

Russian Sea Group

A leading Russian consumer food company, specializing in the production, sale and distribution of branded ready-to-eat fish & seafood products, and the sale and distribution of chilled and frozen fish & seafood products

Status update Presentation

June 2012



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AGENDA

- 1 **Operating environment**
- 2 **2011 and 1Q 2012 results**
- 3 **Ongoing efforts and development plan**

RSG is a leading Russian fish company represented by 3 businesses



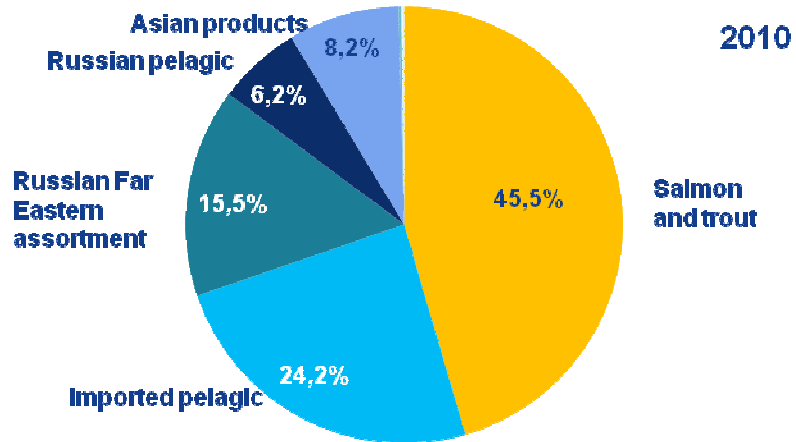
*Russian Sea Group audited consolidated financial results for the year ended 31.12.2011

** TNS Gallup, target audience 25-50 years, all Russia, 4Q 2011

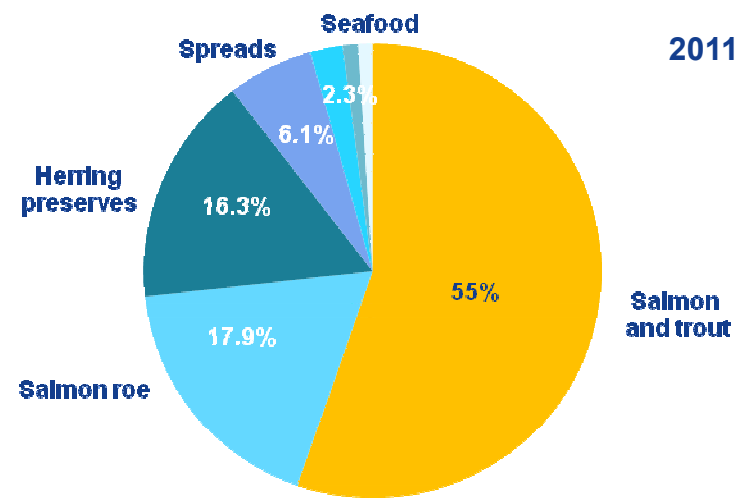
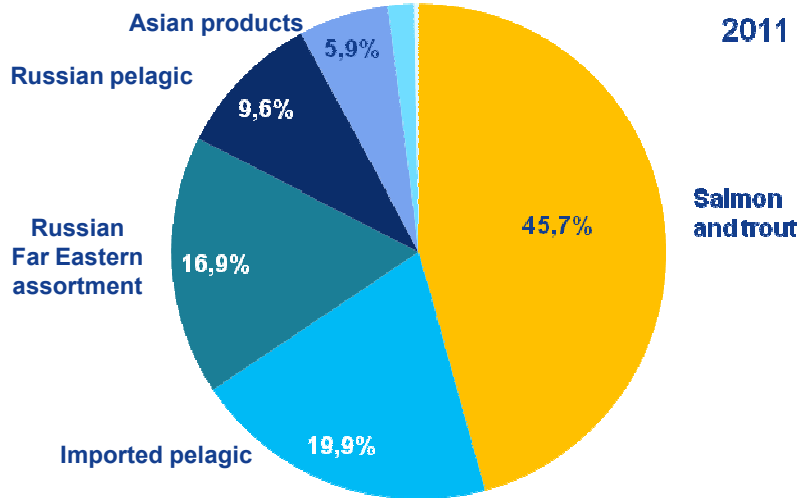
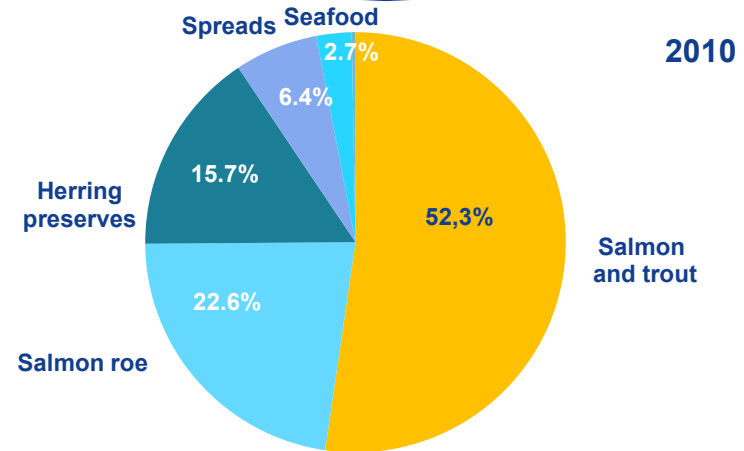


Salmon remains the main category both for distribution and ready-to-eat businesses

Revenue structure of Chilled & frozen segment*



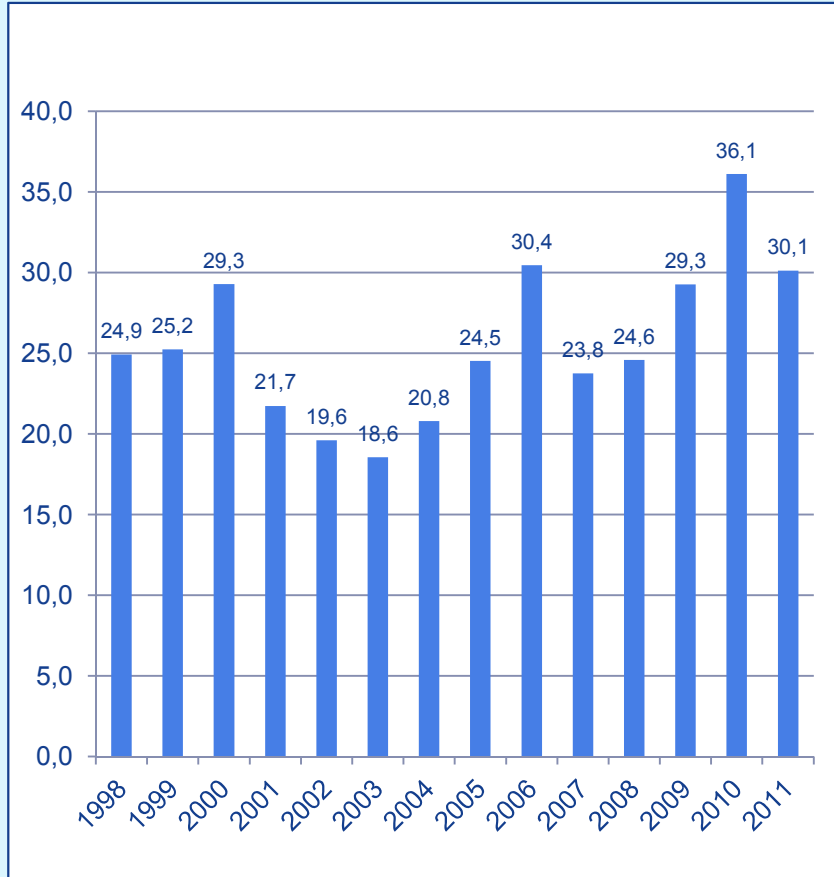
Revenue structure of Ready-to-eat segment*



* Management accounts

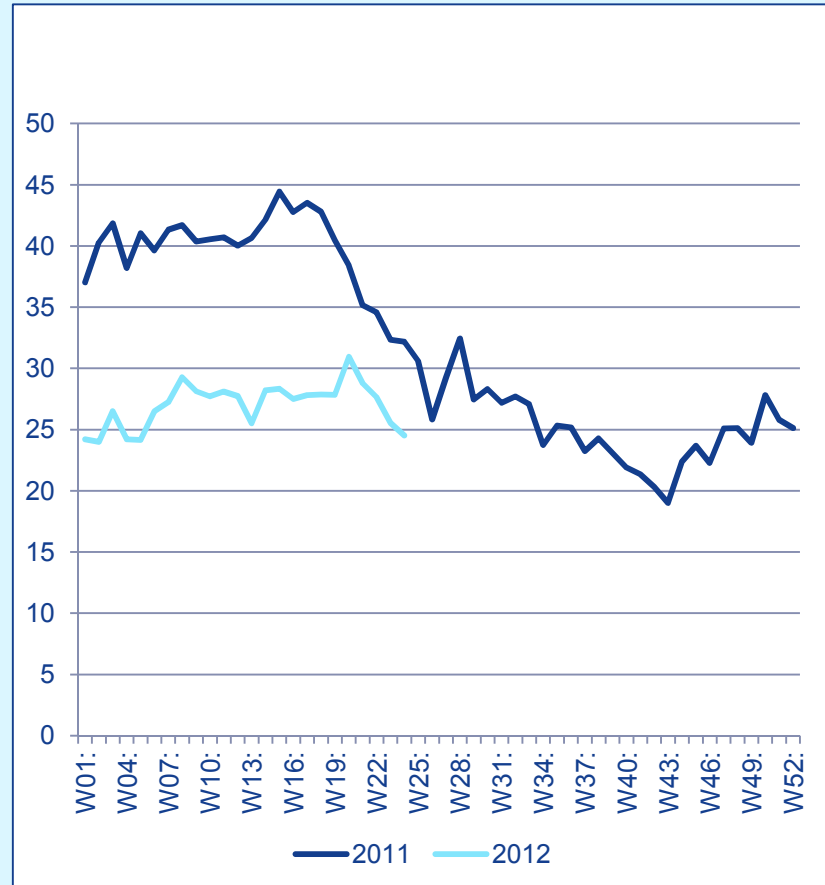
Salmon prices returned back to it normal level after a long peak

**Price evolution
1998 – 2011 YTD Spot price Norway (NOK/kg)**



SOURCE: Fish Pool ASA

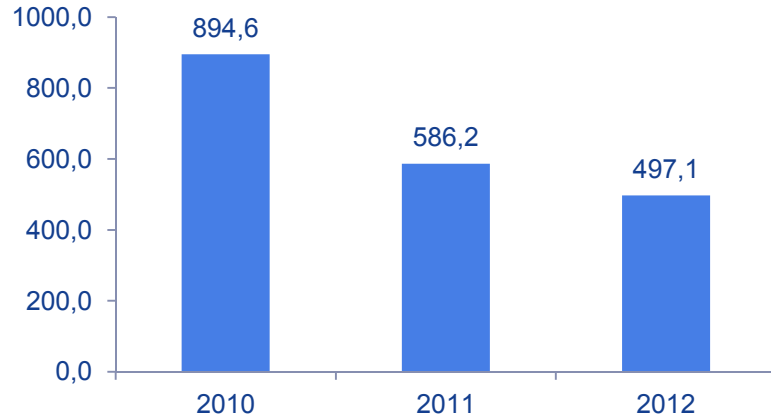
2011 – 2012 Price evolution (NOK/kg)



SOURCE: Fish Pool ASA

Herring and mackerel prices soured following quota reduction

Norwegian herring quotas (thousand tons)



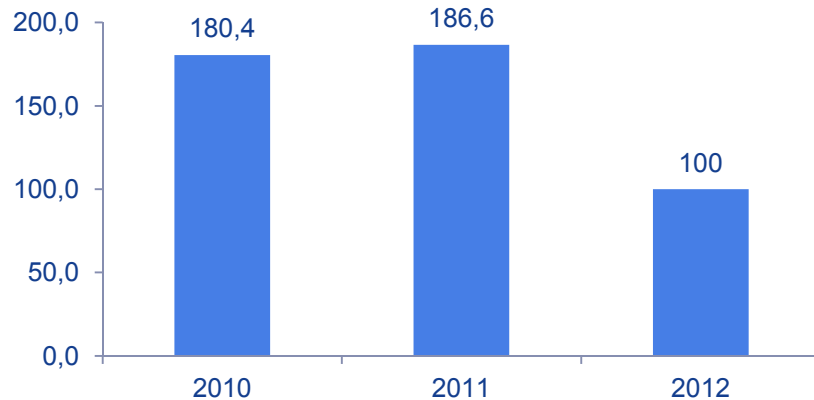
SOURCE: Norges Sildesalgslag

Herring import price dynamics (USD/kg)



SOURCE: RFC purchase price from the company Norway Pelagic AS;

Norwegian mackerel quotas (thousand tons)



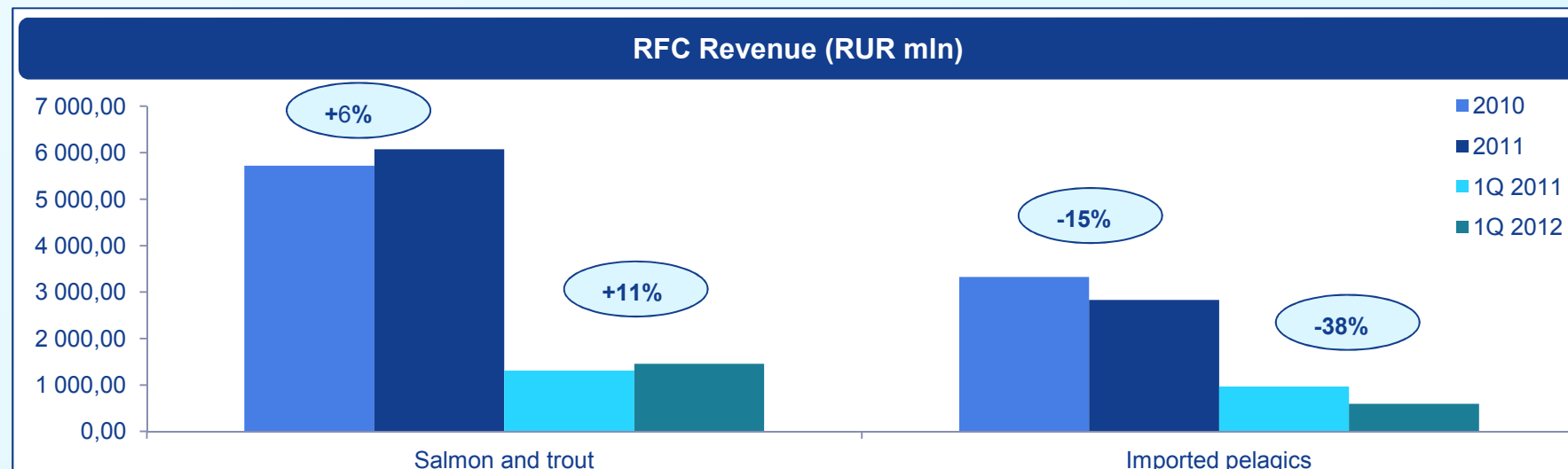
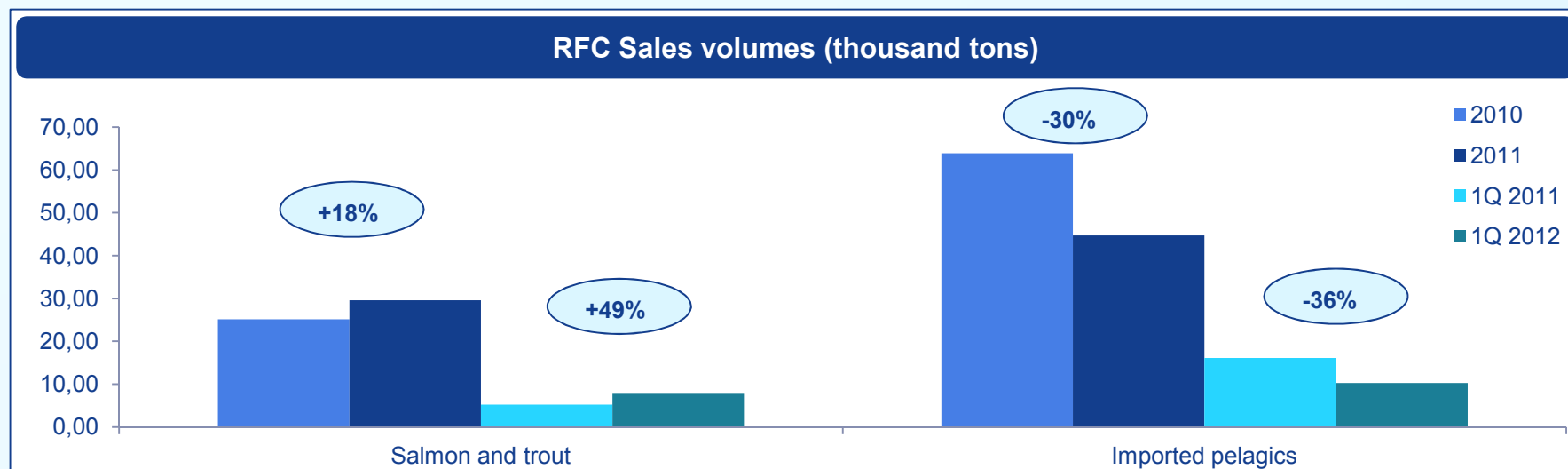
SOURCE: Norges Sildesalgslag

Mackerel import price dynamics (USD/kg)



SOURCE: RFC purchase price from Norwegian suppliers

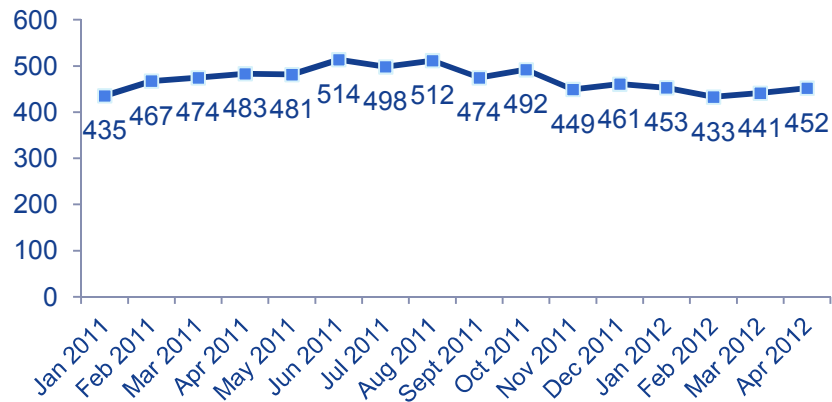
RFC sales volumes and revenue reacting according to price change



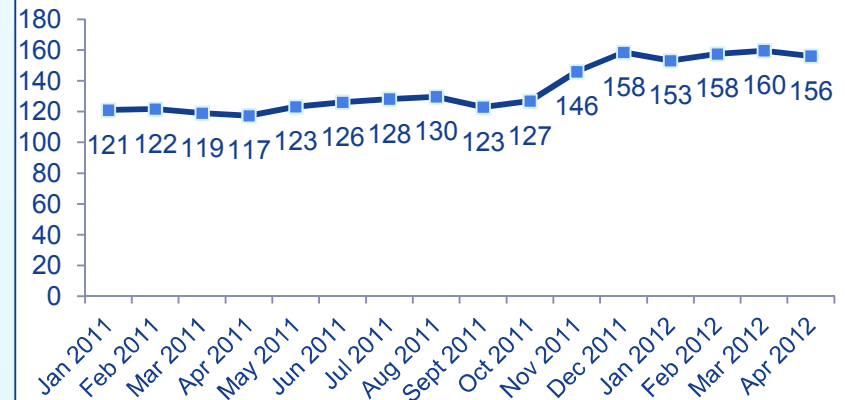
SOURCE: Management accounts for calendar year 2010 and 2011 and 1Q 2012 and 1Q 2011

RS retaining salmon sales price and rising herring price – volumes suffered

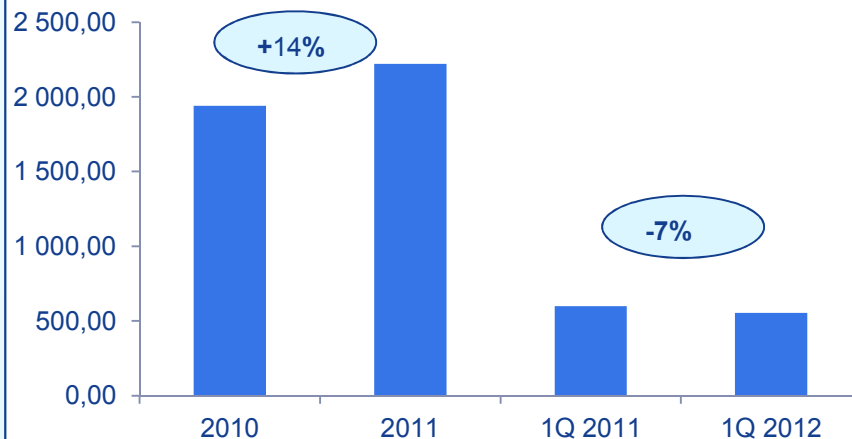
Salmon sales price (RUR/kg)



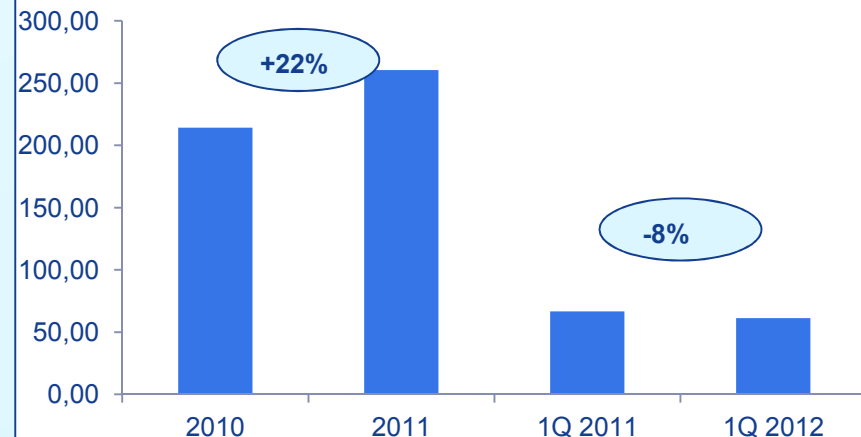
Herring fillet sales price (RUR/kg)



Salmon Revenue (RUR mln)



Herring fillet Revenue (RUR mln)



SOURCE: Management accounts

As a result of the ban on import of salmon and trout from 15 Norwegian factories Russian Fish Company hasn't suffered

Importer	Prior to the ban (May 2012)	After the ban (May 2012)
Russian Fish Company	11 factories: F-55, F-480, H-107, M-394, N-234, N-1115, SF-222, ST-400, M-303, R-114	10 factories: F-55, F-480, H-107, M-394, N-234, N-1115, SF-222, ST-400, M-303, R-114
	H-72	Suspended
Other major importers (5 companies) *	24 factories : F-430, H-66, T-380, H-220, ST-423, ST-337, T-126, N-742, N-950, N-169	10 factories: F-430, H-66, T-380, H-220, ST-423, ST-337, T-126, N-742, N-950, N-169
	H-82, H-109, H-112, N-800, N-1041 SF-364, SF-371, N-136, M-480, H-111, N-855, NT-166, M-108, M-343	Suspended
Total number of Norwegian factories authorized to export to Russia	35 factories	20 factories

Russian Fish Company works systematically with suppliers in order to assure compliance of fish quality with the quality standards imposed by Russian Federal Service for Veterinary and Phytosanitary Surveillance

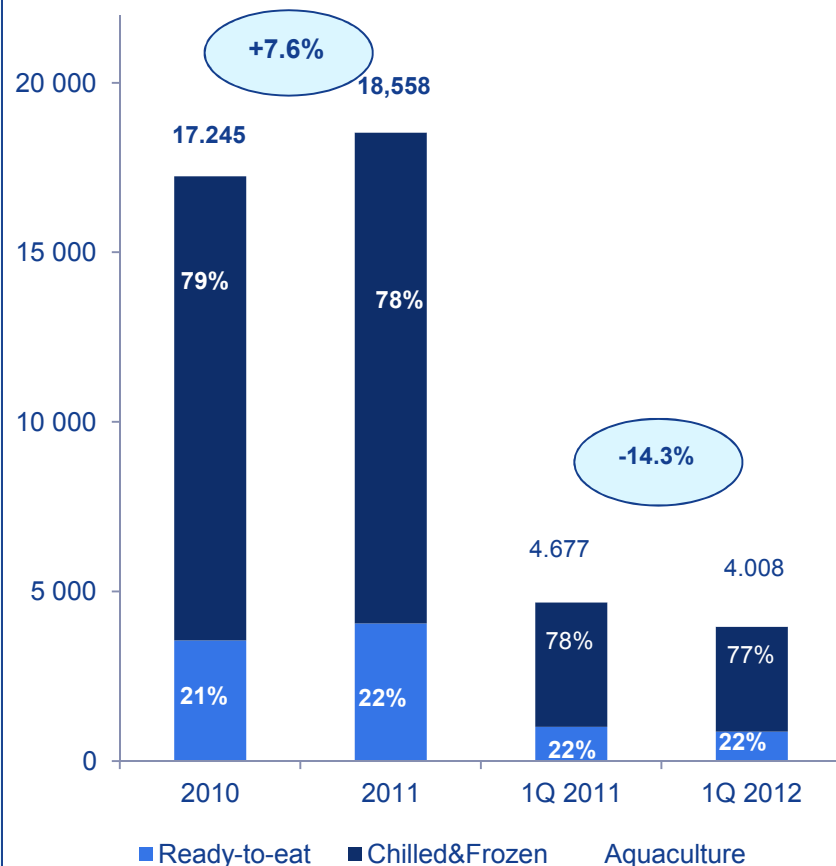
*Share of 5 major importers with RFC constitute 90% of Russian salmon and trout market

AGENDA

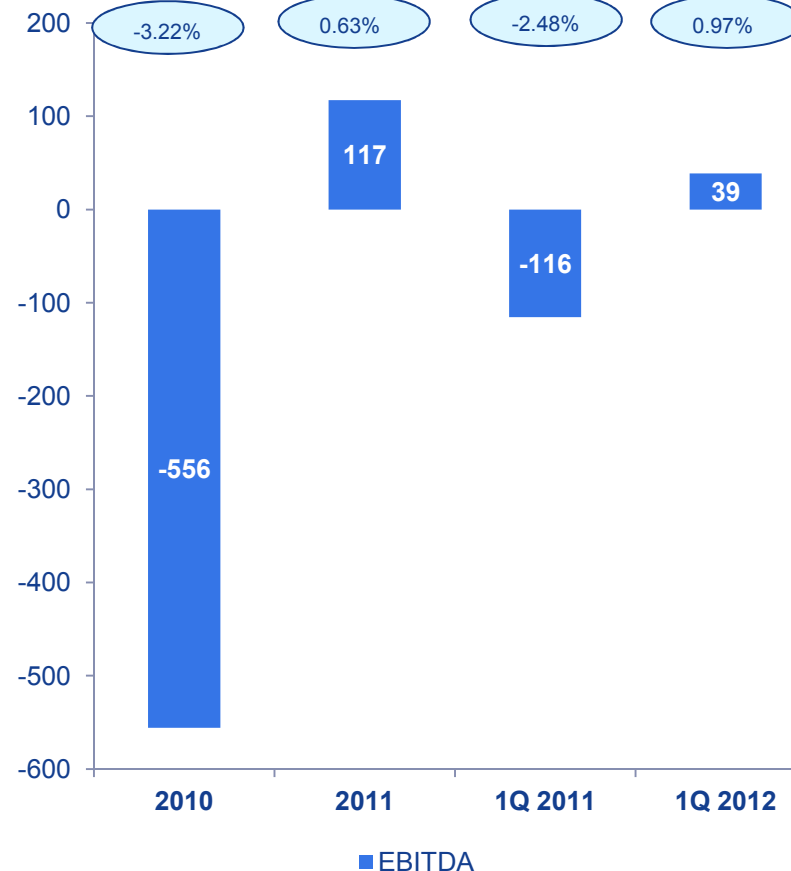
- 1 Operating environment
- 2 2011 and 1Q 2012 results
- 3 Ongoing efforts and development plan

2012 Focus is shifted to profit

Consolidated revenue dynamics, RUR mln



EBITDA, RUR mln & EBITDA Margin, %



SOURCE: Russian Sea Group audited consolidated financial results for the year ended 31.12.2011 and consolidated results (unaudited) calculated for the calendar years of 2010

2011 and 1Q 2012 Key financial indicators

	For 12 months ended 31 December*					For the 1 st quarter				
	2011		2010		YoY change, %	2012		2011		Change %
	RUB mln	% of revenue	RUB mln	% of revenue		RUB mln	% of revenue	RUB mln	% of revenue	
Revenues	18,557.6		17,245.0		7.6%	4,008.4		4,677.4		(14.3%)
Chilled and Frozen Segment	14,486.7	78.1%	13,678.9	79.3%	5.9%	3,093.0	77.2%	3,665.7	78.4%	(15.6%)
Ready-to-Eat Segment	4,052.1	21.8%	3,566.0	20.7%	13.6%	867.3	21.6%	1,009.3	21.6%	(14.1%)
Aquaculture segment	18.8	0.1%	0	n/a	n/a	48.2	1.2%	2.5	0.1%	
Gross Profit	2,359.4	12.7%	1,950.2	11.3%	21.0%	576.6	14.4%	536.8	11.5%	7.4%
Chilled and Frozen Segment	1,720.3	11.9%	1,682.5	12.3%	2.2%	372.6	12.0%	433.0	11.8%	(13.9%)
Ready-to-Eat Segment	629.6	15.5%	260.3	7.3%	241.3%	199.9	23.1%	109.9	10.9%	82.0%
Aquaculture segment	9.6	51.1%	n/a	n/a	n/a	4.1	8.4%	(6.0)	(242.9%)	
SG&A	(2,383.7)	12.8%	(2,596.0)	15.1%	(8.2%)	(585.9)	14.6%	(686.7)	14.7%	(14.7%)
Operating profit	(24.3)	(0.1%)	(645.7)	(3.7%)	96.2%	(9.3)	0.2%	(149.9)	(3.2%)	(93.8%)
Exchange (loss)	(58.9)	(0.3%)	113.7	0.7%		108.0	2.7%	64.4	1.4%	67.6%
Interest income	2.7	0.0%	34.3	0.2%	(92.1%)	1.8	0.0%	0.0	0.0%	
Interest expense	(372.6)	2.0%	(440.6)	2.6%	(15.4%)	(104.5)	2.6%	(83.6)	1.8%	25.0%
(Loss) before tax	(453.1)	(2.4%)	(938.3)	(5.4%)	51.7%	(4.0)	(0.1%)	(169.0)	(3.6%)	(97.6%)
Net (loss) for the period	(486.7)	(2.6%)	(899.2)	(5.2%)	45.9%	3.4	0.1%	(189.8)	(4.1%)	
EBITDA	117.1	0.6%	(556.0)	(3.2%)		38.8	0.97%	(115.6)	(2.5%)	

SOURCE: Russian Sea Group audited consolidated financial results for the year ended 31.12.2011 and consolidated results (unaudited) calculated for the calendar years of 2010 ; 1Q 2011 and 1Q 2012 figures based on unaudited management accounts



Improvements in working capital allowed to compensate net loss in 2011

	31.12.2011 RUB mln	31.12.2010 RUB mln	Change, %
Inventory	2,446.02	2,439.08	0.28%
Accounts receivables	1,655.63	1,959.49	(15.5%)
Advances paid	0.17	0.23	(26.1%)
Other assets	0.29	0.30	(3.3%)
Accounts payable trade	(1,979.86)	(1,413.82)	40.0%
Other liabilities	(0.09)	(0.12)	(25.0%)
Total working capital	2,122.16	2,985.16	(28.9%)

Highlights

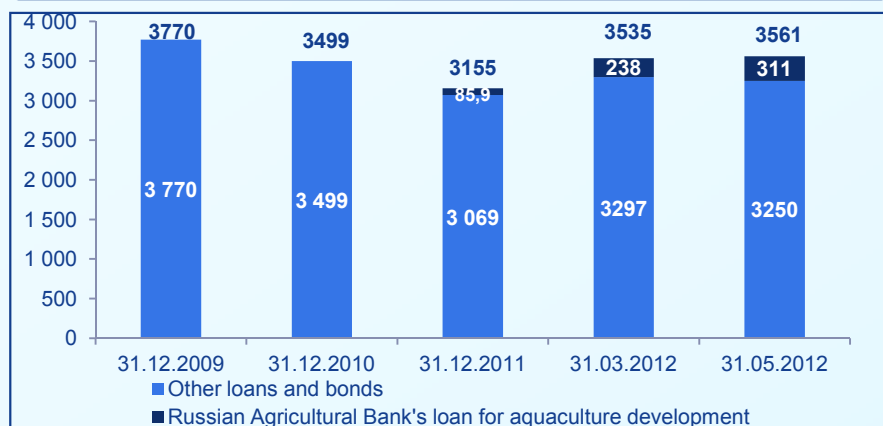
- Reduced overdue receivables from 187 RUR mln in 2010 to 75 mln RUR in 2011 in chilled & frozen segment
- Certain buyers transferred on prepayment terms
- Reduced advances paid to suppliers
- Increased credit limit with suppliers (Ocean Quality, Leroy, Coast Seafood, Orion Seafood) to 4 mln. USD
- Reduced amount of inventory on stock in ready-to-eat segment (its value decreased from 837.6 RUR mln in 2010 to 452.7 RUR mln in 2011)

SOURCE: Russian Sea Group audited consolidated financial results for the year ended 31.12.2011 and consolidated results (unaudited) calculated for the calendar years of 2010



The Company is gradually reducing its leverage and interest rate expenditures

Net debt, RUR mln



Highlights

- Net debt decreased by 9.8% in 2011 as compared to 2010
- Current bank loans at variable interest rate “Mosprime + margin”
- Interest expenditures declined from RUR 440.6 mln in 2010 to RUR 372.6 mln in 2011
- First tranche in amount of RUR 85.9 mln received within approved by Russian Agricultural Bank credit line in amount of RUR 2.8 bln

Cost of Financing



On-going refinancing

- Bond issue in amount of RUR 747.8 mln successfully redeemed in June 2012
- Two new bond issues in amount of RUR 3 bln were registered and 1 mln bonds are currently offered
- An agreement with Sberbank to refinance debt was achieved
- An agreement with VTB Factoring was signed with a total limit up to RUR 800 mln

SOURCE: Russian Sea Group audited consolidated financial results for the year ended 31.12.2011 and consolidated results (unaudited) calculated for the calendar years of 2010 ; unaudited management accounts for the 1Q 2012

New Bond Offering

Issuer	▪ OJSC "Russian Sea Group"
Type	▪ Exchange bonds
Issue size	▪ 1 000 000 series BO-01 bonds ▪ 2 000 000 series BO-02 bonds
Nominal Value	▪ RUR 1000 per bond
Maturity	▪ 1 092 days (3 years)
Coupon rate	▪ 12.5%
Coupon period	▪ 182 days (6 months)
Offer Size	▪ 1 000 000 series BO-01 bonds
Date of placement	▪ 26 June 2012
Listing	▪ MICEX
Co-organizers	▪ VTB Capital, Troika Dialog
Paying Agent	▪ VTB Capital

AGENDA

- 1 **Operating environment**
- 2 **2011 and 1Q 2012 results**
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2012 Action plan

Fish farming



Chilled & frozen fish
distribution



Ready-to-eat products



Joint key accounts approach

Launch of Murmansk project

Stabilize trout farming in Karelia

New categories

Sea bass
Dorado

Geographic expansion

Small Wholesale

Inventory optimization

Differentiated products

Redesign

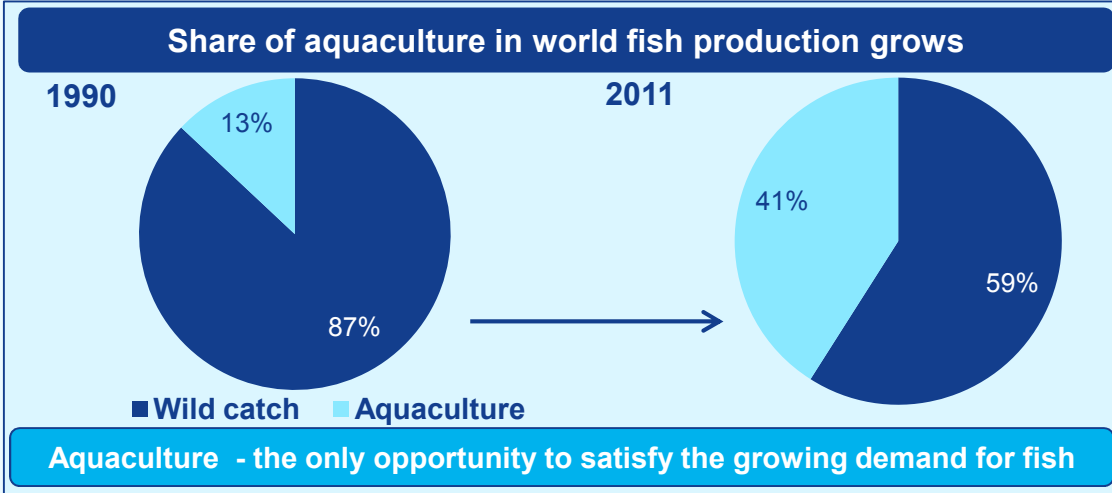
Cost control

New ERP platform

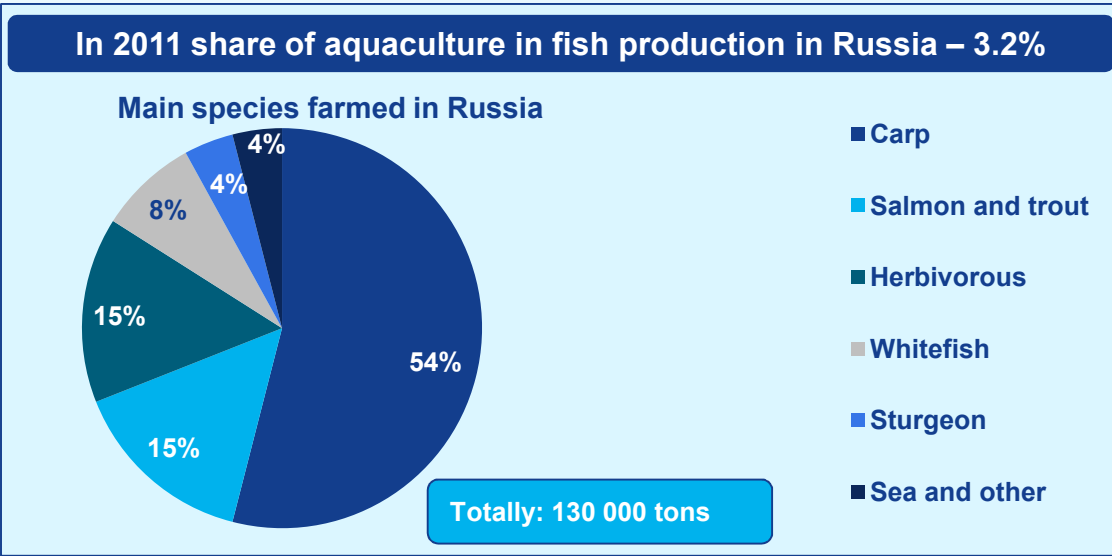
Exchange rates control

*In terms of market share (measured on the basis of value terms) according to GRC
**TNS Gallup, target audience 25-60 B+ (1H 2009)

Aquaculture – a promising business division with high growth potential



SOURCE: FAO



SOURCE: Russian Federal Research Institute of Fisheries and Oceanography (VNIRO), Company's estimations

* Customs statistics, Company's estimations

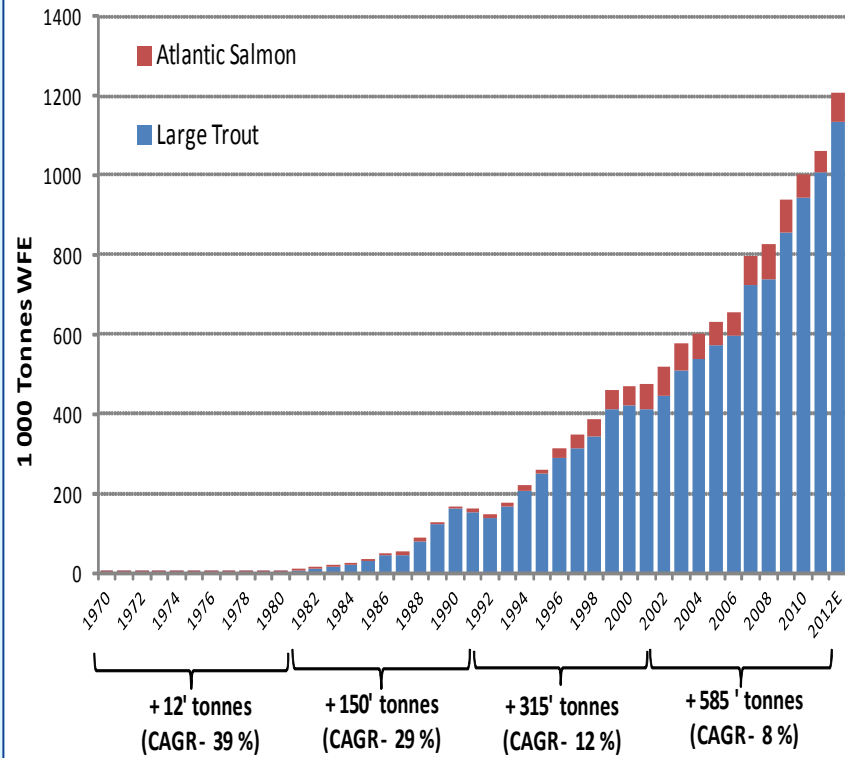
** Company's estimations

- ### Development potential
- In 2011 151.7 mln tons of fish was produced worldwide as compared to 97.8 mln tons in 1990
 - Russian salmon and trout market is a fast growing market :
 - In 2011 the amount of salmon and trout imported to Russia increased compared to 2010 by 25% to 155 000 tons*
 - In 2012 the projected growth over 2011 is 30% **
 - In 2011 88% of Russian salmon and trout market - imported fish (66% - imported from Norway *)
 - In 2011 20 000 tons of salmon and trout were farmed in Russia
 - Potential salmon and trout farming volume in Russia – 150 000 tons
 - Russia has natural potential for aquaculture development
 - Currently economy segment low cost fish prevails in Russian aquaculture

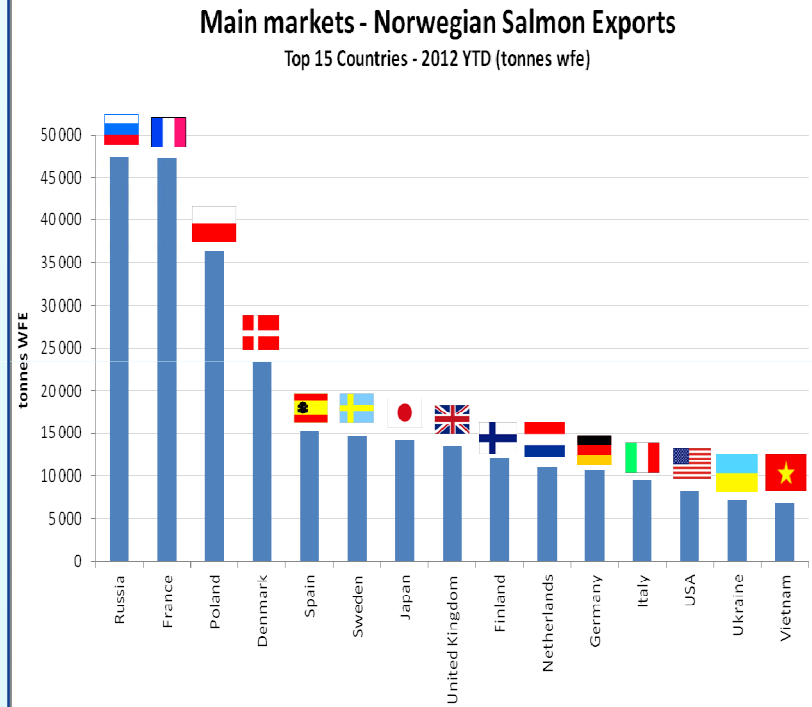


Norwegian salmon and trout farming industry – success story

Development of Norwegian salmon farming industry



Russia is the main market for Norwegian salmon



SOURCE: Marine Harvest data

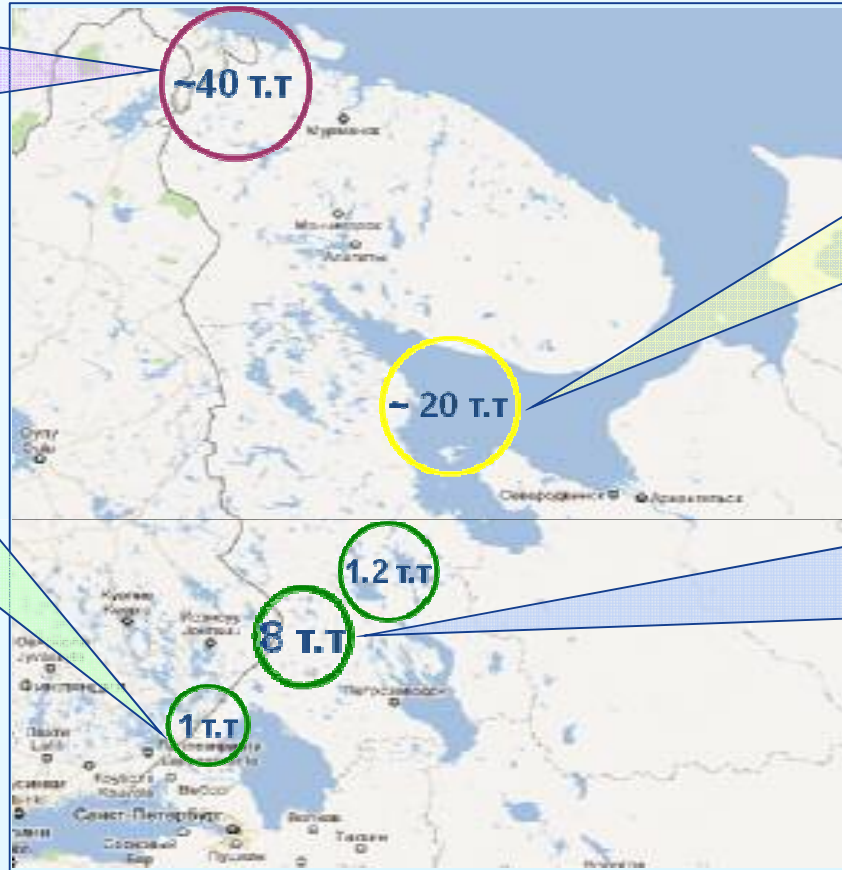
Russian Sea Group aquaculture segment potential

- **Salmon:** the only area in Russia (Murmansk region)
 - RSA: 18 sites
 - Potential: ~40,000 tons
 - Competitors: 1 company

- **Seasonal trout farming:** Ladoga lake
 - RSA: 2 sites
 - Potential: 1,000 tons
 - Competitors: two companies with farming potential of 1,000 tons each and small farms

- **Seasonal trout farming (White sea)**
 - RSA: 7 sites
 - Potential: ~20,000 tons
 - 17 more potential sites that weren't tendered yet
 - Competitors: small producers

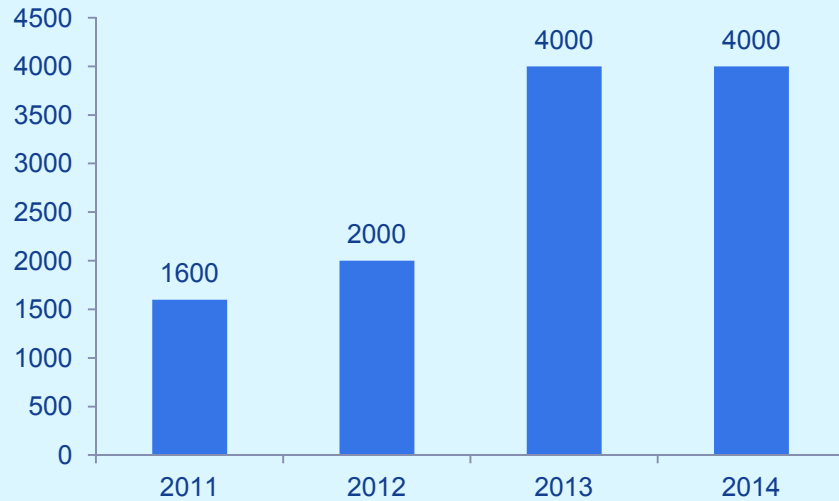
- **Trout farming complete cycle (lakes Segozero and Vigozero)**
 - RSA: 9 sites
 - Potential: ~10,000 tons
 - No competitors



- 29 sites
- Potential farming volumes: ~70,000 tons or ~50% of salmon and trout consumption in Russia
- Project's financing: RUR 2.8 billion credit line approved by Russian Agricultural Bank
- Interest rate is subsidized

Trout farming

Planned trout farming volumes, tons



Status update

- 4 sites launched
- 1600 tons farmed in 2011 – 1st place among trout farms in Karelia
- ~1000 tons of trout sold from October 2011 to April 2012 through RFC distribution channels and directly to clients
- Fish processing plant (500 m²; 30 tons per day) constructed and equipped with automatic gutting line
- Automatic fish feeding system installed
- In 2012 one more site will be launched



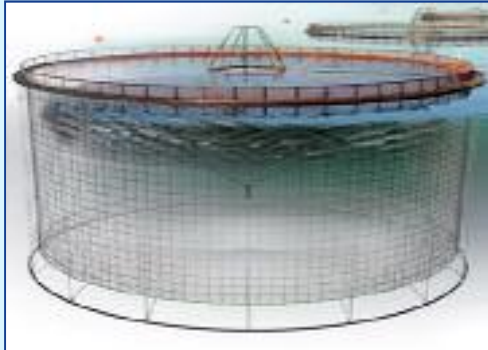
First marine Atlantic salmon farm was launched in Murmansk in June 2012

March 2012

Murmansk office is opened; coastal works in Ura Bay have started

April 2012

Installation of cages and the anchor system is completed



May 2012

Smolt of Atlantic salmon is delivered to Ura Bay

Last piece of equipment is delivered – feed barge specially built for RS-Aquaculture



Russian-Sea Aquaculture salmon farm

Today

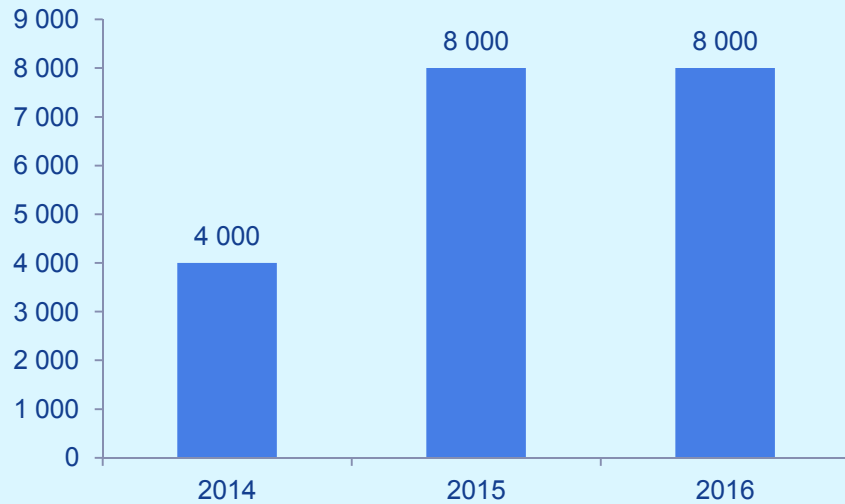
- **1.2 mln Atlantic salmon smolts**
- **12 fish cages**
38 m diameter; 27 m depth
- **Feed barge equipped with automatic feed system and fish monitoring control system**
capacity – 320 tons of feed
- **Coastal base in Ura Bay**
- **15 employees**
- **Current investments – more than RUR 300 mln**
- **4-5 thousand tons of biomass to harvesting season 2014**

Perspectives

- **Gradual development of all sites – up to 3 sites a year**
- **Fish available year-round for processing and sale**
- **30-40 thousand tons of salmon farmed each year after the development of all sites**
- **Total amount of investments – more than RUR 3 bln**
- **Financing – Russian Agricultural Bank credit line in amount of RUR 2.8 bln**

Salmon farming

Planned salmon farming volumes, tons



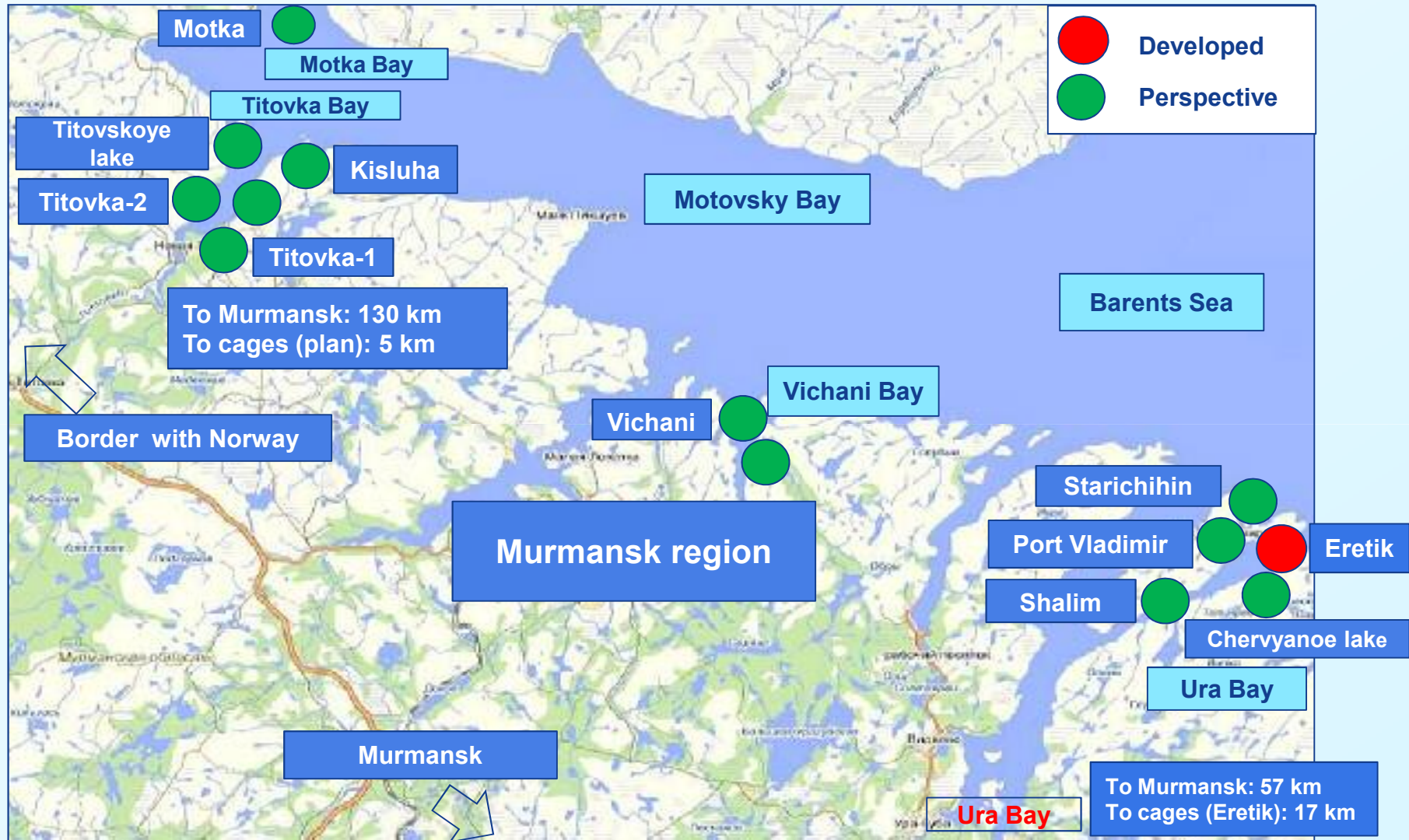
Status update

- First site launched in June 2012
- Norwegian Atlantic salmon smolt
- Major Norwegian equipment supplier AKVA group ASA installs complete cage farm for Russian Sea – Aquaculture (RSA) operations
- Specially constructed for RSA feed barge is set afloat
- Personnel is hired
- The farm 's annual production capacity ~5,000 tons of salmon per year



SOURCE: RSA and AKVA group ASA pictures

Russian Sea-Aquaculture salmon farming sites



Coastal base



Chilled & frozen segment: geographic expansion

- Sales offices (17)
- Production & supply offices (8)
- Regional trade representatives (22)
- Planned regional trade representatives (7)



Ready-to-eat segment: salmon and trout category decommoditization is a major priority

Insufficient differentiation within category



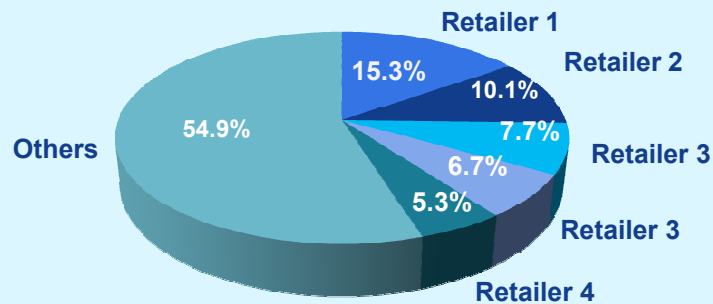
Product innovation

Insufficient differentiation within portfolio



Redesign

High sales concentration*



Better channel management

Decommoditization

*Share of retail chains in ready-to-eat segment revenue based on unaudited management accounts for the calendar year 2011

Ready-to-eat segment: action plan by product categories

Category	Share in sales*	Market position	2012 action plan
Salmon and trout	55%	№1 in 16 cities**	<ul style="list-style-type: none"> • Innovation • Redesign
Salmon roe	18%	№1 in Moscow and Saint-Petersburg*** n/a in the regions	<ul style="list-style-type: none"> • Restore profitability
Herring preserves	16%	№3 in 24 cities****	<ul style="list-style-type: none"> • Further develop the category • Retain profitability
Surimi products (crab sticks)	1%	-	<ul style="list-style-type: none"> • Finalize CAPEX • Aggressive market expansion
New categories	n/a	n/a	<ul style="list-style-type: none"> • Enter branded packaged non-RTE products

Fix base and set stage for future growth

* Share in ready-to-eat segment revenue based on unaudited management accounts for the calendar year 2011

** AC Nielsen data (share in category “Chilled delicacy red fish” sales in modern retail conducted in 16 cities of Russia for the calendar year 2011, value and volume terms)

