. We have achieved a good gender balance with 40% of Board members being women. There have been no changes in Board membership since Tassos Televantides assumed leadership of our Audit Committee.

We do not operate a remuneration committee, as yet, and govern senior management team pay only, at the Board. Our guiding principle is to pay our senior leaders well for shareholder value creation. To this end, our remuneration approach, whilst significantly performance based, will evolve to longer term, share based remuneration that incentivize value creation over time in line with our shareholder goals.

Shareholder return

Whilst our share price has been broadly flat over the last year, we are conscious of the 60% decline, since our IPO in 2011. To date, our primary approach to shareholder remuneration has been to provide long term return by making sound investment decisions to drive Corporate value growth. However, in response to shareholder feedback, we have completed a USD 10 million buyback programme. Additionally, the Board of Directors is finalizing our Dividend policy and anticipate communication of our approach to investors in the first half of 2013.

Richard Smyth

Chairman of the Board of Directors ROS AGRO PLC

This is a reflection of the competitiveness and resilience afforded by our diversity of portfolio and integrated model.

Signature

Outlook

The fundamental global issues of limited agricultural land and rapidly rising population will remain key drivers of food demand and pricing, for many years ahead, making agriculture an attractive place to be. Nevertheless, the nature of this business requires a capability to respond to selling price volatility whilst remaining competitive and profitable. Whilst the operating environment following WTO accession is now more predictable, resilience to price volatility and margin erosion remain paramount in agriculture. We believe that our unique combination of diverse product portfolio, vertical integration and premiumisation approach, both differentiate our business model and deliver the competitive edge required to thrive in this challenging environment and, ultimately, create value for our shareholders.

LETTER FROM THE DIRECTOR

The agriculture business became the Group's most profitable division for the first time ever.

2012 was a successful year for the RUSAGRO Group of Companies. We were able to boost production, take advantage of good prices and make large investments. There was a downturn in prices in the second half of the year, but the company was still able to achieve its highest ever EBITDA and the agriculture business became the Group's most profitable division for the first time ever.

Despite drought, the agriculture business demonstrated record production results selling all its products at higher prices than in 2011, with the exception of sugar beet. The Group continued to enhance productivity and launched automatic and precision farming projects. Towards the end of the year, the Group controlled over 450 thousand hectares in farm land. The agriculture business achieved record financial results in 2012.

The sugar business was able to increase production compared to 2011, strengthening its lead on the consumer market. RUSAGRO's sugar division sold over 50% of its sugar as a consumer product. High sugar beet production volumes in Russia for a second straight year led to lower prices and that is affecting revenue in this division. However, we expect sugar beet production in Russia to ease in the next season and average sugar prices may go up.

The meat business expanded throughout 2012. We began the year with six working complexes in Belgorod region and ended the year with seven in Belgorod and three in Tambov. Four Tambov complexes and feed plant are due to be completed by the middle of 2013. The company plans to produce over 200,000 tonnes of pork in live weight, when all complexes reach projected capacity in 2014-2015 – 180% more than in 2012. The company began construction of a state-of the-art slaughterhouse in 2012 in Tambov region, and this will start producing half-carcasses, cuts of meat and convenience products in 2014.

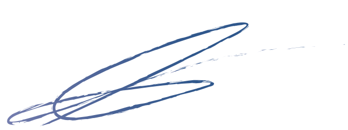
Key events in the oil and fats business included the first full year of operation for the Bezenchuk oil and fats plant and the purchase of the Mechta Khozyayki brand, through which the fats plant has been producing mayonnaise since January 2013. The oil and fats business also posted record financial results in 2012.

Increased productivity was achieved throughout the year and workplace quality was enhanced. Average salaries went up by 9%.

Maxim Basov

Director ROS AGRO PLC
General Director LLC RUSAGRO Group

Despite record investment, the Group maintains a strong balance with a net debt to EBITDA ratio of 2.



Signature

Despite record investment, the Group maintains a strong balance with a net debt to EBITDA ratio of 2. The year ahead promises to be a difficult year for the Group due to numerous uncertainties, such as government policy changes and Russia's accession to the WTO, but our results and investments in 2012 give us confidence moving forward that we will continue to achieve long-term business growth.

MANAGEMENT REPORT

Responsibility Statement

I confirm that to the best of my knowledge this management report gives a true and fair view of the development, results and position of the Company and its subsidiaries (RUSAGRO Group).

Maxim Basov
Director ROS AGRO PLC

Our Strategy

RUSAGRO is striving to become a food product manufacturing leader in the CIS, overseeing the entire production chain "from the field to the shelf."

The vertically-integrated structure of the RUSAGRO holding not only provides the traditional benefits attributed to business diversification, it also enables maximum efficiency in the management of all elements of the production chain, from the production of ingredients, through their processing and the manufacturing of products, to the promotion of a strong brand and sales on the consumer market.

Additional information about Rusagro Group can be found at the corporate video on website at the following link: www.rusagrogroup.ru

Key efficiency factors in RUSAGRO

RUS AGRO GROUP

- Unified strategy
- Access to modern technology
- Unified staff management policy
- Inter-group synergy

PRODUCTION OF INGREDIENTS →

Efficiency Factors

- Quality control
- Own production of raw materials
- New equipment
- Modern technology
- Well-adjusted business processes
- High labour productivity

PRODUCT PROCESSING AND PRODUCTION →

Efficiency Factors

- New equipment
- Well-adjusted business processes
- Close proximity to raw material supply sources – low logistics costs
- Quality staff training
- High labour productivity

PRODUCT DISTRIBUTION – REACHING THE END CONSUMER

Efficiency Factors

- Strong regional brands
- Purchase of the Mechta Khozyayki brand
- Marketing, promotion
- Convenient location in relation to sales markets
- Own production of raw materials
- High labour productivity

Production of ingredients

Of crucial importance to the Group is the benefit of being able to **directly manage the quality of raw materials and ingredients** for production, which allows the Group to ensure the necessary standard of quality is met from the start, thereby increasing processing efficiency and product competitiveness. The agriculture division provides around 60% of the sugar beet used in sugar production and 100% of the grain used in the production of feed within the meat unit, while the oil extraction division provides vegetable oil for the fats plant. This enables RUSAGRO to both keep costs down and heighten quality control.

Processing and production

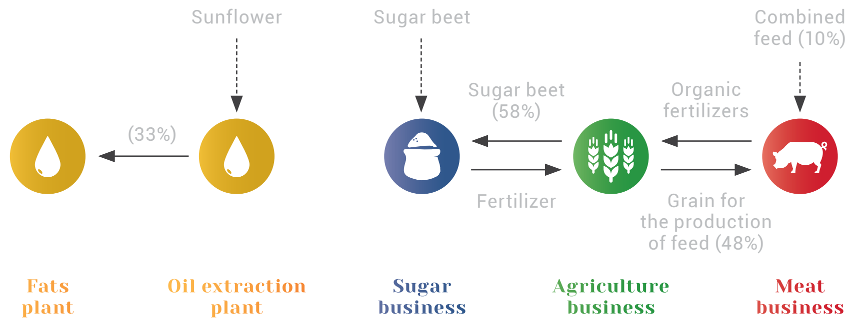
RUSAGRO strives to ensure efficient production throughout its operations by using the newest advances in machinery and the most advanced technologies, as well as by minimising logistics costs throughout the value-added production chain. This high efficiency strategy is aided by the geographical locations of the Group's various business units and their relative proximity to each other.

Product distribution – reaching the end consumer

RUSAGRO is increasingly seeking to boost its consumer market presence by including B2C in the value-added chain of production. The Group aims to consolidate its position on the consumer market by expanding domestic distribution, marketing, the acquisition of the Mechta Khozyayki brand, the promotion of existing Group brands in the sugar segment, and the sale of chilled convenience meat products. All these measures are aimed at increasing profits and creating additional value for shareholders.

Despite its diversification and its desire to maximize production efficiency in each business division, RUSAGRO adheres to a unified strategy, enabling maximum synergy within the Group.

Inter-Group synergy diagram



Inter-Group synergy

SUGAR BUSINESS

- All sugar beet grown by the Group is processed internally. The sugar business currently receives around 58% of its sugar beet from the agr iculture division and management is seeking to increase this figure to 80%.
- This level of self-sufficiency ensures sugar plant capacity is utilized and gives the Group a stronger position when purchasing raw materials (sugar beet and imported raw sugar) from third-parties. This combined with the availability of significant storage capacity enables RUSAGRO to provide steady supplies to consumers as the Group has the ability to smoothen seasonal fluctuations in sugar beet processing volumes.
- Sugar plants are clustered close to each other and close to the sugar beet crop area, which optimizes transportation and logistics costs.
- Sugar plants are able to provide their waste to the agriculture division for use as fertilizer.

MEAT BUSINESS

- Shared infrastructure with the Group's agriculture business enables 90% of feed requirements to be met internally
- The Group's pig farms provide the agriculture section with quality organic fertilisers.

AGRICULTURE BUSINESS

- High-quality production in the agriculture section also provides a basis for the production of feed for the meat division.
- The agriculture section currently provides 100% of grain used to produce feed for the pig farming division.
- This results in reduced transportation and storage costs for the meat division.
- The pig farms provide the agriculture section with quality organic fertilisers.

OIL AND FATS BUSINESS

- The vegetable oil produced at the oil extraction plant fully meets the requirements of the Group's Fat Plant for this product, which accounts for around half of the costs of mayonnaise and margarine production.
- The oil extraction plant is located near to a high sunflower yield region. It therefore makes better economic sense to buy seeds locally rather than from the agriculture division. However, seed production by the agriculture business does provide a kind of hedging facility which protects against price spikes among local suppliers.

Key investment projects

2011: Capital expenditure in 2012 of 813 million roubles.

2012: Capital expenditure in 2012 in the sugar business amounted to 1.2 billion roubles, including 267 million roubles on expanding capacity at the Zherdevsky Sugar Plant.

2013: The Group plans to invest 400 million roubles in production in 2013.

Sugar business

Investment in the sugar division is focused on upgrading and expanding production capacities with a particular emphasis on increasing capacity of B2C production – packed and pressed sugar.

Planned in 2011

The Group planned to continue to expand production capacity and to install new equipment at its sugar plants in 2012:

- Zherdevsky: expansion of sugar beet processing capacity from 3,800 to 5,000 tonnes per day;
- Nikiforovsky: installation of a new beet transfer channel from the beet washing division;
- Valuisky: installation of new syrup filtration, evaporation station and sugar drying equipment;
- Chernyansky: installation of transport and washing water tanks;
- Znamensky: opening of a packaging line;
- NIKA: launch of a pressing line.

Implemented in 2012

Consolidated sugar beet processing capacity has reached 35,800 tonnes per day.

- Zherdevsky
  - Sugarbeet processing capacity expanded from 3,800 to 5,000 tonnes per day;
  - A new diffusion unit was built at a cost of 145 million roubles.
- Valuisky
  - Sugar beet processing capacity increased from 4,800 to 5,000 tonnes per day ;
  - New filtration, evaporation station and sugar drying equipment was installed;
- Chernyansky
  - New transport and washing water tanks were installed.
- Znamensky
  - B2C production capacity was increased by 70,000 tonnes;
  - Equipment was purchased at a cost of 134 million roubles;
  - A new packaging line was opened.
- NIKA
  - Two new pressing lines were launched.

Planned in 2013

The Group will continue to increase production capacity and update equipment at its sugar plants.

Plans include

- Increasing capacity at Zherdevsky Plant to 5,500 tonnes per day;
- Launch of a new beet transfer channel at Nikiforovsky Plant.

Meat business

The meat business will continue to add new production sites in the regions of Belgorod and Tambov, where a slaughterhouse with the capacity to handle 1.5 million head per year is being built.

The project cost is 3.5 billion roubles and the facility is due to reach projected capacity in H2 2014. The slaughterhouse will be equipped with state-of-the-art facilities, enabling slaughter, trimming and the production of chilled consumer products.

Feed plant construction will continue in Tambov region with the aim of increasing self-reliance.

Planned in 2011

- The Shidlovsky Plant to achieve projected capacity in 2012.
- Construction of Tambov Bacon complex to continue.
- Construction of a grain storage facility (with capacity of 120,000 tonnes storage capacity) and a feed production facility (340,000 tonnes per year) to continue.

Implemented in 2012

- The Shidlovsky Plant was launched and during the year it reached projected capacity, exceeding its target for pork production in live weight. Total investment in the construction of the plant was 948 million roubles;
- Construction work at Tambov Bacon led to the launch of 22 production sites, meaning the production target was exceeded by 17%. Investment in construction at the Tambov Bacon Plant totalled 10.7 billion roubles;
- The Group invested 759 million roubles in construction of the slaughterhouse in 2012;
- Construction of a feed plant continued in Tambov region, the first elevator phase of which was launched allowing the production of 60,000 tonnes of feed.

Planned in 2013

- Completion of the Tambov Bacon construction project;
- Completion of the majority of works on the slaughterhouse, after which the Group will enter the consumer segment.

2012: Capital expenditure in 2012 was 5.9 billion roubles, including 0.5 billion roubles for the Shidlovsky Complex and 5.4 billion roubles for Tambov Bacon.

2013: The Group plans to invest 4.7 billion roubles in 2013, including 4.5 billion roubles in Tambov Bacon.

Key investment projects

2011: Expenditure in 2012 of 536 million roubles in Belgorod region, including 443 million on expansion projects. Expenditure in Tambov region of 427 million roubles, including 111 million roubles on expansion projects.

2012: Overall capital expenditure in the Belgorod agriculture division totalled 712 million roubles, including 623 million on expansion. Capital expenditure in the Tambov agriculture division totalled 652 million roubles (including land acquisition), with 211 million roubles going on expansion projects.

2013: The Group plans to invest 680 million roubles in the Belgorod unit and 276 million roubles in the Tambov unit in 2013.

Agriculture business

To ensure optimum efficiency as land resources increase, the agriculture business is investing in the evelopment and maintenance of its machinery and elevators in addition to building seed plants to reduce expenditure on logistics and improve product quality.

Planned in 2011

- Purchase of additional machinery in line with the continued expansion of land resources in Tambov region;
- Replacement of eight existing small fuel storage facilities with a single fuel storage facility;
- A seed plant project;
- Installation of aspiration systems at Group elevators to reduce emissions.

Implemented in 2012

In Tambov region

- 11 tanker vehicles were purchased to implement the single fuel storage facility project at the Zherdevsky branch;
- Construction of the Nikiforovsky Seed Plant with projected capacity of 60 tonnes/hour began at the Dmitrievsky branch;
- Construction of the Ivanovsky Seed Plant began at the Sampursky branch
- 22 new pieces of machinery were acquired;
- The first stage of the aspirator system project at the Zherdevsky elevator was completed.

In Belgorod region

- Production sites were unified and consolidated;
- Grain treatment equipment was installed;
- A 60,000-ton grain platform was launched;
- A new equipment project at the Oskol branch was completed and Oskol switched to minimum soil tillage techniques.

Planned in 2013

In Tambov region

- Completion of projects launched in 2012;
- Land resources are to be increased by 25,600 hectares, which will require the machinery fleet to be expanded;
- Launch of a project to automate accounting and analysis;
- Introduction of grain storage in flexible polyethylene sleeves.

In Belgorod region

- Construction of two grain platforms (total storage capacity of 90,000 tonnes) and warehouse reconstruction to increase storage capacity by 102,000 tonnes;
- Start of work to install drying equipment at all grain platforms;
- Launch of project to monitor agricultural machinery and transport in order to ensure standards are being followed;
- Updating of vehicle fleet at a cost of approximately 40 million roubles in 2013. with over 200 million roubles of investment in updating existing equipment (purchase of new planters, sprayers, etc.).

Oil & Fats business

A key event for the oil and fats business in 2012 was the achievement of full capacity at the oil extraction plant, which provides raw material to the fats plant.

The Group also acquired the Mechta Khozyayki brand to enhance its position on the consumer market.

Planned in 2011

Continued work to upgrade and expand capacity:
- Fats Plant: replacement of cooking equipment in the mayonnaise unit with new German equipment;
- Installation of new high-productivity packaging equipment.

Commencement of exports to Turkmenistan to begin in 2012.

Implemented in 2012

Fats Plant
- New vehicles and new storage equipment were purchased, significantly increasing the level of warehouse automation;
- Project documentation was compiled for a trans-esterification of fats strategy;
- New high-productivity packaging equipment was installed.
- The Mechta Khozyaki brand was acquired;
- The plant started exporting to Turkmenistan.

Oil Extraction Plant
- The Group acquired two elevators in Samara region (the Alekseevsky and Pokhvistnevsky elevators). With the new facilities storage capacity now stands at 100,000 tonnes;

- Two new investment projects were launched to increase processing volumes and new products:
  – Seed productivity increased to 1,200 seeds per day,
  – Granulated oilseed meal production was launched.

Planned in 2013

- Launch and promotion of Mechta Khozyayki mayonnaise;
- Fats Plant plans exports to Moldova and Azerbaijan.

2011: Capital expenditures of 185.7 million roubles for the fats plant in Yekaterinburg and 169 million roubles for the oil extraction plant in Samara.

2012: Capital expenditure in the oil and fats segment in 2012 was about 500 million roubles (including acquisition of intangible assets).

2013: The Group plans to invest 502 million roubles, including 296 million roubles on the fats plant and 206 million roubles on the oil extraction plant.

Company results overview

SUGAR BUSINESS

Group position

The sugar business is the Group's core business, with the Group boasting a 12% share of Russia's sugar market.

In 2012 RUSAGRO achieves high production efficiency by investing in equipment upgrades.

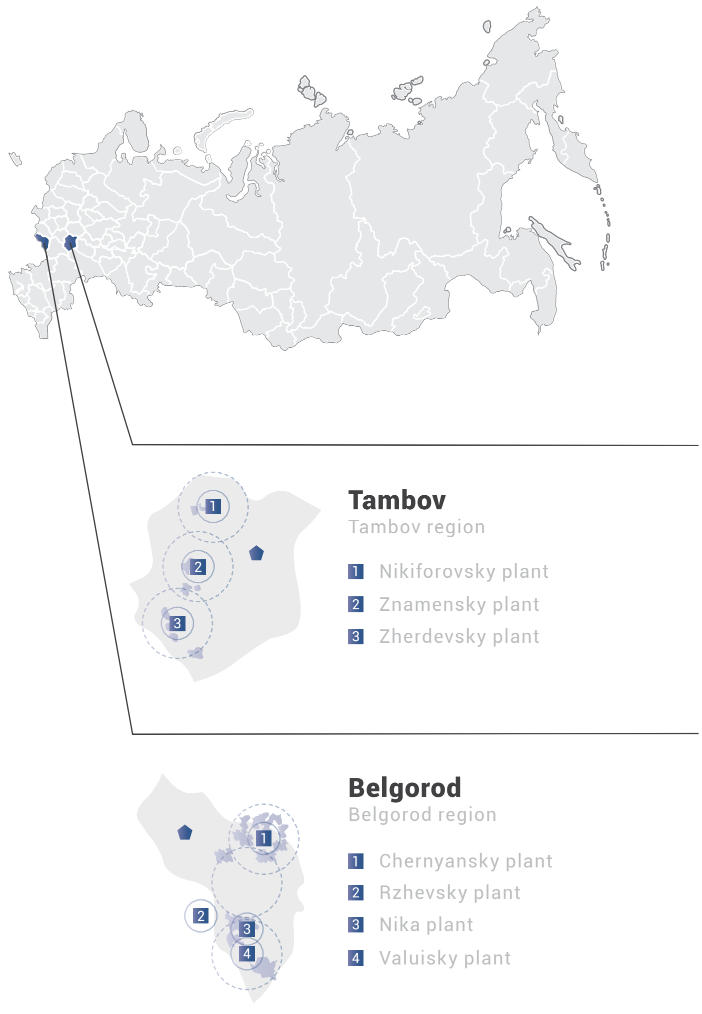
2.15 bln roubles (+49%) EBITDA

12% of Russian sugar market (second place)

38% of the pressed sugar segment (market leader)

Additional information about Rusagro Group can be found at the corporate video on website at the following link: www.rusagrogroup.ru

Key sugar business operating assets



60-km radius
30-km radius
Land resources
Sugar plant
Regional center

The Russian sugar market is relatively stable. Annual consumption is around 5.7 million tonnes, or around 40 kilograms per capita, which is 15% more than the European Union average. The majority of sugar (around 91% in 2012) is produced from sugar beet and the rest from imported raw sugar. Government policy is aimed at protecting and developing the sugar beet industry, so import duties on raw sugar remain high. As a result, the price of raw sugar is increasing and its processing is becoming less profitable compared to sugar beet. Imports of white sugar are low due to the high import duties. Production from raw sugar totalled 0.47 million tonnes in 2012 and production from sugar beet stood at 4.9 million tonnes. Imports of white sugar amounted to 0.3 million tonnes.

Key operating assets

The sugar business comprises seven sugar plants in Tambov and Belgorod regions, located close (within a radius of around 60 km) to the sugar beet crops of the Group's agriculture division. Consolidated sugar beet processing capacity in 2012 was 35,550 tonnes per day.

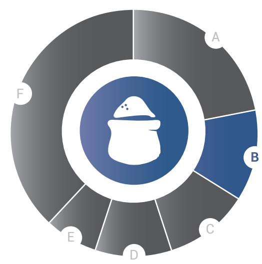
547,000 tonnes
of beet sugar produced (+18%)

57,000 tonnes
tonnes of raw sugar produced (–91%)

16.18 billion roubles
revenue (–37%)

Major Russian sugar producers, 2012,
%

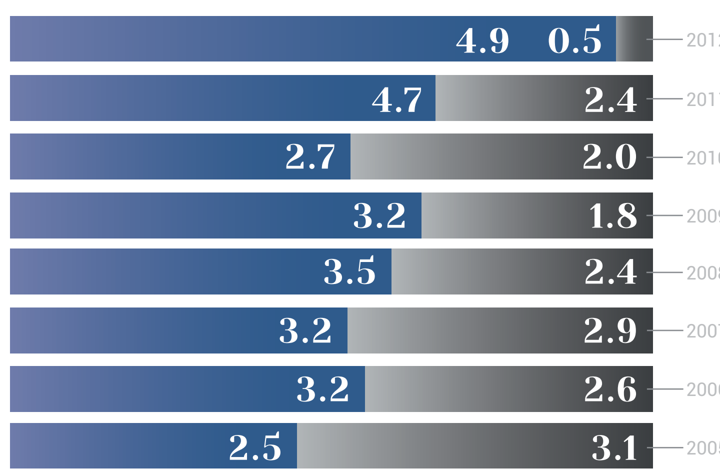
Source: Soyuzrossakhar (Russian Union of Sugar Producers)



A. 22 Prodimex
B. **12 Rusagro**
C. 11 Razgulay
D. 10 Dominant
E. 7 Syukden
F. 38 Others

Share of beet sugar and raw sugar on the Russian market in 2012,
mln tonnes

Source: IKAR, Soyuzrossakhar



Beet sugar   Raw sugar

“Russian Sugar”– traditional and familiar sugar with high quality at affordable price

Production of «Russian Sugar» has a comfortable perforation in the package with the cover. «Russian sugar» would give the usual sweetness favorite drinks and desserts.

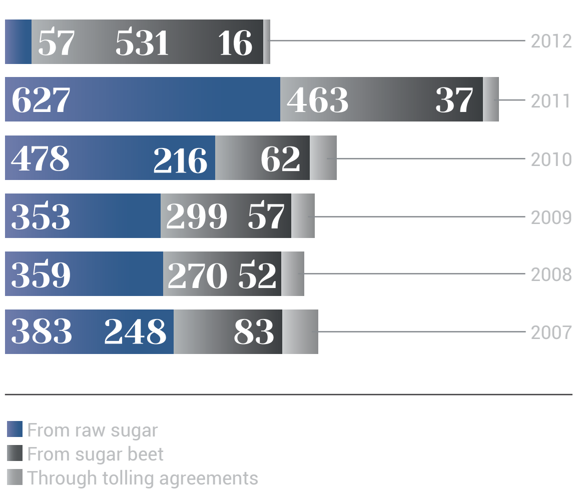
Extruded according to the technical conditions 9111-002-00335841-2004 Quality of sugar GOST 21-94. Caloric content – 400 kcal. Weight – 1.0 kg and 0.5 kg. Packaging for delivery – 20 kg carton.

Store product in a cool, dry less degree at a temperature no higher than 40°C and relative relative humidity less than 70%.

Shelf life is unlimited

Packaging 1.0 kg and 0.5 kg

Group sugar production in 2007-2012, mln tonnes



Results in 2012

Sales of the Sugar segment in 2012 amounted to 16.18 billion roubles (in 2011 revenue was 25.63 billion roubles; sales decreased in 2012 by 37%); EBITDA in 2012 reached 2.15 billion roubles.

- RUSAGRO produced over 547 thousand tonnes of beet sugar in 2012, up 18% on 2011. The Group produced 57 thousand tonnes of raw sugar.
- As well as growing and processing sugar beet, RUSAGRO imports and processes raw sugar. From the 469 thousand tonnes of raw sugar produced in Russia in 2012, 12% (57 thousand tonnes) was produced at RUSAGRO plants. This figure marks a 91% reduction year-on-year, with the fall attributed to a shift in the Russia's sugar balance structure.
- RUSAGRO achieves high production efficiency by investing in equipment upgrades.
- As part of the Group's general strategy, the sugar business continues to actively promote its four brands and is expanding its presence on all areas of the pressed and packed sugar market, and it is witnessing steadily growing demand on the Russian market.
- B2C sales in 2012 surged 30% to 321 thousand tonnes from 246 thousand tonnes in 2011. The share of B2C sales in overall sales also increased, increasing from 27% in 2011 to 51% in 2012.
- As a result, RUSAGRO's brands accounted for a 38% share of sales in the pressed sugar market in 2012, up from 34% in 2011.
- A global sugar surplus coupled with a 20% drop in the average annual price for the product which led RUSAGRO to cut production and sales, meaning sugar business revenue dropped 37% in 2012 to 16.18 billion roubles. However, adjusted EBITDA soared 49% to 2.15 billion roubles, up from 1.44 billion roubles in 2011. This was possible thanks to an overall boost in the production and sale of beet sugar, an increase in the share of B2C products and lower production costs.

Plans for 2013

Plans for 2013 include further measures aimed at upgrading sugar production, including:

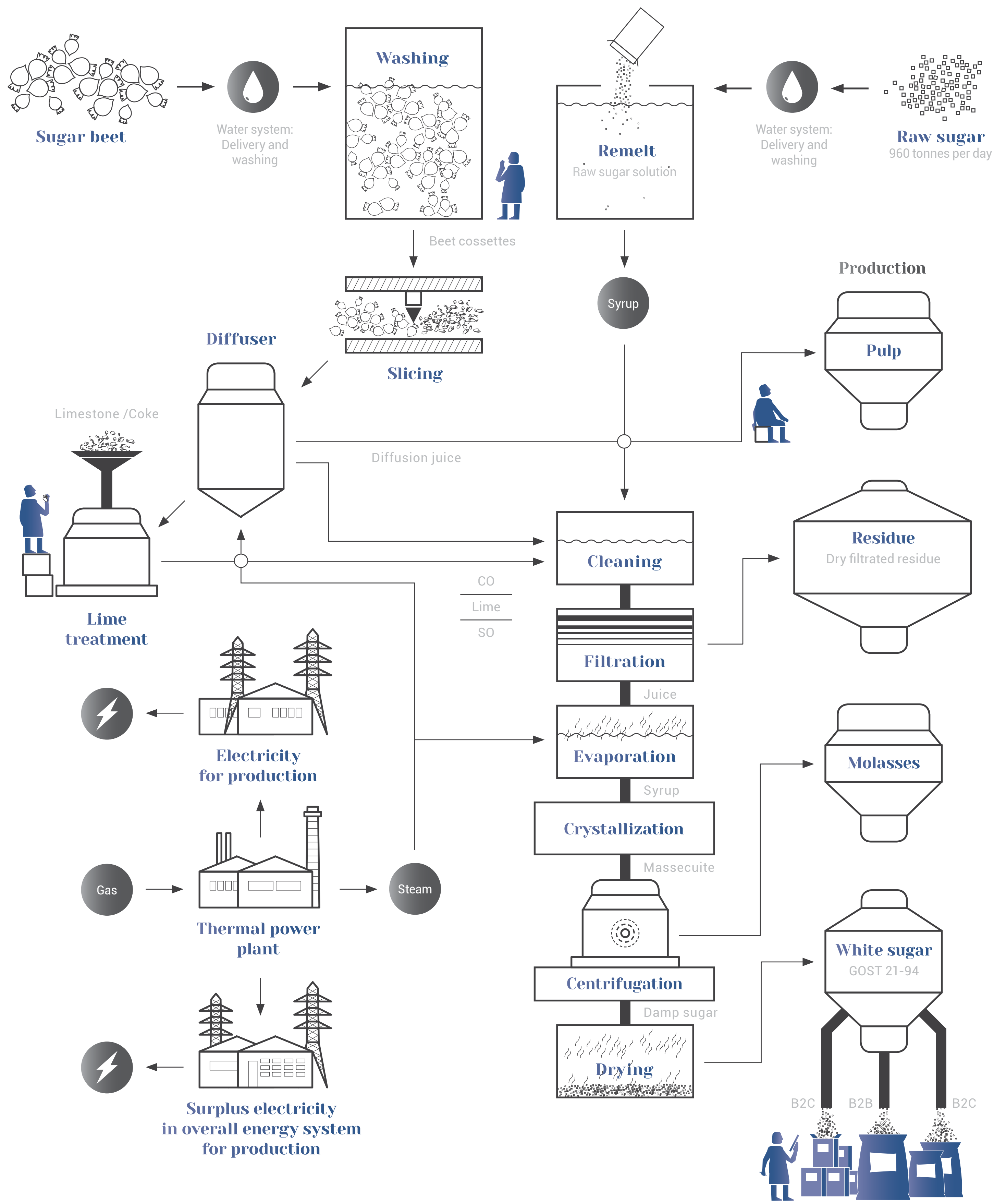
- Increasing capacity at the Zherdevsky Plant from 5,000 tonnes/day to 5,500 tonnes/day in 2013;
- Launching a new beet supply tract at the Nikiforovsky Plant;

Russia's accession to the WTO

Russia's accession to the World Trade Organisation (WTO) in 2012 should not have a negative impact on the sugar industry. Instead, the sugar market in Russia (and in other Customs Union countries) is now more protected than it was before Russia joined the WTO.

Russia's WTO membership did not create any additional threats to the sugar market and RUSAGRO does not expect any negative consequences for its sugar business from Russia's accession to the organization.

How we make sugar



MEAT BUSINESS

Group position

RUSAGRO has been a top-five Russian pork producer since 2010 and the Group is continuing to expand and increase production capacity. Its share of the industrial pork production market dropped 6% in 2012, placing it fourth.

In 2012 RUSAGRO managed to limit cost increases to around 24% due to having its own agriculture division.

5.63
bln RUB (+4%)
Revenue

3.2%
(-6%) of industrial pork production (fourth place)

2.13
bln RUB (–8%)
EBITDA

Russia has one of the world's biggest meat markets and one which has huge potential for growth: annual meat consumption is around 65 kilogrammes per capita, with pork accounting for around one third of that figure. Consumption remains lower than in the European Union, the United States, Canada, Argentina and Brazil, but is constantly growing. Pork consumption in 2012 increased around 4.4% year-on-year to 3.2 million tonnes, or 22.6 kilogrammes per capita.

Much of Russia's infrastructure is outdated and ineffective, so some demand is met with imported pork. The government has implemented policies to encourage domestic production and as a result pork output climbed 1.8% in 2012, with production across all farm categories hitting 2.42 million tonnes in live weight. Pork imports in 2012 were also up, climbing 3.2% year-on-year to 1.26 million tonnes.[2]

Additional information about Rusagro Group can be found at the corporate video on website at the following link: www.rusagrogroup.ru

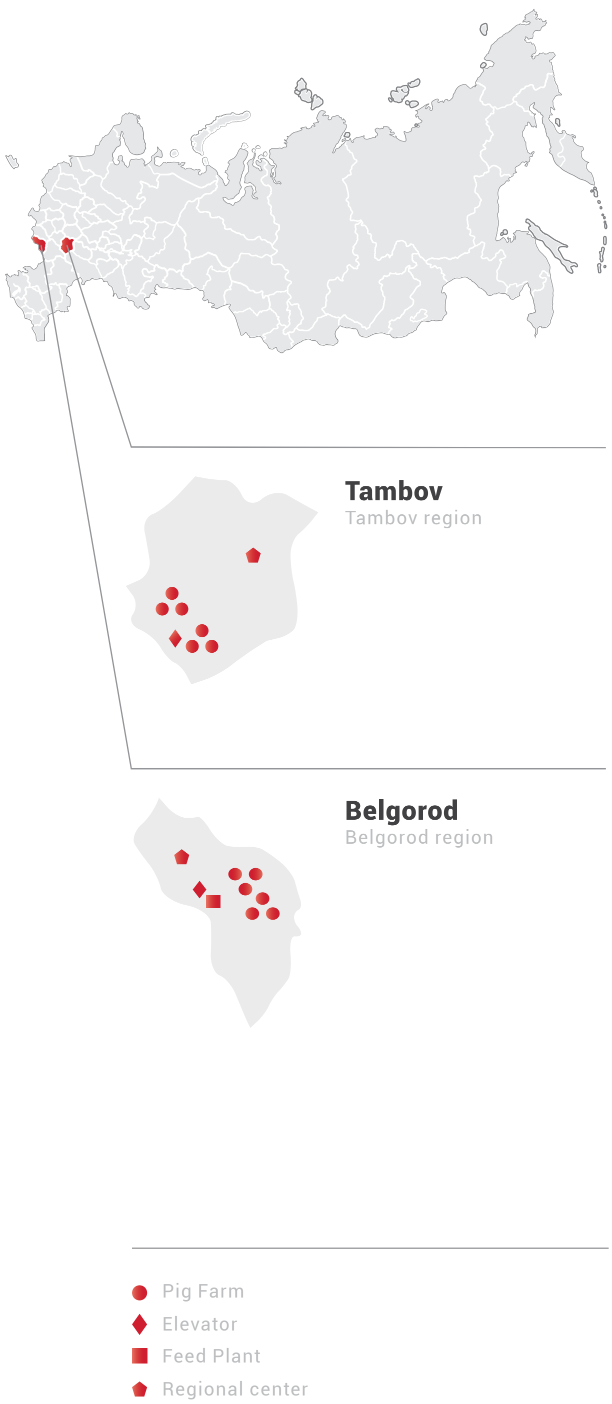
2 Source: EMEAT, detailed information on imports to Russia from non-CIS and CIS countries (including CU).

76,220 tonnes
of pork in live weight (+20%)

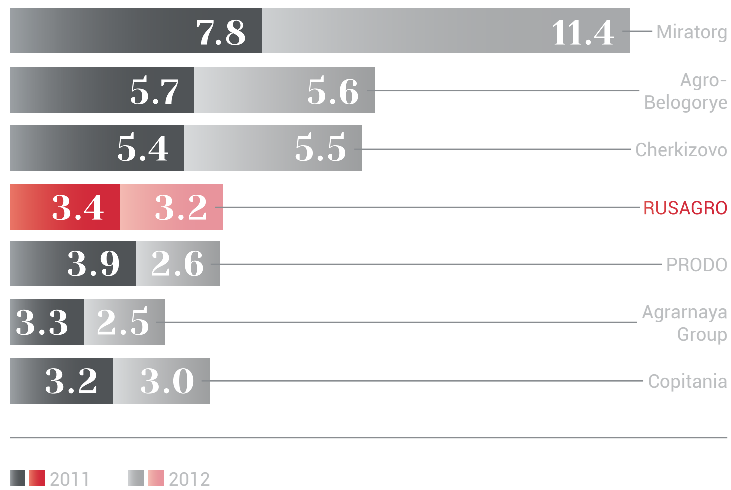
246,000 tonnes
of feed (+5%), including

40,000 tonnes
of feed for sale

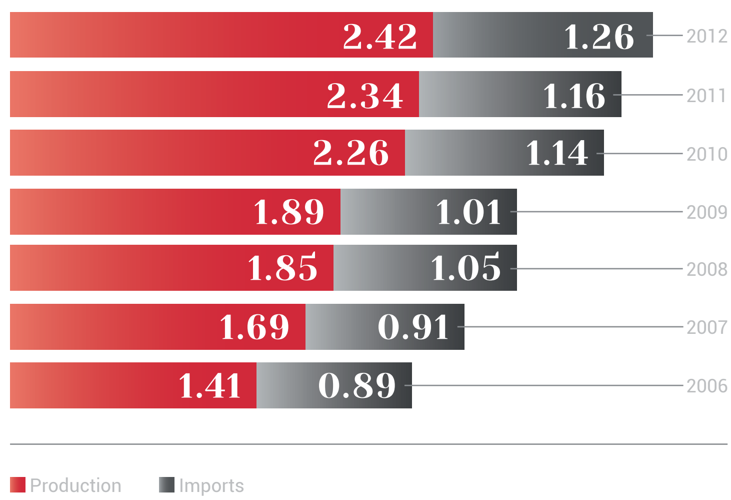
Key assets of meat business



Top Russian pork producers in 2011–2012,
%

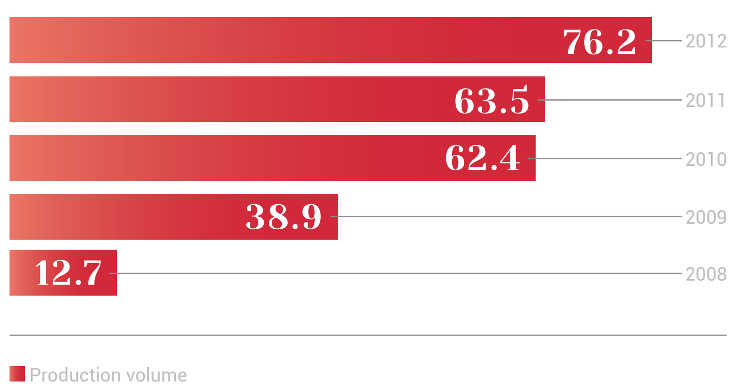


Production and import trends,
mln tonnes



RUSAGRO pork production,
'000 tonnes

Source: Company data



Key assets

The meat business comprises two pork production companies located in Tambov and Belgorod regions close to elevators on farmland owned by the Group. Both of the plants operate to international standards and use the latest scientific and technological advancements in pork and fodder production – both companies have hog farms and breeding complexes as well as their own feed plants.

Biosafety is a huge priority. The Group maintains the toughest biological safety standards in order to ensure healthy animals and high-quality meat. The plants are located on land owned by the Group in the Belgorod and Tambov regions, optimum locations for ensuring biosafety and minimum transport expenditures.

RUSAGRO is also committed to environmental monitoring, carrying out regular laboratory tests on samples of air, effluent, waste, drinking water, manure and observation well water.

Results in 2012

RUSAGRO share of Russia's commercial pork production market decreased to 3.2% in 2012. Sales revenue rose to 5.63 billion roubles from 5.41 billion roubles in 2011. EBITDA was 2.13 billion roubles.

Pork production totalled 76 thousand tonnes in 2012, which was 5% over target. RUSAGRO also produced 246 thousand tonnes of feed, an increase of 5% on 2011, including 40 thousand tonnes for sale.

Although the price of feed ingredients increased in 2012 (in the case of barley by 40%) and energy resources became more expensive, RUSAGRO managed to limit cost increases to around 24% due to having its own agriculture division to protect against price hikes for a large share of ingredients. Low production costs continue to enable one of the best profit margins in the industry.

RUSAGRO's management evaluated pork export potential to several countries in 2012, with production and consumption balances analysed along with export costs. China was defined as the market with the greatest potential for exports.

The Group's meat division is planning to enter the consumer market in the near future with the launch of convenience chilled meat products. RUSAGRO began building its own slaughterhouse in 2012 and carried out preliminary marketing measures to determine target consumers, select distribution channels and identify consumer preferences in terms of packaged ready-to-cook products. All this will enable maximum efficiency upon entering the B2C market.

Plans for 2013

- The Group's meat division plans to sell over 94,930 tonnes of pork in live weight in 2013.
- Construction of the Tambov Bacon complex is due to be completed in 2013.
- The Group plans to complete most of the work on its slaughterhouse project in 2013. Opening its own slaughterhouse will enable RUSAGRO to enter the consumer market.
- RUSAGRO plans to develop its convenience chilled meat brand and promote the brand on the retail market.
- The Group will optimize business processes in 2013 and put a cost-cutting program in place.

Russia's accession to the WTO

Russia's accession to the World Trade Organisation (WTO) in 2012 entailed some changes to pork import regulations. Before Russia joined the organisation, pork import duties were 15% (but no less than 0.25 euro per kilogram) within the annual quota of 430 thousand tonnes and 75% (but no less than 1.5 euro per kilogram) outside the quota. The duty for the import of live pigs rose to 40% (but no less than 0.25 euro per kilogram). After Russia joined the WTO, customs duties were reduced but the quota remained: within the quota pork is imported duty-free, imports outside the quota carry a duty of 65%. These conditions will remain until 2020 when quotas will be replaced by a flat import duty of 25% for pork and 5% for live pigs.

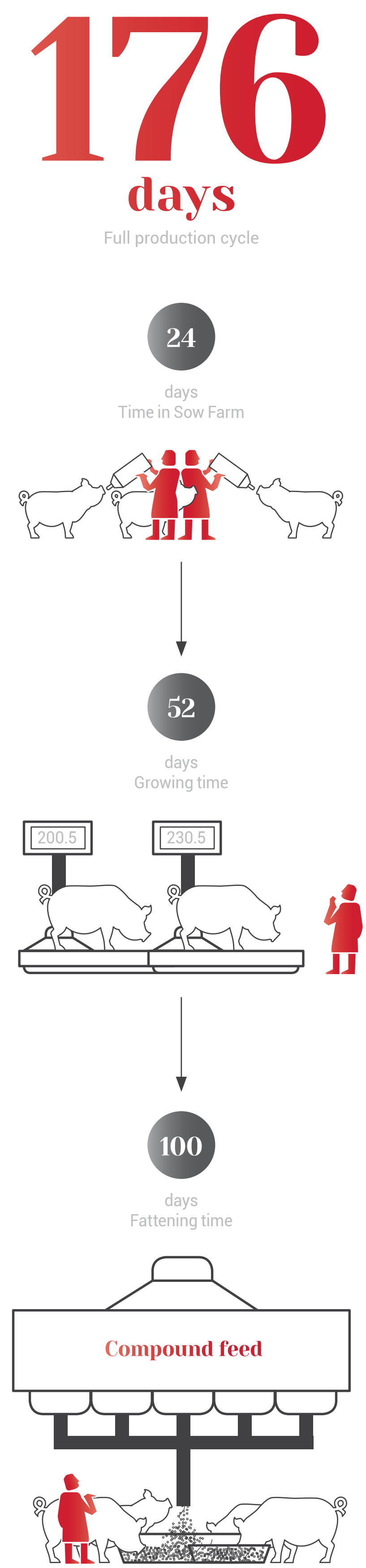
An increase in pork imports following Russia's accession to the WTO together with increased domestic production led to a downfall in live weight pork prices, which could lead to a drop in profits for the meat division. The new conditions mean processing capacity deficits are more of an issue and a company without its own facilities for slaughtering and pork processing could become economically unviable.

To minimize the impact of Russia's WTO membership, RUSAGRO is building its own slaughterhouse, which it due to be completed in 2014. This will enable RUSAGRO to start producing convenience chilled meat products, to process all the pork produced by the Group, and to enter the B2C market, which is one of its strategic objectives.

Thanks to its resources, RUSAGRO will not be restricted to defensive tactics under the new circumstances. Its vertically integrated structure will ensure it can efficiently and profitably develop agro-industrial production while reducing risks. The RUSAGRO companies are equipped with the latest equipment and production complies with WTO standards. The management team consists of highly skilled specialists with track records boasting significant experience in agriculture and business. RUSAGRO plans to take full advantage of its vast range of opportunities for promoting its products on the pork and feed export markets that Russia's accession to the WTO can open.

How we do it

Source: Company data



AGRICULTURE BUSINESS

Group position

RUSAGRO is one of the largest agricultural companies in Russia. Its farm land is located near the company's processing facilities, sugar and fodder plants and elevators. All of the sugar beet produced by the Group's agriculture division is supplied to the company's sugar plants and grain is used to produce feed for its meat business. The Group's elevators enable it to process and store grain throughout the year. Crops include sugar beet, wheat, barley, peas, soya, sunflower seeds, corn and more.

RUSAGRO's farm land is located in Russia's Central Black Earth area, which boasts some of the most fertile land in the world.

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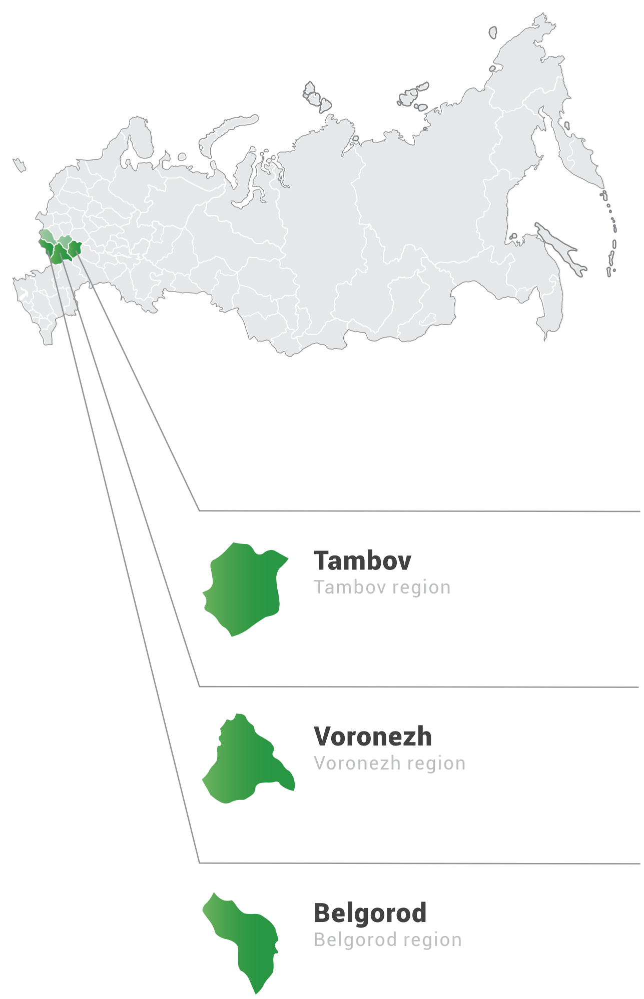
www.rusagrogroup.ru

8.83
bln RUB (+31%)
Revenue

2.95
bln RUB (+57%)
EBITDA

Regions of RUSAGRO operations



Black Earth Belt
Regions of RUSAGRO operations

452,000 hectares

land bank

3.268 million tonnes

(+6,4%) production

Farmland under crops in 2012 (Tambov region), %

Source: company data

A.	21	Wheat
B.	20	Barley
C.	19	Sugar beet
D.	10	Peas
E.	3	Sunflowers
F.	27	Others

Farmland under crops in 2012 (in Belgorod region), %

Source: company data

A.	24	Wheat
B.	18	Sugar beet
C.	16	Barley
D.	9	Peas
E.	9	Sunflowers
F.	4	Soya
G.	4	Feed
H.	1	Corn
I.	15	Others

Key assets

The agriculture business comprises agriculture plants in Belgorod and Tambov regions with 452 thousand hectares of land, four elevators with capacity to store 557,300 tonnes of grain and over 205,000 tonnes of outdoor storage, as well as three dairy farms.

RUSAGRO's farm land is located in Russia's Central Black Earth area, which boasts some of the most fertile land in the world. The soil in this region contains a high percentage of humus (nutrient containing organic matter), ensuring high crop yield. Tambov region soil has a humus content of 8%. The Group arable land totalled 268 thousand hectares in Belgorod region and 134 thousand hectares in Tambov region.

Results in 2012

Sales revenue reached 8.83 billion roubles in 2012 (up 31% on 6.72 billion roubles in 2011) and EBITDA was 2.95 billion roubles.

RUSAGRO harvested 2,552 thousand tonnes of sugar beet in 2012, 11% up on 2011. The gross sunflower harvest totalled 55 thousand tonnes (-24.2%). Total grain harvest was 553 thousand tonnes, of which 266 thousand tonnes was winter wheat, 194 thousand tonnes barley, 22 thousand tonnes of corn, 54 thousand tonnes of peas and 17 thousand tonnes of soya beans.

Crop yield in 2012 was 37 tonnes per hectare for sugar beet, 3 tonnes per hectare for wheat and barley, 1.9 tonnes for sunflower, 1.4 for soya and 4.8 tonnes per hectare for corn.

2012 in Tambov region

- A project was launched to automate transport resource management.
- An electronic field map project was successfully completed and agrochemical soil analysis carried out.
- There was full computerization of workplaces in the Tambov branches to ensure increased efficiency. A new current reporting project was set up to enable analytical information from production sites to be received promptly.
- A project was launched to audit the land plots.

2012 in Belgorod region

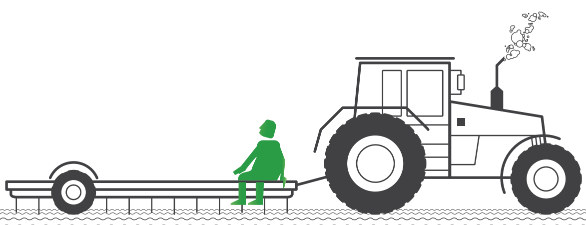
- Production sites were consolidated to improve production efficiency.
- New equipment was installed and a 60,000-tonne grain platform was launched.
- The transition to maintaining a tractor fleet structure within a tractor station was completed. The grain harvester fleet was updated.

Plans for 2013

Several projects that were launched in Tambov region in 2012 will be continued in 2013:

- The completion of a rolling stock monitoring project and an increase in land resources by 25,770 hectares, which will necessitate an increase in the tractor fleet.

Agro-industrial crop cultivation scheme



Cultivation

♦ End of July – beginning of August

● End of July – beginning of August. Then, between 10 and 15 days after weeds have sprouted fertilizer is used (0.2 tonnes/hectare).

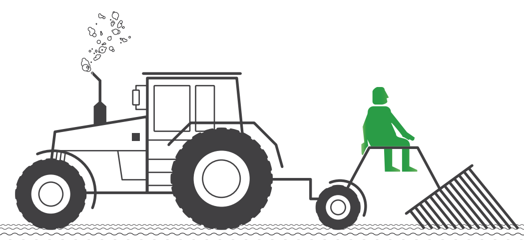
▼ End of July – beginning of August. Then, between 10 and 15 days after weeds have sprouted fertilizer is used (0.4 tonnes/hectare).

Harrowing. Pre-sowing cultivation

♦ Pre-sowing cultivation – the first week of September.

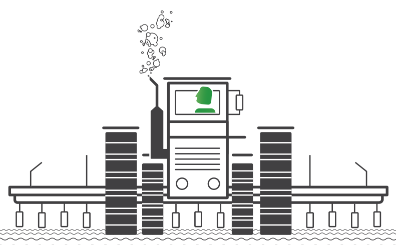
● Harrowing – end of March. On uneven areas 40%. Pre-sowing cultivation – the first half of April.

▼ Harrowing – end of March and then pre-sowing cultivation.



Harrowing

♦ Post-emergence harrowing is carried out in the second or third week of April to enclose moisture and to control weeds. (Winter crops)



Processing

♦ Pesticides are applied in the third week of April, before the use of weedkillers in the first half of May. (Winter crops) Pesticides are then applied in the third week of May. (Spring crops)

● Drying is carried out to accelerate maturation in the first half of September.

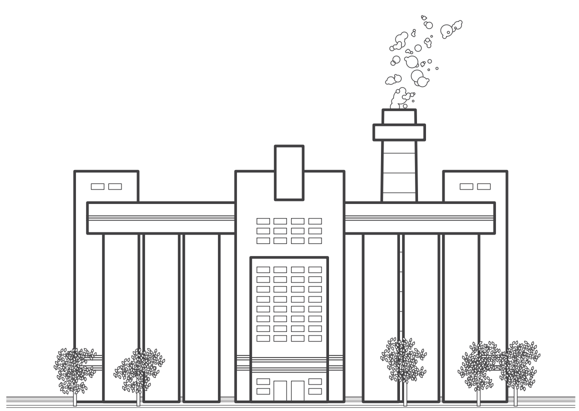
▼ A second application of weed killers is applied in the second or third week of May to combat the second wave of weeds.

Harvesting

♦ Harvest begins in the third week of July. Half of the harvest is taken to grain platforms for cleaning and bagging, while 20% goes to elevators and 20% for seed bagging. (Winter crops) Harvest begins in the third week of July. (Spring crops)

● Harvest begins in the third week of July.

▼ Harvesting begins in the third week of August together with transport to sugar plants, and then concludes in the second week of November.

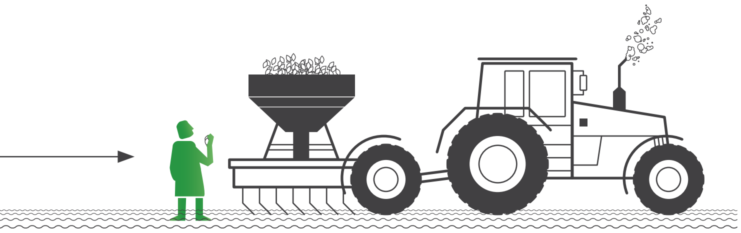


Elevator

♦ 50% of the harvest is taken to grain platforms for cleaning and bagging, 20% to elevators and 20% for seed bagging. (Winter/spring crops)

● All 100% of the harvest goes to elevators.

▼ In the second week of October, sugarbeet is stored in piles, which are treated to improve long-term storage.

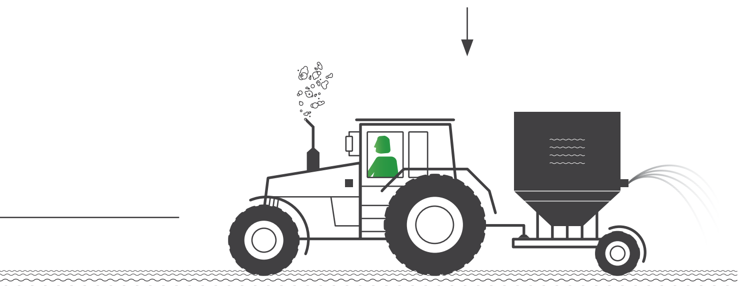


Sowing

◆ Sowing takes place in the first 2-3 weeks of September.
The seeding ratio is 5.5 million seeds per hectare. (Winter crops)
Sowing takes place in the first two to three weeks of April.
The seeding ratio is 3.5-4.5 million seeds per hectare. (Spring crops)

● Sowing takes place in the first half of April.
Purchased seeds with a seeding ratio of 70,000 per hectare.

▼ Sowing takes place in the first half of April.
(Purchased seeds with a seeding ratio of 130,000 per hectare.)

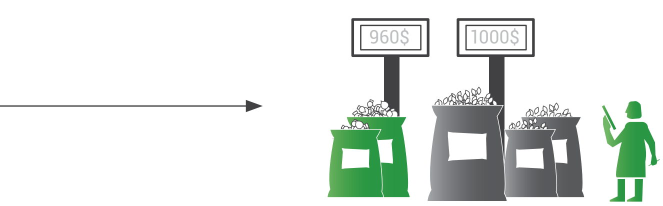


Top-dressing

◆ Fertiliser (ammonium nitrate) is added in the third or fourth week of March with a ratio of 0.1-0.15 tonnes per hectare. (Winter crops)
Weed killers are used in the first half of May. (Spring crops)

● Weed killers are used in the first half of May.

▼ Weed killers are applied in the first half of May to combat the first wave of weeds. Pesticides are applied in the second or third week of June.



Commodity grain sale

◆ Crops (winter/spring)
● Sunflower
▼ Sugar beet

Legal structure of land resources in Tambov region, %

A.	61	Long-term lease
B.	34	Short-term lease
C.	5	Owned

Legal structure of land resources in Belgorod region, %

A.	48	Owned
B.	37	Long-term lease
C.	15	Short-term lease

- 2013 will also see the launch of a project to automate accounting and analysis activity and the introduction of grain storage in flexible polyethylene sleeves.
- A legal audit of land resources will be carried out.

Plans in Belgorod region include:

- The construction of two grain platforms with combined storage capacity of 90,000 tonnes and warehouse reconstruction to increase storage capacity by 102 thousand tonnes.
- The launch of a project to monitor agricultural machinery and transport to ensure standards are being followed.
- Updating the vehicle fleet at a cost of around 40 million roubles.
- Updating existing equipment, with investment of over 199 million roubles earmarked for the purchase of new planters, sprayers, etc.

Russia's accession to the WTO

Russia's accession to the World Trade Organisation (WTO) may have a dual impact on the agriculture business. The reduction in import duties on grain will not directly affect Russian agriculture producers as Russia is a net-exporter of grain. Meanwhile, the reduction in sunflower seed export duties will improve RUSAGRO's market position. However, there may be an indirect impact which is not entirely favourable: a drop in import duties for meat and dairy products could have a negative impact on Russia's meat and dairy industry, meaning that there is an increased risk of a downfall in feed consumption among companies in that industry.

OIL & FATS BUSINESS

The RUSAGRO oil and fats business comprises two independent units: the Fats Plant, which produces sauces and fats, and the Oil Extraction Plant, which produces vegetable oil. RUSAGRO holds a leading position in both areas and its products attract wide demand on the Russian market and abroad.

RUSAGRO plans to boost exports in 2013 and will start exporting products from the Fats Plant to Moldova and Azerbaijan.

34% market share
Market leader among margarine producers

7% share
Fifth among mayonnaise producers

+217%
EBITDA 1.83 bln RUB

Key export routes

Regional center
Exports in 2012
New routes to be added in 2013

Additional information about Rusagro Group can be found at the corporate video on website at the following link:
www.rusagrogroup.ru

152,000 tonnes
of vegetable oil produced

9.2 billion roubles
revenue (+36%)

55,000 tonnes
of mayonnaise and 36,000 tonnes of margarine produced

3.24%
eighth among vegetable oil producers

Major mayonnaise producers in Russia in 2012, %

Source: Russian Oil and Fats Union data. The study only includes companies within the Russian Oil and Fats Union

A.	16	Essen
B.	16	EFKO
C.	14	NMKhK
D.	12	Sun Products
E.	7	RUSAGRO
F.	5	Unilever
G.	5	Kazan Fats Plant
H.	25	Other producers

Major margarine producers in Russia in 2012, %

Source: Russian Oil and Fats Union data. The study only includes companies within the Russian Oil and Fats Union

A.	34	RUSAGRO
B.	22	NMZhK
C.	20	Sun Products
D.	12	Evdakovsky MZHK
E.	6	Irkutsk Oil and Fats
F.	6	Others

Production of sauces and fats

Group position

The Russian Oil and Fats Union reports that RUSAGRO is Russia's largest manufacturer of margarine with a 34% share of the market and the fifth largest manufacturer of mayonnaise with a 7% share.

Mayonnaise is an already huge and still steadily growing market in Russia and the CIS. Mayonnaise consumption in Russia totalled 755,900 tonnes in 2012 (2% more than in 2011). Mayonnaise is very widely consumed in Russia with research showing that at least 94% of households consume it. Average annual consumption in Russia is much higher than in other countries at 5 kilogrammes per capita, compared to the global average of 3.6 kilograms per capita.

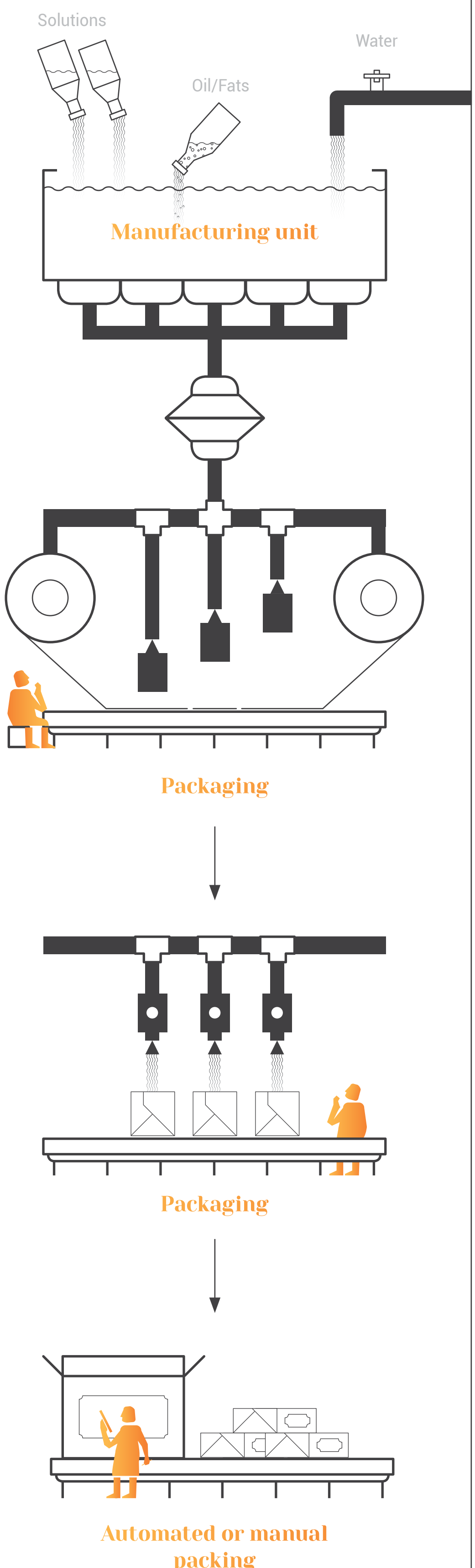
The situation is reversed on the Russian margarine market: margarine consumption in Russia is lower than the global average (0.46 kg and 1.23 kg per capita, respectively) and it is even lower compared to the average for Western and Eastern Europe (5.3 and 6.7 kg per capita, respectively). Consumption has been relatively stable for several years, although it has seen some decline – from 73,000 tonnes in 2009 to 65,000 tonnes in 2012. This situation on the domestic market has encouraged RUSAGRO to promote margarine on the Central Asian market, where it has seen more favourable results.

Key assets

The segment comprises a Fats Plant in Yekaterinburg, the fifth-largest oil and fats plant in Russia. It produces a wide range of products, including mayonnaise, margarine, soap, mustard, sunflower oil and ketchup. Nominal annual production capacity at the plant in 2012 was 125,000 tonnes of mayonnaise and 65,800 tonnes of margarine.

Margarine and spread production

Source: Company data



Results in 2012

Sales in the oil and fats division amounted to 9.2 billion roubles (up 36% on the previous year's 6.75 billion roubles). EBITDA was 1.83 billion roubles.

The Group produced around 55 thousand tonnes of mayonnaise in 2012, down 3.8% on 2011, and 36 thousand tonnes of margarine, up 3%. Sales volumes were virtually equal to production volumes. Exports of margarine and spreads climbed 6% from 25,300 tonnes in 2011 to 26,400 tonnes in 2012; ketchup exports increased 9% in 2012. The main importers were Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan.

During 2012 the Fats Plant:

- Acquired the Mechta Khozyayki brand to expand its sales market for mayonnaise and later for other products (sauces, ketchup, mustard, spreads and bottled oil);
- Implemented measures to reduce energy consumption and other resources per tonne of production;
- Set up a new product development centre;
- Continued to develop a prudent production system.

Plans for 2013

Plans for 2013 include:

- The launch of a new mayonnaise under the Mechta Khozyayki brand, which is to be developed to a federal brand;
- The launch of a range of products with natural recipes;
- The introduction of large packaging sizes (500 grammes) in the spread category;
- The introduction of plastic ketchup bottles;
- Increasing productivity compared to 2012.

RUSAGRO plans to boost exports in 2013 and will start exporting products from the Fats Plant to Moldova and Azerbaijan.

The Fats Plant forecasts 116,300 tonnes in sales in 2013.

Russia's accession to the WTO

One of the consequences of Russia's accession to the WTO will be a drop in import duties on commodities, for example on sunflower seeds and rapeseed. RUSAGRO does not think this will have any considerable negative impact on the Fats Plant, as most of the raw materials are produced in Russia.

Vegetable oil production

Group position

RUSAGRO is the number eight sunflower processing company in Russia with a 3.24% market share.

Vegetable oil consumption (including products containing vegetable oil) amounted to 1.92 million tonnes, or 13.5 kilogrammes per capita, in Russia in 2012. Per capita consumption remained unchanged compared to 2011. Consumption is forecast to grow to 1.98 million tonnes by 2017 (or 13.95 kilogrammes per capita).

Vegetable oil production capacity in Russia is largely concentrated in the southern and central regions and the majority of sunflower crop processing (33%) is handled at plants with processing capacity of from 1,000 to 1,500 tonnes daily.

Key assets

The Group acquired the LLC Samaraagroprompererabotka oil extraction plant, which produces both pressed and extracted sunflower oil, oilseed meal and husks, in 2011. It has been known as CJSC SAPP since 2012. The plant achieved its full projected capacity in Q4 2011 and since then has been a self-sufficient unit within the Company.

The plant had the capacity to process 1,052 tonnes of seed per day in 2012. The oil extraction plant is located in a region with a large sunflower harvest but which lacks other oil extraction plants. To strengthen its position on the commodity market, RUSAGRO acquired two elevators in Samara region in 2012 and was able to boost sunflower seed storage capacity to 100,000 tonnes.

Results in 2012

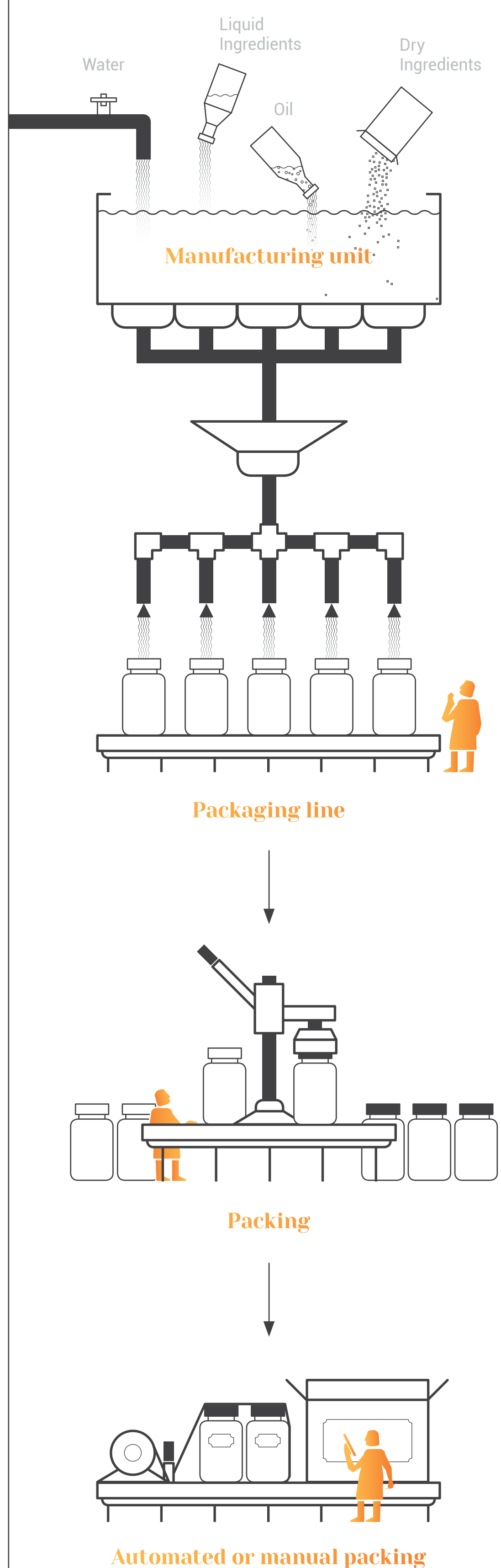
Throughout 2012, the oil extraction plant operated smoothly and unhindered. It achieved full capacity and utilized 100% this, enabling it to achieve record economic indicators:

- The plant processed 348,000 tonnes of sunflower seed. By reducing planned equipment repair times and increasing average daily productivity to 1,052 tonnes per day, seed processing volumes tracked up in 2012;
- Finished product volumes exceeded 289 thousand tonnes in 2012, including 152 thousand tonnes of vegetable oil and 137 thousand tonnes of meal;
- The plant also obtained the ISO 22000:2005 Food Safety Management Certificate.

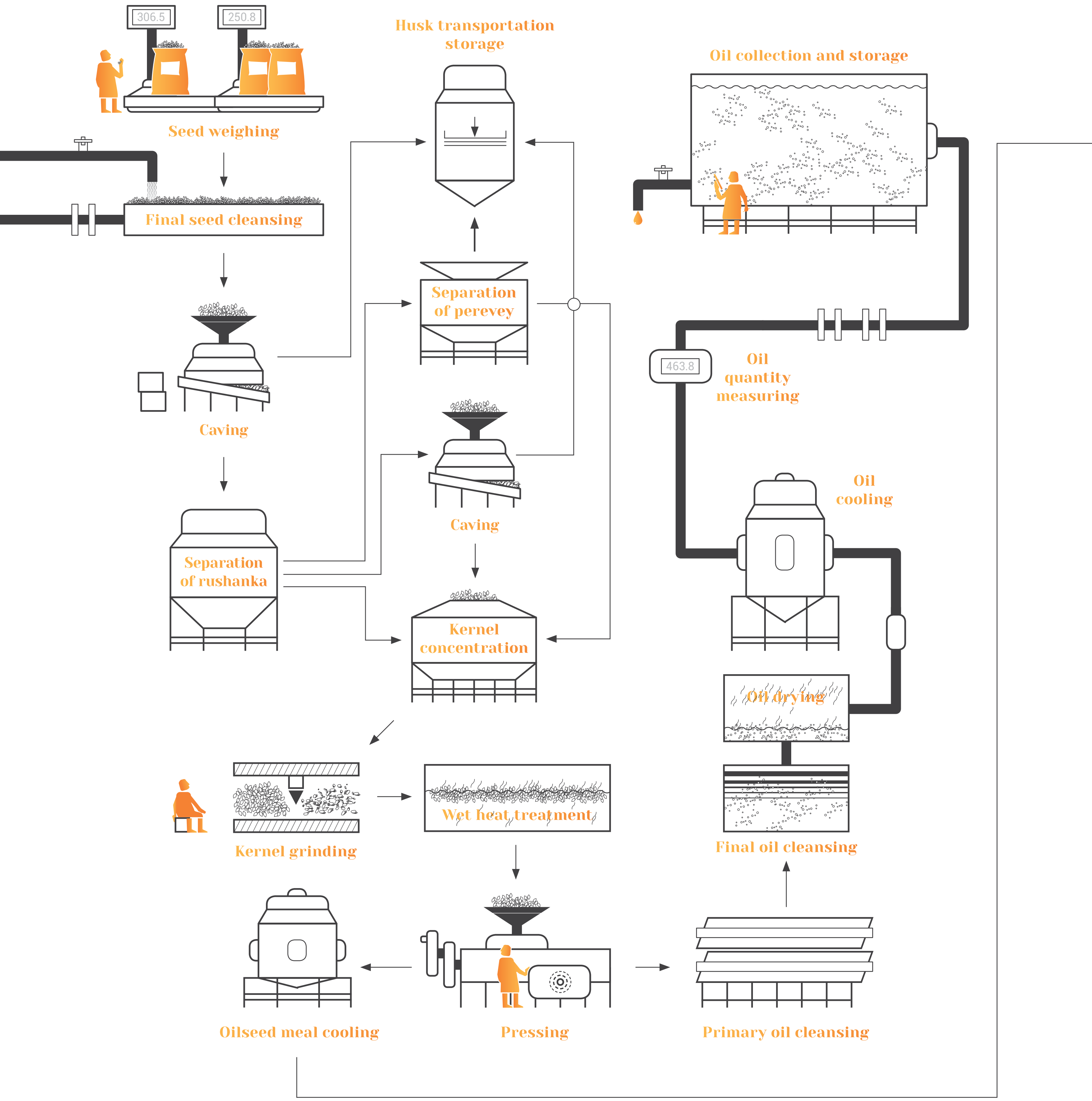
RUSAGRO expanded export sales in 2012. Alongside Kazakhstan, to where the plant has been selling since 2011, exports went to countries in the Middle East and India in addition to the Central Asian markets of Uzbekistan and Azerbaijan.

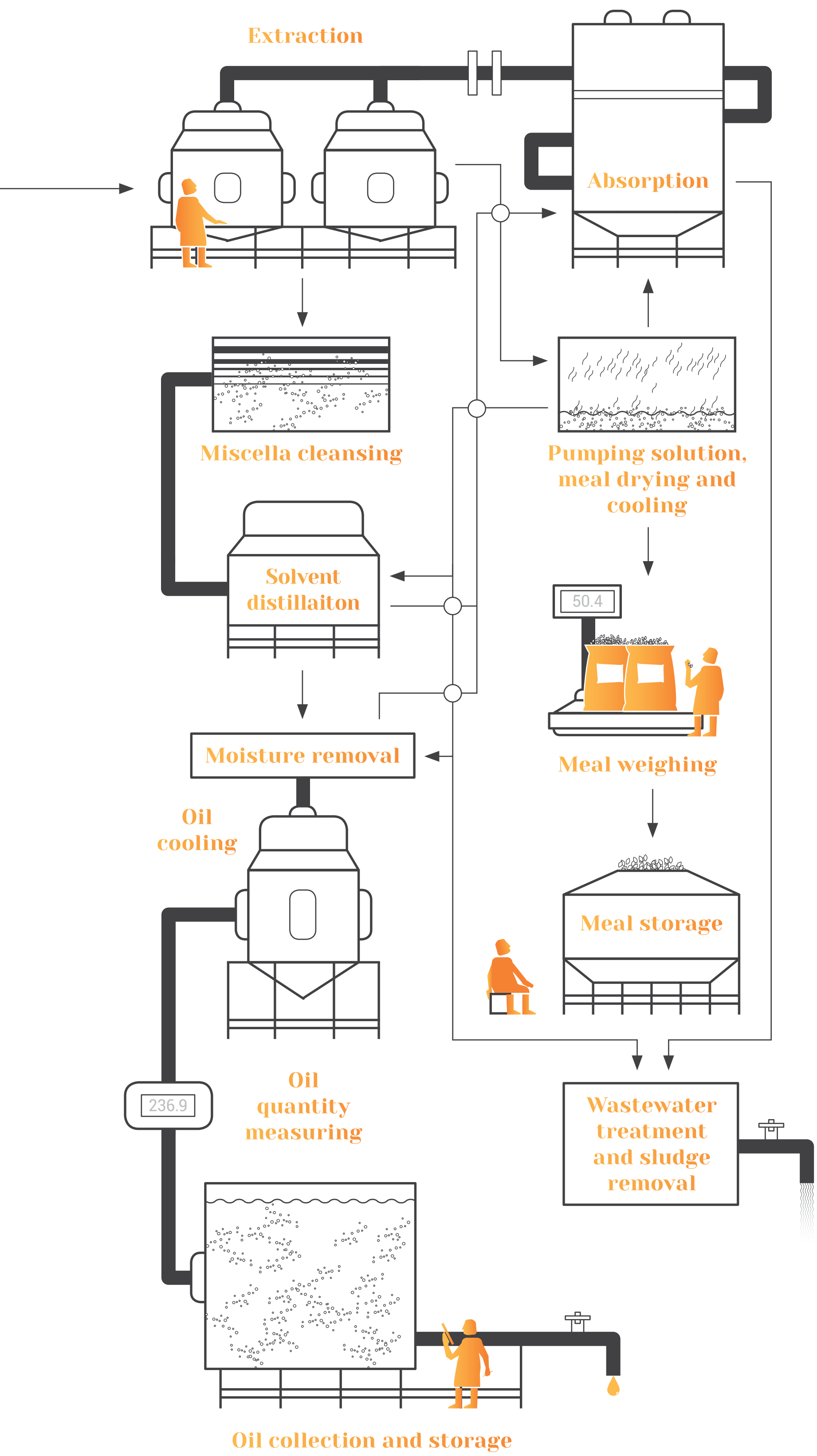
Mayonnaise production

Source: Company data



Production of vegetable oil





Main sunflower oil producers in 2012, %

Source: company data

A.	26.1	YUG Rusi
B.	7.7	Yantarnoe
C.	7.3	Aston
D.	4.8	EFKO
E.	4.8	Bunge
F.	4.3	Kernell
G.	3.6	NMZhK
H.	3.2	RUSAGRO
I.	3.2	Masloproduct
J.	3.2	NefisCosmetics
K.	2.6	AgroSib Razdole
L.	29.0	Others

Plans for 2013

In 2013 the Group plans to:

- Increase sunflower seed processing to 360,000 tonnes;
- Enter the granulated oilseed meal market;
- Increase its share of the sunflower oil market in the Urals, Volga and Siberian Federal Districts.

Russia's accession to the WTO

At this stage Russia's accession to the WTO has had no significant impact on the vegetable oil manufacturing business in he country.

However, reduced sunflower seed export duties could have a negative impact on the commodity balance. Previous forecasts regarding continued growth in demand for oilseed meal for the production of feed could now be reviewed because of Russian WTO membership.

It is possible that Russia will see some decline in the rate of development of its meat and poultry industries, and, correspondingly, the demand for vegetable oil and oilseed meal could fall. In order to reduce risks linked to oilseed meal gluts, a project to introduce meal granulation is envisaged for 2013. This will enable the company to enter the consumer markets of the Baltics, the Middle East and the European Union.

FINANCIAL REVIEW

Consolidated Income statement, key indicators

in mln Roubles	Year ended 31 December 2012	Year ended 31 December 2011	% change	Three months ended 31 December 2012	Three months ended 31 December 2011	% change
Sales	**34,064**	**39,715**	**-14%**	**11,360**	**10,401**	**9%**
Gross profit	**10,682**	**8,346**	**28%**	**1,132**	**3,652**	**-69%**
Gross margin, %	31%	21%		10%	35%	
Adjusted EBITDA	8,781	5,154	70%	3,065	3,406	-10%
Adjusted EBITDA margin, %	26%	13%		27%	33%	
Net profit/ (loss) for the period	4,305	2,420	78%	(1,027)	1,394	-174%
Net profit margin %	13%	6%		-9%	13%	

Key financial indicators as per divisions

in mln Roubles	Year ended 31 December 2012	Year ended 31 December 2011	% change	Three months ended 31 December 2012	Three months ended 31 December 2011	% change
Sales, incl.	34,064	39,715	-14%	11,360	10,401	9%
Sugar	16,176	25,634	-37%	5,116	4,748	8%
Meat	5,627	5,410	4%	1,555	1,670	-7%
Agriculture	8,834	6,720	31%	5,692	4,726	20%
Oil & Fats	9,203	6,752	36%	2,636	2,415	9%
Other	230	347	-34%	56	105	-47%
Eliminations	(6,007)	(5,148)	-17%	(3,694)	(3,263)	-13%
Gross profit, incl.	10,682	8,346	28%	1,132	3,652	-69%
Sugar	3,668	2,820	30%	1,415	1,416	0%
Meat	1,041	1,926	-46%	(541)	639	-185%
Agriculture	3,522	2,817	25%	277	1,021	-73%
Oil & Fats	2,939	1,495	97%	615	1,001	-39%
Other	230	347	-34%	56	105	-47%
Eliminations	(718)	(1,060)	32%	(691)	(530)	-30%
Adjusted EBITDA, incl.	8,781	5,154	70%	3,065	3,406	-10%
Sugar	2,149	1,442	49%	966	996	-3%
Meat	2,128	2,309	-8%	329	733	-55%
Agriculture	2,945	1,881	57%	1,979	1,586	25%
Oil & Fats	1,830	577	217%	232	705	-67%
Other	(233)	(47)	-398%	(74)	(17)	-329%
Eliminations	(38)	(1,008)	96%	(367)	(596)	38%
Adjusted EBITDA margin, %	26%	13%		27%	33%	
Sugar	13%	6%		19%	21%	
Meat	38%	43%		21%	44%	
Agriculture	33%	28%		35%	34%	
Oil & Fats	20%	9%		9%	29%	

Sugar segment

Sugar segment financial information

in mln Roubles	Year ended 31 December 2012	31 December 2011	Absolute change	% change
Sales	16,176	25,634	(9,458)	-37%
Cost of sales	(12,561)	(22,501)	9,940	-44%
Gains less losses from trading sugar derivatives	53	(313)	366	-117%
Gross profit	**3,668**	**2,820**	**848**	**30%**
Gross profit margin	***23%***	***11%***	***12%***	-
Distribution and selling expenses	(1,513)	(1,418)	(95)	7%
General and administrative expenses	(721)	(736)	15	-2%
Other operating (expenses)/ income, net	(26)	73	(98)	-135%
Operating profit	**1,409**	**739**	**670**	**91%**
Depreciation included in Operating Profit	771	689	82	12%
Other operating income, net	26	(73)	98	-135%
Provision/ (Reversal) for net realizable value costs	(57)	87	(143)	-165%
Adjusted EBITDA	**2,149**	**1,442**	**707**	**49%**
Adjusted EBITDA margin	***13%***	***6%***	***8%***	-

Record beet harvest in 2011 resulted in significant opening balance stocks of beet sugar in Russia. In this respect we took the decision not to produce low marginal raw sugar in the first quarter of 2012. As a result Sales in Sugar segment decreased by 37% to 16,176 million roubles in 2012 compared to 25,634 million roubles in 2011.

Sales and production volumes and the average sales prices per kilogram (excl. VAT) in 2012 were as follows:

	Year ended 31 December 2012	31 December 2011	% change	Three months ended 31 December 2012	31 December 2011	% change
Sugar production volume (in thousand tonnes):	604	1,090	-45%	344	347	-1%
Sales volume (in thousand tonnes):						
beet sugar	567	299	90%	196	177	11%
raw sugar	57	627	-91%	-	-	
total	624	927	-33%	196	177	11%
Sale price (roubles per kg, excl. VAT)	24.5	26.9	-9%	23.9	23.5	2%

Cost of sales summed up with Gain less losses from trading sugar derivatives decreased by 45% from 22,814 million roubles in 2011 to 12,508 million roubles in 2012.

Gross profit increased by 30% from 2,820 million roubles in 2011 to 3,668 million roubles in 2012 with gross profit margin increase from 11% in 2011 to 23% in 2012.

Distribution and selling expenses increased by 7%, from 1,418 million roubles in 2011 to 1,513 million roubles in 2012. This increase is mainly explained by growth in storage services expenses due to significant opening balance of white sugar in stock and increase in depreciation in connection with beginning of operation of new warehouses in 2012.

General and administrative expenses in Sugar segment decreased slightly by 2% from 736 million roubles in 2011 to 721 million roubles in 2012.

Adjusted EBITDA in Sugar segment increased by 49%, from 1,442 million roubles in 2011 to 2,149 million roubles in 2012. Adjusted EBITDA margin amounted to 13% in 2012 and 6% in 2011.

Meat segment

Meat segment financial information, in mln Roubles

	Year ended 31 December 2012	31 December 2011	Absolute change	% change
Sales	5,627	5,410	216	4%
Gain on revaluation of biological assets and agriculture produce	853	1,776	(923)	-52%
Cost of sales	(5,439)	(5,260)	(178)	3%
Gross profit	**1,041**	**1,926**	**(885)**	**-46%**
Gross profit margin	***18%***	***36%***	***-17%***	***-***
Distribution and selling expenses	(31)	(22)	(9)	40%
General and administrative expenses	(322)	(321)	(1)	0%
Other operating (expenses)/ income, net	32	(218)	250	-115%
incl. Reimbursement of feed costs (government grants)	2	103	(101)	-98%
Operating profit	**720**	**1,366**	**(646)**	**-47%**
Depreciation included in Operating Profit	674	583	91	16%
Other operating income, net	(32)	218	(250)	-115%
Reimbursement of feed costs (government grants)	2	103	(101)	-98%
Gain on revaluation of biological assets and agriculture produce	(853)	(1,776)	923	-52%
Revaluation of biological assets attributable to realised biological assets and included in cost of sales	1,651	1,783	(132)	-7%
Provision/ (Reversal) for net realizable value costs	(34)	34	(67)	-200%
Adjusted EBITDA	**2,128**	**2,309**	**(181)**	**-8%**
Adjusted EBITDA margin	***38%***	***43%***	***-5%***	***-***

Sales in Meat segment increased by 4% from 5,410 million roubles in 2011 to 5,627 million roubles in 2012. This resulted from opposite dynamics in prices and sales volumes of pork and mixed fodder.

Sales volume and the average sales prices per kilogram (excl. VAT) in 2012 were as follows:

	Year ended			Three months ended		
	31 December 2012	31 December 2011	% change	31 December 2012	31 December 2011	% change
Sales volume (in thousand tonnes):						
pork	69	63	10%	24	19	27%
fodder	40	58	-30%	3	14	-77%
Sale prices (roubles per kg, excl. VAT):						
pork	75.0	75.9	-1%	62.2	78.7	-21%
fodder	11.4	10.5	9%	15.3	10.0	54%

Mixed fodder sales volume decreased as result of increase in internal consumption. Pork sales volume increased as result of launch of new pig breeding facilities in both Belgorod and Tambov regions.

Revaluation of biological assets (pigs) at fair value had negative net effect on profit figures in 2012 totaling 798 million roubles (2011: 7 million roubles). 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. Significant negative effect of pigs' revaluation in 2012 resulted from the decrease in pork market prices in the second half of 2012 and from the increase in costs of production per unit, that is in turn was driven by the increase in grain prices and by the lunch of new pig breeding facilities which working not at full capacity demonstrated higher costs per unit of production comparing with other long time running facilities.

Cost of sales increased by 3% from 5,260 million roubles in 2011 to 5,439 million roubles in 2012. The increase is mainly relates to increase in feed costs due to higher grain prices (which is described in details in the Agricultural Segment section below) and increase in depreciation by 91 million roubles or 16 % due to the partial start of operations of new breeding complexes and elevator. the increase in feed cost was partially offset by 132 million roubles decrease in Revaluation of biological assets attributable to realized biological assets and included in Cost of sales, which decreased to 1,651 million roubles in 2012 compared to 1,783 million roubles in 2011.

The factors mentioned above led to Gross profit decrease of 46% from 1,926 million roubles in 2011 to 1,041 million roubles in 2012 and gross profit margin decrease from 36% in 2011 to 18% in 2012. Gross profit excluding effect of biological assets revaluation totaled 1,839 million roubles in 2012 compared with 1,933 million roubles in 2011 (5% decrease) with respective adjusted gross profit margin decrease from 36% in 2011 to 33% in 2012.

Distribution and selling expenses increased by 40% from 22 million roubles in 2011 to 31 million roubles in 2012, mainly as result of accrual of provisions for impairment of receivables.

General and administrative expenses increased insignificantly by 0.4% from 321 million roubles in 2011 to 322 million roubles in 2012.

Other operating income, net in 2012 amounted to 32 million roubles comparing with Other operating expenses, net in the amount of 218 million in 2011. The main changes has happened in the following items: reverse of provision for impairment of advances paid for property, plant and equipment in the amount of 18 million roubles in 2012 versus 324 million roubles of accrual of this provision in 2011; about 2 million roubles of government grants for compensation of feed costs in 2012 comparing with 103 million roubles in 2011; amortization of deferred income (government grants) to match related depreciation in the amount of 79 million roubles in 2012 versus 43 million roubles in 2011.

Adjusted EBITDA in Meat segment decreased by 8%, from 2,309 million roubles in 2011 to 2,128 million roubles in 2012. Adjusted EBITDA margin amounted to 38% in 2012 and 43% in 2011. Tambov Bacon, greenfield project in the Meat segment, had negative effect on adjusted EBITDA of the Meat segment, totaling 149 million roubles in 2012 and 63 million roubles in 2011. Adjusted EBITDA in Meat segment excluding the effect of Tambov Bacon (which is currently under construction and started sales of consumable livestock only in 4Q of 2012) amounted to 2,277 million roubles in 2012 and 2,372 million roubles in 2011, which is a 4% decrease. Respective Adjusted EBITDA margin excluding losses of Tambov Bacon decreased from 44% in 2011 to 42% in 2012.

Financial review

Agricultural segment

Agricultural segment financial information

in mln Roubles	Year ended 31 December 2012	31 December 2011	Absolute change	% change
Sales	**8,834**	**6,720**	**2,114**	**31%**
Gain on revaluation of biological assets and agriculture produce	2,130	1,545	585	38%
Cost of sales	(7,442)	(5,447)	(1,995)	37%
Gross profit	**3,522**	**2,817**	**705**	**25%**
Gross profit margin	***40%***	***42%***	***-2%***	-
Distribution and selling expenses	(799)	(632)	(167)	26%
General and administrative expenses	(695)	(724)	28	-4%
Other operating income, net	162	16	146	892%
incl. Reimbursement of fuel and fertilisers (government grants)	*268*	*46*	*222*	*484%*
Operating profit	**2,189**	**1,478**	**711**	**48%**
Depreciation included in Operating Profit	833	610	223	37%
Other operating income, net	(162)	(16)	(146)	892%
Reimbursement of fuel and fertilisers (government grants)	268	46	222	484%
Gain on revaluation of biological assets and agriculture produce	(2,130)	(1,545)	(585)	38%
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	1,938	1,329	609	46%
Revaluation of biological assets attributable to realised biological assets and included in cost of sales	11	(22)	33	-153%
Provision/ (Reversal) for net realizable value costs	(1)	1	(3)	-200%
Adjusted EBITDA	**2,945**	**1,881**	**1,064**	**57%**
Adjusted EBITDA margin	***33%***	***28%***	***5%***	-

The Group increased the area of controlled land by 7% to 452 thousand hectares. Sales in Agricultural segment increased by 31% to 8,834 million roubles in 2012 compared to 6,720 million roubles in 2011. *Sales* increased as

thousand tonnes	Year ended 31 December 2012	31 December 2011	% change	Three months ended 31 December 2012	31 December 2011	% change
sugar beet	2,640	2,143	23%	1,876	1,665	13%
grains	461	343	34%	226	180	26%
incl. sold to Meat segment	*221*	*139*	*58%*	*104*	*8*	*1195%*
sunflower seeds	55	61	-10%	49	61	-20%
incl. sold to Meat segment	-	*2*	*-100%*	-	*1*	*-100%*

Sales volumes of grains in the table above include sales of wheat, barley, corn, peas and soya beans. All sugar beet is sold to Sugar segment.

Increase in sales volume of agricultural crops in 2012 is explained by the relatively significant opening balance of agricultural crops sold during the year and by increase in the volume of agricultural crops harvested that is in turn was driven by expansion of arable land cultivated during the year by 18 thousand hectares from 361 thousand in 2011 to 379 thousand in 2012.

The average sale prices per kilogram (excl. VAT) in 2012 were as follows:

	Year ended			Three months ended		
Roubles per kilo-gram, excl. VAT	31 December 2012	31 December 2011	% change	31 December 2012	31 December 2011	% change
wheat	7.4	5.1	44%	8.4	5.3	60%
barley	6.3	4.4	43%	7.2	4.4	63%
sunflower seeds	15.7	8.2	92%	16.2	8.1	99%
peas	8.3	6.3	31%	9.1	6.3	45%
corn	7.2	6.2	15%	7.6	6.2	22%

Mainly due to the price factor the *Gain on revaluation of biological as sets and agriculture produce* is increased by 38% and amounted to 2,130 million roubles in 2012 compared to 1,545 million roubles in 2011. Mainly all this gain was expensed in the same year and included in *Cost of sales:* the effect of this on cost of sales totaled 1,949 million roubles in 2012 and 1,307 million roubles in 2011.

Cost of sales in Agricultural segment increased by 37% to 7,442 million roubles in 2012 compared to 5,447 million roubles in 2011. This growth is caused by increase in sales volume and by 609 million roubles of increase in gain on revaluation of biological assets and agricultural produce included in the cost of sales.

The above mentioned factors led to the growth of *Gross profit* by 25% from 2,817 million roubles in 2011 to 3,522 million roubles in 2012. Gross profit margin decreased from 42% in 2011 to 40% in 2012. Gross profit excluding effect of agricultural produce and biological assets revaluation totaled 3,340 million roubles in 2012 compared with 2,579 million roubles in 2011 (30% growth) with respective adjusted gross profit remained unchanged from 2011 – equaling to 38%.

In 2012 *Distribution and selling expenses* in Agricultural segment increased by 26% from 632 million roubles in 2011 to 799 million roubles in 2012, primarily due to an increase in transportation and storage services, which is in turn resulted from sales volume increase.

General and administrative expenses slightly decreased by 4% from 724 million roubles in 2011 to 695 million roubles in 2012. The main source of the savings is payroll costs.

In 2012 government grants for reimbursement of fuel and fertilizers and other production costs amounted to 268 million roubles compared to 46 million roubles in 2011.

Adjusted EBITDA in Agricultural segment increased by 57%, from 1,881 million roubles in 2011 to 2,945 million roubles in 2012. Adjusted EBITDA margin amounted 33% in 2012 and 28% in 2011.

Financial review

Oil & fats segment

Oil & fats segment financial information

in mln Roubles	Year ended 31 December 2012	31 December 2011	Absolute change	% change
Sales	9,203	6,752	2,452	36%
Cost of sales	(6,265)	(5,256)	(1,008)	19%
Gross profit	**2,939**	**1,495**	**1,443**	**97%**
Gross profit margin	***32%***	***22%***	***10%***	-
Distribution and selling expenses	(1,041)	(856)	(185)	22%
General and administrative expenses	(339)	(308)	(32)	10%
Other operating (expenses)/ income, net	(119)	(13)	(106)	797%
Operating profit	**1,440**	**318**	**1,121**	**352%**
Depreciation included in Operating Profit	271	245	26	11%
Other operating income, net	119	13	106	797%
Adjusted EBITDA	**1,830**	**577**	**1,253**	**217%**
Adjusted EBITDA margin	***20%***	***9%***	***11%***	-

Sales in Oil & fats segment increased by 36% from 6,752 million roubles in 2011 to 9,203 million roubles in 2012. Growth is attributed to external Sales by the new vegetable oil extraction plant located in Samara and acquired by the Group in March 2011, which worked at full capacity in 2012 compared with 2011. Sales of Samara oil plant to third parties amounted to 4,253 million roubles in 2012 versus 1,673 million roubles in 2011. Sales of Samara oil plant to Ekats fat plant amounted to 1,656 million roubles in 2012 and 889 million roubles in 2011. Sales of mayonnaise and consumer margarine decreased slightly by 2.5% from 5,079 million roubles in 2011 to 4,951 million in 2012.

Sales volumes in 2012 were as follows:

thousand tonnes	Year ended 31 December 2012	31 December 2011	% change	Three months ended 31 December 2012	31 December 2011	% change
mayonnaise	54.6	56.9	-4%	15.5	16.4	-5%
margarine	35.9	34.1	5%	12.6	12.1	4%
raw oil, 3rd parties sales	99.3	39.0	155%	21.5	19.6	10%
raw oil, internal sales	49.2	26.4	86%	17.8	15.7	13%
meal	136.3	64.0	113%	38.7	33.0	17%

The average sale prices per kilogram (excl. VAT) for sales to third parties in 2012 were as follows:

	Year ended			Three months ended		
Roubles per kilogram, excl. VAT	31 December 2012	31 December 2011	% change	31 December 2012	31 December 2011	% change
mayonnaise	53.2	53.4	-0.3%	52.0	53.5	-3%
margarine	49.9	48.7	3%	50.1	51.0	-1.6%
raw oil, 3rd parties sales	34.0	34.6	-1.5%	37.0	32.5	14%
meal	6.3	5.1	25%	9.6	5.0	93%

Cost of sales in Oil & fats segment increased by 19% from 5,256 million roubles in 2011 to 6,265 million roubles in 2012 mainly due to increase in sales volume of raw vegetable oil and meal. Favorable changes in Cost of Sales (19% increase compared to 36% growth in Sales) are driven by several factors: Ekats fat plant enjoined the decrease in raw oil prices by 15% comparing with 2011, Samara oil plant benefited from decrease in sunflower seeds prices by 16% comparing with 2011 and from the economy of scale as result of first year work at full capacity, Oil & fats segment as a whole gained from the increase in share in 2012 versus 2011 of internally produced raw oil in the total volume of raw oil consumed for production of mayonnaise and consumer margarine.

Due to the factors mentioned above *Gross profit* of the segment increased by 97% from 1,495 million roubles in 2011 to 2,939 million roubles in 2012. Gross profit margin increased from 22% in 2011 to 32% in 2012. Gross profit attributed to total sales (including sales to Ekats fat plant) of Samara oil plant amounted to 1,594 million roubles in 2012 and 456 million roubles in 2011 (250% increase), that is 27% and 18% of total sales of the plant in 2012 and 2011 respectively. Remaining gross profit in the amount of 1,345 million roubles in 2012 and 1,039 million roubles in 2011 (29% increase) is attributed to mayonnaise and consumer margarine sales by Ekats fat plant with gross profit margin increase from 20% in 2011 to 27% in 2012.

Distribution and selling expenses increase by 22%, from 856 million roubles in 2011 to 1,041 million roubles in 2012 mainly due to Samara oil plant expansion in production capacity and sales. Most considerable changes in Distribution and selling expenses were in transport costs by 190 million roubles.

General and administrative expenses increased by 10%, from 308 million roubles in 2011 to 339 million roubles in 2012.

Adjusted EBITDA increased by 217%, from 577 million roubles in 2011 to 1,830 million roubles in 2012. Adjusted EBITDA margin amounted 20% in 2012 and 9% in 2011. Adjusted EBITDA attributed to mayonnaise and consumer margarine sales amounted to 746 million roubles in 2012 and 301 million roubles in 2011 with 15% and 6% of Adjusted EBITDA margin in 2012 and 2011 respectively. Adjusted EBITDA attributed to total sales (including sales to Ekats fat plant) of Samara oil plant amounted to 1,084 million roubles in 2012 and 275 million roubles in 2011, that is 18% and 11% of total sales of the plant in 2012 and 2011 respectively.

Other

Share-based remuneration to the CEO included in segment Other for the purpose of segment information amounted to 386 mln roubles in 2012 that is 43% lower compared to 2011. The shares were provided to CEO before IPO by main shareholder and not by the Company, but according to IFRS this transaction has to be accounted as expense by the Company. The main reason for decrease is 86 mln roubles of expenses recognized in the statement of comprehensive income for 2011 under the share-purchase agreement that provided for immediate transfer of shares to the CEO without any vesting conditions. So the difference between the fair value of the shares granted under this agreement and cash paid for them in the amount of 86 mln roubles was expensed immediately at the grant date. That was not the case in 2012. The remaining decrease in share-based remuneration for 2012 compared to 2011 relates to the second share-purchase agreement under which the expenses are recognized according to graded vesting schedule that results in gradual decrease of the expenses recognized during the vesting period. For more details of the respective transactions and its accounting treatment please see the Group's audited consolidated financial statement for 2012 (note 24).

In 2012 *Other operating income* of holding companies included 8,092 million roubles of intercompany dividends (2011: 2,050 million roubles) that is netted out of our consolidated results owing to inter-segment eliminations.

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 roubles in 2010 to 1,008 million roubles in 2011. As white sugar stocks at the end of 2012 remain basically at the same level with slight increase compared to the end of the previous year, the effect of inter-segment eliminations on Adjusted EBITDA figure in 2012 is immaterial and equals 38 million roubles.

Consolidated Statement of cash flow – key indicators

in mln Roubles	2012	2011	% change
Net Operating cash flow, incl.	4,050	3,104	*30%*
Operating cash flow before working capital changes	8,178	4,754	*72%*
Working capital changes	(3,506)	(1,301)	*-169%*
Net Cash flows used in investing activities, incl.	**(22,724)**	**(20,227)**	*-12%*
Purchases of property, plant and equipment and inventories intended for construction	*(8,649)*	*(11,074)*	*22%*
Net cash from financing activities	**15,230**	**17,410**	*-13%*
Net (decrease)/ increase in cash and cash equivalents	**(3,438)**	**337**	*-1119%*

Net cash from operating activities increased by 30% from 3,104 million roubles in 2011 to 4,050 million roubles in 2012 as result of favorable changes in operating profit that offset negative changes in working capital.

In 2012 the Group investments in property, plant and equipment and inventories intended for construction amounted to 8,649 million roubles, 22% lower than in 2011. The main investments in 2012 were made in Meat division in the amount of 5,887 million roubles in connection with construction of new pig-breeding complex in Tambov region and expansion of pig-breeding facilities in Belgorod region. Significant investments were also made in Agricultural division in the amount of 1,363 million roubles due to purchases of machinery and equipment and in Sugar division in the amount of 1,172 million roubles as result of expansion of sugar factories facilities.

Major investments in 2011 were made in Agricultural division in the amount of 4,853 million roubles due to purchases of land and machinery and equipment. Investments in Meat division totaled 4,500 million roubles and investments in Sugar division totaled 1,459 million roubles.

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.

Debt position and liquidity management

in mln Roubles	31 December 2012	31 December 2011	% change
Gross debt	**48,540**	**31,972**	**52%**
Short term borrowings	24,414	17,129	43%
Long term borrowings	24,126	14,843	63%
Net debt	**17,257**	**11,877**	**45%**
Short term borrowings, net	(2,379)	(2,563)	7%
Long term borrowings, net	19,636	14,440	36%
Adjusted EBITDA (LTM*)**	**8,781**	**5,154**	70%
Net debt/Adjusted EBITDA (LTM)	**2.0**	**2.3**	

- Gross debt increased by 52% or 16,568 million roubles up to 48,540 million roubles.
- Net debt increased by 45% or 5,380 million roubles up to 17,257 million roubles, mainly due to construction of pig breeding complex and slaughterhouse in Tambov region and reconstruction of sugar plants.
- Net Debt / Adjusted EBITDA ratio decreased by 0.3 and stood at 2.0.
- The company maintained healthy debt structure, 87% of net debt relates to amounts with more than 3 years maturity.

Net finance expense

	Year ended			Three months ended		
in mln Roubles	31 December 2012	31 December 2011	% change	31 December 2012	31 December 2011	% change
Net interest expense	**(1,060)**	**(720)**	-47%	**(460)**	**(99)**	-365%
Gross interest expense	(2,317)	(1,999)	-16%	(742)	(543)	-37%
Reimbursement of interest expense	1,257	1,279	-2%	282	444	-36%
Interest income	**1,254**	**882**	42%	**389**	**296**	31%
Other financial expense, net	**(220)**	**(76)**	-189%	**(115)**	**(115)**	0%
Total net finance (expense)/income	**(26)**	**86**	-130%	**(186)**	**82**	-327%

- In 2012 Company continued to enjoy benefits from the State Agriculture subsidies program. 1,257 million roubles of subsidies received covered 54% of gross interest expense. Interest income increase by 42% up to 1,254 million roubles.

** 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.*

*** 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-t erm investments.*

**** LTM – The abbreviation for the "Last twelve months".*

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an integral and essential part of the RUSAGRO Group. As a company that produces food goods we understand the importance of the quality of our products for health and well-being. We believe our mission is the innovative, environmentally safe, quality and economically-effective satisfaction of the needs of society in the food industry sector. As a responsible taxpayer, RUSAGRO has consistently created new jobs in regions where it is present and encourages the progressive development of its staff.

We pay close attention to supporting good relations with society and treat our employees responsibly.

RUSAGRO is committed to:

- Complying with employees' labour and social rights, including promoting the improvement of their qualifications and skills;
- Workforce protection and the and prevention of accidents;
- Minimising any harmful impact on the environment.

Management of human capital

RUSAGRO considers its employees to be its most valuable resource. We strive to create a workplace that stimulates the best professional and personal qualities of our staff.

The companies within the Group do not discriminate against sex, age, race or nationality, religion, political beliefs or sexual orientation.

We strive to:

- Ensure stable and decent wages and working conditions, in accordance with existing legislation;
- Ensure the necessary levels of workforce protection and industry safety in accordance with legislation and the Group's internal standards;
- Provide social security, medical aid and other elements of corporate social responsibility;
- Build long-term relationships with employees, providing them with trust and ensuring open channels of dialogue;
- Develop and improve training systems, incentives and the evaluation of employee potential;
- Support staff initiatives and desire for self-development, improved professional competencies and the implementation of challenging tasks;
- Support an atmosphere of cooperation, understanding and stability.

Interaction between management and staff is built on respect for the individual and is focused on results to successfully resolve professional issues and support constructive team relations.

The average number of staff in the Group in 2012 was 9,400. This number is 13% lower than in 2011 and reflects the results of efforts to increase labour productivity. Despite the reduction in the average number of staff, all Group businesses attained high operating results in 2012.

Average salaries increased in virtually all divisions in 2012, with increases of 15% year-on-year in the sugar business; 21% in theagriculture business; 8% at fats plant and 3% at the oil extracting plant. The average salaries level in the meat division remained stable.

The HR unification process continued in 2012. Within the meat business a unified system of salaries, incentives and staff development was implemented that included target achievement recognition and the evaluation of staff competencies.

To encourage professionally-qualified candidates to the agriculture industry, a trilateral agreement was signed between LLC RUSAGRO Invest, Belgorod State Agricultural Academy and student applicants to subsidize learning costs.

The RUSAGRO Group provides employees with the following:

- Voluntary medical insurance and annual health checks;
- Full or partial meal benefits;
- Compensation for use of personal transport for work (non-resident accommodation);
- Provision of uniforms.

HR plans for 2013 include:

- The establishment of corporate values and culture and their communication to all levels within the businesses;
- Further staff evaluations (competence, capacity, effectiveness, potential);
- Improved HR efficiency management systems across all businesses;
- A pilot project to automate HR management processes in the sugar business on the basis of ETWeb with a view to extending the process to all businesses in the future.

Protection and industrial safety

Workforce protection complies with existing legislation, on the basis of which measures are taken to ensure a high level of efficiency and safety in production. The Group invests in workforce protection measures, providing special clothing, individual protection means for personnel working with chemicals, special literature and healthcare.

Industrial premises, machinery, equipment and technological processes all comply with health and safety standards.

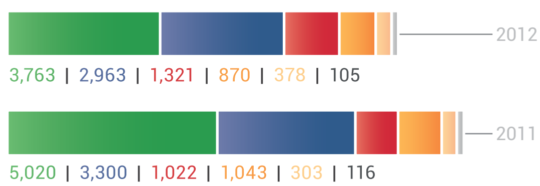
RUSAGRO constantly offers training for its staff and runs special safety training sessions.

The observance of workforce protection standards are constantly monitored by the government's Labour Inspectorate.

The following measures were applied in 2012 in the agricultural business to prevent occupational diseases:

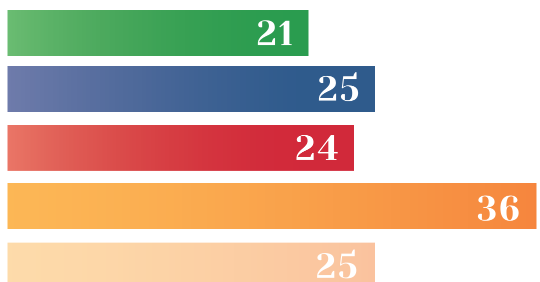
- Job certification;
- Periodical health checks for all employees;
- Health and safety training for staff;

Average number of staff



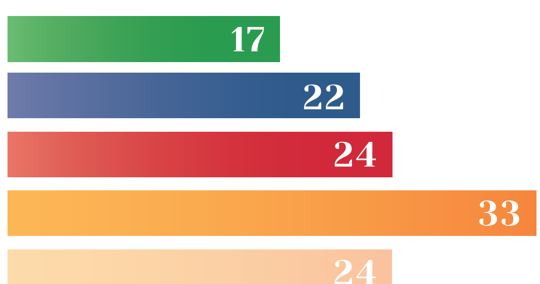
Average salaries at Group production and operating companies, 2012,

'000 roubles/month



Average salaries at Group production and operating companies, 2011,

'000 roubles/month



- Agriculture Business
- Sugar Business
- Meat Business
- Oil and Fats Business – Fats Plant
- Oil and Fats Business – Oil Extraction Plant
- Other

Corporate social responsibility

- Individual protection products were acquired (respirators, protective suits for handling fertilizers);
- Special clothing was acquired;
- Production sites were equipped with safety and security systems – lightening arrestors and spark gaps, automated control and alarm devices, earthing devices and safety signs;
- Risk group employees (machinery workers, agriculturists) were provided with health resort vouchers post-harvest.

RUSAGRO observes all applicable environmental legislation. Special attention is paid to observance of biological and veterinary safety in livestock units. Our hog farms are designed and built to the recommendations of leading international specialists. The Group adheres to the most up-to-date standards in this area to breed high-quality animals and reduce the risk of diseases:

- **Territorial division** – the land on which the hog farms are located is controlled by the Group. There are no other livestock complexes or household farms involved in animal breeding within a 10 km radius of any of our farms. Our farms are located between 1 and 3 kilometres from each other, helping to prevent the spread of infection;
- **Territorial specialization** – animals of different generations and different production functions are kept separately to prevent spread of disease;
- **Restricted access** – access to areas inside the hog farms are strictly controlled and restricted. Each site is equipped with showers and any visitor must shower before entering and upon exiting the facilities. They must also leave personal items outside the facilities and use special clothing and footwear once inside. Vehicles are only allowed to enter the territory after being washed and disinfected. Entry and exit by personnel, visitors and vehicles is registered;
- **Feed quality control** – all feed ingredients are constantly lab-controlled, including control over quality, cleanliness, absence of pathogenic elements, infections and toxic substances. All feed undergoes heat treatment, which prevents the spread of disease through feed;
- **Strict sanitary procedures** – production sites are regularly cleaned and disinfected. We employ the full/empty principle, i.e. filling the production section exclusively with animals of one generation. After the breeding period is complete the empty area is cleaned and disinfected;
- **Vaccinations** – animals are regularly vaccinated to prevent prevalent diseases;
- **Monitoring disease situations** – our vets constantly track data on the spread of diseases and study the latest scientific achievements in the area of biological and veterinary safety. We attempt to promptly respond to any outbreak of disease in the country, immediately stopping the purchase of feed and animal supply in regions where cases of disease have been recorded.

In 2012, we actively participated in a regional program to prevent the infiltration of African Swine Fever (ASF) by supporting the functioning of veterinary posts and participating in a program to prevent the buying of animals from household farms unable to maintain the necessary levels of safety.

Protecting the environment

We pay great attention to production safety and minimizing any harmful impact on the environment. We continuously monitor the discharge of wastewater and air quality throughout the entire Group. Our businesses are equipped with treatment facilities that comply with all the requirements of applicable environmental legislation.

Agriculture companies in 2012:

- Developed projects on maximum permissible levels of emissions and waste generation;
- Established sanitary-protective zones for plant protection products ;
- Reached agreements with utility services for the recycling of solid household waste;
- Reached agreements with counterparties for the return of fertilizer packaging;
- Began work on soil calcification on farmland;
- Recycled fertilizer residues and packaging to prevent pollution;
- Purchased and installed new and effective treatment filters.

Environmental projects relating to grain cleaning and treatment complexes confirm their safety both for the environment and to residents. All emissions were within the prescribed permissible limits of Russian environmental watchdog Rosprirodnadzor.

In 2011 the Group began inserting 100% of manure into soil by a closed-type injection method, thereby reducing ammonia concentration in the air. Laboratory analysis was carried out on samples of air, effluent, waste, drinking water, manure and water from observation wells in 2012 and all indicators were within permissible limits, which is testimony to the high standards of social responsibility and care for the environment that the Group adheres to.

The oil and fats business continued to research the recycling of husks and their processing into heating oil.

CORPORATE GOVERNANCE

Corporate Governance System

RUSAGRO devotes considerable attention to corporate governance, recognizing its importance in maintaining business efficiency.

The fundamental corporate values of the Group are:

- PROFESSIONALISM AND PERFECTION as conditions for the successful implementation of our commitments to all interested parties;
- RESULTS AND INTEGRITY as permanent guidelines for our activity and as a guarantee of our high-standing reputation;
- INITIATIVE AND RESPONSIBILITY as a means of ensuring the Group's development and competitiveness;
- TRUST AND RESPECT as the bases for constructive interaction and mutual support.

Starting in 2010, the Group embarked on a program aimed at optimizing its corporate-legal structure with the goal of increasing transparency and reducing costs. In 2012, it established a unified legal entity in the sugar business in Belgorod region by merging Rzhevsky Sakharnik, NIKA and Chernyansky sugar plants with OJSC Valuykisakhar.

The company bought OJSC Fats Plant in Yekaterinburg in 2012 and consolidated 100% of the plant.

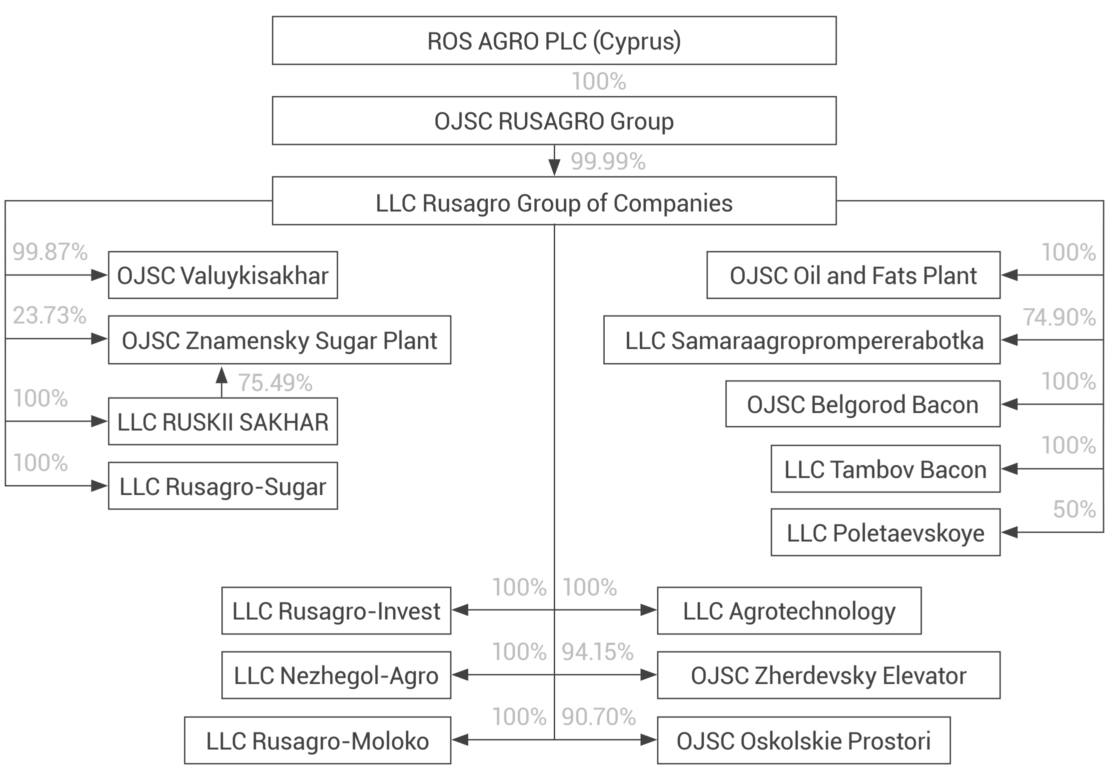
The Company's core corporate governance documents are its:

- Company Charter;
- Code of Business Conduct and Ethics for ROS AGRO PLC and companies in the group;
- Code of Conduct regarding insider information for ROS AGRO PLC and companies in the group;
- Provision on the ROS AGRO PLC Board of Directors;
- Provision on the ROS AGRO PLC Board Audit Committee.

In accordance with the Charter, the Company's management system is comprised of the following:

- General Shareholders Meeting;
- Board of Directors;
- Board Audit Committee;
- Managing Director.

RUSAGRO companies



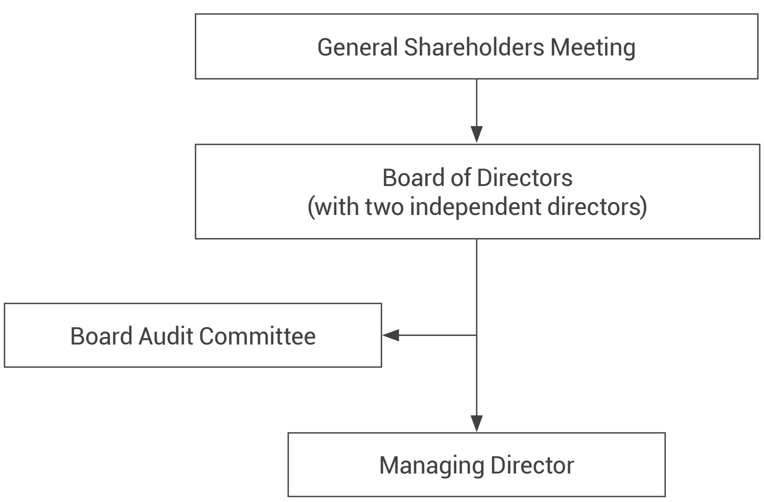
General Shareholders Meeting

The highest management body within the Group is the General Shareholders Meeting. The Meeting is held annually and any shareholder meetings held outside of the AGM are considered extraordinary. Shareholder meetings convene at Mykinon 12, Lavinia Court, 6th floor, 1065, Nicosia, Cyprus. If the location for the meeting has to be changed, the Board of Directors will determine the date and place of the AGM and any extraordinary meetings.

The General Shareholders Meeting holds exclusive authority to:

- Announce payment of dividends;
- Make decisions on issuing shares and other securities;
- Make decisions on acquiring shares issued previously by the Group;
- Approve the Group's financial report;
- Review reports from auditors and the Board of Directors;
- Elect candidates to the Board of Directors;
- Elect auditors for the Group and determine their remuneration;
- Approve Group share acquisitions by Board of Directors members;
- Make decisions on Group liquidation.

Company's management system



Board of Directors

The Board of Directors is a collective management body that executes overall management of the Group, with the exception of matters that are within the exclusive authority of the General Shareholders Meeting.

In accordance with the Group's Charter, the number of Directors should be no less than two and no more than five, of which at least two should be independent.

The current Board of Directors was elected at the AGM on June 1, 2012 and is as follows:

1. Mr. Richard Smyth, Chairman of the Board of Directors (independent)
2. Mr. Tassos Televantides (independent)
3. Ms. Natalia Bykovskaya, board member
4. Ms. Anna Khomenko, board member, Company Managing Director and Compliance Officer
5. Mr. Maxim Basov, board member and LLC Rusagro Group of Companies General Director

Richard Andrew Smyth

OJSC ROS AGRO (Cyprus) Board Chairman.

Richard Andrew Smyth was born in 1962. He graduated from Oxford University in the UK in 1984. He was appointed Board Chairman of OJSC ROS AGRO Cyprus in February 2011. He became Mars regional president in Central Europe and the CIS in January 2009 and was a general manager at LLC Mars from 2003 to 2009.

Tassos Televantides

Member of the Board of Directors, Chairman of the ROS AGRO (Cyprus) Board Audit Committee.

Tassos Televantides was born in 1948. He is a certified auditor of the highest category. He was elected a member of the Board of Directors and Chairman of the Board Audit Committee in November 2011. Tassos Televantides has been Chairman of CyproDirectLimited since 2008. He was a partner at PricewaterhouseCoopersCyprus for over 20 years. He has held directorships in a Canadian pharmaceuticals group, a Norwegian construction and drilling company, Gazprombank – Financial Services and Olivant Investments. He has been the Board Chairman at Limassol Bishopric since 2009. He was a member of the ICPAC Board of Directors from 1994 to 1998 and was the Honorary Treasurer of the Limassol Chamber of Commerce and Industry from 2002 to 2008.

Natalia Bykovskaya

Member of the ROS AGRO Cyprus Board of Directors and Board Audit Committee.

Natalia Bykovskaya was born in 1971. She was elected to the ROS AGRO Cyprus Board of Directors in February 2011. She was appointed LLC Rusagro-Sugar Deputy General Director in 2004. Natalia Alekseevna was Deputy General Director of LLC Rusagro-Management from 2006 to 2007. She has been Deputy General Director of LLC Rusagro Group of Companies since 2007. She is a member of the OJSC RUSAGRO Group Board of Directors and Management Board.

Anna Khomenko

Member of the ROS AGRO Cyprus Board of Directors and Board Audit Committee, Managing Director and Compliance Officer.

Anna Khomenko was born in 1977. She studied international law at the Taras Shevchenko Institute in Ukraine and continued her studies at Keele University in the UK, where she obtained a dual degree in law and international policy. From 2007-2009, she was the CEO and a member of the Board of Directors of IFG Trust (Cyprus) Limited, specializing in financial services for companies whose shares were traded on the London and Dublin stock exchanges. Before 2007, Khomenko was Manager of the Corporate Department of Excel-Serve Management (Cyprus), offering service provider functions. She is currently Managing Partner at Fudiciana Trust (Cyprus) Limited.

Maxim Basov

Board of Directors Member and LLC RUSAGRO Group of Companies CEO.

Maxim Basov was born in 1975. He graduated from New York University in the United States, where he majored in economy and finance, international business and philosophy.

He was elected member of the ROS AGRO Cyprus Board of Directors in February 2011. He is OJSC RUSAGRO Group General Director and has led the Group since it was established. He was appointed General Director of LLC Rusagro Group of Companies on July 6 2009. He has previously held management positions at Severstal, Kuzbassugol, Severstal Resource and Interpipe. He led the Metalloinvest Holding Company from April 2006 to May 2009.

Four face-to-face Board of Directors meetings were held in 2012.

Board committees

A Board Audit Committee was established to increase the efficiency of the Board of Directors' work. Its main objective is to help the Board of Directors with financial reporting, internal control and audit. Detailed information on the Committee is provided in the section on Internal Control & Audit.

Four face-to-face Board Audit Committee meetings were held in 2012.

Management

LLC Rusagro Group of Companies corporate management members have extensive and diverse business experience which fosters the successful development of the Group.

Maxim Basov

Maxim Basov has served as OJSC RUSAGRO Group General Director since the Group was established.

See Board of Directors section for details.

Vladimir Gromov

LLC Rusagro Group of Companies Group First Deputy General Director in charge of M&A, Capital Markets and Investor Relations.

Vladimir Gromov was born on October 12 1973 in Moscow. He graduated from the Ordzhonikidze State Academy of Management in 1995 with a degree in economics and production management. He held management posts at SBS-Agro from 1996.

He joined the RUSAGRO Group in 1999 as deputy financial director and was later promoted to Financial Director. In May 2005 he was appointed Deputy General Director for Economy and Finance at LLC Rusagro Group of Companies. From August 2007 to July 2009, Gromov was General Director of LLC Rusagro Group of Companies.

Aurika Dmitrieva

Aurika Dmitrieva is Head of Human Resources of LLC Rusagro Group of Companies since October 2012.

Prior to joining the Company she worked as HR Director in Corporation Interpipe Scientific Production Investment Group (Ukraine), was in charge of HR & Organizational Development PJSC «Centravis Production Ukraine».

She received two degrees - in Psychology, as well as in HR Management.

Sergei Koltunov

Deputy General Director for Legal and Corporate Affairs.

Sergei Koltunov was born on March 26, 1980.

He graduated with honours from the legal faculty of Nizhny Novgorod State University in 2003. In 2004 he achieved a second degree at the Nizhny Novgorod State University Economic Faculty in accounting and management.

In 2011 he successfully completed training at the Russian Academy of the National Economy and Public Service under the Russian president in a presidential management training program.

Before joining Rusagro he was head of legal services and held other managerial roles in companies such as Russkiy Alkogol and Danone. He won Manger of the Year 2010 in the Moscow Food Industry category, an award handed out by the Free Economic Society and the International Management Academy.

Dmitry Glavnov

Chief Financial Officer LLC Rusagro Group of Companies from February 2013.

Born on 24 of November 1971. In 1994, he graduated from the economics faculty of Moscow State University. Mr.Glavnov is Associate of The Association of Charted Certified Accountants, UK (ACCA).

Prior to joining the Group he worked in “Deloitte & Touche International”, Pepsi-Cola, served as Chief Financial Officer in the companies “Saint Springs”, JSC “ Lebedyansky “ and Chief Operating Officer in Insurance Group” Uralsib “.

Laureate of the Russian Association of Managers (Aristos) – best financial director in 2006.

Dmitry Brekhov

LLC Rusagro Group of Companies Internal Audit Department Head.

Dmitry Brekhov was born on October 16, 1971. He graduated from Lomonosov Moscow State University's Economics Faculty of in 1997. He holds the ACCA DipIFR diploma and a Russian Finance Ministry Audit Certificate.

He has worked in managerial internal audit posts at agriculture company Agrico and investment group AntantaPioglobal.

He was appointed LLC Rusagro Group of Companies Internal Audit Department Head in October 2010.

LLC Rusagro Group Divisions Management

Nikolai Zhirnov

Head of the Sugar Division

Nikolai Zhirnov was born on January 5, 1974 in Chelyabinsk. He graduated from Chelyabinsk State Technical University with a degree in mathematical engineering in 1996. He worked at Wrigley Russia from 1997 to 2005. His last post there was Divisions Manager. He obtained an MBA from the Stockholm School of Economics in 2004.

He was General Director of Sportland Russia, the Russian division of Sportland International, from 2005 to 2009.

He was appointed LLC Rusagro-Center Commercial Director in September 2009.

Nikolai Zhirnov was appointed LLC Rusagro-Center General Director on October 31 2011.

Konstantin Bandorin

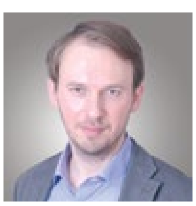
General Director of OJSC Belgorod Bacon.

Konstantin Bandorin was born on July 6, 1969.

He graduated from Saratov State Pedagogical Institute and the Law Academy with a degree in social sciences. He has an MBA in strategic management and business.

He has held managerial roles in companies such as Molochnoe Delo and LLC Russkie Kolbasy Meat Processing Company.

He was appointed head of the Rusagro Group meat division in January 2013.



Konstantin Beldushkin

Head of the Agriculture Division in Belgorod since January 19, 2012.

Konstantin Beldushkin was born on February 17, 1974. He graduated from Moscow State University of International Relations with a diploma in international economic relations in 1996.

He obtained an MBA from City University of New York, Baruch Business School in 1995.

He has worked as deputy business chief for strategy development, investment and optimization at Interpipe Group and Centerinvest Group and carried out strategy projects at Bain and Company.

From August 2009 to January 2012, Beldushkin was Strategy Director at LLC Rusagro Group of Companies.

Elena Leonova

Head of the Agriculture Division in Tambov since September 30, 2011.

Elena Leonova was born on October 24, 1967 in Dzezkazgan, Kazakhstan.

She graduated from the Agronomy Faculty of the Kazakhstan Agriculture Institute with a degree in agricultural engineering in 1992.

She moved to Russia in 2000.

From 2002 to 2011 she has worked at companies such as LLC Prodimex, CJSC Terra Technology and LLC Terra Technology Chernozemie and has held managerial positions at LLC Agro-Invest Management Company, LLC Sosnovka Agro-Invest and Kastornoe Agro Invest.

Alexander Demidenko

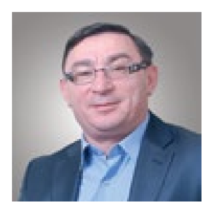
Head of the Oil and Fats Division in Yekaterinburg.

Alexander Demidenko was born on July 26, 1970 in Partizansk, Primorye territory. He graduated from the History Faculty of the Far Eastern State University in Vladivostok in 1992.

From 1992 to 2007 he held managerial posts at American Power, Conversion, Mars and American Express.

From 2007 to 2010 he worked as General Director at Hygiene Kinetics and Russian Fish Company. He was appointed Managing Director of the Oil and Fats Division and General Director of OJSC Oil and Fats Plant on March 9, 2010.

Viktor Rozbeiko



Head of the Oil and Fats Division in Samara region since April 2012.

Viktor Rozbeiko was born on November 25, 1966 in Ukraine.

He graduated from Dnepropetrovsk Mining Institute in 1990. Since 2001 he has held managerial posts in companies such as Dnepropetrovsk Vtormet, Interpipe, Intervtorprom and Level.

Key management personnel remuneration

The Company paid its key management personnel 194 million roubles as remuneration in 2012.

Risk management

The Company strives to identify, assess and minimize the potential impact of risks on its activities and endeavours to comply with international and national risk management standards.

Internal control and audit

The Board of Directors has overall responsibility for maintaining the Group's internal control and audit system. Internal control is carried out jointly by the Board of Directors, the Audit Committee and the General Director with the aim of ensuring compliance with legislation and the Group's internal documents, reporting reliability and high results.

The Board Audit Committee operates on the basis of the Provision on the Board Audit Committee, in accordance with the legislation of Cyprus, the Company Charter, the Provision on the Board of Directors and Company Board decisions.

The objectives of the Audit Committee as follows:

- To help the Board of Directors take decisions on reports and audits;
- To increase the efficiency of the Board of Directors' control over the Company's financial and economic activities through preliminary revision and drafting of recommendations for the Board on issues that fall within the competence of the Board;
- To create an efficient system of control over financial and economic activities and ensuring Board participation in monitoring the financial and economic activities of the Company.

Audit Committee members are elected by the Company Board of Directors. The Committee includes three members of the Board of Directors. The Audit Committee chairman can only be an independent director.

The present Audit Committee was elected by the Board on November 25, 2011 and is comprised as follows:
1. Mr. Tassos Televantides (chairman)
2. Ms. Natalia Bykovskaya
3. Ms. Anna Khomenko

As well as the Audit Committee, internal control is exercised in accordance with Russian legislation in LLC Rusagro Group of Companies, which is part of the Group. Control over financial and operating activity is exercised by the internal audit office, headed by Dmitry Nikolaevich Brekhov. Mr. Brekhov was appointed to this post in October 2010.

Share Capital

Charter capital

Company charter capital on December 31, 2012 consisted of 60,000,000 declared common shares and 24,000,000 issued common shares, with par value of 0.01 euro.

The Company carried out an Initial Public Offering (IPO) on the London Stock Exchange (LSE) in April 2011.

The Group carried out a buyback of its shares from the stock market in July 2012, buying 721,609 GDR at an average price of $6.75 per GDR.

Information for shareholders

The Company de livers high business margins. It respects the rights of all shareholders equally, regardless of the number of shares they own, and it adheres to the following principles:

- It seeks to minimize risks to investors. It discloses the necessary information about its activities and refrains from actions that might mislead investors;
- It makes every effort to increase its value for customers, to avoid corporate conflicts and to ensure a high level of corporate governance. It follows and complies with a Code of Business Conduct and Ethics and other internal documents of the Company.

The Company guarantees to all its shareholders that it will ensure all rights laid out in applicable legislation and relating to Company commitments with regard the trading of its shares on foreign stock exchanges. The Company offers its shareholders help and support to the best international standards of corporate governance. It constantly works toward simpler more accessible, highly effective and less costly implementation of shareholder rights.

Relations with shareholders are built on the basis of the best protection and non-violation of shareholders rights.

The Company demonstrates its investment appeal for investors as a share issuer. The foundation of the investment appeal lies in its efficient and effective operations. Corporate governance issues are especially important for the adoption of positive investment decisions, especially regarding openness and transparency.

Wanting to ensure a level of openness that complies with the best international practices, the Company provides the investment community with all information that could have a significant impact on the share price: annual and quarterly reports, information about all significant events and special analytical materials for investors.

The Company regularly reports on meetings between Company leadership and key managers with the press and the investment community, as well as visits to important production facilities and other events. It provides equal access to all investment community members to information about the Company.

Dividend policy

The Company's dividend policy is built on the following principles:

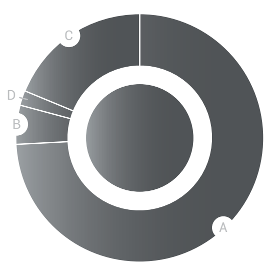
- Respect for the rights of shareholders under the requirements of legislation
- The optimum combination of the interests of the Company and shareholders
- The need to develop the Group and increase its investment appeal
- A transparent mechanism for determining the size of dividends and their payment.

The Company waived dividends in 2012.

Company charter capital structure on December 31, 2012

%

Source: company data



A.	75	Moshkovich family
B.	5	Management and Board of Directors
C.	2	ROS AGRO PLC (Treasury shares)
D.	19	Free Float

Company trading codes:

- Reuters – AGRORq.L
- Bloomberg – AGRO LI Equity
- LSE – AGRO

Company GDR quotes on London Stock Exchange

in $ per GDR

Source: company data

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

ROS AGRO PLC

International Financial Reporting Standards

Consolidated Financial Statements for the year ended 31 December 2012 and Independent Auditor's Report.

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Board of directors

Mr. Richard Smyth
Chairman of the Board of Directors
Non-executive Director

Mr. Anastassios Televantides
Chairman of the Audit Committee
Non-executive Director

Mrs. Natalia Bykovskaya
Member of the Audit Committee
Executive Director
Deputy CEO of LLC Rusagro Group

Mrs. Ganna Khomenko
Member of the Audit Committee
Non-executive Director

Mr. Maxim Basov
Executive Director
Chief Executive Officer of OJSC Rusagro Group
and LLC Rusagro Group

Board support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures.

Company secretary

Fiduciana Secretaries Limited
12 Mykinon
Lavinia Court, 6th floor, CY-1065, Nicosia,
Cyprus.

Registered office

12 Mykinon
Lavinia Court, 6th floor, CY-1065, Nicosia,
Cyprus.

ROS AGRO PLC

Report of the board of directors

The Board of Directors presents its report together with the audited consolidated financial statements of ROS AGRO PLC (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2012. The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

The principal activities of the Group are the agricultural production (cultivation of sugar-beet, grain and other agricultural crops), cultivation of pigs, processing of raw sugar and production of sugar from sugar-beet, vegetable oil production and processing.

Review of developments, position and performance of the Group's business

In 2012 revenue decreased by RR 5,651,198 thousand or 14%. the main reason for decrease was the decrease in sales volumes of raw raw sugar that was in turn caused by significant stocks of beet sugar at the beginning of the year. Sales in Sugar division decreased by RR 9,457,897. This was partly offset by sales increase in Other agriculture and Oil divisions by RR 2,114,068 and RR 2,451,808 respectively, that both reached higher sales volumes comparing to the previous year. The price factor played a different role in revenue dynamics in different segments: positive in Other agriculture and Oil, and negative in the Meat and Sugar divisions.

Adjusted EBITDA increased by RR 3,627,119 thousand or 70%. All divisions except for Meat demonstrated growth in Adjusted EBITDA. In Oil division Adjusted EBITDA increased by RR 1,253,086 as result of volume growth and favorable price factor. In Other agriculture division Adjusted EBITDA grew by RR 1,064,298 driven by favorable prices and an increase in efficiency. The Sugar division demonstrated positive dynamics in Adjusted EBITDA, growth by RR 707,193 that was driven by different sales structure in 2012 comparing to previous year – increase in sales volume of more profitable beet sugar and decrease in sales volume of raw raw sugar. The decrease in Adjusted EBITDA of Meat segment by RR 181,256 resulted from decrease in sales prices in the second half of the year accompanied by increase in feed prices.

In 2012 the Group investments in property, plant and equipment and inventories intended for construction amounted to RR 8,649,100 thousand on cash basis. Investments of RR 5,887,005 thousand were made in the Meat division for construction of a new pig-breeding farm in Tambov region and expansion of capacity at the pig-breeding farm in Belgorod region. The Other agriculture division invested RR 1,363,201 thousand in expansion of the land bank and acquisition of new agricultural machinery and equipment.

Principal risks and uncertainties

The Group's critical estimates and judgments and financial risk management are disclosed in Notes 2 and 27 to the consolidated financial statements.
The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

Future developments

The Group adheres to its strategy the main purpose of which is to become the largest vertically integrated agricultural company in the Russian market. In 2013 and beyond, the Group plans to continue modernization and expansion of its production and storage facilities in all business segments.

Results

The Group's results for the year are set out on page 2 of the consolidated financial statements.

Dividends

Pursuant to its Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company`s subsidiaries is restricted to the total accumulated retained earnings of the relevant subsidiary, determined according to the Russian law.

There were no dividends announced and paid during the years ended 31 December 2012 and 31 December 2011. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

As a result of the initial public offering in April 2011 in form of GDRs (hereinafter also referred to as "IPO"), the Company issued 4,000,000 new ordinary shares with a par value of EUR 0.01 per share and at a price of US$75 per share. These shares were fully paid. In the context of the IPO, the existing shareholders have also sold 1,000,000 shares to the public. Each ordinary share of the Company is represented by 5 GDRs. The gross proceeds from the IPO, related to and receivable by the Group, amounted to approximately RR 8.4 billion and the Group's net transaction costs amounted to approximately RR 217.3 million.

All changes in the share capital of the Group are disclosed in Note 12 to the consolidated financial statements.

The role of the Board of Directors

The Company is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the successful performance of the Group.

The Board sets corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Board of Directors sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board believes it maintains a sound system of internal control to safeguard the Group's assets and shareholders' investments in the Group.

Members of the Board of Directors

The members of the Board of Directors at 31 December 2012 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year ended 31 December 2012.

ROS AGRO PLC

Report of the board of directors

In accordance with the Company's Articles of Association, one third of the Directors shall retire by rotation and seek re-election at each Annual General meeting.

Directors' interests

The Directors Mrs. Natalia Bykovskaya, Mr. Maxim Basov, Mr. Richard Smyth and Mr. Anastassios Televantides held interest in the Company as at 31 December 2012.

The number of shares directly held by Mrs. Natalia Bykovskaya as at 31 December 2012 is 200,000 (31 December 2011: 200,000), and in addition 17,799,996 shares (31 December 2011: 17,799,996) were held indirectly through her family relationship with Mr. Vadim Moshkovich.

Mr. Maxim Basov has no direct interest in the Company as at 31 December 2012 (31 December 2011: none), the number of share held indirectly (through an entity controlled by Mr. Maxim Basov) as at 31 December 2012 is 1,091,352 (31 December 2011: 1,008,200).

The number of shares directly held by Mr. Richard Smyth as at 31 December 2012 is 4,000 (31 December 2011: none).

The number of shares directly held by Mr. Anastassios Televantides as at 31 December 2012 is 2,000 (31 December 2011: none).

Audit committee

The Board of Directors has established an Audit Committee. The Audit Committee is primarily responsible for (i) ensuring the integrity of our financial statements, (ii) ensuring our compliance with legal and regulatory requirements, (iii) evaluating our internal control and risk management procedures, (iv) assuring the qualification and independence of our independent auditors and overseeing the audit process and (v) resolving matters arising during the course of audits and coordinating internal audit functions. The Audit Committee consists of three members appointed by the Board of Directors. The current members are Mr. Anastassios Televantides (Chairman), Mrs. Natalia Bykovskaya and Mrs. Ganna Khomenko.

Corporate Governance

In 2011, the Company has approved and adopted the following codes: Code of Conduct on insider information and Code of Business Conduct and Ethics (the "Codes"). In addition the subsidiary company LLC Rusagro Group was instructed and authorized to adopt the New Edition of the Codes and in its turn to instruct its subsidiaries and affiliates to adopt the same Codes for mandatory compliance by all employees.

Events after the balance sheet date

The events after the consolidated balance sheet date are disclosed in Note 30 to the consolidated financial statements.

Branches

The Company did not operate through any branches during the year.

Treasury shares

On 25 August 2011 the Board unanimously resolved that it is in the best interest of the Company to buy back GDRs from the market for the total amount of up to US$10m increased to up to US$30m via subsequent Board's decision on 17 July 2012. During 2012, the Company acquired 0.72m GDRs (2011: 1.29m GDRs) from the market for a cost of RR 158.097 thousand (31 December 2011: RR 303,750 thousand) representing 0.60% of its issued share capital (2011: 1.08%). As at 31 December 2012, the Company has totally acquired 2.01m GDRs (31 December 2011: 1.29m GDRs) from the market for a total cost of RR 461,847 thousand (31 December 2011: RR 303,750 thousand) representing 1.68% of its issued share capital (31 December 2011: 1.08%).

Going concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2013, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Independent auditors

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board

Richard Smyth
Chairman of the Board of Directors

Limassol
18 April 2013

The Company's Board of Directors is responsible for preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Each of the Directors confirms to the best of his or her knowledge that these consolidated financial statements (which are presented on pages 1 to 50) have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

By order of the board

Richard Smyth
Chairman of the Board of Directors

Limassol
18 April 2013

Independent auditor's report To the Members of ROS AGRO PLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ROS AGRO PLC (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

pwc

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Yiangos Kaponides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 18 April 2013

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Consolidated statement of financial position
For the year ended 31 december 2012
(in thousands of russian roubles, unless noted otherwise)

Approved for issue and signed on behalf of the Board of Directors on 18 April 2013

Richard Smyth
Director of ROS AGRO PLC

Basov M.D.
Director of ROS AGRO PLC

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

	Notes	31 December 2012	31 December 2011
ASSETS			
Current assets			
Cash and cash equivalents	3	2,019,867	5,457,567
Restricted cash	3	-	29,618
Short-term investments	4	25,532,275	14,670,667
Trade and other receivables	5	1,811,768	2,315,475
Prepayments	6	538,480	507,009
Current income tax receivable		128,881	32,161
Other taxes receivable	7	2,585,889	1,480,439
Inventories	8	13,441,518	10,173,656
Short-term biological assets	10	1,244,129	1,145,562
Total current assets		**47,302,807**	**35,812,154**
Non-current assets			
Property, plant and equipment	9	27,453,447	21,537,127
Inventories intended for construction		1,160,022	228,793
Goodwill	22	1,175,578	1,175,578
Advances paid for property, plant and equipment		1,199,625	1,762,301
Advances paid for intangible assets	6	246,010	-
Long-term biological assets	10	1,352,059	880,048
Long-term investments	11	4,721,083	487,681
Deferred income tax assets	23	237,838	474,577
Other intangible assets		56,553	49,640
Restricted cash	3	91,111	101,432
Total non-current assets		**37,693,326**	**26,697,177**
Total assets		**84,996,133**	**62,509,331**
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	13	24,413,533	17,129,130
Trade and other payables	14	2,615,403	1,889,143
Current income tax payable		59,735	80,049
Other taxes payable	15	1,274,876	499,915
Total current liabilities		**28,363,547**	**19,598,237**
Non-current liabilities			
Long-term borrowings	13	24,126,365	14,842,960
Government grants	16	722,617	512,998
Deferred income tax liability	23	337,524	376,451
Other non-current liabilities		-	46,659
Total non-current liabilities		**25,186,506**	**15,779,068**
Total liabilities		**53,550,053**	**35,377,305**
Equity			
Share capital	12	9,734	9,734
Treasury shares	12	(461,847)	(303,750)
Share premium	12	10,557,573	10,557,573
Share-based payment reserve	24	1,058,495	672,247
Retained earnings		20,211,049	15,851,492
Equity attributable to owners of ROS AGRO PLC		**31,375,004**	**26,787,296**
Non-controlling interest		71,076	344,730
Total equity		**31,446,080**	**27,132,026**
Total liabilities and equity		**84,996,133**	**62,509,331**

Consolidated statement of comprehensive income for the year ended 31 december 2012
(in thousands of russian roubles, unless noted otherwise)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Sales	17	34,063,917	39,715,115
Gain on revaluation of biological assets and agriculture produce	10	2,983,032	3,320,938
Cost of sales	18	(26,417,531)	(34,377,027)
Gains less losses/ (losses less gains) from trading sugar derivatives	27	53,046	(313,264)
Gross profit		**10,682,464**	**8,345,762**
Distribution and selling expenses	19	(2,784,509)	(2,454,778)
General and administrative expenses	20	(2,489,669)	(2,431,696)
Share-based remuneration	24	(386,248)	(672,247)
Other operating income/ (expenses), net	21	12,420	(245,955)
Operating profit		**5,034,458**	**2,541,086**
Interest expense	16	(1,059,914)	(720,264)
Interest income		1,253,747	882,376
Other financial expenses, net		(219,941)	(75,787)
Profit before income tax		**5,008,350**	**2,627,411**
Income tax expense	23	(703,092)	(207,565)
Profit for the year		**4,305,258**	**2,419,846**
Total comprehensive income for the year		**4,305,258**	**2,419,846**
Profit is attributable to:			
Owners of ROS AGRO PLC		4,083,631	2,364,732
Non-controlling interest		221,627	55,114
Profit for the year		**4,305,258**	**2,419,846**
Total comprehensive income is attributable to:			
Owners of ROS AGRO PLC		4,083,631	2,364,732
Non-controlling interest		221,627	55,114
Total comprehensive income for the year		**4,305,258**	**2,419,846**
Earnings per ordinary share for profit attributable to the owners of ROS AGRO PLC, basic and diluted (in RR per share)	25	172.43	103.57

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 december 2012
(in thousands of russian roubles, unless noted otherwise)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Cash flows from operating activities			
Profit before income tax		**5,008,350**	**2,627,411**
Adjustments for:			
Depreciation of property, plant and equipment	18–20	2,599,726	2,132,110
Interest expense	16	2,316,806	1,999,337
Government grants	16, 21	(1,655,486)	(1,522,577)
Interest income		(1,253,747)	(882,376)
Revaluation of biological assets, net	10, 18	835,506	(46,413)
Share based remuneration	24	386,248	672,247
Gain on initial recognition of agricultural produce, net	10, 18	(240,206)	(660,904)
Change in provision for net realisable value of inventory	18	(91,542)	121,632
Gain on disposal of subsidiaries, net	21	(84,693)	-
Loss on discounting of promissory notes and loans given		71,077	-
Lost harvest write-off	21	59,511	16,673
Unrealised foreign exchange loss / (gain)		53,888	(93,666)
Change in provision for impairment of advances paid for property, plant and equipment	21	43,774	329,088
Change in provision for impairment of receivables and prepayments	19	107,931	39,522
Other non-cash and non-operating expenses, net		21,081	21,420
Operating cash flow before working capital changes		**8,178,224**	**4,753,504**
Change in trade and other receivables and prepayments		411,923	424,162
Change in other taxes receivable		(1,107,633)	(755,116)
Change in inventories		(2,724,161)	(930,167)
Change in biological assets		(1,522,626)	(381,132)
Change in trade and other payables		661,388	70,562
Change in other taxes payable		775,567	270,557
Cash generated from operations		**4,672,682**	**3,452,370**
Income tax paid		(622,347)	(348,650)
Net cash from operating activities		**4,050,335**	**3,103,720**
Cash flows from investing activities			
Purchases of property, plant and equipment		(7,432,546)	(10,842,532)
Proceeds from sales of property, plant and equipment		41,107	40,541
Purchases of inventories intended for construction		(1,216,554)	(231,616)
Purchases of other intangible assets		(284,838)	(33,908)
Proceeds from cash withdrawals from deposits	13	11,882,985	12,733,790
Deposits placed with banks	13	(26,498,409)	(21,227,779)
Purchases of promissory notes	13	(2,900,000)	(3,054,557)
Proceeds from sales of promissory notes	13	2,840,395	2,626,002
Loans given		(115,807)	(1,392,965)
Loans repaid		5,348	255,173
Movement in restricted cash		34,037	174,226
Proceeds from sales of other investments		30,729	-
Interest received	13	886,772	722,807
Dividends received		2,575	5,782
Proceeds from sale of subsidiaries, net of cash disposed	21	(98)	-
Investments in subsidiaries, net of cash acquired		-	(1,963)
Net cash used in investing activities		**(22,724,304)**	**(20,226,999)**
Cash flows from financing activities			

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Proceeds from borrowings		36,274,244	28,454,169
Repayment of borrowings		(19,692,676)	(18,212,554)
Interest paid		(2,862,323)	(2,082,809)
Proceeds from government grants		1,888,070	1,458,441
Purchases of non-controlling interest	12	(219,104)	(116,813)
Sale of non-controlling interest		-	170
Purchases of treasury shares	12	(158,097)	(303,750)
Dividends paid		(106)	-
Proceeds from issue of own shares, net of transaction cost	12	-	8,227,414
Lease payments		-	(14,664)
Net cash from financing activities		**15,230,008**	**17,409,604**
Net effect of exchange rate changes on cash and cash equivalents		6,261	51,034
Net (decrease) / increase in cash and cash equivalents		**(3,437,700)**	**337,359**
Cash and cash equivalents at the beginning of the period	3	5,457,567	5,120,208
Cash and cash equivalents at the end of the period	**3**	**2,019,867**	**5,457,567**

Consolidated statement of cash flows for the year ended 31 december 2012
(in thousands of russian roubles, unless noted otherwise)

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 december 2012
(in thousands of russian roubles, unless noted otherwise)

		Attributable to owners of ROS AGRO PLC	
	Notes	Share capital	Treasury shares
Balance at 1 January 2011		**85**	**–**
Total comprehensive income for the year		–	–
Share issue	12	9,649	–
Adjustment due to Group restructuring	12	–	–
Purchases of treasury shares	12	–	(303,750)
Share based remuneration	24	–	–
Acquisition of subsidiaries	22	–	–
Acquisition of non–controlling interest	12	–	–
Sale of non–controlling interest		–	–
Balance at 31 December 2011		**9,734**	**(303,750)**
Balance at 1 January 2012		**9,734**	**(303,750)**
Total comprehensive income for the year		–	–
Adjustment due to Group restructuring		–	–
Purchases of treasury shares	12	–	(158,097)
Share based remuneration	24	–	–
Dividends distributed by subsidiaries		–	–
Acquisition of non–controlling interest	12	–	–
Balance at 31 December 2012		**9,734**	**(461,847)**

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 december 2012
(in thousands of russian roubles, unless noted otherwise)

	Attributable to owners of ROS AGRO PLC				
Share premium	Share–based payment reserve	Retained earnings*	Total	Non–controlling interest	Total equity
341,317	**–**	**15,385,050**	**15,726,452**	**409,355**	**16,135,807**
–	–	2,364,732	2,364,732	55,114	2,419,846
10,216,256	–	–	10,225,905	–	10,225,905
–	–	(2,042,425)	(2,042,425)	–	(2,042,425)
–	–	–	(303,750)	–	(303,750)
–	672,247	–	672,247	–	672,247
–	–	(51,746)	(51,746)	192,982	141,236
–	–	197,329	197,329	(314,339)	(117,010)
–	–	(1,448)	(1,448)	1,618	170
10,557,573	**672,247**	**15,851,492**	**26,787,296**	**344,730**	**27,132,026**
10,557,573	**672,247**	**15,851,492**	**26,787,296**	**344,730**	**27,132,026**
–	–	4,083,631	4,083,631	221,627	4,305,258
–	–	16,304	16,304	(16,304)	–
–	–	–	(158,097)	–	(158,097)
–	386,248	–	386,248	–	386,248
–	–	–	–	(251)	(251)
–	–	259,622	259,622	(478,726)	(219,104)
10,557,573	**1,058,495**	**20,211,049**	**31,375,004**	**71,076**	**31,446,080**

* Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends.

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Background

Description of the business

These consolidated financial statements were prepared for ROS AGRO PLC (hereinafter the "Company") and its subsidiaries (hereinafter collectively with the Company, the "Group"). The Group is ultimately controlled by Mr. Vadim Moshkovich (hereinafter the "Owner"), who owns 74.17% of issued shares in ROS AGRO PLC (75% together with his close family members) as at 31 December 2012 and 31 December 2011. OJSC Rusagro Group was the holding company of the Group up to January 2011. As part of restructuring by the Owner, in January 2011 85.7% of the issued ordinary shares of OJSC Rusagro Group were contributed by the Owner to the charter capital of ROS AGRO PLC (Note 12). The principal subsidiaries obtained by the Company as a result of the restructuring are shown below. The restructuring is accounted for as a transaction between entities under common control (see Note 2.4).

The principal activities of the Group are:
- agricultural production (cultivation of sugar-beet, grain and other agricultural crops);
- cultivation of pigs;
- processing of raw sugar and production of sugar from sugar-beet;
- vegetable oil extraction and processing.

During the first half of 2011 the Company successfully completed an initial public offering ("IPO") of its shares in the form of global depositary receipts ("GDR"). The Company's GDRs (five GDRs representing one ordinary share of the Company) are listed on the Main Market of the London Stock Exchange under the symbol "AGRO". For further details please refer to Note 12.

The registered office of ROS AGRO PLC is at Mykinon 12, LAVINIA COURT, 6th floor, 1065, Nicosia, Cyprus.

The Group operates in the Russian Federation except for financial derivatives trading activity (Note 27).

Principal subsidiaries of the Group included into these consolidated financial statements are listed below:

		Group's share in the share capital, %	
Entity	Principal activity	31 December 2012	31 December 2011
OJSC Rusagro Group	Investment holding, financing	100	100
LLC Rusagro Group	Investment holding, financing	100	100
	Sugar segment		
LLC Rusagro- Sakhar	Sugar division trading company, sales operations	100	100
OJSC Rzhevsky Sakharnik	Beet and raw sugar processing	–*	99.7
OJSC Valuikisakhar	Beet and raw sugar processing	99.9*	99.2
OJSC Nika Corp.	Beet and raw sugar processing	–*	98.6
OJSC Sugar Plant Znamensky	Beet and raw sugar processing	99.2	99.2
LLC Chernyansky Sugar Plant	Beet and raw sugar processing	–*	100
Limeniko Trade and Invest Limited	Financial derivatives trading	100	100

* In January 2012 the Group undertook legal reorganization in its Sugar segment. Within this reorganization LLC Chernyansky Sugar Plant, OJSC Rzhevsky Sakharnik and OJSC Nika Corp. were merged into the legal entity OJSC Valuikisakhar.

Entity	Principal activity	Group's share in the share capital, % 31 December 2012	Group's share in the share capital, % 31 December 2011
	Oil segment		
OJSC Fats and Oil Integrated Works	Oil processing	100	87.4
LLC Samaraagroprompererabotka	Oil extraction	74.9	74.9
	Meat segment		
OJSC Belgorodsky Bacon	Cultivation of pigs	100	100
LLC Tambovsky Bacon	Cultivation of pigs	100	100
	Other agriculture segment		
LLC Rusagro-Invest	Agriculture	100	100
LLC Agrotehnology	Agriculture	100	100
OJSC Zherdevsky Elevator	Grain elevator	94.1	94.1
LLC Nezhegol-Agro	Grain elevator	100	100

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject varying interpretation (Note 28).

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables (Note 5) are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Management has also assessed possible impairment of goodwill (Note 22) by considering the economic environment and outlook.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

2. Summary of significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, financial instruments categorized as at fair value through profit or loss, revaluation of available-for-sale financial assets, biological assets that are presented at fair value less point-of-

2. Summary of significant accounting policies (continued)

sale costs and agricultural produce which is measured at fair value less point-of-sale costs at the point of harvest. The Group entities registered in Russia keep their accounting records in Russian Roubles in accordance with Russian accounting regulations (RAR). These consolidated financial statements significantly differ from the financial statements prepared for statutory purposes under RAR in that they reflect certain adjustments, which are necessary to present the Group's consolidated financial position, results of operations, and cash flows in accordance with IFRS as adopted by the EU.

As of the date of the authorisation of these consolidated financial statements all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and effective as at 1 January 2012 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The consolidated financial statements include the results, assets and liabilities of the entities restructured from the Owner from the date where these entities were under the control of the Owner. The Group accounted for the entities restructured under ROS AGRO PLC as business combinations amongst entities under common control using predecessor method of accounting.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.2 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of the assets and liabilities within the next financial year. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements, and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next reporting period include:

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions. Were the estimated useful lives to differ by 10% from management's estimates, the impact on the depreciation charge for the year would be to increase it by RR 289,738 (2011: RR 280,522) or decrease it by RR 254,800 (2011: RR 217,931) (Note 2.6).

Fair value of livestock and agricultural produce

Fair value less estimated point-of-sale costs of livestock at the end of each reporting period was determined using the physiological characteristics of the animals, management expectations concerning the potential productivity and market prices of animals with similar characteristics.

Fair value of the Group's bearer livestock is determined by using valuation techniques, as there were no observable market prices near the reporting date for pigs and cows of the same physical conditions, such as weight and age. The fair value of the bearer livestock was determined based on the expected quantity of remaining farrows and calves for pigs and cows, respectively, and the market prices of the young animals. The fair value of mature animals is determined based on the expected cash flow from the sale of the animals at the end of the production usage. The cash flow was calculated based on the actual prices of sales of culled animals from the Group's entities to independent processing enterprises taking place near the reporting date, and the expected weight of the animals. Future cash flows were discounted to the reporting date at a current market-determined pre-tax rate. In the fair value calculation of the immature animals of bearer livestock management considered the expected culling rate.

The fair value of consumable livestock is determined based on the market prices multiplied by the livestock weight at the end of each reporting period.

Should key assumptions used in determination of fair value of bearer livestock have been 10% higher/lower with all other variables held constant, the fair value of the bearer livestock as at the reporting dates would be higher or lower by the following amounts:

	31 December 2012		31 December 2011	
	10% increase	10% decrease	10% increase	10% decrease
Cows				
Length of production usage in calves	1,658	(2,026)	2,834	(3,139)
Culling rates	(690)	701	(1,360)	1,379
Market prices for comparable bearer livestock in the same region	15,354	(15,354)	22,065	(22,065)
Pigs				
Length of production usage in farrows	13,525	(10,816)	7,207	(3,982)
Market prices for comparable bearer livestock in the same region	98,481	(98,481)	39,251	(39,251)

The fair value less estimated point-of-sale costs for agricultural produce at the time of harvesting was calculated based on quantities of crops harvested and the prices on deals that took place in the region of location on or about the moment of harvesting and was adjusted for estimated point-of-sale costs at the time of harvesting.

Impairment test of property, plant and equipment

As of 31 December 2012 and 2011, the Group management determined that there were no indicators that would necessitate performing an impairment test of property, plant and equipment.

Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 22. No Impairment was recognised during the period.

Deferred income tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term

2. Summary of significant accounting policies (continued)

business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. The key assumptions in the business plan are EBITDA margin and pre-tax discount rate (Notes 22, 23).

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 28).

2.3 Foreign currency and translation methodology

Functional and presentation currency

The functional currency of the Group's consolidated entities is the Russian Rouble (RR), which is the currency of the primary economic environment in which the Group operates. The Russian Rouble has been chosen as the presentation currency for these consolidated financial statements.

Translation of foreign currency items into functional currency

Transactions in foreign currencies are translated to Russian Roubles at the official exchange rate of the Central Bank of the Russian Federation (CBRF) at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate ruling at that date.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognised in profit or loss.

2.4 Group accounting

Consolidation

Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or obtainable from presently convertible instruments are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests
The Group applies economic entity model to account for transactions with owners of non-controlling interest. The difference, if any, between the carrying amount of a non-controlling interest and the purchase consideration is recorded as capital transaction in the statement of changes in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Purchases of subsidiaries from parties under common control
Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted for using the predecessor basis of accounting. Under this method the consolidated financial statements of the acquiree are included in the consolidated financial statements from the beginning of the earliest period presented or, if later, the date when common control was established. The assets and liabilities of the subsidiary transferred under common control are accounted for at the predecessor entity's IFRS carrying amounts using uniform accounting policies on the assumption that the Group was in existence from the date when common control was established. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to retained earnings within equity.

2.5 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and provision for impairment, if any.

Assets under construction are accounted for at purchase cost less provision for impairment, if required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing a major part or component of property, plant and equipment items is capitalized and the replaced part is retired.

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the financial statements. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in operating profit or loss for the year within other operating income and expenses.

2.6 Depreciation

Depreciation on property, plant and equipment other than land and assets under construction is calculated using the straight-line method to allocate their cost to the residual values over their estimated useful lives:

Asset category	Useful life, years
Buildings	20–50
Constructions	20–50
Machinery, vehicles and equipment	3–20
Other	4–6

2. Summary of significant accounting policies (continued)

Assets are depreciated on a straight-line basis from the month following the date they are ready for use.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.7 Biological assets and agricultural produce

Biological assets of the Group consist of unharvested crops (grain crops, sugar beets and other plant crops) and livestock (pigs and cows).

Livestock is measured at their fair value less estimated point-of-sale costs. Fair value at initial recognition is assumed to be approximated by the purchase price incurred. Point-of-sale costs include all costs that would be necessary to sell the assets. All the gross gains or loss arising from initial recognition of biological assets and from changes in fair-value-less-cost-to-sell of biological assets are included as a separate line "Gain/ (loss) on revaluation of biological assets and agricultural produce" above the gross profit line.

At the year-end unharvested crops are carried at the accumulated costs incurred, which approximates the fair value since little biological transformation has taken place since initial cost incurrence due to the seasonal nature of the crops. Unharvested crop-growing costs represent costs incurred to plant and maintain seed crops which will be harvested during the subsequent reporting period. Subsequent to the year-end unharvested crops are measured at fair value less estimated point-of-sale costs. A gain or loss from the changes in the fair value less estimated point-of-sale costs is included as a separate line "Gain/ (loss) on revaluation of biological assets and agricultural produce" above the gross profit line.

Upon harvest, grain crops, sugar beets and other plant crops are included into inventory for further processing or for sale and are initially measured at their fair value less estimated point-of-sale costs at the time of harvesting. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is recognised in profit or loss in the period in which it arises.

Bearer livestock is classified as non-current assets; consumable livestock and unharvested crops are classified as current assets in the consolidated statement of financial position.

2.8 Goodwill

Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash-generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

2.9 Impairment of non-current assets

The Group's non-current assets except for deferred tax, biological assets and financial assets are tested for impairment in accordance with the provisions of IAS 36, Impairment of Assets. The Group makes an assessment whether there is any indication that an asset may be impaired at each reporting date, except for goodwill which is tested at least annually regardless of whether there are any indications of impairment. If any such indication exists, an estimate of the recoverable amount of the asset is made. IAS 36 requires an impairment loss to be recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its life.

2.10 Financial instruments

Financial instruments – key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or

2. Summary of significant accounting policies (continued)

discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial instruments

The Group classified its financial instruments into the following measurement categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

Initial recognition and measurement of financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets and liabilities are initially recorded at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Subsequently to initial recognition financial instruments are measured as described below.

Derecognition of financial instruments

The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Trading investments are securities or other financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are included in a portfolio in which a pattern of short-term trading exists. The Group classifies financial assets into trading investments if it has an intention to sell them within a short period after acquisition, i.e. within 1 to 3 months. Trading investments also include financial derivatives. Trading investments are not reclassified out of this category even when the Group's intentions subsequently change.

Other financial assets at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Recognition and measurement of this category of financial assets is consistent with the above policy for trading investments. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel.

Loans and receivables

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables comprise accounts receivable, cash and cash equivalents, restricted cash, bank deposits, unquoted promissory notes and loans issued. Loans and receivables are initially recognised at their fair value and subsequently carried at amortised cost using effective interest method.

2. Summary of significant accounting policies (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months of the reporting date.

Financial liabilities

All the Group's financial liabilities fall into the following measurement categories: (a) held for trading which are represented by financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year in the period in which they arise. Other financial liabilities are carried at amortised cost.

Presentation of results from sugar trading derivatives

The Group engages in raw sugar derivative trading transactions through an agent on ICE Futures US primarily in order to manage the raw sugar purchase price risk (Note 27). As such transactions are directly related to the core activity of the Group, and their results are presented above gross profit as 'Gains less losses from trading sugar derivatives' in the consolidated statement of comprehensive income. Management believes that the presentation above gross profit line appropriately reflects the nature of derivative operations of the Group.

Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss for the year.

2. Summary of significant accounting policies (continued)

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash held on demand with banks, bank deposits with original maturity of less than three months, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost plus interest accrued using the effective interest method.

Bank deposits with original maturities at the reporting date of more than three months and less than twelve months are classified as short-term investments and are carried at amortised cost using the effective interest method. Bank deposits with original maturity at the reporting date of more than twelve months are classified as long-term and are carried at amortised cost.

2.12 Trade and other receivables

Trade receivables are carried at amortised cost using the effective interest method less provision made for impairment of these receivables.

2.13 Prepayments

Prepayments classified as current assets represent advance payments to suppliers for goods and services. Prepayments for construction or acquisition of property, plant and equipment and prepayments for intangible assets are classified as non-current assets. Prepayments are carried at cost less provisions for impairment, if any. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

2.14 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Raw materials intended for the operating activities of the Group, finished goods and work in progress are classified as current assets. Materials intended for construction are classified as non-current assets as "Inventories intended for construction."

2.15 Borrowings

Borrowings are recognised initially at their fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between the amount at initial recognition and the redemption amount is recognised as interest expense over the period of the borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

2.16 Finance lease liabilities

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as a finance lease liability within borrowings. Each lease payment is allocated between the liability and an interest charge. The interest element is charged to the profit or loss using the effective interest method over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability outstanding. Items of property, plant and equipment acquired under finance lease are depreciated over shorter of useful life and the lease term.

2.17 Trade and other payables

Trade and other payables are recognised when the counterparty has performed its obligations under the contract, and are carried at amortised cost using the effective interest method.

2.18 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to purchases where all the specified conditions for recovery have not been met yet is recognised in the statement of financial position and disclosed separately within other taxes receivable, while input VAT that has been claimed is netted off with the output VAT payable. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.19 Other taxes payable

Other taxes payable comprise liabilities for taxes other than on income outstanding at the reporting date, accrued in accordance with legislation enacted or substantively enacted by the end of the reporting period.

2.20 Income tax

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge or credit comprises current tax and deferred tax and is recognised in profit or loss for the year.

Current tax
Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred tax
Deferred income tax is provided in full, using the balance sheet liability method, on tax losses carry forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor

2. Summary of significant accounting policies (continued)

taxable profit or loss. Deferred tax balance is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

2.21 Employee benefits

Payroll costs and related contributions
Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year, in which the associated services are rendered by the employees of the Group.

Pension costs
The Group contributes to the Russian Federation state pension fund on behalf of its employees and has no obligation beyond the payments made. The contribution was approximately 17.1% (2011: 13.6%) of the employees' gross pay and is expensed in the same period as the related salaries and wages.

The Group does not have any other legal or constructive obligation to make pension or other similar benefit payments to its employees.

Share-based payment transactions
The Group accounts for share-based compensation in accordance with IFRS 2, Share-based Payment. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted measured at the grant date. For share-based compensation made to employees by shareholders, an increase to share-based payment reserve in equity is recorded equal to the associated compensation expense each period.

2.22 Provisions for liabilities and charges

Provisions for liabilities and charges are recognised where the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.23 Revenue recognition

Revenues and related cost of sales are recognised when goods are shipped and the title and significant risks and rewards of ownership pass to the customer in accordance with the contractual sales terms. Sales are measured at the fair value of consideration received or receivable for the goods sold and services rendered, net of discounts and value added taxes, and after eliminating sales between the Group companies.

The amount of revenue arising from exchanges of goods or services is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred. Non-cash transactions are excluded from the cash flow statement.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

2.25 Government grants

Government grants comprise compensation of interest expense under bank loans and government grants relating to costs and property, plant and equipment.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Government grants relating to costs are deferred and recognised in profit or loss as other operating income over the period necessary to match them with the costs that they are intended to compensate.

Compensation of interest expense under bank loans is credited to profit or loss over the periods of the related interest expense unless this interest was capitalised into the carrying value of assets in which case it is included in non-current liabilities as government grants and credited to profit or loss on a straight-line basis over the expected lives of the related assets.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognised and measured in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IAS 39 and the proceeds received.

Government grants are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.26 Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

2.27 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. Summary of significant accounting policies (continued)

2.28 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option (Note 29).

2.29 Share capital and share premium

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration receivable over the par value of shares issued is recorded as share premium in equity. Share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

2.30 Treasury shares

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

2.31 Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

Adopted by the European Union

New standards

IFRS 10,"Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).

IFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014).

IFRS 12, "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2014).

IFRS 13, "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).

2. Summary of significant accounting policies (continued)

IAS 27, "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).

IAS 28, "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2014).

Amendments
Amendment to IAS 12 "Income Taxes" on deferred tax relating to recovery of underlying assets (effective for annual periods beginning on or after 1 January 2013).

Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 January 2013).

Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).

Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).

Amendments to IFRS 7 "Financial Instruments: Disclosures" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).

Amendments to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).

Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" on IAS 20 'Accounting for Government Grants and Disclosure on Government Assistance' – exemption on the retrospective application of IFRSs in relation to government grants (effective for annual periods beginning on or after 1 January 2013).

New IFRICs
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

Not adopted by the European Union

New standards
IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).

Amendments
Annual Improvements 2011 (effective for annual periods beginning on or after 1 January 2013).

Amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014).

Amendments to IFRS 10, IFRS 11 and IFRS 12 on transition guidance (effective for annual periods beginning on or after 1 January 2013).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

3. Cash and cash equivalents

	31 December 2012	31 December 2011
Bank balances receivable on demand	1,624,746	138,283
Bank deposits with original maturity of less than three months	214,669	5,284,584
Interest receivable on bank deposits within cash equivalents	–	22,152
Brokerage accounts	179,922	12,213
Cash in hand	530	335
Total	**2,019,867**	**5,457,567**

The Group had the following currency positions:

	31 December 2012	31 December 2011
Russian Roubles	1,627,540	5,365,940
US Dollars	372,879	72,876
Euro	19,349	18,751
Other	99	–
Total	**2,019,867**	**5,457,567**

The weighted average interest rate on cash at bank balances presented within cash and cash equivalents was 3.89% at 31 December 2012 (31 December 2011: 6.85%).

As at 31 December 2012 the cash amounts of RR 91,111 (31 December 2011: 101,432) were restricted under irrevocable bills of credit issued for purchases of property, plant and equipment and biological assets, which were included in “Restricted cash” line within non-current assets in the statement of financial position.

As at 31 December 2011 the cash amounts of RR 29,618 obtained by OJSC Belgorodsky Bacon under the government program for prevention of contamination and dispersion of African swine fever virus in Belgorod region, were included in “Restricted cash” line within current assets in the statement of financial position. This money is intended for the compensation of small local farmers for their losses from the reduction of their pig livestock.

4. Short-term investments

	31 December 2012	31 December 2011
Promissory notes	1,100,000	1,057,595
Interest receivable on promissory notes	33,526	7,710
Loans issued to third parties	196,986	107,610
Interest receivable on loans issued to third parties	42,957	26,982
Bank deposits with maturity over three months	23,672,457	13,193,732
Interest receivable on bank deposits within short-term investments	468,820	277,038
Financial derivatives	17,529	-
Total	**25,532,275**	**14,670,667**

Loans issued to third parties are denominated in Russian Roubles with interest rate varying between 0% and 12.5% (31 December 2011: 0%–12%). The weighted average interest rate on the loans issued to third parties equals 8.34% (31 December 2011: 9.09%).

Promissory notes are denominated in Russian Roubles and mainly represented by promissory notes of Russian banks (Note 27). At 31 December 2012 promissory notes in the amount of RR 1,100,000 (31 December 2011: RR 1,028,000) were pledged as collateral for the Group's obligations (Note 13).

As at 31 December 2012 bank deposits in the amount of RR 13,214,082 (31 December 2011: 6,726,399) were pledged as collateral for the Group's obligations (Note 13).

The bank deposits within short-term investments are denominated in the following currencies:

	31 December 2012	31 December 2011
Russian Roubles	22,862,721	12,335,384
US dollars	809,736	858,348
Total	**23,672,457**	**13,193,732**

5. Trade and other receivables

	31 December 2012	31 December 2011
Trade receivables	1,260,613	1,153,129
Receivables for government grants	118,298	141,263
Receivables under agency agreement for financial derivatives (Note 27)	401,745	955,138
Other	30,111	65,626
Less: provision for impairment (Note 27)	(38,928)	(46,767)
Total financial assets within trade and other receivables	**1,771,839**	**2,268,389**
Deferred charges	39,929	47,086
Total trade and other receivables	**1,811,768**	**2,315,475**

The above financial assets within trade and other receivables are denominated in the following currencies:

	31 December 2012	31 December 2011
Russian Roubles	1,623,577	2,050,239
US dollars	148,190	217,156
Euro	72	994
Total	**1,771,839**	**2,268,389**

Reconciliation of movements in the trade and other receivables impairment provision:

	Trade receivables	Other receivables
As at 1 January 2011 (Note 27)	**21,542**	**16,501**
Accrued	18,382	9,353
Utilised	(9,217)	(9,794)
As at 31 December 2011 (Note 27)	**30,707**	**16,060**
Accrued	28,595	2,396
Utilised	(34,858)	(3,972)
As at 31 December 2012 (Note 27)	**24,444**	**14,484**

6. Prepayments

Prepayments classified as current assets represent the following advance payments:

	31 December 2012	31 December 2011
Prepayments for transportation services	157,284	158,408
Prepayments for sunflower seeds	107,664	-
Prepayments for fertilizers	99,164	68,579
Prepayments to customs	69,666	23,782
Prepayments for fuel and energy	60,246	73,275
Prepayments for advertising expenses	11,341	7,842
Other prepayments	127,184	195,534
Less: provision for impairment	(94,069)	(20,411)
Total	**538,480**	**507,009**

Reconciliation of movements in the prepayments impairment provision

	2012	2011
As at 1 January	20,411	8,823
Accrued	76,940	11,787
Utilised	(3,282)	(199)
As at 31 December	**94,069**	**20,411**

As at 31 December 2012 prepayments classified as non-current assets and included in "Advances paid for intangible assets" line in the statement of financial position in the amount of RR 246,010 (31 December 2011: nil) represent advance payments for the Mechta Khozyayki brand. The amounts paid are shown as prepayments until the registration of the brands is completed.

7. Other taxes receivable

	31 December 2012	31 December 2011
Value added tax receivable	2,568,802	1,475,315
Other taxes receivable	17,087	5,124
Total	**2,585,889**	**1,480,439**

8. Inventories

	31 December 2012	31 December 2011
Raw materials	5,520,621	3,994,247
Finished goods	6,562,054	4,896,204
Work in progress	1,393,874	1,411,280
Less: provision for write down to net realisable value	(35,031)	(128,075)
Total	**13,441,518**	**10,173,656**

9. Property, plant and equipment

	Land and buildings	Machinery, vehicles and equipment	Construc-tions	Assets under con-struction	Other	Total
Cost (Note 2.5)						
As at 1 January 2011	7,738,242	11,048,825	649,901	384,746	168,596	19,990,310
Additions	2,437,039	1,604,863	12,319	5,020,721	19,580	9,094,522
Acquisitions through business combinations (Note 22)	221,356	588,268	340,941	7,591	-	1,158,156
Transfers	339,783	1,047,022	235,262	(1,615,694)	(6,373)	-
Disposals	(22,315)	(104,301)	(9,874)	(3,864)	(2,929)	(143,283)
As at 31 December 2011	**10,714,105**	**14,184,677**	**1,228,549**	**3,793,500**	**178,874**	
Accumulated depreciation (Note 2.6)						
As at 1 January 2011	(1,659,434)	(4,333,230)	(201,177)	-	(75,467)	
Charge for the year	(441,131)	(1,809,421)	(108,013)	-	(24,412)	
Disposals	5,686	80,159	2,495	-	1,367	89,707
As at 31 December 2011	**(2,094,879)**	**(6,062,492)**	**(306,695)**	**-**	**(98,512)**	
Net book value as at 31 December 2011	**8,619,226**	**8,122,185**	**921,854**	**3,793,500**	**80,362**	
Cost (Note 2.5)						
As at 1 January 2012	10,714,104	14,184,677	1,228,551	3,793,501	178,874	30,099,707
Additions	61,984	1,272,947	5,139	7,489,528	8,458	8,838,056
Transfers	2,900,486	2,082,366	704,168	(5,690,190)	3,170	-
Disposals	(10,365)	(85,403)	(5,569)	(45,952)	(3,455)	(150,744)
Disposal through disposal of subsidiaries (Note 21)	(61,932)	(14,833)	(899)	-	(1,787)	(79,451)
As at 31 December 2012	**13,604,277**	**17,439,754**	**1,931,390**	**5,546,887**	**185,260**	**38,707,568**
Accumulated depreciation (Note 2.6)						
As at 1 January 2012	(2,094,879)	(6,062,491)	(306,695)	-	(98,514)	(8,562,579)
Charge for the year	(537,313)	(2,155,263)	(119,120)	-	(22,985)	(2,834,681)
Disposals	7,613	73,308	1,984	-	2,146	85,051
Disposal through disposal of subsidiaries (Note 21)	45,596	10,188	690	-	1,614	58,088
As at 31 December 2012	**(2,578,983)**	**(8,134,258)**	**(423,141)**	**-**	**(117,739)**	**(11,254,121)**
Net book value as at 31 December 2012	**11,025,294**	**9,305,496**	**1,508,249**	**5,546,887**	**67,521**	**27,453,447**

At 31 December 2012, property, plant and equipment with a net book value of RR 4,311,178 (31 December 2011: RR 3,799,991) were pledged as collateral for the Group's borrowings (Note 13).

During the reporting period the Group capitalised within assets under construction interest expense of RR 561,313 (2011: RR 148,433). The average capitalisation rate was 9.76% (2011: 9.51%).

10. Biological assets

The reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the year can be presented as follows:

Short-term biological assets

	Consumable livestock, pigs	Unharvested crops	Total
As at 31 December 2010	**598,734**	**256,335**	**855,069**
Increase due to purchases and gain arising from cost inputs	2,994,397	4,916,760	7,911,157
Acquisitions through business combinations (Note 22)	-	12,097	12,097
Gain on initial recognition of agricultural produce	-	1,513,103	1,513,103
Lost harvest write-off (Note 21)	-	(16,673)	(16,673)
Decrease due to harvest and sales of the assets	(4,682,230)	(6,271,564)	(10,953,794)
Gain arising from changes in fair value less estimated point-of-sale costs	1,824,603	–	1,824,603
As at 31 December 2011	**735,504**	**410,058**	**1,145,562**
Increase due to purchases and gain arising from cost inputs	3,920,969	5,287,906	9,208,875
Gain on initial recognition of agricultural produce	-	2,156,198	2,156,198
Lost harvest write-off (Note 21)	-	(59,511)	(59,511)
Decrease due to harvest and sales of the assets	(5,094,552)	(7,299,179)	(12,393,731)
Gain arising from changes in fair value less estimated point-of-sale costs	1,186,736	-	1,186,736
As at 31 December 2012	**748,657**	**495,472**	**1,244,129**

Long-term biological assets

	Bearer livestock		
	Pigs	Cows	Total
As at 31 December 2010	**542,745**	**160,931**	**703,676**
Increases due to purchases and breeding costs of growing stock	355,306	140,832	496,138
Decreases due to sales	(236,174)	(66,825)	(302,999)
(Loss)/ gain arising from changes in fair value less estimated point-of-sale costs	(48,570)	31,803	(16,767)
As at 31 December 2011	**613,307**	**266,741**	**880,048**
Increases due to purchases and breeding costs of growing stock	1,196,602	113,504	1,310,106
Decreases due to sales	(306,845)	(101,754)	(408,599)
Disposal through disposal of subsidiaries (Note 21)	-	(69,594)	(69,594)
Loss arising from changes in fair value less estimated point-of-sale costs	(334,000)	(25,902)	(359,902)
As at 31 December 2012	**1,169,064**	**182,995**	**1,352,059**

In 2012 the aggregate gain on initial recognition of biological assets and agricultural produce and from the change in fair value less estimated point-of-sale costs of biological assets amounted to RR 2,983,032 (2011: RR 3,320,938).

Arable land under plantation and livestock population were as follows:

	31 December 2012	31 December 2011
Crops (ha)	408,144	370,795
Cows (heads)	4,831	7,163
Pigs within bearer livestock (heads)	73,938	37,532
Pigs within consumable livestock (tonnes)	13,828	9,632

Cows are cultivated for the purpose of production of milk. In 2012 the milk produced amounted to 16,197 tonnes (2011: 13,939 tonnes).

The main crops of the Group's agricultural production and output were as follows (in thousands of tonnes):

	2012	2011
Sugar beet	2,552	2,300
Winter wheat	266	267
Barley	194	174
Sunflower	55	72
Pea	54	56
Corn	22	28

Biological assets with a carrying value of RR 997,200 (31 December 2011: RR 611,149) were pledged as collateral for the Group's borrowings (Note 13).

The Group is exposed to financial risks arising from changes in milk, meat and crops prices. The Group does not anticipate that milk or crops prices will decline significantly in the foreseeable future except some seasonal fluctuations and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in respective prices. Russia entering the World Trade Organisation in 2012 and related decrease in import duties for the pork meat together with other macro-economic conditions have caused a decline in pork prices in the second half of 2012. Management is not able to predict the time and scale of further movements in pork-market prices. The Group reviews its outlook for milk, meat and crops prices regularly in considering the need for active financial risk management.

11. Long-term investments

	31 December 2012	31 December 2011
Bank deposits	4,490,640	403,021
Interest receivable on long-term bank deposits	121,405	982
Promissory notes	53,912	-
Loans issued to third parties	26,815	15,400
Available-for-sale financial assets	26,713	26,703
Financial assets at fair value through profit and loss	-	37,904
Other long-term investments	1,598	3,671
Total	**4,721,083**	**487,681**

The above long-term investments are denominated in Russian Roubles.

As at 31 December 2012 bank deposits placed in Alfa Bank in the amount of RR 4,490,640 (31 December 2011: 403,021) were pledged as collateral for the Group's obligations (Note 13).

12. Share capital and share premium

Share capital and share premium

	Number of shares	Share capital	Share premium	Total
At 1 January 2011	200,000	85	341,317	**341,402**
25 January 2011 – settled in cash	2,565,000	1,040	-	**1,040**
25 January 2011 – settled in shares	17,235,000	6,991	2,042,425	**2,049,416**
12 April 2011 (net of IPO related costs)	4,000,000	1,618	8,173,831	**8,175,449**
At 31 December 2011/ 1January 2012	24,000,000	**9,734**	**10,557,573**	**10,567,307**
At 31 December 2012	24,000,000	**9,734**	**10,557,573**	**10,567,307**

At 31 December 2012 and 2011 the authorised share capital of the Company amounted to EUR 600,000 divided into 60,000,000 shares of nominal value of EUR 0.01 each.

On 25 January 2011, 19,800,000 ordinary shares with par value of EUR 0.01 were issued. The whole issue was allotted to the shareholders of the Company at the time. 2,565,000 shares of this share issue were paid by cash at par value. 17,235,000 shares of this share issue were paid through the contribution of 85.7% shares of OJSC Rusagro Group resulting in an increase of share capital and share premium by RR 8,031 and RR 2,042,425 respectively.

As mentioned in Note 1, on 12 April 2011 the Company successfully completed an IPO of GDRs. The IPO included an offering by the Company of 20,000,000 GDRs with every five GDRs representing an interest in one ordinary share of the Company. The offering price was USD 15 per GDR (the equivalent of USD 75 per ordinary share).

As a result of the IPO, the Company issued 4,000,000 ordinary shares of par value EUR 0.01 each at the price of USD 75 per share. These shares were fully paid in the amount of USD 300 million resulting in an increase of share capital and share premium by RR 1,618 and RR 8,173,831 net of an amount of RR 217,291 out of the total expenses directly attributable to the new shares issued.

Treasury shares

In 2012, the Company acquired 721,609 of its own GDRs, that is equivalent of approximately 144,322 shares (2011: 1,290,999 of its own GDRs, that is equivalent of approximately 258,200 shares) through purchases on the Main Market of the London Stock Exchange. The total amount paid to acquire the shares was RR 158,097 (2011: RR 303,750). The shares are held as 'treasury shares.'

Restructuring

ROS AGRO PLC was established by the Owner in December 2009. In January 2011 ROS AGRO PLC became the holding company of OJSC Rusagro Group as result of the Owner contributing 85.7% of ordinary shares of OJSC Rusagro Group into the charter capital of ROS AGRO PLC. The remaining 14.3% of ordinary shares of OJSC Rusagro Group had been contributed by the Owner to the charter capital of ROS AGRO PLC previously, in March 2010. This restructuring was accounted for as a transaction under common control using the predecessor method of accounting applied retrospectively. Under this method the consolidated financial statements of the Company were presented as if ROS AGRO PLC has always been the holding company of the predecessor group.

The consolidated assets and liabilities of OJSC Rusagro Group transferred under common control were accounted for at the predecessor entity's carrying amounts from the beginning of the earliest period presented (i.e. 1 January 2010). The difference between the share capital of OJSC Rusagro

Group and the share capital of ROS AGRO PLC as at 1 January 2010 in the amount of RR 1,699,952 was included in the opening balance of retained earnings as at 1 January 2010. The difference between the share capital issued in 2010 and 2011 to acquire 100% of OJSC Rusagro Group and the share capital obtained has been adjusted in equity in retained earnings for 2010 and 2011. The adjustments were RR 341,317 and RR 2,042,425 for 2010 and 2011 respectively.

Purchases of non-controlling interests

In 2012 the Group increased its share in OJSC Fats and Oil Integrated Works up to 100%. The consideration paid was RR 219,104. The difference between the carrying amount of a non-controlling interest and the purchase consideration in the amount of RR 260,237 was recorded as a capital transaction in the statement of changes in equity.

In the end of 2012 the Group bought out 100% of additional share issue of its subsidiary OJSC Valuikisakhar. As result of this transaction the amount of non-controlling interest in the subsidiary increased by RR 615 with corresponding decrease in retained earnings.

In 2011 the Group increased its share in OJSC Sugar Plant Nikiforovsky to 100%. The consideration paid was RR 104,983. The difference between the carrying amount of a non-controlling interest and the purchase consideration in the amount of RR 203,553 was recorded as a capital transaction in the statement of changes in equity.

In 2011 the Group acquired shares in several other subsidiaries from minority shareholders for a total consideration of RR 11,830. The net excess of consideration paid over the Group's share of identifiable net assets acquired amounted to RR 6,224.

13. Borrowings

Short-term borrowings

	31 December 2012		31 December 2011	
	Interest rate	Carrying amount	Interest rate	Carrying amount
Bank loans	2.0–10.85%	21,551,653	2.0–9.5%	16,637,443
Loans received from third parties		-	0.0–11%	5,913
Loans received from related parties (Note 24)		-		52
Interest accrued on borrowings from third parties		69,219		69,341
Interest accrued on borrowings from related parties (Note 24)		35,877		31,031
Current portion of long-term borrowings		2,756,784		385,350
Total		**24,413,533**		**17,129,130**

All short-term borrowings are at fixed interest rate.

The above borrowings are denominated in the following currencies:

	31 December 2012	31 December 2011
Russian Roubles	24,404,403	17,078,376
US Dollars	3,484	50,754
Euro	5,646	-
Total	**24,413,533**	**17,129,130**

13. Borrowings (continued)

Long-term borrowings

	31 December 2012		31 December 2011	
	Interest rate	Carrying amount	Interest rate	Carrying amount
Bank loans	8.25–13.0%	26,539,433	9.5–13.0%	14,878,984
Government budget loans	¼ of the CBRF rate*	232,302	¼ of the CBRF rate*	224,512
Promissory notes issued and loans received from third parties	8.0%	35,833	0.0–16.0%	44,584
Loans received from related parties (Note 24)	10.0%	75,580	10.0%	80,230
Less current portion of long-term borrowings from:				
Bank loans	8.25–13.0%	(2,681,203)	9.5–11.5%	(305,120)
Loans received from related parties (Note 24)	10.0%	(75,580)	10.0%	(80,230)
Total		**24,126,365**		**14,842,960**

* The above loans were provided at subsidised interest rates by the Government and were initially measured at an effective rate of 12%.

The above borrowings are denominated in Russian Roubles.

Maturity of long-term borrowings:

Fixed interest rate borrowings:	31 December 2012	31 December 2011
2 years	7,899,785	2,509,093
3-5 years	11,609,299	9,086,581
More than 5 years	4,384,979	3,022,774
Total	**23,894,063**	**14,618,448**

Floating interest rate borrowings:	31 December 2012	31 December 2011
3-5 years	232,302	224,512
Total	**232,302**	**224,512**

For details of property, plant and equipment and biological assets pledged as collateral for the above borrowings see Note 9 and Note 10 respectively. For details of promissory notes and bank deposits pledged as collateral for the above borrowings refer to Notes 4 and 11.

Shares of several companies of the Group are pledged as collateral for the bank borrowings, as follows:

	Pledged shares, %	
	31 December 2012	31 December 2011
LLC Rusagro Group	50.00	50.00
LLC Rusagro-Invest	-	100.00
LLC Samaraagroprompererabotka	-	74.90
LLC Tambovsky Bacon	100.00	100.00
OJSC Belgorodsky Bacon	100.00	100.00
OJSC Nika Corp.	-	98.27
OJSC Rzhevsky Sakharnik	-	99.73
OJSC Valuikisakhar	51.00	99.23
OJSC Sugar Plant Znamensky	51.00	91.68

13. Borrowings (continued)

Net Debt*

As part of liquidity risk management the Group Treasury analyses its net debt position. The Group's management determines the net debt of the Group as outstanding bank loans and state budget loans less cash in hand, bank balances receivable on demand, all bank deposits and banks' promissory notes (Notes 3, 4, 11). The Group's management compares net debt figure with adjusted EBITDA (Note 26) and considers the normal level of net debt/adjusted EBITDA ratio to be not more than 3.

As at 31 December 2012 the net debt of the Group was as follows:

	31 December 2012	31 December 2011
Long-term borrowings	24,126,365	14,842,960
Short-term borrowings	24,413,533	17,129,130
Cash and cash equivalents	(2,019,867)	(5,457,567)
Banks' promissory notes (Note 27)	(1,100,000)	(1,040,395)
Bank deposits within short-term investments (Note 3)	(23,672,457)	(13,193,732)
Bank deposits within long-term investments (Note 11)	(4,490,640)	(403,021)
Net debt*	**17,256,934**	**11,877,375**
Adjusted EBITDA* (Note 26)	**8,781,248**	**5,154,129**
Net debt/ Adjusted EBITDA*	**1.97**	**2.30**

* Not an IFRS measure.

For the purpose of conformity with the methodology of the Group's net debt calculation, cash flows from investing and financing activities in the Group's management accounts are presented as follows:

	Year ended 31 December 2012			Year ended 31 December 2011		
	According to IFRS	Reclassifi-cations	In the man-agement accounts	According to IFRS	Reclassifi-cations	In the man-agement accounts
Cash flow from investing activities						
Purchases of property, plant and equipment	(7,432,546)	–	(7,432,546)	(10,842,532)	–	(10,842,532)
Purchases of inventories intended for construction	(1,216,554)	–	(1,216,554)	(231,616)	–	(231,616)
Proceeds from cash withdrawals from deposits	11,882,985	(11,882,985)	–	12,733,790	(12,733,790)	–
Deposits placed with banks	(26,498,409)	26,498,409	–	(21,227,779)	21,227,779	–
Purchases of promissory notes	(2,900,000)	2,900,000	–	(3,054,557)	3,054,557	–
Proceeds from sales of promissory notes	2,840,395	(2,840,395)	–	2,626,002	(2,626,002)	–
Interest received	886,772	(886,772)	–	722,807	(722,807)	–
Other cash flows in investing activities*	(286,947)	–	(286,947)	(953,114)	–	(953,114)
Net cash used in investing activities	**(22,724,304)**	**13,788,257**	**(8,936,047)**	**(20,226,999)**	**8,199,737**	**(12,027,262)**
Cash flow from financing activities						
Proceeds from borrowings	36,274,244	–	36,274,244	28,454,169	–	28,454,169
Repayment of borrowings	(19,692,676)	–	(19,692,676)	(18,212,554)	–	(18,212,554)
Proceeds from cash withdrawals from deposits	–	11,882,985	11,882,985	–	12,733,790	12,733,790
Deposits placed with banks	–	(26,498,409)	(26,498,409)	–	(21,227,779)	(21,227,779)
Purchases of promissory notes	–	(2,900,000)	(2,900,000)	–	(3,054,557)	(3,054,557)
Proceeds from sales of promissory notes	–	2,840,395	2,840,395	–	2,626,002	2,626,002
Interest paid	(2,862,323)	–	(2,862,323)	(2,082,809)	–	(2,082,809)

* See details in the consolidated statement of cash flows.

13. Borrowings (continued)

	Year ended 31 December 2012			Year ended 31 December 2011		
	According to IFRS	Reclassifi-cations	In the man-agement accounts	According to IFRS	Reclassifi-cations	In the man-agement accounts
Proceeds from government grants	1,888,070	–	1,888,070	1,458,441	–	1,458,441
Proceeds from issue of own shares, net of transaction cost	–	–	–	8,227,414	–	8,227,414
Other cash flows in financing activ-ities*	(377,307)	–	(377,307)	(435,057)	–	(435,057)
Net cash from financing activities	**15,230,008**	**(13,788,257)**	**1,441,751**	**17,409,604**	**(8,199,737)**	**9,209,867**

14. Trade and other payables

	31 December 2012	31 December 2011
Trade accounts payable	840,422	940,864
Payables for land rent	3,245	8,598
Liabilities under the government programme (Note 3)	-	29,618
Other payables	123,878	43,527
Total financial liabilities within trade and other payables	**967,545**	**1,022,607**
Payables to employees	715,095	535,515
Advances received	932,763	331,021
Total trade and other payables	**2,615,403**	**1,889,143**

Financial liabilities within trade and other payables of RR 5,022 (31 December 2011: RR 25,167) are denominated in USD, financial liabilities within trade and other payables of RR 73,473 are denominated in EUR (31 December 2011: RR 37,528), financial liabilities within trade and other payables of RR 20,151 are denominated in Danish krones (31 December 2011: nil).

15. Other taxes payable

	31 December 2012	31 December 2011
Value added tax	1,102,441	336,001
Unified social tax	38,980	33,338
Property tax	76,641	76,770
Personal income tax	26,272	21,908
Transport tax	2,946	3,051
Other	27,596	28,847
Total	**1,274,876**	**499,915**

16. Government grants

In 2005-2012 the Group received government grants from Tambov and Belgorod regional governments to acquire equipment for agricultural business and sugar processing. These grants are deferred and amortised on a straight-line basis over the expected lives of the related assets. Additionally, in 2007–2012 the government grants for reimbursement of interest expenses on bank loans received for construction of the pig-breeding farms in Belgorod and Tambov, particularly the government grants related to interest expenses capitalised into the carrying value of assets, were similarly deferred and amortised on a straight-line basis over the expected lives of the related assets. Refunded interest recognised as government grants in 2012 amounted to RR 335,440 (2011: 30,556). The movements in deferred government grants in the statement of financial position were as follows:

	2012	2011
As at 1 January	512,998	577,134
Government grants received	338,735	30,556
Amortization of deferred income to match related depreciation (Note 21)	(129,116)	(94,692)
As at 31 December	**722,617**	**512,998**

Additionally, other bank loan interests which had been refunded by the state were credited to the income statement.

	2012	2011
Interest expense	2,316,806	1,999,337
Reimbursement of interest expense (government grants)	(1,256,892)	(1,279,073)
Net interest expense	**1,059,914**	**720,264**

Other government grants received are included in Note 21.

17. Sales

	2012	2011
Sales of goods	33,823,100	39,525,763
Sales of services	240,817	189,352
Total	**34,063,917**	**39,715,115**

Sales in 2012 include revenue arising from exchange of goods amounting to RR 217,114 (2011: RR 115,208) and exchange of services amounting to RR 156,096 (2011: RR 166,680).

18. Cost of sales

	2012	2011
Raw materials and consumables used	19,989,322	29,054,728
Depreciation	2,400,144	1,991,897
Services	2,068,129	1,404,769
Payroll	1,942,175	1,746,013
Other	109,303	57,988
(Reversal of provision)/ provision for net realisable value	(91,542)	121,632
Total	**26,417,531**	**34,377,027**

Raw materials and consumables used above include the expensing of the gain recorded on initial recognition of agricultural produce attributable to the realised agricultural produce (both of current and previous year harvest) in the amount of RR 1,915,991 (2011: RR 852,199), and of the result of revaluation of biological assets (cows and pigs) attributable to the realised biological assets, in the amount of RR 1,662,340 (2011: RR 1,761,422).

Payroll costs above include statutory pension contributions of RR 284,655 (2011: RR 283,198).

19. Distribution and selling expenses

	2012	2011
Transportation and loading services	1,722,680	1,441,310
Payroll	357,404	473,922
Advertising	95,869	152,919
Depreciation	88,192	51,692
Materials	63,041	89,766
Fuel and energy	34,772	28,006
Provision for impairment of receivables (Notes 5, 6, 7)	107,931	39,522
Other	314,620	177,641
Total	**2,784,509**	**2,454,778**

Payroll costs above include statutory pension contributions of RR 55,168 (2011: RR 59,314).

20. General and administrative expenses

	2012	2011
Payroll	1,343,543	1,368,376
Taxes, excluding income tax	390,922	338,255
Depreciation	111,390	88,522
Services of professional organisations	101,265	85,384
Security	88,377	68,590
Rent	71,797	79,003
Bank services	70,619	89,921
Materials	59,965	52,555
Fuel and energy	43,195	64,921
Repair and maintenance	27,792	23,557
Communication	24,846	24,892
Travelling expenses	23,782	19,544
Insurance	17,271	26,363
Statutory audit fees	3,288	1,615
Other	111,617	100,198
Total	**2,489,669**	**2,431,696**

Payroll costs above include statutory pension contributions of RR 167,360 (2011: RR 147,485).

In respect of the year ended 31 December 2012, included in “Services of professional organisations” were fees of RR 775 (2011: RR 330) for other assurance services charged by the Company’s statutory auditor.

21. Other operating expenses, net

	2012	2011
Reimbursement of fuel and fertilizers and feed costs (government grants)	269,478	148,415
Amortization of deferred income to match related depreciation (Note 16)	129,116	94,692
Gain on disposal of subsidiaries, net*	84,693	-
Gain on disposal of property, plant and equipment	7,914	19,272
Rental income	7,632	-
Charitable donations and social costs	(334,513)	(127,860)
Provision for impairment of advances paid for property, plant and equipment	(43,774)	(329,088)
Lost harvest write-off (Note 10)	(59,511)	(16,673)
Loss on other investments	(31,995)	(9,369)
Write-off of inventory	(14,069)	(20,762)
(Loss)/ gain on disposal of inventory	(3,403)	1,240
Loss from investments at fair value through profit or loss	(2,931)	(4,896)
Write-off of trade and other receivables	-	(20,709)
Other income	3,783	19,783
Net other operating expenses	**12,420**	**(245,955)**

* During 2012 the Group disposed of one non-core subsidiary.

	CJSC Rusagro-Aydar
Cash and cash equivalents	103
Trade and other receivables	781
Other taxes receivable	2,182
Inventories	35,938
Property, plant and equipment	21,363
Long-term biological assets	69,594
Total assets	**129,961**
Trade and other payables	(92,828)
Current income tax payable	(3)
Other taxes payable	(606)
Long-term borrowings	(121,212)
Liabilities	**(214,649)**
Fair value of consideration received	5
Gain on disposal of subsidiaries	**84,693**
Cash inflow on disposal	5
Cash outflow on disposal, net of cash disposed	**(98)**

22. Goodwill

	2012	2011
Carrying amount at 1 January	1,175,578	474,899
Acquisitions of subsidiaries	-	700,679
Carrying amount at 31 December	**1,175,578**	**1,175,578**

22. Goodwill (continued)

The carrying amount of goodwill is allocated to the following CGUs:

	2012	2011
Oil Samara CGU	651,075	651,075
Other agriculture CGU	178,133	178,133
Sugar CGU	346,370	346,370
Carrying amount at 31 December	**1,175,578**	**1,175,578**

LLC Samaraagroprompererabotka

In March 2011 the Group acquired 74.9% ownership interest in LLC Samaraagroprompererabotka, oil extraction plant in Samara region. The purpose of the acquisition was to obtain control over the source of the vegetable oil required by the Group's oil and fat production plant.

The goodwill arising on acquisition was allocated to Oil Samara CGU and primarily attributable to the expected profitability of the acquired business due to the significant expected combined costs savings.

The purchase consideration in amount of RR 269,058 consisted of a 10.5% ownership interest in OJSC Fats and Oil Integrated Works, the Group's subsidiary. The ownership interest was transferred to the seller through the issuance of additional shares which took place in September 2011. The fair value of the consideration has been determined based on a value-in-use calculation using cash flow projections of OJSC Fats and Oil Integrated Works based on financial budgets approved by the Group's management.

According to the sale-purchase agreement the Group had a call option to purchase back the shares in OJSC Fats and Oil Integrated Works at the pre-agreed price if certain specific performance conditions were not met by LLC Samaraagroprompererabotka in 2011. The value of the call option at the date of acquisition was zero since Management expected that LLC Samaraagroprompererabotka would meet its performance conditions. The call option was not revalued at 31 December 2011 and was exercised in March 2012 since 2011 performance conditions were not met.

As a result the Group recognised a non-controlling interest related to 10.5% ownership interest in OJSC Fats and Oil Integrated Works in the amount of RR 321,001 in September 2011, which was purchased back in 2012 as detailed in Note 12.

LLC Olkhi

In April 2011 the Group acquired a 100% ownership interest in LLC Olkhi, an agricultural enterprise in Tambov region, for a total consideration of RR 4,393.

The goodwill arising on acquisition is primarily attributable to the expected profitability of the acquired business due to the significant expected combined costs savings.

Fair values of identifiable assets and liabilities of the subsidiaries acquired in 2011 were determined using discounted cash flow models. The valuation of property, plant and equipment was performed by an independent professional appraiser.

22. Goodwill (continued)

Acquisitions of subsidiaries

2011	Share in capital acquired	Total assets	Total liabilities	Purchase consideration	Noncontrolling interest	Goodwill	Recognised in profit or loss
LLC Samaraagroprompererabotka	74.90%	2,916,556	(3,426,592)	269,058	(128,019)	651,075	-
LLC Olkhi	100.00%	61,878	(107,090)	4,393	-	49,604	-
Total		**2,978,434**	**(3,533,682)**	**273,451**	**(128,019)**	**700,679**	**-**

The aggregate fair value of assets and liabilities arising from the acquisitions in 2011 was as follows:

	LLC Samaraagroprompererabotka		LLC Olkhi	
	IFRS carrying amount immediately before business combination	Attributed fair value	IFRS carrying amount immediately before business combination	Attributed fair value
Cash	1,936	1,936	494	494
Loans issued	783	783	-	-
Trade and other receivables	73,687	73,687	3,555	3,555
Prepayments	39,364	39,364	93	93
Tax receivables	246,359	246,359	142	142
Deferred income tax assets	148,196	189,049	-	-
Inventories	1,249,827	1,249,827	2,891	2,891
Unharvested crops	-	-	12,097	12,097
Property, plant and equipment	798,536	1,115,551	44,460	42,606
Total assets	**2,558,688**	**2,916,556**	**63,732**	**61,878**
Trade and other payables	(29,321)	(29,321)	(940)	(940)
Tax payables	(6,351)	(6,351)	(182)	(182)
Deferred income tax liability	-	(63,403)	-	-
Borrowings	(3,327,517)	(3,327,517)	(105,968)	(105,968)
Total liabilities	**(3,363,189)**	**(3,426,592)**	**(107,090)**	**(107,090)**

Altogether the businesses acquired in 2011 contributed to the Group: revenue of RR 1,702,256 and net loss of RR 69,561 for the period from the dates of the respective acquisitions to 31 December 2011. If the acquisitions had occurred on 1 January 2011 of the respective year of acquisition, the contributed revenue and net loss for the year ended 31 December 2011 would have been RR 1,706,318 and RR 146,133 respectively.

The carrying amount of goodwill as at 31 December 2012 and 2011 was tested for impairment. The recoverable amount of the Group's cash-generating units has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Group's management covering a five-year periods and the expected market prices for the Group's key products for the same period according to the leading industry publications. Cash flows above the five-year period are projected with the long-term growth rate at 3.5% per annum (31 December 2011: 3.0% per annum). As a result of the testing, no impairment losses were recognised.

22. Goodwill (continued)

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	31 December 2012			31 December 2011		
	Oil Samara CGU	Other agriculture CGU	Sugar CGU	Oil Samara CGU	Other agriculture CGU	Sugar CGU
EBITDA margin*	7.8–10.0%	26.0–26.4%	14.3–21.0%	11.9–12.1%	25.9–26.8%	11.6–18.6%
Pre-tax discount rate	15.1%	12.4%	14.8%	13.8%	13.6%	14.1%

* EBITDA margin is calculated as the sum of operating cash flows before income tax and changes in working capital divided by the amount of cash flow received from trade customers.

A reasonably possible shift in key assumptions underlying the value-in-use calculations would not lead to impairment of goodwill as of 31 December 2012 and as of 31 December 2011.

23. Income tax

	2012	2011
Current income tax charge	505,280	412,707
Deferred tax charge / (credit)	197,812	(205,142)
Income tax expense	**703,092**	**207,565**

The Group companies domiciled in Russia were subject to an income tax rate of 20% (2011: 20%) of taxable profits, except for profit on sales of agricultural produce taxable at 0% (2011: 0%) and profit obtained from Group's oil extraction activity in Samara region taxable at reduced rate of 15.5% in 2012-2016 years (2011: 20%).

In October 2012, an amendment to the Tax Code was enacted to set the income tax rate for agriculture producers at 0% in perpetuity. Before the amendment, agriculture entities would have been subject to an 18% income tax rate during the period 2013 to 2015 and 20% subsequently.

Group entities operating in other tax jurisdictions were taxed at 0% and 10%.

The current income tax charge represents a tax accrual based on statutory taxable profits. A reconciliation between the expected and the actual taxation charge is as follows:

	2012	2011
Profit before tax:	5,008,350	2,627,411
- taxable at 0%	2,690,313	2,845,414
- taxable at 10%ц	66,626	148,650
- taxable at 15.5%	946,865	-
- taxable at 20%	1,304,546	(366,653)
Theoretical tax charge / (credit) calculated at the applicable tax rate of 20%, 15.5% and 10% (2011: 20% and 10%)	414,336	(58,466)
Effect of the change of the tax rate on the estimation of deferred tax assets and liabilities	52,203	-
Tax effect of items which are not deductible or assessable for taxation purposes:		
- non-taxable income	(8,789)	(3,896)
- non-deductible expenses	158,279	91,193
- penalties	5,406	594
- share based remuneration	77,250	134,449
- other	4,407	43,691
Income tax expense	**703,092**	**207,565**

Differences between IFRS as adopted by the EU and local statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred taxes are attributable to the following:

	1 January 2012	Tax effect of income tax rate reduction*	Deferred tax credited/ (charged) to profit or loss	31 December 2012
Tax effects of deductible/ (taxable) temporary differences:				
Property, plant and equipment	(476,973)	74,263	(44,514)	(447,224)
Impairment of receivables	109,324	(62,023)	(5,749)	41,552
Payables	57,670	(3,414)	5,531	59,787
Financial assets	24,208	(7,057)	12,549	29,700
Inventory	153,792	52	14,468	168,312
Loss carried forward	199,676	(53,364)	(116,509)	29,803
Other	30,429	(660)	(11,385)	18,384
Net deferred tax asset / (liability)	**98,126**	**(52,203)**	**(145,609)**	**(99,686)**
Recognised deferred tax asset	474,577			237,838
Recognised deferred tax liability	(376,451)			(337,524)

* The effect on deferred tax balances of the above mentioned changes in tax rates for agricultural and oil extraction activities.

	1 January 2011	Deferred tax assets/(liabilities) of the acquired subsidiaries	Deferred tax credited/ (charged) to profit or loss	31 December 2011
Tax effects of deductible/ (taxable) temporary differences:				
Property, plant and equipment	(416,749)	(63,504)	3,280	(476,973)
Impairment of receivables	22,268	40,692	46,364	109,324
Payables	25,552	-	32,118	57,670
Financial assets	(577)	31,364	(6,579)	24,208
Inventory	7,732	(269)	146,329	153,792
Loss carried forward	77,167	117,264	5,245	199,676
Other	51,945	99	(21,615)	30,429
Net deferred tax (liability)/ asset	**(232,662)**	**125,646**	**205,142**	**98,126**
Recognised deferred tax asset	153,965			474,577
Recognised deferred tax liability	(386,627)			(376,451)

In the context of the Group's current structure tax losses and current tax assets of different companies may not be set off against taxable profits and current tax liabilities of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

23. Income tax (continued)

	31 December 2012	31 December 2011
Deferred tax assets:		
-Deferred tax asset to be recovered after more than 12 months	25,742	150,112
-Deferred tax asset to be recovered within 12 months	212,096	324,465
	237,838	**474,577**
Deferred tax liabilities:		
-Deferred tax liability to be settled after more than 12 months	(313,485)	(332,837)
-Deferred tax liability to be settled within 12 months	(24,039)	(43,614)
	(337,524)	**(376,451)**
Total net deferred tax (liability) / asset	**(99,686)**	**98,126**

The Group has not recognised a deferred tax liability of RR 4,605,802 (2011: RR 3,262,480) in respect of temporary differences associated with undistributed earnings of subsidiaries as the Group is able to control the timing of reversal of those temporary differences and it is probable that they will not reverse in the foreseeable future.

Refer to Note 28 “Contingencies” for description of tax risks and uncertainties.

24. Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship attention is directed to the substance of the relationship not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All of the Group related party transactions during the year ended 31 December 2012 and the year ended 31 December 2011 consist of the transactions with its Members of the Board of directors and other key management personnel and transactions with entities controlled by the Owner.

Key management personnel

Share-purchase agreements

In March 2011 a company controlled by Mr. Maxim Basov, a Director of ROS AGRO PLC and the CEO of OJSC Rusagro Group, purchased 5% of shares of ROS AGRO PLC from a company controlled by the Owner through two separate agreements.

Under the first agreement 3.5% of ordinary shares of ROS AGRO PLC were purchased for USD 3.5 for all shares. The terms of the agreement provide that the shares remain effectively under control of the seller and are actually transferred to the buyer gradually until July 2014 provided that Mr. Basov remains in the position of the CEO of OJSC Rusagro Group. For the purpose of these consolidated financial statements this transaction was treated as an equity-settled share-based payment transaction, under which Mr. Maxim Basov, as an employee, is granted shares of the Company as part of his compensation for the services rendered to the Group. The fair value of shares granted, determined at the grant date, less cash paid for them by the buyer, is expensed in the statement of comprehensive income in accordance with the graded vesting schedule with corresponding increase in equity. Expenses recognized under this agreement for the year ended 31 December

2012 in the amount of RR 386,248 (2011: 586,352) are presented under the heading "Share-based remuneration" in the consolidated statement of comprehensive income.

Under the second agreement 1.5% of ordinary shares of ROS AGRO PLC were purchased for USD 15,000,000. The shares were transferred to the buyer immediately. For the purpose of these consolidated financial statements this transaction was treated as an equity-settled share-based payment transaction that vested immediately. The difference between the fair value of shares granted and cash paid for them by the buyer in the amount of RR 85,895 was expensed in 2011 and presented under the heading "Share-based remuneration" in the consolidated statement of comprehensive income, with corresponding increase in equity.

As at 31 December 2012 share-based payment reserve accumulated in equity as result of the above mentioned share-based payment transactions amounted to RR 1,058,495 (31 December 2011: RR 672,247).

The fair value of shares granted was determined by using a discounted cash flow analysis. These calculations used cash flow projections based on financial budgets approved by the Group's management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business sector of the economy in which the Group operates. The future cash flows were discounted using a discount rate of 12% and a long-term growth rate of 4%. The discount rate was derived from the Group's post-tax weighted average cost of capital.

Other remuneration to key management personnel

Remuneration to 16 (2011: 13) representatives of key management personnel, included in payroll costs, comprised short-term remuneration such as salaries, discretionary bonuses and other short-term benefits totaling RR 194,357 including RR 14,156 payable to the State Pension Fund (2011: RR 216,956 and RR 1,250 respectively).

The Company Directors' remuneration

Included in the share-based compensation and other remuneration to key management personnel disclosed above, are the Company directors' fees, salaries and other short-term benefits totaling RR 488,618 in respect of the year ended 31 December 2012 (2011: 783,776).

Acquisition of subsidiaries

In April 2011 the Group acquired a 100% ownership interest in LLC Olkhi, agricultural enterprise in Tambov region, from Mr. Maxim Basov for total consideration of RR 4,393 (Note 22).

Loan agreements with the Company Directors

Balances and transactions under the loan agreements with the Company directors consist of the following:

Transactions	Year ended 31 December 2012	Year ended 31 December 2011
Loans issued	-	7,700
Interest income	-	103
Loans received	-	405
Interest expense	7,499	8,375
Cession of rights	-	4,650

Balances	31 December 2012	31 December 2011
Borrowings (Note 13)	75,580	80,282
Interest payable (Note 13)	35,877	31,031
Other payables	-	100
Other receivables	-	4,650

24. Related part transactions (continued)

Entities controlled by the Owner

Balances and transactions with entities controlled by the Owner are presented in the table below:

Transactions	Year ended 31 December 2012	Year ended 31 December 2011
Advances paid for property, plant and equipment	745,370	-
Income from sale of securities	30,782	-

Balances	31 December 2012	31 December 2011
Advances paid for property, plant and equipment	745,370	-

25. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year outstanding after the restructuring finalized on 25 January 2011 (note 12) excluding ordinary shares purchased by the company and held as treasury shares. While calculating EPS in these consolidated financial statements the Group has assumed that the share capital issued by the Company by the end of January 2011 and related to the Group restructuring had been in place during the whole periods presented in these consolidated financial statements. Such assumptions have been made with the aim to present comparable and consistent historical EPS ratios for the periods presented. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Profit for the year attributable to the Company's equity holders		4,083,631	2,364,732
Weighted average number of ordinary shares in issue	12	23,682,567	22,832,843
Basic and diluted earnings per share (RR per share)		**172.43**	**103.57**

26. Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person who allocates resources and assesses the performance of the Group. The functions of CODM are performed by the Board of Directors of ROS AGRO PLC.

Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of four main business segments:
- Sugar – represents production and trading operation with white sugar;
- Meat – represents cultivation of pigs and selling of consumable livestock to third parties;

- Other agriculture – represents cultivation of plant crops (sugar beet, grain crops and other plant crops) and dairy cattle livestock;
- Oil – represents vegetable oil extraction, production and sales of mayonnaise, consumer margarine, and bottled vegetable oil.

Certain Group's businesses are not included within the reportable operating segments, as they are not included in the reports provided to the CODM. The results of these operations are included in "Other" caption. The Company that represents the Group's head office function and earns revenue considered incidental to the Group's activities is included in "Other" caption.

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because of the differences in the production processes, the nature of products produced and required marketing strategies.

Segment financial information reviewed by the CODM includes:

- Quarterly report containing information about income and expenses by business units (segments) based on IFRS numbers;
- Quarterly report with a breakdown of separate material lines of IFRS consolidated statement of financial positions and IFRS consolidated statement of cash flows by segments;
- In addition to the main financial indicators, operating data (such as yield, production volumes, cost per unit, staff costs) and revenue data (volumes per type of product, market share) are also reviewed by the CODM on a quarterly basis.

Measurement of operating segment profit or loss, assets and liabilities

Starting from 1 January 2012, the Group management switched from reviewing segment information prepared on the basis of RAR to reviewing segment information prepared in accordance with IFRS accounting principles. The CODM assesses the performance of the operating segments based on the Adjusted EBITDA figure for the period. Adjusted EBITDA figure is not an IFRS measure. Adjusted EBITDA is reconciled to IFRS operating profit in this Note.

Adjusted EBITDA is defined as operating profit before taking into account:

- depreciation;
- other operating income, net (other than reimbursement of fuel and fertilisers and feed costs (government grants));
- 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;
- share-based remuneration;
- provision/(reversal) for net realisable value.

Transactions between operating segments are accounted for based on financial information of individual segments that represent separate legal entities.

Analysis of revenues by products and services

Each business segment except for the "Other agriculture" segment is engaged in the production and sales of similar or related products (see above in this note). The "Other agriculture" segment in addition to its main activity of growing and harvesting agricultural crops, is engaged in the cultivation of dairy cattle livestock. Related revenue from sales of milk and other livestock products was RR 279,012 (2011: RR 254,669).

For the amount of revenue from services, which comprise mainly processing of sugar beet for third party agricultural enterprises, see Note 17.

26. Segment information (continued)

* Additions to non-current assets exclude additions to financial instruments and deferred tax assets, goodwill and restricted cash.

* Additions to non-current assets exclude additions to financial instruments and deferred tax assets, goodwill and restricted cash.

Geographical areas of operations

All the Group's assets are located in the Russian Federation. Distribution of the Group's sales between countries on the basis of the customers' country of domicile, was as follows:

	Year ended 31 December 2012	Year ended 31 December 2011
Russian Federation	29,865,039	36,779,090
Foreign countries	4,198,878	2,936,025
Total	**34,063,917**	**39,715,115**

Major customers

The Group has no customer or group of customers under common control who would account for more than 10% of the Group's consolidated revenue.

Information about reportable segment adjusted EBITDA, assets and liabilities

The Group adopted IFRS 8 "Operating segments" according to which operating segments are reported in a manner consistent with the internal reporting provided to the Group's CODM.

Segment information for the reportable segments' assets and liabilities as at 31 December 2012 and 2011 is set out below:

2012	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Assets	32,640,269	19,675,457	19,907,833	6,216,673	53,106,290	(46,550,389)	84,996,133
Liabilities	26,263,305	17,001,943	13,992,737	5,408,561	15,629,351	(24,745,844)	53,550,053
Additions to non-current assets*	1,117,922	7,675,518	1,484,819	508,341	15,380	(391)	10,801,589

2011	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Assets	25,783,949	13,274,050	13,108,684	6,831,898	40,131,741	(36,620,990)	62,509,331
Liabilities	17,579,334	10,742,800	8,679,399	3,802,427	7,451,763	(12,878,417)	35,377,305
Additions to non-current assets*	1,855,423	4,089,230	4,891,707	1,377,222	23,208	(195,574)	12,041,217

Segment information for the reportable segments adjusted EBITDA for the year ended 31 December 2012 and comparative period is set out below:

2012	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales (Note 17)	16,176,116	5,626,770	8,833,647	9,203,487	230,441	(6,006,544)	34,063,917
Gain on revaluation of biological assets and agriculture produce (Note 10)	-	852,736	2,130,296	-	-	-	2,983,032
Cost of sales (Note 18)	(12,561,030)	(5,438,586)	(7,442,180)	(6,264,710)	-	5,288,975	(26,417,531)
incl. Depreciation	*(697,087)*	*(654,985)*	*(764,098)*	*(229,100)*	-	*(54,874)*	*(2,400,144)*
Gains less losses from trading sugar derivatives	53,046	-	-	-	-	-	53,046
Gross profit	**3,668,132**	**1,040,920**	**3,521,763**	**2,938,777**	**230,441**	**(717,569)**	**10,682,464**
Distribution and Selling, General and administrative expenses (Notes 19, 20)	(2,233,427)	(353,056)	(1,494,879)	(1,380,194)	(482,232)	669,610	(5,274,178)
incl. Depreciation	*(73,948)*	*(19,072)*	*(69,006)*	*(42,347)*	*(18,994)*	*23,785*	*(199,582)*
Share-based remuneration	-	-	-	-	(386,248)	-	(386,248)
Other operating income/ (expenses), net (Note 21)	(25,692)	31,987	162,311	(118,992)	8,085,700	(8,122,894)	12,420
incl. Reimbursement of fuel and fertilisers and feed costs (government grants)	-	*1,641*	*267,838*	-	-	-	*269,479*
Operating profit	**1,409,013**	**719,851**	**2,189,195**	**1,439,591**	**7,447,661**	**(8,170,853)**	**5,034,458**

26. Segment information (continued)

2012	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Adjustments:							
Depreciation included in Operating Profit	771,034	674,058	833,104	271,447	18,994	31,089	2,599,726
Other operating (income) / expenses, net	25,692	(31,987)	(162,311)	118,992		8,122,894	(12,420)
Share-based remuneration	-	-	-	-	386,248	-	386,248
Reimbursement of fuel and fertilisers and feed costs (government grants)	-	1,641	267,838	-	-	-	269,479
Gain on revaluation of biological assets and agriculture produce	-	(852,736)	(2,130,296)	-	-	-	(2,983,032)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	-	-	1,937,529	-	-	(21,537)	1,915,991
Revaluation of biological assets attributable to realised biological assets and included in cost of sales	-	1,650,874	11,466	-	-	-	1,662,340
Provision/ (Reversal) for net realizable value	(56,551)	(33,549)	(1,442)	-	-	-	(91,542)
Adjusted EBITDA*	**2,149,188**	**2,128,152**	**2,945,083**	**1,830,030**	**(232,797)**	**(38,408)**	**8,781,248**

* Non-IFRS measure

2011	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales (Note 17)	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 (Note 10)	-	1,776,032	1,544,906	-	-	-	3,320,938
Cost of sales (Note 18)	(22,501,030)	(5,260,286)	(5,447,263)	(5,256,300)	-	4,087,852	(34,377,027)
incl. Depreciation	*(661,365)*	*(563,496)*	*(547,589)*	*(215,080)*	-	*(4,367)*	*(1,991,897)*
Gains less losses from trading sugar derivatives	(313,264)	-	-	-	-	-	(313,264)
Gross profit	**2,819,719**	**1,926,239**	**2,817,222**	**1,495,379**	**347,371**	**(1,060,168)**	**8,345,762**
Distribution and Selling, General and administrative expenses (Notes 19, 20)	(2,153,421)	(343,022)	(1,355,876)	(1,163,620)	(398,733)	528,198	(4,886,474)
incl. Depreciation	*(27,692)*	*(19,500)*	*(62,622)*	*(30,104)*	*(4,662)*	*4,367*	*(140,213)*
Share-based remuneration	-	-	-	-	(672,247)	-	(672,247)
Other operating income/ (expenses), net (Note 21)	72,724	(217,631)	16,361	(13,269)	2,094,695	(2,198,835)	(245,955)
incl. Reimbursement of fuel and fertilisers and feed costs (government grants)	-	*102,570*	*45,847*	-	-	-	*148,417*
Operating profit	**739,022**	**1,365,586**	**1,477,707**	**318,490**	**1,371,086**	**(2,730,805)**	**2,541,086**
Adjustments:							
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
Adjusted EBITDA*	**1,441,995**	**2,309,408**	**1,880,785**	**576,944**	**(46,700)**	**(1,008,303)**	**5,154,129**

* Non-IFRS measure

27. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risk, foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures except for raw sugar commodity price risk management as described below.

Operating risk management is carried out on the level of the finance function of the Group's business segments with overall monitoring and control by management of the Group.
The management is implementing principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of non-derivative financial instruments, and investing excess liquidity.

Credit risk

The credit risk represents the risk of losses for the Group owing to default of counterparties on obligations to transfer to the Group cash and cash equivalents and other financial assets.

Activities of the Group that give rise to credit risk include granting loans, making sales to customers on credit terms, placing deposits with banks and performing other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk at the reporting date without taking account of any collateral held is as follows:

	31 December 2012	31 December 2011
Long-term financial assets		
Loans issued (Note 11)	26,815	15,400
Bank deposits (Note 11)	4,490,640	403,021
Promissory notes (Note 11)	53,912	-
Interest receivable (Note 11)	121,405	982
Financial assets at fair value through profit and loss (Note 11)	-	37,904
Available-for-sale investments (Note 11)	26,713	26,703
Other long-term investments (Note 11)	1,598	3,672
Restricted cash	91,111	101,432
Total long-term financial assets	**4,812,194**	**589,113**
Short-term financial assets		
Financial assets within trade and other receivables (Note 5)	1,771,839	2,268,389
Promissory notes (Note 4)	1,100,000	1,057,595
Bank deposits (Note 4)	23,672,457	13,193,732
Loans issued (Note 4)	196,986	107,610
Interest receivable (Note 4)	545,303	311,730
Financial derivatives (Note 4)	17,529	-
Cash and cash equivalents (Note 3)	2,019,867	5,457,567
Restricted cash	-	29,618
Total short-term financial assets	**29,323,981**	**22,426,240**
Total	**34,136,175**	**23,015,354**

As at 31 December 2012 the Group has collateral against RR 149,377 of its trade receivables (2011: none). The Group has geographical concentration of credit risk in the Russian market since the majority of the Group's customers conduct their business in Russian Federation.

As at 31 December 2011 securities at fair value through profit and loss within long-term financial assets rexpresent investments in securities of OJSC Gazprom (rating BBB, Fitch Ratings).

For minimisation of credit risk related to cash in bank, bank deposits and restricted cash the Group places cash in financial institutions which at the moment of transaction have the minimum risk of a default. Starting 2010 the Group's Treasury as additional measure of minimising credit risk places cash in the same banks from which the Group obtains loans thus actually eliminating the risk of loss due to bank failure. The table below shows the rating and balances with major banks at the reporting dates:

		31 December 2012		31 December 2011	
	Rating agency	Rating	Balance	Rating	Balance
Alfa Bank	Standard & Poor's	BB+	12,086,726	BB	10,630,409
Credit bank of Moscow	Fitch Ratings	BB-	4,871,179		-
Rosselkhozbank	Fitch Ratings	BBB	4,021,036	BBB	851,963
VTB Bank	Fitch Ratings	BBB	3,003,648		-
Sberbank RF	Fitch Ratings	BBB	1,571,827	BBB	5,730,407
Garanti Bank Moscow	Fitch Ratings	BBB-	1,551,760		-
Locko Bank	Moody's	B2	1,487,109	B2	403,979
UniCredit Bank	Fitch Ratings	BBB+	1,007,259		-
Credit Europa Bank	Fitch Ratings	BB-	776,997	BB-	675,812
Russian Commercial Bank	Moody's	B1	293,797		-
Credit Suisse	Fitch Ratings	A	12,340		-
Gazprombank	Moody's	D-	4	Baa3	1,154,975
Renaissance	Fitch Ratings		-	B	2,515
Other			166		782
Total cash at bank, bank deposits and restricted cash (Note 3, 4, 11)			**30,683,848**		**19,450,842**

The table below shows the rating and balances of promissory notes with banks and other counterparties at the reporting dates:

		31 December 2012		31 December 2011	
	Rating agency	Rating	Balance	Rating	Balance
Sberbank RF	Fitch Ratings	BBB	1,100,000	BBB	600,000
Alfa Bank	Standard & Poor's		-	BB	232,631
Gazprombank	Moody's		-	Baa3	207,764
Other promissory notes	-		53,912		17,200
Total promissory notes (Note 4, 11)			**1,153,912**		**1,057,595**

Financial assets that are neither past due nor impaired and not renegotiated as at the reporting date
In addition to the cash at bank, bank deposits and restricted cash, the table below shows the analysis of financial assets that are neither past due nor impaired.

27. Financial risk management (continued)

	31 December 2012	31 December 2011
Long-term financial assets		
Promissory notes	53,912	-
Loans issued to third parties	26,815	15,400
Interest receivable on long-term bank deposits	121,405	982
Other long-term investments	1,598	3,671
Total long-term financial assets	**203,730**	**20,053**
Short-term financial assets		
Trade receivables	1,234,899	1,108,708
Promissory notes	1,100,000	1,057,595
Loans issued to third parties	95,464	9,938
Interest receivable	506,172	284,363
Other short-term receivables	535,643	1,138,650
Total short-term financial assets	**3,472,178**	**3,599,254**
Total	**3,675,908**	**3,619,307**

Neither past due nor impaired balances relate to the customers who have a long-standing relationship with the Group and a sound trading history. Concentrations of trade receivables by type of customer are as follows:

	31 December 2012	31 December 2011
Distribution and retail outlets	773,233	736,165
Manufacturers (candy, juice and other)	270,553	337,882
Other not categorised	191,113	34,661
Total trade receivables	**1,234,899**	**1,108,708**

The majority of the customers do not have independent ratings. To minimize the risk of default on payment of amounts due by counterparties for supplied goods or rendered services the Group regularly revises the maximum amount of credit and grace periods for each significant customer.

Financial assets that are past due but not impaired as at the reporting date

The Group has no past due but not impaired financial assets at 31 December 2012 and 2011.

Financial assets that are impaired as at the reporting date

The table below shows the analysis of impaired financial assets:

	31 December 2012		31 December 2011	
	Nominal value	Impairment	Nominal value	Impairment
Impaired receivables (Note 5):				
- trade receivables	25,714	(24,444)	44,421	(30,707)
- other receivables	14,511	(14,484)	23,377	(16,060)
Total	**40,225**	**(38,928)**	**67,798**	**(46,767)**

Financial assets are impaired when there is evidence that the Group will not receive the full amount due or receive the full amount later than contracted. Factors to consider include whether the receivable is past due, the age of the receivable and past experience with the counterparty.

27. Financial risk management (continued)

Financial assets that would otherwise be impaired whose terms have been renegotiated

The carrying amount of financial assets that would otherwise be impaired whose terms have been renegotiated is as follows:

	31 December 2012	31 December 2011
Loans issued	101,522	97,672
Interest receivable	39,131	27,367
Total	**140,653**	**125,039**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. the Group Treasury analyses the net debt position as disclosed in Note 13.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date:

		Contractual undiscounted cash flows				
At 31 December 2012	Carrying value	Total	2013	2014	2015–2017	After 2017
Borrowings and loans (Note 13)						
- principal amount	48,434,802	48,492,002	24,308,437	7,899,785	11,898,800	4,384,980
- interest	105,095	9,165,934	3,798,109	2,017,794	2,975,077	374,954
Financial liabilities within trade and other payables (Note 14)	967,545	973,537	973,537	-	-	-
Total	**49,507,442**	**58,631,473**	**29,080,083**	**9,917,579**	**14,873,877**	**4,759,934**

At 31 December 2011	Carrying value	Total	2012	2013	2014–2016	After 2016
Borrowings and loans (Note 13)						
- principal amount	31,871,718	31,980,472	17,028,758	2,521,735	9,376,081	3,053,898
- interest	100,372	5,964,163	1,916,292	1,414,193	2,198,779	434,899
Financial liabilities within trade and other payables (Note 14)	1,022,607	1,022,607	1,022,607	-	-	-
Total	**32,994,697**	**38,967,242**	**19,967,657**	**3,935,928**	**11,574,860**	**3,488,797**

The rate of CBRF used for calculating interest payments for government loans (see Note 13) is 8.25% (2011: 8.00%).

The exchange rates used for calculating payments for bank borrowings denominated in currencies other than Russian Roubles:

	31 December 2012	31 December 2011
US Dollar	30.3727	32.1961
Euro	40.2286	-

27. Financial risk management (continued)

Market risk

Market risk, associated with financial instruments, is the risk of change of fair value of financial instruments or the future cash flows expected on a financial instrument, owing to change in interest rates, exchange rates, prices for the commodities or other market indicators. From the risks listed above the Group is essentially exposed to the risks associated with changes in interest rates, exchange rates and commodity prices.

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain most of its borrowings in fixed rate instruments. The Group does not have formal policies and procedures in place for management of fair value interest rate risk.

Interest rates under most of the Group's credit are fixed. However, the terms of the contracts stipulate the right of the creditor for a unilateral change of the interest rate (both increase and decrease), which can be based, among other triggers, on a decision of the CBRF to change the refinancing rate. Additionally, under government budget loans (Note 13) the Group pays interest at ¼ of the current refinancing rate of the CBRF.

Bank deposits and loans issued bear fixed interest rate and therefore are not exposed to cash flow interest rate risk.

The Group analyses its interest rate exposure on a continuous basis. Various scenarios are considered taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each scenario, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

During the year ended 31 December 2012, had interest rate for borrowings with other than fixed rate been increased/decreased by,100 basis points the profit before taxation would have been RR 294,230 (2011: RR 221,407) lower/higher.

Foreign exchange risk

The Group carries out essential import purchases of raw sugar from foreign suppliers. The Group actively uses irrevocable covered letters of credit as a form of payment to its raw sugar suppliers. The financing of the letters of credit is carried out through the credit line with Sberbank in Russian roubles. Under this structure of payment the actual exchange rate for the purchase price of raw sugar is determined and fixed at the moment of borrowing the funds from Sberbank.

As at 31 December 2012 and 2011, foreign exchange risk arises on cash in banks, trade and other receivables and trade and other payables denominated in foreign currency (Notes 3, 4, and 14).

At 31 December 2012, if the Russian Rouble had weakened/strengthened by 10% (31 December 2011: 10%) against the US dollar with all other variables held constant, the Group's profit before taxation would have been RR 132,578 (2011: RR 102,465) higher/lower.

At 31 December 2012 if the Russian Rouble had weakened/strengthened by 10% (31 December 2011: 10%) against the Euro with all other variables held constant, the Group's profit before taxation would have been RR 829 (2011: RR 7,093) lower/higher.

27. Financial risk management (continued)

At 31 December 2012 if the Russian Rouble had weakened/strengthened by 10% (31 December 2011: 10%) against the Danish krone with all other variables held constant, the Group's profit before taxation would have been RR 2,015 (2011:nil) lower/higher.

Purchase price risk

The Group purchases raw sugar and manages its exposure to this commodity price risk through financial derivatives. In 2012, the Group's total purchases of raw sugar were RR 1,993,182 (2011: RR 11,885,582). The Group trades raw sugar derivatives on ICE Futures US through an agent. Through derivatives, management aims to offset its long position in sugar inventory in order to minimise effects of price fluctuations on the results of the Group. The gains less losses on trading sugar derivatives of RR 53,046 (2011: losses less gains on trading sugar derivatives of RR 313,264) are presented as a separate line within Statement of Comprehensive Income for the year.

The Group is exposed to equity securities price risk arising on investments held by the Group and classified in the consolidated statement of financial position either as available for sale or at fair value through profit or loss (Note 11). The Group does not manage its price risk arising from investments in equity securities.

Sales price risk

Changes in white sugar prices from January until August are closely related to changes in world raw sugar prices that is implicitly managed through the raw sugar derivatives (see above). The storage facilities of own sugar plants permit to build up stocks of white sugar to defer sales to more favourable price periods.

The Group is exposed to financial risks arising from changes in milk, meat and crops prices (Note 10).

Fair value estimation

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

27. Financial risk management (continued)

Financial instruments by measurement categories and fair values as at 31 December 2012

	Loans and receivables	Other at amortised cost	Available for sale	At fair value through profit or loss	Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	2,019,867	-	-	-	2,019,867	2,019,867
Loans issued (Note 4)	196,986	-	-	-	196,986	196,986
Promissory notes (Note 4)	1,100,000	-	-	-	1,100,000	1,100,000
Bank deposits (Note 4)	23,672,457	-	-	-	23,672,457	23,672,457
Interest receivable (Note 4)	545,303	-	-	-	545,303	545,303
Financial derivatives (Note 4)	-	-	-	17,529	17,529	17,529
Financial assets within trade and other receivables (Note 5)	1,771,839	-	-	-	1,771,839	1,771,839
Total short-term financial assets	**29,306,452**	**-**	**-**	**17,529**	**29,323,981**	**29,323,981**
Restricted cash	91,111	-	-	-	91,111	91,111
Loans issued (Note 11)	26,815	-	-	-	26,815	26,815
Bank deposits (Note 11)	4,490,640	-	-	-	4,490,640	4,490,640
Promissory notes (Note 11)	53,912	-	-	-	53,912	53,912
Interest receivable (Note 11)	121,405	-	-	-	121,405	121,405
Available-for-sale investments (Note 11)	-	-	26,713	-	26,713	26,713
Other long-term investments (Note 11)	-	-	1,597	-	1,597	1,597
Total long-term financial assets	**4,783,883**	**-**	**28,310**	**-**	**4,812,193**	**4,812,193**
Total financial assets	**34,090,335**	**-**	**28,310**	**17,529**	**34,136,174**	**34,136,174**
Financial liabilities						
Short-term borrowings	-	24,413,533	-	-	24,413,533	24,413,533
Financial liabilities within trade and other payables	-	967,545	-	-	967,545	967,545
Total short-term financial liabilities	**-**	**25,381,078**	**-**	**-**	**25,381,078**	**25,381,078**
Long-term borrowings	-	24,126,365	-	-	24,126,365	24,126,365
Total long-term financial liabilities	**-**	**24,126,365**	**-**	**-**	**24,126,365**	**24,126,365**
Total financial liabilities	**-**	**49,507,443**	**-**	**-**	**49,507,443**	**49,507,443**

Financial instruments by measurement categories and fair values as at 31 December 2011

	Loans and receivables	Other at amortised cost	Available for sale	At fair value through profit or loss	Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	5,457,567	-	-	-	5,457,567	5,457,567

27. Financial risk management (continued)

	Loans and receivables	Other at amortised cost	Available for sale	At fair value through profit or loss	Total carrying amount	Fair value
Restricted Cash	29,618	-	-	-	29,618	29,618
Loans issued (Note 4)	107,610	-	-	-	107,610	107,610
Promissory notes (Note 4)	1,057,595	-	-	-	1,057,595	1,057,595
Bank deposits (Note 4)	13,193,732	-	-	-	13,193,732	13,193,732
Interest receivable (Note 4)	311,730	-	-	-	311,730	311,730
Financial assets within trade and other receivables (Note 5)	2,268,388	-	-	-	2,268,388	2,268,388
Total short-term financial assets	**22,426,240**	**-**	**-**	**-**	**22,426,240**	**22,426,240**
Restricted cash	101,432				101,432	101,432
Loans issued (Note 11)	15,400	-	-	-	15,400	15,400
Bank deposits (Note 11)	403,021	-	-	-	403,021	403,021
Securities at fair value through profit and loss (Note 11)	-	-	-	37,904	37,904	37,904
Interest receivable (Note 11)	982	-	-	-	982	982
Available-for-sale investments (Note 11)	-	-	26,703	-	26,703	26,703
Other long-term investments (Note 11)	-	-	3,672	-	3,672	3,672
Total long-term financial assets	**520,835**	**-**	**30,375**	**37,904**	**589,114**	**589,114**
Total financial assets	**22,947,075**	**-**	**30,375**	**37,904**	**23,015,354**	**23,015,354**
Financial liabilities						
Short-term borrowings	-	17,129,130	-	-	17,129,130	17,129,130
Financial liabilities within trade and other payables	-	1,022,607	-	-	1,022,607	1,022,607
Total short-term financial liabilities	**-**	**18,151,737**	**-**	**-**	**18,151,737**	**18,151,737**
Long-term borrowings	-	14,842,960	-	-	14,842,960	14,842,960
Other non-current liabilities	-	46,661	-	-	46,661	46,661
Total long-term financial liabilities	**-**	**14,889,621**	**-**	**-**	**14,889,621**	**14,889,621**
Total financial liabilities	**-**	**33,041,358**	**-**	**-**	**33,041,358**	**33,041,358**

Capital management

The primary objective of the Group's capital management is to maximize participants' return while sustaining a reasonable level of financial risks. The Group does not have a quantified target level of participants' return or capital ratios. To fulfill capital management objectives while providing for external financing of regular business operations and investment projects, the Group's management compares expected return of these operations and projects with the costs of debt and maintains prudent financial risk management as described above.

The Group companies have complied with all externally imposed capital requirements throughout 2012 and 2011.

28. Contingencies

Tax legislation

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

Amendments to Russian transfer pricing legislation are effective from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

Social obligations

Some production companies of the Group have collective agreements signed with the employees. Based on these contracts the companies make social payments to the employees. The amounts payable are determined in each case separately and depend primarily on performance of the company. These payments do not satisfy the liability recognition criteria listed in IAS 19, "Employee Benefits". Therefore, no liability for social obligations was recognised in these consolidated financial statements.

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims.

There are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.

Operating environment of the Group

The uncertainties related to the operating environment of the Group are described in Note 1.

29. Commitments

Contractual capital expenditure commitments

As at 31 December 2012 the Group had outstanding contractual commitments in respect of purchases or construction of property, plant and equipment in the amount of RR 2,838,667 (31 December 2011: RR 4,965,043).

As at 31 December 2012 the Group had outstanding contractual commitments in respect of purchases of biological assets in the amount of RR 15,133 (31 December 2011: RR 490,373).

Operating lease commitments
As at 31 December 2012, the Group had 403 land lease agreements (31 December 2011: 260). In 156 land lease agreements (31 December 2011: 103) fixed rent payments are defined and denominated in Russian Roubles. For these land lease agreements the future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2012	31 December 2011
Not later than 1 year	58,714	47,516
Later than 1 year and not later than 5 years	144,844	108,242
Later than 5 years	713,570	490,638
Total	**917,128**	**646,396**

In addition, in 247 land lease agreements (31 December 2011: 157) the rent is established as a non-monetary measure based on a certain share of agricultural produce harvested or a fixed volume of harvested crops. For 2012 related rent expenses were RR 226,703 (2011: RR 149,308).

Sales commitments
As at 31 December 2011 the Group had outstanding sales commitments in respect of sales of sugar to Federal State Reserve Agency in 2012-2013 in the amount of RR 460,909 for each year. As at 31 December 2012 the amount of these sales commitments for 2013 was RR 460,909.

30. Subsequent events

In February of 2013 the Group's management took the decision to move the production from Rzhevsky sugar plant to other more efficient sugar plants of the Group and thus to stop operations on Rzhevsky plant. The management currently considers different options of the disposal of the related assets.

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Abbreviated name

ROS AGRO PLC

Full corporate name in Russian

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