

# 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

April 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



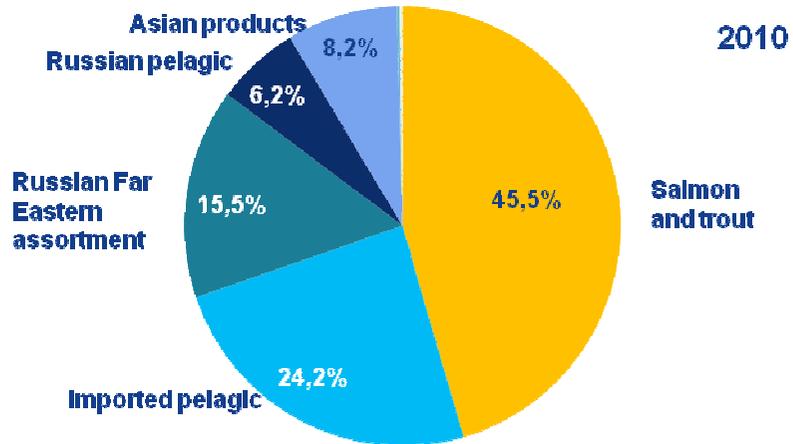
\*Russian Sea Group audited consolidated financial results for the year ended 31.12.2011

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

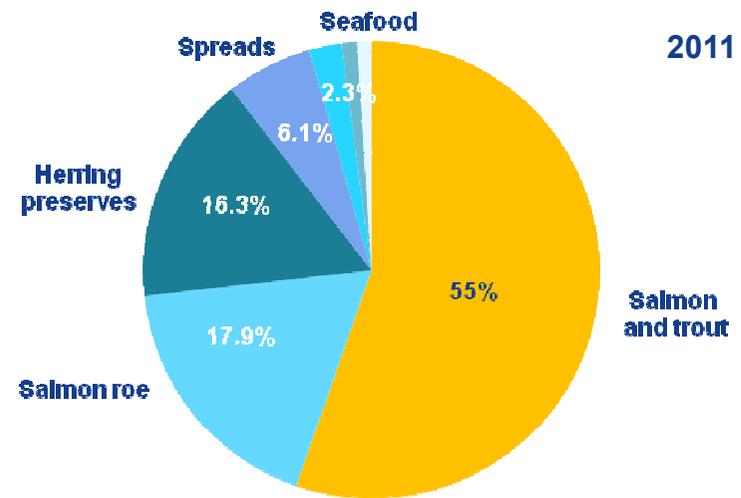
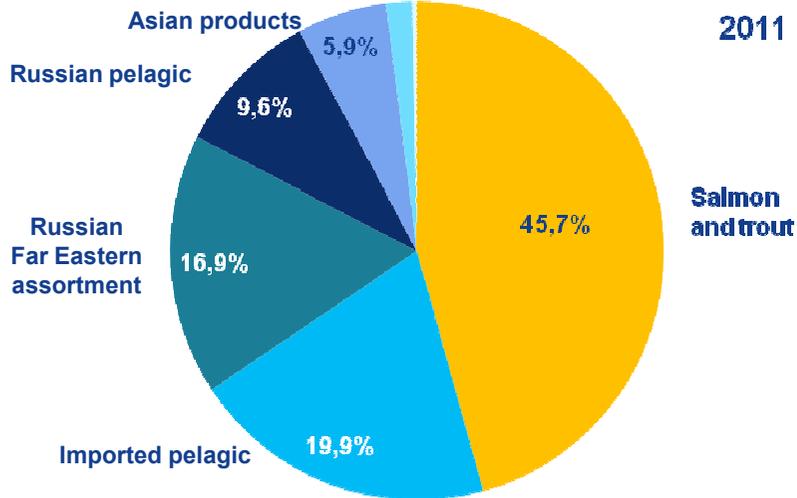
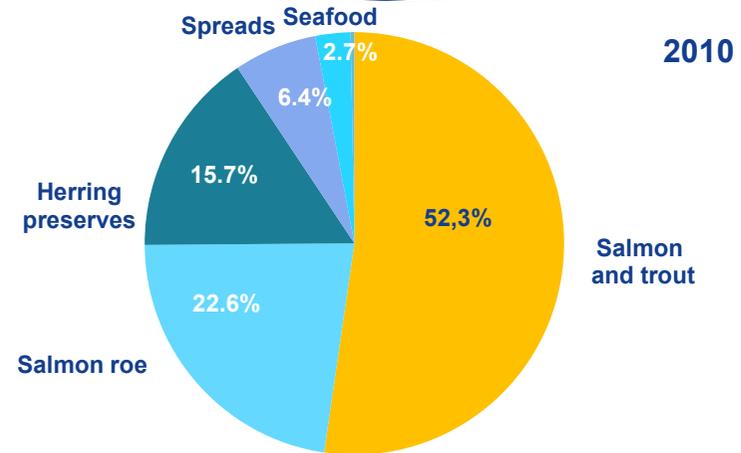


# Salmon remains the main category both for distribution and ready-to-eat businesses

Revenue structure of Chilled & frozen segment\*



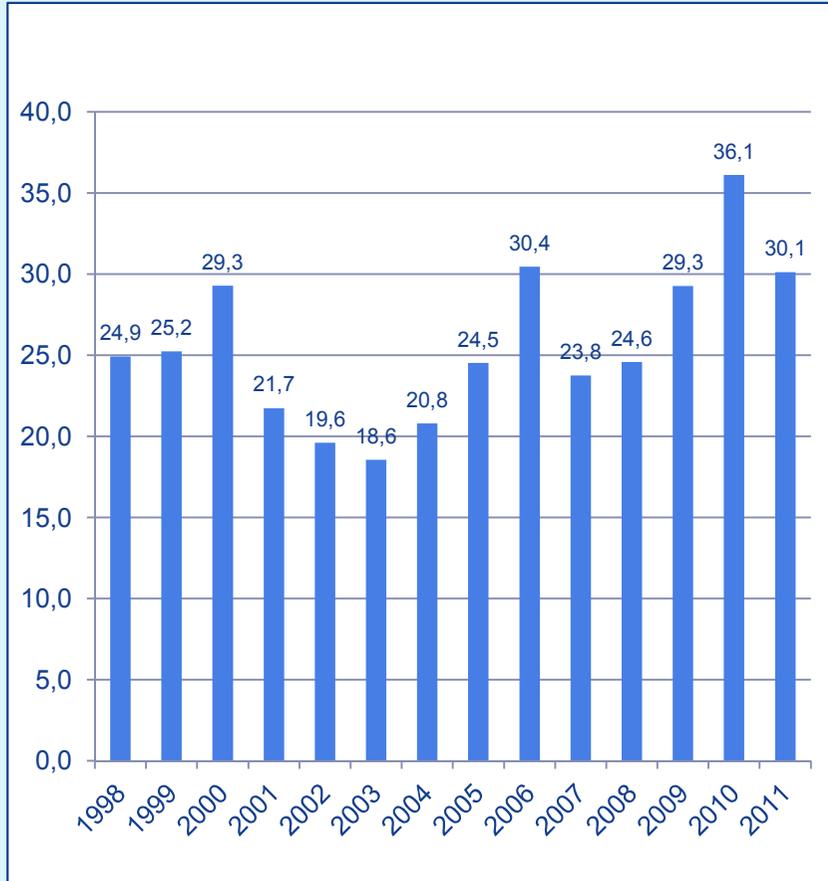
Revenue structure of Ready-to-eat segment\*



\* Management accounts

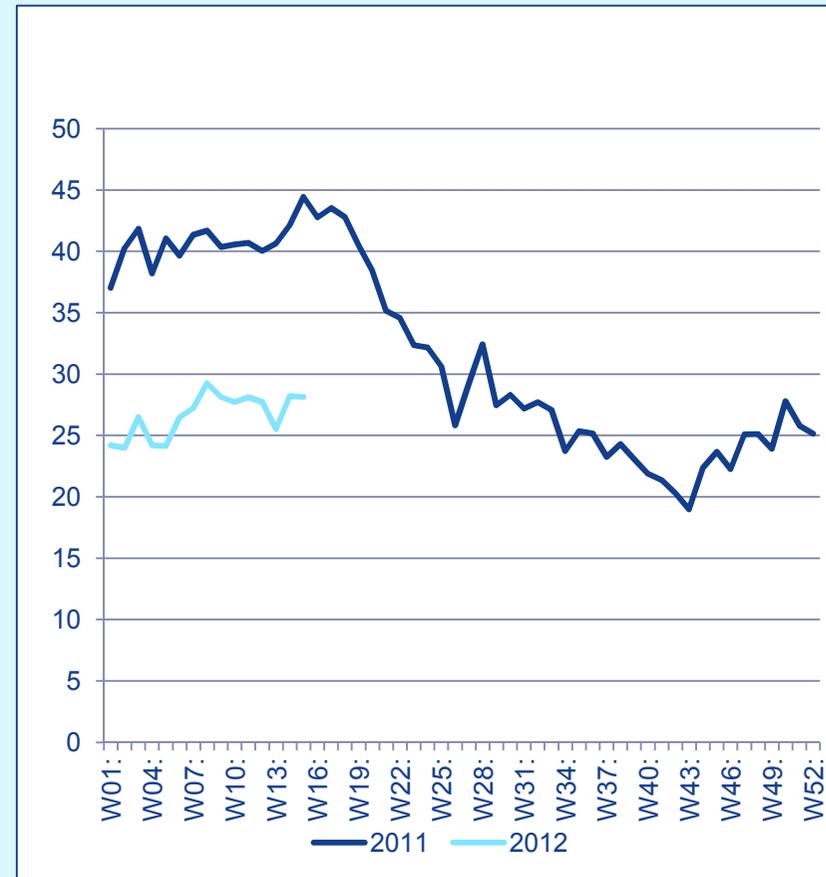
# Salmon prices returned back to it normal level after a long peak

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



SOURCE: Fish Pool ASA

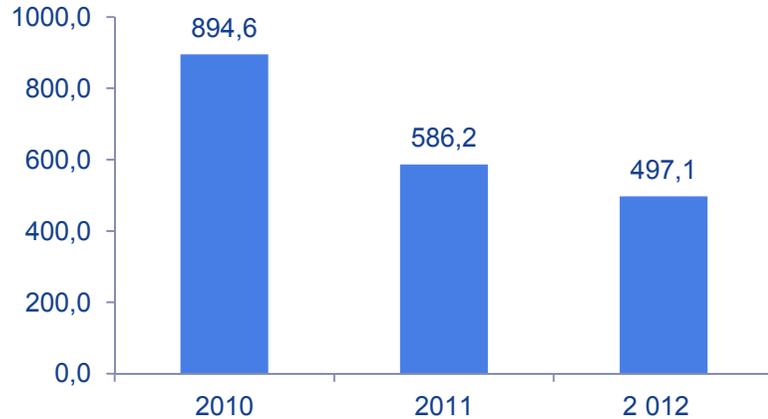
**2011 – 2012 Price evolution (NOK/kg)**



SOURCE: Fish Pool ASA

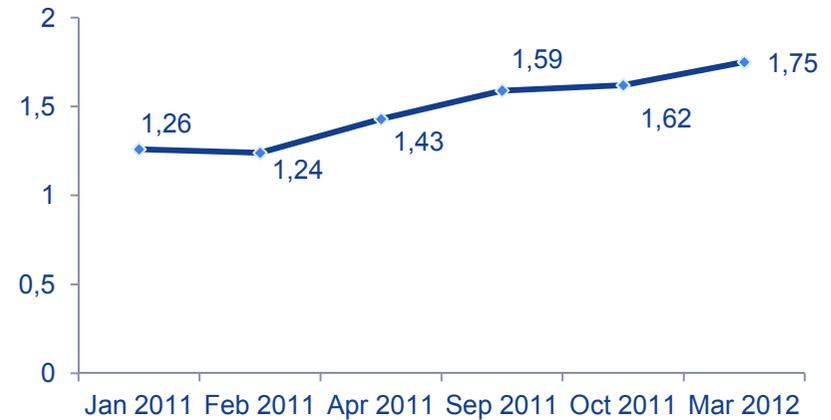
# Herring and mackerel prices soured following quota reduction

**Norwegian herring quotas (thousand tons)**



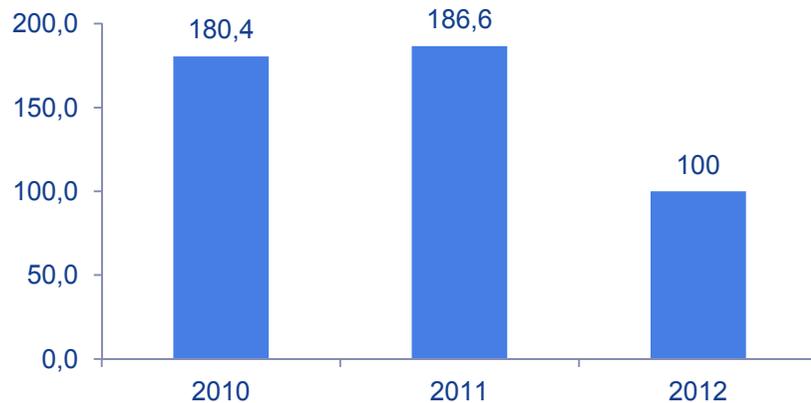
SOURCE: Norges Sildesalgslag

**Herring import price dynamics (USD/kg)**



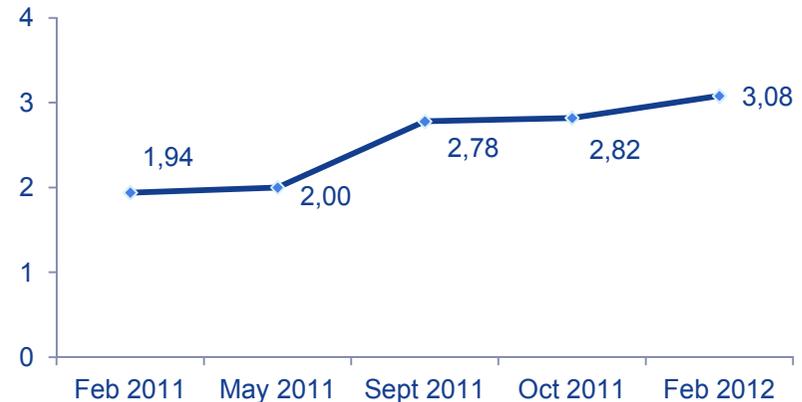
SOURCE: RFC purchase price from the company Norway Pelagic AS

**Norwegian mackerel quotas (thousand tons)**



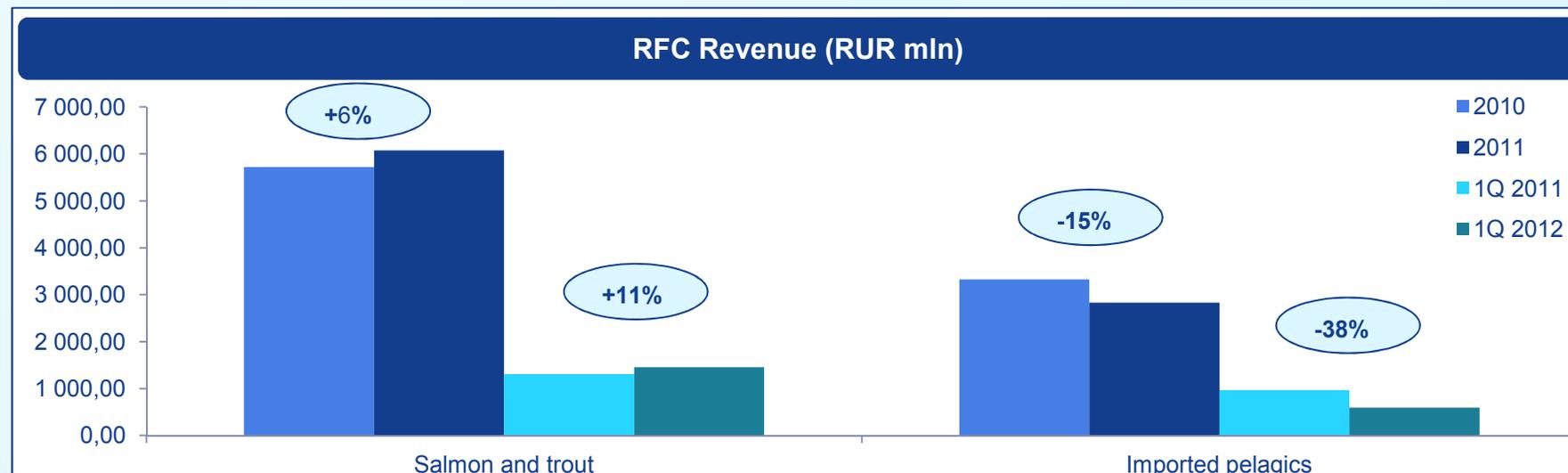
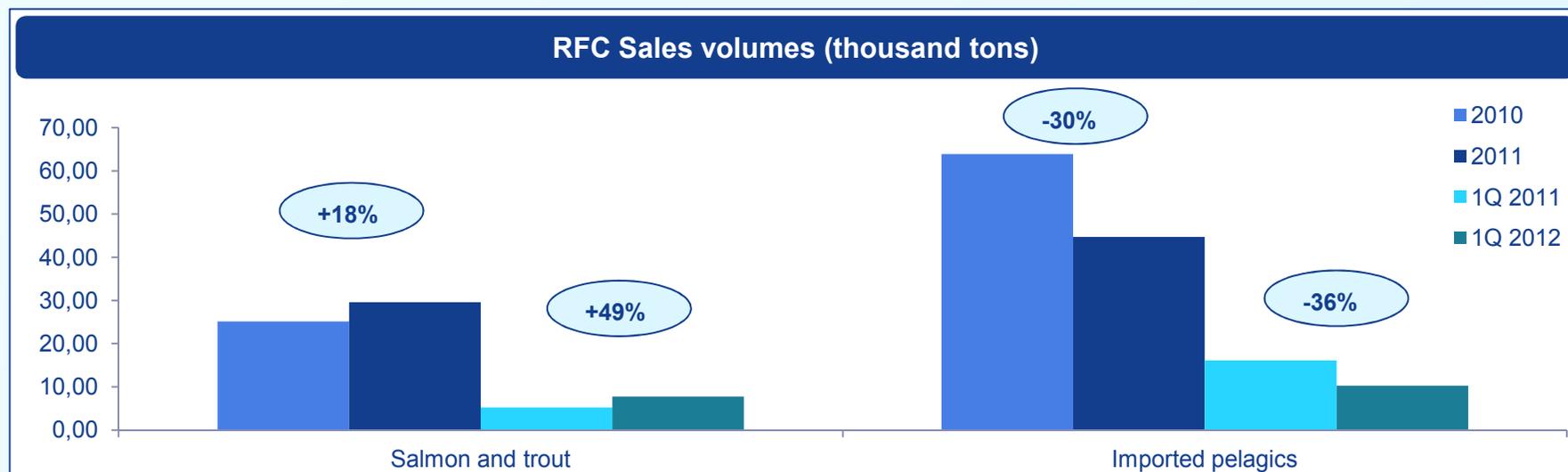
SOURCE: Norges Sildesalgslag

**Mackerel import price dynamics (USD/kg)**



SOURCE: RFC purchase price from Norwegian suppliers

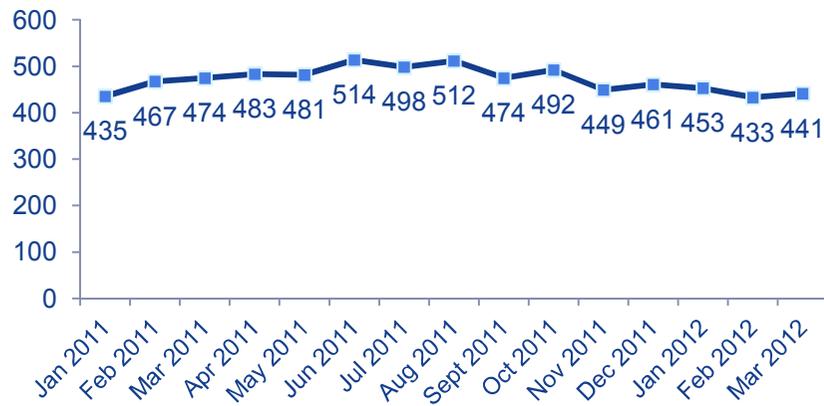
## RFC sales volumes and revenue reacting according to price change



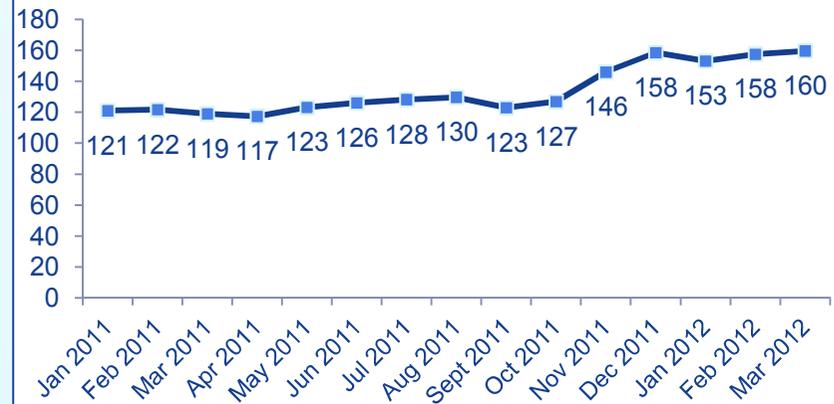
SOURCE: Management accounts for calendar year 2010 and 2011 and 1Q 2012 and 1Q 2011

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

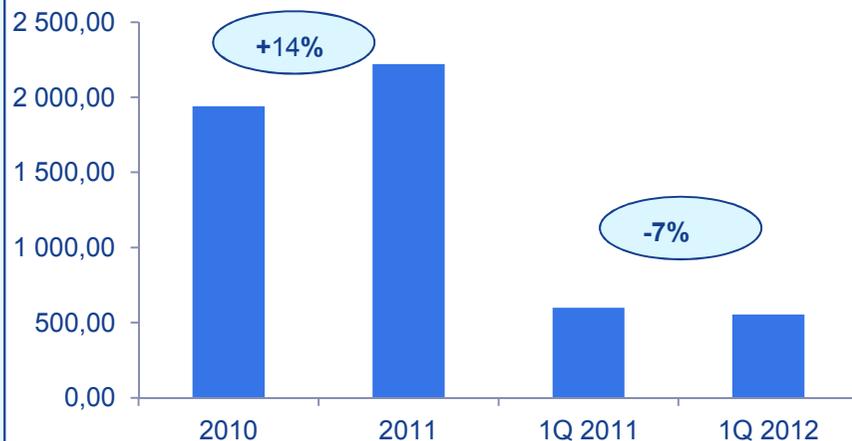
### Salmon sales price (RUR/kg)



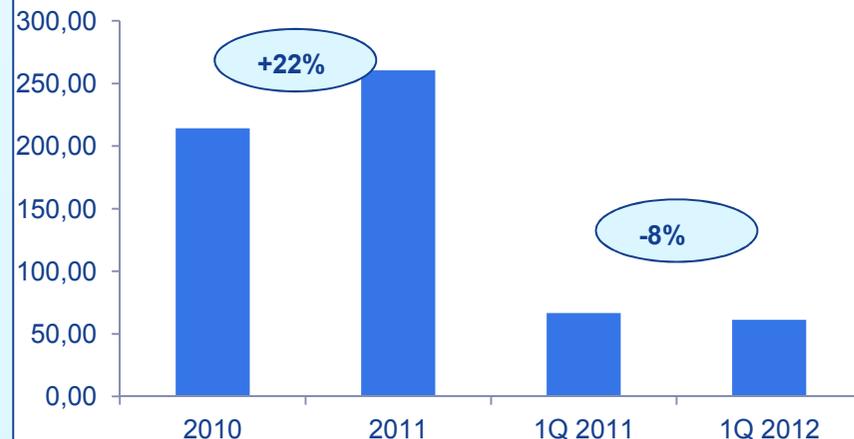
### Herring fillet sales price (RUR/kg)



### Salmon Revenue (RUR mln)



### Herring fillet Revenue (RUR mln)



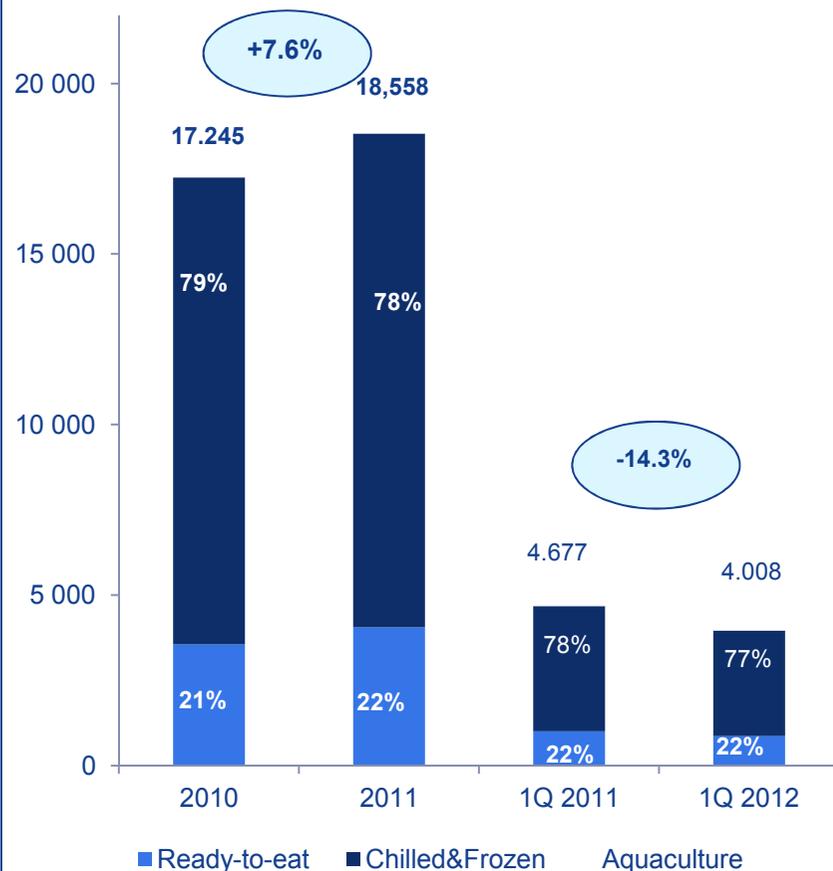
SOURCE: Management accounts

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- 2 2011 and 1Q 2012 results
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## 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 <sup>st</sup> quarter				
	2011		2010		YoY change, %	2012		2011		Change %
	RUB mln	% of revenue	RUB mln	% of revenue		RUB mln	% of revenue	RUB mln	% of revenue	
<b>Revenues</b>	<b>18,557.6</b>		<b>17,245.0</b>		<b>7.6%</b>	<b>4,008.4</b>		<b>4,677.4</b>		<b>(14.3%)</b>
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%	
<b>Gross Profit</b>	<b>2,359.4</b>	<b>12.7%</b>	<b>1,950.2</b>	<b>11.3%</b>	<b>21.0%</b>	<b>576.6</b>	<b>14.4%</b>	<b>536.8</b>	<b>11.5%</b>	<b>7.4%</b>
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%)	
<b>SG&amp;A</b>	<b>(2,383.7)</b>	<b>12.8%</b>	<b>(2,596.0)</b>	<b>15.1%</b>	<b>(8.2%)</b>	<b>(585.9)</b>	<b>14.6%</b>	<b>(686.7)</b>	<b>14.7%</b>	<b>(14.7%)</b>
<b>Operating profit</b>	<b>(24.3)</b>	<b>(0.1%)</b>	<b>(645.7)</b>	<b>(3.7%)</b>	<b>96.2%</b>	<b>(9.3)</b>	<b>0.2%</b>	<b>(149.9)</b>	<b>(3.2%)</b>	<b>(93.8%)</b>
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%
<b>(Loss) before tax</b>	<b>(453.1)</b>	<b>(2.4%)</b>	<b>(938.3)</b>	<b>(5.4%)</b>	<b>51.7%</b>	<b>(4.0)</b>	<b>(0.1%)</b>	<b>(169.0)</b>	<b>(3.6%)</b>	<b>(97.6%)</b>
<b>Net (loss) for the period</b>	<b>(486.7)</b>	<b>(2.6%)</b>	<b>(899.2)</b>	<b>(5.2%)</b>	<b>45.9%</b>	<b>3.4</b>	<b>0.1%</b>	<b>(189.8)</b>	<b>(4.1%)</b>	
<b>EBITDA</b>	<b>117.1</b>	<b>0.6%</b>	<b>(556.0)</b>	<b>(3.2%)</b>		<b>38.8</b>	<b>0.97%</b>	<b>(115.6)</b>	<b>(2.5%)</b>	

**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%)
<b>Total working capital</b>	<b>2,122.16</b>	<b>2,985.16</b>	<b>(28.9%)</b>

### Highlights

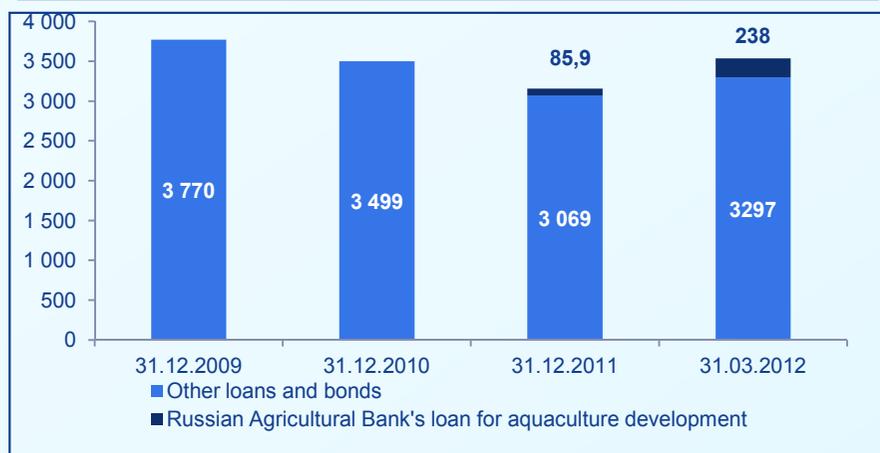
- Reduced overdue receivables from 187 RUR mln in 2010 to 75 mln RUR in 2011 in chilled & frozen segment
- Certain buyers transferred on prepayment terms
- Reduced advances paid to suppliers
- Increased credit limit with suppliers (Ocean Quality, Leroy, Coast Seafood, Orion Seafood) to 4 mln. USD
- Reduced 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

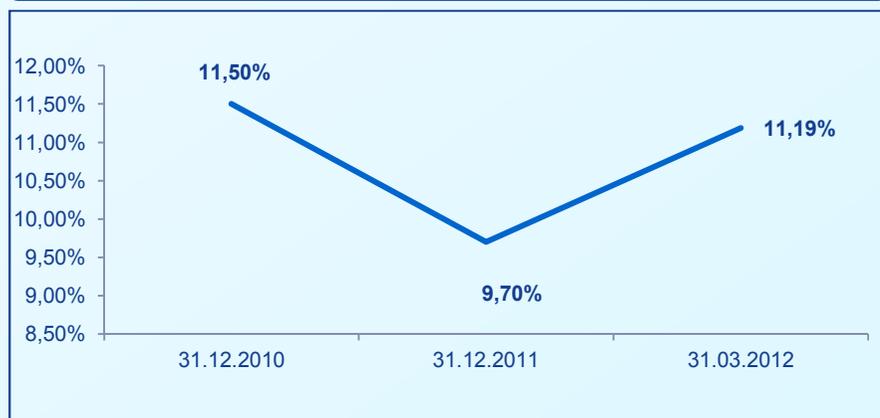


## The Company is gradually reducing its leverage and interest rate expenditures

### Net debt, RUR mln



### Cost of Financing



### 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
- Repaid RUR 227 mln of bond issue
- Bonds placement back to the securities market at a coupon rate of 12% in June 2011
- First tranche in the amount of RUR 85.9 mln received within approved by Russian Agricultural Bank credit line in amount of RUR 2.8 bln

**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

# AGENDA

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

## 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)

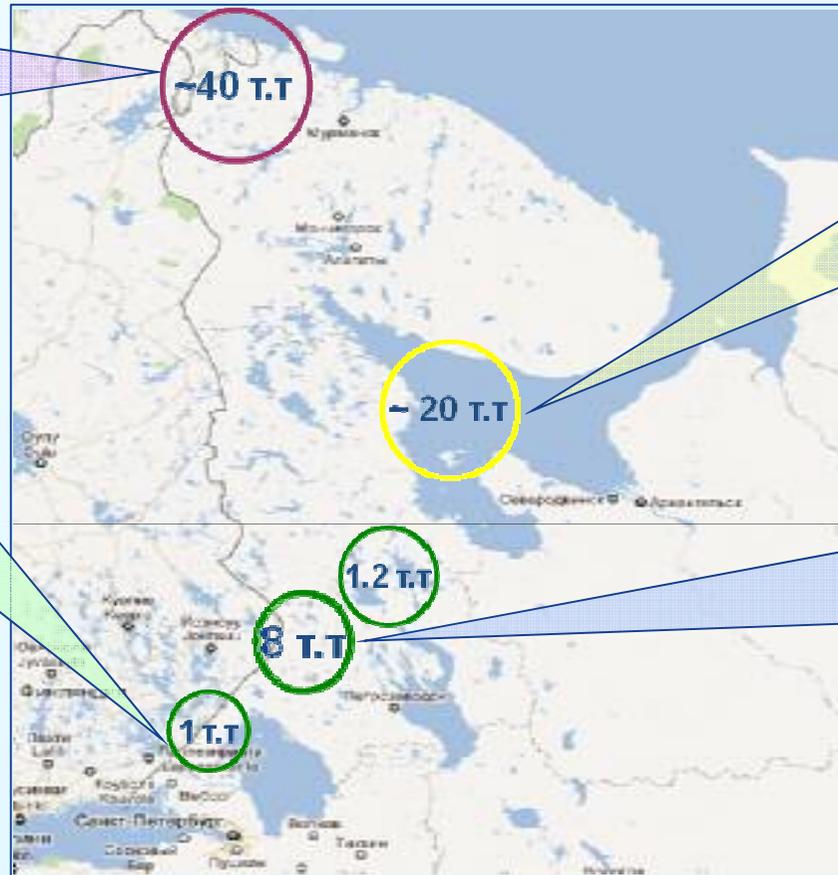
## Aquaculture segment development

- **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

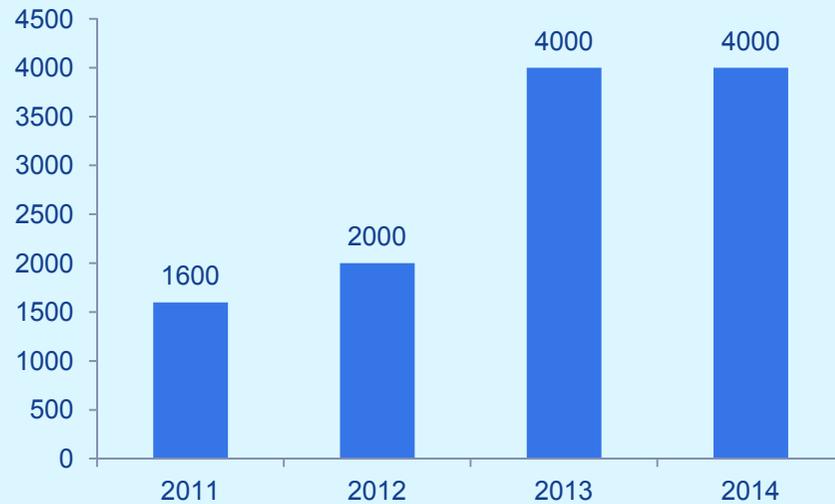
- **Trout farming complete cycle (lakes Segozero and Vigozero)**
  - RSA: 9 sites
  - Potential: ~10,000 tons
  - No competitors



- 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



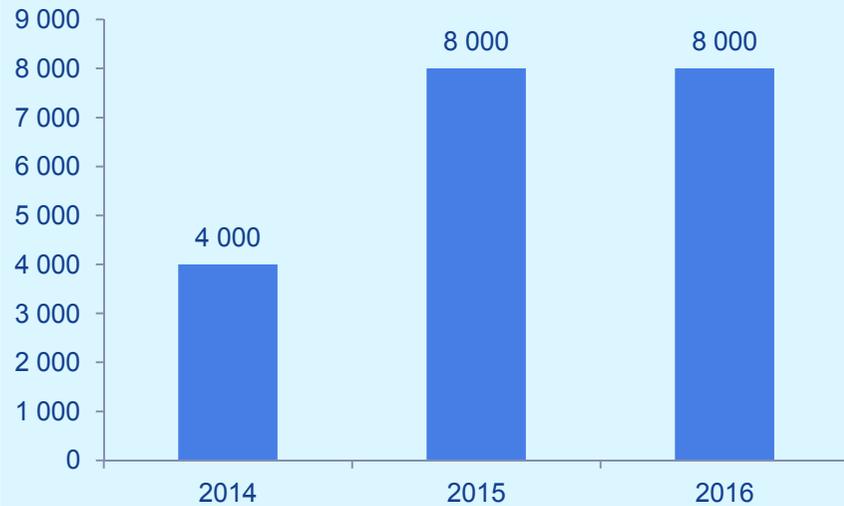
Status update

- 4 sites launched
- 1600 tons farmed in 2011 – 1<sup>st</sup> 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 m<sup>2</sup>; 30 tons per day) constructed and equipped with automatic gutting line
- Automatic fish feeding system installed
- In 2012 one more site will be launched



## Salmon farming

### Planned salmon farming volumes, tons



### Status update

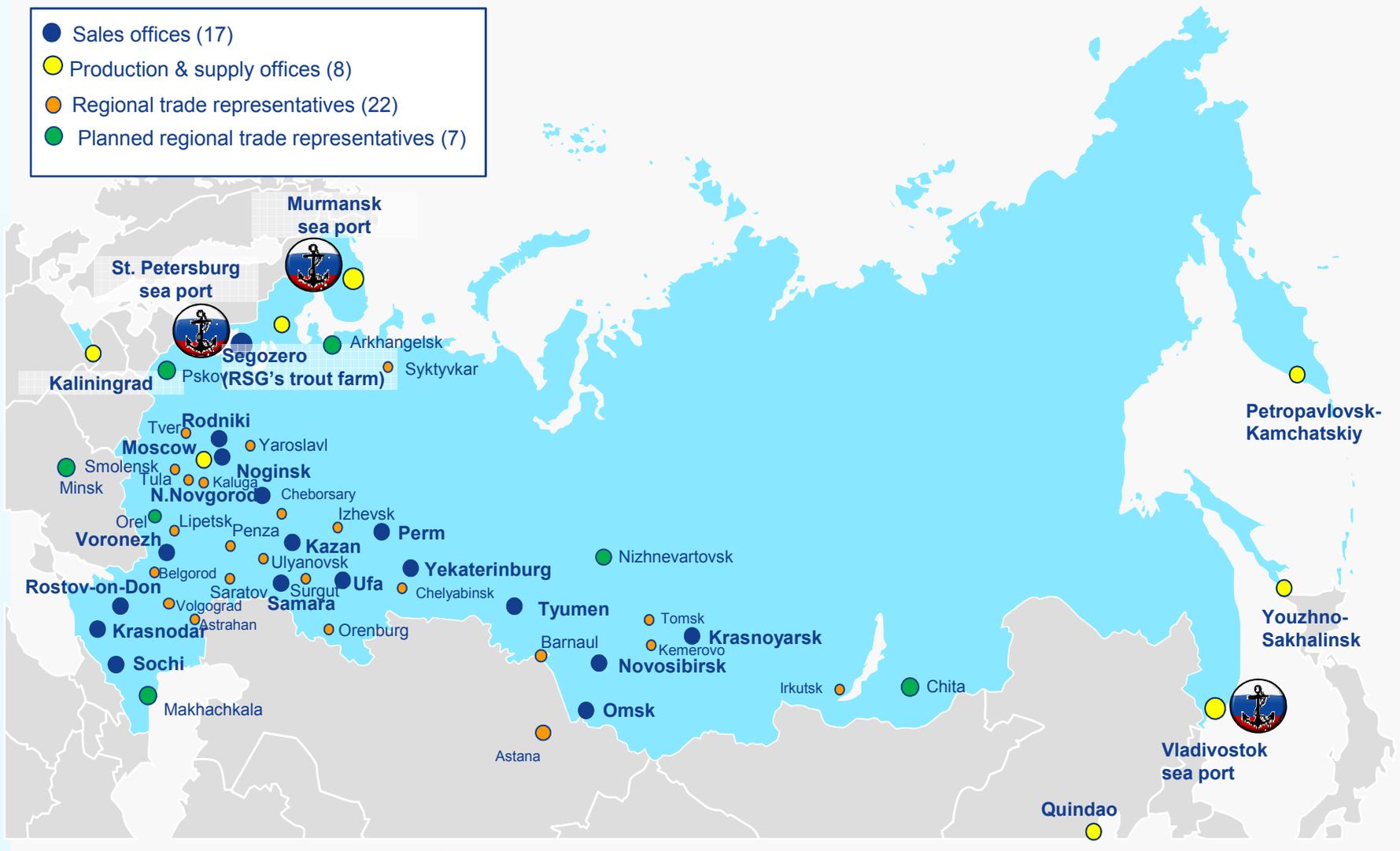
- First site will be launched in May 2012
- Norwegian Atlantic salmon smolt
- Major Norwegian equipment supplier AKVA group ASA installs complete cage farm for Russian Sea – Aquaculture (RSA) operations
- Specially constructed for RSA feed barge is set afloat
- Personnel is hired
- The farm 's annual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



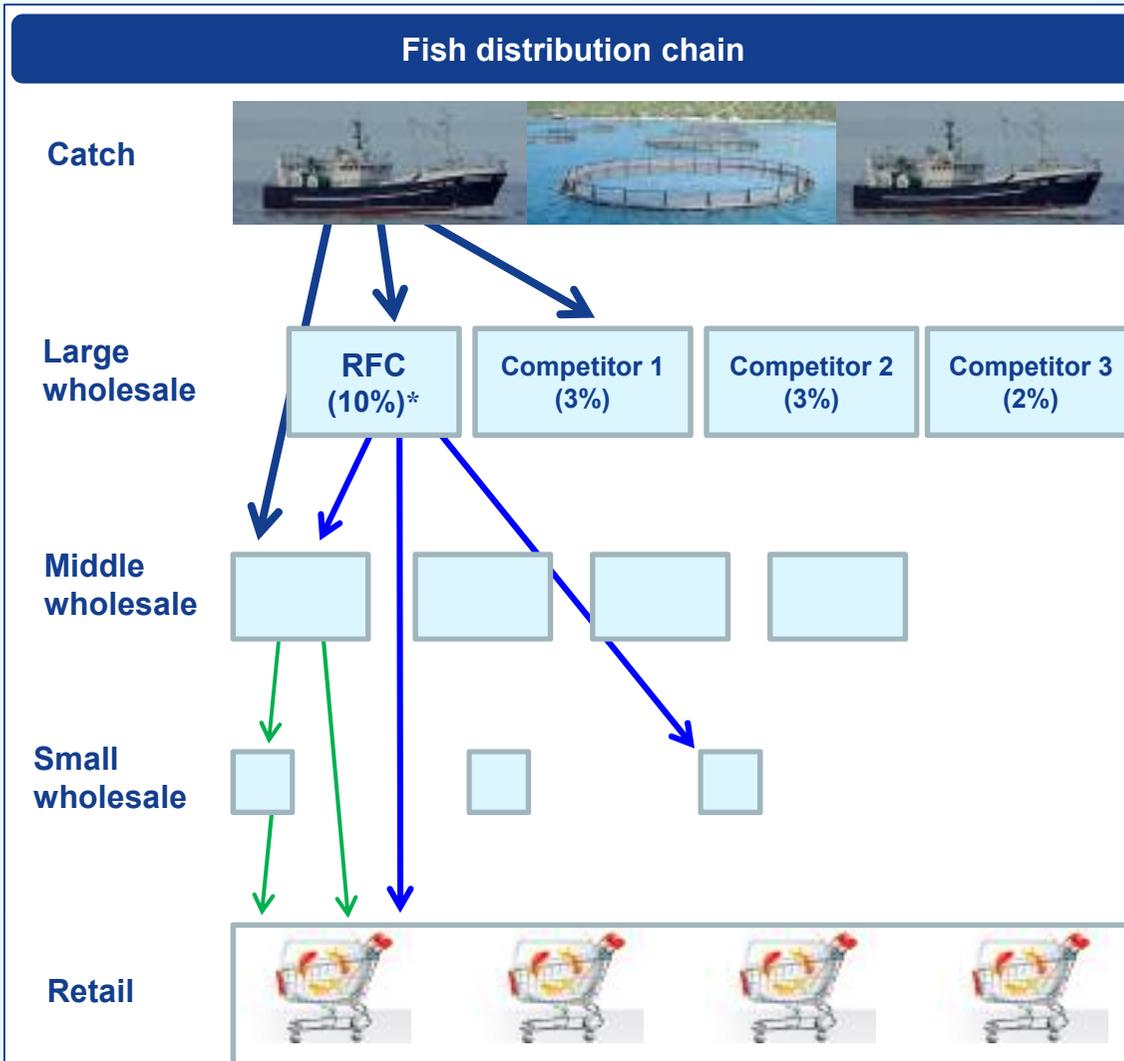
SOURCE: RSA and AKVA group ASA pictures

# Chilled & frozen segment: geographic expansion

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



# Chilled & frozen segment: small wholesale



- Highlights**
- Between wild catch, fish farming and retail there are 3 or more links in distribution chain
  - Number of links is gradually reducing
  - RFC was historically oriented on large wholesale
  - RFC target – develop competencies in order to meet needs of different categories of clients

\* Company's estimations

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

**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)

