

# *Annual Report* **2011**



**RUSGRAIN HOLDING**

# Mission and Vision

## Mission

To provide the population of the Russian Federation with affordable and high-quality food products, while promoting the development of the country's food industry and agriculture through innovative projects and creating and expanding new markets for the Russian economy.

## Vision

Our vision is based on a strategy of balanced growth with proportional development in two core development vectors:

*Expansion of food product line while raising profitability and acquiring substantial shares of new markets*

*Hedging for agflation risks by boosting capacity for production and processing of agricultural commodities*

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# Message from the President of the Holding



From the very moment of the creation of Rusgrain Holding in 2004, the vision for the Holding's development has been linked to a strategy of diversification and transition from production based on simple processes and technologies to complex, science-intensive processes of advanced processing of agricultural products. Thus, beginning with initial steps to build storage capacity, the Holding has evolved from basic grain trade operations to the fodder and poultry production with advance processing of the products sold.

There is no question that competition is increasing due to development of other Russian agricultural holdings and the country's accession into the WTO. For us it is clear that in such an environment success is only possible through assimilation of innovative production technologies and the adoption of high-tech modern business processes driven by a cohesive team of professionals capable of bring such projects to life.

At the same time it is impossible to focus on advanced processing of grain without paying attention to the inherent commodity risks. For this reason many agricultural holdings which emerged from the processing business have sought to create vertically integrated structures, despite the low profitability of crop production. From the early 2000s through 2008, thanks to agflationary processes and market speculation on the commodities market worldwide, investment in Russian agricultural land, which was clearly undervalued according to Western benchmarks, was accompanied with high expectations. The fervor died down following the 2008 crisis and crop production became an encumbrance for many.

However, the drought of 2010 once again drew attention to risks inherent in the agricultural sector and the downward trajectory of grain prices was replaced by a sharp rise in prices. It would seem that the moment had come when a hedging strategy through diversification and horizontal integration would fully manifest its merits. However, there are some important nuances here. Having land in a specific region you assume the risks inherent to this specific region. Thus, in 2010 the main cluster of the Crop Division in the Voronezh Region suffered from the drought, losing up to two-thirds of potential harvest. Such a turn of events highlights the fact that in addition to hedging through one's own grain production, it is necessary to have insurance mechanisms in place which account for both the physical risks related to actual production and price risks. For this reason we are glad to see the initiatives now being put forward by the Russian government.

Another critical factor for the normal functioning of the agricultural market is the institution of a commodities exchange and market pricing, which must be accompanied by instruments for hedging against price fluctuation risks: forward, futures and option contracts. It is possible that when such institutions emerge on the Russian market and risk insurance mechanisms become fully functional, then large holdings such as Rusgrain Holding will be able to return to a strategy of specializing on advanced processing and animal husbandry, moving away from the vertical integration of the crop production business,

which would be delegated to producers who have deliberately focused on crop production. Furthermore, the emergence of such market mechanisms could transform the grain trading business, lowering the associated risks and providing new instruments for trade.

Despite the disappointing financial results of 2011, which were a consequence of price and climatic risks related to crop production, the Holding continues to develop: dynamic modernization and expansion of poultry production, reconstruction of fodder production facilities, ongoing repair and maintenance work, and active recruitment of highly qualified professionals. In order to mitigate negative financial results and increase the effectiveness of operational management, crisis response measures are being adopted to reduce expenses and optimize business processes.

In conclusion I would like to assure you that, despite the difficulties encountered, our strategy to attain leading positions in our target areas of the agricultural market and food processing industry remains in place and is progressively being brought to life as planned.



Ivan Tyryshkin, ,  
*President, Rusgrain Holding»*

# Message from the General Director of the Management Company



The year 2011 put to the test Rusgrain Holding's diversification strategy, as we felt the full brunt of various types of risks which are very difficult to control. In the first half of the year the impact of the drought of 2010 and subsequent agflationary processes fully manifested themselves. Higher commodity prices prevented us from fully capitalizing on the competitive advantages of our Poultry Division, whose production capacity is situated in regions where prices on agricultural products are traditionally low. Such non-market factors as the export embargo and its subsequent swift removal had a negative impact on the effectiveness of our Trading Division. Incontrollable weather risks were the reason behind low yields in our Crop Division.

To compensate for the impact of negative external factors, we enacted a number of crisis response measures aimed at reducing expenses. We also audited and subsequently reformed aspects of our procurement and supply chain. A number of measures were developed to implement a Supplier Relationship Management (SRM) system. This approach entails the planned transition of procurement for most supply product groups via e-auctions, while a number of specific products will be acquired via long-term contracts. Since November 2011 an e-procurement module has been operational on the portal [zakupki.rusgrain.ru](http://zakupki.rusgrain.ru). Mechanisms for hedging commodity price and currency risks via derivatives on the forward and futures market have been successfully tested. Work is underway to update our credit risk policy and, together with the agency SKRIN, a scoring program has been developed to evaluate our counterparties.

Despite the negative influence of market factors, the Holding continues to actively develop. In 2011 we continued to invest in modernization and increased production volumes of the Holding's Poultry Division, allocating 129 million rubles for development projects. A mid-term development program for the Poultry Division has been adopted through the year 2016. In 2011 the broiler production increased by 21% while egg production increased by 5% or 39 million units. The sales and marketing team of the Poultry Division has been augmented with high-class professionals with many years of success experience at major poultry producers.

Grain receipts at enterprises of our Processing and Storage Division reached a record high in the history of the Holding and amounted to 709,000 tons. The volume of flour produced also attained a record high for the Holding at 152,000 tons.

I am confident that the realization of our strategy and the projects conceived therein together with the implementation of a modern approach to boosting procurement efficacy and control of market risks will produce a marked increase in the profitability of the Holding's operation and its financial results.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Alexei Verkhoturov  
General Director, Russian Grain

# Development History

Russian Grain LLC was founded in May 2002. In its initial stages of development, Russian Grain was a small trading company engaged in commercial operations with grain.

Rusgrain Holding OJSC was founded in early 2004 as part of a strategy pursued by Russian Grain to establish an agro-industrial holding and gain access to capital markets.

At present Russian Grain, together with all of its agricultural assets, is controlled by Rusgrain Holding and acts as the Management Company of the Holding.

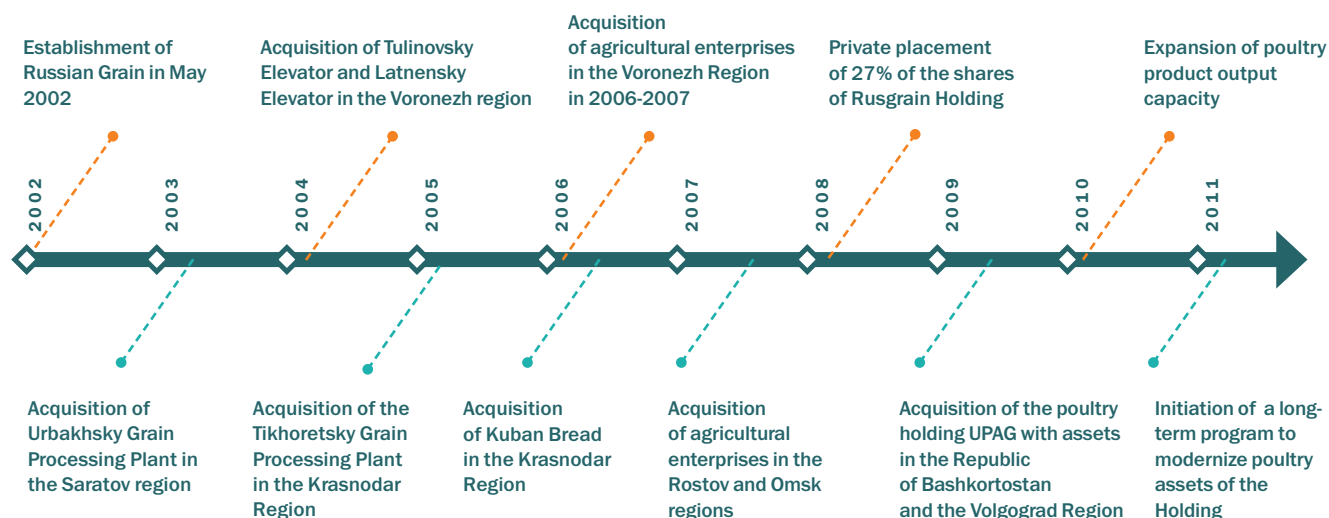
Starting from 2004, Russian Grain has pursued a strategy of building an agro-industrial holding through a policy of extensive acquisitions of agricultural facilities and expansion of its land resources.

In 2008 Rusgrain Holding made a private placement through Renaissance Capital of 27% of its shares among Russian and Western investors. The shares subsequently began trading on the RTS Board.

In 2009 Rusgrain Holding acquired one of the leading producers of chicken eggs and poultry meat, thus becoming one of Russia's largest public agricultural holdings engaged in the full production cycle of raising, processing, storing and trading agricultural products as well as production of chicken and quail eggs and poultry meat.

In 2011 the Holding continued to develop its poultry business, implementing a program to modernize and expand production capacity. The Holding's shares are traded on Moscow Exchange MICEX-RTS.

As a public company, Rusgrain Holding adheres to the international business transparency principles. Since the moment of its founding, the Holding has published consolidated financial statements prepared under IFRS, each year commissioning one of the Big Four to audit these reports. In 2004 the reporting was audited by Deloitte & Touché CIS, from 2005 to 2009 – by KPMG Limited and starting from 2010 – by Ernst & Young.

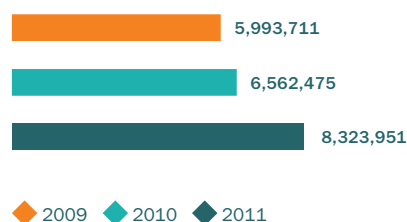


# Key Financial Indicators

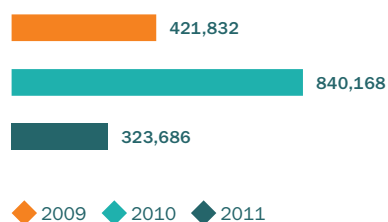
	2011	2010
Revenues, RUB '000	8,323,951	6,562,475
Gross Profit, RUB '000	1,203,709	916,167
Gross Margin, %	14%	14%
EBITDA, RUB '000	323,686	840,168
EDITDA, %	4%	13%
Net Profit, RUB '000	-357,626	173,099
Assets, RUB '000	6,118,044	5,943,293
Debt, RUB '000	3,835,604	3,603,395

Source: Consolidated Financial Statements IFRS 2011 ("Ernst & Young").

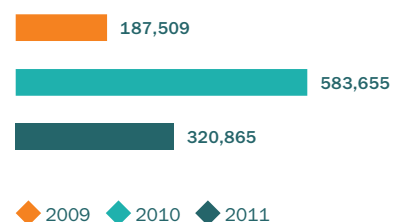
Revenues, RUB '000



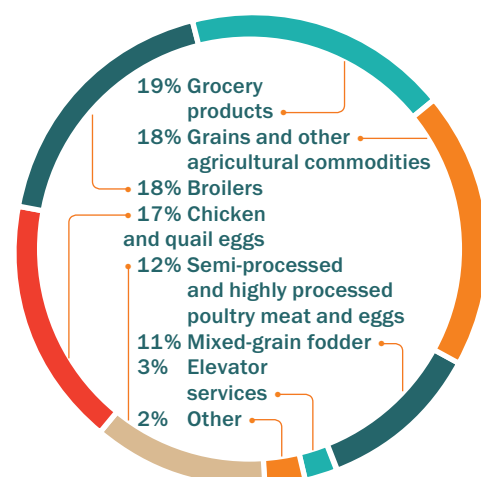
EBITDA, RUB '000



Investment, RUB '000



Structure of Revenues by Product Type, 2011

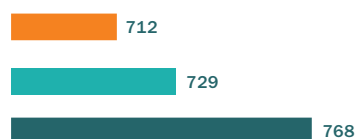




# Key Operational Indicators

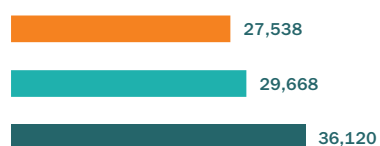
## Poultry Division

Egg production, mln units



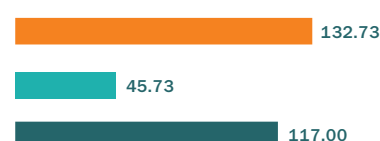
◆ 2009 ◆ 2010 ◆ 2011

Broiler Meat, live weight, tons



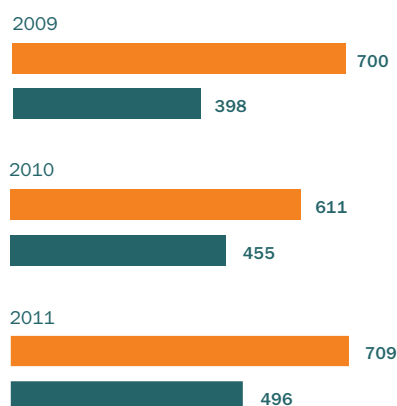
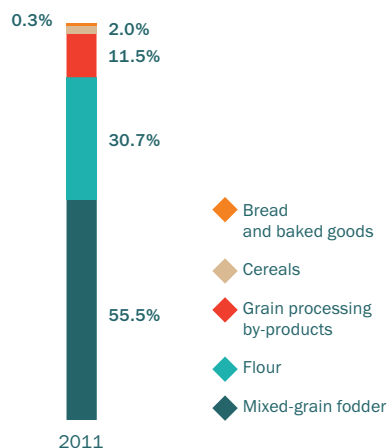
## Crops Division

Gross harvest of grain and legume, '000 tons



◆ 2009 ◆ 2010 ◆ 2011

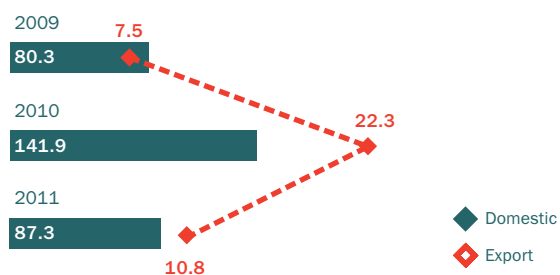
## Grain Processing and Storage Division



◆ Volume of grain received, '000 tons  
◆ Total production volume, '000 tons

## Trading Division

Turnover of own trade portfolio of Trading Division, '000 tons



# Vision

Area	Aim	Rationale	Year
Agricultural Commodities	<ul style="list-style-type: none"> <li>• Increase land resources if stronger trends toward agflation emerge in Russia and globally</li> <li>• Reduction of land resources if equilibrium is reached in global production/consumption balance as well as with the development of market instruments for mitigating commodity price risks</li> </ul>	<ul style="list-style-type: none"> <li>– Price hedging for processing enterprises</li> <li>– Vertical integration</li> <li>– Long-term investment in undervalued land to take advantage of global agflation processes and rising prices on agricultural land worldwide</li> </ul>	2020
Ingredients	<ul style="list-style-type: none"> <li>• 35% of the market for starch products in Russia</li> <li>• 40% of the market for advanced processing of eggs in Russia</li> <li>• 10% of the market for advanced processing of soy products in Russia</li> </ul>	<ul style="list-style-type: none"> <li>– Development of innovative products and acquisition of new market niches</li> <li>– Business diversification</li> <li>– Higher profitability</li> <li>– Synergies within the Holding</li> </ul>	2015
Food Products	<ul style="list-style-type: none"> <li>• No. 1 on the market for chicken and quail eggs:               <ul style="list-style-type: none"> <li>– 15% of the market for chicken eggs</li> <li>– 40% of the market for quail eggs</li> </ul> </li> <li>• Creation of added value through correct communication with the end consumers, projecting our values with regard to the quality and safety of food products</li> </ul>	<ul style="list-style-type: none"> <li>– Leadership on cost minimization</li> <li>– Market share</li> <li>– Added value derived from federal brand and segmented product portfolio</li> </ul>	2015
Energy-Savings, Biotechnologies and Ecology	<ul style="list-style-type: none"> <li>• Energy audit and optimization of energy supply (2012)</li> <li>• Use of biofuels: first generation (biogas from own by-products) and second generation (processing of biomass resulting from crop production)</li> </ul>	<ul style="list-style-type: none"> <li>– Lower expenditures on energy, which continues to become more expensive</li> <li>– Optimization of the waste-product use</li> </ul>	2020
Market Trade Infrastructure in Russia	<ul style="list-style-type: none"> <li>• Participation in the creation of a grain exchange in the Russian Federation</li> </ul>	<ul style="list-style-type: none"> <li>– Creation of mechanisms for market-based price formation</li> <li>– Creation of hedging mechanisms for industry enterprises</li> </ul>	2012

# Geography of Assets



## Voronezh Region

### Land Bank:

- Russkoye Pole Cluster
- Panino Cluster

### Grain Elevators:

- Latnensky Elevator
- Tulinovsky Elevator

## Rostov Region

### Land Bank:

- Zarya Cluster

## Krasnodar Region

### Grain Processing:

- Tikhoretsky Grain Processing Plant
- Kuban Bread

## Saratov Region

### Grain Processing:

- Urbakhsky Grain Processing Plant

## Volgograd Region

### Poultry Plant:

- Kumylzhenskaya Poultry Farm

## Moscow

- Management Company of the Holding

## Republic of Bashkortostan

### Poultry Cluster:

- Ural-Povolzhskaya Agricultural Industrial Group (Management Company of the Holding's Poultry Division)
- Bashkirskeya Poultry Farm
- Ashkadarskaya Poultry Farm
- Ufinskaya Poultry Farm
- Turbaslinskiye Broilers
- Tuymazinskaya Poultry Farm
- Yubileynaya Breeding Poultry Farm
- Ufinsky Grain Processing Plant
- Avdon Trading House

# Rusgrain Holding Shares

## Instrument Parameters

Trading System Ticker	RUGR
Name	OJSC Rusgrain Holding
Issuer	OJSC Rusgrain Holding
Type	Common Stock
ISIN	RU000A0JPNP4
Par Value	RUB 1
Board Lot	10
Securities Outstanding	42 984 000
Market	MICEX
Status	Traded

The shares of Rusgrain Holding were listed on RTS Board on April 22, 2008, at which time it was assigned ticker symbol RUGR. At that time, the number of shares amounted to 175,000 with par value of 100 rubles each. On September 10, 2008, 58,340 ordinary shares of the additional securities issue of Rusgrain Holding were included into the quotation list of RTS Board (additional issue state registration number 1-01-50043-H-001D dated April 30, 2008). The shares of the original and additional issues are quoted under the same RTS Board ticker: RUGR. The amount of ordinary shares before the change – 175,000 shares, after the change – 233,340 shares.

On July 30, 2010, the shares of Rusgrain Holding were listed on the systems RTS Classica under the ticker RUGR and T+0 Market with the ticker RUGRG.

As private Russian investors engage in most of their trading in the MICEX exchange, a decision was made in 2010 to attain accreditation for the Holding's shares to be trade on this bourse. On August 30, 2010, the shares of Rusgrain Holding were listed in MICEX under the ticker RUGR.

On September 22, 2011, the Federal Financial Markets Service registered the issue and prospectus for uncertified registered common shares offered by conversion of one share into two or more shares of one type (conversion with share split). The issue is under the state registration number 1-02-50043-H.

As per the resolution on the issue of uncertified registered common shares:

- The amount of securities of issue is 42 984 000 (forty two million nine hundred eighty four thousand);
- The nominal value of each new security is 1 (one) ruble;
- The total amount of issue (at the nominal price) is 42 984 000 (forty two million nine hundred eighty four thousand) rubles.

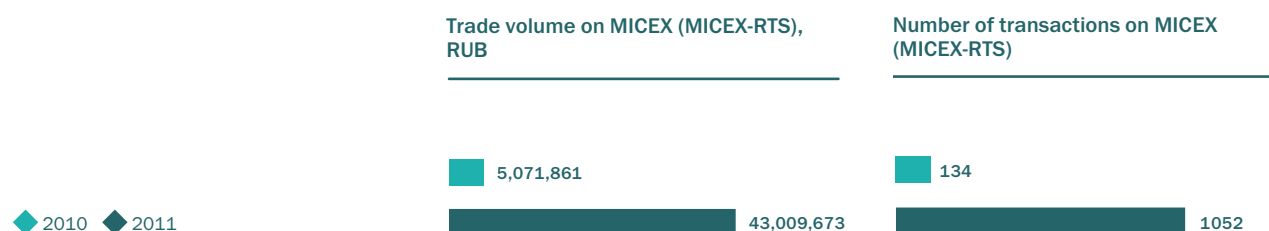
Thereby, as a result of the conversion, each share Rusgrain Holding with the nominal value 100 rubles was converted into 100 shares with the nominal value of 1 ruble, increasing the number of shares by 100 times with the total nominal value remaining the same.

The stock split was carried out with the goal of increasing the appeal of the Holding's shares among private investors and boosting liquidity.

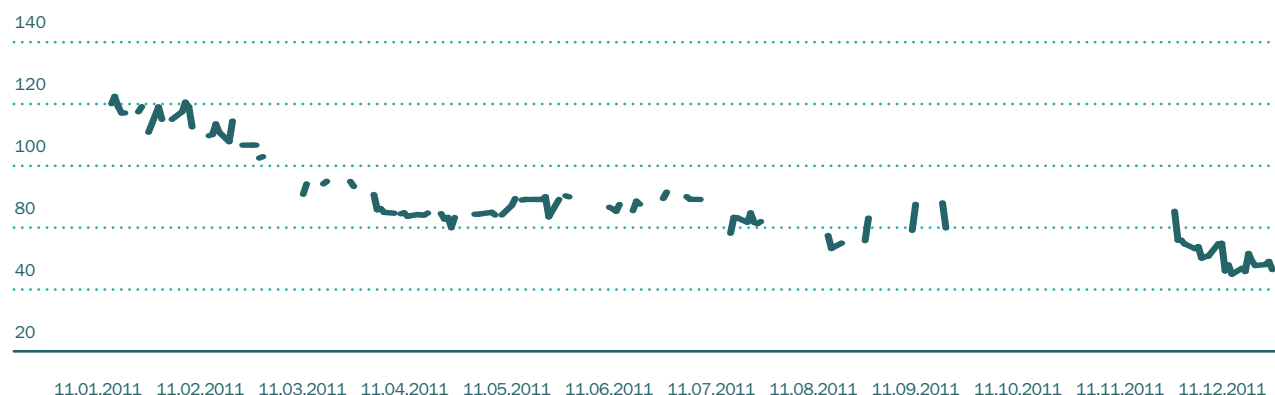
The state registration of the new share issue and conversion process led to a break in trading of Rusgrain Holding shares from September 23, 2011, to November 28, 2011.

Total turnover of Rusgrain Holding shares on MICEX (MICEX-RTS) in 2011 totaled RUB 43,009,673, which was eight times less than in 2010\*. As of December 31, 2011, the market capitalization of Rusgrain Holding according to the MICEX share was RUB 2,249,782,560.

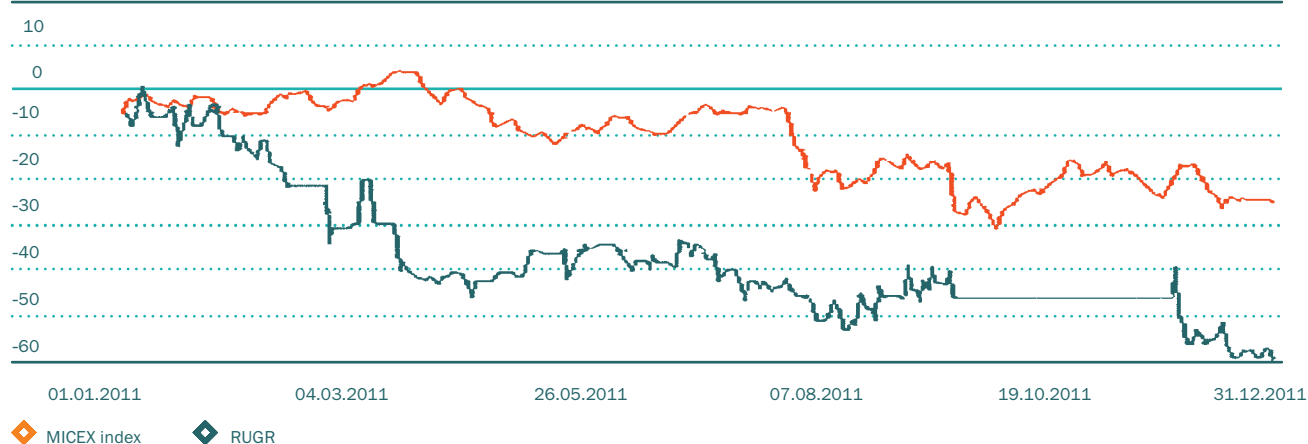
\* in 2010 trading began August 31, 2010



Share price of RUGR on MICEX taking into consideration share split, RUB per share



Market price dynamics for RUGR compared to MICEX in 2011, %



# Crops

## Division

57,000

*cultivated hectares  
in black earth areas  
of the Voronezh  
and Rostov regions*

## Production

>190,000

*tons of wheat, barley,  
corn, sunflower, rapeseed  
and sugar beet*



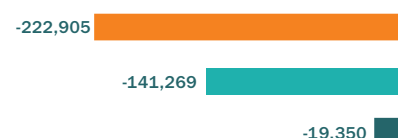
# Crops Division

## Key Financial Indicators

	2011	2010	2009
Revenues, RUB '000*	790,964	537,517	683,276
Net profit, RUB '000	-19,350	-141,269	-222,905
Investment, RUB '000	121,994	228,360	92,885

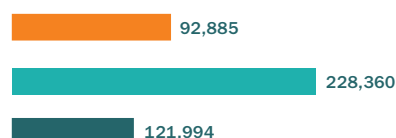
\* including intragroup sales

Revenues, RUB '000



◆ 2009 ◆ 2010 ◆ 2011

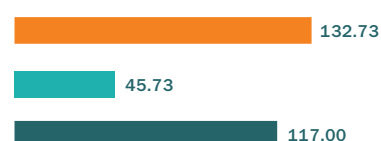
Net profit, RUB '000



◆ 2009 ◆ 2010 ◆ 2011

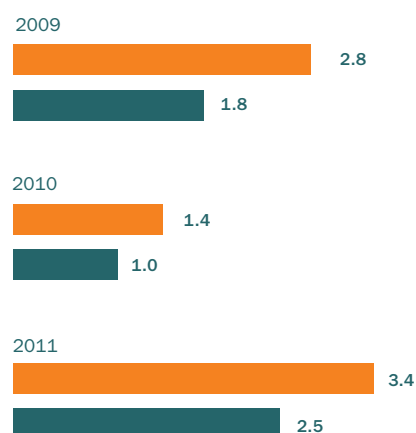
## Key Operating Indicators

Gross harvest of grain and legume, '000 tons



◆ 2009 ◆ 2010 ◆ 2011

Yield by crop type, tons/hectare



Yield of feed crops, tons/hectare



◆ 2009 ◆ 2010 ◆ 2011

◆ Grains and legumes  
◆ Technical and oil crops

Cultivated area, '000 ha	12 months 2011	12 months 2010	12 months 2009	Year-on-year change, % (2011/2010)
Wheat	13.1	21.8	19.7	-39.7%
Barley	9.8	3.9	24.1	150.9%
Peas	3.2	2.8	2.3	13.6%
Corn for Grain	7.8	3.7	1.2	112.0%
Oats	0.1	0.1	0.1	71.4%
Millet	0.0	0.0	0.2	0.0%
All grain and legume crops	34.1	32.3	47.6	5.6%
Sunflower	10.0	11.7	10.5	-15.1%
Rapeseed	1.5	3.2	0.2	-53.9%
Linseed	0.0	0.0	0.0	0.0%
Coriander	0.2	0.0	0.0	0.0%
Soy	0.0	0.4	0.0	-100.0%
All technical	11.7	15.4	10.8	-24.0%
Sugar Beet	1.7	1.8	0.7	-8.7%
Silage Corn	0.9	3.5	0.3	-74.2%
Grass	0.0	2.6	3.4	-100.0%
All feed crops	2.6	7.9	4.4	-67.6%
Fallow land	8.4	10.5	6.2	-19.8%
All cultivated land	56.8	66.1	69.0	-14.1%



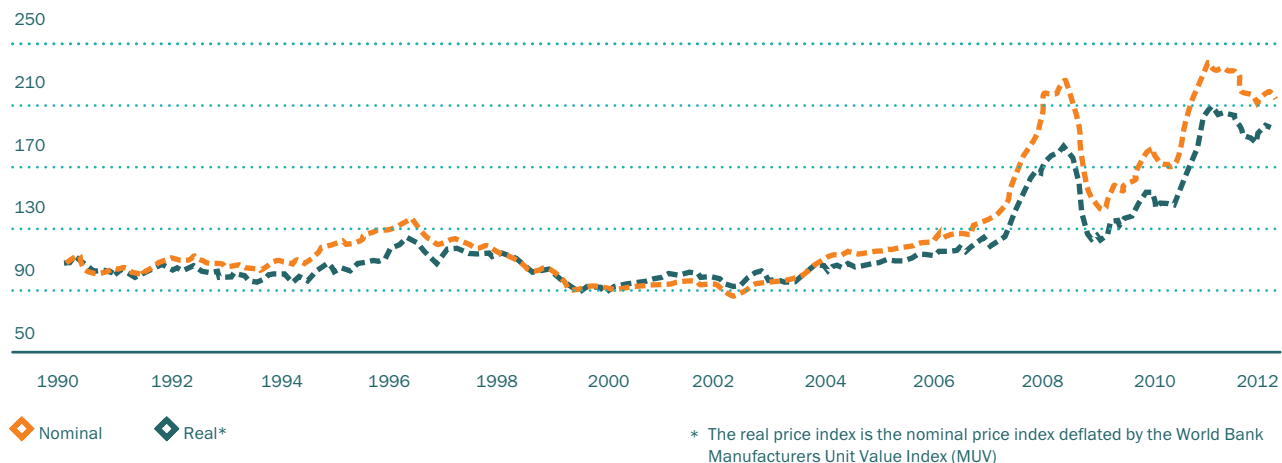
Yield, tons/ha	12 months 2011	12 months 2010	12 months 2009	Year-on-year change, % (2011/2010)
Wheat	2.6	1.4	3.1	77.9%
Barley	2.2	1.2	2.6	78.3%
Peas	2.2	1.6	2.2	43.0%
Corn for Grain	6.9	1.3	2.6	414.2%
Oats	2.8	1.8	2.3	58.5%
Millet	0.0	0.0	1.8	0.0%
All grain and legume crops	3.4	1.4	2.8	142.3%
Sunflower	2.7	1.1	1.8	133.8%
Rapeseed	1.4	0.6	1.4	140.7%
Linseed	1.0	0.2	0.0	309.8%
Coriander	1.5	0.0	0.0	0.0%
Soy	0.0	0.4	0.0	-100.0%
All technical	2.5	1.0	1.8	138.0%
Sugar Beet	42.6	20.2	47.6	110.9%
Silage Corn	14.8	4.2	13.2	251.8%
Grass	0.0	2.3	0.0	-100.0%
All feed crops	32.9	7.4	37.9	342.2%

Main Crop Production Indicators	Gross Harvest, tons/ha		
	2011	2010	2009
Wheat	33.70	31.43	60.74
Barley	21.47	4.80	63.05
Peas	7.11	4.38	5.12
Corn for Grain	54.35	4.99	3.18
Millet	0.38	0.14	0.23
Rye	0.00	0.00	0.41
All grain and legume crops	117.00	45.73	132.73
Sunflower	26.60	13.40	18.60
Rapeseed	2.01	1.81	0.28
Linseed	0.03	0.01	0.00
Coriander	0.35	0.00	0.00
Soy	0.00	0.16	0.00
All technical	28.98	15.37	18.88
Sugar Beet	71.40	37.08	33.73
Silage Corn	13.15	14.50	3.71
Grass	0.00	5.97	0.00
All feed crops	84.55	57.55	37.44

## Sales

FAO Food Price Index

2002-2001=100

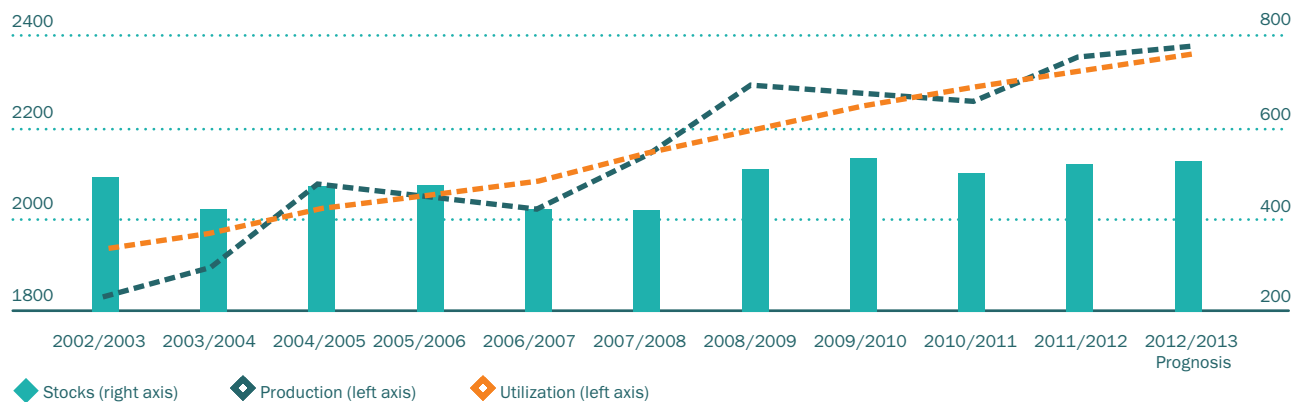


Source: FAO

World Cereal production, utilization and stocks

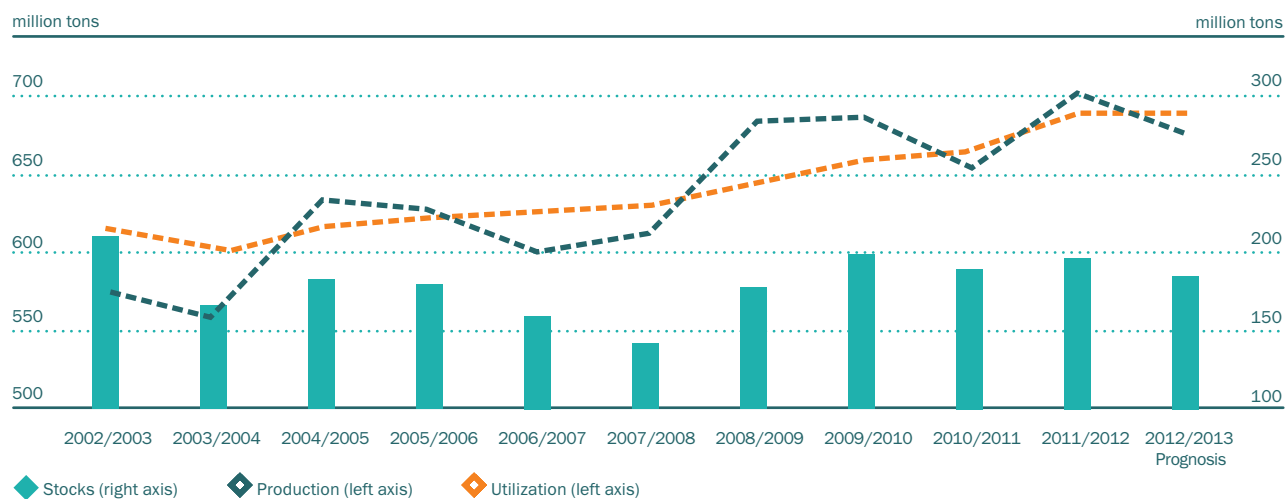
million tons

million tons

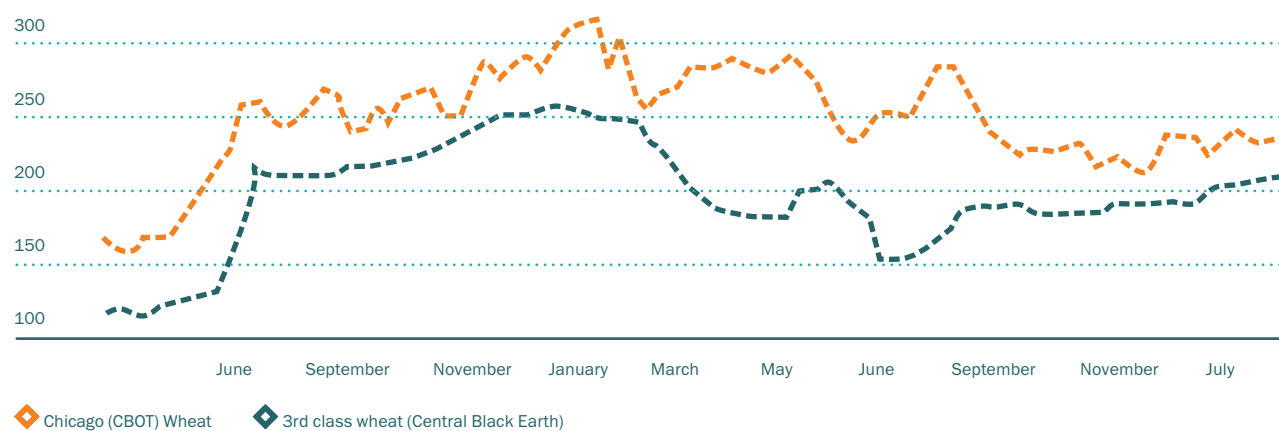


Source: FAO

## World Cereal production, utilization and stocks

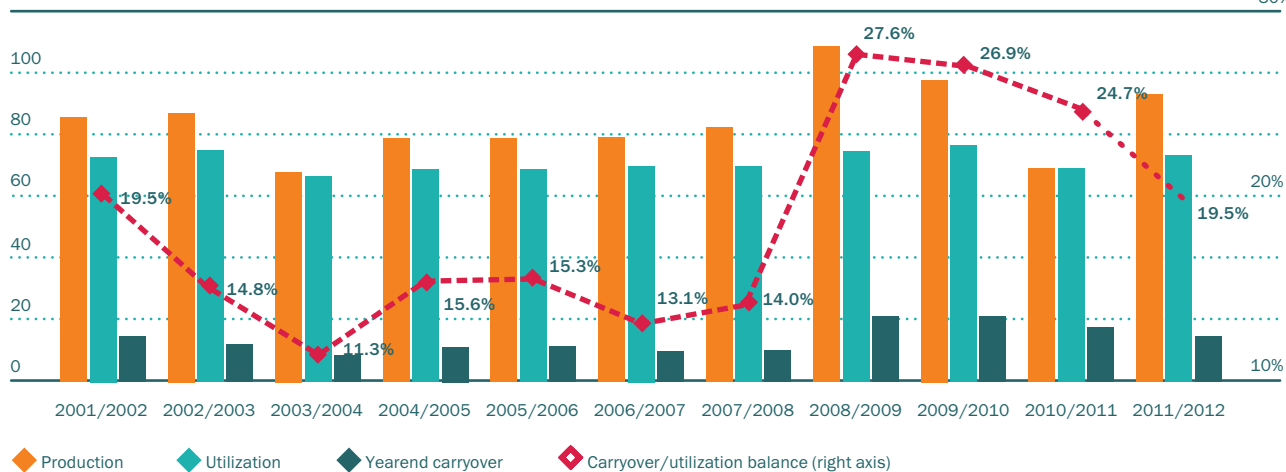


## Prices on American SRW wheat and Russian 3rd class wheat (Central Black Earth), USD/ton

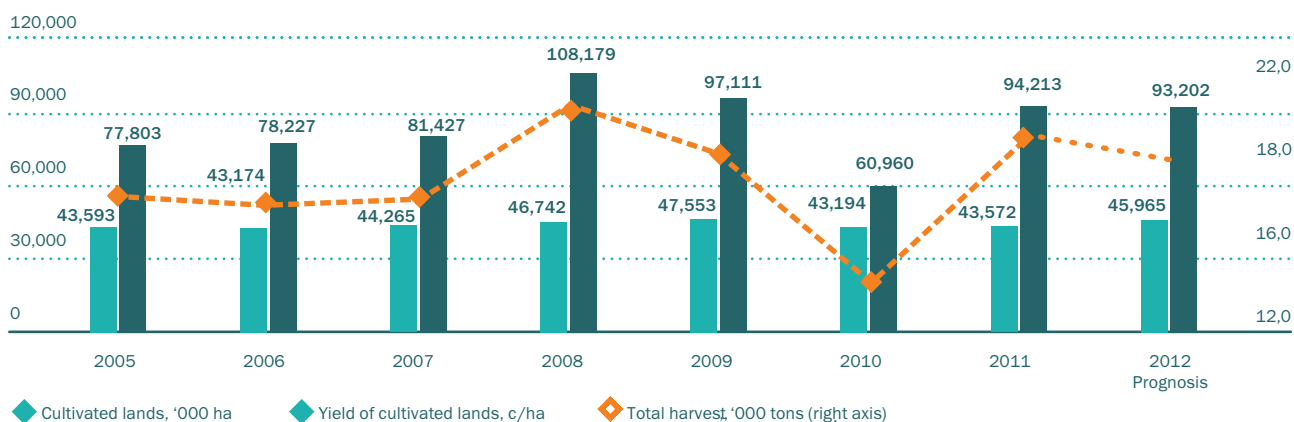


Gross Russian grain balance, million tons and %%

30%

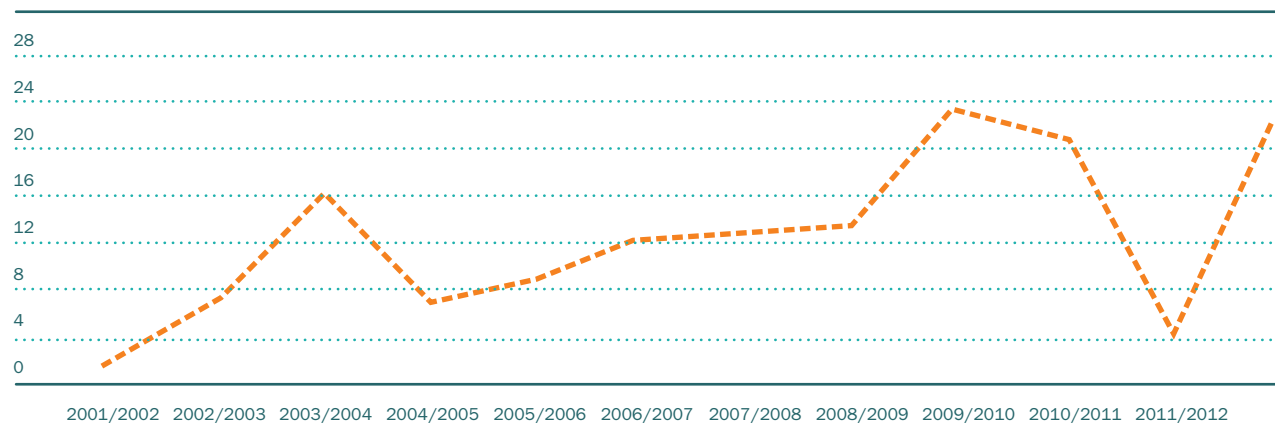


Russia: cultivated lands, total harvest and grain yields



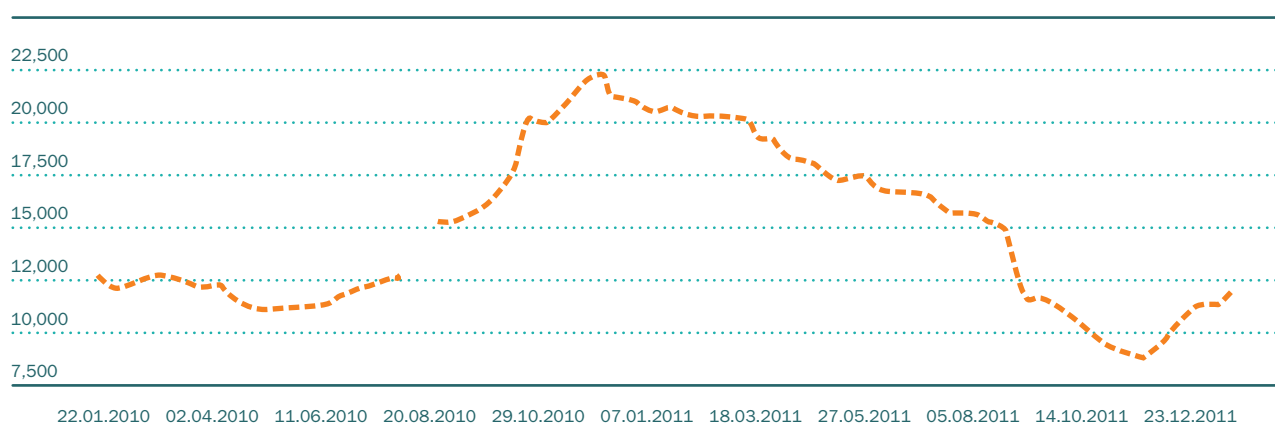
Source: ProZerno

## Russian grain exports, million tons



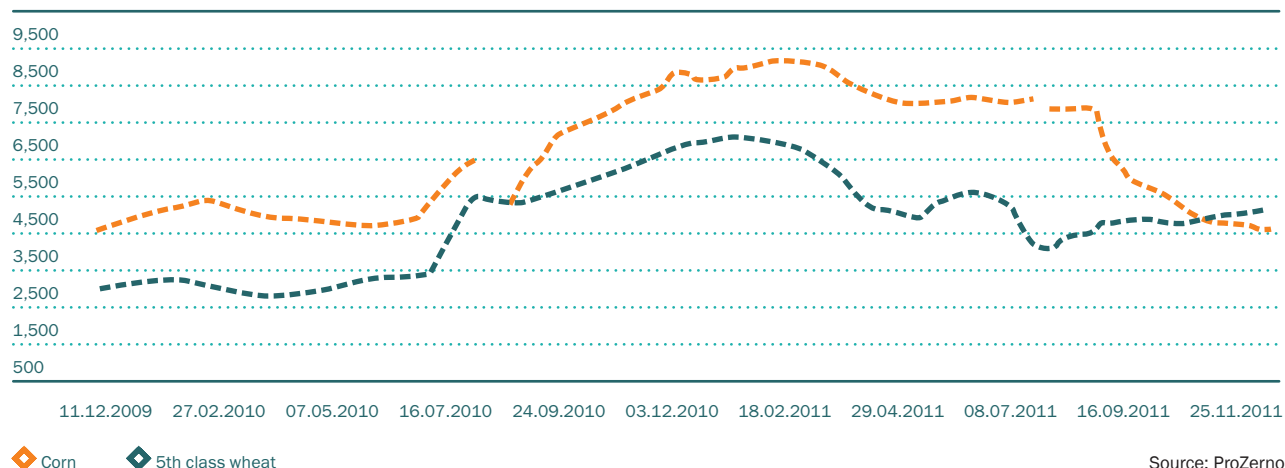
Source: IAMS

## Average price of sunflower (EXW), RUB/ton



Source: ProZerno

Average price of fodder wheat and corn (European part of Russia) (EXW), RUB/ton



In 2011 global agflationary processes, which had spurred agriculture and food production, began to weaken with the approach of the harvest season, as yields were rather high in all the major agricultural countries and regions of the world. This lowered the risk of further decreases in carryover stocks and the looming threat of global agflation, which had been accelerated by negative climatic impacts on the 2010 harvest.

Russia initiated a ban on grain export in 2010, greatly weakening domestic prices, which were thus delinked from global price indicators. At the same time, the recognition of the fact that reserve stocks remained sufficient and the 2011 harvest forecasts were positive led to continued decline in prices through to the lifting the export embargo on July 1, 2011.

Following the lifting of the ban on export in July 2011, Russian grain remained very competitive with grain from Western Europe and North America. This was particularly evident in bids to supply Egypt, Turkey and other countries of this region. It is clear that Russia will continue to increase its export volumes. This is particularly true for the regions of the South Federal District and the southern regions of the Central Black Earth area. For all other regions the economic effectiveness of exports is directly dependent on logistics expenses and the availability of railroad transport. The deficit of rolling stock for grain transportation and the general ineffectiveness of railroad infrastructure have been apparent for a number of years now and such problems are likely to only get worse going forward.

Thus distance to port is one of the material factors influencing price formation and economic effectiveness of crop production. Another price factor, although to a lesser degree than export impacts but with each year becoming more significant, is the growth in consumption of forage crops in the Central Black Earth area, where major livestock holdings are concentrated.

The volume of crops processed for livestock in the Central Federal District in 2011 totaled 17 million tons. Thus the volume of processed wheat in the Central Federal District was comparable to the annual export volume. These two competing demand segments in the future will raise the profitability of wheat production by the Holding's cluster in the Voronezh Region.

Crop production was and remains a business affected by a large number of uncontrollable risks related to weather conditions and pest outbreaks. Despite the fact that, in comparison to the global drought of 2010, the year 2011 was much more conducive to crop production, weather factors also negatively affected the harvest in 2011. In particular, at the Holding's Voronezh cluster the main reasons for lower than expected harvest were a late and dry spring as well as lack of rain during the sowing season and following. Due to insufficient soil moisture, spring tillering was lower than expected, with only 1-2 productive stems produced, instead of 3-4, and head size was small. The first rains to provide soil moisture came on June 25 in the Semiluksky and Khokholsky districts and on June 20 in the Pininsky district. The lower quality of winter wheat harvested was caused but a rainy harvest season, which reduced gluten content.

The 2011 harvest in the Voronezh cluster was also damaged by an infestation of 'turtle bugs,' a pestilent species of shield bug. The recommended cultivation method for winter wheat calls for application of insecticide when the economic damage threshold (EDT) of two adult bugs per square meter is exceeded. Historically this process has been drawn out, which allows to such bugs to be eradicated with 10-14 days. However, in 2011 on all fields the EDT was rapidly exceeded within a period of 5 days, which did not allow for a timely application of insecticide with the equipment available. An additional 12 insecticide sprayers were acquired in 2011 to bolster pest response capacity.

The dry spring also resulted in high protein content in barley, which prevented the Holding from producing the planned volume of brewing barley and increased the volume of barley for livestock food.

As a result, grain production in the Voronezh Region was 10-15% lower than targets and the quality of grain produced was worse than expected.

According to IAMS, the 2011/2012 season produced 41.4 million tons of sugar beet (compared to 20.6 million

tons in 2010), with 39.7 million tons processed (in 2010 – 20.1 million tons) and 5.04 million tons of sugar produced (in 2010 – 2.7 million tons). With Russia's domestic consumption of white sugar at 5.6 million tons, the country exported 250,000 tons in 2011. At the same time sugar production capacity is limited. In the Voronezh Region the high sugar beet yields led to beet production of 1 million tons in excess of the technical capacity of sugar refineries in the region. In the Voronezh Region seven of the eight sugar refineries are controlled by the company Prodimex. Each year enterprises of Rusgrain Holding sign forward contracts on the sale of sugar beets for refining.

Such contracts were also signed in 2011; however, due to the excess supply and problems with adhering to the schedule for unloading at the sugar factory, not all of the beets produced were accepted for refining.

Thus, the Holding's subsidiary Malaya Zemlya LLC, which specializes in sugar beet production, part of its harvest was placed in pit storage and not delivered to a sugar refinery (6000 tons of sugar beet were written off), which negatively impacted the enterprise's financial results.

### Record sugar beet harvest in 2011





# Processing and Storage

## Division



## Storage

4 grain processing complexes  
in the Krasnodar Region, Republic  
of Bashkortostan and Saratov Region

2 elevators in the Voronezh Region

> 500 000  
tons of simultaneous storage and  
elevator capacity

## Processing

> 150,000  
tons of flour

> 275,000  
tons of mixed-grain  
fodder

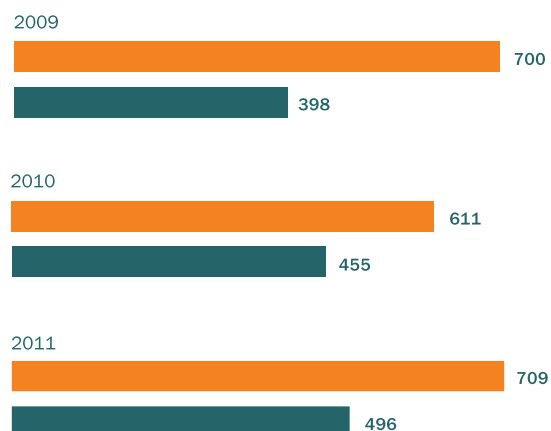
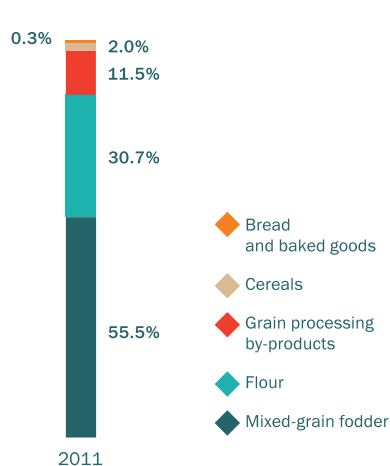
> 9000  
tons of cereals

# Processing and Storage Division

## Key Financial Indicators

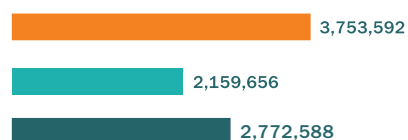
	2011	2010	2009
Revenues, RUB '000	2,772,588	2,159,656	3,753,592
Net profit, RUB '000	6,245	2,603	17,554
Investment, RUB '000	67,803	25,092	31,977

	12 months 2011	12 months 2010	12 months 2009	Year-on-year change, % (2011/2010)
Grain receipts, '000 tons	708.9	611.0	700.0	16.0%
Grain products, '000 tons	496.1	455.4	398.1	8.9%
Mixed-grain fodder	275.5	276.4	247.2	-0.3%
Flour	152.1	135.0	109.0	12.7%
Cereals	9.9	8.2	10.1	20.4%
Grain processing by-products	57.0	34.2	30.3	66.5%
Bread and baked products	1.6	1.6	1.5	-0.4%



◆ Volume of grain received, '000 tons  
◆ Product volume, '000 tons

## Revenues, RUB '000



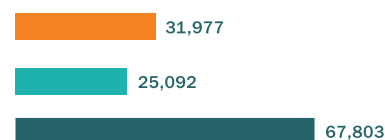
◆ 2009 ◆ 2010 ◆ 2011

## Net Profit, RUB '000



◆ 2009 ◆ 2010 ◆ 2011

## Investment, RUB '000



◆ 2009 ◆ 2010 ◆ 2011

## Storage Services

The volume of grain received in 2011 increased 16% year-on-year and amounted to 708,900 tons.

Elevators situated in areas of active grain trading saw the highest turnover.

- Tikhoretsky GPP (Krasnodar Region) – 2.45-fold turnover of capacity
- Kuban Bread (Krasnodar Region) – 1.74-fold turnover of capacity

Following reconstruction of its elevator, Tikhoretsky GPP operates in an autonomous regime according to the principle of two elevators in one, making it possible to process different grains without cross contamination. In 2011 Tikhoretsky GPP was fifth in the Krasnodar Region in terms of grain receipt volume.

## Flour and Cereals

### Production

The Holding increased its flour production by 12.7% year-on-year. This was largely due to higher use of capacity at Ufimsky GPP.

The mill at Tikhoretsky GPP worked at 89.3% of capacity for the year. In 2011 Tikhoretsky GPP implemented the following modernization projects:

- Reconstruction of the durum semolina selection line, raising selection performance indicators from 2% to 6%;
- The launch of the Italupak (Italy) packaging line for flour and semolina in one- and two-kg packages, which led to a 191.9% increase in the volume of packaged flour sold;

- Replacement of parts of the mill's compressor equipment, which allowed for a reduction in staffing and lower energy consumption per ton of product;
- Partial replacement of equipment in the mill, elevator and bakery
- Partial renewal of automotive transport fleet for the mill, elevator and bakery, which ensures uninterrupted delivery of finished products of the mill and bakery to consumers as well as the receipt of grain.

At Ufimsky GPP reconstruction work was carried out on the grain plant, including the addition of a modern photo-sensor separator allowing for improvement of product quality through elimination of contaminants

At Urbakhsky GPP a project for the reconstruction of the plant was carried out, resulting in an increase in production capacity:

- Millet – from 30 to 110 tons/day;
- Barley and wheat – from 25 to 31 tons/day;
- Rough-milled grains – from 25 to 35 tons/day.

Modernization of technology used allowed for higher product yield:

- Hulled millet – from 67% to 70%;
- Hulled barley – from 65% to 67%;
- Wheat groats – from 63% to 67%;
- Pearl barley – from 67% to 70%.

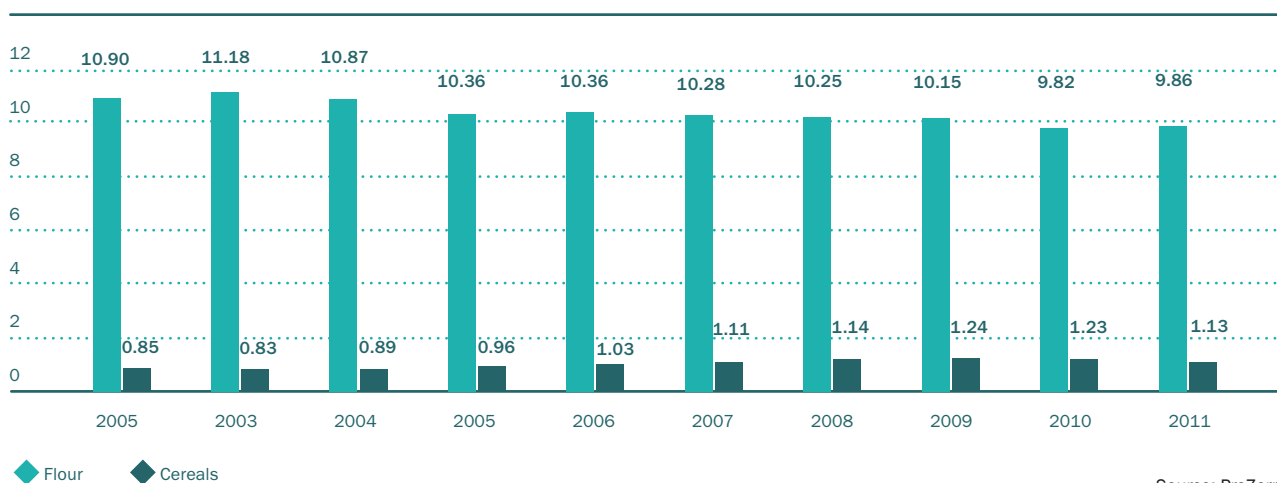
Thus the processing capacity at Urbakhsky GPP is sufficient to cover 31.5% of demand on the Russian market for millet, 18.3% of the demand for barley and wheat cereals and 11.1% of the demand for pearl barley.

## Sales

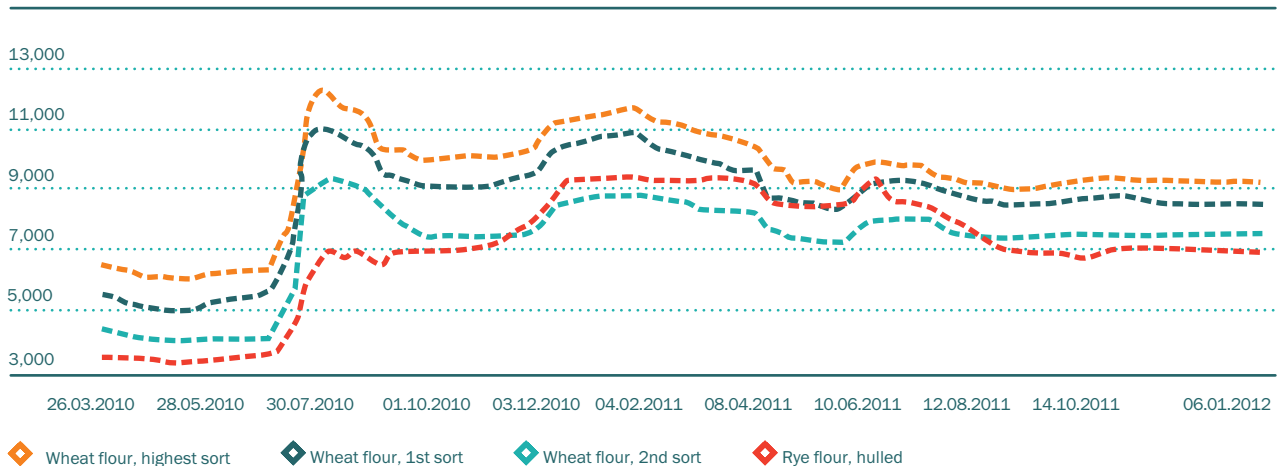
### Holding's position on the flour market

Share in Russian market	1.5%
Share in market of the Krasnodar region	40%
Share in market of Bashkortostan	37%

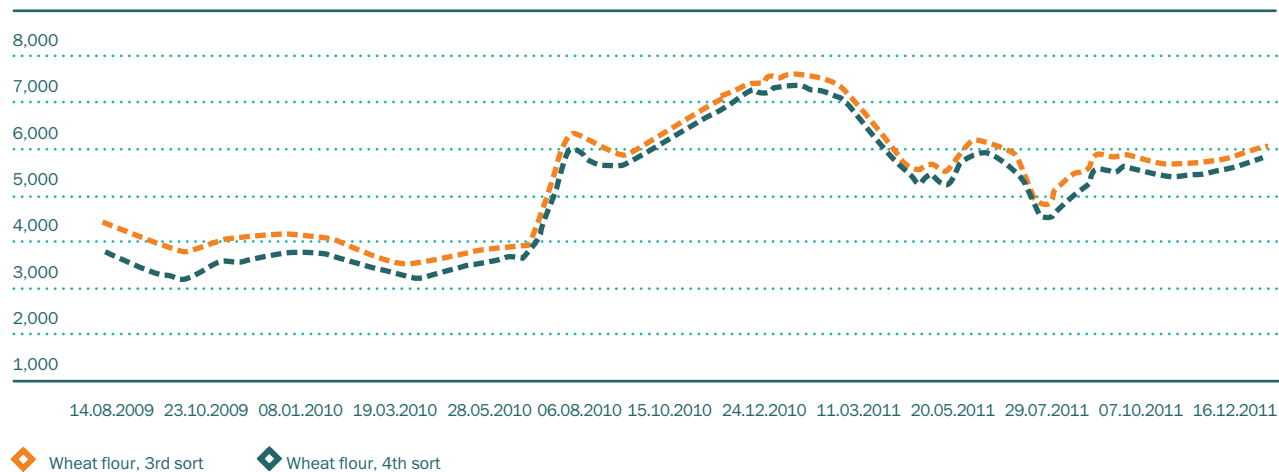
### Production of flour and cereals in Russia, million tons



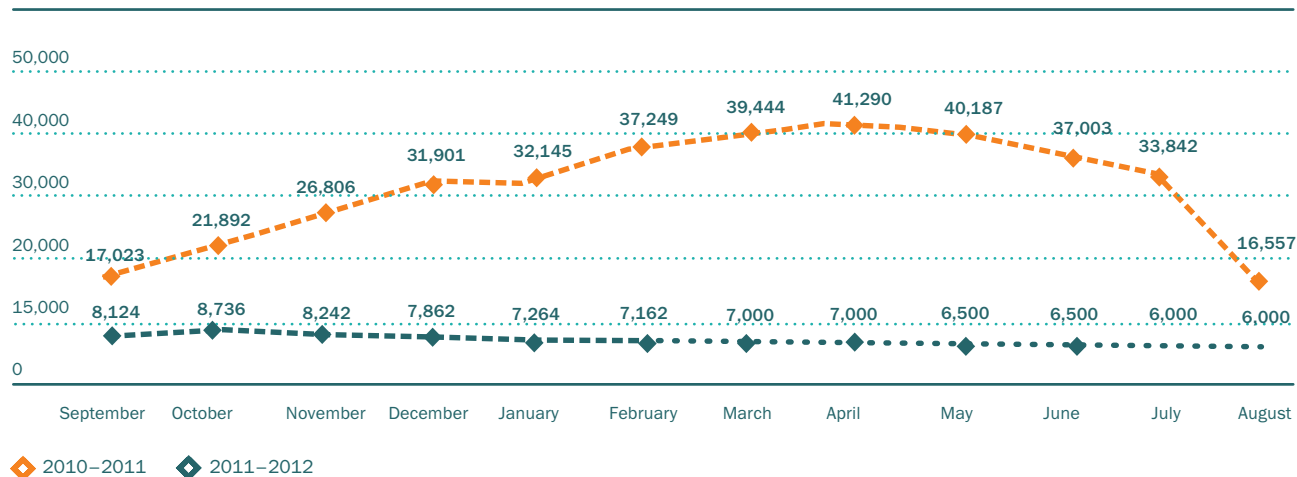
### Price of flour in the European part of Russia, RUB/ton



## Price dynamics for milling wheat in the European part of Russia, RUB/ton

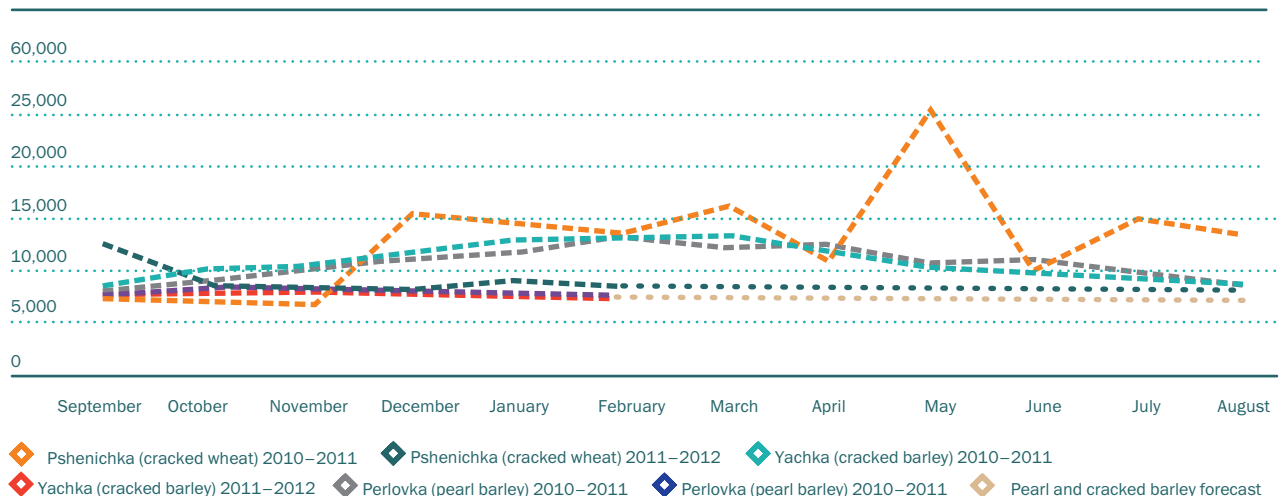


## Dynamics of average price on hulled millet in Russia, EXW, including VAT, RUB/ton



Source: IAMS

## Price dynamics for cereals produced under GOST standards, RUB/ton



Source: IAMS

## Flour Business

In 2011 flour production in Russia slightly increased, bucking a downward slide seen the previous eight years. This change can be explained by the relatively low volume produced in 2010 due to a weak harvest and also the export of flour in 2011.

The decrease in Russia's population and changes in the culture of consumption toward lower bread consumption in Russia's urban centers indicate that domestic demand is fully met and increases in flour production can only go toward export.

The market situation for the Holding's main flour mill – Tikhoretsky GPP – was affected by several factors. In the first half of the year, when the export embargo was still in place, the excessive volume of wheat in the Krasnodar Region (which had not been affected by the drought) pushed prices down to unprecedented levels for this region. The low cost of materials created a clear competitive advantage over flour producers in the regions of Central Russia, thus spurring an increase of flour deliveries to the Central Federal District at high prices. This situation had a marked positive impact on the profitability of Tikhoretsky GPP.

However, the re-launch of exports in July 2011 and the subsequent arrival of the current year's harvest changed the picture dramatically: the high prices on world markets led to feverish activity by exporters and grain prices in the Krasnodar Region rose rapidly. The arrival of that year's harvest helped stabilize flour prices and restore profitability to producers in Central Russia, providing them with the opportunity to compete with producers from Russia's southern regions as well, which had

a negative impact on the profitability of flour producers of the Krasnodar Region, including Tikhoretsky GPP.

Apart from the main sales channels – wholesale deliveries to bread factories – Tikhoretsky GPP is developing retail packaging as well. The installation of a packaging line has allowed the enterprise to sign contracts on the delivery of packaged flour to major retail chains, including Tander/Magnit and Perekrestok/Pyaterochka.

In Bashkortostan, which was seriously impacted by the drought, Ufimsky GPP was subsidized by supplies from the intervention stock. This was accompanied by strict oversight by antimonopoly authorities with regard to control over the price of flour and bakery products in the region. Thus the receipt of supplies from the intervention stock did not produce any additional financial results for the company from having a large share of the flour market in Bashkortostan.

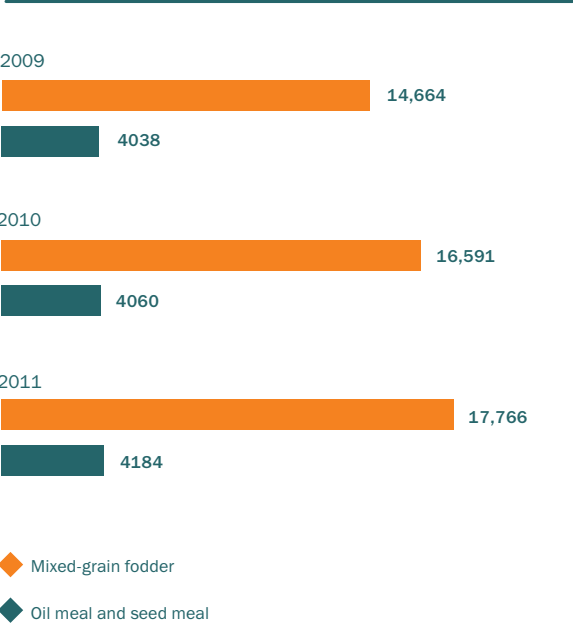
## Mixed-Grain Fodder Production

The production of mixed-grain fodder by the Holding remained at practically the same level as the previous year, declining by an insignificant 0.3%. At the same time production at Ufimsky GPP increased by 3%. This increase in volume was a result of the increase in the headcount of the Poultry Division, which is the main consumer of the plant's products.

The slight decline in overall production was a result of lower output at Kuban Bread. This decline can be explained by the slow rate of growth in livestock farming in the Krasnodar Region in comparison to other regions of Russia. The lower livestock production can in turn be explained by the fact that export plays a factor in the price formation of raw materials for grain fodder (wheat, corn, barley), which substantially increases the cost of raising livestock. Despite the fact that the business model of Kuban Bread is based on the processing of these materials for fodder and subsequent sale of the product with a built-in margin for processing, this factor negatively affects the volume of orders. The enterprise also faces risks related to the price volatility for raw materials.

With the aim of improving product quality while lowering production costs, in 2011 Kuban Bread began the reconstruction of its mixed-grain fodder plant and the launch of a pellet line at a cost of RUB 27 million. A contract for this has been signed with Chinese company Mung Yang on the delivery and installation of the equipment, and work is underway. The launch of this line will make it possible to pelletize 100% of the mixed-grain fodder produced by Kuban Bread.

Feed production in Russia, '000 tons



Source: ProZerno

# Poultry

## Division



*Top-five chicken and quail egg producer in Russia*

*No. 1 producer in Bashkortostan for  
Chicken eggs  
Quail eggs  
Poultry meat*

### Sales

*More than 30  
proprietary retail  
outlets*

*More than  
10 product  
warehouses*

*Distributors  
in Moscow  
and Ufa*

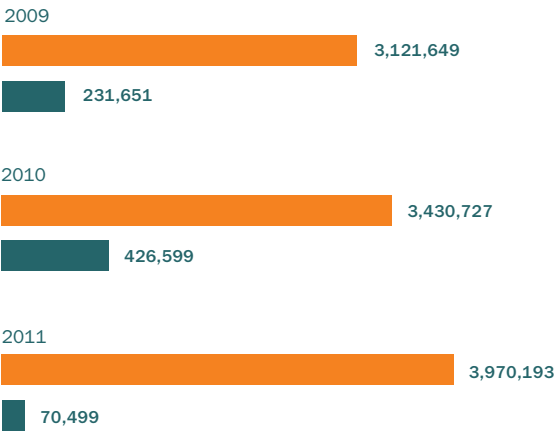


# Poultry Division

## Key Financial Indicators

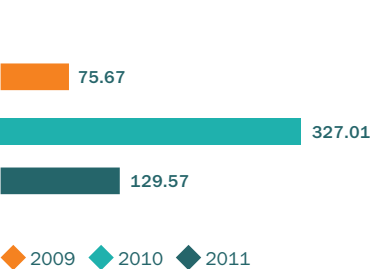
	2011			2010		
	Meat Business	Egg Business	Total:	Meat Business	Egg Business	Total:
Revenues, RUB '000	2,418,756	1,551,437	3,970,193	1,968,468	1,462,259	3,430,727
Net Profit, RUB '000	134,995	-64,496	70,499	224,805	201,794	426,599
Investment, RUB '000	33,645	95,930	129,575	176,130	150,880	327,010

Revenue and Profit Dynamics for Poultry Division, RUB '000



◆ Revenues  
◆ Net Profit

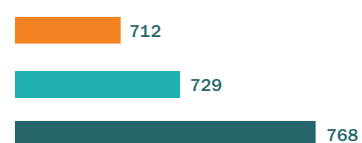
Investment, RUB million



◆ 2009 ◆ 2010 ◆ 2011

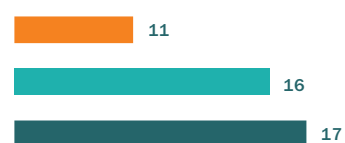
Main Production Indicators for Poultry Division	units	2011	2010	2009
Chicken eggs	mln units	768.5	729.2	711.7
Quail eggs	mln units	17.4	16.1	11.0
Breeder eggs	mln units	34.7	29.1	29.0
Average headcount of egg-laying hens	mln units	2.4	2.3	2.2
Egg yield	%	87.7	88.1	86.0
Broiler production, live weight	tons	36,120.1	29,668.0	27,515.0
Broiler production, slaughtered weight	tons	25,645.3	21,080.0	19,457.0
Poultry by-product production	tons	4207.5	3554.0	3311.0
Livability		95.3	95.6	96.0
Cull rate		4.2	4.4	4.4
Average daily growth rate	g	54.4	52.2	49.5
Feed consumption per kg of added weight	kg	1.8	1.8	1.8
Processed broiler products	tons	6992.3	5517.1	5251.0

Egg production, mln units



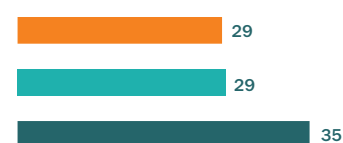
◆ 2009 ◆ 2010 ◆ 2011

Quail eggs, mln units



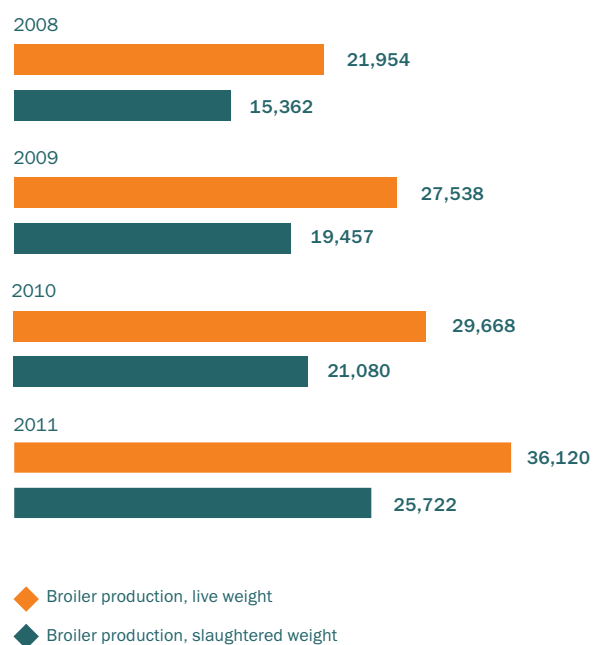
◆ 2009 ◆ 2010 ◆ 2011

Breeder eggs, mln units

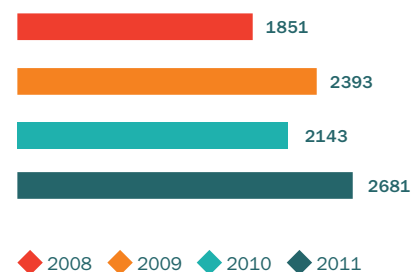


◆ 2009 ◆ 2010 ◆ 2011

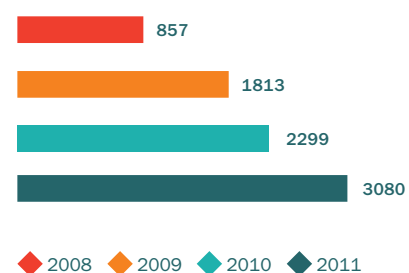
### Broiler meat production, tons



### Semi-processed products, tons



### Sausages and smoked meats, tons



*Development Plan through 2016*

Projects	Objectives
Replacement of equipment for raising cross-breeds at Bashkirskeya Poultry Farm, Ashkaderskaya Poultry Farm and Tuymazinskaya Poultry Farm	Increase in egg production from 750 million to 1365 million annually Attain leading position among egg producers – 1st–2nd place in Russia, 1st place in Volga Federal District
Consolidated egg-sorting logistics center	High quality egg sorting and marking, wide assortment Sorting capacity of 3.5 million eggs per day
Installation of additional water/air poultry chilling line at the Ufinskaya Poultry Farm and Turbaslinskies Broilers	Increase volume of chilled broiler meat to 9600 tons annually
Replacement of equipment for raising breeder flock at Yubileynaya Breeding Poultry Farm	Increase production of breeder eggs from 17 million to 31 million units annually Ensure breeder material for poultry meat division
Production of organic fertilizer from chicken litter	Produce and sell 124,000 tons of organic fertilizer annually Resolve environmental issues concerning disposal of chicken litter

## Poultry Division Egg Business



## Egg Business

> 803  
million table and breeder  
**chicken** eggs

> 17  
million **quail** eggs

> 34  
million **breeder** eggs

# Poultry Division

## Egg Business

### Production

Following the development strategy for the Bashkortostan cluster of the Poultry Division for 2011-2015, in 2011 a number of projects were undertaken to increase production capacity and modernize equipment at the poultry farms of the egg business.

In 2011 new corpuses opened at all of the poultry farms of the egg business. In May 2011 at the Tuymazinskaya Poultry Farm two new corpuses with a headcount capacity of 92,500 opened, allowing for production to increase by 16.5 million eggs. Two new corpuses were also launched at the Ashkadarskaya Poultry Farm, which in turn expanded headcount by 89,000 and increased production by 12.3 million eggs. Thanks to the operation of an additional corpus at the Bashkirskaya Poultry Farm production was increased by 10.4 million eggs and the headcount rose by 60,000.

In total, thanks to the implementation of projects to expand production capacity through the launch of five new corpuses, headcount increased by 241,500 and egg production by 39 million.

In 2011 modern egg sorting machines were installed at the Ashkadarskaya and Tuymazinskaya poultry farms.

Production of quail eggs increased by 1.3 million thanks to the launch of a new corpus with a headcount of 23,500

Production of embryos decreased as a result of a decrease in orders from Immunopreparat (a subsidiary of Federal State Unitary Company "Microgen Scientific Industrial Company for Immunobiological Medicines"). The decline in embryo production also explains the deviation in the production of breeder eggs at poultry farms of the egg business.

Production volume	2011	2010	2009	Change, % (2011/2010)
Chicken eggs, mln units	768.5	729.2	711.7	5.4%
Quail eggs, mln units	17.4	16.1	11.0	8.0%
Breeder eggs, mln units	34.7	29.1	29.0	19.4%

	2011	2010	2009	Change, % (2011/2010)
Average headcount of egg-laying hens, mln units	2.4	2.3	2.2	5.8%
Egg yield, %	87.7	88.1	86.0	-0.4%
Egg yield per egg-laying hen, %	320.0	321.0	314.0	-0.3%
Cull rate, %	4.2	4.4	4.4	-3.8%
Feed per 10 count, kg	1.34	1.30	1.30	-0.4%

In 2011 the Holding produced its lowest volume of egg mélange since 2008 while powdered egg production increased.

The production of egg mélange deviated from production plans by 175 tons or 27%. The decrease in production volume was a result in lower sales of this product by the Avdon Trading House. According to the plan

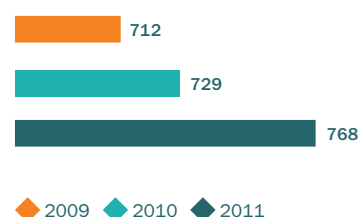
for the year, sales of liquid egg mélange were to have averaged 54 tons per month but in fact sales averaged 39 tons.

Production of powdered eggs increased by 44% from 2010 and amounted to 772 tons. The largest volume of production came in the summer months as a result of lower egg and mélange sales volumes.

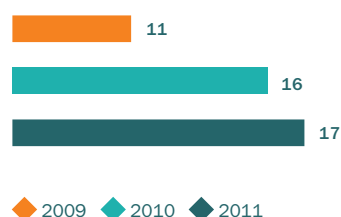
### Production processed egg products

Product	2011	2010	2009
Mélange, tons	474	608	809
Powdered eggs, tons	772	535	639
Chicken meat, tons	1572	1832	1497
Chicken offal, tons	282	325	243

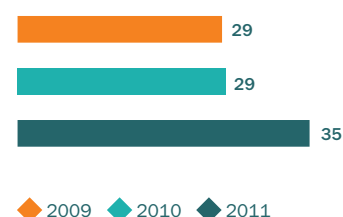
Egg production, mln units



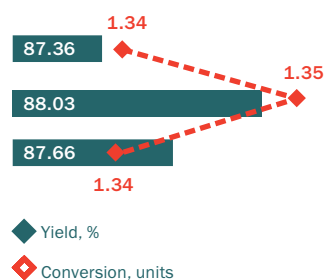
Quail eggs, mln units



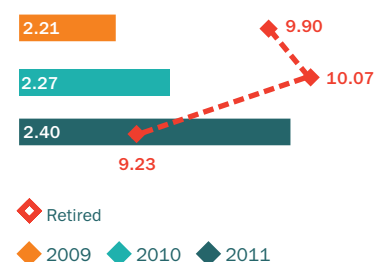
Breeder eggs, mln units



Fodder conversion and yield

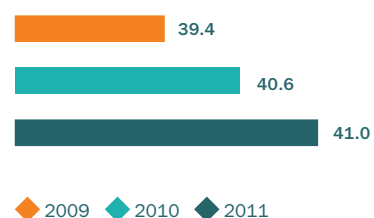


Average headcount and retirement, million heads



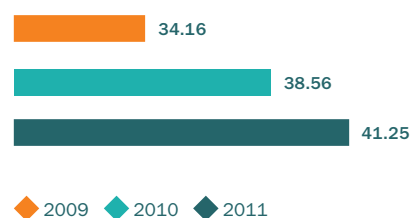
## Sales

Egg Production in Russia, billion units



Source: Rosstat

Average Consumer Price for Chicken Eggs per 10-Count



Source: Rosstat

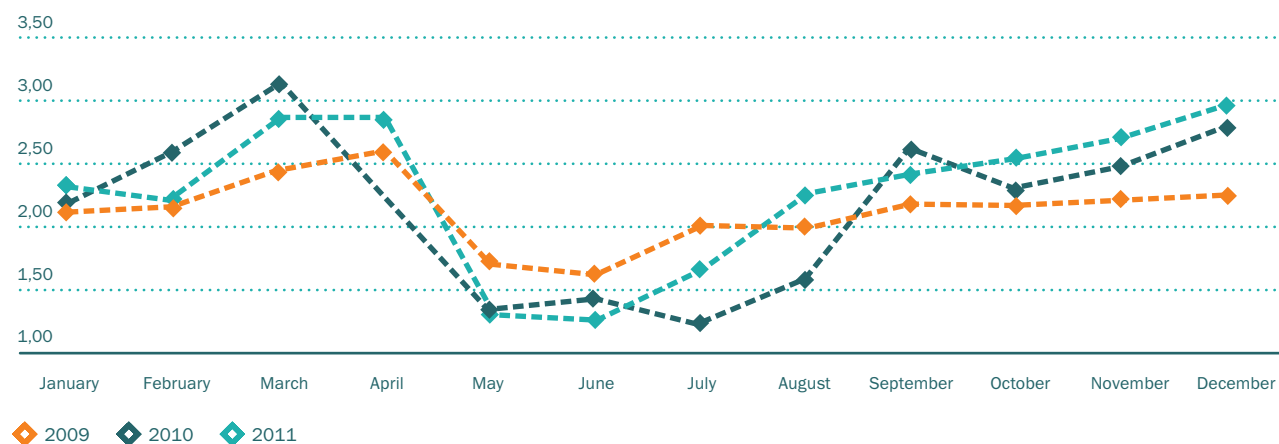
### Top 15 Regions of Russia by New Egg Production

Region	New Egg Production, million units
Leningrad Region	249.3
Republic of Mordovia	188.8
Yaroslavl Region	112.7
Rostov Region	90.6
Perm Territory	87.3
Voronezh Region	52.4
Chuvash Republic	40.9
Ryazan Region	36.5
Tyumen Region	33.6
Kostroma Region	33.6
Republic of Bashkortostan	27.6
Smolensk Region	27.5
Saratov Region	24.9
Ulyanovsk Region	22.9
Lipetsk Region	22.7

Source: Rosstat



## Dynamics in the Average Price of Chicken Eggs, RUB/unit



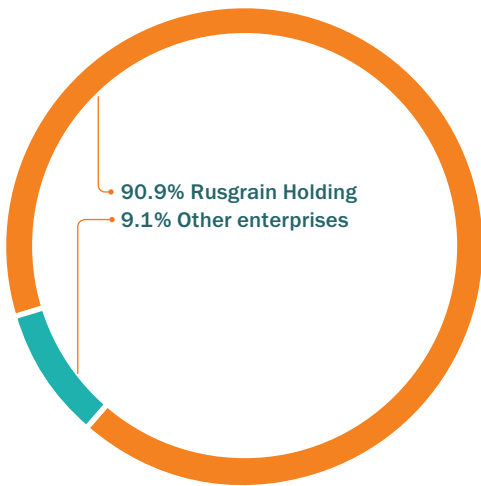
Source: Information of Rusgrain Holding

## Top 15 Regions of Russia by Total Egg Production

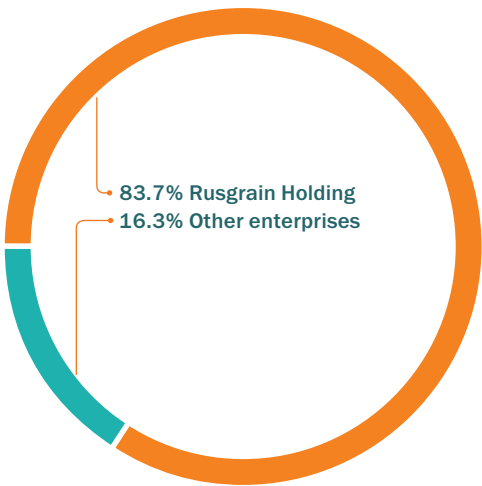
Region	Production, million units
Leningrad Region	2901.2
Rostov Region	1688.8
Krasnodar Territory	1680.4
Belgorod Region	1477.9
Tyumen Region	1392.9
Chelyabinsk Region	1323.7
Sverdlovsk Region	1284.1
Nizhniy Novgorod Region	1278.5
Republic of Mordovia	1266.3
Yaroslavl Region	1248.3
Republic of Bashkortostan	1244.2
Republic of Tatarstan	1139.4
Orenburg Region	1104.7
Perm Territory	977.4
Saratov Region	933.1

Source: Rosstat

Share of Rusgrain Holding in Egg Production in the Volga Federal District in 2011, %



Share of Rusgrain Holding in Egg Production in Bashkortostan in 2011, %



Top 10 Egg Producers in Russia

Rating	Enterprise	Market share in Russia, %	Production volume, million units
1	Sinyavinskaya Poultry Farm	4.0	1273
2	Borovskaya Poultry Farm	3.0	955
3	Sverdlovsk Poultry Plant	3.0	846
4	Roskar Poultry Farm	3.0	815
5	Rusgrain Holding	2.4	768.5
6	Kosmos Group	2.0	636
7	Belorechenskoye	2.0	636
8	Chelyabinsk Poultry Plant	2.0	615
9	Volzhanin	2.0	600
10	Oskaya Poultry Farm	2.0	600
Total:		25.4	7742

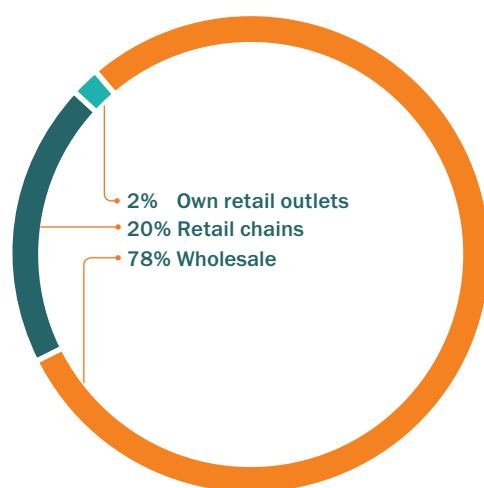
Source: Rosstat

In 2011 the total volume of egg production in Russia reached 41 billion eggs, the overwhelming majority of which are table chicken eggs. This is 1% more than in 2010. Over the past three years egg production has been on the rise at a rate of 1-2% annually.

The chicken egg market is saturated and thus there are practically no imports. Despite the fact that chicken eggs are part of the standard food ration for Russians and one of the cheapest sources of protein, growth in production has little to do with growth in consumption

by the population and food processing industries. The main driver of growth in production is state policy in support of agricultural producers, including egg farms. Thanks to direct and indirect state subsidies, the largest federal holdings have the opportunity to realize ambitious investment projects and smaller regional poultry farms are able to stay afloat. As a result, the egg production market remains rather fragmented: the cumulative share of the top 10 producers of chicken eggs in Russia accounts for 25% of the market, whereas, for example, in Ukraine one company alone holds such a market share and in the

Structure of Sales (by volume) in 2011



US – two companies. Russia's planned accession to the WTO is unlikely to significantly change this situation. The possible privatization of poultry farms currently owned by the state could influence the structure of this market. The transfer of such assets to private companies could lead to expansion of existing federal holdings or the emergence of new ones capable of expanding on the market through increases in existing capacity or M&A.

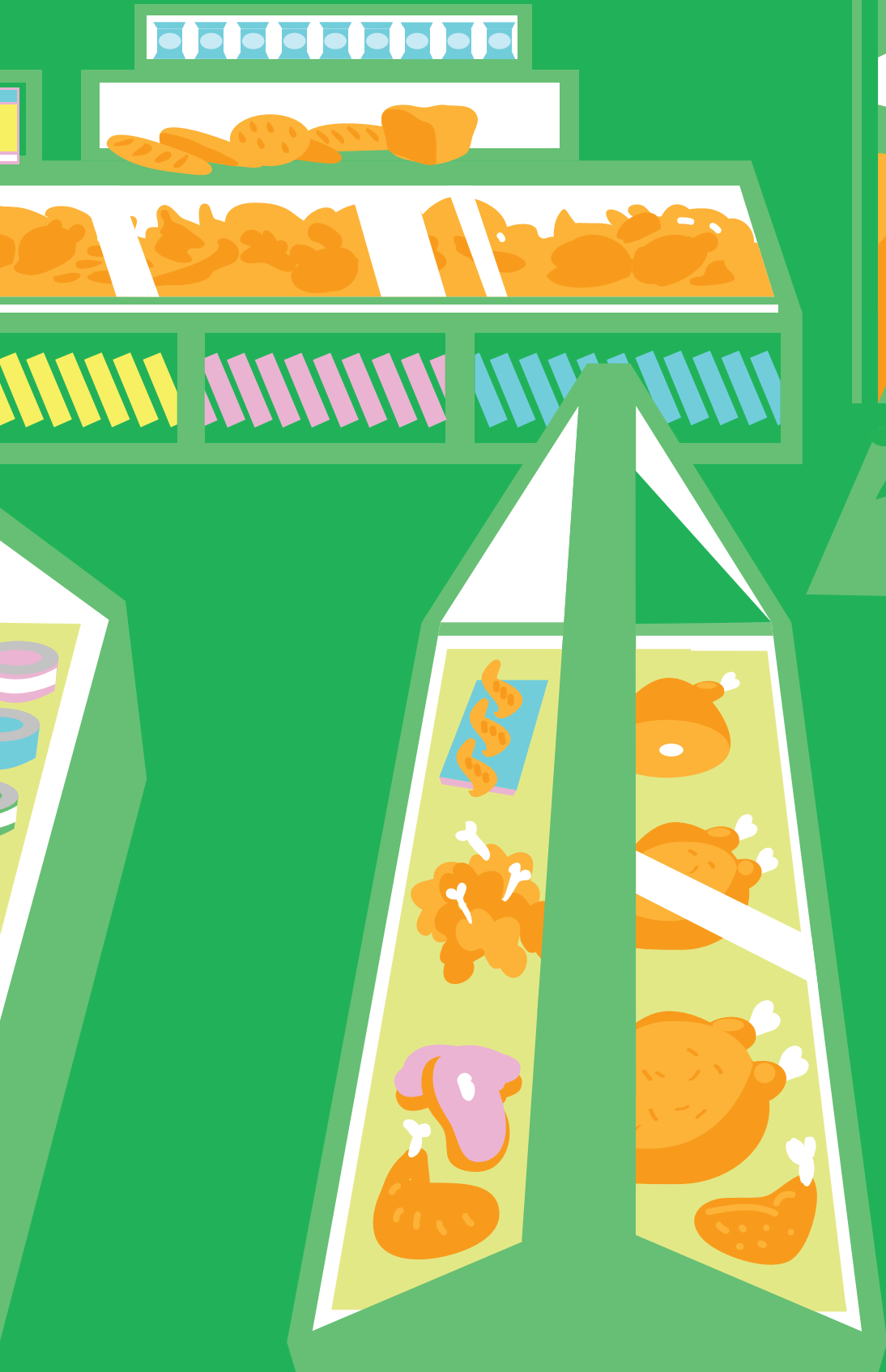
Consumer prices for chicken eggs are growing in line with inflation. State antimonopoly policy is helping to keep prices down even as fodder costs rise as is market diversification among producers. Outstanding debts and limited storage capacity for this product with a short shelf life sometimes forces producers to sell at less than cost, which works to undermine the market. This situation becomes particularly acute for the industry during the traditionally unprofitable months from May to September as a result of higher air temperatures and lower consumption.

In order to reduce seasonal price volatility, Rusgrain Holding's sales policy for the egg business is focused on increasing the share of sales through retail chains. In 2011 the volume of chicken eggs sold through this channel totaled 22% of total volume. Annual contracts with retailers make it possible to hedge for negative trends in sales prices. In order to reach such agreements it is necessary to meet the chains' quality requirements and guarantee a rather large volume of supplies throughout the entire term of the agreement. This practice corresponds with the procurement policies of such chains, which are shifting from spot auctions to

long-term contracts due to problems related to the quality and timeliness of deliveries.

Only major producers are capable of complying with the requirements put forward by retail chains. Thus the existence of long-term agreements with retailer provides a competitive advantage for Rusgrain Holding over producers with smaller capacity or imbalanced sales policies. Furthermore, the Holding's dominant market position in Bashkortostan represents a clear competitive advantage.

Poultry Division  
Meat Business



Production

More than 36,000  
tons of poultry meat

Production  
of sausage  
products

Production  
of chilled  
poultry meat

Halal  
products

## Poultry Division

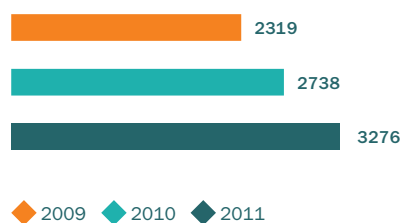
# Meat Business

Production volume	2011	2010	2009	Change, % (2011/2010)
Broiler production, live weight, tons	36,120.1	29,668.0	27,515.0	21.7%
Broiler production, slaughtered weight, tons	25,645.3	21,080.0	19,457.0	21.7%
Poultry by-product production, tons	4207.5	3554.0	3311.0	18.4%
Processed broiler products, tons	6992.3	5517.1	5251.0	26.7%

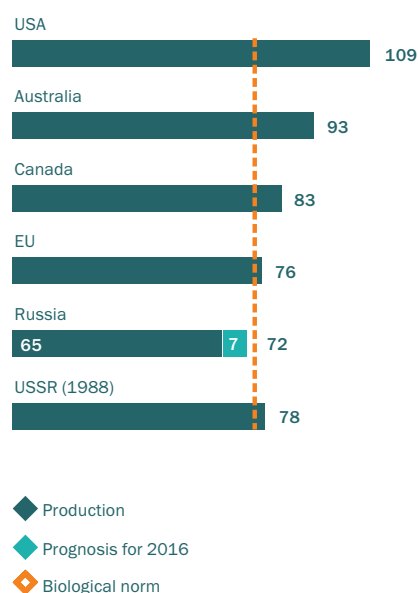
Production volume	2011	2010	2009	Change, % (2011/2010)
Cull rate	4.2	4.4	4.4	-3.8%
Average daily growth rate, g	54.4	52.2	49.5	4.2%
Feed consumption per centner of added weight	1.8	1.8	1.8	0.9%
Processed broiler products, tons	6992.3	5517.1	5251.0	26.7%

Production of poultry meat in Russia,  
'000 tons



Source: Meat Union of Russia

Annual per capita meat consumption  
in 2011, kg



Source: Meat Union of Russia

## Production

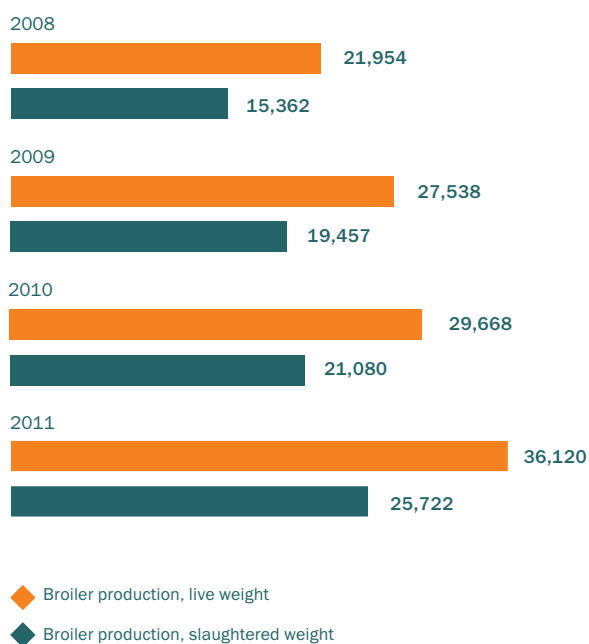
Since the moment of the acquisition of the assets of the Poultry Division in 2009, Rusgrain Holding has continually invested in the development of broiler production. As a result, broiler meat production has risen by 64.5% since 2009.

Growth in production in 2011 amounted to 22% year on year or 6400 tons of broiler meat. This is primarily a result of the achievement of full capacity and full-year use of capacity that came online in 2010 with the equipping of four corpuses of the Ufinskaya Poultry Plant which had previously stood empty.

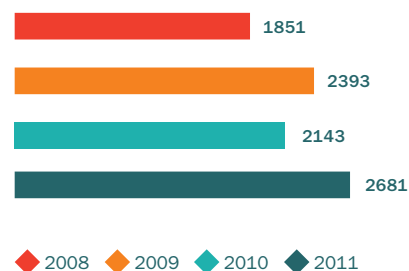
Production of semi-processed exceeded the results of the previous year by 25% and amounted to 2680 tons. The increase of meat production and processing capacity at the Ufinskaya Poultry Plant increased the production volume of semi-processed products to 1584 tons for the year.

Production of chilled meat also increased. Growth at two broiler plants of the Bashkortostan cluster of the Holding increased by 42% compared to 2010. The largest share of production came from Turbaslinskie Broilers, where the production volume was up 29%. The Ufinskaya Poultry Plant more than doubled production from the previous years.

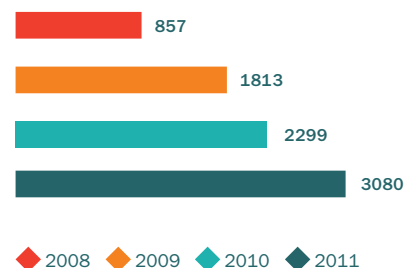
Broiler meat production, tons



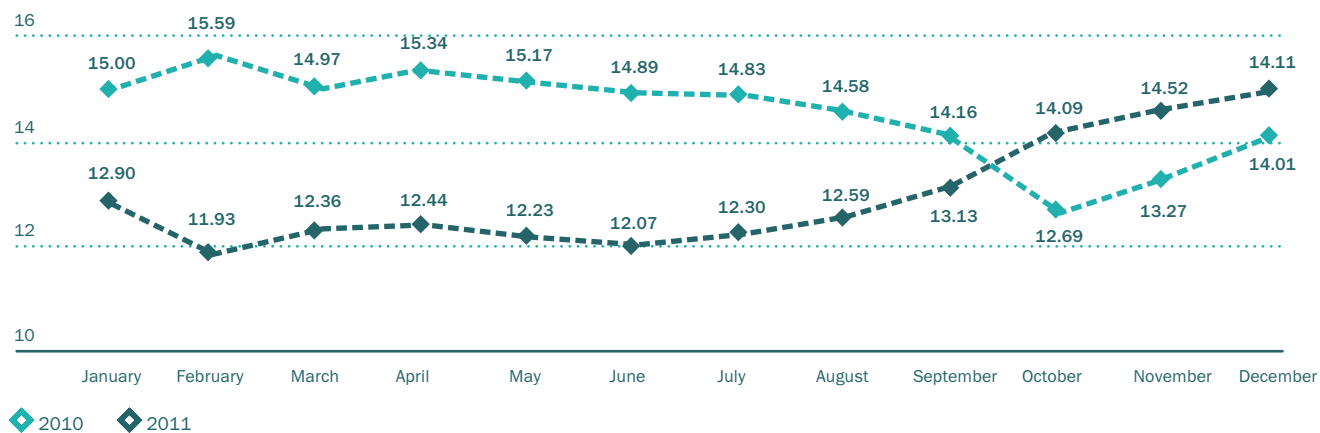
Semi-processed products, tons



Sausages and smoked meats, tons



Price of feed for broiler business, RUB/kg (w/o VAT)

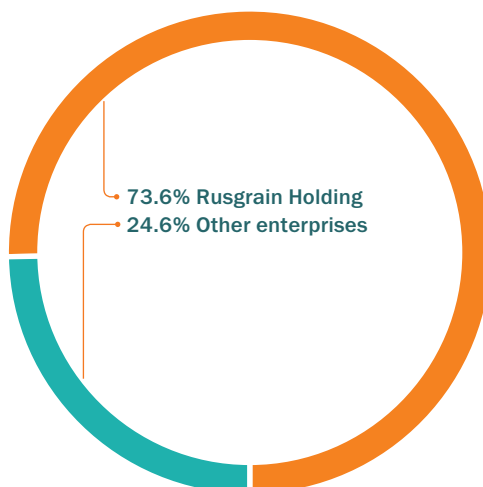


As a result of projects implemented in 2010 to increase sausage production at Turbaslinskie Broilers, production of sausages and smoked meat products rose by 43%.

In 2011 new packaging machines, thermal chambers and electric cars were acquired. Investment in the meat business of the Poultry Division totaled RUB 29.4 million for the year.

Fodder accounted for 49.8% of the cost of broiler production in 2011. Due to an increase in the grain prices in 2011, the average cost of mixed-grain fodder rose by 11%.

Share of Rusgrain Holding in Broiler Meat Production in Bashkortostan in 2011, %

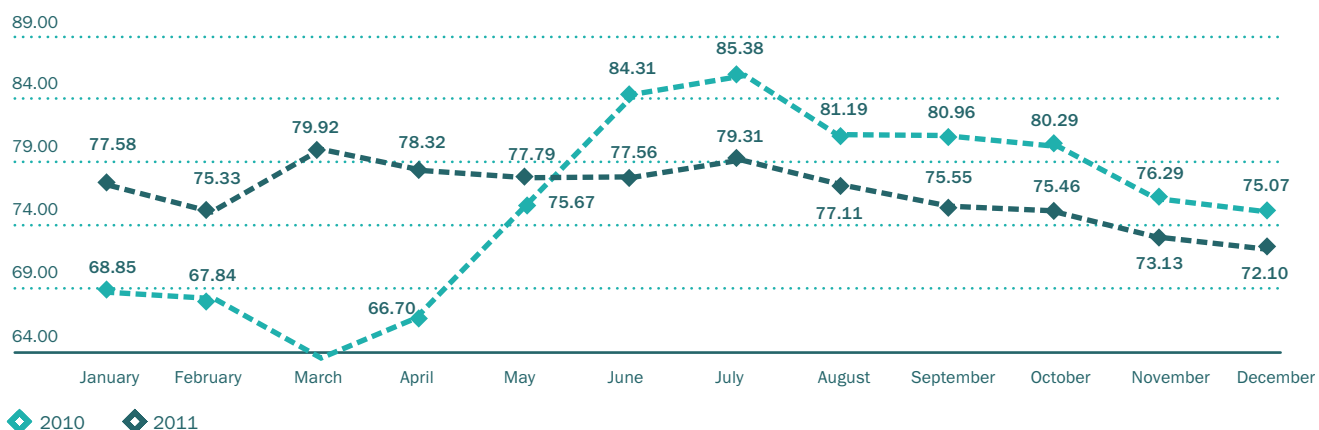


## Sales

The sales strategy of the meat business is centered around the sale of products through three channels: wholesale, retail chains and the Holding's own retail outlets.

The Holding uses its territorial advantage to provide residents of Bashkortostan with fresh (chilled) poultry meat, semi-processed products and sausages, selling them through major retail chains and its own points of sale. Demand for fresh chicken products is growing each year. In 2011 the volume of chilled poultry products rose from 2400 tons the previous to 7000 tons. The share of semi-processed foods sold through major retail chains stood at 19% while the Holding's own retail outlets accounted for 25%. With sausage products, 29% is sold through retail chains and 26% through its own retail outlets. Major retail chains account for 30% of the whole birds sold.

Dynamics of Average Price on Category 1 Boiler Meat, RUB/kg





## Trading Division



## Storage

*Domestic grain sales within the Russian Federation*

*Trade and purchasing network in Russia's major grain-growing regions*

*10 years of work experience and a reputation as a reliable partner on the Russian grain market*

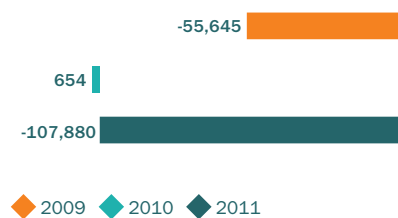
# Trading activity

## Key Financial Indicators

	2011	2010	2009
Revenues*, RUB '000	1,352,416	837,082	2,374,809
Net Profit, RUB '000	-107,880	654	-55,645

	12 months 2011	12 months 2010	12 months 2009	Change, % (2011/2010)
Volume sold to third parties	98.1	164.1	87.7	-40.2%
Domestic	87.3	141.9	80.3	-38.5%
Export	10.8	22.3	7.5	-51.4%

Net Profit, RUB '000



◆ 2009 ◆ 2010 ◆ 2011

Historically Russian Grain, prior to the creation of Rusgrain Holding, began as a trading company. With the development of the Holding, the share of the Trading Division in the total revenue structure has decreased. At the same time, the trading structure has taken on new functions with regard to the other divisions of the Holding.

At present the Trading Division fulfills the following three functions:

- sales of products of the Crop Division;
- coordination of grain supplies for the Poultry Division and Storage and Processing Division;
- management of the Holding's own trade portfolio.

Over the past 10 years the Russian grain market, although perhaps not as drastically as other sectors, has changed significantly, in particular with regard to the indirectly speculative and intermediary functions of the Trade Division. Unfortunately, Russia still lacks exchange infrastructure and the corresponding pricing and settlement mechanisms for agricultural commodities, which are accepted practices throughout the world. The mechanism of state interventions apply exchange principles but do not in themselves represent market indicators, as purchases are made at knowingly inflated prices while the intervention stock is sold at below market prices. Despite this, it should be noted that in terms of information transparency the market has become more open.

In part this has been facilitated by the export factor and the emergence of a price benchmark – the Novorossiysk Port. The development of livestock farming (particularly poultry and pig farms) has also facilitated the emergence of major production clusters which consume hundreds of thousands of tons of grain each year. Such consumers are

quasi-market-makers and their pricing (along with export prices) help form the markets of specific regions.

In the early- to mid-2000s, information agencies appeared that specialized in analysis and price monitoring of the grain market. In spite of the fact that the spread in their statistics is quite large, they nonetheless reflect the market. The development of information technologies, and the Internet in particular, also helps bring transparency to the market: daily publications of news on the agricultural market, notice boards, price quotes from global markets, analysis from information agencies. All of this helps agricultural producers orient themselves on the grain market much more effectively than 10 years ago. Another topical trend for major agricultural holdings with regard to procurement is e-auctions. Online sales provide open competition among suppliers and thus produce adequate pricing. E-auction pricing information also provides benchmarks to help crop producers understand market prices. All of this greatly differs from the structure of information distribution in the early 2000s, when key factors for success were acquaintances and contacts. With the right connections on such a non-transparent market high profitability was secured through transactions with a large spread. However, the more transparent the market becomes, the narrower the spread and margin of the trader. The situation is similar to the development of the stock exchange in Russia, where the excess profits of classic OTC trading was replaced by exchange trading and Internet trading with a minimal spread and commission dumping by brokers. Clearly, the more inert agricultural market is moving slower, but it is moving in the very same direction.

At the same time, the market continues to hold a number of risks of varying degrees of manageability.

Corruption remains a significant factor when it comes to sales and procurement of commodities, and counterparty risks related to fraud are also high. In particular, it is for this reason that the majority of large holdings do not agree to prepayment for procurements. Companies engaged in grain production, also find themselves in a similar situation, and demand prepayment. The problems of counterparty risk are assumed by trading companies, who rely on the honesty of their partners and the veracity of due diligence on these counterparties.

The agricultural sector also commonly faces the problem of late payment. This is due in part to the liquidity crisis characteristic of the sector on the whole. In turn, this places a liquidity gap risk on trading companies, for whom financial maneuverability is a crucial component of doing business.

The issue of logistics is also problematic. The dwindling rolling stock for grain and other such problems of transporters and Russian Railroads (the monopoly operator of railroad infrastructure in Russia) can at times put a stop to the most advantageous and logical purchases and deliveries of grain for distant regions of the country (for example from the Omsk region to St. Petersburg and the Leningrad Region or Novorossiysk). As a result, market inefficiencies related to the differing reactions of markets in distant regions to various trends, which create potential income for the trader who understands the market, cannot be capitalized.

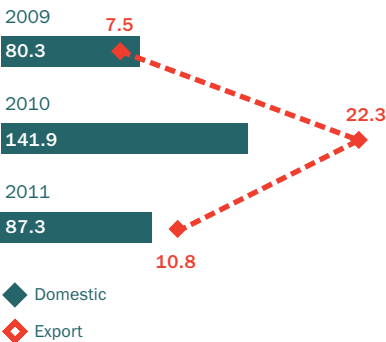
State regulation remains a significant factor: the export embargo in 2010 protected livestock producers but effectively bankrupted Russian exporters. The state interventions, in turn, are capable of undermining the

market assumptions of traders by disrupting market trends. In particular, the intervention carried out in the form of the sale of intervention stock at lower than market prices in the first half of 2011 stopped growth in wheat prices. This was a reason for the losses on the trading portfolio based on commodities produced by the Crops Division as well as commodities purchases on the market in late 2010 and early 2011.

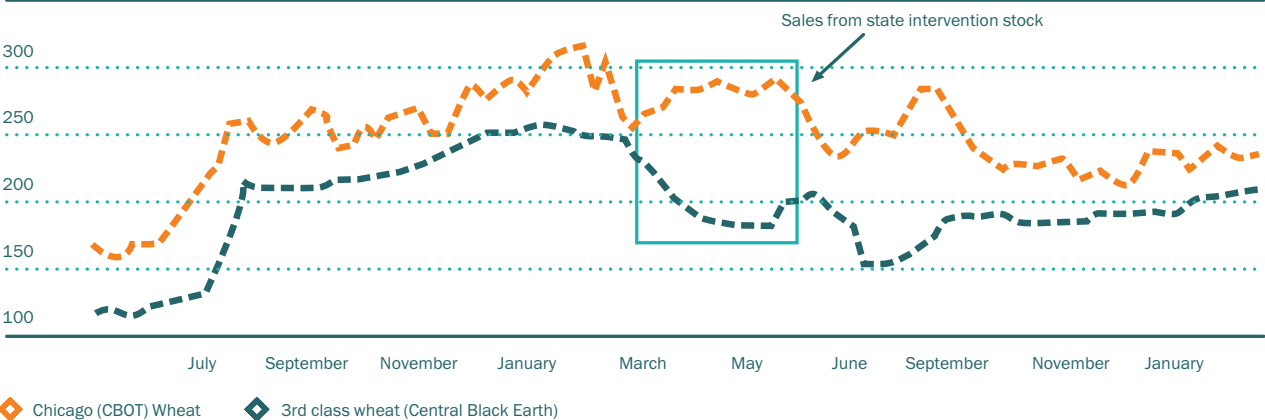
As far as exports are concerned, in order to engage in this business it is necessary to have substantial monetary resources in order to secure large turnover, particular competencies and, most importantly, effective sources of funding. Also desirable is having one's own logistics capacity and global positioning on the world market. Otherwise, this business is not economically feasible. This explains the fact that the main exporters of Russian wheat are transnational trading companies such as Glencore, Louis Dreyfus, Bunge, Cargill, etc. It follows that Russian trading companies have the Russian domestic market, where margins are gradually contracting but most of the risks characteristic of an unorganized underdeveloped market remain. The totality of this makes the classical processes of grain trading marginally profitable and yet high risk.

Understanding this trend, we clearly see that new trading technologies should replace the traditional modus operandi of the Russian spot market. We see a strategy for developing our trading business that uses trading concepts related to the convergence of work with derivative instruments on electronic platforms of Western markets and the Russian spot market. Arbitrage and spread strategies, on the one hand, are less risky and, on the other, can be substantially more profitable.

Turnover of own trade portfolio  
of Trading Division, '000 tons

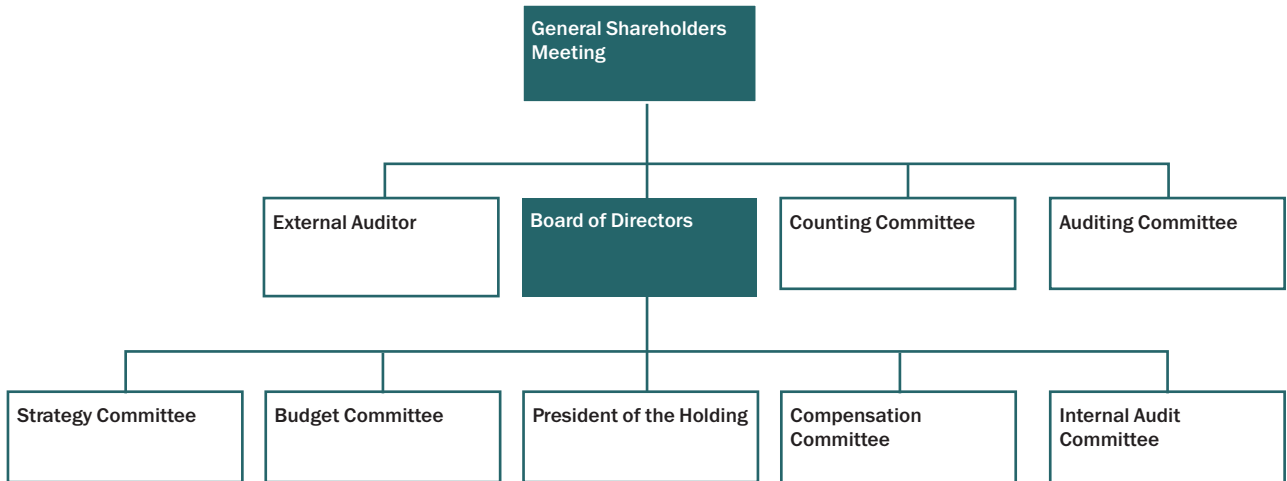


Prices on American SRW wheat and Russian 3rd class wheat (Central Black Earth), USD/ton



Source: USDA, IAMS

# Corporate Governance System



The corporate governance system of Rusgrain Holding is aimed at increasing the investment appeal of the Holding and is based on respect for the rights of shareholders, who are viewed as equal regardless of their share in the capital of the Holding. Rusgrain Holding strives to be maximally transparent and open for investors. It is critically important that shareholders be confident of the fact that funds they have invested are being wisely used in order to increase the capitalization of the company.

## Transparency

The Holding pays particular attention to its informational openness for investors. All information disclosures as well as news and other information about the operations of the Holding can be found on our website: [www.rusgrain.com](http://www.rusgrain.com)

## Financial Reporting

Rusgrain Holding is one of the few companies in Russia's agricultural sector that is prepared to disclose its financial reporting based on international financial reporting standards, something the Holding has done for every year since 2004.

## Board of Directors

As a part of the Holding's corporate governance system, the Board of Directors fulfills all the necessary functions of such a governance body. It is our conviction that the Board of Directors, as a fully functioning management body, helps organize and strengthen mechanisms for interaction between shareholder and management.

One of the main objectives of the Board of Directors is to protect the rights and interests of minority shareholders. The Board of Directors of Rusgrain Holding includes two independent directors. The following committees have been created within the framework of the Board of Directors:

### Strategy Committee

- Confirms the Holding's strategy and monitors its implementation
- Reviews and approves the Holding's development projects
- Reviews market analysis reports on the market, trends, competitors, products, service, etc.
- Considers and approves M&A transactions

### Budget Committee

- Confirms the Holding's budget
- Monitors budget execution
- Corrects budget plans
- Reviews factors impacting budget execution
- Reviews production indicators

### Compensation Committee

- Approves the Holding's motivational policy
- Approves compensation for management
- Approves stock option programs
- Approves result-based payments for reporting periods (quarterly, annually)

### Risk Management and Internal Audit Committee

- Reviews audit results and other monitoring and control work
- Approves the Holding's risk management policy

# Board of Directors of Rusgrain Holding



**Marks Mikhailovich Akimochkin**

Graduate of the Kuban Agricultural Institute, Mechanical Engineering Specialist.

More than 40 years' experience in management positions.

Age: 74



**Alexei Vitalievich Verkhoturov**

Graduate of Urals State Agricultural Academy, Degree in Economics.

Mr. Verkhoturov has held positions in management for 14 years.

Age: 42



**Oleg Mikhailovich Zhiznenko**  
Independent Director

Graduated from the Moscow Aviation Institute with an Electrical Engineering degree (1987). Mr. Zhiznenko also graduated from Finance Academy under the Government of the Russian Federation specializing in Finance and Credit and earning a degree as an Economist.

Since 2001 Mr. Zhiznenko has been the General Director of Registrar R.O.S.T (previously known as Panorama Registrar Co.)

Age: 46





**Pierre Louvrier**

Independent Director

Degrees in Law (1995) and Economics (1998) from the University Catholique de Louvain in Belgium. Mr. Louvrier also has an FSSM from the London Business School.

More than 15 years' experience working in management positions.

Age: 38



**Ivan Alexandrovich Tyryshkin**

Graduate of the Plekhanov Russian Academy of Economics specializing in Finance and Credit.

Mr. Tyryshkin has held positions in management for 14 years.

At present Mr. Tyryshkin is the sole executive authority (President) of the Holding. The president is paid a fixed salary; the Holding does not have a policy of paying bonuses to the sole executive authority.

Age: 38

# Social and Personnel Policy

## *Main principles of social and personnel policy*

The Holding's social and personnel policy aims to develop the creative potential of our personnel, to support and stimulate workers, to increase and strengthen the corporate spirit of our workforces. The social and personnel policy of Rusgrain Holding is based on the following principles:

- Labor compensation should correspond to the employee's real contribution to the realization of the Holding's development plans, the fulfillment of production objectives, sales plans, provision of the necessary resources and materials.
- Equal opportunity for career growth for all employees. Priority given to internal personnel reserves when filling vacant positions.
- Maximal consideration of the interests in the employee in making personnel decisions.
- Maintaining a positive social and psychological climate within workforces, facilitating healthy relationships among employees.
- Mutual loyalty between personnel and the company.

## Formation of social benefits for workers

In the formation of the package of social benefits for a worker, we strictly adhere to the main provisions of labor legislation.

At enterprises of the Holding salaries are indexed to maintain market level salaries. In 2011 the salaries of employees at Tikhoretsky GPP, Latnensky Elevator and Tulinovsky Elevator were indexed. We strive to avoid a high level of personnel rotation arising from a mismatch between salary levels a market conditions. We value all our personnel – workers, specialists and managers.

In the main internal normative documents of enterprises of the Holding the following social benefits are recognized and mandatory:

- Provision of additional paid leave to workers engaged in jobs with harms and (or) dangerous work conditions and to worker of certain professions and positions with unconventional working hours.
- Provision to workers of an annual paid leave of 28 calendar days; 30 calendar days for disabled workers and 31 calendar days for workers under 18 years of age.
- Payment to workers (except salaried workers) additional compensation for work on official holidays.
- Payment of overtime work at one-and-a-half and double tariffs, premiums for nighttime work.

- Compensation of expenses related mandatory medical checkups as well as expenses related to business trips.
- Payment of premiums according to regional coefficient.
- Provision of special clothing and protective wear at the expense of the company for workers who are obliged to wear such clothing.
- Provision of milk and or other comparable nutritional products to workers engaged in jobs with harmful work conditions.

We strive to create maximally comfortable work conditions for our employees. For this, in addition to the mandatory benefits and payments, the benefit package includes additional compensation and premiums in such cases as:

- Birth of a child – one-half of monthly salary;
- Jubilee birthday;
- Compensation for damage incurred from natural disaster;
- Retirement bonus;
- Payment to relatives in case of death of worker;
- Compensation for rent of housing in the case of the transfer of employee to another location;
- Compensation for use of personal automobile for corporate benefit;
- Compensation for mobile phone use or provision of corporate mobile phone tariff;
- In other instances as decided by the management of the Holding.

In 2011 payments of a social nature, not related to mandatory payments, totaled more than RUB 9 million.

#### Development and training of personnel

We are proactive about improving the professional skills of the specialists and directors of enterprises, understanding that this is one of the most important resources of the Holding. With this aim, corporate trainings organized by leading consulting companies are held regularly.

In 2011 the following events were organized and held: a strategy session on determining the development prospects for the Poultry Division in Ufa, optimization of core business processes of the Crops Division in Voronezh, and a number of other events of a smaller scale. Each calendar year the Holding prepares a personnel training plan depending on the goals of the given period. In 2011 more than RUB 1.5 million was spent on training.

#### Team building and support of the corporate spirit

The Holding regularly holds events aimed at consolidating workforces, directors and forming management teams. Thus, in 2011 more than RUB 3 million was spent on various corporate events.

# *Significant and Related Party Transactions*

List of transactions executed in the reporting year qualifying as significant transactions as defined by the Federal Law on Joint Stock Companies and other transactions which according to the Company Charter are subject to the same procedure for approval as significant transactions with an indication for each of the related entities, the material conditions of the transaction and the corporate body approving the transaction. In 2011 there were no significant transactions.

List of transactions qualifying as related party transactions as defined by the Federal Law on Joint Stock Companies with an indication for each of the related entity (entities), the key provisions of the transaction and the corporate body approving the transaction:

No.	Type and subject of the transaction	Information on the transaction	Information on entities qualifying as related as defined by Russian law	Corporate body approving the transaction
1.	Provision of a guarantee to a subsidiary (Russian Grain LLC, PSRN 1027700118082 dated 12 August 2002).	Rusgrain Holding signed a guarantee agreement with UniCredit Bank for the purpose of insuring the fulfillment of the obligations of Russian Grain with regard to a loan from UniCredit Bank in the amount of USD 32 000 000.	Rusgrain Holding Board of Directors Member Alexei Verkhoturov, who simultaneously holds the position of General Director of Russian Grain; Rusgrain Holding Board of Directors Member Ivan Tyryshkin, who together with an affiliated entity (Rusgrain Holding) holds more than a 20% interest in Russian Grain (beneficiary party of the transaction); Company Shareholder – Russian Grain Holding Limited	General Shareholders Meeting of Rusgrain Holding
2.	Provision of a guarantee to a subsidiary (Kuban Bread OJSC, PSRN 1022304839556 dated 02 October 2002).	Rusgrain Holding signed a guarantee agreement with Sberbank of Russia for the purpose of insuring the fulfillment of the obligations of Kuban Bread with regard to a loan from Sberbank of Russia in the amount of RUB 245 000 000.	Alexei Verkhoturov (this person is simultaneously a member of the Board of Directors of Rusgrain Holding and a member of the Board of Directors of Kuban Bread (beneficiary party)); Marks Akimochkin (this person is simultaneously a member of the Board of Directors of Rusgrain Holding and a member of the Board of Directors of Kuban Bread (beneficiary party)).	General Shareholders Meeting of Rusgrain Holding
3.	Provision of a guarantee to a subsidiary (Tikhoretsky GGP OJSC, PSRN 1022303187488 dated 12 December 2002).	Rusgrain Holding signed a guarantee agreement with Sberbank of Russia for the purpose of insuring the fulfillment of the obligations of Tikhoretsky GGP with regard to a loan from Sberbank of Russia in the amount of RUB 530 000 000.	Alexei Verkhoturov (this person is simultaneously a member of the Board of Directors of Rusgrain Holding and a member of the Board of Directors of Tikhoretsky GGP (beneficiary party))	General Shareholders Meeting of Rusgrain Holding

# Statements on Compliance with Corporate Code of Conduct\*

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
<b>General Shareholders Meeting</b>			
1.	Notification of shareholders about a General Shareholders Meeting at least 30 days prior to the date of holding thereof, irrespective of the matters included in its agenda, unless a longer period is stipulated by law	Compliant with regard to notification of shareholders about Annual General Shareholders Meetings	Provision 12.14 of the Company Charter and Provision 6.1.3 of the Regulations on General Shareholders Meetings: Notification on the holding of Annual General Shareholders Meetings should be made not later than 30 days prior to its holding."
2.	Providing shareholders with the possibility to check a list of persons entitled to participate in the General Shareholders Meeting, beginning from the day of notification on the General Meeting of Shareholders and till the closure of the General Meeting of Shareholders held in person, and in case of the General Meeting of Shareholders in absentia, till the last date of receipt of voting ballots.	Compliant	Provision 5.2 the Regulations on GSM: "The list of persons entitled to participate in a General Shareholders Meeting is provided by the Company for acquaintance upon demand by persons included in this list and owning no less than 1% of the vote at the General Shareholders Meeting. At the same time the information of the documents and mailing addresses of individual persons included in this list are provided only upon agreement of these persons. Upon the request of any interested person of the Company is obligated within three days to provide him with an extract from the list of persons entitled to participate in the General Shareholders Meeting containing information on this person or notice that this person is not included in the list of persons entitled to participate in the General Shareholders Meeting."

\* This information is provided in compliance with the Methodology Recommendations on the Content and Form of Presenting Information on Observance of the Code of Corporate Conduct in Joint Stock Companies Annual Reports (FCSM Instruction No. 03-849/r).

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
3.	Providing shareholders with the possibility to study information (materials) to be provided in the run up to a general shareholders meeting by means of electronic communications, including via the Internet.	Compliant	Provision 6.6 of the Regulations on General Shareholder Meetings: "Information (materials) must be made available in the terms indicated in Provision 6.1 of this Regulation to persons with the right to participate in the General Shareholders Meeting for becoming acquainted with them in at the premises of the executive body of the Company or other places whose address are indicated in the messages about the holding of the General Shareholders Meeting. This information (materials) should be made available to persons taking part in the General Shareholders Meeting during the holding of the meeting. Also, at the request of a shareholder (or his representative) information is provided via electronic means.
4.	Providing shareholders with the possibility to put issues on the general meeting agenda or request a convocation of a general shareholders meeting without an excerpt from the shareholder register or a statement of a DEPO account in order to exercise the above rights, if accounting of his rights to shares is maintained in the system of maintenance of the register of shareholders and if his rights to shares are taken into account on a deposit account; in that case, for exercising the above said rights it is sufficient to produce an extract from	Compliant	These recommendations are not stipulated in the Charter or internal documents of the Company but are observed in practice.
5.	Stipulation of provisions in the Company Charter or internal documents requiring the presence at a shareholders meeting of the general director, management board members, Board of Directors members, Audit Committee members, as well as an auditor of the Company	Non-compliant	These recommendations are not stipulated in the Charter or internal documents of the Company but in practice the Company's president, members of the Board of Directors, members of the Audit Committee are usually present at General Shareholders Meetings.
6.	Mandatory presence of candidates at a general shareholders meeting when election of Board of Directors and Audit Committee members, as well as approval of a Company auditor are considered.	Partially compliant	The candidates usually attend the General Shareholders Meetings of the Company; however, the Charter and other internal document lack a mandatory requirement of their presence at General Shareholder Meetings.
7.	Stipulation in the Company internal documents of a procedure of registration of general shareholders meeting participants.	Non-compliant	

\*\* The Company does not have a Management Board (the Company Charter does not stipulate the formation of a collegial executive body (Provision 11.1 of the Charter).

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
<b>Board of Directors</b>			
8.	Stipulation in the Company Charter of the authority of the Board of Directors to annually approve the Company's financial and economic plan (budget).	Non-compliant	—
9.	Existence of a procedure approved by the Board of Directors for risk management	Non-compliant	—
10.	Stipulation in the Company Charter of the Board of Directors' right to decide on suspension of powers of the general director appointed at the general shareholders meeting.	Not applicable	According to Provision 13.1.15 of the Charter, the president of the Company is appointed by the Board of Directors.
11.	Stipulation in the Company Charter of the Board of Directors' right to establish criteria for qualification and the size of remuneration for the general director, management board members, and heads of primary Company divisions.	Non-compliant	—
12.	Stipulation in the Company Charter of the Board of Directors' right to approve agreements with the general director and management board members.	Non-compliant	This recommendation is not present in the Charter; however, it is stipulated in Provision 1.6 of the Regulations on the Sole Executive Authority (President) of the Company: "The rights and responsibilities, term and compensation of the sole executive authority is determined by an agreement, the conditions of which are approved by the Board of Directors. The agreement on behalf of the Company is signed by the chairman of the Board of Directors or a person authorized by the Board of Directors."
13.	Stipulation in the Company Charter or internal documents of the requirement that approving agreements with the general director (management company or manager) and management board members, the votes of Board of Directors members, who also serve as general directors and management board members, are not taken into consideration.	Non-compliant	—
14.	Presence on the Board of Directors of at least three independent directors who qualify as such under requirements of the Corporate Conduct Code.	Non-compliant	Two independent directors have been elected to the Board of Directors.



No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
15.	No persons on the Company Board of Directors found guilty of economic crimes or crimes against government or local authorities, government interests, or persons who were administratively liable for crimes related to violations in business, finance, taxes or securities.	Compliant	—
16.	No persons on the Company Board of Directors, being participants, general directors (top managers), or employees of any legal entity that is competing with the Company.	Compliant	—
17.	Stipulation in the Company Charter of a requirement to elect the Board of Directors by cumulative vote.	Compliant	Provision 13.6 of the Charter: “The election of members of the Board of Directors of the Company is carried out through a cumulative vote.”
18.	Stipulation in the Company internal documents of an obligation of members of the Board of Directors to refrain from actions that will lead or might potentially lead to conflicts between their interests and the Company’s interests; and should such conflicts of interest arise, an obligation to inform the Board of Directors of them	Non-compliant	—
19.	Stipulation in the Company internal documents of an obligation of Board of Directors members to notify the Board of Directors in writing about intentions to make transactions with securities of a company, in which they are board members or board members in its subsidiaries (affiliates), as well as to disclose information about the transactions they made with such securities.	Partially compliant	According to legislation of the Russian Federation members of the Board of Directors are considered insiders and thus, in compliance with Provision 1.6 of the Regulations on Insider Information of Rusgrain Holding, “are obliged to inform the Company and FSFM of Russia about transactions involving securities of the Company and (or) the signing of agreements which are derivative financial instruments the base assets of which are these securities, and (or) about transactions involving securities of the Company within 10 working days for the date of the completion of the transaction.
20.	Stipulation in the Company internal documents of a requirement to hold meetings of the Board of Directors at least once every six weeks.	Non-compliant	—
21.	Conducting of the Board of Directors’ meetings in the year for which the Company’s annual report is being prepared at least once every six weeks.	Compliant	In 2011 the Board of Directors met 18 times with a periodicity of no less than once every 6 weeks.
22.	Stipulation in the Company internal documents of a procedure of conducting the Board of Directors’ meetings.	Compliant	Section 6 of the Regulations on Board of Directors “Main Provisions of Procedural Regulations of Board of Directors Meetings”

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
23.	Stipulation in the Company's internal documents of the necessity for the Board of Directors to approve all Company transactions worth more than 10 percent of the Company assets, except for deals made in the ordinary course of business.	Non-compliant	—
24.	Stipulation in the Company's internal documents of the Board of Directors' right to obtain from executive bodies and heads of the Company major divisions the information required to assist the Board of Directors in fulfilling its duties, as well as responsibility for failure to submit such information.	Compliant	Provision 1.6 of the Regulations on the Sole Executive Authority (President) of the Company; this internal document lacks a provision establishing accountability for failure to provide information.
25.	Existence of the Board of Directors' committee on strategic planning or assignment of this committee's functions to another committee (excluding the Audit Committee and the personnel and compensation committee).	Compliant	—
26.	Existence of the Board of Directors' committee (Audit Committee), which advises the Board of Directors on selection of an auditor for the Company and cooperates with the auditor and the Company's Audit Committee.	Compliant	Provision on Audit Committee approved by a Board of Directors decision from 17 September 2010 (Protocol No. 13/10).
27.	Presence of only independent and non-executive directors on the Audit Committee.	Compliant	The Board of Directors formed the Audit Committee (Protocol No. 14/11 from 25 August 2011) in the following composition: 1. Oleg Zhizenko (independent director); 2. Pierre Louvrier (independent director); Alexei Verkhoturov (nonexecutive director).
28.	An independent director's chairmanship of the Audit Committee.	Compliant	Pierre Louvrier (independent director) was elected chairman of the Audit Committee
29.	Stipulation in the Company internal documents of the right of all Audit Committee members to have access to any of the Company's documents and information on a non-disclosure basis.	Compliant	Provisions 14.1 and 15.2 of the Regulations on the Audit Committee of Rusgrain Holding
30.	Establishment of the Board of Directors' committee (personnel and compensation committee), which will develop the selection criteria for candidates to the Board of Directors and develop the Company's remuneration policy.	Compliant	—
31.	An independent director's chairmanship of the personnel and compensation committee.	Compliant	—

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
32.	No Company officials on the personnel and compensation committee.	Compliant	—
33.	Establishment of the Board of Directors' committee for risks or assignment of this committee's functions to another committee (excluding the Audit Committee and the personnel and compensation committee).	Compliant	Section 5 of Regulations on Internal Control of Financial and Economic Activities of Rusgrain Holding: the Company creates a control and oversight department whose responsibilities, among others, include the assessment, classification and minimization of possible risks arising the Company's operations.
34.	Establishment of a Board of Directors' committee for corporate conflict settlement or assignment of this committee's functions to another committee (apart from the Audit Committee and the personnel and compensation committee).	Non-compliant	—
35.	No Company officials on the committee for corporate conflict settlement.	Not applicable	The Company has not established a committee for corporate conflict settlement.
36.	An independent director's chairmanship of the committee for corporate conflict settlement.	Not applicable	The Company has not established a committee for corporate conflict settlement.
37.	Existence of internal documents approved by the Board of Directors providing for a procedure for creation and functioning of the Board of Directors' committees.	Compliant	—
38.	Stipulation in the Company Charter of the procedure of designating the Board of Directors' quorum providing for mandatory participation of independent directors in the Board of Directors' meetings.	Non-compliant	—

### Executive Bodies

39.	Existence of a collegial executive body (management board).	Non-compliant	The Company Charter does not stipulate the formation of a collegial executive body (Provision 11.1 of the Charter)
40.	Stipulation in the Company Charter or internal documents of the necessity for the management board to approve real estate deals, for the Company to obtain loans if these deals are not large and not made in the normal course of the Company's business.	Not applicable	The Company Charter does not stipulate the formation of a collegial executive body (Provision 11.1 of the Charter)
41.	Stipulation in the Company's internal documents of the procedure of coordinating transactions those are beyond the scope of the Company's financial and economic plan.	Non-compliant	—

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
42.	No persons in executive bodies, being participants, general directors (top managers), or employees of any legal entity that is competing with the Company.	Compliant	—
43.	No persons in executive bodies found guilty of economic crimes or crimes against government or local authorities, government interests, or persons who were administratively liable for crimes related to violations with business, finance, taxes or securities. If the sole executive body's functions are fulfilled by a management company or a manager, the general director and management board members of a management company or manager must meet the requirements set for a general director and management board members of the Company.	Compliant	—
44.	Stipulation in the Company Charter or internal documents of a ban on a management company (manager) from performing similar functions in a competing company, as well as establishing other property relations with the Company except for providing services of a management organization (manager).	Not applicable	The authority of the sole executive body has not been transferred to a management organization (manager).
45.	Stipulation in the Company's internal documents of an obligation of executive bodies to refrain from actions that will lead or potentially lead to conflicts between their interests and the Company's interests; and should such conflicts of interest arise, an obligation to inform the Board of Directors of them.	Non-compliant	—
46.	Stipulation in the Company Charter or internal documents of the criteria for selection of a management company.	Non-compliant	The authority of the sole executive body has not been transferred to a management organization (manager).
47.	Monthly reports of executive bodies on their deliverables to the Board of Directors.	Non-compliant	According to the Regulations on the Board of Directors Provision 6.2, information from the executive body is provided to the Board of Directors upon request by the Board of Directors.
48.	Stipulation in agreements between the Company and the general director (management company, manager), as well as between the Company and management board members of the responsibility for violating regulations on confidential and insider information use.	Compliant	—

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
<b>Corporate Secretary</b>			
49.	Existence in the Company of a special official (the Company corporate secretary), whose task is to facilitate adherence by the Company bodies and officials to requirements that guarantee the exercise of rights and legal interests of the Company.	Compliant	—
50.	Stipulation in the Company Charter or internal documents of the procedure of appointing (electing) the Company secretary and establishing the secretary's duties.	Non-compliant	—
51.	Stipulation in the Company Charter of requirements for secretary candidates.	Compliant	—
<b>Material Corporate Activities</b>			
52.	Stipulation in the Company Charter or internal documents of a requirement to approve significant transactions (worth 25-50 percent of the Company assets value) before they are made.	Non-compliant	Such a requirement is not stipulated in the Charter or internal documents.
53.	Mandatory engagement of an independent appraiser to appraise the market value of property that is the subject of significant transactions.	Not applicable	In 2011 the Company did not make any significant transactions.
54.	Stipulation in the Company Charter of a ban on taking any measures, when acquiring major stakes in the Company (acquisition), aimed to protect the interests of executive bodies (members of executive bodies) and Board of Directors members of the Company, as well as worsening the shareholders' position (in particular, a ban on the Board of Directors to make decisions, prior to the assumed end date of share purchase, on issue of securities convertible into shares or securities that grant the right to acquire the Company shares even if the right to make such a decision is stipulated in the Charter).	Non-compliant	The Company Charter does not describe such limitations.

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
55.	Stipulation in the Company Charter of a requirement for mandatory engagement of an independent appraiser to appraise the current market value of shares and possible changes in their market value as a result of acquisition of the Company.	Non-compliant	The Company's shares are traded on Moscow Exchange MICEX-RTS. The current market value of the Company's shares (market capitalization) is determined by trading on the exchange. At present this can be viewed directly on the website of the exchange at: <a href="http://rts.micex.ru/s26">http://rts.micex.ru/s26</a>
56.	No release in the Company Charter of purchasers from an obligation to offer shareholders the opportunity to sell their ordinary shares of the Company (securities convertibles into ordinary shares) upon acquisition.	Compliant	—
57.	Stipulation in the Company Charter or internal documents of a requirement for mandatory engagement of an independent appraiser to determine the share conversion ratio in the Company reorganization.	Compliant	Provision 15.2.3 of the Company Charter

### *Disclosure of Information*

58.	Existence of a document approved by the Board of Directors that makes the rules for and approaches to disclosure of information about the Company (the Information Policy Regulations).	Non-compliant	The Company discloses information about its business in the manner stipulated by Russian legislation (in the form of quarterly reports, messages on material facts, etc.).
59.	Stipulation in the Company's internal documents of a requirement to disclose information about the purpose of placing shares, about persons who intend to buy these shares, including a large stake, as well as about intentions of Company officials to buy the Company shares to be placed.	Non-compliant	This requirement is not indicated in the Company's internal documents.
60.	Stipulation in the Company's internal documents of a list of documents, materials and other information to be submitted to the shareholders for solving issues put on the agenda of a general shareholders meeting.	Compliant	This information is contained in Provision 6.5 of the Regulations on General Shareholder Meetings of Rusgrain Holding.
61.	Existence of the Company's website and regular publication of information about the Company on the website.	Compliant	<a href="http://www.rusgrain.ru/">http://www.rusgrain.ru/</a> / Investor Relations section Information disclosure subsection
62.	Stipulation in the Company's internal documents of a requirement to disclose information about the Company's deals with persons who, according to the Charter, are the Company's top officials, as well as about the Company's deals with organizations, in which the Company top officials directly or indirectly hold 20 percent or larger stakes, or on which these officials are able to exert essential influence	Non-compliant	The Company discloses information about its business in the manner stipulated by Russian legislation (in the form of quarterly reports, messages on material facts, etc.).

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
63.	Stipulation in the Company's internal documents of a requirement to disclose information about all deals, which may influence the market value of Company shares.	Non-compliant	The Company discloses information about its business in the manner stipulated by Russian legislation (in the form of quarterly reports, messages on material facts, etc.).
64.	Existence of an internal document approved by the Board of Directors that describes how to use essential information about the Company's activity, shares and other securities, and also about transactions with them, which is not publicly accessible and the disclosure of which may essentially influence the market value of the Company shares and other securities.	Compliant	Regulation on Insider Information confirmed by the Board of Directors 20 December 2011 (Protocol No. 17/11)
<b>Financial and Economic Control</b>			
65.	Existence of procedures approved by the Board of Directors for internal control over the Company's financial and economic activity.	Compliant	Regulations on Internal Control of Financial and Economic Activities of Rusgrain Holding approved by the Board of Directors 17 September 2010 (Protocol No. 13/10)
66.	Existence of a special division in the Company that facilitates adherence to the procedures of internal control (a control and auditing service).	Compliant	
67.	Stipulation in the Company's internal documents of the board of director's obligation to determine the structure and composition of the control and auditing service.	Compliant	Section 7 of Regulations on Internal Control of Financial and Economic Activities of Rusgrain Holding
68.	No persons in the Company control and auditing service found guilty of economic crimes or crimes against government or local authorities, government interests, or persons who were administratively liable for crimes related to violations with business, finance, taxes or securities.	Compliant	—
69.	No persons in the control and auditing service, being members of the Company executive bodies, as well as being participants, general directors (top managers), or employees of any legal entity that is competing with the Company.	Compliant	—
70.	Stipulation in the Company's internal documents of a period for submitting documents and materials to the control and auditing service required for assessing a financial and economic transaction made as well as the responsibility of Company officials and employees for failure to submit the above papers prior to the deadline.	Non-compliant	—

No.	Provision of Corporate Code of Conduct	Compliant or Non-compliant	Notes
71.	Stipulation in the Company's internal documents of the control and auditing service's obligation to inform the Audit Committee (or in its absence, the Board of Directors) about irregularities.	Compliant	Provision 5.2 of Regulations on Internal Control of Financial and Economic Activities of Rusgrain Holding
72.	Stipulation in the Company Charter of a requirement for the control and auditing service to assess advisability for making transactions (nonstandard transactions) that are not included in the Company's financial and economic plan.	Compliant	Provision 5.2 of Regulations on Internal Control of Financial and Economic Activities of Rusgrain Holding
73.	Stipulation in the Company's internal documents of the procedure of coordinating nonstandard transactions with the Board of Directors.	Non-compliant	—
74.	Existence of an internal document approved by the Board of Directors that describes the procedure of auditing the Company's financial and economic activity by the Audit Committee.	Compliant	Regulation on Audit Committee of Rusgrain Holding confirmed by General Shareholders Meeting of Rusgrain on 26 June 08 (Protocol No. 6/08).
75.	Assessment by the Audit Committee of an audit report before it is presented to shareholders at a general shareholders meeting.	Compliant	The shares of the Company are not included in a list of securities admitted to trading by a securities exchange.
<b>Dividends</b>			
76.	Existence of an internal document approved by the Board of Directors, based on which the Board of Directors passes recommendations for the size of dividends (Dividend Policy Regulations).	Non-compliant	The Holding does not have an approved dividend policy.
77.	Stipulation in the Dividend Policy Regulations on the procedure of determining a minimum amount of the Company's net profits allocated for dividend payment, and conditions, under which dividends are fully or partially paid on preferred shares; the size of dividends on these preferred shares is set in the Company Charter.	Not applicable	The Holding does not have an approved dividend policy.
78.	Publication of information about the Company's dividend policy and changes therein in a bulletin stipulated in the Company Charter for publication of statements about general shareholders meetings, as well as publication of this information on the Company's website.	Not applicable	The Holding does not have an approved dividend policy.



# Dividends

In 2011 dividends were neither allocated nor paid for shares of Rusgrain Holding

# Energy Resources

In 2011 the Company used the following energy resources:

Types of energy resources	Volume as measured		Volume in monetary terms, RUB
	Units of measurement	Amount	
Electricity	kWt	110,417,630.30	343,391,802.93
Natural gas	Gcal	49,885,697.10	160,206,424.04
Petroleum products	Liters	12,526,242.59	252,253,077.61

# Addresses and Contacts

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## *Auditor*

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## *Share Registrar*

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This Annual Report was preliminarily approved by a decision of the Board of Directors dated 31 May 2012 (Board of Directors Meetings Protocol No. 4/12)

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Ivan Tyryshkin  
*President*

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Ivan Tyryshkin  
*Chief Accountant*