IMPORTANT: You must read the following before continuing. The following applies to the Prospectus (the "**Prospectus**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the company described herein (the "**Company**") as a result of such access.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS PROSPECTUS MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS PERMITTED BY REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITHIN THE UNITED STATES TO PERSONS REASONABLY BELIEVED TO BE QIBs (AS DEFINED HEREIN) IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of Your Representation: In order to be eligible to view this Prospectus or make an investment decision with respect to the securities offered pursuant thereto, you must be (i) a person that is outside the United States for the purposes of Regulation S under the Securities Act or (ii) a QIB that is acquiring the securities for its own account or for the account of another QIB. This Prospectus is being sent at your request and by accepting the e-mail and accessing this Prospectus, you shall be deemed to have represented to the Company that you are outside the United States for the purposes of Regulation S under the Securities Act or that you are a QIB and that you consent to delivery of such Prospectus by electronic transmission.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the issuer of the securities or the selling shareholder or Alfa Capital Holdings (Cyprus) Limited, London Branch, Credit Suisse Securities (Europe) Limited or Renaissance Securities (Cyprus) Limited (the "**Managers**") to subscribe for or purchase any of the securities described herein, and access has been limited so that it shall not constitute a general solicitation or general advertising (each as defined in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Company in such jurisdiction.

This Prospectus may only be communicated or caused to be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply and may be distributed in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "**Order**"), or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Company or the Managers, any person who controls any of them, or any director, officer, employee or agent of the Company or the Managers or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are reminded that you have accessed the attached Prospectus on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

Actions That You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the reply function on your e-mail software, will be ignored and rejected.

ROS AGRO PLC

(a company incorporated under the laws of the Republic of Cyprus)

Offering of 4,400,000 ordinary shares in the form of global depositary receipts
Offer Price: US$15.00 per global depositary receipt

This Prospectus (the "**Prospectus**") relates to an offering (the "**Offering**") by ROS AGRO PLC (the "**Company**") of 4,000,000 ordinary shares, each with a nominal value of €0.01 ("**Ordinary Shares**"), of the Company and by Shiny Property Limited (the "**Selling Shareholder**") of 400,000 Ordinary Shares, in each case offered in the form of global depositary receipts (the "**GDRs**"), with five global depositary receipts representing an interest in one Ordinary Share. The GDRs are being offered (i) in the United States to certain persons reasonably believed to be qualified institutional buyers ("**QIBs**"), as defined in, and in reliance on, Rule 144A ("**Rule 144A**") under the US Securities Act of 1933, as amended (the "**Securities Act**"), or another exemption from the registration requirements of the Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). See "*Plan of Distribution*."

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The GDRs have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act, or outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the GDRs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a discussion of certain restrictions on transfers of the GDRs, see "*Transfer and Selling Restrictions*."

The Selling Shareholder has granted the Managers named in "*Plan of Distribution*" an option (the "**Over-Allotment Option**"), exercisable in the period during which stabilising transactions may take place, to purchase up to 600,000 additional Ordinary Shares in the form of up to 3,000,000 GDRs solely to cover over-allotments, if any, in the Offering. See "*Plan of Distribution*."

Prior to this Offering, there has been no public market for the Ordinary Shares or the GDRs.

This document constitutes a prospectus relating to the Company for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**"). Application has been made solely for the admission of the GDRs to the official list (the "**Official List**") maintained by the UK Financial Services Authority (the "**FSA**") and for admission to trading on the regulated market of the London Stock Exchange plc ("**London Stock Exchange**"). This document will be made available to the public in accordance with the Prospectus Rules issued by the FSA (the "**Prospectus Rules**"). Application has been made to the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 ("**FSMA**") for the admission of up to 120,000,000 GDRs, consisting of up to 25,000,000 GDRs to be issued on the Closing Date (as defined below), of which up to 3,000,000 GDRs may be issued pursuant to the Over-Allotment Option, if exercised, and up to 95,000,000 GDRs to be issued from time to time against the deposit of ordinary shares with The Bank of New York Mellon (the "**Depositary**"), to the Official List and for their admission to trading on the regulated market of the London Stock Exchange for admission of the GDRs to trading under the symbol "AGRO." The regulated market of the London Stock Exchange is a regulated market under the Markets in Financial Instruments Directive (2004/39/EC). Admission to the Official List together with admission to trading on the regulated market of the London Stock Exchange constitutes admission to official listing on a stock exchange ("**Admission**"). The Company expects that conditional trading in GDRs through the International Order Book ("**IOB**") will commence on a "when and if issued" basis on or about April 8, 2011, and unconditional trading through the IOB will commence on or about April 13, 2011. All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if the expected admission to the London Stock Exchange does not take place and will be at the sole risk of the parties concerned.

The GDRs offered pursuant to Regulation S (the "**Regulation S GDRs**") will be evidenced by a master Regulation S global depositary receipt (the "**Regulation S Master GDR**"), which will be registered in the name of The Bank of New York Depository (Nominees) Limited, a nominee for The Bank of New York Mellon, London Branch, as common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream Luxembourg**"). The GDRs offered pursuant to Rule 144A (the "**Rule 144A GDRs**") will be evidenced by a master Rule 144A global depositary receipt (the "**Rule 144A Master GDR**" and, together with the Regulation S Master GDR, the "**Master GDRs**") registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**") in New York. The Ordinary Shares represented by the GDRs will be held by BNY (Nominees) Limited, as custodian (the "**Custodian**"), for the Depositary. Except as described herein, beneficial interests in the Master GDRs will be held, and transfers thereof will be effected only through, Euroclear, Clearstream Luxembourg and DTC and their direct and indirect participants, as applicable. Transfers within Euroclear, Clearstream Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant system. It is expected that delivery of the GDRs will be made against payment therefor in same day funds at the closing of the Offering on or about April 13, 2011 (the "**Closing Date**") through Euroclear and Clearstream Luxembourg, with regard to the Regulation S GDRs, and through DTC, with regard to the Rule 144A GDRs.

Each purchaser of the GDRs must pay for such GDRs in US Dollars.

INVESTMENT IN THE GDRS INVOLVES A HIGH DEGREE OF RISK. The GDRs are of a specialist nature and should only be purchased and traded by investors who are particularly knowledgeable in investment matters. Potential investors should be prepared to bear the risk of a total loss of their investment. For a discussion of certain factors regarding the Company and the GDRs that should be considered by potential investors, see *"Risk Factors."*

For important information about this Prospectus, see "*Important Information*."

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Alfa Capital Markets　　CREDIT SUISSE　　Renaissance Capital

The date of this Prospectus is April 8, 2011

IMPORTANT INFORMATION

By accepting delivery of this Prospectus, you agree to the following. This Prospectus is being furnished by the Company and the Selling Shareholder solely for the purpose of enabling a prospective investor to consider the purchase of the GDRs. Any reproduction or distribution of this Prospectus, in whole or in part, any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the GDRs is prohibited, except to the extent that such information is otherwise publicly available.

None of Alfa Capital Holdings (Cyprus) Limited, London Branch or Credit Suisse Securities (Europe) Limited or Renaissance Securities (Cyprus) Limited (together the "**Managers**") or the Depositary makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Selling Shareholder, the Managers or the Depositary that any recipient of this Prospectus should subscribe for or purchase the GDRs. Each potential subscriber or purchaser of the GDRs should determine for itself the relevance of the information contained in this Prospectus, and its subscription or purchase of the GDRs should be based upon such investigation as it deems necessary.

The Company accepts responsibility for the information contained in this Prospectus and, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts and contains no omissions likely to affect its import.

The contents of the websites of the Company and its subsidiaries do not form any part of this Prospectus.

This Prospectus is personal to each offeree and does not constitute an offer to any other person or the public generally to purchase or otherwise acquire the GDRs. In making an investment decision regarding the GDRs, you must rely on your own examination of the Company and the terms of the Offering, including the merits and risks involved. No person has been authorised by the Company, the Selling Shareholder, the Managers or the Depositary to provide any information or to make any representations other than those contained in this Prospectus. You should carefully evaluate the information provided by the Company, the Selling Shareholder, the Managers or the Depositary in light of the total mix of information available to you, recognising that none of the Company, the Selling Shareholder, the Managers or the Depositary can provide any assurance as to the reliability of any information not contained in this Prospectus. None of the Company, the Selling Shareholder, the Managers or the Depositary has authorised any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Prospectus is accurate only as of its date. Our business, financial condition, results of operations, prospects and the information set forth in this Prospectus may have changed since the date of this Prospectus.

We have included our own estimates, assessments, adjustments and judgments in preparing some market information, which has not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed to a third party source, to a certain degree subjective. While we believe that our own estimates, assessments, adjustments and judgments are reasonable and that the market information prepared by us accurately reflects the state of the industry and the markets in which we operate, there is no assurance that our own estimates, assessments, adjustments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

You should not consider any information in this Prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the GDRs. None of the Company, the Selling Shareholder, the Managers or the Depositary makes any representation to any offeree or purchaser of the GDRs regarding the legality of an investment in the GDRs by such offeree or purchaser under applicable investment or similar laws.

The Managers are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offering and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to the Offering.

In connection with the Offering, the Managers and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase, as the case may be, the GDRs and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the GDRs being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Managers or any of them and any of their affiliates acting as an investor for its or their own account(s). The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We may withdraw the Offering at any time, and we, the Selling Shareholder and the Managers reserve the right to reject any offer to purchase the GDRs, in whole or in part, and to sell to any prospective investor less than the full amount of the GDRs sought by such investor; however, the Offering may not be withdrawn following Admission of the GDRs to the Official List.

The distribution of this Prospectus and the offer and sale of the GDRs may be restricted by law in certain jurisdictions. You must inform yourself about, and observe any such restrictions. See *"Transfer and Selling Restrictions"* elsewhere in this Prospectus. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the GDRs or possess or distribute this Prospectus and must obtain any consent, approval or permission required for your purchase, offer or sale of the GDRs under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. None of the Company, the Selling Shareholder or any Manager accepts any responsibility for any violation by any person, whether or not it is a prospective purchaser of the GDRs, of any of these restrictions. This Prospectus does not constitute, and may not be used in connection with, any offer or solicitation in any such jurisdiction or to any person to whom it is unlawful to make such offer or solicitation. None of the Company, the Selling Shareholder or the Managers is making an offer to sell the GDRs or a solicitation of an offer to buy any of the GDRs to any person in any jurisdiction except where such an offer or solicitation is permitted.

STABILISATION

In connection with the Offering, Credit Suisse Securities (Europe) Limited (the "**Stabilising Manager**") (or any agent or other person acting for the Stabilising Manager), on behalf of the Managers, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot the GDRs or effect other stabilisation transactions with a view to supporting the market price of the GDRs at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager may, but is not required to, enter into such transactions and such stabilisation activities may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the announcement of the Offer Price and ending no later than 30 calendar days thereafter. There will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions, and there can be no assurance that stabilising transactions will be undertaken. Such stabilising, if commenced, may be discontinued at any time without prior notice and must be brought to an end within 30 days after the commencement of conditional dealings in the GDRs. In no event will measures be taken to stabilise the market price of the GDRs above the Offer Price. Except as required by law and regulation, neither the Stabilising Manager nor any of its agents intends to disclose the content of any over-allotments made and/or stabilising transactions concluded in relation to the Offering. In no event will the Stabilising Manager over-allot in excess of 15 percent of the total numbers of GDRs being offered.

NOTICE TO CERTAIN INVESTORS

Notice to European Economic Area Investors

This Prospectus has been prepared on the basis that all offers of the GDRs, other than the offers of GDRs contemplated in this Prospectus in the United Kingdom once the Prospectus has been approved by the FSA and published in accordance with Directive 2003/71/EC (the "**Prospectus Directive**") as implemented in the United Kingdom, will be made pursuant to an exemption under the Prospectus Directive, as implemented in the Member States of the European Economic Area (the "**EEA**") from the requirement to produce a prospectus for offers of the GDRs. Accordingly, any person making or intending to make any offer within the EEA of the GDRs, which are the subject of the placement contemplated in this Prospectus should only do so in circumstances under which no obligation arises for the Company, the Selling Shareholder or any of the Managers to produce a prospectus for such offer. None of the Company, the Selling Shareholder or the Managers has authorised, or will authorise, the making of any offer of the GDRs through any financial intermediary, other than offers made by the Managers that constitute the final placement of the GDRs contemplated in this Prospectus.

Each person in a Member State of the EEA that has implemented the Prospectus Directive (a "**Relevant Member State**") other than, in the case of (a) below, persons receiving offers contemplated in this Prospectus in the United Kingdom, who receives any communication in respect of, or who acquires any GDRs under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with each Manager and the Company that:

- it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- in the case of any GDRs acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive:
  - the GDRs acquired by it in the Offering have not been acquired on behalf of, or with a view to the offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or
  - where GDRs have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Securities is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any GDRs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any GDRs to be offered so as to enable an investor to decide to purchase or subscribe for the GDRs, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the Prospectus Directive includes any relevant implementing measure in each Relevant Member State.

Notice to Cyprus Investors

No issue or offer or invitation to subscribe or purchase or otherwise procure subscribers or purchasers for the GDRs within or in Cyprus is made except in compliance with the provisions of the Public Offer and Prospectus Law, Law 114(I)/2005 or the Companies Law, Cap 113 of the Laws of Cyprus, as amended. Without prejudice to the foregoing, the GDRs shall not be advertised, offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal and non-legal entities) resident, incorporated, established, domiciled or having their usual residence in Cyprus or to any such person located within the territory of Cyprus except to the extent permitted by and in accordance with Cyprus law and regulations.

Notice to Russian Investors

Neither the GDRs nor this Prospectus have been, or are intended to be, registered with the Federal Service for Financial Markets (the "**FSFM**") or any other state bodies that may from time to time be responsible for such registration and the GDRs are not being offered, sold or delivered in Russia or to any Russian resident except as may be permitted by Russian law. This Prospectus does not constitute a public offer or advertisement for the GDRs in Russia, and is not an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer the GDRs to any persons in Russia.

Notice to United States Investors

NEITHER THE US SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR ANY OTHER US REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE GDRS OR PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE GDRS OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Notice to New Hampshire Residents Only

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to Canadian Residents

Resale Restrictions

The distribution of the GDRs in Canada is being made only on a private placement basis exempt from the requirement that we and the Selling Shareholder prepare and file a prospectus with the securities regulatory authorities in each province where trades of GDRs are made. Any resale of the GDRs in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the GDRs.

Representations of Purchasers

By purchasing GDRs in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us, the Selling Shareholder and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the GDRs without the benefit of a prospectus qualified under those securities laws as it is an "accredited investor" as defined under National Instrument 45-106 – Prospectus and Registration Exemptions,
- the purchaser is a "permitted client" as defined in National Instrument 31-103 – Registration Requirements and Exemptions,
- where required by law, the purchaser is purchasing as principal and not as agent,
- the purchaser has reviewed the text above under "*Resale Restrictions*," and
- the purchaser acknowledges and consents to the provision of specified information concerning the purchase of the GDRs to the regulatory authority that by law is entitled to collect the information, including certain personal information. For purchasers in Ontario, questions about such indirect collection of personal information should be directed to Administrative Support Clerk, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8 or to (416) 593-3684.

Rights of Action – Ontario Purchasers

Under Ontario securities legislation, certain purchasers who purchase a security offered by this Prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the GDRs, for rescission against us and the Selling Shareholder in the event that this Prospectus contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the GDRs. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the GDRs. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us or the Selling Shareholder. In no case will the amount recoverable in any action exceed the price at which the GDRs were offered to the purchaser and if the purchaser is shown to have purchased the GDRs with knowledge of the misrepresentation, we and the Selling Shareholder will have no liability. In the case of an action for damages, we and the Selling Shareholder will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the GDRs as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All our directors and officers and the Selling Shareholder as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of GDRs should consult their own legal and tax advisors with respect to the tax consequences of an investment in the GDRs in their particular circumstances and about the eligibility of the investment by the purchaser under relevant Canadian legislation.

REFERENCES

In this Prospectus:

- all references to "**US Dollar**," "**US Dollars**" or "**US$**" are to the currency of the United States;
- all references to "**ruble**," "**rubles,**" "**Russian rubles**" or "**RUR**" are to the currency of the Russian Federation;
- all references to "**Euro**" or "**€**" are to the currency of the member states of the European Union participating in the European Monetary Union;
- all references to "**Russia**" or "**Russian**" are to the Russian Federation;
- all references to the "**United States**," "**U.S.**" or "**US**" are to the United States of America;
- all references to the "**United Kingdom**" or "**UK**" are to the United Kingdom of Great Britain and Northern Ireland; and
- all references to the "**EU**" are to the European Union and its member states as at the date of this Prospectus.

Unless the context otherwise requires, all references in this Prospectus to the "**Company**" are to ROS AGRO PLC, and all references in this Prospectus to "**Rusagro**" or the "**Group**" refer collectively to the Company and its subsidiaries. All references in this Prospectus to "**we**," "**us**," "**our**" and similar terms refer to the Company or the Group, as the context may require.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the US Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), which reflect our views with respect to our results of operations, financial condition, business strategy and our plans and objectives for future operations.

These forward-looking statements relate to us and the industry in which we operate. Statements that include the words "expect," "intend," "plan," "believe," "project," "anticipate," "will," "target," "aim," "may," "would," "could," "continue" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the US federal securities laws or otherwise.

All forward-looking statements included in this Prospectus address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. These factors include but are not limited to the following:

- changes in political, social, legal or economic conditions in Russia;
- our ability to respond to legal and regulatory developments and restrictions in relation to the industries in which we operate;
- our ability to obtain necessary regulatory approvals and licenses for our business;
- our ability to service our existing indebtedness;
- our ability to fund future operations and capital needs through borrowings or otherwise;
- changes in our liquidity, capital resources or capital expenditures;
- our ability to successfully implement any of our business strategies;
- our expectations about demand for products we sell;
- competition in the marketplace;
- changes in consumer preferences;
- inflation and fluctuations in currency exchange rates and interest rates;
- our success in identifying other risks to our business and managing the risks of the aforementioned factors;
- expectations about our future capital expenditures both at the Group level and at the level of our divisions; and
- those described in the part of this Prospectus entitled *"Risk Factors,"* which should be read in conjunction with the other cautionary statements that are included in this Prospectus.

Any forward-looking statements in this Prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our business, results of operations, financial condition, growth strategy and liquidity.

Any forward-looking statements speak only as of the date of this Prospectus. Subject to any obligations under any applicable law, we undertake no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to us, and those acting on behalf of us, are expressly qualified in their entirety by this section. Prospective investors should specifically consider the factors identified in this Prospectus that could cause actual results to differ before making an investment decision.

AVAILABLE INFORMATION

We have agreed that for so long as any GDRs are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto) in order to permit compliance with Rule 144A in connection with resales by such holder or beneficial owner of such restricted securities.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Our and the Selling Shareholder's presence outside the United States and the United Kingdom may limit the legal recourse investors have against us. The Company is incorporated under the laws of the Republic of Cyprus and the Selling Shareholder is incorporated under the laws of the British Virgin Islands. Most of our directors and senior managers named in this Prospectus reside outside the United States and the United Kingdom, principally in Russia. All our assets and a substantial portion of the assets of our directors and senior managers are located outside the United States and the United Kingdom, principally in Russia. All the assets of the Selling Shareholder are located outside the United States and the United Kingdom. As a result, investors may not be able to effect service of process within the United States or the United Kingdom upon us, our directors or senior managers or the Selling Shareholder or enforce US or UK court judgments obtained against us, our directors or senior managers or the Selling Shareholder in jurisdictions outside the United States and the United Kingdom, including actions under the civil liability provisions of US securities laws. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions outside the United States and the United Kingdom, liabilities predicated upon US or UK securities laws.

Judgments rendered by a court in any jurisdiction outside the Russian Federation may not be enforced by courts in Russia unless (i) there is an international treaty in effect providing for the recognition and enforcement of judgments in civil cases between the Russian Federation and the country where the judgment is rendered, and/or (ii) a federal law of the Russian Federation provides for the recognition and enforcement of foreign court judgments.

We are not aware of a treaty or convention directly providing for the recognition and enforcement of judgments in civil and commercial matters between the United Kingdom or the United States and the Russian Federation.

However, we are aware of at least one instance in which Russian courts have recognised and enforced an English court judgment. The basis for this was a combination of the principle of reciprocity and the existence of a number of bilateral and multilateral treaties to which both the United Kingdom and the Russian Federation are parties. The courts decided that such treaties constituted grounds for the recognition and enforcement of the relevant English court judgment in Russia. In the absence of established court practice, however, it is difficult to predict whether a Russian court would be inclined in any particular instance to recognise and enforce an English court judgment on these grounds.

In addition, Russian courts have limited experience in the enforcement of foreign court judgments. The limitations described above may significantly delay the enforcement of any court judgment, or completely deprive investors of effective legal recourse for claims related to their investment in the GDRs.

The Russian Federation is party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Consequently, Russian courts should generally recognise and enforce in the Russian Federation an arbitral award from an arbitral tribunal, on the basis of the rules of the New York Convention (subject to qualifications provided for in the New York Convention and compliance with Russian procedural regulations and other procedures and requirements established by Russian legislation).

However, it may be difficult to enforce arbitral awards in the Russian Federation due to a number of factors, including:

- the inexperience of the Russian courts in international commercial transactions;
- official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors; and
- the inability of Russian courts to enforce such awards.

The Arbitrazh procedural code of the Russian Federation (the "**Arbitrazh Procedural Code**") sets out certain grounds for Russian courts to refuse to recognise and enforce any such arbitral award. The Arbitrazh Procedural Code and other Russian procedural legislation could change; therefore, among other things, other grounds for Russian courts to refuse the recognition and enforcement of foreign courts' judgments and foreign arbitral awards could arise in the future. In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or foreign arbitral award in the Russian Federation.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial information set forth herein has, unless otherwise indicated, been derived from the audited consolidated financial statements of OJSC Rusagro Group and its subsidiaries as of and for the three years ended December 31, 2010, 2009 and 2008 (the "**Consolidated Financial Statements**"), prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "**IASB**").

LLC Group of Companies Rusagro was the holding company for the Group until February 2010. In February 2010, OJSC Rusagro Group was created as a new holding company of LLC Group of Companies Rusagro and has no material operations other than holding 100% minus one participation interest of LLC Group of Companies Rusagro. This restructuring was accounted for as a transaction under common control using predecessor basis of accounting, based on which the consolidated financial statements of OJSC Rusagro Group were presented as if it has always been on top of the existing Group. As a result, the Consolidated Financial Statements, which comprise OJSC Rusagro Group and its subsidiaries, include the assets, liabilities, revenues and expenses that were directly related to LLC Group of Companies Rusagro during the relevant period prior to formation of OJSC Rusagro Group. For a list of material subsidiaries of the Group, see "*Business – Organisation – Group Structure*."

On January 5, 2011, the Company became the new holding company for the Group and as of the date of this Prospectus owns 100% of the shares of OJSC Rusagro Group. Audited financial statements of the Company as at December 31, 2009 and December 31, 2010 and for the period from December 1, 2009 to December 31, 2009 and the year ended December 31, 2010, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**EU IFRS**") are also included in this Prospectus. As at December 31, 2010, the Company owned only 14.3% of the shares of OJSC Rusagro Group and did not control or exercise significant influence over it, and consequently has not prepared consolidated financial statements. On January 5, 2011, the Company acquired the remaining 85.7% of the shares of OJSC Rusagro Group. The Company does not have any material operations other than holding the shares of OJSC Rusagro Group. As a result, the Company believes that the financial information presented in this Prospectus, including the Consolidated Financial Statements, and related discussion is representative of the results of operations of the Group.

IFRS represents International Financial Reporting Standards issued by the IASB and effective for the periods presented. Standards are adopted by the European Commission through an endorsement procedure, with in some cases, revised effective dates. EU IFRS represents IFRS as adopted by the European Union. The Company's management does not consider there are any material differences between IFRS and EU IFRS in relation to the financial information of the Company as presented in this Prospectus.

Presentation of Non-IFRS Measures

This Prospectus contains non-IFRS measures and ratios, including Adjusted EBITDA. The Company presents non-IFRS measures and ratios because management believes such measures and ratios are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the Group's industries. These measures have limitations as an analytical tool, and they should not be considered in isolation, or as a substitute for analysis of the Group results as reported under IFRS. Some of these limitations are: (i) Adjusted EBITDA does not reflect the impact of financing costs, which are significant and could further increase if the Group incurs more debt, on the Group's operating performance, (ii) Adjusted EBITDA does not reflect the impact of income taxes on the Group's operating performance and (iii) Adjusted EBITDA does not reflect the impact of depreciation and amortization on the Group's operating performance. The assets of the Group's business that are being depreciated and/or amortised will likely have to be replaced in the future and such depreciation and amortization expense may approximate the cost to replace these assets in the future. By excluding this expense from Adjusted EBITDA measures, they do not reflect the Group's future cash requirements for these replacements. In addition, other companies in the Group's industry may calculate Adjusted EBITDA differently or may use it for different purposes than the Group does, limiting its usefulness as a comparative measure. Adjusted EBITDA is a measure of the Group's operating performance that is not required by, or presented in accordance with, IFRS. Adjusted EBITDA is not a measurement of the Group's operating performance under IFRS and should not be considered as an alternative to profit for the year, operating profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of the Group's liquidity. In particular, Adjusted EBITDA should not be considered a measure of discretionary cash available to the Group to invest in the growth of its business.

In addition, in order to provide investors with additional insight into the earnings of the Group and for the purpose of comparison with similar businesses, additional information on sales, cost of sales, gross profit, distribution and selling expenses, general and administrative expenses, other operating income, operating profit and depreciation expenses is presented for each operating segment in accordance with the accounting policies adopted by the Group for the preparation of the Consolidated Financial Statements. This information is prepared on the basis of IFRS principles, but is not prepared in accordance with IFRS.

Presentation of Market Share and Industry Data

The information contained in this Prospectus has been partly obtained by the Group from external sources, including other private companies, agencies, international organisations and Russian authorities, such as the Russian Federal State Statistics Service ("**Rosstat**"), the Union of Sugar Producers of Russia ("**Soyuzrossakhar**"), the Russian Oil and Fats Union, the National Union of Pig Breeders, the Ministry of Agriculture of the Russian Federation (the "**Ministry of Agriculture**") and the Organization of Economic Co-operation and Development ("**OECD**"), and the Group has relied on that information without carrying out any independent verification. We confirm that this data has been accurately reproduced and, so far as we are aware and have been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, in the preparation of this Prospectus, this third party information has not been independently verified nor has there been any investigation of the validity of the methodology of, or the basis used by, the third parties in producing such data or making estimates and forecasts. We, the Selling Shareholder and the Managers cannot give any assurance that any such information is accurate or, in respect of projected data, that such projections have been based on correct information and assumptions or that they will prove to be accurate. We name sources of third party information whenever such third party information is used in this Prospectus.

Rounding

Certain amounts that appear in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them, and the figures expressed as percentages may not total 100% when aggregated.

Exchange Rate Information

The following tables show, for the periods indicated, certain information regarding the exchange rate between the ruble and the US Dollar, based on the official exchange rate quoted by the Central Bank of the Russian Federation (the "**CBR**"). These rates may differ from the actual rates used in the preparation of our financial statements and other financial information appearing in this Prospectus.

	Rubles per US Dollar			
Years ended December 31,	**High**	**Low**	**Average(1)**	**Period end**
2008	29.4	23.1	24.9	29.4
2009	36.4	28.7	31.7	30.2
2010	31.8	28.9	30.4	30.5

(1) The average rates are calculated as the average of the daily exchange rates on each business day (which rate is announced by the CBR for each such business day) and on each non-business day (which rate is equal to the exchange rate on the previous business day).

	Rubles per US Dollar			
Months	**High**	**Low**	**Average(1)**	**Period end**
January 2011	30.6	29.7	30.1	29.7
February 2011	29.8	28.9	29.3	28.9
March 2011	28.9	28.2	28.4	28.4

(1) The average rates are calculated as the average of the daily exchange rates on each business day (which rate is announced by the CBR for each such business day) and on each non-business day (which rate is equal to the exchange rate on the previous business day).

The exchange rate between the ruble and the US Dollar quoted by the CBR for April 8, 2011 was RUR 28.2286 per US$1.00.

No representation is made that the ruble or US Dollar amounts in this Prospectus could have been, can or will be able to be, converted to US Dollars or rubles, as the case may be, at any particular rate or at all.

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SUMMARY

The following summary information should be read as an introduction to the Prospectus. Any decision to invest in the GDRs should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the EEA, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled this summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Business

Rusagro is a leading Russian diversified food processor with integrated agricultural operations. Our principal divisions are:

- *Sugar:* We are a leading Russian sugar producer, producing sugar from both sugar beets and raw cane sugar. Our Sugar division is vertically integrated with the sugar beet cultivation in our Agriculture division, through which we strive to ensure a consistent supply of sugar beets.
- *Meat:* Our pig breeding project was launched in 2006 and, according to the National Union of Pig Breeders, is currently the fifth largest pig breeding complex in Russia. During 2010, we began developing a further pig breeding site in the Belgorod region and launched another greenfield project in the Tambov region. We are currently launching a third greenfield project in the Chelyabinsk region, and once we reach the design capacity for these projects, the total production capacity of our Meat division is expected to be over 300 thousand tons of live-weight annually.
- *Agriculture:* The Group currently controls what it believes to be one of the largest land banks among Russian agriculture producers, with approximately 380 thousand hectares of land currently under our control located in the highly fertile Black Earth region of Russia, in the Belgorod, Tambov and Voronezh regions. We believe we are a leading Russian sugar beet producer, and our agricultural division also produces winter wheat and barley, sunflower products and soybeans.
- *Oil & Fats:* We are a leading producer of mayonnaise and consumer margarine in Russia. In addition, in March 2011, we acquired control of an oil extraction plant located in Samara, through which we expect to be able to control the source of 100% of the vegetable oil required by our oil and fats production plant.

Competitive Strengths and Strategies

Rusagro's strength lies in both the benefits we derive from the diversification of our operations as well the competitive advantages of each of our divisions. For a full description of our competitive strengths and strategies, see "*Business*."

The Group as a whole has numerous competitive strengths, including:

- *Leading Russian diversified food producer with vertically integrated operations.*
- *Strong management team with wide industry experience and a strong track record.*
- *Access to Financing.*

We have developed a two-pronged, long-term strategy for the Group focused on our portfolio of products and our functional strengths:

- Strengthen our business portfolio by increasing our presence in existing markets to achieve national leadership across our food production business segments and identifying and capitalising on opportunities to expand our portfolio into new product lines; and
- Be a leader among our peers regarding certain functions within our operations, focusing on human resources, finance, management reporting and internal financial controls, efficient cost management and the identification and execution of opportunities for investment.

Each of our divisions also has significant competitive advantages, and a well developed business strategy:

Sugar Division

- Strengths
  - *Production efficiency*.
  - *Sugar processing plants located in close proximity, surrounded by the Group's sugar beet fields*.
  - *Leader in the import and processing of raw cane sugar.*
  - *Leading position in branded products.*
  - *Economies of Scale.*
- *Strategy:* Our goal for the Sugar division is to become the largest player in the sugar market in the Commonwealth of Independent States ("**CIS**"). We intend to:
  - increase our sugar beet production, so we can increase the proportion of our sugar produced from our own sugar beets;
  - decrease the share of sugar beets we process through tolling arrangements;
  - acquire additional sugar plants and expand the capacity of our existing plants;
  - increase the efficiency of our sugar production operations; and
  - further develop the market presence of our branded products and increase our sales to retail consumers.

Meat Division

- Strengths
  - *Modern breeding technologies.*
  - *Access to quality agricultural inputs and vertical integration.*
  - *Biological security.*
- *Strategy:* We plan to become a leading meat producer in the CIS by improving our productivity and production efficiency by:
  - increasing the productivity of our operations through the continued utilisation of modern pig breeding technologies;
  - optimising our resource management; and
  - expanding our operations through potential acquisitions and/or additional greenfield projects, including significant additional greenfield projects currently being developed in the Tambov and Chelyabinsk regions.

Agriculture Division

- Strengths
  - *Synergies with other divisions.*
  - *Economy of scale and land bank.*
  - *Modernisation, efficiency and productivity.*
  - *Ownership of grain elevators.*
- *Strategy:* We are focused on becoming a cost leader in the regions in which we currently operate and:
  - seek expansion opportunities to meet our target of increasing the size of our land bank under control; and
  - plan to further increase crop yields through significant investment in agricultural equipment and machinery and improvements in organisational efficiency.

Oil & Fats Division

- Strengths
  - *Leading regional brands.*
  - *Strong regional distribution.*
  - *Diverse product mix.*
- *Strategy:* Our goal for the Oil and Fats division is to become the largest producer of mayonnaise and consumer margarine retail products in the CIS. We aim to:
  - retain our leading position in the Urals and surrounding areas and build on our position of strength in those regions to continue regional expansion in neighbouring areas in Russia and Central Asian countries;
  - expand production in our existing facility through enhanced utilisation of our current production capacity and investment in additional equipment to increase capacity;
  - acquire and/or develop additional facilities to support further production; and
  - identify and execute opportunities to further diversify and broaden our product lines.

The Company

The issuer, ROS AGRO PLC, incorporated on December 1, 2009, is a holding company that owns 100% of OJSC Rusagro Group, incorporated on February 19, 2010 under the laws of the Russian Federation. OJSC Rusagro Group owns 100% less one participation interest of LLC Group of Companies Rusagro, which was formed on February 3, 2003. The predecessor to the Group was founded in 1995 to supply Ukrainian white sugar to major Russian confectioneries, and since then the Group has developed into a diversified food processor by expanding its operations into sugar processing, meat production, agriculture and oil and fats production.

Results of Operations

Our consolidated sales increased by 25.5% in 2010 compared to 2009 and by 38.9% in 2009 compared to 2008, and our profit for the year increased by 121.9% in 2010 compared to 2009 and by 117.6% in 2009 compared to 2008. Our sugar and meat segments showed the strongest revenue growth. In our Sugar division, during 2009 we benefited from increased sugar production and stronger white sugar sales prices. During 2010, we increased sugar production slightly by increasing our raw cane sugar processing to compensate for the decreased sugar beet supply caused by the adverse weather conditions in the regions in which we operate, and we capitalised on improvements in production efficiency at our sugar plants, our sugar derivatives trading activities and beneficial changes in the raw cane sugar import regime. In our Meat division, our pig breeding complex increased production during 2009 and 2010, reaching its full design capacity in the fourth quarter of 2009 and increasing production in 2010 beyond its design capacity through increased efficiency.

Risk Factors

An investment in the GDRs involves a high degree of risk, including, but not limited to, risks associated with the following matters:

- We have a substantial amount of indebtedness.
- Shares in most of our operational subsidiaries and a material part of our operational assets are pledged to secure our debt obligations.
- Covenants in the financing agreements of our subsidiaries may restrict our ability to borrow and invest or cause us to default under our existing loan agreements, which could affect our ability to operate and further expand our business.
- If we fail to comply with the statutory requirements relating to our existing financing arrangements, we may be required to limit our operations.
- The seasonal nature of certain of our businesses may affect our ability to repay our indebtedness.

- Unexpected changes in growing conditions in the regions in which we operate may adversely affect our operations.
- The occurrence of natural disasters could adversely affect our business.
- We are vulnerable to the cyclical nature of the global and domestic commodities markets.
- We may be unable to receive the full benefits of Russian Government sponsored interest rate and other subsidy programmes.
- The Russian Government may modify or discontinue its tariff systems for raw cane sugar imports.
- We benefit from tariffs, duties, quotas, bans and other limitations on meat products that are imported into Russia and such limitations may be eliminated in the future.
- Failure to comply with existing government regulations, or increased governmental regulation of our operations, could result in substantial additional compliance costs or administrative penalties.
- The Russian Government may at anytime discontinue (or temporarily cease) interventions or fail to intervene effectively in the grain and other markets to stabilise grain and other commodity prices and reduce domestic producers' exposure to foreign competition.
- A failure by us to make certain charitable donations or other social payments may create a negative business climate in the regions in which we operate.
- Our export activities expose us to political and economic risks in foreign countries, as well as to risks related to import/export regulation.
- Demand for our products may decline.
- We sell our products to a limited number of customers and procure our raw materials from a limited number of suppliers.
- Our Sugar division operates in a competitive industry and market segment and any inability to compete successfully may adversely affect our results of operations.
- We may be unable to procure sufficient volumes of raw materials from third parties to satisfy the demand of our business divisions.
- Any significant increase in costs or shortages of labour, energy or transportation supplies could have a material adverse effect on our operations.
- We may be unable to reduce the number of employees as planned.
- Changes in our sow herd productivity, mortality and feed efficiency could adversely affect our operations.
- Outbreaks of certain diseases among our livestock could adversely affect our operations.
- We initiated new greenfield projects in 2010 and 2011, acquired an oil extraction facility in 2011 and continue to invest in our existing production facilities. Such investments may prove to be unprofitable.
- The nature of our operations exposes us to the risk of environmental claims and sanctions.
- We may be unable to obtain adequate managerial and operational resources to support our plans for the growth and expansion of our business.
- We may be unable to raise additional capital which we may require to implement our business strategy.
- We may not be able to complete or integrate successfully any potential future acquisitions.
- Our plans for growth may be restricted by Russian antimonopoly regulations.
- We may be unable to operate our production facilities without interruption during peak harvesting periods of the agricultural season due to the condition of some of our equipment.
- Our competitive position and future prospects depend on our senior management's experience and expertise.
- There are risks associated with the Group's accounting and reporting systems and the internal controls relating to the preparation of IFRS financial statements.

- There are risks associated with inadequate information technology systems.
- We are not required to and do not comply with the corporate governance regime of Cyprus.
- Our controlling beneficial shareholder and his family have the ability to exert significant influence over us, and their interests may conflict with those of other holders of our Ordinary Shares or the holders of the GDRs.
- We have engaged and may continue to engage in transactions with related parties that may present conflicts of interest.
- Our minority shareholders or minority shareholders of our subsidiaries may challenge past or future interested party transactions or other transactions, or may not approve interested party transactions or other transactions in the future.
- Speculations or allegations about the beneficial shareholder or senior officers of the Group may harm our reputation.
- We may be subject to product liability claims and adverse publicity.
- We have engaged in certain speculative trading and hedging operations which may limit our potential gains and involves other risks.
- Our trading and hedging operations are conducted through our subsidiary incorporated in the British Virgin Islands, which may involve certain Russian tax risks.
- We may be unable to protect our intellectual property.
- Some of the brands we use to market our products are not registered in all territories where we market our products or are not registered with regard to all type of products we produce.
- We may not currently hold all licences necessary to operate our computer software.
- Deficiencies or ambiguities in privatisation and bankruptcy legislation could be exploited to challenge our ownership of certain of our subsidiaries.
- Forced liquidation of some of our subsidiaries due to insufficient or negative net assets could have an adverse effect on our operations.
- We are a holding company of the Group and we are dependent upon our subsidiaries and affiliates to meet our obligations.
- We may not have or we may be unable to obtain sufficient insurance to protect ourselves from business risks.
- Fluctuations in the value of the ruble against the US Dollar and Euro may materially adversely affect our financial condition and results of operations.
- Our Meat division has a limited operating history that makes it difficult to evaluate the prospects of the division.
- Russian Agricultural Land Risks
- Political and Social Risks Relating to Russia
- Economic Risks Relating to Russia and Cyprus
- Legislative and Legal Risks Relating to Russia
- The Offering may not result in a liquid market for the GDRs and their market price may be volatile.
- The shares underlying the GDRs are not listed and may be illiquid.
- Future sales of Ordinary Shares or GDRs may affect the market price of the GDRs.
- Additional issuances of our Ordinary Shares may reduce the percentage ownership interest of investors who purchased GDRs in this offering.
- Voting rights with respect to the Ordinary Shares represented by the GDRs are limited.
- Capital gains from the sale of the GDRs by non-resident investors may be subject to Russian withholding tax.

- We may not declare dividends in the foreseeable future or may be unable to pay dividends if they are declared.
- Because the Depositary may be considered the owner of the Ordinary Shares underlying the GDRs, these shares may be arrested or seized in legal proceedings in Russia against the Depositary.
- You will experience immediate and substantial dilution to net asset value, and the market price of the GDRs may fall below the Offer Price per GDR.
- Holders of the GDRs may not be able to benefit from certain UK anti-takeover protections.
- Holders of GDRs in certain jurisdictions may not be able to exercise their pre-emptive rights in relation to future issues of ordinary shares.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated financial information shows selected historical consolidated financial information and other operating information of the Group as of December 31, 2010, 2009 and 2008 and for the years then ended. The Consolidated Statements of Comprehensive Income Data, Consolidated Statements of Financial Position Data and Consolidated Statements of Cash Flows Data set forth below have been derived from, and should be read in conjunction with, the Consolidated Financial Statements included elsewhere in this Prospectus. The selected consolidated financial information should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" below. Adjusted EBITDA and certain of the segmental data presented below are non-IFRS measures and were calculated by us based on data derived from the Consolidated Financial Statements. See "Presentation of Financial and Other Information – Presentation of Financial Information" and "Presentation of Financial and Other Information – Presentation of Non-IFRS Measures."

Consolidated Statements of Comprehensive Income Data

	Year ended December 31,		
	2010	2009	2008
	(in RUR thousands)		
Sales	**30,955,530**	**24,671,374**	**17,766,287**
Gain on initial recognition of agricultural produce	770,564	394,861	682,923
Cost of sales	(23,153,421)	(18,388,466)	(14,437,288)
Gains less losses from trading sugar derivatives	1,214,660	–	–
Gross profit	**9,787,333**	**6,677,769**	**4,011,922**
Distribution and selling expenses	(1,641,600)	(1,451,311)	(1,022,287)
General and administrative expenses	(2,198,564)	(1,685,989)	(1,367,077)
Other operating income/(loss), net	67,425	(58,519)	112,704
Operating profit	**6,014,594**	**3,481,950**	**1,735,262**
Interest expense	(783,736)	(791,006)	(666,938)
Interest income	434,063	172,731	317,624
Other financial (expenses)/income, net	4,743	(28,787)	(30,502)
Profit before taxation	**5,669,664**	**2,834,888**	**1,355,446**
Income tax expense	(511,427)	(510,694)	(287,273)
Profit for the year	**5,158,237**	**2,324,194**	**1,068,173**
Total comprehensive income for the year	**5,138,237**	**2,324,194**	**1,068,173**
Attributable to:			
Owners of OJSC Rusagro Group	5,121,529	2,312,999	1,057,849
Non-controlling interest	36,708	11,195	10,324
Total comprehensive income for the year	**5,158,237**	**2,324,194**	**1,068,173**

Consolidated Statements of Financial Position Data

	At December 31,		
	2010	2009	2008
	(in RUR thousands)		
ASSETS			
Current assets			
Cash and cash equivalents	5,119,971	2,457,921	1,286,428
Restricted cash	305,276	–	–
Short-term investments	6,202,746	1,106,997	1,042,483
Trade and other receivables	2,236,808	950,914	1,039,261
Prepayments	906,444	327,710	313,499
Current income tax receivable	63,519	40,990	36,226
Other taxes receivable	725,322	571,829	952,646
Inventories	7,298,722	5,078,243	4,522,582
Short-term biological assets	855,069	748,174	540,151
Total current assets	**23,713,877**	**11,282,778**	**9,733,276**
Non-current assets			
Property, plant and equipment	13,721,002	12,829,979	11,255,116
Goodwill	474,899	474,899	128,529
Advances paid for property, plant and equipment	135,563	91,915	213,241
Long-term biological assets	703,676	723,439	883,865
Long-term investments	152,950	153,517	235,242
Deferred income tax assets	153,965	140,698	93,707
Other intangible assets	31,711	24,844	13,986
Restricted cash	–	–	13,227
Total non-current assets	**15,373,766**	**14,439,291**	**12,836,913**
Total assets	**39,087,643**	**25,722,069**	**22,570,189**
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings	11,203,810	4,475,525	4,568,472
Trade and other payables	1,933,541	595,130	873,096
Current income tax payable	26,639	115,792	77,230
Other taxes payable	475,859	369,699	168,744
Total current liabilities	**13,639,849**	**5,556,146**	**5,687,542**
Non-current liabilities			
Long-term borrowings	8,262,101	8,153,374	7,305,582
Government grants	577,134	578,679	582,501
Deferred income tax liability	386,627	366,723	252,182
Other non-current liabilities	43,046	–	–
Total non-current liabilities	**9,268,908**	**9,098,776**	**8,140,265**
Total liabilities	**22,908,757**	**14,654,922**	**13,827,807**
EQUITY			
Share capital	2,386,974	1,700,017	1,700,017
Retained earnings	13,382,557	8,909,613	6,912,105
Equity attributable to owners of OJSC Rusagro Group	**15,769,531**	**10,609,630**	**8,612,122**
Non-controlling interest	409,355	457,517	130,260
Total equity	**16,178,886**	**11,067,147**	**8,742,382**
Total liabilities and equity	**39,087,643**	**25,722,069**	**22,570,189**

Consolidated Statements of Cash Flows Data

	Year ended December 31,		
	2010	2009	2008
	(in RUR thousands)		
Operating cash flow before working capital changes	7,421,876	4,828,795	2,307,545
Cash generated from operations	4,745,981	4,929,413	899,858
Net cash from operating activities	4,142,608	4,433,098	590,379
Net cash used in investing activities	(8,030,896)	(2,797,107)	(2,017,904)
Net cash from/(used in) financing activities	6,558,223	(576,245)	1,297,655

Segment Information and Non-IFRS Financial Measures

	Sugar	Meat	Agriculture	Oil and Fats	Other	Inter-segment Eliminations	Total
	(in RUR thousands)						
Year ended December 31, 2010(1)							
Sales	20,321,494	4,572,251	4,279,287	4,635,181	279,657	(3,132,340)	30,955,530
Gain on initial recognition of agricultural produce	–	–	770,564	–	–	–	770,564
Cost of sales	(15,970,621)	(2,968,568)	(3,749,020)	(3,310,943)	–	2,845,731	(23,153,421)
Gains less losses from trading sugar derivatives	1,214,660	–	–	–	–	–	1,214,660
Gross profit	**5,565,533**	**1,603,683**	**1,300,831**	**1,324,238**	**279,657**	**(286,609)**	**9,787,333**
Distribution and Selling, General and Administrative Expenses	(1,638,959)	(256,670)	(832,618)	(828,879)	(425,986)	142,948	(3,840,164)
Other operating income, net	9,175	209,131	(149,435)	31,764	(14,710)	(18,500)	67,425
Operating profit (loss)	**3,935,749**	**1,556,144**	**318,778**	**527,123**	**(161,039)**	**(162,161)**	**6,014,594**
Depreciation included in Operating Profit	549,652	590,455	536,057	155,956	2,843	23,215	1,858,178
Other operating income, net	(9,175)	(209,131)	149,435	(31,764)	14,710	18,500	(67,425)
Reimbursement of fuel and fertilisers (government grants)	–	–	137,783	–	–	–	137,783
Gain on initial recognition of agricultural produce	–	–	(770,564)	–	–	–	(770,564)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	–	–	766,994	–	–	–	766,994
Provision/(Reversal) for net realisable value	–	–	(23,592)	–	–		(23,592)
Adjusted EBITDA(2)	**4,476,226**	**1,937,468**	**1,114,891**	**651,315**	**(143,486)**	**(120,446)**	**7,915,968**

(1) In order to provide investors with additional insight into the earnings of the Group and for the purpose of comparison with similar businesses, information on sales, cost of sales, gross profit, distribution and selling, general and administrative expenses, other operating income, operating profit and depreciation expenses is presented for each operating segment in accordance with the accounting policies adopted by the Group for the preparation of the Consolidated Financial Statements. This information is prepared on the basis of IFRS principles, but such segment information is not required by IFRS to be presented, and the Group presents such information in the notes to the Consolidated Financial Statements for comparison purposes only.

(2) 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 (government grants)), (iii) the difference between gain on initial recognition of agricultural produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realised agricultural produce for the year and (iv) provision/(reversal) for net realisable value. 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. While depreciation expenses are considered operating expenses under IFRS, these expenses primarily represent non-cash current period allocation of costs associated with non-current assets acquired or constructed in prior periods. See "*Presentation of Financial and Other Information – Presentation of Non-IFRS Measures.*"

	Sugar	Meat	Agriculture	Oil and Fats	Other	Inter-segment Eliminations	Total
	(in RUR thousands)						
Year ended December 31, 2009[1]							
Sales	15,967,549	2,707,857	4,215,992	4,524,846	92,300	(2,837,170)	24,671,374
Gain on initial recognition of agricultural produce	–	–	394,861	–	–	–	394,861
Cost of sales	(12,735,517)	(2,035,044)	(3,335,867)	(2,750,459)	(38)	2,468,459	(18,388,466)
Gross profit	**3,232,032**	**672,813**	**1,274,986**	**1,774,387**	**92,262**	**(368,711)**	**6,677,769**
Distribution and Selling, General and Administrative Expenses	(1,430,883)	(169,516)	(774,747)	(753,209)	(181,200)	172,255	(3,137,300)
Other operating income, net	8,231	16,527	(86,819)	(17,491)	45,963	(24,930)	(58,519)
Operating profit (loss)	**1,809,380**	**519,824**	**413,420**	**1,003,687**	**(42,975)**	**(221,386)**	**3,481,950**
Depreciation included in Operating Profit	288,662	511,682	442,038	113,026	1,700	–	1,357,108
Other operating income, net	(8,231)	(16,527)	86,819	17,491	(45,963)	24,930	58,519
Reimbursement of fuel and fertilisers (government grants)	–	–	147,106	–	–	–	147,106
Gain on initial recognition of agricultural produce	–	–	(394,861)	–	–	–	(394,861)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	–	–	602,329	–	–	–	602,329
Provision/(Reversal) for net realisable value	–	–	(165,053)	–	–		(165,053)
Adjusted EBITDA[2]	**2,089,811**	**1,014,979**	**1,131,798**	**1,134,204**	**(87,238)**	**(196,456)**	**5,087,098**

(1) In order to provide investors with additional insight into the earnings of the Group and for the purpose of comparison with similar businesses, information on sales, cost of sales, gross profit, distribution and selling, general and administrative expenses, other operating income, operating profit and depreciation expenses is presented for each operating segment in accordance with the accounting policies adopted by the Group for the preparation of the Consolidated Financial Statements. This information is prepared on the basis of IFRS principles, but such segment information is not required by IFRS to be presented, and the Group presents such information in the notes to the Consolidated Financial Statements for comparison purposes only.

(2) 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 (government grants)), (iii) the difference between gain on initial recognition of agricultural produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realised agricultural produce for the year and (iv) provision/(reversal) for net realisable value. 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. While depreciation expenses are considered operating expenses under IFRS, these expenses primarily represent non-cash current period allocation of costs associated with non-current assets acquired or constructed in prior periods. See "*Presentation of Financial and Other Information – Presentation of Non-IFRS Measures.*"

	Sugar	Meat	Agriculture	Oil and Fats	Other	Inter-segment Eliminations	Total
				(in RUR thousands)			
Year ended December 31, 2008[1]							
Sales	11,585,678	878,021	2,569,341	4,170,502	457	(1,437,712)	17,766,287
Gain on initial recognition of agricultural produce	–	–	682,923	–	–	–	682,923
Cost of sales	(9,426,133)	(743,555)	(2,521,361)	(2,935,144)	(43)	1,188,948	(14,437,288)
Gross profit	**2,159,545**	**134,466**	**730,903**	**1,235,358**	**414**	**(248,764)**	**4,011,922**
Distribution and Selling, General and Administrative Expenses	(1,157,829)	(144,189)	(721,115)	(508,255)	(101,030)	243,054	(2,389,364)
Other operating income, net	(33,752)	16,917	173,308	(2,824)	158,599	(199,544)	112,704
Operating profit (loss)	**967,964**	**7,194**	**183,096**	**724,279**	**57,983**	**(205,254)**	**1,735,262**
Depreciation included in Operating Profit	226,254	179,290	274,788	98,395	846	–	779,573
Other operating income, net	33,752	(16,917)	(173,308)	2,824	(158,599)	199,544	(112,704)
Reimbursement of fuel and fertilisers (government grants)	–	20,702	147,717	–	–	–	168,419
Gain on initial recognition of agricultural produce	–	–	(682,923)	–	–	–	(682,923)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	–	–	495,076	–	–	–	495,076
Provision/(Reversal) for net realisable value	–	–	188,644	–	–	–	188,644
Adjusted EBITDA[2]	**1,227,970**	**190,269**	**433,090**	**825,498**	**(99,770)**	**(5,710)**	**2,571,347**

(1) In order to provide investors with additional insight into the earnings of the Group and for the purpose of comparison with similar businesses, information on sales, cost of sales, gross profit, distribution and selling, general and administrative expenses, other operating income, operating profit and depreciation expenses is presented for each operating segment in accordance with the accounting policies adopted by the Group for the preparation of the Consolidated Financial Statements. This information is prepared on the basis of IFRS principles, but such segment information is not required by IFRS to be presented, and the Group presents such information in the notes to the Consolidated Financial Statements for comparison purposes only.

(2) 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 (government grants)), (iii) the difference between gain on initial recognition of agricultural produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realised agricultural produce for the year and (iv) provision/(reversal) for net realisable value. 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. While depreciation expenses are considered operating expenses under IFRS, these expenses primarily represent non-cash current period allocation of costs associated with non-current assets acquired or constructed in prior periods. See "*Presentation of Financial and Other Information – Presentation of Non – IFRS Measures.*"

A reconciliation of Adjusted EBITDA (as previously defined) to the profit of the Group for the year is as follows for the periods indicated:

	Year ended December 31,		
	2010	2009	2008
	(in RUR thousands)		
Profit for the year	**5,158,237**	**2,324,194**	**1,068,173**
Interest expense	783,736	791,006	666,938
Interest income	(434,063)	(172,731)	(317,624)
Other financial expenses/(income), net	(4,743)	28,787	30,502
Income tax expense	511,427	510,694	287,273
Operating profit (loss)	**6,014,594**	**3,481,950**	**1,735,262**
Depreciation included in Operating Profit	1,858,178	1,357,108	779,573
Other operating income, net	(67,425)	58,519	(112,704)
Reimbursement of fuel and fertilisers (government grants)	137,783	147,106	168,419
Gain on initial recognition of agricultural produce	(770,564)	(394,861)	(682,923)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	766,994	602,329	495,076
Provision/(Reversal) for net realisable value	(23,592)	(165,053)	188,644
Adjusted EBITDA	**7,915,968**	**5,087,098**	**2,571,347**

THE OFFERING

The Company	ROS AGRO PLC, a company incorporated under the laws of the Republic of Cyprus.
The Selling Shareholder	Shiny Property Limited, a BVI business company incorporated under the laws of the British Virgin Islands.
The Offering	The Offering comprises 20,000,000 GDRs to be sold by the Company, 2,000,000 GDRs to be sold by the Selling Shareholder and up to 3,000,000 GDRs to be sold by the Selling Shareholder in connection with the Over-Allotment Option, with five GDRs representing an interest in one Ordinary Share. The Offering consists of (a) an offering of the GDRs in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A under the Securities Act and (b) an offering of the GDRs in offshore transactions outside the United States in reliance on Regulation S.
Managers	Alfa Capital Holdings (Cyprus) Limited, London Branch, Credit Suisse Securities (Europe) Limited and Renaissance Securities (Cyprus) Limited.
Share Capital	Prior to the Offering, our share capital consisted of 20,000,000 issued and outstanding Ordinary Shares which have been fully paid. In addition, we are authorised by our memorandum and articles of association to issue up to 40,000,000 additional Ordinary Shares. Our Ordinary Shares are subject to applicable provisions of Cypriot law and our memorandum and articles of association and have the rights described under "*Description of the Share Capital and Applicable Cypriot Legislation*."
Offer Price	The Offer Price is US$15.00 per GDR. The GDRs are payable at the Offer Price in US Dollars.
Depositary	The Bank of New York Mellon.
GDRs	Five GDRs will represent one Ordinary Share on deposit with the Custodian on behalf of the Depositary. The GDRs will be issued by the Depositary pursuant to a deposit agreement between the Company and the Depositary to be entered into on or about the Closing Date (the "**Deposit Agreement**"). The Rule 144A GDRs will be evidenced by the Rule 144A Master GDR, and the Regulation S GDRs will be evidenced by the Regulation S Master GDR. See "*Summary of Provisions Related to the Global Depositary Receipts While in Master Form*." Except in the limited circumstances described herein, definitive GDR certificates will not be issued to holders in exchange for interests in the GDRs represented by the Master GDRs. See "*Terms and Conditions of the Global Depositary Receipts*."
Over-Allotment Option	The Selling Shareholder has granted to the Managers an Over-Allotment Option to purchase up to 3,000,000 additional GDRs at the Offer Price. The Over-Allotment Option is exercisable on one or more occasions for the purpose of covering over-allotments that may be made, if any, in connection with the Offering and short positions resulting from stabilisation transactions on the date hereof, or from time to time, up to and including the 30th day following the announcement of the Offer Price upon written notice from the Managers to the Selling Shareholder and the Company and to the extent not previously

	exercised by the Managers may be terminated by the Managers at any time. See "*Plan of Distribution*."
Closing Date	The GDRs are expected to be issued, and payment for them made, on or about April 13, 2011.
Listing and Market for the GDRs . . .	Prior to the Offering, there has been no market for the GDRs. Application has been made to (i) the FSA in its capacity as competent authority under the FSMA for the admission of up to 120,000,000 GDRs, consisting of up to 25,000,000 GDRs to be issued on the Closing Date, of which up to 3,000,000 GDRs may be issued pursuant to the Over-Allotment Option, if exercised, and up to 95,000,000 GDRs to be issued from time to time against the deposit of Ordinary Shares (to the extent permitted by law) with the Depositary, to the official list maintained by the FSA, and (ii) admitted to trading on the regulated market of the London Stock Exchange for admission of the GDRs to trading under the symbol "AGRO." The Company expects that conditional trading through the IOB will commence on a "when and if issued" basis on or about the date hereof.
Settlement Procedures	An application has been made to DTC to have the Rule 144A GDRs accepted into DTC's book-entry settlement system. Upon acceptance by DTC, a single Rule 144A Master GDR will be held in a book-entry form and will be issued to DTC and registered in the name of Cede & Co., as nominee for DTC. Application has been made to have the Regulation S Master GDR registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for The Bank of New York Mellon, London Branch, as common depositary for Euroclear and Clearstream Luxembourg. Euroclear and Clearstream Luxembourg are expected to accept the Regulation S GDRs for settlement in their respective book-entry settlement systems. Except in limited circumstances described herein, investors may hold beneficial interests in the GDRs evidenced by the corresponding Master GDR only through DTC, Euroclear or Clearstream Luxembourg, as applicable. Transfers within DTC, Euroclear and Clearstream Luxembourg will be in accordance with the usual rules and operating procedures of the relevant system. In order to take delivery of the GDRs, investors must pay for them in same-day funds on or prior to the closing of the Offering and must have an appropriate securities account. See "*Settlement and Delivery*." The security identification numbers of the GDRs offered hereby are as follows:

Rule 144A GDR ISIN:	US7496551067
Rule 144A GDR Common Code:	061438564
Rule 144A GDR CUSIP:	749655 106
Rule 144A SEDOL:	B5WKB43
Regulation S GDR ISIN:	US7496552057
Regulation S GDR Common Code:	061438742
Regulation S GDR CUSIP:	749655 205
Regulation S SEDOL:	B5MTFN7
London Stock Exchange GDR trading symbol:	AGRO

Transfer Restrictions	The GDRs will be subject to restrictions on transfer and sale. See "*Transfer and Selling Restrictions*."

Lock-Up	The Company, the Selling Shareholder, Mr. Vadim Moshkovich, the controlling beneficial shareholder of the Company, Ms. Natalia Bykovskaya, a member of the board of directors of the Company, spouse of Mr. Moshkovich and controlling beneficial shareholder of the Company, and Mr. Maxim Basov, CEO of the Group and a minority shareholder of the Company, have agreed, subject to certain exceptions, not to offer, sell, contract or agree to sell, hypothecate, pledge, lend, mortgage, assign, charge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, any shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, shares of the Company, or warrants or other rights to purchase such shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or global depositary receipts representing the right to receive any such securities; enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any shares of the Company or any securities convertible into or exercisable or exchangeable for such shares, or warrants or other rights to purchase such shares, whether any such transaction is to be settled by delivery of such shares or such other securities, in cash or otherwise; or enter into any transaction with the same economic effect as, or agree to, or publicly announce an intention to effect any of the foregoing transactions, without the prior written consent of the Managers, for a period of 180 days from the Closing Date.
Dividend Policy	The Company will review its dividend policy from time to time based on its capital position against its current and expected cash flows and future capital expenditure requirements. The Company's shareholders, including holders of the GDRs, will be eligible to receive dividends declared by the Company in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. Cash dividends may be paid to the Depositary in any currency and, except as otherwise described under "*Terms and Conditions of Global Depositary Receipts – Conversion of Foreign Currency*," are converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses. The Depositary may deduct a fee of US$0.02 or less per GDR and other fees and expenses from any dividend distribution. See "*Terms and Conditions of the Global Depositary Receipts – Depositary's Fees, Costs and Expenses*."
Voting	If you hold shares, you are generally entitled, upon a poll, to one vote per Ordinary Share at a shareholders' meeting, subject to certain exceptions described in "*Description of Share Capital and Applicable Cypriot Law – Articles of Association – Meetings of Shareholders*." Under the Deposit Agreement, five GDRs carry the right to vote one Ordinary Share, subject to the provisions of Deposit Agreement described under "*Terms and Conditions of the Global Depositary Receipts*" and applicable Cypriot law and regulations. The Depositary will endeavour to exercise on behalf of holders of GDRs, at any meeting of holders of the Ordinary Shares of which the Depositary receives timely notice, the voting rights relating to the Ordinary shares underlying the GDRs in accordance with instructions it receives from holders of GDRs.

	We will notify the Depositary of any resolution to be proposed at any general meeting. See "*Terms and Conditions of the Global Depositary Receipts – Voting Rights*."
Use of Proceeds	The Company will receive gross proceeds of US$300 million from the Offering. The Company expects that its expenses (including underwriting commissions, fees and expenses) incurred in connection with the Offering will be approximately US$12.5 million. The Company expects to receive net proceeds of approximately US$287.5 million from the Offering. The Group intends to use such net proceeds to modernise and expand its production and processing capacity, through expansion of existing facilities and construction of new facilities, and finance potential acquisitions, including acquiring control over additional agricultural land, and for general corporate purposes. The Group will retain significant discretion over the use of the net proceeds received from the Offering, and changes in the Group's plans or in the business environment in which it operates could result in the use of its net proceeds in a manner that is different to that described above. The Group will not receive any proceeds from the sale of GDRs by the Selling Shareholder.
Risk Factors	Prospective investors should carefully consider the risks discussed under "*Risk Factors*."

RISK FACTORS

An investment in the GDRs involves a number of risks. Prospective investors should carefully consider the following information about these risks, together with the information contained elsewhere in this Prospectus, before deciding whether to invest in the GDRs. If any of the following risks actually occurs, our business, results of operations and financial condition or prospects could be materially and adversely affected. In that case, the trading price of the GDRs could decline and investors could lose all or part of their investment.

We have described the risks and uncertainties that our management believes are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including those which we currently do not know about or deem immaterial, may also result in decreased revenues, increased expenses or other events that could result in a decline in the price of the GDRs.

Risks Relating to our Business and Industry

We have a substantial amount of indebtedness.

We have a substantial amount of indebtedness and significant debt service obligations, which could adversely affect our cash flows or prevent us from carrying out our expansion plans or from paying dividends on the GDRs. As of December 31, 2010, we had RUR 19,414,066 thousand of long- and short-term debt (including finance leases and excluding accrued interest). Our indebtedness levels could potentially (i) limit our ability to obtain additional financing for working capital, capital expenditures or other purposes, (ii) require us to dedicate a substantial portion of our cash flows to pay our interest expense, which would reduce the funds that would otherwise be available to us for our operations and future business requirements, (iii) limit our ability to plan for, or react to, changes in our business and the markets in which we operate, (iv) place us at a competitive disadvantage compared to competitors that have less debt or (v) increase our vulnerability to general adverse economic and industry conditions. Any inability to generate sufficient cash flows from operations or the unavailability of other sources of capital could have a material adverse effect on our business, results of operations and financial condition.

In addition, as of December 31, 2010, approximately 86% of our borrowings were obtained from Joint-Stock Commercial Savings Bank of the Russian Federation (open joint-stock company) ("**Sberbank**"). The underlying loan agreements include collateral requirements and restrictive covenants, such as pledges of assets of the borrowing entity and other Group companies, and limitations on additional borrowings. For a more detailed description of indebtedness, see "*Managements' Discussion and Analysis – Indebtedness*." As a result of these restrictions, and given that we currently rely on Sberbank to provide a significant portion of our loans, Sberbank has substantial negotiating leverage, which may limit our ability to effectively negotiate with Sberbank and may preclude us obtaining new loans or refinancing the existing loans on favourable terms. Our total borrowings (including finance leases and accrued interest) as of December 31, 2010 were RUR 19,466 million, comprising RUR 11,204 million of short-term borrowings and RUR 8,262 million of long-term borrowings. Of the long-term borrowings, approximately 3% of the principal balance of such borrowings is expected to mature within two years, approximately 85% will mature within three to five years, and approximately 11% will mature in more than five years. Notwithstanding these risks, the Company considers its access to financing as one of its core strengths, see "*Business—Competitive Strengths and Strategies—Access to Financing*." Over the course of the last 10 years, the Group has developed a strong working relationship with Sberbank and is continuing to develop its relationships with other lenders as well, such as Gazprombank and Alfa Bank. The Group has never defaulted on its outstanding loans. Our beneficial banking relationships coupled with governmental interest subsidies have allowed us to reduce our net cost of financing.

Shares in most of our operational subsidiaries and a material part of our operational assets are pledged to secure our debt obligations.

Under loan agreements with Sberbank, we pledged our shares in a substantial number of our subsidiaries as of December 31, 2010, including five of our sugar plants, OJSC Belgorodsky Bacon ("**Belgorodsky Bacon**") and 50% of the shares in LLC Group of Companies Rusagro, the holding company that owns shares in all our operating subsidiaries. The shares of a sixth sugar plant are pledged under a loan agreement with Alfa Bank. See "*Management's Discussion and Analysis – Indebtedness*" for a description of the assets pledged under the Group's material financing arrangements. The Group expects that its financing arrangements will continue to include security packages that include pledges of shares of our subsidiaries. Our failure to service such debt obligations or comply with the covenants of our financing arrangements may cause us to lose control over the Group's business and/or material part of our assets.

Sberbank has the right to enforce the pledge in the event that we fail to comply with the obligations under the loan agreements with Sberbank. Any enforcement of any of such pledges could cause us to lose some or all our operating subsidiaries. If Sberbank were to enforce the pledges of our participation interest in LLC Group of Companies Rusagro or any of our other key subsidiaries we may not be able to pursue our strategy or we may lose all or part of our significant production assets which could have a material adverse effect on our business, results of operations and financial condition.

As of December 31, 2010, we had pledged property, plant and equipment with a carrying value of RUR 6,327 million as collateral under loans to us. We also pledged as collateral livestock with a value of RUR 632 million, promissory notes of Sberbank with a carrying value of RUR 600 million and bank deposits in the amount of RUR 981 million, in each case as of December 31, 2010. These pledged assets (excluding shares in subsidiaries) amounted to 21.8% of our total assets as of December 31, 2010.

Any enforcement of these pledges over shares of our subsidiaries and other assets could cause us to lose operational control over, and ultimately our shareholdings in or the use of, such subsidiaries or pledged assets, inventory or livestock, as the case may be. Any such enforcement actions could have a material adverse effect on our business, results of operations and financial condition.

Notwithstanding the foregoing, the Group has never defaulted on its outstanding loans, and the Group has developed a strong working relationship with Sberbank over the last 10 years, and neither Sberbank nor any other lender has enforced any of the pledges under the Group's loan agreements. Although we have pledged such shares and other assets, the Group maintains operational control over these assets through its long-standing relationship with Sberbank and other lenders, including, for example, by retaining voting rights over any shares pledged under the applicable agreements.

Covenants in the financing agreements of our subsidiaries may restrict our ability to borrow and invest or cause us to default under our existing loan agreements, which could affect our ability to operate and further expand our business.

Almost all of our bank debt arrangements contain covenants that impose operating and financial restrictions on our subsidiaries, including restrictions on our ability to:

- incur, assume or permit to exist additional indebtedness or guarantees while the borrower's financial ratios are below predetermined levels;
- engage in any transactions which have a material effect on the borrower's assets or liabilities without prior approval of or notice to the lender;
- engage in any form of reorganisation without notifying the lender; and
- sell assets in excess of a predetermined threshold.

The Group's experience has been that inclusion of covenants of this nature is typical market practice in Russia. A breach of any of these covenants, including a failure to comply with the required financial covenants, could, following the expiration of any period for remedy, result in a default under our financing arrangements. If any such default occurs, the lenders under such arrangements may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. The lenders also have the right in these circumstances to terminate any commitments they have to provide further borrowings.

In addition, our ability to make payments on our debt depends upon our ability to maintain our operating performance at a satisfactory level, which is subject to general economic and market conditions and to financial, business and other factors, many of which we cannot control. Any breach of the covenants in our financing arrangements or the inability to service our debt through internally generated cash flow or other sources of liquidity may put us in default of our obligations to our creditors. Any such default could result in the acceleration by the lenders of amounts due under the affected loan agreements, the termination of commitments by the lenders to provide future borrowings and inhibit our ability to obtain future financing for our operations. In addition, if the lenders accelerate the amounts due under our loan agreements and the Group is unable to satisfy these accelerated obligations, then the lenders may enforce the security packages established under the financing arrangements, which include pledges of shares of our subsidiaries, and any enforcement of such pledges over shares of our subsidiaries and other assets could cause us to lose operational control over, and ultimately our shareholdings in or the use of, such subsidiaries or pledged assets, inventory or livestock, as the case may be.

In order to upgrade our facilities, expand our business, make future acquisitions or fund ongoing operations, we may need to secure future debt and may be required to pledge certain of our operating assets and goods as collateral. Restrictive covenants in the existing financing agreements may limit our flexibility to secure debt financing in the future and to operate generally. In addition, any onerous collateral requirement or lack of unencumbered property that can be offered as security may limit our ability to raise additional funds.

If we fail to comply with the statutory requirements relating to our existing financing arrangements, we may be required to limit our operations.

A substantial number of financing arrangements that we have entered into are subsidised by the Russian federal and regional governments. See "*—We may be unable to receive the full benefits of Russian Government sponsored interest rate and other subsidy programmes.*" Such financing arrangements amounted to approximately 97% of the aggregate principal amount of our outstanding long-term indebtedness (including current portion) as of December 31, 2010. In order for the Group's companies to receive such subsidies, they must comply with certain statutory requirements, including restrictions regarding the purpose and use of the loan proceeds, obligations to comply with terms of the loan agreements and a verified absence of overdue indebtedness. If the Group were to fail to comply with such statutory requirements, the Group would be forced either to incur higher financing costs relating to its outstanding debt or to reduce its borrowings. Any increases in financing costs or limitations on its borrowings could limit the Group's operations, because the Group relies on borrowings to finance its operations, including, for example, to finance operating expenses during the planting season until its crops are harvested, to upgrade its facilities and to expand its operations. Historically, when the purposes for which the Group obtained financing fell under the scope of the Russian Government sponsored interest rate subsidy programmes, the Group complied with the applicable statutory requirements to obtain such subsidies, and furthermore, the Group is in compliance with all such statutory requirements with respect to its subsidised financing that is currently outstanding.

The seasonal nature of certain of our businesses may affect our ability to repay our indebtedness.

Due to the seasonal nature of our agricultural business, we borrow substantial amounts under short-term credit facilities with commercial banks in spring and early summer to finance the operating expenses of our agricultural farms and processing facilities, and we repay these borrowings in the fall as we sell our crops and the products we process from them. For example, as of December 31, 2009, our short-term bank borrowings were RUR 4,088 million, and our short-term bank borrowings increased to RUR 12,412 million as of June 1, 2010. In the event of harvest failures or a lack of demand for our products or our inability to sell the planned volumes of the product for other reasons, we may be unable to repay these credit facilities, which may jeopardise our liquidity position and may have a material adverse effect on our business, results of operations and financial condition.

Unexpected changes in growing conditions in the regions in which we operate may adversely affect our operations.

Our agricultural farmlands and our sugar and meat production facilities are located in the central region of the European part of Russia (referred to as the Black Earth region), our oil extraction facility is located in the Volga region and we are developing an additional meat production facility in the Chelyabinsk region, and climatic conditions in these regions may not always provide for optimal crop yields. As a result, we are susceptible to extreme changes in the growing conditions of these regions, which has an impact on production and cost of raw materials in each of our business divisions. Our ability to obtain raw materials in a timely manner and in sufficient quantities may be affected by natural conditions, including, among others, drought, flood, pestilence, unexpected or heavy frost and other extreme weather conditions. For example, the recent drought in 2010 in Russia negatively affected our sugar production due to diminished yield and low quality of the sugar beet produced by our Agriculture division and other sugar beet producers in the area. The drought also significantly reduced our grain and other crop production by our Agriculture division, and our Meat division suffered from reductions in the amount of weight gained by the pigs as they developed and increased mortality rates during this period of extreme temperatures. Furthermore, any reduction in availability of sunflower or other seeds in the areas surrounding our oil extraction plant will significantly impact its operation. Moreover, climate changes may have significant long- and short-term effects on the agricultural regions of Russia that are impossible to predict. Such factors may cause us to be unable to produce crops and may cause the supply of raw materials to be delayed or unavailable to us, which may materially adversely affect our business, results of operations and financial condition.

The occurrence of natural disasters could adversely affect our business.

The occurrence of natural disasters could adversely affect our business in many ways, including the following:

- our production and breeding operations materially depend on the availability of large supplies of fresh water, and our animals' health and our ability to produce sugar, grow crops and operate our facilities at full capacity could be adversely affected if we experience a shortage of fresh water due to floods, droughts, depletion of underground aquifers or other environmental factors beyond our control;
- one of the principal production costs of our pig breeding business is feed costs, and our feed costs may increase if crop supplies are reduced as a result of droughts, hail storms, extreme cold, insufficient snow during winter, crop diseases or other causes beyond our control; and
- our production and processing facilities and our pig herds could be materially damaged by floods, hurricanes, natural disasters and other environmental factors, which can cause the discharge of effluents or other waste into the environment, potentially resulting in our being subject to liability claims and regulatory sanctions.

For example, during the summer and autumn of 2010, Russia experienced a prolonged period of abnormally high temperatures and both atmospheric and soil drought. The heat and drought damaged crops and reduced the quality of crop yields during 2010. The government of the Russian Federation (the "**Russian Government**") estimates that the heat and drought caused total direct damage to agricultural producers of RUR 41.6 billion and diminished the 2010 harvest by 30 percent across Russia. All our divisions suffered as a result of the drought. For example, a significant portion of the crops of our Agriculture division were damaged and/or destroyed as a result of the unexpected weather conditions. Our Sugar division experienced a significant decline in production of sugar from sugar beets due to the limited availability of sugar beets in the regions surrounding our sugar plants, as well as increased production costs as a result of the lower quality of the sugar beets produced. For further discussion of the effect of the 2010 drought on our business and results of operations see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." In addition, during the 2009/2010 winter, Russia experienced significant periods of extreme cold, which negatively affected crop and meat production.

We are vulnerable to the cyclical nature of the global and domestic commodities markets.

Many of the food products that we produce and trade, as well as some raw materials, fuels, fertilisers and feed components that we purchase, are commodities, the market prices of which are influenced by a variety of factors beyond our control, including weather, availability of raw materials, government programmes and policies, crop yields, oil prices, changes in global demand and global production of similar and competitive products. Although the prices for agricultural commodities have generally increased over the past years, there may be significant market downturns in the future, as a result of which our revenues may decrease. For example, the price for sugar under the Sugar No. 11 Futures contract was extremely volatile during 2010, reaching record highs in January, early November and December, while sharply declining in May and the middle of November. Further, the average price per ton of vegetable oil during September to November 2010 increased by 97% over the comparable period of 2009 and has consistently remained at such a high level since November 2010.

Our agricultural division and other third-party farming operations from which we purchase raw materials such as sugar beets and feed components (corn and soybean), have experienced significant cost increases as the market for petroleum-based commodities such as diesel and gasoline and other inputs such as fertiliser have risen. For example, the average cost of fertilisers like nitrate of ammonium has risen by almost 38% from RUR 5.8 thousand per ton in November 2009 to RUR 8 thousand per ton in March 2010 and further increased to RUR 9.3-9.5 thousand per ton from January until February 2011. Although we were able to raise sugar and other food products prices to partially offset the increase in our operating and raw materials costs, if we are unable to increase our prices to offset future increases in such costs our business, results of operations and financial condition may be materially adversely affected.

We may be unable to receive the full benefits of Russian Government sponsored interest rate and other subsidy programmes.

We benefit from various forms of support from the Russian Government as well as regional governments for our agricultural operations. We have participated in state-sponsored interest rate subsidy programmes since 2006. Under these programmes, the Russian Government reimburses 80% and regional governments reimburse up to 20% of an agricultural company's interest expenses associated with the purchases of raw materials and agricultural production equipment, modernisation and reconstruction investment programmes. The maximum amount of the interest rate reimbursement is determined based on the CBR refinancing rate as of the date the credit is granted (or, if the interest rate under the credit agreement is subsequently increased, at the date of such increase). Since January 1, 2011, the maximum reimbursement is set at the CBR refinancing rate as of the date the interest rate is established with the applicable lender. In 2010 and 2009, we received RUR 898,949 thousand and RUR 879,628 thousand, respectively, including deferred amounts, under such interest expense subsidy programmes. In addition we receive direct subsidies related to our purchases of fertilisers and certain agricultural production equipment. There can be no assurance that we will continue to receive or be eligible for the full benefits of such government subsidies as a result of a variety of potential factors, such as not meeting the relevant programme eligibility criteria, delays in applying for the relevant government subsidy, Russia's accession to the World Trade Organization (the "**WTO**") and/or relevant subsidy quota limits being exceeded. For example, in 2010, the Russian Government limited subsidies for purchase of crop protection agents. The Russian Government is currently engaged in negotiations regarding accession of the Russian Federation to the WTO and, according to recent media reports, may join the WTO in 2011. Any inability to receive government subsidies in the future may have a material adverse effect on our business, results of operations and financial condition.

The Russian Government may modify or discontinue its tariff systems for raw cane sugar imports.

We benefit from the Russian Government's intervention in the sugar market to stabilise sugar prices, promote the production and processing of sugar beets and curb foreign competition. In 2004, in order to stimulate the domestic sugar market through the production and processing of sugar beets, the Russian Government introduced a new system of tariffs on raw cane sugar imports with the goal of stimulating domestic sugar beet production. On October 6, 2007, Russia, Belarus and Kazakhstan established a customs union. In 2009, they signed several agreements that introduced a unified customs regime which became effective January 1, 2010. The raw cane sugar import tariffs are set inversely to the market price of raw cane sugar to ensure that the price of imported raw cane sugar and ultimately the price of white sugar processed from imported raw cane sugar do not fall below a certain minimum threshold in order to ensure the viability of domestic sugar beet and white sugar producers. While Russia's projected accession to the WTO should not affect the regular raw cane sugar import tariffs, any modification or failure by the Russian Government to continue its policy of regulating the domestic sugar market through the existing import tariffs system or failure to extend it in the future may open our markets to increased foreign competition and may have a material adverse effect on our business, results of operations and financial condition.

We benefit from tariffs, duties, quotas, bans and other limitations on meat products that are imported into Russia and such limitations may be eliminated in the future.

Russia has in place certain measures, including import bans, quotas and tariffs on pork and other meat products imported from the European Union, the United States and other major meat producing countries. These quotas limit the competition we face in the sale of pork products in Russia and generally result in increased prices for pork products sold in Russia. These protective measures may be reduced or eliminated in the future, which could materially adversely affect our business, results of operations and financial condition.

Russia is currently a net meat importer and one of the biggest meat importers in the world. Russia is negotiating for certain exemptions in relation to agricultural business in the event it joins the WTO. However, if Russia is unsuccessful in those negotiations, Russia's accession to the WTO could result in Russia being required to lower or remove tariffs and duties on meat products, including pork, resulting in increased competition in the Russian food products market from foreign producers. Reduction in the levels of tariffs, duties and quotas or the removal of other limitations on imports of meat products into Russia could materially adversely affect our business, results of operations and financial condition.

Failure to comply with existing government regulations, or increased governmental regulation of our operations, could result in substantial additional compliance costs or administrative penalties.

Our operations, properties and facilities are subject to regulation by various government entities and agencies. As a producer of food products we are subject to health and safety, production, packaging, quality, labelling and distribution standards. The operations of our production, breeding and distribution facilities are also subject to various environmental laws and workplace regulations. Compliance with, or any violation of, current and future laws or regulations could require material additional expenditures by us or could otherwise materially adversely affect our business, results of operations and financial condition. See "*Regulation of the Russian Agricultural and Food Industry*."

The Russian Government may at anytime discontinue (or temporarily cease) interventions or fail to intervene effectively in the grain and other markets to stabilise grain and other commodity prices and reduce domestic producers' exposure to foreign competition.

Enterprises engaged in grain production operations in Russia receive various forms of support from the Russian Government as well as regional governments, including reduced rates of profit tax, interest rate subsidies on certain borrowings and direct budgetary support. In 2001, the Russian Government instituted a programme of state intervention in the agricultural products markets, under which it carried out purchases of wheat. In 2002, the Russian Government commenced a programme of state intervention specifically in the grain markets to smooth seasonal price fluctuations and secure more predictable financial performance of agricultural producers. The current legal framework governing grain market interventions is set forth under Federal Law No. 264-FZ "On Agricultural Development" adopted on December 29, 2006, as amended, and Resolution of the Russian Government No. 580 "On approval of the rules for state interventions for the purpose of regulating the market of agricultural products, raw materials and food" adopted on August 3, 2001, as amended. Since 2002, the Russian Government has been allocating up to RUR 6 billion from the federal budget to purchases of grain on the domestic market annually. During 2010, the Russian Government initiated 11 purchase interventions (sessions) and purchased 353,700 tons of grain from the 2009 harvest. In autumn 2010, the Russian Government did not initiate any interventions due to the weak harvest in 2010. In February 2011, the Russian Government commenced grain commodity intervention for the first and second quarters of 2011 to stabilise grain prices in the market. It is unclear whether these interventions were effective in stabilising the market. If the Russian Government discontinues its practice of grain interventions, is unable to allocate sufficient budgetary resources to purchase enough grain to stabilise the grain market or such interventions are otherwise ineffective, it could have a material adverse effect on our business, results of operations and financial condition.

On August 5, 2010, the Russian Government banned the export sale of wheat, meslin, barley, corn, rye and wheat and rye flour for the period from August 15, 2010 until December 31, 2010. The ban was later extended (for all products other than flour) for the period from January 2, 2011 until June 30, 2011 (Government resolution No. 853, dated October 20, 2010), and the government is considering further extensions of this ban. As a consequence of this measure domestic grain prices in Russia declined. Such a decline in grain prices had a detrimental effect on the revenues and margins of our Agriculture division. In the long term, this measure may prove to be ineffective and may lead to price distortion or otherwise negatively affect the Russian grain market, which may have a material adverse effect on our business, results of operations and financial condition.

In addition, the Russian Government has announced that it is also considering a ban on export of sunflower seeds and oil from the Russian Federation.

Future interventions and other measures by the Russian Government to stabilise the grain market may prove to be ineffective and may destabilise or distort the market. There can be no assurance that these government programmes will be continued on the same terms or at all, and such programmes may be discontinued in the event of Russia's accession to the WTO, which could expose us to increased foreign competition and may have a material adverse effect on our business, results of operations and financial condition.

A failure by us to make certain charitable donations or other social payments may create a negative business climate in the regions in which we operate.

We typically incur charitable donation and social costs to facilitate a beneficial business climate in the regions in which we operate. During each of the years ended December 31, 2010, 2009 and 2008, these charitable donation and social costs totalled RUR 225,872 thousand, RUR 122,494 thousand and RUR 33,960 thousand, respectively. If, in the future, we are unable to or otherwise do not make appropriate charitable donations or other social payments, this could create adverse publicity with respect to our business or otherwise have a material adverse effect on our reputation, business, results of operations and financial condition.

Our export activities expose us to political and economic risks in foreign countries, as well as to risks related to import/export regulation.

Export sales to Central Asian countries (such as Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan) are important for our Oil and Fats division. Political and economic instability, increased governmental regulation of import/export sales of our products, imposition of adverse trade regulations or adverse changes in existing regulation in such countries may have a material adverse effect on our costs, operating margins or ability to effectively compete with domestic producers. We expect the volume of our export transactions to increase, which may increase our exposure to future changes in regulations.

Demand for our products may decline.

Demand for our sugar and other food products we produce depends on the general condition of the economy and consumer confidence as well as demographic factors and consumer preferences. Demand for our products may decline due to changes in consumer spending levels, preferences in tastes, demographic trends or perceptions about health concerns associated with the consumption of food products we produce.

As income levels increase in Russia, consumers have generally exhibited a tendency to increase their consumption of premium-grade sugar. Conversely, during periods of economic uncertainty and decline, consumers tend to change the composition of their consumption in favour of lower-priced products and decrease their purchases of higher-margin premium products and brands. Health, dietary and other considerations may also result in changes to consumer preferences, which may in turn result in reduced demand for our products. The demand for our products may also be adversely affected by public concern about the ingredients and other factors.

Demand for our pork products also depends primarily on the general condition of the economy, consumer preferences, confidence and certain demographic factors. Our products also compete with other sources of protein, such as beef, poultry and other foods, which may be viewed by consumers as substitutes for our products, and increases in the prices of our products relative to these products may cause consumers to shift their consumption in favour of these other products.

Reduced demand for our products, changes in the composition of consumption in any of our key product markets or reduced prices for our products as a result of these or other considerations could materially adversely affect our business, results of operations and financial condition.

We sell our products to a limited number of customers and procure our raw materials from a limited number of suppliers.

In certain of our key markets, we sell our products to a limited number of customers and/or procure our raw materials from a limited number of suppliers. For example, the 10 largest customers of our Sugar division together accounted for approximately 28% of our total sugar sales in 2010 (both by sales volume and by revenue from the sales of sugar products).

Although we believe we are not dependent on any one of our key customers for profitability or key suppliers for the procurement of our raw material requirements, loss of certain suppliers or customers could adversely affect our sales or production, and we may bear higher costs and have to set lower sales prices as a result of dealing with powerful counterparties, which may put us at a competitive disadvantage relative to competitors that are at a more advanced stage of vertical integration.

Our Sugar division operates in a competitive industry and market segment and any inability to compete successfully may adversely affect our results of operations.

We operate in highly competitive and consolidating markets with economies of scale and scope throughout the value chain from procurement, to production, distribution and marketing. Currently, we are one of the largest Russian companies engaged in the production of sugar and other food products. The appearance of a new market participant in any of the segments in which we operate or an increase of market share by a current market participant may significantly increase competition. Our principal competitors may have superior access to financing or other competitive advantages, including more efficient or developed vertical integration and economies of scale or more competitive access to raw materials that could adversely affect our market share. We may need to increase our marketing efforts to maintain our current market position or engage in competitive pricing, which would result in increased operating costs and reduced revenues. Any such changes could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to procure sufficient volumes of raw materials from third parties to satisfy the demand of our business divisions.

Our Agriculture division produces approximately 45-50% of the sugar beets processed by our Sugar division. However, in addition to growing our own sugar beets, we also purchase sugar beets from third parties. As part of our strategy, we intend to increase the percentage of our in-house grown sugar beets. If we are unable to successfully implement our strategy, we will be required to continue to substantially rely on third-party producers of sugar beets to supply the raw materials for our sugar operations.

In addition, in March 2011, we acquired control over an oil extraction plant in Samara which is expected to supply vegetable oil to our Oil and Fats division. Our Agriculture division produces relatively small amounts of sunflower and other oil seeds and transporting such seeds to our oil extraction plant may not be efficient. We therefore expect to purchase all the sunflower and other seeds for the oil extraction plant from third-party producers in 2011.

Any substantial reduction in supply or quality or unavailability of sufficient supply of raw materials produced by agricultural farms in the respective regions where our production facilities are located could have a material adverse effect on our business, results of operations and financial condition.

Any significant increase in costs or shortages of labour, energy or transportation supplies could have a material adverse effect on our operations.

Our agricultural lands, processing and breeding facilities require qualified personnel and appropriate energy resources to operate, and a significant quantity of raw materials are delivered to our processing and breeding facilities by truck or railroad. Based on our internal management accounts, labour, energy and fuel costs comprise approximately 38% of our operating costs (exclusive of raw materials costs) on an annual basis. Gas and electricity prices and labour costs in Russia are expected to increase in the coming years. Furthermore, any significant increases in transportation costs will likely decrease our operating profits. Although some of these costs may be recoverable through our sales pricing, any shortage in labour or major increases in labour, energy or transportation costs could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to reduce the number of employees as planned.

As part of our restructuring efforts and efficiency initiative, we are planning to reduce the number of our employees in the Group by up to 15%. The reductions are planned in our Agriculture and Sugar divisions among office and management staff and technical professionals. Our ability to reduce the number of our employees may be subject to political and social considerations as well as opposition by local authorities, labor unions and individual employees. The Company is not currently aware of any such opposition. Nevertheless, our inability to make significant reductions in the number of our employees and successfully complete our planned labour restructuring could have a material adverse effect on our business, results of operations and financial condition.

Changes in our sow herd productivity, mortality and feed efficiency could adversely affect our operations.

Sow herd productivity and feed efficiency are important measures by which we evaluate the performance of our production operations. Sow productivity is commonly calculated as the number of offspring per sow per year that reach certain weight parameters and measures the performance of our breeding, gestation, farrowing and nursery operations. Changes in sow productivity could have a material adverse effect on results of operations and margins because a substantial portion of the costs of operating a sow unit are either fixed or related to the number of sows. Sows generally have five to seven litters during their reproductive lives. Rapid expansion of our sow herd could adversely affect our average sow herd productivity because the additional sows will be less productive in their earlier litters. Sow productivity also can be influenced by a number of other factors, including the health condition of our herds and their mortality, genetics and environment. For example, extreme heat during the summer and autumn of 2010 resulted in reduced sow productivity, reduced weight gain and increased livestock mortality during this period.

Feed efficiency is commonly measured in terms of feed conversion ratios. A feed conversion ratio is calculated by the number of kilograms of feed, which consists primarily of wheat and other grains, consumed to produce a kilogram of live weight in pigs in our finishing units. It is a measure of the performance of our pig-finishing operations. Changes in feed nutrition efficiency affect per head feed consumption. As a result, they affect the aggregate cost of feed, which is the primary cost component in our pig-production operations. A number of factors influence feed nutrition efficiency, including the capacity and use of our finishing facilities, the health condition of our animals, genetics, the nutrient value of available feed ingredients and environmental factors. Because of the many factors involved, herd productivity and feed efficiency levels may decline in the future. Any decline in these levels may have a material adverse effect on our costs, operating margins or ability to compete with other pig producers.

Outbreaks of certain diseases among our livestock could adversely affect our operations.

Our pig herds may be subject to outbreaks of certain diseases. The outbreak of disease among our livestock or in regions in which we operate could significantly restrict our ability to conduct our operations. Productivity and profitability of our Meat division operation depends, to a great extent, on its ability to maintain animal health and control disease. Disease can reduce the number or productivity of our pig herd stock, and hamper the growth of offspring to maturity. Disease can be spread from other infected animals, in feed, in trucks, by rodents or birds, by people visiting the farms, through the air or through vehicles. We take precautions to limit the susceptibility of our livestock to diseases and to limit the spread of any diseases to which they become subject, as described under "*Business – Meat Division*." However, such measures may be insufficient and cannot completely eliminate the risk of disease that we may experience. In addition, if our livestock were to be infected, we would likely be required to destroy all the stock that was infected or likely to become infected. Among the diseases to which our livestock may be subject are highly contagious diseases that may spread rapidly between countries and regions. Although the Group has not previously experienced any significant disease outbreaks, past outbreaks in the industry have resulted in the destruction of thousands of animals in affected countries and regions. An outbreak of a livestock disease could also result in the imposition of governmental restrictions on sale or distribution of our products, even if our livestock is not infected with such diseases. Such measures could increase our costs of production, create adverse publicity with respect to our business or result in a loss of consumer confidence in the products affected by the particular disease and adverse publicity, resulting in declining demand for such products. In addition, outbreaks of a livestock disease may impact demand and pricing for the relevant products even in regions in which an outbreak has not occurred.

Outbreaks of various swine diseases, in particular, the African swine fever, the most dangerous swine disease, occur periodically in various Russian regions. The Federal Service for Veterinary and Phytosanitary Supervision ("**Rosselkhoznadzor**") publishes reports of the World Organization for Animal Health (OIE) concerning spread of diseases in Russia on its official web-site. According to a recent report prepared by Rosselkhoznadzor, 36 regions with detected presence of African swine fever were identified in 2010. In January 2011, outbreaks of the disease were reported in the Volgograd region, Krasnodarskiy Krai, the Rostov Region and Stavropolskiy Krai. The nearest outbreaks to our Meat division operations were within 1,000 kilometres of our facility in the Belgorod region.

The African swine fever is a highly contagious virus swine disease included in List A of the classification of diseases prepared by the World Organization for Animal Health (OIE). Today, there are no effective remedies to prevent African swine fever, and its treatment is prohibited. If a focus of the infection is identified, the diseased pig livestock are required to be eliminated. Diseased animals and those pigs with which they came into contact are required to be slaughtered and their carcasses subsequently cremated. In addition, the pig breeding infrastructure in the disease focus is subject to strong disinfection measures which may include physical destruction of the facilities by burning.

The presence of African swine fever in any of the facilities within our pig breeding complex may lead to complete termination of our pig breeding business or cause material loss due to elimination of the livestock and disinfection of the breeding facilities.

Any outbreak of disease, or the possibility of an outbreak of disease, could have a material adverse effect on our business, results of operations and financial condition.

We initiated new greenfield projects in 2010 and 2011, acquired an oil extraction facility in 2011 and continue to invest in our existing production facilities. Such investments may prove to be unprofitable.

In 2010, we launched additional pig breeding projects in the Belgorod and Tambov regions, and plan to launch another greenfield pig breeding project in the Chelyabinsk region in 2011. We are required to obtain construction permits, consents and approvals from various governmental agencies, including fire, health and safety, environmental protection and sanitary departments and technical approvals from various utility providers, in order to commence the construction of these projects. The process of obtaining such authorisations in Russia is complicated, time consuming and subject to uncertainty. As a result, we are subject to risks typical of construction projects in Russia. If the Group fails to obtain applicable construction permits, then there is a risk that any construction commenced without such permit could be torn down.

The Group has obtained applicable construction permits for its Belgorod expansion and the greenfield project in the Tambov region. The Group expects to apply for construction approvals for its greenfield project in the Chelyabinsk region in mid-2011, and such approval process typically lasts three months. Once construction of each of these additional facilities is completed, then the Group will apply for applicable operational permits and approvals for such facility. The Group currently expects to complete the expansion of its Belgorod facilities in the second quarter of 2012, the construction of the Tambov greenfield project in the fourth quarter of 2012, and the construction of the Chelyabinsk greenfield project in the third quarter of 2013, and thus will apply for applicable operational permits at such times. Furthermore, the Group expects to fund approximately 80% of the construction costs for these facilities through debt arrangements. In 2011, the Group entered into loan agreements with Sberbank with an aggregate available credit line of RUR 10 billion, and as of March 30, 2011, the Group had drawn RUR 331.5 million on these facilities. The Group is currently in negotiations regarding a loan agreement to fund the construction costs of the Chelyabinsk greenfield project, and it expects the available credit line for this facility to be approximately RUR 12 billion. These loan facilities are secured by sureties provided by certain members of the Group, including LLC Group of Companies Rusagro, and pledges of assets of the Group, including the facilities being constructed.

In addition, in March 2011, we acquired control of an oil extraction facility in Samara. We also continue to invest in modernisation of our existing facilities in each of our divisions. Our prospects must be considered speculative, considering the risks, expenses and difficulties frequently encountered in the establishment of new facilities and modernisation of existing facilities. We cannot be certain that our new pig breeding facilities, our new oil extraction facility or our modernisation efforts will be successful or will generate significant revenues and be profitable in the future. Our inability to develop the projects within the specified timeframe, budget and construction standards may result in losses which could have a material adverse effect on our business, results of operations and financial condition.

The nature of our operations exposes us to the risk of environmental claims and sanctions.

Because of the nature of our operations, we are subject to the risk of environmental claims, including nuisance claims by neighbouring property owners. We face the risk of nuisance lawsuits even if we are operating in compliance with applicable regulations. We may be unable to effectively defend ourselves from possible environmental claims which may in the future result in administrative penalties and damages.

In addition, under relevant Russian legislation, Russian regulatory agencies can impose various sanctions for violations of environmental standards. These sanctions may include civil and administrative penalties applicable to the Group and criminal and administrative penalties applicable to its officers. See also "*Regulation of the Russian Agricultural and Food Industry*." Also, in connection with an environmental investigation, regulatory authorities can issue an order halting part or all of the production at a plant which has violated environmental standards. Any imposition of civil and administrative penalties or limitation or suspension, in part or whole, of production at our facilities could materially adversely affect our business, results of operations and financial condition.

We may be unable to obtain adequate managerial and operational resources to support our plans for the growth and expansion of our business.

Our strategy provides for the continued growth and expansion of our four business divisions. Managing such growth and expansion requires significant managerial and operational resources. Our future operating results depend in significant part upon the continued contributions of a small number of our key senior management and technical personnel. In addition, the number of qualified managerial and technical personnel in Russia may be limited, and there is intense competition for the services of such persons. Management of our growth requires, among other things:

- continued development of financial and management systems;
- implementation of adequate internal control over financial reporting procedures;
- increased marketing activities;
- identification of new opportunities for mergers and/or acquisitions;

- hiring and training of new personnel; and
- coordination among our logistical, technical, accounting, finance, marketing and sales personnel.

The Company believes that it has historically successfully managed these risks as it has grown and expanded its operations, and views the expertise of its management personnel in this regard as one of its primary strengths of the Group. See "*Business—Competitive Strengths and Strategies—Strong management team with wide industry experience and a strong track record*." Our management team has extensive international experience in the relevant markets. Our senior management has a strong track record of identifying and implementing acquisition opportunities to strengthen our business and in developing new business lines. For example, key members of our team oversaw the construction of our pig breeding complex in 2006 and acquired control over approximately 49 thousand additional hectares of land in the Tambov region during the period from 2008 to 2010. In addition, our team acquired companies operating two sugar processing plants during 2009 in key locations in the Belgorod and Tambov regions and modernised these facilities during 2009 and 2010. We also seek to promote employees to fill more senior positions from within the Group and train new management personnel, whenever possible. We have established incentive schemes to retain our current senior management, but we can provide no assurance that we will retain such senior management, and our inability to successfully manage any of these or other factors may adversely affect our business, results of operations and financial condition.

We may be unable to raise additional capital which we may require to implement our business strategy.

We believe that our current debt facilities and cash flows from operations should suffice to meet our capital requirements for the next 12 months. However, market conditions and other factors, including seasonal financing needs or the aim to finance future large transactions, acquisitions and/or investments, may cause us to seek additional funding sooner than expected. We may need to raise additional capital to maintain and/or expand our business and implement our business strategy, and our ability to raise such additional capital depends on our access to funding from the capital markets.

The aftermath of the turmoil in the international credit markets may adversely affect our ability to raise capital or borrow on commercially reasonable terms, or at all. We have historically required high levels of working capital for a variety of factors, including the seasonal nature of our business and growth and expansion of our businesses. We have historically obtained working capital from many sources, including bank loans and debt securities issuances. If we are not able to obtain adequate financing on acceptable terms, we may be unable to take advantage of business opportunities or to meet unexpected financial demands, and our ability to successfully implement our business strategy on a timely basis, or at all, may be adversely affected. As a result, we may be required to scale back our operations which could have a material adverse affect on our business, results of operations and financial condition.

We may not be able to complete or integrate successfully any potential future acquisitions.

We regularly evaluate potential acquisition targets and may in the future seek to acquire other businesses or legal entities in order to expand our operations. Potential future acquisitions may pose significant risks to our existing operations if such acquisitions cannot be successfully integrated. Such potential acquisitions would place additional demands on our managerial, operational, financial and other resources, create operational complexity requiring additional personnel and other resources and require enhanced control procedures. We can provide no assurance that any potential acquisitions will be concluded or successfully integrated. Our failure to complete or integrate successfully any potential future acquisitions could have a material adverse effect on our business, results of operations and financial condition. Moreover, even if we were successful in integrating newly acquired assets and acquiring additional assets, expected synergies and cost savings may not materialise, resulting in lower than expected benefits to us from such acquisitions. Additionally, when making acquisitions it may not be possible for us to conduct a detailed investigation of the nature of the assets being acquired due to, for example, time constraints in making the decision and other factors. We may also become responsible for additional liabilities or obligations not foreseen at the time of an acquisition, which could have a material adverse effect on our business, results of operations and financial condition.

To mitigate the risks of a failure to successfully integrate its acquisitions, prior to acquisition the Group carefully evaluates potential acquisition targets in accordance with its strict evaluation criteria and requires various internal approvals to proceed with any particular acquisition. The guiding principle is the creation of shareholder value via a disciplined approach to growth through acquisitions. Key parameters on which the Group focuses in its evaluation of potential targets include the strategic rationale for such acquisition (i.e., the potential fit with the Group's strategy and the potential to integrate with current operational segments/products or expand current operations/products), the projected return on investment and the mix and cost of financing. Once the Group makes an acquisition, it diligently evaluates the performance of the acquired business to identify opportunities to improve efficiency and integration with its on-going operations. Furthermore, the Company believes that it has historically successfully managed the integration risks as it has grown and expanded its operations, and views the expertise of its management personnel in this regard as one of its primary strengths of the Group. See "*Business—Competitive Strengths and Strategies—Strong management team with wide industry experience and a strong track record*." Our senior management has a strong track record of identifying and implementing acquisition opportunities to strengthen our business and in developing new business lines. For example, the Group constructed our pig breeding complex in 2006 and acquired control over approximately 49 thousand additional hectares of land in the Tambov region during the period from 2008 to 2010. In addition, the Group acquired companies operating two sugar processing plants during 2009 in key locations in the Belgorod and Tambov regions and modernised these facilities during 2009 and 2010. As the Group has expanded its operations, it has not historically experienced any significant failure to integrate its acquisitions, and the Group believes that the risk of a significant failure to successfully integrate future acquisitions is low. Even so, failure to successfully integrate future acquisitions could have a material adverse effect on our business, results of operations and financial condition.

Our plans for growth may be restricted by Russian antimonopoly regulations.

Under Russian antimonopoly regulations, the Federal Antimonopoly Service ("**FAS**") may qualify a company as having a share in the relevant market of over 35% or as having a dominant position in a market if its market share is over 50%, which leads to application of regulatory restrictions, including with respect to acquisitions. Moreover, the FAS is entitled to establish a dominant position of a business entity even if the entity has less than 35% in the relevant market when the following requirements are met in total: (i) a business entity has an opportunity to unilaterally establish a price level on the market; (ii) new competitors face significant barriers with regard to gaining access to the market; (iii) the commodity sold or purchased by the business entity cannot be replaced by any other; and (iv) any price changes do not cause declines in sales.

As we expand certain of our operations, the FAS may impose limitations on our business activities or may not grant approvals for future transactions. Restrictions on expansion may adversely affect our strategic plans for growth.

We may be unable to operate our production facilities without interruption during peak harvesting periods of the agricultural season due to the condition of some of our equipment.

Our business depends on the continued operation of our processing facilities and transportation equipment. The operation of our processing facilities involves many risks, including breakdown, failure or substandard performance of the equipment, improper installation or operation of the equipment and potential inability to make timely repairs or to comply with applicable government regulations. Although we attempt to implement modern technology and update our equipment on an ongoing basis, the condition of some of our equipment in several of our facilities may be outdated. At present, we do not have any business interruption insurance and any significant manufacturing disruptions or reductions in capacity could adversely affect our ability to process and sell our products in an efficient manner or at all, which could have a material adverse effect on our business, results of operations and financial condition. In addition, we may not be able to acquire or obtain access to new technology or other equipment used by our competitors and any such failure to acquire or obtain access would impair our ability to compete effectively and could adversely affect our business, results of operations and financial condition.

Our competitive position and future prospects depend on our senior management's experience and expertise.

Our ability to maintain our competitive position and to implement our business strategy depends on the services of our senior management team. We do not carry insurance in respect of the loss of the services of any of the members of our management. The loss or diminution in the services of members of our senior management team (whose contracts generally do not provide financial penalties for voluntary termination), failure to extend contracts with existing senior managers or arrange for an adequate replacement, or an inability to attract, retain and maintain additional senior management personnel could have a material adverse effect on our business, results of operations and financial condition or prospects. Competition in Russia for personnel with relevant expertise is intense due to the small number of qualified individuals, and this situation seriously affects our ability to retain our existing senior management and attract additional qualified senior management personnel, which could have a material adverse effect on our business, results of operations and financial condition. See "*Management*."

There are risks associated with the Group's accounting and reporting systems and the internal controls relating to the preparation of IFRS financial statements.

The Group's accounting and reporting systems are not as sophisticated or robust as those of companies with a longer history of reporting under IFRS. The lack of established accounting and reporting systems that have been in operation for an extended period of time, and the lack of experience in preparing regular management accounts on a basis consistent with IFRS, may delay the production of IFRS financial statements and could negatively impact the quality of decision-making by the Group's management.

The Group is in the process of automating its accounting and reporting functions, but some of the companies within the Group continue to use manually administered spreadsheets and do not have fully computerised accounting or reporting systems designed for the preparation of IFRS financial statements. The preparation of consolidated IFRS financial statements for the Group involves, first, the transformation of the statutory financial statements of each member of the Group into IFRS financial statements through accounting adjustments and, second, the consolidation of all such financial statements. This process is complicated and time-intensive, and requires significant attention from the Group's senior accounting personnel. The Group has data verification procedures in place to help ensure the accuracy of the financial data produced, including implementing a detailed and clear methodology that is largely automated to collect information from its local systems. The Group is continuing to automate its data processing, and starting in 2011, all of the Group's subsidiaries that had previously maintained manual accounting records have transitioned to an automated accounting system.

In light of the Group's past and planned growth, the preparation of annual or interim IFRS financial statements may need more time than required by other companies and such financial statements may be subject to a greater possibility of errors or misstatements. With each acquisition the Group seeks to adapt and incorporate the financial reporting system of the acquired operations quickly and efficiently. The Group's ability to generate accurate financial information in a timely manner and to produce consolidated financial statements is currently overly dependent on a small group of accounting professionals. To address this risk the Group has implemented numerous controls to help ensure the accuracy of the financial information generated and continues to automate its processes where possible. In some cases, however, the Group may lack formal procedures for monitoring transactions and collecting financial and related information required for the preparation of IFRS accounts, or such procedures may be underdeveloped. As the Group develops it financial reporting system, it seeks to identify and mitigate such risks promptly. This may nevertheless adversely affect our business, results of operations and financial condition.

The Group has been preparing financial statements in accordance with IFRS since 2003, and the Group's continuing automation of its data processing procedures and data verification procedures and other internal controls have historically allowed it to prepare accurate financial statements in a timely manner in accordance with its needs at the time the financial statements were produced. Thus historically the Group has not experienced material delays in the preparation of its financial statements. Going forward, the Group believes that it has implemented sufficient controls and automation of its processes so that it will be able to produce accurate financial statements within the timeframe required under the FSA's Disclosure and Transparency Rules. As such, notwithstanding anything in this risk factor, we believe that our accounting and reporting systems and internal controls are sufficient to ensure compliance with requirements of the FSA's Disclosure and Transparency Rules as a listed entity.

There are risks associated with inadequate information technology systems.

The Group's management information system, financial reporting system and system of internal controls are less developed in certain respects than those of competitors in more developed markets and may not provide the Group's management with as detailed or as accurate information as those in more developed markets. In particular, the Group's information technology systems do not provide fully automated processing of data and operations for a number of products and services on a Group-wide basis and do not permit all additional offices to receive and provide information on a real-time basis. A large number of the Group's companies kept manual accounting records prior to 2011 and some of our companies still have not fully converted to preparation of electronic data. In addition, the quality of the network in certain remote areas of the Russian Federation may make it difficult to reach high levels of automation. The Group has data verification procedures in place to help ensure the accuracy of the financial and other data produced, including implementing a detailed and clear methodology that is largely automated to collect information from its local systems. The Group is in the process of automating much of its data processing, and starting in 2011, all of the Group's subsidiaries that had previously maintained manual accounting records have transitioned to an automated accounting system. Furthermore, the Group's continuing automation of its data processing procedures and data verification procedures and other internal controls have historically allowed it to prepare accurate financial statements in a timely manner.

The Group's potential inability to maintain an adequate management information system, financial reporting system or system of internal controls may have a material adverse effect on the Group's business, results of operations and financial condition.

Notwithstanding anything in this risk factor, we believe that our information technology and financial reporting and internal control systems are sufficient to ensure compliance with requirements of the FSA's Disclosure and Transparency Rules as a listed entity.

We are not required to and do not comply with the corporate governance regime of Cyprus.

Although we are incorporated in Cyprus, because our shares are not listed on the Cyprus stock exchange, we are not required to and do not comply with the corporate governance regime of Cyprus. Our corporate governance requirements are established by our Articles of Association, which we believe are typical of a Cypriot public company. See "*Description of the Share Capital and Applicable Cypriot Legislation – Articles of Association*."

In addition, notwithstanding that a substantial majority of our operations are conducted in Russia, because we are a Cyprus company we are not subject to and do not comply with the corporate governance standards applicable to Russian companies, except in so far as our Russian incorporated subsidiaries are required to comply with the corporate governance requirements contained in Russian company law. Moreover, the corporate governance requirements in Russia are generally less developed and less robust than those in more developed jurisdictions, such as in the US and UK.

Our controlling beneficial shareholder and his family have the ability to exert significant influence over us, and their interests may conflict with those of other holders of our Ordinary Shares or the holders of the GDRs.

We are controlled by Mr. Vadim Moshkovich, who together with his spouse, Ms. Natalia Bykovskaya, beneficially owns approximately 95% of our outstanding shares immediately prior to the Offering and will continue to beneficially own a significant controlling interest immediately following the Offering. See "*Principal Shareholders and Selling Shareholder*." While we believe that a certain level of involvement of Mr. Moshkovich in our operations has been and will continue to be important in the development of our strategy, there can be no assurance that he will remain a significant shareholder in the future. Currently, Mr. Moshkovich is not a member of the Board of Directors or management of the Company, and there are no related party agreements between Mr. Moshkovich or his family and any member of the Group. Our business could suffer, however, if Mr. Moshkovich and his spouse cease to be the controlling beneficial owners of the Group. In addition, our business, financial condition, results of operations and prospects could be materially adversely affected if Mr. Moshkovich ceases to be a member of the Council of the Federation of the Federal Assembly of the Russian Federation (the upper chamber of the Russian parliament) representing the Belgorod region. Because Mr. Moshkovich has intimate knowledge of the workings of the local government, the Group is better able to reap the benefits of the government interest subsidies and other support programs offered. If Mr. Moshkovich were to cease to be a member of the Council of the Federal Assembly representing the Belgorod region, the Group may no longer benefit from such knowledge. In 2010, Mr. Moshkovich was re-elected to this position for a four-year term.

As a result of their controlling beneficial interest, Mr. Moshkovich and Ms. Bykovskaya have the ability to exert significant influence over us and certain actions that require shareholder approval, including, but not limited to, the increase or decrease of our authorised share capital, the election of directors, the declaration of dividends, the appointment of management and other policy decisions. The interests of our controlling shareholders could conflict with the interests of the holders of the GDRs. There are no measures in place to ensure the control exercised by Mr. Moshkovich and Ms. Bykovskaya is not abused. Furthermore, there can be no assurance that Mr. Moshkovich or Ms. Bykovskaya will continue to cooperate in the management of their controlling beneficial interest, and any conflicts of interest or disagreements between them regarding the management or operations of the Group or the ownership of their controlling beneficial interest could have a material adverse affect on our business, results of operations and financial condition.

Moreover, Ms. Bykovskaya has been historically involved in the Group's business and is a member of the Company's Board of Directors. Ms. Bykovskaya is one of five members of the Company's Board, two of which, including the Chairman, are independent directors. Ms. Bykovskaya also holds 1% of the shares of the Company and 0.01% of the participation interests of LLC Group of Companies Rusagro, the holding company for the Group's operating subsidiaries. Furthermore, Ms. Bykovskaya acts as trustee with respect to Mr. Moshkovich's shares in the Selling Shareholder. While we believe that the involvement of Ms. Bykovskaya in the Group's operations has been beneficial to the business of the Group, there can be no assurance that this will continue to be beneficial in the future. The interests of Ms. Bykovskaya could conflict with the interests of other shareholders. Such conflict could result in mismanagement and have a material adverse affect on our business, results of operations and financial condition.

We have engaged and may continue to engage in transactions with related parties that may present conflicts of interest.

We have engaged and may in the future engage in transactions with related parties that may present conflicts of interest, potentially resulting in the conclusion of transactions on less favourable terms than could be obtained in arm's length transactions. In 2008-2009, for example, we engaged in transactions (primarily loan arrangements) with certain of our shareholders, directors and executive officers and companies controlled by them. Conflicts of interest may arise between us and our affiliates, potentially resulting in the conclusion of transactions on terms not determined by market forces.

Our minority shareholders or minority shareholders of our subsidiaries may challenge past or future interested party transactions or other transactions, or may not approve interested party transactions or other transactions in the future.

We own less than 100% of the equity interests in some of our subsidiaries. In addition, certain of our wholly owned subsidiaries have had other shareholders in the past. We and our subsidiaries in the past have carried out, and continue to carry out, transactions with us and others which may be considered to be "interested party transactions" under Russian law, requiring approval by disinterested directors, disinterested independent directors or disinterested shareholders depending on the nature of the transaction and parties involved. See "*Business – History and Development*." The provisions of Russian law defining which transactions must be approved as "interested party transactions" are subject to different interpretations. We cannot assure you that our and our subsidiaries' applications of these concepts will not be subject to challenge by former and current shareholders. Any such challenges, if successful, could result in the invalidation of transactions, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, Russian law requires a three-quarters majority vote of the holders of voting stock present at a shareholders' meeting to approve certain transactions and other matters, including, for example, charter amendments, major transactions involving assets in excess of 50% of the assets of the company, repurchase by the company of shares and certain share issuances. In some cases, minority shareholders may not approve interested party transactions requiring their approval or other matters requiring approval of minority shareholders or supermajority approval. In the event that these minority shareholders were to challenge successfully past transactions, or do not approve transactions or other matters in the future, we could be limited in our operational flexibility and our business, which may have a material adverse effect on our business, results of operations and financial condition.

To address interested party transaction issues, we implemented arrangements under which we transferred part of our shares in our significant subsidiaries in which we own less than 100% to a non-affiliated company LLC Business-Consult that acts as a trustee and votes such shares for approval of interested party transactions, including such transactions that are concluded in the ordinary course of business, as a non-interested shareholder. If any of the past or future transactions approved in such a way are successfully challenged by minority shareholders of the relevant subsidiary, it may disrupt operations of our subsidiaries, which would adversely affect our business, results of operations and financial condition.

Speculations or allegations about the beneficial shareholder or senior officers of the Group may harm our reputation.

In the past, mass media in Russia, including those that are established and well-known, published information regarding alleged criminal charges against Mr. Vadim Moshkovich, our controlling beneficial shareholder. According to Mr. Moshkovich, information on any criminal prosecution and charges against him which appeared in the mass media are false. The Group has not conducted any independent investigation regarding such allegations and does not have a view regarding the veracity of such allegations. Whilst not commenting on the nature of these particular charges, there is a noted tendency among the local and international press to generate, from time to time, speculative reports that contain allegations of criminal conduct or corruption on the part of Russian companies or individuals within Russian companies, irrespective of whether those allegations have any basis in fact. In addition, the Russian press and other non-traditional media have been, from time to time, suspected of publishing biased articles and reports in return for payment. Any negative publicity, even if such information is false and inaccurate, may harm our business reputation and could materially adversely affect our reputation, business, results of operations and financial condition and the price of the GDRs.

We may be subject to product liability claims and adverse publicity.

We are subject to food and feed industry risks which include, but are not limited to, spoilage, contamination, tampering or other adulteration of products. The production, packaging, marketing, distribution and sale of our food products may result in product liability, product recall and/or subsequent adverse publicity. We do not carry any product liability insurance. As a result, product liability claims relating to defective products could have a material adverse effect on our ability to successfully market our products and on our business, results of operations and financial condition.

In addition, we may voluntarily determine, or government regulators may require us, to recall products that are, or are believed to have been produced from, contaminated or otherwise substandard products. Even if a product liability claim is not successful or we do not recall our products, we may be subject to negative publicity resulting from assertions that our products caused illness or injury, may potentially cause illness or injury, or are made from contaminated or substandard products.

Product liability claims, the possibility of such claims, recalls of our products or any other claims or any negative publicity associated with the safety or reliability of our products could have a material adverse effect on our reputation, including the strength of our brand names, and relationships with existing and potential customers, and therefore, on our business, results of operations and financial condition.

We have engaged in certain speculative trading and hedging operations which may limit our potential gains and involves other risks.

In 2010, we implemented certain hedging techniques, such as derivatives, to reduce our exposure to risks related mainly to raw sugar commodity prices fluctuations and for other commercial purposes. Our hedging transactions to date have included purchasing various derivative instruments, including option and futures contracts, through our subsidiary, Limeniko Trade and Invest. Limited ("**Limeniko**"), incorporated in the British Virgin Islands (the "**BVI**"). We may in the future enter into these and other types of hedging arrangements to reduce exposure to fluctuations in the market prices of commodities we purchase or sell. These transactions may limit our potential gains if commodities prices were to rise over the price established by the hedge. However, if we do not engage in hedging transactions, then we may be more adversely affected by declines in commodities prices than our competitors who engage in hedging transactions. Additionally, hedging transactions may expose us to cash margin requirements. Although our exposure in 2010 was not substantial, there is no assurance that such transactions will fully protect us from price volatility or that we will continue to be able to enter into such arrangements on commercially beneficial terms, if at all. Currently, the maximum exposure allowed under our existing agency agreement pursuant to which we conduct hedging transactions is US$ 16 million. Hedging transactions may expose us to the risk of losses in certain circumstances, which could have a material adverse effect on our business, results of operations and financial condition, including instances in which:

- our production is less than expected;
- the counterparties to our hedging transactions fail to perform under the agreements; or
- a sudden, unexpected event materially impacts commodities prices.

Our trading and hedging operations are conducted through our subsidiary incorporated in the British Virgin Islands, which may involve certain Russian tax risks.

Since November 13, 2007 the BVI have been included in the "List of off-shore states and territories" by the Ministry of Finance of the Russian Federation (the "**Ministry of Finance**"). In 2009, the BVI were moved to the list of "Jurisdictions that have substantially implemented internationally agreed tax standards" (the "white list") by the Organization for Economic Cooperation and Development. However, in Russia the BVI are still generally considered to be an off-shore jurisdiction. Therefore, any operations conducted by the Group's Russian subsidiaries with related entities that are incorporated in the BVI may be scrutinized by the Russian tax authorities and any tax deductions or Russian tax withholdings made in connection with such operations could be challenged by the Russian tax authorities. Also, under certain circumstances, the Russian tax authorities may attempt to attribute profits generated by the Company's related entities incorporated in the BVI either by recognizing these entities as having a permanent establishment in Russia or based on other grounds. Such additional tax exposures could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

We may be unable to protect our intellectual property.

Our profitability depends, in part, on our reputation in the market that we have built in connection with our brands and on our ability to defend these brands successfully against third-party challenges. We hold a number of trademarks which are registered in the name of the Group's companies. The scope of the intellectual property legal protection available in the Russian Federation is not comparable to that available in the United States, Western Europe and other countries with more developed legal protection for intellectual property and legal systems. We may be unable to enforce our trademarks or otherwise protect proprietary rights with respect to our intellectual property, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, we may need to engage in litigation to enforce our intellectual property rights or to determine the validity and scope of the rights of third parties in the future, which could result in increased costs and have a material adverse effect on our business, results of operations and financial condition.

Some of the brands we use to market our products are not registered in all territories where we market our products or are not registered with regard to all type of products we produce.

Some of the brands we use to market our products are not registered in all territories where we market our products or are not registered with regard to all types of products we produce.

For example, we market some of our sugar products under the brand name Brauni, but this brand has not yet been registered because it sounds similar to a trademark owned by another company. This company has not used this trademark in Russia for a certain period of time, and we filed an application to cancel protection of this trademark in Russia based on its non-use. While the Brauni protection cancellation and following trademark registration by the Group is pending and we do not own the trademark, we will not be able to effectively protect it from use by third parties. We may not be successful in our efforts to register our brand in the name of a Group company. If we fail to register the trademark, we may be unable to use this trademark which in turn may result in substantial development and replacement costs and could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, our mayonnaise trademark Provansal EZhK has not yet been registered in the CIS countries in which we distribute our products. We have applied for registration of the Provansal EZhK trademark in the relevant CIS countries, but if we fail to register the trademark in the respective CIS countries, we may be unable to use this trademark which in turn may result in substantial development and replacement costs and could have a material adverse effect on our business, results of operations and financial condition.

Additionally, maintaining the reputation of our brands is important to our success. Substantial erosion in the value of our brand names could have a material adverse effect on our business, results of operations and financial condition. See also "*– We may be subject to product liability claims and adverse publicity*."

We may not currently hold all licences necessary to operate our computer software.

Because we operate in multiple locations and business segments, in the past, we have obtained our computer software from a variety of suppliers. Therefore, in the past, we could have been unable to assess the reputability of each individual supplier from which we obtained software. Although we endeavour to operate only licensed software, we could, at times, have purchased unlicensed software from vendors with which we were unfamiliar. In light of these facts, a Russian court could find us liable for the infringement of certain intellectual property rights. Such a judgement could harm our business reputation and necessitate the payment of damages, both of which could have a material adverse effect on our business, results of operations and financial condition.

Deficiencies or ambiguities in privatisation and bankruptcy legislation could be exploited to challenge our ownership of certain of our subsidiaries.

Two of our principal operating subsidiaries acquired assets through bankruptcy sales. In addition, seven of our subsidiaries were privatised, and we may seek to acquire additional companies that have been privatised. In particular, shares of the companies that own six of our sugar plants and our oil and fats plant in Ekaterinburg were acquired by previous owners through privatisation procedures. The assets of our seventh sugar plant were acquired by the previous owners through bankruptcy proceedings in May 2009, and the Group then acquired the company that owns such assets in August 2009. In addition, in March 2011, we obtained control over an oil extraction plant in Samara by purchasing shares of a Russian company which acquired approximately 7–10% of the plant's assets from previous owners that had acquired the assets in bankruptcy proceedings. Because privatisation legislation has been vague, internally inconsistent and in conflict with other legislation, often including conflicts between federal and local privatisation legislation, most, if not all, privatisations are arguably deficient and therefore are vulnerable to dispute. Although we believe we have complied in all material respects with all applicable laws and regulations in acquiring our subsidiaries or assets, there can be no assurance that these acquisitions will not be challenged as having been improperly conducted. The applicable limitations period has expired with regard to any assets acquired by our operating subsidiaries through privatisation procedures, and the Company is not aware of any challenges with regard to these acquisitions. As such, the Company believes that the risk of future challenges to these privatisations is not material. The company that owns the Samara oil extraction plant, control of which was acquired by the Group in March 2011, acquired assets from previous owners that had acquired the assets through bankruptcy proceedings at the end of 2010. In December 2010, OJSC Rosselkhozbank challenged the acquisition of such assets in the bankruptcy proceedings. The Group believes that this challenge has no merit, and such challenge was successfully defended in the Abritrazh court of the Samara region. OJSC Rosselkhozbank may appeal such court ruling. The total acquisition cost of the contested assets is approximately RUR 49 million. In the event that any of our acquisitions of privatised subsidiaries or participation in privatisation or bankruptcy sales is challenged as having been improperly carried out and we are unable to defeat such claims, we may lose our ownership interest in such subsidiaries or their assets, which could materially adversely affect our business, results of operations and financial condition.

Forced liquidation of some of our subsidiaries due to insufficient or negative net assets could have an adverse effect on our operations.

In accordance with Russian legislation, in the event that a Russian company's net assets at the end of its second or any subsequent financial year, as stated in its annual balance sheet prepared under Russian Accounting Standards ("**RAS**"), fall below its charter capital, the company must decrease its charter capital to such level or liquidate. In addition, if a Russian company's net assets at the end of its second or any subsequent financial year, as stated in the annual balance sheet prepared under RAS, fall below the minimum charter capital required by law, the company must voluntarily liquidate. There are different requirements in respect of companies that are limited liability companies and joint stock companies. If a limited liability company fails to comply with either of the requirements stated above within a "reasonable period," its creditors may accelerate their claims or demand early performance of obligations to them and claim damages, and governmental authorities may seek involuntary liquidation of the company. A joint stock company additionally has to disclose the negative assets in a published statement after which the company's creditors obtain acceleration rights which may be exercised within 30 days after publication of the statement. Courts have on occasion ordered the involuntary liquidation of a company for having net assets less than the minimum charter capital required by law, even if the company had continued to fulfil its obligations and had net assets in excess of the minimum statutory amount at the time of liquidation. Certain of our subsidiaries have net assets less than their charter capital or less than the minimum charter capital required by law. As of December 31, 2010, the share of assets of such subsidiaries of the aggregate assets of all the Group, as determined under RAS before consolidation adjustments, amounted to 2.85%. In January 2011, the Group reorganised its agricultural enterprises in the Tambov region and consolidated several enterprises into one legal entity which decreased total consolidated assets of entities with negative assets. If the reorganisation were to have occurred as of December 31, 2010, the share of assets of subsidiaries with negative net assets of the aggregate assets of all the Group, as determined under RAS before consolidation adjustments, would have been 1.53%. The following non-core subsidiaries had negative net assets as of December 31, 2010: LLC Rusagro-Maslo, OJSC Zherdevsky Elevator, CJSC Zarya, OJSC Oskolskie Prostori, LLC Poletaevskoe, CJSC Rusagro-Aidar, LLC Rusagro-Valuyki, CJSC Rusagro-Tehservis and CJSC Rusagro Transportnic. As noted, the Group has reorganised several of its subsidiaries and intends to continue this process through 2011 and 2012 to continue to reduce the number of entities with negative net assets. We have not filed for voluntary liquidation because we believe that, as long as a subsidiary continues to fulfil its obligations, the risk of its liquidation or creditors' claims for early performance of obligations is remote. None of the Group's subsidiaries have been involuntarily liquidated or had creditor's claims accelerated as a result of these legislative requirements. We consider that the risk of involuntary liquidation or acceleration of claims with respect to the relevant Group companies is minimal and, in addition, we have not received notice of any such action. However, if in the future, involuntary liquidation or acceleration of claims with respect to our subsidiaries were to occur, this could have an adverse effect on our business, results of operations and financial condition.

We are a holding company of the Group and we are dependent upon our subsidiaries and affiliates to meet our obligations.

We are a holding company, and we conduct our operations through subsidiaries and affiliates. We hold no significant assets other than direct and indirect investments in our operating companies and we are therefore dependent upon the receipt of sufficient dividend and interest income from our subsidiaries to meet our obligations. Our subsidiaries may from time to time be subject to restrictions on their ability to make such payments to us as a result of regulatory, fiscal and other restrictions. In addition, dividend payments by our subsidiaries, if made, are subject to withholding tax in Russia. Moreover, our ability to benefit from the distribution of any assets upon the liquidation of any of our subsidiaries will be subject to the prior claims of that subsidiary's creditors, including trade creditors. A decrease in dividend income or interest payments from our operating entities or the insolvency of one of our subsidiaries may have a material adverse effect on our business, results of operations and financial condition.

We may not have or we may be unable to obtain sufficient insurance to protect ourselves from business risks.

While we generally maintain the types of insurance customarily available to businesses in our industry in Russia, our insurance policies do not cover, and insurance is not commercially available, to cover all potential risks to which we are or may be exposed. We do not carry insurance comparable to that of major companies that operate in Western Europe or other jurisdictions with more developed insurance markets. Any insufficiency in insurance coverage with respect to all or certain business-related risks may expose us to substantial losses, which could materially adversely affect our business, results of operations and financial condition.

Depending on the severity of the property damage we may suffer, we may not be able to reestablish our operations in a timely manner or at all, even if such loss is covered by insurance. For example, although our livestock is insured, we may not be able to fully replace losses to our livestock, particularly those arising as a result of disease. We also do not generally maintain separate funds or otherwise set aside reserves for these types of events. As we do not carry business interruption insurance with regard to all our operational entities, the loss or destruction of certain assets could have a material adverse effect on our business, results of operations and financial condition.

In addition, there can be no assurance that we will be able to renew our insurance on comparable or satisfactory terms, if at all.

Fluctuations in the value of the ruble against the US Dollar and Euro may materially adversely affect our financial condition and results of operations.

Our products are generally priced in rubles, and our direct costs, including raw materials, labour and transportation costs, are also largely incurred in rubles, although certain costs, such as interest expense and imported raw materials, are incurred in varying currencies, including US Dollars and Euros. Since our revenue is generated primarily in rubles, we are exposed to foreign exchange risk with respect to any current or future debt or other liability denominated in any currency other than rubles. The appreciation of the ruble against the US Dollar and Euro generally results in a decrease in our costs relative to our revenues, while depreciation of the ruble against the US Dollar and Euro generally results in an increase of our costs relative to our revenues. While we generally believe that our exposure to fluctuations in the ruble to US Dollar and Euro exchange rates is limited, if the ruble decreases in value against the currencies in which we have to make payments, our operating costs and capital expenditures will increase as a percentage of our revenues, which may materially adversely affect our financial condition and results of operations.

Our Meat division has a limited operating history that makes it difficult to evaluate the prospects of the division.

Our Meat division was set up in 2006 and made its first deliveries in the second quarter of 2008. We have a relatively short operating history in the pig breeding industry, which makes an evaluation of our business and prospects very difficult. Our prospects must be considered speculative, considering the risks, expenses and difficulties frequently encountered in the establishment of a new business. We cannot be certain that our pig breeding business will be successful or that we will generate significant revenues and will be profitable in the future.

Russian Agricultural Land Risks

Validity of our land acquisition or leasehold arrangements may be challenged. We incurred significant acquisition and development costs relating to agricultural land to which we have not yet registered title or leasehold interests, and there can be no assurance that we will be able to register title or leasehold interests in all such agricultural land.

As of the date of this Prospectus, of the approximately 380 thousand hectares of land under our control, we have registered ownership title with regard to approximately 41% of such land and have acquired valid leasehold interest with regard to approximately 47% of such land.

Although we believe that most of our agricultural land acquisition and leasehold arrangements are in formal compliance with Russian law, if such arrangements that have been entered into based on our interpretation of the provisions of the Land Code of the Russian Federation dated October 25, 2001 (the "**Land Code**") pertaining to the sale or lease of agricultural land were to be successfully challenged, we could lose our title to or leasehold interests in agricultural land acquired pursuant to such arrangements, as well as our capital investment in the land, and we may be unable to recover the payments we made therefor from uncreditworthy counterparties.

In particular, with respect to our acquisition of title to certain land plots, governmental authorities may determine that the short period of time between the completion of the formalities to lease land and the subsequent purchase of that land, combined with the preliminary share purchase agreements, loan agreements and agency agreements that we often enter into are non-substantial agreements designed to avoid the pre-emptive right of regional and local authorities to purchase agricultural land. Such a determination could render our acquisition of the land void which could have a material adverse effect on our business, results of operations and financial condition.

Also, we are not able to verify the full historical chain of title to land acquired by us, in particular with respect to past owners. Thus we are exposed to the risk that our title may be challenged based on flaws in the title of previous owners. The quality and reliability of the official information in the public registers relating to land and real estate is generally not equivalent to that of more developed countries and such information may not be relied upon as entirely accurate or complete. Furthermore, under Russian law, certain encumbrances over real estate (including leases of less than one year, free of charge use agreements, easements, rights of way and other similar encumbrances) do not need to be registered. Accordingly, the government or other third parties may successfully claim the existence of encumbrances over real estate owned or leased by us that are currently unknown to us.

Additionally, rising real estate prices could lead to attempts to challenge our land acquisition arrangements by governmental officials and our counterparties in such arrangements.

In addition, we use the following arrangements, among others, to obtain land. We make payment to obtain land from the land owners in return for either (i) revocable powers of attorney from land owners that own more than 51% of the land shares in common ownership of land plots, (ii) non-binding short-term lease agreements with local government officials, (iii) oral agency agreements with land owners who agree to purchase all the property's land shares on our behalf using funds that we lend to them (the "**Land Agents**") or (iv) other non-binding arrangements. Although these arrangements enable us to exercise control over the process of the land cadastering and registration of title and leasehold interests therein, and we believe that they represent the least cumbersome and costly approach to consolidating and registering title and other rights in agricultural land, these arrangements do not vest in us valid title to the land or an enforceable right to occupy it. Moreover, we incur significant expenses to rehabilitate and cultivate the land immediately after making payment to obtain the use of such land.

Although we have successfully used the above land acquisition techniques to obtain registered title to a large amount of land without incurring a loss, our reliance on such arrangements may expose us to significant risk in the event of opportunistic behaviour by our counterparties during the period between making payment to counterparties and the registration of title to or leasehold interests in the land. Additionally, other risks include, without limitation, the death or incapacitation of a land owner, the death or incapacitation of a Land Agent or a change of a governmental administration. If the foregoing were to occur, we may be required to renegotiate our arrangements with our counterparty's successor, and there can be no assurance that we would be able to enter into an appropriate arrangement on commercially reasonable terms or at all.

Moreover, we may not receive registered title to or a registered long-term lease for the relevant land, in which case we would also lose our investment of time and capital in the rehabilitation of the land.

Increasing real estate prices may increase the likelihood of opportunistic behaviour by our counterparties and competitors. In the event that such or other factors systematically prejudice the viability of the arrangements we use to control the process of cadastering and registering land, the loss of opportunities to acquire land, the loss of capital investment in the rehabilitation of land or the inability to recover our payments for the land could materially adversely affect our business, results of operations, financial condition or prospects.

A change in Russian law or a Russian court's interpretation of the present Russian law may result in a determination that our foreign ownership structure does not permit us to indirectly own Russian agricultural land.

Russian law prohibits a foreign controlled entity from directly owning agricultural land in Russia. Specifically, Russian law states that foreign citizens, foreign legal entities, stateless persons and legal entities in which more than 50% of their shares are owned by foreign citizens or foreign legal entities may lease, but may not own Russian agricultural land. Although the beneficial owner of the Group is a Russian citizen, more than 50% of the share capital of OJSC Group Rusagro is directly held by non-Russian entity. Because the Company is a holding company, we do not directly own Russian agriculture land and therefore believe that we are not in violation of the restriction on ownership of Russian agricultural land. However, should the law change, or should a Russian court apply a broader interpretation of the restriction, it could be determined that our agricultural land is held by a foreign legal entity. A change in Russian law or a determination by a Russian court that we impermissibly own Russian agricultural land could result in our ownership of Russian agricultural land being ruled void which could have a material adverse effect on our business, results of operations and financial condition.

We lease a number of land plots under short-term lease agreements with local authorities and individuals.

We control approximately 8% of our land bank pursuant to short-term lease agreements (less than a year) with local authorities, individuals and legal entities. Upon expiry of the lease term under any such short-term lease agreements, the lessor may refuse to extend the lease agreement or decide to reenter into the lease agreement for an indefinite period of time. Pursuant to Article 610 of the Civil Code of the Russian Federation land lease agreements concluded for an indefinite term may be terminated by either party at any time at his/her own discretion with three months' prior notice. We may be unable to renew our short-term land lease agreements at all or renew them on commercially acceptable terms.

If we fail to renew leases for a considerable part of our land or find other land in the locations where we operate, we may be unable to implement our expansion strategy in our agricultural business or may be forced to reduce our agricultural operations, which would materially adversely affect our business, results of operations and financial condition.

We use a substantial portion of our agricultural land and other real estate without valid legal title.

Of the approximately 380 thousand hectares of land we use and effectively control, we currently do not hold registered ownership title or valid leasehold interest with regard to approximately 12% of such land. With respect to the land for which we do not hold registered ownership title or valid leasehold interest, we may compete against other potential tenants or acquirers, including other agribusinesses which may have comparable or superior financial and other resources, to lease or acquire the land we use.

We use a number of land plots allocated, or "marked off," following declaration of the respective land shares as "unclaimed shares." The land plots which were "marked off" from "unclaimed shares" that are under our control represent approximately 4.8% of the total land under our control. In an attempt to obtain leasehold rights with respect to such land plots, we entered into lease agreements and/or undocumented lease arrangements with regional or local authorities. Such regional and local authorities have not obtained a valid legal title with regard to these land plots and therefore cannot grant leasehold rights for these land plots to us. Therefore, such lease arrangements are void and our use of such land plots may be challenged and terminated at any time. Moreover, we may be penalised for illegal use of these land plots. The current maximum administrative fine for unauthorised occupation of land or use of land without legal grounds is RUR 20,000 per violation for legal entities. Additionally, if the actual legal owners of the land plots file an action against us seeking recovery of unjust enrichment and a court renders judgement against us, we may be required to repay all profits we have received from our operations on these land plots. Furthermore, we lease substantial parcels of land under lease agreements which have not undergone cadastral registration for certain technical reasons. These agreements may be regarded as invalid and our use of the respective land plots may be terminated at any time. Rising real estate prices could increase the likelihood of challenges to our land lease arrangements by governmental officials and/or legal owners. Such legal actions brought against us could have a material adverse effect on our business, results of operations and financial condition. For more details see "*– Validity of our land acquisition or leasehold arrangements may be challenged. We incurred significant acquisition and development costs relating to agricultural land to which we have not yet registered title or leasehold interests, and there can be no assurance that we will be able to register title or leasehold interests in all such agricultural land*" and "*Regulation of the Russian Food and Agricultural Industry – State Support – The Acquisition of Agricultural Land*."

Moreover, we use some land without any legal title or formal or informal leasehold arrangements at all which may lead to an administrative fine and legal suites for unjust enrichment or damages filed against us.

In addition, we may not have registered title to certain structures (some of which may be used for ancillary production purposes) that are located on the land we control.

If we fail to obtain leasehold interests with regard to this land, or properly register ownership of any structures located thereon, we may be forced to reduce our agricultural operations and may lose any investments already made, which may materially adversely affect our business, results of operations and financial condition.

Certain regional regulations may restrict us from acquiring title to additional land and/or restrict the size of our land plots, which could have a material adverse effect on our business, results of operations and financial condition.

Conducting business in the Russian Federation often requires both formal authorisation and informal support from federal and local governmental authorities. Consequently, we depend on the support of governmental authorities at both federal and local levels. Local legislative regulations in certain regions of Russia may restrict us from acquiring additional land or restrict the size of agricultural land plots, which could impair our ability to expand and grow in accordance with our business strategy. In the regions in which we operate, authorities restricted the size of agricultural land plots that may be owned by one individual or one legal entity within the territory of a given municipality. In the Belgorod region, for example, one individual or legal entity may not own more than 30% of the agricultural area within the territory of any municipality thereof. Several of the Company's subsidiaries own land that is concentrated in a particular municipality. We believe that we are not in violation of the restrictions on ownership of land in any of the respective municipalities, however, should the law change, or should a Russian court apply a broader interpretation of the restrictions, it could be determined that we are in violation of such restrictions. Such regulations and limitations on our ability to acquire land or expand our business could have a material adverse effect on our business, results of operations and financial condition.

Political and Social Risks Relating to Russia

Political and governmental instability, including conflicts among federal, regional and local authorities and other political conflicts, could create an uncertain operating environment hindering our long-term planning ability and could have an adverse effect on our business, results of operations, financial condition and prospects.

Since 1991, Russia has sought to transform itself from a one-party state with a centrally planned economy to a democracy with a market-oriented economy. As a result of the sweeping nature of the reforms, and the limited success of some of them, the Russian political system remains vulnerable to popular dissatisfaction, as well as to unrest by some social and ethnic groups. Political conditions in Russia were highly volatile in the 1990s, as evidenced by frequent conflicts among executive, legislative and judicial authorities, which negatively affected Russia's business and investment climate. Vladimir Putin, a former President of the Russian Federation who currently is Russia's Prime Minister, generally increased governmental stability and continued the economic reform process, which made the political and economic situation in Russia more conducive to investment. On December 2, 2007, the State Duma elections were held and, on March 2, 2008, presidential elections were held in Russia. Though the recent structure of political forces in the State Duma did not change substantially, a new President, Dmitry Medvedev, assumed power from President Putin following the inauguration on May 7, 2008. Although a significant degree of continuity has been maintained between the two administrations due, in large part, to the appointment of Vladimir Putin as Russia's Prime Minister, President Medvedev may take a different approach to reforms and to the state's foreign and domestic policies in the future. Moreover, shifts in governmental policy and regulation in Russia may be less predictable than in many Western democracies and could disrupt or reverse political, economic and regulatory reforms.

While the Russian political system and the relationship between President Medvedev, the Russian Government and the State Duma currently appears to be stable, future political instability could result from declines in the overall economic situation, including any deterioration in standards of living, as well as from the results of elections of the State Duma and the Russian President in 2011 and 2012, respectively. Shifts in governmental policy and regulation in Russia may be less predictable than in many Western democracies and could disrupt or reverse political, economic and regulatory reforms. In September 2010, due to a loss of trust, President Medvedev dismissed the mayor of Moscow, Yuri Luzhkov, who had served as the mayor of Moscow for over 18 years. In October 2010, Sergey Sobyanin was appointed as the new mayor of Moscow.

Current and future changes in the government, major policy shifts or lack of consensus between the President of Russia, the Russian Government, Russia's parliament and powerful economic groups could lead to political instability which could have a material adverse effect on the value of investments relating to Russia, including the value of the GDRs. Russia is a federation of various sub-federal political units. The delineation of authority and jurisdiction among the members of the Russian Federation and the Russian Government is, in many instances, unclear and remains contested. Lack of consensus between the Russian Government and local or regional authorities often results in the enactment of conflicting legislation at various levels and may lead to further political instability. In particular, conflicting laws have been enacted in areas such as licensing. Some of these laws and governmental and administrative decisions implementing them, as well as certain transactions consummated pursuant to them, have in the past been challenged in the Russian courts, and such challenges may occur in the future. This lack of consensus hinders our long-term planning efforts and creates uncertainties in our operating environment, which may prevent us from effectively and efficiently carrying out our business strategy.

Emerging markets such as Russia are also subject to heightened volatility based on economic, military and political conflicts. For example, a military conflict in August 2008 between Russia and Georgia involving South Ossetia and Abkhazia resulted in significant overall price declines on the Russian stock exchanges and the deterioration of Russia's relations with certain other countries for a considerable period of time. Moreover, the relationships between Ukraine and Russia, and Belarus and Russia, have recently been strained over a variety of issues. The emergence of any new or escalation of existing tensions in the region could negatively affect the economy of Russia and other countries that are involved. Such tensions or conflicts may lead to reduced liquidity, trading volatility and significant reductions in the price of listed Russian securities, with a resulting negative effect on the liquidity and trading prices of the GDRs and on our ability to raise debt or equity capital in the international capital markets.

Additionally, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and violence which can halt normal economic activity and disrupt the economies of neighbouring regions. For example, terrorist attacks have been carried out in different parts of Russia, including Moscow. Most recently, on January 24, 2011, a suicide bomber killed more than 35 people and injured over 150 others at Russia's busiest airport, and on March 29, 2010, suicide bombings occurred on the Moscow metro, resulting in the death of 40 people and injuries to many more. The further intensification of violence, including terrorist attacks, or its spread to other parts of Russia, could have significant political consequences, including the imposition of a state of emergency in some or all regions of Russia. Moreover, any terrorist attacks and the resulting heightened security measures are likely to cause disruptions to domestic and international commerce. These factors could have a material adverse effect on our business, results of operations and financial condition.

Social instability, particularly that caused by worsening economic conditions and turmoil in the Russian financial markets, could lead to labour and social unrest, increased support for renewed centralised authority, nationalism or violence.

Failure of the Russian Government to adequately address social problems has led in the past, and could lead in the future, to labour and social unrest. Moreover, the worsening economic conditions and turmoil in the financial markets in Russia may result in high unemployment, the failure of state and private enterprises to pay full salaries on time and the failure of salaries and benefits generally to keep pace with the increasing cost of living. These conditions have already led to a certain amount of labour and social unrest that may continue or escalate in the future. In 2009, as a result of large-scale lay-offs and failures to pay salaries on time relating to the economic downturn, there were a number of social protests, particularly in cities relying on a single industry or enterprise to provide employment to a majority of people in those cities. For example, in June 2009, workers of Pikalevsky Alumina Plant blocked the highway demanding payment of overdue wages. The Russian Government halted the disruptions, but there can be no assurance that such protests will not occur again in the future. Such labour and social unrest could have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, including support for re-nationalisation of property, or expropriation of, or restrictions on, foreign involvement in the economy of Russia, as well as increased violence. Any of these consequences could have an adverse effect on confidence in Russia's political and social environment and the value of investments in Russia, restrict our operations and lead to a loss of revenue, or otherwise have a material adverse effect on our business, results of operations, financial condition and prospects.

The reversal of reform policies or government policies targeted at specific individuals or companies could have an adverse effect on our business as well as investments in Russia more generally.

During the presidency of Vladimir Putin and the current presidency of Dmitry Medvedev, the political and economic situation in Russia has generally become more stable and conducive to investment. However, any significant struggle over the direction of future reforms or the reversal of the reform process could lead to a deterioration in Russia's investment climate that might constrain our ability to obtain financing in the international capital markets, limit our sales in Russia or otherwise have a material adverse effect on our business, results of operations, financial condition and prospects.

In the recent past, Russian authorities have prosecuted some Russian companies, their senior managers and their shareholders on tax evasion and related charges. In some cases, the result of such prosecutions has been the imposition of prison sentences for individuals and/or significant claims for unpaid taxes with respect to companies such as Yukos, Mechel, TNK-BP and VimpelCom. Some analysts contend that such prosecutions demonstrate a willingness to reverse key political and economic reforms of the 1990s. Other analysts, however, believe that these prosecutions are isolated events that relate to the specific individuals and companies involved and do not signal any deviation from broader political and economic reforms or a wider programme of asset redistribution.

Crime and corruption could create a difficult business climate in Russia.

The political and economic changes in Russia in the 1990s have resulted in a decrease in the effectiveness of actions of law enforcement authorities against crime and corruption. The local and international press has reported that significant organised criminal activity has arisen, particularly in large metropolitan centres, and that high levels of corruption exist in Russia, including the bribing of government officials for the purpose of instigating investigations by government agencies. Press reports have also described instances in which government officials engage in selective investigations and prosecutions to further their commercial interests or those of certain individuals. Additionally, some members of the Russian media are alleged regularly to publish disparaging articles in return for payment. The presence of organised or other crime, the demands of corrupt officials or potential future claims that we have been involved in official corruption could result in negative publicity or disrupt our ability to conduct our business effectively, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Incomplete, unreliable or inaccurate official data and statistics could create uncertainty.

The official data published by Russian federal, regional and local government agencies are substantially less complete or reliable than those of some of the more economically developed countries in Europe and North America. Official statistics may also be produced on different bases than those used in more economically developed countries. Additionally, we rely on and refer to information and statistics from various third-party sources and our own internal estimates. For example, substantially all the information contained in this Prospectus concerning our competitors has been derived from publicly available information, including press releases, and/or information provided by our competitors to the relevant union of producers to which we belong. We believe that these sources and estimates are reliable, but we have not independently verified them. However, to the extent that such sources or estimates are based on official data released by Russian federal, regional and local government agencies, they will be subject to the same uncertainty. Any discussion of matters relating to Russia in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

Economic Risks Relating to Russia and Cyprus

Emerging markets such as Russia are generally subject to greater risks than more developed markets, and global financial or economic crises or even turmoil in any large emerging market country could have an adverse effect on our business and the value of the GDRs.

Russia's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world, and, generally, investing in emerging markets such as Russia is only suitable for sophisticated investors who fully appreciate that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging markets such as Russia are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Global financial or economic crises or even financial turmoil in any large emerging market country tend to adversely affect prices in equity markets of most or all emerging market countries as investors move their money to more stable, developed markets. The Russian equity markets have been highly volatile beginning in the second half of 2008, principally due to the impact of the global financial and economic crisis on the Russian economy. Such volatility has caused market regulators to temporarily suspend trading on MICEX and RTS multiple times. MICEX and RTS stock market indices experienced significant overall declines since their peaks in May 2008. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. In addition, during such times, businesses that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Potential investors are urged to consult with their own legal and financial advisers before making an investment in the GDRs.

Economic instability in Russia could have an adverse effect on our business.

The Russian economy has been adversely affected by the recent global financial and economic crisis. A continuation of the economic crisis could have a negative effect on the scale and profitability of our business. Any of the following risks, which the Russian economy has experienced at various points in the past, may have or have already had a significant adverse effect on the economic climate in Russia and may burden or have already burdened our operations:

- significant declines in gross domestic product ("**GDP**");
- high levels of inflation;
- sudden price declines in the natural resource sector;
- high state debt/GDP ratio;
- instability in the local currency market;
- lack of reform in the banking sector and a weak banking system providing limited liquidity to Russian enterprises;
- pervasive capital flight;
- corruption and the penetration of organised crime into the economy;
- significant increases in unemployment and underemployment;
- the impoverishment of a large portion of the Russian population;

- large number of unprofitable enterprises which continue to operate due to deficiency in the existing bankruptcy procedure;
- wide use of barter and non-liquid bills in settlements for commercial transactions;
- prevalent practice of tax evasion; and
- growth of the black-market economy.

The Russian economy has been subject to abrupt downturns in the past. For example, on August 17, 1998, in the face of a rapidly deteriorating economic situation, the Russian Government defaulted on its ruble-denominated securities, the CBR stopped its support of the ruble and a temporary moratorium was imposed on certain hard currency payments. These actions resulted in an immediate and severe devaluation of the ruble and a sharp increase in the rate of inflation, a dramatic decline in the prices of Russian debt and equity securities and an inability of Russian issuers to raise funds in the international capital markets. These problems were aggravated by the near collapse of the Russian banking sector in connection with the same events. This further impaired the ability of the banking sector to act as a reliable source of liquidity to Russian companies and resulted in the widespread loss of bank deposits.

In December 2008, the international credit rating agency Standard & Poor's Financial Services LLC downgraded Russia's foreign currency sovereign credit rating, which reflected an assessment by such agency that there was an increased credit risk that the Russian Government may default on its obligations, from BBB+/A-2 to BBB/A-3, in large part due to the impact of the recent financial and economic crisis that began in the second half of 2008. Later, in December 2009, Standard & Poor's Financial Services LLC upgraded their outlook from negative to stable. Moody's Investors Service, Inc., another international credit rating agency, changed its outlook to stable from positive on Russia's key ratings in December 2008. In February 2009, Fitch Ratings Ltd. downgraded its long-term sovereign rating for the Russian Federation from BBB+/A-2 to BBB/A-3, stating that the lowering of the ratings on Russia reflects risks associated with the sharp reversal in external portfolio and other investment flows, which has increased the cost and difficulty of meeting the country's external financing needs. Two of these credit agencies upgraded their ratings of the Russian Federation in 2010. In April 2010, the Russian Government issued US$ 5.5 billion of bonds rated Baa1 by Moody's Investors Service, Inc. and BBB by Fitch Ratings Ltd., who subsequently upgraded their sovereign credit rating outlook for Russia from negative to stable. In September 2010, Fitch Ratings Ltd. revised Russia's sovereign credit rating outlook from stable to positive, with the country's issuer default ratings in foreign and national currencies affirmed at BBB. According to Fitch's statement, the outlook revision reflects progress in lowering the inflation rate and in transitioning to a more flexible exchange rate as well as growth in foreign exchange reserves, which should potentially lower the vulnerability of the Russian economy. Fitch Ratings Ltd. is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. Neither Moody's Investors Service, Inc. nor Standard & Poor's Financial Services LLC is established in the European Union and neither rating agency has applied for registration under the CRS Regulation. Although the Russian economy continues to stabilise, if any of the major international credit rating agencies issues a negative credit assessment, foreign investment may decline and the cost of borrowing for the Russian Government may increase.

In late 2008, the Russian Government announced plans to institute substantial amounts in emergency financial assistance measures in order to ease taxes, refinance foreign debt and encourage lending. In January 2010, the Russian Government announced that during 2009 it had injected approximately RUR 1,200 billion into such financial assistance measures, and that it plans to allocate approximately RUR 195 billion in 2010 for further anti-crisis measures. There can be no assurance that these or other measures adopted by the Russian Government to ameliorate the effect of the recent financial and economic crisis will result in a short-term recovery of the Russian economy. Indeed, the impact of the global financial and economic crisis on the Russian economy has led to, among other things, a reduction in the disposable income of the general population, a crisis of bank liquidity, a significant depreciation of the ruble against the US Dollar and the Euro, the rise of unemployment and an increase in the inflation rate.

In addition, since Russia produces and exports large quantities of crude oil, natural gas and other commodities, its economy is particularly vulnerable to fluctuations in the prices of crude oil, natural gas and other commodities on the world market, which reached record high levels in mid-2008 and have since experienced significant decreases, particularly in the price of crude oil, which decreased by approximately 70% in the second half of 2008. Although since the beginning of 2009 there has been a substantial upward adjustment in the global price of oil, there can be no assurance that such trend will continue in the long-term. A sustained decline in the price of crude oil, natural gas and other commodities could further disrupt the Russian economy.

Any deterioration in the general economic conditions in Russia could adversely influence the level of consumer demand for various products, including those sold by us, and therefore could have a material adverse effect on our business, results of operations, financial condition and prospects.

Inflation could increase our costs.

The Russian economy has been characterised by high rates of inflation, including an annual inflation rate of 84.4% in 1998. According to the CBR, the annual inflation rate was approximately 13.3% in 2008, 8.8% in 2009 and 8.8% in 2010. Certain of our costs, such as salaries, construction costs and rent and utilities costs, are sensitive to rises in the general price level in Russia. Due to competitive pressures or regulatory constraints we may not be able to increase our prices sufficiently to preserve our margins. As a result, high rates of inflation could increase our costs, and there can be no assurance that we will be able to maintain or increase our margins.

The physical infrastructure in Russia is in poor condition, which may lead to interruptions in effective financial and economic activity.

The physical infrastructure in Russia is largely outdated and has not been adequately funded and maintained over the past two decades. Russia's poor physical infrastructure disrupts the transportation of goods and supplies as well as communications and adds costs to doing business in Russia. Particularly affected are the rail and road networks, power-generation and transmission networks, communication systems and building stock. Road conditions throughout Russia are poor, with many roads not meeting minimum requirements for use and safety. Power disruptions also occur: in May 2005, an electricity blackout affected much of Moscow and some other regions in the central part of Russia for one day, disrupting normal business activity. Other parts of the country face similar problems. Furthermore, in August 2009, an accident occurred at the Sayano-Shushenskaya Hydroelectric Power Plant, the largest hydro power plant in Russia in terms of installed capacity, when water from the Yenisei River flooded the turbine and transformer rooms at the power plant's dam, killing more than 70 people and causing billions of rubles in damage. As a result of the accident, the plant has halted power production, leading to severe power shortages for both residential and industrial consumers.

The Russian Government is actively pursuing the reorganisation of the nation's rail, electricity and telephone systems. Any such reorganisation may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems.

The poor condition or further deterioration of Russia's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Russia and interrupt our business operations, including, among others, delivery of our products to our customers and ability to fully comply with product quality standards, each of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

The Russian banking system remains underdeveloped and weaknesses in the Russian banking sector make it more susceptible to market downturns or economic slowdowns.

Russia's banking and other financial systems are not well-developed or regulated, and Russian legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. The 1998 financial crisis resulted in the bankruptcy and liquidation of many Russian banks and almost entirely eliminated the developing market for commercial bank loans at that time. From April to July 2004, the Russian banking sector experienced further serious turmoil. As a result of various market rumours and certain regulatory and liquidity problems, several privately owned Russian banks experienced liquidity problems and were unable to attract funds on the inter bank market or from their client base. Simultaneously, they faced large withdrawals of deposits by both retail and corporate customers. Several of these privately owned Russian banks collapsed or ceased or severely limited their operations. Russian banks owned or controlled by the government and foreign owned banks generally were not adversely affected by the turmoil.

Many Russian banks also do not meet international banking standards, and the transparency of the Russian banking sector still lags behind internationally accepted norms in certain respects. Banking supervision is also often inadequate, as a result of which many banks do not follow existing CBR regulations with respect to lending criteria, credit quality, loan loss reserves and diversification of exposure or other requirements. The imposition of more stringent regulations or interpretations could lead to weakened capital adequacy and the insolvency of some banks.

Prior to the onset of the recent global economic crisis, there was a rapid increase in lending by Russian banks, which many believe had been accompanied by a loosening of underwriting standards and a deterioration in the credit quality of the loan portfolio of those banks. In addition, a robust domestic corporate debt market was leading to Russian banks increasingly holding large amounts of mainly unsecured Russian corporate ruble bonds in their portfolios, which further deteriorated the risk profile of Russian bank assets. The recent global financial crisis led to the collapse or bailout of some Russian banks and to significant liquidity constraints for others. Profitability levels of most Russian banks have been adversely affected. Moreover, the global crisis prompted the Russian Government to inject substantial funds into the banking system amid reports of difficulties among Russian banks and other financial institutions. We hold our funds in a small number of Russian banks, including, Sberbank. However, the bankruptcy or insolvency of one or more of these banks could adversely affect our business. The continuation or worsening of the banking crisis, or the bankruptcy or insolvency of any of the banks which hold our funds, could prevent us from accessing its funds for several days, result in the loss of its income or affect our ability to complete banking transactions in Russia, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

While the impact of the recent global financial crisis on the Russian banking system was constrained by the actions by the CBR, the risk of further instability remains high. With few exceptions (notably the state-owned banks), the Russian banking system suffers from low depositor confidence, high concentration of exposure to certain borrowers and their affiliates, poor credit quality of borrowers and related party transactions. Risk management, corporate governance and transparency and disclosure remain below international best practices. In the recent global financial crisis, Russian banks were faced with a number of problems simultaneously, such as withdrawal of deposits by customers, payment defaults by borrowers, deteriorating asset values and ruble depreciation. Russian banks faced and continue to face serious mismatches in their liabilities (consisting in large part of foreign debt) and assets (loans to Russian borrowers and investments in Russian assets and securities).

These weaknesses in the Russian banking sector make the sector more susceptible to market downturns or economic slowdowns, including due to defaults by Russian borrowers that may occur during such market downturn or economic slowdown. The bankruptcy or insolvency of one or more large banks could adversely affect our business.

Potential increase in tax burden.

As a result of the economic downturn, the Russian Government is operating with a state budget deficit and the government may implement further Russian tax legislation to introduce additional mechanisms for raising revenues for the Russian Government. Effective January 1, 2011, the rate of direct mandatory contributions to the Social Security Fund, the Medical Insurance Fund and the Pension Fund increased, and the possibility of further increases in the tax burden cannot be excluded. Such changes could entail increased tax rates, the removal of tax benefits and the introduction of new taxes which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Distributions by the Company may be subject to Defence Tax in Cyprus.

Special Contribution for the Defence of the Republic ("**Defence Tax**") at the rate of 15% would be payable by a Cypriot company on deemed dividends to the extent that its shareholders (both individuals and companies) are Cypriot tax residents. A Cypriot company which does not distribute at least 70% of its after tax profits within two years of the end of the year in which the profits arose, would be deemed to have distributed this amount as a dividend two years after that year end. The Defence Tax on deemed dividend distribution would be payable to the extent these profits are attributable to the shareholders (including the holders of the GDRs) which are Cypriot tax residents (both individuals and companies). Defence Tax may also be payable on deemed dividends in case of liquidation or capital reduction of the Company. We will debit such Defence Tax paid against the profits attributable to the respective Cypriot shareholders. The amount of this deemed dividend distribution (subject to Defence Tax) is reduced by any actual dividend (not subject to Defence Tax) paid out of the profits of the relevant year at any time up to the date of the deemed distribution. The profits to be taken into account in determining the deemed dividend do not include fair value adjustments to movable or immovable property (if any). Imposition of such a tax could have a material adverse effect on our business, results of operations and financial condition.

In case a person who is not tax resident in Cyprus receives a dividend from a Cypriot tax resident company and that dividend is paid out of profits which at any stage were subjected to the deemed dividend distribution rule described above, then the Defence Tax paid due of the deemed distribution which relates to the dividends received by such person is refundable.

Interest expenses may not be deductible by the Company.

According to Cypriot tax law, interest expenses are tax deductible if they are incurred wholly and exclusively for the production of taxable income. However, no deduction is allowed for interest applicable or deemed to be applicable to the cost of purchasing assets not used for business purposes. This restriction on the deductibility of interest expense applies during the seven years from the date of purchase of the relevant asset. In this respect, investment in a subsidiary is considered a non-business asset in Cyprus and any interest expense that relates (or is deemed to relate) to the acquisition/financing of such asset (even if the subsidiary distributes dividends on a regular basis) is not considered tax deductible in Cyprus. Consequently, if the Company holds assets not used in the business (such as shares in subsidiaries), then all or part of the interest expense of the Company incurred on loans provided from non-resident lenders (both corporations and individuals) for the acquisition/financing of such assets should be considered non-deductible for tax purposes in Cyprus.

The Company may be deemed to be tax resident of a country other than Cyprus.

According to the provisions of the Cyprus Income Tax Law a company is considered to be a resident of Cyprus for tax purposes if its management and control is exercised in Cyprus. The Cypriot tax authorities normally assume that a company having a majority of its board members, statutory seat and board meetings in Cyprus is considered to be managed and controlled in Cyprus through the decision making power of the executive bodies being exercised in Cyprus. It is, however, possible for a company incorporated in Cyprus to be managed and controlled in another tax jurisdiction (e.g. in Russia). In such circumstances, there is a risk that the relevant non-Cypriot tax authorities may treat the company as being a resident taxpayer in that foreign jurisdiction. The company may then be subject to domestic statutory taxation in that foreign jurisdiction (including imposition of the respective domestic tax regime established in that foreign jurisdiction on the overall profits generated by such company).

If the Company is a tax resident of a country other than Cyprus or is subject to any foreign domestic tax regime as described above, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Legislative and Legal Risks Relating to Russia

Weaknesses relating to the Russian legal system and Russian laws create an uncertain environment for investment and business activity in Russia and thus could have an adverse effect on our business.

Risks associated with the Russian legal system include, to varying degrees, the following:

- inconsistencies between: (i) federal laws; (ii) decrees, orders and regulations issued by the President, the Russian Government and federal ministers; and (iii) regional and local laws, rules and regulations;
- a lack of judicial and administrative guidance on interpreting legislation as well as a lack of sufficient commentaries on judicial rulings and legislation;
- the relative unavailability of Russian legislation and court decisions in an organised manner that facilitates understanding of such legislation and court decisions;
- the relative inexperience of jurists, judges and courts in interpreting newly adopted legislation and complex commercial arrangements;
- substantial gaps in the legal framework due to the delay or absence of implementing regulations for certain legislation;
- a lack of judicial independence from political, social and commercial forces;
- alleged corruption within the judiciary and the governmental authorities;
- problematic and time-consuming enforcement of both Russian and non-Russian judicial orders and international arbitration awards;

- a high degree of discretion on the part of governmental authorities, leaving significant opportunities for arbitrary and capricious government action; and
- bankruptcy procedures that are not well developed and are subject to abuse.

Legislation relating to disclosure and reporting requirements and anti-money laundering legislation have only recently been enacted in the Russian Federation. The concept of fiduciary duties being owed by management or directors to their companies or shareholders is new to Russian law. Violations of disclosure and reporting requirements or breaches of fiduciary duties could have a material adverse effect on our business, results of operations, financial condition and prospects.

Additionally, the relatively recent enactment of many laws and the lack of consensus about the aims, scope, content and pace of economic and political reforms have resulted in ambiguities, inconsistencies and anomalies in the Russian legal system. The enforceability and underlying constitutionality of more recently enacted laws are in doubt, and many new laws remain untested. Moreover, the courts have limited experience in interpreting and applying many aspects of business and corporate law. Russian legislation also often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure.

In addition, there is no assurance that court decisions favourable to us and our operations will not be reconsidered in the future. For example, in accordance with a recent resolution adopted by the Supreme Arbitration Court of the Russian Federation, a judgement challenged in the course of supervisory proceedings can be reconsidered in light of discovery of new facts, provided that since the delivery of such judgement, application of legal provisions on which it is based has been changed by a resolution of the Supreme Arbitration Court of the Russian Federation. As a result of such change, we may not be able to benefit from a previous application or court practice used in our favour, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Any or all of these weaknesses could affect our ability to enforce our legal rights in Russia, including rights under our contracts, or to defend against claims by others in Russia.

It may be difficult to ascertain the validity and enforceability of title to land in Russia and the extent to which it is encumbered or to obtain certain approvals, consents or registrations and to comply with the requirements contained in such approvals, consents, registrations and other regulations.

Following the dissolution of the Soviet Union, land reforms commenced in Russia and real estate legislation changed continuously. Over the following years, more than 100 federal laws, presidential decrees and governmental resolutions were enacted or issued. Almost all Russian regions passed their own real estate legislation. In many instances, there was no certainty regarding which municipal, regional or federal government body had power to sell, lease or otherwise dispose of land.

In 2001, the Russian Civil Code was amended, and the new Russian Land Code as well as a number of other federal laws regulating land use and ownership was enacted. Nevertheless, the legal framework relating to the ownership and use of land and other real property in Russia is not yet sufficiently developed to support private ownership of land and other real property to the same extent as is common in countries with more developed market economies. Because of Russia's vast territory and difficulties of being in a transitional phase, the process of surveying and title registration may last for many years. Thus, it is often difficult to ascertain the validity and enforceability of titles to land in Russia and the extent to which titles are encumbered. Moreover, in order to use and develop land and other real estate in Russia, approvals or consents of or registrations with various federal, regional and local governmental authorities are required. Furthermore, it is not always clear which governmental body has the right to lease land in relation to certain land plots; construction approval procedures are intricate and such approvals may be contested or totally cancelled; and building and environmental regulations often contain requirements that are difficult to fully comply with in practice. Failure to obtain the required approvals, consents or registrations and to comply with the requirements contained in such approvals, consents, registrations and other regulations may lead to severe consequences for landowners and other real estate owners and lessees, including with respect to any current construction activities. These failures and other uncertainties mentioned above may have a material adverse effect on our business, results of operations, financial condition and prospects.

See also *"– Russian Agricultural Land Risks."*

Lack of independence and inexperience of the judiciary, the difficulty of enforcing court decisions and governmental discretion in enforcing claims could prevent us or you from obtaining effective redress in a court proceeding, which could have an adverse effect on our business or the value of the GDRs.

The independence of the judicial system and the prosecutor general's office and their immunity from economic, political and nationalistic influences in Russia is less than complete. The court system is often understaffed and underfunded. Judges are generally inexperienced in the area of business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all Russian legislation and court decisions are readily available to the public or organised in a manner that facilitates understanding. The Russian judicial system can be slow, and court orders are not always enforced or followed by law enforcement agencies. Additionally, the press has often reported that court claims and governmental prosecutions are sometimes influenced by or used in furtherance of political aims or private interests. We may be subject to such claims and may not be able to receive a fair hearing. These factors make judicial decisions in Russia difficult to predict and effective redress uncertain and could have a material adverse effect on our business, results of operations, financial condition and prospects.

Government action could have an adverse effect on our business and reduce the value of the GDRs.

Government authorities have a high degree of discretion in the Russian Federation and at times appear to act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that may not be in full accordance with the law or that may be influenced by political or commercial considerations. Moreover, the Russian Government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Unlawful, selective or arbitrary governmental actions have reportedly included denial or withdrawal of licences, sudden and unexpected tax audits or investigations, criminal prosecutions and civil actions. Federal and local government entities also appear to have used common defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate such issuances or registrations or to void transactions, seemingly for political purposes. Standard & Poor's has expressed concerns that "Russian companies and their investors can be subjected to government pressure through selective implementation of regulations and legislation that is either politically motivated or triggered by competing business groups." In this environment, our competitors may receive preferential treatment from the government, potentially giving them a competitive advantage.

Unlawful, selective or arbitrary government action, if directed at our operations, could lead to the loss of agricultural lands, production assets, termination of contracts, invalidation of share issuances, civil litigation, criminal proceedings and imprisonment of key personnel, any of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We note that the Group is periodically subject to tax inspections, pursuant to which the tax authorities may seek to assess additional tax liabilities.

Moreover, the Group's Agriculture division sells sugar beets to its Sugar division, and the purchase price is determined based on a formula that reflects several factors, including the amount of sugar extracted from such beets and the price at which such sugar is sold by the Sugar division. See "*Business – Operations – Sugar*." Tax authorities may challenge this methodology and seek to impose additional tax liabilities, which may have a material adverse effect on the Group's business, results of operations and financial condition.

The Russian taxation system is relatively underdeveloped.

The Russian Government is constantly reforming the tax system by amending the Tax Code of the Russian Federation (the "**Russian Tax Code**"). These amendments have resulted in some improvement in the tax climate. As of January 1, 2009 the corporate profits tax rate was reduced to 20%. For individuals who are tax residents in Russia the current personal income tax rate is 13%. The general rate of VAT is 18%. As of January 1, 2010 the Unified Social Tax was replaced by social security charges to the Russian pension, social security and medical insurance funds. As of January 1, 2010 the social security charges were equal to 26%. However, as of January 1, 2011 the total charge was increased up to 34%. See also *"Regulation of the Russian Agricultural and Food Industry – Taxation"* regarding the unified agriculture tax regime applied in Russia.

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement. For example, under certain circumstances, the current three-year statute of limitations for the assessment of taxes pursuant to a tax audit can be significantly extended.

In accordance with the Constitution of the Russian Federation and the Russian Tax Code, laws that introduce new taxes or worsen a taxpayer's position cannot be applied retroactively.

Despite the Russian Government's taking steps to reduce the overall tax burden in recent years in line with its objectives, it is likely that the Russian Federation will impose arbitrary or onerous taxes and penalties in the future, which could have a material adverse effect on the Group's business, results of operations and financial condition. In addition to the usual tax burden imposed on Russian taxpayers, these conditions complicate tax planning and related business decisions. These conditions could expose the Group to significant fines and penalties and potentially severe enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden, and could have a material adverse effect on the Group's business, results of operations and financial condition and prospects.

Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the audit commences. This provision of the Tax Code relates to the fact that the tax authorities are prohibited from carrying out repeat on-site tax audits in respect of the same taxes for a tax period which has already been audited (exceptions include where such audit is carried out in connection with the restructuring/liquidation of a taxpayer, or as a result of the filing by such taxpayer of an amended tax return decreasing the tax payable, or by a higher-level tax authority for the purpose of checking the activities of a lower-level tax authority). This limitation of the tax audit period is related to the statute of limitations for the commission of a tax offence, which is also limited to three years from the date on which it was committed or from the date following the end of the tax period during which the tax offence was committed (depending on the nature of the tax offence). Nevertheless, based on current judicial interpretation, there may be cases where the statute of limitations may be extended beyond three years. See also *"Government action could have an adverse effect on our business and reduce the value of the GDRs."*

Tax audits or inspections may result in additional costs to the Group if the relevant tax authorities conclude that the Group did not satisfy its tax obligations in any given year. Such audits or inspections may also impose additional burdens on the Group by diverting the attention of management resources. The outcome of these audits or inspections could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In October 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued a ruling concerning judicial practice with respect to unjustified tax benefits. In this context, a tax benefit means a reduction in the amount of a tax liability resulting, in particular, from a reduction of the tax base, the receipt of a tax deduction or tax concession or the application of a lower tax rate, or the receipt of a right to a refund (offset) or reimbursement of tax. The ruling provides that where the true economic intent of operations is inconsistent with the manner in which they have been taken into account for tax purposes a tax benefit may be deemed to be unjustified. The same conclusion may apply when an operation lacks a reasonable economic or business rationale. As a result, a tax benefit cannot be regarded as a business objective in its own right. On the other hand, the fact that the same economic result might have been obtained with a lesser tax benefit accruing to the taxpayer does not constitute grounds for declaring a tax benefit to be unsubstantiated. Moreover, there are no rules and little practice for distinguishing between lawful tax optimisation and tax avoidance. The tax authorities have actively sought to apply this concept when challenging tax positions taken by taxpayers in court, and are anticipated to expand this trend in the future. Although the intention of this ruling was to combat tax law abuse, in practice there can be no assurance that the tax authorities will not seek to apply this concept in a broader sense than may have been intended by the Supreme Arbitration Court.

The above conditions create tax risks in the Russian Federation that are more significant than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional burdens and costs on the Group's operations, including management resources. Further, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing the Group to significant fines, penalties and enforcement measures, and could materially adversely affect the Group's business, results of operations and financial condition.

Furthermore, Russian tax legislation is consistently becoming more sophisticated. It is possible that new additional revenue raising measures might be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect the Group's overall tax efficiency and may result in significant additional taxes becoming payable. We cannot offer prospective investors any assurance that additional tax exposures will not arise. Additional tax exposures could have material adverse effect on the Group's business, results of operations, financial condition and prospects.

Withholding income tax could be imposed in Russia on dividends distributed from our Russian subsidiaries to the Company.

Dividends paid by a Russian legal entity to a foreign legal entity are generally subject to Russian withholding income tax at the rate of 15%, although this tax rate may be reduced under an applicable double taxation treaty. The Russia-Cyprus double taxation treaty allows reduction of withholding income tax on dividends paid by a Russian company to a Cypriot company to 10% provided that the following conditions are met: (1) the Cypriot company is a tax resident of Cyprus within the meaning of the Russia-Cyprus double taxation treaty; (2) the Cypriot company is the beneficial owner of the dividends; (3) the dividends are not attributable to a permanent establishment of the Cypriot company in Russia; and (4) the treaty clearance procedures established by the Russian Tax Code are duly performed. This rate could be further reduced to 5% if the direct investment of the Cypriot company in a Russian company paying the dividends is at least US$100,000. Based on the draft protocol to the Russia-Cyprus double taxation treaty agreed upon by the governments of Cyprus and Russia, the treaty has been amended so that the US$100,000 investment threshold should be replaced with a €100,000 threshold.

Although we will seek to claim treaty protection, there is a risk that the applicability of the reduced rate of 5% or 10% may be challenged by the Russian tax authorities. As a result, there can be no assurance that we would be able to benefit from the reduced withholding income tax rate which, in practice, could have a material adverse effect on the results of the Group's operations and financial condition and the trading price of the GDRs. For example, the Company may incur the 15% withholding income tax at source on dividend payments from its Russian subsidiaries if the treaty clearance procedures established by the Russian Tax Code are not duly performed at the date when dividend payments are made. In this case, we may seek to claim as a refund the difference between the 15% tax withheld and the tax at the reduced rate of 10% or 5% as appropriate. However, there can be no assurance that such difference would be refunded, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may subject the Group's transfer prices to challenge by Russian tax authorities.

Transfer pricing legislation became effective in the Russian Federation on January 1, 1999. This legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controlled transactions, provided that the transaction price differs from the market price by more than 20%. Controlled transactions include transactions with related parties, barter transactions, foreign trade transactions and transactions with unrelated parties with significant price fluctuations (*i.e.*, if the price of such transactions differs from the prices of similar transactions by more than 20% within a short period of time). Transfer pricing adjustments are also applicable to the trading of securities and derivatives. There has been no formal guidance (although some court practice is available) as to how these rules should be applied. Moreover, the State Duma of the Russian Federation (the lower chamber of the Russian parliament) is in the process of considering proposed amendments to the transfer pricing legislation, which may come into force as early as 2011. Such amendments, if adopted, are expected to result in stricter transfer pricing rules. If the tax authorities were to impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse impact on the Group's business, results of operations and financial condition. See also *"Government action could have an adverse effect on our business and reduce the value of the GDRs."*

The Russian thin capitalisation rules allow different interpretations which may affect our business and the value of the GDRs.

The current Russian thin capitalisation rules restrict the deducibility of interest charged on "foreign controlled debt." The rules apply to loans (and certain other debt): (i) to a Russian company from a foreign entity which owns, directly or indirectly, more than 20% of the Russian company's share capital (a "qualifying foreign shareholder"); (ii) from another Russian company, which is an affiliate of a qualifying foreign shareholder, to a Russian company (which is the recipient of such loan); (iii) to a Russian company, where such loans are guaranteed or otherwise secured by either a qualifying foreign shareholder of such company, or a Russian corporate affiliate of that foreign qualifying shareholder. The deductibility of interest is restricted to the extent that "foreign controlled debt" exceeds the net assets of a corporate debtor by more than three times. Interest on such excess debt is non-deductible and treated as a dividend subject to withholding tax. In the event that a taxpayer has negative net assets, the whole amount of interest accrued on foreign controlled debt is non-deductible and treated as a dividend.

Russian subsidiaries of the Company may be affected by the thin capitalisation rules if at any time they have loans: (i) guaranteed by their qualifying foreign shareholders or (ii) from Russian affiliated companies of such qualifying foreign shareholders, or (iii) from any party, where such loan is guaranteed or otherwise secured either by (a) qualifying foreign shareholder, or by (b) a Russian corporate affiliate of such qualifying foreign shareholder.

Russian tax legislation includes varying concepts of corporate tax residency.

Russian tax legislation in effect as of the date of this Prospectus does not contain a concept of corporate tax residency. Russian companies are taxed on their worldwide income while foreign entities are taxed in Russia only on income attributable to a permanent establishment in Russia and on Russian source income. If any of the non-Russian group companies have a permanent establishment in Russia, additional taxes may be due. In its Main Directions of Russian Tax Policy for 2009-2011, the Russian Government has proposed introducing the concept of tax residency for legal entities into domestic tax law. According to this proposal, a foreign legal entity may be treated as a Russian tax resident based on the place of its effective management and control. No assurance can be given as to whether and when these amendments will be enacted, their exact nature, their potential interpretation by the tax authorities or the possible impact on us. We cannot rule out the possibility that, as a result of the introduction of these changes to Russian tax legislation or even based on existing law, our subsidiaries established outside Russia might be treated as Russian tax residents, subject to all applicable Russian taxes.

Currently, Russian companies cannot be consolidated for Russian tax purposes.

The financial results of Russian companies currently cannot be consolidated for Russian tax purposes. Therefore, each of the Russian subsidiaries of the Company pays its own Russian taxes and may not offset its profit or loss against the profit or loss of any of the other subsidiaries in its group.

However, in its Main Directions of Russian Tax Policy for 2010-2012 the Russian Government proposed introducing consolidated tax reporting for taxpayers which are part of one group. At the date of the Prospectus, the State Duma of the Russian Federation is in the process of considering the draft law, which may come into force as early as 2011.

Shareholder liability under the corporate law of Russia could result in our becoming liable for the obligations of our subsidiaries.

Russian law generally provides that shareholders in a Russian joint stock company or participants of a limited liability company are not liable for the obligations of such a company and bear only the risk of loss of their investment. This may not be the case, however, when one legal entity is capable of determining decisions made by another entity. The legal entity capable of determining such decisions is called the effective parent entity (*osnovnoye obshchestvo* in Russian). The legal entity whose decisions are capable of being so determined is called the effective subsidiary entity (*docherneye obshchestvo* in Russian). The effective parent bears joint and several liability for transactions entered into by the effective subsidiary in carrying out business decisions if:

- the effective parent gives binding instructions to the effective subsidiary; and
- the right of the effective parent to give binding instructions is set forth in the charter of the effective subsidiary or in a contract between such entities.

Moreover, under Russian law, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt as a result of the action of an effective parent. In these instances, the other shareholders of the effective subsidiary may claim compensation for the effective subsidiary's losses from the effective parent that causes the effective subsidiary to take action or fail to take action knowing that such action or failure to take action would result in losses. Accordingly, in our position as an effective parent, we could be liable in some cases for the debts of our effective subsidiaries.

Russian legislation may not adequately protect against expropriation and nationalisation.

The Russian Government has enacted legislation to protect foreign investment and other property against expropriation and nationalisation. In the event that such property is expropriated or nationalised, legislation provides for fair compensation. However, there is no assurance that such protections would be enforced. Expropriation or nationalisation of our business could have a material adverse effect on our business, results of operations, financial condition and prospects and the price of the GDRs.

Restrictive currency regulations may adversely affect our business and financial condition.

Notwithstanding significant recent liberalisation of the Russian currency control regime and the abolishment of certain restrictions from January 1, 2007, under Federal Law No. 173-FZ "On Currency Regulation and Currency Control" of December 10, 2003, as amended (the "**Currency Law**"), current regulations still contain a number of limitations on foreign currency operations. In particular, Russian companies must notify Russian tax authorities on opening, closing or changes of details of bank accounts denominated in any currency with banks located outside of the Russian Federation. Such a notification must be filed within one month from the date on which such an account was opened or closed or on which the account details were changed. Moreover, certain currency control restrictions were not repealed from January 1, 2007, and these include a general prohibition of foreign currency operations between Russian companies (except for the operations specifically listed in the Currency Law and the operations between the authorised banks specifically listed in the CBR regulations) and the requirement to repatriate, subject to certain exemptions, export-related earnings to Russia. Restrictions on our ability to conduct some of these transactions could increase our costs, or prevent us from continuing necessary business operations, or from successfully implementing our business strategy, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

As a result of the current state of the banking sector, considerable delays may occur in the transfer of funds within, and the remittance of funds out of, Russia. Any delay or other difficulty in transferring or remitting funds could limit our ability to meet payment and debt obligations as they become due, which could result in the acceleration of debt obligations and cross-defaults and, in turn, have a material adverse effect on our business, results of operations and financial condition and prospects.

Risks Relating to the GDRs

The Offering may not result in a liquid market for the GDRs and their market price may be volatile.

Although the GDRs will be admitted to trading on the London Stock Exchange, an active public market may not develop or be sustained after this Offering. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. After giving effect to the Offering, the principal shareholders will continue to hold significant controlling interest in the Company. If a liquid trading market for the GDRs does not develop, the price of the GDRs may be more volatile and it may be more difficult to complete a buy or sell order for the GDRs. Even if an active trading market develops, other factors may contribute to volatility in the market price for the GDRs. For example, our results may also fall below our expectations and the expectations of securities analysts and investors. In addition, stock markets, including the London Stock Exchange, from time to time experience extreme market-wide price and volume fluctuations due to macroeconomic factors, changes in perception and pricing of risk, and other factors.

As a result of any one or more of the foregoing factors, the market price of the GDRs may decline below the Offer Price.

The shares underlying the GDRs are not listed and may be illiquid.

Unlike many other GDRs traded on the London Stock Exchange, our Ordinary Shares are neither listed nor traded on any stock exchange, and we do not intend to apply for the listing or admission to trading of our Ordinary Shares on any stock exchange. As a result, a withdrawal of shares by a holder of GDRs, whether by election or due to certain events described under "Terms and Conditions of the Global Depositary Receipts" will result in that holder obtaining securities that are significantly less liquid than the GDRs and the price of those shares may be discounted as a result of such withdrawal.

Future sales of Ordinary Shares or GDRs may affect the market price of the GDRs.

Sales, or the possibility of sales, of substantial numbers of Ordinary Shares or GDRs in the public markets following the Offering could have an adverse effect on the trading prices of the GDRs. Subsequent primary equity offerings may reduce the percentage ownership of our shareholders. Moreover, newly issued preferred shares may have rights, preferences or privileges senior to those of the shares underlying the GDRs.

Additional issuances of our Ordinary Shares may reduce the percentage ownership interest of investors who purchased GDRs in this offering.

In order to raise funding in the future, we may issue additional Ordinary Shares, including in the form of GDRs. Holders of our Ordinary Shares have statutory pre-emptive rights entitling them to purchase a percentage of every issuance of our Ordinary Shares. As a result, holders of our Ordinary Shares may purchase Ordinary Shares we may issue in the future, including in the form of GDRs, in order to preserve their percentage ownership interest in us thereby reducing the percentage ownership interest of other investors, including holders of the GDRs who do not have such pre-emptive rights.

Voting rights with respect to the Ordinary Shares represented by the GDRs are limited.

GDR holders will have no direct voting rights with respect to the Ordinary Shares represented by the GDRs. GDR holders will be able to exercise voting rights with respect to the shares represented by GDRs only in accordance with the provisions of the Deposit Agreement and relevant requirements of Cypriot law. See "*Terms and Conditions of the Global Depositary Receipts*." Therefore, there are practical limitations upon the ability of GDR holders to exercise their voting rights due to the additional procedural steps involved in communicating with them. Holders of Ordinary Shares will receive notice directly from us and will be able to exercise their voting rights either personally or by proxy. GDR holders, by comparison, will not receive notice directly from us. Rather, in accordance with the Deposit Agreement, we will provide notice to the Depositary. The Depositary has undertaken, in turn, if requested by us in writing in a timely manner and at our expense, and provided that there are no US, UK or Cypriot legal prohibitions (including, without limitation, the Listing Rules and Prospectus Rules of the FSA and the admission and disclosure standards of the London Stock Exchange), to distribute to GDR holders notice of such meeting, copies of voting materials (if and as received by the Depositary from us) and a statement as to the manner in which instructions may be given by GDR holders. In order to exercise their voting rights, GDR holders must then instruct the Depositary how to vote the Ordinary Shares represented by the GDRs they hold. As a result of this additional procedural step involving the Depositary, the process for exercising voting rights may take longer for GDR holders than for holders of the shares, and we cannot assure GDR holders that they will receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner. Ordinary Shares underlying GDRs for which the Depositary does not receive timely voting instructions will not be voted.

Capital gains from the sale of the GDRs by non-resident investors may be subject to Russian withholding tax.

According to the Russian Tax Code, a tax resident is an individual who spent in Russia not less than 183 days within 12 consecutive months (days of medical treatment and education outside of the Russian Federation are also counted as Russian days if the individual departed from the Russian Federation for these purposes for less than six months). The interpretation of this definition by the Ministry of Finance states that for tax withholding purposes an individual's tax residence status should be determined as of the date of income payment (based on the number of Russian days in the 12-month period preceding the date of payment). The individual's final tax liability in the Russian Federation for the reporting calendar year (or shorter period upon departure from Russia) should be determined based on his/her tax residence status for such calendar year (or such shorter period), i.e., based on the number of Russian days in the 12 months as of the end of such period. Considering the above, a "non-resident investor" means (i) an individual holder of the GDRs who has not qualified as a Russian tax resident for the reporting calendar year or (ii) a legal entity or organization in each case not organized under Russian law that holds and disposes of the GDRs otherwise than through a permanent establishment in Russia.

If an investor which is a legal entity or an organization that is not resident in the Russian Federation disposes of the GDRs (other than through a permanent establishment in Russia), the proceeds from such disposal should be exempt from the profits withholding tax in Russia due to the fact that the GDRs do not represent shares of a Russian organization or financial instruments which are derivative of such shares.

Where the proceeds from a disposal of the GDRs are received from a source within the Russian Federation by an investor who is an individual that is not resident in the Russian Federation, there is a risk that Russian withholding tax would be charged at a rate of 30% on the gross proceeds from such disposal less any available cost deduction. The imposition or risk of imposition of this withholding tax could adversely affect the value of the GDRs.

We may not declare dividends in the foreseeable future or may be unable to pay dividends if they are declared.

If we decide to make dividend distributions on our Ordinary Shares, such dividend distributions must be recommended by our board of directors and approved by our shareholders, none of whom is under any obligation to either recommend or approve any dividend payments. In recommending or approving dividends, our board of directors and shareholders will take into account various factors, such as our operating results, financial condition and current and anticipated cash needs. In addition, our ability to pay dividends is subject to legal and other requirements and restrictions at the holding company level. See *"Description of the Share Capital and Applicable Cypriot Legislation – Dividends"* and *"Dividend Policy."*

Because the Depositary may be considered the owner of the Ordinary Shares underlying the GDRs, these shares may be arrested or seized in legal proceedings in Russia against the Depositary.

Many jurisdictions, such as the United Kingdom and the United States, distinguish between legal owners of securities, such as a depositary, and the beneficial owners of securities, such as the GDR holders. In these jurisdictions, shares held by a depositary on behalf of the GDR holders would not be subject to seizure in connection with legal proceedings against the depositary that are unconnected with the shares.

Russian law may not, however, recognise a distinction between legal and beneficial ownership of securities. Russian law generally treats a depositary as the owner of shares underlying GDRs and, accordingly, may not recognise GDR holders' beneficial ownership in such shares.

Therefore, in proceedings brought against a depositary, whether or not related to ordinary shares underlying GDRs, Russian courts may treat those underlying shares as the assets of the depositary, open to seizure or arrest. In the past, a lawsuit was filed against a depositary other than the Depositary seeking the seizure of various Russian companies' shares represented by GDRs issued by that depositary. In the event that this type of suit were to be successful in the future against the Depositary, and the Ordinary Shares underlying our GDRs were to be seized or arrested, the GDR holders involved would lose their rights to such underlying shares and all of the money invested in them.

You will experience immediate and substantial dilution to net asset value, and the market price of the GDRs may fall below the Offer Price per GDR.

The Offer Price per GDR is substantially higher than the net asset value per GDR. Whereas purchasers of GDRs in the Offering will contribute 53.7% of our consolidated net assets as at the date of the Offering, they will own only 18.3% of our consolidated net assets, assuming the Stabilising Manager does not exercise the Over-Allotment Option. For more information on dilution, see "*Dilution*."

Holders of the GDRs may not be able to benefit from certain UK anti-takeover protections.

Application has been made for the admission to trading of the GDRs on the London Stock Exchange; our Ordinary Shares are not listed on any stock exchange. As we are incorporated in Cyprus, we are not subject to the United Kingdom's City Code on Takeovers and Mergers (the "***City Code***"). Cypriot law does not contain provisions similar to those applicable to takeovers in the United Kingdom. As a result, a prospective bidder may gain control of us in circumstances in which some holders of our GDRs do not receive, or are not given the opportunity to receive, treatment equal to that received by our controlling shareholder.

Holders of GDRs in certain jurisdictions may not be able to exercise their pre-emptive rights in relation to future issues of Ordinary Shares.

In order to raise funding in the future, we may issue additional Ordinary Shares, including in the form of GDRs. According to Cypriot law, only existing registered holders of ordinary shares in a Cyprus public company are entitled to direct pre-emptive rights on the issue of new ordinary shares in that company as described in "*Description of Share Capital and Applicable Cypriot Legislation*." Holders of GDRs shall have no direct pre-emptive rights with respect to the newly allotted ordinary shares of the Company.

Moreover, holders of GDRs in certain jurisdictions (including the United States) may not be able to exercise pre-emptive rights for ordinary shares represented by GDRs unless the applicable securities law requirements in such jurisdiction (including, in the United States, in some circumstances the filing of a registration statement under the Securities Act) are adhered to or an exemption from such requirements is available. We are unlikely to adhere to such requirements and an exemption may not be available. Accordingly, such holders may not be able to exercise their pre-emptive rights on future issuances of ordinary shares, and, as a result, their percentage ownership interest would be reduced.

USE OF PROCEEDS

The Company will receive gross proceeds of US$300 million. The Company expects that its expenses (including underwriting commissions, fees and expenses) incurred in connection with the Offering will be approximately US$12.5 million. The Company expects to receive net proceeds of approximately US$287.5 million from the Offering.

The following table sets forth the unaudited estimated use of proceeds by the Group:

	US$ (millions)
Modernise and expand its production and processing capacity, through expansion of existing facilities and construction of new facilities	150
Finance potential acquisitions, including acquiring control over additional agricultural land	100
General corporate purposes	37.5
Total	**287.5**

See *"Business – Competitive Strengths and Strategies."*

The Group will retain significant discretion over the use of the net proceeds received from the Offering, and changes in the Group's plans or in the business environment in which it operates could result in the use of its net proceeds in a manner that is different to that described above.

The Group will not receive any proceeds from the sale of GDRs by the Selling Shareholder.

No proceeds from the Offering will be brought or applied within Cyprus.

DIVIDEND POLICY

The Company will review its dividend policy from time to time based on its capital position against its current and expected cash flows and future capital expenditure requirements. To the extent that we declare and pay dividends, owners of 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. Cash dividends may be paid to the Depositary in any currency and, except as otherwise described under "*Terms and Conditions of the Global Depositary Receipts – Conversion of Foreign Currency*," are converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses. The Depositary may deduct a fee of US$0.02 or less per GDR and other fees and expenses from any dividend distribution. See *"Terms and Conditions of the Global Depositary Receipts – Depositary's Fees, Costs and Expenses."*

The Company's ability to pay dividends may also be restricted by Cypriot law and the Company's articles of association (see "*Description of the Share Capital and Applicable Cypriot Legislation – Description of the Share Capital – Dividends*") and dependent upon the receipt of dividends and other distributions from the Company's subsidiaries which is in turn contingent upon the sufficiency of their earnings, cash flows and distributable reserves and their ability to make dividend payments to us in accordance with regulatory, fiscal and/or other restrictions.

CAPITALISATION

The information below sets out the capitalisation of the Group as at December 31, 2010, on an actual basis and on an as adjusted basis, to illustrate the effects of the Offering on the capitalisation of the Group had the Offering taken place on December 31, 2010. The capitalisation information presented as adjusted has been prepared in a manner consistent with the accounting policies adopted by the Group in the Consolidated Financial Statements.

The capitalisation information presented as adjusted has been prepared for illustrative purposes only and by its nature addresses a hypothetical situation and, therefore, does not reflect the Group's actual financial position or results of operations. The capitalisation information presented as adjusted is compiled on the basis set out in the notes below.

The information in this table should be read in conjunction with *"Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business"* and the Consolidated Financial Statements included elsewhere in this Prospectus.

	As at December 31, 2010		
	Actual(5)	**Adjustment for the Offering (pro forma)(1)**	**As adjusted for the Offering (pro forma)(1)**
		(in RUR thousands)	
Cash and cash equivalents	**5,119,971**	**8,115,723**	**13,235,694**
Short-term borrowings(3)	**11,142,603**	**—**	**11,142,603**
Long-term borrowings(4)	**8,256,799**	**—**	**8,256,799**
Total equity	**16,178,886**	**8,115,723**	**24,294,609**
Share capital	2,386,974	8,115,723	10,502,697
Retained earnings	13,382,557	—	13,382,557
Non-controlling interest	409,355	—	409,355
Total capitalisation(2)	**35,578,288**	**8,115,723**	**43,694,011**

(1) Adjustment or as adjusted to reflect the receipt of the estimated net proceeds of approximately US$287.5 million from the Offering as reflected in *"Use of Proceeds."* For the purposes of this presentation, an exchange rate of US$1.00 to RUB 28.2286, the official exchange rate quoted by the Central Bank of Russia on April 8, 2011, has been used.

(2) Total capitalisation is the sum of long-term borrowings, short-term borrowings and total equity.

(3) Short-term borrowings as at December 31, 2010 are calculated as total short-term borrowings of RUR 11,203,810 thousand, which include the current portion of long-term borrowings of RUR 22,163 thousand, less accrued interest of RUR 51,845 thousand and finance leases of RUR 9,362 thousand. See Note 13 to the Consolidated Financial Statements for the breakdown of total short-term borrowings.

(4) Long-term borrowings as at December 31, 2010 are calculated as total long-term borrowings of RUR 8,262,101 thousand, which exclude the current portion of long-term borrowings of RUR 22,163 thousand, less finance leases of RUR 5,302 thousand. See Note 13 to the Consolidated Financial Statements for the breakdown of total long-term borrowings.

(5) The financial information of the Group has been derived from the Consolidated Financial Statements included elsewhere in this Prospectus.

Other than as result of the matters set forth under *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent events,"* there has been no material change in the Group's capitalisation since December 31, 2010.

DILUTION

Interests of investors investing in the GDRs will be diluted to the extent of the difference between the Offer Price per GDR and the Group's consolidated net assets per GDR immediately following the completion of the Offering. For the purposes of this calculation, the Group's consolidated net assets per GDR represents the amount of the Group's total assets less total liabilities and non-controlling interest divided by the number of Ordinary Shares issued and outstanding at a relevant date, further adjusted for the ratio of five GDRs to one Ordinary Share.

Investors participating in the Offering will incur substantial dilution once the Offering is completed. The Group's consolidated net assets were RUR 15,769.5 million at December 31, 2010, amounting to RUR 158 per GDR, calculated using 20,000,000 shares (100,000,000 GDRs). After the Offering of the GDRs at an Offer Price of US$15.00 (RUR 423) per GDR, the Group's consolidated net assets at December 31, 2010, would have been RUR 202 per GDR. This represents an immediate increase in Group consolidated net assets of RUR 44 per GDR and an immediate dilution of RUR 221, or 52.3% per GDR to the new investors purchasing the GDRs in this Offering.

	US$(1)(4)	RUR(1)(2)(4)
Offer Price per GDR	15.00	423
Group consolidated net assets per GDR at December 31, 2010	5.59	158
Increase in Group consolidated net assets per GDR attributable to the Offering(3)	1.57	44
Group consolidated net assets per GDR after the Offering	7.16	202
Dilution per GDR to new investors purchasing the GDRs in the Offering	7.84	221
Percentage of dilution per GDR to new investors purchasing the GDRs in the Offering	52.3%	52.3%

(1) Except where percentages are indicated.

(2) The GDRs are payable at the Offer Price in US Dollars.

(3) Without giving effect to approximately US$12.5 million of expenses to be paid by us in connection with the Offering.

(4) For the purposes of this presentation, an exchange rate of US$1.00 to RUB 28.2286, the official exchange rate quoted by the Central Bank of Russia on April 8, 2011, has been used.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information shows our historical consolidated financial information and other operating information as of December 31, 2010, 2009 and 2008 and for the years then ended and the historical financial information of the Company as of December 31, 2010 and 2009 and for the years then ended. The Consolidated Statements of Comprehensive Income Data, Consolidated Statements of Financial Position Date and Consolidated Statements of Cash Flows Data set forth below has been derived from, and should be read in conjunction with, the Consolidated Financial Statements included elsewhere in this Prospectus. The selected consolidated financial information should also be read in conjunction with *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* below. Adjusted EBITDA and certain of the segmental data presented below are non-IFRS measures and were calculated by us based on data derived from the Consolidated Financial Statements. See *"Presentation of Financial Information"* and *"Presentation of Non-IFRS Measures."*

Selected Consolidated Financial Information Relating to the Group

Consolidated Statements of Comprehensive Income Data

	Year ended December 31,		
	2010	2009	2008
	(in RUR thousands)		
Sales	**30,955,530**	**24,671,374**	**17,766,287**
Gain on initial recognition of agricultural produce	770,564	394,861	682,923
Cost of sales	(23,153,421)	(18,388,466)	(14,437,288)
Gains less losses from trading sugar derivatives	1,214,660	–	–
Gross profit	**9,787,333**	**6,677,769**	**4,011,922**
Distribution and selling expenses	(1,641,600)	(1,451,311)	(1,022,287)
General and administrative expenses	(2,198,564)	(1,685,989)	(1,367,077)
Other operating income/(loss), net	67,425	(58,519)	112,704
Operating profit	**6,014,594**	**3,481,950**	**1,735,262**
Interest expense	(783,736)	(791,006)	(666,938)
Interest income	434,063	172,731	317,624
Other financial (expenses)/income, net	4,743	(28,787)	(30,502)
Profit before taxation	**5,669,664**	**2,834,888**	**1,355,446**
Income tax expense	(511,427)	(510,694)	(287,273)
Profit for the year	**5,158,237**	**2,324,194**	**1,068,173**
Total comprehensive income for the year	**5,138,237**	**2,324,194**	**1,068,173**
Attributable to:			
Owners of OJSC Rusagro Group	5,121,529	2,312,999	1,057,849
Non-controlling interest	36,708	11,195	10,324
Total comprehensive income for the year	**5,158,237**	**2,324,194**	**1,068,173**

Consolidated Statements of Financial Position Data

	At December 31,		
	2010	2009	2008
	(in RUR thousands)		
ASSETS			
Current assets			
Cash and cash equivalents	5,119,971	2,457,921	1,286,428
Restricted cash	305,276	–	–
Short-term investments	6,202,746	1,106,997	1,042,483
Trade and other receivables	2,236,808	950,914	1,039,261
Prepayments	906,444	327,710	313,499
Current income tax receivable	63,519	40,990	36,226
Other taxes receivable	725,322	571,829	952,646
Inventories	7,298,722	5,078,243	4,522,582
Short-term biological assets	855,069	748,174	540,151
Total current assets	**23,713,877**	**11,282,778**	**9,733,276**
Non-current assets			
Property, plant and equipment	13,721,002	12,829,979	11,255,116
Goodwill	474,899	474,899	128,529
Advances paid for property, plant and equipment	135,563	91,915	213,241
Long-term biological assets	703,676	723,439	883,865
Long-term investments	152,950	153,517	235,242
Deferred income tax assets	153,965	140,698	93,707
Other intangible assets	31,711	24,844	13,986
Restricted cash	–	–	13,227
Total non-current assets	**15,373,766**	**14,439,291**	**12,836,913**
Total assets	**39,087,643**	**25,722,069**	**22,570,189**
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings	11,203,810	4,475,525	4,568,472
Trade and other payables	1,933,541	595,130	873,096
Current income tax payable	26,639	115,792	77,230
Other taxes payable	475,859	369,699	168,744
Total current liabilities	**13,639,849**	**5,556,146**	**5,687,542**
Non-current liabilities			
Long-term borrowings	8,262,101	8,153,374	7,305,582
Government grants	577,134	578,679	582,501
Deferred income tax liability	386,627	366,723	252,182
Other non-current liabilities	43,046	–	–
Total non-current liabilities	**9,268,908**	**9,098,776**	**8,140,265**
Total liabilities	**22,908,757**	**14,654,922**	**13,827,807**
EQUITY			
Share capital	2,386,974	1,700,017	1,700,017
Retained earnings	13,382,557	8,909,613	6,912,105
Equity attributable to owners of OJSC Rusagro Group	**15,769,531**	**10,609,630**	**8,612,122**
Non-controlling interest	409,355	457,517	130,260
Total equity	**16,178,886**	**11,067,147**	**8,742,382**
Total liabilities and equity	**39,087,643**	**25,722,069**	**22,570,189**

Consolidated Statements of Cash Flows Data

	Year ended December 31, 2010	2009	2008
	(in RUR thousands)		
Operating cash flow before working capital changes	7,421,876	4,828,795	2,307,545
Cash generated from operations	4,745,981	4,929,413	899,858
Net cash from/(used in) operating activities	4,142,608	4,433,098	590,379
Net cash used in investing activities	(8,030,896)	(2,797,107)	(2,017,904)
Net cash from/(used in) financing activities	6,558,223	(576,245)	1,297,655

Segment Information and Non-IFRS Financial Measures

Year ended December 31, 2010[1]	Sugar	Meat	Agriculture	Oil and Fats	Other	Inter-segment Eliminations	Total
	(in RUR thousands)						
Sales	20,321,494	4,572,251	4,279,287	4,635,181	279,657	(3,132,340)	30,955,530
Gain on initial recognition of agricultural produce	–	–	770,564	–	–	–	770,564
Cost of sales	(15,970,621)	(2,968,568)	(3,749,020)	(3,310,943)	–	2,845,731	(23,153,421)
Gains less losses from trading sugar derivatives	1,214,660	–	–	–	–	–	1,214,660
Gross profit	**5,565,533**	**1,603,683**	**1,300,831**	**1,324,238**	**279,657**	**(286,609)**	**9,787,333**
Distribution and Selling, General and Administrative Expenses	(1,638,959)	(256,670)	(832,618)	(828,879)	(425,986)	142,948	(3,840,164)
Other operating income, net	9,175	209,131	(149,435)	31,764	(14,710)	(18,500)	67,425
Operating profit (loss)	**3,935,749**	**1,556,144**	**318,778**	**527,123**	**(161,039)**	**(162,161)**	**6,014,594**
Depreciation included in Operating Profit	549,652	590,455	536,057	155,956	2,843	23,215	1,858,178
Other operating income, net	(9,175)	(209,131)	149,435	(31,764)	14,710	18,500	(67,425)
Reimbursement of fuel and fertilisers (government grants)	–	–	137,783	–	–	–	137,783
Gain on initial recognition of agricultural produce	–	–	(770,564)	–	–	–	(770,564)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	–	–	766,994	–	–	–	766,994
Provision/(Reversal) for net realisable value	–	–	(23,592)	–	–		(23,592)
Adjusted EBITDA[2]	**4,476,226**	**1,937,468**	**1,114,891**	**651,315**	**(143,486)**	**(120,446)**	**7,915,968**

(1) In order to provide investors with additional insight into the earnings of the Group and for the purpose of comparison with similar businesses, information on sales, cost of sales, gross profit, distribution and selling, general and administrative expenses, other operating income, operating profit and depreciation expenses is presented for each operating segment in accordance with the accounting policies adopted by the Group for the preparation of the Consolidated Financial Statements. This information is prepared on the basis of IFRS principles, but such segment information is not required by IFRS to be presented, and the Group presents such information in the notes to the Consolidated Financial Statements for comparison purposes only.

(2) 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 (government grants)), (iii) the difference between gain on initial recognition of agricultural produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realised agricultural produce for the year and (iv) provision/(reversal) for net realisable value. 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. While depreciation expenses are considered operating expenses under IFRS, these expenses primarily represent non-cash current period allocation of costs associated with non-current assets acquired or constructed in prior periods. See "*Presentation of Financial and Other Information – Presentation of Non-IFRS Measures.*"

Year ended December 31, 2009[1]	Sugar	Meat	Agriculture	Oil and Fats	Other	Inter-segment Eliminations	Total
			(in RUR thousands)				
Sales	15,967,549	2,707,857	4,215,992	4,524,846	92,300	(2,837,170)	24,671,374
Gain on initial recognition of agricultural produce	–	–	394,861	–	–	–	394,861
Cost of sales	(12,735,517)	(2,035,044)	(3,335,867)	(2,750,459)	(38)	2,468,459	(18,388,466)
Gross profit	**3,232,032**	**672,813**	**1,274,986**	**1,774,387**	**92,262**	**(368,711)**	**6,677,769**
Distribution and Selling, General and Administrative Expenses	(1,430,883)	(169,516)	(774,747)	(753,209)	(181,200)	172,255	(3,137,300)
Other operating income, net	8,231	16,527	(86,819)	(17,491)	45,963	(24,930)	(58,519)
Operating profit (loss)	**1,809,380**	**519,824**	**413,420**	**1,003,687**	**(42,975)**	**(221,386)**	**3,481,950**
Depreciation included in Operating Profit	288,662	511,682	442,038	113,026	1,700	–	1,357,108
Other operating income, net	(8,231)	(16,527)	86,819	17,491	(45,963)	24,930	58,519
Reimbursement of fuel and fertilisers (government grants)	–	–	147,106	–	–	–	147,106
Gain on initial recognition of agricultural produce	–	–	(394,861)	–	–	–	(394,861)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	–	–	602,329	–	–	–	602,329
Provision/(Reversal) for net realisable value	–	–	(165,053)	–	–		(165,053)
Adjusted EBITDA[2]	**2,089,811**	**1,014,979**	**1,131,798**	**1,134,204**	**(87,238)**	**(196,456)**	**5,087,098**

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(2) 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 (government grants)), (iii) the difference between gain on initial recognition of agricultural produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realised agricultural produce for the year and (iv) provision/(reversal) for net realisable value. 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. While depreciation expenses are considered operating expenses under IFRS, these expenses primarily represent non-cash current period allocation of costs associated with non-current assets acquired or constructed in prior periods. See "*Presentation of Financial and Other Information – Presentation of Non-IFRS Measures.*"

Year ended December 31, 2008[1]	Sugar	Meat	Agriculture	Oil and Fats	Other	Inter-segment Eliminations	Total
				(in RUR thousands)			
Sales	11,585,678	878,021	2,569,341	4,170,502	457	(1,437,712)	17,766,287
Gain on initial recognition of agricultural produce	–	–	682,923	–	–	–	682,923
Cost of sales	(9,426,133)	(743,555)	(2,521,361)	(2,935,144)	(43)	1,188,948	(14,437,288)
Gross profit	**2,159,545**	**134,466**	**730,903**	**1,235,358**	**414**	**(248,764)**	**4,011,922**
Distribution and Selling, General and Administrative Expenses	(1,157,829)	(144,189)	(721,115)	(508,255)	(101,030)	243,054	(2,389,364)
Other operating income, net	(33,752)	16,917	173,308	(2,824)	158,599	(199,544)	112,704
Operating profit (loss)	**967,964**	**7,194**	**183,096**	**724,279**	**57,983**	**(205,254)**	**1,735,262**
Depreciation included in Operating Profit	226,254	179,290	274,788	98,395	846	–	779,573
Other operating income, net	33,752	(16,917)	(173,308)	2,824	(158,599)	199,544	(112,704)
Reimbursement of fuel and fertilisers (government grants)	–	20,702	147,717	–	–	–	168,419
Gain on initial recognition of agricultural produce	–	–	(682,923)	–	–	–	(682,923)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	–	–	495,076	–	–	–	495,076
Provision/(Reversal) for net realisable value	–	–	188,644	–	–	–	188,644
Adjusted EBITDA[2]	**1,227,970**	**190,269**	**433,090**	**825,498**	**(99,770)**	**(5,710)**	**2,571,347**

(1) In order to provide investors with additional insight into the earnings of the Group and for the purpose of comparison with similar businesses, information on sales, cost of sales, gross profit, distribution and selling, general and administrative expenses, other operating income, operating profit and depreciation expenses is presented for each operating segment in accordance with the accounting policies adopted by the Group for the preparation of the Consolidated Financial Statements. This information is prepared on the basis of IFRS principles, but such segment information is not required by IFRS to be presented, and the Group presents such information in the notes to the Consolidated Financial Statements for comparison purposes only.

(2) 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 (government grants)), (iii) the difference between gain on initial recognition of agricultural produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realised agricultural produce for the year and (iv) provision/(reversal) for net realisable value. 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. While depreciation expenses are considered operating expenses under IFRS, these expenses primarily represent non-cash current period allocation of costs associated with non-current assets acquired or constructed in prior periods. See "*Presentation of Financial and Other Information – Presentation of Non – IFRS Measures.*"

A reconciliation of the Adjusted EBITDA (as previously defined) to the profit for the year of the Group is as follows for the periods indicated:

	Year ended December 31,		
	2010	2009	2008
	(in RUR thousands)		
Profit for the year	**5,158,237**	**2,324,194**	**1,068,173**
Interest expense	783,736	791,006	666,938
Interest income	(434,063)	(172,731)	(317,624)
Other financial expenses/(income), net	(4,743)	28,787	30,502
Income tax expense	511,427	510,694	287,273
Operating profit (loss)	**6,014,594**	**3,481,950**	**1,735,262**
Depreciation included in Operating Profit	1,858,178	1,357,108	779,573
Other operating income, net	(67,425)	58,519	(112,704)
Reimbursement of fuel and fertilisers (government grants)	137,783	147,106	168,419
Gain on initial recognition of agricultural produce	(770,564)	(394,861)	(682,923)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	766,994	602,329	495,076
Provision/(Reversal) for net realisable value	(23,592)	(165,053)	188,644
Adjusted EBITDA	**7,915,968**	**5,087,098**	**2,571,347**

Selected Financial Information Relating to the Company

The following shows the income statement and statement of comprehensive income data and the balance sheet data of the Company as of December 31, 2010 and 2009 and for the years then ended. As of December 31, 2010, the Company owned only 14.3% of the participation interests of OJSC Rusagro Group and did not control or exercise significant influence over it, and consequently has not prepared consolidated financial statements. The Company does not have any material operations other than holding such shares in OJSC Rusagro Group. As a result, the Company believes that the financial information presented in this Prospectus, including the Consolidated Financial Statements relating to OJSC Rusagro Group, and related discussion is representative of the results of operations of the Group.

Income Statement and Statement of Comprehensive Income Data for the Company

	Year ended December 31,	
	2010	2009
	(in RUR thousands)	
Revenue	–	–
Cost of sales	–	–
Gross profit	**–**	**–**
Administrative expenses	(36,440)	–
Operating profit	**(36,440)**	**–**
Finance costs	(6,659)	–
Loss before tax	**(43,099)**	**–**
Current income tax	–	–
Deferred income tax	–	–
Loss for the year	**(43,099)**	**–**
Other comprehensive income:		
Available-for-sale financial assets	1,380,854	–
Other comprehensive income for the year	**1,380,854**	**–**
Total comprehensive income for the year	**1,337,755**	**–**

Balance Sheet Data for the Company

	At December 31, 2010	2009
	(in RUR thousands)	
ASSETS		
Current assets		
Accounts receivables	660	65
Cash and cash equivalents	237	–
Total current assets	**897**	**65**
Non-current assets		
Available-for-sale investments	6,797,427	–
Total non-current assets	**6,797,427**	**–**
Total assets	**6,798,324**	**65**
EQUITY AND LIABILITIES		
Equity		
Share capital	85	65
Share premium	341,317	–
Other reserves	6,456,090	–
Retained loss	(43,099)	–
Total equity	**6,754,393**	**65**
Current Liabilities		
Accounts payables	855	–
Loans received from related parties	43,076	–
Total current liabilities	**43,931**	**–**
Total liabilities and equity	**6,798,324**	**65**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations as of and for the years ended December 31, 2010, 2009 and 2008 should be read in conjunction with our Consolidated Financial Statements and the other information included elsewhere in this Prospectus.

LLC Group of Companies Rusagro was the holding company for the group until February 2010. In February 2010, OJSC Rusagro Group was created as a new holding company of LLC Group of Companies Rusagro and has no material operations other than holding 100% minus one participation interest of LLC Group of Companies Rusagro. This restructuring was accounted for as a transaction under common control using predecessor basis of accounting, based on which the consolidated financial statements of OJSC Rusagro Group were presented as if it has always been on top of the existing Group. As a result, the Consolidated Financial Statements, which comprise OJSC Rusagro Group and its subsidiaries, include the assets, liabilities, revenues and expenses that were directly related to LLC Group of Companies Rusagro during the relevant period prior to formation of OJSC Rusagro Group.

The Company does not have any material operations other than holding shares of OJSC Rusagro Group. For a list of material subsidiaries of the Group, see "Business – Organisation – Group Structure." As a result, the Company believes that the Consolidated Financial Statements and related discussion of such financial information contained in this section are representative of the results of operations of the Group for the periods presented. This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Overview

Rusagro is a leading Russian diversified food processor with integrated agricultural operations. We began as a sugar producer and developed our agricultural operations in the areas surrounding our sugar processing plants to help ensure a reliable source of sugar beets for our sugar operations. As we rotate our crop production, we produce other agricultural products, such as winter wheat, barley and sunflower products. To further diversify our operations, we developed an oil and fats business, which produces primarily mayonnaise and consumer margarine. In 2006, we launched our pig breeding project near our agricultural fields in the Belgorod region. Our sugar, agricultural and pig breeding operations are all located in close proximity in the Belgorod, Tambov and Voronezh regions, and our oil and fats operations are located in Ekaterinburg in the Sverdlovsk region. Our principal divisions are:

- *Sugar:* We are a leading Russian sugar producer, producing sugar from both sugar beets and raw cane sugar. According to our internal estimates based on Soyuzrossakhar data, the Group produced approximately 16% of the sugar produced in Russia during 2010 (including sugar processed both by and on behalf of third parties through tolling arrangements). Our seven sugar processing plants have an aggregate daily processing capacity of either approximately 33,100 tons of sugar beets or approximately 5,640 tons of raw cane sugar. Based on our internal estimates that our plants can process sugar beets for up to 115 days per year and raw cane sugar for up to 190 days per year, our plants have an aggregate annual processing capacity of 3.8 million tons of sugar beets and 1.07 million tons of raw cane sugar. We achieved a sugar conversion ratio for processing sugar beets of approximately 13.85% in 2010, which, according to Soyuzrossakhar 2010 annual data, is higher than the average sugar conversion ratio among sugar producers operating in the Belgorod and Tambov regions in Russia. During 2009, weather conditions were more favourable for sugar beet production, and the sugar beets we processed had a higher sugar content than those processed during 2010 that were affected by the 2010 drought. We achieved a sugar conversion ratio of approximately 16% in 2009, which, according to Soyuzrossakhar 2009 annual data, was one of the highest sugar conversion ratios among the largest sugar producers in Russia. Our Sugar division is vertically integrated with the sugar beet cultivation in our Agriculture division, through which we strive to ensure a consistent supply of sugar beets.
- *Meat:* Our pig breeding project was launched in 2006 and, according to the National Union of Pig Breeders, is currently the fifth largest pig breeding complex in Russia. We reached our design capacity of 60 thousand tons of live-weight annually at the end of 2009. Through further improvements in the efficiency of our pork production operations in 2010, we increased production volume beyond our

design capacity and produced approximately 62 thousand tons of live-weight. During 2010, we began developing a further pig breeding site in the Belgorod region with a design capacity of 13.5 thousand tons of live-weight per annum. Also in 2010, we launched another greenfield project in the Tambov region. Construction of our Tambov facility is expected to begin in spring 2011, and we plan to reach our design capacity of 114 thousand tons of live-weight annually in 2014. We are currently launching a third greenfield project in the Chelyabinsk region that has a projected design capacity of 115 thousand tons of live-weight annually. Once we reach the design capacity for the Belgorod expansion, the Tambov facility and the Chelyabinsk facility, the total production capacity of our Meat division is expected to be over 300 thousand tons of live-weight annually.

- *Agriculture:* The Group currently controls what it believes to be one of the largest land banks among Russian agriculture producers, with approximately 380 thousand hectares of land currently under our control located in the highly fertile Black Earth region of Russia, of which approximately 41% is owned by Rusagro. Approximately 78% of our land bank is located in the Belgorod region, approximately 17% is in the Tambov region and approximately 5% is in the Voronezh region. We believe we are a leading Russian sugar beet producer, supplying approximately 45% of the total sugar beets processed by our sugar plants in 2010 and 53% of the total sugar beets processed by our sugar plants in 2009 (including sugar beets processed at our plants on behalf of third parties through tolling arrangements). Our agricultural division also produces winter wheat and barley, sunflower products and soybeans. During 2010, despite unfavourable weather conditions which negatively affected harvests in the regions where we operate, Rusagro's yields generally exceeded the average yields in these regions for the majority of the crops that we produced in 2010, according to Rosstat data. In addition, we own and operate three grain elevators and have executed an agreement to acquire a fourth grain elevator, and we expect to complete such acquisition in the second quarter of 2011. These four elevators have a total storage capacity of approximately 346.5 thousand tons, and we also have the capacity to store an additional 140 thousand tons of grain in plastic storage bags.

- *Oil & Fats:* We are a leading producer of mayonnaise and consumer margarine in Russia. Based on market information obtained through Rosstat and the Russian Oil and Fats Union and our production estimates for producers who do not belong to the Russian Oil and Fats Union, we estimate that in Russia we are the largest consumer margarine producer and the fifth largest mayonnaise producer. We are a leader in the mayonnaise and consumer margarine market in the area surrounding our production facility in Russia, which includes the Urals region and the city of Novosibirsk and has a total population of approximately 33 million people. Based on information obtained from Nielsen regarding market share in the cities of Ekaterinburg, Tyumen, Ufa, Omsk, Chelyabinsk and Perm in this region, we led the mayonnaise market with a share of total market sales by volume of approximately 32% in October-November 2010, and we were second in the consumer margarine market with an approximate 29% share of total market sales by volume in this same period. In addition, according to Mittel, we led the consumer margarine market in Uzbekistan with a share of total market sales by volume of approximately 58% during autumn 2009, and we believe based on our market estimates that we retained this leading position in 2010. Our oil and fats production plant is located in Ekaterinburg, south of the Urals, and currently has an annual production capacity of approximately 84 thousand tons of mayonnaise and approximately 45.5 thousand tons of margarine. In March 2011, we acquired control of an oil extraction plant located in Samara with an annual production capacity of 140 thousand tons of oil, through which we expect to be able to control the source of 100% of the vegetable oil required by our oil and fats production plant.

Our consolidated sales were RUR 30,955,530 thousand, RUR 24,671,374 thousand and RUR 17,766,287 thousand for the years ended December 31, 2010, 2009 and 2008, respectively. Our profit for the year was RUR 5,158,237 thousand, RUR 2,324,194 thousand and RUR 1,068,173 thousand for the years ended December 31, 2010, 2009 and 2008, respectively. We consistently invest in modernising and improving the efficiency of our business, with significant capital expenditures in recent years, totalling RUR 2,943,965 thousand, RUR 2,968,632 thousand and RUR 3,198,461 thousand for the years ended December 31, 2010, 2009 and 2008, respectively. Capital expenditures comprise purchases of property, plant and equipment and other intangible assets and investments in subsidiaries, net of cash acquired.

The following table sets forth our total sales, cost of sales, gross profit, operating profit and profit for the year for the years ended December 31, 2010, 2009 and 2008:

	Year ended December 31,		
	2010	2009	2008
	(RUR thousands)		
Total sales	30,955,530	24,671,374	17,766,287
Cost of sales	(23,153,421)	(18,388,466)	(14,437,288)
Gross profit	9,787,333	6,677,769	4,011,922
Operating profit	6,014,594	3,481,950	1,735,262
Profit for the year	5,158,237	2,324,194	1,068,173

Factors Affecting Results of Operations

As a producer of agricultural commodities and products that sell at world and domestic market prices beyond our control, our results of operations are primarily affected by: (i) average market commodity prices, (ii) production volumes, (iii) government involvement in the Russian agricultural sector and (iv) seasonality and availability of financial resources.

Average Market Commodity Prices

The crops we cultivate and trade are commodities, and most of our processed foodstuffs are undifferentiated and commodity-like. Accordingly, their sales prices are dependent on global and/or domestic market prices which are beyond our control or ability to influence. Fluctuations in market commodity prices affect the prices at which we can sell many of our products, particularly sugar and agricultural produce, and also affect our cost of sales, as the prices of many of our key inputs are tied to movements in market commodity prices. Average domestic market prices (net of VAT) for sugar in 2010 and 2009 increased over the prior year by 17% and 36%, respectively, from RUR 15,970 per ton in 2008 to RUR 21,659 per ton in 2009 and RUR 25,242 per ton in 2010, which correlated to changes in the global commodity price of sugar. The domestic market prices (net of VAT) for vegetable oil, a key input for our oil and fats products, increased by 31% in 2010 over 2009 and decreased by 25% in 2009 compared with 2008, from RUR 30,769 per ton in 2008 to RUR 23,022 per ton in 2009 and RUR 30,259 per ton in 2010, while the domestic market prices (net of VAT) for pigs from our Meat division increased in 2010 by 3% and decreased in 2009 by 3% from RUR 69,570 per ton in 2008 to RUR 67,410 per ton in 2009 to RUR 69,540 per ton in 2010. The table below sets forth our average actual selling prices for key products cultivated within the Agriculture division and actual purchase prices for significant inputs for the periods presented.

Agriculture Prices	Year ended December 31,		
	2010	2009	2008
	(in RUR per ton) (net of VAT)		
Products cultivated			
Barley	2,949	2,314	3,939
Sugar Beets	2,336	2,284	1,146
Sunflowers	19,359	10,809	6,776
Winter Wheat	3,899	2,969	3,388
Key inputs			
Fuel	12,391	12,618	18,533
Fertiliser	6,513	8,918	16,308
Seeds	4,291	3,116	2,711

Source: Company data

Production Volumes

Sales for the Group are critically dependent on our production volumes. Increasing sales through increases in production volumes is offset some through increases in cost of goods sold. Accordingly, many of the measures we use to increase production volumes are intended to result in efficiency gains that limit the rate of increase in cost of goods sold as production volumes rise. Our Sugar division seeks to increase production not only by increasing plant production capacity (e.g., through the acquisition of two sugar processing plants during 2009 in the Belgorod and Tambov regions), but also by modernising plants to improve product yield from raw materials and managing logistics and raw materials procurement to improve capacity utilisation rates at plants and storage facilities. Our Meat division increases production by increasing the number of livestock, and by modernising its production facilities to increase pig weight and improve survival rates, managing fodder utilisation and refining the genetic make-up of the pigs produced. Our Agriculture division seeks to increase production not only by increasing the number of hectares of land that are cultivated, but also by introducing technology and machinery which reduce production costs per ton while improving average harvest yield per hectare. As with other companies in the agriculture sector, however, production volumes for the Group's agricultural products are significantly dependent on weather patterns during the growing season, and harvests may vary significantly as a result of unusual seasonal weather or unexpectedly large or small amounts of rainfall. Within our Oil and Fats division, we seek to improve the efficiency of our production facilities by replacing equipment lines and updating technology used in the production process.

Government Involvement in the Russian Agricultural Sector

Enterprises engaged in agricultural production operations in Russia receive various forms of support from the federal government of the Russian Federation as well as from regional governments. Among other things, we benefit from reduced rates of profits tax and of certain other taxes, interest rate subsidies on certain borrowings and direct support from the federal and regional budgets. For example, from 2008 through 2010, our sugar processing plants in the Tambov region received subsidies from the local government totalling RUR 198,106 thousand for capital expenditures toward the acquisition of equipment in connection with the modernisation programmes at our plants in the region. In 2010, 2009 and 2008 we received RUR 898,949 thousand, RUR 879,628 thousand and RUR 624,642 thousand, respectively, in interest expense reimbursements from federal and regional administrations in Russia. The interest rate subsidy programme provided by the Russian Government currently reimburses 80% from the federal budget and up to 20% from regional budgets of the interest expense incurred by a Russian agricultural enterprise during a calendar year, such reimbursement not to exceed 80% of the CBR refinancing rate as of the date the credit is granted, for reimbursements by the federal government, and 20% of the CBR refinancing rate for reimbursements by regional governments. Since January 1, 2011, the maximum reimbursement is set at the CBR refinancing rate as of the date the interest rate is established with the applicable lender. During 2010, the CBR refinancing rate varied from 7.75% to 8.75%, compared to a range of 8.75% to 13% in 2009 and 10% to 13% in 2008. Since February 28, 2011, the CBR refinancing rate has been set at 8%. As a result of these subsidies, the effective weighted average interest rate of our borrowings (including bank borrowings and state budget loans) at December 31, 2010, net of estimated reimbursements from federal and regional administrations in Russia, was approximately 2.36%.

In 2001, the Russian Government instituted a programme of state intervention in the agricultural products markets, under which it carried out purchases of wheat. In 2002, the Russian Government expanded its intervention programme to smooth seasonal price fluctuations through purchases and sales in the grain markets generally and to secure more predictable financial performance of domestic agricultural producers. The current legal framework governing grain market interventions is set forth in Federal Law No. 264-FZ "On Agricultural Development" adopted on December 29, 2006 and the Resolution of the Russian Government No. 580 "On approval of the rules for state interventions for the purpose of regulating the market of agricultural products, raw materials and food" adopted on August 3, 2001, as amended. Since 2002, the government has allocated up to RUR 6 billion from the federal budget annually for purchases of grain on the domestic market. In addition, in response to rising world grain prices and to contain inflation in the domestic markets, the Russian Government introduced an export duty of 10% to 30% of the total sale price of grains, but no less than € 0.022 per kilogram and € 0.07 per kilogram on the exports of wheat and barley, respectively, effective from November 12, 2007 through April 30, 2008, and then increased the export duty from 10% to 40% of the total sale price, including no less than € 0.105 per kilogram, on the export of wheat, effective from January 29, 2008 through June 30, 2008. The Russian Government has not imposed export duty on grain since July 1, 2008. On August 5, 2010, the Russian Government banned export sales of wheat, meslin, barley, corn, rye and wheat and rye flour for the period from August 15, 2010 until December 31, 2010. The ban was later extended (excluding flour) for the period from January 2, 2011 until June 30, 2011. While Russian Government intervention in the grain markets may tend to stabilise the Agriculture division's exposure to seasonal price fluctuations, it may also limit our ability to increase our sales by taking advantage of temporary arbitrage opportunities between the export and domestic sales markets.

In 2004, in order to stimulate the domestic production and processing of sugar beets, the Russian Government introduced a new system of tariffs on raw cane sugar imports. The raw cane sugar import tariffs are set inversely to the world spot market price of raw cane sugar, so as to ensure that the price of imported raw cane sugar and the price of white sugar processed from imported raw cane sugar does not fall below a certain minimum level deemed necessary to maintain the viability of domestic sugar beet and white sugar producers. These price support measures have the effect of increasing our sales in the division. In addition, in October 2007, the Russian Government introduced an increased seasonal import tariff set inversely to the world spot market price of raw cane sugar, which was in effect from December 2007 through May 2008. This seasonal tariff was subsequently extended through May 2009, after which time a new tariff scale was put in effect through the end of 2009. Since January 1, 2010 a floating raw sugar import tariff has been applied instead of a seasonal tariff. During 2010-2011, the import duties on raw cane sugar may range from US$50 to US$270 per ton depending on sugar prices on the New York commodity exchange and the season. We can store raw cane sugar at our production facilities prior to receiving customs clearance, which allows us better control over when the sugar is cleared through customs and the point at which the import duties become payable. See "*Risk Factors – Risks Relating to Our Business and Industry – The Russian Government may modify or discontinue its tariff systems for raw cane sugar imports which were implemented to promote domestic production of sugar beets*."

The Program for the Development of Sugar Beet Sub-complex in Russia for 2010 to 2012, approved by Order of the Ministry of Agriculture No. 501 dated October 23, 2009, provides for measures to increase sugar production from domestic raw materials (sugar beet), improve sugar supply to public and industrial producers and minimise sugar import by way of credit support of beet producers, compensation of the expenses related to payment of interest under investment loans received from Russian banks for construction, reconstruction and maintenance of sugar plants and current bank loans obtained by agricultural enterprises from Russian banks and reimbursement of fertiliser costs, and the Ministry of Agriculture is currently considering extending this programme until 2017. Fertiliser subsidies are determined annually as a fixed amount of rubles per hectare and based on the minimum amount of fertiliser to be applied per hectare. Subsidies for compensation of fuel expenses are also determined annually as a fixed amount of rubles per hectare.

Seasonality and Availability of Financial Resources

Our Sugar division typically produces sugar from sugar beets from September to December using sugar beets processed from the September to November harvest season. After we have processed our available sugar beet supply, we switch to producing sugar from imported raw cane sugar, typically for the period from early spring until July. Because sugar prices are generally lowest at the end of the sugar beet campaign, we may store sugar produced using sugar beets to sell over an extended period in more favourable pricing conditions.

Our Agricultural business is highly seasonal, as we typically incur significantly higher operating costs during the first half of the calendar year and generate significantly higher sales volumes and revenues in the second half of the calendar year, particularly in the fourth quarter. Autumn and spring seeding periods and narrow summer and autumn harvest periods result in a high concentration of our operating costs in the spring of each year, which are not recovered until several months later during the harvest season. The narrow harvest period puts significant downward pressure on prices for products which, despite government intervention programmes, are typically at their lowest immediately after the harvest. The Agriculture division's storage facility capacities, including our elevators primarily used to store grain such as wheat and barley and newly-introduced bag technology for grain storage, enable us to mitigate the impact of seasonal price fluctuations by spreading the sale of our grain harvest over a more extended period, including times when prices are typically at their peak. Although grain consumption tends to be consistent throughout the year, major purchases of grain are generally made in the summer and autumn months. In our Oil and Fats division, demand for consumer margarine is typically higher during winter months, while sales of mayonnaise products are generally higher in the summer months as well as in December due to increased demand for ingredients for traditional Russian holiday foods. Because we incur significant operating costs in the Agriculture division in the first half of the calendar year and are only able to recover those costs through the sales of the finished products primarily in the second half of the calendar year, our operations are dependent on the availability of financial resources to fund our operations.

Description of Key Operating and Financial Items

The following is a description of our key operating and financial items. For more information on the accounting policies on the basis of which the Consolidated Financial Statements are prepared, see "– *Critical Accounting Policies and Judgments in Applying Accounting Policies*" and the notes to the Consolidated Financial Statements included elsewhere in this Prospectus.

Sales

We derive substantially all our sales from the sale of sugar, sales by our pig breeding business and sales of agricultural products and oil and fats products. Sales allocated in the table below to "Other" primarily comprises revenue of LLC Group of Companies Rusagro derived from the provision of financial guarantees to its subsidiaries, which is netted out of our consolidated results of operations as a result of inter-segment eliminations. Sales income from the sale of sugar are derived primarily from sales of converted and refined sugar in the wholesale and retail segments, with the remainder of our sales primarily derived from processing sugar beets on behalf of third parties pursuant to tolling arrangements. Sales in the Meat division are derived primarily from the sale of live pigs and also include the sale of pork sides and fodder. Sales income from agricultural products includes sugar beets, which are primarily sold to the Sugar division pursuant to a formula based on market prices, and winter wheat, barley, peas and corn, approximately 52% of which is sold to the Meat division at market prices for use as fodder for livestock. Sales in our Oil and Fats division are primarily composed of sales of consumer margarine and mayonnaise. The following table presents sales generated by each segment (before inter-segment eliminations) for the years ended December 31, 2010, 2009 and 2008, and as a percentage of sales before inter-segment eliminations for the corresponding period:

	Year ended December 31,					
	2010		2009		2008	
Segment	**(in RUR thousands)**	**Percentage of sales before inter-segment eliminations**	**(in RUR thousands)**	**Percentage of sales before inter-segment eliminations**	**(in RUR thousands)**	**Percentage of sales before inter-segment eliminations**
Sugar	20,321,494	60	15,967,549	58	11,585,678	60
Meat	4,572,251	13	2,707,857	10	878,021	5
Agriculture	4,279,287	13	4,215,992	15	2,569,341	13
Oil and Fats	4,635,181	14	4,524,846	16	4,170,502	22
Other	279,657	–	92,300	–	457	–
Total before inter-segment eliminations	34,087,870	**100**	27,508,544	**100**	19,203,999	**100**
Inter-segment eliminations	(3,132,340)		(2,837,170)		(1,437,712)	
Total	**30,955,530**		**24,671,374**		**17,766,287**	

Gain on initial recognition of agricultural produce

Gain on initial recognition of agricultural produce represents the difference between the fair value of agricultural products at the time of harvest less estimated point-of-sale costs and costs incurred to plant and maintain crops until harvest. At the time we harvest agricultural products, the value of our agricultural inventory is measured to reflect the fair market value of the harvested produce less any estimated costs to sell the produce. Any difference between this fair market value and the costs incurred to plant and maintain such crops through harvest is then reflected in profit or loss for the period as an initial gain or loss on agricultural produce within gross profit. We subsequently analyze any agricultural inventory held at the end of a reporting period and establish a provision for any diminution in value of this inventory. When such inventory is sold in later periods, we record revenue to reflect the sales price for the goods sold, we reverse the related provision for diminution in value, and the corresponding cost of sales recorded as a result of the sale is equal to the net fair market value reflected in inventory at the time of harvest.

Cost of Sales

The following table presents our cost of sales, by category, for the years ended December 31, 2010, 2009 and 2008 and as a percentage of sales before inter-segment eliminations for the corresponding period:

	Year ended December 31,					
	2010		2009		2008	
	(in RUR thousands)	Percentage of sales before inter-segment eliminations	(in RUR thousands)	Percentage of sales before inter-segment eliminations	(in RUR thousands)	Percentage of sales before inter-segment eliminations
Raw materials and consumables used	18,965,584	56	15,113,381	55	11,998,235	62
Payroll	1,432,753	4	1,313,794	5	950,124	5
Depreciation	1,748,035	5	1,272,505	5	706,959	4
Services	948,789	3	804,664	3	563,466	3
Other	81,852	–	49,175	–	29,860	–
Provision for net realisable value	(23,592)	–	(165,053)	(1)	188,644	1
Total	**23,153,421**	**68**	**18,388,466**	**67**	**14,437,288**	**75**

Raw materials and consumables used represent the largest component of cost of sales, and consist, in large part, of: (i) for the Sugar division, raw cane sugar sourced by us from the international market and sugar beets, approximately 57% of which were sourced from our Agriculture division in 2010 (including only sugar beets processed by the Group for its own sugar production), with the remaining amount sourced from the domestic market; (ii) for the Meat division, fodder; (iii) for the Agriculture division, fertilisers, plant protection agents, seed, fuel for equipment use and the realised gain on initial recognition of agricultural produce attributable to the produce sold during the year; and (iv) for the Oil and Fats division, vegetable oil, including sunflower, rapeseed and soybean oil.

Payroll consists of salaries paid to our employees engaged in production operations and also includes overtime pay, performance-related bonuses, vacation and sick pay. Payroll also comprises employment-related taxes, such as contributions to the State Pension Fund, State Social Insurance Fund and State Medical Insurance Fund and contributions toward mandatory workplace accident insurance. During the three-year period ended December 31, 2010, salaries generally rose due to (i) an overall increase in our workforce as a result of acquisitions, partially offset by a decrease in the number of employees in the Agriculture division as a result of greater mechanisation and in the Sugar division as a result of sugar plant modernisation programmes, (ii) an increase in the number of skilled workers, which results in higher wages per employee and (iii) an increase in line with inflation in the Russian market.

Depreciation consists of depreciation of production facilities within our property, plant and equipment and increased in absolute amounts during the three-year period ended December 31, 2010 as a result of significant capital expenditures relating to the expansion of production facilities and modernisation programmes.

The following table presents depreciation included in cost of sales by each segment for the years ended December 31, 2010, 2009 and 2008, and as a percentage of cost of sales before inter-segment eliminations for the corresponding period:

	Year ended December 31,					
	2010		2009		2008	
Depreciation in cost of sales	(in RUR thousands)	Percentage of cost of sales before inter-segment eliminations	(in RUR thousands)	Percentage of cost of sales before inter-segment eliminations	(in RUR thousands)	Percentage of cost of sales before inter-segment eliminations
Sugar	530,605	2	269,288	1	206,395	1
Meat	572,503	2	510,552	2	168,632	1
Agriculture	491,042	2	396,203	2	246,229	2
Oil and Fats	127,849	–	91,152	–	81,501	1
Other	–	–	–	–	–	–
Inter-segment eliminations	26,036	–	5,310	–	4,202	–
Total	**1,748,035**	**7**	**1,272,505**	**6**	**706,959**	**5**

Services include primarily packaging services, freight transportation services, repair and maintenance services and rent costs associated with leasing the Group's land bank.

Other includes costs relating to taxes included in cost of sales, preserving sanitary conditions and inspections related thereto, laboratory tests and certification of products.

Provision for net realisable value consists of the provisions made by the Group for the decline in value of inventories between the time of harvest and the reporting date based on market prices for such products at the end of the reporting period. When such inventory is sold in later periods, we record revenue to reflect the sales price for the goods sold, we reverse the related provision for diminution in value, and the corresponding cost of sales recorded as a result of the sale is equal to the net fair market value reflected in inventory at the time of harvest.

Gains less losses from trading sugar derivatives

Gains less losses from trading sugar derivatives represent gain realised by the Group relating to its raw sugar derivatives trading. During 2010, the Group hedged against the volatility in the raw sugar market prices by trading futures and options on raw sugar on the ICE Futures US market.

Distribution and selling expenses

Distribution and selling expenses primarily consist of transportation and loading services, payroll for employees associated with distribution and selling activities, depreciation of transportation assets, advertising, materials, fuel and energy and other costs, including primarily marketing research and warehouse maintenance.

General and administrative expenses

General and administrative expenses primarily consist of payroll for corporate and administrative employees, taxes (excluding income tax), bank services, services of professional organisations (such as auditors' fees), depreciation and rent for administration buildings and office equipment.

Other operating income, net

Other operating income, net, primarily consists of government grants for reimbursement of fuel and fertiliser expenditures, the amortization of deferred income related to government subsidies in connection with the purchase of property, plant and equipment, charitable donations and social costs and gain or loss on revaluation of biological assets. In 2010, other material components of Other operating income, net included a write-off of receivables relating to government grants, the lost harvest write-off and other government grants, which primarily included compensation for the lost harvest.

Interest expense

Interest expense includes interest expense associated with our borrowings and obligations under our capitalised financial leases, offset by the repayment of interest paid, which comprises the reimbursement by federal and regional governments of interest the Group pays on borrowings in connection with our operations, including our sugar production operations, construction of the pig breeding complex, production of crops in our Agriculture division and investment programmes in the Agriculture and Sugar divisions.

Interest income

Interest income includes interest earned on bank deposits, promissory notes purchased and loans issued by the Group.

Results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009

The following table sets forth on a consolidated basis each of our statements of comprehensive income line items for the years ended December 31, 2010 and 2009 in absolute terms and as a percentage of sales:

	Year ended December 31,			
	2010		2009	
	(in RUR thousands)	Percentage of sales	(in RUR thousands)	Percentage of sales
Sales	**30,955,530**	**100**	**24,671,374**	**100**
Gain on initial recognition of agricultural produce	770,564	2	394,861	2
Cost of sales	(23,153,421)	(75)	(18,388,466)	(75)
Gains less losses from trading sugar derivatives	1,214,660	4	–	–
Gross profit	**9,787,333**	**32**	**6,677,769**	**27**
Distribution and selling expenses	(1,641,600)	(5)	(1,451,311)	(6)
General and administrative expenses	(2,198,564)	(7)	(1,685,989)	(7)
Other operating income, net	67,425	–	(58,519)	–
Operating profit	**6,014,594**	**19**	**3,481,950**	**14**
Interest expense	(783,736)	(3)	(791,006)	(3)
Interest income	434,063	1	172,731	1
Other financial (expenses)/income, net	4,743	–	(28,787)	–
Profit before taxation	**5,669,664**	**18**	**2,834,888**	**11**
Income tax expense	(511,427)	(1)	(510,694)	(2)
Profit for the year	**5,158,237**	**17**	**2,324,194**	**9**
Total comprehensive income for the year	**5,158,237**	**17**	**2,324,194**	**9**
Attributable to:				
Owners of OJSC Rusagro Group	5,121,529	17	2,312,999	9
Non-controlling interest	36,708	–	11,195	–
Total comprehensive income for the year	**5,158,237**	**17**	**2,324,194**	**9**

Sales

During the year ended December 31, 2010, sales increased by 25%, from RUR 24,671,374 thousand for the year ended December 31, 2009 to RUR 30,955,530 thousand for the year ended December 31, 2010. The following table presents sales by each segment for the years ended December 31, 2010 and 2009:

	Year ended December 31,	
	2010	2009
	(in RUR thousands)	(in RUR thousands)
Sugar	20,321,494	15,967,549
Meat	4,572,251	2,707,857
Agriculture	4,279,287	4,215,992
Oil and Fats	4,635,181	4,524,846
Other	279,657	92,300
Inter-segment eliminations	(3,132,340)	(2,837,170)
Total	**30,955,530**	**24,671,374**

Sales in the Sugar division increased by 27% from RUR 15,967,549 thousand for the year ended December 31, 2009 to RUR 20,321,494 thousand for the year ended December 31, 2010, primarily as a result of a 13% increase in the price of white sugar and 13% increase in our sugar sales volume. The net increase in sales volume of 13% resulted from increased production through utilisation of the two sugar plants acquired in 2009, partially offset by a decrease in production caused by lower sugar beet supplies resulting from the extreme weather conditions in summer 2010. As a percentage of sales before inter-segment eliminations, the Sugar division represented 60% for the year ended December 31, 2010, compared to 58% in 2009. Inter-segment sales of sugar increased from RUR 74,795 thousand for the year ended December 31, 2009 to RUR 125,546 thousand for the year ended December 31, 2010, primarily as a result of an increase of white sugar sales to the Oil and Fats division.

Sales in the Meat division increased by 69% from RUR 2,707,857 thousand for the year ended December 31, 2009 to RUR 4,572,251 thousand for the year ended December 31, 2010, primarily as a result of a 67% increase in the sales volume following the pig-breeding complex reaching its design capacity at the end of 2009. As a percentage of sales before inter-segment eliminations, the Meat division increased from 10% for the year ended December 31, 2009 to 13% for the year ended December 31, 2010. Inter-segment sales decreased from RUR 265 thousand for the year ended December 31, 2009 to RUR 13 thousand for the year ended December 31, 2010 primarily as a result of decreased sales of organic fertilisers to the Agriculture division.

Sales in the Agriculture division increased by 2% from RUR 4,215,992 thousand for the year ended December 31, 2009 to RUR 4,279,287 thousand for the year ended December 31, 2010, primarily due to an increase in sales prices that was partially offset by a decrease in sales volume as a result of extreme weather conditions in summer 2010. The decrease in the sales volume relates mainly to a decrease in our sales of milk in 2010 due to a decline in the number of cows producing milk and our grain sales declined in 2010 as well because grain sales to entities acquired by the Group at the end of 2009 were eliminated in consolidation in 2010. As a percentage of sales before inter-segment eliminations, the Agriculture division decreased from 15% for the year ended December 31, 2009 to 13% for the year ended December 31, 2010. Inter-segment sales by the Agriculture division increased from RUR 2,668,710 for the year ended December 31, 2009, to RUR 2,727,125 for the year ended December 31, 2010, primarily as a result of increases in sugar beet and grain prices, which were offset in part by a decrease in intersegment sales volume resulting from lower harvest following the 2010 drought.

Sales in the Oil and Fats division increased by 2% from RUR 4,524,846 thousand for the year ended December 31, 2009 to RUR 4,635,181 thousand for the year ended December 31, 2010, primarily as a result of a 2% increase in the sales volume. The effect of increases in 2010 in the sales prices of our Oil and Fats products was generally offset by a shift in the product mix of our sales towards our less expensive product lines. As a percentage of sales before inter-segment eliminations, the Oil and Fats division decreased from 16% for the year ended December 31, 2009 to 14% for the year ended December 31, 2010, as other segments grew more rapidly.

Gain on Initial Recognition of Agricultural Produce

The fair market value of our harvest during 2010 exceeded our costs to produce such crops, and we recognised a gain on initial recognition of agricultural produce of RUR 770,564 thousand, compared to a gain of RUR 394,861 thousand in 2009. Such gain increased in 2010 as compared to 2009 primarily as a result of higher prevailing market prices at the time of harvest in 2010 compared to 2009.

Cost of sales

During the year ended December 31, 2010, our consolidated cost of sales increased by 26%, from RUR 18,388,466 thousand for the year ended December 31, 2009 to RUR 23,153,421 thousand for the year ended December 31, 2010. The following table presents cost of sales by each segment for the years ended December 31, 2010 and 2009 and as a percentage of sales before inter-segment eliminations for each segment in the corresponding period.

	Year ended December 31,			
	2010		2009	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	15,970,621	79	12,735,517	80
Meat	2,968,568	65	2,035,044	75
Agriculture	3,749,020	88	3,335,867	79
Oil and Fats	3,310,943	71	2,750,459	61
Other	–	–	38	–
Inter-segment eliminations	(2,845,731)		(2,468,459)	
Total	**23,153,421**		**18,388,466**	

In the Sugar division, cost of sales increased by 25% from RUR 12,735,517 thousand for the year ended December 31, 2009 to RUR 15,970,621 thousand for the year ended December 31, 2010, primarily as a result of a 13% increase in sales volume and increases in raw sugar and sugar beet prices that together led to increases in raw materials and consumables used by 24% from RUR 11,603,072 thousand in 2009 to RUR 14,338,774 thousand in 2010. In addition, cost of sales increased as a greater portion of the sugar produced in 2010 was produced by processing raw cane sugar, which has a higher cost to produce than sugar from sugar beets. Furthermore, depreciation included in cost of sales increased by 97% from RUR 269,288 thousand in 2009 to RUR 530,605 thousand in 2010, primarily resulting from the acquisition of two sugar plants in 2009 and depreciation of property, plant and equipment acquired in connection with sugar plant modernisation programmes implemented during 2009 and 2010.

Cost of sales in the Meat division increased by 46% from RUR 2,035,044 thousand for the year ended December 31, 2009 to RUR 2,968,568 thousand for the year ended December 31, 2010, which was primarily the result of a 66% increase in raw materials and consumables used from RUR 1,255,768 thousand in 2009 to RUR 2,080,677 thousand in 2010 that in turn resulted from the increase in sales volume following the pig-breeding complex reaching its design capacity at the end of 2009 and increases in the cost of fodder during the year.

Cost of sales in the Agriculture division increased by 12% from RUR 3,335,867 thousand for the year ended December 31, 2009 to RUR 3,749,020 thousand for the year ended December 31, 2010 as a result of increased rent payments and increased production, in each case due to our increased land bank size, and increased transportation costs resulting from higher transportation tariffs. Also, depreciation increased by 24% from RUR 396,203 thousand in 2009 to RUR 491,042 thousand in 2010 due to investments in equipment in connection with modernisation programmes in the first half of 2010. In addition, the gain recorded on initial recognition of agricultural produce attributable to the realised agricultural produce (both of current and previous year harvest) increased from RUR 602,329 thousand in 2009 to RUR 766,994 thousand in 2010, primarily as a result of higher prevailing market prices at the time of harvest in 2010 compared to 2009.

Cost of sales in the Oil and Fats division increased by 20% from RUR 2,750,459 thousand for the year ended December 31, 2009 to RUR 3,310,943 thousand for the year ended December 31, 2010, primarily as a result of a 31% increase in the cost of vegetable oil and corresponding increases in the quantity of vegetable oil used due to a 2% increase in sales volume.

Gains less losses from trading sugar derivatives

During 2010, the Group hedged against the volatility in the raw sugar market by trading futures and options on raw sugar on the ICE Futures US market and realised a gain on its hedging activities related to the raw cane sugar market in the amount of RUR 1,214,660 thousand. The Group did not engage in such derivatives trading activities in 2009.

Gross Profit

As a result of expansions in production and favourable market trends, particularly in the Sugar and Meat divisions, our gross profit increased by 40% from RUR 6,677,769 thousand for the year ended December 31, 2009 to RUR 9,787,333 thousand for the year ended December 31, 2010, with our gross profit margin increasing from 27% in 2009 to 32% in 2010. The following table presents gross profit by each segment for the years ended December 31, 2010, and 2009 and as a percentage of sales before inter-segment eliminations in each segment for the corresponding period.

	Year ended December 31,			
	2010		2009	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	5,565,533	27	3,232,032	20
Meat	1,603,683	35	672,813	25
Agriculture	1,300,831	30	1,274,986	30
Oil and Fats	1,324,238	29	1,774,387	39
Other	279,657	100	92,262	100
Inter-segment eliminations	(286,609)		(368,711)	
Total	**9,787,333**		**6,677,769**	

Gross profit in the Sugar division increased by 72% from RUR 3,232,032 thousand for the year ended December 31, 2009 to RUR 5,565,534 thousand for the year ended December 31, 2010, with the gross profit margin increasing from 20% in 2009 to 27% in 2010. The increase in gross profit margin primarily resulted from a 13% increase in white sugar prices and gains from sugar derivatives trading activities of RUR 1,214,660 thousand.

Gross profit in the Meat division increased by 138% from RUR 672,813 thousand for the year ended December 31, 2009 to RUR 1,603,683 thousand for the year ended December 31, 2010, with the gross profit margin increasing from 25% in 2009 to 35% in 2010. The increase in gross profit and profit margin was a result of achieving greater capacity utilisation.

Gross profit in the Agriculture division increased by 2% from RUR 1,274,986 thousand for the year ended December 31, 2009 to RUR 1,300,831 thousand for the year ended December 31, 2010, with the gross profit margin remaining stable at 30%. The increase in gross profit was a result of increase in prices of agricultural produce and greater efficiency resulting from the optimisation of our production processes during 2010.

Gross profit in the Oil and Fats division decreased by 25% from RUR 1,774,387 thousand for the year ended December 31, 2009 to RUR 1,324,238 thousand for the year ended December 31, 2010, with the gross profit margin decreasing from 39% in 2009 to 29% in 2010. The decrease in gross profit margin primarily resulted from a 31% increase in the average prices of vegetable oil used in production.

Distribution and selling expenses

During the year ended December 31, 2010, our distribution and selling expenses increased by 13%, from RUR 1,451,311 thousand for the year ended December 31, 2009 to RUR 1,641,600 thousand for the year ended December 31, 2010. The following table presents distribution and selling expenses by each segment for the years ended December 31, 2010, and 2009 and as a percentage of sales before inter-segment eliminations for each segment for the corresponding period.

	Year ended December 31,			
	2010		2009	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	909,719	4	811,321	5
Meat	9,648	–	29,029	1
Agriculture	218,353	5	273,940	6
Oil and Fats	599,589	13	486,485	11
Other	462	–	–	–
Inter-segment eliminations	(96,171)		(149,464)	
Total	**1,641,600**		**1,451,311**	

Distribution and selling expenses of the Sugar division increased by 12% from RUR 811,321 thousand for the year ended December 31, 2009 to RUR 909,719 thousand for the year ended December 31, 2010, primarily due to an increase in expenses attributable to transportation and loading services of RUR 127,074 thousand, or 26%, from RUR 489,666 thousand to RUR 616,740 thousand, and an increase in payroll of RUR 40,134 thousand, or 32%, from RUR 126,163 thousand to RUR 166,297 thousand, which were partly offset by a decrease in acquired services, mainly commission fees and rent payments for storage facilities of RUR 52,781 thousand, or 96%. Transportation and loading services increased as a result of increased production and sales during 2010, particularly retail sales which have higher distribution costs than wholesale sales. Payroll expenses increased as a result of additional personnel added in connection with the acquisition of two sugar plants in 2009.

Distribution and selling expenses of the Meat division decreased by 67% from RUR 29,029 thousand for the year ended December 31, 2009 to RUR 9,648 thousand for the year ended December 31, 2010. Distribution and selling expenses for the Meat division are a lower percentage of corresponding segment sales than other divisions as typically our Meat division customers arrange their own transportation of the live pigs purchased from our pig breeding complex. Distribution and selling expenses decreased in 2010 as compared to 2009 primarily as a result of a reversal of a provision for impairment of receivables in 2010 caused by collection rates on such receivables being higher than expected in 2010.

Distribution and selling expenses of the Agriculture division decreased by 20% from RUR 273,940 thousand for the year ended December 31, 2009 to RUR 218,353 thousand for the year ended December 31, 2010, that primarily resulted from reversal in 2010 of a provision for impairment of receivables accrued in 2009 in the amount of RUR 6,324 thousand compared to accrual of provision for impairment of receivable in the amount of RUR 27,582 thousand in 2009 and decrease in payroll of RUR 16,922 thousand, or 66%, from RUR 25,471 thousand in 2009 to RUR 8,549 thousand in 2010, due to decreases in headcount through implementation of optimisation programmes designed to improve the efficiency of our Agriculture operations.

Distribution and selling expenses of the Oil and Fats division increased by 23% from RUR 486,485 thousand for the year ended December 31, 2009 to RUR 599,589 thousand for the year ended December 31, 2010, primarily due to an increase in transportation and loading services by RUR 23,513 thousand, or 12%, from RUR 192,487 thousand to RUR 216,000 thousand, together with an increase in payroll by RUR 44,206 thousand, or 34%, from RUR 131,878 thousand to RUR 176,084 thousand as a result of an increase in the sales force of the Oil and Fats division, and an increase in advertisement expenses by RUR 44,304 thousand, or 42%, from RUR 105,544 thousand to RUR 149,848 thousand, focused on trademark and brand promotion, primarily through television advertising.

Inter-segment eliminations primarily consist of the reclassification of costs related to transportation of sugar beets to our sugar plants from distribution and selling expenses to cost of sales, as, at the Agriculture segment level, these costs comprise part of distribution and selling expenses, while at the Group level these costs comprise part of cost of sales. The decrease in the aggregate inter-segment eliminations of 36% in 2010 compared to 2009 primarily resulted from a 5% decrease in the volume of sugar beets provided by the

Agriculture division to the Group's sugar plants, that in turn resulted in a decrease in the transportation and loading services of RUR 36,247 thousand, or 31%, from RUR 115,611 thousand in 2009 to RUR 79,364 thousand in 2010.

General and administrative expenses

Our general and administrative expenses increased by 30% from RUR 1,685,989 thousand for the year ended December 31, 2009 to RUR 2,198,564 thousand for the year ended December 31, 2010. The following table presents general and administrative expenses by each segment for the years ended December 31, 2010 and 2009 and as a percentage of sales before inter-segment eliminations for each segment for the corresponding period.

	Year ended December 31,			
	2010		2009	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	729,239	4	619,561	4
Meat	247,022	5	140,487	5
Agriculture	614,265	14	500,807	12
Oil and Fats	229,290	5	266,724	6
Other	425,523	*	181,200	*
Inter-segment eliminations	(46,775)		(22,790)	
Total	**2,198,564**		**1,685,989**	

* Not meaningful.

General and administrative expenses of the Sugar division increased by 18% from RUR 619,561 thousand for the year ended December 31, 2009 to RUR 729,239 thousand for the year ended December 31, 2010, primarily due to an increase in payroll by RUR 39,042 thousand, or 14%, from RUR 270,594 thousand to RUR 309,636 thousand as a result of an increase in headcount due to the acquisition of two sugar processing plants in 2009, an increase in taxes by RUR 28,624 thousand, or 36%, from RUR 78,928 thousand to RUR 107,552 thousand, primarily resulting from an increase in property taxes relating to the two additional sugar plants and other capital expenditures associated with the Sugar division's modernisation programmes implemented in 2009 and 2010, as well as an increase in other general and administrative expenses associated with the two additional sugar plants.

General and administrative expenses of the Meat division increased by 76% from RUR 140,487 thousand for the year ended December 31, 2009 to RUR 247,022 thousand for the year ended December 31, 2010, primarily due to a 219% increase in taxes, primarily property taxes, from RUR 36,537 thousand in 2009 to RUR 116,581 thousand in 2010, which resulted when property associated with the pig breeding complex became taxable once construction of the complex was completed and the tax relief previously offered by the Belgorod government was cancelled. In addition, payroll increased by 64%, from RUR 55,678 thousand in 2009 to RUR 91,225 thousand in 2010, as a result of an increase in the average wage and the payment of additional bonuses of RUR 14,000 thousand in 2010 relating to the 2009 results which were not accrued as of December 31, 2009 (as they were not yet considered payable at the time the 2009 financial statements were prepared). In addition, the accrual for bonuses in 2010 was RUR 28,048 thousand. The effect of these factors was partially offset by a decrease in professional services expenses of RUR 10,543 thousand, or 88%, from RUR 11,920 thousand in 2009 to RUR 1,376 thousand in 2010, as LLC Agrarnaya Companiya Rusagro, the management company of the Agriculture division, ceased providing consulting services to the Meat division.

General and administrative expenses of the Agriculture division increased by 23% from RUR 500,807 thousand for the year ended December 31, 2009 to RUR 614,265 thousand for the year ended December 31, 2010, primarily as a result of an increase in payroll by RUR 65,356 thousand, or 25%, from RUR 265,611 thousand in 2009 to RUR 330,967 thousand in 2010 and an increase in taxes (other than income taxes) by RUR 30,827, or 82%, from RUR 37,609 thousand in 2009 to RUR 68,436 thousand in 2010 as a result of certain property tax reliefs for agricultural enterprises in the Tambov region ceasing to be available in 2010.

General and administrative expenses of the Oil and Fats division decreased by 14% from RUR 266,724 thousand for the year ended December 31, 2009 to RUR 229,290 thousand for the year ended December 31, 2010, primarily as a result of an decrease in payroll of RUR 38,503 thousand, or 21%, from RUR 181,887 thousand in 2009 to RUR 143,384 thousand in 2010 due to a decrease in headcount resulting from improvements in efficiency in the management of the division.

General and administrative expenses of the Other segment primarily represent expenses incurred in connection with the Group's head office management and increased by 135% from RUR 181,200 thousand for the year ended December 31, 2009 to RUR 425,523 thousand for the year ended December 31, 2010, primarily due to a 231% increase in payroll from RUR 89,980 thousand in 2009 to RUR 297,609 thousand in 2010 as a result of increase in headcount in the second half of 2009 and bonuses for 2009 that were not accrued as of December 31, 2009 as they were not yet considered payable at the time the 2009 financial statements were prepared.

Other operating income, net

Other operating income, net, increased from RUR 58,519 thousand of net expenses for the year ended December 31, 2009 to RUR 67,425 thousand of net income for the year ended December 31, 2010. The following table presents other operating income, net, by each segment for the years ended December 31, 2010 and 2009, and as a percentage of sales before inter-segment eliminations for each segment in the corresponding period.

	Year ended December 31,			
	2010		2009	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	9,175	–	8,231	–
Meat	209,131	5	16,527	1
Agriculture	(149,435)	(3)	(86,819)	(2)
Oil and Fats	31,764	1	(17,491)	–
Other	(14,710)	*	45,963	*
Inter-segment eliminations	(18,500)		(24,930)	
Total	**67,425**		**(58,519)**	

* Not meaningful.

Other operating income, net, of the Sugar division did not materially change during the year, increasing from RUR 8,231 thousand for the year ended December 31, 2009 to RUR 9,175 thousand for the year ended December 31, 2010.

Other operating income, net, of the Meat division increased from RUR 16,527 thousand for the year ended December 31, 2009 to RUR 209,131 thousand for the year ended December 31, 2010, primarily as a result of revaluation of biological assets of RUR 304,576 thousand in 2010 compared to RUR 2,876 thousand in 2009 due to higher prevailing market prices at the reporting date. The gain on revaluation of biological assets was partially offset by an increase in charitable donations of RUR 60,030 thousand from RUR 6,479 thousand in 2009 to RUR 66,509 thousand in 2010 and a write-off of receivables relating to government grants in the amount of RUR 75,959 thousand that had been accrued in previous years but were determined in 2010 to be irrecoverable.

Other operating income, net, of the Agriculture division decreased by 72% from expense of RUR 86,819 thousand for the year ended December 31, 2009 to expenses of RUR 149,435 thousand for the year ended December 31, 2010, primarily as a result of harvest losses of RUR 191,425 thousand realised in 2010 as a result of the adverse weather conditions during summer 2010. These losses were compensated in part through government subsidies in the amount of RUR 91,961 thousand. Furthermore, charitable donations and social costs increased by RUR 30,422 thousand, or 40%, from RUR 75,239 thousand in 2009 to RUR 105,661 thousand in 2010.

Other operating income, net, of the Oil and Fats division increased from expense of RUR 17,491 thousand for the year ended December 31, 2009 to income of RUR 31,764 thousand for the year ended

December 31, 2010, primarily due to a non-recurring sale of sunflower seeds in 2010 that resulted in a gain of RUR 22,742 thousand.

Inter-segment eliminations for the year ended December 31, 2010 primarily comprise the elimination of intra-group payments for financial guarantees, gain from negative goodwill of RUR 10,210 thousand and elimination of inter-segment rent income of RUR 27,415 thousand. Inter-segment eliminations for the year ended December 31, 2009 comprise primarily the elimination of gains from the sale by one of our holding companies of shares of CJSC Russkii Sakhar to LLC Rusagro-Sakhar ("**Rusagro-Sakhar**") in the amount of RUR 34,493 thousand.

Operating Profit

As a result of the foregoing factors, operating profit increased by 73% from RUR 3,481,950 thousand for the year ended December 31, 2009 to RUR 6,014,594 thousand for the year ended December 31, 2010. Operating profit represented 19% and 14% of our sales in 2010 and 2009, respectively. The following table presents operating profit by each segment for the years ended December 31, 2010, and 2009, and as a percentage of sales before inter-segment eliminations for the corresponding period.

	Year ended December 31,			
	2010		2009	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	3,935,749	19	1,809,380	11
Meat	1,556,144	34	519,824	19
Agriculture	318,778	7	413,420	11
Oil and Fats	527,123	11	1,003,687	22
Other	(161,039)	*	(42,975)	*
Inter-segment eliminations	(162,161)		(221,386)	
Total	**6,014,594**		**3,481,950**	

* Not meaningful.

Interest expense

Interest expense decreased by 1% from RUR 791,006 thousand for the year ended December 31, 2009 to RUR 783,736 thousand for the year ended December 31, 2010, that resulted from a 2% increase in the gross amount of interest expenses (before deduction of governments reimbursement of these expenses) from RUR 1,643,011 thousand in 2009 to RUR 1,682,686 thousand in 2010, and a 6% increase in government grants for reimbursement of interest paid from RUR 852,005 thousand in 2009 to RUR 898,949 thousand in 2010. Gross interest expense increased as a result of an increase in borrowings during 2010. Average bank borrowings during 2010 were RUR 16.8 billion, as compared to RUR 12.6 billion during 2009 (in each case calculated as the average of the outstanding bank borrowings on the first day of each month during the year). The increase in gross interest resulting from this 33% increase in average bank borrowings was offset by a decrease in the nominal average interest rate during 2010, from 12.75% as of December 31, 2009 to 8.2% as of December 31, 2010.

Interest income

Interest income increased by 151% from RUR 172,731 thousand for the year ended December 31, 2009 to RUR 434,063 thousand for the year ended December 31, 2010 as a result of an increase in the amount of bank deposits held during the year. Our aggregate cash and cash equivalents, restricted cash and short-term investments were RUR 11,628 million as of December 31, 2010 and RUR 3,565 million as of December 31, 2009.

Income Tax Expense

Our income tax expense includes the Group's current income tax expense and its deferred tax credits or charges. Our income tax expense remained stable across the periods, increasing slightly from

RUR 510,694 thousand for the year ended December 31, 2009 to RUR 511,427 thousand for the year ended December 31, 2010. The enacted statutory general income tax rate for Russia for 2010 and 2009 was 20% (whereas for entities like the Group which are eligible to transition to the unified agriculture tax but have not done so, a 0% rate is applicable for 2004 to 2012, an 18% rate would apply from 2013 to 2015 and starting from 2016 the general corporate income tax rate will be applied to entities that have not transitioned to the unified agriculture tax). Our overall effective tax rate decreased from 18% in 2009 to 9% in 2010 as a result of an increase in the portion of our profits from operations that are taxable at a 0% rate or are not taxable, including, for example, our derivatives trading operations conducted through our BVI subsidiary, Limeniko. Deferred tax for the year ended December 31, 2010 represents net tax charges of RUR 17,880 thousand compared to a tax credit of RUR 75,279 thousand for the year ended December 31, 2009. Our deferred tax credits are primarily attributable to utilisation of deductible temporary differences between the tax basis and the IFRS carrying value of the Group's assets and liabilities.

Profit for the year

As a result of the foregoing factors, we generated a profit for the year of RUR 5,158,237 thousand in 2010, a 122% increase over the net profit of RUR 2,324,194 thousand in 2009. Net profit represented 17% of our sales in 2010 compared to 9% in 2009.

Non-IFRS Financial Measures – Adjusted EBITDA for the year ended December 31, 2010 compared to the year ended December 31, 2009

In order to provide investors with additional insight into the earnings of the Group and for the purpose of comparison with similar businesses, we present a summary of Adjusted EBITDA for the years ended December 31, 2010 and 2009 below. This information is prepared on the basis of IFRS principles, but such segment information is not required by IFRS to be presented, and the Group presents such information for comparison purposes only. 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.

Summary of Adjusted EBITDA for the years ended December 31, 2010 and 2009

	Year ended December 31,			
	2010		2009	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	4,476,226	22	2,089,811	13
Meat	1,937,468	42	1,014,979	37
Agriculture	1,114,891	26	1,131,798	27
Oil and Fats	651,315	14	1,134,204	25
Other	(143,486)	*	(87,238)	*
Inter-segment eliminations	(120,446)		(196,456)	
Total Adjusted EBITDA(**)	**7,915,968**		**5,087,098**	

* Not meaningful.

** See *"Selected Consolidated Financial Information—Segment Information and Non-IFRS Financial Measures"* for discussion of the method of calculation of Adjusted EBITDA.

Our Adjusted EBITDA increased by 56% from RUR 5,087,098 thousand for the year ended December 31, 2009 to RUR 7,915,969 thousand for the year ended December 31, 2010, primarily as a result of increases in the Adjusted EBITDA of the Sugar and Meat divisions. For the reasons described above, the gross profit in our Sugar division increased, primarily as a result of a 13% increase in white sugar prices and gains from raw sugar derivatives trading activities of RUR 1,214,660 thousand. In the Meat division, our Adjusted EBITDA increased primarily as a result of an increase in our gross profit in the division as we achieved greater capacity utilisation. These increases in Adjusted EBITDA were offset by a decrease in the Adjusted EBITDA of our Oil and Fats division, resulting from a decrease in gross profit margin primarily due to the 31% increase in the average prices of vegetable oil used in production.

Results of operations for the year ended December 31, 2009 compared to the year ended December 31, 2008

The following table sets forth on a consolidated basis each of our statements of comprehensive income line items for the years ended December 31, 2009 and 2008 in absolute terms and as a percentage of sales:

	Year ended December 31,			
	2009		2008	
	(in RUR thousands)	Percentage of sales	(in RUR thousands)	Percentage of sales
Sales	**24,671,374**	**100**	**17,766,287**	**100**
Gain on initial recognition of agricultural produce	394,861	2	682,923	4
Cost of sales	(18,388,466)	(75)	(14,437,288)	(81)
Gross profit	**6,677,769**	**27**	**4,011,922**	**23**
Distribution and selling expenses	(1,451,311)	(6)	(1,022,287)	(6)
General and administrative expenses	(1,685,989)	(7)	(1,367,077)	(8)
Other operating income, net	(58,519)	–	112,704	1
Operating profit	**3,481,950**	**14**	**1,735,262**	**10**
Interest expense	(791,006)	(3)	(666,938)	(4)
Interest income	172,731	1	317,624	2
Other financial (expenses)/income, net	(28,787)	–	(30,502)	–
Profit before taxation	**2,834,888**	**11**	**1,355,446**	**8**
Income tax expense	(510,694)	(2)	(287,273)	(2)
Profit for the year	**2,324,194**	**9**	**1,068,173**	**6**
Total comprehensive income for the year	**2,324,194**	**9**	**1,068,173**	**6**
Attributable to:				
Owners of OJSC Rusagro Group	2,312,999	9	1,057,849	6
Non-controlling interest	11,195	–	10,324	–
Total comprehensive income for the year	**2,324,194**	**9**	**1,068,173**	**6**

Sales

During the year ended December 31, 2009, sales increased by 39%, from RUR 17,766,287 thousand for the year ended December 31, 2008 to RUR 24,671,374 thousand for the year ended December 31, 2009. The following table presents sales by each segment for the years ended December 31, 2009 and 2008:

	Year ended December 31,	
	2009	2008
	(in RUR thousands)	(in RUR thousands)
Sugar	15,967,549	11,585,678
Meat	2,707,857	878,021
Agriculture	4,215,992	2,569,341
Oil and Fats	4,524,846	4,170,502
Other	92,300	457
Inter-segment eliminations	(2,837,170)	(1,437,712)
Total	**24,671,374**	**17,766,287**

Sales in the Sugar division increased from RUR 11,585,678 thousand for the year ended December 31, 2008 to RUR 15,967,549 thousand for the year ended December 31, 2009, primarily as a result of a 35%

increase in the price of white sugar and acquiring CJSC Chernyansky Sugar Plant ("**Chernyansky**") in the Belgorod region which increased capacity by 6.8% on an annual basis. As a percentage of sales before inter-segment eliminations, the Sugar division represented 58% for the year ended December 31, 2009, compared to 60% in 2008. Inter-segment sales of sugar increased from RUR 60,966 thousand for the year ended December 31, 2008 to RUR 74,795 thousand for the year ended December 31, 2009, primarily as a result of sugar sales to entities of the Agriculture division, which are typically used by the Agriculture division to make payments-in-kind under leases with local landowners.

Sales in the Meat division increased from RUR 878,021 thousand for the year ended December 31, 2008 to RUR 2,707,857 thousand for the year ended December 31, 2009, primarily as a result of expansions in our pig breeding facilities and an increase in our number of livestock. As a percentage of sales before inter-segment eliminations, the Meat division increased from 5% for the year ended December 31, 2008 to 10% for the year ended December 31, 2009. There were no inter-segment sales by the Meat division in 2008.

Sales in the Agriculture division increased from RUR 2,569,341 thousand for the year ended December 31, 2008 to RUR 4,215,992 thousand for the year ended December 31, 2009, primarily as a result of an increase in the price of sugar beets and sales of products harvested in 2008 but held as inventory at the end of 2008 in response to decreases in commodity prices that year, and sold during 2009. As a percentage of sales before inter-segment eliminations, the Agriculture division increased from 13% for the year ended December 31, 2008 to 15% for the year ended December 31, 2009. Inter-segment sales by the Agriculture division increased from RUR 1,371,451 for the year ended December 31, 2008, to RUR 2,668,710 for the year ended December 31, 2009, primarily as a result of increased sales of sugar beets to the Sugar division and larger requirements in the Meat division for agricultural products produced within the Group.

Sales in the Oil and Fats division increased from RUR 4,170,502 thousand for the year ended December 31, 2008 to RUR 4,524,846 thousand for the year ended December 31, 2009, primarily as a result of an 18% increase in sale volumes of mayonnaise products and a 9% increase in the average price of margarine products. As a percentage of sales before inter-segment eliminations, the Oil and Fats division decreased from 22% for the year ended December 31, 2008 to 16% for the year ended December 31, 2009, as other segments grew more rapidly.

Gain on Initial Recognition of Agricultural Produce

Because the fair market value of our harvest during 2009 exceeded our costs to produce such crops, we recognised a gain on initial recognition of agricultural produce of RUR 394,861 thousand, compared to a gain of RUR 682,923 thousand in 2008.

Cost of sales

During the year ended December 31, 2009, our consolidated cost of sales increased by 27%, from RUR 14,437,288 thousand for the year ended December 31, 2008 to RUR 18,388,466 thousand for the year ended December 31, 2009. The following table presents cost of sales by each segment for the years ended December 31, 2009, and 2008 and as a percentage of sales before inter-segment eliminations for each segment in the corresponding period.

	Year ended December 31,			
	2009		2008	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	12,735,517	80	9,426,133	81
Meat	2,035,044	75	743,555	85
Agriculture	3,335,867	79	2,521,361	98
Oil and Fats	2,750,459	61	2,935,144	70
Other	38	–	43	9
Inter-segment eliminations	(2,468,459)		(1,188,948)	
Total	**18,388,466**		**14,437,288**	

In the Sugar division, cost of sales increased by 35% from RUR 9,426,133 thousand for the year ended December 31, 2008 to RUR 12,735,517 thousand for the year ended December 31, 2009, primarily as a result of an increase in the raw materials and consumables used component of cost of sales due to an approximate 34% and an approximate 77% increase in the price of raw cane sugar and sugar beets, respectively, and an increase in depreciation by 30% from RUR 206,395 thousand to RUR 269,288 thousand as a result of depreciation of property, plant and equipment acquired in connection with capital expenditures in 2008 and 2009.

Cost of sales in the Meat division increased by 174% from RUR 743,555 thousand for the year ended December 31, 2008 to RUR 2,035,044 thousand for the year ended December 31, 2009, which was primarily the result of a 48% increase in capacity utilisation as significant operations commenced at our newly constructed pig-breeding farms.

Cost of sales in the Agriculture division increased by 32% from RUR 2,521,361 to RUR 3,335,867 as a result of the following (excluding adjustments to the provision for net realisable value): changes in stocks of finished goods between the beginning of 2009 and the end of the year, which caused cost of sales to increase as the division sold in 2009 inventory produced in 2008, and increases in the cost per ton of agricultural produce, partly offset by diminution in yields that resulted in lower production and sales of 2009 produce and thus lower cost of sales. We also reversed a provision for net realisable value of RUR 188,644 thousand taken in 2008 that was partly offset by a new provision as at December 31, 2009 in the amount of RUR 23,591 thousand. The higher provision in 2008 related to higher inventories held at year end. In addition, the gain recorded on initial recognition of agricultural produce attributable to the realised agricultural produce (both of current and previous year harvest) which is included in the raw materials and consumables used component of cost of sales increased from RUR 495,076 thousand in 2008 to RUR 602,329 thousand in 2009, primarily as a result of increased sales of finished goods during the year, including production from 2008 sold in 2009.

Cost of sales in the Oil and Fats division decreased by 6% from RUR 2,935,144 thousand for the year ended December 31, 2008 to RUR 2,750,459 thousand for the year ended December 31, 2009, primarily as a result of a 26% decrease in the price of vegetable oil, which was partly offset by an expansion in sales for the year.

Gross Profit

As a result of expansions in production and favourable market trends, particularly in the Sugar, Oil and Fats and Meat divisions, our gross profit increased by 66% from RUR 4,011,922 thousand for the year ended December 31, 2008 to RUR 6,677,769 thousand for the year ended December 31, 2009, with our gross profit margin increasing from 23% in 2008 to 27% in 2009. The following table presents gross profit by each segment for the years ended December 31, 2009, and 2008 and as a percentage of sales before inter-segment eliminations in each segment for the corresponding period.

	Year ended December 31,			
	2009		2008	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	3,232,032	20	2,159,545	19
Meat	672,813	25	134,466	15
Agriculture	1,274,986	30	730,903	28
Oil and Fats	1,774,387	39	1,235,358	30
Other	92,262	100	414	91
Inter-segment eliminations	(368,711)		(248,764)	
Total	**6,677,769**		**4,011,922**	

Gross profit in the Sugar division increased by 50% from RUR 2,159,545 thousand for the year ended December 31, 2008 to RUR 3,232,032 thousand for the year ended December 31, 2009, with the gross profit margin increasing slightly from 19% in 2008 to 20% in 2009 as a result of increases in the price of sugar as a result of global developments in the price of sugar.

Gross profit in the Meat division increased by 400% from RUR 134,466 thousand for the year ended December 31, 2008 to RUR 672,813 thousand for the year ended December 31, 2009, with the gross profit margin increasing from 15% in 2008 to 25% in 2009. The increase in gross profit and profit margin was caused by achieving greater capacity utilisation.

Gross profit in the Agriculture division increased by 74% from RUR 730,903 thousand for the year ended December 31, 2008 to RUR 1,274,986 thousand for the year ended December 31, 2009, with the gross profit margin increasing from 28% in 2008 to 30% in 2009. The increase in gross profit and profit margin was a result of an increase of approximately 98% in the price of sugar beets received by the Agriculture division from the Sugar division and a general increase in agricultural commodity prices, which allowed us to reverse a provision for net realisable value during 2009.

Gross profit in the Oil and Fats division increased by 44% from RUR 1,235,358 thousand for the year ended December 31, 2008 to RUR 1,774,387 thousand for the year ended December 31, 2009, with the gross profit margin increasing from 30% in 2008 to 39% in 2009. The increase in gross profit margin resulted from a 26% decrease in 2009 in the average price of vegetable oil, a key input, and a greater ability to export products to Uzbekistan, together with stable average final product prices for the division.

Distribution and selling expenses

During the year ended December 31, 2009, our distribution and selling expenses increased by 42%, from RUR 1,022,287 thousand for the year ended December 31, 2008 to RUR 1,451,311 thousand for the year ended December 31, 2009. The following table presents distribution and selling expenses by each segment for the years ended December 31, 2009, and 2008 and as a percentage of sales before inter-segment eliminations for each segment for the corresponding period.

	Year ended December 31,			
	2009		2008	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	811,321	5	692,820	6
Meat	29,029	1	11,825	1
Agriculture	273,940	6	262,190	10
Oil and Fats	486,485	11	274,695	7
Other	–	–	(1,481)	–
Inter-segment eliminations	(149,464)		(217,762)	
Total	**1,451,311**		**1,022,287**	

Distribution and selling expenses of the Sugar division increased by 17% from RUR 692,820 thousand for the year ended December 31, 2008 to RUR 811,321 thousand for the year ended December 31, 2009, due primarily to an increase in expenses attributable to transportation and loading services by RUR 52,086 thousand, or 12%, from RUR 437,580 thousand to RUR 489,666 thousand, and an increase in payroll by RUR 44,335 thousand, or 54%, from RUR 81,828 thousand to RUR 126,163 thousand.

Distribution and selling expenses of the Meat division increased by 145% from RUR 11,825 thousand for the year ended December 31, 2008 to RUR 29,029 thousand for the year ended December 31, 2009, which was primarily the result of an increase in the provision for impairment of receivables from RUR 10,084 thousand for the year ended December 31, 2008 to RUR 29,025 thousand for the year ended December 31, 2009, due to an increase in past-due debts. As a result of collection rates being higher than that used when determining our provision for bad debts at year end, we have not utilised this provision during 2010.

Distribution and selling expenses of the Agriculture division increased by 4% from RUR 262,190 thousand for the year ended December 31, 2008 to RUR 273,940 thousand for the year ended December 31, 2009 in line with inflation.

Distribution and selling expenses of the Oil and Fats division increased by 77% from RUR 274,695 thousand for the year ended December 31, 2008 to RUR 486,485 thousand for the year ended December 31, 2009, due primarily to an increase in transportation and loading services by

RUR 87,899 thousand, or 84%, from RUR 104,588 thousand to RUR 192,487 thousand as a result of the division's expansion in Central Asia and higher railway tariffs, together with an increase in payroll by RUR 39,485 thousand, or 43%, from RUR 92,393 thousand to RUR 131,878 thousand and an increase in advertisement expenses by RUR 25,958 thousand, or 33%, from RUR 79,586 thousand to RUR 105,544 thousand.

Inter-segment eliminations primarily consist of the reclassification of costs related to transportation of sugar beets to our sugar plants from distribution and selling expenses to cost of sales, as, at the Agriculture segment level, these costs comprise part of distribution and selling expenses, while at the Group level these costs comprise part of cost of sales. The decrease is primarily due to a decrease in the transportation and loading services by RUR 66,219 thousand, or 36%, from RUR 181,830 thousand for the year ended December 31, 2008 to RUR 115,611 thousand for the year ended December 31, 2009.

General and administrative expenses

Our general and administrative expenses increased by 23% from RUR 1,367,077 thousand for the year ended December 31, 2008 to RUR 1,685,989 thousand for the year ended December 31, 2009. The following table presents general and administrative expenses by each segment for the years ended December 31, 2009, and 2008 and as a percentage of sales before inter-segment eliminations for each segment for the corresponding period.

	Year ended December 31,			
	2009		2008	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	619,561	4	465,008	4
Meat	140,487	5	132,364	15
Agriculture	500,807	12	458,925	18
Oil and Fats	266,724	6	233,561	6
Other	181,200	*	102,510	*
Inter-segment eliminations	(22,790)		(25,291)	
Total	**1,685,989**		**1,367,077**	

* Not meaningful.

General and administrative expenses of the Sugar division increased by 33% from RUR 465,008 thousand for the year ended December 31, 2008 to RUR 619,561 thousand for the year ended December 31, 2009, primarily due to an increase in payroll by RUR 46,038 thousand, or 21% from RUR 224,556 thousand to RUR 270,594 thousand as a result of an increase in average wages per person, an increase in fees for bank services, such as fees associated with credit facilities and bank guarantees, by RUR 53,376 thousand or 187%, from RUR 28,584 thousand to RUR 81,960 thousand and an increase in taxes, primarily property taxes associated with the acquisitions of two sugar processing plants, by RUR 19,039 thousand, or 32%, from RUR 59,889 thousand to RUR 78,928 thousand.

General and administrative expenses of the Meat division increased by 6% from RUR 132,364 thousand for the year ended December 31, 2008 to RUR 140,487 thousand for the year ended December 31, 2009 as operations reached design capacity, primarily as a result of a 26% increase in payroll as a result of an increase in head count, from RUR 44,320 thousand to RUR 55,678 thousand, a 24% increase in taxes from RUR 29,511 thousand to RUR 36,537 thousand, partially offset by a decrease in expenses for professional services by RUR 10,823 thousand, or 48%, from RUR 22,743 thousand to RUR 11,920 thousand.

General and administrative expenses of the Agriculture division increased by 9% from RUR 458,925 thousand for the year ended December 31, 2008 to RUR 500,807 thousand for the year ended December 31, 2009, primarily as a result of increases in fees for bank services by 53%, from RUR 22,567 thousand to RUR 34,554 thousand, an increase in depreciation expenses by 61% from RUR 21,426 thousand to RUR 34,432 thousand, an increase in expenses for professional services, by 99% from RUR 8,657 thousand to RUR 17,280 thousand, an increase in payroll by 6% from RUR 249,525 thousand to RUR 265,611 thousand, which was partially offset by a decrease in taxes (other than income taxes) by RUR 20,345 thousand, or 35%, from RUR 57,954 thousand to RUR 37,609 thousand.

General and administrative expenses of the Oil and Fats division increased by 14% from RUR 233,561 thousand for the year ended December 31, 2008 to RUR 266,724 thousand for the year ended December 31, 2009, primarily as a result of an increase in payroll of RUR 18,077 thousand, or 11%, from RUR 163,810 thousand to RUR 181,887 thousand.

Other operating income, net

Other operating income, net, decreased by 152% from net income of RUR 112,704 thousand for the year ended December 31, 2008 to net expenses of RUR 58,519 thousand for the year ended December 31, 2009. The following table presents other operating income, net, by each segment for the years ended December 31, 2009, and 2008, and as a percentage of sales before inter-segment eliminations for each segment in the corresponding period.

	Year ended December 31,			
	2009		2008	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	8,231	–	(33,752)	–
Meat	16,527	1	16,917	2
Agriculture	(86,819)	(2)	173,308	7
Oil and Fats	(17,491)	–	(2,824)	–
Other	45,963	*	158,599	*
Inter-segment eliminations	(24,930)		(199,544)	
Total	**(58,519)**		**112,704**	

* Not meaningful.

Other operating income, net, of the Sugar division increased from net expenses of RUR 33,752 thousand for the year ended December 31, 2008 to net income of RUR 8,231 thousand for the year ended December 31, 2009, primarily due to gains during 2009 in the value of shares of Gazprom owned by OJSC Znamensky Sugar Plant ("**Znamensky**"), resulting in a gain of RUR 17,132 thousand for the year ended December 31, 2009, compared to a loss of RUR 52,770 thousand for the year ended December 31, 2008.

Other operating income, net, of the Meat division remained stable across the periods decreasing slightly from RUR 16,917 thousand for the year ended December 31, 2008 to RUR 16,527 thousand for the year ended December 31, 2009.

Other operating income, net, of the Agriculture division decreased from RUR 173,308 thousand of net income for the year ended December 31, 2008 to RUR 86,819 thousand of net expenses for the year ended December 31, 2009, primarily as a result of an increase in charitable donations and social costs of RUR 67,970 thousand, or 312%, from RUR 21,769 thousand to RUR 89,739 thousand. Reimbursement of fuel and fertilisers (government grants) remained stable across the periods, decreasing slightly from RUR 147,717 thousand in 2008 to RUR 147,106 thousand in 2009.

Other operating income, net, of the Oil and Fats division decreased by 519% from net expenses of RUR 2,824 thousand for the year ended December 31, 2008 to net expenses of RUR 17,491 thousand for the year ended December 31, 2009, primarily due to an increase in non-recurring expenses by 212% from RUR 5,086 thousand to RUR 15,871 thousand related to costs associated with the commemoration of the anniversary of our oil and fats plant of RUR 3,970 thousand and write-offs of inventories of RUR 3,969 thousand.

Inter-segment eliminations for the year ended December 31, 2009 comprise primarily the elimination of gains from the sale by our holding company of shares of CJSC Russkii Sakhar to Rusagro-Sakhar in the amount of RUR 34,493 thousand, which are allocated to Other. Inter-segment eliminations for the year ended December 31, 2008 primarily comprise the elimination of intra-group dividends in the amount of RUR 209,021 thousand paid to the holding company and allocated to Other.

Operating Profit

As a result of the foregoing factors, operating profit increased by 101% from RUR 1,735,262 thousand for the year ended December 31, 2008 to RUR 3,481,950 thousand for the year ended December 31, 2009. Operating profit represented 14% and 10% of our sales in 2009 and 2008, respectively. The following table presents operating profit by each segment for the years ended December 31, 2009, and 2008, and as a percentage of sales before inter-segment eliminations for the corresponding period.

	Year ended December 31,			
	2009		2008	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	1,809,380	11	967,964	8
Oil and Fats	1,003,687	22	724,279	17
Meat	519,824	19	7,194	1
Agriculture	413,420	10	183,096	7
Other	(42,975)	*	57,983	*
Inter-segment eliminations	(221,386)		(205,254)	
Total	**3,481,950**		**1,735,262**	

* Not meaningful.

Interest expense

Interest expense increased by 19% from RUR 666,938 thousand for the year ended December 31, 2008 to RUR 791,006 thousand for the year ended December 31, 2009 and comprised an increase of RUR 550,378 thousand, or 50%, in the gross amount of interest expenses (before deduction of government reimbursement of these expenses) from RUR 1,092,633 thousand in 2008 to RUR 1,643,011 thousand in 2009, that was partly offset by a RUR 426,310 thousand, or 100%, increase in government reimbursement of interest paid from RUR 425,695 thousand in 2008 to RUR 852,005 thousand in 2009. Interest expense and related government grants increased as a result of higher interest rates on borrowings of the Group and an increase in long-term borrowings used to finance expansions in production. Interest expense represented 3% and 4% of our sales in 2009 and 2008, respectively.

Interest income

Interest income decreased by 46% from RUR 317,624 thousand for the year ended December 31, 2008 to RUR 172,731 thousand for the year ended December 31, 2009 as a result of a decrease in interest rates payable on our bank deposits and the utilisation of available funds for the purchase of our subsidiaries Chernyansky and OJSC Sugar Plant Nikiforovsky ("**Nikiforovsky**").

Income Tax Expense

Our income tax expense includes the Group's current income tax expense and its deferred tax credits. Our income tax expense increased by 78% from RUR 287,273 thousand for the year ended December 31, 2008 to RUR 510,694 thousand for the year ended December 31, 2009 as a result of the increase in the Group's profits, partially offset by the decrease of the enacted statutory tax rate in 2009 and higher interest expense for the Group. The enacted statutory general income tax rate for Russia was 20% for 2009 and 24% for 2008 (whereas for entities like the Group which are eligible to transition to the unified agriculture tax but have not done so, a 0% rate is applicable for 2004 to 2012, and an 18% rate would apply for 2013 to 2015; starting from 2016 the general corporate income tax rate will be applied to entities that have not transitioned to the unified agriculture tax). As a result, our overall effective tax rate decreased from 21% in 2008 to 18% in 2009. Deferred tax credits decreased by 17% from RUR 90,710 thousand for the year ended December 31, 2008 to RUR 75,279 thousand for the year ended December 31, 2009. Our deferred tax credits are primarily attributable to utilisation of deductible temporary differences between the tax base and IFRS carrying value of the Group's assets and liabilities.

Profit for the year

As a result of the foregoing factors, we generated a profit for the year of RUR 2,324,194 thousand in 2009, a 218% increase over the net profit of RUR 1,068,173 thousand in 2008. Net profit represented 9% of our sales in 2009 compared to 6% in 2008.

Non-IFRS Financial Measures – Adjusted EBITDA for the year ended December 31, 2009 compared to the year ended December 31, 2008

In order to provide investors with additional insight into the earnings of the Group and for the purpose of comparison with similar businesses, we present a summary of Adjusted EBITDA for the years ended December 31, 2009 and 2008 below. This information is prepared on the basis of IFRS principles, but such segment information is not required by IFRS to be presented, and the Group presents such information for comparison purposes only. 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.

Summary of Adjusted EBITDA for the years ended December 31, 2009 and 2008

	Year ended December 31,			
	2009		2008	
	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations	(in RUR thousands)	Percentage of corresponding segment sales before inter-segment eliminations
Sugar	2,089,811	13	1,227,970	11
Meat	1,014,979	37	190,269	22
Agriculture	1,131,798	27	433,090	17
Oil and Fats	1,134,204	25	825,498	20
Other	(87,238)	*	(99,770)	*
Inter-segment eliminations	(196,456)		(5,710)	
Total Adjusted EBITDA(**)	**5,087,098**		**2,571,347**	

* Not meaningful.

** See *"Selected Consolidated Financial Information—Segment Information and Non-IFRS Financial Measures"* for discussion of the method of calculation of Adjusted EBITDA.

Our Adjusted EBITDA increased by 98% from RUR 2,571,347 thousand for the year ended December 31, 2008 to RUR 5,087,098 thousand for the year ended December 31, 2009, primarily as a result of increases in the Adjusted EBITDA of the Sugar, Meat and Agriculture divisions. For the reasons described above, the gross profit in our Sugar division increased as a result of increases in the price of sugar as a result of global developments in the price of sugar, the effect of which on Adjusted EBITDA was mitigated somewhat by increases in payroll expenses in distribution and selling, general and administrative expenses. In the Meat division, our Adjusted EBITDA increased primarily as a result of an increase in operating profit in the division as we achieved greater capacity utilisation, adjusted to exclude the effect of higher depreciation included in operating profit in 2009 as compared to 2008. The Adjusted EBITDA of our Agriculture division increased as a result of increases in operating profit, before including the effects of gains on initial recognition of agricultural produce.

Liquidity and Capital Resources

Our primary sources of working capital and long-term funding have been short-term and long-term borrowings and cash flows from operating activities. Our primary use of funds has been to finance operating activities, capital expenditures and repayment of short-term and long-term borrowings. Our plan going forward is to finance our operating activities, capital expenditures, interest and dividends primarily from our free cash flow, as well as to finance our capital expenditures through the proceeds of the Offering, together with additional borrowings. We may also use proceeds of the Offering to make targeted acquisitions when appropriate market opportunities are available. See "*Use of Proceeds*."

Liquidity

As of December 31, 2010, we had total cash and cash equivalents of RUR 5,119,971 thousand, substantially all of which were denominated in rubles. At December 31, 2010, 2009 and 2008, we had working capital (determined as current assets less current liabilities) of RUR 10,074,028 thousand, RUR 5,726,632 thousand and RUR 4,045,734 thousand, respectively. Subsequent to December 31, 2010, we have continued to meet our obligations to trade creditors from cash generated from operations.

Our short-term investments increased to RUR 6,202,746 thousand as of December 31, 2010 from RUR 1,106,997 thousand as of December 31, 2009. Our short-term investments increased during 2009 to RUR 1,106,997 thousand as of December 31, 2009 from RUR 1,042,483 thousand as of December 31, 2008. The increase in short-term investments in 2010 was largely due to an increase in bank deposits and loans issued to third parties and the increase in 2009 was largely due to increases in loans issued to related parties. See "*Related Party Transactions.*"

Our trade and other receivables increased to RUR 2,236,808 thousand as of December 31, 2010 from RUR 950,914 thousand as of December 31, 2009. Our trade and other receivables decreased during 2009 to RUR 950,914 thousand as of December 21, 2009 from RUR 1,039,260 thousand as of December 31, 2008. The Group's reversal of a provision for impairment was RUR 888 thousand in 2010, compared to a provision of RUR 86,369 thousand and a reversal of provision for impairment of RUR 40,890 thousand in 2009 and 2008, respectively. We establish provisions for impairment based on our analysis of customer counterparty risk, changes in payment trends, actual receipts and our analysis of future cash flows.

Our short-term borrowings increased to RUR 11,203,810 thousand as of December 31, 2010 from RUR 4,475,525 thousand as of December 31, 2009. Our short-term borrowings slightly decreased during 2009 to RUR 4,475,525 thousand as of December 31, 2009 from RUR 4,568,472 thousand as of December 31, 2008. The increase in short-term borrowings in 2010 reflects the Group's new financing policy under which the Group holds cash generated from operating activities on bank deposit rather than using it to make accelerated repayments of its borrowings, allowing the Group to take advantage of the difference between the interest rates on its deposits as compared to the effective interest rates on its bank borrowings.

Working Capital

The Group's sales and cash flow are subject to seasonal fluctuations, particularly in relation to agricultural harvest periods. The Group has historically managed this seasonality by supplementing operating cash flows with revolving credit facilities available to the Group from Sberbank and other banks. The Group generally incurs more short-term liabilities in the first half of the year in connection with the planting of crops in the Agriculture division, with working capital increasing during the first three quarters of the year, before decreasing in the fourth quarter as a result of sales of crops harvested in the Agriculture division and an increase in seasonal sales in the Oil and Fats division.

Working capital increased by RUR 4,347,396 thousand in 2010 over 2009 compared to an increase of RUR 1,680,898 thousand in 2009 over 2008 due to (i) an increase in cash and cash equivalents from RUR 2,457,921 thousand in 2009 to RUR 5,119,971 thousand in 2010 primarily due to increases in cash flows during 2009 from operating activities before working capital changes; (ii) a significant difference in the change in inventories, as inventories increased by RUR 2,220,479 thousand in 2010 and RUR 555,661 thousand in 2009, respectively, primarily as a result of accelerated acquisitions of raw sugar an the end of 2010 together with costs associated with preparation of land for the spring sowing season included within inventories as work in progress; (iii) a significant increase in trade and other receivables from RUR 950,914 thousand in 2009 to RUR 2,236,808 thousand in 2010 due to accounts receivable due from an agent of Limeniko, the Group's subsidiary that conducts hedging operations; (iv) a significant increase in short-term investments in 2010 by RUR 5,095,749 thousand due to increases in short-term deposits with banks; (v) an increase in short-term borrowing in 2010 by RUR 6,728,285 thousand due to an increase in short-term loans received, compared to a decrease of RUR 92,947 thousand in 2009; and (vi) an increase in trade and other payables in 2010 by RUR 1,338,411 thousand due to increase in accounts payable to suppliers, compared to a decrease of RUR 277,966 thousand in 2009.

Working capital increased by RUR 1,680,898 thousand in 2009 over 2008 compared to an increase of RUR 465,791 thousand in 2008 over 2007 due to (i) an increase in cash and cash equivalents from RUR 1,286,428 thousand in 2008 to RUR 2,457,921 thousand in 2009 primarily due to increases in cash flows from operating activities before working capital changes; (ii) a significant difference in the change in inventories, as inventories increased by RUR 950,855 thousand in 2008 and RUR 555,661 thousand in 2009, respectively, primarily as a result of a larger increase at the end of 2008 in finished goods and stocks of agricultural produce held at the end of the year, together with costs associated with preparation of land for the spring sowing season included within inventories as work in progress; (iii) a significant difference in the change in biological assets between 2008 and 2009, as biological assets, which comprise unharvested crops and pigs, increased by RUR 360,819 thousand in 2008 compared to an increase of RUR 208,023 thousand in 2009 as a result of relatively high costs related to unharvested winter crops at the end of 2008; and (iv) a significant difference in the change in other taxes receivable between 2008 and 2009, which decreased by RUR 380,817 thousand in 2009 and increased by RUR 11,488 thousand in 2008, which was primarily attributable to completion of construction of facilities for the Meat division and growth in sales, and a decrease in input VAT not recovered at the year-end related to acquisitions and construction of property, plant and equipment.

In the Sugar division, because market prices for sugar are typically lower in the autumn as recently harvested sugar beets are processed, we normally make use of our storage capacity to build inventories of two to three months of sugar for sale in periods of the year further from the harvest campaign, when market prices are typically higher. We also typically build up our inventory of raw cane sugar in the fourth quarter of the year and the first quarter of the following year in order to switch production from sugar beets to raw cane sugar once processing of the sugar beet harvest is complete. In the Agriculture division, we incur significant liabilities at the start of the growing season which are paid off by the sale of products at the conclusion of the harvest season. In addition, we may also increase our working capital in the division at the end of the year by building inventories in response to commodity price movements for sale in the next year. For example, when commodity prices decreased in the second half of 2008, we elected to maintain inventories of winter wheat and barley, which were sold in 2009 after prices recovered. In the Meat division, our working capital tends to increase from August until the end of the year when we procure grains from the current harvest when prices are at their lowest for planting in the next growing season, and, conversely, our working capital tends to decrease from January until August when we make use of those grains procured in the previous year. Within the Oil and Fats division, we have the capacity to store up to 14,000 tons of vegetable oil, the division's key input, in order to partially hedge oil price fluctuations. We typically build up inventories of vegetable oil in the winter, though during 2009 we expanded our inventories of vegetable oil earlier in the year in order to take advantage of falling oil prices and to facilitate expansion of our operations in Central Asia.

Cash Flows

Set forth below is a summary of our cash flows for the years ended December 31, 2010, 2009 and 2008:

	Year ended December 31,		
	2010	2009	2008
		(RUR thousands)	
Net cash from operating activities	4,142,608	4,433,098	590,379
Net cash used in investing activities	(8,030,896)	(2,797,107)	(2,017,904)
Net cash from/(used in) financing activities	6,558,223	(576,245)	1,297,655

Net cash from operating activities

Net cash from operating activities decreased in 2010 by RUR 290,490 thousand from RUR 4,433,098 thousand for the year ended December 31, 2009 to RUR 4,142,608 thousand for the year ended December 31, 2010. This decrease principally reflected an increase in working capital that primarily resulted from the increase in 2010 of the receivables from the trading agent for the raw sugar derivatives trading activities as at December 31, 2010, and accelerated purchases of raw cane sugar at the end of 2010 in response to prevailing market conditions.

Net cash from operating activities increased in 2009 by RUR 3,842,719 thousand from RUR 590,379 thousand for the year ended December 31, 2008 to RUR 4,433,098 thousand for the year ended December 31, 2009. This increase principally reflected higher operating profit of RUR 3,481,950 thousand in 2009 compared to RUR 1,735,262 thousand in 2008 as well as changes in working capital. The increase from 2008 to 2009 was primarily due to the expansion of operations in 2009 together with growth in profitability supported by favourable movements in working capital.

Net cash used in investing activities

Net cash used in investing activities in 2010 was RUR 8,030,896 thousand primarily as a result of the increase in cash deposits with original maturities of more than three months and of purchases of property, plant and equipment and intangible assets totalling RUR 2,942,496 thousand. Acquisitions of property, plant and equipment and intangible assets comprised investments of RUR 1,370,435 thousand in the Sugar division for modernisation of sugar plants, RUR 176,788 thousand in the Meat division towards construction of a new pig-breeding farm in the Tambov region, RUR 1,268,663 thousand in the Agriculture division for the acquisition of agricultural and transport equipment and fixed assets and RUR 122,074 thousand in the Oil and Fats division primarily to increase capacity of mayonnaise and consumer margarine production and replace equipment used in margarine production.

Net cash used in investing activities in 2009 was RUR 2,797,107 thousand primarily as a result of purchases of property, plant and equipment and intangible assets totalling RUR 1,593,249 thousand and investments in subsidiaries net of cash acquired in the amount of RUR 1,375,383 thousand. Investments in acquisition of property, plant and equipment and intangible assets comprised investments of RUR 690,588 thousand in the Sugar division for modernisation of sugar plants and acquisition of assets of the Chernyansky sugar plant, RUR 259,618 thousand in the Oil and Fats division primarily to increase capacity of mayonnaise and consumer margarine production and to replace equipment used in margarine production, RUR 291,891 thousand in the Meat division for construction of new pig-breeding farms and RUR 346,660 thousand in the Agriculture division for acquisition of agricultural and transport equipment and fixed assets of two agricultural entities. Investments in subsidiaries net of cash acquired related to acquisition of CJSC Russkii Sakhar, which owned 100% of the participation interests in LLC AgroNik that owns the Nikiforovsky grain elevator and controls certain other agricultural land and 70.26% of the share capital of Nikiforovsky, and also included payment for shares of LLC Poletaevskoye acquired in 2008. In addition, our net cash used in investing activities included cash outflows related to loans given and cash inflows related to loans repaid to and from related parties. See "*Related Party Transactions*."

Net cash used in investing activities in 2008 was RUR 2,017,904 thousand primarily as a result of purchases of property, plant and equipment and intangible assets totalling RUR 2,934,073 thousand and investments in subsidiaries net of cash acquired, partially offset by a decrease in loan receivables due to the Group, as well as interest received. The investments in acquisition of property, plant and equipment and intangible assets comprised investments of RUR 608,862 thousand in the Sugar division for modernisation of sugar processing plants, RUR 107,343 thousand in the Oil and Fats division primarily to increase mayonnaise production capacity and to modernise hydration refining equipment, RUR 1,631,491 thousand in the Meat division for construction of new pig-breeding farms and RUR 581,416 thousand in the Agriculture division for the acquisition of agricultural and transport equipment. In addition, our net cash used in investing activities included cash outflows related to loans given and cash inflows related to loans repaid to and from related parties. See "*Related Party Transactions*."

Net cash from/(used in) financing activities

Net cash from financing activities in 2010 was RUR 6,558,223 thousand as a result of proceeds from borrowings of RUR 15,093,343 thousand and government grants of RUR 1,271,831 thousand, which were partially offset by repayments of borrowings of RUR 7,934,513 thousand and interest paid of RUR 1,604,216 thousand. Additionally, we made lease payments totalling RUR 221,554 thousand.

Net cash used in financing activities in 2009 was RUR 576,245 thousand as a result of proceeds from borrowings of RUR 13,815,459 thousand and government grants of RUR 1,062,173 thousand, which were partially offset by repayments of borrowings of RUR 13,293,280 thousand and interest paid of RUR 1,714,415 thousand. Additionally, we paid dividends totalling RUR 328,456 thousand and made lease payments totalling RUR 116,540 thousand.

Net cash from financing activities in 2008 was RUR 1,297,655 thousand as a result of proceeds of borrowings of RUR 17,787,349 thousand and government grants of RUR 757,758 thousand, which were partially offset by repayments of borrowings of RUR 15,871,907 thousand, together with interest payments of RUR 1,224,788 thousand. Additionally, we paid dividends totalling RUR 70,412 thousand and made lease payments totalling RUR 79,706 thousand.

Capital Expenditures

Our total capital expenditures in 2010 were RUR 2,943,965 thousand, compared to capital expenditures of RUR 2,968,632 thousand and RUR 3,198,461 thousand in 2009 and 2008, respectively. These amounts comprise purchases of property, plant and equipment and other intangible assets and investments in subsidiaries, net of cash acquired, related to the construction of our pig breeding facilities, expansion of production at our sugar production facilities and acquisitions in our Sugar and Agriculture divisions. Our capital expenditures by segment for the three years ended December 31, 2010, 2009 and 2008 are set forth in the following table:

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
		(RUR thousands)	
Sugar	1,372,101	2,051,853	608,862
Meat	176,788	291,891	1,631,491
Agriculture	1,268,663	360,846	845,804
Oil and Fats	122,074	259,618	107,343
Other	4,339	4,424	4,960
Total	**2,943,965**	**2,968,632**	**3,198,461**

We also plan to make capital expenditures of approximately RUR 13 billion in 2011, approximately RUR 12 billion in 2012 and approximately RUR 4.7 billion in 2013 in each case not including mergers and acquisition transactions.

In the Sugar division, the most significant capital expenditures in the periods described related to the acquisition of our subsidiaries Chernyansky and CJSC Russkii Sakhar and its subsidiary, Nikiforovsky, in 2009. These acquisitions, which represented approximately RUR 1.5 billion of the Sugar division's total capital expenditures in 2009, increased the Group's capacity to process raw cane sugar by approximately 1,750 tons per day or sugar beets by approximately 9,900 tons per day at the time of acquisition. In 2010, these plants were further modernised and the aggregate processing capacity of these two plants is currently 1,850 tons of raw cane sugar per day or 11,800 tons of sugar beets per day. In addition, we have planned capital expenditures in the Sugar division of approximately RUR 1.5 billion in 2011. We currently expect that our capital expenditures in the division will be used primarily to improve the Group's sugar beet processing efficiency, in addition to targeted investments in the manufacturing of higher margin products such as packaged and cubed sugar.

In the Meat division, capital expenditures in the periods described were used to develop the Group's facilities and livestock from a greenfield investment in the Belgorod region in 2006 to its current production level. Additional capital expenditures of approximately RUR 9 billion are planned for 2011 and approximately RUR 10.5 billion for 2012. We currently intend to direct capital expenditures in the division to develop the proposed greenfield pig complexes in the Tambov and Chelyabinsk regions, and the additional production facility in the Belgorod region.

In the Agriculture division, capital expenditures in the periods described comprised the investments in mechanisation programmes. Additional capital expenditures of approximately RUR 2.3 billion are planned for 2011. We currently intend to direct capital expenditures in the division for the next three years to increase the division's land bank, together with investing in equipment to support production on the additional land and increase harvest yields. In addition, the division is currently implementing a modernisation programme of existing equipment.

In the Oil and Fats division, capital expenditures in the periods described were directed toward increasing mayonnaise production capacity by 14%, from approximately 52 thousand tons per year to approximately 59.6 thousand tons per year, mayonnaise packaging capacity by 4% from approximately 57 thousand tons per year to approximately 59.6 thousand tons per year and margarines and spreads production capacity by 63% from approximately 30 thousand tons per year to approximately 49 thousand tons per year. Planned capital expenditures in the Oil and Fats division for 2011 are expected to be approximately RUR 300 million. We currently expect a majority of capital expenditures in the division for the next three years to expand mayonnaise production capacity at our Ekaterinburg facility as well as to modernise and develop our newly acquired oil extraction facility in Samara.

Indebtedness

As of December 31, 2010, we had short-term borrowings of RUR 11,203,810 thousand and long-term borrowings of RUR 8,262,101 thousand. The following table summarizes our significant borrowings as of December 31, 2010. For additional information, see the discussion following and the notes to the Consolidated Financial Statements. As at December 31, 2010 substantially all our indebtedness is denominated in rubles.

Lender	Borrower	Date of Agreement	Repayment	Collateral	Nominal Interest Rate[1] (%)	Principal Amount/Credit Limit Line (RUR thousands)	Amount outstanding as of December 31, 2010 (RUR thousands)
Sberbank	Belgorodsky Bacon	Aug 27, 2010	Aug 26, 2011	**	9	1,000,000	953,114
Sberbank	Belgorodsky Bacon	May 21, 2007	May 20, 2015	*	11.5	2,250,000	2,250,000
Sberbank	Belgorodsky Bacon	Feb 22, 2008	Feb 21, 2016	*	11.5	2,120,000	2,120,000
Sberbank	Belgorodsky Bacon	May 15, 2006	May 14, 2014	*	12	900,000	808,200
Sberbank	Belgorodsky Bacon	May 17, 2006	May 16, 2014	*	12	600,000	538,800
Alfa-bank	Zhirovoy Kombinat	Dec 28, 2009	Dec 28, 2014	Property, plant and equipment	CBRF[2]+3%	3,000,000	0
Sberbank	Rusagro-Sakhar	Dec 7, 2010	Dec 6, 2013(***)	*****	2.3	10,000,000	1,379,004
Sberbank	Rusagro-Sakhar	March 4, 2010	March 3, 2011	*****	3.25	5,000,000	3,995,166
Other borrowings from Sberbank	Sugar segment (only sugar plants)			*****	8.6		3,366,768
Alfa-Bank	Sugar segment (only sugar plants)	May 4, 2010 / September 1, 2010	December 31, 2015	Pledges of property, plant and equipment owned by, and shares of, Nikiforovsky	CBRF+3% (****)	1,811,000	1,062,990
Other bank borrowings	Sugar segment				7.5-9.2	1,460,000	1,324,645
Other borrowings from Sberbank	Agriculture segment			*****	9.5-13		1,261,172
Other bank borrowings	Agriculture segment	Dec 28, 2010	Dec 28, 2011		7.75		97,500
Total bank borrowings							19,157,359
State budget loans . . .					¼ of CBRF rate		208,076
Interest payable							51,845
Promissory notes issued					0%		29,724
Finance lease					21.3-47.3%		14,664
Loans from third parties					0-0.1%		4,242
Total							19,465,911

* Promissory notes of Sberbank, property, plant and equipment and shares of Belgorodsky Bacon and a guarantee from LLC Group of Companies Rusagro.

** Shares of Belgorodsky Bacon and a guarantee from LLC Group of Companies Rusagro.

*** Revolving credit line with six-month, nine-month and one-year potential tranches within total limit of credit line. All credit tranches must be paid not later then final date of repayment on December 6, 2013.

**** Fixed interest rate for each tranches at the date of borrowing

***** Pledges of shares of five sugar plants and 50% of the participation interests in LLC Group of Companies Rusagro

(1) Nominal interest rates exclude reimbursement of certain of our interest expenses by the Russian Government.

(2) "**CBRF**" means the Central Bank of the Russian Federation

The following is a summary of the main terms of our key outstanding loans and credit facilities.

Belgorodsky Bacon Facility Agreements with Sberbank

On May 15, 2006, Belgorodsky Bacon entered into Non-Revolving Credit Facility Agreement No. 9360 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 900,000 thousand bearing initial interest of 12.25% per annum through December 25, 2006, and interest of 12% per annum thereafter. The facility is to be repaid on May 14, 2014; however repayment may be extended. This credit facility is secured by pledges of promissory notes of Sberbank held by LLC Group of Companies Rusagro and property, plant and equipment owned by and shares of Belgorodsky Bacon and a guarantee from LLC Group of Companies Rusagro. Under the terms of the credit facility agreement, Belgorodsky Bacon has covenanted, among other things, not to borrow additional funds if such borrowing will increase its total borrowings by more than US$5 million; however additional loans from Sberbank are not considered for the purposes of this covenant. As of December 31, 2010, there was RUR 808,200 thousand outstanding under this credit facility.

On May 17, 2006, Belgorodsky Bacon entered into Non-Revolving Credit Facility Agreement No. 600806044 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 600,000 thousand bearing interest of 12% per annum. The facility is to be repaid on May 16, 2014. This credit facility is secured by pledges of property, plant and equipment owned by and shares of Belgorodsky Bacon and a guarantee from LLC Group of Companies Rusagro. Under the terms of the credit facility agreement, Belgorodsky Bacon has covenanted, among other things, not to borrow additional funds if such borrowing will increase its total borrowings by more than US$5 million; however additional loans from Sberbank are not considered for the purposes of this covenant. As of December 31, 2010, there was RUR 538,800 thousand outstanding under this credit facility.

On May 21, 2007, Belgorodsky Bacon entered into Non-Revolving Credit Facility Agreement No. 9440 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 2,250,000 thousand bearing interest of 12% per annum before August 4, 2010 and interest of 11.5% per annum after August 4, 2010. The facility is to be repaid on May 20, 2015. This credit facility is secured by pledges of promissory notes of Sberbank held by LLC Group of Companies Rusagro and property, plant and equipment owned by and shares of Belgorodsky Bacon and a guarantee from LLC Group of Companies Rusagro. Under the terms of the credit facility agreement, Belgorodsky Bacon has covenanted, among other things, not to borrow additional funds if such borrowing will increase its total borrowings by more than US$5 million; however additional loans from Sberbank are not considered for the purposes of this covenant. As of December 31, 2010, there was RUR 2,250,000 thousand outstanding under this credit facility.

On February 22, 2008, Belgorodsky Bacon entered into Non-Revolving Credit Facility Agreement No. 9570 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 2,120,000 thousand bearing interest of 12% per annum before August 4, 2010 and interest of 11.5% per annum after August 4, 2010. The facility is to be repaid on February 21, 2016. This credit facility is secured by pledges of promissory notes of Sberbank held by LLC Group of Companies Rusagro and property, plant and equipment owned by and shares of Belgorodsky Bacon and a guarantee from LLC Group of Companies Rusagro. Under the terms of the credit facility agreement, Belgorodsky Bacon has covenanted, among other things, not to borrow additional funds if such borrowing will increase its total borrowings by more than US$5 million; however additional loans from Sberbank are not considered for the purposes of this covenant. As of December 31, 2010, there was RUR 2,120,000 thousand outstanding under this credit facility.

On August 27, 2010, Belgorodsky Bacon entered into Non-Revolving Credit Facility Agreement No. 5325 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 1,000,000 thousand bearing interest of 9% per annum. The facility is to be repaid on August 26, 2011. The purpose of the loan is to finance operating costs, including acquisition of fodder, veterinary needs and fuel and lubricants. This credit facility is secured by a pledge of shares of Belgorodsky Bacon and a guarantee from LLC Group of Companies Rusagro. As of December 31, 2010, there was RUR 953,114 thousand outstanding under this credit facility.

Rusagro-Sakhar Facility Agreement with Sberbank

On March 4, 2010, Rusagro-Sakhar entered into Revolving Credit Facility Agreement No. 5245 with Sberbank providing for a revolving credit facility with a credit limit of RUR 5,000,000 thousand bearing interest of 11.25% per annum with a reduced interest rate of 3.25% per annum available under certain arrangements under a letter of credit established with Sberbank, and the Group has benefited from such reduced rate. The facility is to be repaid on March 3, 2011. The purpose of the loan is purchase of raw sugar using the letter of credit issued by Sberbank. This credit facility is secured by a guarantee by LLC Group of Companies Rusagro and pledges of shares of five sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika and Rzhevsky) and fifty percent of the participation interests in LLC Group of Companies Rusagro. As of December 31, 2010, there was RUR 3,995,166 thousand outstanding under this credit facility.

On December 7, 2010, Rusagro-Sakhar entered into Revolving Credit Facility Agreement No. 5369 with Sberbank providing for a revolving credit facility with a credit limit of RUR 10,000,000 thousand bearing interest of 8.25% per annum with a reduced interest rate of 2.3% per annum available under certain arrangements under a letter of credit established with Sberbank, and the Group has benefited from such reduced rate. The term of the credit facility is three years. The term for repayment of tranches within the limit of the credit line is not greater than one year. The purpose of the loan is to purchase raw sugar using the letter of credit issued by Sberbank. This credit facility is secured by a guarantee by LLC Group of Companies Rusagro and pledges of shares of five sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika, and Rzhevsky) and fifty percent of the participation interests in LLC Group of Companies Rusagro. As of December 31, 2010, there was RUR 1,379,004 thousand outstanding under this credit facility.

Znamensky Facility Agreement with Sberbank

On May 13, 2010, Znamensky entered into Non-Revolving Credit Facility Agreement No. 640110086 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 1,000,000 thousand bearing interest of 10% per annum. At the end of 2010, the interest rate was reduced to 8.6%. The facility is to be repaid on May 12, 2011. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro, pledges of shares of five sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika and Rzhevsky) and a pledge of equipment owned by these plants. Under the terms of the credit facility agreement, Znamensky has agreed to provide Sberbank with certain periodic financial information and has covenanted, among other things, to provide information regarding changes in the shareholding structure of Znamensky and information regarding changes in Znamensky's management bodies. As of December 31, 2010, there was RUR 500,000 thousand outstanding under this credit facility.

Znamensky Facility Agreement with Gazprombank

On July 5, 2010, Znamensky entered into Non-Revolving Credit Facility Agreement No. 2010-005-T with OJSC Gazprombank ("**Gazprombank**") providing for a non-revolving credit facility with a credit limit of RUR 500,000 thousand bearing interest of 8% per annum. The facility is to be repaid on January 30, 2012. The term for repayment of tranches within the credit line is not greater than one year. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro. The purpose of the credit is the replenishment of current assets. The mandatory condition of the loan is a minimum level of turnovers in Rusagro-Sakhar's operating cash account with Gazprombank. Under the terms of the credit facility agreement, Znamensky has agreed to provide Gazprombank with certain periodic financial information and has covenanted, among other things, to provide information regarding changes in the shareholding structure of Znamensky and information regarding changes in Znamensky's management bodies. As of December 31, 2010, there was RUR 364,645 thousand outstanding under this credit facility.

OJSC Valuikisakhar Sugar Plant Facility Agreement with Sberbank

On April 21, 2010, OJSC Valuikisakhar ("**Valuikisakhar**") entered into Non-Revolving Credit Facility Agreement No. 5247 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 1,000,000 thousand bearing interest of 10% per annum. At the end of 2010, the rate was reduced to 8.6%. The facility is to be repaid on April 20, 2011. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro, pledges of shares of five sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika and Rzhevsky) and a pledge of equipment owned by these plants. Under the terms of the credit facility agreement, Valuikisakhar has agreed to provide Sberbank with certain periodic financial information and has covenanted, among other things, to provide information regarding changes in the shareholding structure of Valuikisakhar and information regarding changes in Valuikisakhar's management bodies. As of December 31, 2010, there was RUR 654,021 thousand outstanding under this credit facility.

OJSC Sugar Plant Zherdevsky Facility Agreement with Sberbank

On May 13, 2010, OJSC Sugar Plant Zherdevsky ("**Zherdevsky**") entered into Non-Revolving Credit Facility Agreement No. 640310015 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 800,000 thousand bearing interest of 10% per annum. At the end of 2010, the rate was reduced to 8.6%. The facility is to be repaid on May 12, 2011. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro, pledges of shares of five sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika and Rzhevsky) and a pledge of equipment owned by these plants. Under the terms of the credit facility agreement, Zherdevsky has agreed to provide Sberbank with certain periodic financial information and has covenanted, among other things, to provide information regarding changes in the shareholding structure of Zherdevsky and information regarding changes in Zherdevsky's management bodies. As of December 31, 2010, there was RUR 643,697 thousand outstanding under this credit facility.

OJSC Rzhevsky Sakharnik Facility Agreement with Sberbank

On April 29, 2010, OJSC Rzhevsky Sakharnik ("**Rzhevsky**") entered into Non-Revolving Credit Facility Agreement No. 605710045 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 420,000 thousand bearing interest of 10% per annum. At the end of 2010, the rate was reduced to 8.6%. The facility is to be repaid on April 29, 2011. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro, pledges of shares of five sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika and Rzhevsky) and a pledge of equipment owned by these plants. Under the terms of the credit facility agreement, Rzhevsky has agreed to provide Sberbank with certain periodic financial information and has covenanted, among other things, to provide information regarding changes in the shareholding structure of Rzhevsky and information regarding changes in Rzhevsky's management bodies. As of December 31, 2010, there was RUR 296,000 thousand outstanding under this credit facility.

OJSC Nika Corp. Facility Agreement with Sberbank

On April 30, 2010, OJSC Nika Corp. ("**Nika**") entered into Non-Revolving Credit Facility Agreement No. 605410008 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 780,000 thousand bearing interest of 10% per annum. At the end of 2010, the rate was reduced to 8.6%. The facility is to be repaid on April 25, 2011. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro, pledges of shares of five sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika and Rzhevsky) and a pledge of equipment owned. Under the terms of the credit facility agreement, Nika has agreed to provide Sberbank with certain periodic financial information and has covenanted, among other things, to provide information regarding changes in the shareholding structure of Nika and information regarding changes in Nika's management bodies. As of December 31, 2010, there was RUR 390,000 thousand outstanding under this credit facility.

Nika Facility Agreement with Gazprombank

On July 5, 2010, Nika entered into Non-Revolving Credit Facility Agreement No. 4410-001-KC with Gazprombank providing for a non-revolving credit facility with a credit limit of RUR 500,000 thousand bearing interest of 9.2% per annum. At the end of 2010, the rate was reduced to 8%. The facility is to be repaid on January 30, 2012. The term for repayment of tranches within the credit line is not greater than one year. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro. The purpose of the credit is the financing expenses for sugar beets purchases. The mandatory condition of the loan is a minimum turnover in Rusagro-Sakhar's operating cash account with Gazprombank. Under the terms of the credit facility agreement, Nika has agreed to provide Gazprombank with certain periodic financial information and has covenanted, among other things, to provide information regarding changes in the shareholding structure of Nika and information regarding changes in Nika's management bodies. As of December 31, 2010, there was RUR 500,000 thousand outstanding under this credit facility.

Nikiforovsky Facility Agreement with Sberbank

On October 28, 2010, Nikiforovsky entered into Non-Revolving Credit Facility Agreement No. 5341 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 500,000 thousand bearing interest of 8.6% per annum. The facility is to be repaid on October 27, 2011. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro and pledges of shares of five sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika and Rzhevsky). Under the terms of the credit facility agreement, Nikiforovsky has agreed to provide Sberbank with certain periodic financial information and has covenanted, among other things, to provide information regarding changes in the shareholding structure of Nikiforovsky and information regarding changes in Nikiforovsky's management bodies. As of December 31, 2010, there was RUR 206,217 thousand outstanding under this credit facility.

Nikiforovsky Facility Agreement with Garanti Bank – Moscow

On October 22, 2010, Nikiforovsky entered into Credit Facility Agreement No. 793 with Commercial Garanti Bank-Moscow (CJSC) ("**Garanti Bank**") providing for a revolving credit facility with a credit limit of RUR 460,000 thousand bearing interest of 7.5% per annum. The facility is to be repaid on October 21, 2011. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro. Under the terms of the credit facility agreement, Nikiforovsky has agreed to provide Garanti Bank with certain periodic financial information and to provide information regarding changes in the shareholding structure of Nikiforovsky and information regarding changes in Nikiforovsky's management bodies. Currently, this facility bears the lowest nominal interest rate in the Group's credit portfolio. However, Garanti Bank is entitled to unilaterally change the interest rate at any time by prior written notice to Nikiforovsky. As of December 31, 2010, there was RUR 460,000 thousand outstanding under this credit facility.

Chernyansky Facility Agreement with Sberbank

On April 21, 2010, Chernyansky entered into Non-Revolving Credit Facility Agreement No. 5248 with Sberbank providing for a non-revolving credit facility with a credit limit of RUR 1,000,000 thousand bearing interest of 10% per annum. At the end of 2010, the rate was reduced to 8.6%. The facility is to be repaid on April 20, 2011. This credit facility is secured by a guarantee by Rusagro-Sakhar and LLC Group of Companies Rusagro, pledge of fifty percent of the participation interests in LLC Group of Companies Rusagro, pledges of shares of five sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika and Rzhevsky) and a pledge of equipment owned by Chernyansky. Under the terms of the credit facility agreement, Chernyansky has agreed to provide Sberbank with certain periodic financial information and has covenanted, among other things, to provide information regarding changes in the shareholding structure of Chernyansky and information regarding changes in Chernyansky's management bodies. As of December 31, 2010, there was RUR 676,833 thousand outstanding under this credit facility.

Loans from Alfa-Bank

On May 4, 2010 each of our seven sugar plants (Znamensky, Valuikisakhar, Zherdevsky, Nika, Rzhevsky, Chernyansky and Nikiforovsky) entered into credit agreements with OJSC Alfa-Bank ("**Alfa-Bank**"). The total amount of loans under these agreements is RUR 1,571,000 thousand bearing interest at the Russian Central Bank refinancing rate at the date of borrowing plus 3% per annum. On September 1, 2010, three additional credit agreements were entered into among Alfa-Bank and Nikiforovsky, Nika and Znamensky sugar plants for the total amount of RUR 240,000 thousand bearing the same interest rate. The loans are to be repaid on December 31, 2015. These credit facilities are secured by pledges of property, plant and equipment owned by, and shares of, Nikiforovsky and sureties of LLC Group of Companies Rusagro, Rusagro-Sahkar and LLC Russky Sakhar. Pursuant to the terms of each respective credit agreement, each sugar plant has agreed to provide Alfa-Bank with certain periodic financial information, to inform Alfa-Bank of changes in plant management and to inform Alfa-Bank of any credit extended to the plant by banks other than Alfa-Bank. In addition, plants are required to meet customary financial covenants and to maintain a minimum turnover in their operational cash account with Alfa-Bank. As of December 31, 2010, there was RUR 1,062,990 thousand outstanding under this credit facility.

On December 28, 2009, OJSC Fats and Oil Integrated Works ("**Zhirovoy Kombinat**") entered into Credit Line Agreement No. 625 with Alfa-Bank providing for a credit facility with a credit limit of RUR 3,000,000 thousand bearing a floating interest rate determined as the Russian Central Bank refinancing rate plus 3% per annum. The facility is to be repaid on December 28, 2014. This credit facility is secured by pledges of property, plant and equipment owned by Zhirovoy Kombinat. Pursuant to the terms of the credit agreement, Zhirovoy Kombinat has agreed to provide Alfa-Bank with certain periodic financial information, to inform Alfa-Bank of changes in Zhirovoy Kombinat's management and to inform Alfa-Bank of any credit extended to Zhirovoy Kombinat by banks other than Alfa-Bank. In addition, Zhirovoy Kombinat is required to meet certain customary financial covenants and to maintain a minimum turnover in their operational cash account with Alfa-Bank. As of December 31, 2010, there was nothing outstanding under this credit facility.

Other Borrowings

Other than for State budget loans providing for interest rates at one quarter of the CBR refinancing rate, our other borrowing facilities are in accordance with market terms. The amount of State budget loans outstanding as of December 31, 2010 was RUR 208,076 thousand.

The aggregate amount of the contracted borrowing facilities of the Group not utilised as at December 31, 2010 was approximately RUR 15 billion.

Contractual Obligations

The table below summarises the principal categories of our contractual obligations as of December 31, 2010. The actual obligations we will pay in future periods may vary from those reflected in the table below:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(RUR thousands)		
Borrowings (including interest payment)	23,348,740	12,426,363	3,803,654	6,060,030	1,058,693
of which:					
short-term borrowings	11,476,038	11,476,038	–	–	–
long-term borrowings	11,872,702	950,325	3,803,654	6,060,030	1,058,693
Committed capital expenditure	666,151	666,151	–	–	–
Finance lease commitments	18,747	12,638	6,109	–	–
Operating lease commitments	742,590	69,049	62,600	54,395	556,546
Total contractual obligations	**24,776,228**	**13,174,201**	**3,872,363**	**6,114,425**	**1,615,239**

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, sales, expenses, results of operations, liquidity, capital expenditures, or capital resources.

Quantitative and Qualitative Information about Market Risk

Our activities expose us to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. We do not use derivative financial instruments to hedge such risk exposures except for the raw sugar commodity price risk management. Operating risk management is carried out on the level of the finance function of our business segments with overall monitoring and control by management of the Group. We are in the process of 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.

Market risk

Market risk, associated with financial instruments, is a risk of change of fair value of financial instruments or the future cash flows expected on a financial instrument, owing to changes 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

Our income and operating cash flows are exposed to changes in market interest rates. Our interest rate risk arises from short-term and long-term borrowings. Borrowings at variable rates expose us to cash flow interest rate risk, while borrowings at fixed rates expose us to fair value interest rate risk. Our policy is to maintain most of our borrowings in fixed rate instruments, though we do not have formal policies and procedures in place for management of fair value interest rate risk. Interest rates under our credit contracts with Sberbank are fixed; however, terms of contracts stipulate the right of the creditor to unilaterally change the interest rate on the basis of, among other triggers, a change in the CBR refinancing rate. Additionally the Group has a credit line with Alfa-Bank with credit limit of RUR 3,000 million provided for interest rate based on the CBRF interest rate plus 3%. As at December 31, 2010 there was nothing outstanding under this credit facility, while at December 31, 2009, RUR 1,000 million remained outstanding under this facility. The Group pays interest on State budget loans at ¼ of the current CBR refinancing rate.

Bank deposits and loans granted by us bear interest at fixed rates and therefore are not exposed to cash flow interest rate risk.

The Group analyzes its interest rate exposure on a dynamic 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 December 31, 2010, had interest rates for borrowings with other than fixed rate borrowings been increased/decreased by 1%, the profit before taxation would have been RUR 133,585 thousand (2009: RUR 120,330 thousand; 2008: RUR 84,221 thousand) lower/higher.

Foreign exchange risk

The Group carries out essential import purchases of raw sugar from foreign suppliers. The payments are usually made in US Dollars. Starting in 2010, the Group actively used irrevocable covered letters of credit as form of payment to its raw sugar suppliers. The financing of the letters of credit was carried out through a credit line with Sberbank in Russian roubles. Under this structure of payment the actual exchange rates for purchase price of raw sugar was determined and fixed at the moment of borrowing funds from Sberbank. Previously the form of settlements required 100% prepayment to the seller with a time lag of no more than 10 calendar days between the moment of transfer of cash to the seller and delivery of raw materials.

As at December 31, 2010 and 2009, foreign exchange risk arises on cash in banks, trade and other receivables, borrowings and trade and other payables denominated in foreign currency. At December 31, 2010, if the ruble had weakened/strengthened by 10% (2009: 10%; 2008: 33%) against the US Dollar with all other variables held constant, the Group's profit before taxation would have been RUR 65,517 thousand (2009: RUR 2,480 thousand; 2008: RUR 115,475 thousand) higher/lower. At December 31, 2010, if the ruble had weakened/strengthened by 10% (2009: 10%; 2008: 27%) against the Euro with all other variables held constant, the Group's profit before taxation would have been RUR 564 thousand (2009: RUR 20,797 thousand; 2008: RUR 34,579 thousand) higher/lower.

Purchase price risk

The Group processes raw sugar and, starting in 2010, manages its exposure to this commodity price risk through financial derivatives. In 2010, the Group's total purchases of raw sugar were RUR 9,534,569 thousand (2009: RUR 4,182,344 thousand; 2008: RUR 3,235,128 thousand). 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 RUR 1,214,660 thousand are presented as a separate line within the consolidated statement of comprehensive income.

In addition the Group is exposed to purchase price risks for sugar beet and grain that are a significant input in our white sugar production and pig cultivation, respectively. These price risks are managed at the Group level through vertical integration with our agricultural production to help ensure availability of sugar beets and grain.

Changes in the price of vegetable oil, the main cost component for mayonnaise and margarine production, are usually followed by corresponding changes in the finished products prices that reduce the sensitivity of the financial results of our Oil and Fats segment to this risk. The storage facilities at our oil and fats plant permit us to create significant stocks of vegetable oil in the time when the vegetable oil prices are more favourable. As changes in vegetable oil prices are usually caused by changes in sunflower seeds prices the effect on the profit of our Oil and Fats division of changes in vegetable oil prices is at the Group level partially reduced by the contrary effect of changes in sunflower seed prices on the profit of our Agriculture division.

We are exposed to equity securities price risk because of investments held by the Group and classified on our consolidated statement of financial position either as available for sale or at fair value through profit or loss. We do not manage our price risk arising from investments in equity securities.

Sales price risk

The Group is exposed to financial risks arising from changes in prices of its finished products.

Changes in white sugar prices from January through August are closely related to changes in world raw sugar prices that we seek to manage by hedging our raw sugar purchase price risks. The storage facilities at our sugar plants allow us build up stocks of white sugar to defer sales until more favourable price conditions exist.

Changes in mayonnaise prices are usually correlated with the changes in vegetable oil prices (see above).

The Group is exposed to financial risks arising from changes in the price of milk, meat and key crops. Our exposure to risks of changes in crop prices is mitigated somewhat by our vertical integration through our Agricultural production.

Credit risk

Credit risk represents risk of losses for the Group as a result of default by one or more of our counterparties on their obligations to remit to us 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, placing deposits with other entities and performing other transactions with counterparties giving rise to financial assets. We have no collateral held as security for our financial assets and have geographical concentration of credit risk in the Russian market as the majority of our customers conduct their businesses in the Russian Federation. In order to minimise our credit risk related to cash in banks and bank deposits, we deposit cash in financial institutions which are considered to have a minimal risk of a default.

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, our Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Significant Accounting Policies

A detailed description of the main accounting policies used in preparing the Consolidated Financial Statements is set forth in the Note 2 to the Consolidated Financial Statements included elsewhere in this Prospectus.

Critical Accounting Estimates and Judgments in Applying Accounting Policies

We make estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continuously evaluated and are based on our experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. We also make certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effects 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 judgment based on 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. We assess 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 programmes; 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 RUR 211,003 thousand in 2010 (2009: RUR 151,481 thousand and 2008: RUR 106,948 thousand) or decrease it by RUR 161,300 thousand (2009: RUR 118,515 thousand and 2008: RUR 89,750 thousand).

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 the 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 their 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 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:

10% change in fair value of bearer livestock	December 31					
	2010		2009		2008	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
			(in RUR thousands)			
Cows						
Length of production usage in calves	1,791	(2,137)	3,002	(3,167)	5,971	(5,777)
Culling rates	(524)	532	(806)	816	(2,399)	2,369
Market prices for comparable bearer livestock in the same region	16,081	(16,081)	16,622	(16,622)	31,475	(31,475)
Pigs						
Length of production usage in farrows	19,445	(19,052)	16,143	(19,730)	6,385	(7,803)
Market prices for comparable bearer livestock in the same region	36,338	(36,338)	37,136	(37,136)	45,590	(45,590)

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

The Group management determined that as of December 31, 2010, there were no indicators that would necessitate performing an impairment test of property, plant and equipment.

The Group performed an impairment test of property, plant and equipment as of December 31, 2009 and 2008 based on macroeconomic impairment indicators. The recoverable amount of each cash-generating unit ("**CGU**") was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Group's management covering a five-year period except for Agriculture CGU and Meat CGU. The latter used seven-year period projections (2008: eight-year period projections) to reflect future changes in the income tax rate for agricultural companies. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. The future cash flows were discounted using pre-tax discount rates ranging between 19.7% and 20.5% for each CGU (2008: 19.3% to 24.3%). The discount rate is derived from the Group's pre-tax weighted average cost of capital. As the recoverable amounts exceeded the carrying value of property, plant and equipment for each CGU, no impairment losses were recognised.

For key assumptions underlying value-in-use calculations where a reasonably possible shift could lead to impairment of property, plant and equipment as of December 31, 2009 and 2008, the sensitivity analysis was performed as follows:

Agriculture CGU		Allocated to goodwill	Allocated to property, plant and equipment
December 31, 2009			
Should pre-tax discount rate increase by 3% there would be an impairment of	177,711	128,529	49,182
December 31, 2008			
Should EBITDA margin* decrease by 3% there would be an impairment of	6,607	6,607	–
Should pre-tax discount rate increase by 3% there would be an impairment of	246,117	128,529	117,588

Sugar CGU		Allocated to goodwill	Allocated to property, plant and equipment
December 31, 2009			
Should EBITDA margin* decrease by 1% there would be an impairment of	468,171	344,509	123,662
Should pre-tax discount rate increase by 3% there would be an impairment of	349,767	344,509	5,258

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

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 to the Consolidated Financial Statements included elsewhere in this Prospectus.

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 amount of future taxable profits and tax benefits that are probable are based on a medium-term business plan prepared by management and extrapolated to generate results thereafter. The business plan is based on management's expectations, which are believed to be reasonable under the circumstances. The key assumptions in the business plan are EBITDA margin and the pre-tax discount rate.

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations as further detailed in Note 28 to the Consolidated Financial Statements included elsewhere in this Prospectus.

New accounting pronouncements

Recent accounting pronouncements are described in the Note 2 to the Consolidated Financial Statements included elsewhere in this Prospectus. As at the date of the Consolidated Financial Statements, all new standards and amendments that are relevant to the Group's operations and are effective for accounting periods beginning on January 1, 2010 have been adopted.

Recent events

In March 2011, the Group acquired 74.9% of the ownership interests in LLC Samaraagroprompererabotka, which owns a sunflower oil production plant, for consideration of RUR 179,008 thousand. Additionally, within this acquisition the Group has issued loans in the amount of RUR 1,084,744 thousand to refinance the debt of the acquired entity.

In March 2011, the Group acquired two entities that own in the aggregate 96,818 hectares of agricultural land plots located in the Belgorod region that were previously controlled by the Group and cultivated pursuant to short-term lease agreements. The acquisition costs therefor were RUR 2,308,258 thousand.

From January 1, 2011 until April 4, 2011, the Group made scheduled repayments of its bank borrowings of approximately RUR 5.5 billion. During the same period, the Group's entities withdrew RUR 5.4 billion on its bank borrowings. Additionally, the acquisition by the Group of LLC Samaraagroprompererabotka in March 2011 added approximately RUR 2.1 billion to the Group's bank borrowings.

The following information includes extracts from publicly available information, data and statistics and has been extracted from official sources and other sources that we believe to be reliable. We accept responsibility for accurately reproducing such information, data and statistics and as far as we are aware no facts have been omitted which would render such information misleading, but we accept no further responsibility in respect of such information, data and statistics. Such information, data and statistics may be approximations or use rounded numbers.

Overview

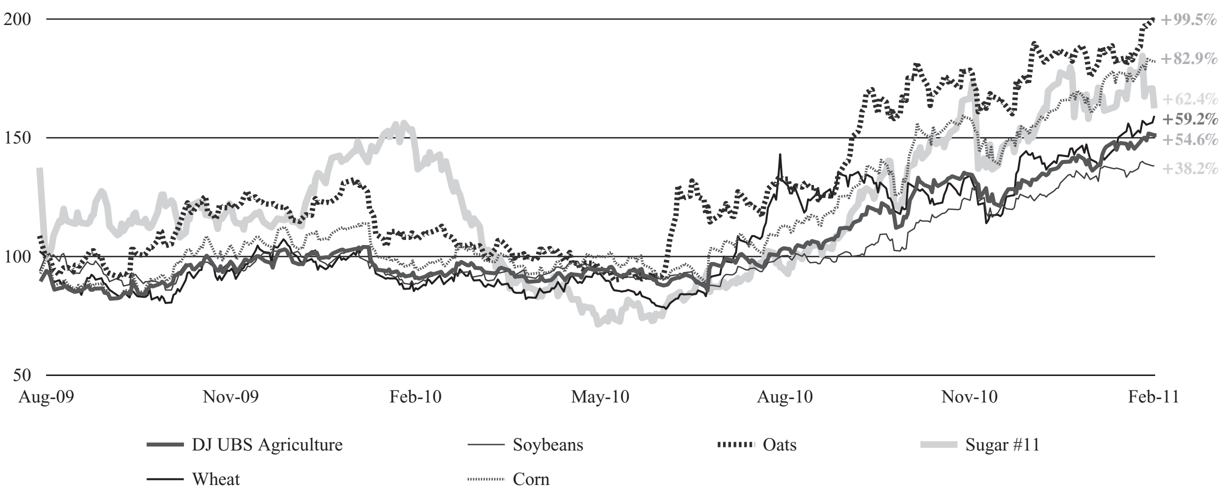
Over the past year, the global commodity market has witnessed a surge in food commodity prices. The factors that have contributed to the commodity price increases include weather disruptions, poor yields, growing demand from emerging markets and an increase in biofuel production.

World sugar prices increased significantly in the second half of 2010 and hit a 29-year high, underpinned by unfavourable weather in many of the world's major sugar procuring countries such as Brazil and India, and most recently in Australia, increased imports from China and other emerging markets, and further growth in Brazilian ethanol production.

The grain markets also started an impressive rally in July 2010 which saw corn, wheat and soybean prices rise by more than 45% between July and December. The surge in grain prices was largely driven by the Russian severe drought and crop failure, poor weather in South America, a fall in US yields and a significant downward revision to the 2010 US corn harvest.

Livestock prices also witnessed a strong rally last year. A two-year long decrease in production of lean hogs tightened supplies, sending prices to record highs in May 2010, helping to restore producers' profitability. Similarly, live cattle prices came close to their all-time high at the end of October 2010, due to stronger demand and exports.

Global food prices since August 2009



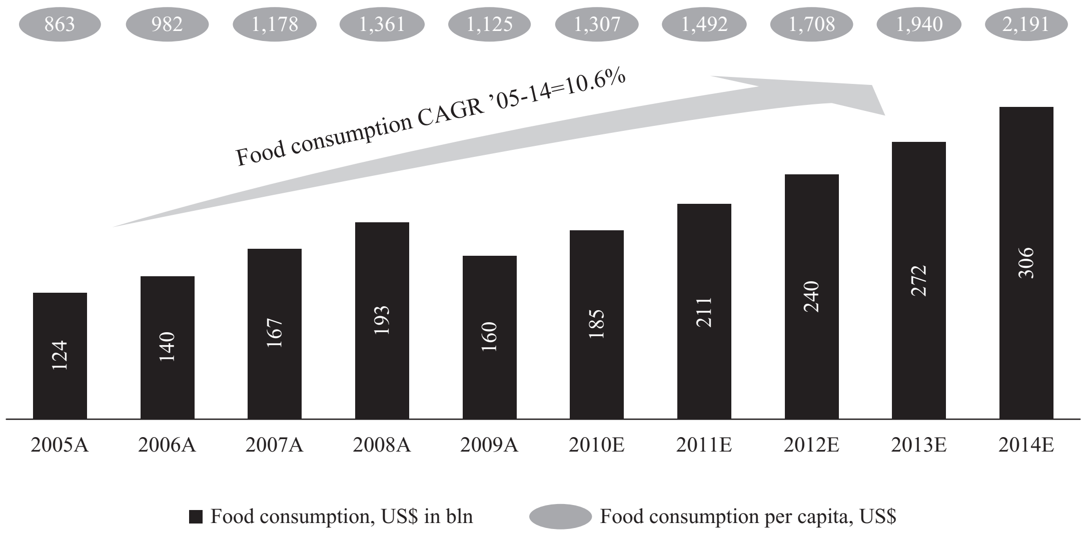
(1) DJ UBS Livestock and DJ UBS Agriculture refer to the Dow Jones UBS Livestock and Agriculture indices, respectively, sub-indices of the Dow Jones Commodity Index

Source: Factset. Prices rebased to 100

Note: Prices shown for futures continuous contracts

The Russian food market has been growing at a relatively fast pace and, based on preliminary data from Business Monitor International Ltd., reached approximately US$185 billion in 2010 in retail prices. The market is forecasted to continue growing in the next few years and reach approximately US$306 billion by 2014, according to Business Monitor International.

Food Consumption in Russia



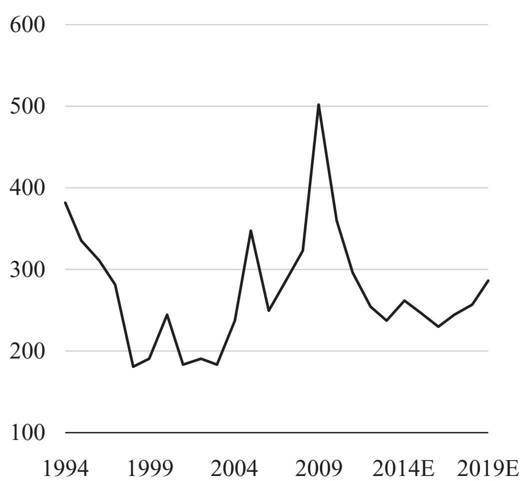
Source: Business Monitor International Ltd.

The Group operates throughout Russia and has business in four industry segments: sugar, pig breeding, agriculture and oil and fats. The characteristics of the markets and business segments may be considerably different, including with respect to the respective market dynamics, competition and regulatory framework. As a result, this Industry Overview includes a discussion of each of the Group's four segments from both a global and Russian perspective.

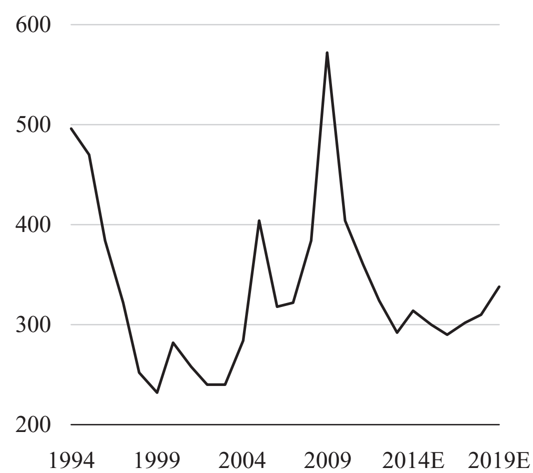
Global Sugar Industry

The world sugar market is currently facing a second year of global deficit with a wide gap remaining between world consumption and production, which has reduced stocks to very low levels. World sugar prices have increased significantly in response to tightening supplies due to severe drought in 2010 and rising imports, reaching a 29-year high in the second half of 2010.

Raw cane sugar price development (US$ / ton)



White sugar price development (US$ /ton)



Source: OECD-FAO Agricultural Outlook 2010-2019. Sugar prices in real terms, deflated by US GDP deflator (2005 = 1)

World sugar prices are expected to remain volatile over the coming decade and will be shaped by policy driven market and trade adjustments in Europe and North America, the continuing sugar production cycle in Asia (primarily India and some neighbouring countries), and the extent to which Brazil's large sugar cane crop is allocated to ethanol production.

The current high prices can be expected to lead to a supply response in the future. As the high prices occurred too late to allow most growers to adjust production for the 2009/10 crop year, a more complete supply response is not expected to occur before 2010/11. Once production adjusts, the world sugar market is likely to switch from a deficit to an overall surplus situation, increasing export availabilities and relieving some of the current price pressures.

Sugar crops in most of the world's leading producing countries are therefore projected to expand in 2010/11, in response to the historically high prices. This sugar crop expansion is expected to switch the world market balance from a deficit to a surplus and hence lower world prices. Among the world's sugar producers, developing countries will account for essentially all the growth in output, and with a major share coming from Brazil.

While consumption growth slowed at the start of 2010, faster growth is expected in following years once the recession recedes and economic recovery becomes well established around the world. Global sugar consumption is projected to increase by 23% to 198 million tons in 2019/20. The developing countries account for the major share and growth in world sugar use, due to a combination of faster population growth, changing diets and rising incomes. The fastest growth in consumption is expected in the growing sugar deficit region of Asia.

World sugar exports remain highly concentrated in a few countries and are increasingly dominated by a single emerging economy – Brazil. Brazil is the world's largest producer and exporter of sugar, and is expected to boost exports in the near term as it responds to the current high prices. Brazil's share of world exports is projected to grow from 41% in 2010 to 50% in 2019/20. Brazil, together with Thailand, Australia and South Africa, collectively account for most of the growth in world exports. Imports, however, remain more diversified over a larger group of countries, but with much of the growth accounted for by the EU, the United States and countries in Asia, particularly India and China.

Within Asia, China has been experiencing strong demand for sugar for direct food use, food processing and the manufacture of prepared food. Tightening government controls on the production and use of artificial sweeteners is expected to boost sugar consumption further in China, with sugar use growing by nearly 2% per year to reach over 20 million tons in 2019/20. This level of use would imply rising imports that will exceed the tariff rate quota of 1.95 million tons established when China joined the WTO.

Until 2007, the Russian Federation was the world's largest sugar importer. However, it was surpassed in that year by the EU, which is undergoing substantial regulation reform. Russia, having switched from white sugar imports in the 1990s, currently imports primarily raw cane sugar for refining by domestic mills when the sugar beet processing season is over. Rapid growth in domestic sugar beet production in Russia, stimulated by higher prices and tariff protection, is expected to lead to further growth in sugar output and import replacement. Sugar production is projected to be approximately 4.1 million tons in 2019/20, and with slowing sugar consumption, raw sugar imports are expected to decline to just below 2.0 million tons in the same period.

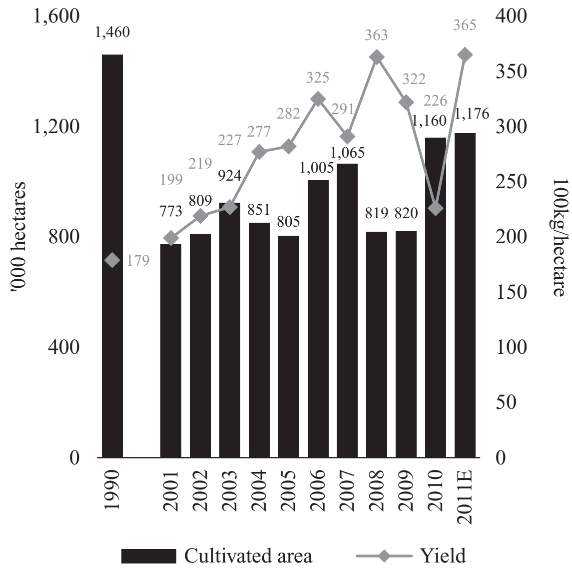
Russian Sugar Industry

Sugar consumption in Russia has been relatively stable over the last few years, with an average of approximately 5.4-5.6 million tons annually. The consumption has decreased slightly from 6.0 million tons in 2003 to 5.3 million tons in 2010. This can be attributed to change in diet and gradual shift to artificial sweeteners and sugar substitutes. Sugar consumption in 2011 is expected to remain flat at approximately 5.5 million tons.

Demand for sugar in Russia is slightly seasonal, with consumption typically starting to grow in May and peaking in July, partly due to the increase in production of soft drinks and ice cream. Home canning also accounts for a major part of the sugar consumption peak in the summer season.

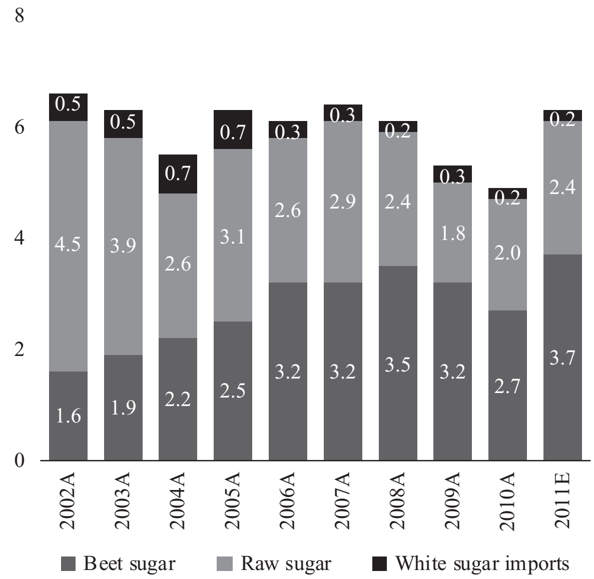
One of the main sources of Russian sugar production is represented by sugar beets, which currently accounts for approximately 55% of the total production in 2010, according to Soyuzrossakhar and the Institute for Agricultural Market Studies ("**IKAR**"). The increase of beet sugar share of the total sugar market volume in recent years is a result of government programmes supporting domestic sugar producers, including favourable import tariff policies and the latest Programme for Development of Sugar Beet Complex in Russia for 2010 to 2012 (see "Regulation of the Russian agricultural and food industry"). On December 1, 2010 Ministry of Agriculture approved the sugar beet producers' initiative to prolong the government support measures. Nonetheless, imported raw cane sugar also plays an important role as it enables a full-year production cycle and balances the deficit of beet sugar in the market.

Sugar beet harvesting ('000 hectares and 100 kg/hectare)



Source: Rosstat, Ministry of Agriculture

Sugar production by type (million tons)



Source: Soyuzrossakhar, IKAR

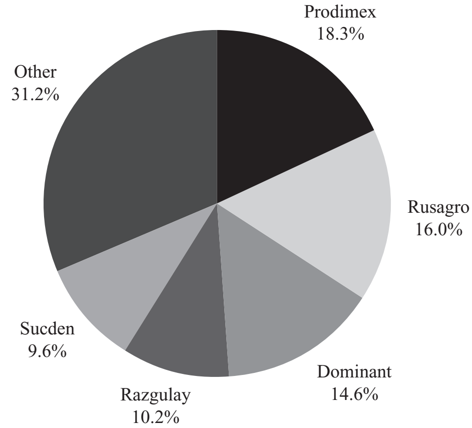
Note: 2011E hectares and yield represent forecasts of Ministry of Agriculture for 2011

In 1990, approximately 1.5 million hectares were used to cultivate sugar beets, yielding an average of 17.9 tons per hectare, according to Rosstat. Since then, the total cultivated area has been significantly reduced, whereas the yield has improved. In 2001, the Russian sugar industry had a total of 773,000 hectares of cultivated area under sugar beets with a yield of an average of 19.9 tons per hectare. Total cultivated area under sugar beets increased significantly in 2010 to 1,160 thousand hectares and is expected to reach 1,176 thousand tons in 2011, according to the forecast of Russian Ministry of Agriculture, resulting in a compound annual growth rate ("**CAGR**") of 4.3%. In the meantime, yield has shown a significant improvement, increasing from an average of 19.9 tons per hectare in 2001 to a 32.2 tons per hectare in 2009. The yield decreased significantly in 2010 due to severe drought, but is expected to rebound in 2011 to 36.5 tons per hectare, representing a 2001-2011 CAGR of 6.3%.

The principal sugar beet growing areas are the Black Earth region, accounting for 53% of the total production, the Volga region, accounting for 25%, the Northern Caucasus, accounting for approximately 20%, and the Altaysky Krai, accounting for 2% of total production.

The Russian white sugar market is relatively consolidated, with the top five producers in 2010 accounting for approximately 69% of all sugar production.

White sugar main players by output in 2010

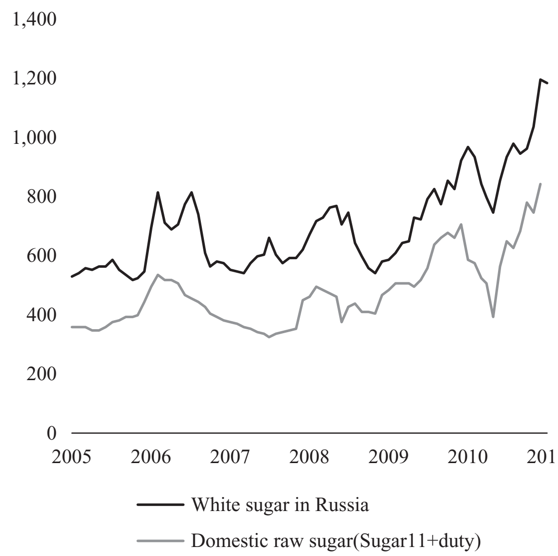


Source: Soyuzrossakhar

Note: Rusagro production includes sugar processed by and on behalf of the Group through tolling arrangements

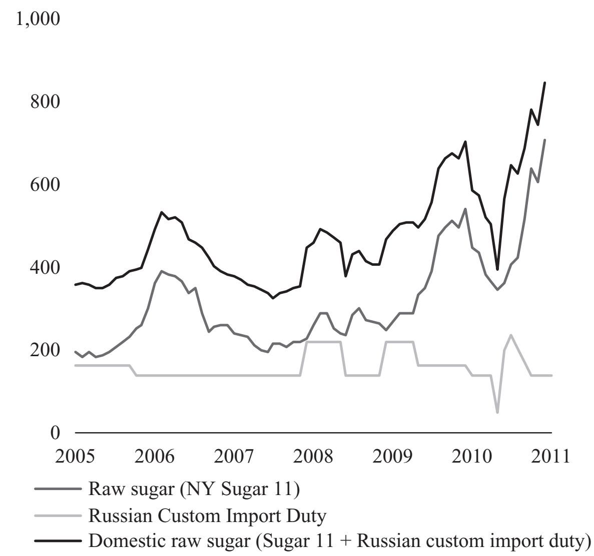
Sugar prices increased during 2010 due to adverse weather conditions globally. Furthermore, to increase the share of domestically produced beet sugar, existing regulations aim to sustain the price of sugar in Russia at approximately US$800 per ton, by controlling import duties for raw cane sugar. Costs to produce beet sugar (including costs of goods sold and selling, general and administrative expenses) average around US$500 per ton and result in relatively high profitability of sugar beet processing. The processing of raw cane sugar is mostly used to meet the demand and to cover down-time costs between January and August, when sugar beet is not available.

Sugar price evolution (US$ /ton)



Source: Intercontinental Exchange, Soyuzrossakhar , IKAR

Import duties on raw sugar prices (US$ /tons)



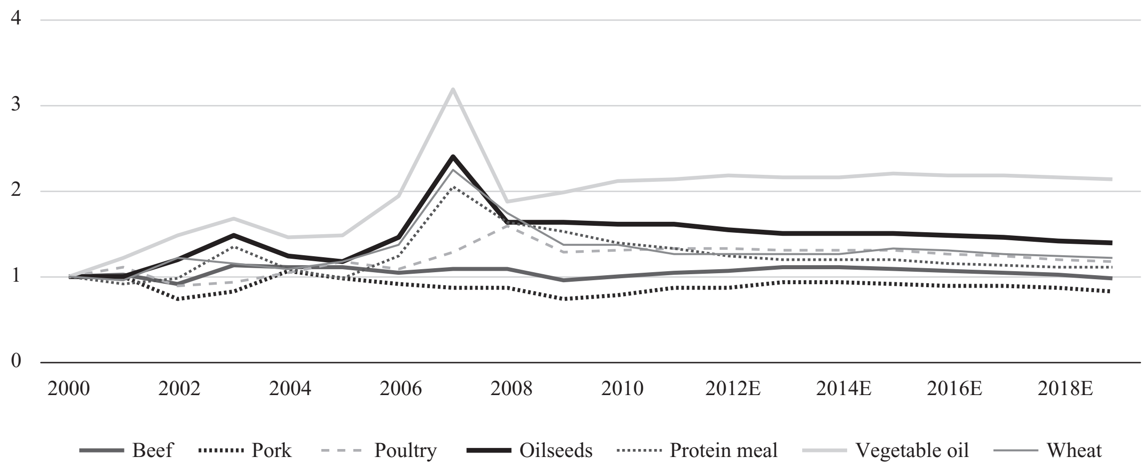
Source: Intercontinental Exchange, Russian Federal Customs Service

Currently, the import duty on white sugar is US$340 per ton, which is effectively a prohibitive tariff. Since 2004, Russia has used a "floating" import duty on raw cane sugar, which has an inverse relationship with the global market price. The duty is adjusted throughout the year, driven by seasonal factors, to allow for profitable production during both raw cane sugar and sugar beet processing seasons. In 2009, Russia, Kazakhstan and Belarus signed several agreements that introduced a unified customs regime for sugar tariff regulation effective from January 1, 2010. Generally, raw cane sugar duty floats within a range of US$50-250 per ton during the period of May 1-July 31 and during the rest of the year, within the range of US$140-270 per ton. The regime and the duty size can be amended only by the consent of all three members. Due to severe drought in summer and significant decrease of domestic sugar supply in 2010, custom members have decided to introduce lower import tariffs from March 1, 2011, as compared to the previously agreed rules.

Global Meat Industry

In comparison to cereals, oilseeds and dairy markets, meat prices (including beef, pork and poultry) are relatively less volatile. This stability, to some extent, can be attributed to the relatively limited role meat plays as a staple as well as limited storage capacity, which make panic-buying unlikely. Additionally, producers have only limited ability to respond to sudden increases in feed costs as production decisions are taken in the beginning of the production cycle and cannot respond quickly to price signals. These two factors are the two most relevant factors to explain the lower volatility of meat prices as compared with other agricultural products in recent years.

Meat prices in comparison to other agricultural products



Source: OECD-FAO Agricultural Outlook 2010-2019. Prices in real terms, rebased to 1

World meat consumption is expected to continue to experience one of the highest rates of growth among the major agricultural commodities, and mostly in the faster growing non-OECD countries. Virtually all the world growth in meat consumption is projected to occur in developing countries; notably, demand for poultry is expected to grow at 2.8% per annum, and pork at 2.3% per annum, while beef consumption is expected to grow at the slowest rate at 2.0% per annum. Growth in per capita annual consumption in developed countries is expected to remain low.

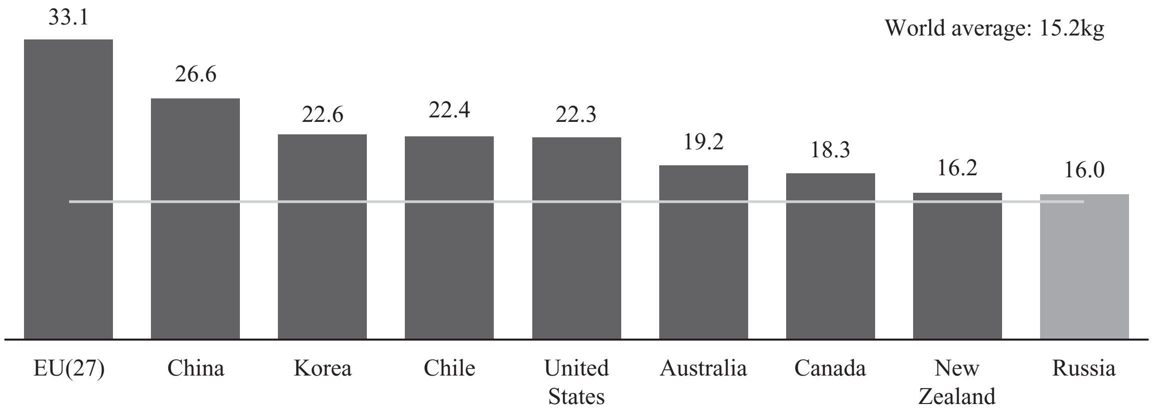
Meat consumption is mainly driven by disposable income levels. Despite the slow economic growth in the recent past, global meat consumption is projected to increase in line with population growth and rising disposable income in most parts of the world over the medium term. Per capita meat consumption is expected to grow at an average annual rate of approximately 1.9% per year to 2019, slightly less than in the previous decade. By 2019, the OECD and the Food and Agriculture Organization of the United Nations ("**FAO**") expects global meat consumption to increase to over 331 million tons.

In general, developing countries account for most of the additional meat consumption. Population and disposable income growth has triggered shifts from food of vegetable origin to food of animal origin in the consumption pattern.

Consumption growth is not equally distributed across different types of meat. On a global level, poultry consumption is expected to show the strongest growth. From 2010 to 2019, global poultry consumption is expected to increase by approximately 23% to over 116 million tons, followed by pork consumption growth of approximately 17%.

Global consumption of pork products is expected to reach approximately 126.4 million tons by 2019, according to OECD-FAO, from an average of 102.5 million tons from 2007 to 2009. In developed countries, pork consumption has averaged 39.3 million tons from 2007 to 2009, and is expected to grow to 41.7 million tons by 2019. In developing countries, average pork consumption from 2007 to 2009 was 63.1 million tons and is expected to grow to 84.7 million tons by 2019. Additionally, in countries where pork consumption is traditionally high, such as in Asia, such consumption will continue to grow at a faster rate than any other type of meat.

Average 2007-2009 per capita pork consumption (kilogram per capita)



Source: OECD-FAO Agricultural Outlook 2010-2019

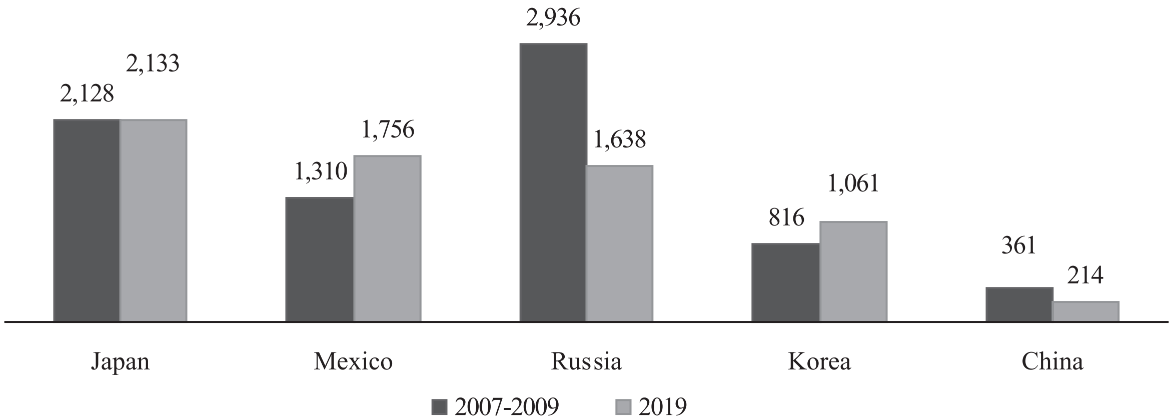
Average per capita pork consumption for the period 2007 to 2009 varied from 16.0 kilograms in Russia to 33.1 kilograms in the EU, according to OECD-FAO. World per capita pork consumption lies at the lower end at 15.2 kilograms, and is expected to increase to 16.6 kilograms by 2019, according to OECD-FAO.

Global meat production is expected to grow by 1.9% per year through 2019, compared to 2.1% in the previous decade, as the sector is increasingly constrained by higher feed costs and the availability of natural resources. This growth is expected to originate predominantly outside the OECD area, which will be responsible for about 89% of the additional output, while a more stable path of development is observed in OECD countries. Meat production growth in non-OECD countries is anticipated to be dominated by large countries with considerable scope for increasing animal production (e.g. Brazil and, to some extent, China and Russia). Meat production outside the OECD is projected to grow around 2.6% per year. In many OECD countries, animal production systems are operating at or near maximum capacities, leaving little scope for increases in production. Furthermore, high production costs along with continuing agricultural policy reforms in some OECD countries lower the incentive to raise animals. Production growth in OECD countries is thus expected to be less than 1% per year.

Going forward, Japan is expected to overtake Russia as the leading net meat importer. This is attributed to the recent emphasis on investment in the Russian pork sector, hence driving domestic production and reducing net imports. This is the same case for poultry and beef, but to a smaller extent. While meat consumption is expected to grow, imports are expected to be increasingly crowded out by domestically produced meat.

China is expected to emerge as a new significant net importer of poultry. Imports are expected to grow significantly as consumption gains outpace production. Both Mexico and Korea are projected to increase net imports of meat, due to increasing demand for meat protein, fuelled by income growth in these two countries.

Development for net meat imports for selected countries
('000 tons)



Source: OECD-FAO Agricultural Outlook 2010-2019

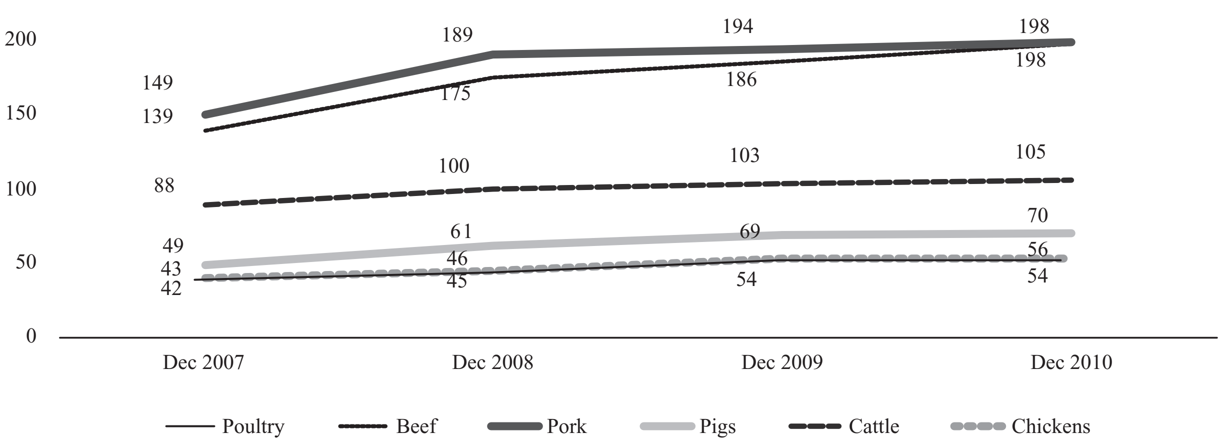
Russian Meat Industry

The Russian meat market is one of the largest in the world, accounting for approximately 3% of the global meat consumption. Russian meat consumption (consisting of poultry, beef and pork) was approximately eight million tons in 2010. The Russian market has been relatively flat in volume terms over the past few years and is expected to grow by 0.5% in 2011, according to OECD-FAO estimates. Meat consumption is estimated to be around 59 kilograms per capita, and is relatively low if compared to developed countries and to the Soviet era peak of approximately 82 kilograms per capita.

According to the OECD-FAO, the share of pork in overall meat consumption has been steadily increasing from approximately 32% in 2004 to approximately 35% in 2010 and became the largest segment in Russia's meat consumption. Total pork consumption has grown at a CAGR of 3.5%, from 2.3 million tons in 2004 to 2.8 million tons in 2010. Poultry and beef consumption, on the other hand, accounted for 34% and 31% in 2010, with a 2004-2010 CAGR of 3.0% and (0.2)%, respectively.

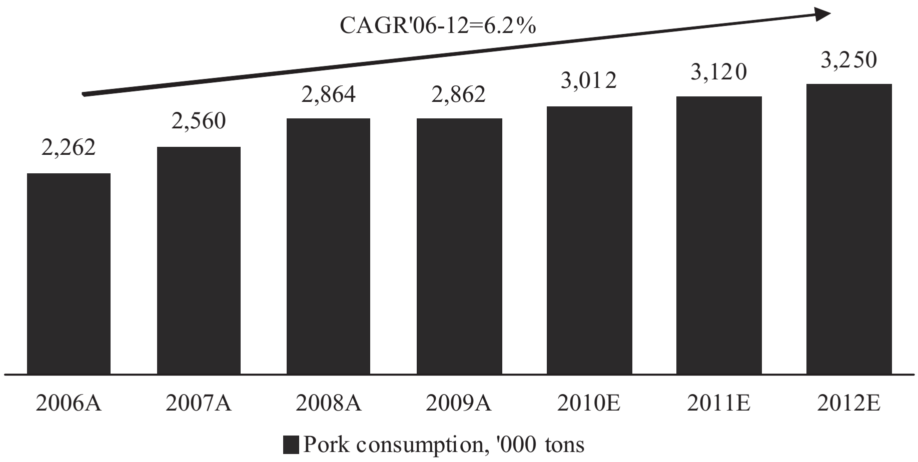
Pork and beef are the most expensive amongst three major meat categories at an average of RUR 198 per kilogram in 2010, while poultry prices exceeded RUR 105 per kilogram. This price premium is attributed to import quotas. From 2007 to 2010, beef grew at the highest CAGR of 12.3%, while pork and poultry grew at 10.0% and 6.0%, respectively.

Domestic retail meat and wholesale livestock prices
(RUR per kg)



Source: Rosstat

Pork consumption in Russia, kg

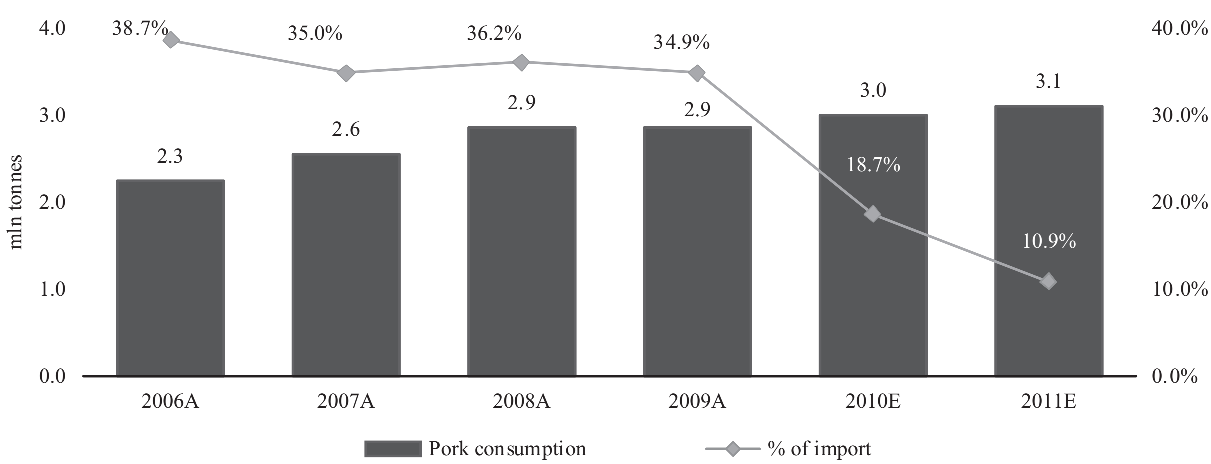


Source: National Union of Pig Breeders

Pork consumption in Russia has increased over the last few years driven by the growth of disposable income. Total consumption of pork is expected to reach 3,012 thousand tons in 2010 and grow to 3,250 thousand tons in 2012, according to the National Union of Pig Breeders. Also, according to OECD, per capita consumption of pork grew at a CAGR of 3.2% per annum between 2006 and 2010, from 13.7 kilograms in 2006 to 15.6 kilograms in 2010. Going forward, per capita pork consumption is expected to trend upwards as disposable incomes continue to rise, reaching 17.6 kilograms in 2019. The current low level of meat consumption, together with the shift in consumer preferences toward higher-quality lean meat products, represents the potential for further expansion of the pork market, and in particular, to create a new market segment for high-quality pork products.

In the last few years, the Russian market for pork products has exhibited significant signs of structural change. New pig breeding capacities have come online, which contributed to an increase in domestic production. Pork product prices have also increased significantly as a result of increased demand and the imposition of import quotas in 2003. The introduction of quotas in 2003 also reduced imports of pork in relative terms. Import share of Russian pork consumption has decreased from about 35% in 2005 to about 19% in 2010 and is further expected to decrease to 11% in 2011, according to OECD. The growth of domestic production has also been stimulated by direct state support measures, including subsidised loans and tax benefits.

Russian total pork consumption and imports (million tons)



Source: OECD-FAO Agricultural Outlook 2010-2019

The market for pork production in Russia remains highly fragmented, with the 10 largest producers accounting for approximately 35% of total gross production volume. However strong consolidation of the sector continues: the share of the 10 largest players in 2009 total gross production volume was below 15%. Moreover, most competition occurs on a regional level. Much of the existing infrastructure is obsolete and inefficient and largely dates back to the Soviet era. Among these players, typically only those who have integrated fodder and grain production operations can be profitable. Newer facilities based on modern breeding technologies are capable of producing higher quality pork with significantly greater operational efficiency and productivity.

The following table summarises positions of the major Russian pig breeding companies in 2010:

Production share in 2010	Production in slaughter weight[(1)], '000 tons	% of gross market production
Miratorg	130.63	7.2%
Agro-Belogorie	99.00	5.4%
Cherkizovo	91.62	5.0%
Prodo Management	77.43	4.2%
Rusagro	**61.90**	**3.4%**
Sibirskaya Agrarnaya Company	47.80	2.6%
Kopitaniya	43.53	2.4%
Exima	37.39	2.0%
Troparevo	27.30	1.5%
Vostochnyi	26.27	1.4%

(1) Slaughter weight is 73% of livestock weight (according to the Ministry of Agriculture)

Source: National Union of Pig Breeders

The Russian Government has introduced a number of measures aimed at providing support to local agricultural producers and to stimulate domestic pork production. The main state measures include import quotas, access to long-term loans and interest rate subsidies and tax benefits.

Russia introduced a tariff-rate quota regime on meat in 2003. The tariff-rate quota is a two-tiered tariff where the rate charged depends on the volume of imported meat. A lower (in-quota) tariff is charged on imports within the quota volume. A higher (over-quota) tariff is charged on imports in excess of the quota volume. The measure was intended to support local meat prices and stimulate the domestic production of meat and meat products.

The quota volumes were distributed among existing importers based on historical considerations, i.e., based on the actual import volumes over the preceding three years. The quota volumes were linked to specific countries based on historical considerations as well.

The tariff for in-quota volumes has been stable at 15% of the customs value, however the tariff for over-quota volumes was raised to 75% in 2009 (up from 60% in 2008), effectively prohibiting any over-quota volumes. In addition, the Russian Government increased the tariffs for imports of live pigs from 5% to 40% at the end of 2009.

Long-term loans (typically with maturities of five to eight years) may be granted to agricultural producers, including pig breeding operators, for modernisation of production facilities and equipment, short-term loans for working capital financing, and direct interest rate subsidies for up to 100% of the CBR refinancing rate. In 2011, the Russian Government plans to allocate up to RUR 80 billion from the federal budget for interest rate subsidies.

Similarly, agricultural producers, including pig breeding operators, are eligible for significant tax benefits under various government support programmes. One of the main benefits is an option to pay 0% profit tax (instead of a regular corporate rate of 20%) for 2004-2012 and 18% for 2013-2015. In addition, there are certain rebates on VAT (10% instead of 18%), and payroll taxes (20% instead of 26%). Please see "*Regulation of the Russian agricultural and food industry*."

Global Agricultural Industry

Except where otherwise indicated, the data in this "Global Agricultural Industry" section is sourced from OECD-FAO Agricultural Outlook 2010-2019, which is prepared jointly by OECD and FAO.

Agricultural crops, such as grain and oilseeds, have in the past primarily been used for human food or animal feed. Additionally, oil price development together with environmental concerns has, in general, given rise to an increasing demand for agricultural crops as raw material in energy production.

In the last few years, the agricultural market has been exceptionally volatile. Particularly in 2008, prices climbed to historically high levels, and then fell sharply. For instance, wheat prices soared to their peak in March, rice peaked in May, and the run up in maize prices continued through June.

These high crop prices encouraged farmers to increase plantings. Together with favourable weather conditions in many important growing regions, this led to a boost in world agricultural production and to a new record in 2008. Additionally, declining energy prices contributed to a slower production growth of biofuels than anticipated which, in turn, reduced feedstock demand, particularly for maize for the production of ethanol in the United States. At the same time, the declining US Dollar put further downward pressure on prices, particularly on export prices of wheat and major coarse grains. By the end of 2008, the combination of these macroeconomic factors affected price movements of nearly all commodities. The severe world economy slowdown and shrinking global liquidity forced investors and speculators to flee the commodities markets, which resulted in further downward pressure on prices, especially in wheat and maize markets.

Subsequently, the grain markets resumed their impressive rally again in July 2010 which saw corn, wheat and soybean prices rise by more than 45% between July and end December. The surge in grain prices was largely driven by the Russian severe draught and crop failure, poor weather in South America, a fall in US yields and a significant downward revision to the 2010 US corn harvest.

An important feature underlying the agricultural market is slow or falling agricultural food demand growth (in per capita terms). This may be reinforced by poor economic growth in the next few years. A key source of demand for agricultural crops stems from feedstock demand from the biofuel sector, particularly for maize in the US and increasingly for wheat in Europe. This demand is driven mainly by governmental mandates assuring ethanol consumption and production targets are met, rather than by the economics of biofuel production. In developing countries, the growth in demand for coarse grains over the medium term will be influenced by higher feed demand due to growing livestock production.

The global agricultural crop market does not appear to be immune to rapid changes in the world economy, as has been seen from volatility experienced over the past few years. Furthermore, crop prices are sensitive to the energy sector, particularly as it affects production costs globally, and additionally, from its impact on biofuel feedstock demand where biofuel production and use are not bound by politically set mandates.

Grain market

Grains are commonly divided into wheat, rice and coarse grains. Coarse grains, in turn, include barley, oats, rye, corn, maize, sorghum and millet. According to OECD-FAO, wheat production is projected to reach 746 million tons by 2019, up 1.1% annually. After several years of relatively fast growth, driven by high prices in international markets, annual world wheat production is likely to expand at a slower rate than in the previous decade. This is due to a slow-down in area expansion, which is projected to increase by 0.3% annually against 0.4% in the previous decade, and more subdued average yield growth, which is projected at only 0.8% compared to 1.3% in the previous decade. Having already reached high yields in many of the major wheat producing countries, the potential for further advancements in yields in those countries is more limited.

For coarse grains, global output is projected by OECD-FAO to reach 1,311 million tons by 2019, growing at 1.6% annually, almost half as fast as in the previous decade. This slower growth is largely in response to weaker feed demand, and a slower rate of expansion in maize-based ethanol production, primarily in the United States. Overall, the deceleration in yields is more significant than the declining rate of expansion in planting area. Average yields are projected to increase by just 1.0% annually to 2019, well below a relatively fast growth rate of 2.1% per year observed in the previous decade. Area expansion is expected to be 0.6% per year, slightly below the rate recorded in the previous decade. The bulk of the increase in world production of coarse grains is expected to come from non-OECD countries, due to the more rapid expansion in their planting area compared to the OECD countries. Productivity gains in non-OECD countries are also projected higher than in the OECD countries, especially in Asia where the increase in the land base is more restrained because of mounting water constraints and continuing urbanisation.

Wheat will remain predominantly a commodity, with direct human consumption expected to reach 514 million tons by 2019, according to OECD-FAO. At this level, per capita consumption is estimated to be nearly 68 kilograms per person per annum, very close to current levels. Among other main utilisation categories, industrial usage of wheat for production of biofuels is projected to increase the fastest, mainly driven by the anticipated increase in production of ethanol in the EU, which accounts for approximately 90% of the total use of wheat for biofuels.

OECD-FAO estimates that world feed utilisation of wheat is projected to reach 140 million tons in 2019, growing 1.2% annually. The EU is expected to remain the predominant consumer of wheat for feed purposes with an annual intake of approximately 57 million tons.

World utilisation of coarse grains is projected to increase by 1.5% annually, to 1,303 million tons by 2019. This expansion is below the pace observed over the past decade, largely due to much slower growth in the use of coarse grains for production of biofuels in the United States. The share of biofuels in total use of coarse grains is projected to increase until about 2015, reaching 13%, before declining in the years to 2019. This development is largely due to a slower increase in the use of ethanol for fuel and increasing production of second generation cellulosic ethanol towards 2019.

As in the previous decade, growth in the consumption of coarse grains as food is likely to slow, mostly keeping pace with population growth. Globally, direct food consumption of coarse grains accounts for only 17% of its total utilisation and this share is expected to remain largely unchanged during the next decade. OECD-FAO estimates that total use of coarse grains for animal feed is projected to increase at a slightly faster pace than in the previous decade, by 1.5% annually, to 741 million tons by 2019. A continuing rapid increase in the developing countries, driven by strong economic growth and changes in dietary preferences toward protein-based diets, is responsible for most of the projected expansion in world feed utilisation of coarse grains. For instance, China alone accounts for 40% of the world increase in coarse grains feed use.

Oilseed market

The main oilseeds are copra (coconut), cottonseed, palm kernel, peanut, rape seed, soybean and sunflower seed.

By 2019, OECD-FAO expects world oilseed production and acreage to exceed the average 2007-2009 level by almost 30% and 10%, respectively, as a result of sustained profitability and yield improvements. However, the global potential for an oilseed production increase is more constrained than it was in previous decades. This is due to limitations in global oilseed area expansion due to higher marginal costs of area expansion and new constraints coming from environmental regulations in developing countries, as well as sustained profitability of competing crops, mainly maize, in the US. Average yield gaps between developed and developing countries are expected to narrow further.

Brazil and Argentina are expected to sustain their leading role in oilseeds supply with a combined share of global oilseed production of more than 30% in 2019, up from 27%, on average, over the period 2007-2009. Brazil is projected to be the main contributor to area expansion, but at a much slower pace than the previous decade due to increasing environmental limitations on plantings.

China’s agricultural policy doctrine is expected to continue to focus on domestic production of coarse grains. As a result, oilseeds production growth is limited as yields and area are not projected to improve significantly

Driven by strong demand for protein meals from the livestock industry, oilseed plantings and production in the Russian Federation is also expected to expand at a rate of 1% and 2.7% annually, respectively.

In the EU, oilseeds production should increase by almost 30% by 2019, with yield gains contributing strongly to this increase. Driven by strong prices, oilseed area – mainly rapeseed – is projected to continue to grow at 0.5% annually to 2019. The growth should however be slower than over the previous decade where the rapeseed sector developed quickly in response to strong demand from the expanding biodiesel sector. Within the OECD, oilseed production expansion is expected to also occur in Canada and Australia to satisfy both domestic crushing industries and export markets.

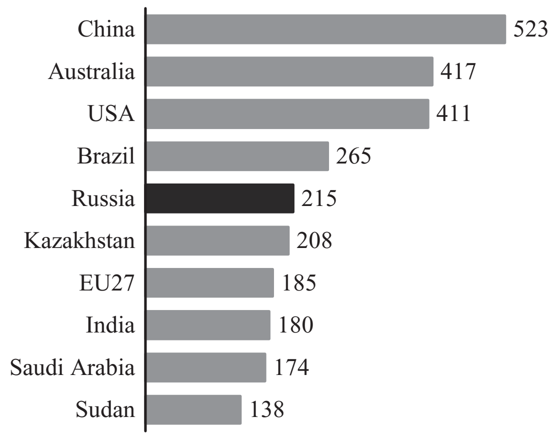
With growing demand for oilseeds products, global oilseed crush is projected to continue expanding. It should grow at an average growth rate of 2.0% compared to 3.8% over the previous decade. This is due to the slowdown in protein meal and vegetable oil demand growth rates compared to the previous decade. Countries oriented towards the export of oilseed products or of biodiesel like Brazil and Argentina are expected to continue to develop their crushing industries with annual growth rates close to 2.5% over the projection period. Oilseed processing in Paraguay has been expanding along with seed production and is expected to grow further, with about 30% of domestic production being crushed in the country.

Given steady demand growth and strong crude oil prices, prices for oilseeds and oilseed products should hence remain above long term levels in both nominal and real terms. Given biofuel mandates and sustained food demand in developing countries, vegetable oil prices are expected to increase in nominal terms and be fairly flat in real terms until 2019.

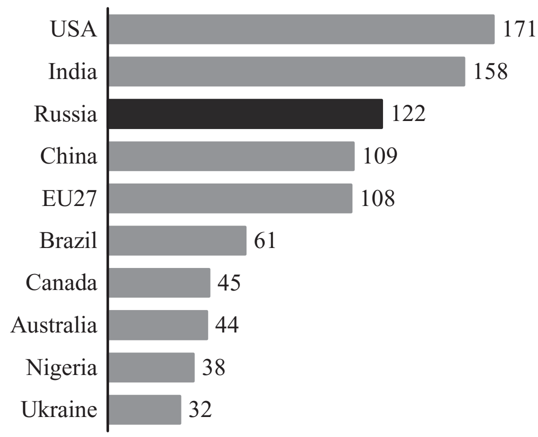
Russian Agricultural Industry

Russia possesses one of the world's largest available land stocks, accounting for more than 8% of global arable land. According to FAOSTAT, as of 2008 Russian agricultural area was equal to 215 million hectares, following China, Australia, the United States and Brazil. The country shows a legacy of industrial size farming land plots, with over 122 million hectares of arable land, of which only 77.8 million hectares are cultivated and the rest is unused fallow land.

Agricultural area 2008 (million hectares)



Arable land 2008 (million hectares)



Source: FAOSTAT

According to FAOSTAT, Russia is the world's largest sunflower seed producer, with 21% global market share in 2008, producing 7.4 million tons, and is the second largest sugar beet producer after the EU, with 13% market share, producing 29.0 million tons. Russia is also the fifth largest producer of wheat, with 9% of global production.

Following the dissolution of the Soviet Union in 1991, large state and collective farms were forced to cope with the sudden loss of heavy government subsidies, the transfer from state-controlled to market prices and the abandonment of a planned economy. Furthermore, the use of mineral fertiliser and other costly inputs fell significantly, decreasing yields. After the Russian economic crisis in 1998, the agricultural sector began to show signs of improvement with a rebound in grain yields, which is believed to reflect improved methods of land cultivation, the re-equipping of the agricultural industry with modern efficient machinery and the transition from Soviet-style agricultural enterprises to more efficient market-driven small and medium enterprises and private farms. However, throughout the 1990's, the viability of the sector was highly dependent on government subsidies and support, with the Russian Government establishing fixed orders for goods and therefore guaranteeing demand until price liberalization occurred in 1996. The greater emphasis on Russian agriculture, along with the increase in global grain prices, has resulted in the expansion of existing farms and the construction of new ones, with incremental investments especially in agronomic technologies boosting production efficiency.

Russian agricultural yields remain lower than yields in agriculturally-developed markets. The primary factors behind this are the low usage of fertilisers, sub-efficient crop rotation, poor soil management and obsolete equipment.

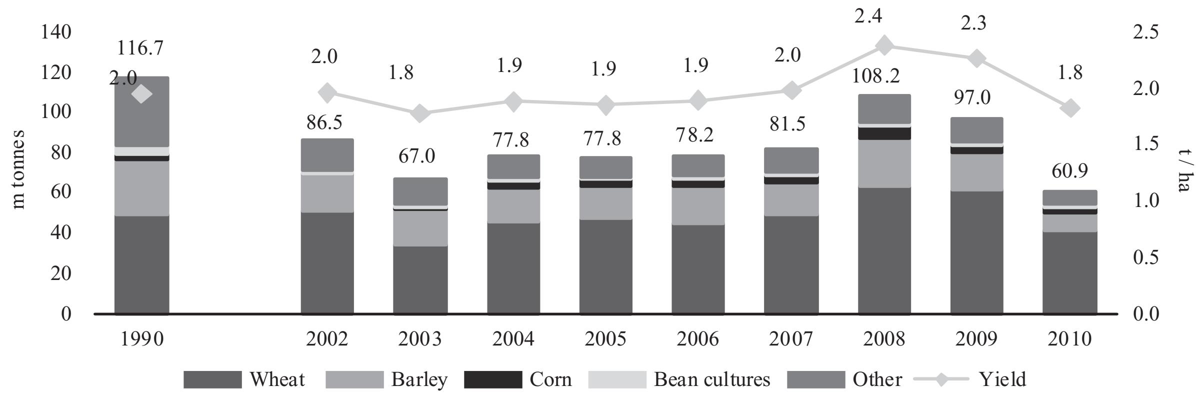
It is expected that yields will grow substantially in the coming years, as the farm management process will become more efficient. This will ultimately affect land prices. Historically, lower Russian yields led to significantly lower prices for arable land compared to other European countries and Russian land is considered to be significantly undervalued.

Improved infrastructure, economies of scale from consolidation and further development are believed to be the primary drivers leading to expected appreciation in the coming years.

Russian grain market

Russia is the world's fifth largest grain producer, the fifth largest producer of wheat globally and the world's largest producer of barley, although the sector is currently suffering from the lack of sufficient modern infrastructures. According to Rosstat, the total grain crop in 2009 was 97.0 million tons – the second largest production over the last 10 years, second only to the record grain production of 108 million tons in 2008, while in 2010 due to abnormal heat and drought the production declined to approximately 61 million tons, the lowest level it has been in the last 10 years.

Russian grain production 1990 – 2010

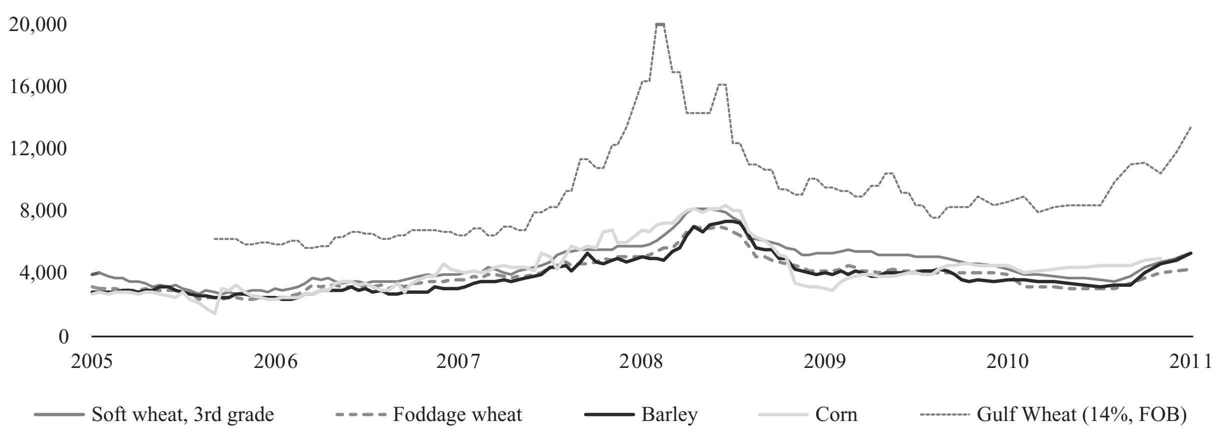


Source: Rosstat

The grain market in Russia presents significant room for efficiency improvements, with increasing investments in new technologies and with improving quality of agricultural labour. Currently, yields are relatively low compared to developed countries but, according to FAOSTAT estimates, are expected to improve by 11% by 2016 through use of better technology and seeds and more effective fertilisers. Domestic grain prices have demonstrated high volatility over the last years.

As with global grain prices, Russian grain prices rose to historically high levels in 2008, and then fell sharply, only to spike again at the end of 2010 due to adverse weather conditions and resulting lower production.

Russian grain price development (RUR/ton)



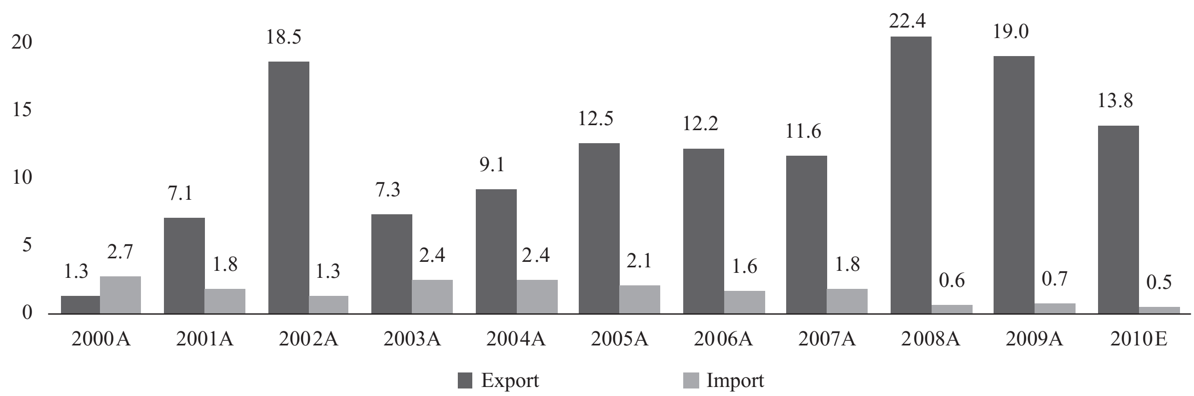
Source: Ministry of Agriculture

Due to a sharp rise in grain prices and potential deficit of grain as a result of the drought, the Russian government temporarily banned export in August 2010 until 1 July 2011.

Grain consumption in Russia is relatively stable across sub-sectors and in total, staying at approximately 75 million to 77 million tons annually since 2008. According to IKAR, wheat consumption was about 29% of total grain consumption, fodder wheat at 26%, barley at 22% and corn at 6% in 2009. Other grain crops contributed to the remaining 18% of grain consumption.

With regard to mid- to long-term government regulation, the Russian Government has declared agriculture as one of the four national projects. Through various stimuli measures, the government anticipates Russia to export up to 40 million tons of wheat annually in the near future and reach 20% world market share.

Russian grain import and export
(million tons)



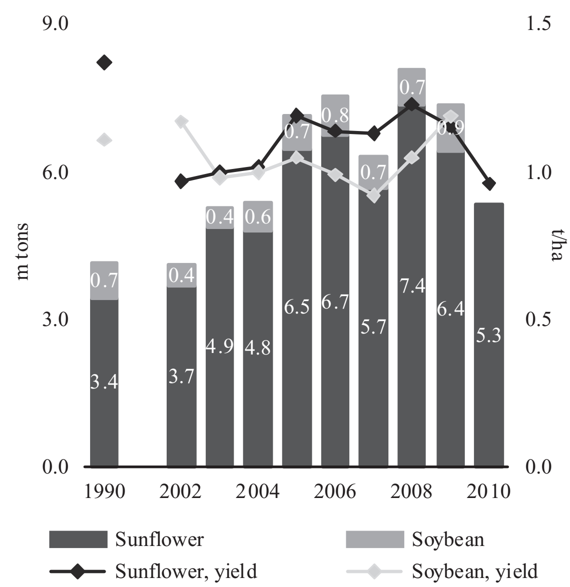
Source: IKAR

Russian oilseeds market

Russia is one the largest oilseed producers in the world, with 20% market share in sunflower seeds (7.4 million tons) in 2008. Soybean production reached a historic high in 2009 (approximately 0.9 million tons) demonstrating sharp growth of 26% over the previous year volume produced. Sunflower production reached a historic high in 2008 (about 7.4 million tons) and since then it has reduced to the level of 5.3 million tons in 2010 due to adverse weather conditions.

Oilseed consumption has remained relatively stable over the past three years, with total production and consumption almost equal in recent years.

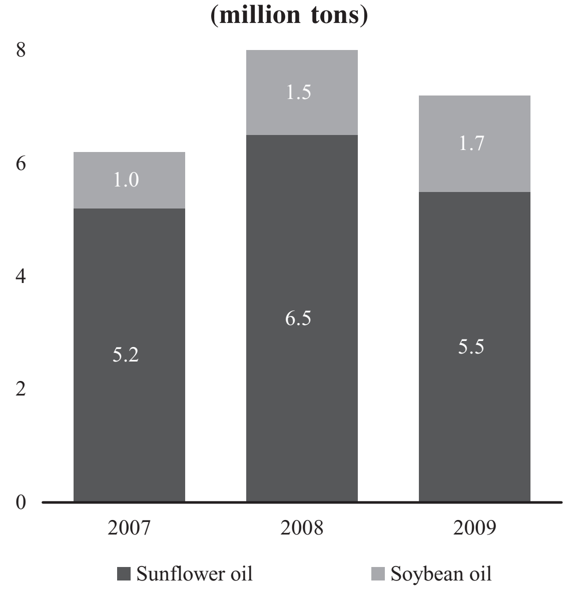
Oilseeds(1) production 1990-2010



Source: Rosstat.

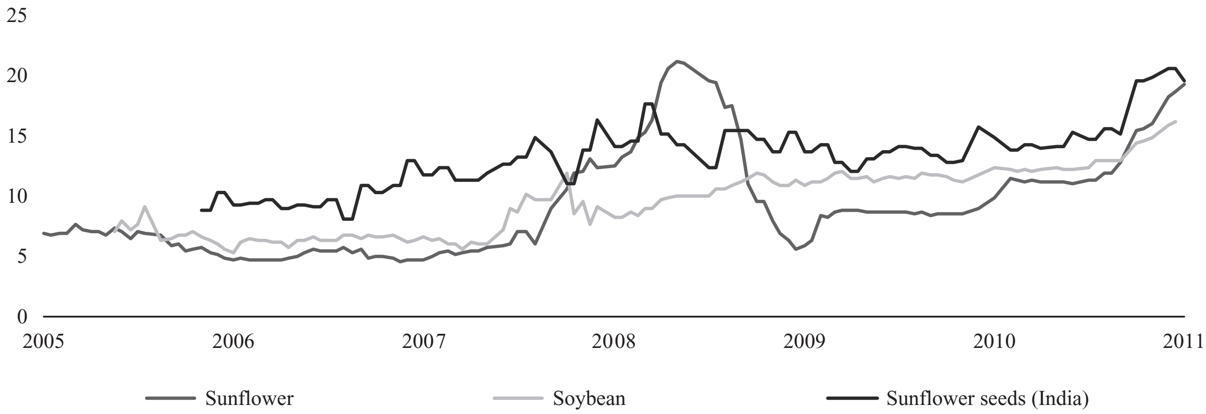
(1) Includes only sunflower and soybean seeds.

Oilseeds consumption in Russia
(million tons)



Source: IKAR. Data in 2009 for Jan-Nov only.

Russian oilseeds price development
(RUR/ton)



Source: Ministry of Agriculture

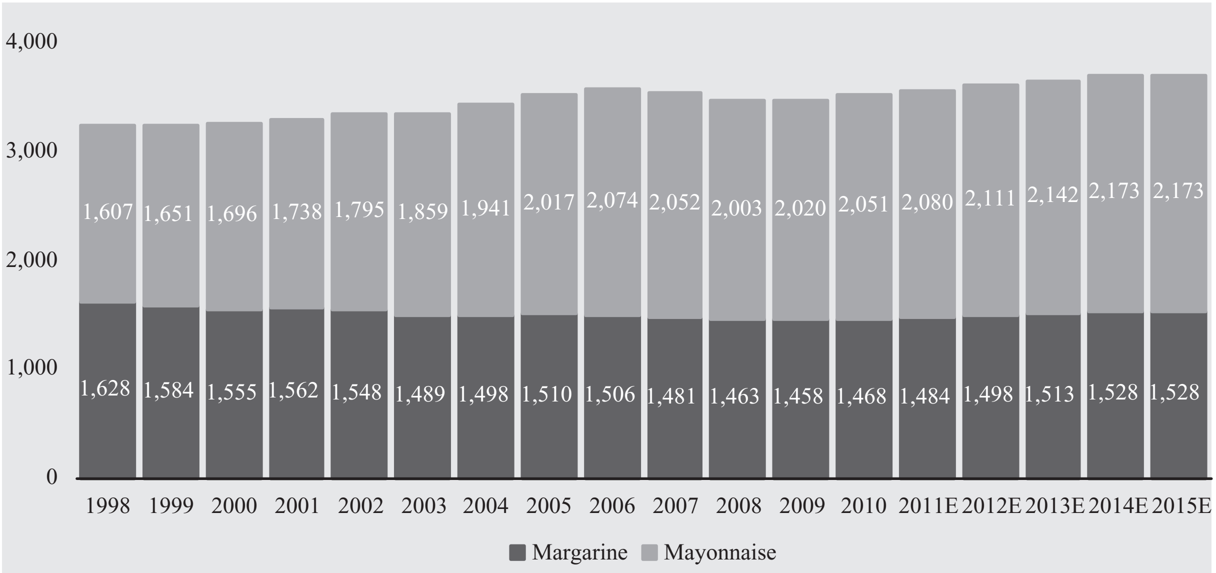
The Russian Government has been stimulating growth in domestic agricultural production through a number of programmes aimed at supporting the sector. The main federal support legislation is the Federal Special-Purpose Programme for Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Foodstuff for 2008 to 2012 (see "*Regulation of the Russian agricultural and food industry*"). Total budget for the programme is over RUR 1,100 billion for five years with most of the funding designated for 2010-2012. Main benefits of the governmental support include:

- loans and interest rate subsidies – long-term loans (typically with maturities of five to eight years) for modernisation, short-term loans for working capital, and direct interest rate subsidies for up to 100% of the CBR refinancing rate;
- tax benefits, including option to pay 0% profit tax (instead of a regular corporate rate of 20%) until 2012 and 18% for 2013-2015 as well as certain rebates on VAT (10% instead of 18%) and payroll taxes (20% instead of 26%);
- leasing programme for agricultural equipment; and
- subsidies for purchases of fertilisers and plant protection agents.

Global Oil & Fats Industry

According to Euromonitor, the oil and fats market comprises olive oil, vegetable and seed oil, cooking fats, butter, margarine and spreadable oils and fats. Mayonnaise is included in the sauces, dressings and condiments category, of which some of the sub-categories are ketchup, mayonnaise, mustard, bouillon, salad dressings and pasta sauces. Global retail volume of margarine is approximately 1.5 million tons for 2010, with decline by 0.6% annually since 2000, while global retail value of margarine is around US$4.3 billion. The global mayonnaise market grew 1.9% annually from 2000, reaching 2.0 million tons in retail volume in 2010, and the market is valued at around US$9.0 billion in retail value.

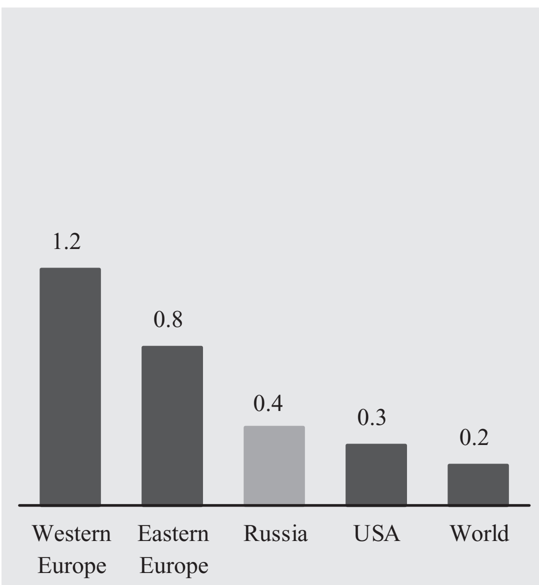
Global margarine and mayonnaise retail volume
(million tons)



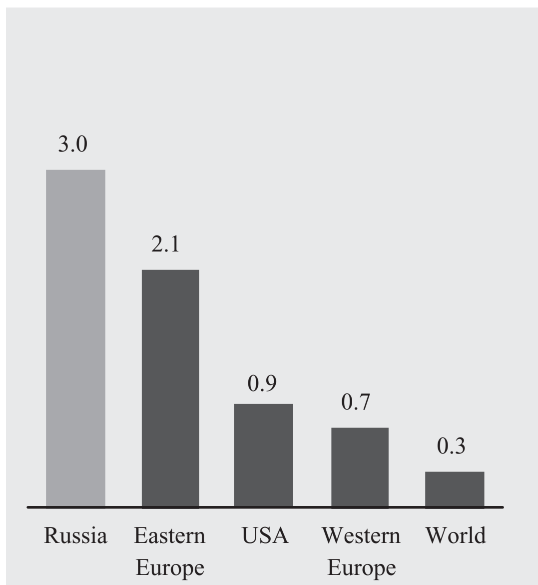
Source: Euromonitor

World per capita margarine consumption was 0.2 kilograms in 2010, with Western Europe, Eastern Europe and the United States above that level at 1.2, 0.8, and 0.3 kilograms, respectively. Global mayonnaise per capita retail volume was 0.3 kilograms in 2010, well below the 3.0 kilograms in Russia.

Margarine retail volume per capita 2010
(kilograms)



Mayonnaise retail volume per capita 2010
(kilograms)



Source: Euromonitor

The global margarine market is relatively consolidated, with the top 10 players having approximately 46% aggregate market share in 2009. Unilever dominates as the leader with a market share of 30.7% of retail value followed by San Miguel and Agra Industries, with 3.3% and 2.8% of market shares, respectively. Excluding Unilever, the remaining top nine players account for 15.6% of the market.

Similarly, the mayonnaise market is relatively consolidated with Unilever and Kraft having a combined market share of 39.1%. The top 10 players account for 60.4% of the global retail market.

Top 10 global players in margarine by sales, 2009

Company	Retail market share (%)	Retail value (US$ million)
Unilever	30.7	1,289.0
San Miguel	3.3	137.8
Agra Industries	2.8	115.9
Indofood	2.0	84.0
Willowton Oil & Cake Mills	1.6	68.7
ConAgra	1.6	66.1
NMZhK GK	1.2	51.6
Bunge	1.0	43.7
Ülker Gida Sanayi ve Ticaret	1.0	43.1
Alicorp SAA	1.0	42.4

Top 10 global players in mayonnaise by sales, 2009

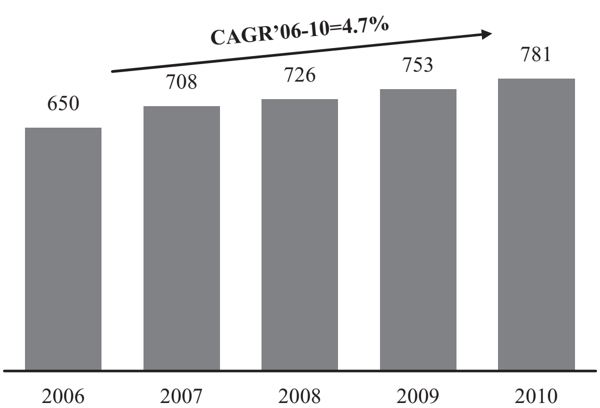
Company	Retail market share (%)	Retail value (US$ million)
Unilever	27.3	2,362.7
Kraft	11.8	1,023.0
QP Corp	7.8	670.9
McCormick	3.6	308.1
Nestlé	2.7	232.2
Ajinomoto	1.9	166.8
Efko	1.6	137.1
Heinz	1.3	116.5
Kenko Mayonnaise	1.3	111.0
NMZhK	1.1	97.0

Source: Euromonitor

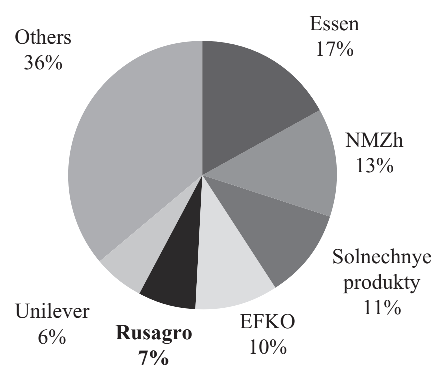
Russian Oil & Fats Industry

Mayonnaise is considered to be "universal seasoning" added to most dishes in Russia and the CIS. According to ROIF Expert, 92% of Russian households consume mayonnaise, while in some regions consumption exceeds 98%. In recent years the market has been steadily growing at a CAGR of 4.7%.

Russian mayonnaise market ('000 tons)



Russian mayonnaise production volume breakdown, 2010 781 th tons



Source: Rosstat, Russian Oil and Fats Union

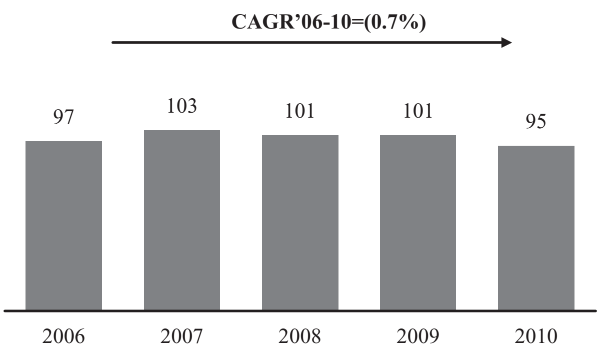
Note: Market share data is shown for Oil and Fats Union members only

As shown on the right chart above, the top five players account for 58% of production. Russian producers control most of the production volume with only one significant foreign player, Unilever, accounting for 6% of the volume.

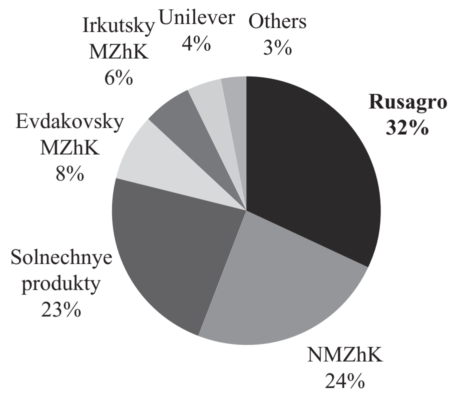
The market is geographically segmented and is characterised by significant power of local players in particular regions and strong brand loyalty.

Russian consumer margarine production has slightly declined during the last few years to the level of 95 thousand tons in 2010, CAGR of (0.7%) from 2006 to 2010.

Russian consumer margarine market ('000 tonnes)



Russian consumer margarine production volume breakdown, 2010
94.6 th tons



Source: Rosstat, Russian Oil and Fats Union

Note: Production and market share data is shown for Oil and Fats Union members only

Similar to the Russian mayonnaise market, domestic companies control major share of local consumer margarine production, while the top three players controlled about 79% of total production volume in 2010. Rusagro has historically been the largest player in this sector and in 2010 produced 32% of the total consumer margarine manufactured in Russia, followed by NMZhK and Solnechnye produkty (24% and 23%, respectively). Unilever is also active in Russia as the only foreign player with a noteworthy share of 4%.

Given relatively flat domestic market dynamics, population and economic growth in Central Asia offers an attractive export opportunity for Russian producers.

BUSINESS

Overview

Rusagro is a leading Russian diversified food processor with integrated agricultural operations. We began as a sugar producer and developed our agricultural operations in the areas surrounding our sugar processing plants to help ensure a reliable source of sugar beets for our sugar operations. As we rotate our crop production, we produce other agricultural products, such as winter wheat, barley and sunflower products. In 2006, we launched our pig breeding project near our agricultural fields in the Belgorod region. To further diversify our operations, we developed an oil and fats business, which produces primarily mayonnaise and consumer margarine. Our sugar, agricultural and pig breeding operations are all located in close proximity in the Belgorod, Tambov and Voronezh regions, and our oil and fats operations are located in Ekaterinburg in the Sverdlovsk region. Our principal divisions are:

- *Sugar*: We are a leading Russian sugar producer, producing sugar from both sugar beets and raw cane sugar. According to our internal estimates based on Soyuzrossakhar data, the Group produced approximately 16% of the sugar produced in Russia during 2010 (including sugar processed both by and on behalf of third parties through tolling arrangements). Our seven sugar processing plants have an aggregate daily processing capacity of either approximately 33,100 tons of sugar beets or approximately 5,640 tons of raw cane sugar. Based on our internal estimates that our plants can process sugar beets for up to 115 days per year and raw cane sugar for up to 190 days per year, our plants have an aggregate annual processing capacity of 3.8 million tons of sugar beets and 1.07 million tons of raw cane sugar. We achieved a sugar conversion ratio for processing sugar beets of approximately 13.85% in 2010, which, according to Soyuzrossakhar 2010 annual data, is higher than the average sugar conversion ratio among sugar producers operating in the Belgorod and Tambov regions in Russia. During 2009, weather conditions were more favourable for sugar beet production, and the sugar beets we processed had a higher sugar content than those processed during 2010 that were affected by the 2010 drought. We achieved a sugar conversion ratio of approximately 16% in 2009, which, according to Soyuzrossakhar 2009 annual data, was one of the highest sugar conversion ratios among the largest sugar producers in Russia. Our Sugar division is vertically integrated with the sugar beet cultivation in our Agriculture division, through which we strive to ensure a consistent supply of sugar beets.
- *Meat*: Our pig breeding project was launched in 2006 and, according to the National Union of Pig Breeders, is currently the fifth largest pig breeding complex in Russia. We reached our design capacity of 60 thousand tons of live-weight annually at the end of 2009. Through further improvements in the efficiency of our pork production operations in 2010, we increased production volume beyond our design capacity and produced approximately 62 thousand tons of live-weight. During 2010, we began developing a further pig breeding site in the Belgorod region with a design capacity of 13.5 thousand tons of live-weight per annum. Also in 2010, we launched another greenfield project in the Tambov region. Construction of our Tambov facility is expected to begin in spring 2011, and we plan to reach our design capacity of 114 thousand tons of live-weight annually in 2014. We are currently launching a third greenfield project in the Chelyabinsk region that has a projected design capacity of 115 thousand tons of live-weight annually. Once we reach the design capacity for the Belgorod expansion, the Tambov facility and the Chelyabinsk facility, the total production capacity of our Meat division is expected to be over 300 thousand tons of live-weight annually.
- *Agriculture*: The Group currently controls what it believes to be one of the largest land banks among Russian agriculture producers, with approximately 380 thousand hectares of land currently under our control located in the highly fertile Black Earth region of Russia, of which approximately 41% is owned by Rusagro. Approximately 78% of our land bank is located in the Belgorod region, approximately 17% is in the Tambov region and approximately 5% is in the Voronezh region. We believe we are a leading Russian sugar beet producer, supplying approximately 45% of the total sugar beets processed by our sugar plants in 2010 and 53% of the total sugar beets processed by our sugar plants in 2009 (including sugar beets processed at our plants on behalf of third parties through tolling arrangements). Our agricultural division also produces winter wheat and barley, sunflower products and soybeans. During 2010, despite unfavourable weather conditions which negatively affected harvests in the regions where we operate, Rusagro's yields generally exceeded the average yields in these regions for the majority of the crops that we produced in 2010, according to Rosstat data. In addition, we own and operate three grain elevators and have executed an agreement to acquire a fourth grain elevator, and we expect to complete such acquisition in the second quarter of 2011. These

four elevators have a total storage capacity of approximately 346.5 thousand tons, and we also have the capacity to store an additional 140 thousand tons of grain in plastic storage bags.

- *Oil & Fats*: We are a leading producer of mayonnaise and consumer margarine in Russia. Based on market information obtained through Rosstat and the Russian Oil and Fats Union and our production estimates for producers who do not belong to the Russian Oil and Fats Union, we estimate that in Russia we are the largest consumer margarine producer and the fifth largest mayonnaise producer. We are a leader in the mayonnaise and consumer margarine market in the area surrounding our production facility in Russia, which includes the Urals region and the city of Novosibirsk and has a total population of approximately 33 million people. Based on information obtained from Nielsen regarding market share in the cities of Ekaterinburg, Tyumen, Ufa, Omsk, Chelyabinsk and Perm in this region, we led the mayonnaise market with a share of total market sales by volume of approximately 32% in October-November 2010, and we were second in the consumer margarine market with an approximate 29% share of total market sales by volume in this same period. In addition, according to Mittel, we led the consumer margarine market in Uzbekistan with a share of total market sales by volume of approximately 58% during autumn 2009, and we believe based on our market estimates that we retained this leading position in 2010. Our oil and fats production plant is located in Ekaterinburg, south of the Urals, and currently has an annual production capacity of approximately 84 thousand tons of mayonnaise and approximately 45.5 thousand tons of margarine. In March 2011, we acquired control of an oil extraction plant located in Samara with an annual production capacity of 140 thousand tons of oil, through which we expect to be able to control the source of 100% of the vegetable oil required by our oil and fats production plant.

Our consolidated sales were RUR 30,955,530 thousand, RUR 24,671,374 thousand and RUR 17,766,287 thousand for the years ended December 31, 2010, 2009 and 2008, respectively. Our profit for the year was RUR 5,158,237 thousand, RUR 2,324,194 thousand and RUR 1,068,173 thousand for the years ended December 31, 2010, 2009 and 2008, respectively. We consistently invest in modernising and improving the efficiency of our business, with significant capital expenditures in recent years, totalling RUR 2,943,799 thousand, RUR 2,968,632 thousand and RUR 3,198,461 thousand for the years ended December 31, 2010, 2009 and 2008, respectively.

Competitive Strengths and Strategies

The Group's strength lies in both the benefits we derive from the diversification of our operations as well the competitive advantages of each of our divisions. The Group as a whole has numerous competitive strengths, including:

Leading Russian diversified food producer with vertically integrated operations. By incorporating our divisions into a single, vertically integrated group, we are able to take advantage of economies of scale, we benefit from more stable cash flows and we capitalise on synergies between our divisions. For example, our Sugar division produces sugar from sugar beets grown by our Agriculture division, and we use grains produced by our Agriculture division to produce fodder for our Meat division. Further, our Agriculture division is able to utilise some of the waste products from our Meat division as fertiliser. The operations of our Sugar, Meat and Agriculture divisions are strategically located within the same regions to optimise efficiency and minimise logistical costs. In addition, in March 2011, we acquired control of an oil extraction plant in Samara, which we expect to utilise to supply vegetable oil to our oil and fats production plant.

Strong management team with wide industry experience and a strong track record. Our management team has extensive international experience in the relevant markets. Our senior management has a strong track record of identifying and implementing acquisition opportunities to strengthen our business and in developing new business lines. For example, key members of our team oversaw the construction of our pig breeding complex in 2006 and acquired control over approximately 49 thousand additional hectares of land in the Tambov region during the period from 2008 to 2010. In addition, our team acquired companies operating two sugar processing plants during 2009 in key locations in the Belgorod and Tambov regions and modernised these facilities during 2009 and 2010, adding annual processing capacity of approximately 1,357 thousand tons of sugar beet and 352 thousand tons of raw cane sugar (based on the same production assumptions described above under "*– Overview – Sugar*").

Access to Financing. As of December 31, 2010, our net debt to Adjusted EBITDA ratio was 1.08 (see Note 13 to the Consolidated Financial Statements for the determination of our net debt to Adjusted EBITDA ratio). Our relatively low leverage and strong, longstanding relationships with leading Russian banks provide us access to significant, long-term financing at competitive rates. Our beneficial banking relationships coupled with governmental interest subsidies have allowed us to reduce our net cost of financing. This access to financing has allowed us to explore acquisition and development opportunities consistent with our long-term growth strategies, such as our sugar plant acquisitions and the construction of our pig breeding complexes.

Going forward, we have developed a two-pronged, long-term strategy for the Group focused on our portfolio of products and our functional strengths. First, we seek to strengthen our business portfolio by increasing our presence in existing markets to achieve national leadership across our food production business segments and identifying and capitalising on opportunities to expand our portfolio into new product lines. We are looking for additions to our product line that will provide strong returns on our investment and synergies with our existing operations. Second, we strive to be a leader among our peers in the CIS regarding certain functions within our operations. We are particularly focused on human resources, finance, including the efficient utilisation of available financing, management reporting and internal financial controls, efficient cost management and the identification and execution of opportunities for investment. In addition, we have identified key strategies for each of our four existing divisions:

Sugar Division

Our strategy for the Sugar division seeks to build on the competitive advantages that our Sugar division has over other Russian sugar producers, which include:

Production efficiency. Our focus on the maintenance and modernisation of our sugar plants and equipment results in strong levels of efficiency in our processing. According to Soyuzrossakhar annual data for 2010 and 2009, respectively, our beet root sugar conversion ratio of approximately 13.85% in 2010 is higher than the average sugar conversion ratio among sugar producers operating in the Belgorod and Tambov regions of Russia, and our conversion ratio of approximately 16% in 2009 was one of the highest sugar conversion ratios among large sugar producers in Russia.

Sugar processing plants located in close proximity, surrounded by the Group's sugar beet fields. Our sugar plants are located in close proximity to one another and to our fields in the Black Earth region of Russia that produce sugar beets. This proximity provides significant benefits with regard to operational efficiency, as we can readily shift production between facilities to optimise use of available resources, helps minimise transportation and other logistical costs and currently allows us to control the source of approximately 40 to 50% of the sugar beets used in our sugar production.

Leader in the import and processing of raw cane sugar. We are able to utilise our sugar plant capacity virtually year round by processing raw cane sugar during the seasons when sugar beets are not available. As a result, we have established a strong position in the market for importing and processing raw cane sugar. According to Soyuzrossakhar, our sugar plants processed approximately 25% of the 2,180 thousand tons of raw cane sugar imported into Russia during 2010. Producing sugar from raw cane sugar allows us to deliver sugar to our customers year round, thus helping us to maintain our customer relationships and improve our market share.

Leading position in branded products. Our sugar brands, such as Chaikofsky and Russkii Sakhar, have a well-established market presence that we are continuing to build. In addition, according to the latest information available from Nielsen, based on surveys of 24 significant cities in Russia, we had a 34% market share by sales of the sugar cubes market in 2010 in such cities.

Size of operations. The size of our sugar operations provides us with economies of scale in our sales, purchasing and investment.

Our goal for the Sugar division is to become the largest player in the sugar market in the CIS. To accomplish this aim, we intend to:

- increase our sugar beet production, so we can increase the proportion of our sugar produced from our own sugar beets;
- decrease the share of sugar beets we process through tolling arrangements;
- acquire additional sugar plants and expand the capacity of our existing plants;
- increase the efficiency of our sugar production operations; and
- further develop the market presence of our branded products and increase our sales to retail consumers.

Meat Division

We seek to position ourselves as a leading meat producer in the CIS. To do so, we will build on our current strengths, including:

Modern, well-maintained equipment. We employ modern technologies in our pig breeding operations, and we invest in the upkeep of our equipment, which allows us to be a cost leader in pig production in Russia.

Access to quality agricultural inputs and vertical integration. Our pig fodder production facility has access to a consistent, high-quality source of grain produced by our Agriculture division, which can lead to reductions in transportation and storage costs for our Meat division and can help to mitigate the risks of an insufficient quantity or quality of grain in the Belgorod region. In 2010, the Meat division acquired approximately 46% of the grain used in our pig breeding operations from our Agriculture division. Any grain required for our pig breeding operations not acquired from our agriculture business is sourced from reliable, competitively-priced third-party suppliers. Furthermore, our pig farm wastes can be and currently are utilised as a fertiliser for our crops.

Biological security. We implement high standards of biosecurity at our pig production complex as we strive to ensure that the pigs we produce are healthy and of superior quality. Our pig farms are favourably located within the land we control in the Belgorod region, well-situated to allow for optimal biosecurity measures and minimised transportation costs.

In addition, we plan to become a leading pig and pork producer in the CIS by improving our productivity and production efficiency by:

- increasing the productivity of our operations through the continued utilisation of modern pig breeding technologies;
- optimising our resource management, identifying and implementing the most efficient organisation of our pig breeding enterprise; and
- expanding our operations through potential acquisitions and/or additional greenfield projects, including the greenfield project in the Tambov region construction of which is expected to commence in spring 2011 and the greenfield project in the Chelyabinsk region, and we are also exploring the pork meat processing segment.

Agriculture Division

Our Agriculture division has several competitive strengths:

Synergies with other divisions. Our sugar beet fields are situated in the Black Earth region and surround our sugar plants. We are able to capture the higher margin available on sugar beets by supplying 100% of the sugar beets we grow to our sugar processing operations and benefit from a by-product from the sugar beet processing to improve our soil quality. In addition, we supply grain to our Meat division, which uses it to produce fodder at our plant located next to our Nezhegolsky grain elevator, and we utilise manure produced by the Meat division as fertiliser.

Economy of scale and land bank. We are able to exercise significant bargaining power with our suppliers and distributors because of the magnitude and diversity of our agriculture operations. In addition, the size of our fields allows us to utilise farming techniques and equipment that otherwise would be unavailable on smaller fields with more limited operations. Our land bank is located in the Black Earth region of Russia, an area known for its particularly fertile and productive soil. We believe we are a leading producer of sugar beets in Russia by volume, producing approximately 928 thousand tons of sugar beets during 2010. Further, the majority of our land bank is located within the Belgorod region, which has a significant number of pork and poultry producers, and as a result there is a strong demand for our grain.

Modernisation, efficiency and productivity. We update our equipment regularly to ensure that we have modern and effective equipment. Also, the land under our control is located in clusters in close proximity to our sugar plants and grain elevators, enabling us to make more efficient use of our equipment and reduce overhead costs. We believe that the productivity of our fields has provided us with one of the highest crop yields in the regions in which we operate.

Ownership of grain elevators. We own three grain elevators and are in the process of acquiring a fourth elevator, and these elevators have a total storage capacity of approximately 346.5 thousand tons, located near our fields. As a result, we have better control over the storage and distribution of our grains. The capacity of our elevators permits us to sell the grain we produce throughout the year, taking advantage of fluctuations in market prices when possible. In addition, our grain elevators facilitate the export of our grain products, as dealers can readily access and export the grain once stored in the elevators.

Management in our Agriculture division intends to utilise these strengths as it focuses on becoming a cost leader in the regions in which we currently operate. In our efforts to become a cost leader, we:

- seek expansion opportunities to meet our target of increasing the size of our land bank under control from its current size of approximately 380 thousand hectares to approximately 550 thousand hectares by 2016, which will help us achieve our goal of increasing sugar beet production to support increased sugar production; and
- plan to further increase crop yields through significant investment in agricultural equipment and machinery and improvements in operational efficiency.

Oil and Fats Division

Our Oil and Fats division has established the Group as a leading player in the mayonnaise and consumer margarine markets in Russia, and in particular in the regions in which we operate, and we seek to capitalise on our particular strengths, which include:

Leading regional brands. Our mayonnaise and consumer margarine products produced under our Provansal EZhK and Schedroe Leto brands have a significant market share in the regions in which we operate that is supported by strong customer loyalty. Further, according to Mittel, we were the number one player in the consumer margarine market in Uzbekistan in autumn 2010. Our operations are well-situated geographically to further expand into the growing Central Asian market.

Strong regional distribution. Within the Sverdlovsk region around our production facility in Ekaterinburg, we distribute our products through our own distribution network directly to retailers. Ownership and control of our local distribution network increases efficiency and allows us to negotiate with retailers in our region directly rather than through distributors.

Diverse product mix. We produce mayonnaise and consumer margarine, as well as ketchup, mustard and other food products. This diverse product mix helps stabilise our cash flows throughout the year, minimising our exposure to the seasonal demand for any particular product, and also allows us to better meet customer demand for a broader portfolio.

Our goal for the Oil and Fats division is to become the largest producer of mayonnaise and consumer margarine retail products in the CIS. We aim to:

- retain our leading position in the Urals and surrounding areas and build on our position of strength in those regions to continue regional expansion in neighbouring areas in Russia and Central Asian countries, particularly Uzbekistan, Kazakhstan, Tajikistan and Kyrgyzstan;
- expand production in our existing facility through enhanced utilisation of our current production capacity and investment in additional equipment to increase capacity;
- acquire and/or develop additional facilities to support further production; and
- identify and execute opportunities to further diversify and broaden our product lines.

History and Development

Current corporate status

The issuer, ROS AGRO PLC, incorporated on December 1, 2009, is a holding company that owns 100% of OJSC Rusagro Group, which in turn owns 100% less one participation interest of LLC Group of Companies Rusagro. LLC Group of Companies Rusagro was formed on February 3, 2003, and in 2008 became the holding company for the operations of the Group. The operations of each of the divisions are carried out through subsidiaries of LLC Group of Companies Rusagro. For a further discussion of our current corporate structure see "– *Organisation*" below.

Group's key development stages:

- *1997-2003*. The predecessor to the Group was founded in 1995 to supply Ukrainian white sugar to major Russian confectioneries. Shortly after entering the sugar market, the Group began expanding its operations, actively operating in the cane sugar market, importing and processing raw cane sugar and distributing the refined cane sugar. The Group expanded into agricultural production to grow sugar beets to support its sugar processing business, and as it rotated its crops to optimise production, developed its grain production and trading businesses. The Group diversified its operations further into storage and production of oil and fats products. During the period from 1997 to 2003, the Group acquired:
    - seven sugar manufacturing plants (two of which were later sold);
    - control of agricultural farms in the Belgorod region;
    - three grain elevators; and
    - three oil and fats plants in the cities of Ekaterinburg and Krasnodar and in the Voronezh region.

During this period, the Group focused on becoming a dominant player in the Russian sugar market and launched its first retail brand, Chaikofsky, in 2003.

- *2003-2005*. LLC Group of Companies Rusagro was formed in 2003 to manage the Group's expanding structure and operations. From 2003 to 2005, the Group consolidated its business and focused on its strengths in the marketplace. The Group spun off its grain trading operations in 2005, while the Group acquired three additional oil and fats plants in the Voronezh and Krasnodar regions. In addition, the Group expanded its arable land bank in the Belgorod region.
- *2006-2007*. The Group continued to strengthen and broaden its core operations, focusing on the development of its sugar and agricultural businesses. During this period, we acquired control of additional arable land in the Belgorod region, and expanded our agricultural operations into the Tambov and Voronezh regions. We also disposed of those parts of our oil and fats business with low market share, selling five of our plants in the Voronezh and Krasnodar regions, which allowed us to concentrate on our plant in Ekaterinburg. In addition, we sold one of our grain elevators in 2007. We also identified an opportunity for expansion and launched our pig breeding project in the Belgorod region.
- *2008-2011*. Over the last few years, we have continued to expand our operations and the land bank under our control and increase our crop yields through the use of modern equipment and technology. We have capitalised on our internal vertical integration synergies as well, and our market shares in Russia in the sugar and oil and fats industries continue to rise, according to our analysis of market share information from Soyuzrossakhar, Nielsen, the Russian Oil and Fats Union, Rosstat, and customs statistics. During 2009, we acquired two additional sugar processing plants in the Belgorod and Tambov regions, increasing our annual processing capacities for both sugar beets and raw cane sugar by approximately 49% at the time of acquisition and further expanding the production capacity at our sugar processing plants in 2010. We acquired our Nikiforovsky grain elevator in 2009, and we plan to further modernise our elevators during 2011 to improve our grain processing efficiency. We have also continued to develop our pig breeding business, achieving full design capacity at our pig breeding complex in the Belgorod region in the fourth quarter of 2009 and exceeding the design capacity during 2010 by increasing the efficiency of our breeding technologies. We are expanding our pig breeding operations through construction of additional breeding facilities in the Belgorod region and greenfield projects in the Tambov and Chelyabinsk regions. In March 2011, we acquired control of an oil extraction plant strategically located in Samara, in the Volga region, not very far from our oil and fats production facility in Ekaterinburg, and we expect to begin production of vegetable oil at the plant during 2011.

Operations

Sales, operating profit and Adjusted EBITDA for each of our divisions for each of the years ended December 31, 2010, 2009 and 2008, as determined in accordance with the accounting policies adopted by the Group for the preparation of its annual IFRS consolidated financial statements, are as follows:

	For the year ended December 31,			
	2010		2009	2008
	(in thousands of RUR)	Percentage before eliminations	(in thousands of RUR)	(in thousands of RUR)
Sales				
Sugar	20,321,494	60%	15,967,549	11,585,678
Meat	4,572,251	13%	2,707,857	878,021
Agriculture	4,279,287	13%	4,215,992	2,569,341
Oil and Fats	4,635,181	14%	4,524,846	4,170,502
Other	279,657	1%	92,300	457
Subtotal	34,087,870	100%	27,508,544	19,203,999
Eliminations	(3,132,340)		(2,837,170)	(1,437,712)
Total Sales	**30,955,530**		**24,671,374**	**17,766,287**
Operating Profit				
Sugar	3,935,749	64%	1,809,380	967,964
Meat	1,556,144	25%	519,824	7,194
Agriculture	318,778	5%	413,420	183,096
Oil and Fats	527,123	9%	1,003,687	724,279
Other	(161,039)	(3)%	(42,975)	57,983
Subtotal	6,176,755	100%	3,703,336	2,366,211
Eliminations	(162,161)		(221,386)	(205,254)
Total Operating Profit	**6,014,594**		**3,481,950**	**1,735,262**
Adjusted EBITDA*				
Sugar	4,476,226	56%	2,089,811	1,227,970
Meat	1,937,468	24%	1,014,979	190,269
Agriculture	1,114,891	14%	1,131,798	433,090
Oil and Fats	651,315	8%	1,134,204	825,498
Other	(143,486)	(2)%	(87,238)	(99,770)
Subtotal	8,036,414	100%	5,283,554	2,577,057
Eliminations	(120,446)		(196,456)	(5,710)
Total Adjusted EBITDA*	**7,915,968**		**5,087,098**	**2,571,347**

* See *"Summary Consolidated Financial Information"* for discussion of the method of calculation of Adjusted EBITDA.

Our total sales increased by 25.5% in 2010 compared to 2009 and increased by 38.9% in 2009 compared to 2008, and our consolidated operating profit for the year increased by 72.7% in 2010 compared to 2009 and increased by 100.7% in 2009 compared to 2008.

During 2009, our Sugar and Meat divisions showed the strongest revenue growth as compared to 2008. In the Sugar division, we acquired two additional sugar processing plants and increased sugar production, and we also benefited from stronger white sugar sales prices. In our Meat division, we continued to increase production at our pig breeding complex, reaching its full design capacity in the fourth quarter of 2009.

In 2010, our sugar and meat segments again showed the strongest revenue growth. In our Sugar division, both the amount and the quality of the sugar beets available for processing were significantly lower than planned as a result of the adverse weather conditions in the regions in which we operate during summer and autumn of 2010. We increased sugar production slightly, however, as compared to 2009 by increasing our raw cane sugar processing to compensate for the diminished sugar beet supply caused by the adverse weather conditions in the regions in which we operate. We also capitalised on improvements in production efficiency at our sugar plants, our sugar hedging activities and beneficial changes in the raw cane sugar import regime.

In our Meat division, our pig breeding complex further increased production during 2010 beyond its design capacity through increased efficiency. The drought and extreme temperatures during the year increased the cost of grains and therefore increased the cost of fodder, which is the most significant production cost, and also resulted in lower than usual weight gain by the pigs and increased mortality during this affected time period. We nonetheless increased production during the year to approximately 62 thousand tons of live-weight, exceeding the design capacity of 60 thousand tons of live-weight annually. During 2010, we launched an additional pig breeding site in the Belgorod region, with a planned capacity of 13,500 tons of live-weight annually, and a new greenfield pig breeding complex in the Tambov region, with a planned capacity of approximately 114 thousand tons of live-weight. Construction of these new facilities is expected to commence in 2011. The Tambov complex is projected to reach full design capacity in 2014. Also in 2011, we have launched another greenfield pig breeding complex in the Chelyabinsk region of Russia with a planned capacity of approximately 115 thousand tons of live-weight annually.

In 2010, our crop production in our Agriculture division suffered significant detrimental effects as a result of the drought and extreme heat. Much of our grain and sugar beet crops were destroyed or severely diminished, the effects of which were only partially mitigated by increases in the market prices for grains and sugar beets.

Production in our Oil and Fats division decreased slightly in 2010 as compared to 2009, primarily as a result of the significant increase in the price of sunflower oil, the primary production input for our oil and fats products, during 2010. In March 2011, we acquired control over an oil extraction facility in Samara, in the Volga region of Russia, which we expect to utilise to produce vegetable oil beginning in 2011.

Following is a description of the business of each of our four divisions:

Sugar

Overview

Our vertically integrated sugar production business currently operates seven sugar plants that produce sugar from both sugar beets and raw cane sugar, with an aggregate daily processing capacity of either approximately 33,100 tons of sugar beets or approximately 5,640 tons of raw cane sugar. Based on our internal estimates that our plants can process sugar beets for up to 115 days per year and raw cane sugar for up to 190 days per year, our plants have an aggregate annual processing capacity of 3.8 million tons of sugar beets and 1.07 million tons of raw cane sugar. Four of our seven plants are located in the Belgorod region, and three are located in the Tambov region. Controlling interests in two companies operating sugar processing plants were acquired in 2009. One of the sugar plants acquired in 2009, Nikiforovsky, is located in the Dmitriyevka village, in the Tambov region, and the other, Chernyansky, is located in the Chernyanka village in the Belgorod region, increasing our processing capacities of both sugar beets and raw cane sugar by approximately 49% at the time of acquisition. Each of our seven plants has its own cultivation region located primarily within an approximately 60-kilometre radius of the plant, which helps ensure a timely and cost-efficient supply of sugar beets to the plants. In addition, according to Soyuzrossakhar, our Znamensky sugar plant was in the top 10 most efficient Russian sugar plants in 2009, based on capacity utilisation rates. We have planned further investment to continue to modernise our plant equipment and machinery, and to help strengthen our market leadership in conversion rates and efficiency. For example, in 2011, we have budgeted an investment of RUR 1.5 billion to improve our processing efficiency and our sugar conversion ratios and decrease our production costs.

We produce sugar from sugar beets during the months that sugar beets are harvested, referred to as the sugar beet campaign. The sugar beet campaign occurs from approximately September through December, depending on weather conditions. In 2010, approximately 45% of the sugar beets we processed were sourced through self-produced sugar beets grown by our Agriculture division, approximately 22% through third party sugar beet purchases and approximately 33% through "tolling" arrangements, whereby we process sugar beets of third parties and return the resulting sugar to them after retaining a portion of the sugar for ourselves as payment for our processing services. The portion of sugar beets processing through tolling arrangements was higher than usual during 2010, as the tolling arrangements allowed us to share some of the risks related to the poor sugar beet crop yields that occurred in 2010 with the third party sugar beet producers. In 2009, approximately 53% of the sugar beets we processed were sourced from our Agriculture division, approximately 23% through third party sugar beet purchases and approximately 24% through tolling arrangements. We aim to decrease the share of sugar beets processed through purchases of sugar beets and tolling arrangements primarily by increasing the share of self-produced sugar beets processed through continued expansion of the sugar beet crops grown by our Agriculture division.

As another example of our ability to capitalise on synergies between our different divisions, we incorporated filters into our sugar beet processing equipment during 2010 which allow us to extract calcium carbonate out of the sugar production process. Calcium carbonate is a natural by-product of the processing of sugar beets and is utilised by our Agriculture division to aid fertilisation, helping to return the soil to a more neutral ph level.

From approximately February through July, we produce sugar by processing imported raw cane sugar. As a result, we are able to offer our customers a consistent supply of sugar throughout the year, which helps us to maintain our customer relationships and increase our share of the Russian sugar market. We are a significant raw cane sugar processor in the Russian market. According to Soyuzrossakhar, our sugar plants processed approximately 25% of the 2,180 thousand tons of raw cane sugar processed in Russia in 2010.

The sugar we produce is primarily sold in 25 or 50 kilogram bags of white sugar to bulk sugar wholesalers or industrial users. This type of product constituted approximately 77% of our sales in 2010. We also produce retail products, primarily in the form of one kilogram bags of white sugar and sugar cubes. Retail products constituted the remaining 23% of the Group's sugar production in 2010. We produce retail products sold under our brand names as well as some private-label sugar products for certain retail chain customers. In 2010, almost 50% by volume of retail products we produced were branded products. We produce white cube sugar and white packaged sugar branded under the mid-market brand Chaikofsky and economy brand Russkii Sakhar (which we acquired in 2009 and have used to replace our prior brand Khoroshy), and we repackage light and dark brown sugar produced at third-party sugar plants under the premium brand Brauni. See *"Risk Factors – Some of the brands we use to market our products are not registered, are not registered in all territories where we market our products or are not registered with regard to all type of products we produce."*

Key assets

Key assets of our Sugar division include our seven sugar plants. The annual processing capacity of each of our sugar plants is described below in terms of capacity to process sugar beets and raw cane sugar. For sugar beets, a plant's capacity is referred to as its "slicing capacity," which indicates the volume of sugar beets that the plant can slice and process. The actual volume of sugar produced from such volume of sugar beets is a function of the plant's sugar conversion ratio, which will vary depending on the polarization of the particular sugar beets, i.e., how much sugar the sugar beets contain, and the plant's efficiency in extracting the sugar from the beets. In 2010, our plants had an average sugar conversion ratio of 13.85%, which, according to Soyuzrossakhar 2010 annual data, is higher than the average sugar conversion ratio among sugar producers operating in the Belgorod and Tambov regions of Russia. During 2009, weather conditions were more favourable for sugar beet production, and the sugar beets we processed had a higher sugar content than those processed during 2010 that were affected by the 2010 drought. We achieved a sugar conversion ratio of approximately 16% in 2009, which, according to Soyuzrossakhar 2009 annual data, was one of the highest sugar conversion ratios among the largest sugar producers in Russia.

For raw cane sugar, a plant's capacity refers to the volume of raw cane sugar that it can process. The volume of refined cane sugar produced from a given volume of raw cane sugar is again a function of the sugar conversion ratio, which varies with the quality of the raw cane sugar and the plant's efficiency in processing the raw cane sugar. We have historically purchased our raw cane sugar primarily from Brazil, as we have found the Brazilian raw cane sugar generally to be of the highest quality available on the market, and we are typically able to achieve sugar conversion ratios of up to 98%.

Ranked by size and relative importance to the Sugar division operations, our seven sugar plants are:

- Nikiforovsky Sugar Plant
  - Located in the village of Dmitriyevka in the Nikiforovsky district of the Tambov region, 40 kilometres west of the city of Tambov
  - Built in 1965, the plant was acquired by the Group in November 2009
  - Significantly modernised in 2009, namely installation of a tower diffusion with a capacity of up to 7,000 tons, and 2010, including the installation of two press-filters, two drum slicers, an additional cold pre-defecator and three additional juice filters
  - Daily processing capacity: 7,000 tons of sugar beets or 1,100 tons of raw cane sugar

- Znamensky Sugar Plant
  - Located in the town of Znamenka in the Tambov region, 50 kilometres south of Tambov
  - Built in 1972, the plant was acquired by the Group in 2002
  - Significantly modernised in 2007, including installation of AMA filters, installation of a second diffusion unit, overhaul of the sugar end, installation of pulp drying and granulation facility, and in 2010, the plant was shut down for five and a half months and underwent significant refurbishment, including modernisation of the washer and installation of two drum slicers, additional AMA filters, vacuum evaporating units with circulation, new steam condensation unit, three vertical crystallisers and three new centrifuges
  - Daily processing capacity: 5,800 tons of sugar beets or 850 tons of raw cane sugar
- Valuikisakhar Sugar Plant
  - Located in the town of Valuiki in the Belgorod region, 115 kilometres east of the city of Belgorod
  - Built in 1973, the plant was acquired by the Group in 1999
  - Significantly modernised in 2009, including overhaul of the defecosaturation unit and installation of a line for sugar packaging in one kilogram plastic bags
  - Daily processing capacity: 4,800 tons of sugar beets or 720 tons of raw cane sugar
- Nika Sugar Plant
  - Located in the Pyatnitskoye village in the Belgorod region, 90 kilometres east of Belgorod
  - Built in 1954, the plant was acquired by the Group in 1998
  - Nika is the only sugar plant in the Belgorod region that produces pressed powdered sugar and pressed refined sugar
  - Significantly modernised in 2009, including installation of seven BMA centrifuges, commissioning of the pulp drying and granulation facility, installation of AMA filters
  - Daily processing capacity: 3,650 tons of sugar beets or 780 tons of raw cane sugar
- Chernyansky Sugar Plant
  - Located in Chernyanka village in the Belgorod region, 90 kilometres north-east of Belgorod
  - Built in 1961, the plant was acquired by the Group in November 2009
  - Significantly modernised in 2009 during preparation of the plant for raw cane sugar and sugar beet processing after the plant's operations had been suspended for more than a year and in 2010, which included installation of a new defeco-saturation unit, lime kiln modification, washing station modernisation, installation of three centrifuges and sugar dying unit modernisation
  - Daily processing capacity: 4,800 tons of sugar beets or 750 tons of raw cane sugar
- Zherdevsky Sugar Plant
  - Located in the town of Zherdevka in the Tambov region, 120 kilometres south of Tambov
  - Built in 1938, the plant was acquired by the Group in 1999
  - Significantly modernised in 2008 and 2009, which included installation of four centrifuges and the commissioning of a pulp drying unit
  - Daily processing capacity: 3,800 tons of sugar beets or 720 tons of raw cane sugar
- Rzhevsky Sugar Plant
  - Located in Rzhevka village in the Belgorod region, 40 kilometres south-east of Belgorod
  - Built in 1911, the plant was acquired by the Group in 1997
  - Significantly modernised in 2003 and 2009, including installation of two centrifuges, overhaul of the pulp drying unit, installation of dried beet pulp granulators
  - Daily processing capacity: 3,250 tons of sugar beets or 720 tons of raw cane sugar

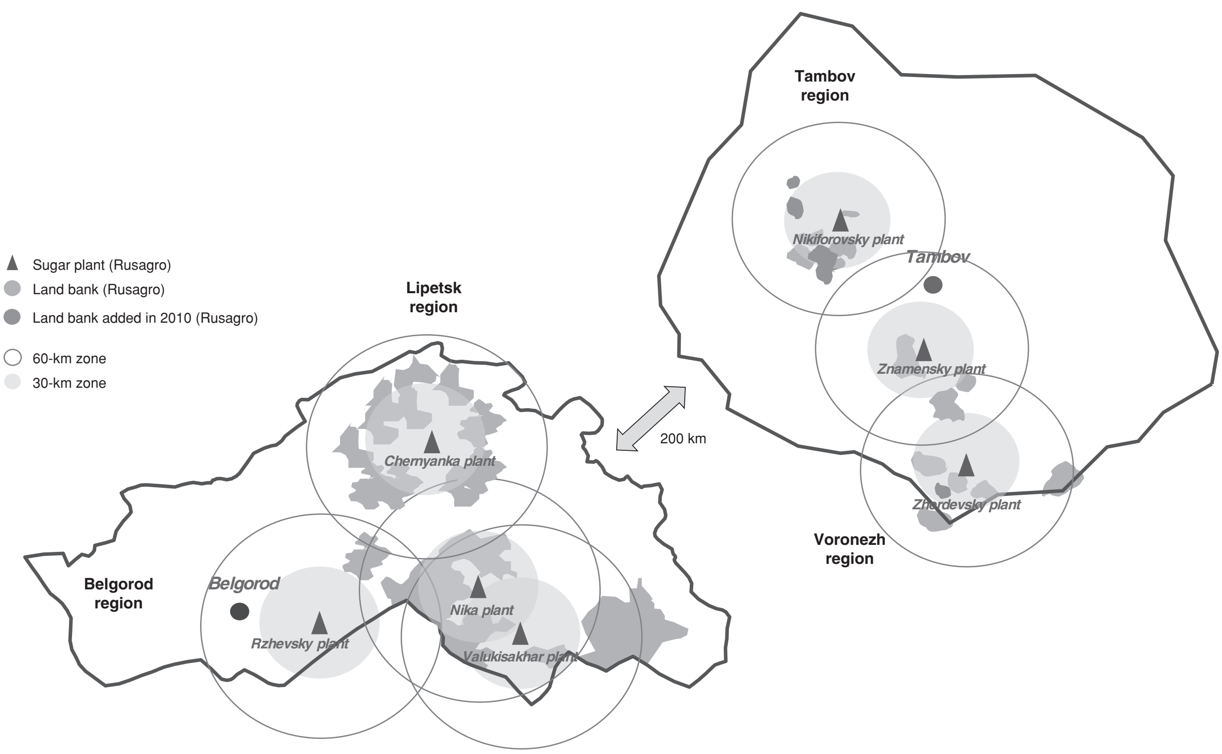
Sugar Plant Summary

Sugar Plant	Annual Processing Capacity (in thousand tons)		2010 Production (in tons of sugar) From:			Number of Processing Days		
	Sugar Beet Slicing Capacity	Raw Cane Sugar Processing Capacity	Sugar Beets	Raw Cane Sugar	Total	Sugar Beet	Raw cane sugar	Head-count, 2010 Average
Nikiforovsky	805	209	59,431	89,153	148,584	60	83	668
Znamensky	667	162	58,730	21,625	80,355	69	26	458
Valuikisakhar	552	137	39,580	80,232	119,812	71	110	482
Nika	420	148	29,538	98,325	127.863	66	126	593
Chernyansky	552	143	28,886	52,467	81.355	66	74	482
Zherdevsky	437	137	42,232	47,194	89,426	76	67	433
Rzhevsky	374	137	19,491	60,708	80.199	60	87	398
Subtotal	3,807	1,072	277,889	449,704	727,593			
Other Production								
Processed at third party plants			–	28,267	28,267			
			277,889	477,971	755,860			

The 2010 Rusagro sugar plant production figures above include sugar processed from sugar beets on behalf of third parties through tolling arrangements and raw cane sugar processed on our behalf at third party plants while our Znamensky plant closed down for refurbishment. The calculation of Rusagro's share of total sugar production in Russia for 2010 of 16% based on Soyuzrossakhar data, is based on the 2010 sugar production year, which includes production of sugar from raw cane sugar during calendar year 2010 and from sugar beets during the 2010 sugar beet campaign.

Our sugar plants are located in close proximity to the fields in the Belgorod, Tambov and Voronezh regions where significant quantities of sugar beets are produced, particularly our land bank on which we grow sugar beets. Each of our seven plants has its own cultivation region located primarily within an approximately 60-kilometre radius of the plant.

Rusagro Sugar Plants and Land Bank



Packaging

Prior to 2009, we outsourced all packaging of our retail products. During 2009, we acquired and developed retail packaging facilities at some of our sugar plant sites. The Nikiforovsky and Valuikisakhar plants package sugar in plastic bags, and the Chernyansky plant packages sugar in paper bags. During 2010, we increased our packaging capacity at our Valuikisakhar plant to further support our increases in production of retail products. Our Nika plant produces and packages sugar cubes. Subject to the limitations on the type of packaging (e.g., plastic vs. paper bags), our plants can readily switch between the brands they package.

Capital Expenditures and Maintenance

We make significant on-going investments in the maintenance and modernisation of our existing equipment, and we have increased our processing capacity by both expanding operations at our existing plants and acquiring additional sugar plants. In 2009, we acquired the Nikiforovsky and Chernyansky plants. For the years ended December 31, 2010, 2009 and 2008, our capital expenditures totalled RUR 1,372,101 thousand, RUR 2,051,853 thousand and RUR 608,862 thousand, respectively.

In 2010, we made material investments to expand the capacity at our existing plants. We increased the slicing capacity by approximately 1,000 tons per day at each of our Nikiforovsky, Chernyansky and Znamensky plants prior to the 2010 sugar beet campaign, which constitute increases of approximately 13%, 30% and 25%, respectively, over existing slicing capacity at such plants. Our capital expenditures budget for our Sugar division for 2011 is approximately RUR 1,498 million, which includes approximately RUR 814 million focused on increasing the production capacity of our plants, primarily at our Nika plant where we plan to increase the slicing capacity by 23%, approximately RUR 417 million committed to increasing our retail production capacity, including adding two sugar cube manufacturing lines at our Nika plant and additional packaging lines at our Nikiforovsky and Znamensky plants, as well as improving our sugar conversion ratio, and approximately RUR 268 million dedicated to sustaining investment. The division is currently projected to spend approximately 35% of this budget during the first quarter of 2011, primarily to acquire machinery and equipment to modernise current production.

Because of the seasonality of sugar production, we have naturally established maintenance periods. Each year, our plants suspend operations during January and February following the sugar beet campaign, and again in August as we ramp down processing of raw cane sugar in anticipation of the upcoming sugar beet campaign. The periods during which our plants suspend operations fluctuate each year depending primarily on the timing of the respective sugar beet campaign.

Procurement of raw materials

We produce sugar from sugar beets during the sugar beet campaign, and following the campaign we produce sugar by processing raw cane sugar, typically from February through July. Our annual production of sugar from each of these processes has historically been divided as follows:

	Sugar Production for the Year Ended December 31,		
Sugar Process	**2010**	**2009**	**2008**
Beet Sugar	38%	51%	47%
Cane Sugar	62%	49%	53%
Total	100%	100%	100%
Total Annual Sugar Production (in tons)	727,593	723,865	680,769

The most significant component of the cost of these production processes is the cost of the sugar beets and raw cane sugar. In 2010, the cost of sugar beets constituted approximately 77% of the total cost of producing beet sugar, and the cost of raw cane sugar constituted approximately 91% of the total cost of producing cane sugar. The prices of sugar beets and raw cane sugar is generally a function of the prevailing global market price for sugar, and thus are sensitive to the underlying volatility of the global sugar price. As a result, increases in sugar input prices generally can be transferred to our customers as such increases result from increases in sugar sales prices. See *"Sales and Distribution"* below. Based on our internal management reporting estimates, in 2010, our average cost per ton of producing sugar from sugar beets was approximately RUR 20,875, which was higher than our average cost per ton of producing sugar from raw cane sugar of approximately RUR 19,728. Typically, however, in years that are not as affected by such extreme weather conditions affecting the quantity and quality of available sugar beets as 2010, our average cost per ton of producing sugar from sugar beets is significantly lower than our average cost per ton of producing sugar from raw cane sugar. For example, based on our internal management reporting estimates, in 2009, our average cost to produce a ton of sugar from sugar beets was approximately RUR 13,700, while our average cost to produce a ton of sugar from raw cane sugar was approximately RUR 19,225.

As seen from the sugar production figures above, in 2010 we produced approximately 38% of our sugar by processing sugar beets. We acquire the sugar beets from three sources: our Agriculture division, third-party producers through sugar beet purchases, and third-party producers through tolling arrangements. Our preferred source of sugar beets is from our Agriculture division, and our sugar plants process all sugar beets produced by our Agriculture division. We also acquire sugar beets from third-party producers through purchases and through tolling arrangements, whereby we process sugar beets for third parties and retain a portion of the sugar beets provided in lieu of monetary payment for our processing services. In 2010, of the sugar beets used to produce the beet sugar owned by us (not including beet sugar produced on behalf of third parties through tolling arrangements), 57% were acquired from our Agriculture division, 29% through purchases from third-party producers, and 14% through tolling arrangements. In 2009, the comparable sugar beet figures were: 63% acquired from our Agriculture division, 28% acquired through purchases from third-party producers, and 10% acquired through tolling arrangements. In addition to the sugar beets processed for our own account, we processed approximately 236 thousand tons of sugar beets on behalf of third parties as a result of our tolling arrangements. Sugar beets acquired from our Agriculture division are acquired pursuant to contracts between the respective entities in the Sugar and Agriculture divisions, which are established annually and determine the purchase price of the sugar beets through an agreed formula. This formula is based on several factors, including the price for the beet sugar produced from such sugar beets realised by the Sugar division upon sale, the sugar content of the beets upon delivery of the sugar beets to the Sugar division and the final conversion ratio that the applicable sugar plant achieves after processing such sugar beets. The formula is modelled after the formula typically used by the Group and other sugar processors in tolling arrangements to determine the effective price paid for sugar beets acquired through such arrangements. The use of these formulas historically has resulted in higher prices paid for the sugar beets acquired through such arrangements than those paid by the Group for sugar beets acquired through third party purchases. As part of our tolling arrangements in 2010, we retained an average of approximately 34% of the sugar beets supplied for processing by such third parties as payment for our processing services. Sugar beets acquired from third-party producers are acquired from numerous small, local producers on negotiated market terms.

As noted above, our cost per ton of producing sugar from sugar beets in a typical year is significantly lower than the cost of producing it from raw cane sugar. As a result, we are striving to increase the proportion of sugar we produce from sugar beets and we are also seeking to reduce our dependence on sugar beets purchased from third parties and acquired through tolling arrangements, in each case by increasing the volume of sugar beets produced by our Agriculture division. To accomplish these goals, we seek to acquire control of new land on which we are able to grow sugar beets, and we also continue to maximise the production of sugar beets from our existing fields. See *"– Agriculture – Land Bank."*

The balance of the sugar we produce is through processing raw cane sugar. We use the IntercontinentalExchange Sugar No. 11 contract, the world benchmark contract for raw cane sugar trading, to determine the price of raw cane sugar we acquire from our suppliers. We source our raw cane sugar primarily from south and central Brazil, as we have historically found that Brazilian sugar provides the highest conversion ratio of up to 98%. We purchase our raw cane sugar from leading traders in the raw cane sugar market, such as Sucres et Denrees (Sucden) and Cargill International S.A., with many of whom we have longstanding relationships. According to Soyuzrossakhar, our sugar plants processed approximately 25% of the 2,180 thousand tons of raw cane sugar processed in Russia in 2010.

We obtain natural gas for production through government regulated pricing arrangements that significantly lower our fuel-related production costs. If our usage exceeds our allocated quota for the fuel to be provided at reduced rates, we then purchase fuel at market rates.

Products & brands

The following table illustrates the sugar products we sell and the allocation between branded and non-branded products:

Product	Product	Segment	Share of total 2010 sugar sales (by ton)	Share of total 2009 sugar sales (by ton)	Share of total 2008 sugar sales (by ton)
Bags (25, 50kg)	White sugar	Wholesale	52%	58%	55%
Bags (25, 50kg)	White sugar	Industrial	25%	24%	32%
Retail /Small Wholesale					
Packaged Sugar (1kg)	White packed sugar	Economy	12%	14%	10%
Russkii Sakhar/Khoroshy	White packed sugar	Economy	7%	–*	n/a
Chaikofsky	White refined packed sugar	Mid-market	0%	0%	1%
Chaikofsky	White refined cube sugar	Mid-market	2%	1%	1%
Russkii Sakhar/Khoroshy	White cube sugar	Economy	2%	3%	2%
Brauni	Brown dark and light raw granulated sugar	Premium	0%	0%	0%
Total			100%	100%	100%
Total sugar sales (in thousand tons)			781	692	672

* We acquired the Russkii Sakhar packaged sugar operations during 2009 in connection with our acquisition of the Nikiforovsky sugar processing plant, and we did not sell any Russkii Sakhar branded products in 2009. During 2010, we rebranded all our "Khoroshy" brand products with the Russkii Sakhar brand.

Storage Facilities

Once produced, our sugar is transported to our storage facilities at each of our plants prior to being sold. The Nikiforovsky sugar plant has two silos, which can each store up to 15 thousand tons of sugar, for an aggregate storage capacity of approximately 30 thousand tons of sugar. Each of our other sugar plants has on-site storage facilities in which we store sugar in bags. Our storage capacity for sugar stored in these warehouses totals approximately 92.5 thousand tons. Sugar can be readily stored for up to 12 months in the Nikiforovsky silos or in bags in our storage facilities.

The amount of sugar we store in these facilities generally increases during the sugar beet campaign and reaches a peak at the end of the campaign. Because the supply of sugar is elevated during the sugar beet campaign and immediately thereafter, sugar prices typically are lower during this period. Our storage capacity allows us to store sugar produced during this period for sale later in the year, when sugar prices have typically increased. Once our beet sugar stores are sold, we typically maintain cane sugar inventory equal to approximately two months of sales.

Sales and Distribution

The distribution of our products is primarily coordinated by our sales office in Kommunarka in the Moscow region. We also have two smaller sales and logistics offices located in Irkutsk and Lyubertsy. Our sugar sales functions form a part of the operations of Rusagro-Sakhar, and the division is managed through LLC Rusagro-Center. See *"Organisation"* below. Our products are distributed through three primary channels. We primarily sell bagged sugar in 25 or 50 kilogram bags to sugar wholesalers. In 2010, approximately 52% by volume of our sugar went to such wholesalers (including federal consumers). We also sell sugar directly to industrial customers, such as confectioners and other food producers, and in 2010, approximately 25% by volume of our sales were to industrial consumers. Finally, we sell packaged products directly to retail points and indirectly via distributers. Our retail sales constituted approximately 23% by volume of our sales in 2010. Our retail white sugar products include white cube sugar and packaged sugar sold under the Chaikofsky, Khoroshy and Russkii Sakhar brands, and un-branded sugar packaged in one, three, five and 10 kilogram packages. We began producing cube sugar under the Chaikofsky brand in 2003, and in 2010, we started production and sales of refined white sugar in 0.9kg packages in the mid-market segment under the Chaikofsky brand. We acquired the Russkii Sakhar packaged sugar operations in connection with our acquisition of the Nikiforovsky plant in 2009, and during 2010, we began producing products branded under the Russkii Sakhar brand and rebranded all our Khoroshy brand products as Russkii Sakhar brand. We ceased production of Khoroshy products in summer 2010. We also produce private label sugar products for certain of our retail chain customers, such as X5, Seventh Continent and Metro. Our range of private label products includes packaged sugar in one, three and five kilogram packages and sugar cubes. We offer private label products as a service to our customers to enhance our relationships with them.

The major industrial customers of our sugar products include Lebedyansky (an affiliate of PepsiCo), Kraft Foods Russia, United Confectioners, Nidan Soki (an affiliate of Coca-Cola), Danone Industry and Wimm-Bill-Dann Foods, with whom we have long-standing relationships. These customers primarily purchase sugar in 50 kilogram bags for industrial use. Retail customers of our packaged products include major retail chains in Russia, such as Auchan, Metro and X5. We generally conduct business with local distributors or affiliated entities of these customers.

Our customer base is widespread, both with respect to the distribution of our sales among our customers, as well as geographically. None of our customers individually accounted for more than 5% of our total revenues from sales of sugar products in 2010, and our 10 largest customers together accounted for approximately 28% of our total sugar sales (both by sales volume and by revenues from the sale of sugar products). Our products are sold in 81 of the 83 regions in Russia.

The price at which we sell our sugar to industrial customers is negotiated with each customer, and varies depending on the overall sugar market conditions and the needs of each customer. The price at which we sell to wholesale or industrial customers is primarily set at the spot rate for bulk sugar, which fluctuates with the sugar market. The price of our retail packaged sugar is also generally reset daily to reflect the spot rate for bulk sugar. The price for our cubed sugar products is periodically reset to reflect market conditions, but such price adjustments do not occur as frequently as the adjustments in the spot rate for bulk sugar. We typically adjust our selling price for our cubed sugar products not more than once a month.

The distribution network used to deliver our products varies depending on the channel through which the product is sold. We utilise both independent trucking companies and the Russian railroad system. Deliveries to sugar wholesalers are usually made by railroad. Sales directly to industrial customers are generally delivered via truck directly to their factories, although a few factories accept delivery by railroad as well. We deliver our retail products primarily through local distributors. Distributors in the European region of Russia receive deliveries by truck, while deliveries to distributors in other areas of the country are made primarily by railroad. The European region in which we deliver products by truck includes the Moscow Region, St. Petersburg, Orel, Voronezh, Rostov-on-Don, Samara, Ulyanovsk, Tver, Pskov, Ryazan, Nizhny Novgorod and Saratov. For the distributors in the rest of the country, we typically deliver the sugar by railroad to a wholesaler to whom we sell our products that is located in the area of the distributor, and the sugar is then delivered by truck from the wholesaler's facilities to the individual distributors.

Some distributors have packaging facilities and package our products for us, while others receive products we have packaged in our facilities. Also, some deliveries of our retail products are supplied to retail chain customers directly rather than through distributors, and such deliveries are always made by truck.

Our truck deliveries are made under contracts with up to 10 different trucking service suppliers, and we are not dependent on any particular supplier. The volume of our deliveries by truck is increasing as our retail business increases. Our railroad deliveries are primarily made through "Pervaya Gruzovaya Kompanya," the Russian state-owned railroad company, and we also try to utilise other smaller, private railroad companies where possible.

Competition

According to Soyuzrossakhar, Russia had 77 producing sugar plants in 2010, 22 of which produced more than 60% of the output in Russia. Our significant competitors in the Russian sugar market are Prodimeks, Dominant, Razgulay and Sucden. Based on information obtained from Soyuzrossakhar and on our internal production estimates, the Group and these other top four producers accounted for approximately 70% of total Russian sugar production in 2010. This production share information includes production both by and on behalf of the Group through tolling arrangements. Based on this production share information, we estimate that the Group and Prodimeks accounted for approximately 16% and 18%, respectively, of the Russian sugar production in 2010, Dominant produced approximately 14% of the sugar produced in Russia in 2010, and Razgulay and Sucden each had production shares of approximately 10% during this period. We estimated that the Group and Prodimeks accounted for approximately 18.2% and 17.9%, respectively, of the Russian sugar production in 2009, Dominant produced approximately 14% of the sugar produced in Russia in 2009, and Razgulay and Sucden had respective production shares of approximately 9% and 6%

during this period. This production share information for 2009 is calculated by including in our production figures for the year (x) the full-year production of the sugar plants acquired by the Group in 2009 and (y) production both by and on behalf of the Group through tolling arrangements. Our market share decreased in 2010 as compared to 2009 due to (i) decreased production of sugar from sugar beets as a result of the drought during 2010 in the areas in which we operate that did not affect sugar producers operating in other regions of Russia and (ii) certain recent strategic acquisitions made by other sugar producers.

With regard to the sugar cube market, there are currently only a small number of sugar cube producers in Russia, and our most significant competitor in this market is Kuskov, a sugar cube producer based in St. Petersburg. According to the latest information compiled by Nielsen on 24 cities in Russia (including, for example, Moscow, St. Petersburg and Ekaterinburg), Rusagro's average sugar cube market share by volume in these 24 cities was approximately 34% in 2010, while Kuskov's average 2010 market share was 21.7%, and the average market share of the next largest sugar cube producer was 6.7%.

Competition from imported sugar is limited due to the protective duties applied to imported sugar. See "*Regulation of the Russian Agricultural and Food Industry*."

Quality Assurance

We maintain strict quality controls over our production. Russia is currently considering stricter food security requirements, which we expect will be enacted into legislation during 2011. Once enacted, the sugar industry will have one year to bring its operations into compliance with the new legislation. We have already begun revising our quality assurance policies and procedures to comply with proposed requirements, and we expect to be in full compliance with the more stringent requirements prior to their coming into force.

There are currently two official state quality standards used in production of granulated and refined sugar in Russia – GOST 21-94 and GOST 22-94, respectively. Most of the sugar produced in Russia is granulated sugar produced to the GOST 21-94 standard, with a small portion produced to the GOST 22-94 standard, typically utilised in products that require refined sugar, such as sugar cubes or sugar colas. Most of the sugar we produce is granulated sugar produced in accordance with the GOST 21-94 standard. To produce our pressed sugar products (i.e., sugar cubes), we further refine the sugar to meet the GOST 22-94 standard. We understand that the Russian Government is in the process of revising these state standards and will be broadening the standards from the two primary categories currently established to four distinct categories. We expect to re-evaluate our customer needs and production requirements in the context of these new standards as they are established by the Russian Government.

We have established quality assurance policies and procedures to ensure that the sugar we produce meets the official quality measurements. These procedures include systematic laboratory testing of our raw materials to ensure the relevant physical characteristics of the inputs fall within the parameters established under the contracts pursuant to which we acquire such inputs. We also test samples of the sugar throughout processing to ensure that the sugar output will meet the applicable state quality standard. We then test the final output to confirm that it complies with the applicable standard.

Meat

Overview

According to the National Union of Pig Breeders, we operate the fifth largest pig breeding complex in Russia by production volumes. Our goal is to become a leader in Russia in production efficiency through application of advanced pig breeding technologies, optimisation of resource management and utilisation of synergies between our agricultural division and pig breeding operations.

Our pig breeding operations consist of breeding and rearing pigs and producing fodder at facilities located in the Belgorod region. We launched our pig breeding project in 2006. Our initial investment included the construction of our pig breeding complex and a fodder plant. Our pig breeding complex consists of six farms clustered in the Belgorod region within 60 kilometres of our fodder plant, which is adjacent to our Nezhegolsky grain elevator.

We began construction of our pig breeding complex, Belgorodsky Bacon, in 2006 and began producing livestock in 2007. We made our first deliveries of livestock to customers in the second quarter of 2008. Our operations have expanded since their launch and reached our design capacity by the end of 2009. During

2007, our pig stock averaged approximately 29 thousand heads. In 2008, this figure grew to an average of 118 thousand heads, and reached an average of approximately 225 thousand heads during 2009. In 2010, our pig stock reached an average of approximately 286 thousand heads. As of January 1, 2011, our farms held approximately 275 thousand pigs. The number of breeding sows at our complex has consistently grown during this period as well, from 13,254 sows as of December 31, 2007 to 25,263 sows as of December 31, 2008, reaching our capacity of approximately 28.8 thousand sows as of December 31, 2009, and we maintained this capacity during 2010. In the fourth quarter of 2009, we reached our production capacity of 60 thousand tons of live-weight per year, and in 2010, we expanded beyond our design capacity through increased production efficiencies and produced approximately 62.4 thousand tons of live-weight.

In 2010, the brood sows in our pig breeding complex produced an average of 2.26 farrows, with an average of approximately 11.09 pigs per farrow. Our average marketable pig live-weight in 2010 was 108 kilograms.

During 2010, almost all the pigs we produced were sold as live pigs. During 2009 and 2008, we sold primarily live pigs, along with a small portion of pork sides. In 2010, 2009 and 2008, we produced a total of 62.4 thousand, 38.9 thousand and 12.7 thousand live-weight tons of pork, respectively. We also produce fodder at our fodder plant for use in our pig breeding complex, and excess fodder is sold, generating RUR 343 million of revenues in 2010.

We are currently in the process of developing additional pig breeding complexes for which we expect construction to begin in 2011. In the Belgorod region, we are constructing an additional pig breeding site which will increase our production capacity in the Belgorod region by 13,500 tons of live-weight per year. In the Tambov region, we are developing another greenfield pig breeding complex, with a design capacity of 114 thousand tons of live-weight, which will more than double our current pig production capacity. We have budgeted RUR 9.4 billion for construction of this complex, which will also include the construction of another fodder production facility attached to our grain elevator located in Nikiforovsky. Construction of both the additional facility in the Belgorod region and the complex in the Tambov region is expected to begin in spring 2011, with the first pigs produced in each of these facilities to be ready for sale during 2012. We expect to reach the full design capacity of the additional facility in the Belgorod region of 13,500 tons of live-weight during 2013. The complex in the Tambov region is expected to be constructed in two stages, and we expect to reach the full design capacity of the entire complex of 114 thousand tons of live-weight during 2014.

In addition, we have received certain governmental authorisations to construct another pig breeding complex in the Chelyabinsk region. The design production capacity of the planned facility is 115 thousand tons of live-weight per year, and we expect production there to reach full design capacity in 2015. Once this new pig breeding complex and the additional facilities in the Belgorod and Tambov regions are completed, the total design capacity of all our pig breeding facilities is expected to be over 300 thousand tons of live-weight annually. We expect to be able to capitalise on our previous experience constructing and operating the Belgorodsky Bacon complex and increased efficiency to achieve actual production in excess of this design capacity, as we have done during 2010 at Belgorodsky Bacon.

Breeding facilities

Our current pig breeding farms include the following six farms: Progress, Alexandrovsky, Bulanovsky, Druzhba, Mayak and Yutanovsky, clustered within 40 kilometres of one another in the Belgorod region. Progress has production and rearing facilities for the renewal of our sow population, a boar site for semen collection and a quarantine site for all incoming pigs. The other five farms are self-sustained pig-breeding complexes with all the necessary facilities for breeding and growing pigs, including reproduction, rearing and fattening sites. Progress has a capacity of 2,400 sows and the capacity of each other farm is 4,800 sows, not including our brood sows.

Operations at Progress focus on sow population renewal and processing of incoming pigs, and we produce marketable pigs at the remaining five farms. The facilities and processes are similar at each of these farms. Sows deliver pigs at a designated production site. When pigs reach a weight of seven kilograms, which typically occurs around the age of 24 days, they are transferred to a rearing site. Pigs spend approximately 30 days at the rearing site until they reach a weight of 30 kilograms, after which they are transferred to a fattening site. At the fattening site, the pigs grow to approximately 105 to 120 kilograms, typically by the age of 165 to 170 days, after which they are ready to be sold. During 2010, we sold almost all our livestock as whole, live pigs, and during 2009 and 2008 we also delivered a small portion of our livestock to slaughter facilities in the Belgorod region and sold the resulting pork sides. During 2010, sales of live pigs comprised approximately 99.7% of our revenues from pork production.

Big Dutchman, a world leading supplier of pig breeding equipment, supplies our pig farm equipment utilised at Belgorodsky Bacon, including feeding equipment, group cages and climate control system. In addition, we retain pig breeding experts from Cargill to provide on-site consultations on breeding and feeding technologies. We are currently in the process of selecting the pig breeding equipment to be used in our pig breeding complexes to be constructed in the Tambov and Chelyabinsk regions.

Our farms are located on land in the Belgorod region controlled by the Group, which allows us to utilise farm waste in our agriculture operations where possible and facilitates implementation of biosecurity measures. We currently control approximately 65 thousand hectares of land in the Tambov region, and expect to take advantage of similar synergies between our agricultural operations there and our planned Tambov pig breeding complex. We are currently assessing potential opportunities to expand our agricultural operations into the Chelyabinsk region to benefit from such synergies there as well.

We breed our livestock from sows produced by brood sows and boars imported from PIC, a leading supplier of breeding stock in the world. We import approximately 1,400 brood sows from PIC annually to renew our sow population. We purchase genetically improved cross-breeds of Large White, Landrace and Duroc pigs. The average life-span of a brood sow is approximately two and a half years, and one brood sow typically produces five to seven litters of pigs over the course of her life. For the new pig breeding complex being constructed in the Tambov region, we plan to acquire the brood sows from a Danish supplier, DanBred. Our analysis indicates that DanBred pig supplies have consistently resulted in healthier, more productive animals in the region and we expect these pigs to be the best fit with our planned production requirements for this complex.

Production Costs

Fodder is the primary raw material in our pig rearing process, constituting approximately half of the total cost of production of livestock. Our second largest production cost is depreciation and maintenance, which, according to our management accounts, constituted 23% of our total production costs in 2010. None of the other components of our production costs constituted more than 10% of our total costs.

In 2009, our annual fodder consumption per ton of live-weight produced was 2.86 tons. In 2010, we reduced this figure to 2.78 tons of fodder per ton of live-weight through greater production efficiency.

Capital Expenditures

The Group has invested RUR 5.8 billion (net of VAT) in our pig breeding operations since their inception as a greenfield project in 2006. Operations at our pig breeding complex reached their maximum design capacity at the end of 2009, and limited capital expenditures in the next few years are planned with regard to the existing Belgorodsky Bacon complex, primarily to maintain and improve the existing technologies.

We are also planning significant capital expenditures to expand production at Belgorodsky Bacon by constructing another pig breeding site. The budget for such expenditures totals RUR 948 million.

The planned facility in the Tambov region is expected to be constructed in two stages, with a total capital expenditures budget of RUR 8,486 million. The facility in the Chelyabinsk region is currently projected to involve an investment of RUR 12,391 million. The actual capital expenditures in 2010 and projected capital expenditures for each of the next three years relating to each of our pig breeding complexes are as follows:

	2010 (Actual)	**2011 (Projected)**	**2012 (Projected)**	**2013 (Projected)**	**Total**
			(in RUR millions)		
Belgorodsky Bacon	84	783	572	300	1,739
Tambov complex	93	4,684	3,709	0	8,486
Chelyabinsk complex	–	3,484	6,177	2,730	12,391
Total	177	8,951	10,458	3,030	22,616

Fodder plant

We produce pig fodder at the fodder plant we constructed adjacent to our Nezhegolsky grain elevator, situated in close proximity to the pig breeding complex. The distance from the elevator to each of the six farms ranges from 35 to 60 kilometres. By operating our own fodder plant, we aim to control availability and quality of feed and help minimise animal health risks.

Our fodder plant was commissioned in May 2008 and currently has an annual capacity of approximately 240 thousand tons of feed. In 2008, we produced approximately 36 thousand tons of feed and also purchased approximately 9 thousand tons from third parties to meet our consumption requirements. In 2009, we produced approximately 159 thousand tons of feed and our pigs consumed approximately 134 thousand tons. Excess feed was sold to a third party, generating revenues of approximately RUR 174 million in 2009. In 2010, we produced approximately 220 thousand tons of feed and our pigs consumed approximately 177 thousand tons. Excess feed was sold to a third party, generating revenues of approximately RUR 343 million. During 2011, we expect to achieve our current design capacity of 240 thousand tons of feed production. We have projected that our pigs will consume approximately 195 thousand tons of feed in 2011, and we plan to sell excess feed to a third party.

We have thus far found a limited market for our excess feed. While we expect to be able to sell all excess feed that we plan to produce during 2011 and we are actively seeking additional customers for our feed products, we have no assurance that we will be able in the future to sell excess feed to the same or other third parties. We are in the process of expanding our pig breeding operations in the Belgorod region, and if our pig breeding operations expand in accordance with our current plans, then we do not expect to continue to have excess feed produced at our Belgorod fodder plant.

Our plans for the pig breeding complex in the Tambov region to be constructed include the establishment of an additional fodder plant, adjacent to a new grain elevator to be constructed so we can again take advantage of the synergies between our Agriculture and Meat divisions. This second fodder plant is designed to produce approximately 290 thousand tons of fodder per year. We expect that once our pig breeding operations planned for the Tambov region reach full design capacity, such operations will utilise all the fodder to be produced at the proposed Tambov fodder plant.

We produce granulated feed from grain (wheat and barley), soybeans, peas, sunflower oil, mineral additives, vitamins and other ingredients. The largest production costs of fodder is grain which, according to our management accounts, constituted approximately 45% of our fodder production costs in 2010. We also purchase premixed concentrates to supplement the nutritional content of the fodder, which are tailored to our specific needs. These premixes constituted approximately 10.4% of our fodder production costs in 2010, and none of the other inputs constitute more than 10% of our fodder production costs.

We use more than 50 recipes of blends to meet different dietary requirements. We can efficiently change the composition of feed blends according to our needs. Diet is determined by age, function, health and other characteristics of a pig. As we strive to improve our production efficiency, we continue to develop our in-house expertise regarding feeding requirements, including any special dietary requirements, for our pigs and we also regularly consult with Cargill regarding their diet.

We acquire grain from our Agriculture division and third-party suppliers, in each case at arms' length, market prices. When purchasing grain, we survey the grain market and purchase grain from our Agriculture division only when such acquisition is the most cost efficient option. Acquiring grain from our Agriculture division often is the most cost efficient choice, particularly because grain can be loaded directly into our fodder plant from our Nezhegolsky elevator via a conveyer belt system, thus minimising transportation time and cost. As a result, in 2010 approximately 46% of our required grain for feed was provided by our Agriculture division. We purchase the remaining grain required for production from third parties. Grain acquired from third parties typically consists of grain mixes utilised in our feed production that our Agriculture division does not produce.

Our fodder plant includes a laboratory responsible for confirming the quality of all ingredients used in our feed, which enables us to ensure a high quality of feed and maintain biological security. Once produced, feed is delivered to the farms by our own trucks.

Sales and distribution

We conduct all our sales through Belgorodsky Bacon, which operates the pig breeding complex and sells the live pigs produced, and during 2008 and 2009 also sold fresh and chilled pork sides.

The following table presents production and sales volume for each of the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
	(thousand tons)		
Livestock	62.3	35.2	11.8
Pork sides	0.1	3.7	0.9
Total	**62.4**	**38.9**	**12.7**

The design production capacity of our pig farms is 60 thousand tons of live-weight per year, and we achieved this rate of annual production during the fourth quarter of 2009. During 2010, we exceeded our design capacity and produced approximately 62 thousand tons of live-weight. Management believes that further increases in our production capacity of approximately 5% to 10% may be achieved with the implementation of increased efficiencies in our production processes, which will increase the health and lifespan of our livestock.

Our live pigs are sold to meat processors throughout 22 regions of Russia, primarily in the Belgorod, Voronezh, Volgograd, Penza and Moscow regions. During 2010, we halted deliveries to meat processors in the Volgograd and other southern regions to minimise contact with the areas currently experiencing outbreaks of African swine fever. Sales into the southern regions were instead made through meat processors located closer to our pig complex in uninfected areas and the processed products were then shipped into those regions. Our largest customers are Miratorg, Bobrovsky Meat Plant, Alexeevsky Meat Plant and Obukhovsky Meat Plant. We typically enter into contracts with our customers annually, whereby the price of our products fluctuates weekly based on specified demand and supply conditions. The geographical area in which we sell our live pigs is limited by the logistical requirements of transporting live pigs, as death rates increase with the distance over which the pigs must travel.

We also sell our fodder in the region surrounding our fodder plant. In 2010 and 2009, we sold approximately 43 thousand tons and approximately 25 thousand tons of fodder, respectively, generating approximately RUR 343 million and approximately RUR 174 million in revenues, respectively.

Competition

According to the National Union of Pig Producers, the demand for pork in Russia currently exceeds the production by Russian producers, and in 2010, approximately 21% of the pork consumed in Russia was imported. As a result, the primary competition for our products comes from abroad in the form of imported meat products, such as frozen meat from South America.

We operate in an unconsolidated industry. Our main peers in the pig breeding business are Miratorg, Agro-Belogorye and Alexeevsky Bekon in the Belgorod Region and large pig breeding complexes in other regions, such as Cherkizovo, Omsky Bekon and Novgorodsky Bekon.

Biological security

We seek to implement best practices regarding biosecurity at our pig farms in order to produce pigs of high quality and reduce the risk of diseases. We sought the advice of Cargill specialists on biosecurity matters as we designed and constructed our existing pig breeding complex, and we expect to continue to consult such specialists as we construct our new pig breeding facilities. We observe the following biological and veterinary requirements at our farms:

Geographic separation. Our farms are located on land controlled by the Group. There are no animal breeding farms or households within a 10-kilometre zone around our farms. Also, our farms are located at a distance of one to three kilometres from one another. Our pigs thus avoid contact with other animals, which helps prevent the pigs from contracting diseases from such animals and allows us to effectively implement other biosecurity measures.

Specialization. We separate our pigs by age and function: young pigs, pigs, sows and boars are each kept at different sites. Such separation helps prevent transfer of diseases.

Restricted access. Access to all areas within our farms as well as the areas surrounding the farms is strictly controlled. Only designated authorised personnel are allowed to enter a particular site. There are showers at each site and any visitor must comply with "shower in/shower out" procedures, which also requires them to leave all personal belongings outside the site and wear special clothing when entering the site. Vehicles can enter the farms territory only after being washed and disinfected. All entries and exits by visitors (including our employees) and vehicles are registered and strictly monitored.

Feed control. Our fodder plant laboratory checks all ingredients that we use for the production of feed for quality and purity, including, among other things, the absence of pathogens, infectious agents or toxicity. All feed undergoes thermal treatment before it is provided to the pigs, to help prevent the spread of diseases through their feed.

Strict sanitation procedures. We have established procedures for the regular cleansing and disinfection of the sites at the farms. We implement an "all in/all out" principle that involves filling a site with pigs of the same generation and refreshing the site upon completion of the growth period so that the entire facility is occupied by only a single generation of pigs. This allows us to clean and disinfect unoccupied sites between generations. We also regularly vaccinate our pigs to prevent and treat any known diseases.

Monitoring of diseases. Our veterinary specialists monitor information about the spread of any diseases or emergence of new diseases, as well as scientific developments in the field of biosecurity and veterinary safety. We seek to quickly react to any outbreak of animal diseases in the regions where we operate. During 2010, we reacted quickly to the African swine fever outbreaks in the Volgograd region in southern Russia, promptly ceasing any purchases of fodder produced in the region and any deliveries of our live pigs to meat processors located in the infected region. In January 2011, further outbreaks of the disease were reported in the Volgograd region, Krasnodarskiy Krai, the Rostov region and Stavropolskiy Krai. The nearest outbreaks to our Meat division operations were within 1,000 kilometres of our facility in the Belgorod region. We are continuing to monitor the outbreaks and responses.

Agriculture

Overview

Our agricultural business produces sugar beets, grains, primarily winter wheat and barley, and other crops including sunflower products and soybeans. The Group currently has a land bank of approximately 380 thousand hectares under its control in the Belgorod, Tambov and Voronezh regions, all of which is located in the Black Earth region of Russia. Of the approximately 380 thousand hectares we control, we own approximately 155 thousand hectares, or 41%. We have made material investments in agricultural machinery and equipment to help improve our efficiency and crop yields. According to information obtained from Rosstat and based on gross crop yields per hectare unadjusted for market grade weight, in 2010, our crop yields for many of our significant crops, such as sugar beets, winter wheat and sunflower, in the Belgorod and Tambov regions exceeded the average crop yield for all producers in the region for the relevant crop.

We own three grain elevators located in the Belgorod and Tambov regions and are in the process of acquiring a fourth elevator. Our Nezhegolsky elevator is located in Shebekino village in the Belgorod region, and our Zherdevsky and Nikiforovsky elevators are located in the villages of Zherdevka and Dmitriyevka, respectively, in the Tambov region. We store grain in these elevators for later sale to customers when we expect that the additional revenues generated by higher grain prices at the time of future sales will exceed the storage and distribution expenses incurred to store the grain, and each of our grain elevators is strategically located to optimise storage and distribution control. We have executed an agreement to acquire a fourth grain elevator, and we expect to complete such acquisition in the second quarter of 2011.

Our agricultural production benefits from strong governmental support, in the form of partial reimbursement of debt interest payments and costs of fertilisers, fuel and crop protection agents, and grants of tax privileges. See *"Regulation of the Russian Agricultural and Food Industry."*

Land bank

We control a land bank of approximately 380 thousand hectares in the fertile Black Earth belt of Russia. Of this amount, approximately 78% is located in the Belgorod region, approximately 17% is in the Tambov region and approximately 5% is in the Voronezh region.

We own approximately 41% of the land bank under our control. Most of the land we own is located in the Belgorod region, representing approximately 39% of the total land bank under our control and approximately 50% of our land bank in the Belgorod region. Approximately 2% of our total land bank is land that we own in the Tambov region.

In addition, we control approximately 39% of our total land bank through registered long-term leases and approximately 8% through short-term leases. We primarily lease such land from owners who own such land through a communal ownership structure, which forces us to participate in certain arrangements to obtain leasehold interests in such land.

Approximately 12% of our land is controlled by the Group even though we do not have legal title or leasehold interests in the land. These land plots are controlled by the Group through various means, including (i) land plots leased from the state following declaration of the respective land shares as "unclaimed shares"; (ii) land plots under lease agreements which have not been entered into the state land cadastre; (iii) land plots without lease agreements or any other title transfer arrangements; and (iv) land plots for which the leasehold interests are in the process of being registered.

See *"Risk Factors – Russian Agricultural Land Risks."*

Our land bank has consistently grown over the last several years. For example, during 2010, we increased the land bank under our control by approximately 111 thousand hectares in the Belgorod region and approximately 15 thousand hectares in the Tambov region, which represents approximately 33% of the total land bank now under our control. We seek to continue this expansion of the land bank under our control to approximately 550 thousand hectares by 2016, which we expect to accomplish primarily through leasing additional land.

We are also focused on land in the Tambov region that is suitable for growing sugar beets and strategically positioned near our sugar processing facilities, in an effort to continue to take advantage of synergies between our Agriculture and Sugar divisions. We believe we may also be able to increase the sugar beet crop yields of our existing land bank by up to 30% with further investment in applicable machinery and equipment and improved organisational efficiency.

We estimate that approximately 92% of the land under our control is arable, and almost all the arable land under our control is cultivated. None of our arable land is excluded from the production cycle. In recent years, we utilised our arable land in the following proportions, and expect to utilise our land in 2011 as follows:

Use	Proportion of cultivated land utilised in 2011, expected	Proportion of cultivated land utilised in 2010	Total Production in 2010 (in tons)	Proportion of cultivated land utilised in 2009	Proportion of cultivated land utilised in 2008
Sugar Beets	19%	17%	928,143	18%	15%
Winter Wheat	21%	9%	50,486	28%	24%
Barley	18%	15%	89,127	18%	20%
Peas	11%	8%	36,101	6%	4%
Sunflowers	9%	11%	50,261	6%	5%
Fallow	15%	29%	–	13%	13%
Other	7%	11%	196,370	12%	19%
Total	100%	100%	1,350,488	100%	100%

The Group is committed to sustainable farming. Its crop rotation policy in sugar beets, winter wheat and barley farming is designed to ensure that Group soil is not exhausted. Changing the crops grown in each field encourages biodiversity in the surrounding areas. Additionally, the Group's integration of its operations in the Agriculture and Meat divisions offers significant environmental advantages, as the manure produced in the pig breeding complexes can be utilised to fertilise the fields for the various crops, thus increasing efficiency and reducing the use of chemical fertilisers.

Crops and Production

Sugar beets

When the Group began producing sugar, we sought to minimise our reliance on raw cane sugar imports for our production for two primary reasons. First, the cost of raw cane sugar imports is subject to significant volatility, and we sought a cheaper raw materials source. Second, as discussed above under *"Sugar,"* the margin on producing sugar from sugar beets can be significantly higher than producing it by processing raw cane sugar. As a result, we increased our sugar beet cultivation area from 33 thousand hectares in 2007 to approximately 56 thousand hectares in 2010, and we have further increased this figure to approximately 65 thousand hectares for our planned cultivation in 2011. All sugar beets produced by the Agriculture division are utilised by our Sugar division. In 2010 and 2009, our Agriculture division supplied approximately 928 thousand tons and 1,041 thousand tons of sugar beets, respectively, to the Sugar division, which represented approximately 45% and 53%, respectively, of the total sugar beets processed by the Group's sugar plants.

According to Rosstat and based on gross crop yields per hectare unadjusted for market grade weight, in 2010 our crop yields for many of our significant crops, such as sugar beets, winter wheat and sunflower, in the Belgorod and Tambov regions exceeded the average crop yield for all producers in the region for the relevant crop. We employ a method of cultivation developed in the United States which has allowed us to reduce our equipment costs. This cultivation strategy utilises inter-row spacing of 56 centimetres, which enables us to use our equipment more efficiently, relying primarily on tractor-propelled equipment (as opposed to self-propelled equipment). Most of our land is clustered in large plots, and we have found this method of cultivation is well suited for farming large land plots.

The sugar beet seeds we use are primarily cross-breeds of foreign sugar beet breeds. We generally are able to acquire our sugar beet seed from any of approximately 10 different suppliers, including KVS and Syngenta.

Grains

The two main grain crops grown by the Agriculture division are winter wheat and barley. The grain produced is both sold externally and used internally to produce pig fodder for use in our Meat division. Any grain not purchased by our Meat division is sold on the open market. In 2010, our Meat division used approximately 70 thousand tons of winter wheat, barley and peas from our Agriculture division, which accounted for approximately 46% of such products purchased by the Meat division to produce fodder.

We produce winter wheat for flour and animal fodder production. The suitability of the wheat we produce for either flour or animal fodder is dependent on the weather conditions during the period in which the crops are grown.

We have historically grown two types of barley, one of which may be used for brewing, and the other is used for animal fodder. Brewing barley may also be used in animal fodder.

Our winter wheat seed is developed in Russia, while our barley seed is a combination of internally produced seed and selected foreign seed best suited to the growing conditions in the relevant regions in Russia. As with our sugar beet seed, our grain seeds come from numerous suppliers. We often use several different seeds from different suppliers within a particular crop to help maximise production.

Other products

The Agriculture division also produces sunflower products, peas, and soybeans. Historically, our sunflower products have been grown for external sale only, but beginning in 2011 we expect to utilise some of our sunflower products at the oil extraction plant recently acquired by our Oil and Fats division. Soybeans are produced for both internal consumption and external sale. In addition, growing soybeans helps increase the nitrogen content of the soil, thus decreasing the consumption of nitrogen fertilisers.

We source the seed for these crops from a number of different suppliers as well. Our pea seed is generally imported from international suppliers such as KVS and Ekoniva, and a small portion of the seed is produced in Russia. Furthermore, our sunflower seed is imported, while the soybean seed we use is a selection of seeds produced in Russia.

We also produce milk through various dairy farms located on the land under our control. Historically, we have occasionally inherited existing dairy farm operations when we acquire control of additional farmland. We have downsized these operations to focus on the most efficient and cost effective production methods, such that our milk production operations are currently profitable, generating RUR 142 million in revenues during 2010.

Production Costs

The most significant production inputs include labour, fertiliser, plant protection agents, seed and fuel necessary to operate our equipment. In 2010, based on our management accounts, labour and fertiliser constituted approximately 26% and 18%, respectively, of the total production costs of our Agriculture division, while none of the other production inputs represented more than approximately 14% of the total production costs.

We purchase mineral fertilisers from domestic Russian suppliers. We acquire fertilisers through an annual auction process, in which we focus on price, payment terms and logistics of each prospective supplier. The price of fertiliser can fluctuate significantly from year to year. In our experience, a significant portion of Russian fertiliser is exported, and foreign demand materially affects the price of fertiliser on the domestic market.

Approximately 80-95% percent of our plant protection agents are sourced domestically, and there is a wide and diverse market for these products both domestically and abroad. We consistently monitor the market for these products to ensure that we utilise the most efficient and effective combination to maximise our crop yields.

We obtain natural gas for production through government regulated pricing arrangements that significantly lower our fuel-related production costs. If our usage exceeds our allocated quota for the fuel to be provided at reduced rates, we then purchase fuel at market rates.

Equipment

We regularly modernise and replace our existing farm equipment. Because we have elected to employ the method of sugar beet cultivation developed in the United States, our sugar beet equipment that can accommodate this method is imported from the United States or Europe, from producers such as John Deere and Amity Technology. This equipment is pulled by tractors, and the tractors may be used throughout the season to pull the different types of equipment we use for all our crops, such as our seeding machines and harvesting machines, as well as machines used to distribute fertiliser and plant protection agents and machines that prepare soil for planting. As a result, we are able to employ our tractors from March until November, depending on weather conditions.

The U.S. machines we use are designed to accommodate larger fields. For example, our machines can seed 24 or 36 rows simultaneously, whereas seeding machines designed in Europe for smaller fields are generally able to seed only 12 or 18 rows simultaneously.

Capital Expenditures

We make significant on-going investments in the maintenance and modernisation of our existing equipment, and we are expanding our land bank. During the years ended December 31, 2010, 2009 and 2008, capital expenditures in our Agriculture division totalled RUR 1,268,663 thousand, RUR 360,846 thousand and RUR 845,804 thousand per year, respectively. In 2010, we acquired control over approximately 111 thousand hectares of land in the Belgorod region and 15 thousand hectares of land in the Tambov region.

Our capital expenditures budget for the Agriculture division contemplates expenditures of approximately RUR 2.3 billion in 2011 to overhaul and modernise our existing equipment and purchase new equipment. In addition, we seek to expand our land bank to 550 thousand hectares by 2016, which we expect to accomplish through leasing additional land.

As a result of the seasonality of our agriculture operations, we have naturally established maintenance periods. Each year, operations are suspended following the applicable harvest season. The periods during which our operations are suspended fluctuate each year depending on our crop rotations and the timing of the harvest season of each applicable crop.

Storage facilities

Once harvested, we have the capacity to store grain in our three elevators, and we have executed an agreement to acquire a fourth grain elevator and we expect to complete such acquisition in the second quarter of 2011. These four elevators have a total storage capacity of approximately 346.5 thousand tons. All crops we produce other than sugar beets, for example winter wheat, barley, peas, sunflower seeds and soybeans, may be stored in the elevators. Sugar beets are not suitable for storage in our elevators, and they are transported directly to our sugar plants for processing or stored for short periods in our fields until they are required at our sugar plants. Our three elevators are as follows:

- Nezhegolsky Elevator
  - The Group's largest elevator is located in Shebekino village, in the south-west of the Belgorod region in close proximity to our pig breeding operations and to the Ukrainian border, a favourable location for access to grain export transportation routes and our main customers
  - Built in 1980, the elevator was acquired by the Group in 2001
  - Full capacity of the elevator is 180 thousand tons
  - Daily intake capacity of the elevator is 7 thousand tons for grain delivered by vehicles and 5 thousand tons for railroad delivery
  - Daily unloading capacity is 7 thousand tons for vehicles and 4 thousand tons for railroad
  - The Nezhegolsky elevator complex also includes the fodder production plant operated by our Meat division to supply fodder for its operations
- Zherdevsky Elevator
  - The Zherdevsky elevator is located in the south of the Tambov region, 100 kilometres from Tambov
  - Built in 1914 and doubled in size in 1976, the elevator was acquired by the Group in 2008
  - Full capacity of the elevator is 60 thousand tons
  - Daily intake capacity of the elevator is 3 thousand tons for grain delivered by vehicles and 1 thousand tons for railroad delivery
  - Daily unloading capacity is 1.5 thousand tons for vehicles and 1.5 thousand tons for railroad
  - In connection with the Zherdevsky elevator, we also utilise another elevator facility that is not owned by the Group, which, in conjunction with the Zherdevsky elevator, expands the capacity at this location to full storage capacity of 85 thousand tons, daily intake capacity of 3,900 tons for grain delivered by vehicles and 1,900 tons for railroad delivery, and daily unloading capacity of 2,300 tons for vehicles and 2,300 for railroad
- Nikiforovsky Elevator
  - Our elevator in Nikiforovsky is a newly constructed elevator located on the grounds of the Nikiforovsky sugar plant
  - Built in 2006, the elevator was acquired by the Group in 2009
  - Full capacity of the elevator is currently 25 thousand tons. The Group has obtained necessary approvals to permit it to increase the elevator's capacity to 50 thousand tons and may increase the capacity if required by production
  - Daily intake capacity of the elevator is 900 tons for grain delivered by vehicles and 900 tons for railroad delivery
  - Daily unloading capacity is 800 tons for vehicles and 800 tons for railroad

The fourth elevator that we are currently in the process of acquiring is:

- Chaplyzhensky Elevator
  - The Chaplyzhensky elevator is located in the Belgorod region
  - Built in 1961, the elevator is currently being acquired by the Group
  - Full capacity of the elevator is currently 81.5 thousand tons, including the on-site warehouse
  - Daily intake capacity of the elevator is 4,000 tons for grain delivered by vehicles and 800 tons for railroad delivery
  - Daily unloading capacity is 3,000 tons for vehicles and 1,300 tons for railroad

In connection with the expansion of our pig breeding operations in the Tambov region, we plan to build another elevator in the Tambov region, which is projected to have a full storage capacity of 120 thousand tons. The elevator is expected to be constructed in two stages to coincide with the staggered construction of the Tambov pig breeding complex.

The locations of our elevators help to maximise efficiency in our distribution network. Our elevators are located near our fields to minimise transportation of the grain from the fields for storage in the elevators. We are currently restructuring the transportation and processing of our grain to maximise efficiency in the process. Currently, grain is processed at numerous locations in and around our fields, and then the processed grain is transported to our elevators. We seek to centralise this grain processing function and process the grain at our elevator sites. We are therefore in the process of renovating our Nezhegolsky and Zherdevsky elevators so that they can accept unprocessed grain. Our Nikiforovsky elevator is already equipped to accept unprocessed grain. We believe these renovations will help to streamline our grain production process even further.

Once the grain is stored in our elevator, we sell the right to an agreed volume of grain in our elevators to customers, and the customers come to our elevator sites to retrieve the grain on an as-needed basis. The Belgorod region has a significant number of pork and poultry producers that require grain for fodder, and our elevators are well positioned to supply grain to these customers.

Our elevators allow us to store our products for one to three years, thus enabling us to take advantage of grain price volatility. We also use a recently-introduced technology of grain storage in large plastic bags, which allows us to increase our existing storage capacity when necessary. In addition to our elevators, which can store up to 346.5 thousand tons (including the Chaplyzhensky elevator), we have four storage facilities which can store grain in plastic bags in the Belgorod region, which collectively can hold an additional approximately 140 thousand tons of grain. We generally store only wheat and barley in this manner. Our four plastic bag storage sites in Shebekino can store up to 925 bags in total, and each bag can hold up to 150 tons of grain. Grain sealed into such plastic bags can be stored outside, and we implement various safety measures to ensure the grain is protected and kept free of contamination. Once sealed, grain can be stored in these plastic bags for up to 12 months. Once a bag is opened, the grain contained therein is either loaded onto customers' trucks or railroad cars or moved to one of our grain elevators, as these bags cannot be resealed.

We introduced this storage process in 2008, and we have used it at two of our storage sites during the periods in 2008-2009, 2009-2010 and 2010-2011, following our harvests in 2008, 2009 and 2010, respectively, to store grains from approximately August until the subsequent spring, at which time the grains are typically moved to our elevators for sale. During the applicable 2008-2009 period, we experienced minimal loss rates at each of our two plastic storage facilities, with loss rates of 0.2% at one facility and 0.5% at the other. During the applicable 2009-2010 period, we again experienced minimal loss rates, with a loss rate of approximately 0.2% at each facility. Storage in plastic bags can be more cost effective for us than storing grain in elevators, and we can readily expand this type of storage to meet increases in production when necessary.

Transportation

Within a particular farm, we use our own trucks to transport grain as necessary. To transport the grain to our elevators for storage, we currently employ third-party transportation service providers. We work with several service providers, with whom we have long-standing and reliable track records.

Once the grain is stored in our elevators and purchased by a customer, the customer is responsible for retrieving the grain purchased and transporting the grain from the elevators. Customers generally transport the grain via truck or by railroad. If a customer takes the grain via truck, we receive a loading fee for our services required to load the trucks.

Sales, Production Costs and Distribution

According to our management accounts based on RAS, the breakdown of our gross sales by product in our Agriculture division was as follows:

Product	2010	2009	2008
Sugar Beets	44.2%	56%	46%
Grains	19.2%	25%	32%
Oilseeds	22.4%	7%	7%
Dairy Farm Production	10.3%	6%	11%
Other	3.9%	7%	4%
Total	100%	100%	100%
Total Sales (thousands of rubles)	4,277,871	4,297,080	2,735,220

In addition, our yields in 2010 were as follows:

Use	Number of Hectares Cultivated in 2010	Average Yield per Hectare in 2010 (tons)	Average Sales Price per Ton in 2010 (thousands of rubles)
Sugar Beets	56,489	16.8	2.41
Winter Wheat	29,997	1.7	5.50 – milling wheat; 3.59 – feed wheat
Barley	49,250	1.7	2.6 – brewing barley; 3.46 – feed barley
Oil Seeds	36,074	1.2	20.30
Other	70,149	–	–
Total	241,959	–	–

All the sugar beets produced by the Agriculture division are consumed by our Sugar division. The sales price of the sugar beets is established by agreement between our Agriculture and Sugar divisions, using a formula that reflects several factors, including the amount of sugar extracted from such beets and the price at which such sugar is sold by the Sugar division. Individual agreements are executed between the applicable entities in our Sugar division which control the individual sugar plants and the various entities in our Agriculture division that grow the sugar beets. The agreements are typically executed in January each year, providing for delivery of the sugar beets in November of the same year. Depending on applicable cash requirements of our divisions, Sugar division entities may prepay for some or all of the expected sugar beets.

Our grains are used by our Meat division to produce fodder. The Meat division acquires grain from our Agriculture division at arms' length at the prevailing market price of the applicable grain. If the Meat division is able to obtain grain from an alternate source on better terms, it will purchase such grain from the alternate source rather than from the Agriculture division, and the grain produced by the Agriculture division will be sold to third-party customers instead. The Meat division acquired approximately 54.2 thousand tons of the winter wheat and barley produced by the Agriculture division in 2010.

Other than the Sugar and Meat divisions, the customers of our Agriculture division include large grain traders that operate world-wide, such as Cargill or Glencore International AG, regional domestic customers that use the grain to support operations such as meat production, and customers that use the grain for consumer uses, such as grain mills and bakeries. Our Agriculture division sales force is located primarily in the Moscow region, with sales representatives located in the Belgorod and Tambov regions as well. The terms of our sales contracts are negotiated by our sales manager, who is based in the Moscow region. Local sales representatives based in each of the relevant regions oversee the execution of the contracts and monitor the local market in their respective region.

As described above, we sell our agriculture products to a number of different customers representing various industries. In the Tambov and Voronezh regions, none of our customers individually accounted for more than 25% of the total value of our sales of grain products in 2010, and our 10 largest customers together accounted for approximately 91% of our total grain sales by sales volume and approximately 93% of our total sales revenue from the sale of grain products.

In the Belgorod region, the Meat division, accounted for approximately 90.7% (or approximately 63.8 thousand tons) of our sales of grain products in 2010 by volume and 88.3% of our sales in the Belgorod region by sales revenue (or RUR 375 million). Because the Meat division acquired the majority of our grain produced in the Belgorod region, we sold the remaining grain produced to five other customers in 2010, and none of our other customers individually accounted for more than 4% of the total value of our sales of grain products in 2010.

Competition

With regard to our production of sugar beets, all our production volumes are sold to our Sugar division, and the sugar beet processing capacity of our Sugar division is currently significantly higher than the volume of sugar beets we are able to produce. We therefore do not currently face any competition with regard to the volumes of sugar beets sold, but the price at which we sell the sugar beets is dependent on, among other things, the price at which the resulting processed sugar is sold, and such price generally fluctuates with the spot rate for sugar.

With regard to the markets for our other agricultural products, they continue to be very fragmented. We have historically found that our competitive advantages in this industry stem from our diverse product mix and our economies of scale in our production, as well as our ownership and control of our own storage facilities.

Oil & Fats

Overview

Our Oil and Fats division primarily produces mayonnaise and consumer margarine. We believe we are the largest consumer margarine producer and the fifth largest mayonnaise producer in Russia, based on market information obtained through Rosstat and the Russian Oil and Fats Union.

Based on information obtained from Nielsen, we led the mayonnaise market with a share of total market sales by volume of approximately 32% in October-November 2010, and we were second in the consumer margarine market with an approximate 29% share of total market sales by volume in this same period in the six cities surveyed by Nielsen in the region in which we operated for the full year 2010, which are Ekaterinburg, Tyumen, Ufa, Omsk, Chelyabinsk and Perm. In addition, according to Mittel, we led the consumer margarine market in Uzbekistan with a share of total market sales by volume of approximately 58% during autumn 2009, and we believe based on our market estimates that we retained this leading position in 2010.

We produce a wide range of related products, and we frequently design new products to meet market demand. With our product prices ranging from economy to the mid to upper price segments, we have a presence in almost every price segment in the market. We own two registered brands in oil and fats products: Provansal EZhK and Schedroe Leto. See "*Risk Factors – Some of the brands we use to market our products are not registered, are not registered in all territories where we market our products or are not registered with regard to all type of products we produce*."

In 2010, mayonnaise and consumer margarine accounted for approximately 88% of our gross oil and fats sales. We also produce ketchup, mustard, refined oil products and soaps, primarily to meet market demand and the product mix requirements of our customers and maximise efficiency in our production process.

Under the Provansal EZhK brand, we primarily produce mayonnaise, as well as mustard and some premium economy and mid-market consumer margarine for the Russian market. For our Central Asian markets, we primarily produce margarine and spreads for the mid- to upper-market under the Schedroe Leto brand, and we also produce mayonnaise, refined oil, ketchup and mustard under this brand.

Almost all our revenues from this division are currently derived from sales of branded products. We also produce a small amount (e.g., less than 0.05% of our mayonnaise production) of private label products for the retail chains Kupetz and Kirovskiy to enhance our relationship with these customers, which allows us to increase the shelf space for our products at retail sales points, thereby decreasing shelf space for our competitor's products.

In March 2011, we acquired control over an oil extraction plant in Samara, in the Volga region of Russia, with a production capacity of 140 thousand tons of vegetable oil per year. We expect to begin producing vegetable oil (primarily sunflower oil) at this facility during 2011.

Based on our management accounts, our production and product sales allocation for 2010 and 2009 was as follows:

Product	2010 Production Volume	2010 Revenues	2009 Production Volume	2009 Revenues
Mayonnaise	56%	58%	54%	57%
Margarine and Spreads	31%	31%	33%	33%
Other	13%	11%	13%	10%
Total	100%	100%	100%	100%
Total Production (thousand tons)	102,018		99,595	
Total Revenues (RUR thousands)		4,763,290		4,607,180

Our primary mayonnaise products are branded as follows:

Brand	Product Description	Brand Logo Illustrations
Provansal EZhK Zolotoi	Mayonnaise tastes: Classic, olive, olive light and lemon mayonnaise, packaged in doy-packs, squeeze bottles and plastic tubs	Провансаль ЕЖК Золотой
Provansal EZhK	Mayonnaise tastes: Rich, high-fat content, classic and light, packaged in doy-packs, sachet bags, squeeze bottles, glass jars and plastic tubs	Провансаль ЕЖК
Provansal EZhK Domashny	Mayonnaise tastes: Classic, with sour cream and with dill, packaged primarily in doy-packs, and the classic flavour is also packaged in plastic tubs.	Майонез Провансаль ЕЖК Домашний
Provansal EZhK Salatny	Mayonnaise tastes: Classic and with olive oil and lemon juice, packaged in doy-packs and plastic tubs	Провансаль ЕЖК Салатный
Schedroe Leto	Mayonnaise tastes: olive, homemade and light. The light flavour is packaged in doy-packs without a spout and plastic tubs.	Щедрое лето

Our primary margarine and spreads products are branded as follows:

Brand	Product Description	Product Illustrations
Schedroe Leto	Flavoured vegetable oil spreads sold in plastic tubs	
Schedroe Leto	Foil Packaged Margarine	
Provansal EZhK	Foil and Paper Packaged Margarine	

Our ketchup and mustard products are typically packaged in plastic squeeze bottles or tubes, and our refined oil products primarily consist of bottle refined oil. We have established a well-balanced product line and pursue a consistent marketing policy for our products.

Our distribution process allows us to deliver our products to our customers in the Sverdlovsk region within one day. The Oil and Fats division operates its own fleet of trucks that enables us to distribute products directly to retailers and small wholesalers in the region. For products we do not distribute ourselves, we utilise a well organised, third-party distribution network in every region where we sell our products.

Our oil and fats plant operates at an efficient production level, with a capacity utilisation ratio of approximately 63% for our margarine production and approximately 75% for our mayonnaise production in 2010. Our utilisation ratio is primarily attributed to the fact that our production process includes all stages of production and we do not out-source any portion of the production. According to the Russian Oil and Fats Union, our plant is the most efficient plant in the oil and fats industry in Russia, based on production by volume per employee.

We intend to build on our current business and continue to expand within Russia and into Central Asia, particularly in Uzbekistan, Kazakhstan, Tajikistan and Kyrgyzstan. We also foresee opportunities to expand into the underdeveloped spreads market in Russia.

Key assets

Our oil and fats plant located in Ekaterinburg, the administrative centre of the Sverdlovsk region, is, according to the Russian Oil and Fats Union, the largest packaged margarine production plant and the fourth largest mayonnaise production plant in Russia by volume. The plant, built in 1959, became part of the Group when we acquired approximately 54% of the outstanding shares of Zhirovoy Kombinat in 2003. During the period from 2004 to 2008, we acquired additional shares of Zhirovoy Kombinat, and the Group currently owns 97.58% of the outstanding shares of the company. Plant operations primarily include the production of mayonnaise, consumer margarines and spreads, ketchups, mustard, sunflower oil and soaps. The key suppliers of our plant equipment include Gerstenberg Schreder, Mespack, IWKA BENHIL and MAN Ferrostaal. Historically, the Oil and Fats division has consistently invested in modernising its various production facilities, investing an average of approximately RUR 102 million per year in its facilities, and during 2010, such investments totalled approximately RUR 122 million.

Currently, the annual production capacity of our plant is approximately 45.5 thousand tons of margarine and 84 thousand tons of mayonnaise. In 2009, we increased our margarine production capacity at our existing production facility by approximately 14 thousand tons per year, from approximately 35 thousand tons to approximately 49 thousand tons per year, and we do not expect to further increase our margarine production capacity at our existing facilities other than through enhanced utilisation of our existing equipment. During 2011, the Group has reconfigured its margarine production to accommodate a different product mix, and as a result its margarine production capacity has decreased in 2011 to 45.5 thousand tons of margarine per annum. During 2010, we increased our plant's mayonnaise production capacity by approximately 24.4 thousand tons per year, and we believe that with further investment, such capacity at our plant could be increased from approximately 84 thousand tons to approximately 130 thousand tons per year. We have budgeted investment of RUR 29.4 million for 2011 to increase our mayonnaise production capacity, primarily focused on the acquisition of a batch mayonnaise production unit and a mayonnaise filling line, which will increase our mayonnaise production capacity by 6.7 thousand tons per year.

In March 2011, we acquired control over an oil extraction plant in Samara, in the Volga region of Russia, and we expect to begin producing vegetable oil (primarily sunflower oil) at this facility during 2011. The oil extraction plant has a production capacity of 140 thousand tons of vegetable oil per year. Our production of mayonnaise, consumer margarine and other products currently requires about half of this volume of vegetable oil for production annually, and we therefore expect the oil produced at the oil extraction plant to be used to supply vegetable oil to our oil and fats production facility and to be sold to third parties.

Procurement of raw materials

The primary cost component of our oil and fats products is vegetable oil, which, based on our management accounts, typically represents approximately 40% to 55% of our cost to produce mayonnaise and consumer margarine and approximately 4% to 5% of our cost to produce other products, such as ketchup and mustards. During 2010, the price of vegetable oil rose dramatically. For example, the average price per ton of vegetable oil during September to November 2010 increased by 97% over the comparable period of 2009.

Generally, we use sunflower oil as the primary vegetable oil in our production, but we may use oils derived from rapeseed and soybeans as well. In our consumer margarine products, we also combine other oils, such as coconut or palm oil, to achieve a desired consistency. The recipes for both our mayonnaise and consumer margarine products are adapted to market fluctuations in the price and availability of the various vegetable oils. We purchase 100% of the primary input vegetable oil from Russian suppliers. Russian vegetable oil production currently exceeds demand for the oils in Russia, despite a decline in 2010 of domestic production of sunflower oil of approximately 9%. Approximately 5% of Russian vegetable oil was exported during the first three months of the 2010/2011 marketing year (i.e., from September to November 2010), based on information compiled from Rosstat, the Ministry of Agriculture and APK-Inform. In the event, however, that vegetable oil produced in Russia is not sufficient to meet domestic demand, we should be able to import vegetable oil from other areas of the world.

Currently, our monthly demand for vegetable oil is approximately five to seven thousand tons, and we have capacity to store up to 14 thousand tons of vegetable oil. This storage capacity allows us to take advantage of market fluctuations in oil prices. Currently, we obtain oil from 15 to 20 different independent producers, primarily from oil extraction plants. We typically maintain oil inventory on hand for approximately 75 days of production.

The second largest individual component of cost of mayonnaise and consumer margarine is packaging, accounting for approximately 8% to 18% of the cost of production, based on our management accounts. We produce approximately 40% of our own packaging, with the balance obtained from several suppliers in the market. We typically maintain packaging inventory on hand for approximately 80 days of production.

Based on our management accounts, other direct materials typically account for 9% to 15% of our total mayonnaise and consumer margarine costs and reflect the cost of other product inputs such as sugar, egg powder, flavouring agents and emulsifiers. Our commercial expenses, typically accounting for approximately 9% to 17% of our total mayonnaise and consumer margarine costs, are primarily sales and marketing expenses and transportation expenses related to sales. Generally, no other component of our cost of production exceeds 10% of our production costs.

Capital Expenditures

Capital expenditures in our Oil and Fats division from 2000 to 2010 have averaged approximately RUR 104 million per year. During the years ended December 31, 2010, 2009 and 2008, capital expenditures in our Oil and Fats division totalled RUR 122,074 thousand, RUR 259,618 thousand and RUR 107,343 thousand, respectively. Our aggregate budget for capital expenditures for the Oil and Fats division for 2011 is RUR 300 million.

We expect to invest approximately RUR 1.4 billion to acquire control over an oil extraction facility in 2011, and we plan to invest an additional RUR 68 million in such facility to modernise the facility and streamline its operations with those of our oil and fats production facility in Ekaterinburg.

Sales and distribution

Our distribution process varies depending on the region in which we are distributing. In the Sverdlovsk region, we sell our products directly to retail points of sale and small wholesalers, and do not use distributors. We deliver our products to the retailers through our transportation division, which operates a fleet of trucks that it owns. By operating our own truck delivery network, we are generally able to deliver our products to our customers in the Sverdlovsk region within one day.

In other regions in which we sell our products, we distribute our products through distributors with whom we have established relationships. Where permitted by the market, we avoid exclusive distributors and prefer to work with several mid-size companies. This strategy offers more control over the commercial terms of distribution and helps us to avoid dependence on a single distributor. We generally work with two to 15 distributors per territory, and we require that our distributors have the ability to cover 100% of the relevant territory. Also, each retail sales point to which we deliver must be able to work with at least two different distributors, with the exception of retail chains which often work exclusively with a single distributor. When we sell our products through distributors, our products are delivered to and paid for by the distributors, but we are still able to negotiate the terms of sale with the retail customers directly, such as amount of shelf space allocated to our products and the retail sales price for our products.

Our products are delivered to distributors primarily by truck and also via railroad. We utilise three or four trucking service providers with whom we have established relationships to deliver our products by truck. Railroad deliveries are made through Russian Railways, the Russian state-owned railroad service provider.

Our Oil and Fats division sales force is primarily located in Ekaterinburg, near our production plant. We also have small sales offices located throughout the regions in which we sell, with three to 30 people per office. Typically our oil and fats sales force receives approximately 50% of its compensation through salary, and approximately 50% comes from bonuses which are awarded based on several key performance indicators, such as their effectiveness in implementing the division's established distribution plan.

The Group sells its oil and fats products to a diverse group of customers across almost all price segments, and we believe we are therefore less sensitive to fluctuations in demand from any particular customer or within a particular segment of the market. None of our customers individually accounted for more than 8% of the total value of our sales of oil and fats products in 2010, and our ten largest customers together accounted for approximately 32.3% of our total oil and fats sales by sales volume and approximately 33.5% of our total sales revenue from the sale of oil and fats products. The various retail sales points to which we sell our oil and fats products include retail chains, traditional retail stores, which include over-the-counter stores as well as self-services stores, and wholesale and semi-wholesale marketplaces.

We also believe our product line is seasonally balanced. Mayonnaise and consumer margarine have different seasonal demand. Significant mayonnaise sales occur in summer, with a spike in sales in December as consumers purchase mayonnaise in anticipation of the new year, and consumer margarine is mostly in demand in winter. Production of both these products allows for more even sales volumes throughout the year.

Competition

Our major competitors in the Russian mayonnaise market are Essen, NMZhK, Solnechnye Produkty, EFKO and Unilever. According to our estimates based on production volumes reported to the Russian Oil and Fats Union, these five main competitors produce approximately 54% of the mayonnaise consumed in the area in which we are focusing our sales efforts, which includes Russia and the following five CIS states: Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan and Turkmenistan. We estimate that each of these producers produce the following percentages of mayonnaise consumption in the strategic area: Essen – 15.7%, NMZhK – 12.3%, EFKO (not including Noginsk Food Plant) – 10.2%, Solnechnye Produkty – 9.6%, and Unilever (not including Baltimor) – 6.0%, and that we produce 6.9% of the mayonnaise consumed in this area.

According to our estimates based on production volumes reported to the Russian Oil and Fats Union and consumption information from Nielsen, the top five consumer margarine and spreads producers produce approximately 47.5% of the consumer margarine and spreads consumed in this same area. Our significant competitors in this market are NMZhK, Solnechnye Produkty, Eurasian Food and Tashkent Fats Plant (Uzbekistan). We estimate that each of these producers and the Group produce the following percentages of consumer margarine and spreads consumed in the strategic area: Rusagro – 13.6%, NMZhK – 10.3%, Solnechnye Produkty – 10%, Eurasian Food – 9.1% and Tashkent Fats Plant (Uzbekistan) – 4.5%.

We did not experience any significant changes in the competitive landscape in the markets in which we operate during 2010. We believe that the significant fragmentation in the market has created opportunities for expansion of our operations through consolidation of existing production, which should allow us to benefit from further economies of scale.

Organisation

As of March 25, 2011, the Company's significant subsidiaries are as follows:

Group Structure

Name of Subsidiary	Function	Percent Owned (Directly or Indirectly) or Controlled by the Company
OJSC Rusagro Group	Holding company	100%
LLC Group of Companies Rusagro	Management of the Group's operations	99.99%
Sugar Division		
LLC Rusagro-Sakhar	Sugar division trading company, sales operations	100%
OJSC Sugar Plant Zherdevsky	Ownership and operation of Zherdevsky sugar plant	99.92%
OJSC Rzhevsky Sakharnik	Ownership and operation of Rzhevsky sugar plant	99.73%
OJSC Valuikisakhar	Ownership and operation of Valuikisakhar sugar plant and control of land in the Belgorod region	99.23%
OJSC Nika Corp.	Ownership and operation of Nika sugar plant	98.27%
OJSC Znamensky Sugar Plant	Ownership and operation of Znamensky sugar plant	95.25%
OJSC Sugar Plant Nikiforovsky	Ownership and operation of Nikiforovsky sugar plant	72.79%
CJSC Chernyansky Sugar Plant	Ownership and operation of Chernyansky sugar plant	100%
Limeniko Trade and Invest. Limited	Commodities acquisition and hedging operations	100%
Meat Division		
OJSC Belgorodsky Bacon	Operation of pig breeding complex in the Belgorod region, management of Meat division	100%
LLC Tambovsky Bacon	Construction of pig breeding complex in the Tambov region	100%
Agriculture Division		
LLC Rusagro Oskol	Control of land in the Belgorod region	100%
LLC RusAgro-Invest	Agricultural operations management	100%
LLC Rusagro-Invest	Control of land in the Belgorod region	100%
LLC Rusagro-Shebekino	Control of land in the Belgorod region	100%
LLC Rusagro Volokonovka	Control of land in the Belgorod region	100%
LLC Rusagro-Zarechie	Control of land in the Belgorod region	100%
LLC Nezhegol-Agro	Ownership and operation of Nezhegolsky grain elevator	100%
LLC Agrotekhnologii	Control of land in the Tambov region, ownership of the Nikiforovsky grain elevator	100%
OJSC Zherdevsky Elevator	Ownership and operation of Zherdevsky grain elevator, operation of the Nikiforovsky grain elevator	84.6%
LLC Niva Belogoriya	Control of land in the Belgorod region	100%
LLC Zolotaya Niva	Control of land in the Belgorod region	100%
Oil and Fats Division		
OJSC Fats and Oil Integrated Works	Ownership and operation of Ekaterinburg oil and fats plant, manages Oil and Fats division	97.58%
LLC Samaraagroprompererabotka	Ownership and operation of Samara oil extraction plant	74.9%

Employees

At December 31, 2010, we had approximately 11 thousand employees, divided among our production divisions and corporate operations as follows:

	Number of Employees as of December 31, 2010
Division	
Sugar	3,673
Oil and Fats	1,289
Meat	1,052
Agriculture	5,243
General Corporate	130
Total	11,387

Labour unions are present at six of our seven sugar processing plants and our oil and fats production facility, as well as at most of our land cultivation sites. We have entered into collective bargaining agreements with our employees at such sites.

As a part of our on-going reorganisation in our Agriculture and Sugar divisions, we expect to lay off up to 1,600 employees in these divisions by 2012.

We believe relations with our employees are good.

Environment

The Group operates in an environmentally sensitive business and in a legal environment of increasingly strict environmental restrictions and requirements. The principal environmental concerns in our Agriculture division relate to the use of chemical fertilisers and pesticides as well as genetically modified crops. In our pig breeding business, the primary concerns relate to the disposal of manure and the use of antibiotics and other pharmaceutical substances in treating the livestock, as well as the transmission of disease. The environmental rules on agriculture are less developed in Russia, however, than in other industrialised nations. See "*Risk Factors – Outbreaks of disease could adversely affect our business, financial condition and results of operations*."

Insurance

The Group generally maintains the types of insurance customarily available to businesses in our industry in Russia, including insurance against property loss, transportation losses and workplace injuries. See "*Risk Factors – We may not have or we may be unable to obtain sufficient insurance to protect ourselves from business risks*."

Litigation

Other than as set out below, during the 12 months preceding the date of this Prospectus, there have been no governmental, legal or arbitration proceedings (nor any such proceedings which are pending or threatened of which the issuer is aware), which may have, or have had in the recent past significant effects on the Issuer and/or the Group's financial position or profitability.

On February 19, 2010, Russian tax authorities assessed additional taxes for 2006-2007 against Zhirovoy Kombinat, the operating subsidiary of the Group that owns and operates our oil and fats plant. Additional payments claimed (including taxes and penalties for non-payment) currently amount to approximately RUR 43.1 million. Formal arbitration of these claims was initiated on June 9, 2010, and on September 8, 2010, the arbitration court delivered its determination that the assessment of additional taxes by the tax authorities is without merit. The tax authorities appealed this decision to the Court of Appeals on October 8, 2010, and the Court of Appeals delivered its order confirming the arbitration court's decision on November 30, 2010. On February 10, 2011, the tax authorities appealed the decision of the Court of Appeals to the Court of Cassation.

Certain movable assets of Samara oil extraction plant (the "**Equipment**") were contested in litigation proceedings initiated by OJSC Rosselkhozbank in December 2010. In October 2010, LLC Samaraagroprompererabotka (a subsidiary of LLC Group of Companies Rusagro acquired in March 2011) purchased the Equipment from LLC Uniwest which in turn acquired the Equipment in bankruptcy proceedings of OJSC Samara Agro Prod. In December 2010, OJSC Rosselkhozbank challenged the acquisition of the Equipment. LLC Uniwest was initially engaged in the litigation as a third party and later as a defendant. The Group believes that this challenge has no merit, and such challenge was successfully defended in the Abritrazh court of the Samara region. OJSC Rosselkhozbank may appeal such court ruling. The total acquisition cost of the Equipment was approximately RUR 49 million.

MANAGEMENT

Board of Directors

Overview

Our Board of Directors currently consists of five members. All the current directors were elected by a unanimous written decision of the shareholder passed on February 9, 2011 and their terms expire on the date of the next annual general shareholders' meeting. For details on the Board of Directors' procedure and powers, see "*Description of the Share Capital and Applicable Cypriot Legislation – Board of Directors*."

Membership

The table below sets forth our members of the Board of Directors:

Name	Year of Birth	Year of appointment	Position
Richard A. Smyth	1962	2011	Chairman of the board of directors (independent)
Marcus J. Rhodes	1961	2011	Member of the board of directors (independent)
Ganna Khomenko	1977	2011	Member of the board of directors
Natalia A. Bykovskaya	1971	2011	Member of the board of directors
Maxim D. Basov	1975	2011	Member of the board of directors and Chief Executive Officer of the Group

Richard Andrew Smyth is Chairman of the Board of Directors of the Company. He was elected to the Board of Directors with effect from February 25, 2011 and elected Chairman of the Board on March 3, 2011. Since 2010, Mr. Smyth has served as a consultant for Mars Incorporated. Between January 2009 and October 2010, he served as Regional President for Central Europe and CIS of Mars Incorporated. He previously held the position of General Manager of Mars LLC in Russia from 2003 until 2009. Prior to this, he was Market Director of Masterfoods in France from 2001 to 2003. Mr. Smyth graduated from Oxford University in 1984.

Marcus James Rhodes was elected to the Board of Directors of the Company with effect from February 25, 2011. Mr. Rhodes was an Audit Partner with Ernst & Young from 2002 to 2008. He currently serves as a member of the board of directors of OJSC Wimm-Bill-Dann Foods (since 2008), OJSC Cherkizovo Group (since 2009) and OJSC Rosinter Restaurants Holding (since 2009). Additionally, he has served as a director of Spartacus Private Equity Group Limited since 2007. Mr. Rhodes graduated from Loughborough University (United Kingdom) in 1982.

Ganna Khomenko was elected to the Board of Directors of the Company with effect from February 25, 2011. Since July 2009, Ms. Khomenko has been owner and Managing Director of Fudiciana Trust (Cyprus) Limited, a trustee and corporate services firm. From 2007-2009, she was the Chief Executive Officer and a member of the Board of Directors of IFG Trust (Cyprus) Limited. Ms. Khomenko acted as the Manager of the Corporate Department of Excel-Serve Management Limited from 2006-2007. She currently serves as a member of the board of directors of Interpipe Limited (in 2007-2008 and since 2009), Steel.One Limited (since 2007); Saleks Investments Limited (since 2007); Maylane Limited (since 2009) and Pantolis Limited (since 2008). Ms. Khomenko studied International Law in the Institute of International Relations, Kyiv Taras Shevchenko University and graduated from Keele University in the UK in 1999.

Natalia Alexeevna Bykovskaya was elected to the Board of Directors of the Company with effect from February 25, 2011. She joined the Group in 2004 as a Deputy General Director of Rusagro-Sakhar. From 2006 to 2007 she served as Deputy General Director of LLC Rusagro-Management. Ms. Bykovskaya has served as the Deputy General Director of LLC Group of Companies Rusagro since 2007 and as a member of the Board of Directors of OJSC Rusagro Group since 2010. Ms. Bykovskaya has also served as the General Director of LLC Trust Activ since 2010. Ms. Bykovskaya is the spouse of Mr. Vadim Moshkovich. She graduated from Moscow Specialised Technical Professional School No. 13 in 1989.

Maxim Dmitrievich Basov is the Chief Executive Officer of the Group and was appointed to the Board of Directors of the Company with effect from February 25, 2011. Mr. Basov joined the Group in July 2009 as the General Director of LLC Group of Companies Rusagro. From 2006 to 2009 he was the General Director of Metalloinvest Group and was also the General Director of various holding companies of the group (including OJSC Metalloinvest, OJSC Gasmetal and OJSC CK Metalloinvest). From 2004 to 2006 Mr. Basov served as the first deputy chairman of the board of directors in Interpipe Limited. In addition, since November 2007 he has served as a member of the Board of Directors of OJSC Sosnovskaya HPP. He graduated from New York University (USA) in 1996.

Senior Management

As of the date of this Prospectus, our senior management is as follows:

Name	Year of birth	Position
Olga A. Petrova	1974	Chief Financial Officer
Artem I. Polyakov	1965	Head of Sugar Division
Alexander A. Pak	1972	Head of Meat Division
Vyacheslav V. Galich	1971	Head of Agriculture Division
Alexander P. Demidenko	1970	Head of Oil and Fat Division

Olga Alexeevna Petrova has served as the Chief Financial Officer of LLC Group of Companies Rusagro since August 2009. Prior to that, she served as the chief financial officer of in the various companies of the Unimilk group from 2006 to 2009 and as the director for accounting and audit from 2002 to 2005. She has also served as the member of the Board of Directors of Belgorodsky Bacon since 2009 and of Nikiforovsky, Zhirovoy Kombinat, OJSC Oskolskie prostori and OJSC Zherdevsky Elevator since 2010, and she was a member of the Board of Directors of CJSC Russkii Sakhar from 2009 to 2010. She graduated from the Omsk State Technical University in 1995.

Artem Igorievich Polyakov is the Head of the Sugar division of the Group. Mr. Polyakov joined the Group in July 2007 when he was appointed both as the General Director of Rusagro-Center and as the executive director of Rusagro-Sakhar. Currently, Mr. Polyakov continues to hold these positions. Since October 2007, Mr. Polyakov has served as a member of the Boards of Directors of Zherdevsky, Nikiforovsky, Rzhevsky, Valuikisakhar, Nika and Znamensky. Since November 2008, Mr. Polyakov has served as a member of the Board of Directors of CJSC Russkii Sakhar. In April 2010, he became the Chairman of the Board of Directors of OJSC Sugar Plant Nikiforovsky. Prior to joining the Group, he was the strategy director of Lafarge Cement Company from 1999 to 2007. He graduated from the Moscow State University in 1987. He also holds a degree in engineering and mathematics from the Military Engineering Academy (Moscow), received in 1989. Additionally, Mr. Polyakov received an MBA from the IMD business school (Switzerland) in 1998.

Alexander Alexandrovich Pak is the Head of the Meat division of the Group. Mr. Pak joined the Group in November 2009 as the General Director of Belgorodsky Bacon. Prior to joining the Group, he was the deputy general director of CJSC Management Company Agroinvest during 2009, the General Director of CJSC Kirov-Energomash Plant from 2006 to 2009. He graduated from the Tashkent State Economic University in 1994.

Vyacheslav Viktorovich Galich is the Head of the Group's Agriculture division. Mr. Galich has served as General Director of LLC RusAgro-Invest since August 2010. Since July 2001, he held various positions in CJSC RusAgro-Pobeda and LLC RusAgro-Invest. Prior to joining the Group in 2000, he served as the Head of Production and Sales Department in state enterprise "Shebekinoagrogarantinvest." He also held various positions in Shebekino District administration from 1994 to 1999. Mr. Galich graduated from Voronezh Agricultural Institute with a degree in agricultural science in 1972.

Alexander Petrovich Demidenko is the Head of the Oil and Fats division of the Group. Mr. Demidenko joined the Group in October 2010 as Commercial Director of the Oil and Fats division. In March 2011, he was appointed as the General Director of Zhirovoy Kombinat. From 1992 to 2007, Mr. Demidenko occupied various sales positions in American Power Conversion Corporation, Mars Inc. and American Express. He also served as the General Director in Hygiene Kinetics Center and CJSC Russian Fish Company from 2007 to 2010. Mr. Demidenko graduated from the Far Eastern State University in 1992.

Interests of Directors and Senior Management

As of the date hereof, Ms. Natalia Bykovskaya owns 1% of our Ordinary Shares, and she owns 0.01% of the participating interests in LLC Group of Companies Rusagro.

The General Director of OJSC Rusagro Group, Mr. Maxim Basov, has entered into two share purchase agreements to purchase 5% of the Company's outstanding Ordinary Shares, or 1,000,000 Ordinary Shares, through his wholly owned company, Viarde Holdings Limited ("**Viarde**") from the Selling Shareholder. In accordance with the share purchase agreement No. 1 dated March 14, 2011 ("**SPA1**"), Viarde purchased 1.5% of the Company's outstanding Ordinary Shares, or 300,000 Ordinary Shares, for consideration of US$15 million, payable within 180 days following transfer of shares, which occurred on March 15, 2011. SPA1 also provides Viarde with a right to sell the shares back to the Selling Shareholder in certain circumstances at a price to be determined based on a specified formula.

Under a second share purchase agreement No. 2 dated March 14, 2011 ("**SPA2**"), Viarde acquired an additional 3.5% of the Company's outstanding Ordinary Shares, or 700,000 Ordinary Shares. The consideration payable under SPA2 is US$3.50 and the transfer of shares occurred on March 15, 2011. Similar to SPA1, SPA2 provides Viarde with a right to sell the shares back to the Selling Shareholder in certain circumstances at a price to be determined based on a specified formula. Furthermore, in accordance with the terms of SPA2 and a share pledge agreement dated March 14, 2011 between Viarde and the Selling Shareholder, Viarde pledged the shares in favour of the Selling Shareholder and Viarde is limited in its disposition rights with regard to the shares purchased under SPA2. SPA2 and the share pledge agreement provide for gradual release of the security over the acquired shares over a period of approximately three years, subject to Mr. Basov's remaining employed as the General Director of OJSC Rusagro Group over the respective periods specified in the SPA2.

There are no conflicts of interest between the duties to the Company of (i) the members of the Company's administrative, management and supervisory bodies (including its directors), (ii) the Company's senior managers and (iii) the Company's founders, and the private interests and/or other duties of such parties.

Remuneration of Directors and Senior Management

The aggregate amount of remuneration paid by us to the above named members of senior management as a group for services provided to us in all capacities during the year ended December 31, 2010 was RUR 184 million in salary and bonuses.

We intend to provide directors and officers (D&O) insurance to our directors and we are in the process of establishing a policy to this effect. We do not provide pension, retirement or similar benefits to our directors and senior management, other than those required by law. None of our directors or senior management is a party to any service contract with us where such contract provides for benefits upon termination of employment.

Litigation Statement about Directors and Senior Management

At the date of this Prospectus, none of our directors or senior management for at least the previous ten years:

- has had any convictions in relation to fraudulent offences;
- has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Corporate Governance

Although we are incorporated in Cyprus, because our shares are not listed on the Cyprus stock exchange, we are not required to and do not comply with the corporate governance regime of Cyprus. In addition, notwithstanding that a substantial majority of our operations are conducted in the Russian Federation, because we are a Cyprus company we are not subject to and do not comply with the corporate governance standards applicable to Russian companies, except in so far as our Russian incorporated subsidiaries are required to comply with the corporate governance requirements contained in Russian company law. For more details, see "*Description of the Share Capital and Applicable Cypriot Legislation – Corporate governance*."

Board of Directors

We have a five-member Board of Directors. To enable our Board of Directors to perform its duties, it is intended that each director will have full access to all relevant information. If necessary, the independent directors may receive independent professional advice at our expense.

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 Marcus Rhodes (Chairman), Natalia Bykovskaya and Ganna Khomenko.

Internal Audit Commission

Apart from the Audit Committee of the Board of Directors of the Company, the Company's subsidiary, OJSC Rusagro Group, is required by Russian law to form an Internal Audit Commission or elect an Internal Auditor. The supervision of financial and operational activities is currently carried out by Mr. Dmitry N. Brekhov, our Internal Auditor, who was appointed in October 2010. Among other things, the Internal Auditor verifies the accuracy of our financial reporting and accounting under Russian law. Mr. Brekhov has served as an auditor in audit firm LLC "SHATS" since 2003. He also served as head of internal audit department in LLC "GK Dominant" in 2009, and in LLC "Antanta-Kapital" from 2007 to 2009. From 2003 to 2007 he also served as the head of the internal audit department of LLC "AIK "AGRIKO."

PRINCIPAL SHAREHOLDERS AND SELLING SHAREHOLDER

The following table sets out information regarding the ownership of the Company's Ordinary Shares immediately before and after the Offering, assuming that the Over-Allotment Option is not exercised by the Managers.

	Ordinary Shares owned immediately prior to the Offering		Ordinary Shares owned immediately after the Offering	
Shareholder	**Number of Ordinary Shares**	**Percentage**	**Number of Ordinary Shares**	**Percentage**
Shiny Property Limited	18,799,995	94.00%	18,399,995	76.67%
Viarde Holdings Limited	1,000,000	5.00%	1,000,000	4.17%
Natalia Bykovskaya	200,000	1.00%	200,000	0.83%
Merco Nominees Limited	1	0.00%	1	0.00%
Merco Trustees Limited	1	0.00%	1	0.00%
Bolton Trustees Limited	1	0.00%	1	0.00%
Bolton Nominees Limited	1	0.00%	1	0.00%
Merco Services Limited	1	0.00%	1	0.00%
Free float	–	–	4,400,000	18.33%
Total	20,000,000	100%	24,000,000	100%

The Selling Shareholder, Shiny Property Limited, was incorporated on December 28, 2010 under the laws of the British Virgin Islands, as a BVI business company with company number 1621539. The principal legislation under which Shiny Property operates is the BVI Business Companies Act, 2004 and the regulations and orders made thereunder. The registered office and principal place of business of the Selling Shareholder is at Jipfa Building, 3rd Floor, 142 Main Street, Road Town, Tortola, British Virgin Islands. The Company is controlled by the Selling Shareholder, which is in turn controlled by Mr. Vadim Moshkovich, who together with his spouse, Ms. Natalia Bykovskaya, beneficially owns approximately 95% of our outstanding shares immediately prior to the Offering and will continue to beneficially own a significant controlling interest immediately following the Offering.

The Selling Shareholder was incorporated on December 28, 2010 and since its incorporation has not had any material relationship with the Company or the Group other than as a shareholder of the Company.

Viarde is wholly owned by our Chief Executive Officer, Mr. Maxim Basov. Through Viarde, Mr. Basov agreed on March 14, 2011 to acquire 5% of the Company's Ordinary Shares from the Selling Shareholder. The total consideration payable for such shares is approximately US$15 million. See "*Management – Interests of Directors and Senior Management*."

Each of Merco Nominees Limited, Merco Trustees Limited, Bolton Trustees Limited, Bolton Nominees Limited and Merco Services Limited is a company organised under the law of the Republic of Cyprus with its registered address at Neocleous House, 195 Makarios III Avenue, CY 3608, Limassol, Cyprus. Each of these shareholders is 100% beneficially owned and controlled by Andreas Neocleous and holds its one share in the Company on behalf of Mr. Moshkovich.

None of the Company's shareholders has voting rights different from any other holders of our shares. To our knowledge, there are no arrangements in place that may result in a change of control of the Company.

RELATED PARTY TRANSACTIONS

The following sets forth our transactions with related parties, as defined in the International Accounting Standard 24 "Related Parties Disclosure," in accordance with IFRS, for the three years ended December 31, 2010, 2009 and 2008. For further details of these transactions, see Note 24 to our Consolidated Financial Statements appearing elsewhere in this Prospectus.

In the ordinary course of our business, we have engaged, and may continue to engage in, transactions with parties that are under common control with us or that are otherwise related parties. Transactions with entities under common control with us constitute transactions with parties that have the same beneficial owners as us. See "*Management*" and "*Principal Shareholders and Selling Shareholder.*" Other than the transactions with entities that are under common control or otherwise constitute related parties to us described herein, we did not engage in any other material transactions with related parties during the relevant periods.

Russian law requires a company that enters into so-called "interested-party transactions" to obtain specific approvals. We seek to conduct all transactions between our Russian subsidiaries and entities that are under common control or otherwise constitute related parties on market terms and in accordance with relevant Russian and other legislation. However, there can be no assurance that any or all these transactions have been or will be conducted on market terms. See "*Risk Factors – We have engaged and may continue to engage in transactions with related parties that may present conflicts of interest, potentially resulting in the conclusion of transactions on less favourable terms than could be obtained in arm's-length transactions.*"

Significant transactions with related parties during the years ended December 31, 2010, 2009 and 2008 consisted principally of the following.

Loans to related parties

During the years ended December 31, 2010, 2009 and 2008, the aggregate amount of loans issued to related parties were RUR 38,106 thousand, RUR 696,000 thousand and RUR 848,194 thousand, respectively. The amounts of these loans outstanding as of December 31, 2010, 2009 and 2008 were RUR 36,341 thousand, RUR 292,840 thousand and RUR 58,840 thousand, respectively. All loans to related parties outstanding as of December 31, 2009 were repaid in full during 2010, and all loans issued to related parties in 2010 were issued to the Company, which at the time such loans were issued, was a minority shareholder of OJSC Rusagro Group and controlled by Mr. Vadim Moshkovich.

During 2008 and 2009 we provided loans to the following related parties: OJSC Avgur Estate, OJSC Masshtab, LLC Finansoviy Resurs. These entities are or were related to the Group as they are or were directly and indirectly controlled by Mr. Moshkovich or his spouse Ms. Natalia Bykovskaya or owned by officers in the companies controlled by Mr. Moshkovich. The loans provided to the related parties had interest rates varying between 6% and 21%.

Loans received from related parties

During the years ended December 31, 2010, 2009 and 2008, the loans received from related parties were RUR 1,999 thousand, RUR 164,730 thousand and RUR 5,064,240 thousand, respectively. None of these loans remained outstanding as of December 31, 2010. The amounts of these loans outstanding as of December 31, 2009 and 2008 were RUR 164,730 thousand and RUR 12 thousand, respectively. All loans received from related parties outstanding as of December 31, 2009 were repaid in full during 2010, and all loans received from related parties in 2010 were provided by LLC Finansoviy Resurs.

The interest rates for such loans varied from 8% to 11% during such period. The loans received during 2009 and 2008 were provided to the Group by LLC Finansoviy Resurs and OJSC Masshtab, two entities controlled by Mr. Moshkovich.

Additionally, in 2008, LLC Group of Companies Rusagro obtained an interest-free loan from Mr. Moshkovich in the amount of RUR 31,905 thousand that was subsequently repaid before December 31, 2008.

Purchases of Goods and Services

During 2008, various subsidiaries of the Group bought and sold goods and services from and to LLC Poletaevskoe and OJSC Zherdevsky Elevator, both of which were acquired by the Group in December 2008. For the period from January 1, 2008 till the respective date of acquisition, purchases and sales of goods and services were considered to be transactions with related parties because LLC Poletaevskoe was owned by Mr. Yuriy Kostyuk, a General Director of one of the Group companies, LLC Agrarnaya Kompaniya Rusagro, at the time, and Mr. Sergey Kirilenko, who was a shareholder of LLC Group of Companies Rusagro at the time and a member of the Board of Directors of OJSC Zherdevsky Elevator. During the year ended December 31, 2008, the amount of goods and services purchased totalled RUR 24,151 thousand and the amount of goods and services sold to these parties totalled RUR 47,819 thousand.

REGULATION OF THE RUSSIAN AGRICULTURAL AND FOOD INDUSTRY

Regulatory Authorities

At the federal level, the Ministry of Agriculture is the principal body that regulates the operation of the agricultural industry in Russia. The Ministry of Agriculture is responsible for the development of governmental policy in the sector, including the adoption of rules concerning investment, agricultural land use and monitoring, foreign trade, support of scientific research, and employment. Among the other key government bodies regulating the agriculture sector in Russia are:

The Federal Veterinary and Phytosanitary Supervision Service, which is supervised by the Ministry of Agriculture. This service regulates the use of fertilisers, agricultural chemicals, pesticides, quarantine, plant protection, exercises control over veterinary medicine, and controls the quality and safety of grain, fodder and its components as well as millfeeds;

The Ministry of Economic Development, which is responsible for the development of governmental policy and regulation relating to various aspects of business activity, property relations and investment activity and development of special purpose programmes;

The Federal Service of State Registration, Cadastre and Cartography, which is supervised by the Ministry of Economic Development. This service carries out land use planning and control, cadastral evaluation of lands and maintenance of cadastre;

The Ministry of Health Protection and Social Development, which is responsible for regulating, among others, the areas of sanitary and epidemiological safety and consumer rights protection;

The Federal Service for Supervision in the Area of Protection of Consumer Rights and Human Welfare, which is the principal federal body authorised to supervise sanitary and epidemiological issues in the Russian Federation. This service, which is overseen by the Ministry of Health Protection and Social Development, enforces sanitary and epidemiological rules, issues sanitary and epidemiological opinions, performs sanitary and epidemiological supervision and monitors compliance with sanitary standards for the storage and sale of products, their quality and safety at wholesale and retail outlets; and

The Federal Service for Environmental, Technological, and Nuclear Supervision which is responsible for development of policy in the areas of, among others, environmental and technological supervision, monitoring compliance with environmental protection regulations and controlling negative industrial impact on the environment, including disposal of industrial waste.

Legal Framework

The Russian Federation has enacted specific legislation governing the operation of the agricultural and food industry and activities of agricultural and food production enterprises.

Federal Law No. 264-FZ dated December 29, 2006, as amended, "On Development of Agriculture," outlines the legal framework for the implementation of state policy and state support programmes in the agricultural sector. The law sets forth a number of state agricultural objectives, including increasing the competitiveness of Russian agricultural products, the stable development of rural areas, and the recovery and recultivation of agricultural natural resources.

Federal Law No. 53-FZ dated December 2, 1994, as amended, "On Purchase and Supply of Agricultural Products, Raw Materials and Provisions for State Needs," regulates legal principles of the formation, placement and execution of state orders for the purchase and delivery of agricultural products, raw materials and provisions for state needs by Russian legal entities. The law also provides for the provision of benefits and subsidies to such Russian legal entities.

Federal Law No. 184-FZ dated December 27, 2002, as amended, "On Technical Regulation," provides for the development, enactment, application and enforcement of mandatory technical requirements and the voluntary standards relating to products and the engineering, production, construction, installation, adjustment, exploitation, storage, transportation, selling and utilisation processes related to the products. Compliance with the obligatory technical regulations is supervised by the authorised state organisations.

Generally, a number of other regulations also apply to food products and production equipment. For example, requirements for storage, production, labelling, transportation and sale of food are established by state standards, sanitary rules, hygienic requirements and other numerous regulations. Our facilities are also subject to numerous regulations and requirements concerning workplace health and safety. These requirements address, among other things, the working conditions in our facilities (including hygiene) as well as the safety of the production process.

Additionally, on January 30, 2010, President Medvedev signed a decree "On Approval of the Food Security Doctrine of the Russian Federation." The doctrine is aimed at ensuring reliable food supplies for the Russian population, developing agriculture within Russia, and achieving other similar goals and is based on the "National Security Strategy Up to 2020." To achieve the stated goals, the doctrine, among other things, sets forth targets for the level of domestic production as a percentage of total Russian consumption for certain food products, including sugar, meat and grains.

Agricultural and Sugar Business

Federal Law No. 4973-1 dated May 14, 1993, as amended, "On Grain," regulates the state support of grain production. To meet the needs of the Russian Federation for grain, the Russian Government has established federal and regional grain funds that purchase grain from grain producers and suppliers. Sovereign loans and budgetary loans may be granted for the purchase of grain for the federal and regional grain funds. The law also provides for subsidies related to the acquisition of farming equipment and seed processing facilities.

Federal Law No. 183-FZ dated December 5, 1998, as amended, "On State Control over Quality and Safety of Grain and its Products," establishes general requirements regarding the certification of grain and grain products as well as grain quality inspections. The Federal Veterinary and Phytosanitary Supervision Service is the Russian Government body authorised to undertake quality inspections and certifications under this law. Its officials are therefore entitled to visit entities involved in grain purchasing, storage, transportation, sales and processing, receive information regarding the quality and use of grain, take samples of grain for quality determination, require that certain steps be taken to rectify any violations of applicable law and exercise other supervisory powers.

Federal Law No. 109-FZ dated July 19, 1997, as amended, "On Safe Use of Pesticides and Agricultural Chemicals," regulates the use of pesticides and agricultural chemicals in order to ensure public health and environmental protection. This law sets forth the requirements for state registration, expert examination and certification of pesticides and agricultural chemicals, and establishes a general legal framework for the production, storage, transportation, import, export, sale and use of pesticides and agricultural chemicals, as well as their disposal and burial.

Federal Law No. 4-FZ dated January 10, 1996, as amended, "On Land Reclamation," sets forth the legal basis for land reclamation, the powers of the state and local authorities in the sphere of land reclamation as well as the legal status of individuals and legal entities engaged in land reclamation.

The Russian Federation has acceded to the Grains Trade Convention 1995 (the "**GTC**") in accordance with the Government Decree No. 845-P dated June 28, 2007. The GTC applies to trade in wheat, maize (corn), barley and other grains and related products. It seeks to enhance cooperation in the grain trade, promote expansion and openness in the grain sector, and contribute to grain market stability by improving market transparency through information sharing, analysis and consultation on grain market and policy developments.

Pig Breeding Business

The Federal Law "On Livestock Breeding" No. 123-FZ dated August 3, 1995, as amended, regulates breeding, production and use of broodstock in the livestock breeding industry.

The Law of the Russian Federation No. 4979-1 dated May 14, 1993, as amended "On Veterinary," establishes measures for prevention of the spread of highly infectious animal diseases, and mitigation of consequences, if any such disease takes place. The law sets forth special requirements for construction of breeding farms and livestock management.

We are also subject to certain other industry requirements related to design and construction of our pig breeding facilities, ecology and hygiene.

In compliance with the International Plant Protection Convention and standards established by the World Health Organization, International Office of Epizootics and other international organisations, the Ministry of Agriculture issued Order No. 258 dated July 23, 2010, enacting the "Regulations on Determination of the Zoo-Sanitary Status of Pig Farms and Other Organizations Engaged in Pig Slaughtering, Processing and Storage of Pig Breeding Products.” These regulations establish four levels of a zoo-sanitary status of pig farms (compartmentalisation) in order to ensure a favourable epizootic status of pig farms and to prevent spread of contagious diseases of animals in the Russian Federation. All the pig farms in the Belgorod region have been assigned a highest level of the zoo-sanitary status (IV), indicating that they conform to the high international standards.

In addition, depending on location, certain local laws and regulations may set additional requirements for enterprises that are engaged in food production and distribution.

Oil and Fats Business

Federal Law No. 29-FZ dated January 2, 2000, as amended, “On Quality and Safety of Food Products,” establishes a general framework for the production and distribution of food products, such as the certification and state registration of new food products, ensuring that food products conform to certain quality, safety and sanitary requirements, as well as requirements for packaging, storage, transportation and sale of food products and for the destruction of poor-quality and unsafe products.

Federal Law No. 90-FZ dated June 24, 2008, as amended, “Technical Regulations of Oil & Fats Products” provides for requirements as to oil and fats products (both food and non-food) and to production, storage and transportation of such products.

Regulation “On State Monitoring and Control Over Securing Quality and Safety of Food Products,” approved by Government Resolution No. 987 dated December 21, 2000, identifies the government agencies that are responsible for supervising and monitoring the quality and safety of food products.

Regulation “On Monitoring of Quality and Safety of Food Products and Health of People,” approved by Government Resolution No. 883 dated November 22, 2000, sets forth the rules for monitoring of the quality, safety of food products and public health.

Regulation “On Carrying Out an Expertise of Defective and Hazardous Raw Materials and Food Products and their Utilisation and Disposal,” approved by Government Resolution No. 1263 dated September 29, 1997, as amended, sets forth the procedure for carrying out an expertise of defective and hazardous raw materials and food products.

Regulation “On State Registration of New Food Products, Materials and Goods,” approved by Government Resolution No. 988 dated December 21, 2000, as amended, provides for mandatory state registration of certain food products, including vegetable oil, margarine products for dietary nutrition, food products and raw materials prepared in accordance with new technologies, production equipment and materials in contact with food products. Food producers intending to develop and offer a new food product to the public are required to file an application for the product’s state registration and incorporation into the State Register of Permitted Food Products. Such applications are reviewed by the Ministry of Health and certain divisions of the State Sanitary Epidemiological Service of the Russian Federation authorised by the Ministry of Health and Social Development (or together with the Ministry of Agriculture with respect to products derived from animals) within 40 days of their filing.

Construction

The Town-Planning Code of the Russian Federation, adopted as the Federal Law No. 190-FZ dated December 29, 2004, as amended (the “**Town-Planning Code**”) sets forth general requirements for construction processes, including land-use planning and the procedures for obtaining construction permits, commissioning certificates and government examination of project documentation. Pursuant to the Town-Planning Code, before commencing construction of industrial facilities, a legal entity or individual must first obtain a construction permit from the government authorities and submit project documentation to the government for examination. Commencement of a newly constructed facility requires that a specially convened committee issue a commissioning certificate. Failure to obtain such permit, certificate or other approval documentation may be regarded as a violation of Russian law and may lead to administrative fines and demolition of the facility as unauthorised construction.

Environment

Federal Law No. 7-FZ dated January 10, 2002, as amended, “On Environmental Protection” sets forth charges for some types of activities that have negative effects on the environment, including atmosphere and water emissions. Any emissions in excess of agreed limits may lead to administrative fines. In addition, the law establishes several registers for facilities that may negatively impact the environment.

Federal Law No. 96-FZ dated May 4, 1999, as amended, "On Atmospheric Air Protection" describes general standards of air quality and atmosphere emission limit values. The law provides that atmosphere emissions must be accompanied by a permit issued by governmental authorities. Failure to obtain such permit or to comply with the other provisions of this law may lead to administrative or criminal liability.

Federal Law No. 116-FZ dated July 21, 1997, as amended, "On Industrial Safety of Hazardous Industrial Facilities" provides legal, economic and social grounds for securing industrial facilities' operations and focuses on preventing accidents on such facilities. The law requires that technical equipment in operation be subject to mandatory certification.

Federal Law No. 68-FZ dated 21, December 1994, as amended, "On Citizens and Territory Protection from Natural and Man-Made Emergency Situations" sets forth general rules for protection of land, air and water space in the territory of the Russian Federation and the environment from natural and man-made emergency situations.

State Support

The current agricultural policy of the Russian Government is focused on stimulating growth in production, primarily by addressing financial problems in the sector. In this regard, the Russian Government has introduced several federal programmes aimed at supporting growth in the agricultural sector.

Agricultural and Sugar Business

In December 2002 the Russian Government adopted the Federal Special-Purpose Programme for Social Development of Rural Areas until 2012, which is aimed at improving the living conditions in rural areas by establishing a plan to improve rural area infrastructure through the development of electricity, water and communications facilities and construction and/or reconstruction of road networks.

The Federal Special-Purpose Programme for Preservation and Recovery of the Agricultural Land and Agricultural Countryside Fertility as National Patrimony of Russia for 2006 to 2010 and for the Period to 2013 outlines a number of measures generally aimed at the recovery and recultivation of agricultural lands.

The Federal Special-Purpose Programme for Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Foodstuff for 2008 to 2012, provides an extensive list of measures aimed at achieving sustainable development of rural areas, increasing the competitiveness of Russian agricultural products, and preserving and recultivating agricultural land and other natural resources. The Programme provides for comprehensive measures to support domestic agriculture during the period from 2008 to 2012 including, for example, through increases in federal and regional budget allocations, promoting the expansion of land mortgage programmes for agricultural producers and providing rebates to agricultural producers of up to two-thirds of the interest expenses incurred under certain loans used to finance production.

The Russian Government has also established a programme in accordance with Federal Law No. 83-FZ dated July 9, 2002, as amended, "On Financial Rehabilitation of Agricultural Producers," to recover loans previously extended by the federal government and regional or local governments to agricultural entities who have defaulted on their loan repayment obligations. The law provides for various means of debt restructuring, including through write-offs of penalties and fines, temporary suspension of debt repayment obligations, establishing new amounts and periods for instalment repayments and the write-offs of principal and interest.

The Programme for Development of Sugar Beet Sub-complex in Russia for 2010 to 2012, approved by Order of the Ministry of Agriculture No. 501 dated October 23, 2009, provides for measures to increase sugar production from domestic raw materials (sugar beet), improve sugar supply to public and industrial producers and minimisation of sugar import by way of credit support of beet producers, compensation of the expenses related to payment of interests under investment loans for construction, reconstruction and maintenance of sugar plants and reimbursement of fertiliser costs.

In addition, the Russian Government created special financial companies to support the agriculture sector, OJSC "Russian Agricultural Bank" ("**Rosselkhozbank**") in 2000, for servicing agriculture commodity producers and OJSC "Rusagroleasing" ("**Rusagroleasing**") in 2001, to facilitate the replacement of outdated agricultural machinery. As of the end of 2010, the Russian Government (through the Federal Agency of Property Management) owned 100% shares in Rosselkhozbank and 99.99% in Rusagroleasing. Currently, Rusagroleasing is the largest agricultural leasing company in Russia. It is represented by more than 200 operating agents in 72 Russian regions which offer schemes for leasing livestock and agricultural equipment for up to 15 years under preferential terms. Currently, Rosselkhozbank has 78 branches and 1539 supplementary offices in Russia. In 2008, the Concept of Development of Rosselkhozbank until 2015 was adopted. The concept provides that no less than 70% of total loan facilities shall be extended to agriculture producers.

State Purchase and Commodity Interventions

The Russian grain market is characterised by price volatility. In an effort to control this price volatility, the Russian Government enacted the "Rules for State Grain Purchase and Commodity Interventions for Regulation of Prices on the Agricultural Products Market" approved by Government Regulation No. 580 dated August 3, 2001, as amended. Under these rules, the Russian Government, through the Ministry of Agriculture and a state agent appointed by the Ministry of Agriculture based on the results of a tender, purchases grain with the aim of preventing a price decrease at the end of the harvest season (grain purchase interventions) and sells this grain stock in the event of a price increase (commodity interventions). As a general rule, grain purchase interventions and commodity interventions are performed through tenders on a commodity exchange.

The Russian Government undertook grain purchase interventions in 2001 by purchasing 210 thousand tons of food-grade wheat and again from 2002 to 2003, when it purchased 1,557 thousand tons of food-grade grain. The intervention in 2002 and 2003 facilitated price growth in all grain-producing areas other than the Northern Caucasus and the Central Black Earth Region where increasing exports were the major price driver.

In December 2003, a 5% grain import duty for some grades of corn was lifted for a period of nine months. The measure had little impact on the market, as a majority of the imports were from CIS countries and thus exempted from import duties.

In February 2004, the Russian Government intervened to curb price growth caused by a weak harvest and high export demand by selling purchased grain directly to mills. In March 2004, partially as a result of this intervention, prices for all grain crops started to decline, falling by approximately 30% by the close of the 2003-2004 season. Concurrently, from January 15, 2004 to May 1, 2004, the Russian Government imposed an export duty of €25 per ton on rye and wheat exports to countries other than those that are members of the Customs Union which includes Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and the Russian Federation. The export duty contributed to a dramatic drop in wheat exports.

In September 2005, the Russian Government intervened in the market in an attempt to increase grain prices. However, due to insignificant grain purchases (less than 2 million tons in aggregate), there was only a minor increase in prices during the actual period of interventions with no pronounced price growth trend.

The Russian Government planned to commence grain purchase intervention in summer 2006, as well in spring 2007, for prevention of price decreasing. However, high demand on the Russian and global market in 2006 and avoidance of season price reduction in 2007 convinced the Russian Government to abandon such plans.

In 2008, due to a record grain harvest in Russia, the Russian Government launched another grain purchase intervention to stabilise the prices on the grain market. From August 19, 2008 until May 21, 2009, the Russian Government purchased over nine million tons of grain.

From November 2, 2009 to December 30, 2009, the Russian Government purchased approximately 1.5 million tons of grain. However, the intervention was suspended in early February 2010. In April 2010, this intervention was partially reinstated in respect of grain production in Altaysky Krai. The grain interventions resumed later in 2010 but were again suspended in August 2010 due to severe drought. Overall, during 2010, the Russian Government initiated 11 interventions (sessions) and purchased 353,700 tons of grain from the 2009 harvest.

The interventions were reinstated in February 2011 by the Government's Resolution No. 63-r, dated January 26, 2011. The Government started sales of grain from the state intervention fund on February 4, 2011 on the National Commodity Exchange to stabilise grain prices on the market which suffered from price fluctuations cased by the weak harvest in 2010.

Agricultural Land

Agricultural land use is regulated primarily by the Land Code and Federal Law No. 101-FZ dated July 24, 2002, as amended, "On the Turnover of Lands of Agricultural Designation" (the "**Law on Agricultural Land Turnover**"). The Land Code is the principal act governing the use and protection of land in Russia. It regulates various matters concerning land, including categories of land, seizure of land plots for state and municipal needs, rights and duties of land owners, users and tenants when exploiting land plots and valuation of land.

The Law on Agricultural Land Turnover regulates the possession, use and disposition of agricultural land plots, establishes the rules and limitations applicable to transactions with land, regulates the issuance of participatory shares in the right of common ownership to agricultural land plots and determines the conditions for granting land plots from federal, regional or municipal-owned land designated for agricultural use and the seizure thereof by federal, regional or municipal authorities. The issue of private land ownership in the Russian Federation has often turned on the question of whether foreign citizens can own agricultural land or merely lease it. The Law on Agricultural Land Turnover provides that foreign citizens, foreign legal entities, stateless persons and entities with more than 50% of foreign capital may only lease agricultural land plots and it entitles regional legislative authorities to restrict the size of agricultural land plots that may be owned by one entity within the territory of one municipality, provided that such size may not be less than 10% of the agricultural area within the territory of such municipality. Moreover, the Law on Agricultural Land Turnover states that if the owner of agricultural land fails to use the land for agricultural purposes during a three-year period, the local government may petition the court to decree that the agricultural land shall become the property of the government.

The mortgage of agricultural land plots is regulated by Federal Law No. 102-FZ, "On the Mortgage (Hypothec) of Immovable Property," dated July 16, 1998, as amended. Federal Law No. 101-FZ, "On State Regulation of Agricultural Designation Land Fertility Procurement," dated July 16, 1998, as amended, sets forth the legal basis for state regulation of the fertility of land designated for agricultural use.

The Acquisition of Agricultural Land

During the Soviet era, agricultural land was organised into massive collective farms which were tended by large labour forces from the surrounding region. Upon the dissolution of the Soviet Union, and prior to the adoption of the Land Code and the Law on Agricultural Land Turnover, the collective farms were reorganised and ownership of the land was either (i) retained by the Russian Federation and/or the local government or (ii) was privatised by giving each collective farm labourer and/or the entity that managed the collective farm an interest in the land. However, rather than survey, register and segregate the collective farms thereby giving the government or each private owner an interest in a defined piece of property, various types of entitlement instruments were issued in different regions of Russia (generally referred to herein as "**Land Shares**") which represented an undefined interest in the land. The development of a market for agricultural land has been impeded by specific regimes of various types of lands and ownership structures that evolved after the end of the Soviet era, and by the absence of a clear regulatory regime that governed the sale and purchase of agricultural land.

The adoption of the Law on Agricultural Land Turnover in July 2002 recognised the difficulties that arose from the privatisation of the collective farms and introduced rules and regulations that are designed to facilitate the disposition and acquisition of both Land Shares and the underlying agricultural land, as appropriate.

Specifically, the Law on Agricultural Land Turnover established that:

Agricultural land may be directly purchased and sold subject to a right of first refusal by the regional government of the Russian Federation or the local government.

The owner of a Land Share may only sell that share to another Land Share owner of the subject agricultural land or to an agricultural company using the agricultural land. The rule does not apply to shares in an agricultural land plot that is owned by five or less holders of land shares in joint shared ownership ("**Land Owners**"). However, even under the general rule stipulated by the Civil Code, a Land Share may be purchased by a third party subject to a right of first refusal by other Land Owners. Moreover, it is not possible to lease a Land Share.

A third party may purchase or lease agricultural land that is owned via Land Shares without purchasing the Land Shares, but the sale or lease agreement must be signed by all the land plot's Land Owners. The direct sale of agricultural land that does not involve the purchase of the Land Shares is subject to a right of first refusal which is held by the regional government of the Russian Federation or the local government. The decision on alienation or lease of an agricultural land plot shall be made by the general meeting of the Land Owners. The Land Owners who "demonstrated disagreement" with such transactions are entitled to receive a part of the land plot corresponding to their Land Share. The lease term shall not exceed 49 years.

Agricultural land owned by the Russian Federation, by regional governments or by local governments may also be sold or leased via a public tender or an auction. A lessee of government owned agricultural land acquires the right to request to purchase the land after a period of three years, but such request may be refused at the option of the governmental entity that owns the land. If the purchase request is approved, a public tender is not required and the purchaser may acquire the land at market price or a price established by the regional government.

The owner of a Land Share may measure and register a specific interest in a portion of the agricultural land to which he holds an interest by either (i) allocating a specific portion of the land within the boundaries defined by a meeting of Land Owners or (ii) if a meeting of Land Owners cannot be convened or a decision obtained, the petitioner may issue a public notice and self-allocate a portion of the land.

According to applicable Russian law, Land Shares that have not been disposed by their owner for three years since acquisition of such shares or for which information on ownership is unknown, shall be deemed "unclaimed shares." This rule does not apply to Land Shares that have been registered by their owners with the government registration authorities. The status of "unclaimed shares" shall result in allocating to such "unclaimed share" a specific parcel of the land (usually an unused land plot of low quality and low cadastral price) within the boundaries defined by a meeting of Land Owners according to the decision of regional or local authorities. Regional or local authorities may acquire such land allocated for "unclaimed shares" only under a specific court decision which may be obtained by filing an action by regional or local authorities. Unless and until such court decision is obtained, authorities have no right to dispose of such land plots.

At the end of 2010, the Russian parliament amended a number of legislative acts related to agricultural land plots and rights thereto, including the Law on Agricultural Land Turnover, in order to streamline turnover of agricultural land , including Land Shares and "unclaimed shares" in particular, and provide more detail on allocation of agricultural land. See "Risk Factors – We use a number of land plots under contractual arrangements with local and regional authorities, the validity of which may be challenged."

Pig Breeding Business

The programme of the Ministry of Agriculture "Development of Pig Breeding in Russia in 2010 to 2012," approved by Order No. 567 dated November 30, 2009, provides for measures aimed at improving economic conditions for pork production, financial incentives for industrial pig breeding, creating the general federal network of seven breeding and genetic centres. The first breeding and genetic centre, LLC "Znamenskiy BGC," was built in the Orel region in 2006 with total capacity of 200 thousand sows. LLC "Znamenskiy BGC" is able to provide pig farms with quality breeding-stock based on which the farms may grow 10 to 11 million pigs per year.

The regional special-purpose programme "Development of Pig Breeding in the Belgorod region for 2005 to 2010," approved by the Regulation of the Government of the Belgorod region No. 221-pp dated November 11, 2005, as amended, which is aimed at development of competitive pig breeding, and provided for a number of protective measures of pig breeding business in the Belgorod region. The government has committed RUR 64.32 billion to this programme.

On December 22, 2010, the Ministry of Agriculture approved by Order No. 443 the programme "Development of Feed Industry in Russia in 2010 to 2012" which provides measures to increase efficiency of the business by increasing quality of feed products and reducing production costs. The programme provides financial incentives for feed producers during the period from 2010 to 2012. The government has committed RUR 23,350 million to this programme.

Resolution of the Government "On Import of Beef, Pork and Poultry Meat in 2010 to 2012" No. 1021 dated December 16, 2009 which imposes quotas on pork import, is aimed at protection and stimulation of the domestic pork producers.

Taxation

Generally, taxation of Russian legal entities is regulated by the Russian Tax Code. The Russian Tax Code provides for two alternative tax regimes applicable to entities generating at least 70% of their revenues through the production, processing and sale of agricultural products: (i) the unified agriculture tax regime and (ii) the beneficial corporate income tax regime for the entities which have not yet transitioned to the unified agriculture tax regime.

The unified agriculture tax regime sets a unified 6% tax rate imposed on the taxpayer's profits and provides relief from the 20% corporate profits tax (except for dividend income and interest income derived from state and municipal securities) within certain limitations, corporate property tax and certain VAT payments (except for the Russian customs VAT and VAT arising under a simple partnership arrangement).

Entities that are eligible to transition to the unified agriculture tax, but have not done so, are entitled to reduce their corporate profits tax rate and apply a 0% rate from 2004 to 2012, and 18% rate from 2013 to 2015. Starting from 2016 the general corporate profits tax rate will be applied to entities that have not transitioned to the 6% unified agriculture tax. Currently, the general Russian corporate profits tax rate is 20%.

Additionally, according to Federal Law No. 212-FZ "On Insurance Premiums to the Pension Fund, Social Insurance Fund, Mandatory Medical Insurance Fund, and Territorial Funds of Obligatory Insurance," dated July 14, 2009, as amended, the total payroll taxes for agricultural producers are set at 20.2% for 2011-2012, as compared to 34% for other companies, and will increase to 27.1% in 2013-2014.

Import/Export

The export of agricultural products from the Russian Federation is primarily regulated by Federal Law No. 164-FZ dated December 8, 2003, as amended, "On Fundamental Principles of Regulation of Foreign Trade Activity," according to which the import and export of goods is carried out, as a general rule, without any quantitative restrictions. The Russian Government in exceptional cases has the right to impose temporary restrictions or bans on the export of goods to prevent or reduce a critical shortage in the domestic market of food or other products that are of crucial importance. With the objective of regulating foreign trade in goods, including protecting the domestic market and stimulating the economy, import and export customs duties are imposed in accordance with Russian law.

Pursuant to Federal Law No. 183-FZ dated December 5, 1998, as amended, "On State Control over Quality and Safety of Grain and its Products" and Government Regulation No. 275 dated April 30, 2005, as amended, "On Actions to Control the Quality of Grain and Grain Products when Importing into the Russian Federation and Exporting from the Russian Federation," quality certificates must be obtained in order to conduct export-import transactions from specialised bodies and laboratories authorised by the Federal Veterinary and Phytosanitary Supervision Service.

On August 5, 2010, the Russian Government banned export sale of wheat, meslin, barley, corn, rye and wheat and rye flour for the period from August 15, 2010 until December 31, 2010. The ban was later extended (excluding the flour) for the period from January 2, 2011 until June 30, 2011 (Government resolution No. 853, dated October 20, 2010).

Imports of sugar, rice, wheat and barley into the Russian Federation are subject to import duties levied by the customs authorities in accordance with the Russian Customs Code at rates established in the "Customs Tariff" approved by Government Regulation No. 718 dated November 27, 2006, "On Customs Tariffs of the Russian Federation and Classification of Goods Applicable to Foreign Economic Activities." Unified Customs Tariffs of Customs Union between Belarus, Kazakhstan and the Russian Federation (effective from January 1, 2010) has set unified customs tariffs for the common customs territory (the "**Unified Customs Tariff**").

According to the Unified Customs Tariff, import duties on raw cane sugar float from US$50 to US$270 per ton depending on sugar price at the New York commodity exchange and the season. The following rates were set for 2010-2011:

- from January 1 until April 30 – US$140-270 per ton;
- from May 1 until July 31 – US$50-250 per ton; and
- from August 1 until December 31 – US$140-270 per ton.

The exact import duty rate is set by the Federal Customs Service. For example, from January 1, 2011 to February 28, 2011 the import duty rate on cane sugar was fixed at US$140 per ton. From March 1, 2011 to April 30, 2011, this import duty is set at US$50 per ton.

According to the Unified Customs Tariff, the import duty on white sugar is fixed at US$340 per ton from January 1, 2011 to December 31, 2011.

Resolution of the Government "On import of beef, pork and poultry meat in 2011" No. 1111 dated December 16, 2009 set the quotas on pork import. The import quota on pork is fixed at 472.1 thousand tons for 2010 to 2011, and 425.1 thousand tons for 2012. See *"Industry Overview*."

DESCRIPTION OF THE SHARE CAPITAL AND APPLICABLE CYPRIOT LEGISLATION

Set forth below is a description of the Company's share capital, the material provisions of the Company's memorandum and articles of association in effect on the date of this Prospectus and certain requirements of Cypriot legislation. Holders of GDRs will be able to exercise their rights with respect to the ordinary shares underlying the GDRs only in accordance with the provisions of the Deposit Agreement, see "Terms and Conditions of the Global Depositary Receipts," and the relevant requirements of Cypriot law.

General

The Company was incorporated in Cyprus as a private company limited by shares on December 1, 2009 under the name Matchzone Holdings Limited and has conducted business since that date. On February 25, 2011, the Company changed its name to ROS AGRO PLC. The principal legislation under which the Company operates, and under which the Ordinary Shares have been created, is the Companies Law, Cap. 113 of Cyprus (as amended) (the "**Cyprus Companies Law**"). The shareholders of the Company resolved on February 9, 2011 that the Company be renamed ROS AGRO PLC and converted into a public company and that the Company adopt new articles of association. The Company's change of name to ROS AGRO PLC was effective from February 25, 2011 when the Registrar of Companies issued the relevant certificate of change of name. The Company's registered number is 258621, and its registered office is at Arch. Makariou III, 195, Neocleous House, P.C. 3030, Limassol, Cyprus. The telephone number of the Company's registered office is +357 25 110000.

Purpose

The Company's purpose includes, among other things, the carrying on of investments and trade. All objects for which the Company is formed are set forth in Clause 3 of its memorandum of association.

Share Capital

The authorised share capital of the Company consists of 60,000,000 ordinary shares. Issued share capital of the Company consists of 20,000,000 ordinary shares each with a nominal value of €0.01.

The Ordinary Shares are in registered form and certified form.

The Company does not have in issue any listed or unlisted securities not representing its share capital. Neither the Company nor any of its subsidiaries (nor any party on its behalf) holds any of its ordinary shares. Neither the Company nor any of its subsidiaries has any outstanding convertible securities, exchangeable securities or securities with warrants or any relevant acquisition rights or obligations over the Company's or any of the subsidiaries' authorised but unissued capital or undertakings to increase its issued share capital. None of the Company's shares are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

Articles of Association

The Company's current articles of association were adopted on February 9, 2011. The following is a brief summary of certain material provisions of the Company's articles of association.

Rights attaching to Ordinary Shares

Issue of shares

The ordinary shares shall be at the disposal of the Company which may by ordinary resolution authorise the directors to, upon complying with the provisions of the articles of association and Sections 60A and 60B of the Cyprus Companies Law, allot or otherwise dispose of any unissued shares in the appropriate manner as regards the persons, the time and, in general, the terms and conditions as the directors may decide, provided that no share shall be issued at a discount except as provided by Section 56 of the Cyprus Companies Law.

Pre-emption rights

The Cyprus Companies Law confers on shareholders certain rights of pre-emption with respect to the allotment of newly issued shares. Unless otherwise determined by resolution approved at a general meeting of shareholders in accordance with the provisions of Section 60B(5) of the Cyprus Companies

Law, all new shares and/or other securities which are convertible into shares in the Company that are to be issued for cash, shall be offered to the existing shareholders of the Company on a pro-rata basis to the participation of each shareholder in the capital of the Company. Any such offer shall be made upon written notice to all the shareholders specifying the number of the shares and/or other securities convertible into shares in the Company, which the shareholder is entitled to acquire and the time periods within which the offer, if not accepted, shall be deemed to have been rejected. If, until the expiration of the said time period, no notification is received from the person to whom the offer is addressed stating that such person accepts the offered shares or other securities which are convertible into shares of the Company, the directors may dispose of such shares or other securities in any manner as they deem more advantageous for the Company.

Voting rights

Subject to any special rights or restrictions as to voting attached to shares (of which there are none at present), every holder of shares who is present in person or by proxy shall have one vote for each share held by him or her. Proxies may vote only on a poll vote. A corporate shareholder may, by resolution of its directors or other governing body, authorise a person to act as its representative at general meetings and that person may exercise the same powers as the corporate shareholder could exercise if it were an individual shareholder.

No shareholder shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of his shares in the Company have been paid.

Dividend and distribution rights

The Company may at a general meeting of shareholders declare dividends, but no dividend shall exceed the amount recommended by the directors. The directors may from time to time and subject to the provisions of Section 169C of the Cyprus Companies Law pay to shareholders such interim dividends as appear to the directors to be justified by the Company's profits but no dividend will be paid otherwise than out of net accumulated profits.

The directors may set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors, be applicable for any purpose to which the profits may, at their discretion, either be employed in the Company's business or be invested in such investments as the directors may from time to time think fit. The directors may also, without placing the same to the reserve, carry forward any profits which they may think prudent not to divide.

Variation of rights

Without prejudice to any special rights previously conferred on the holders of any existing shares or classes of shares (of which there are none at present), any shares in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine.

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of the issue of the shares of the class) may be varied only in accordance with Section 59A(1) of the Cyprus Companies Law by (i) a resolution approved at a separate general meeting of the holders of the shares of that class and (ii) a resolution approved at a separate general meeting of the shareholders of the Company. The provisions of the Company's articles of association relating to general meetings shall apply to every such separate general meeting, except that the necessary quorum shall consist of shareholders holding or representing by proxy more than 50% of that class.

Alteration of capital

The Company may, from time to time, by resolution of the shareholders, increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

The Company may by resolution of the shareholders:

- consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

- subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association, subject, nevertheless, to the provisions of Section 60(1)(d) of the Cyprus Companies Law;
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

The Company may also, by special resolution sanctioned by the court, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner, subject to the requirement of the Cyprus Companies Law. For further discussion of resolutions, see "– *Resolutions*."

Redemption of shares

Subject to the provisions of Section 57 of the Cyprus Companies Law, any preference shares may, with the sanction of an ordinary resolution, be issued on the condition that they are, or at the option of the Company are liable to be, redeemed on such terms and in such manner as the Company, prior to the issue of such shares, may determine by special resolution.

Winding up

If the Company shall be wound up, the liquidator, may, with the sanction of an extraordinary resolution of the Company's shareholders, and any other sanction required by the Cyprus Companies Law:

- divide among the shareholders in specie or in kind all or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders; and
- vest all or any part of such assets in trustees, upon such trusts for the benefit of the contributories as the liquidator shall think fit, but so that no shareholder shall be compelled to accept any shares or other securities which subject the shareholder to any liability.

Form and transfer of shares

The instrument of transfer of any share shall be executed by or on behalf of the transferor and the transferee, and the transferor shall be deemed to be the holder of the share until the name of the transferee is entered into the register of shareholders in respect of such share.

If the shares, titles or securities of the Company are being traded in a foreign market, the Company may register the transfer of share or debentures of the Company even if a proper instrument of transfer is not presented, provided that the transfer is effected in accordance with the regulations governing the said foreign market.

Directors

Number of directors

The minimum number of directors shall be two (in accordance with the Cyprus Companies Law) and the maximum shall be seven, and at least two directors shall be independent directors. An independent director is a director free of any business, family or other relationship with the Company, its controlling shareholder(s), the management of either the Company or entities with significant connections with the Company that would create a conflict of interest such as to impair his or her judgment. A director who is an employee of the Company or a company associated with it may not qualify as an independent director.

The Company may, from time to time, by ordinary resolution of the shareholders, increase the number of directors.

Board of directors

The quorum necessary for the transaction of the business of the directors shall be fixed by the directors and, unless so fixed, shall be 50% of the directors or their alternates. Additionally, a resolution in writing, signed and approved by letter, facsimile or electronic communication by each director or his alternate shall be as valid and effective for all purposes as if the same had been passed at a meeting of the directors duly convened and held.

Any director or a member of a committee of the directors may participate in a meeting of the directors or such committee by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting.

Questions arising at any meeting of the board of directors shall be decided by a majority of votes. In the case of equality of votes, the chairman shall not have a second or casting vote. A director may, and the secretary on the requisition of a director shall, at any time, summon a meeting of the directors.

The directors may delegate any of their powers to a committee or committees, including but not limited to the Audit Committee, consisting of such member or member of their body as they think fit. Subject to any regulations imposed on it by the Directors, a committee may meet and adjourn as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the members present.

Appointment of directors

Only shareholders shall be entitled to appoint a director to office. At any time, and from time to time, the shareholders may by ordinary resolution, appoint any person as director and determine the period for which such person is to hold office, provided that any director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

The shareholding qualification for directors may be fixed by the Company be resolution of the shareholders at a general meeting, and unless and until so fixed, no qualification shall be required (no such shareholding qualification has been fixed at present).

Only shareholders shall be entitled to remove a director from office. The Company may by special resolution of the shareholders remove a director at any time. The Company may also, by ordinary resolution of the shareholders of which special notice has been given in accordance with Section 136 of the Cyprus Companies Law, remove any director before the expiration of his period of office notwithstanding anything in the articles of association or in any agreement between the Company and such director. Such removal shall be without prejudice to any claim such director may have for damages for breach of any contract of service between him and the Company.

The office of director shall be vacated if the director:

- ceases to be a director by virtue of Section 176 of the Cyprus Companies Law (directors duty to hold a specified share holding qualification); or
- becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- becomes prohibited from being a director by reason of any order made under section 180 of the Cyprus Companies Law (disqualification from holding the position of director on the basis of fraudulent or other conduct); or
- becomes of unsound mind; or
- resigns his office by advance notice in writing to the Company.

Directors' interests

A director who is in any way directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the directors in accordance with Section 191 of the Cyprus Companies Law. Directors who have an interest in any contract, agreement or settlement proposed to be concluded between the Company and a third party may attend the meeting of the board of directors or committee at which the matter is discussed but shall not have the right to vote (and shall not be counted in the quorum). None of these restrictions shall apply in relation to:

- any arrangement for the provision to any director, of any security or guarantee in relation to money which he paid or obligations which he undertook in favour of the Company; or
- any arrangement for the provision by the Company of any security to third parties in relation to a liability or obligation of the Company for which the director himself assumed responsibility whether wholly or in part pursuant to any guarantee or by the deposit of any security; or
- any contract by a director to subscribe for or underwrite shares or debentures of the Company.

The directors may hold any other office or profit making position in the Company along with the office of director (other than the office of an independent auditor) for such period and on such terms (as to remuneration and other matters) as the directors may determine; and no director or prospective director shall be disqualified on the grounds of holding such office from contracting with the Company whether with regard to his tenure or any such other office or place of profit or as a vendor, purchaser or otherwise; nor shall any such contract, or any contract or settlement concluded by or on behalf of the Company in which any director has any interest, be liable to be cancelled; nor shall any director so contracting or having such an interest be liable to account to the Company for any profit realised by any such contract or settlement by reason of such director holding that office or of the fiduciary relationship thereby established.

The directors may act either personally or in a professional capacity for the Company, and the director or his firm shall be entitled to remuneration for professional services as if he were not a director, provided that a director or his firm shall not act as auditor to the Company.

Only independent directors shall be entitled to remuneration, which shall be determined from time to time by the shareholders of the Company at a general meeting. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or in connection with the business of the Company.

Directors' powers

The business of the Company shall be managed by the directors, who may exercise all such powers of the Company as are not, by the Cyprus Companies Law or by the articles of association, required to be exercised by the shareholders in general meeting, subject nevertheless to any provisions of the articles of association, of the Cyprus Companies Law and of any regulations (which are not in conflict with the articles of association or the provisions of the Cyprus Companies Law) as may be prescribed by the Company at a general meeting; however, no regulation made by the Company at a general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

Meetings of shareholders

The first annual general meeting must be held within 18 months of incorporation and thereafter, not more than 15 months shall elapse between the date of one annual general meeting and the next.

The directors may, whenever they think fit, decide to convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on requisition or, in default, they may be convened by such requisitionists as provided by Section 126 of the Cyprus Companies Law, for example shareholders holding at least 10% of the issued share capital of the Company. If at any time there are not, within Cyprus, sufficient directors capable of forming a quorum, any director or any two shareholders may convene an extraordinary general meeting in the same manner, or as approximately as possible, as such meetings would be convened by the directors.

The annual general meeting, a meeting convened to pass a special resolution or any other meeting shall be called by at least twenty-one days' written notice. In case of special business, the notice shall specify the general nature of that business and in the case of a meeting convened for passing a special or extraordinary resolution, the intention to propose a special or extraordinary resolution as the case may be. The meetings of the Company may be called by shorter notice and shall be deemed to have been duly called if it is so agreed:

- in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

A notice convening a general meeting must be sent to each of the shareholders, provided that the accidental failure to give notice of a meeting to, or the non-receipt of notice of a meeting by any person entitled to receive notice, shall not invalidate the proceedings at that meeting to which such notice refers. All shareholders are entitled to attend the general meeting or be represented by a proxy authorised in writing. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands, every shareholder present in person shall have one vote, and on a poll, every shareholder shall have one vote for each share of which he is the holder (which may be given personally or by proxy).

The quorum for a general meeting will consist of two or more shareholders representing more than 50% plus one of the voting share capital of the Company, present in person or by proxy. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved. In any other case, it shall stand adjourned to the same day of the next week, at the same time and place or on such other day and at such other time and place as the directors may determine and if at the adjourned meeting a quorum is not formed within half an hour from the time appointed for the meeting, the shareholders present shall form a quorum.

Subject to the provisions of the Cyprus Companies Law, a resolution in writing signed by all the shareholders entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

Resolutions

The Cyprus Companies Law names three types of resolutions that may be submitted to a shareholder vote: ordinary resolutions, extraordinary resolutions and special resolutions. There is no definition in the Cyprus Companies Law of ordinary resolution. An ordinary resolution must be approved by a majority vote of shareholders having voting rights present at the meeting, voting in person or through a proxy. An ordinary resolution put to vote at an annual general meeting must be preceded by a twenty-one days' prior written notice of the meeting which must specify that the meeting to take place will be an annual general meeting. Section 135 of the Cyprus Companies Law defines extraordinary resolutions and special resolutions. An extraordinary resolution must be approved by at least three quarters of shareholders having voting rights present at the meeting, voting in person or through a proxy. An extraordinary resolution must be preceded by a twenty-one days' prior written notice of the meeting which must specify the intention to propose an extraordinary resolution. A special resolution must be approved by at least three quarters of shareholders having voting rights present at the meeting, voting in person or through a proxy. In all cases in computing the majority on a poll reference shall be made to the number of votes cast for and against the resolution. A special resolution is required, among other things, to amend the articles of association, to change the name of the company, to reduce company's share capital and to amend the objectives of the company. A special resolution must be preceded by a twenty-one days' prior written notice of the meeting which must specify the intention to propose a special resolution. A resolution may be taken up and passed as a special resolution at a meeting which has been convened upon less than twenty-one days' prior notice, provided that the majority of shareholders having voting rights and holding at least 95% of the nominal value of the shares with voting rights agree to such reduced notice.

Cypriot Law

The principal legislation under which the shares have been created and under which the Company was formed and now operates is the Cyprus Companies Law. The liability of shareholders is limited. Under the Cyprus Companies Law, a shareholder of a company is not personally liable for the acts of the company, save that a shareholder may become personally liable by reason of his or her own acts.

According to the Cyprus Companies Law, whenever shares are issued in exchange for a cash consideration, the shareholders have pre-emption rights with respect to such issuance of shares on a pro rata basis. These pre-emption rights may be disapplied by a resolution of the general meeting which is passed by a two thirds majority if less than half of all the votes are represented at the meeting and by a simple majority if at least half of all the votes are represented at the meeting. The directors have an obligation to present to the relevant general meeting a written report which explains the reasons for the disapplication of the pre-emption rights and justifies the proposed allotment price of the shares.

As a company with its registered office in Cyprus whose securities represented by GDRs are listed on a regulated market in the United Kingdom, any offer for such GDRs will be subject to the provisions of the United Kingdom City Code on Takeovers and Mergers (the "**City Code**") with respect to consideration, disclosure requirements and procedural matters applicable to the offer, while Cypriot law would apply to such an offer in relation to company law matters, including the threshold for a mandatory bid. Pursuant to Article 5(1) of Directive 2004/25/EC of the Parliament and Council of the European Union dated 21 April 2004 on takeover bids (the "**Takeover Directive**"), all member states of the European Union are required to introduce legislation requiring any person who, together with those acting in concert with him, acquires "control" of a company having its registered office in that member state, to make a mandatory offer to all holders of securities of the company. Pursuant to the Takeover Directive, the percentage of voting rights conferring "control" is to be determined by the rules of the member state in which the company has its registered office. Currently applicable Cypriot law contains provisions relating to mandatory offers requiring any person who acquires shares in a company to which such law applies, which together with the shares already held by him and by persons acting in concert with him, carry 30% or more of such company's voting rights, to make a general offer for that company's entire issued share capital. However, these provisions are expressed to apply only to companies listed on a regulated market in Cyprus. Accordingly, notwithstanding the requirements of the Takeover Directive, it appears there would currently be no requirement for any person acquiring control of the Company to make an offer to acquire the GDRs or ordinary shares held by other holders.

Section 201 of the Cyprus Companies Law contains provisions on the power to acquire shares of shareholders dissenting from a scheme or contract approved by the majority. The effect of these provisions is that where a scheme or contract is approved for the transfer of shares or any class of shares in a company to another company (the "**transferee company**"), and the offer is accepted by the holders of 90% in value of the shares concerned, the transferee company can upon the same terms acquire the shares of shareholders who had not accepted the transfer, unless otherwise ordered by the court. If the transferee company already holds more than 10% in value of the shares concerned, additional requirements need to be met for these provisions to apply. If the transferee company making the take-over bid acquires sufficient shares to aggregate, together with those which it already holds (or by nominee), more than 90% in value then, within one month of the date of the transfer which gives the 90%, it must give notice of the fact to the remaining shareholders and such shareholders may, within three months of the notice, require the transferee to acquire their shares and the transferee company shall be bound to do so upon the same terms as in the offer or as may be agreed between them or upon such terms as the court may order.

There have been no public takeover bids by third parties for all or any part of the Company's equity share capital since its date of incorporation.

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (subject to completion and amendment and excepting sentences in italics) will apply to the GDRs, and will be endorsed on each Global Depositary Receipt certificate:

The Global Depositary Receipts ("**GDRs**") represented by this certificate are issued in respect of ordinary shares, each with a nominal value of €0.01 (the "**Shares**") in ROS AGRO PLC (the "**Company**") pursuant to and subject to an agreement to be dated on or about 13 April 2011, and made between the Company and The Bank of New York Mellon in its capacity as depositary (the "**Depositary**") for the "**Regulation S Facility**" and for the "**Rule 144A Facility**" (such agreement, as amended from time to time, being hereinafter referred to as the "**Deposit Agreement**"). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed BNY (Nominees) Limited as Custodian (the "**Custodian**") to receive and hold on its behalf any relevant documentation respecting certain Shares (the "**Deposited Shares**") and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "**Deposited Property**"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions (the "**Conditions**"), references to the "Depositary" are to The Bank of New York Mellon and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "Custodian" are to BNY (Nominees) Limited or any other custodian from time to time appointed under the Deposit Agreement and references to the "Main Office" mean, in relation to the relevant Custodian, its head office in the city of London or such other location of the head office of the Custodian in Cyprus as may be designated by the Custodian with the approval of the Depositary (if outside the city of London) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

The GDRs will upon issue be represented by interests in a Regulation S Master GDR, evidencing Regulation S GDRs, and by interests in a Rule 144A Master GDR, evidencing Rule 144A GDRs (as each such term is defined in the Deposit Agreement). The GDRs are exchangeable in the circumstances set out in "*Summary of Provisions Relating to the Global Depositary Receipts while in Master Form*" for a certificate in definitive registered form in respect of GDRs representing all or part of the interest of the holder in the relevant Master GDR.

References in these Conditions to the "**Holder**" of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the "**Register**") as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. Holders of GDRs are not party to the Deposit Agreement and thus, under English Law, have no contractual rights against, or obligations to, the Company or Depositary. However, the Deed Poll executed by the Company in favour of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the "Depositary" in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder of a GDR or any other person.

1. Withdrawal of Deposited Property and Further Issues of GDRs

1.1 Any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence of the entitlement of the Holder to the relative GDR as the Depositary may reasonably require, at the specified office of the Depositary or any Agent accompanied by:

(a) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of the Custodian, or (at the request, risk and expense of the Holder, and only if permitted by applicable law from time to time) at the specified office located in New York, London or Cyprus of the Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;

(b) the payment of such fees, taxes, duties, charges, costs, expenses and governmental charges as may be required under these Conditions or the Deposit Agreement;

(c) the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the Depositary to which the Deposited Property being withdrawn is attributable; and

(d) the delivery to the Depositary of a duly executed and completed certificate substantially in the form set out in Schedule 4, Part B to the Deposit Agreement (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8), if Deposited Property is to be withdrawn or delivered in respect of surrendered Rule 144A GDRs.

1.2 Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property in accordance with Condition 1.1, the Depositary will direct the Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from such Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order:

(a) a certificate (if any) for, or other appropriate instrument of title (if any) to or evidence of a book- entry transfer in respect of the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(b) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; provided however that the Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

(i) will direct the Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(a) and (b) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agent and is attributable to such Deposited Shares); and/or

(ii) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the Depositary (if permitted by applicable law from time to time) or at the specified office in Cyprus of any Agent as designated by the surrendering Holder in the order accompanying such GDR.

1.3 Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

1.4 The Depositary may, in accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the Depositary) and a duly executed certificate substantially in the form of (a) Schedule 3 of the Deposit Agreement (which is described in the following paragraph) (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8) by or on behalf of any investor who is to become the beneficial owner of the Regulation S GDRs or (b) Schedule 4, Part A of the Deposit Agreement (which is described in the second following paragraph) (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8) by or on behalf of any investor who is to become the beneficial owner of Rule 144A GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares represented by such further GDRs) and, subject to the terms of the Deposit Agreement, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further

GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The certificate to be provided in the form of Schedule 3 of the Deposit Agreement certifies, among other things, that the person providing such certificate is located outside the United States and will comply with the restrictions on transfer set forth under "Transfer and Selling Restrictions."

*The certificate to be provided in the form of Schedule 4, Part A, of the Deposit Agreement certifies, among other things that the person providing such certificate is a qualified institutional buyer (as defined in Rule 144A under the US Securities Act of 1933, as amended (the "**Securities Act**") ("**QIB**")) or is acting for the account of another person and such person is a QIB and, in either case, will comply with the restrictions on transfer set forth under "Transfer and Selling Restrictions."*

1.5 Any further GDRs issued pursuant to Condition 1.4 which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs, will be represented by a GDR certificate in definitive form or a separate temporary Regulation S Master GDR and/or temporary Rule 144A Master GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a Regulation S Master GDR and/or a Rule 144A Master GDR (by increasing the total number of GDRs evidenced by the relevant Regulation S Master GDR or Rule 144A Master GDR by the number of such further GDRs, as applicable).

1.6 The Depositary may issue GDRs against rights to receive Shares from the Company (or any agent of the Company recording Share ownership). No such issue of GDRs will be deemed a "Pre-Release" as defined in Condition 1.7.

1.7 Unless requested in writing by the Company to cease doing so, and notwithstanding the provisions of Condition 1.4, the Depositary may execute and deliver GDRs or issue interests in a Regulation S Master GDR or a Rule 144A Master GDR, as the case may be, prior to the receipt of Shares (a "**Pre-Release**"). The Depositary may, pursuant to Condition 1.1, deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such GDR has been Pre-Released. The Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation and agreement from the person to whom GDRs or Deposited Property are to be delivered (the "**Pre-Releasee**") that such person, or its customer, (i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the Depositary in its capacity as such and for the benefit of the Holders, and (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depositary, disposing of such GDRs or Deposited Property, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralised with cash or such other collateral as the Depositary determines in good faith will provide substantially similar liquidity and security, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than thirty per cent. of the total number of GDRs then outstanding; **provided, however, that** the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate and may, with the prior written consent of the Company, change such limit for the purpose of general application. The Depositary will also set dollar limits with respect to Pre-Release transactions hereunder with any particular Pre-Releasee on a case by case basis as the Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations in connection herewith, including the Pre-Releasee's obligation to deliver Shares and/or other securities or GDRs upon termination of a Pre-Release transaction anticipated hereunder (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing including, without limitation, earnings on the collateral.

The person to whom any Pre-Release of Rule 144A GDRs or Rule 144A Shares is to be made pursuant to this Condition 1.7 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 4, Part A of the Deposit Agreement (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8). The person to whom any Pre-Release of Regulation S GDRs or Regulation S Shares is to be made pursuant to this paragraph shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 3 of the Deposit Agreement (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8).

1.8 The Depositary may make such amendments to the certificates contained in the Deposit Agreement in Schedule 3 and in Schedule 4, Parts A and B as it may determine are required in order for the Depositary to perform its duties under the Deposit Agreement, or to comply with any applicable law or with the rules and regulations of any securities exchange, market or automated quotation system upon which the GDRs may be listed or traded, or to comply with the rules or requirements of any book entry system by which the GDRs may be transferred, or to confirm compliance with any special limitations or restrictions to which any particular GDRs are subject.

2. Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Company in writing that the Deposited Shares or GDRs or any depositary receipts representing Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A under the Securities Act. Further, the Depositary may suspend the withdrawal of Deposited Property during any period when the Register, or the register of shareholders of the Company is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or desirable or advisable by the Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement or for any other reason. The Depositary shall (unless otherwise notified by the Company) restrict the withdrawal of Deposited Shares where the Company notifies the Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Company's constitutive documents or would otherwise violate any applicable laws.

3. Transfer and Ownership

The GDRs are in registered form. Title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary and the Company as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

Interests in Rule 144A GDRs represented by the Rule 144A Master GDR may be transferred to a person whose interest in such Rule 144A GDRs is subsequently represented by the Regulation S Master GDR only upon receipt by the Depositary of written certifications (in the forms provided in the Deposit Agreement) from the transferor and the transferee to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

4. Cash Distributions

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; PROVIDED THAT:

(a) in the event that the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and

(b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1(d).

5. Distributions of Shares

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend or free distribution of Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, additional GDRs representing an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs represented by the Master GDRs or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. Distributions other than in Cash or Shares

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7. Rights Issues

If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 23, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

(a) if and to the extent that the Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in dollars or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the Holders entitled thereto by an increase in the numbers of GDRs represented by the Master GDRs or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

(b) if and to the extent that the Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or

(c) if and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (a) and (b) above to all or any Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary (i) will, PROVIDED THAT Holders have not taken up rights through the Depositary as provided in (a) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (ii) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

(d) (i) Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(a) (the "**Primary GDR Rights Offering**"), if authorised by the Company to do so, the Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a Holder to the Depositary to exercise rights on its behalf pursuant to Condition 7(a), such Holder is permitted to instruct the Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such Holder's GDRs ("**Additional GDR Rights**") if at the date and time specified by the Depositary for the conclusion of the Primary GDR Rights Offering (the "**Instruction Date**") instructions to exercise rights have not been received by the Depositary from the Holders in respect of all their initial entitlements. Any Holder's instructions to subscribe for such Additional GDR Rights ("**Additional GDR Rights Requests**") shall specify the maximum number of Additional GDR Rights that such Holder is prepared to accept (the "**Maximum Additional Subscription**") and must be received by the Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the Holders initially entitled thereto ("**Unsubscribed Rights**"), subject to Condition 7(d)(iii) and receipt of the relevant subscription price in dollars or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(d)(ii).

(ii) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Rights Request but the Depositary shall not be bound to arrange for a Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated pro rata on the basis of the extent of the Maximum Additional Subscription specified in each Holder's Additional GDR Rights Request.

(iii) In order to proceed in the manner contemplated in this Condition 7(d), the Depositary shall be entitled to receive such opinions from Cypriot counsel and US counsel as in its discretion it deems necessary which opinions shall be in a form and provided by counsel reasonably satisfactory to the Depositary and at the expense of the Company and may be requested in addition to any other opinions and/or certifications which the Depositary shall be entitled to receive under the Deposit Agreement and these Conditions. For the avoidance of doubt, save as provided in these Conditions and the Deposit Agreement, the Depositary shall have no liability to the Company or any Holder in respect of its actions or omissions to act under this Condition 7(d) and, in particular, the Depositary will not be regarded as being negligent, acting in bad faith, or in wilful default if it elects not to make the arrangements referred to in Condition 7(d)(i).

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the Depositary concerning such matters as the Depositary may reasonably specify).

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Conditions 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Company to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities corresponding to such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Company procures the receipt by the Depositary of an opinion from counsel reasonably satisfactory to the Depositary that a registration statement is in effect or that the offering and sale of such rights or securities to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (a), (b), (c) and (d) above, the Depositary shall permit the rights to lapse. The Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

8. Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgement of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable convert or cause to be converted, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary may make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the Depositary shall determine that in its judgement any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency without liability for interest for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

9. Distribution of any Payments

9.1 Any distribution of cash under Conditions 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable) and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDRs, according to usual practice between the Depositary and Clearstream, Euroclear or DTC, as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law or regulation in respect of such GDR or the relevant Deposited Property.

9.2 Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable), subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company when the Depositary shall retain the same) return the same to the Company for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10. Capital Reorganisation

Upon any sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11. Withholding Taxes and Applicable Laws

11.1 Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Cypriot and other withholding taxes, if any, at the applicable rates.

11.2 If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in Cyprus in order for the Depositary to receive from the Company Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company has agreed to apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such laws. In this connection, the Company has undertaken in the Deposit Agreement to the extent reasonably practicable to take such action as may be required in obtaining or filing the same. The Depositary shall not be obliged to distribute GDRs representing such Shares, Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which (as notified to the Depositary by the Company) such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration or permit, or to file any such report.

12. Voting Rights

12.1 Holders will have voting rights with respect to the Deposited Shares. The Company has agreed to notify the Depositary of any resolution to be proposed at a General Meeting of the Company on which the holders of the Shares are entitled to vote and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 12.

The Company has agreed with the Depositary that it will promptly provide to the Depositary sufficient copies, as the Depositary may reasonably request, of notices of meetings of the shareholders of the Company and the agenda therefor as well as written requests containing voting instructions by which each Holder may give instructions to the Depositary to vote for or against each and any resolution specified in the agenda for the meeting, which the Depositary shall send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be the same as the corresponding record date set by the Company or as near as practicable thereto) as soon as practicable after receipt of the same by the Depositary in accordance with Condition 23. The Company has also agreed to provide to the Depositary appropriate proxy forms to enable the Depositary to appoint a representative to attend the relevant meeting and vote on behalf of the Depositary.

12.2 In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective Holder (or in the case of instructions received from the clearing systems should be received by authenticated SWIFT message) in accordance with the written request containing voting instructions and returned to the Depositary by such record date as the Depositary may specify.

12.3 The Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares so that a portion of the Deposited Shares will be voted for and a portion of the Deposited Shares will be voted against any resolution specified in the agenda for the relevant meeting in accordance with the voting instructions it has received from Holders.

12.4 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permitted by Cypriot law to exercise the voting rights in respect of the Deposited Shares differently (so that a portion of the Deposited Shares may be voted for a resolution and a portion of the Deposited Shares may be voted against a resolution) the Depositary shall, if the opinion referred to in Condition 12.7 below confirms it to be permissible under Cypriot law, calculate from the voting instructions that it has received from all Holders (x) the aggregate number of votes in favour of a particular resolution and (y) the aggregate number of votes opposed to such resolution and cast or cause to be cast in favour of or opposed to such resolution the number of votes representing the net positive difference between such aggregate number of votes in favour of such resolution and such aggregate number of votes opposed to such resolution.

12.5 The Depositary will only endeavour to vote or cause to be voted the votes attaching to Shares in respect of which voting instructions have been received, except that if no voting instructions are received by the Depositary (either because no voting instructions are returned to the Depositary or because the voting instructions are incomplete, illegible or unclear) from a Holder with respect to any or all of the Deposited Shares represented by such Holder's GDRs on or before the record date specified by the Depositary, such Holder shall be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to such Deposited Shares, and the Depositary shall give a discretionary proxy to a person designated by the Company to vote such Deposited Shares, PROVIDED THAT no such instruction shall be deemed given, and no such discretionary proxy shall be given, with respect to any matter as to which the Company informs the Depositary (and the Company has agreed to provide such information in writing as soon as practicable) that (i) the Company does not wish such proxy to be given, or (ii) such matter materially and adversely affects the rights of holders of Shares.

12.6 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permissible under Cypriot law or the Depositary determines that it is not reasonably practicable to vote or cause to be voted such Deposited Shares in accordance with Conditions 12.3, 12.4 or 12.5 the Depositary shall not vote or cause to be voted such Deposited Shares.

12.7 Where the Depositary is to vote in respect of each and any resolution in the manner described in Conditions 12.3, 12.4 or 12.5 above the Depositary shall notify the Chairman of the Company and appoint a person designated by him as a representative of the Depositary to attend such meeting and vote the Deposited Shares in the manner required by this Condition. The Depositary is entitled to request the Company to provide to the Depositary, and where such request has been made shall not be required to take any action required by this Condition 12 unless it shall have received, an opinion from the Company's legal counsel (such counsel being reasonably acceptable to the Depositary) at the expense of the Company to the effect that such voting arrangement is valid and binding on Holders under Cypriot law and the statutes of the Company and that the Depositary is permitted to exercise votes in accordance with the provisions of this Condition 12 but that in doing so the Depositary will not be deemed to be exercising voting discretion.

12.8 By continuing to hold GDRs, all Holders shall be deemed to have agreed to the provisions of this Condition as it may be amended from time to time in order to comply with applicable Cypriot law.

12.9 The Depositary shall not, and the Depositary shall ensure that the Custodian and its nominees do not, vote or attempt to exercise the right to vote that attaches to the Deposited Shares, other than in accordance with instructions given, or deemed given, in accordance with this Condition.

13 Recovery of Taxes, Duties and Other Charges, and Fees and Expenses due to the Depositary

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR (the "**Charges**") shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. The Depositary may sell (whether by way of public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) for the account of the Holder an appropriate number of Deposited Shares or amount of other Deposited Property and will discharge out of the proceeds of such sale any Charges, and any fees or expenses due to the Depositary from the Holder pursuant to Condition 16, and subsequently pay any surplus to the Holder. Any request by the Depositary for the payment of Charges shall be made by giving notice pursuant to Condition 23.

14 Liability

14.1 In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.

14.2 Neither the Depositary, the Custodian, the Company, any Agent, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any Holder or owner of a GDR or any other person with an interest in any GDRs if, by reason of any provision of any present or future law or regulation of Cyprus or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, or in the case of the Depositary, the Custodian, any Agent, or any of their agents, officers, directors or employees, by reason of any provision, present or future, of the constitutive documents of the Company, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any Holder or owner of GDRs or any other person with an interest in any GDRs by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

14.3 Neither the Depositary nor any Agent shall be liable (except for its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) to the Company or any Holder or owner of GDRs or any other person, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.

14.4 The Depositary and its agents may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or any other person for any profit arising therefrom.

14.5 The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures but shall have no liability (in the absence of its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.

14.6 The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or these Conditions. The Company shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Depositary of the obligations under or in connection with the Deposit Agreement or these Conditions.

14.7 Except in cases of its wilful default, negligence or bad faith, the Depositary shall have no responsibility whatsoever to the Company, any Holders or any owner of GDRs or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

14.8 In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders or the owners of GDRs or any other person.

14.9 Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

14.10 The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise (subject to Condition 14.13), and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof.

14.11 Any such advice, opinion, certificate or information (as discussed in Condition 14.10 above) may be sent or obtained by letter, telex, facsimile transmission, telegram or cable and (subject to Condition 14.13) the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter, telex or facsimile transmission although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.

14.12 The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by a director of the Company or by a person duly authorised by a director of the Company or such other certificate from persons specified in Condition 14.10 above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.

14.13 The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as specifically set out therein without wilful default, negligence or bad faith.

14.14 The Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, selected with reasonable care, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit, **provided that** no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not in any circumstances and the Depositary shall not (**provided that** it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable, and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.

14.15 The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.

14.16 The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in the case of deposit with itself, in the absence of its own negligence, wilful default, or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.

14.17 Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance, or the exercise or attempted exercise of (or the failure to exercise any of) its powers or discretions, under the Deposit Agreement, except to the extent that such loss or damage arises from the wilful default, negligence or bad faith of the Depositary or that of its agents, officers, directors or employees. Without prejudice to the generality of the foregoing, in no circumstances shall the Depositary have any liability for any act or omission of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Shares or otherwise.

14.18 No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

14.19 For the avoidance of doubt, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable Cypriot law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issuance of GDRs if notified by the Company, or the Depositary becomes aware of the fact, that such transfer or issuance would result in a violation of the limitations set forth above.

14.20 No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement or these Conditions.

15 Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

16 Depositary's Fees, Costs and Expenses

16.1 The Depositary shall be entitled to charge the following remuneration and to receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:

(a) for the issue of GDRs (other than upon the issue of GDRs pursuant to the Offering) or the cancellation of GDRs upon the withdrawal of Deposited Property: US$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled;

(b) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

(c) for issuing GDR certificates in definitive registered form (other than pursuant to (b) above): the greater of US$1.50 per GDR certificate (plus printing costs) or such other sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work plus costs (including but not limited to printing costs) and expenses involved;

(d) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of US$0.02 or less per GDR for each such dividend or distribution;

(e) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: US$5.00 or less per 100 outstanding GDRs (or portion thereof) for each such issue of rights, dividend or distribution;

(f) for transferring interests from and between the Regulation S Master GDR and the Rule 144A Master GDR: a fee of US$0.05 or less per GDR;

(g) a fee of US$0.03 or less per GDR (or portion thereof) per calendar year for depositary services which shall be payable as provided in paragraph (i) below;

(h) a fee of U.S. $0.01 or less per GDR per annum for local share registry inspection and related services by the Depositary or the Custodian or their respective agents, which shall be payable as provided in paragraph (i) below; and

(i) any other charge payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents, in connection with the servicing of Deposited Shares or other Deposited Property (which charge shall be assessed against Holders as of the date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such Holders for such charge or deducting such charge from one or more cash dividends or other cash distributions),

together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Depositary, any Agent or the Custodian, or any of their agents, in connection with any of the above.

16.2 The Depositary is entitled to receive from the Company the fees, taxes, duties, charges costs and expenses as specified in a separate agreement between the Company and the Depositary.

17 Agents

17.1 The Depositary shall be entitled to appoint one or more agents (the "**Agents**") for the purpose, inter alia, of making distributions to the Holders.

17.2 Notice of appointment or removal of any Agent or of any change in the specified office of the Depositary or any Agent will be duly given by the Depositary to the Holders.

18 Listing

The Company has undertaken in the Deposit Agreement to use its commercially reasonable best endeavours to maintain, so long as any GDR is outstanding, an admission for the GDRs to the Official List and to trading on the regulated market of the London Stock Exchange. For that purpose the Company will pay all fees and sign and deliver all undertakings required by the Financial Services Authority, or its successor organisation, and/or the London Stock Exchange in connection with such admission. In the event that the admission to the Official List and to trading on the London Stock Exchange is not maintained, the Company has undertaken in the Deposit Agreement to use its commercially reasonable endeavours with the reasonable assistance of the Depositary (provided at the Company's expense) to obtain and maintain a listing of the GDRs on any other internationally recognised stock exchange.

19 The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian PROVIDED THAT the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary PROVIDED THAT, if and so long as the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. The Custodian may resign or be removed by the Depositary by giving prior notice, except that if a replacement Custodian is appointed which is a branch or affiliate of the Depositary, the Custodian's resignation or discharge may take effect immediately on the appointment of such replacement Custodian. Upon the removal of or receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, and the expiry of any applicable notice period, become the Custodian. The Depositary in its discretion may appoint a substitute or additional custodian or custodians, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. The Depositary shall notify Holders of such change in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; PROVIDED THAT, in the case of such temporary deposit in another place, the Company shall have consented to such deposit, and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

20 Resignation and Termination of Appointment of the Depositary

20.1 The Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 90 days' prior notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 90 days' prior notice in writing to the Company and the Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in such notice; PROVIDED THAT no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary under the Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions, by the successor depositary. The Company has undertaken in the Deposit Agreement to use its commercially reasonable endeavours to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23.

20.2 Upon the termination of the appointment or resignation of the Depositary and against payment of all fees and expenses due to the Depositary from the Company under the Deposit Agreement, the Depositary shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all property and cash held by it under the Deposit Agreement. The Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect, the Custodian shall be deemed to be the Custodian thereunder for such successor depositary, and shall hold the Deposited Property for such successor depositary, and the Depositary shall thereafter have no obligation under the Deposit Agreement or the Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

21 Termination of Deposit Agreement

21.1 Either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the Deposit Agreement by giving 90 days' prior notice to the other and to the Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

21.2 During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relative to each GDR held by it, subject to the provisions of Condition 1.1 and upon compliance with Condition 1, payment by the Holder of the charge specified in Condition 16.1(a) and Clause 10.1(a)(i) of the Deposit Agreement for such delivery and surrender, and payment by the Holder of any sums payable by the Depositary and/or any other expenses incurred by the Depositary (together with all amounts which the Depositary is obliged to pay to the Custodian) in connection with such delivery and surrender, and otherwise in accordance with the Deposit Agreement.

21.3 If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, pro rata to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligation to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

22 Amendment of Deposit Agreement and Conditions

22.1 Subject to Condition 22.3, all and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22) may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders until the expiration of 30 calendar days after such notice shall have been given. During such period of 30 calendar days, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, payment of the charge specified in Condition 16.1(a) for such delivery and surrender and otherwise in accordance with the Deposit Agreement and these Conditions. Each Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.

22.2 For the purposes of this Condition 22, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the Depositary which are or will become fully consolidated as a single series with the other Deposited Shares PROVIDED THAT temporary GDRs will represent such Shares until they are so consolidated.

22.3 The Company and the Depositary may at any time by agreement in any form amend the number of Shares represented by each GDR, provided that each outstanding GDR represents the same number of Shares as each other outstanding GDR, and at least 30 calendar days notice of such amendment is given to the Holders, but in no circumstances shall any amendment pursuant to this Condition 22.3 be regarded as an amendment requiring 30 calendar days notice in accordance with Condition 22.1.

23 Notices

23.1 Any and all notices to be given to any Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by facsimile transmission confirmed by letter sent by mail or air courier, addressed to such Holder at the address of such Holder as it appears on the transfer books for GDRs of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.

23.2 Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after despatch, and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Depositary or the Company may, however, act upon any facsimile transmission received by it from the other or from any Holder, notwithstanding that such facsimile transmission shall not subsequently be confirmed as aforesaid.

24 Reports and Information on the Company

24.1 The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) by mail, or one copy in the English language by facsimile or electronic transmission of any financial statements or accounts that it makes generally available to its shareholders (beginning with the 31 December 2010 annual audited financial statements of the Company), including but not limited to any financial statement or accounts that may be required by law or regulation or in order to maintain a listing for GDRs on the London Stock Exchange, or another stock exchange in accordance with Condition 18 as soon as practicable following the publication or availability of such communications.

24.2 The Depositary shall upon receipt thereof give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.

24.3 For so long as any of the GDRs remains outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, if at any time the Company is neither subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Company has agreed in the Deposit Agreement to supply to the Depositary such information, in the English language and in such quantities as the Depositary may from time to time reasonably request, as is required to be delivered to any Holder or beneficial owner of GDRs or to any holder of Shares or a prospective purchaser designated by such Holder, beneficial owner or holder pursuant to a Deed Poll executed by the Company in favour of such persons and the information delivery requirements of Rule 144A(d)(4) under the Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of GDRs or Shares or interests therein in reliance on Rule 144A under the Securities Act and otherwise to comply with the requirements of Rule 144A(d)(4) under the Securities Act. Subject to receipt, the Depositary will deliver such information, during any period in which the Company informs the Depositary it is subject to the information delivery requirements of Rule 144(A)(d)(4), to any such holder, beneficial owner or prospective purchaser but in no event shall the Depositary have any liability for the contents of any such information.

25 Copies of Company Notices

The Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary on or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of such notice and any other material (which contains information having a material bearing on the interests of the Holders) furnished to such holders by the Company (or such number of English translations of the originals if the originals were prepared in a language other than English) in connection therewith as the Depositary may reasonably request. If such notice is not furnished to the Depositary in English, either by the Company or the Custodian, the Depositary shall, at the Company's expense, arrange for an English translation thereof (which may be in such summarised form as the Depositary may deem adequate to provide sufficient information) to be prepared. Except as provided below, the Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

26 Moneys held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

27 Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

28 Governing Law

28.1 The Deposit Agreement, the GDRs, and all non-contractual obligations arising from or connected with the Deposit Agreement and the GDRs, are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedules 3 and 4 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Shares will be governed by Cypriot law. The Company has agreed that all disputes in respect of the Deposit Agreement and the Deed Poll shall be submitted to arbitration in the London Court of International Arbitration.

28.2 The Company has agreed that any disputes (each a "**Dispute**") which may arise out of or in connection with the GDRs (including any dispute relating to the existence, validity or termination of the GDRs, or any noncontractual obligation arising out of or in connection with the GDRs, or the consequences of the nullity of the GDRs), and accordingly any legal action or proceedings arising out of or in connection with the GDRs ("**Proceedings**") shall be resolved by arbitration and not litigation. Disputes shall be referred to arbitration under the Rules of the London Court of International Arbitration (the "**Rules**") and finally resolved by arbitration under the Rules which Rules are deemed to be incorporated by reference into this Condition. Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

28.3 In the event that the Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Company, or which contains allegations to such effect, upon notice from the Depositary, the Company has agreed to fully cooperate with the Depositary in connection with such litigation, arbitration or Proceeding.

28.4 The Company irrevocably appoints Law Debenture Corporate Services Limited at the address of its registered office from time to time, being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX, England, as its agent in England to receive process which may be served in any suit or Proceeding in England arising out of or relating to the Deposited Shares, the GDRs, the Conditions or this Agreement and the Company agrees to receive service of process in any suit or Proceedings in New York arising out of or relating to the Deposited Shares, the GDRs, the Conditions or this Agreement by mail at its registered office address. If for any reason the Company does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such appointment. The Depositary irrevocably appoints The Bank of New York Mellon, London Branch (Attention: The Manager), of 48th Floor, One Canada Square, London E14 5AL as its agent in England to receive process which may be served in any suit or Proceeding in England arising out of or relating to the Deposited Shares, the GDRs, the Conditions or this Agreement and the Depositary agrees to receive service of process in any suit or Proceedings in New York arising out of or relating to the Deposited Shares, the GDRs, the Conditions or this Agreement by mail at its registered office address. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders and the Company of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

28.5 To the extent that the Company may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Company or its assets or revenues, the Company has agreed not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATED TO THE GLOBAL DEPOSITARY RECEIPTS WHILE IN MASTER FORM

The GDRs will initially be evidenced by (i) a single Regulation S Master GDR in registered form and (ii) a single Rule 144A Master GDR in registered form. The Rule 144A Master GDR will be deposited with The Bank of New York Mellon in New York as custodian for DTC and registered in the name of Cede & Co., as nominee for DTC on the date the GDRs are issued. The Regulation S Master GDR will be deposited with The Bank of New York Mellon, London Branch as common depositary for Euroclear and Clearstream (and registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for the common depositary) on the date the GDRs are issued.

The Regulation S Master GDR and the Rule 144A Master GDR contain provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Conditions of the GDRs set out in this document. The following is a summary of certain of those provisions. Unless otherwise defined herein, the terms defined in the Conditions shall have the same meaning herein.

The Master GDRs will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (i), (ii), (iii) or (iv) below in whole but not in part. The Depositary will irrevocably undertake in the Master GDRs to deliver certificates evidencing GDRs in definitive registered form in exchange for the relevant Master GDR to the Holders within 60 calendar days in the event that:

(i) DTC, in the case of the Rule 144A Master GDR, or Euroclear or Clearstream, in the case of the Regulation S Master GDR, notifies the Company that it is unwilling or unable to continue as depositary and a successor depositary is not appointed within 90 calendar days; or

(ii) either DTC in the case of Rule 144A Master GDR, or Euroclear or Clearstream in the case of the Regulation S Master GDR, is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 calendar days; or

(iii) in respect of the Rule 144A Master GDR, DTC or any successor ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended; or

(iv) the Depositary has determined that, on the occasion of the next payment in respect of the Master GDRs, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the Master GDRs which would not be required were the Master GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense (including printing costs) of the Company.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear, Clearstream or DTC. Upon any exchange of a Master GDR for certificates in definitive registered form, or any exchange of interests between the Rule 144A Master GDR and the Regulation S Master GDR pursuant to Clause 4 of the Deposit Agreement, or any distribution of GDRs pursuant to Conditions 5, 7 or 10 or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 1, the relevant details shall be entered by the Depositary on the register maintained by the Depositary whereupon the number of GDRs represented by the Master GDR shall be reduced or increased (as the case may be) for all purposes by the number so exchanged and entered on the register. If the number of GDRs represented by a Master GDR is reduced to zero such Master GDR shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will, in the case of GDRs represented by the Regulation S Master GDR be made by the Depositary through Euroclear and Clearstream and, in the case of GDRs represented by the Rule 144A Master GDR, will be made by the Depositary through DTC, on behalf of persons entitled thereto upon receipt of funds therefor from the Company. A free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the record maintained by the Depositary being marked up to reflect the enlarged number of GDRs represented by the relevant Master GDR.

Holders of GDRs will have voting rights as set out in the Conditions.

Surrender of GDRs

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by Euroclear and Clearstream (in the case of GDRs represented by the Regulation S Master GDR), or DTC (in the case of GDRs represented by the Rule 144A Master GDR), on behalf of a person entitled to an interest therein of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream, or DTC, as appropriate. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Regulation S Master GDR is registered in the name of nominee for a common depository holding on behalf of Euroclear and Clearstream, and the Rule 144A Master GDR is registered in the name of DTC or its nominee, notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear and Clearstream, or (as appropriate) DTC, for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 23.

The Master GDRs shall be governed by and construed in accordance with English law.

TAXATION

The following summary of certain material US federal income, United Kingdom and Cypriot tax consequences of ownership of the GDRs is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the GDRs. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the GDRs. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of the GDRs, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

Certain US Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING US FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain material US federal income tax considerations relevant to US Holders (as defined below) acquiring, holding and disposing of GDRs. This summary is based on the US Internal Revenue Code of 1986 (the "**Code**"), its legislative history, final, temporary and proposed US Treasury regulations, administrative and judicial interpretations thereof, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect.

This summary does not discuss all aspects of US federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (1) financial institutions; (2) insurance companies; (3) dealers in stocks, securities, or currencies or notional principal contracts; (4) traders in securities that elect mark-to-market treatment; (5) regulated investment companies; (6) real estate investment trusts; (7) tax-exempt organisations; (8) partnerships or entities treated as partnerships for US federal income tax purposes, pass-through entities, or persons that hold GDRs through partnerships or pass-through entities; (9) holders that own (directly, indirectly or constructively) 10% or more of the voting stock of the Company; (10) investors that hold GDRs as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for US federal income tax purposes; (11) investors that have a functional currency other than the US Dollar and (12) US expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address tax consequences applicable to holders of equity interests in a holder of the GDRs, US federal estate, gift or alternative minimum tax considerations, or non-US, state or local tax considerations. This summary only addresses investors that will acquire GDRs in the Offering, and it assumes that investors will hold their GDRs as capital assets (generally, property held for investment).

For the purposes of this summary, a "**US Holder**" is a beneficial owner of GDRs that is for US federal income tax purposes: (1) an individual who is a citizen or resident of the United States; (2) a corporation (or other entity taxable as a corporation) created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia; (3) an estate the income of which is includible in gross income for US federal income tax purposes regardless of its source; or (4) a trust (i) if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all the trust's substantial decisions, or (ii) that has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

For US federal income tax purposes, US Holders of GDRs generally should be treated as owners of the Ordinary Shares represented by the GDRs. Accordingly, except as otherwise noted, the US federal income tax consequences discussed below apply equally to US Holders of GDRs or the underlying Ordinary Shares.

Dividends

Subject to the discussion under "– *Passive Foreign Investment Company rules*" below, the US Dollar value of the gross amount of a distribution made by the Company on the Ordinary Shares underlying the GDRs (including the amount of tax withheld therefrom, if any) generally will be treated as a dividend includible in the gross income of a US Holder as ordinary income to the extent of the Company's current and accumulated earnings and profits as determined under US federal income tax principles. Such dividends will not be eligible for the dividends received deduction allowed to corporations. The Company does not expect to maintain calculations of earnings and profits for US federal income tax purposes. Therefore, a US Holder should expect that such a distribution will generally be treated as a dividend. Dividends paid by qualified foreign corporations to certain non-corporate US Holders are currently eligible for US federal income tax at lower rates than other types of ordinary income if certain holding period requirements are met, provided that the corporation is not classified as a PFIC for the current or prior taxable year in which the dividend is paid. While not entirely clear, the Company may be a qualified foreign corporation with respect to dividends paid in 2012 but expects it will not be a qualified foreign corporation for the current taxable year. US Holders should consult their own tax advisors regarding the availability of the lower rate for dividends paid with respect to the GDRs.

Dividends generally will constitute income from sources outside the United States for foreign tax credit limitation purposes. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution.

The US Dollar value of any distribution made by the Company in foreign currency must be calculated by reference to the exchange rate in effect on the date of actual or constructive receipt of such distribution by the US Holder, regardless of whether the foreign currency is in fact converted into US Dollars at that time. If the foreign currency so received is converted into US Dollars on the date of receipt, such US Holder generally will not recognise foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into US Dollars on the date of receipt, such US Holder will have a basis in the foreign currency equal to its US Dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Sale or other disposition

Subject to the discussion under "– *Passive Foreign Investment Company rules*" below, a US Holder generally will recognise a gain or a loss for US federal income tax purposes upon a sale or other disposition of its GDRs in an amount equal to the difference between the amount realised from such sale or disposition (which will include the amount of tax withheld therefrom, if any) and the US Holder's adjusted tax basis in such GDRs, as determined in US Dollars. A US Holder's adjusted tax basis in a GDR generally will be its US Dollar cost. The US Dollar cost of a GDR purchased with foreign currency generally will be the US Dollar value of the purchase price paid on the date of purchase. Such gain or loss generally will be capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate US Holders, such as individuals) or loss if, on the date of sale or disposition, such GDRs were held by such US Holder for more than one year. The deducibility of capital losses is subject to significant limitations. Such gain or loss realised generally will be treated as derived from US sources.

The surrender of GDRs in exchange for Ordinary Shares (or vice versa) should not be a taxable event for US federal income tax purposes and US Holders should not recognise any gain or loss upon such a surrender. A US Holder's tax basis in withdrawn shares will be the same as such holder's tax basis in the GDRs surrendered, and the holding period of the shares will include the holder's holding period for the GDRs.

A US Holder that receives foreign currency from a sale or disposition of GDRs generally will realise an amount equal to the US Dollar value of the foreign currency on the date of sale or disposition or, if such US Holder is a cash basis or electing accrual basis taxpayer and the GDRs are treated as being traded on an "established securities market" for this purpose, the settlement date. If the GDRs are so treated and the foreign currency received is converted into US Dollars on the settlement date, a cash basis or electing accrual basis US Holder will not recognise foreign currency gain or loss on the conversion. If a US Holder is an accrual basis taxpayer that does not elect to determine the amount realised using the US Dollar value on the settlement date, its gain or loss will be foreign currency gain or loss to the extent of any difference between the US Dollar amount realised on the date of disposition and the US Dollar value of the currency received at the spot rate on the settlement date. If the foreign currency received is not converted into US Dollars on the settlement date, the US Holder will have a basis in the foreign currency equal to the US Dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive Foreign Investment Company considerations

In general, a corporation organised or incorporated outside the United States is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (1) at least 75% of its gross income is classified as "passive income" or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on the present nature of its activities, including the planned use of the proceeds from the Offering, and the present composition of its assets and sources of income, the Company believes that it will not be classified as a PFIC for the current or for any future taxable year. There can be no assurances, however, that the Company will not be considered to be a PFIC for any particular year because PFIC status is factual in nature, may depend in part on fluctuations in the market price of the GDRs, generally cannot be determined until the close of the taxable year in question and is determined annually.

If the Company is classified as a PFIC for any taxable year during which a US Holder holds the GDRs, the US Holder will generally be subject to special US federal income tax rules that have a materially adverse effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the US Holder (which generally means any distribution paid during a taxable year to a US Holder that is greater than 125% of the average annual distribution paid in the three preceding taxable years or, if shorter, the US Holder's holding period for the GDRs) and (ii) any gain realised on the sale or other disposition, including a pledge, of GDRs. Under the PFIC rules the:

- excess distribution or gain will be allocated ratably over the US Holder's holding period for the GDRs;
- amounts allocated to the current taxable year and any taxable years in the US Holder's holding period prior to the first taxable year in which we are classified as a PFIC, or a pre-PFIC year, will be taxable as ordinary income;
- amounts allocated to each prior taxable year (other than a pre-PFIC year) will be subject to tax at the highest tax rate in effect for the applicable class of taxpayer for that year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year (other than a pre-PFIC year).

If we are a PFIC for any taxable year during which a US Holder holds our GDRs and any of our non-United States subsidiaries is also a PFIC, such US Holder would be treated as owning a proportionate amount (by value) of the shares of each such non-United States subsidiary classified as a PFIC (each such subsidiary, a lower tier PFIC) for purposes of the application of these rules. US Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a US Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to our GDRs, but not our Ordinary Shares, provided that the listing of the GDRs on the London Stock Exchange is approved and that the GDRs are "regularly traded," defined for this purpose as being traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. We anticipate that our GDRs should qualify as being regularly traded, but no assurances may be given in this regard. If a US Holder makes a valid mark-to-market election, the US Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of GDRs held at the end of the taxable year over the adjusted tax basis of such GDRs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the GDRs over the fair market value of such GDRs held at the end of the taxable year, but such deduction will be allowed only to the extent of the net amount previously included in income as a result of the mark-to-market election. The US Holder's adjusted tax basis in the GDRs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a US Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the US Holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a US Holder makes a mark-to-market election, any gain such US Holder recognises upon the sale or other disposition of our GDRs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. In the case of a US Holder who has held GDRs during any taxable year in respect of which we were classified as a PFIC and continues to hold such GDRs (or any portion thereof) and has not previously determined to make a mark-to-market election, and who is considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such GDRs.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a US Holder may continue to be subject to the PFIC rules with respect to such US Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide information necessary for US Holders to make qualified electing fund elections which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If a US Holder owns our GDRs during any taxable year that we are a PFIC, the US Holder must file an annual IRS Form 8621 or such other form as is required by the United States Treasury Department. Each US Holder is urged to consult its tax advisor concerning the US federal income tax consequences of purchasing, holding and disposing of GDRs if we are or become classified as a PFIC, including the possibility of making a mark-to-market election and the unavailability of the election to treat us as a qualified electing fund.

US information reporting and backup withholding

A US Holder may be subject to information reporting unless it establishes that payments to it are exempt from these rules. For example, certain payments to corporations generally are exempt from information reporting and backup withholding. Payments that are subject to information reporting may be subject to backup withholding if a US Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a US Holder's US federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Pursuant to the Hiring Incentives to Restore Employment Act enacted on March 18, 2010, in taxable years beginning after the date of enactment, an individual US Holder and certain entities may be required to submit to the IRS certain information with respect to his or her beneficial ownership of the GDRs, if such GDRs are not held on his or her behalf by a financial institution. This new law also imposes penalties if an individual US Holder is required to submit such information to the IRS and fails to do so.

US Holders should consult their own tax advisors regarding application of the information reporting and backup withholding rules.

THE DISCUSSION ABOVE IS GENERAL IN NATURE AND DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE GDRS UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

UK Tax Considerations

The following statements are intended to apply only as a general guide to the applicable provisions of current UK tax law and to the current published practice and published interpretation of HM Revenue & Customs ("**HMRC**") at the date of this Prospectus, all of which is subject to change, possibly with retroactive effect. They are intended to apply only to holders of the GDRs who (1) are resident and (in the case of individuals) ordinarily resident and domiciled solely in the UK for UK tax purposes; and (2) who do not have a permanent establishment or fixed base in Cyprus or in any other jurisdiction with which the holding of the GDRs is connected (for the purpose of this summary, "**UK Holders**"). In addition, the summary only addresses the principal UK tax consequences for (1) UK Holders who hold their GDRs as investments, (2) who have not (and are not deemed to have) acquired their GDRs by reason of an office or employment, and (3) who are the absolute beneficial owners of their GDRs (and that a holder of the GDRs is beneficially entitled to the underlying Ordinary Shares and to any dividends paid in respect of those shares).

The statements may not apply to certain classes of UK Holders of the GDRs such as dealers in securities or to persons who (together with their associates) have a 10% or greater interest in the Company. They also assume that (1) the Company is not excluded from any or all of the benefits of the double tax treaty between the UK and Cyprus, (2) there is no register, and there will continue to be no register, in the UK in respect of the GDRs or the underlying Ordinary Shares, (3) that neither the GDRs nor the underlying Ordinary Shares will be paired with shares issued by a company incorporated in the UK and (4) that the GDRs will not be issued by a depositary incorporated in the UK. If any assumption referred to above is incorrect, the analysis in the following paragraphs may differ.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular UK Holder. Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and published practice and published interpretation of HMRC, of the acquisition, ownership and disposal of the GDRs in their own particular circumstances, by consulting their own professional tax advisers.

Prospective subscribers for or purchasers of GDRs who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of their GDRs, are seeking to be taxed on the remittance basis, or who are subject to tax in a jurisdiction other than the UK should consult their own professional tax advisers.

Dividends

Individuals

A UK Holder who is an individual will generally be subject to UK income tax on the gross amount of any dividend paid in relation to his or her GDRs, which will be regarded as the top slice of the individual UK Holder's income. An individual UK Holder should be entitled to a non-payable tax credit equal to one-ninth of the amount of the dividend, which is equivalent to 10% of the aggregate of the dividend (before deduction of foreign withholding tax, if any) and the tax credit (the "**gross dividend**").

An individual UK Holder who is liable to income tax at a rate or rates not exceeding the basic rate will be subject to income tax on the gross dividend at the dividend ordinary rate which is currently 10%. The above tax credit should mean that he or she has no further income tax liability with respect to such dividend.

Where an individual UK Holder is liable to income tax at the higher rate, he or she will be subject to income tax on the gross dividend at the dividend upper rate. The dividend upper rate is currently 32.5% which, after taking the tax credit into account, produces an effective tax rate of 25% on the actual dividend paid.

A new additional income tax rate of 50% has been introduced and has had effect since 6 April 2010 which applies to taxable non-savings and savings income above £150,000. An individual UK Holder that is liable to be taxed at the additional rate will be subject to income tax on the gross dividend at the rate of 42.5%. After taking the tax credit into account, such a UK Holder will be liable to income tax equal to 32.5% of the gross dividend equating to approximately 36.1% of the actual dividend paid.

Companies

Where a UK Holder is within the charge to UK corporation tax, it will be subject to corporation tax on the actual amount of any dividend paid on GDRs, unless (subject to special rules for such UK Holders that are small or micro enterprises) the dividends fall within an exempt class and certain other conditions are met.

Where a UK Holder is within the charge to UK corporation tax and is a small or micro enterprise (within the meaning of the Annex to Commission Recommendation 2003/361/EC) (a "**Small Company**"), the exemption is only available for dividends paid by companies which are resident in a territory with which the UK has a double taxation treaty containing a non-discrimination article and which are not excluded from any or all of the benefits of that double taxation treaty. The income tax treaty currently in force between the UK and Cyprus contains a non-discrimination article. A UK Holder which is within the charge to UK corporation tax and which is a Small Company may therefore be entitled to the exemption referred to above.

Where a dividend is paid to a UK Holder within the charge to UK corporation tax and which is not a Small Company and such dividend falls within a specified exempt class and certain other conditions are met, that corporate UK Holder will not be subject to UK corporation tax on such dividend. Although it is likely that most dividends paid on GDRs to UK Holders within the charge to UK corporation tax would fall within one or more of the classes of dividend qualifying for exemption from corporation tax, the exemptions are not comprehensive and are also subject to anti-avoidance rules. Dividends within an exempt class include dividends to holders of less than 10% of the issued share capital in respect of which the dividend is paid (assuming no unusual rights and subject to manipulation of shareholdings) and dividends in respect of non-redeemable shares.

Withholding tax

Dividend payments in respect of the GDRs should not be subject to UK withholding tax.

Provision of information

Persons in the UK paying "foreign dividends" to, or receiving "foreign dividends" on behalf of, an individual may be required to provide certain information to HMRC regarding the identity of the payee or the person entitled to the "foreign dividend" and, in certain circumstances, such information may be exchanged with tax authorities in other countries. Certain payments on or under the GDRs may constitute "foreign dividends" for this purpose. However, HMRC current published practice indicates that HMRC do not currently exercise the power to require such information in respect of "foreign dividends," except in circumstances where the payer has treated the distribution as interest.

Chargeable gains

A disposal of the GDRs by a UK Holder may, depending on the UK Holder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of chargeable gains.

An individual holder of the GDRs who has ceased to be resident or ordinarily resident in the UK for tax purposes (including by reason of the application of a double taxation treaty) for a period of (broadly speaking) less than five years and who disposes of the GDRs during that period may also be liable on his or her return to the UK to tax on any chargeable gain realised (subject to any available exemption or relief).

A corporate UK Holder will generally be subject to UK corporation tax on any chargeable gain arising from a disposal of the GDRs.

*Stamp Duty and Stamp Duty Reserve Tax ("**SDRT**")*

The following statements assume that there is, and will continue to be, no register in the UK in respect of the GDRs or the underlying Ordinary Shares, that neither the GDRs nor the underlying Ordinary Shares will be paired with shares issued by a company incorporated in the UK and that the GDRs will not be issued by a depositary incorporated in the UK.

Assuming that any document effecting a transfer of, or containing an agreement to transfer, the GDRs is neither (1) executed in the UK nor (2) relates to any property situated, or to any matter or thing done or to be done, in the UK (which may include involvement of UK bank accounts in payment mechanics), then no UK stamp duty should be payable on such a document. No SDRT should be payable in respect of any agreement to transfer the GDRs.

No UK stamp duty or SDRT should be payable on:

- the issue of the GDRs;
- the delivery of GDRs into DTC, Euroclear or Clearstream; or
- any dealings in the GDRs once they are issued into DTC, Euroclear or Clearstream, where such dealings are effected in electronic book entry form in accordance with the usual procedures of DTC, Euroclear or Clearstream and not by written instrument of transfer.

Inheritance tax

UK inheritance tax may be chargeable on the death of, or in certain circumstances on a gift by, the owner of GDRs, where the owner is an individual who is domiciled or is deemed to be domiciled in the UK. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rates apply to gifts where the donor reserves or retains some benefit.

Cyprus Tax Considerations

General Cyprus Tax Considerations

Tax residency

A company is considered to be a resident of Cyprus for tax purposes if its management and control is exercised from Cyprus.

With respect to the individual GDR holders, an individual is considered to be a resident of Cyprus for tax purposes if he or she is physically present in Cyprus for a period or periods exceeding in aggregate more than 183 days in any calendar year.

Rates of taxation

A company which is considered to be a resident of Cyprus for tax purposes is subject to corporate income tax in Cyprus ("**Corporate Income Tax**") on its worldwide income or other benefits from any business, subject to certain exemptions. The rate of Corporate Income Tax in Cyprus is 10%.

Defence Tax also applies to certain selected types of income received by or credited to resident companies. Defence Tax applies, subject to certain exemptions, at the following tax rates:

- 3% on 75% of rental income;
- 10% on interest income either not arising in the ordinary course of the business, or not closely connected thereto (passive interest income); and
- 15% on dividend income received or deemed to be received from a company located abroad. Such dividends are not subject to taxation if (i) the foreign company paying the dividend does not engage more than 50% directly or indirectly in activities which lead to passive income (non-trading income), or (ii) the foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus (e.g., a tax rate of 5% or more is not considered to be substantially lower).

Dividend income received by a Cyprus company from another Cyprus company is subject to the Deemed Dividend Distribution ("**DDD**") rules (please see *"Deemed distribution rules"*).

Defence Tax is levied on the gross amount of income without any deduction for expenses.

Capital gains tax ("**Capital Gains Tax**") is levied in Cyprus at the flat rate of 20% on profits from the disposal of immovable property located in Cyprus or the shares of companies which own immovable property located in Cyprus (unless the shares are listed on a recognised stock exchange).

Taxation of income and gains of the Company

Gains from the disposal of securities

Any gain from disposal of securities by the Company should be exempt from Corporate Income Tax irrespective of the trading nature of the gain, the number of shares held or the holding period and should not be subject to Defence Tax. Such gains are also outside the scope of Capital Gains Tax provided that the company the shares of which are disposed of does not own directly any immovable property located in Cyprus.

The definition of securities includes ordinary and preference shares, founder's shares, options on titles, debentures, bonds, short positions on titles, futures/forwards on titles, swaps on titles, depositary receipts on titles, rights of claims on bonds and debentures, index participations (only if they result in titles), repurchase agreements or repos on titles, participations in companies, units in open-end or closed-end collective investment schemes such as Mutual Funds, International Collective Investment Schemes and Undertakings for Collective Investments in Transferable Securities. GDRs are considered to fall within the scope of the definition of a security as they represent participations in titles.

The Russia-Cyprus double taxation treaty grants Cyprus the exclusive right to tax capital gains realised on the disposal of Russian securities by a Cypriot resident company. Based on the draft protocol to the treaty agreed upon by the governments of Cyprus and Russia, the treaty has been amended so that gains derived by a resident of a contracting State from the sale of shares of a company deriving more than 50% of the value of the shares from immovable property located in the other contracting State may be taxed in that other State in certain situations. This provision is scheduled to take effect on January 1, 2016 provided the ratification procedures of the protocol are completed in both countries in 2011. As of the date of this Prospectus, the protocol has not yet been ratified by the two countries.

Dividends to be received by the Company

Dividends paid by a Russian legal entity to a foreign legal entity are generally subject to Russian withholding income tax at the rate of 15%, although this tax rate may be reduced under an applicable double taxation treaty. The Russia-Cyprus double taxation treaty allows reduction of the withholding income tax on dividends paid by a Russian company to a Cypriot company to 10% provided that the following conditions are met: (1) the Cypriot company is a tax resident of Cyprus within the meaning of the Russia-Cyprus double taxation treaty; (2) the Cypriot company is the beneficial owner of the dividends; (3) the dividends are not attributable to a permanent establishment of the Cypriot company in Russia; and (4) the treaty clearance procedures are duly performed. This rate can be further reduced to 5% if the direct investment of the Cypriot company in the Russian company paying the dividends is at least US$100,000. Based on the draft protocol to the Russia-Cyprus double taxation treaty agreed upon by the governments of Cyprus and Russia, the treaty has been amended so that the US$100,000 investment threshold should be replaced with a €100,000 threshold. The Protocol has not been ratified at the date of the Prospectus.

Dividend income (whether received from a Cypriot resident or non-resident company) is exempt from Corporate Income Tax in Cyprus. Dividend income from a Cypriot resident company is exempt from Defence Tax, but will be subject to the DDD rules (please see *"– Deemed distribution rules"*). Dividend income received from non-Cypriot resident companies is exempt from Defence Tax, unless the company paying the dividend engages more than 50% directly or indirectly in activities which lead to passive income (non-trading income) and the foreign tax burden of the company paying the dividend is substantially lower than the tax burden on the income of the company in Cyprus receiving the dividend (in practice "foreign tax burden being significantly lower" means that such company is taxed at an effective tax rate of less than 5%). If the Defence Tax exemption does not apply, dividends from non-Cypriot resident companies are subject to 15% Defence Tax. Russian withholding tax as well as the Russian underlying tax (i.e. corporate profit tax of the Russian subsidiary which is paying the dividends), can be credited against any such Defence Tax payable in Cyprus. This credit should be available provided that the proper documentation can be provided to the Cyprus tax authorities evidencing the fact that the Russian tax was withheld at source and the profit tax was paid in Russia by the company paying the dividend. The amount of the credit can not exceed the amount which would be ascertained if the amount of the income were computed in accordance with the provisions of the Cyprus Income Tax Law.

Interest income

Any interest accruing to the Company in the ordinary course of its business, including interest which is closely connected with the ordinary course of its business qualifies as business income (active interest income) and is subject to Corporate Income Tax in Cyprus at a rate of 10% after the deduction of any relevant business expenses. Such interest income is exempt from Defence Tax.

If interest income is considered to arise from investment activities of a company (passive interest income), the income is subject to Defence Tax at a rate of 10% on a gross basis.

Specifically, interest income arising in connection with the provision of loans to related or associated parties should be generally considered as income arising from activities closely connected with the ordinary carrying on of business activities and should as such be exempt from Defence Tax and only be subject to Corporate Income Tax. Moreover, interest income arising from 'back to back' loan activities is also considered to be active interest income subject to taxation in a similar manner.

As a matter of principle, the assessment of whether interest income is derived from trading activities is decided on a case by case basis.

Taxation of income and gains of the GDR holders

Gains from disposal of GDRs by the GDR holders

A gain realised on the sale of GDRs by a non-resident holder is not subject to taxation in Cyprus.

A gain realised on the sale of GDRs by a resident holder is exempt from taxation in Cyprus as GDRs are considered to fall within the definition of securities for Cypriot tax purposes as they represent participation in titles.

Dividends to be received by the GDR holders

Dividends to be received from the Company by non-resident GDR holders and corporate resident GDR holders are not subject to taxation in Cyprus, either by way of withholding or otherwise.

Dividends to be received from the Company by resident individual GDR holders are subject to Defence Tax at the rate of 15% and the Company is required to withhold such tax from the dividend.

Deemed distribution rules

Defence Tax at the rate of 15% is payable by a Cypriot resident company on deemed dividend distributions to the extent its shareholders (both individuals and companies) are Cypriot tax residents. These deemed distribution rules do not apply to non-resident shareholders. Under these rules a Cypriot resident company which does not distribute 70% of its after-tax profits within two years from the end of the year in which the profits arose, is deemed to have distributed this amount as a dividend two years after that year end. The amount of this deemed dividend distribution (which is subject to Defence Tax) is reduced by any actual dividend (not subject to Defence Tax in the case of a company) paid out of the profits of the relevant year at any time up to the date of the deemed distribution. The accounting profits to be taken into account in this respect do not include any fair value adjustments to the value of movable or immovable property. Deemed distribution rules may also be applicable in case of the liquidation (in certain situations) or the capital reduction of a company.

Withholding taxes

No withholding taxes shall apply in Cyprus with respect to payments of interest, dividends or royalties (except the gross amounts of royalties earned from sources within Cyprus by a company which is not a resident of Cyprus) by the Company to a non-resident person (either a corporation or individual).

There is no withholding tax in Cyprus on interest income paid to a Cypriot tax resident corporate lender. This rule applies unless the Company issues a corporate bond, note or any other similar fixed income instrument and the resident lender receiving the interest is not considered to have generated this interest in the course of its ordinary activities or in connection with activities closely connected to the ordinary carrying on of its business in which case the Company would have an obligation withhold Defence Tax at the rate of 10% on payments made in favour of such Cypriot tax resident corporate lender.

Any payment of interest by the Company to a Cypriot tax resident individual lender is not subject to withholding tax in Cyprus. This rule applies unless the Company issues a corporate bond, note or any other similar fixed income instrument in which case the Company would have an obligation to withhold Defence Tax at the rate of 10% on payments made in favour of Cypriot tax resident individual holders.

Capital duty

Capital duty is payable to the Registrar of Companies in respect of the registered authorised and issued share capital of a Cypriot company upon its incorporation and upon subsequent increases therein.

The capital duty rates are as follows:

- €102.52 payable upon incorporation of a Cypriot company plus of 0.6% on the initial authorised share capital;
- 0.6% of the face value of additional registered authorised share capital; and
- €17 flat duty on every issue, whether the shares are issued at their (par) face value or at a (share) premium.

Share premium is not subject to capital duty.

Stamp duty

Stamp duty is levied in Cyprus on every instrument that relates to any:

- property located in Cyprus; or
- matter or thing which is performed or done in Cyprus.

The applicable stamp duty rates are the following:

- with respect to a contract amount that is less than €170,86, the stamp duty levied equals €0,26;
- with respect to a contract amount that exceeds €8.543.000, the stamp duty levied equals €0,26 for first €170,86 and €0,34 for each additional €170,86
- with respect to a contract amount that exceeds €8.543.000, the stamp duty levied equals €17.086 fixed amount.

With regard to loans to be provided by the Company to its foreign subsidiaries, the Commissioner of Stamp Duty is usually expected to be satisfied that a loan agreement should not be subject to stamp duty in Cyprus provided:

- the agreement is governed by foreign law and any disputes arising under the agreement are to be submitted to the courts of a foreign jurisdiction;
- the contract is executed outside of Cyprus; and
- the loan asset will not be secured by way of a registered charge on Cypriot assets (such as shares in companies) either in Cyprus or abroad.

PLAN OF DISTRIBUTION

The Offering consists of an offering by the Company of 20,000,000 GDRs and by the Selling Shareholder of 2,000,000 GDRs.

Under the terms of, and subject to the conditions contained in, the underwriting agreement, dated April 8, 2011, between the Company, the Selling Shareholder and the Managers (the "**Underwriting Agreement**"), the Managers named below have agreed, severally but not jointly, to procure purchasers for, or failing which, to purchase, at the Offer Price, the number of our GDRs indicated below:

Manager	Number of GDRs
Alfa Capital Holdings (Cyprus) Limited, London branch	7,333,333
Credit Suisse Securities (Europe) Limited	7,333,334
Renaissance Securities (Cyprus) Limited	7,333,333
Total:	**22,000,000**

The GDRs will be represented by a Rule 144A Master GDR Certificate and a Regulation S Master GDR Certificate and will be subject to certain restrictions as further discussed in "*Description of the Global Depositary Receipts*."

Closing and settlement are expected to take place on April 13, 2011, and admission to the Official List of the FSA and admission to unconditional trading on the London Stock Exchange's regulated market for listed securities are expected to take place on April 13, 2011.

Investors wishing to enter into transactions in the GDRs prior to the closing of the Offering, whether such transactions are effected on the London Stock Exchange or otherwise, should be aware that the closing of the Offering may not take place on April 13, 2011 or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or do not occur on or prior to such date. All such transactions will be of no effect if the Offering does not become unconditional.

The Managers shall receive an underwriting commission of 3% of the gross proceeds of the Offering, including the Over-Allotment Option, if exercised.

The Company's total expenses are expected to be approximately US$3.5 million, excluding commissions.

Both the Company and the Selling Shareholder have provided the Managers with certain representations and warranties under the Underwriting Agreement. Some of these representations and warranties are in relation to the Company's business, the GDRs and the contents of this Prospectus.

The obligations of the Managers to procure purchasers for the GDRs or to purchase the GDRs are subject to obtaining corporate approvals for the issue, transfer, offer, sale and delivery of the Ordinary Shares and the GDRs by the Company and the Selling Shareholder, as applicable, and other conditions contained in the Underwriting Agreement, such as the receipt by the Managers of customary officers' certificates, comfort letters and legal opinions.

The Underwriting Agreement provides that, prior to the closing of the Offering and admission of the GDRs to the Official List and upon the occurrence of certain events, such as the disruption to trading generally on any stock exchange, including the London Stock Exchange, or a material adverse change in the general affairs, condition (financial or otherwise), results of operations, business, prospects, assets or properties of the Company and its subsidiaries, and on certain other conditions, the Managers have the right, collectively but not individually, to terminate the Underwriting Agreement. In the event the Managers elect to terminate the Underwriting Agreement, the Offering will not close and admission of the GDRs to the Official List will not be sought.

The Company and the Selling Shareholder have agreed in the Underwriting Agreement, subject to its terms, to indemnify the Managers against certain liabilities in connection with the Offering. In addition, the Company and the Selling Shareholder have agreed to reimburse the Managers for certain of their expenses.

Over-Allotment Option

The Selling Shareholder has granted the Managers an Over-Allotment Option, exercisable within 30 days after the announcement of the Offer Price, to purchase up to an aggregate of 600,000 additional Shares in the form of GDRs at the Offer Price, solely to cover over-allotments, if any, in the Offering.

Lock-up

The Company, the Selling Shareholder, Mr. Vadim Moshkovich, the controlling beneficial shareholder of the Company, Ms. Natalia Bykovskaya, a member of the board of directors of the Company, spouse of Mr. Moshkovich and controlling beneficial shareholder of the Company, and Mr. Maxim Basov, CEO of the Group and a minority shareholder of the Company, have agreed, subject to certain exceptions, not to offer, sell, contract or agree to sell, hypothecate, pledge, lend, mortgage, assign, charge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, any shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, shares of the Company, or warrants or other rights to purchase such shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or global depositary receipts representing the right to receive any such securities; enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any shares of the Company or any securities convertible into or exercisable or exchangeable for such shares, or warrants or other rights to purchase such shares, whether any such transaction is to be settled by delivery of such shares or such other securities, in cash or otherwise; or enter into any transaction with the same economic effect as, or agree to, or publicly announce an intention to effect any of the foregoing transactions, without the prior written consent of the Managers, for a period of 180 days from the Closing Date.

Stabilisation

In connection with the Offering, Credit Suisse Securities (Europe) Limited (or any agent or other person acting for Credit Suisse Securities (Europe) Limited), as Stabilising Manager, may over-allot or effect transactions intended to enable it to satisfy any over-allocations or which stabilise, maintain, support or otherwise affect the market price of the GDRs at a level higher than that which might otherwise prevail in the open market. Such transactions may commence on or after the announcement of the Offer Price and will end no later than 30 days thereafter. Such transactions may be effected on the London Stock Exchange and any other securities market, over the counter market, stock exchange or otherwise. There is no assurance that such transactions will be undertaken and, except as required by law, the Stabilising Manager does not intend to disclose the extent of allotments and/or stabilisation transactions under the Offering.

Other

The Managers and their respective affiliates have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company, the Selling Shareholder and their affiliates, for which they received customary fees. The Managers and their respective affiliates may provide such services to the Company, the Selling Shareholder and their affiliates in the future.

In connection with the Offering, each of the Managers and any affiliate acting as an investor for its own account may take up GDRs and in that capacity may retain, purchase or sell for its own account such GDRs and any related investments and may offer or sell such GDRs or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the GDRs being offered or placed should be read as including any offering or placement of GDRs to the Managers and any affiliate acting in such capacity. No Manager intends to disclose the extent of any such investment or transactions otherwise than to the Company and in accordance with any legal or regulatory obligation to do so. In addition, in connection with the Offering, certain of the Managers may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements where the GDRs are used as collateral, which could result in such Managers acquiring shareholdings in the Company.

TRANSFER AND SELLING RESTRICTIONS

Transfer Restrictions

Rule 144A GDRs

Each purchaser of GDRs located in the United States, by its acceptance of delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

- The purchaser: (1) is a QIB as that term is defined by Rule 144A under the Securities Act; (2) is aware that, and each beneficial owner of such GDRs has been advised that, the sale to it is being made in reliance on Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act; (3) is acquiring such GDRs for its own account or for the account of one or more QIBs; and (4) if it is acquiring such GDRs for the account of one or more QIBs, has sole investment discretion with respect to each such account and has full power to make the acknowledgements, representations and agreements herein on behalf of each such account.
- The purchaser is aware that the GDRs purchased pursuant to Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act have not been and will not be registered under the Securities Act and are being offered in the United States only in transactions not involving any public offering in the United States and are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act.
- In the future, if the purchaser decides to offer, resell, pledge or otherwise transfer the GDRs purchased pursuant to Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, such GDRs may be offered, sold, pledged or otherwise transferred only in accordance with the following legend, which the GDRs purchased pursuant to Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act will bear unless otherwise determined by the Company and the Depositary in accordance with applicable law:

THIS RULE 144A MASTER GLOBAL DEPOSITARY RECEIPT AND THE ORDINARY SHARES OF ROS AGRO PLC REPRESENTED HEREBY (THE "SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER OR BENEFICIAL OWNER HEREOF BY PURCHASING OR OTHERWISE ACQUIRING THE RULE 144A GLOBAL DEPOSITARY RECEIPTS REPRESENTED BY THIS RULE 144A MASTER GLOBAL DEPOSITARY RECEIPT, AGREES FOR THE BENEFIT OF ROS AGRO PLC THAT THE RULE 144A GLOBAL DEPOSITARY RECEIPTS AND THE SHARES REPRESENTED HEREBY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES; PROVIDED THAT IN CONNECTION WITH ANY TRANSFER UNDER (B) ABOVE, THE TRANSFEROR SHALL PRIOR TO THE SETTLEMENT OF SUCH SALE, WITHDRAW THE SHARES FROM THE RULE 144A FACILITY (AS DEFINED IN THE DEPOSIT AGREEMENT) AND INSTRUCT THAT SUCH SHARES BE DELIVERED TO THE CUSTODIAN UNDER THE DEPOSIT AGREEMENT FOR DEPOSIT IN THE REGULATION S FACILITY (AS DEFINED IN THE DEPOSIT AGREEMENT) THEREUNDER. THE HOLDER OF THE RULE 144A GLOBAL DEPOSITARY RECEIPTS REPRESENTED HEREBY WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF SUCH RULE 144A GLOBAL DEPOSITARY RECEIPTS OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GLOBAL DEPOSITARY RECEIPT MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY

IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE SHARES OR ANY RULE 144A GLOBAL DEPOSITARY RECEIPTS.

- For so long as ordinary shares are restricted securities, it will not deposit such ordinary shares into any depositary receipt facility in respect of shares established and maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility.
- The Company, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- Prospective purchasers are hereby notified that the sellers of the GDRs purchased pursuant to Rule 144A under the Securities Act may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act.

Regulation S GDRs

Each purchaser of the GDRs offered in reliance on Regulation S (the Regulation S GDRs) will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- the purchaser is, at the time of the offer to it of GDRs and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act;
- the purchaser is aware that the Regulation S GDRs have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S;
- any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Company in respect of the Regulation S GDRs; and
- the Company, the Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Selling Restrictions

The distribution of this Prospectus and the offer of the GDRs in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the GDRs, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the GDRs may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of the GDRs, including those in the paragraphs above. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or buy any of the GDRs offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

No dealer, salesperson or other person has been authorised to give any information or to make any representation not contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorised by us or any Manager. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained in this Prospectus is correct as of a date after its date.

United States

The GDRs have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Underwriting Agreement provides that the Managers may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of the GDRs within the United States only to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, registration under the Securities Act.

In addition, until 40 days after the commencement of this Offering, an offer or sale of the GDRs within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

In relation to each Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), an offer to the public of any GDRs, which are the subject of the Offering may not be made in that Relevant Member State. Notwithstanding the foregoing, an offer to the public in that Relevant Member State of any GDRs may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of GDRs shall result in a requirement for the publication by us, the Selling Shareholder or the Managers of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement thereto.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any GDRs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any GDRs, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

This EEA selling restriction is in addition to any other selling restrictions set out in this Prospectus.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any GDRs under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with each Manager, the Company and the Selling Shareholder that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any GDRs acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the GDRs acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where GDRs have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those GDRs to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an "**offer**" in relation to any GDRs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any GDRs to be offered so as to enable an investor to decide to purchase or subscribe for the GDRs, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any GDRs, in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the GDRs in, from or otherwise involving the United Kingdom.

Cyprus

Each of the Managers has represented and agreed: (1) that in relation to the GDRs, it will not provide from within Cyprus all or any "Investment Services or Activities" or "Ancillary Services" (as such terms are defined in the Markets in Financial Instruments and Activities and Regulated Markets Law, Law 144(I) of 2007 and any Directives issued pursuant thereto ("**IS Law**")) or otherwise provide Investment Services or Activities and/or Ancillary Services from outside Cyprus to residents or persons domiciled in Cyprus or otherwise conclude in Cyprus any transaction relating to such Investment Services and Activities and/or Ancillary Services in contravention of the IS Law and the regulations made or pursuant thereto; and (2) that it will not issue an offer or invitation to subscribe or purchase or otherwise procure subscribers or purchasers for the GDRs within or in Cyprus except in compliance with the provisions of the Public Offer and Prospectus Law, Law 114(I)/2005 or the Companies Law, Cap 113 of the Laws of Cyprus, as amended.

Russia

Each of the Managers has agreed that it has not offered or sold or otherwise transferred and will not offer or sell or otherwise transfer as part of its initial distribution or at any time thereafter any GDRs to or for the benefit of any person (including legal persons) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation except to the extent permitted under Russian law.

SETTLEMENT AND DELIVERY

Each purchaser of the GDRs must pay for such GDRs in US Dollars.

Clearing and Settlement of GDRs

Custodial and depositary links have been established between Euroclear, Clearstream Luxembourg and DTC to facilitate the initial issue of the GDRs offered in the Offering and cross-market transfers of the GDRs associated with secondary market trading.

Euroclear and Clearstream Luxembourg

Euroclear and Clearstream Luxembourg each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Indirect access to Euroclear or Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies, which clear through or maintain a custodial relationship with a Euroclear or Clearstream Luxembourg participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream Luxembourg will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream Luxembourg participants in accordance with the relevant system's rules and procedures.

DTC

DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organization" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerised book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDRs holding through DTC will receive, to the extent received by the Depositary, all distributions of dividends or other payments with respect to book-entry interests in the GDRs from the Depositary through DTC and DTC participants. Distributions in the United States will be subject to relevant tax laws and regulations of the United States. See "*Taxation – Tax Residency – United States Federal Income Tax Considerations*."

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDRs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDRs, may be limited.

Registration and Form of GDRs

Book-entry interests in the GDRs held through Euroclear and Clearstream Luxembourg will be represented by a Regulation S Master GDR registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for The Bank of New York Mellon, London Branch, as common depositary for Euroclear and Clearstream Luxembourg. Book-entry interests in the GDRs held through DTC will be represented by a Rule 144A Master GDR registered in the name of Cede & Co., as nominee for DTC, which will be held by the Depositary as custodian for DTC. As necessary, the Depositary will adjust the amounts of GDRs on the relevant register to reflect the amounts of GDRs held through

Euroclear, Clearstream Luxembourg and DTC, respectively. Beneficial ownership in the GDRs will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream Luxembourg and DTC.

The aggregate holdings of book-entry interests in the GDRs in Euroclear, Clearstream Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream Luxembourg and DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interest in the GDRs, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the name of the common depositary for Euroclear and Clearstream Luxembourg and the nominee for DTC. The Depositary will be responsible for ensuring that payments received by it from the Company for holders holding through Euroclear or Clearstream Luxembourg are credited to Euroclear or Clearstream Luxembourg as the case may be, and the Depositary will also be responsible for ensuring that payments received by it from the Company for holders holding through DTC are received by DTC.

The Company will not impose any fees in respect of the GDRs; however, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream Luxembourg or DTC and certain fees and expenses payable to the Depositary in accordance with the terms of the Deposit Agreement.

Global Clearance and Settlement Procedures

Initial Settlement

The GDRs will be in global form evidenced by the two Master GDRs. Purchasers electing to hold book-entry interests in the GDRs through Euroclear or Clearstream Luxembourg accounts will follow the settlement procedures applicable to depositary receipts. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the GDRs through DTC will follow the delivery practices applicable to depositary receipts.

Secondary Market Trading

For a description of the transfer restrictions relating to the GDRs, see *"Transfer and Selling Restrictions – Transfer Restrictions*."

Trading between Euroclear and Clearstream Luxembourg participants. Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream Luxembourg to purchasers of book-entry interests in the GDRs through Euroclear or Clearstream Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream Luxembourg and will be settled using the normal procedures applicable to depositary receipts.

Trading between DTC participants. Secondary market sales of book-entry interests in the GDRs held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to depositary receipts, if payment is effected in US Dollars, or free of payment, if payment is not effected in US Dollars. Where payment is not effected in US Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream Luxembourg purchaser. When book-entry interests in the GDRs are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream Luxembourg participant, the DTC participant must send to DTC a delivery free of payment instruction at least two business days prior to the settlement date. DTC will in turn transmit such instruction to Euroclear or Clearstream Luxembourg, as the case may be, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream Luxembourg participant. On the settlement date, DTC will debit the account of its DTC participant and will instruct the Depositary to instruct Euroclear or Clearstream Luxembourg, as the case may be, to credit the relevant account of the Euroclear or Clearstream Luxembourg participant, as the case may be. In addition, on the settlement date, DTC will instruct the Depositary to (i) decrease the amount of book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Rule 144A Master GDR and (ii) increase the amount of book-entry interests in the GDRs registered in the name of the common nominee for Euroclear and Clearstream Luxembourg and represented by the Regulation S Master GDR.

Trading between Euroclear/Clearstream Luxembourg seller and DTC purchaser. When book-entry interests in the GDRs are to be transferred from the account of a Euroclear or Clearstream Luxembourg participant to the account of a DTC participant, the Euroclear or Clearstream Luxembourg participant must send to Euroclear or Clearstream Luxembourg a delivery free of payment instruction at least one business day prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream Luxembourg participant, as the case may be. On the settlement date, Euroclear or Clearstream Luxembourg, as the case may be, will debit the account of its participant and will instruct the Depositary to instruct DTC to credit the relevant account of Euroclear or Clearstream Luxembourg, as the case may be, and will deliver such book-entry interests in the GDRs free of payment to the relevant account of the DTC participant. In addition, Euroclear or Clearstream Luxembourg, as the case may be, shall on the settlement date instruct the Depositary to (i) decrease the amount of the book-entry interests in the GDRs registered in the name of the common nominee and evidenced by the Regulation S Master GDR and (ii) increase the amount of the book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Rule 144A Master GDR.

General

Although the foregoing sets forth the procedures of Euroclear, Clearstream Luxembourg and DTC in order to facilitate the transfers of interests in the GDRs among participants of Euroclear, Clearstream Luxembourg and DTC, none of Euroclear, Clearstream Luxembourg or DTC are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Group, the Managers, the Depositary, the Custodian or their respective agents will have any responsibility for the performance by Euroclear, Clearstream Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depositary was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Mellon Corporation, a New York bank holding company. The principal office of the Depositary is located at One Wall Street, New York, New York 10286, United States. Its principal administrative offices are located at 101 Barclay Street, New York, New York 10286, United States. A copy of the Depositary's Articles, as amended, together with copies of The Bank of New York Mellon Corporation's most recent financial statements and annual report are available for inspection at the principal office of the Depositary located at One Wall Street, New York, New York 10286, United States and at The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon with respect to U.S. and English law by Skadden, Arps, Slate, Meagher & Flom (UK) LLP in London, England, with respect to Russian law by Skadden, Arps, Slate, Meagher & Flom LLP in Moscow, Russian Federation, and Liniya Prava, Moscow, Russian Federation, and with respect to Cypriot law by Andreas Neocleous & Co., Limassol, Cyprus. Certain legal matters in connection with the Offering will be passed upon for the Managers with respect to U.S., English and Russian law by Cleary Gottlieb Steen & Hamilton LLP in London, England, and Cleary Gottlieb Steen and Hamilton LLC in Moscow, Russia.

INDEPENDENT AUDITORS

To the Group

The Consolidated Financial Statements included in this Prospectus have been audited by ZAO PricewaterhouseCoopers Audit, independent auditors, of Butyrsky Val 10, 125047 Moscow, Russian Federation, as stated in their report appearing herein. ZAO PricewaterhouseCoopers Audit is a member of the Audit Chamber of Russia (*Auditorskaya Palata Rossii*).

ZAO PricewaterhouseCoopers Audit has given and not withdrawn its written consent to the inclusion of its Independent Auditor's Report on the Consolidated Financial Statements included in this Prospectus (the "**Independent Russia Auditor's Report**") in the form and context in which it is included and has authorised the content of the Independent Russia Auditor's Report for the purposes of paragraph 5.5.4(R)(2)(f) of the Prospectus Rules. For the purposes of Prospectus Rules paragraph 5.5.4(R)(2)(f) ZAO PricewaterhouseCoopers Audit is responsible for the Independent Russia Auditor's Report as part of the Prospectus and declares that it has taken all reasonable care to ensure that, the information contained in the Independent Russia Auditor's Report is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex X to the Commission Regulation (EC) No 809/2004 ("**PD Regulation**").

A written consent under the PD Regulation and Prospectus Rules is different from a consent filed with the Securities and Exchange Commission under section 7 of the Securities Act. As the GDRs have not been and will not be registered under the Securities Act, ZAO PricewaterhouseCoopers Audit has not filed a consent under section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act.

To the Company

The financial statements of the Company as at December 31, 2009 and December 31, 2010 and for the period from December 1, 2009 to December 31, 2009 and the year ended December 31, 2010 included in this Prospectus have been audited by PricewaterhouseCoopers Limited, independent auditors, of City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus, as stated in their report appearing herein. PricewaterhouseCoopers Limited is a member of the Institute of Certified Public Accountants of Cyprus.

PricewaterhouseCoopers Limited has given and not withdrawn its written consent to the inclusion of its Independent Auditor's Report on the financial statements of the Company as at December 31, 2009 and December 31, 2010 and for the period from December 1, 2009 to December 31, 2009 and the year ended December 31, 2010 included in this Prospectus (the "**Independent Cyprus Auditor's Report**") in the form and context in which it is included and has authorised the content of the Independent Cyprus Auditor's Report for the purposes of paragraph 5.5.4(R)(2)(f) of the Prospectus Rules. For the purposes of Prospectus Rules paragraph 5.5.4(R)(2)(f) PricewaterhouseCoopers Limited is responsible for the Independent Cyprus Auditor's Report as part of the Prospectus and declares that it has taken all reasonable care to ensure that, the information contained in the Independent Cyprus Auditor's Report is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex X to the PD Regulation.

A written consent under the PD Regulation and Prospectus Rules is different from a consent filed with the Securities and Exchange Commission under section 7 of the Securities Act. As the GDRs have not been and will not be registered under the Securities Act, PricewaterhouseCoopers Limited has not filed a consent under section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act.

GENERAL INFORMATION

1. It is expected that the GDRs will be admitted, subject only to the issue of the Regulation S Master GDR and the Rule 144A Master GDR, to the Official List on or about April 13, 2011. Application has been made for the GDRs to be traded on the London Stock Exchange. Prior to admission to the Official List, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.
2. The Ordinary Shares underlying the GDRs being offered were created by virtue of resolution of shareholders of the Company dated December 31, 2010.
3. Copies of the following documents will be available for inspection free of charge, during normal business hours on any weekday, at the registered office of the Company, Arch. Makariou III, 195, Neocleous House, P.C. 3030, Limassol, Republic of Cyprus, during usual business hours for 30 days from the date of this Prospectus:
   - the prospectus;
   - our articles and memorandum of association;
   - the Deposit Agreement;
   - the consolidated financial statements of OJSC Rusagro Group and its subsidiaries as of and for the years ended December 31, 2010, 2009 and 2008, together with the auditor's report relating thereto; and
   - the financial statements of the Company as at December 31, 2009 and December 31, 2010 and for the period from December 1, 2009 to December 31, 2009 and the year ended December 31, 2010, together with the auditor's report relating thereto.
4. If definitive certificates are issued in exchange for the Master GDRs, the Company will appoint an agent in the United Kingdom for so long as the GDRs are listed on the London Stock Exchange.
5. There has been no significant change in the financial or trading position of the Group since December 31, 2010, the end of the last financial period for which financial information has been published, apart from what has been disclosed in "*Management Discussion and Analysis of Financial Condition and Results of Operations—Recent events*." "Group," as defined on page v, refers collectively to the Company and its subsidiaries.
6. The GDRs are not denominated in any currency and have no nominal or par value. The Offer Price was determined based on the results of the bookbuilding exercise conducted by the Managers. The results of the Offering will be made public by us through a press release and notice to the Regulatory Information Service promptly upon the pricing of the Offering.

PRESENTATION OF FINANCIAL INFORMATION

The financial statements included in this Prospectus comprise the audited consolidated financial statements of OJSC Rusagro Group and its subsidiaries as of and for the three years ended December 31, 2010, 2009 and 2008, prepared in accordance with IFRS as issued by the IASB and the audited financial statements of the Company as at December 31, 2009 and December 31, 2010 and for the period from December 1, 2009 to December 31, 2009 and the year ended December 31, 2010, prepared in accordance with EU IFRS.

LLC Group of Companies Rusagro was the holding company for the Group until February 2010. In February 2010, OJSC Rusagro Group was created as a new holding company of LLC Group of Companies Rusagro and has no material operations other than holding 100% minus one participation interest of LLC Group of Companies Rusagro. This restructuring was accounted for as a transaction under common control using predecessor basis of accounting, based on which the consolidated financial statements of OJSC Rusagro Group were presented as if it has always been on top of the existing Group. As a result, the Consolidated Financial Statements, which comprise OJSC Rusagro Group and its subsidiaries, include the assets, liabilities, revenues and expenses that were directly related to LLC Group of Companies Rusagro during the relevant period prior to formation of OJSC Rusagro Group. For a list of material subsidiaries of the Group, see "*Business—Organisation—Group Structure*."

On January 5, 2011, the Company became the new holding company for the Group and as of the date of this Prospectus owns 100% of the shares of OJSC Rusagro Group. As at December 31, 2010, the Company owned only 14.3% of the shares of OJSC Rusagro Group and did not control or exercise significant influence over it, and consequently has not prepared consolidated financial statements. On January 5, 2011, the Company acquired the remaining 85.7% of the shares of OJSC Rusagro Group. The Company does not have any material operations other than holding the shares of OJSC Rusagro Group. As a result, the Company believes that the financial information presented in this Prospectus, including the Consolidated Financial Statements, and related discussion is representative of the results of operations of the Group.

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OJSC Rusagro Group

International Financial Reporting Standards
Consolidated Financial Statements
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OJSC Rusagro Group

International Financial Reporting Standards
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Independent Auditor's Report

To the Shareholders of OJSC Rusagro Group:

1 We have audited the accompanying consolidated financial statements of OJSC Rusagro Group and its subsidiaries (hereinafter – the "Group") which comprise the consolidated statements of financial position as of 31 December 2010, 2009 and 2008 and the consolidated statements of comprehensive income, cash flows and changes in equity for the three years then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 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 whether the financial statements are free from material misstatement.

4 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, 2009 and 2008, and its financial performance and its cash flows for each of the three years then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

11 March 2011
Moscow, Russian Federation

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OJSC RUSAGRO GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE THREE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

(*in thousands of Russian Roubles, unless noted otherwise*)

	Notes	31 December 2010	31 December 2009	31 December 2008
ASSETS				
Current assets				
Cash and cash equivalents	3	5,119,971	2,457,921	1,286,428
Restricted cash	3	305,276	–	–
Short-term investments	4	6,202,746	1,106,997	1,042,483
Trade and other receivables	5	2,236,808	950,914	1,039,261
Prepayments	6	906,444	327,710	313,499
Current income tax receivable		63,519	40,990	36,226
Other taxes receivable	7	725,322	571,829	952,646
Inventories	8	7,298,722	5,078,243	4,522,582
Short-term biological assets	10	855,069	748,174	540,151
Total current assets		**23,713,877**	**11,282,778**	**9,733,276**
Non-current assets				
Property, plant and equipment	9	13,721,002	12,829,979	11,255,116
Goodwill	22	474,899	474,899	128,529
Advances paid for property, plant and equipment		135,563	91,915	213,241
Long-term biological assets	10	703,676	723,439	883,865
Long-term investments	11	152,950	153,517	235,242
Deferred income tax assets	23	153,965	140,698	93,707
Other intangible assets		31,711	24,844	13,986
Restricted cash	3	–	–	13,227
Total non-current assets		**15,373,766**	**14,439,291**	**12,836,913**
Total assets		**39,087,643**	**25,722,069**	**22,570,189**
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	13	11,203,810	4,475,525	4,568,472
Trade and other payables	14	1,933,541	595,130	873,096
Current income tax payable		26,639	115,792	77,230
Other taxes payable	15	475,859	369,699	168,744
Total current liabilities		**13,639,849**	**5,556,146**	**5,687,542**
Non-current liabilities				
Long-term borrowings	13	8,262,101	8,153,374	7,305,582
Government grants	16	577,134	578,679	582,501
Deferred income tax liability	23	386,627	366,723	252,182
Other non-current liabilities		43,046	–	–
Total non-current liabilities		**9,268,908**	**9,098,776**	**8,140,265**
Total liabilities		**22,908,757**	**14,654,922**	**13,827,807**
Equity				
Share capital	12	2,386,974	1,700,017	1,700,017
Retained earnings		13,382,557	8,909,613	6,912,105
Equity attributable to owners of OJSC Rusagro Group		**15,769,531**	**10,609,630**	**8,612,122**
Non-controlling interest		409,355	457,517	130,260
Total equity		**16,178,886**	**11,067,147**	**8,742,382**
Total liabilities and equity		**39,087,643**	**25,722,069**	**22,570,189**

Approved for issue and signed on behalf of the Board of Directors on 11 March 2011.

Basov M.D.
General Director of OJSC Rusagro Group

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

OJSC RUSAGRO GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

(*in thousands of Russian Roubles, unless noted otherwise*)

	Notes	Year ended 31 December 2010	2009	2008
Sales	17	30,955,530	24,671,374	17,766,287
Gain on initial recognition of agricultural produce	10	770,564	394,861	682,923
Cost of sales	18	(23,153,421)	(18,388,466)	(14,437,288)
Gains less losses from trading sugar derivatives	27	1,214,660	–	–
Gross profit		**9,787,333**	**6,677,769**	**4,011,922**
Distribution and selling expenses	19	(1,641,600)	(1,451,311)	(1,022,287)
General and administrative expenses	20	(2,198,564)	(1,685,989)	(1,367,077)
Other operating income/(loss), net	21	67,425	(58,519)	112,704
Operating profit		**6,014,594**	**3,481,950**	**1,735,262**
Interest expense	16	(783,736)	(791,006)	(666,938)
Interest income		434,063	172,731	317,624
Other financial income/(expenses), net		4,743	(28,787)	(30,502)
Profit before taxation		**5,669,664**	**2,834,888**	**1,355,446**
Income tax expense	23	(511,427)	(510,694)	(287,273)
Profit for the year		**5,158,237**	**2,324,194**	**1,068,173**
Total comprehensive income for the year		**5,158,237**	**2,324,194**	**1,068,173**
Profit is attributable to:				
Owners of OJSC Rusagro Group		5,121,529	2,312,999	1,057,849
Non-controlling interest		36,708	11,195	10,324
Profit for the year		**5,158,237**	**2,324,194**	**1,068,173**
Total comprehensive income is attributable to:				
Owners of OJSC Rusagro Group		5,121,529	2,312,999	1,057,849
Non-controlling interest		36,708	11,195	10,324
Earnings per ordinary share for profit attributable to the equity holders of OJSC Rusagro Group, basic and diluted (in RR per share)	25	64.37	n/a	n/a

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

OJSC RUSAGRO GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

(*in thousands of Russian Roubles, unless noted otherwise*)

		Year ended 31 December		
	Notes	2010	2009	2008
Cash flows from operating activities				
Profit before taxation		5,669,664	2,834,888	1,355,446
Adjustments for:				
Depreciation of property, plant and equipment	18-20	1,858,178	1,357,108	779,573
Interest expense	16	1,682,685	1,643,011	1,092,633
Interest income		(434,063)	(172,731)	(317,624)
Gain on discounting of loans		–	–	(52,458)
Loss on disposal of property, plant and equipment	21	35,379	39,362	24,793
Excess of the Group's share of identifiable net assets acquired over consideration paid	21	(10,210)	–	(10,258)
Loss/(gain) on other investments	21	9,171	5,609	(7,084)
(Gain)/loss on disposal of subsidiaries, net	21	(204)	16,236	(10,093)
Government grants	16, 21	(1,230,239)	(1,068,355)	(634,932)
(Gains less losses)/losses less gains from investments at fair value through profit or loss	21	(2,074)	(17,132)	52,770
(Gain)/loss on initial recognition of agricultural produce, net	10, 18	(100,349)	207,468	(187,847)
(Reversal of provision)/provision for net realisable value of inventory	18	(23,592)	(165,053)	188,644
Write-off of inventory	21	13,499	46,154	8,014
Revaluation of biological assets	21	(272,241)	39,737	(26,057)
(Reversal of provision)/provision for impairment of receivables and prepayments	19	(888)	86,369	(40,890)
Dividends accrued		(1,021)	–	(9,267)
Unrealised foreign exchange (gain)/loss		(32,063)	(52,218)	56,798
Write-off of trade and other receivables	21	75,959	23,290	53,271
Lost harvest write-off	21	191,425	–	–
Other non-cash (income)/expenses		(7,140)	5,052	(7,887)
Operating cash flow before working capital changes		**7,421,876**	**4,828,795**	**2,307,545**
Change in trade and other receivables and prepayments		(1,972,879)	34,341	(252,677)
Change in other taxes receivable		(155,307)	335,079	9,264
Change in inventories		(2,044,903)	(297,937)	(715,477)
Change in biological assets		1,466	(37,988)	(465,087)
Change in trade and other payables		1,389,568	(114,023)	(54,592)
Change in other taxes payable		106,160	181,146	70,882
Cash generated from operations		**4,745,981**	**4,929,413**	**899,858**
Income tax paid		(603,373)	(496,315)	(309,479)
Net cash from operating activities		**4,142,608**	**4,433,098**	**590,379**

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

OJSC RUSAGRO GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008 (Continued)

(*in thousands of Russian Roubles, unless noted otherwise*)

	Notes	Year ended 31 December 2010	2009	2008
Cash flows from investing activities				
Purchases of property, plant and equipment		(2,922,630)	(1,572,658)	(2,922,748)
Purchases of other intangible assets		(19,866)	(20,591)	(11,325)
Proceeds from sales of property, plant and equipment		52,762	6,693	13,218
Investments in subsidiaries, net of cash acquired		(1,469)	(1,375,383)	(264,388)
Proceeds from sale of subsidiaries, net of cash disposed		204	4,917	20,640
Proceeds from sales of promissory notes		2,402,794	1,603,321	2,100,065
Purchases of promissory notes		(2,402,689)	(1,427,082)	(2,000,000)
Proceeds from sales of other investments		4,500	–	16,314
Purchases of other investments		–	–	(48,300)
Placing cash on bank deposits with maturity of more than three months		(8,070,190)	(37,540)	–
Withdrawal of cash from bank deposits with maturity of more than three months		3,020,000	107,540	50,000
Loans given		(1,680,304)	(1,274,022)	(1,083,259)
Loans repaid		1,506,263	1,029,537	1,812,614
Interest received		383,983	144,934	257,586
Dividends received		1,022	–	9,265
Movement in restricted cash		(305,276)	13,227	32,414
Net cash used in investing activities		**(8,030,896)**	**(2,797,107)**	**(2,017,904)**
Cash flows from financing activities				
Proceeds from borrowings		15,093,343	13,815,459	17,787,349
Repayment of borrowings		(7,934,513)	(13,293,280)	(15,871,907)
Interest paid		(1,604,216)	(1,714,415)	(1,224,788)
Purchases of non-controlling interest		(46,499)	(1,186)	(639)
Proceeds from government grants		1,271,831	1,062,173	757,758
Dividends paid		(169)	(328,456)	(70,412)
Lease payments		(221,554)	(116,540)	(79,706)
Net cash from/(used in) financing activities		**6,558,223**	**(576,245)**	**1,297,655**
Net effect of exchange rate changes on cash and cash equivalents		(7,885)	111,747	26,025
Net increase/(decrease) in cash and cash equivalents		**2,662,050**	**1,171,493**	**(103,845)**
Cash and cash equivalents at the beginning of the year	3	2,457,921	1,286,428	1,390,273
Cash and cash equivalents at the end of the year	3	**5,119,971**	**2,457,921**	**1,286,428**

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

OJSC RUSAGRO GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

(*in thousands of Russian Roubles, unless noted otherwise*)

	Attributable to owners of OJSC Rusagro Group				
	Share capital	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2008	**1,700,017**	**5,934,946**	**7,634,963**	**114,829**	**7,749,792**
Comprehensive income for the year	–	1,057,849	1,057,849	10,324	1,068,173
Dividends declared	–	(80,705)	(80,705)	–	(80,705)
Acquisition of subsidiaries (Note 22)	–	(8,901)	(8,901)	15,063	6,162
Acquisition of non-controlling interest	–	8,916	8,916	(9,956)	(1,040)
Balance at 31 December 2008	**1,700,017**	**6,912,105**	**8,612,122**	**130,260**	**8,742,382**
Comprehensive income for the year	–	2,312,999	2,312,999	11,195	2,324,194
Dividends declared	–	(315,491)	(315,491)	–	(315,491)
Acquisition of subsidiaries (Note 22)	–	–	–	324,325	324,325
Acquisition of non-controlling interest	–	–	–	235	235
Disposal of subsidiaries	–	–	–	(8,498)	(8,498)
Balance at 31 December 2009	**1,700,017**	**8,909,613**	**10,609,630**	**457,517**	**11,067,147**
Comprehensive income for the year	–	5,121,529	5,121,529	36,708	5,158,237
Acquisition of non-controlling interest (Note 12)	–	38,372	38,372	(84,870)	(46,498)
New holding company share capital (Note 12)	686,957	(686,957)	–	–	–
Balance at 31 December 2010	**2,386,974**	**13,382,557**	**15,769,531**	**409,355**	**16,178,886**

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

(in thousands of Russian Roubles, unless noted otherwise)

1. Background

Description of the business

These consolidated financial statements were prepared for OJSC Rusagro Group (hereinafter also the "Company") and its subsidiaries (hereinafter the "Group"). The Group is ultimately controlled by Mr. Vadim Moshkovich (hereinafter the "Owner"), who owns 99% of shares in OJSC Rusagro Group as at 31 December 2010 (31 December 2009 and 2008: 99% of charter capital of the previous Holding company of the Group LLC Rusagro Group). LLC Rusagro Group was the Holding company of the Group up to February 2010. In February 2010 a new company OJSC Rusagro Group was established by the Owner with the share capital consisting of 79,565,800 ordinary shares with a par value of 30 Russian Roubles each. The Owner's interest in LLC Rusagro Group was contributed to the charter capital of OJSC Rusagro Group thus introducing a new holding company on top of the existing Group (Note 12).

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 processing.

The registered office of OJSC Rusagro Group is at building 2, Industrial area, village of Kommunarka, Leninsky District, Moscow Region, 142770, the Russian Federation.

The Group basically 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 2010**	**31 December 2009**	**31 December 2008**
LLC Rusagro Group	Investment holding, financing	100	n/a	n/a
	Sugar segment			
LLC Rusagro-Sakhar	Sugar division trading company, sales operations	100	100	100
OJSC Sugar Plant Zherdevsky	Beet and raw sugar processing	99.92	99.92	99.92
OJSC Rzhevsky Sakharnik	Beet and raw sugar processing	99.73	99.73	99.73
OJSC Valuikisakhar	Beet and raw sugar processing	99.23	99.23	99.23
OJSC Nika Corp.	Beet and raw sugar processing	98.27	98.27	98.27
OJSC Sugar Plant Znamensky	Beet and raw sugar processing	95.26	91.68	91.68
OJSC Sugar Plant Nikiforovsky	Beet and raw sugar processing	72.79	70.26	–
LLC Chernyansky Sugar Plant	Beet and raw sugar processing	100	100	–
Limeniko Trade and Invest Limited	Financial derivatives trading	100	–	–
	Oil segment			
OJSC Fats and Oil Integrated Works	Oil processing	97.58	97.16	97.16
	Meat segment			
OJSC Belgorodsky Bacon	Cultivation of pigs	100	100	100
LLC Tambovsky Bacon	Cultivation of pigs	100	–	–

(in thousands of Russian Roubles, unless noted otherwise)

1. Background (Continued)

Entity	Principal activity	Group's share in the share capital, % 31 December 2010	31 December 2009	31 December 2008
	Other agriculture segment			
LLC Rusagro-Tambov	Agriculture	100	100	100
LLC Agronik	Agriculture	100	100	–
OJSC Zherdevsky Elevator	Grain elevator	84.6	84.6	76.19
LLC Rusagro Oskol	Agriculture	100	100	100
LLC RusAgro-Invest	Investments, trading	100	100	100
LLC Rusagro-Invest	Agriculture	100	100	100
LLC Rusagro-Shebekino	Agriculture	100	100	100
LLC Rusagro-Volokonovka	Agriculture	100	100	100
LLC Rusagro-Zarechie	Agriculture	100	100	100
LLC Nezhegol-Agro	Grain elevator	100	100	100

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes (Note 28). The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to predict all developments in the economic environment which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

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) 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-sale costs and agricultural produce which is measured at fair value less point-of-sale costs at the point of harvest. IFRS represent standards and interpretations issued by the International Accounting Standards Board (IASB). The Group entities 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.

(in thousands of Russian Roubles, unless noted otherwise)

2. Summary of significant accounting policies (Continued)

Reclassification

In 2010 the Group changed its accounting policy for government grants relating to the presentation of the compensation of interest expense under bank loans. In the Group's consolidated financial statements for the year ended 31 December 2009 the reimbursement of interest expense under bank loans was presented in the statement of comprehensive income within other operating income. In these consolidated financial statements reimbursement by the government of interest expense under bank loans are offset against the interest expense in the statement of comprehensive income. The Group's management believes that the new presentation enhance the quality of the financial statements by providing more relevant information regarding the Group's interest cover ratio. The amount of interest expense and related compensation due to the government grants are separately disclosed in the Note 16. The effect of this reclassification on the comparative information is summarized as below:

Reclassification to the comparative information for the year ended 31 December 2009:

Year ended 31 December 2009	Reclassified	Reclassification adjustments	As previously reported
Statement of Comprehensive Income			
Other operating income, net	(58,519)	(852,005)	793,486
Operating profit	**3,481,950**	**(852,005)**	**4,333,955**
Interest expense	(791,006)	852,005	(1,643,011)

Reclassification to the comparative information for the year ended 31 December 2008:

Year ended 31 December 2008	Reclassified	Reclassification adjustments	As previously reported
Statement of Comprehensive Income			
Other operating income, net	112,704	(425,695)	538,399
Operating profit	**1,735,262**	**(425,695)**	**2,160,957**
Interest expense	(666,938)	425,695	(1,092,633)

In addition to the above, the Group made reclassifications in 2008 and 2009 that impacted the statement of financial position. These reclassifications were immaterial. In these circumstances, management considered whether omitting the opening statement of financial position at 1 January 2008 would represent a material omission of information. In management's opinion, the omission of the opening statement of financial position, where the reclassification does not affect any statement of financial position and that fact is disclosed, is not material and is therefore permitted. Management considered that materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements.

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 (refer to Note 2.29).

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

2. Summary of significant accounting policies (Continued)

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 211,003 (2009: RR 151,481; 2008: RR 106,948) or decrease it by RR 161,300 (2009: RR 118,515; 2008: RR 89,750) (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.

(in thousands of Russian Roubles, unless noted otherwise)

2. Summary of significant accounting policies (Continued)

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 2010		31 December 2009		31 December 2008	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
Cows						
Length of production usage in calves	1,791	(2,137)	3,002	(3,167)	5,971	(5,777)
Culling rates	(524)	532	(806)	816	(2,399)	2,369
Market prices for comparable bearer livestock in the same region	16,081	(16,081)	16,622	(16,622)	31,475	(31,475)
Pigs						
Length of production usage in farrows	19,445	(19,052)	16,143	(19,730)	6,385	(7,803)
Market prices for comparable bearer livestock in the same region	36,338	(36,338)	37,136	(37,136)	45,590	(45,590)

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 2010, the Group management determined that there were no indicators that would necessitate performing an impairment test of property, plant and equipment.

At 31 December 2009 and 2008, the Group performed an impairment test of property, plant and equipment due to the macroeconomic impairment indicators. The recoverable amount of each cash-generating unit (CGU) was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Group's management covering a five-year period except for Other agriculture CGU and Meat CGU. The latter used seven-year period in 2009 (2008: eight-year period) projections. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. The future cash flows were discounted using pre-tax discount rates ranging between 19.7% and 20.5% in 2009 (2008: 19.3%-24.3%) for each CGU. The discount rate is derived from the Group's post-tax weighted average cost of capital adjusted to reflect the specific amount and timing of future tax cash flows.

As the recoverable amounts exceeded the carrying value of property, plant and equipment for each CGU, no impairment losses were recognised in 2009 and 2008.

A reasonably possible shift in key assumptions underlying value-in-use calculations would not lead to impairment of property, plant and equipment as of 31 December 2010. A reasonably possible shift in key

(in thousands of Russian Roubles, unless noted otherwise)

2. Summary of significant accounting policies (Continued)

assumptions underlying value-in-use calculations could lead to impairment of property, plant and equipment as of 31 December 2009 and 2008. The sensitivity analysis was performed as follows:

Other agriculture CGU		Allocated to goodwill	Allocated to property, plant and equipment
31 December 2009			
Should pre-tax discount rate increase by 3% there would be an impairment of	177,711	128,529	49,182
31 December 2008			
Should EBITDA margin* decrease by 3% there would be an impairment of	6,607	6,607	–
Should pre-tax discount rate increase by 3% there would be an impairment of	246,117	128,529	117,588

Sugar CGU		Allocated to goodwill	Allocated to property, plant and equipment
31 December 2009			
Should EBITDA margin* decrease by 1% there would be an impairment of	468,171	344,509	123,662
Should pre-tax discount rate increase by 3% there would be an impairment of	349,767	344,509	5,258

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

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.

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 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 (Note 22).

Tax legislation

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

2. Summary of significant accounting policies (Continued)

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), 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 the 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 de-consolidated from the date that 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.

2. Summary of significant accounting policies (Continued)

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.

For business combinations that took place prior to 2010 the cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree at each exchange transaction is recognised as goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost ("negative goodwill") is recognised immediately in profit or loss for the year. 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. Non-controlling interest is that part of the net results and of the net assets 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

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are accounted for at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. 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.

The Group has applied the fair value as deemed cost exemption to items of property, plant and equipment acquired before the date of its transition to IFRS, which was determined based on an independent valuation. Subsequent additions made after date of transition to IFRS, are stated at cost.

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. Summary of significant accounting policies (Continued)

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 estimates useful lives:

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

Assets are depreciated on a straight-line basis from the month following the date they are ready for use. Land and assets under construction are not depreciated.

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. A gain or loss from the changes in the fair value less estimated point-of-sale costs is determined for livestock at the year-end and included in other operating income or expense in the period in which it arises.

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.

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

2. Summary of significant accounting policies (Continued)

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

2. Summary of significant accounting policies (Continued)

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 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 lo*ss 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

2. Summary of significant accounting policies (Continued)

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.

Available-for-sale investments

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 core activity of the Group, 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 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.

2. Summary of significant accounting policies (Continued)

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.

2.11 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.

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 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.

2. Summary of significant accounting policies (Continued)

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. Summary of significant accounting policies (Continued)

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 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 13% (2009: 9.3%; 2008: 10.2%) 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.

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

2. Summary of significant accounting policies (Continued)

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. Summary of significant accounting policies (Continued)

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.

2.28 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 Adoption of new or revised standards and interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2010:

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interest") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. The new standard did not have a material impact on these financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the previous IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise a liability for any contingent purchase consideration at the acquisition date. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The revised IFRS 3 did not have a material impact on these financial statements.

Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The amendments did not have a material impact on these financial statements.

2. Summary of significant accounting policies (Continued)

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment did not have a material impact on these financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the Annual Improvements to International Financial Reporting Standards, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The amendments did not have a material impact on these financial statements.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Group's consolidated financial statements.

2.30 New accounting pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted:

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

2. Summary of significant accounting policies (Continued)

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Classification of Rights Issues – Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Group does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group does not expect the amendments to have any material effect on its financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The Group does not expect IFRIC 19 to have any material effect on its financial statements.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements. The amendment is not expected to have any impact on the Group's financial statements.

(in thousands of Russian Roubles, unless noted otherwise)

2. Summary of significant accounting policies (Continued)

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its financial statements.

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 2010	31 December 2009	31 December 2008
Bank balances receivable on demand	755,587	310,430	970,202
Bank deposits with original maturity of less than three months	4,359,500	2,147,130	315,747
Interest receivable on bank deposits within cash equivalents	4,550	–	–
Cash in hand	334	361	479
Total	**5,119,971**	**2,457,921**	**1,286,428**

The Group had the following currency positions:

	31 December 2010	31 December 2009	31 December 2008
Russian Roubles	5,062,739	2,409,788	515,895
US Dollars	57,232	9,526	559,771
Euro	–	38,607	210,762
Total	**5,119,971**	**2,457,921**	**1,286,428**

(in thousands of Russian Roubles, unless noted otherwise)

3. Cash and cash equivalents (Continued)

The weighted average interest rate on cash at bank balances presented within cash and cash equivalents was 3.27% at 31 December 2010 (31 December 2009: 7.95%; 31 December 2008: 1.87%).

As at 31 December 2008 the cash amounts of RR 13,227 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. There was no restricted cash for purchases of non-current assets as at 31 December 2010 and 2009.

As at 31 December 2010 the cash amounts of RR 305,276 (2009: none; 2008: none) were restricted under irrevocable bills of credit issued for purchases of raw sugar, operating lease rent payments in 2011 for land plots and purchases of unharvested crops on those land plots, which were included in "Restricted cash" line within current assets in the statement of financial position.

4. Short-term investments

	31 December 2010	31 December 2009	31 December 2008
Promissory notes	600,182	600,289	600,355
Interest receivable on promissory notes	4,142	3,699	–
Loans issued to third parties	426,355	67,392	166,988
Interest receivable on loans issued to third parties	22,857	1,448	23,949
Bank deposits	4,980,800	30,000	100,000
Interest receivable on bank deposits within financial assets	131,235	–	–
Loans issued to related parties (Note 24)	36,341	292,840	58,840
Interest receivable on loans issued to related parties (Note 24)	834	111,329	92,351
Total	**6,202,746**	**1,106,997**	**1,042,483**

Loans issued to third parties are denominated in Russian Roubles with interest rate varying between 0% and 12% (31 December 2009: 0%-10%; 31 December 2008: 0%-11.5%). The weighted average interest rate on the loans issued to third parties equals 8.5% (31 December 2009: 4.9%; 31 December 2008: 2.8%).

Promissory notes are denominated in Russian Roubles and include promissory notes of Sberbank RF in the amount of RR 600,000 (31 December 2009: RR 600,000; 31 December 2008: RR 600,000) pledged as collateral for the Group's obligations to Sberbank RF (Note 13).

Bank deposits are denominated in Russian Roubles. In 2010 bank deposits in the amount of RR 980,800 placed in Alfa Bank (31 December 2009: none; 31 December 2008: none) are pledged as collateral for the obligations of LLC Samaraagroprompererabotka to Alfa Bank. The Group's deposits were provided as collateral with a view of planned acquisition of ownership interest in LLC Samaraagroprompererabotka (Note 30).

(in thousands of Russian Roubles, unless noted otherwise)

5. Trade and other receivables

	31 December 2010	31 December 2009	31 December 2008
Trade receivables	955,612	796,982	740,401
Receivables for government grants	–	119,095	116,735
Receivables under agent agreement for financial derivatives (Note 27)	1,247,336	–	–
Receivables under other agent agreements	–	–	44,145
Receivables under guarantee agreements	–	–	19,895
Receivables for reimbursable expenses	–	–	24,380
Other	71,155	99,511	102,795
Less: provision for impairment (Note 27)	(38,043)	(90,265)	(72,088)
Total financial assets within trade and other receivables	2,236,060	925,323	976,263
Deferred charges	748	25,591	62,998
Total trade and other receivables	**2,236,808**	**950,914**	**1,039,261**

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

	31 December 2010	31 December 2009	31 December 2008
Russian Roubles	914,720	894,224	967,428
US dollars	1,321,340	31,091	8,119
Euro	–	8	716
Total	**2,236,060**	**925,323**	**976,263**

Reconciliation of movements in the trade and other receivables impairment provision

	Trade receivables	Other receivables
As at 1 January 2008	**38,585**	**55,157**
Reversed	(8,708)	(6,860)
Utilised	(2,972)	(3,114)
As at 31 December 2008 (Note 27)	**26,905**	**45,183**
Accrued	54,737	14,011
Acquisition of subsidiaries	1,343	–
Utilised	(12,678)	(39,236)
As at 31 December 2009 (Note 27)	**70,307**	**19,958**
(Reversed)/Accrued	(32,783)	22,664
Utilised	(15,982)	(26,121)
As at 31 December 2010 (Note 27)	**21,542**	**16,501**

(in thousands of Russian Roubles, unless noted otherwise)

6. Prepayments

	31 December 2010	31 December 2009	31 December 2008
Prepayments for raw sugar	607,207	94,286	–
Prepayments for fuel and energy	50,325	64,518	46,435
Prepayments for transportation services	75,259	57,785	69,487
Prepayments for advertising expenses	33,386	34,835	18,021
Prepayments to customs	17,707	18,148	53,893
Other prepayments	131,383	68,098	136,571
Less: provision for impairment	(8,823)	(9,960)	(10,908)
Total	**906,444**	**327,710**	**313,499**

Reconciliation of movements in the prepayments impairment provision

	2010	2009	2008
As at 1 January	9,960	10,908	9,855
Accrued	9,232	17,621	8,104
Acquisition of subsidiaries	–	2,480	–
Utilised	(10,369)	(21,049)	(7,051)
As at 31 December	**8,823**	**9,960**	**10,908**

7. Other taxes receivable

	31 December 2010	31 December 2009	31 December 2008
Value added tax receivable	708,454	562,720	940,932
Other taxes receivable	16,868	9,109	11,714
Total	**725,322**	**571,829**	**952,646**

Reconciliation of movements in other taxes receivable impairment provision

	2010	2009	2008
As at 1 January	–	–	33,426
Reversed	–	–	(33,426)
As at 31 December	**–**	**–**	**–**

8. Inventories

	31 December 2010	31 December 2009	31 December 2008
Raw materials	4,578,838	2,091,244	2,273,998
Finished goods	1,558,055	2,341,670	1,711,194
Work in progress	1,170,499	689,758	741,239
Less: provision for net realisable value	(8,670)	(44,429)	(203,849)
Total	**7,298,722**	**5,078,243**	**4,522,582**

(in thousands of Russian Roubles, unless noted otherwise)

8. Inventories (Continued)

As at 31 December 2008, inventory with a carrying amount of RR 226 768, was pledged as collateral for the Group's borrowings (Note 13).

9. Property, plant and equipment

	Land and buildings	Machinery, vehicles and equipment	Constructions	Assets under construction	Other	Total
Cost (Note 2.5)						
As at 1 January 2008	2,966,599	4,850,656	164,903	2,028,332	89,591	10,100,081
Additions	55,488	526,837	21,184	3,367,790	22,306	3,993,605
Acquisitions through business combinations	212,651	235,936	19,434	3,783	–	471,804
Transfers	2,244,423	1,133,371	84,065	(3,473,018)	11,159	–
Disposals	(31,003)	(62,947)	(551)	(11,474)	(2,375)	(108,350)
As at 31 December 2008	**5,448,158**	**6,683,853**	**289,035**	**1,915,413**	**120,681**	**14,457,140**
Accumulated depreciation (Note 2.6)						
As at 1 January 2008	(688,879)	(1,532,842)	(63,956)	–	(26,698)	(2,312,375)
Charge for the period	(218,204)	(689,121)	(20,870)	–	(14,967)	(943,162)
Disposals	15,789	37,137	506	–	81	53,513
As at 31 December 2008	**(891,294)**	**(2,184,826)**	**(84,320)**	**–**	**(41,584)**	**(3,202,024)**
Net book value as at 31 December 2008	**4,556,864**	**4,499,027**	**204,715**	**1,915,413**	**79,097**	**11,255,116**
Cost (Note 2.5)						
As at 1 January 2009	5,448,158	6,683,853	289,035	1,915,413	120,681	14,457,140
Additions	134,772	302,644	32,552	1,287,715	25,823	1,783,506
Acquisitions through business combinations	580,980	445,433	215,804	13,174	–	1,255,391
Transfers	1,577,491	1,196,454	53,269	(2,827,463)	249	–
Disposals	(57,808)	(104,028)	(1,350)	(10,881)	(2,275)	(176,342)
Disposal through disposal of subsidiaries	(46)	(2,288)	(577)	–	–	(2,911)
As at 31 December 2009	**7,683,547**	**8,522,068**	**588,733**	**377,958**	**144,478**	**17,316,784**
Accumulated depreciation (Note 2.6)						
As at 1 January 2009	(891,294)	(2,184,826)	(84,320)	–	(41,584)	(3,202,024)
Charge for the period	(369,325)	(955,106)	(36,611)	–	(17,211)	(1,378,253)
Disposals	16,164	72,262	1,350	–	1,870	91,646
Disposal through disposal of subsidiaries	46	1,214	566	–	–	1,826
As at 31 December 2009	**(1,244,409)**	**(3,066,456)**	**(119,015)**	**–**	**(56,925)**	**(4,486,805)**
Net book value as at 31 December 2009	**6,439,138**	**5,455,612**	**469,718**	**377,958**	**87,553**	**12,829,979**

(in thousands of Russian Roubles, unless noted otherwise)

9. Property, plant and equipment (Continued)

	Land and buildings	Machinery, vehicles and equipment	Constructions	Assets under construction	Other	Total
Cost (Note 2.5)						
As at 1 January 2010	7,683,547	8,522,068	588,733	377,958	144,478	17,316,784
Additions	17,194	1,680,464	4,102	1,147,436	17,931	2,867,127
Transfers	78,256	982,339	65,757	(1,134,651)	8,299	–
Disposals	(40,755)	(136,014)	(8,691)	(6,006)	(2,112)	(193,578)
Disposal through disposal of subsidiaries	–	(32)	–	9	–	(23)
As at 31 December 2010	**7,738,242**	**11,048,825**	**649,901**	**384,746**	**168,596**	**19,990,310**
Accumulated depreciation (Note 2.6)						
As at 1 January 2010	(1,244,409)	(3,066,456)	(119,015)	–	(56,925)	(4,486,805)
Charge for the period	(437,732)	(1,355,732)	(90,303)	–	(19,672)	(1,903,439)
Disposals	22,707	88,953	8,141	–	1,130	120,931
Disposal through disposal of subsidiaries	–	5	–	–	–	5
As at 31 December 2010	**(1,659,434)**	**(4,333,230)**	**(201,177)**	**–**	**(75,467)**	**(6,269,308)**
Net book value as at 31 December 2010	**6,078,808**	**6,715,595**	**448,724**	**384,746**	**93,129**	**13,721,002**

At 31 December 2010, property, plant and equipment with a net book value of RR 6,326,643 (31 December 2009: RR 6,839,104; 31 December 2008: RR 2,553,228) were pledged as collateral for the Group's borrowings (Note 13).

During the reporting period and previously, the Group acquired production equipment and vehicles under finance lease agreements from third party leasing companies. At the end of the lease title passes to the Group either free of charge or for a nominal price. The lease terms vary between 34 and 66 months.

At 31 December 2010, the net carrying amount of leased assets included in machinery and equipment was RR 28,209 (31 December 2009: the net carrying amount of leased assets included in machinery and equipment was RR 349,228; 31 December 2008: the net carrying amount of leased assets included in machinery and equipment was RR 264,344). These leased assets are effectively pledged for finance lease liabilities as the risks and rewards for the leased assets revert to the lessor in the event of default.

Acquisitions of machinery and equipment under finance lease agreements in 2009 in the amount of RR 23,803 (2008: RR 125,676 and assets under construction in the amount of RR 114,490) have been excluded from the cash flow statement, so that investing activities caption in the cash flow statement represents actual cash transactions. During the reporting period the Group capitalised in the assets under construction interest expenses of RR 3,342 (2009: RR 100,037; 2008: RR 239,369). The average capitalisation rate was 10.75% (2009: 13%; 2008: 12%).

(in thousands of Russian Roubles, unless noted otherwise)

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 1 January 2008	**17,025**	**162,307**	**179,332**
Increase due to purchases and gain arising from cost inputs	843,221	2,038,312	2,881,533
Acquisitions through business combinations	–	44,000	44,000
Gain on initial recognition of agricultural produce	–	682,923	682,923
Decrease due to harvest and sales of the assets	(614,293)	(2,641,765)	(3,256,058)
Gain arising from changes in fair value less estimated point-of-sale costs (Note 21)	8,421	–	8,421
As at 31 December 2008	**254,374**	**285,777**	**540,151**
Increase due to purchases and gain arising from cost inputs	2,017,796	2,347,837	4,365,633
Acquisitions through business combinations	–	18,977	18,977
Gain on initial recognition of agricultural produce	–	394,861	394,861
Decrease due to harvest and sales of the assets	(1,842,646)	(2,793,686)	(4,636,332)
Gain arising from changes in fair value less estimated point-of-sale costs (Note 21)	64,884	–	64,884
As at 31 December 2009	**494,408**	**253,766**	**748,174**
Increase due to purchases and gain arising from cost inputs	2,561,325	2,924,387	5,485,712
Gain on initial recognition of agricultural produce	–	770,564	770,564
Decrease due to harvest and sales of the assets	(2,637,404)	(3,500,957)	(6,138,361)
Lost harvest write-off (Note 21)	–	(191,425)	(191,425)
Gain arising from changes in fair value less estimated point-of-sale costs (Note 21)	180,405	–	180,405
As at 31 December 2010	**598,734**	**256,335**	**855,069**

In 2010 gain on initial recognition of agricultural produce in the amount of RR 770,564 (2009: RR 394,861; 2008: RR 682,923) is included as part of the gross profit, as it mainly relates to agricultural produce sold during the respective years.

Lost harvest write-off is represented by damage of crops due to unusual severe weather conditions in 2010. RR 91 961 of this write-off was compensated to the Group through government grants (Note 21).

10. Biological assets (Continued)

Long-term biological assets

	Bearer livestock		
	Pigs	**Cows**	**Total**
As at 1 January 2008	280,819	331,235	612,054
Increases due to purchases and breeding costs of growing stock	392,227	153,263	545,490
Decreases due to sales	(137,744)	(153,571)	(291,315)
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs (Note 21)	(25,586)	43,222	17,636
As at 31 December 2008	**509,716**	**374,149**	**883,865**
Increases due to purchases and breeding costs of growing stock	239,086	147,878	386,964
Decreases due to sales	(187,101)	(255,668)	(442,769)
Loss arising from changes in fair value less estimated point-of-sale costs (Note 21)	(67,741)	(36,880)	(104,621)
As at 31 December 2009	**493,960**	**229,479**	**723,439**
Increases due to purchases and breeding costs of growing stock	125,215	79,999	205,214
Decreases due to sales	(200,601)	(116,211)	(316,812)
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs (Note 21)	124,171	(32,336)	91,835
As at 31 December 2010	**542,745**	**160,931**	**703,676**

In 2010 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 1,042,804 (2009: RR 355,124; 2008: RR 708,980).

Arable land under plantation and livestock population were as follows:

	31 December 2010	**31 December 2009**	**31 December 2008**
Crops (ha)	341,451	233,753	199,075
Cows (heads)	8,216	10,543	11,300
Pigs within bearer livestock (heads)	28,702	29,251	25,460
Pigs within consumable livestock (tn)	8,452	9,116	4,228

Cows are cultivated for the purpose of production of milk. In 2010 the milk produced amounted to 11,084 tonnes (2009: 17,950 tonnes; 2008: 20,627 tonnes).

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

	2010	**2009**	**2008**
Sugar beet	917	972	1,030
Winter wheat	49	172	198
Barley	88	106	140,
Sunflower	49	23	21
Corn	–	19	21

Biological assets with a carrying value of RR 631,889 (31 December 2009: RR 654,762; 31 December 2008: RR 636,296) 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, meat or crops prices will decline significantly in the foreseeable future except

(in thousands of Russian Roubles, unless noted otherwise)

10. Biological assets (Continued)

some seasonal fluctuations and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in respective 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 2010	31 December 2009	31 December 2008
Promissory notes (interest rate 12%)	–	–	194,086
Loan issued to third party (interest rate 12%)	–	93,000	–
Securities at fair value through profit and loss	42,799	40,625	23,493
Available-for-sale investments	7,677	12,077	12,074
Other long-term investments	3,084	7,815	5,589
Bank deposits	99,390	–	–
Total	**152,950**	**153,517**	**235,242**

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

12. Share capital

Share capital

The nominal registered amount of the Company's issued share capital is RR 2,386,974 (2009: not relevant; 2008: not relevant).

The total authorized number of ordinary shares is 79,565,800 shares (2009: not relevant; 2008: not relevant) with a par value of 30 Russian Roubles per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

In 2008-2009 the holding company of the Group was LLC Rusagro Group (Note 1). Previously, the legislation for limited liability companies (LLC) in the Russian Federation provided for the right of participants to redeem their interest in LLC entities by selling their interest back to the entity, and, therefore, the participants' capital, being participants' interest in a LLC, was classified as a financial liability. Following the changes to the legislation in 2009, participants in a LLC would not have an unconditional right, at any time, to claim their share in the net assets of the company, unless there is an explicit provision to do so in terms of the charter.

The charter of LLC Rusagro Group was amended in November 2009 and the new charter prohibits the withdrawal of the participants from LLC Rusagro Group by selling their interest to the company. As a result of these amendments the participants' interest in the Statement of Financial Position as at 31 December 2009 and 2008 was presented as equity.

Restructuring

The issued shares of OJSC Rusagro Group were paid by the Owner through the contribution of interests in LLC Rusagro Group, the previous holding company of the Group (Note 1). This restructuring was accounted for as a transaction under common control using predecessor basis of accounting applied retrospectively. Under this method the consolidated financial statements of the Company were presented as if it has always been on top of the existing Group. The consolidated assets and liabilities of LLC 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 2008).The difference between the share capital of LLC Rusagro Group and share capital of OJSC Rusagro Group in the amount of RR 686 957 was included in the retained earnings within equity in 2010.

(in thousands of Russian Roubles, unless noted otherwise)

12. Share capital (Continued)

Purchases of non-controlling interests

In 2010 the Group redeemed shares of owned subsidiaries from minority shareholders for a total consideration of RR 46,498, which resulted in excess of the Group's share of identifiable net assets acquired over consideration paid by RR 38,372.

13. Borrowings

Short-term borrowings

	31 December 2010		31 December 2009		31 December 2008	
	Interest rate	Carrying amount	Interest rate	Carrying amount	Interest rate	Carrying amount
Sberbank RF	2.3-9.0%	9,694,052	13.5-17.0%	3,353,394	10.0-17.0%	3,464,753
Other bank loans	7.5-8.3%	1,422,146	–	–	(LIBOR+3%) – 17.0%	536,112
Loans received from third parties	0.0-0.1%	4,242	0.0-11.0%	113,603	0.0-8.6%	4,746
Loans received from related parties (Note 24)	–	–	8.0%	164,730	11.0%	12
Finance leases	21.3-47.3%	9,362	10.3-47.3%	103,531	10.3-32.3%	105,843
Interest accrued on borrowings from third parties		51,845		4,201		10,093
Interest accrued on borrowings from related parties (Note 24)		–		677		41,092
Current portion of long-term borrowings		22,163		735,389		405,821
Total		**11,203,810**		**4,475,525**		**4,568,472**

The above borrowings are denominated in the following currencies:

	31 December 2010	31 December 2009	31 December 2008
Russian Roubles	11,165,303	4,374,941	4,274,722
US Dollars	38,507	8,578	209,744
Euro	–	92,006	84,006
Total	**11,203,810**	**4,475,525**	**4,568,472**

(in thousands of Russian Roubles, unless noted otherwise)

13. Borrowings (Continued)

Long-term borrowings

	31 December 2010		31 December 2009		31 December 2008	
	Interest rate	Carrying amount	Interest rate	Carrying amount	Interest rate	Carrying amount
Sberbank RF	9.5-13.0%	6,978,172	10.5-18.5%	7,497,400	9.0-15.8%	7,254,542
Alfa Bank	10.8-11.0%	1,062,990	CBRF rate + 3.0%	1,000,000	–	–
Other bank loans			13.5-17.0%	51,238	13.8-17.0%	61,137
State budget loans	¼ of the CBRF rate*	208,076	¼ of the CBRF rate*	196,042	¼ of the CBRF rate*	181,102
Promissory notes issued	0.0%	29,724	0.0-0.1%	27,635	0.0-0.1%	22,367
Finance leases	36.9-47.3%	5,302	10.3-47.3%	116,448	10.3-32.3%	192,255
Less current portion of long-term borrowings from:						
Sberbank RF	11.0-13.0%	(22,163)	10.5-18.5%	(710,289)	9.0-15.8%	(388,271)
Other bank loans	–	–	13.5-17.0%	(25,100)	13.8-17.0%	(17,550)
Total		**8,262,101**		**8,153,374**		**7,305,582**

* The above loans were initially measured at an effective rate of 12%.

The above borrowings are denominated in the following currencies:

	31 December 2010	31 December 2009	31 December 2008
Russian Roubles	8,262,101	7,999,781	7,062,507
Euro	–	153,593	234,894
US Dollars	–	–	8,181
Total	**8,262,101**	**8,153,374**	**7,305,582**

Maturity of long-term borrowings (excluding finance lease liabilities):

	31 December 2010	31 December 2009	31 December 2008
Fixed interest rate borrowings:			
2 years	263,770	1,207,151	738,604
3-5 years	6,846,278	3,277,268	2,843,523
More than 5 years	938,675	2,356,465	3,350,098
Total	**8,048,723**	**6,840,884**	**6,932,225**

	31 December 2010	31 December 2009	31 December 2008
Floating interest rate borrowings:			
3-5 years	208,076	1,000,000	–
More than 5 years	–	196,042	181,102
Total	**208,076**	**1,196,042**	**181,102**

For details of inventory, property, plant and equipment and biological assets pledged as collateral for the above borrowings see Note 8, Note 9 and Note 10 respectively. For details of promissory notes pledged as collateral for the above borrowings refer to Note 4.

(in thousands of Russian Roubles, unless noted otherwise)

13. Borrowings (Continued)

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

	Pledged shares, %		
	31 December 2010	31 December 2009	31 December 2008
LLC Rusagro-Kozlovka	–	100.00	–
LLC Kalininskoye	100.00	100.00	–
LLC Zveriaevskoye	100.00	100.00	–
LLC Ivanovskoe	80.12	80.12	–
LLC Agrotekhnology	100.00	100.00	–
LLC Rusagro-Novorusanovo	–	100.00	–
LLC Rusagro-Pitim	–	100.00	–
LLC Poletaevskoye	50.00	50.00	–
LLC Rusagro-Tsvetovka	–	100.00	–
CJSC Zarya	–	100.00	–
OJSC Nika Corp.	98.27	98.27	98.27
OJSC Sugar Plant Zherdevsky	99.92	99.92	99.92
OJSC Sugar Plant Znamensky	91.68	91.68	91.68
OJSC Rzhevsky Sakharnik	99.73	99.73	99.73
OJSC Valuikisakhar	99.23	99.23	99.23
OJSC Belgorodsky Bacon	100.00	100.00	100.00
OJSC Fats and Oil Integrated Works	–	–	23.91
OJSC Sugar Plant Nikiforovsky	70.26	–	–

As at 31 December 2010, 50% ownership share in LLC Rusagro Group was pledged as collateral for unutilised credit limits (31 December 2009: 100%; 31 December 2008: none).

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 promissory notes of Sberbank (Note 3, 4, 11). The Group's management compares net debt figure with adjusted EBITDA and considers the normal level of net debt/adjusted EBITDA ratio to be not more than 3.

As at 31 December 2010 the net debt of the Group was as follows:

	31 December 2010	31 December 2009	31 December 2008
Bank loans and state budget loans within long-term borrowings	8,227,075	8,009,291	7,090,960
Bank loans within short-term borrowings	11,138,360	4,088,783	4,406,686
Cash and cash equivalents excluding interest on bank deposits (Note 3)	(5,115,421)	(2,457,921)	(1,286,428)
Promissory notes of Sberbank (Note 4)	(600,000)	(600,000)	(600,000)
Bank deposits within sort-term investments (Note 4)	(4,980,800)	(30,000)	(100,000)
Bank deposits within long-term investments (Note 11)	(99,390)	–	–
Net debt	**8,569,824**	**9,010,153**	**9,511,218**
Adjusted EBITDA* (Note 26)	**7,915,968**	**5,087,098**	**2,571,347**
Net debt/Adjusted EBITDA	**1.08**	**1.77**	**3.70**

* Not an IFRS measure.

(in thousands of Russian Roubles, unless noted otherwise)

13. Borrowings (Continued)

Finance lease liabilities

The ranges and the weighted average effective annual interest rates at the reporting dates were as follows:

	31 December 2010		31 December 2009		31 December 2008	
Russian Roubles	21.3-47.3%	36.5%	15.5-47.3%	28.2%	15.5-25.2%	18.8%
US Dollars	–	–	18.4-44.5%	22.7%	18.4-28.4%	23.5%
Euro	–	–	10.3-32.3%	12.1%	10.3-32.3%	13%

The maturity of finance leases and the minimum lease payments were as follows:

	Due in 1 year	Due in between 1 and 5 years	Total
Minimum lease payments at 31 December 2010	12,638	6,109	18,747
Less: future finance charges	(3,276)	(807)	(4,083)
Present value of minimum lease payments at 31 December 2010	**9,362**	**5,302**	**14,664**
Minimum lease payments at 31 December 2009	129,535	130,560	260,095
Less: future finance charges	(26,004)	(14,112)	(40,116)
Present value of minimum lease payments at 31 December 2009	**103,531**	**116,448**	**219,979**
Minimum lease payments at 31 December 2008	141,890	219,055	360,945
Less: future finance charges	(36,047)	(26,800)	(62,847)
Present value of minimum lease payments at 31 December 2008	**105,843**	**192,255**	**298,098**

14. Trade and other payables

	31 December 2010	31 December 2009	31 December 2008
Trade accounts payable	1,501,266	226,640	565,385
Payables for land rent	19,880	24,476	16,207
Payables for shares in an acquired subsidiary	–	68	14,186
Dividends payable to the Owner (Note 24)	–	–	11,885
Dividends payable to third parties	–	8,637	9,439
Other payables	52,805	57,406	29,934
Total financial liabilities within trade and other payables	**1,573,951**	**317,227**	**647,036**
Payables to employees	289,166	206,075	181,578
Advances received	70,424	71,828	44,482
Total trade and other payables	**1,933,541**	**595,130**	**873,096**

Financial liabilities within trade and other payables of RR 1,039,545 (31 December 2009: RR 7,237; 31 December 2008: RR 40) are denominated in USD, financial liabilities within trade and other payables of RR 5,637 are denominated in EUR (31 December 2009: RR 980; 31 December 2008: RR 20,648).

(in thousands of Russian Roubles, unless noted otherwise)

15. Other taxes payable

	31 December 2010	31 December 2009	31 December 2008
Value added tax	337,487	249,491	71,526
Unified social tax	25,117	33,669	33,989
Property tax	67,520	30,622	24,664
Personal income tax	17,544	17,334	18,320
Transport tax	3,240	2,801	2,587
Tax penalties	–	–	232
Other	24,951	35,782	17,426
Total	**475,859**	**369,699**	**168,744**

16. Government grants

In 2005-2010 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 2008-2009 the government grants for reimbursement of interest expenses on bank loans received for construction of the pig-breeding farm in Belgorod, 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 2009 amounted to RR 27,623 (2008: RR 198,947). The movements in differed government grants were as follows:

	2010	2009	2008
As at 1 January	578,679	582,501	342,940
Government grants received	82,967	65,422	280,379
Amortization of deferred income to match related depreciation (Note 21)	(84,512)	(69,244)	(40,818)
As at 31 December	**577,134**	**578,679**	**582,501**

Additionally, other bank loan interests which had been refunded by the state were credited to the profit or loss.

	2010	2009	2008
Interest expense	1,682,685	1,643,011	1,092,633
Reimbursement of interest expense (government grants)	(898,949)	(852,005)	(425,695)
Total	**783,736**	**791,006**	**666,938**

Other government grants received are included in Note 21.

17. Sales

	2010	2009	2008
Sales of goods	30,647,422	24,363,970	17,564,167
Sales of services	308,108	307,404	202,120
Total	**30,955,530**	**24,671,374**	**17,766,287**

Sales in 2010 include revenue arising from exchange of goods amounting to RR 92,944 (2009: RR 80,521; 2008: RR 80,973) and exchange of services amounting to RR 239,797 (2009: RR 209,110; 2008: RR 127,765).

(in thousands of Russian Roubles, unless noted otherwise)

18. Cost of sales

	2010	2009	2008
Raw materials and consumables used	18,965,584	15,113,381	11,998,235
Payroll	1,432,753	1,313,794	950,124
Depreciation	1,748,035	1,272,505	706,959
Services	948,789	804,664	563,466
Other	81,852	49,175	29,860
(Reversal of provision)/provision for net realisable value (Note 8)	(23,592)	(165,053)	188,644
Total	**23,153,421**	**18,388,466**	**14,437,288**

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 689,836 (31 December 2009: RR 602,329; 31 December 2008: RR 495,076).

Payroll costs above include statutory pension contributions amounting to RR 206,005 (2009: 118,514; 2008: RR 98,953).

19. Distribution and selling expenses

	2010	2009	2008
Transportation and loading services	924,348	716,805	564,256
Payroll	355,933	272,061	186,678
Advertising	157,319	105,543	79,592
Materials	64,944	61,922	46,913
Fuel and energy	21,538	28,513	27,227
Depreciation	23,172	23,761	16,050
(Reversal of provision)/provision for impairment of receivables (Note 5, 6, 7)	(888)	86,369	(40,890)
Other	95,234	156,337	142,461
Total	**1,641,600**	**1,451,311**	**1,022,287**

Payroll costs above include statutory pension contributions amounting to RR 39,950 (2009: RR 19,463; 2008: RR 13,437).

(in thousands of Russian Roubles, unless noted otherwise)

20. General and administrative expenses

	2010	2009	2008
Payroll	1,172,930	863,751	727,580
Taxes, excluding income tax	322,075	184,697	176,255
Bank services	95,289	131,436	60,975
Services of professional organisations	102,940	89,411	59,891
Depreciation	86,971	60,842	56,564
Rent	65,984	78,894	52,888
Fuel and energy	54,888	40,407	45,212
Materials	57,003	49,205	36,353
Security	54,377	44,014	35,908
Communication	22,077	19,779	19,096
Insurance	5,955	14,194	12,573
Repair and maintenance	24,093	29,766	9,375
Travelling expenses	14,156	13,474	7,664
Other	119,826	66,119	66,743
Total	**2,198,564**	**1,685,989**	**1,367,077**

Payroll costs above include statutory pension contributions amounting to RR 91,312 (2009: RR 54,156; 2008: RR 46,091).

21. Other operating income/(loss), net

	2010	2009	2008
Reimbursement of fuel and fertilisers (government grants)	137,783	147,106	168,419
Reimbursement lost harvest (government grants)	91,961	–	–
Lost harvest write-off (Note 10)	(191,425)	–	–
Other government grants	17,034	–	–
Amortization of deferred income to match related depreciation (Note 16)	84,512	69,244	40,818
Gain/(loss) on revaluation of biological assets (Note 10)	272,240	(39,737)	26,057
Rental income	12,235	17,433	24,498
Excess of the Group's share of identifiable net assets acquired over consideration paid (Note 22)	10,210	–	10,258
Gain/(loss) on disposal of subsidiaries, net	204	(16,236)	10,093
(Loss)/gain on other investments	(9,171)	(5,609)	7,084
Gain on disposal of inventory	9,280	4,982	1,394
Write-off of trade and other receivables	(75,959)	(23,290)	(53,271)
Gain/(loss) from investments at fair value through profit or loss	2,074	17,132	(52,770)
Charitable donations and social costs	(225,872)	(122,494)	(33,960)
Loss on disposal of property, plant and equipment	(35,379)	(39,362)	(24,793)
Write-off of inventory	(13,499)	(46,154)	(8,014)
Other	(18,803)	(21,534)	(3,109)
Total	**67,425**	**(58,519)**	**112,704**

(in thousands of Russian Roubles, unless noted otherwise)

21. Other operating income/(loss), net (Continued)

During 2009 the Group disposed of one non-core subsidiary:

2009	CJSC Mayak
Assets	44,251
Liabilities	(14,592)
Non-controlling interest	8,498
Fair value of consideration received	4,925
Loss on disposal of subsidiaries	**(16,236)**
Cash inflow on disposal	4,925
Cash inflow on disposal, net of cash disposed	**4,917**

During 2008 the Group disposed of one non-core subsidiary:

2008	LLC RA Zerno
Assets	580
Liabilities	(10,663)
Fair value of consideration received	10
Gain on disposal of subsidiaries	**10,093**
Cash inflow on disposal	10
Cash inflow on disposal, net of cash disposed	10

22. Goodwill

	2010	2009	2008
Carrying amount at 1 January	474,899	128,529	–
Acquisitions of subsidiaries	–	346,370	128,529
Carrying amount at 31 December	**474,899**	**474,899**	**128,529**

In November 2009 the Group acquired a 100% ownership interest in CJSC Russky Sakhar for total consideration of RR 1,462,367. CJSC Russky Sakhar owned 100% participatory interest in the elevator Agronic LLC and 70.26% of the share capital in the sugar plant OJSC Sugar Plant Nikiforovsky. The goodwill arising on acquisition is primarily attributable to the expected profitability of the acquired business due to the significant expected combined costs savings.

In the second half of 2008 the Group acquired control over several agricultural farms and grain elevator in Tambov region. Goodwill that arose on the acquisitions is associated with synergy of assembled workforce and cultural areas.

Fair values of identifiable assets and liabilities of the subsidiaries acquired in 2008-2009 were determined using discounted cash flow models. The valuation of property, plant and equipment was performed by an independent professional appraiser.

(in thousands of Russian Roubles, unless noted otherwise)

22. Goodwill (Continued)

Acquisitions of subsidiaries

	Share in capital acquired	Total assets	Total liabilities	Purchase consideration	Non-controlling interest	Goodwill	Recognised in profit or loss
2009							
CJSC Russky Sakhar	100.00%	1,768,219	(326,036)	1,462,367	324,325	344,509	–
Total		**1,768,219**	**(326,036)**	**1,462,367**	**324,325**	**344,509**	**–**
2008							
LLC Agrotekhnologiy	100.00%	294,794	(255,794)	48,260	–	9,260	–
LLC Agrotekhnology	100.00%	66,831	(56,903)	48,260	–	38,332	–
LLC Kalininskoye	100.00%	123,459	(103,401)	44,810	–	24,752	–
LLC Zveriaevskoye	100.00%	127,247	(83,279)	33,710	–	–	10,258
LLC Ivanovskoe	80.12%	192,810	(122,844)	62,810	13,913	6,757	–
LLC Poletaevskoye	50.00%	67,594	(85,396)	14,196	(8,901)*	23,097	–
OJSC Zherdevsky elevator	76.19%	57,310	(52,481)	30,010	1,150	26,331	–
Total		**930,045**	**(760,098)**	**282,056**	**6,162**	**128,529**	**10,258**

* This loss reduced the equity of the Group (see the statement of changes in equity).

In 2009 the Group also increased its share in OJSC Zherdevsky elevator to 84.60%. The consideration paid was RR 1,627. Goodwill of RR 1,861 was recognised as a result of this acquisition.

The fair value of assets and liabilities arising from the acquisition in 2009 were as follows:

Russky Sakhar Group	IFRS carrying amount immediately before business combination	Attributed fair value
Cash	101,102	101,102
Loans issued	2,760	2,760
Trade and other receivables	41,195	41,195
Tax receivables	20,714	20,714
Deferred income tax assets	3,304	9,884
Inventories	318,196	318,196
Unharvested crops	18,977	18,977
Property, plant and equipment	578,645	1,255,391
Total assets	**1,084,893**	**1,768,219**
Trade and other payables	(25,335)	(25,335)
Tax payables	(28,588)	(28,589)
Deferred income tax liability	(20,571)	(142,789)
Borrowings	(129,323)	(129,323)
Total liabilities	**(203,817)**	**(326,036)**

(in thousands of Russian Roubles, unless noted otherwise)

22. Goodwill (Continued)

The aggregate fair value of assets and liabilities arising from the acquisitions in 2008 was as follows:

	IFRS carrying amount immediately before business combination	Attributed fair value
Cash	3,482	3,482
Loans issued	42,266	42,266
Trade and other receivables	174,434	174,434
Taxes receivable	9,132	9,132
Deferred income tax assets	906	2,618
Inventories	182,309	182,309
Unharvested crops	44,000	44,000
Property, plant and equipment	327,536	471,804
Total assets	**784,065**	**930,045**
Trade and other payables	(186,017)	(186,017)
Taxes payable	(3,624)	(3,624)
Deferred income tax liability	(2)	(29,288)
Borrowings	(541,169)	(541,169)
Total liabilities	**(730,812)**	**(760,098)**

Altogether the businesses acquired in 2008-2009 contributed to the Group: revenue of RR 54,590 (31 December 2008: RR 58,404) and net loss of RR 18,138 (31 December 2008: net profit of RR 7,542) for the period from the dates of the respective acquisitions to the reporting dates. If the acquisitions had occurred on 1 January of the respective year of acquisition, the contributed revenue and net profit for the year ended 31 December 2009 would have been RR 1,116,712 and RR 208,103 respectively (for the year ended 31 December 2008: the contributed revenue and net loss would have been RR 154,386 and RR 46,527 respectively).

The carrying amount of goodwill as at 31 December 2010, 2009 and 2008 was tested for impairment. The recoverable amount of the Other Agriculture and Sugar 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 six-year (2009: seven-year; 2008: eight-year) and five-year periods respectively and the expected market prices for the Group's key products for the same period according to the leading industry publications. As a result of testing, no impairment losses were recognised.

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

	31 December 2010		31 December 2009		31 December 2008
	Other agriculture CGU	Sugar CGU	Other agriculture CGU	Sugar CGU	Other agriculture CGU
EBITDA margin	42.8%	13.7%	43.2%	9.8%	36%
Pre-tax discount rate	13.8%	14.3%	19.9%	20.49%	19.3%

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

For sensitivity of the value-in-use calculations to the main assumptions see Note 2.2.

(in thousands of Russian Roubles, unless noted otherwise)

23. Income tax

	2010	2009	2008
Current income tax charge	493,547	585,973	377,983
Deferred tax charges (credit)	17,880	(75,279)	(90,710)
Income tax expense	**511,427**	**510,694**	**287,273**

The Group companies domiciled in Russia were subject to an income tax rate of 20% (2009: 20%, 2008: 24%) of taxable profits, except for profit on sales of agricultural produce, which is not subject to income tax until 2012. Then, unless agricultural enterprises become subject to a special taxation regime, the applicable income tax rate will be 18% in 2013-2015 and 20% starting from 2016. Tax rates for agricultural enterprises were enacted in December 2008, effective starting from 1 January 2013. Group entities domiciled in other tax jurisdictions were taxed at 0%.

An income tax rate of 20% was enacted in November 2008, effective starting from 1 January 2009. As this tax rate was enacted by 31 December 2008, the effect of the change on closing deferred tax liabilities amounting to RR 30,385 has been recognised in the consolidated financial statements in 2008.

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:

	2010	2009	2008
Profit before tax:	5,669,664	2,834,888	1,355,446
– taxable at 0%	3,382,234	508,313	(56,168)
– taxable at 20% (2009: 20%; 2008: 24%)	2,287,431	2,326,575	1,411,614
Theoretical tax charge calculated at the applicable tax rate of 20% (2009: 20%; 2008: 24%)	457,486	465,315	338,787
Effect of change of the tax rate on an estimation of deferred tax assets and liabilities	–	–	(30,385)
Tax effect of items which are not deductible or assessable for taxation purposes:			
– non-taxable income	(24,182)	(22,411)	(15,160)
– non-deductible expenses	70,298	55,566	59,402
– penalties	1,362	16	2,382
– other	6,463	12,208	(32,633)
Effect of changes in taxation rates for agricultural companies effective from 2013	–	–	(35,120)
Income tax expense	**511,427**	**510,694**	**287,273**

(in thousands of Russian Roubles, unless noted otherwise)

23. Income tax (Continued)

Differences between IFRS 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 2010	Deferred tax assets/(liabilities) of the acquired subsidiaries	Deferred tax assets/(liabilities) of the disposed subsidiaries	Deferred tax credited/(charged) to profit or loss	31 December 2010
Tax effects of deductible/(taxable) temporary differences:					
Property, plant and equipment	(347,717)	–	–	(69,032)	(416,749)
Impairment of receivables	31,041	–	–	(8,773)	22,268
Payables	13,183	–	–	12,369	25,552
Financial assets	15,679	–	–	(16,257)	(578)
Inventory	30,620	–	–	(22,887)	7,733
Loss carried forward	21,677	11,124	–	44,366	77,167
Other	9,492	–	119	42,334	51,945
Net deferred tax liability	**(226,025)**	**11,124**	**119**	**(17,880)**	**(232,662)**
Recognised deferred tax asset	140,698				153,965
Recognised deferred tax liability	(366,723)				(386,627)

	1 January 2009	Deferred tax assets/(liabilities) of the acquired subsidiaries	Tax effect of income tax rate reduction	Deferred tax credited/(charged) to profit or loss	31 December 2009
Tax effects of deductible/(taxable) temporary differences:					
Property, plant and equipment	(220,600)	(128,916)	–	1,799	(347,717)
Impairment of receivables	30,780	3,007	–	(2,746)	31,041
Payables	13,988	–	–	(805)	13,183
Financial assets	22,536	–	(9,924)	3,067	15,679
Inventory	(39,727)	(7,180)	–	77,527	30,620
Loss carried forward	24,901	–	–	(3,224)	21,677
Other	9,647	184	–	(339)	9,492
Net deferred tax liability	**(158,475)**	**(132,905)**	**(9,924)**	**75,279**	**(226,025)**
Recognised deferred tax asset	93,707				140,698
Recognised deferred tax liability	(252,182)				(366,723)

(in thousands of Russian Roubles, unless noted otherwise)

23. Income tax (Continued)

	1 January 2008	Deferred tax assets/(liabilities) of the acquired subsidiaries	Tax effect of income tax rate reduction	Deferred tax credited/(charged) to profit or loss	31 December 2008
Tax effects of deductible/ (taxable) temporary differences:					
Property, plant and equipment	(298,473)	(27,575)	42,810	62,638	(220,600)
Impairment of receivables	39,375	–	(6,155)	(2,440)	30,780
Payables	25,083	–	(2,797)	(8,298)	13,988
Financial assets	(12,426)	–	(4,507)	39,469	22,536
Inventory	(2,939)	–	7,945	(44,733)	(39,727)
Loss carried forward	16,347	905	(4,980)	12,629	24,901
Other	10,518	–	(1,931)	1,060	9,647
Net deferred tax liability	**(222,515)**	**(26,670)**	**30,385**	**60,325**	**(158,475)**
Recognised deferred tax asset	54,026				93,707
Recognised deferred tax liability	(276,541)				(252,182)

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.

	31 December 2010	31 December 2009	31 December 2008
Deferred tax assets:			
– Deferred tax asset to be recovered after more than 12 months	79,943	63,586	75,836
– Deferred tax asset to be recovered within 12 months	74,022	77,112	17,871
	153,965	**140,698**	**93,707**
Deferred tax liabilities:			
– Deferred tax liability to be settled after more than 12 months	(297,447)	(288,701)	(191,362)
– Deferred tax liability to be settled within 12 months	(89,180)	(78,022)	(60,820)
	(386,627)	**(366,723)**	**(252,182)**
Total net deferred tax liability	**(232,662)**	**(226,025)**	**(158,475)**

The Group has not recognised a deferred tax liability of RR 2,578,763 (31 December 2009: RR 1,732,256; 31 December 2008: RR 1,119,966) in respect of temporary differences associated with investments in subsidiaries as the Group is able to control the timing of reversal of those temporary differences and does not expect to reverse them in the foreseeable future. It does not intend to reduce the subsidiaries' equity, and future dividends, if any, will be paid out of future earnings.

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

(in thousands of Russian Roubles, unless noted otherwise)

24. Related party transactions (Continued)

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.

Related parties of the Group fall into the following categories:

1. The Owner;
2. Entities controlled by the Owner;
3. Members of the Board of Directors and other key management personnel;
4. Entities controlled by key management personnel.

The Owner

In 2009 and 2008 the Group declared dividends to the participants in the amounts of RR 315,491 and RR 80,705 respectively, whereas the dividends attributable to the Owner were RR 312,336 and RR 79,403 respectively. The dividends for 2009 were fully paid by 31 December 2009 (31 December 2008: dividend payable to the Owner was RR 11,885).

During 2008 the Group obtained an interest-free loan from the Owner in the amount of RR 31,905. This loan was repaid before 31 December 2008.

Entities controlled by the Owner

Balances and transactions with related parties for each reporting period consist of the following:

Transactions	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Loans issued	38,106	696,000	848,194
Interest income	1,670	42,809	38,331
Loans received	1,999	164,730	5,064,240
Interest expense	2,275	687	99,011

Balances	31 December 2010	31 December 2009	31 December 2008
Loans issued (Note 4)	36,341	292,840	58,840
Interest receivable (Note 4)	834	111,329	92,351
Borrowings (Note 13)	–	164,730	12
Interest payable (Note 13)	–	677	41,092

Loans issued to related parties are denominated in US Dollars with interest rate of 6% (31 December 2009: in Russian Roubles, with interest rates 10-21%; 31 December 2008: in Russian Roubles and rate of 10%).

Loans received from related parties are denominated in Russian Roubles with an interest rate of 11% (31 December 2009: 8%; 31 December 2008: 11%).

Key management personnel

Remuneration to 8 (2009: 9; 2008: 4) representatives of key management personnel, included in payroll costs, comprised short-term remuneration such as salaries, discretionary bonuses and other short-term

(in thousands of Russian Roubles, unless noted otherwise)

24. Related party transactions (Continued)

benefits totalling RR 184,362, including RR 832 payable to the State Pension Fund (2009: RR 117,842 and RR 735; 2008: RR 39,585 and RR 284 respectively).

During 2010 the General Director of the Company was granted a share option for 5% shares of the Company by Matchzone Holdings Limited (the entity under common control of the Owner) in a form of compound share-based payment award. The exercise price of the granted option was equal to US$ 5. The options were exercisable starting 1 year from the grant date. The share option was based on two types of vesting conditions: service condition and non-market performance condition. Failure to comply with the non-market performance condition resulted in a forfeiture of the share-based payment award in December 2010. Accordingly, the share based transaction had no impact on these consolidated financial statements.

Entities controlled or influenced by the key management personnel

Transactions	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Loans issued	–	–	49,854
Interest income	–	–	2,076
Purchases of goods and services	–	–	24,151
Sale of goods and services	–	–	47,819

25. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year. 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 2010
Profit for the year attributable to the Company's equity holders		5,121,529
Weighted average number of ordinary shares in issue	12	79,565,800
Basic and diluted earnings per share (RR per share)		**64.37**

The Company was established in the form of joint stock company in 2010, therefore earnings per share calculation is not relevant for comparative periods (Note 12).

26. Segment information

Starting from 1 January 2009, the Group prepares its segment analysis in accordance with IFRS 8, "Operating segments", which replaced IAS 14, "Segment reporting". Comparatives were adjusted to conform to the presentation of current period amounts.

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 General Director of OJSC Rusagro Group.

26. Segment information (Continued)

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 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 financial position, income and expenses by business units (segments) based on statutory accounting numbers. Information presented to the CODM is prepared on the basis of individual RAR financial statements (Note 2.1) of the Group companies, but reviewed and assessed at the business unit level;
- Quarterly cash flow statements for each business unit with budget-vs-actual analysis;
- In addition to main financial indicators, production data (such as yield, production volumes, cost per unit, staff costs) and revenue data (volumes per type of products, market share) are also reviewed by the CODM on a quarterly basis.

Measurement of operating segment profit or loss, assets and liabilities

Profit or loss report provided to the CODM is based on the RAR specified layout of income statement which includes four profit measures: gross profit, operating profit, profit before tax and net profit for the period. The CODM assesses the performance of the operating segments based on the net profit for the period. Mainly, the use of net profit was predefined by the participant's needs of maximising profitability of the Group.

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

(in thousands of Russian Roubles, unless noted otherwise)

26. Segment information (Continued)

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2010 is set out below:

2010	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales – external	20,232,815	4,572,238	1,550,746	4,763,290	–	–	31,119,089
Sales to other segments	125,546	13	2,727,125	–	279,657	(3,132,341)	–
Total sales	**20,358,361**	**4,572,251**	**4,277,871**	**4,763,290**	**279,657**	**(3,132,341)**	**31,119,089**
Net profit	**3,353,109**	**979,433**	**260,276**	**443,799**	**2,916**	**–**	**5,039,533**
Interest income	185,226	65,901	53,190	145,917	303,364	(318,464)	435,134
Interest expense	(637,032)	(697,691)	(336,867)	(57,419)	(174,622)	318,464	(1,585,167)
Depreciation	(412,590)	(663,436)	(482,710)	(107,861)	(2,842)	–	(1,669,439)
Income tax expense	(414,941)	14,904	496	(126,718)	(12,542)	–	(538,801)
Assets	**20,601,170**	**9,542,172**	**7,246,585**	**3,289,859**	**9,722,787**	**(12,442,202)**	**37,960,371**
Liabilities	**(12,967,538)**	**(7,189,861)**	**(3,962,714)**	**(293,862)**	**(4,185,407)**	**7,027,975**	**(21,571,407)**
Additions to non-current assets	1,440,634	248,616	1,305,918	153,073	4,438	–	3,152,679

Additions to non-current assets exclude additions to financial instruments and deferred tax assets.

Segment information for the reportable segments for the year ended 31 December 2009 is set out below:

2009	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales – external	15,880,111	2,706,071	1,628,370	4,604,399	1,681	–	24,820,632
Sales to other segments	74,795	265	2,668,710	2,781	90,619	(2,837,170)	–
Total sales	**15,954,906**	**2,706,336**	**4,297,080**	**4,607,180**	**92,300**	**(2,837,170)**	**24,820,632**
Net profit (loss)	**1,103,883**	**200,307**	**391,248**	**932,777**	**648**	**(28,818)**	**2,600,045**
Interest income	43,735	7,544	21,987	91,943	131,301	(159,471)	137,039
Interest expense	(557,404)	(661,576)	(407,425)	(9,410)	(105,842)	159,471	(1,582,186)
Depreciation	(234,777)	(629,621)	(425,035)	(92,074)	(1,201)	–	(1,382,708)
Income tax expense	(294,570)	(43)	(8,945)	(241,712)	(4,784)	–	(550,054)
Assets	**9,959,150**	**6,939,118**	**7,235,666**	**3,845,312**	**6,174,388**	**(8,912,094)**	**25,241,540**
Liabilities	**(5,736,182)**	**(6,336,113)**	**(4,182,710)**	**(1,335,766)**	**(3,031,835)**	**6,199,378**	**(14,423,228)**
Additions to non-current assets	1,065,326	712,366	925,798	190,422	5,975	–	2,899,887

Segment information for the reportable segments for the year ended 31 December 2008 is set out below:

2008	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales – external	11,591,662	877,892	1,363,769	4,231,204	9,297	–	18,073,824
Sales to other segments	60,966	–	1,371,451	5,295	–	(1,437,712)	–
Total sales	**11,652,628**	**877,892**	**2,735,220**	**4,236,499**	**9,297**	**(1,437,712)**	**18,073,824**
Net profit (loss)	**576,008**	**(15,350)**	**53,532**	**561,882**	**242,340**	**(209,817)**	**1,208,595**
Interest income	70,681	4,880	6,549	36,830	181,387	(64,785)	235,542
Interest expense	(297,236)	(358,753)	(260,153)	(20,728)	(144,307)	64,785	(1,016,392)
Depreciation	(181,348)	(158,211)	(261,517)	(78,813)	(848)	–	(680,737)
Income tax expense	(211,308)	(13,470)	(13,074)	(174,914)	(12,901)	–	(425,667)
Assets	**6,512,854**	**6,938,090**	**5,853,846**	**1,984,901**	**4,453,417**	**(3,544,356)**	**22,198,752**
Liabilities	**(4,335,339)**	**(6,569,757)**	**(3,425,998)**	**(441,180)**	**(979,091)**	**1,879,753**	**(13,871,612)**
Additions to non-current assets	753,587	2,988,146	979,945	101,676	1,903	–	4,825,257

(in thousands of Russian Roubles, unless noted otherwise)

26. Segment information (Continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2010	2009	2008
Total sales for reportable segments under RAR	31,119,089	24,820,632	18,073,824
Reclassification to other operating income (a)	(16,961)	(92,425)	(372,756)
Bonuses to customers (b)	(146,953)	(95,178)	(65,296)
Differences in the consolidation start date of the acquired companies (c)	–	–	72,152
Other adjustments	355	38,345	58,363
Total consolidated sales under IFRS	**30,955,530**	**24,671,374**	**17,766,287**

The items in sales reconciliation are attributable to the following:

a. *Reclassification to other operating income.* Reclassification adjustments to RAR revenue represent the reclassification of revenues from non-core activities of the Group to other operating income.

b. *Bonuses to customers*. This adjustment represents an accrual of additional bonuses which were not included in the statutory accounting financial statements due to the cut-off.

c. *Differences in the consolidation start date of the acquired companies.* With the purpose of simplicity and due to the quarterly preparation of the statutory consolidated financial statements the income and expenses of the agricultural companies acquired in the end of August 2008 were included in statutory consolidated financial statements starting from the beginning of June 2008 that is two months earlier than in these consolidated financial statements. Therefore, the adjustment was made to add back intercompany sales that were eliminated in the statutory books net of the reversal of sales to other entities made by the acquired companies during that two-month period.

	2010	2009	2008
Total reportable segment net profit under RAR	5,039,533	2,600,045	1,208,595
Goodwill valuation (d)	–	(42,361)	10,258
Net effect of the measurement of agricultural produce at the time of harvest at fair value less estimated point-of-sale costs (e)	3,570	(207,468)	187,847
Reversal/(accrual) of provision for impairment of inventories (f)	35,506	159,420	(203,849)
Additional depreciation, excluding depreciation of leased assets (g)	(223,848)	(43,475)	(81,736)
Adjustments to financial result of disposal of property plant and equipment (g)	(20,941)	(29,004)	(15,244)
Write-off and impairment of receivables and financial assets (h)	125,240	(80,237)	12,347
Cut-off adjustments (i)	(131,209)	1,050	(70,304)
Elimination of unrealized gain, net of reversal (j)	35,659	(57,236)	(67,331)
Expenses classification (k)	43,599	(14,531)	(74,797)
Adjustments to the net assets of the disposed subsidiaries (l)	–	21,480	–
Deferred tax adjustment (s)	27,374	39,360	138,394
Net effect of biological assets revaluation (m)	306,216	(2,720)	18,460
Accruals (n)	(43,046)	–	–
Write-off of prepaid expenses (o)	(63,328)	(22,938)	(4,134)
Other adjustments	23,912	2,809	9,667
Consolidated net profit under IFRS	**5,158,237**	**2,324,194**	**1,068,173**

26. Segment information (Continued)

The items in the net profit reconciliation are attributable to the following:

d. *Goodwill valuation*. The goodwill in statutory consolidated financial statements is calculated based on the statutory accounting value of the acquired company's net assets as at the acquisition date. In these consolidated financial statements the goodwill valuation was adjusted in accordance with IFRS 3 that requires fair value measurement of the identifiable assets and liabilities acquired in the business combination.

e. *Net effect of the measurement of agricultural produce at the time of harvest at fair value less estimated point-of-sale costs*. In the statutory financial statements agricultural produce is measured at cost. In these consolidated financial statements the agricultural produce was initially measured at fair value less estimated point-of-sale costs at the time of harvest as required by IAS 41. The net effect of the adjustment on the net profit represents the gain on revaluation of the current year's harvest less the gain attributable to the realised agricultural produce.

f. *Reversal/(accrual) of provision for impairment of inventories*. The adjustment represents the write-down of inventories to net realisable value in accordance with IAS 2.

g. *Additional depreciation, excluding depreciation of leased assets. Adjustments to financial result of disposal of property, plant and equipment.* These adjustments were stipulated by the differences in the statutory accounting and IFRS carrying value of the property, plant and equipment which originated due to the revaluation of property, plant and equipment at the date of transition to IFRS (see Note 2.5) and revaluation of the assets acquired in business combinations in accordance with IFRS 3 (Note 22).

h. *Write-off and impairment of receivables and financial assets* adjustments represent (accruals)/reversals of provision for doubtful debts and bad debts write-off.

i. *Cut-off adjustments*. In preparing these consolidated financial statements all income and expenses were included in profit or loss of the period in which the respective business operation took place. This heading summarises adjustments which were not included in statutory financial statements such as accruals of bonuses payable to employees on the basis of results of each financial year, bonuses payable to customers for deliveries in the reporting periods, provisions for unused earned vacations and other similar adjustments.

j. *Elimination of unrealised gain, net of reversal*. In these consolidated financial statements the unrealised gain on intra-group sales that was not excluded in the statutory consolidated financial statements, was eliminated.

k. *Expenses classification*. In the statutory financial statements some expenses, such as bonuses to employees from net profit, are not included in determination of the profit or loss for the period but charged directly to retained earnings. In these consolidated financial statements these expenses were included in profit or loss for the respective period.

l. *Adjustments to the net assets of the disposed subsidiaries.* The adjustment is represented by the differences in statutory accounting and IFRS carrying value of the assets and liabilities disposed through the disposal of subsidiaries.

m. *Net effect of biological assets revaluation*. In the statutory financial statements mature animals of bearer livestock are measured at cost less accumulated depreciation; immature animals of bearer livestock and animals of consumable livestock are measured at cost. In accordance with IAS 41 and the Group's accounting policy (Note 2.7), in these consolidated financial statements the livestock is revalued to the fair value less estimated point-of-sale costs as at the year-end. The net effect of the adjustment includes the reversal of the statutory accounting depreciation, revaluation to the fair value at the year-end and adjustments to the profit or loss related to the disposed livestock.

(in thousands of Russian Roubles, unless noted otherwise)

26. Segment information (Continued)

n. *Accruals*. The Group recognised accruals in these consolidated financial statements that were not made in the statutory financial statements.

o. *Write-off of prepaid expenses.* In the statutory financial statements the recognition of some expenses, for example repairs and maintenance of production facilities in downtime periods, are deferred to match them with the related income. Some of these expenses that do not conform with the definition of assets in accordance with IFRSs, were expensed these consolidated financial statements in the period of the respective transactions.

	2010	2009	2008
Total reportable segment interest income under RAR	435,134	137,039	235,542
Reclassification (p)	–	36,911	46,599
Differences in the consolidation start date of the acquired companies (c)	–	–	11,925
Additional accruals of interest income (q)	–	–	23,290
Other adjustments	(1,071)	(1,219)	268
Consolidated interest income under IFRS	**434,063**	**172,731**	**317,624**

The reconciling items in interest income are attributable to the following:

p. *Reclassification.* In the statutory financial statements the net income from realization of Sberbank promissory notes was presented within other operating income/expenses. In these consolidated financial statements this income is presented within interest income.

q. *Additional accruals of interest income* were made on the long term promissory notes, which were not accrued in the statutory financial statements.

	2010	2009	2008
Total reportable segment interest expenses under RAR	(1,585,167)	(1,582,186)	(1,016,392)
Offsetting of government grants against interest paid (Note 16)	898,950	852,005	425,695
Interest on finance lease liabilities (r)	(19,858)	(39,838)	(25,239)
Reversal of interest capitalization (s)	–	(8,368)	–
Unwinding of discounting on low-cost borrowings (t)	(15,720)	(14,940)	(37,752)
Cut-off adjustments (see i above)	(61,941)		
Other adjustments	–	2,321	(13,250)
Consolidated interest expenses under IFRS	**(783,736)**	**(791,006)**	**(666,938)**

The reconciling items in interest expenses are attributable to the following:

r. *Interest on finance lease liabilities*. In the statutory financial statements there is no distinction between finance and operating leases and leasing expenses are charged to the income statement as incurred, while in accordance with IFRS recognition of finance lease as an asset and a liability in the statement of financial position of the lessee is required. Consequently the depreciation of the leased assets and the interest on the finance lease liabilities are included in profit or loss.

s. *Reversal of interest capitalisation* is made where interest was capitalised in the cost of the assets in the statutory financial statements after the assets were ready for the intended use.

t. *Unwinding of discounting on low-cost borrowings*. In the statutory financial statements borrowings including low-cost borrowings are measured at principal amount. In these consolidated financial statements the low-cost borrowings were discounted to their fair value at the initial recognition using

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26. Segment information (Continued)

the effective interest method (Note 2.15). During the life of the respective borrowings the unwinding of the discounting is made and included in the interest expense.

	2010	2009	2008
Total reportable segment depreciation expenses under RAR	(1,669,439)	(1,382,708)	(680,737)
Additional depreciation related to differences in the carrying amount and depreciation terms (see g above)	(223,848)	(43,475)	(81,736)
Reversal of depreciation on biological assets (see m above)	105,635	112,079	27,008
Depreciation of leased assets (see r above)	(38,465)	(44,056)	(38,209)
Other adjustments	(32,061)	1,052	(5,899)
Consolidated depreciation expenses under IFRS	**(1,858,178)**	**(1,357,108)**	**(779,573)**

	2010	2009	2008
Total reportable segment income tax expenses under RAR	(538,801)	(550,054)	(425,667)
Deferred tax adjustment (u)	27,374	55,560	33,701
Effect of changes in tax rate (Note 23)	–	–	65,505
Other adjustments	–	(16,200)	39,188
Consolidated income tax expenses under IFRS	**(511,427)**	**(510,694)**	**(287,273)**

u. Deferred tax adjustment. In the statutory financial statements the deferred taxes were calculated using income statement liability method, which focuses on timing differences. Timing differences are differences between taxable profit and accounting profit that originate in one period and reverse in one or more subsequent periods. Conversely, IAS 12 "Income Taxes" requires balance sheet liability method, which focuses on temporary differences. Temporary differences are differences between the tax bases of assets or liabilities and their carrying amount in the statement of financial position (Note 2.20).

	2010	2009	2008
Total reportable segment assets under RAR	37,960,371	25,241,540	22,198,752
Adjustments to property, plant and equipment (see g above)	1,068,055	1,640,722	1,070,287
Adjustments to inventories valuation (v)	(301,099)	(324,152)	(171,215)
Offsetting (Note 2.27)	–	(5,090)	(198,550)
Goodwill valuation (see d above)	(493,372)	(513,487)	(87,309)
Biological assets valuation (see m above)	44,053	69,856	40,152
Deferred tax assets valuation (see u above)	21,085	50,853	59,937
Write-off and impairment of receivables and financial assets (see h above)	(98,110)	(340,903)	(301,812)
Recognition of raw sugar purchases in the respective period (w)	1,023,146	–	–
Other adjustments	(136,486)	(97,270)	(40,053)
Total consolidated assets under IFRS	**39,087,643**	**25,722,069**	**22,570,189**

v. Adjustments to inventories valuation. Several adjustments are made to inventory per the statutory financial statements to arrive at the inventory valuation in accordance with IFRS, including net realisable value adjustment (see f above), elimination of unrealised gain (see j above), effect of the measurement of agricultural produce at the time of harvest at fair value less estimated point-of-sale costs included in inventory (see e above), etc.

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26. Segment information (Continued)

w. Recognition of raw sugar purchases in the respective period. At the end of the year risks and rewards for some raw sugar purchases transferred to the Group and the purchased raw sugar and related trade accounts payable were recognized in these consolidated financial statements. In the statutory financial statements these purchases were not recognized as the transfer of ownership title has not happened as at the reporting date.

	2010	2009	2008
Total reportable segment liabilities under RAR	(21,571,407)	(14,423,228)	(13,871,612)
Deferred tax liabilities valuation (see s above)	(198,955)	(250,729)	(169,610)
Recognition of raw sugar purchases in the respective period (see w above)	(1,023,146)	–	–
Cut-off adjustments (see i above)	(219,469)	(148,846)	(134,729)
Discount on low-cost borrowings (see r above)	127,995	143,145	160,856
Adjustments to finance lease liabilities (see p above)	–	417	(32,441)
Offsetting (Note 2.27)	–	5,090	198,550
Other adjustments	(23,775)	19,229	21,179
Total consolidated liabilities under IFRS	**(22,908,757)**	**(14,654,922)**	**(13,827,807)**

	2010	2009	2008
Total reportable segment additions to non-current assets under RAR	3,152,679	2,899,887	4,825,257
Reversal of statutory accounting transaction of transfer of biological assets to fixed assets	(194,683)	(390,071)	(444,406)
Elimination of intercompany capital expenditure	(7,572)	(87,723)	(49,256)
Difference between the fair value and the carrying amount of the non-current assets of the acquired companies (Note 22)	–	676,746	144,268
Increase in non-current biological assets in accordance with IFRS (Note 10)	222,725	386,963	545,490
Advances paid for property, plant and equipment	43,649	(121,326)	(585,530)
Other	(83,297)	(59,941)	(10,454)
Total increase in non-current assets under IFRS	**3,133,501**	**3,304,535**	**4,425,369**

Analysis of revenues by products and services

Each business segment except for Other agricultural business segment is engaged in production and sales of similar or related products (see above in this note). The Other agricultural segment in addition to its main activity of growing and harvesting agricultural crops, is engaged in cultivation of dairy cattle livestock. Related revenue from sales of milk and other livestock products was 142,078 RR (2009: RR 235,960; 2008: RR 280,169).

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

(in thousands of Russian Roubles, unless noted otherwise)

26. Segment information (Continued)

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		
	2010	2009	2008
Russian Federation	29,415,076	23,136,275	16,400,862
Foreign countries	1,540,454	1,535,099	1,365,425
Total	**30,955,530**	**24,671,374**	**17,766,287**

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.

Additional information

As explained above, in 2009 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. As required by IFRS 8, all comparative information has been restated to conform to the requirements of IFRS 8. Internal reporting to the CODM is based on RAR.

To provide a further insight into the earnings of the Group, additional information on sales, cost of sales, gross profit, distribution and selling, general and administrative expenses, other operating income, operating profit and depreciation expense for each operating segment is presented below in accordance with recognition and measurement policies, adopted by the Group for the preparation of its annual IFRS consolidated financial statements. This information is not required by IFRS 8 and is provided on a voluntary basis for comparison with similar businesses only.

(in thousands of Russian Roubles, unless noted otherwise)

26. Segment information (Continued)

2010	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales (Note 17)	20,321,494	4,572,251	4,279,287	4,635,181	279,657	(3,132,340)	30,955,530
Gain on initial recognition of agricultural produce (Note 10)	–	–	770,564	–	–	–	770,564
Cost of sales (Note 18)	(15,970,621)	(2,968,568)	(3,749,020)	(3,310,943)	–	2,845,731	(23,153,421)
incl. Depreciation	*(530,605)*	*(572,503)*	*(491,042)*	*(127,849)*	–	*(26,036)*	*(1,748,035)*
Gains less losses from trading sugar derivatives	1,214,660	–	–	–	–	–	1,214,660
Gross profit	**5,565,533**	**1,603,683**	**1,300,831**	**1,324,238**	**279,657**	**(286,609)**	**9,787,333**
Distribution and Selling, General and administrative expenses (Note 19, Note 20)	(1,638,959)	(256,670)	(832,618)	(828,879)	(425,986)	142,948	(3,840,164)
incl. Depreciation	*(19,047)*	*(17,952)*	*(45,015)*	*(28,107)*	*(2,843)*	*2,821*	*(110,143)*
Other operating income, net (Note 21)	9,175	209,131	(149,435)	31,764	(14,710)	(18,500)	67,425
incl. Reimbursement of fuel and fertilisers (government grants)	–	–	*137,783*	–	–	–	*137,783*
Operating profit	**3,935,749**	**1,556,144**	**318,778**	**527,123**	**(161,039)**	**(162,161)**	**6,014,594**
Depreciation included in Operating Profit	549,652	590,455	536,057	155,956	2,843	23,215	1,858,178
Other operating income, net	(9,175)	(209,131)	149,435	(31,764)	14,710	18,500	(67,425)
Reimbursement of fuel and fertilisers (government grants)	–	–	137,783	–	–	–	137,783
Gain on initial recognition of agricultural produce	–	–	(770,564)	–	–	–	(770,564)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	–	–	766,994	–	–	–	766,994
Provision/(Reversal) for net realizable value costs	–	–	(23,592)	–	–	–	(23,592)
Adjusted EBITDA	**4,476,226**	**1,937,468**	**1,114,891**	**651,315**	**(143,486)**	**(120,446)**	**7,915,968**

Reconciliation of sales for reportable segments under RAR to sales under IFRS:

2010	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales for reportable segments under RAR	**20,358,361**	**4,572,251**	**4,277,871**	**4,763,290**	**279,657**	**(3,132,341)**	**31,119,089**
Reclassification to other operating income (a)	(15,860)	–	(1,101)	–	–	–	(16,961)
Bonuses to customers (b)	(19,439)	–	–	(127,514)	–	–	(146,953)
Other adjustments	(1,568)	–	2,518	(595)	–	–	355
Sales for reportable segments under IFRS	**20,321,494**	**4,572,251**	**4,279,288**	**4,635,181**	**279,657**	**(3,132,341)**	**30,955,530**

(in thousands of Russian Roubles, unless noted otherwise)

26. Segment information (Continued)

Reconciliation of depreciation for reportable segments under RAR to depreciation under IFRS:

2010	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Depreciation for reportable segments under RAR	**(389,374)**	**(663,436)**	**(482,711)**	**(107,860)**	**(2,843)**	**(23,215)**	**(1,669,439)**
Additional depreciation related to differences in the carrying amount and depreciation terms (g)	(138,932)	626	(46,290)	(39,252)	–	–	(223,848)
Reversal of depreciation on biological assets (m)	–	86,136	19,499	–	–	–	105,635
Depreciation of leased assets (p)	4,595	(13,781)	(29,279)	–	–	–	(38,465)
Other adjustments	(25,941)	–	2,724	(8,844)	–	–	(32,061)
Depreciation for reportable segments under IFRS	**(549,652)**	**(590,455)**	**(536,057)**	**(155,956)**	**(2,843)**	**(23,215)**	**(1,858,178)**

2009	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales (Note 17)	15,967,549	2,707,857	4,215,992	4,524,846	92,300	(2,837,170)	24,671,374
Gain on initial recognition of agricultural produce (Note 10)	–	–	394,861	–	–	–	394,861
Cost of sales (Note 18)	(12,735,517)	(2,035,044)	(3,335,867)	(2,750,459)	(38)	2,468,459	(18,388,466)
incl. Depreciation	*(269,288)*	*(510,552)*	*(396,203)*	*(91,152)*	–	*(5,310)*	*(1,272,505)*
Gross profit	**3,232,032**	**672,813**	**1,274,986**	**1,774,387**	**92,262**	**(368,711)**	**6,677,769**
Distribution and Selling, General and administrative expenses (Note 19, Note 20)	(1,430,883)	(169,516)	(774,747)	(753,209)	(181,200)	172,255	(3,137,300)
incl. Depreciation	*(19,374)*	*(1,130)*	*(45,835)*	*(21,874)*	*(1,700)*	*5,310*	*(84,603)*
Other operating income, net (Note 21)	8,231	16,527	(86,819)	(17,491)	45,963	(24,930)	(58,519)
incl. Reimbursement of fuel and fertilisers (government grants)	–	–	*147,106*	–	–	–	*147,106*
Operating profit	**1,809,380**	**519,824**	**413,420**	**1,003,687**	**(42,975)**	**(221,386)**	**3,481,950**
Depreciation included in Operating Profit	288,662	511,682	442,038	113,026	1,700	–	1,357,108
Other operating income, net	(8,231)	(16,527)	86,819	17,491	(45,963)	24,930	58,519
Reimbursement of fuel and fertilisers (government grants)	–	–	147,106	–	–	–	147,106
Gain on initial recognition of agricultural produce	–	–	(394,861)	–	–	–	(394,861)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	–	–	602,329	–	–	–	602,329
Provision/(Reversal) for net realizable value costs	–	–	(165,053)	–	–	–	(165,053)
Adjusted EBITDA	**2,089,811**	**1,014,979**	**1,131,798**	**1,134,204**	**(87,238)**	**(196,456)**	**5,087,098**

(in thousands of Russian Roubles, unless noted otherwise)

26. Segment information (Continued)

Reconciliation of sales for reportable segments under RAR to sales under IFRS:

2009	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales for reportable segments under RAR	**15,954,906**	**2,706,336**	**4,297,080**	**4,607,180**	**92,300**	**(2,837,170)**	**24,820,632**
Reclassification to other operating income (a)	–	–	(92,425)	–	–	–	(92,425)
Bonuses to customers (b)	(13,151)	–	–	(82,027)	–	–	(95,178)
Other adjustments	25,794	1,521	11,337	(307)	–	–	38,345
Sales for reportable segments under IFRS	**15,967,549**	**2,707,857**	**4,215,992**	**4,524,846**	**92,300**	**(2,837,170)**	**24,671,374**

Reconciliation of depreciation for reportable segments under RAR to depreciation under IFRS:

2009	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Depreciation for reportable segments under RAR	**(234,777)**	**(629,621)**	**(425,035)**	**(92,074)**	**(1,201)**	**–**	**(1,382,708)**
Additional depreciation related to differences in the carrying amount and depreciation terms (g)	(55,655)	35,712	(3,468)	(20,064)	–	–	(43,475)
Reversal of depreciation on biological assets (m)	–	93,559	18,520	–	–	–	112,079
Depreciation of leased assets (p)	–	(11,472)	(32,584)	–	–	–	(44,056)
Other adjustments	1,770	140	529	(888)	(499)	–	1,052
Depreciation for reportable segments under IFRS	**(288,662)**	**(511,682)**	**(442,038)**	**(113,026)**	**(1,700)**	**–**	**(1,357,108)**

2008	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales (Note 17)	11,585,678	878,021	2,569,341	4,170,502	457	(1,437,712)	17,766,287
Gain on initial recognition of agricultural produce (Note 10)	–	–	682,923	–	–	–	682,923
Cost of sales (Note 18)	(9,426,133)	(743,555)	(2,521,361)	(2,935,144)	(43)	1,188,948	(14,437,288)
incl. Depreciation	*(206,395)*	*(168,632)*	*(246,229)*	*(81,501)*	–	*(4,202)*	*(706,959)*
Gross profit	**2,159,545**	**134,466**	**730,903**	**1,235,358**	**414**	**(248,764)**	**4,011,922**
Distribution and Selling, General and administrative expenses (Note 19, Note 20)	(1,157,829)	(144,189)	(721,115)	(508,255)	(101,030)	243,054	(2,389,364)
incl. Depreciation	(19,859)	(10,658)	(28,559)	(16,894)	(846)	4,202	(72,614)
Other operating income, net (Note 21)	(33,752)	16,917	173,308	(2,824)	158,599	(199,544)	112,704
incl. Reimbursement of fuel and fertilisers (government grants)	–	*20,702*	*147,717*	–	–	–	*168,419*
Operating profit	**967,964**	**7,194**	**183,096**	**724,279**	**57,983**	**(205,254)**	**1,735,262**
Depreciation included in Operating Profit	226,254	179,290	274,788	98,395	846	–	779,573
Other operating income, net	33,752	(16,917)	(173,308)	2,824	(158,599)	199,544	(112,704)
Reimbursement of fuel and fertilisers (government grants)	–	20,702	147,717	–	–	–	168,419
Gain on initial recognition of agricultural produce	–	–	(682,923)	–	–	–	(682,923)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	–	–	495,076	–	–	–	495,076
Provision/(Reversal) for net realizable value costs	–	–	188,644	–	–	–	188,644
Adjusted EBITDA	**1,227,970**	**190,269**	**433,090**	**825,498**	**(99,770)**	**(5,710)**	**2,571,347**

(in thousands of Russian Roubles, unless noted otherwise)

26. Segment information (Continued)

Reconciliation of sales for reportable segments under RAR to sales under IFRS:

2008	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales for reportable segments under RAR	**11,652,628**	**877,892**	**2,735,220**	**4,236,499**	**9,297**	**(1,437,712)**	**18,073,824**
Reclassification to other operating income (a)	(55,577)	–	(308,259)	–	(8,920)	–	(372,756)
Bonuses to customers (b)	–	–	–	(65,296)	–	–	(65,296)
Differences in the consolidation start date of the acquired companies (c)	–	–	72,152	–	–	–	72,152
Other adjustments	(11,373)	129	70,228	(701)	80	–	58,363
Sales for reportable segments under IFRS	**11,585,678**	**878,021**	**2,569,341**	**4,170,502**	**457**	**(1,437,712)**	**17,766,287**

Reconciliation of depreciation for reportable segments under RAR to depreciation under IFRS:

2008	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Depreciation for reportable segments under RAR	**(181,349)**	**(158,211)**	**(261,517)**	**(78,814)**	**(846)**	**–**	**(680,737)**
Additional depreciation related to differences in the carrying amount and depreciation terms (g)	(42,406)	(38,303)	17,759	(18,786)	–	–	(81,736)
Reversal of depreciation on biological assets (m)	–	27,008	–	–	–	–	27,008
Depreciation of leased assets (p)	–	(9,784)	(28,425)	–	–	–	(38,209)
Other adjustments	(2,499)	–	(2,605)	(795)	–	–	(5,899)
Depreciation for reportable segments under IFRS	**(226,254)**	**(179,290)**	**(274,788)**	**(98,395)**	**(846)**	**–**	**(779,573)**

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 OJSC Rusagro 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.

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27. Financial risk management (Continued)

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

	31 December 2010	31 December 2009	31 December 2008
Long-term financial assets			
Loans issued (Note 11)	–	93,000	–
Bank deposits (Note 11)	99,390	–	–
Securities at fair value through profit and loss (Note 11)	42,799	40,625	23,493
Available-for-sale investments (Note 11)	7,677	12,077	12,074
Promissory notes (Note 11)	–	–	194,086
Other long-term investments (Note 11)	3,084	7,815	5,589
Total long-term financial assets	**152,950**	**153,517**	**235,242**
Short-term financial assets			
Financial assets within trade and other receivables (Note 5)	2,236,060	925,323	976,263
Promissory notes (Note 4)	600,182	600,289	600,355
Bank deposits (Note 4)	4,980,800	30,000	100,000
Loans issued (Note 4)	462,696	360,232	225,828
Interest receivable (Note 4)	159,068	116,476	116,301
Cash and cash equivalents (Note 3)	5,119,971	2,457,921	1,286,428
Restricted cash	305,276	–	–
Total short-term financial assets	**13,864,053**	**4,490,241**	**3,305,175**
Total	**14,017,003**	**4,643,758**	**3,540,417**

The Group has no collateral held as security for its financial assets. The Group has geographical concentration of credit risk in the domestic market since the majority of the Group's customers conduct their business in Russian Federation.

Securities at fair value through profit and loss represent investments in securities of OJSC Gazprom (rating BBB, Fitch Ratings).

For minimisation of credit risk related to cash in bank and bank deposits 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 2010		31 December 2009		31 December 2008	
	Rating agency	Rating	Balance	Rating	Balance	Rating	Balance
Alfa Bank	Standard & Poor's	B+	4,202,240	B+	1,000,839	–	–
Locko Bank	Moody's	B2	2,909,679	B2	3,686	–	–
Sberbank RF	Fitch Ratings	BBB	2,058,481	BBB	505,432	BBB	1,125,117
Gazprombank	Moody's	Baa3	1,365,776	–	–	–	–
Credit Evropa Bank	Fitch	BB–	99,456	–	–	–	–
Sobinbank	RusRating	BB–	158	BB–	970,773	BB–	227,729
Natixis	Standard & Poor's	A+	–	A+	–	A+	32,228
UniCredit Bank	Fitch Ratings	BBB+	323	BBB+	6,479	–	–
Other			225		351		875
Total cash at bank and bank deposits (Note 3, 4, 11)			**10,636,338**		**2,487,560**		**1,385,949**

(in thousands of Russian Roubles, unless noted otherwise)

27. Financial risk management (Continued)

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

		31 December 2010		31 December 2009		31 December 2008	
	Rating agency	**Rating**	**Balance**	**Rating**	**Balance**	**Rating**	**Balance**
Sberbank RF	Fitch Ratings	BBB	600,000	BBB	600,000	BBB	600,000
Other short-term promissory notes	–	–	182	–	289	–	355
Total short-term promissory notes			**600,182**		**600,289**		**600,355**
Long-term promissory notes (Note 11)	–	–	–	–	–	–	194,086
Total long-term promissory notes			**–**		**–**		**194,086**
Total			**600,182**		**600,289**		**794,441**

Long-term promissory notes as at 31 December 2008 related to receivables for sale of agricultural enterprises (Note 21). Other short-term promissory notes relate to one-off transactions and represent promissory notes of customers.

Financial assets that are neither past due nor impaired and not renegotiated as at the reporting date

The table below shows the analysis of financial assets that are neither past due nor impaired.

	31 December 2010	31 December 2009	31 December 2008
Promissory notes	600,182	600,289	794,441
Short-term loans issued	155,837	238,891	29,427
Interest receivable	151,696	11,967	23,887
Long-term loans issued	–	93,000	–
Other long-term investments	3,084	7,815	5,589
	910,799	**951,962**	**853,344**
Trade receivables	918,725	690,658	705,081
Other receivables	1,292,751	193,622	257,031
	2,211,476	**884,280**	**962,112**
Total	**3,122,275**	**1,836,242**	**1,815,456**

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 2010	31 December 2009	31 December 2008
Manufacturers (candy, juice and other)	213,712	243,048	256,252
Distribution and retail outlets	672,962	416,968	306,070
Other not categorised	32,051	30,642	142,759
Total trade receivables	**918,725**	**690,658**	**705,081**

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.

(in thousands of Russian Roubles, unless noted otherwise)

27. Financial risk management (Continued)

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

The table below shows the analysis of the age of financial assets that are past due but not impaired.

	31 December 2010	31 December 2009	31 December 2008
Overdue loans issued			
–3 months and less	998	–	793
–from 3 months to 6 months	–	–	8,500
–more than 6 months and less than a year	–	–	8,907
–over a year	1,807	10,406	–
Overdue interest receivables			
–3 months and less	–	–	4
–from 3 months to 6 months	–	–	658
–more than 6 months and less than a year	–	–	607
–over a year	10	1,591	–
Total	**2,815**	**11,997**	**19,469**

Past due but not impaired loans issued relate to a number of independent counterparties for whom there is no recent history of default.

Financial assets that are impaired as at the reporting date

The table below shows the analysis of impaired financial assets:

	31 December 2010		31 December 2009		31 December 2008	
	Nominal value	Impairment	Nominal value	Impairment	Nominal value	Impairment
Impaired receivables (Note 5):						
–trade receivables	36,887	(21,542)	106,324	(70,307)	35,320	(26,905)
–other receivables	25,739	(16,501)	24,984	(19,958)	49,651	(45,183)
Total	**62,626**	**(38,043)**	**131,308**	**(90,265)**	**84,971**	**(72,088)**

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.

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

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

	31 December 2010	31 December 2009	31 December 2008
Loans issued	304,054	110,935	178,201
Interest receivable	7,362	102,918	92,413
Total	**311,416**	**213,853**	**270,614**

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

(in thousands of Russian Roubles, unless noted otherwise)

27. Financial risk management (Continued)

businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

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:

At 31 December 2010	Carrying value	Contractual undiscounted cash flows				
		Total	2011	2012	2013-2015	After 2015
Borrowings and loans (Note 13)						
–principal amount	19,399,401	19,527,396	11,142,602	263,770	7,135,778	985,246
–interest	51,845	3,821,343	1,283,761	910,139	1,553,997	73,446
Finance leases (Note 13)						
–principal amount	14,664	14,664	9,362	5,302	–	–
–interest	–	4,083	3,276	807	–	–
Financial liabilities within trade and other payables (Note 14)	1,573,951	1,573,951	1,573,951	–	–	–
Total	**21,039,861**	**24,941,437**	**14,012,952**	**1,180,018**	**8,689,775**	**1,058,692**

At 31 December 2009	Carrying value	Contractual undiscounted cash flows				
		Total	2010	2011	2012-2014	After 2014
Borrowings and loans (Note 13)						
–principal amount	12,404,042	12,489,924	4,359,540	1,207,151	4,277,269	2,645,964
–interest	4,878	4,072,073	1,243,455	887,872	1,692,339	248,407
Finance leases (Note 13)						
–principal amount	219,979	219,979	103,531	68,752	47,696	–
–interest	–	40,116	26,005	11,405	2,706	–
Financial liabilities within trade and other payables (Note 14)	317,227	317,227	317,227	–	–	–
Total	**12,946,126**	**17,139,319**	**6,049,758**	**2,175,180**	**6,020,010**	**2,894,371**

At 31 December 2008	Carrying value	Contractual undiscounted cash flows				
		Total	2009	2010	2011-2013	After 2013
Borrowings and loans (Note 13)						
–principal amount	11,524,771	11,685,627	4,432,863	723,051	2,826,609	3,703,104
–interest	51,185	4,187,673	1,068,968	798,904	1,719,550	600,251
Finance leases (Note 13)						
–principal amount	298,098	298,098	105,843	93,053	99,202	–
–interest	–	62,847	36,047	17,292	9,508	–
Financial liabilities within trade and other payables (Note 14)	647,036	647,036	647,036	–	–	–
Total	**12,521,090**	**16,881,281**	**6,290,757**	**1,632,300**	**4,654,869**	**4,303,355**

As at 31 December 2010 the Group had bank deposits in the amount of RR 980 800 maturing in 2011 (31 December 2009: none; 31 December 2008: none) pledged as collateral for the third party's obligations (Note 4).

The rate of CBRF used for calculating interest payments for government credits (see Note 13) is 7.75% (2009: 8.75%; 2008: 13%).

(in thousands of Russian Roubles, unless noted otherwise)

27. Financial risk management (Continued)

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

	31 December 2010	31 December 2009	31 December 2008
US Dollar	30.4769	30.2442	29.3804
Euro	40.3331	43.3883	41.4411

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 credit contracts of the Group with Sberbank RF 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, the Group has credit line with Alfa-Bank with credit limit of RR 3,000,000 provided for interest rate based on the CBRF interest rate plus 3% (Note 13). As at 31 December 2010 this credit facility was not utilised (2009: RR 1,000,000; 2008: not applicable). Besides, under state 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 dynamic 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 2010, had interest rate for borrowings with other than fixed rate been increased/decreased by 1%, the profit before taxation would have been RR 133,585 (2009: RR 120,330; 2008: RR 84,221) lower/higher.

Foreign exchange risk

The Group carries out essential import purchases of raw sugar from foreign suppliers. The payments are usually made in US Dollars. Starting from 2010 the Group actively used irrevocable covered letters of credit as form of payment to its raw sugar suppliers. The financing of the letter of credit was carried out through the credit line with Sberbank in Russian roubles. Under this structure of payment the actual exchange rates for purchase price of raw sugar was determined and fixed at the moment of borrowing funds from Sberbank. Previously the form of settlements implied 100% prepayment to the seller with a

27. Financial risk management (Continued)

time lag of no more than 10 calendar days between the moment of transfer of cash to the seller and the delivery of raw materials. The Group does not have another formal arrangements to mitigate this risk.

As at 31 December 2010, 2009 and 2008, foreign exchange risk arises on cash in banks, trade and other receivables, borrowings and trade and other payables denominated in foreign currency (Notes 3, 5, 13 and 14).

At 31 December 2010, if the Russian Rouble had weakened/strengthened by 10% (2009: 10%; 2008: 33%) against the US dollar with all other variables held constant, the Group's profit before taxation would have been RR 65,517 (2009: RR 2,480; 2008: RR 115,475) higher/lower.

At 31 December 2010 if the Russian Rouble had weakened/strengthened by 10% (2009: 10%; 2008: 27%) against the Euro with all other variables held constant, the Group's profit before taxation would have been RR 564 (2009: RR 20,797; 2008: RR 34,579) lower/higher.

Purchase price risk

The Group processes raw sugar and, starting from 2010, manages its exposure to this commodity price risk through financial derivatives. In 2010, the Group's total purchases of raw sugar were RR 9,534,569 (2009: RR 4,182,344; 2008: RR 3,235,128). 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 1,214,660 are presented as a separate line within the consolidated statement of comprehensive income.

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 till 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.

(in thousands of Russian Roubles, unless noted otherwise)

27. Financial risk management (Continued)

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.

Financial instruments by measurement categories and fair values as at 31 December 2010

	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	5,119,971	–	–	–	5,119,971	5,119,971
Restricted Cash	305,276				305,276	305,276
Loans issued (Note 4)	462,696	–	–	–	462,696	462,696
Promissory notes	600,182	–	–	–	600,182	600,182
Bank deposits	4,980,800	–	–	–	4,980,800	4,980,800
Interest receivable	159,068	–	–	–	159,068	159,068
Financial assets within trade and other receivables	2,236,060	–	–	–	2,236,060	2,236,060
Total short-term financial assets	**13,864,053**	**–**	**–**	**–**	**13,864,053**	**13,864,053**
Loans issued (Note 11)		–	–	–	–	–
Bank deposits	99,390				99,390	99,390
Securities at fair value through profit and loss	–	–	–	42,799	42,799	42,799
Available-for-sale investments	–	–	7,677	–	7,677	7,677
Other long-term investments	3,084	–	–	–	3,084	3,084
Total long-term financial assets	**102,474**	**–**	**7,677**	**42,799**	**152,950**	**152,950**
Total financial assets	**13,966,527**	**–**	**7,677**	**42,799**	**14,017,003**	**14,017,003**
Financial liabilities						
Short-term borrowings	–	11,203,810	–	–	11,203,810	11,203,810
Financial liabilities within trade and other payables	–	1,573,951	–	–	1,573,951	1,573,951
Total short-term financial liabilities	**–**	**12,777,761**	**–**	**–**	**12,777,761**	**12,777,761**
Long-term borrowings	–	8,262,101	–	–	8,262,101	8,262,101
Other non-current liabilities		43,046			43,046	43,046
Total long-term financial liabilities	**–**	**8,305,147**	**–**	**–**	**8,305,147**	**8,305,147**
Total financial liabilities	**–**	**21,082,908**	**–**	**–**	**21,082,908**	**21,082,908**

(in thousands of Russian Roubles, unless noted otherwise)

27. Financial risk management (Continued)

Financial instruments by measurement categories and fair values as at 31 December 2009

	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	2,457,921	–	–	–	2,457,921	2,457,921
Loans issued (Note 4)	360,232	–	–	–	360,232	360,232
Promissory notes	600,289	–	–	–	600,289	600,289
Bank deposits	30,000	–	–	–	30,000	30,000
Interest receivable	116,476				116,476	116,476
Financial assets within trade and other receivables	925,323	–	–	–	925,323	925,323
Total short-term financial assets	**4,490,241**	**–**	**–**	**–**	**4,490,241**	**4,490,241**
Loans issued (Note 11)	93,000	–	–	–	93,000	93,000
Securities at fair value through profit and loss	–	–	–	40,625	40,625	40,625
Available-for-sale investments	–	–	12,077	–	12,077	12,077
Other long-term investments	7,815	–	–	–	7,815	7,815
Total long-term financial assets	**100,815**	**–**	**12,077**	**40,625**	**153,517**	**153,517**
Total financial assets	**4,591,056**	**–**	**12,077**	**40,625**	**4,643,758**	**4,643,758**
Financial liabilities						
Short-term borrowings	–	4,475,525	–	–	4,475,525	4,475,525
Financial liabilities within trade and other payables	–	317,227	–	–	317,227	317,227
Total short-term financial liabilities	**–**	**4,792,752**	**–**	**–**	**4,792,752**	**4,792,752**
Long-term borrowings	–	8,153,374	–	–	8,153,374	8,153,374
Total long-term financial liabilities	**–**	**8,153,374**	**–**	**–**	**8,153,374**	**8,153,374**
Total financial liabilities	**–**	**12,946,126**	**–**	**–**	**12,946,126**	**12,946,126**

(in thousands of Russian Roubles, unless noted otherwise)

27. Financial risk management (Continued)

Financial instruments by measurement categories and fair values as at 31 December 2008

	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	1,286,428	–	–	–	1,286,428	1,286,428
Loans issued	225,828	–	–	–	225,828	225,828
Promissory notes (Note 4)	600,355	–	–	–	600,355	600,355
Bank deposits	100,000	–	–	–	100,000	100,000
Interest receivable	116,301				116,301	116,301
Financial assets within trade and other receivables	976,263	–	–	–	976,263	976,263
Total short-term financial assets	**3,305,175**	**–**	**–**	**–**	**3,305,175**	**3,305,175**
Promissory notes (Note 11)	194,086	–	–	–	194,086	194,086
Securities at fair value through profit and loss	–	–	–	23,493	23,493	23,493
Available-for-sale investments	–	–	12,074	–	12,074	12,074
Other long-term investments	5,589	–	–	–	5,589	5,589
Total long-term financial assets	**199,675**	**–**	**12,074**	**23,493**	**235,242**	**235,242**
Total financial assets	**3,504,850**	**–**	**12,074**	**23,493**	**3,540,417**	**3,540,417**
Financial liabilities						
Short-term borrowings	–	4,568,472	–	–	4,568,472,	4,568,472
Financial liabilities within trade and other payables	–	647,036	–	–	647,036	647,036
Total short-term financial liabilities	**–**	**5,215,508**	**–**	**–**	**5,215,508**	**5,215,508**
Long-term borrowings	–	7,305,582	–	–	7,305,582	7,305,582
Total long-term financial liabilities	**–**	**7,305,582**	**–**	**–**	**7,305,582**	**7,305,582**
Total financial liabilities	**–**	**12,521,090**	**–**	**–**	**12,521,090**	**12,521,090**

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 fulfil 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.

Russian corporate law provides requirements for minimal size of the entity’s charter capital and net assets. The minimum size of charter capital for open joint-stock companies is RR 100, for closed joint-stock companies and limited liability companies – RR 10. The net assets should not be less than the minimum size of charter capital. The majority of the Group’s entities fulfil these requirements as of 31 December 2010, 2009 and 2008. The Group is not subject to other externally imposed capital requirements.

28. Contingencies

Tax legislation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This includes them following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and 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 include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice in this respect has been contradictory.

Tax liabilities arising from transactions within the Group are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Given the brief nature of the current Russian transfer pricing rules, 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. 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. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may 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 entity.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and customs positions will be sustained. The Group estimates that at 31 December 2010 it has potential obligations from exposure to other than remote tax risks regarding VAT and income tax arising from transactions with certain suppliers, of RR 85 631 (2009-2008: no potential obligations).

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 liability recognition criteria listed in IAS 19, "Employee Benefits". Therefore, no liability for social obligations was recognised in these consolidated financial statements.

(in thousands of Russian Roubles, unless noted otherwise)

28. Contingencies (Continued)

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 in excess of provisions that have been made in these consolidated financial statements.

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 2010 the Group had outstanding contractual commitments in respect of purchases or construction of property, plant and equipment in the amount of RR 638,329 (2009: RR 13,438; 2008: RR 157,961).

As at 31 December 2010 the Group had outstanding contractual commitments in respect of purchases of biological assets in the amount of RR 27,822 (2009: RR 21,768; 2008: RR 32,699).

Operating lease commitments

As at 31 December 2010, the Group had 289 land lease agreements (31 December 2009: 200; 31 December 2008: 100). In 118 land lease agreements (31 December 2009: 56; 31 December 2008: 51) 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 2010	31 December 2009	31 December 2008
Not later than 1 year	69,049	10,576	23,634
Later than 1 year and not later than 5 years	116,996	35,516	84,458
Later than 5 years	556,545	173,309	223,623
Total	**742,590**	**219,401**	**331,715**

In addition, in 171 land lease agreements (31 December 2009: 144; 31 December 2008: 49) 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 2010 related rent expenses were RR 132,283 (2009: RR 81,567; 2008: RR 49,842).

30. Subsequent events

In January 2011 ordinary shares of OJSC Rusagro Group were contributed by the Owner to the charter capital of the Ros Agro Plc (formerly Matchzone Holdings Ltd) (Cyprus) thus introducing the new holding company on top of the existing Group.

In January 2011 the Group entered into preliminary agreement for acquisition of 74.90% of ownership interest in LLC Samaraagroprompererabotka, sunflower oil production plant. The main agreement is expected to be signed not later than 30 March 2011 provided the fulfilment by the seller and the buyer the precedent conditions on obtaining internal corporate and antimonopoly authorities' approvals, conditions on compliance of assets and liabilities of the acquired entity to the preliminary agreed levels. The amount

30. Subsequent events (Continued)

of consideration was preliminary agreed to be RR 179,008. Additionally, within this acquisition the Group has issued loans in the amount of RR 1,084,744 for refinancing the debt of the acquired entity.

In March 2011 the Group entered into preliminary agreements for acquisition of 96,818 ha of agricultural land plots located in Belgorod region. The basic agreement should be signed not later than 30 April 2011 provided that the seller fulfils the precedent conditions on execution of legal ownership documentation for those land plots. The acquisition costs are expected to be not more than RR 2,350,000.

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Board of Directors

Androulla Papadopoulou (appointed on incorporation, resigned on 25 February 2011)

Illiana Chatzisavva Giannakou (appointed on incorporation, resigned on 25 February 2011)
Richard Smyth (appointed 25 February 2011)
Marcus Rhodes (appointed 25 February 2011)
Maxim Basov (appointed 25 February 2011)
Natalia Bykovskaya (appointed 25 February 2011)
Ganna Khomenko (appointed 25 February 2011)

Company Secretary

Montrago Services Limited
Arch. Makariou III, 199
Neocleous House
P.C. 3030, Limassol, Cyprus.

Registered office

Arch., Makariou III, 195
Neocleous House
P.C. 3030, Limassol, Cyprus.

ROS AGRO PLC (formerly Matchzone Holdings Limited)

Report of the Board of Directors

1 The Board of Directors presents its report together with its audited financial statements of the Company for the year ended 31 December 2010.

Incorporation

2 The Company was incorporated on 1 December 2009 as a private limited liability company in accordance with the provision of the Cyprus Companies Law Cap. 113.

Principal activities

3 The Company's principal activity was the holding of investments in 2010. As a result of a restructuring that took place in January 2011, the Company became the parent company of the Rusagro Group (see note "Events after the balance sheet date" below).

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

4 The net loss of the Company for the year ended 31 December 2010 was RR 43,099 thousand (2009: nil). On 31 December 2010 the total assets of the Company were RR 6,798,324 thousand (2009: RR 65 thousand) and the net assets were RR 6,754,393 thousand (2009: RR 65 thousand). The financial position, development and performance of the Company as presented in these financial statements are as expected.

Principal risks and uncertainties

5 The principal risks and uncertainties faced by the Company are disclosed in Note 3 of the financial statements.

Future developments of the Company

6 As discussed in the note "Events after the balance sheet date" below in January 2011 the Company has become the parent company of the Rusagro Group and will be converted to a public company for the purposes of a potential listing on London stock exchange.

Results

7 The Company's results for the year are set out on pages 1 and 2.

Dividends

8 There were no dividends announced and paid during the year ended 31 December 2010 (2009: nil).

Share capital

9 Changes in the share capital of the Company are disclosed in Note 12 of the financial statements.

Board of Directors

10 The members of the Board of Directors at 31 December 2010 and at the date of this report are shown on previous page. Androulla Papadopoulou and Iliana Chazisavva Giannakou were members of the Board throughout the period 2010 and resigned on 25 February 2011. All other Directors were appointed as Director on 25 February 2011.

11 There is no clause in the Company's Articles of Association for retirement of Directors and therefore all Directors remain in office.

12 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors in 2010 (2009: no changes). The appointments and resignations of the Directors are stated on the first page of these financial statements. There is no clause in the Articles of Association stating the requirement of the retirement of Directors, and so all Directors remain in office.

Events after the balance sheet date

13 The Board of Directors have appointed PricewaterhouseCoopers Limited as auditor of its financial statements.

14 On 5 January 2011, shareholders of the Company applied for 19,800,000 shares with par value of EUR 0.01. It was agreed that 2,565,000 shares would be paid at par value by cash and 17,235,000 shares would be paid at par plus premium by contribution in kind of shares in the issued capital of OJSC Rusagro Group in the aggregate equivalent of EUR 50,525,017.

On 5 January 2011, shareholders contributed in kind 85.7% of shares of OJSC Rusagro Group in accordance with the subscription applications. Thus the Company consolidated 100% share of OJSC Rusagro Group.

On 25 February 2011, the Company has registered the change of its name to ROS AGRO PLC and was converted to a public company.

Branches

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

Independent Auditors

16 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

Ganna Khomenko

Marcus Rhodes

11 March 2011

Independent Auditor's Report
To the Members of Ros Agro Plc
(formerly Matchzone Holdings Limited)

Report on the Financial Statements

We have audited the accompanying financial statements of Ros Agro Plc (formerly Matchzone Holdings Limited) (the "Company"), which comprise the balance sheets as at 31 December 2009 and 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the period from 1 December 2009 to 31 December 2009 and the year ended 31 December 2010, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ros Agro Plc (formerly Matchzone Holdings Limited) as at 31 December 2009 and 31 December 2010, and of its financial performance and its cash flows for the period from 1 December 2009 to 31 December 2009 and the year ended 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, 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 Company's 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 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 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 156 of the Cyprus Companies Law, Cap. 113 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.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Chartered Accountants

Limassol, 11 March 2011

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ROS AGRO PLC (formerly Matchzone Holdings Limited)

Income statement for the year ended 31 December 2010

(All amounts in RR thousands unless otherwise stated)

	Note	Year ended 31 December 2010	Period from 1 December 2009 to 31 December 2009
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Administrative expenses	5	(36,440)	–
Operating loss		**(36,440)**	–
Finance costs	6	(6,659)	–
Loss before tax		**(43,099)**	–
Current income tax		–	–
Deferred income tax		–	–
Loss for the year/period		**(43,099)**	–

The accompanying notes on pages F-89 to F-103 are an integral part of these financial statements.

ROS AGRO PLC (formerly Matchzone Holdings Limited)

Statement of comprehensive income for the year ended 31 December 2010

(All amounts in RR thousands unless otherwise stated)

	Note	Year ended 31 December 2010	Period from 1 December 2009 to 31 December 2009
Loss for the year/period		**(43,099)**	**–**
Other comprehensive income:			
Available-for-sale financial assets	11,13	1,380,854	–
Other comprehensive income for the year/period		**1,380,854**	**–**
Total comprehensive income for the year/period		**1,337,755**	**–**

The accompanying notes on pages F-89 to F-103 are an integral part of these financial statements.

ROS AGRO PLC (formerly Matchzone Holdings Limited)

Balance sheet at 31 December 2010

(All amounts in RR thousands unless otherwise stated)

	Note	31 December 2010	31 December 2009
Assets			
Current assets			
Accounts receivables	9	660	65
Cash and cash equivalents	10	237	–
Total current assets		**897**	**65**
Available-for-sale investments	11	6,797,427	–
Total non-current assets		**6,797,427**	**–**
Total assets		**6,798,324**	**65**
Equity and liabilities			
Equity			
Share capital	12	85	65
Share premium	12	341,317	–
Other reserves	13	6,456,090	–
Retained loss		(43,099)	–
Total equity		**6,754,393**	**65**
Current liabilities			
Accounts payables		855	–
Loans received from related parties	14	43,076	–
Total current liabilities		**43,931**	**–**
Total equity and liabilities		**6,798,324**	**65**

On 11 March 2011, the Board of Directors of ROS AGRO PLC (formerly Matchzone Holdings Limited) authorised these financial statements for issue.

Ganna Khomenko **Marcus Rhodes**

11 March 2011

The accompanying notes on pages F-89 to F-103 are an integral part of these financial statements.

ROS AGRO PLC (formerly Matchzone Holdings Limited)

Statement of changes in equity for the year ended 31 December 2010

(All amounts in RR thousands unless otherwise stated)

	Share capital	Share premium	Other reserves	Retained loss	Total capital and reserves
Balance at 1 December 2009	–	–	–	–	–
Comprehensive income					
Loss for the period	–	–	–	–	–
Transactions with owners					
Share issuance (Note 12, 13)	65	–	–	–	65
Balance at 31 December 2009	**65**	**–**	**–**	**–**	**65**
Comprehensive income					
Loss for the year	–	–	–	(43,099)	(43,099)
Other comprehensive income					
Available-for-sale financial assets:					
Fair value gains	–	–	1,380,854	–	1,380,854
Total other comprehensive income	–	–	1,380,854	–	1,380,854
Total comprehensive income for the year 2010	–	–	1,380,854	(43,099)	1,337,755
Transactions with owners					
Share issuance (Note 12, 13)	20	341,317	5,075,236	–	5,416,573
Balance at 31 December 2010	**85**	**341,317**	**6,456,090**	**(43,099)**	**6,754,393**

The accompanying notes on pages F-89 to F-103 are an integral part of these financial statements.

ROS AGRO PLC (formerly Matchzone Holdings Limited)

Statement of cash flows for the year ended 31 December 2010

(All amounts in RR thousands unless otherwise stated)

	Note	Year ended 31 December 2010	Period from 1 December 2009 to 31 December 2009
Cash flows from operating activities			
Loss before tax		(43,099)	–
Adjustments for:			
Forex	6	(83)	–
Interest expense	6	6,742	–
		(36,440)	–
Changes in working capital:			
Accounts receivables		(606)	–
Accounts payables		855	–
Cash used in operations		**(36,191)**	**–**
Tax paid		–	–
Net cash used in operating activities		**(36,191)**	**–**
Cash flows from investing activities		**–**	**–**
Cash flows from financing activities			
Proceeds from related party loans	14	**36,627**	**–**
Net cash from financing activities		**36,627**	**–**
Net effect of exchange rate changes on cash and cash equivalents		(199)	–
Net increase in cash and cash equivalents		237	–
Cash and cash equivalents at beginning of the period		–	–
Cash and cash equivalents at end of the year		237	–

The accompanying notes on pages F-89 to F-103 are an integral part of these financial statements.

1. General information

Country of incorporation

ROS AGRO PLC (formerly Matchzone Holdings Limited) (the "Company") was incorporated in Cyprus on 1 December 2009 as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Arch. Makariou III, 195, Neocleous House P.C. 3030, Limassol, Cyprus.

Principal activities

The Company's principal activity was the holding of investments in 2010. As a result of a restructuring that took place in January 2011, the Company became the parent company of the Rusagro Group (Note 15).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements.

Basis of preparation

The financial statements of the Company 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.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2010 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 financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS in EU) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2010. This adoption did not have a material effect on the accounting policies of the Company.

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:

(i) Adopted by the European Union

New standards

- IAS 24 (Revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).

2. Summary of significant accounting policies (Continued)

Amendments

- Amendments to IAS 32 "Financial Instruments: Presentation: Classifications of Rights Issues" (effective for annual periods beginning on or after 1 February 2010).
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters" (effective for annual periods beginning on or after 1 July 2010).
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).
- Annual Improvements 2010 (effective for annual periods beginning on or after 1 July 2010 and 1 January 2011).

New IFRICs

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).

(ii) Not adopted by the European Union

New standards

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendments to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 12 "Income Taxes" (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 July 2011).

The Management expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company with the exception of the following:

(i) IAS 24 (Revised) "Related party disclosures". The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the standard from 1 January 2011. When the revised standard is applied, the Company will need to disclose any transactions between its subsidiaries and its associates. The Company is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

(ii) IFRS 9 "Financial instruments". This standard is the first step in the process to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 and has not yet been endorsed by the European Union. The Company is yet to assess the full impact of IFRS 9.

Employee benefits

The Company and the employees contribute to the Government Social Insurance Fund based on employees' salaries. Such contributions are accrued in the year in which the associated services are rendered by the employees of the Company.

2. Summary of significant accounting policies (Continued)

Foreign currency translation

(i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Russian Roubles, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss as finance income or costs.

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted by the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date 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 profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

2. Summary of significant accounting policies (Continued)

Financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories: loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- **Loans and receivables**

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for contractual maturities greater than twelve months after the balance sheet date. These are classified as non current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

- **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 investment within twelve months of the balance sheet date.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available for sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale investments calculated using the effective interest method is recognised in the profit or loss as part of finance costs. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of finance costs when the Company's right to receive payments is established.

All other elements of changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from OCI and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

2. Summary of significant accounting policies (Continued)

(iii) Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 reversal of the previously recognised impairment loss is recognised in the income statement.

Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2. Summary of significant accounting policies (Continued)

Share capital

Ordinary shares are 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 received over the par value of shares issued is recorded as share premium in equity.

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 Company 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 Company'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.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash held on demand and with banks. Cash and cash equivalents are carried at amortised cost using the effective interest method.

3. Financial risk management

(i) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and equity securities price risk), credit risk and liquidity risk.

The risk management policies employed by the Company to manage these risks are discussed below.

The Company attracts borrowings and receives services denominated in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar and Euro.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

3. Financial risk management (Continued)

At 31 December 2010, if the Russian Rouble had weakened/strengthened by 10% (2009: 10%) against the US Dollar with all other variables held constant, the Company's profit before taxation would have been RR 3,712 (2009: 0) lower/higher.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Price risk

The Company is exposed to equity instruments price risk because of investments held by the Company and classified as available-for-sale. Available-for-sale investments represent investment in the related party.

The Company is not exposed to commodity price risk.

Cash flow interest rate risk

As the Company has no floating interest-bearing liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Fair value interest rate risk

The Company's income and operating cash flows are exposed to changes in market interest rates. The Company's interest rate risk arises from short-term loans from the related parties at fixed rates. Borrowings at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain most of its borrowings in fixed rate instruments. The Company does not have formal policies and procedures in place for management of fair value interest rate risk as the Company considers this risk as insignificant to the Company's operations.

Credit risk

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

For minimisation of credit risk related to cash and cash equivalents the Company places cash in financial institutions which at the moment of transaction have the minimum risk of a default.

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

	31 December 2010	31 December 2009
Short-term financial assets		
Financial assets within accounts receivable (Note 9)	173	65
Cash and cash equivalents (Note 10)	237	–
Total short-term financial assets	**410**	**65**

3. Financial risk management (Continued)

Liquidity risk

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 year and 2 years	Between 2 year and 5 years	Over 5 years
At 31 December 2010				
Other payables	855	–	–	–
Loans received from related parties	45,274	–	–	–
Total	**46,129**	**–**	**–**	**–**

(ii) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company does not have a quantified target level of shareholders' return or capital ratios.

(iii) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been identified as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).
- The following table presents the Company's assets and liabilities that are measured at fair value.

	31 December 2010	31 December 2009
Available-for-sale investments	6,797,427	–
Total	**6,797,427**	**–**

The fair value of available-for-sale investments is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Since the significant inputs required to fair value an instrument are not based on observable market data, the instrument is included in level 3.

Discounted cash flow analysis was used to determine fair value for the available-for-sale investments. These calculations used cash flow projections based on financial budgets approved by the OJSC Rusagro 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 OJSC Rusagro Group operates. The future cash flows were discounted using discount rate of 12% and long-term growth rate of 4%. The discount rate was derived from the OJSC Rusagro Group's post-tax weighted average cost of capital.

4. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accounting for available-for-sale investment

The Company estimates that the additional 15.8% shares in OJSC Rusagro Group provided by the ultimate shareholder in form of a securities lending deed agreement (Note 14) resulting in more than 20% of equity interest in OJSC Rusagro Group during the year did not result in significant influence over OJSC Rusagro Group due to its limited purpose and transitory nature, and consequently associate accounting was not applied. Since the risks and rewards on the borrowed shares were not transferred to the Company, the securities lending deed was treated as an off-balance sheet arrangement.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Company has used discounted cash flow analysis for available-for-sale financial assets that were not traded in active markets.

Were the weighted average cost of capital used in analysis 1% lower/higher from management's estimate, the carrying amount of available-for-sale financial assets would be an estimated RR 1,163,117 thousand higher or RR 902,826 thousand lower.

Were the long-term growth rate used in analysis 1% lower/higher from management's estimate, the carrying amount of available-for-sale financial assets would be an estimated RR 787,550 thousand higher or RR 612,539 thousand lower.

Impairment of available-for-sale financial assets

The Company follows the guidance of IAS 39 on determining when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. Administrative expenses / Expenses by nature

	Year ended 31 December 2010	Period from 1 December 2009 to 31 December 2009
Fees related to available-for-sale investment	34,954	–
Legal fees	926	–
Administration fees	218	–
Incorporation fees	116	–
Annual fees	96	–
Management fees	78	–
Bank charges	52	–
Total Administrative expenses	**36,440**	**–**

Fees related to available-for-sale investments relate to legal expenses incurred due to the postponed IPO effort of OJSC Rusagro Group.

6. Finance costs

	Year ended 31 December 2010	Period from 1 December 2009 to 31 December 2009
Interest expense on related party loans (Note 14)	6,742	–
Net foreign exchange gain	(83)	–
Total finance costs	**6,659**	**–**

7. Financial instruments by category

31 December 2009

Assets as per balance sheet	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale	Total
Available-for-sale financial assets	–	–	–	–
Accounts receivable (excluding prepayments)	65	–	–	65
Cash and cash equivalents	–	–	–	–
Total	**65**	**–**	**–**	**65**

Liabilities as per balance sheet	Other financial liabilities	Total
Accounts payable	–	–
Loans received from related parties (Note 14)	–	–
Total	**–**	**–**

7. Financial instruments by category (Continued)

31 December 2010

Assets as per balance sheet	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale	Total
Available-for-sale financial assets	–	–	6,797,427	6,797,427
Accounts receivable (excluding prepayments)	173	–	–	173
Cash and cash equivalents	237	–	–	237
Total	**410**	**–**	**6,797,427**	**6,797,837**

Liabilities as per balance sheet	Other financial liabilities	Total
Accounts payable	855	855
Loans received from related parties (Note 14)	43,076	43,076
Total	**43,931**	**43,931**

8. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fully performing other receivables	31 December 2010	31 December 2009
Group 1	113	–
Group 2	60	65
	173	**65**
Cash at bank		
A3 (Moody's)	237	–
	237	**–**

Group 1 – Common control companies with no history of default in the past.

Group 2 – Directors, shareholders and key management personnel.

None of the financial assets that are fully performing has been renegotiated in the last year.

None of the loans and receivables from related parties is past due or impaired.

9. Accounts receivables

	31 December 2010	31 December 2009
Receivables from related parties (Note 14)	173	65
Prepayments	487	–
Total other receivables	**660**	**65**

The ageing analysis of these receivables is as follows:

	31 December 2010	31 December 2009
Up to 3 months	113	65
3 to 6 months	–	–
Over 6 months	60	–
Total other receivables	**173**	**65**

10. Cash and cash equivalents

	31 December 2010	31 December 2009
Cash at bank	237	–
Cash on hand	–	–
Total cash and cash equivalents	**237**	**–**

Cash and cash equivalents are denominated in the following currencies:

	31 December 2010	31 December 2009
USD	237	–
Euro	–	–
Russian roubles	–	–
Total cash and cash equivalents	**237**	**–**

11. Available-for-sale investments

	31 December 2010	31 December 2009
At 1 January / 1 December	–	–
Additions	5,416,573	–
Revaluation surplus transferred to other comprehensive income (Note 13)	1,380,854	–
At 31 December	**6,797,427**	**–**

Available-for-sale investments are represented by 14.3% of unlisted shares of OJSC Rusagro Group and are denominated in Russian Roubles.

12. Share capital and share premium

	Number of shares	Share capital	Share premium	Total
At 31 December 2009	1,500	65	–	**65**
At 31 December 2010	200,000	85	341,317	**341,402**

12. Share capital and share premium (Continued)

On incorporation 1 000 ordinary shares of EUR 1 each were issued at par value.

On 30 December 2009, 500 additional ordinary shares of EUR 1 each were issued at par value.

On 22 March 2010, 500 additional ordinary shares with par value of EUR 1 and a share premium of RR 682,634.56 per share were issued. The owner contributed 14.3% of the shares of OJSC Rusagro Group in order to perform procurance of these shares. The difference between fair value of the contributed shares and the shares issued was included in other reserves (Note 13).

On 31 December 2010, as a result of the share split the number of issued shares increased to 200,000 shares with the respective decrease in par value to EUR 0.01 per share. As at 31 December 2010 the total authorised number of shares was 60,000,000 shares (2009: 5,000 shares) with a par value of EUR 0.01 per share (2009: EUR 1 per share). The authorized share capital at year end was 59,800,000 unclassified shares at EUR 0.01 per share and 200,000 ordinary shares at EUR 0.01 per share. The total issued number of ordinary shares as at 31 December 2010 was 200,000 shares (2009: 1,500 shares). The number of ordinary shares issued but not fully paid in 150,000 (2009: 1,500).

During 2010 the Company has granted a share option for 5% shares of OJSC Rusagro Group to the CEO of OJSC Rusagro Group as a cash settled share-based payment award. The exercise price of the granted option was equal to US Dollar 5. The options were exercisable starting 1 year from the grant date. The share option was based on two types of vesting conditions: service condition and non-market performance condition. Failure to comply with the non-market performance condition resulted in a forfeiture of the share-based payment award in December 2010. Accordingly, the share based transaction had no impact on these financial statements.

13. Other reserves

	Excess in fair value of contribution	Available-for-sale financial assets	Total
At 1 January 2009	–	–	–
At 31 December 2009 / 1 January 2010	–	–	–
Excess in fair value of contribution (Note 12)	5,075,236	–	5,075,236
Available-for-sale financial assets:			
Fair value gain (Note 11)	–	1,380,854	1,380,854
At 31 December 2010	**5,075,236**	**1,380,854**	**6,456,090**

14. 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.

The Company is controlled by Mr. Vadim Moshkovich (the "Owner"), who owns 100% of the Company's shares as at 31 December 2010 (2009: 100%).

14. Related party transactions (Continued)

Related parties of the Company fall into the following categories:

1. The Owner;
2. Entities controlled by the Owner;
3. Members of the Board of Directors and other key management personnel.

The Owner

Other receivables	31 December 2010	31 December 2009
At 1 January	65	–
Contributions to share capital	–	65
Forex accrued	(5)	–
At 31 December	**60**	**65**

Loans received	31 December 2010	31 December 2009
At 1 January	–	–
Interest payable accrued	5,901	–
Payments	–	–
At 31 December	**5,901**	**–**

On 22 March 2010, the Owner contributed 14.3% of the shares of OJSC Rusagro Group in order to perform procurance of share issue by the Company (Note 12).

In April 2010 the Owner transferred additional 15.8% shares in OJSC Rusagro Group to the Company in form of a loan under the securities lending deed agreement for the purposes of the proposed IPO of Rusagro Group. Nominal value of the loan of RR 377,142 thousand as well as 4% annual interest rate were determined in the agreement. In June 2010, the Company returned 8.7% shares to the Shareholder at his request. The remaining shares under this agreement were returned back to the Owner at his request in December 2010. The interest expense of RR 5,901 thousand was accrued in the Income Statement.

Entities controlled by the Owner

Other receivables	31 December 2010	31 December 2009
At 1 January	–	–
Prepayments	113	–
At 31 December	**113**	**–**

Loans received	31 December 2010	31 December 2009
At 1 January	–	–
Loans received during the year	36,627	–
Interest payable accrued	841	–
Forex accrued	(293)	–
At 31 December	**37,175**	**–**

14. Related party transactions (Continued)

On 16 June 2010, a loan facility from Rusagro LLC in the amount of US Dollar 2,000,000 (RR 62,919 thousand) was granted with a maturity of 30 December 2011 and a monthly accrued interest rate of 6% (31 December 2009: none).

Key management personnel

Remuneration to the Directors, included in administrative expenses, comprised short-term remuneration such as salaries, totaling RR 161 thousand (2009: nil).

15. Events after the balance sheet date

On 5 January 2011, the shareholders applied for 19,800,000 shares with par value of EUR 0.01 (RR 0.40). It was agreed that 2,565,000 shares would be paid at par value by cash and 17,235,000 shares would be paid at par plus premium by contribution in kind of shares in the issued capital of OJSC Rusagro Group in the aggregate equivalent of EUR 50,525,017 (RR 2,045,637 thousand).

On 5 January 2011, the shareholders contributed in kind 85.7% of shares of OJSC Rusagro Group in accordance with the subscription applications. Thus the Company obtained 100% share of OJSC Rusagro Group and became the parent company of the Rusagro Group.

On 25 February 2011, the Company has registered the change of its name to ROS AGRO PLC and was converted to a public limited company.

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