ROS AGRO PLC

Annual Report 2016

About the Report

This Annual Report for 2016 (hereinafter referred to as "the Report") was prepared by ROS AGRO PLC (hereinafter referred to as "the Company"). "Rusagro Group" or "the Group" should be understood to mean the group of companies consisting of ROS AGRO PLC and its subsidiaries.

Material Subjects of Annual Report

The Report discloses information about the implementation of the Group's medium-term strategy in 2016, presents operating and financial results, and describes activities in the area of corporate governance.
The Report devotes considerable attention to the Group's activities in the area of corporate social responsibility.

Standards

The Report was prepared on the basis of ROS AGRO PLC management reporting taking into account the consolidated financial statements of the Company and its subsidiaries for 2016. The Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, and the requirements of Chapter 113 of the Companies Law of Cyprus.

Audit

The audit of the consolidated financial statements of ROS AGRO PLC according to IFRS for 2016 was conducted by PricewaterhouseCoopers Limited.

Disclaimer

The Report contains forward-looking statements about operating, financial, economic, social and other indicators that characterise the development of Rusagro Group. Due to various reasons, actual events or results in subsequent reports may differ significantly from those contained in projections or forecasts, including in connection with the changing situation on the markets and other risks that apply directly to ROS AGRO PLC and its subsidiaries.

To view interactive version of the Annual Report please refer to the Investors section on the Company's website

Contents

About Rusagro Group

Key Events of 2016

Sugar Segment

RECORD PRODUCTION OF BEET SUGAR

Rusagro Group produced 750 ths tonnes of beet sugar in 2016, 29% more than in 2015 and an all-time record for the Group.

For details see p.34

ACQUISITION OF RAZGULIAY GROUP ASSETS

Rusagro Group acquired three Razguliay Group sugar plants in the Kursk and Orel Regions with combined processing capacity of 13 ths tonnes of sugar beet per day, along with 90 ths hectares of land.

For details see p.32

LAUNCH OF DESUGARISATION LINE IN TAMBOV REGION

Rusagro Group launched a molasses desugarisation line in the Tambov Region that may allow increasing sugar production by up to 40 ths tonnes per year.

For details see p.31

Meat Segment

ENTERING RETAIL MEAT MARKET

Rusagro Group launched own retail meat products brand, Butcher's Promise (Slovo Myasnika). The product line includes ground pork, large-cut and small-cut products, and barbecue marinated products.

For details see p.43

APPROVAL OF NEW PIG FARMS CONSTRUCTION IN TAMBOV REGION

Rusagro Group approved a project to build three modern pig farms in the Tambov Region with a total capacity of 50 ths tonnes of pork in live weight per year. In 2017 project configuration was changed to six pig farms with total capacity of 85 ths tonnes.

For details see p.41

START OF CONSTRUCTION OF FOOD CLUSTER IN THE FAR EAST

Rusagro Group began construction of the first two pig farms and compound feed plant. In 2017 the Group approved new project configuration to include six pig farms with total production capacity of 64 ths tonnes of pork in live weight per year.

For details see p.42

Agriculture Segment

RECORD GRAIN HARVEST

Rusagro Group had a record grain harvest in 2016. The gross grain harvest, including wheat, barley and corn, increased by 34% to 930 ths tonnes.

For details see p.67

EXPANSION OF LAND HOLDINGS IN THE FAR EAST

Rusagro Group tripled its land holdings in the Primorye Territory to almost 86 ths hectares in 2016. The largest land purchases were made in July and December, when the Group acquired respectively 15 ths hectares and 33 ths hectares.

The International Cooperation

ENTERING INTO MOU ON STRATEGIC PARTNERSHIP WITH MITSUI & CO.

ROS AGRO PLC and Mitsui & Co. Ltd. signed Memorandum of Understanding that acknowledges mutual intentions to develop new business opportunities in the Russian Federation regarding export, introduction of advanced technologies and investments.

Equity Capital Policy

SPO IN LONDON

ROS AGRO PLC raised USD 250 million with an SPO on the London Stock Exchange, selling 16.667 million GDR for USD 15 each. The SPO increased the Company's authorised capital to 27.3 million issued shares.

For details see p.89

2017

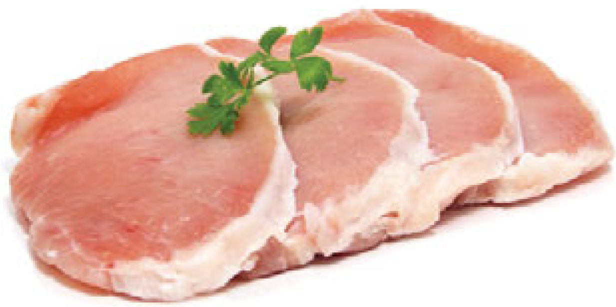
LAUNCH OF VEGETABLE OIL REFINING AND DEODORISATION LINE

Rusagro Group officially opened a facility at its EZhK plant for refining and deodorising vegetable oil and interesterification of fats. The new facility will enable the plant to purify oil more intensively and produce specialised fats for the B2B sector.

PURCHASE OF SLAUGHTERHOUSE IN USSURIYSK

Rusagro Group acquired a slaughterhouse in the Primorye Territory to process livestock from its future pig farms. The facility will be modernised and equiped to proccess 64 ths tonnes of pork in live weight per year. In 2019 the Group will enter local market of the Far East with large cuts and subproducts.

History of the Group



- 1995–1996: ESTABLISHMENT OF THE COMPANY
- 1997–2002: CREATION OF A VERTICALLY INTEGRATED BUSINESS MODEL: LAUNCH OF SUGAR AND AGRICULTURE BUSINESS SEGMENTS
- 2003: LAUNCH OF OIL AND FATS BUSINESS SEGMENT AND FIRST RETAIL BRAND
- 2004
- 2008
- 2009: LAUNCH OF MEAT BUSINESS SEGMENT
- 2010
- 2011: IPO
- 2012
- 2013: STRENGTHENING THE BUSINESS'S VERTICAL INTEGRATION
- 2014: ACHIEVEMENT OF LEADING POSITIONS IN ALL FOUR BUSINESS SEGMENTS
- 2015: NEW RECORDS IN OPERATING AND FINANCIAL RESULTS
- 2016

Key Operating Results

Rusagro Group is the largest vertically integrated agribusiness company in Russia with a leading position in pork, sugar, consumer margarine and mayonnaise

Sugar

No. 1 SUGAR CUBES PRODUCER IN RUSSIA

No. 3 SUGAR PRODUCER IN RUSSIA

SHARE OF SUGAR CUBES MARKET 43%

14% SHARE OF SUGAR MARKET

Meat

No. 2 COMMERCIAL PORK PRODUCER IN RUSSIA

2.2 mn heads/year LIVESTOCK PROCESSING CAPACITY

SHARE OF COMMERCIAL PORK MARKET 5%

Oil & Fats

No. 1 CONSUMER MARGARINE PRODUCER IN RUSSIA

No. 5 MAYONNAISE PRODUCER IN RUSSIA

SHARE OF CONSUMER MARGARINE MARKET 43%

13% SHARE OF MAYONNAISE MARKET

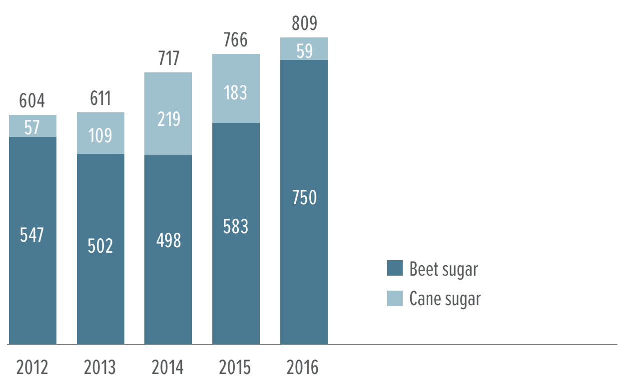
Agriculture

551 ths ha ARABLE LAND

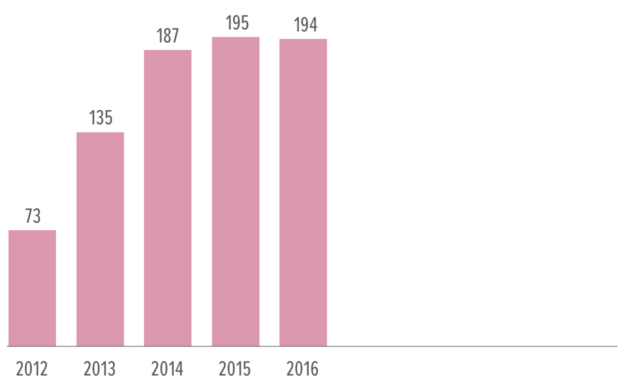
695 ths t GRAIN STORAGE CAPACITY*

OF LAND OWNED 48%

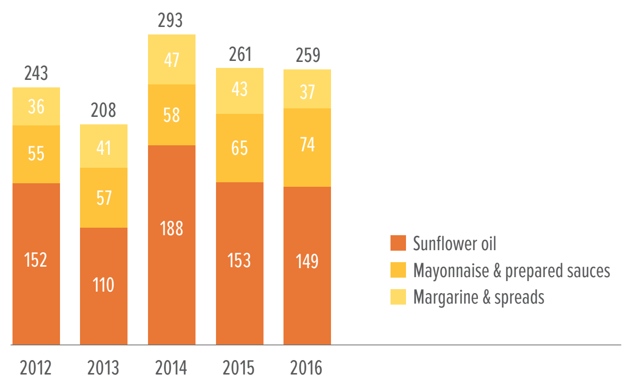
SUGAR PRODUCTION



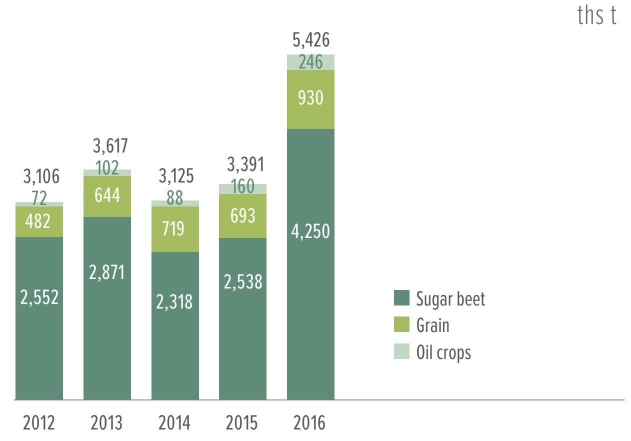
PORK PRODUCTION IN LIVE WEIGHT



OIL & FATS PRODUCTION

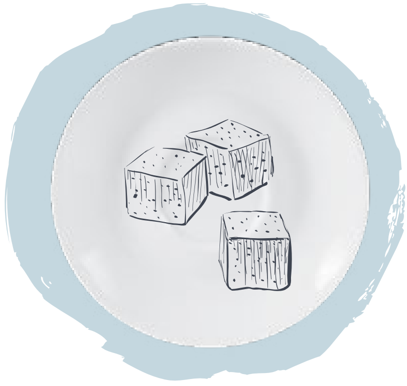


CROP PRODUCTION



*including external storage in plastic bags

Key Financial Results



Sugar

37.2 RUB bn ↗ +13%
SALES

9.6 RUB bn ↘ -13%
EBITDA

26%
EBITDA MARGIN

Meat

17.9 RUB bn ↘ -1%
SALES

4.0 RUB bn ↘ -48%
EBITDA

22%
EBITDA MARGIN

Oil & Fats

19.9 RUB bn ↗ +15%
SALES

(0.4) RUB bn
EBITDA

- 2%
EBITDA MARGIN

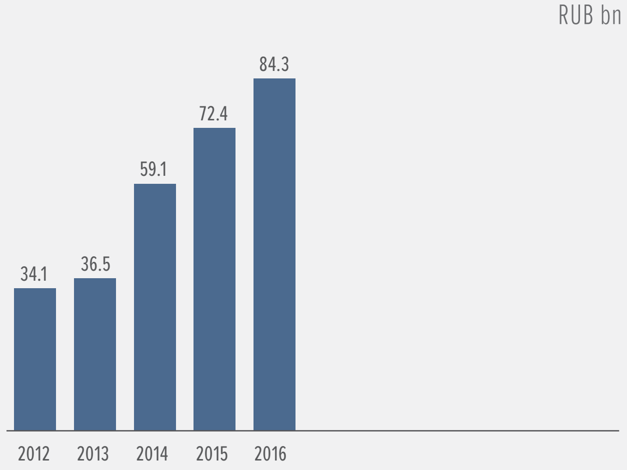
Agriculture

21.2 RUB bn ↗ +49%
SALES

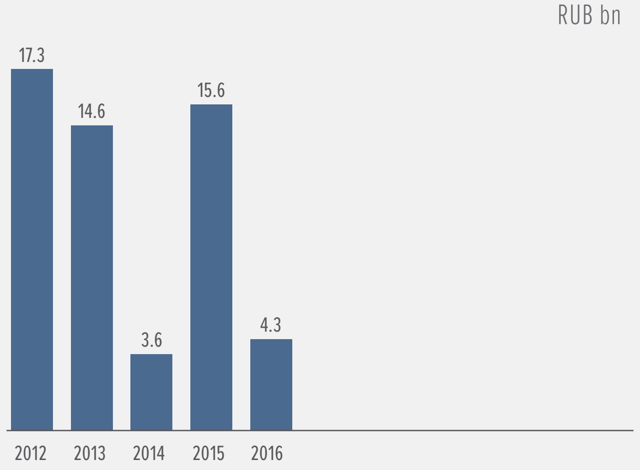
6.2 RUB bn ↘ -7%
EBITDA

29%
EBITDA MARGIN

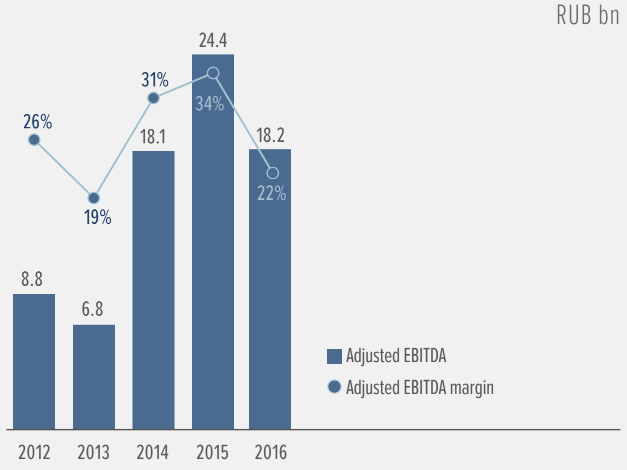
SALES



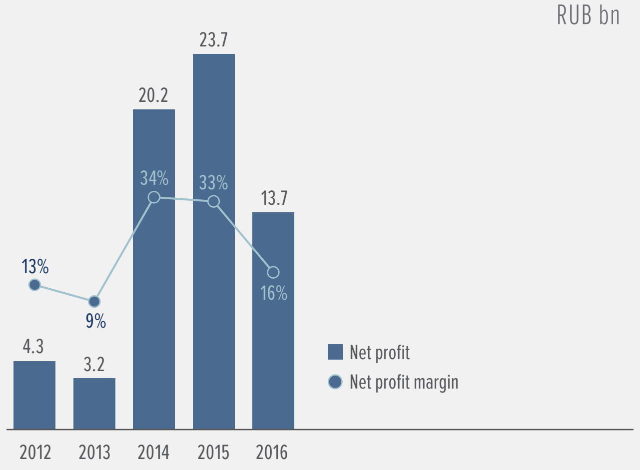
NET DEBT



ADJUSTED EBITDA



NET PROFIT



Geographical Location

Rusagro Group's assets are located in eight Russian regions, giving the business regional diversification. The Company sells its products in more than 20 countries

Geographical location of Rusagro Group assets

1. Belgorod Region

- **3** sugar plants
- **6** pig farms
- **1** breeding farm
- **1** compound feed plant

2. Samara Region

- Oil plant

2017:

- Oil refining & deodorisation plant

3. Orel and Kursk Regions

2016:

- **3** sugar plants

4. Tambov and Voronezh Regions

- **3** sugar plants
- **7** pig farms
- **2** breeding farms
- **1** compound feed plant
- **1** slaughterhouse and meat processing plant

2016:

- **1** molasses desugarisation facility
- **1** cereal plant

2019:

- **6** pig farms
- **1** breeding farm

5. Ekaterinburg

- Fats plant

2016:

- Oil refining & deodorisation and specialty fats plant

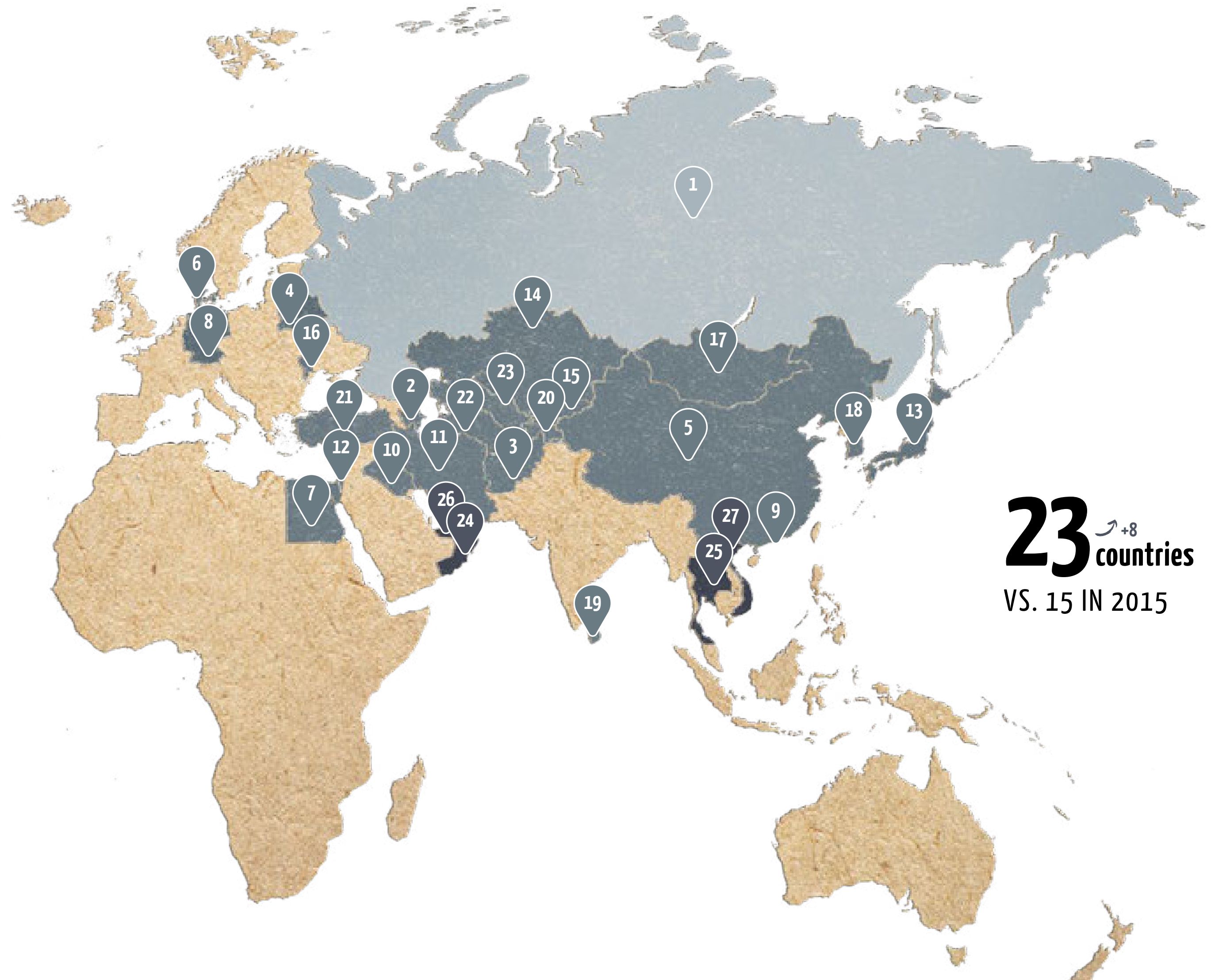
6. Primorye Territory

- Oil and fats plant

2019:

- **6** pig farms
- **1** breeding farm
- **1** compound feed plant
- **1** slaughterhouse and meat processing plant

Geography of sales



23 +8 **countries**
VS. 15 IN 2015

Russian market

1 Russia

Export markets

2 Azerbaijan
3 Afghanistan
4 Belarus
5 China
6 Denmark
7 Egypt
8 Germany
9 Hong Kong
10 Iran
11 Irak
12 Israel
13 Japan
14 Kazakhstan
15 Kyrgyzstan
16 Moldova
17 Mongolia
18 South Korea
19 Sri Lanka
20 Tajikistan
21 Turkey
22 Turkmenistan
23 Uzbekistan

High-potential markets

24 Oman
25 Thailand
26 UAE
27 Vietnam

Brands

Sugar Segment

Meat Segment

Oil & Fats Segment

Organisational Structure

As of 31.12.2016

ROS AGRO PLC
CYPRUS

JSC RUSAGRO GROUP
Moscow 100%

LLC RUSAGRO GROUP OF COMPANIES
Moscow 99.99%

SUGAR SEGMENT

- LLC Rusagro-Centre — Moscow 100%
- LLC Rusagro-Sakhar — Tambov 100%
- OJSC Valuikisakhar — Belgorod 100%
- LLC Rusagro-Tambov — Tambov 100%
- OJSC Krivets-Sakhar — Kursk 98.8168%
- OJSC Hercules — Voronezh 82%
- CJSC Kshenskiy Sugar Plant — Kursk 100%
- CJSC Otradinskiy Sugar Plant — Orel 100%

MEAT SEGMENT

- LLC Tambov Bacon — Tambov 100%
- LLC Rusagro-Primorye — Ussuriysk 100%

AGRICULTURE SEGMENT

- LLC Rusagro-Invest — Belgorod 100%
- LLC Agrotehnology — Tambov 100%
- JSC PrimAgro — Ussuriysk 100%
- LLC Rusagro-Moloko — Belgorod 100%
- LLC NPO Rusagro Semena — Belgorod 75%
- OJSC By General Vatutin — Belgorod 58.99%
- LLC Alekseevka-Agroinvest — Belgorod 100%
- LLC Armada-Land — Primorye Territory 100%
- LLC GeoRitm — Primorye Territory 100%
- LLC Landlord — Primorye Territory 100%
- LLC Otrada-agro — Tambov (50%, 50%)
- LLC Kshenagro — Kursk (100%)
- LLC Otradaagroinvest — Orel (100%)
- JSC Pogranichnoie — Primorye Territory (100%)
- JSC Sergeevskoie — Primorye Territory (100%)
- JSC Turga — Primorye Territory (100%)

OIL & FATS SEGMENT

- OJSC Zhirovoy kombinat — Ekaterinburg 100%
- CJSC Samaraagroprompererabotka — Samara 100%
- LLC Primorskaya Soya — Ussuriysk 75%
- OJSC Pugachevsky elevator — Saratov 66.87%

Other

- LLC Rusagro-Uchet — Tambov 100%
- LLC Kolyshleyskiy Elevator — Penza 100%
- CJSC Status — Moscow 25%
- LLC Otiasskoe — Tambov 51%
- LLC Rusagro-Ovoshchi — Tambov 100%

Strategic report

Letter from the Chairman

Vadim Moshkovich
Chairman of the Board of Directors, ROS AGRO PLC

Dear Shareholders,

2016 confirmed the Company's commitment to transparency, openness and growth of its shares liquidity. We were the only Company that managed to carry out an SPO in the first half of the year, increasing our free float to more than 20%. I am pleased to welcome our new shareholders from Russia, the USA, Europe and Asia.

Unfortunately, the price of the Company's shares fell in 2016, which including dividend payments resulted in a TRS of 4.8%. The drop in the share price might have been due to the anticipated decline in the profitability of the business in light of growing competition, the strengthening of the rouble and low world prices for agricultural commodities.

I expect the Company's financial results to improve as the production facilities under construction are launched and new export markets open up. The Company has the world-class, competitive assets and the highly qualified management team necessary to ensure long-term growth and sustainable development.

THE PAST YEAR CONFIRMED THE SUSTAINABILITY OF RUSAGRO GROUP'S BUSINESS MODEL, BASED ON DIVERSIFICATION AND VERTICAL INTEGRATION, AND ITS LONG-TERM INVESTMENT STRATEGY, WHILE MARKET CONDITIONS PUT PRESSURE ON THE SHARE PRICE

I would like to express my gratitude to members of the Board of Directors, whose hard work is aimed at:

- Continuous improvement of the quality of the Company's corporate governance;
- Development of the strategy to support further growth of the Company and maintain high dividend payouts

For 2016, the Board of Directors recommended paying dividends to shareholders equivalent to 48% of net profit for the year, which amounted to 6.6 billion roubles or 108.9 million US dollars (USD 0.81 per GDR).

Among the highlights of 2016, I would like to outline the following:

- The expansion of the land bank by 32%, including to 86 ths hectares of controlled land in the Russian Far East
- The increase of sugar beet processing capacity by 44% mostly due to the acquisition of three sugar plants in Kursk and Orel Regions;
- The start of the construction of the pork production project in the Far East;
- The signing of a Memorandum of Understanding on mutual cooperation with the Japanese corporation Mitsui & Co., Ltd

Development of employees and introduction of new technologies are extremely important at Rusagro Group. The Group sees its employees as its principal asset, with inherent value, and the realisation of employees' creative potential is an important factor in the Company's success.

The Company promotes a corporate culture based on trust, mutual respect and integrity in order to foster an atmosphere that encourages the development of our people. We see that employees value the opportunities for professional and personal growth that Rusagro Group provides through training programmes and involvement in the Company's ambitious projects. As part of a programme to provide housing for employees, construction was begun on residential complexes for employees in regions where the Group has a presence.

We believe it is necessary to introduce the latest innovations and technologies in order to achieve the best performance. In 2016 we were first to introduce enterprise resource planning system on the scale of such large agribusiness of 500 ths hectares of land, including management of the field work, cropland monitoring system and an analytical system. We also set up a plant breeding company last year in order to develop sugar beet hybrids that are suitable for the conditions of the Russian Central Black Earth Region.

The Group's success is founded on the careful selection of strategic goals and exceptional quality of the investment process, which makes it possible to achieve a high return on equity. In 2017 we will continue to consider opportunities to make successful deals, including in new attractive areas in order to increase the Company's market capitalisation.

I am pleased to see Rusagro's steady transformation into a global public company. I believe that Rusagro Group has huge potential for further growth in a world with a growing population and at a time of fundamental changes in agriculture and food production technologies.

108.9 USD mn
PAID AS DIVIDENDS FOR 2016

13.7 RUB bn -42%
NET PROFIT IN 2016

Letter from the CEO

Maxim Basov
Director, ROS AGRO PLC Chief Executive Officer, LLC Rusagro Group of Companies

RUSAGRO GROUP IS DEDICATED TO FURTHER GROWTH OF THE BUSINESS AND WILL FOCUS ON EXPLORING OPPORTUNITIES OF NEW GEOGRAPHIES AND BUSINESSES, WHILE CONTINUING TO INCREASE EFFICIENCY

2016 was a year of production records and integration of acquired assets for Rusagro Group. However, margins narrowed as a result of elevated production levels, growing competition, reduced government subsidies and, toward the end of the year, the strengthening of the rouble. The Company's revenue grew by 16% to 84.3 billion roubles, but EBITDA decreased by 25% to 18.2 billion roubles and net profit fell 42% to 13.7 billion roubles.

Agriculture Segment

Russia harvested a record amount of sugar beet, grain, oil crops and legumes in 2016. Rusagro Group's agriculture business segment also had an unprecedented harvest of almost 4.3 million tonnes of beet, 930 ths tonnes of grain and 246 ths tonnes of oil crops thanks to higher yields and the expansion of land bank. The Company controlled 551 ths hectares of arable land in 2016.

The Agriculture Segment's output by value reached a record high level, but its margin narrowed to 29% due to the strengthening of the rouble, and the slump in world grain prices and Russian sugar prices. The segment's EBITDA totalled 6.2 billion rubles, the second highest figure in the Group's history. Despite the decrease in prices, we believe that our land holdings have great value that will grow as agronomic and management technologies improve. The multiyear project to comprehensively automate management and production is progressing well. We are already a world leader in this area.

Sugar Segment

The sugar business achieved the best production results and second best financial result in its history. The segment's revenue exceeded 37.2 billion roubles and EBITDA totalled 9.6 billion roubles. Sugar was produced at nine plants, including three purchased from Razguliay Group. The segment produced 809.8 ths tonnes of sugar in 2016, including 59.4 ths tonnes of cane sugar. The record sugar beet harvest led to record production of beet sugar in the season from August 2016 to February 2017, totalling almost 900 ths tonnes.

Russia became a net exporter of sugar for the first time, which pushed sugar prices down by 25%, narrowing the Sugar Segment's margin and giving Rusagro Group the new challenge of developing exports and making further progress on products with high added value. The sugar business will continue working on increasing efficiency, expanding production capacity and improving product quality.

Meat Segment

Russia's pig farming industry passed the crisis point in the middle of 2016. At the end of 2015, a decline in pork consumption and growth in production led to a steep drop in prices. Lower prices made pork very attractive for consumers by the middle of the year, which, combined with an improvement in consumer sentiment, led to a 7% increase in Russian consumption of this type of meat for the year. The margin of this business reached 26% by the end of the year.

The restructuring of the industry is continuing with the closure of less competitive small farms and consolidation of meat processing. Our slaughterhouse operated with a negative margin in 2016, as we trained employees and brought production up to capacity. We began exporting pork subproducts in 2016 and expect premium Asian markets to open up. We also began building the first production facilities of the Primorye Territory cluster in 2016, and expect the first products from this cluster to reach the market at the end of 2018. In time, this cluster could become the largest. The pork production segment's revenue decreased slightly to 17.9 billion roubles in 2016 and EBITDA decreased to 4.0 billion roubles.

Oil and Fats Segment

The oil and fats business did not have a good year. The segment's management succeeded in growing mayonnaise sales, increasing revenue to 19.9 billion roubles and completing construction of a new refining facility in Ekaterinburg, but EBITDA fell to the negative value of 400 million roubles. This was due in part to the strengthening of the rouble, instability on key export markets such as Uzbekistan, Kazakhstan, Azerbaijan and Moldova, shortages of raw material for processing in the Samara Region and Primorye Territory, and fiercer competition on the mayonnaise market. Some of these factors will become less significant in 2017, but the crisis in this sector will continue.

Development

The Company already had almost 14 ths employees at the end of the year. We are proud that we managed to make workplaces more interesting and technologically advanced in 2016 and become a more attractive employer in several regions. We plan to complete the automation of our HR management and development systems in 2017 and launch a system of automatic support for growth of human capital.

Despite the strengthening of the rouble, reduction of government support for the sector and growing competition, Rusagro Group plans to grow business with added value. Given these factors, there are fewer opportunities for value-adding investments in construction of new capacity in existing regions (except the Far East) and business segments, so we are exploring opportunities for acquisitions and expansion into new geographies and businesses. The Company is working on entering the markets of China and Japan, exports to which are growing. Rusagro Group invested a record 16.7 billion roubles in 2016, primarily in its meat and crop farming segments. The business plan for 2017 will see investments to grow further, foremost due to pork production and agriculture businesses.

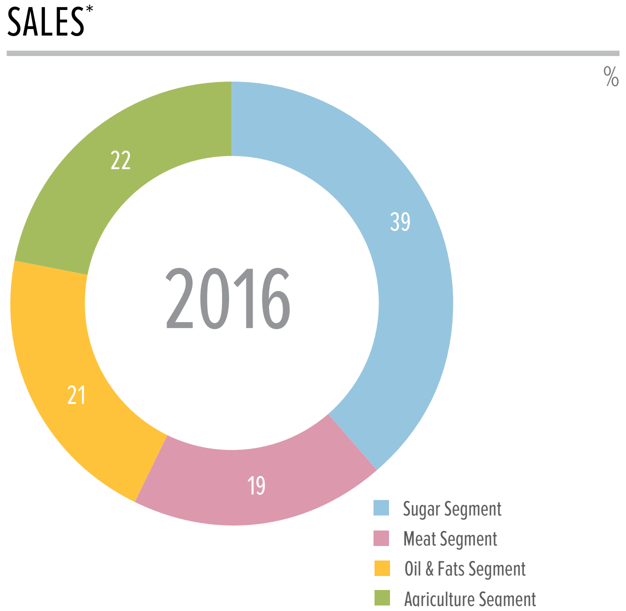
84.3 RUB bn +16%
SALES

Highly Efficient Business Model

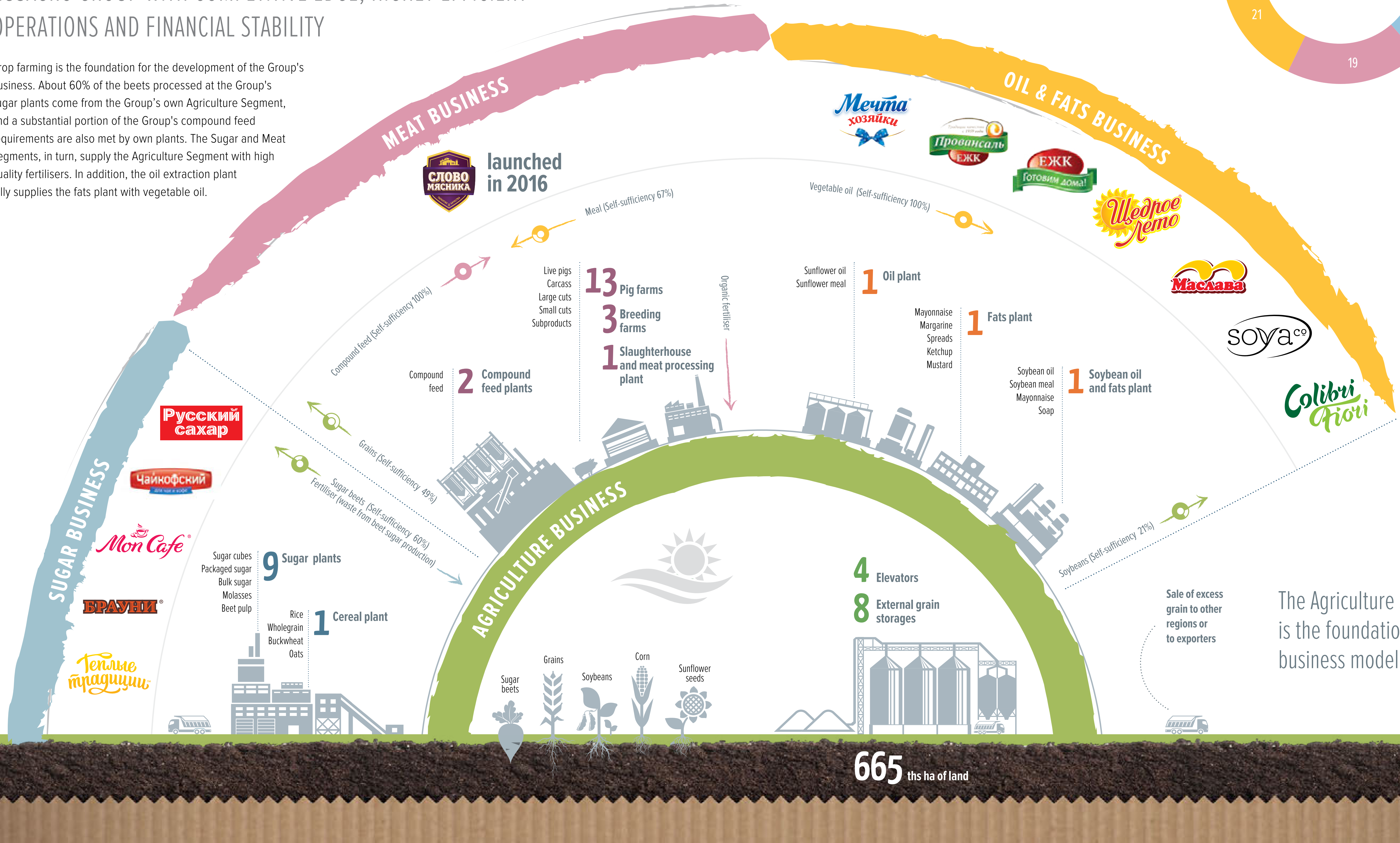
HIGH LEVEL OF VERTICAL INTEGRATION PROVIDES RUSAGRO GROUP WITH COMPETITIVE EDGE, HIGHLY EFFICIENT OPERATIONS AND FINANCIAL STABILITY

Crop farming is the foundation for the development of the Group's business. About 60% of the beets processed at the Group's sugar plants come from the Group's own Agriculture Segment, and a substantial portion of the Group's compound feed requirements are also met by own plants. The Sugar and Meat Segments, in turn, supply the Agriculture Segment with high quality fertilisers. In addition, the oil extraction plant fully supplies the fats plant with vegetable oil.

The Sugar Segment had the largest contribution to the Group's sales in 2016



*Share based on Group revenue, calculated as the sum of revenue for each business segment, not including other sales and turnover within the Group.



The Agriculture Segment is the foundation of the Group's business model

Growth Strategy

The primary strategic goal of Rusagro Group is to increase returns for shareholders while adhering the Group's mission "Make people's lives better and longer". In order to achieve this goal, in 2008 the Board of Directors chose the strategic concept "from field to shelf," the implementation of which is based on the Group's vertically integrated business model of food production.

The strategy of the Group and its business units is reviewed by the Board of Directors annually, making it possible to correctly channel the Company's efforts and effectively allocate financial and human resources. The Group's ongoing growth is driven by a long-term focus on expanding the business, improvement of human capital, innovations adoption and development of consumer products and brands.

Success in the realisation of the Group's strategic goals rests on the careful selection of priorities and exceptional quality of the investment process, which ensures a high return on equity.

In 2017 the Group intends to continue to make efforts to implement its strategy in the priority areas and ensure the timely and successful launch of approved projects. Mergers and acquisitions, including in new markets for the Group, the development of a strategic partnership with companies from Asian countries, development and introduction of innovative technologies and growth in the share of sales of consumer products could become points of further growth.

Rusagro Group invested more than 29.6 billion roubles in the implementation of its strategy in the period from 2012 through 2015. In 2016 the Group increased CAPEX by 46% to 16.7 billion roubles, and in 2017 it plans to invest more than 20 billion roubles, 65% of which will be spent on construction and expansion of production facilities and modernisation. Investments might be increased if attractive opportunities for acquisition of assets are identified.

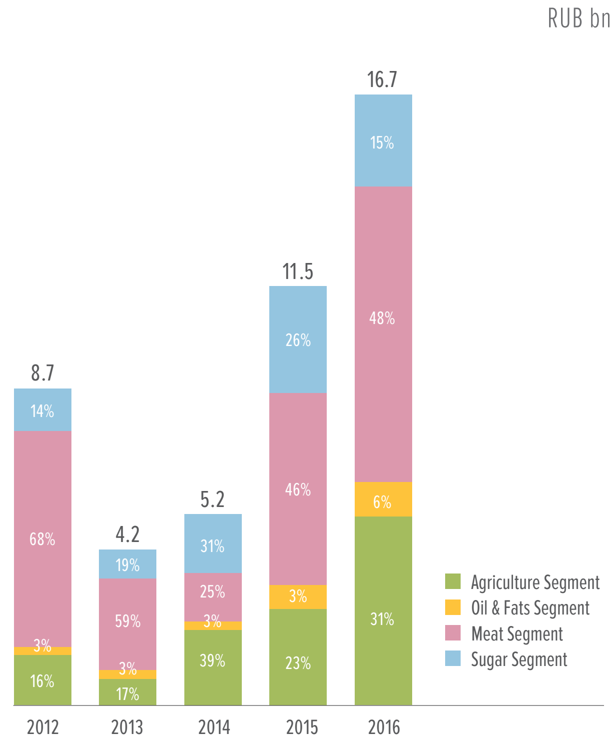
16.7 RUB bn

RUSAGRO GROUP'S CAPEX IN 2016

29.6 RUB bn

CAPEX FOR 2012-2015

RUSAGRO GROUP'S CAPITAL EXPENDITURES



Source: Company data

Key Priorities of Rusagro Group's Development Strategy

1. EXPANSION OF PRESENCE IN ALL AREAS OF THE BUSINESS

Rusagro Group intends to increase production and expand its regional presence in all four business segments in order to maintain its leading positions on the market. This goal is being achieved through:

- Organic growth, including construction of new production facilities, expansion of land holdings, and modernisation and expansion of existing assets
- Inorganic growth: acquisition of other companies and assets, including in business areas that are new for the Group
- Growth of market share in regions where the Group has a presence and entry into new regions of Russia, as well as new countries through development of exports

For details see p.20

2. DEVELOPMENT OF HUMAN CAPITAL

Development of human capital plays a key role in ensuring the Group's sustainable growth. The following measures are being implemented to achieve this goal:

- Comprehensive assessment of strategic staff in order to identify deficiencies in skills and competencies, work out individual development plans, and improve the quality and efficiency of human resources
- Regular evaluation of the results of human capital development according to two main parameters: index of staff quality and efficiency, analysed based on staff productivity and engagement
- Timely development of a talent pipeline of young professionals through cooperation with regional post secondary institutions in Russia, internal training systems and establishment of a strong employer brand
- Automation of HR processes

For details see p.22

3. DEVELOPMENT OF RETAIL PRODUCTS AND BRANDS

Pursuing the concept of "from field to plate," Rusagro Group is seeking to develop retail products by:

- Increasing the depth of product processing
- Launching retail packaging lines
- Expanding the range of products
- Developing own brands and promoting them on the consumer market

For details see p.23

4. AUTOMATION AND INNOVATION

In an era of technological revolution, the development and application of innovative solutions in IT, automation and biotechnology are becoming increasingly important sources of potential to lower costs, improve product quality and generate additional revenue. Key areas of the Group's activities within the context of this strategic priority include:

- Introduction of precision farming technologies
- Development of automation of production and operating processes
- Use of advanced methods of selection in crop and livestock farming with a focus on sugar beets and pig farming

In order to achieve its goals, the Group is forming a team of talented scientists and experts, and maintaining and developing mutually beneficial cooperation with leading Russian research organisations, development foundations and the business community, including both companies that are market leaders and startups.

For details see p.24

1. Expansion of Presence in All Areas of the Business

Sugar Segment

PROJECTS OF 2016

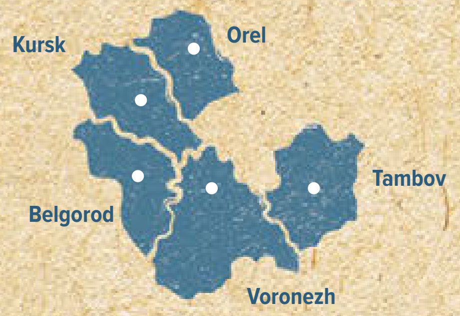
- Acquisition and launch of three plants purchased from Razguliay Group: two in the Kursk Region and one in the Orel Region, with a combined beet processing capacity of **13.1 ths tonnes per day**
- Modernisation and expansion of sugar beet processing facilities at the Znamensky Sugar Plant **by 2 ths tonnes per day**
- Launch of desugarisation facility as part of the modernisation of the Znamensky Sugar Plant in the Tambov Region that may add up to **40 ths** in sugar production per year
- Acquisition and launch of the Hercules Cereal Plant in the in Voronezh Region

For details see Sugar Segment section on p.26

PLANS FOR 2017

Expand sugar beet processing capacity of Kshensky Sugar Plant by **0.8 ths tonnes** to **5 ths tonnes per day**

Launch project to build a sugar silo with a storage capacity of **60 ths tonnes**



Meat Segment

PROJECTS OF 2016

- Start of preconstruction works on first three pig farms and a breeding farm in the Tambov Region as part of the project with overall capacity of **85 ths tonnes** of pork in live weight
- Start of construction of a pig farm and a breeding farm, compound feed plant with elevator as part of the creation of the largest pork production in Russia's Far East, with a capacity of **64 ths tonnes** of pork in live weight per year

For details see Meat Segment section on p.36

PLANS FOR 2017

Continue construction of pig farms and start of preconstruction works on three last pig farms as part of the project with a overall capacity of **85 ths tonnes** of pork in live weight per year in the **Tambov Region**

Complete construction of the first pig farm and a breeding farm and start construction of five other pig farms and modernisation of the pig slaughtering and processing plant as part of the **Far East pork project**

Build elevator in the **Belgorod Region**

Oil & Fats Segment

PROJECTS OF 2016

- Construction of a facility for refining and deodorising vegetable oil and interesterification of fats at the Fats Plant in Ekaterinburg
- Start of construction of a new facility to refine, deodorise and package vegetable oil at the Oil Plant in Samara
- Launch of vegetable oil packaging in plastic bottles at the Fats Plant in Ekaterinburg and Oil and Fats Plant in the Primorye Territory

For details see Oil & Fats Segment section on p.46

PLANS FOR 2017

Complete construction of new vegetable oil refining, deodorisation and packaging facilities at the Oil Plant in Samara with a design capacity of **300 tonnes of oil per day**

Expand sunflower seed drying capacity

Build warehouse for finished products and supplies at Fats Plant in Ekaterinburg

Agriculture Segment

PROJECTS OF 2016

- Expansion of land area by **24 ths hectares** in the Belgorod Region, by **7 ths hectares** in the Tambov Region and by **60 ths hectares** in the Primorye Territory
- Acquisition of **90 ths hectares** of land from Razguliay Group in the Kursk, Orel and Belgorod Regions
- Purchase of farm machinery and equipement

For details see Agriculture Segment section on p.60

PLANS FOR 2017

Expand land holdings **by 20 ths hectares**, including by 10 ths hectares in the Tambov Region, and 10 ths hectares in the Primorye Territory

Build seed threshing floors and product facilities **in the Tambov, Kursk and Orel Regions and the Primorye Territory**

2. Development of Human Capital

PROJECTS OF 2016

- Launch of **the Employer Brand project** to develop and promote Rusagro Group's brand appeal as an employer to internal and outside audiences
- Introduction of **new employee training and development system** at the Company based on mentoring and coaching methods
- Introduction of system to annually **assess employee engagement** using Aon Hewitt methodology
- Implementation of **the Work with Youth programme** that calls for cooperating with industry post secondary institutions and establishing an attractive employer brand among young people

PLANS FOR 2017

Increase further **share of internal hires,** employee engagement level and reduce employee turnover rate

Implement **new programmes to work with young people,** including a Meat Segment project to attract graduates of post secondary institutions

Organise **training of successors** through the programmes to develop leadership competencies and improve skills in current positions

Continue to implement the **mentor development programme**

3. Development of Retail Brands

Sugar Segment

PROJECTS OF 2016

- Change in positioning and rebranding of **Chaikofsky** sugar
- Start of production of **Chaikofsky sugar in sticks:** white sugar, brown sugar and sugar mix
- Installation of a line at the Hercules Cereal Plant to **package** wholegrain buckwheat for the consumer market

PLANS FOR 2017

Improve logistics and planning processes in order to increase share on sugar market in **B2C and B2B sectors.**

Complete establishing distribution of **Warm Traditions TM.** Launch aggressive marketing support for Warm Traditions brand

Expand **cereal product line**

Meat Segment

PROJECTS OF 2016

- Launch of **Slovo Myasnika** (Butcher's Promise) own brand of chilled retail meat products in large and small cuts, portioned and ground

PLANS FOR 2017

Increase share of animals sent to **slaughter to 73%**

Apply 4P marketing concept to ensure growth in sales of finished products

Increase Rusagro Group's share of **packaged meat market to 20% by 2022**

Oil & Fats Segment

PROJECTS OF 2016

- Expansion of **product mix at the Fats Plant** in Ekaterinburg with production of new products in the category of mayonnaise, oil, consumer margarine and soap
- Relaunch of **Soya brand** (Primorskaya Soya) in the mayonnaise category in the high-price segment
- Launch of mayonnaise production under **Maslava** brand
- Agreements reached on entry of EZhK products into the **Chinese market,** registration of Leto Krasno margarine brand and adaptation of packaging

For details see Oil & Fats Segment section on p.54

PLANS FOR 2017

Buy two new Doypack packaging lines to increase production of **Mechta Khozyaiki** mayonnaise

Develop national distribution system and cooperation with **national retail chains**

Enter new **Asian and Middle Eastern markets**

4. Automation and Innovation

Rusagro Group is **a leader among Russian agribusiness companies when it comes to harnessing the latest technologies.** In recent years, the Group has devoted increasingly more attention to the development and introduction of innovative solutions, which it sees as a key source of long-term, sustainable growth.

Information technologies (IT) and automation of production and operating processes are becoming important tools for increasing the efficiency of the business. The transition to **precision farming technologies** means switching to intensive agricultural practices and automated production, which gradually **increases the level of control over results** by enhancing the ability to manage risks and the accuracy of forecasting. This is becoming possible thanks to technologies such as the Internet of **Things (IoT)** and **Big Data,** which help to create analytical systems for assessing and forecasting data.

Biotechnology, combined with IT tools, is another important **resource for increasing the Group's productivity.** It makes it possible to optimise methods of plant and animal selection, and breed crop hybrids and animal breeds with the most optimal combination of features. The Company is also considering using biotechnology to develop completely new consumer and industrial solutions, including processing of byproducts or organic waste into new finished products. Such goals are a key element of the Group's development and are being achieved within the context of a number of projects at business segments.

In 2016 the Company invested about 700 million roubles in information technologies that increase the efficiency of both business operations and production processes. The Company installed ERP systems in order to improve quality and control of business processes in two segments – agriculture and oil and fats. Budgeting and consolidation processes were automated at the level of the management company. Also a great deal has been devoted to attention to automated process control systems (APCS) as the main support for the production cycle. Information obtained from these systems is actively used for analysing the efficiency of operations. Another important project for the IT segment was the integration of existing information systems. For instance, in the agriculture segment, essential crop monitoring information from various systems was consolidated in the Agronomist Workstation, making it possible to more quickly monitor data from crop fields and make more balanced decisions.

Given existing threats in the area of information and communication technologies, the Companyfocused considerable efforts on ensuring Rusagro Group's **information security** In 2016, the Company:

- Formulated an information security strategy
- Ensured compliance with legislation concerning protection of personal data
- Arranged protection for commercial information networks and APCS

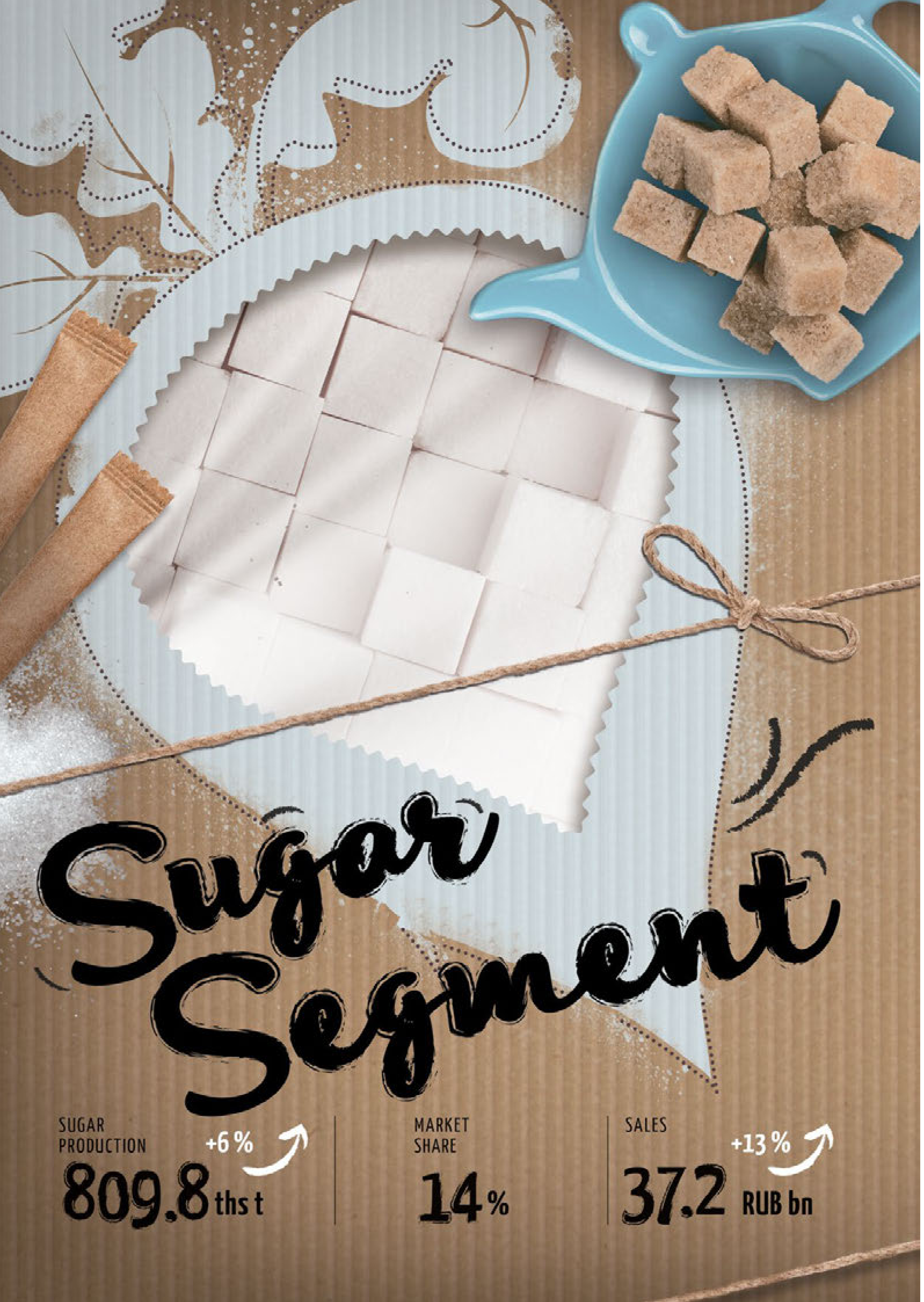
Introduced a risk-oriented approach to mapping and executing management processes and ensuring information securityRusagro Group is continually working to increase the efficiency and automation of processes to manage vulnerabilities and information security incidents in order to prevent, and promptly identify and investigate them. In the next two years the Company plans to build its own Security Operations Centre, which will constitute a combination of processes, software and hardware intended to centralise the collection and analysis of information about information security events and incidents received from various sources in the Group's IT-infrastructure, and promptly respond to them.

The Company's most important IT projects include:

- **Crop monitoring system.** The system, which is in trial operation in the Belgorod and Tambov Regions, allows to obtain up to date information on the condition of cultivated crops in order to make management decisions at the Production Department aimed at increasing crop yields.
- **Implementation of integrated monitoring system for machinery and vehicles.** The project calls for switching farm machinery and vehicles to an integrated software and hardware platform, accompanied by outfitting the fleet with monitoring systems to control the transportation of the harvest from the field to storage and processing, and to monitor fuel in tanks among other.
- **Automated quality control management system for process execution.** In the Agriculture Segment the Company carried out in the Belgorod and Tambov Regions a pilot project, to control execution of field work processes and serve as a tool to increase crop yields. The Sugar Segment introduced a blind receiving system for automated analysis of incoming beets with no human interference and the Meat Segment – automated process control system on a compound feed plant.
- **Launch of a smart farm.** A pilot project in the Tambov Region aimed at centralising automation and monitoring of key production processes on the basis of the pig farm management system, combined with the system for operational planning and production assignments issue. This approach will ensure a transition from an incident model of managing production processes to a proactive one, making it possible to obtain predictable, high quality results for finished product.

The most important projects at the convergence of IT and biotechnology include:

- **Launch of a seed breeding centre.** The Company approved a project to build a seed breeding centre in December 2016 in order to develop sugar beet hybrids suitable for the conditions of the Central Black Earth Region. The centre, which is scheduled for completion in 2018, will include an administrative and laboratory building, storage facility for selection material tissue culture labs and a molecular biology lab.
- **Development of models of animals of various breeds and crossbreeds.** In 2017 the Meat Segment plans to conduct analytical and experimental research to obtain information on model animals with maximum performance indicators. As part of these efforts, the Meat Segment intends to develop software that will make it possible to remotely assess the breeding potential of animals, develop iindices and forecast their effectiveness. The software will make it possible to significantly reduce the need for outside breeding stock and increase the stability of operations.



Sugar Segment

SUGAR PRODUCTION +6 %
809.8 ths t

MARKET SHARE
14 %

SALES +13 %
37.2 RUB bn

"In 2016 the Russian sugar market switched from the net importer to net exporter as a result of record beet sugar production. Prices, which had been falling since the start of the year due to the strengthening of the rouble, reached a two-year low in December due to overproduction. Nonetheless, the Sugar Segment managed to achieve an EBITDA margin of 26%, and in the fourth quarter to achieve EBITDA on par with the previous year's figure on the back of sales growth.
In 2017 we will focus on reducing production costs by modernising plants in the Kursk Region, increasing output of sugar from molasses and improving processes and systems at 9 sugar plants."

Market Overview

6.1 mn t +7%
SUGAR PRODUCTION IN RUSSIA IN 2016

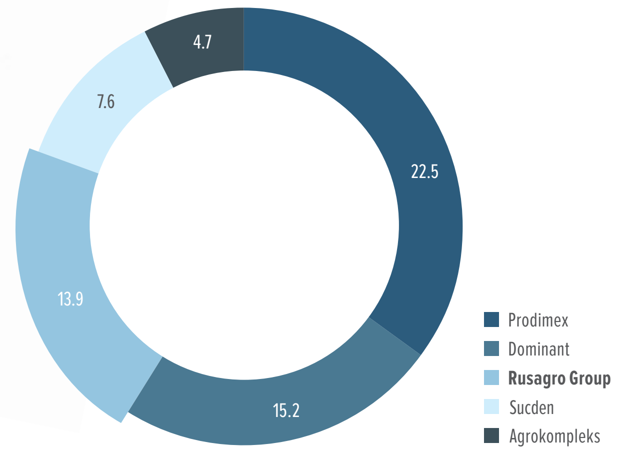
31 RUB/kg −18%
SUGAR PRICE IN DECEMBER, 2016

~100 ths t
EST. SUGAR EXPORT FROM RUSSIAN IN 2016

RUSAGRO GROUP HAS BEEN ONE OF THE TOP-3 PLAYERS ON THE RUSSIAN SUGAR MARKET FOR MANY YEARS. IN 2016 AMID GROWING DOMESTIC PRODUCTION THE GROUP MANAGED TO RETAIN ITS POSITION AS A RUSSIA'S THIRD LARGEST SUGAR PRODUCER WITH A MARKET SHARE OF 14%

LARGEST SUGAR PRODUCERS IN RUSSIA IN 2016

market share* in %



* As of the end of 2016, not including production at January-February, 2017.

Source: Soyuzrossakhar

Domestic Production

In 2016 as the result of the surge in sugar beet harvest Russia produced record high 6.1 million tonnes of beet sugar for the season reaching overproduction of est. 0.1 million tonnes

In 2016 Russia's sugar industry achieved new records of beet sugar production for the season and for the calendar year. Record high beet harvest of 2016 extended refining season, which usually runs from August to December, to February. As the result, beet sugar production in Russia jumped 20% from the previous season to 6.1 million tonnes, including 5.8 million tonnes produced in August-December, up 13.7% year-on-year.

In addition to the beet sugar Russia produced 0.3 million tonnes of cane sugar – a drop of 50% and only 5% of overall sugar produced in 2016. The plunge is explained by high sugar beet harvest and government policy on cane import duties, which reduced profitability of cane sugar production.

The hike in sugar beet harvest in 2016 has been caused by three key reasons – the increase in arable land under the sugar beet, the increase in the yields and the increase in processing capacity and productivity.

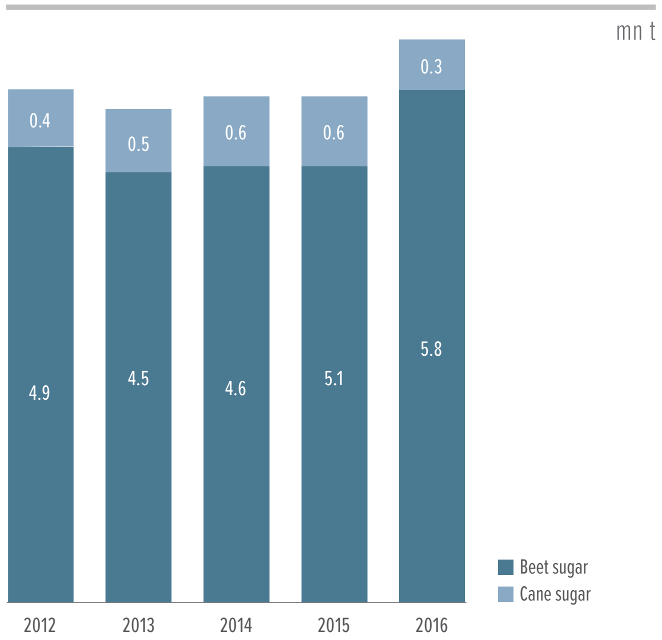
High sugar prices in 2015 encouraged agricultural sector to plant more sugar beet causing crop area to grow by 9% to 1.1 million hectares in 2016 and the gross harvest increased to 48.3 million tonnes. The average yield surged 19% to a record 46.7 tonnes/ha, in part thanks to favourable weather conditions. The high level of moisture, however, reduced sugar content to 16% from 18% a year earlier.

Meanwhile, the expansion of beet processing capacity and the industry's high productivity have been the result of investments made in recent years and the ongoing modernisation of the industry. In the past five years the beet sugar industry's productivity has grown from 4.1 tonnes/ha to 5.3 tonnes/ha.

Only nine of the Russia's 21 beet processing regions managed to finish refining by January 2017. Overall, sugar beet in the country is processed at 75 plants in 21 regions, six of which – the Krasnodar Territory and the Voronezh, Tambov, Lipetsk, Belgorod and Kursk Regions – account for the bulk of production. The Krasnodar Territory, which has favourable soil and climatic conditions for growing sugar beet, produces about a quarter of Russia's sugar.

Average per capita sugar consumption in Russia is one of the highest in the world, and total consumption is estimated at more than 5.7 million tonnes. In 2016, as a result of a decline in living standards and increase in direct consumption of sugar, average per capita consumption rose slightly to 39 kg.

SUGAR PRODUCTION IN RUSSIA



Source: Rosstat, Soyuzrossakhar

5.7 mn t
SUGAR CONSUMPTION IN RUSSIA IN 2016

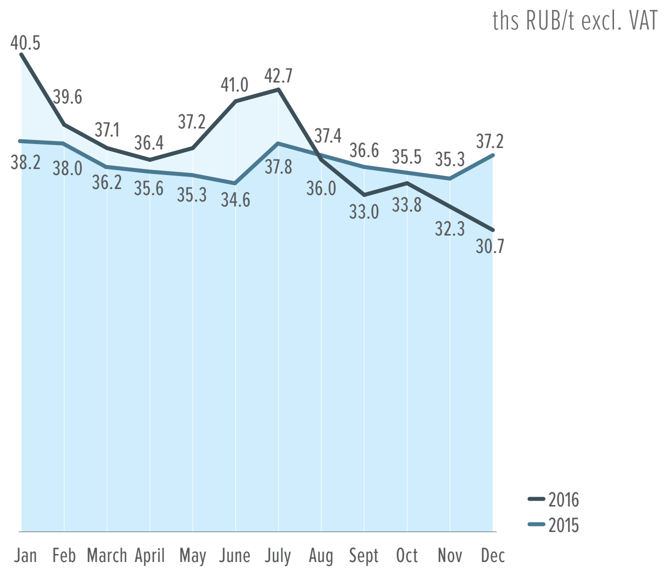
95%
OF SUGAR IN RUSSIA PRODUCED FROM THE BEET IN 2016

Prices

The high volume of sugar production amid limited possibilities for export led to a drop in wholesale sugar prices in 2016

In 2016 the seasonal slump in prices in August-December was deeper than usual. Wholesale prices dropped 28%, from 42.7 ths roubles per tonne to 30.7 in December, reaching a two-year low of 30.7 ths roubles per tonne.

AVERAGE ISCO PRICE*



** Based on the Krasnodar Region pricing*
Source: IKAR

Imports

In 2016 Russia imported 530 ths tonnes of sugar – almost twice less than a year before

Russia was the biggest importer of sugar in the early 2000s, importing 6.2 million tonnes in the 1999/2000 season. The development of the beet sugar industry thanks to the government support and the implementation of the Beet Sugar Subsector Development programme in 2010-2015 made it possible to drastically reduce sugar imports.

While in 2015 Russia imported 445 ths tonnes of white sugar and 507 ths tonnes of raw cane sugar, in 2016 imports of white sugar fell by 39% to 270 ths tonnes and fell twice for cane sugar to 260 ths tonnes.

Most of Russia's raw cane sugar is imported from South America, and the leading importers are Grasp, Sucden and Rusagro Group. Almost all white sugar imports – 83% – come from the CIS countries, particularly Belarus (250 ths tonnes).

Exports

High sugar production level of 2016 led to the surge of export, which is still far below its potential est. at 700 ths tonnes

The record amount of sugar production in 2016 allowed to dramatically increase export of sugar. Russia exported around 100 ths tonnes of sugar, while overall export potential is estimated at the level of 700 ths tonnes. The traditional buyers of Russian sugar are the CIS countries, as well as Afghanistan and Mongolia. The largest amounts are exported to Kazakhstan and Tajikistan.

The main competitor to Russian sugar on the world market is sugar from Ukraine, the surplus of which is estimated at 400 ths tonnes in 2016. The country's WTO quota for duty-free imports of 270 ths tonnes of raw cane sugar ensures low domestic sugar prices in Ukraine and its presence on other markets.

Russia remains a substantial exporter of molasses and granulated beet pulp due to the underdevelopment of the domestic market, despite growth in consumption of molasses for desugarisation, feed, yeast, alcohol and other uses. Russia is expected to export about 30% of the molasses it produced in the 2016/2017 season.

Assets

THE GROUP'S SUGAR BUSINESS IS REPRESENTED BY 9 SUGAR PLANTS AND 1 CEREAL PLANT LOCATED IN THE CENTRAL RUSSIA. IT OWNS 4 SUGAR BRANDS WITH LEADING POSITIONS ON THE RUSSIAN RETAIL MARKET

Production Assets

In 2016 the Group expended its sugar beet processing capacity by 13.1 ths tonnes per day through acquisition of 3 sugar plants and launched desugarisation line

The Group's sugar business comprises nine sugar production plants located in the Tambov, Belgorod, Kursk and Orel Regions, near the sugar beet cultivation areas of the Group's agriculture business.

The sugar plants are equipped to process both sugar beet and raw cane. The plants have combined sugar beet processing capacity of 50.4 ths tonnes per day, including:

- 16.3 ths tonnes per day in the Belgorod Region;
- 21.0 ths tonnes per day in the Tambov Region;
- 7.7 ths tonnes per day in the Kursk Region;
- 5.4 ths tonnes per day in the Orel Region.

Since 2016 the Group also operates a cereal plant Hercules in the Voronezh Region. The mill specialises in producing buckwheat, oats and rolled oats. It also dries, processes, stores and ships grains, cereals and oilseed crops and corn. The plant has capacity to process 45 ths tonnes of buckwheat and 20 ths tonnes of oats per year.

In 2016 sugar beet processing capacity increased by 43% with the acquisition of three plants in the Kursk and Orel Regions with capacity of about 13.1 ths tonnes per day. Moreover, the Group carried out a number of projects in 2016 to expand capacity at its sugar plants. Beet processing capacity was increased to 8.0 ths tonnes per day from 6.5 ths tonnes at the Znamensky Plant and to 5.5 ths tonnes per day from 5.0 ths tonnes at the Nika Plant.

In 2016 the Group launched a molasses desugarisation line at its Znamensky Plant with sugar production capacity of up to 40 ths tonnes.

The Group significantly improved the efficiency of its production facilities ahead of the 2016 season, modernising pulp drying facilities at the Znamensky and Nikiforovsky Plants and launching a pulp drying facility at the Chernyansky Plant. As a result, pulp production at Group plants increased by 45.9 ths tonnes and the amount of waste decreased considerably. Another notable project was the introduction of frame beet pile covers at the Znamensky Plant, which made it possible to extend the processing season at the plant by improving storage conditions for beets.

2.5 RUB bn

CAPEX IN 2016

50.4 ths t/day

SUGAR BEET PROCESSING CAPACITY

NEW PROJECT:

Launch of molasses desugarisation line at Znamensky Sugar Plant

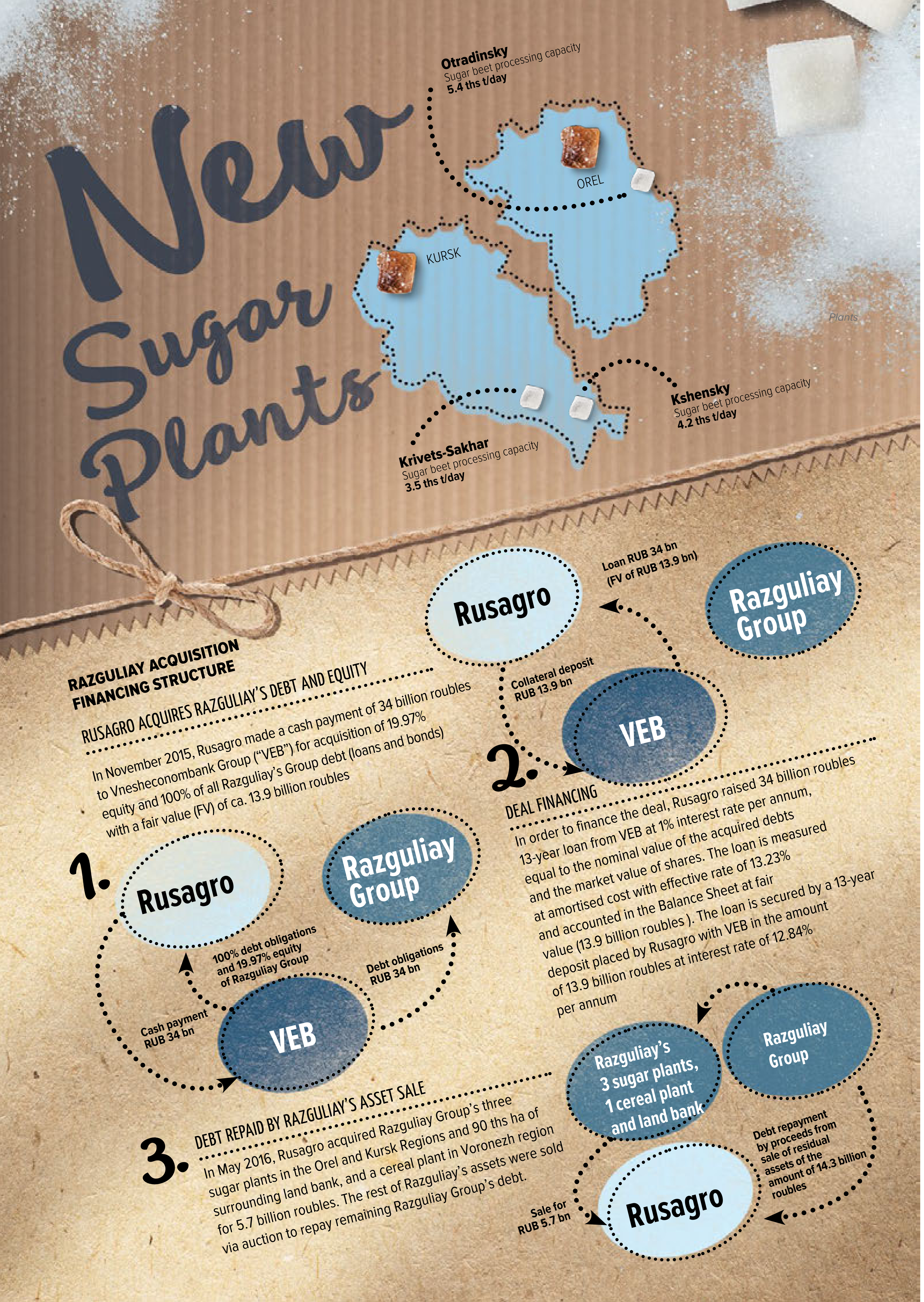
In 2016 the Group launched a molasses desugarisation line at its Znamensky plant with a capacity to process 100 ths tonnes of molasses.

Project cost: 2 billion roubles

Desugarisation is a method of extracting sugar from molasses that significantly reduces sugar losses in beet processing. The project at the Znamensky Plant is only the second example of this technology implementation in Russia. It may increase sugar production at the plant by up to 40 ths tonnes.

The project will make it possible to start producing European quality extra fine sugar, opening up new sales opportunities for the Group, including supplying sugar to large soft drinks producers.

The technology also involves the annual production of about 4 ths tonnes of betaine – a byproduct of extraction, which is an amino acid used in production of compound feed, pharmaceuticals and cosmetics.



Brands

Represented in B2C segment by 1 packaged cereals brand and 4 sugar brands, the Group continues to hold leading positions in Russian sugar retail market

In line with the Group's general strategy, the sugar division continues to vigorously promote its own brands and expand its presence in all segments of the pressed and packaged sugar market. The Group's product portfolio is represented by four brands in various price categories: Russkii Sakhar, Chaikofsky, Mon Café and Brauni.

Constantly working on launching new products in the sugar category, the Group began producing portioned sugar sticks under the Chaikofsky brand in 2015 and became the first to launch sugar sticks in three formats – white sugar, cane sugar and assorted sugar – on the retail market.

Russkii Sakhar, Chaikofsky and Brauni are the most popular brands among Russian consumers, both according to an AC Nielsen retail audit and consumer preference tracking studies done by independent research company Synovate Comcon. Rusagro Group's brands have the highest brand awareness, consumption and loyalty ratings.

For instance, Russkii Sakhar has 93% brand awareness level, which is 4% higher than previous year. The Russkii Sakhar, Chaikofsky and Brauni brands hold leading market positions in their segments, with market shares of respectively 33%, 11% and 29% by volume.

The Group's long-term development strategy calls for the continuous development and promotion of the sugar division's own brands.
To achieve this goal, in 2016 the Group decided to change the positioning of the Chaikofsky brand to reflect reviewed communication strategy and design of the brand.

Product Mix

Russkii Sakhar

since 2010

Low price segment

- White sugar cubes
- White sugar crystals

Chaikofsky

since 2003

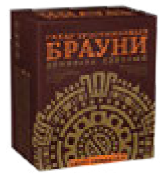
Middle price segment

Extra grade sugar

- White sugar cubes
- White sugar crystals
- White and brown sugar in sticks

Brauni

since 2008



High price segment

- Brown granulated sugar
- Brown pressed sugar

Mon Café

since 2008

High price segment

Extra grade sugar

- Shaped sugar

Tyoplye Traditsii TM

- Wholegrain buckwheat

- Short grain rice
- Long grain partboiled rice
- Long grain polished rice

Rusagro Group's sugar division began working in the new, promising category of cereals in 2015. The Group began packaging long grain raw rice in transparent wrap without a brand name in May 2015, and in December 2015 presented the new brand Tyoplye Traditsii (Warm Traditions).
The Group now produces four types of packaged cereals under this brand. Tyoplye Traditsii products underwent an independent evaluation by the Russian System of Quality (Roskachestvo) and were awarded the Product of Superior Quality seal (Safe product of high quality that meets the GOST R Russian System of Quality standard).

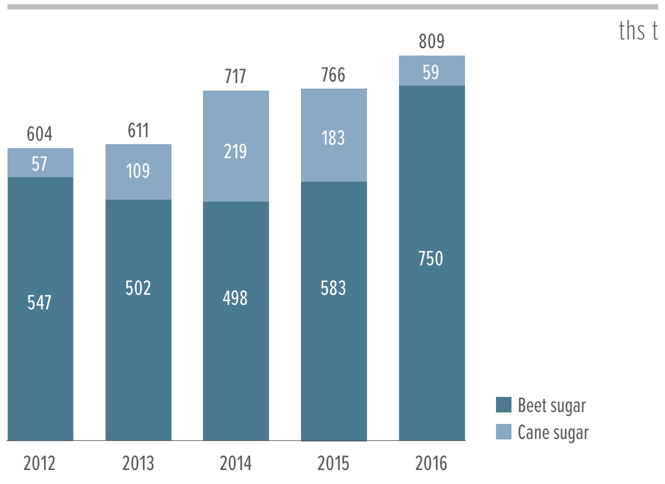
Results in 2016 and Plans for 2017

Results in 2016

Despite lower selling prices in 2016 sugar business increased its revenue by 13% while EBITDA diminished to 9.6 billion roubles due to the rapid growth of costs from capacity expansion

Rusagro Group has produced 898.5 ths tonnes of beet sugar in the 2016/2017 season, 53% more than in the 2015 season. From August to December the Group produced 750.4 ths tonnes of beet sugar, which is 29% more than in the previous season. Meanwhile, because of the record sugar beet harvest, the production of cane sugar fell by two thirds. Two plants in the Tambov Region produced cane sugar in 2016.

RUSAGRO GROUP SUGAR PRODUCTION



Source: Company data

The Group's sales in the sugar business grew by 13% to 37.2 billion roubles in 2016 from 32.9 billion roubles in 2015. Adjusted EBITDA dropped by 13% to 9.6 billion roubles from 11.1 billion roubles in 2015.

Sugar sales volume grew by 11% to 866.3 ths tonnes with the average factory gate price of sugar produced by the Group's plants reduced by 2% to 39.4 ths roubles per tonne. In the course of the year the Group ramped up sales to commercial customers, by 24% to 307.9 ths tonnes. At the end of the year the Group reached an agreement on cooperation in supplies of European quality extra fine sugar.

An important development in 2016 was the Group's entry into the export markets of Kazakhstan, Turkmenistan, Tajikistan, Afghanistan and Sri Lanka. Shipments began at the end of the year and totalled 5.8 ths tonnes. The Group plans to increase shipments to foreign customers significantly in the coming year.

Sales in the B2C sector grew by 7% to 275.3 ths tonnes in 2016, strengthening the Group's position as the undisputed leader in the B2C segment. The Group's market share by volume was 11% in the 'all sugar' category and 43% in the 'pressed sugar' category, according to a Nielsen retail audit. The Russkii Sakhar brand, which accounted for 96% of B2C sales, demonstrated strong growth in the consumer indicators of brand awareness, consumption and loyalty in 2016.

The Group sold 24.7 ths tonnes of cereal in 2016, including 12.0 ths tonnes of rice, 10.0 ths tonnes of buckwheat and 2.7 ths tonnes of rolled oats. Sales of branded products, Tyoplye Traditsii cereal, totalled 2.3 ths tonnes.

~900 ths t +53%
BEET SUGAR PRODUCED IN 2016/2017 SEASON

59 ths t -68%
CANE SUGAR PRODUCED IN 2016

Plans for 2017

In 2017 the Group will focus on cost management and production efficiency enhancement through plant modernisation and new technologies, and on retail brands development

In an environment of heavy competition, which intensified due to last year's record sugar production, Rusagro Group continues to focus on innovative development. The Group intends to move closer to its goal of becoming a world leader in efficiency and production practices, and will continue to actively develop in this direction.

The Group plans to increase the productivity of its plants in the Kursk Region in 2017 and 2018. Beet processing capacity at the Kshensky Plant will grow to 4.5 ths tonnes and then to 5.0 ths tonnes per day respectively.

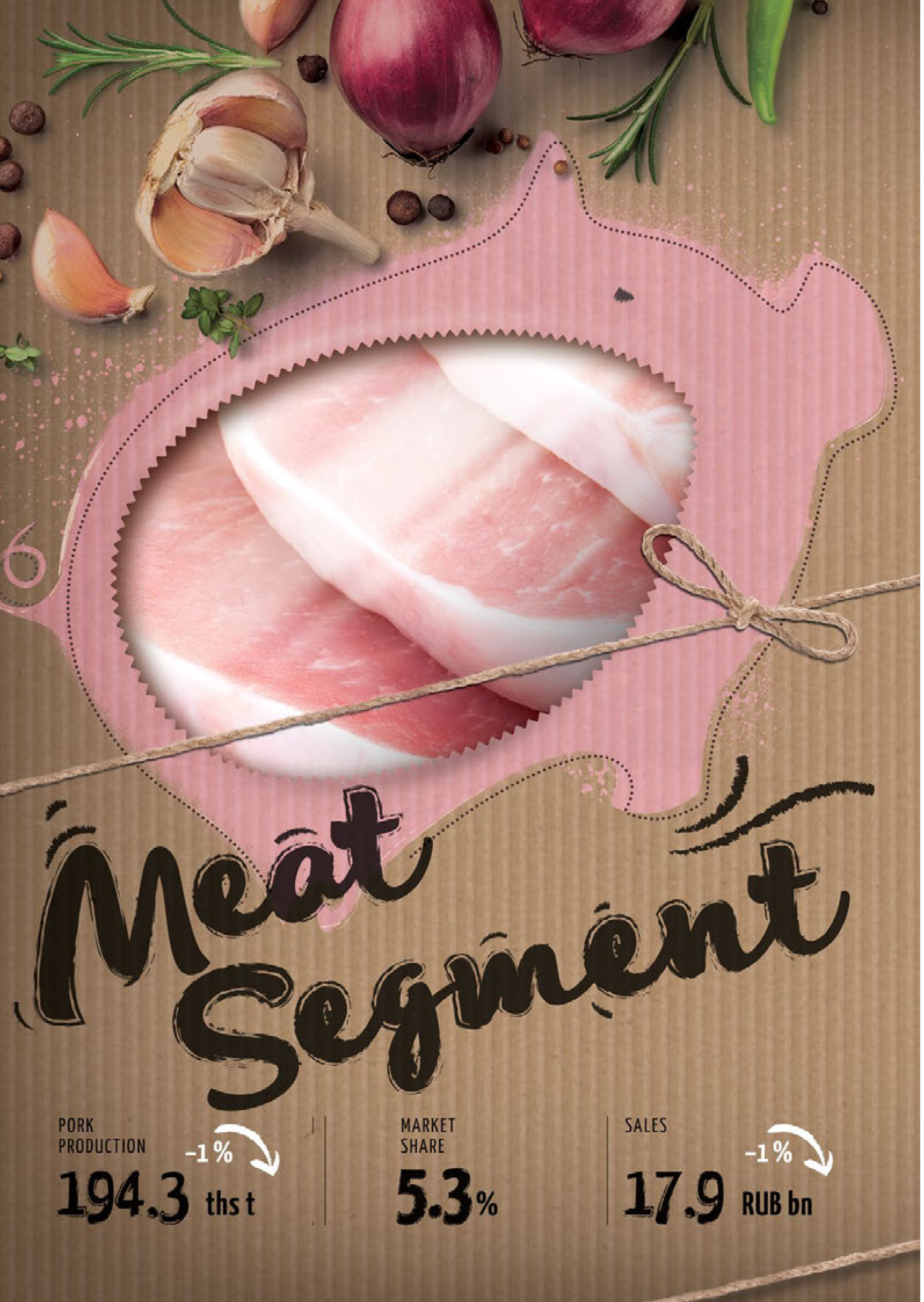
The Group will begin an overhaul of the Krivets-Sakhar Plant in 2017 that will be completed in 2018, increasing its capacity to 5.3 ths tonnes per day in 2017 and then to 6.0 ths tonnes per day in 2018. The Znamensky Plant will open a sugar silo with capacity for 60.0 ths tonnes in the second half of 2017, which will enable it to expand storage capacity as well as ship bulk product.

Rusagro Group plans to expand cereals processing capacities and to install a packaging line at Hercules with capacity of 35.0 ths tonnes per year.

Based on the results of a molasses desugarisation project at the Znamensky Plant, the Group will consider the possibility of launching a line in another region.

In 2017 the Group is planning a number of automation projects and will also consider replicating a project to introduce a Japanese technology for covering beet piles for long-term storage.

Efforts will be made to further improve logistics and planning processes to achieve sustainable results in growth of sales and market share in the B2C and B2B segments. Improving processes in distribution and implementing best practices will enable the Group to widen its lead over competitors in the B2C segment. Another priority will be to enter Asian markets with consumer products.



Meat Segment

PORK PRODUCTION -1% **194.3** ths t

MARKET SHARE **5.3**%

SALES -1% **17.9** RUB bn

"Government policy in the area of food security and the epizootic situation created favourable conditions for domestic producers in 2016. Domestic pork production in 2016 neared the level of consumption, leading to the price decline.
We launched the meat processing plant in 2016, and while the average EBITDA margin for the year decreased, in the fourth quarter we already managed to bring this figure back up to the 2015 level of 26%.
In 2017 we will continue to implement investment projects in the Primorye Territory and Tambov Region, as well as focus on increasing the efficiency of existing capacity, including through the introduction of advanced technologies and innovations."

Market Overview

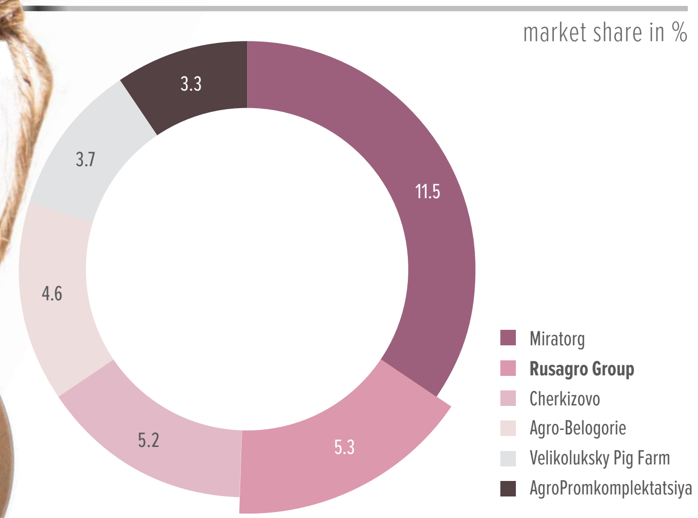
3.4 mn t +9%
PORK PRODUCED IN RUSSIA

91 RUB/kg -8%
AVERAGE MARKET PRICE FOR LIVESTOCK

~64 ths t
RUSSIAN PORK EXPORTS

RUSAGRO GROUP HAS BEEN ONE OF THE TOP FIVE COMPANIES ON THE RUSSIAN PORK MARKET SINCE 2010. FROM 2012 TO 2016 THE GROUP MANAGED TO INCREASE ITS MARKET SHARE FROM 3.2% TO 5.3% AMID GROWING RUSSIAN PORK MARKET AND BECOME THE SECOND LARGEST COMMERCIAL PORK PRODUCER IN THE COUNTRY

LARGEST RUSSIAN PORK PRODUCERS IN 2016



Source: National Pig Producers Union

Domestic Production

In 2016 due to the growth of industrial sector Russia increased its pork production by 9% to 3.4 million tonnes reaching self-sufficiency level of 94%

Today Russia is the fifth largest pork producer in the world. In 2016, pork production in Russia increased by 9% to 3.4 million tonnes in slaughter weight. A key factor driving the industry's growth in recent years has been the policy of import substitution, as well as the Government Agriculture Development Programme for 2013-2020.

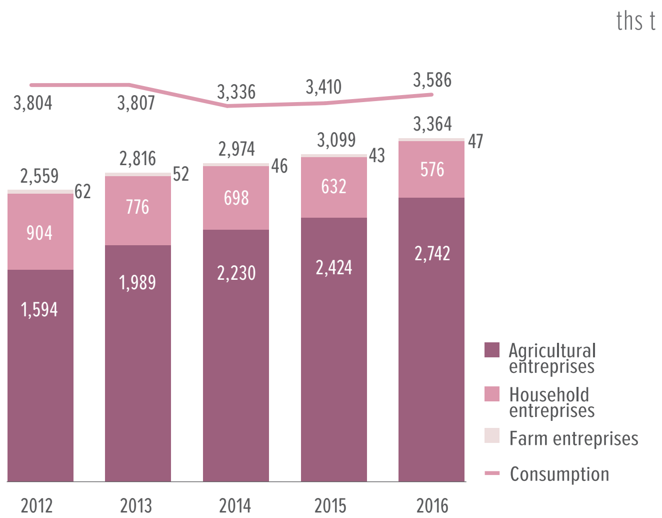
Russia's main pork producing region has historically been the Central Federal District. Production in this region totalled an estimated 1.6 million tonnes in 2016 and its production surplus was more than 520 ths tonnes, making it a key supplier of meat to other regions of the country.

Large agricultural enterprises account for most of the growth in production and their market share has been growing in recent years, while production at farm and household enterprises has declined. As the result, in 2016 industrial farmers accounted for 81% of total pork production, compared to 62% in 2012.

This trend reflects low competitiveness of small producers and their failure to meet biosecurity requirements. In 2016 farm and household entreprises were at the centre of African swine fever (ASF) outbreaks. Financial losses from ASF both led to the market exit of a number of non-industrial farmers, and had a negative impact on the leading market players.

Domestic production covers 94% of domestic pork demand. In 2016 Russians' per capita consumption of the meat grew to 72 kg per capita, including 24 kg of pork.

PORK PRODUCTION IN RUSSIA BY ALL PRODUCERS IN SLAUGHTER WEIGHT



Source: Rosstat, Company estimate

Prices

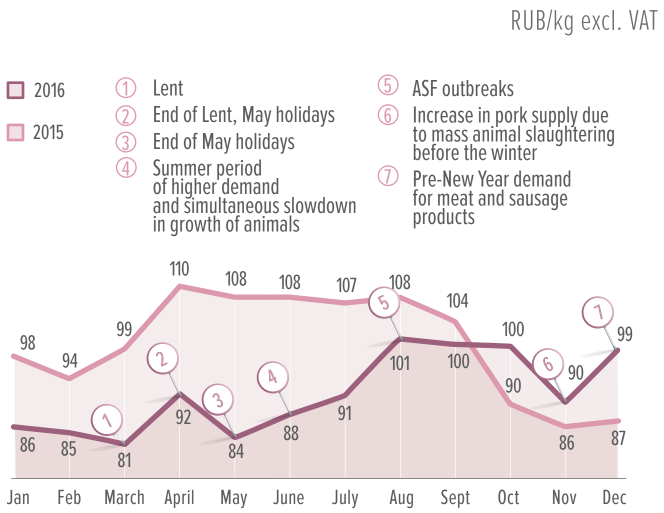
Market saturation partly balanced by the ASF outbreaks and consumption recovery caused the average market price for livestock to fell 9% to 91 RUB/kg

In 2016 the average market price for live pigs fell 9% to 91 RUB/kg excluding VAT from 100 RUB/kg excluding VAT in 2015.

Overall, prices mostly corresponded to seasonal trends with the exception of the third quarter. For the first six months of the year, prices for live pigs were on average 16% lower than in the same period of 2015 due to the growth of pork and poultry production amid slow development of exports.

Meanwhile, in July-October prices began to climb rapidly as a result of frequent ASF outbreaks that led to an artificial shortage of live pigs. Consequently, in the fourth quarter, instead of an expected drop in prices, the market saw growth that exceeded 2015 figures.

AVERAGE MARKET PRICES FOR LIVESTOCK IN RUSSIA IN 2015-2016



Source: Company data

Imports

Russian government import policy and agriculture industry support decreased pork import by 77% since 2012 to less than 287 ths tonnes

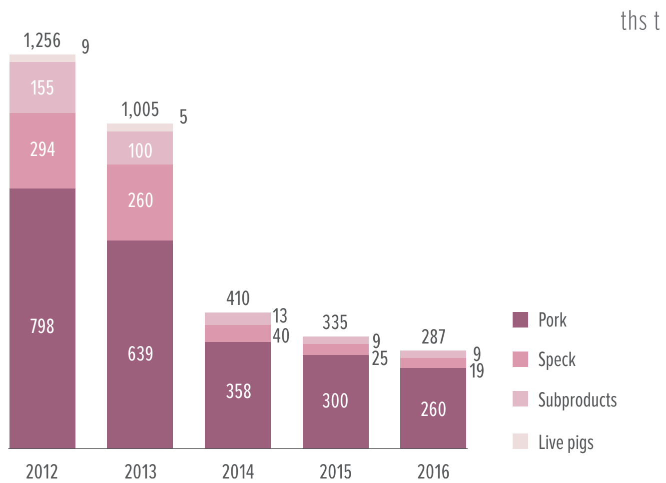
Russia imposed a food embargo in 2014 that restricted imports of certain types of agricultural products. The restrictions applied to meat from the European Union, the United States, Canada, Australia and some other countries that together accounted for about 85% of Russian imports of pork, speck and subproducts in 2013.

Accompanied by the government support for domestic production, import restrictions gave an additional push to the development of Russian livestock farming and made pork imports plunged by 77% in the period from 2012 through 2016. According to preliminary estimates, in 2016 Russia imported only 287 ths tonnes of pork. Boneless leg and shoulder accounted for the largest share of these imports, making up 30% and 23% respectively.

Latin American countries with low cost production and tax breaks, remained the main exporters of pork to Russia in 2016. The depreciation of the real helped Brazilian pork to become more competitive on the Russian market and reach 93% of the country's pork imports and 55% of subproduct imports. Chile, the United States and Argentina are the key suppliers of speck – together they accounted for more than 70% of these imports.

As a result of the drop in imports, Russia fell to the sixth place in the ranking of leading pork importers, behind China, Japan, Mexico, South Korea and the United States.

RUSSIAN PORK IMPORTS IN SLAUGHTER WEIGHT IN 2016*



** Including trade within the Customs Union*

Source: Federal Customs Service of Russia, Company estimate

Exports

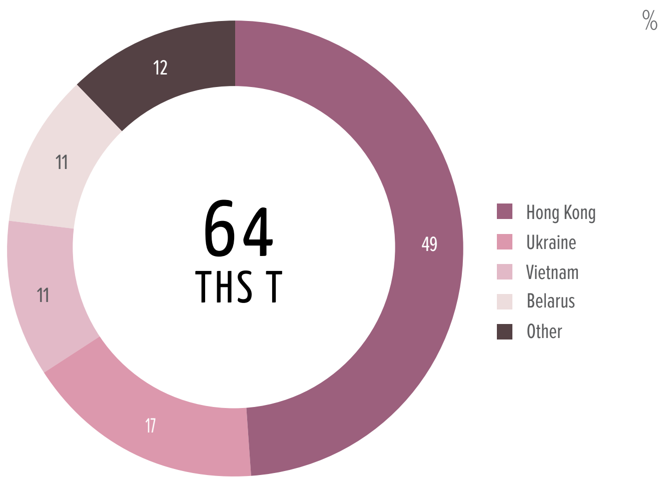
In 2016 Russian pork export surged threefold to 64 ths tonnes comprising mostly of subproducts and with its further growth dependent on opening Asian markets

Russia exported 64 ths tonnes of pork and subproducts in 2016, almost three times more than in 2015. Subproducts made up more than 65% or 42 ths tonnes of these exports. The main markets were Hong Kong, Ukraine, Vietnam and Belarus, which accounted for 88% of total exports.

A focus on exports is one of the main objectives for the industry given the continued growth of production and continuous market saturation. The most promising markets for developing Russian pork exports are East Asia (China, Japan and South Korea) and Southeast Asia (the Philippines, Thailand and Vietnam). According to preliminary estimates, together these countries imported more than 7 million tonnes of pork (including processed meat products) in 2016. Moreover, residents of China and Southeast Asia have historically had a strong appetite for subproducts that are unpopular in Western countries.

However, the potential for pork exports is still constrained by problems in the organisation and work of the veterinary service, shortcomings in the regulatory framework for ensuring biosecurity and epizootic safety, as well as by the needs to promote the interests of Russian producers on export markets at the government level.

RUSSIAN PORK EXPORTS (FROZEN AND CHILLED MEAT, SUBPRODUCTS) IN 2016*



** Including trade within the Customs Union*

Source: Federal Customs Service of Russia, Company estimate

Assets

ASSETS OF THE GROUP'S MEAT BUSINESS ARE COMPRISED OF COMMERCIAL PORK PRODUCTION ASSETS LOCATED IN THE CENTRAL RUSSIA AND IN THE FAR EAST AS WELL AS A RECENTLY LAUNCHED BRAND OF RETAIL PORK "SLOVO MYASNIKA"

Production Assets

In 2016 the Group announced new expansion project in the Tambov Region and started construction of two first pig farms and a feed plant in the Far East

The Group's meat business is comprised of commercial pork production companies Tambov Bacon, the business includes devisions located in the Tambov Region and Belgorod Region, and Rusagro-Primorye in the Primorye Territory, the Far East.

Tambov Bacon

Tambov Bacon is a vertically-integrated pork production that includes pig farming and breeding complexes, compound feed plants, a slaughterhouse and a meat processing plant, as well as a waste utilisation facility.
The company's operations are located in the Tambov and Belgorod Regions, close to elevators owned by the Group, on its own agricultural land.

Each pig farm is a modern, environmentally safe facility that operates according to international standards and uses the latest scientific and technological advancements in pig farming. The company operates in compliance with the principles of environmental stewardship and established regulations and standards.

Compliance with biosecurity requirements is a priority at the farms. All production sites are closed off and equipped with disinfectant barriers for vehicles and sanitation stations for staff.

The farms have manure removal and waste management systems that produce organic fertiliser for the Group's farmland, creating synergy between the two divisions by increasing crop yields while maintaining soil fertility and saving money on mineral fertilisers.

The feed plants have two production lines that produce granulated compound feed recipes for animals at all stages of the production cycle and laboratories with state-of-the-art equipment for the analysis of physical, technical and chemical analysis.

The slaughterhouse and meat processing plant consist of four departments – a slaughtering line, chilled meat packing department, production of chilled processed products, including deboning line, and a rendering plant – and includes all stages of processing and production of finished goods. The plant uses modern pig slaughtering method which is extremely hygienic and safe, has an ergonomic workflow and minimised stress for the animals. The integrated rendering plant processes non-food waste from the slaughterhouse and Tambov Bacon's pig farming operations.

8.0 RUB bn
CAPEX IN 2016

198 ths t
PORK PRODUCTION CAPACITY

Rusagro-Primorye

In 2016 Rusagro Group began implementing the largest project in the region to build a vertically-integrated pig farming complex in the Russian Far East. The new production facility will be located in the Mikhailovsky District of the Primorye Territory, in the Mikhailovsky priority development area (PDA).

At the beginning of 2017, the Group has made strategic decision to accelerate its market entry and approve the purchase of a slaughterhouse building in Ussuriysk, while postponing the construction of the larger slaughterhouse until Asian markets are open for Russian pork export.

As the result, the Group will be able to enter the Far East market two years earlier in 2019 with 25 ths tonnes and reaching full production capacity of 64 ths tonnes of pork in live weight in 2021. The pork will be processed at the slaughterhouse. Its product mix will include large cuts and subproducts – 41 and 7 ths tonnes respectively.

Sales will be targeted at the domestic market of the Far East with estimated current deficit of 75% and significant dependence on supplies from other regions. The structure of the market shows relatively weak competition with top-5 players producing 14 ths tonnes of pork in live weight per year. In 2016-2017 the price level for livestock in the region is at 75% premium to price level of the central Russia. With the Group entering the market and the capacity increase of current producers the premium will gradually decrease to 20% in 2022.

Overall capital expenditures for the new project configuration will be of around 20 billion roubles excl. VAT, including 4 billion invested in 2016.

By the end of 2016, the Group acquired 86 ths hectares of land in the Far East to supply its feed plant with own corn and soybeans.

Overall, the Group is considering to launch three phases of pig farms, expanding pork production to 340 ths tonnes in live weight. The project further expansion will be aimed at exporting products to Asian countries such as China, Japan and South Korea. In 2016 Japan opened its market for Russian heat-treated meat.

In order to successfully achieve this goal, the Group is devoting attention to finding strategic partners in Asian countries. In December, 2016 the Group signed a Memorandum of Understanding with Mitsui & Co, Japanese corporation, to acknowledge mutual intentions for cooperation in the development of business and export operations.

Brands

In 2016 the Group launched its first pork brand Slovo Myasnika (Butcher's Promise) and entered consumer meat market

The Group's meat business is represented by the brand Slovo Myasnika (Butcher's Promise) launched in 2016. By the end of the year Slovo Myasnika products were being shipped to the national retail chains Metro, X5, Magnit and Lenta, as well as to independent retailers.

Entering the retail market has been an important step for the Group and when developing its own brand, it focused on key consumer needs: fresh meat produced in Russia, raised and packaged with continuous quality control at each stage, and properly butchered according to the animal's anatomy.

When constructing its chain matrices, category management takes into account both the format of stores and size of shelves, as well as the category structure of its main competitor at each chain. The Group plans to revise and update matrices annually.

The communication strategy for the Slovo Myasnika brand is implemented in two stages. In the first stage, BTL communication supports the growth of distribution and ensures growth of sales volumes. The effect of sales growth from the expansion of distribution will begin to decline by the end of 2017, necessitating another type of marketing communication aimed at increasing product turnover and brand awareness to maintain the pace of sales growth. The integration of consistently implemented key strategies of the 4Ps of marketing – price, product, promotion and place – will make it possible to achieve synergies and ensure steady growth of sales and targets. The Group plans to win an 18% share of the packaged meat market in the next four years and increase this figure to 20% in 2022.

Product Mix

Large cuts

- Neck
- Loin
- Shoulder
- Tenerloin
- Loin bone-in
- Leg, etc.

Portioned cuts

- Chops
- Neck steaks
- Boneless chops
- Schnitzel

Small cuts

- Frying and stewing
- Diced
- Meat for skewers

Ground

- Homestyle
- Pork
- For patties
- Classic

Results in 2016 and Plans for 2017

Results in 2016

In 2016 meat business showed stable levels of production and sales, while its EBITDA decreased by 48%

The Group produced 194.3 ths tonnes of pork in live weight in 2016, about the same as in 2015. Feed plants increased production by 3% in 2016 to 597.8 ths tonnes of compound feed.

The meat business’s sales dropped by 1% to 17.9 billion roubles in 2016 from 18.1 billion roubles in 2015 as the Group reduced sales of live pigs and pork prices fell. EBITDA totalled 4.0 billion roubles.

The structure of the Group’s production and sales changed significantly with the launch of the slaughterhouse, as the share of processed pork increased dramatically.

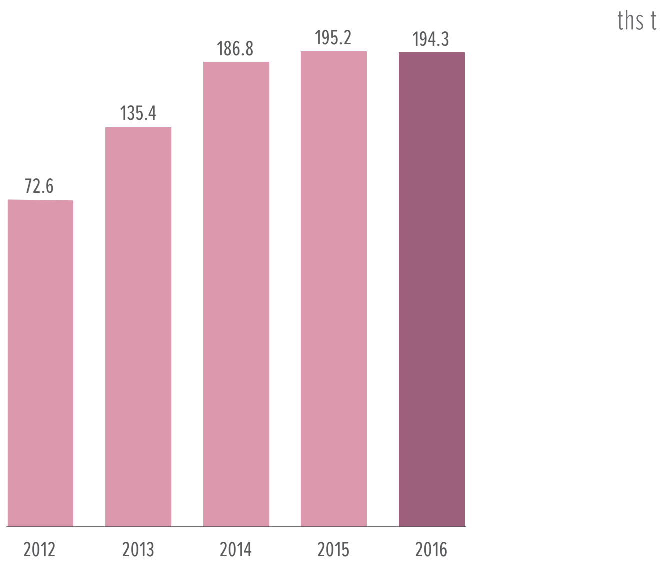
Sales of live pigs dropped by 46% to 75.8 ths tonnes in 2016, while sales of other products soared. Sales increased sevenfold to 42.2 ths tonnes of large cuts, 33% to 31.9 ths tonnes of carcass and fivefold to 6.4 ths tonnes of subproducts. The Group also sold 126 tonnes of chilled meat cuts.

The Company sold most of the pork it produced within Russia, to businesses and organisations in 29 regions. More than 45% of products were sold in the Central Federal District and about a third were sold in the Volga Federal District.

An important development in 2016 was the Company’s entry into the markets of Vietnam, Hong Kong and Africa (Ivory Coast and Angola). Exports to these countries totalled 1.3 ths tonnes of subproducts and large cuts for the year.

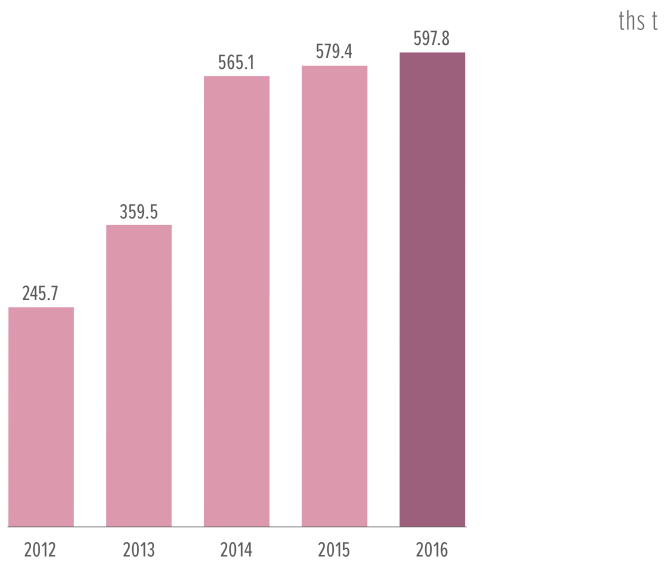
The average price of pork in live weight sold by the Group fell by 8% to 91.7 roubles excluding VAT per kg in 2016 from 99.4 roubles in 2015. The annual average price for carcasses dropped 1% to 125.3 roubles per kg from 127.7 roubles.

RUSAGRO GROUP PORK PRODUCTION IN LIVE WEIGHT 2012-2016



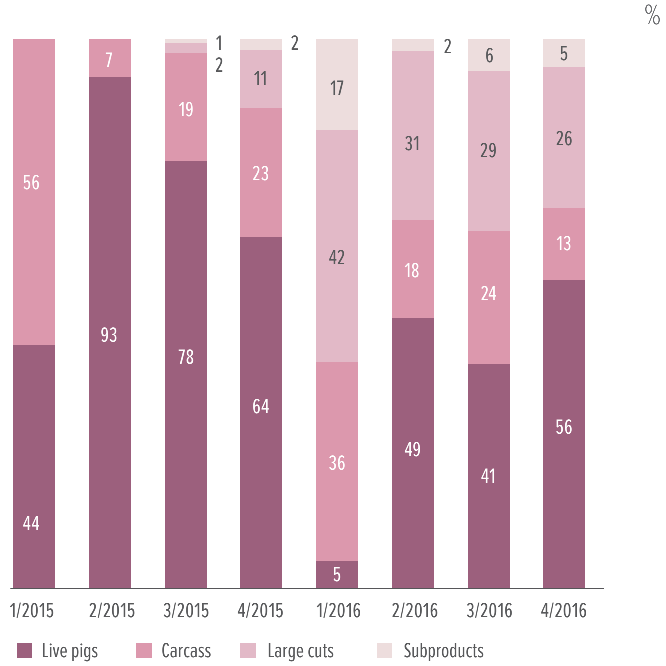
Source: Company data

RUSAGRO GROUP COMPOUND FEED PRODUCTION 2012-2016



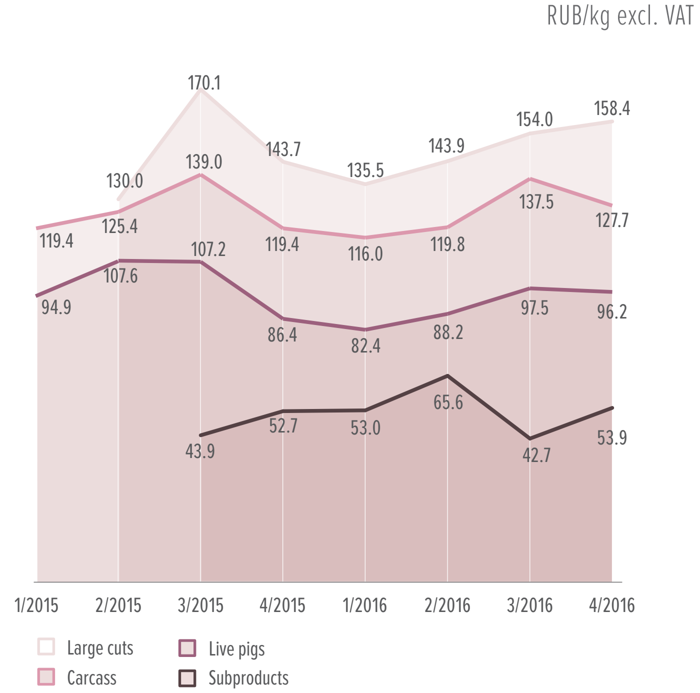
Source: Company data

BREAKDOWN OF RUSAGRO GROUP SALES BY PRODUCT 2015-2016



Source: Company data

AVERAGE SELLING PRICE OF RUSAGRO GROUP PORK 2015-2016



Source: Company data

Plans for 2017

In 2017 the Group’s meat business will continue to focus on increasing efficiency of current production sites, improving margins from processed meat and delivering expansion projects up to schedule

The Group plans to increase pork production to 204.0 ths tonnes in live weight in 2017. This figure will exceed the design capacity of pig farms and will be achieved by increasing productivity and operational efficiency.

Management, control and reduction of production costs, as well as a system of continuous improvement will enable the Group to reach the targeted level of production efficiency and increase profitability.

Rusagro Group will continue to reduce sales of live pigs in 2017 and focus on production of slaughtered pork and meat cuts for processing plants and retail chains. The Group plans to increase the share of animals it slaughters to 73% in 2017 from about 52% at present.

The ultimate volume of production of processed pork will be determined by the market conditions and demand. The development of sales of packaged products, in turn, will depend on the consistency of product quality and guaranteed shelf life while maintaining outward appearance.

In order to ensure the long-term growth of its meat business, in 2017 the Group will continue to implement investment projects and pursue objectives in innovation development, devoting considerable attention to implementing the appropriate initiatives and measures.

Oil and Fats Segment

MAYONNAISE PRODUCTION	MARGARINE PRODUCTS PRODUCTION	SALES
+14 %	–15 %	+15 %
73.6 ths t	36.7 ths t	19.9 RUB bn

“The depreciation of national currencies and economic crisis in Central Asian markets led to a decline in purchasing power and a 10% drop in sales of Rusagro brands in export markets. However, the Oil and Fats Segment demonstrated strong sales growth in Russia in all key consumer product categories.

In 2017 we will continue our advance towards leadership in the mayonnaise category in Russia, and plan to restore sales in export markets and develop sales in China. We also plan to begin selling products in new categories, launch an oil purification and fats interesterification facility in Ekaterinburg and complete the main phase of construction of a sunflower oil refining and packaging facility in Samara.”

Market Overview

4.1 mn t ↗+12%
SUNFLOWER OIL PRODUCTION IN 2016 IN RUSSIA

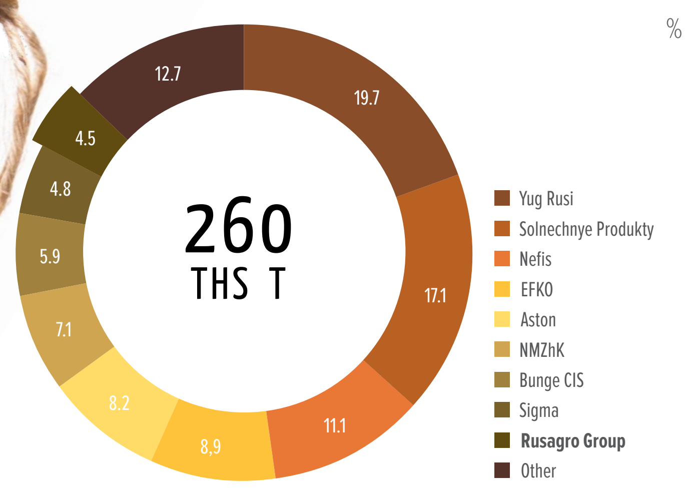
19.6 ths RUB/t
SUNFLOWER SEEDS PRICE IN RUSSIA ON JANUARY 1, 2017

1.3 mn t ↗+4%
SUNFLOWER OIL EXPORT IN 2016

VEGETABLE OIL

RUSAGRO GROUP IS THE NINTH LARGEST RUSSIAN PROCESSOR OF SUNFLOWER SEEDS, WITH A MARKET SHARE OF 4.5%

RUSSIAN PROCESSORS OF SUNFLOWER SEEDS BY MARKET SHARE IN 2016



Source: Company data

Domestic Production

Russia is one of the world's leading producers of sunflower oil with a 74% self-sufficiency in sunflower seeds

Most of the vegetable oil in Russia is produced from sunflower seeds and soybeans, which together account for 85% of oil crops grown in the country.

The sunflower and soybean crop areas were expanded in 2016 and this, combined with high yields, resulted in record harvests of 10.7 million tonnes and 3.1 million tonnes respectively. However, 2016 harvest was still unsufficient to fully meet the demand of oil extraction plants in Russia.

There has been a deficit of oil crops on the market for many years. In the 2015/2016 season it was about 6 million tonnes and the gap should reach about 7 million tonnes next season due to the continued expansion of processing capacity.

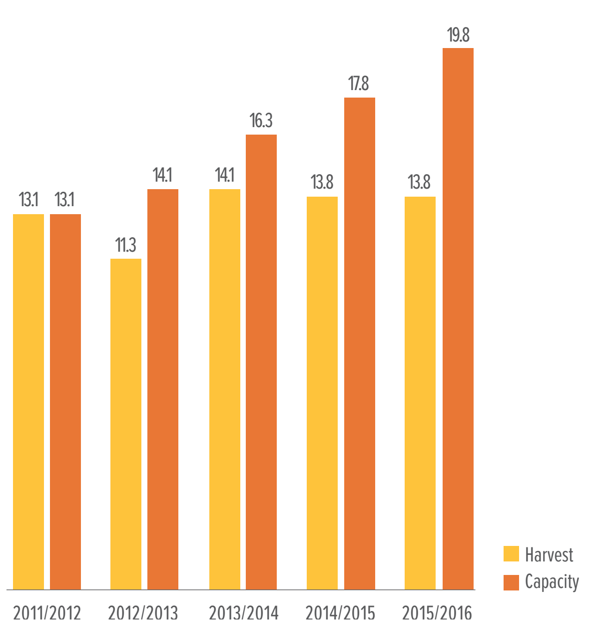
Russia has more than 200 oil extraction plants with combined annual capacity to process more than 14.5 million tonnes of oilseeds with about 50% of capacity located in the Krasnodar Territory, Rostov, Belgorod and Voronezh Regions, and Tatarstan.

Along with the growth of oil crop harvests production of oil has also been increasing. Russia produced 4.1 million tonnes of sunflower oil and its fractions in 2016, 11.7% more than a year earlier.

Russia is a world leader in production and in per capita consumption of sunflower oil, which is about 9 kg per year. Sunflower oil has more than a 90% share of the vegetable oil market by volume. Olive oil ranks second and soybean oil is third. However, in recent years consumers have begun to show great interest in "nontraditional" oils such as corn oil, flaxseed oil and blended sunflower and rapeseed oil.

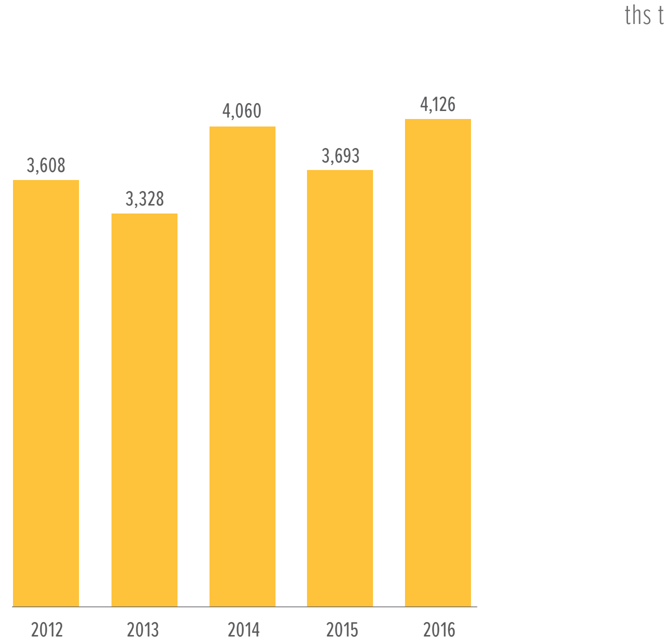
4.1 mn t RUSSIA PRODUCED OF SUNFLOWER OIL IN 2016

OIL CROP HARVESTS AND PROCESSING CAPACITY



Source: IKAR, Rosstat

UNREFINED SUNFLOWER OIL PRODUCTION IN RUSSIA*



* including sunflower oil fractions
Source: Rosstat

Prices

In 2016 prices for retail sunflower oil rose by 15% as the result of the increase in costs for the sunflower seeds

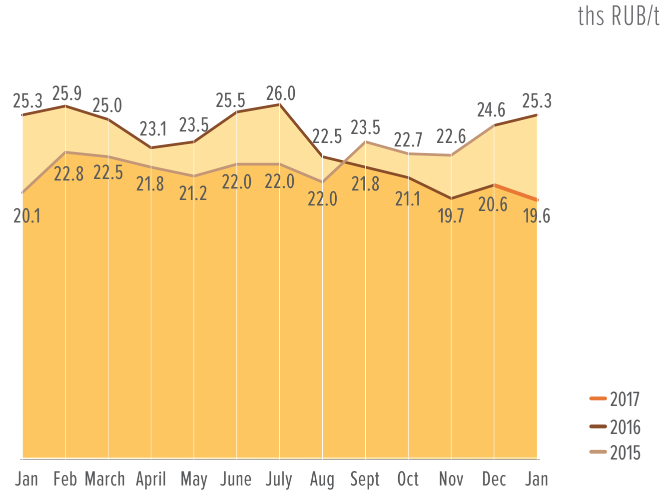
Prices for sunflower seeds remained higher year-on-year in January-August 2016, but began to drop in September and fell to 19.6 ths roubles per tonne by the end of 2016 from 25.3 ths roubles at the start of the year.

Soybean prices also exceeded the 2015 level until the end of the summer of 2016, but after a sudden surge in August they dropped in September and stayed at 23.0-24.0 ths roubles per tonne until the end of the year.

Over the course of 2016, soybean prices fell from 30.0 ths roubles per tonne to 23.5 ths roubles.

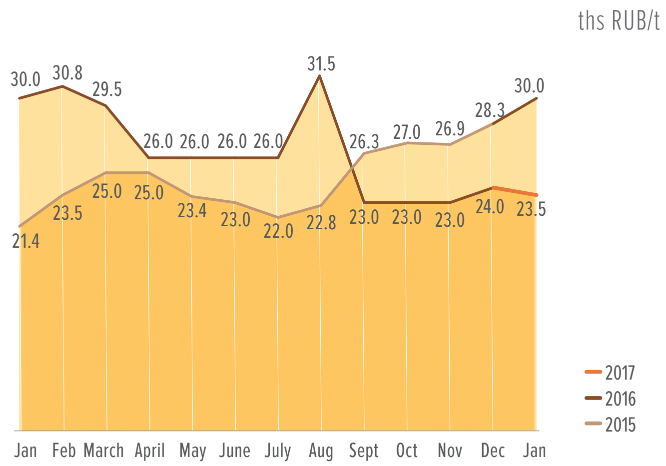
The growth of sunflower exports by 62% to 100 ths tonnes in 2016, combined with the large foreign currency component in production and sales of sunflower oil, led to a substantial increase in domestic prices. Average retail prices for sunflower oil rose by 15% in the 12 months of 2016, from 74.9 roubles per liter to 86.2 roubles, AC Nielsen data show.

SUNFLOWER SEEDS PRICES IN 2015 AND 2016*



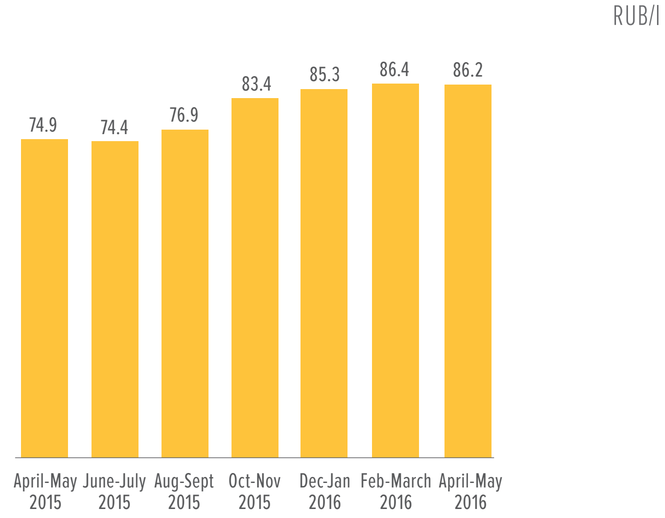
* prices are indicate for the first day of each month.
Source: APK-Inform

SOYBEAN PRICES IN 2015 AND 2016*



* prices are indicate for the first day of each month.
Source: APK-Inform

RETAIL SUNFLOWER OIL PRICES IN RUSSIA



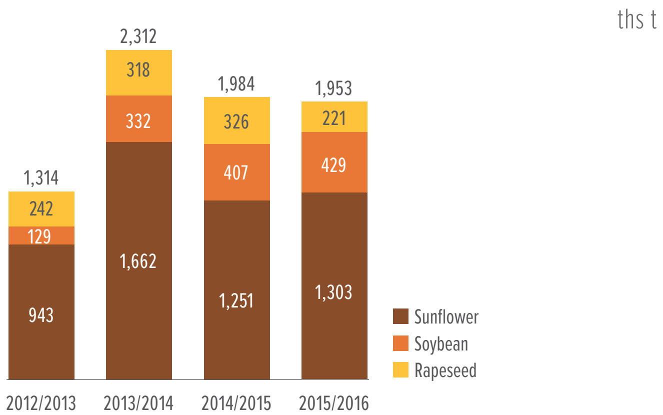
Source: AC Nielsen

Exports

In 2016 sunflower oil export rose by 4% to up to 1.3 million tonnes with 50% sold to Turkey

Growing processing capacities amid internal consumption of sunflower oil stable for the past three years led to the increase in export by 38%. In 2016 Russia exported 1.3 million tonnes of sunflower oil or more than 33% of the volume produced in Russia, 86% of which accounted for bulk sunflower oil. For last three years soybean oil export also increased by more than 3.3 times.

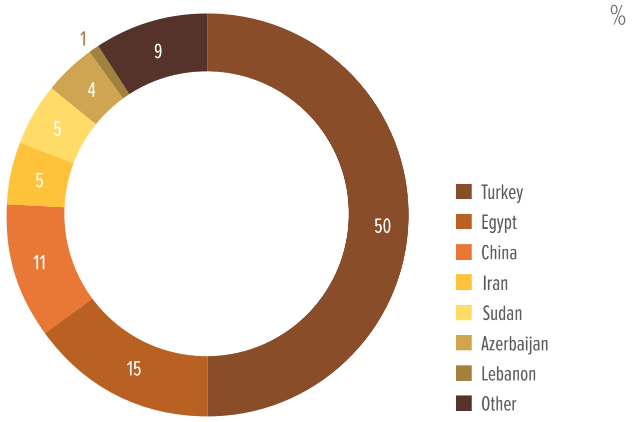
VEGETABLE OIL EXPORTS FROM RUSSIA



Source: ProZerno

Turkey remains the biggest importer of Russian unrefined sunflower oil in bulk, despite the imposition of sanctions. Packaged sunflower oil is exported primarily to countries in the former Soviet Union such as Uzbekistan, Georgia and Ukraine, as well as to Afghanistan. Domestic demand for the rapeseed and soybean oil produced in Russia is weak, so almost all of it has been exported.

EXPORT MARKETS FOR UNREFINED SUNFLOWER OIL FROM RUSSIA



Source: : SovEcon

Imports

Palm oil acounts for more than 98% of vegetable oil imports in Russia with Indonesia as a key supplier

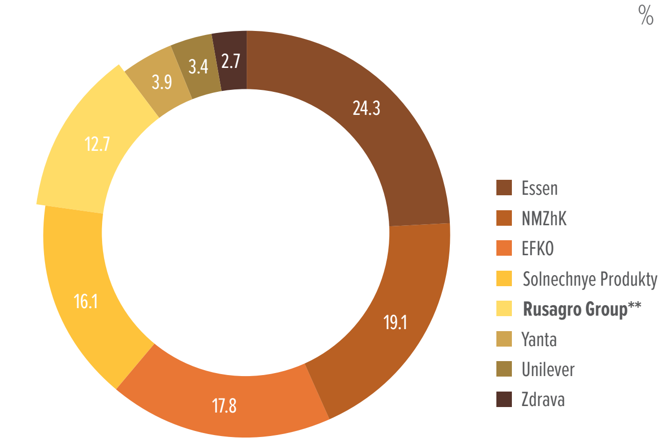
Russia imports minor amount of sunflower, rapeseed and soybean oil, and these imports are declining every year due to the growth of domestic production.

Palm oil made up 98% of vegetable oil imports in 2016, with 85% of these imports coming from Indonesia. Russia imported 9% of its palm oil from Malaysia and 5% from the Netherlands. Olive oil made up less than 2% of vegetable oil imports.

SAUCES AND FATS

RUSAGRO GROUP IS RUSSIA'S LARGEST PRODUCER OF CONSUMER MARGARINE AND FIFTH LARGEST PRODUCER OF MAYONNAISE. THE GROUP CONTINUED TO STRENGTHEN ITS POSITION ON THE MAYONNAISE MARKET IN 2016, INCREASING ITS MARKET SHARE FROM 10.9% TO 12.7%

LARGEST MAYONNAISE PRODUCERS IN RUSSIA IN 2016*

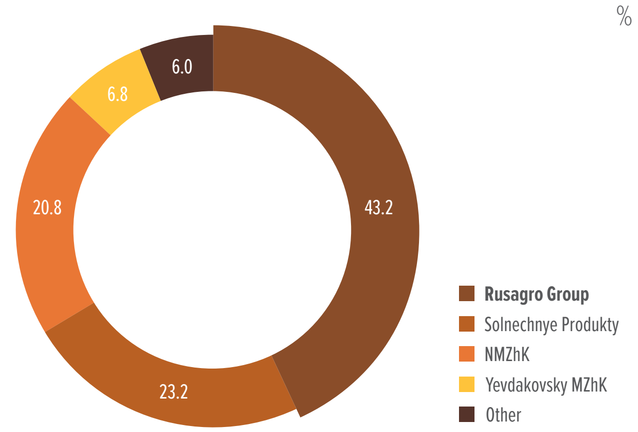


* Data only include members of the Oils and Fats Union of Russia.
** Including production of Mechta Khozyaiki mayonnaise under contract at Zdrava and Unilever.

Source: Oils and Fats Union of Russia

Rusagro Group is in the fifth place by sales on the mayonnaise market, with a share of 8.7%, and third on the consumer margarine market (not including private labels) with a share of 14.6%.

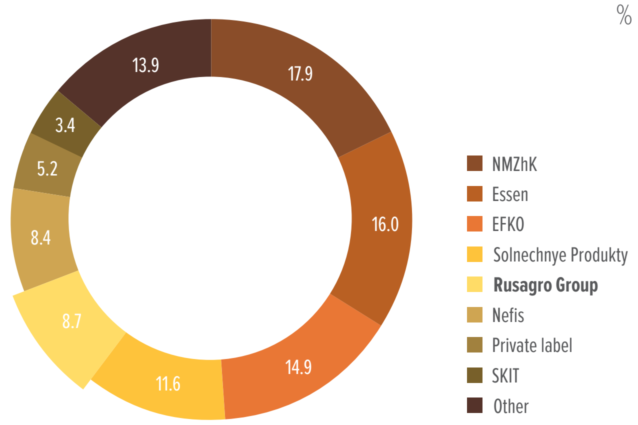
LARGEST PRODUCERS OF CONSUMER MARGARINE IN RUSSIA IN 2016*



* Data only include members of the Oils and Fats Union of Russia.

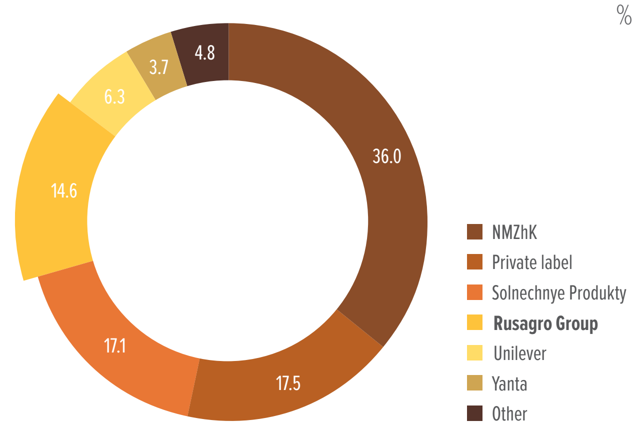
Source: Oils and Fats Union of Russia

STRUCTURE OF MAYONNAISE SALES ON RETAIL MARKET IN 2016



Source: AC Nielsen retail sales audit, YTD November 2016

STRUCTURE OF CONSUMER MARGARINE SALES ON RETAIL MARKET IN 2016



Source: AC Nielsen retail sales audit, YTD November 2016

Domestic Production

Annual mayonnaise consumption in Russian reached almost 1 million tonnes in 2016

More than 40% of the mayonnaise produced in Russia by volume is made in the Volga Federal District, since almost all of the biggest market players have plants in the region. The Central Federal District ranks second with a share of about 27%, and the Siberian Federal District is third with more than 10%. The Central and Volga Federal Districts produce about 70% of Russia's margarine by volume.

The most popular product in the sauces and fats category in Russia is mayonnaise. Per capita consumption of mayonnaise in Russia is about 6.3 kg per year, the highest in the world. Studies show that 89% of Russian families regularly use mayonnaise, and in the Ural region this figure is as high as 93%. There is also fairly stable demand for mayonnaise among commercial users, such as the food industry and the HoReCa sector. The second most popular sauce product is ketchup, followed by mustard.

Demand for consumer margarine, on the other hand, is not high in Russia. Although Russia is one of the biggest producers of margarine and margarine products in the world, margarine consumption inside the country is below the global average, and lags farthest behind countries in Western and Eastern Europe. Given the substantial surplus of margarine on the Russian market, Rusagro Group is aggressively promoting exports of its products, particularly to Central Asian countries.

Exports and Imports

Russian mayonnaise exports exceed imports severalfold. The main markets for Russian mayonnaise are the CIS countries, among which the largest consumer is Kazakhstan. About 67% of exports of margarine products also go to the CIS countries, and about a third goes to Mongolia.

Russia imports mayonnaise primarily from South Korea and Germany. Imports of margarine products amount to about 10% of Russian production. The main suppliers to the Russian market are Ukraine, Denmark, Belgium and Italy.

No. 1 RUSAGRO GROUP CONSUMER MARGARINE PRODUCER IN RUSSIA

Assets

THE GROUP'S OIL AND FATS DIVISION OPERATES A SUNFLOWER AND SOYBEAN OIL EXTRACTION AND PROCESSING PLANTS WITH CONSUMER PRODUCTS REPRESENTED BY 5 WELL RECOGNISED BRANDS

Production Assets

In 2016 the Group launched own sunflower oil refining and deodorisation facility in Ekaterinburg and made its first important step toward B2B fats

Rusagro Group's oil and fats division is comprised of three units: the Zhirovoy kombinat (EZhK) Fats Plant in Ekaterinburg, the Samaraagroprompererabotka (SAPP) Oil Extraction Plant in the Samara Region and Primorskaya Soya in Ussuriysk.

The division also includes six elevators for storing sunflower seeds with a capacity of 231.0 ths tonnes.

SAPP

The SAPP oil extraction plant is the dominant vegetable oil producer in the Samara Region and is one of Russia's top ten producers and exporters of sunflower oil.

SAPP's main products are unrefined sunflower oil (pressed and extracted) and high-protein, granulated sunflower seed meal.

SAPP has capacity to process 1.2 ths tonnes of sunflower seeds per day. In 2016, in line with the planned quality of feedstock in terms of oil content, the plant had capacity to produce 174 ths tonnes of unrefined sunflower oil and 169 ths tonnes of high-protein meal per year.

The plant traditionally buys raw material for processing from outside farmers from various regions of the country. In the 2015/2016 season, due to a shortage of raw material, the plant for the first time processed sunflower seeds grown by the Group's farms, and they amounted to near 7% of total purchases.

The latest production equipment enables the plant to produce high quality products. The plant's GMP+ B2 Good Manufacturing Practice certification is confirmation that the Company complies with national and international standards and practices for the production and sale of safe products, including HACCP and EU regulations. SAPP is only the second sunflower seed processor in Russia to do undergo such certification. SAPP also has a food safety management system that meets ISO 22000:2005 standards.

EZhK Fats Plant

EZhK is one of the five largest Russian plants in the industry and a leader on the CIS market.

The plant's design capacity is currently 75 ths tonnes of margarine and 120 ths tonnes of mayonnaise per year, and its product line includes 123 types of products (380 SKU), including mayonnaises, margarines, sunflower oil, ketchup, mustard, culinary and confectionary fats and soap.

In recent years, the plant has been busy modernising its departments and production lines, and installing new packaging and production equipment.

EZhK launched a new line for oil refining and deodorisation and interesterification of fats in 2017 that will enable it to produce products of new quality and compliant with Customs Union regulations. This project also included the restoration of a department to produce PET plastic bottles , which will enable the Group to independently produce bottled processed oil.

EZhK ensures high quality of its products by using the best natural ingredients, the latest technology and state-of-the-art, automated equipment. EZhK is one of the few plants in the Ural Federal District that has a certified quality management system that complies with the European standard ISO 22000.

Primorskaya Soya

Primorskaya Soya is the largest producer of soybean oil, soybean meal and mayonnaise, as well as the only manufacturer of toilet and household soap, in the Russian Far East.

The plant has a capacity to process 150 ths tonnes of soybeans per year.

The Company carried out several investment projects at the plant in 2016 aimed at optimising its business processes. Among other things, in December 2016 the plant launched a machine to produce 4.6-liter PET plastic bottles with capacity of 1 ths bottles per hour, and installed scales at its feedstock elevator.

Brands

In 2016 the Group increased its share on the Ural's mayonnaise market to more than 55%, and augmented its sales at national and regional chains by 20% and 45% respectively

The product line of Rusagro Group's oil and fats division is represented by well-known brands of mayonnaise, consumer margarine and spreads, mustard, ketchup and vegetable oil. The Company's products hold leading market positions in the Ural region and Russia as a whole, as well as in a number of CIS countries.

The oil and fats division is working hard on developing retail brands and products as part of the implementation of the Group's development strategy.

As part of the development of retail brands in 2016, EZhK launched a range of new products:

- Mayonnaise sauce Provansal EZhK Smetanny
- Sunflower oil Schedroe Leto
- Margarine Schedroe Leto Domashny
- Toilet soaps product line expansion

EZhK has reached the national level in recent years and its products are now available in all regions of Russia. EZhK had an active customer base of 90.5 ths outlets at the end of 2016, up from 77.3 ths a year earlier.

The Group is the leader in the Ural region by sales, and in 2016 its market share increased by 3.2% to 55.3% on the back of growth in average sales per outlet and growth of distribution. In Russia overall, its market share is 8.7%, making Rusagro Group the fifth largest on the market.

EZhK's most popular brands, Provansal EZhK and Mechta Khozyaiki, are carried by all of the biggest national retail chains, including Pyaterochka, Karusel, Perekrestok, Magnit, Monetka, Auchan, Dixy, Lenta and O'Key, as well as by more than 170 of the main regional chains. The plant expanded distribution in 2016 by entering 45 new regional chains. Sales at national chains grew by 20% in 2016, while sales at major regional chains surged 45%.

MECHTA KHOZYAIKI
FASTEST GROWING BRAND
IN RUSSIA
IN MAYONNAISE CATEGORY

SCHEDROE LETO
No. 2
NATIONAL CONSUMER MARGARINE BRAND IN RUSSIA

PROVANSAL EZHK HAS
52.9%
OF URAL MAYONNAISE MARKET

MASLAVA
No. 1
IN RUSSIA
IN SOYBEAN OIL

Provansal EZhK, the key brand in EZhK's portfolio, is the market leader at retail chains in the Ural Federal District with a share of 52.9%, and in the fifth place in Russia with a share of 6.6%.

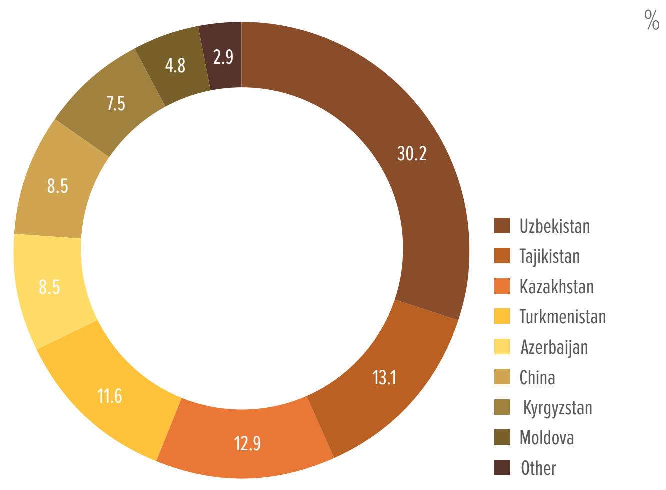
The Mechta Khozyaiki brand continues to increase its market share in the modern retail channel in Russia by growing distribution. Mechta Khozyaiki's active customer base grew to 72.2 ths retail outlets by the end of 2016 from 60.2 ths a year earlier. Mayonnaise sales surged 120%, from 14.4 ths tonnes to 32.4 ths tonnes, with the launch of the 1+1 promotion. This increased the brand's market share in Russia from 1.4% to 2.6%. Mechta Kozyaiki rose to the fifth place in the Ural region in 2016 from sixth place in 2015, overtaking Rikko. Furthermore, an aggressive advertising campaign increased Mechta Khozyaiki's brand recognition among its target audience to 56.4% in 18 months.

EZhK launched a line to bottle Schedroe Leto oil in Ekaterinburg in October 2016. Now consumers in the Ural region can also buy a quality local product with a minimal shipping distance from bottling to store shelf in this category as well.

In order to expand its presence on the B2C market in the Russian Far East, Rusagro Group relaunched the Soya co brand in 2016 in the high price segment of the mayonnaise category and began producing mayonnaise under the Maslava brand.

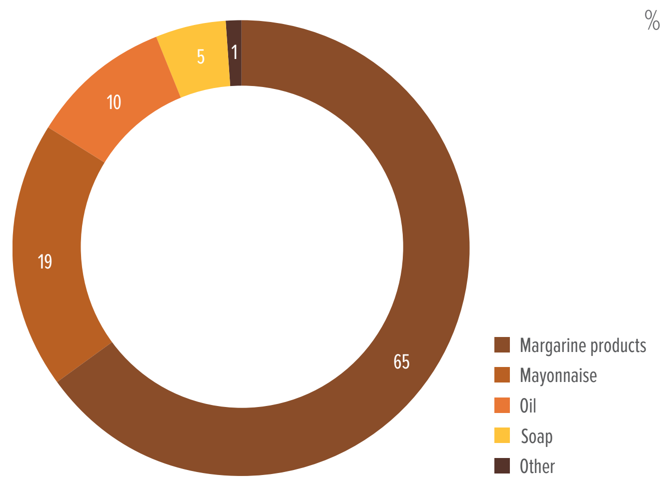
EZhK products are sold throughout Russia and exported to 13 countries. The main markets are Eastern Russia (the Ural Federal District and neighbouring regions of Siberia and the Volga region), as well as countries in Central Asia (Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan). More than 30% of EZhK's products are exported. The Mechta Khozyaiki brand is the undisputed market leader in Moldova and Azerbaijan, while Schedroe Leto is the clear leader in Uzbekistan, Tajikistan and Turkmenistan.

EZHK'S MAIN EXPORT MARKETS IN 2016



Source: Company data

STRUCTURE OF EXPORTS IN 2016



Source: Company data

The main brands of Rusagro Group's oil and fats division*

Mechta Khozyaiki

- Mayonnaise
- Vegetable oil
- Mustard
- Prepared sauces

Market share:
- Russia – 2.6%
- Azerbaijan – 40.0%
- Moldova – 25.0%

Schedroe Leto

- Vegetable oil
- Margarine
- Spreads

Market share:
- Russia – 13.4%
- Uzbekistan – 40.7%
- Tajikistan – 68.1%
- Turkmenistan – 48.2%
- Kyrgyzstan – 34.8%

Provansal EZhK

- Mayonnaise
- Ketchup
- Mustard
- Margarine

Market share:
- Russia – 6.7%
- No. 2 ketchup in Ural Federal District
- No. 2 mustard in Ural Federal District

Maslava

- Soybean oil
- Mayonnaise

Sales:
- Primorye Territory
- Khabarovsk Territory
- China

Soya co

- Mayonnaise
- Soap

Sales:
- Primorye Territory
- Khabarovsk Territory

* *Data on market share given by volume for January-November 2016.*

Results in 2016 and Plans for 2017

Results in 2016

In 2016 the Group's gross revenue in the oil and fats business surged by 15%, while EBITDA became negative due to the losses at EzhK Plant

The Group's gross revenue in the oil and fats business grew by 15% to 19.9 billion roubles in 2016 from 17.3 billion roubles in 2015 on the back of higher prices for finished goods and growth in sales volume. However, the growth in sales did not lead to growth in profit. Adjusted EBITDA fell to the negative value of 0.4 billion roubles from 1.7 billion roubles in the previous year, as production costs for finished goods increased due to growth in prices for sunflower seeds and unrefined oil.

FINANCIAL RESULTS OF UNITS OF THE OIL AND FATS SEGMENT IN 2016

	Sales		EBITDA	
	RUB bn	Chg, %	RUB bn	Chg, %
SAPP	10.9	10	0.2	(79)
Primorskaya Soya	3.0	49	0.2	(14)
EZhK	9.7	13	(0.8)	-

Source: Company data

Operations at SAPP and Primorskaya Soya were impacted in 2016 by nonfulfilment of feedstock purchase volumes, due to which the companies could not meet production targets for finished goods. EZhK saw growth in selling expenses due to an increase in spending on promotion of the Mechta Khozyaiki brand and expansion of sales areas.

Production

PRODUCTION OF OIL AND FATS

in ths t

	2016	2015	Chg, %
Mayonnaise	73.6	64.6	14
Margarine products	36.7	43.2	(15)
Ketchup	3.6	3.3	9
Mustard	0.8	0.9	(15)
Unrefined sunflower oil*	148.6	152.9	(3)
Unrefined soybean oil	14.3	7.0	104
Processed soybean oil	12.5	10.6	18
Packaged vegetable oil	11.5	3.0	283
Sunflower meal*	135.3	143.7	(6)
Soybean meal	64.6	53.2	21

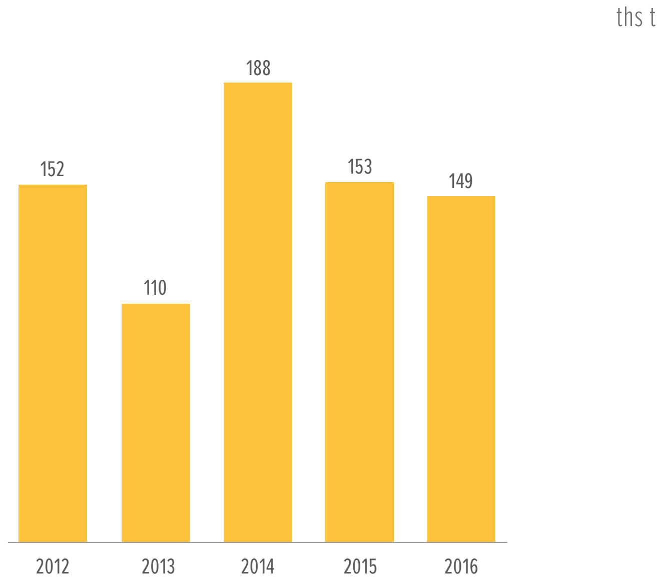
Including small amount of camelina oil and meal.

Source: Oils and Fats Union of Russia

SAPP. The oil extraction plant in Samara processed 337.5 ths tonnes of sunflower seeds in 2016, and produced 147.5 ths tonnes of sunflower oil and 133.6 ths tonnes of sunflower meal.

Primorskaya Soya. Primorskaya Soya produced 14.3 ths tonnes of soybean oil and 64.6 ths tonnes of soybean meal.

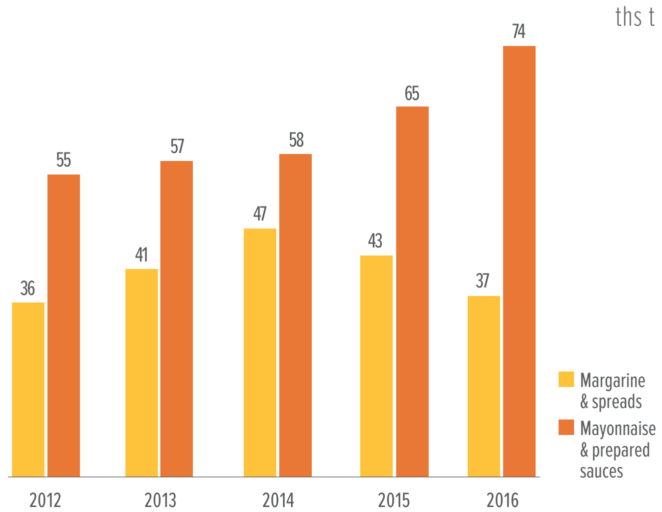
PRODUCTION OF SUNFLOWER OIL



Source: Company data

EZhK. EZhK increased overall production by 1.5% to 121.1 ths tonnes in 2016, including 73.6 ths tonnes of mayonnaise, 36.7 ths tonnes of margarine and spreads, 3.6 ths tonnes of ketchup and 794 tonnes of mustard. The 14% growth in the mayonnaise category was driven by the Mechta Khozyaiki brand.

PRODUCTION OF MARGARINE AND MAYONNAISE



Source: Company data

Sales

SALES OF OIL AND FATS PRODUCTS

in ths t

	2016	2015	Chg, %
Mayonnaise	77.2	66.2	17
Margarine products	37.0	43.3	(15)
Ketchup	3.6	3.4	6
Mustard	0.8	0.9	(6)
Unrefined sunflower oil*	173.8	168.6	3
Unrefined soybean oil	2.2	3.8	(43)
Processed soybean oil	11.4	6.1	88
Packaged vegetable oil	14.6	7.9	86
Sunflower meal	138.0	143.1	(4)
Soybean meal	62.1	55.1	13

** Including small amount of camelina oil; including sales within the Group: 71.2 ths tonnes sold to EZhK in 2015 and 59 ths tonnes in 2016.*

SAPP. Sales of unrefined sunflower oil rose by 3% to 173.8 ths tonnes in 2016. Bulk unrefined oil produced by SAPP was exported in 2016 to Egypt, Turkey, China, Iran, Iraq, Kazakhstan and Azerbaijan. Sunflower meal was exported to EU countries.

Primorskaya Soya. The oil and fats plant increased sales dramatically in 2016, including by 88% for processed soybean oil and 13% for soybean meal. Unrefined soybean oil was not sold to outside organisations in 2016, as it was all processed at the plant.

EZhK. Sales of all products in the mayonnaise category rose by 17% to 77.2 ths tonnes in 2016 thanks to growth in sales of Mechta Khozyaiki mayonnaise. Sales of margarine products fell by 15% due to a decline in exports.

Plans for 2017

In 2017 the Group will focus on modernisation of its plants and further development of B2C and B2B sales

The Group is planning a number of projects in 2017 to modernise production equipment and further expand production capacity in the oil and fats division.

SAPP is scheduled to launch a new facility to refine, deodorise and package vegetable oil in December, 2017.

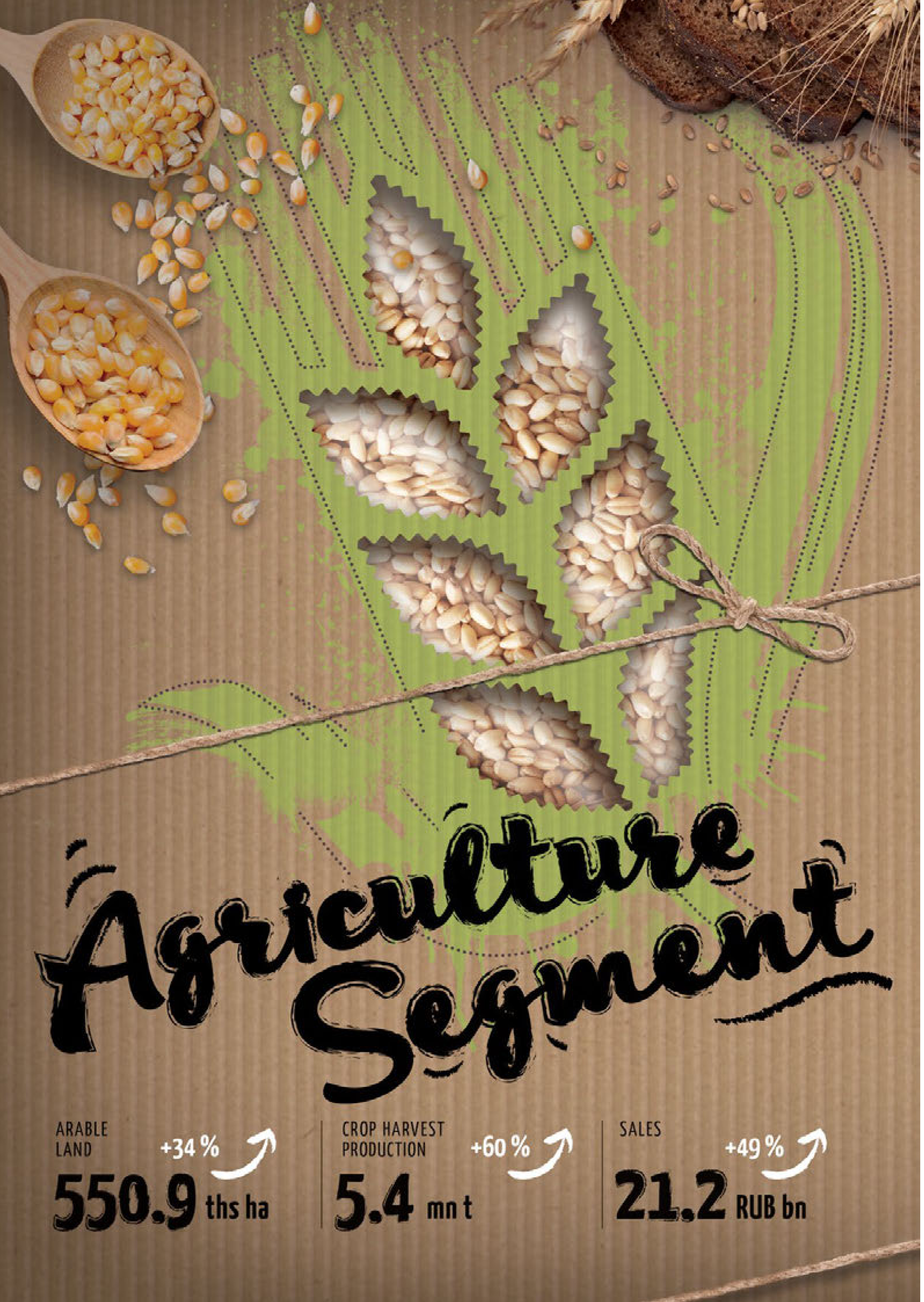
EZhK will carry out the following projects as part of the modernisation of its production facilities:

- Buy two new Doypack stand-up pouch packaging lines in order to increase production of Mechta Khozyaiki mayonnaise, expanding the production capacity by 32.0 ths tonnes of mayonnaise per year
- Build a warehouse for finished products and supplies with a capacity for 12,233 pallets
- Acquire production lines for dairy fat substitutes, specialised margarines and commercial fats, which will make it possible to optimise the use of capacity at the new fats interesterification facility; production will be launched in two stages, in 2017 and 2018.

Primorskaya Soya will carry out a project to install a line for continuous water hydration of soybean oil to produce phosphatide concentrate (lecithin).

Against the backdrop of an anticipated decline in household incomes and purchasing power, the Group plans to increase sales of its main categories of consumer products in Russia by developing its national distribution system, expanding its customer base and developing cooperation with national retail chains. The Group will also continue aggressive promotion of the Mechta Khozyaiki brand by investing in advertising and promotions for consumers. The Group intends to increase the market share of the Mechta Khozyaiki brand to about 7.6% by the end of 2017.

The integration of units in the oil and fats business will enable it to optimise distribution of workload among production floors, increase the efficiency of processing facilities, and expand product offerings for customers in Russia and abroad. The development of export sales on new Asian and Middle Eastern markets will be an important factor.



“ In 2016 the agriculture segment saw a considerable drop in prices for its products on the global and Russian markets, but thanks to the expansion of land bank and strong operating results we managed to significantly offset the impact of the negative price environment and achieve EBITDA of 6.2 billion roubles, which was close to the record figure of 2015.
In 2017 we will continue to improve business technologies, both agronomic and IT. Developing the business management system on the basis of digital technologies is our priority. ”

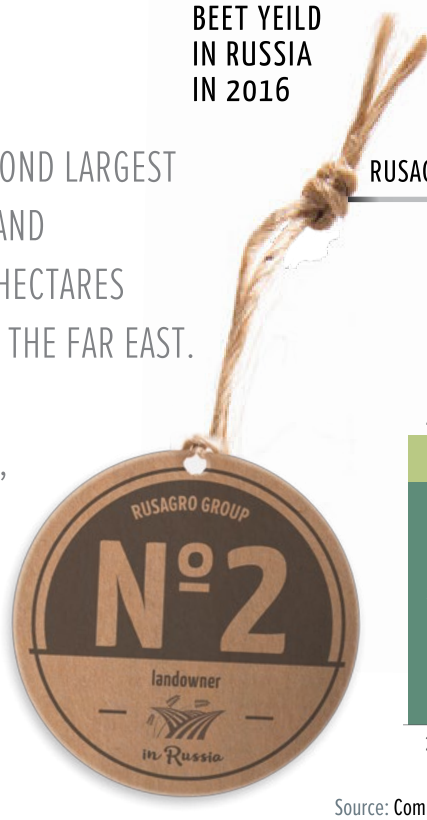
Market Overview

119.1 mn t ↗ +14%
GROSS GRAIN HARVEST IN RUSSIA IN 2016

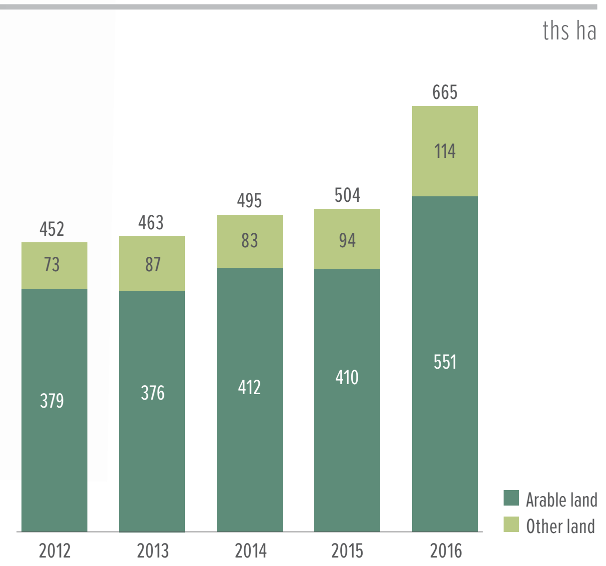
46 t/ha
AVERAGE SUGAR BEET YEILD IN RUSSIA IN 2016

RUSSIA HAS **10**%
OF GLOBAL GRAIN MARKET

RUSAGRO GROUP IS THE SECOND LARGEST OWNER OF AGRICULTURAL LAND IN RUSSIA, WITH 665.4 THS HECTARES IN THE CENTRAL RUSSIA AND THE FAR EAST. THE GROUP'S MAIN CROPS ARE BARLEY, WINTER WHEAT, SOYBEAN, CORN AND SUGAR BEET. THE GROUP IS ONE OF THE TOP THREE SUGAR BEET PRODUCERS IN RUSSIA



RUSAGRO GROUP LAND BANK

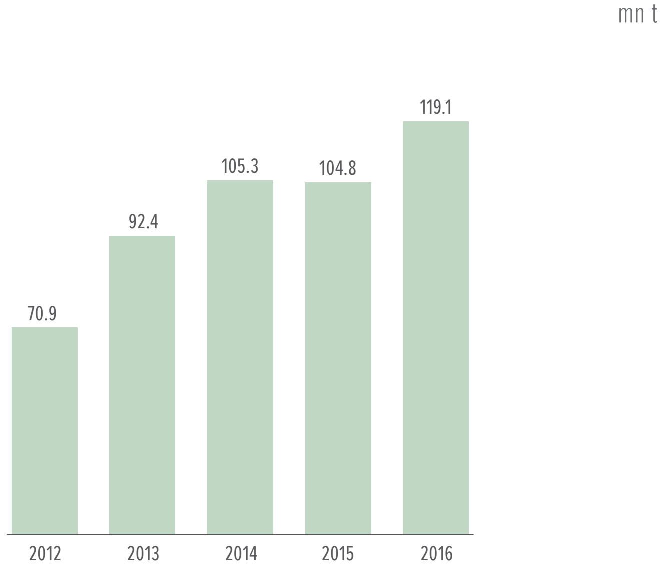


Source: Company data

Domestic Production

2016 has been a record-breaking year for Russian crop farming – the increase of crop yields led to the growth of the gross harvest by almost 14%

GROSS GRAIN AND PULSE HARVEST IN RUSSIA

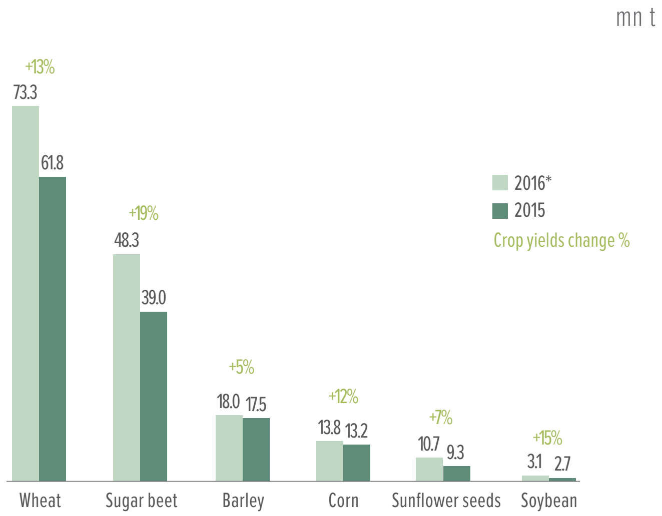


Source: Rosstat

In 2016 Russia had a record harvest of grain and pulse. The gross grain harvest increased by 13.7% to a post-Soviet high of 119.1 million tonnes in clean weight. Russia also harvested 73.3 million tonnes of wheat for the first time ever.

The bumper harvest of 2016 was primarily due to favourable weather conditions for the growth of crops. Although prolonged rains protracted planting and harvesting, yields rose dramatically since crops were under unique conditions of constant irrigation. Updates to the machinery fleet, made possible thanks to government support, also played an important role. For sugar beet, the expansion of the crop area by more than 10% due to higher sugar prices in the previous season, was also an important factor in increasing the harvest.

GROSS HARVEST OF CROPS IN RUSSIA



Preliminary data.

Source: Rosstat

The bumper harvest of 2016 was primarily due to favourable weather conditions for the growth of crops. Although prolonged rains protracted planting and harvesting, yields rose dramatically since crops were under unique conditions of constant irrigation. Updates to the machinery fleet, made possible thanks to government support, also played an important role. For sugar beet, the expansion of the crop area by more than 10% due to higher sugar prices in the previous season, was also an important factor in increasing the harvest.

The Group's Agriculture Segment is present in 6 regions: the Belgorod, Tambov, Kursk, Orel and Voronezh Regions and Primorye Territory.

Agriculture in the Belgorod Region specialises primarily in livestock farming, which accounts for about 70% of the region's agricultural production by value. This specialisation dictates the focus of crop farming in the region on meeting the livestock farming sector's demand for feed. However, local consumption exceeds production capabilities, so the region has a constant shortage of grain and oilseed crops that is covered by supplies from neighbouring regions. More than 400 ths tonnes of oilseed crops and over 500 ths tonnes of grain are shipped into the region annually. Consequently, prices for these crops in the region are higher than in neighbouring regions.

The Group has a fairly large market share in the Belgorod Region, accounting for more than half of sugar beet production in the region, almost a third of barley production and 20% of soybean.

Agriculture in the Tambov Region is dominated by crop farming, which accounts for 65% of production.

Unlike the Belgorod Region, the Tambov Region has a surplus of grain and oilseed crops. The region is the seventh largest grain producer and fifth largest sunflower producer in Russia, the latest data from Rosstat show. The region is also the country's fifth largest sugar beet producer.

Grain production in the Tambov Region exceeds its internal consumption by an average of 920 ths tonnes, so grain is heavily exported outside of the region. The region does not have major oilseed processing plants, so it also sells oilseed crops to the neighbouring regions of Lipetsk, Voronezh and Belgorod. As a result, oilseed prices in the Tambov Region are lower than in other regions.

In the Tambov Region the Group has 33% of sugar beet production and 42% of soybean.

Crop farming accounts for more than 60% of agricultural production in the Primorye Territory. The main crops grown in the region are soybean and corn, which account for about 54% and 9% of crop area respectively.

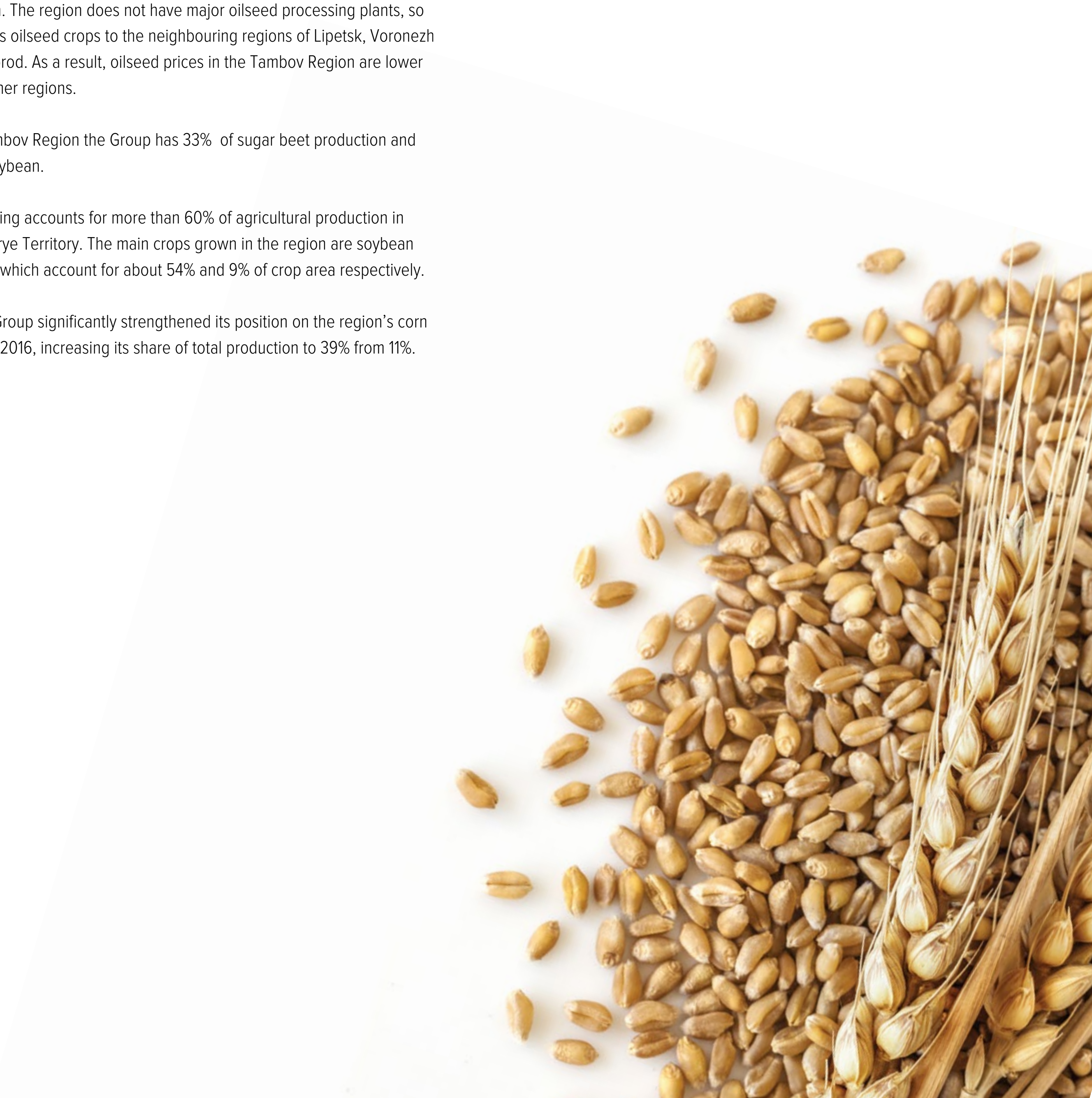
Rusagro Group significantly strengthened its position on the region's corn market in 2016, increasing its share of total production to 39% from 11%.

Exports

In 2016 Russia became the biggest world grain exporting country with a 10% share of the global grain market

Russia became the world's biggest grain exporter in the agricultural year that lasted from July 2015 to June 2016 thanks to the depreciation of the rouble and a favourable situation on the global market. The country exported a record 33.9 mn tonnes of grain, increasing its share of the global grain trade to 10%, the Russian Agriculture Ministry reported. Russia exported 24.6 million tonnes of wheat, 4.2 million tonnes of barley, 4.7 million tonnes of corn and 0.3 million tonnes of other crops.

More than 130 countries now buy Russian wheat, with the biggest markets being Egypt, Turkey and Iran.



Assets

THE LAND BANK OF THE GROUP EXPANDED BY 32% TO 665 THS HECTARES, PARTICULARLY AS THE RESULT OF CONTROLLED LAND INCREASE BY 60 THS HECTARES IN THE FAR EAST

Land Bank

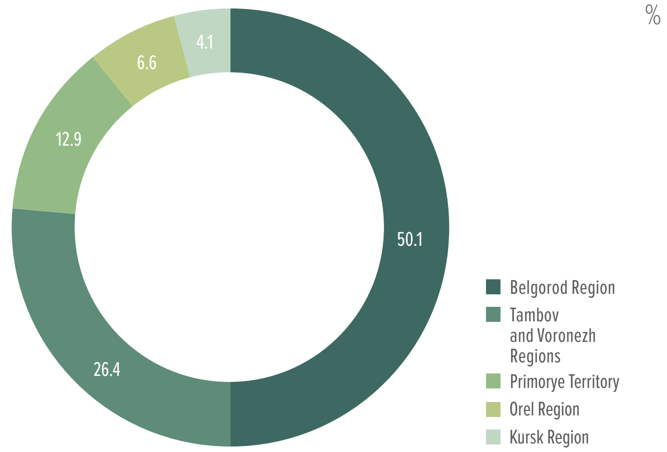
The Group owned 665,4 ths hectares of land at the end of 2016, including 550.9 ths hectares of arable land

Rusagro Group assets are located in the Belgorod, Tambov, Kursk, Orel and Voronezh Regions and Primorye Territory.

The largest land holdings are 333.1 ths hectares in the Belgorod Region and 175.4 ths hectares in the Tambov Region (including 15.4 ths hectares in the Voronezh Region).

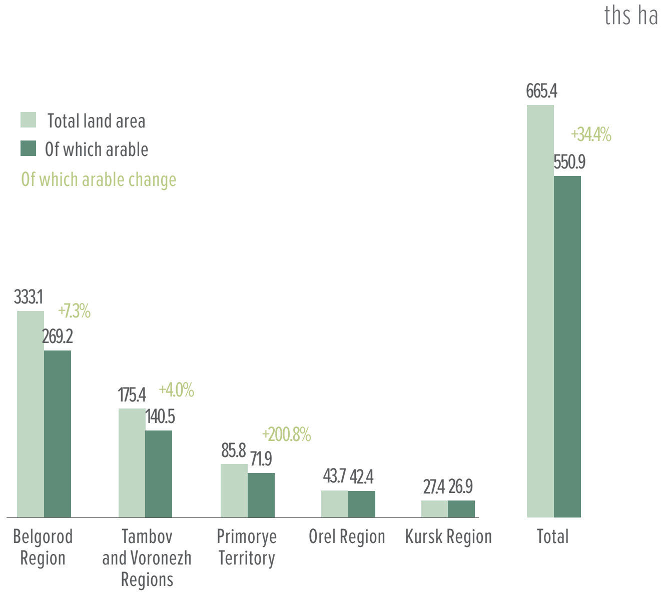
The Group's land holdings increased by 32.1% or 161 ths hectares compared to 2015, including arable land by 34.4% or 141,0 ths hectares. The most rapid growth of the landbank was in Russia's Far East. In addition, as part of the deal to buy three sugar plants from Razguliay Group, Rusagro Group acquired 71.0 ths hectares of agricultural land in the Orel and Kursk Regions and 16.4 ths hectares in the Belgorod Region.

LAND BANK STRUCTURE BY REGION



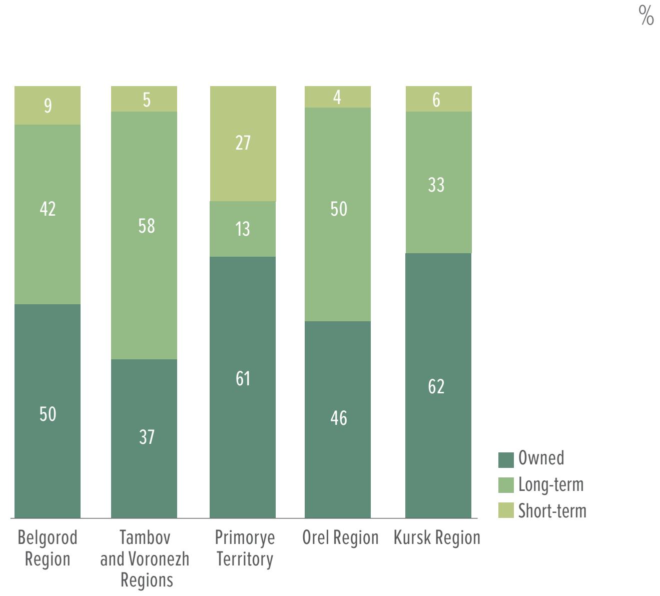
Source: Company data

BREAKDOWN OF RUSAGRO GROUP LAND BANK BY REGION AT THE END OF 2016

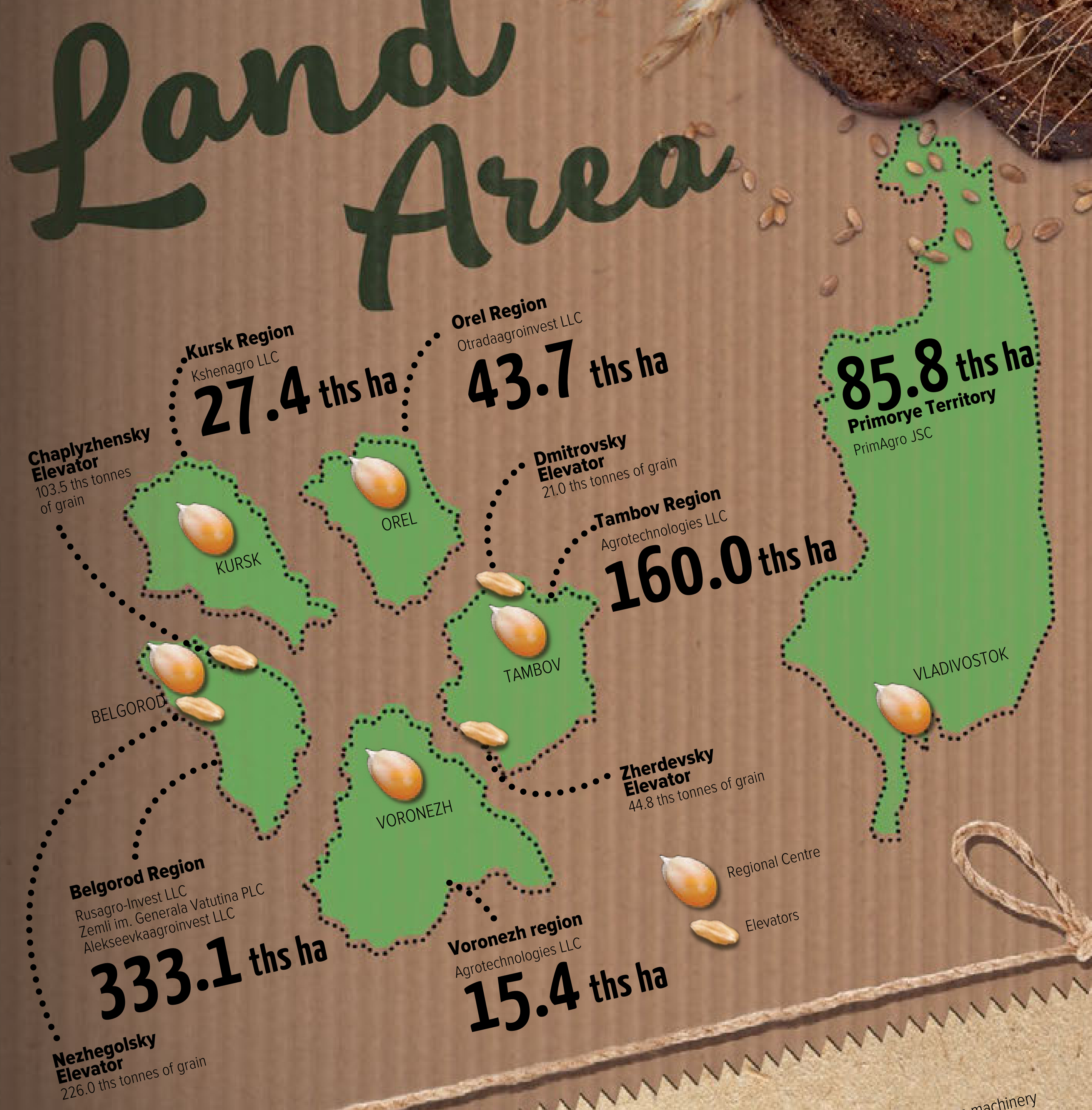


Source: Company data

LEGAL STRUCTURE OF RUSAGRO GROUP LAND BANK IN 2016



Source: Company data



Soil use and technology

The Company actively employs soil conservation and environmental technologies in its farming practices. Farms use break crops, complete fallows and strip plantings. Soil fertility is studied annually and scientifically based crop rotations and fertiliser application systems are worked out. The Company draws up plans for the use of fertilisers for each crop, taking into account the variety, hybrid and degree of soil fertility in each field. Targeted application of fertiliser maximises results and eliminates overuse of expensive inputs. The Company's experts also study, test and put into production the latest high-yield crop varieties and hybrids.

Machinery fleet

Rusagro Group had a fleet of 2 ths pieces of self-propelled farm machinery and more than 3,5 ths tractor-drawn implements at the end of 2016. Employing the latest crop farming technologies is impossible without using high-performance equipment. Therefore, all of the machinery purchased by the Group fits the demands of the technology, and soil and climatic conditions. Specific brands are chosen based on the estimated cost of ownership, operating reliability ratings or the conclusions of the engineering department, as well as taking into account test results. All machinery is acquired in line with the Group's strategy, which determines the type and amount of machinery. The Group bought 3.8 billion roubles worth of farm machinery in 2016.

Results in 2016 and Plans for 2017

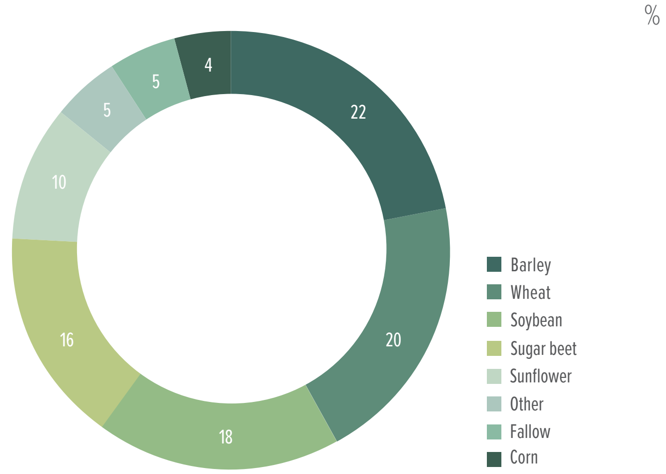
Results in 2016

The agriculture division increased sales by 49% to 21.2 billion roubles in 2016 while EBITDA decreased by 7% to 6.2 billion roubles

Winter wheat, barley, sugar beet and soybean accounted for about 75% of the Group's cultivated area in 2016.

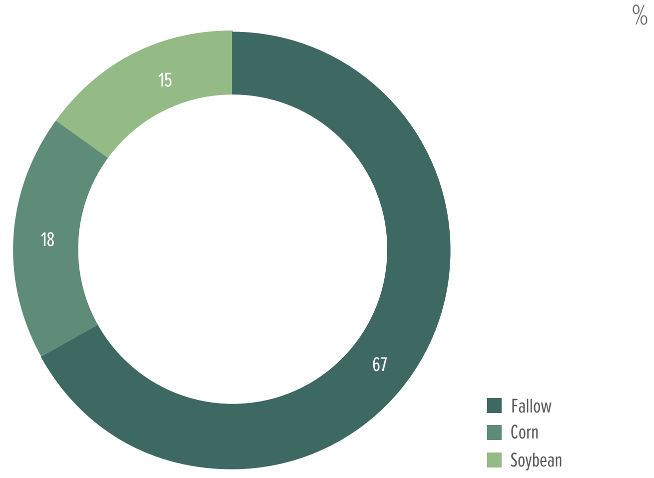
Cultivated area increased for all crops in 2016 with the exception of barley, the area of which decreased by 1% compared to 2015. The Company expanded cultivated area by 29% for wheat, 30% for soybean, 32% for sunflower, 38% for sugar beet and 21% for grain maize, as the Group significantly increased its land holdings in 2016.

CULTIVATED LAND AREA IN BELGOROD REGION IN 2016



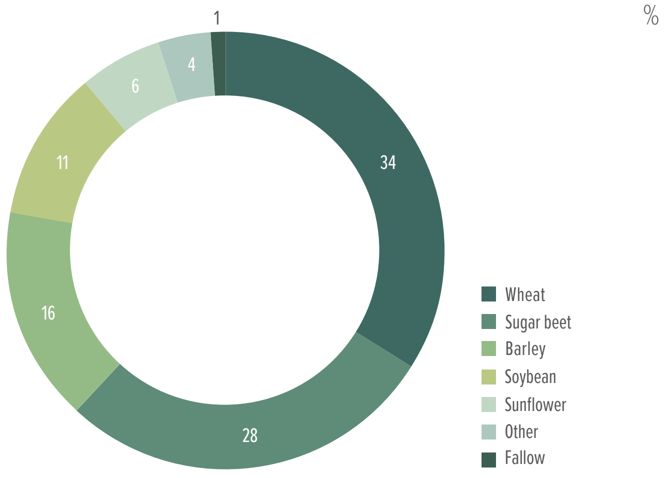
Source: Company data

CULTIVATED LAND AREA IN PRIMORYE TERRITORY IN 2016



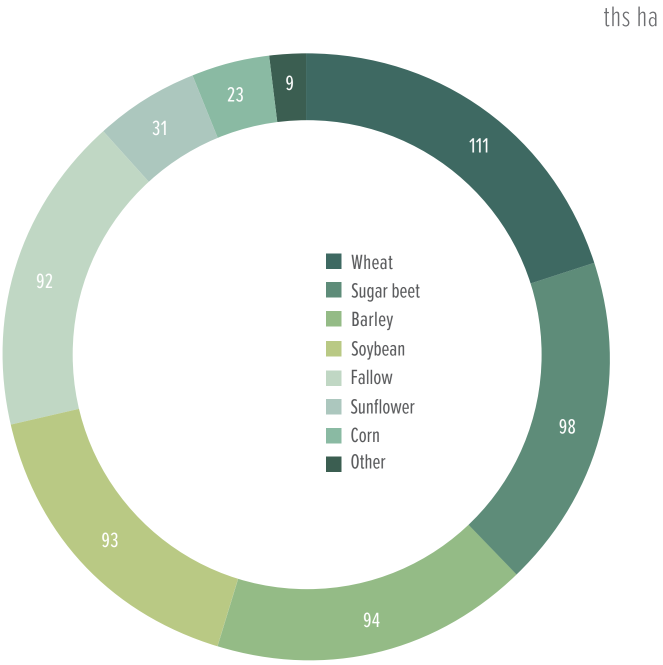
Source: Company data

CULTIVATED LAND AREA IN OREL REGION IN 2016



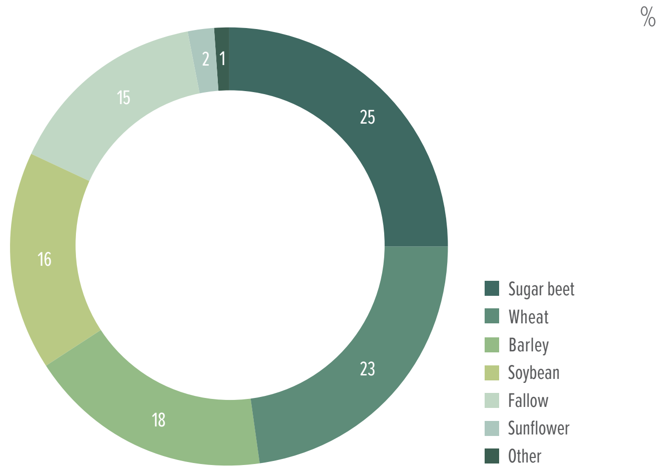
Source: Company data

RUSAGRO GROUP TOTAL CULTIVATED LAND AREA IN 2016



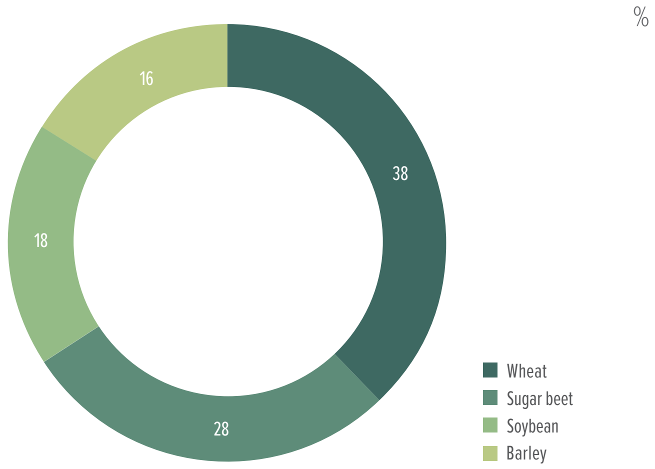
Source: Company data

CULTIVATED LAND AREA IN TAMBOV AND VORONEZH REGIONS IN 2016



Source: Company data

CULTIVATED LAND AREA IN KURSK REGION IN 2016

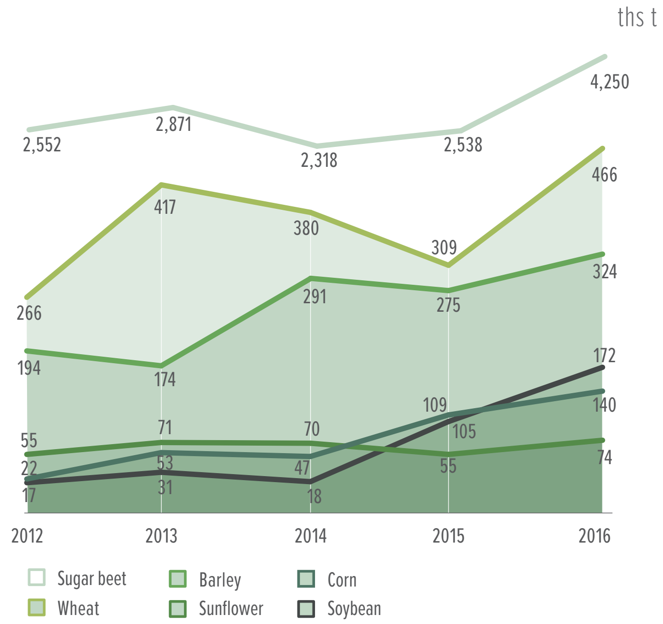


Source: Company data

Harvest

The Group's total grain harvest increased by 30% to 930 ths tonnes in 2016, including 466 ths tonnes of wheat, 324 ths tonnes of barley and 140 ths tonnes of corn. The Group also harvested 4.3 million tonnes of sugar beet (+68%), 74 ths tonnes of sunflower (+34%) and 172 ths tonnes of soybean (+64%).

RUSAGRO GROUP CROP HARVEST



Source: Company data

Yields

Yields augmented for all crops in 2016. The biggest yield increases were 31% on average for sugar beet and 26% for soybean. The Group's overall yield figures exceeded the national averages for the corresponding crops.

CROP YIELDS IN 2016

Group average	t/ha	Chg, %
Wheat	4.3	20
Barley	3.5	21
Corn	6.0	9
Sugar beet	43.1	31
Sunflower	2.4	6
Soybean	1.9	26

Tambov and Voronezh Regions	t/ha	Chg, %
Wheat	3.9	26
Barley	2.9	(1)
Corn	8.2	15
Sugar beet	39.8	11
Sunflower	2.6	3
Soybean	1.6	(7)

Belgorod Region	t/ha	Chg, %
Wheat	4.6	20
Barley	3.8	29
Corn	6.9	35
Sugar beet	44.2	53
Sunflower	2.5	7
Soybean	2.1	43

	Orel Region t/ha	Kursk Region t/ha
Wheat	4.0	4.8
Barley	3.5	4.0
Sugar beet	38.8	53.8
Sunflower	2.0	-
Soybean	1.3	2.1

Primorye Territory	t/ha	Chg, %
Corn	5.4	31
Soybean	1.4	45

Sales

Most of the grain grown by the Group is sold within the country. The main customers are agribusiness groups that raise pigs and poultry. The exception is barley, which is exported to countries in Asia, including Japan. Oilseed crops are also sold primarily on the domestic market. However, the priorities of sales depend considerably on market conditions, seasonal factors and the balance of products. The sugar beet was sold to the Group's sugar division, and 129 ths tonnes of grain was sold to the Group's meat division.

CROP SALES IN 2016

ths t

	Year ended		Chg
	31 Dec 2016	31 Dec 2015	%
Sugar beet	3,798	2,538	50
Wheat	413	285	45
Barley	377	310	22
Sunflower	50	22	132
Corn	91	77	19
Soybean	182	12	1,474

The most profitable crop in the reporting period was sunflower, for which there was demand both on the domestic market and among exporters. Grain and sugar beet were second in terms of profitability.

Prices

Average prices in 2016 fell for almost all agricultural products sold by the Group. The only exceptions were sunflower and corn, prices for which rose 3% to 21.7 ths roubles per tonnes and 6% to 8.1 ths roubles per tonnes respectively. Prices fell 16% to 7.2 ths roubles per tonnes for barley, 15% to 7.4 ths roubles per tonnes for winter wheat, 18% to 2.4 ths roubles per tonnes for sugar beet and 9% to 21.2 ths roubles per tonnes for soybean.

Plans for 2017

In 2017 Rusagro Group's agriculture division plans to increase its sales through the growth of crop areas, particularly for soybean and wheat

The share of the soybean crop area should be increased from 18% to 24% and of the wheat - from 21% to 28%. The Group will also start growing wheat in the Primorye Territory. Wheat havested in the Central Federal District will be sold to both domestic customers and exporters, depending on the market situation. Meanwhile, 80-100% of the Far East wheat harvest will be exported due to the absence of a stable domestic market in this region

The Group's agriculture division will continue to invest in expansion, infrastructure and machinery fleet development, as well as further implementation of high technologies and innovations.

In 2017 the Group expects to:

- increase its land holdings by 20 ths hectares, including 10 ths hectares in the Tambov Region and 10 ths hectares in the Primorye Territory.
- update existing machinery fleet and provision of machinery for new land with the purchase of new grain and sugar beet harvesting com-bines, seeding machines, sprayers, etc.
- Continue agriculture business automotisation and launch breeding centre to develop improved sugar beet hybrids

Financial Results

Key consolidated financial performance indicators

in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Sales	84,257	72,439	11,817	16
Gross profit	25,725	31,433	5,707	(18)
Gross margin, %	*31%*	*43%*	*-13%*	
Adjusted EBITDA	18,205	24,423	(6,218)	(25)
Adjusted EBITDA margin, %	*22%*	*34%*	*-12%*	
Net profit for the period	13,675	23,690	(10,015)	(42)
Net profit margin %	*16%*	*33%*	*-16%*	

Key financial performance indicators by segments

in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Sales, incl.	84,257	72,439	11,817	16
Sugar	37,240	32,853	4,386	13
Meat	17,851	18,117	(266)	(1)
Agriculture	21,155	14,211	6,944	49
Oil and Fat	19,864	17,252	2,612	15
Other	95	42	53	126
Eliminations	(11,948)	(10,036)	(1,912)	(19)
Gross profit, incl.	25,725	31,433	(5,707)	(18)
Sugar	11,948	12,787	(839)	(7)
Meat	3,175	6,085	(2,910)	(48)
Agriculture	7,848	8,730	(882)	(10)
Oil and Fat	3,370	4,588	(1,218)	(27)
Other	95	42	53	126
Eliminations	(711)	(800)	88	11
Adjusted EBITDA, incl.	18,205	24,423	(6,218)	(25)
Sugar	9,579	11,068	(1,489)	(13)
Meat	4,013	7,672	(3,659)	(48)
Agriculture	6,192	6,630	(438)	(7)
Oil and Fat	(420)	1,662	(2,082)	-
Other	(1,828)	(1,504)	(324)	(22)
Eliminations	670	(1,104)	1,774	-
Adjusted EBITDA margin, %	*22%*	*34%*	*-12%*	
Sugar	*26%*	*34%*	*-8%*	
Meat	*22%*	*42%*	*-20%*	
Agriculture	*29%*	*47%*	*-17%*	
Oil and Fat	*-2%*	*10%*	*-12%*	

Sugar Segment

The financial results of the Sugar Segment for 12M 2016 compared to 12M 2015

in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Sales	37,240	32,853	4,386	13
Cost of sales	(25,627)	(20,290)	(5,337)	(26)
Net gain/ (loss) from trading derivatives	335	224	112	50
Gross profit	11,948	12,787	(839)	(7)
Gross profit margin	*32%*	*39%*	*-7%*	
Distribution and selling expenses	(2,534)	(1,826)	(707)	(39)
General and administrative expenses	(1,189)	(863)	(325)	(38)
Other operating income/ (expenses), net	60	(63)	123	-
Operating profit	8,286	10,034	(1,749)	(17)
Adjusted EBITDA	9,579	11,068	(1,489)	(13)
Adjusted EBITDA margin	*26%*	*34%*	*-8%*	

The main factor of Sales growth is an increase in sugar sales volume, by 11% in 12M 2016, compared to prior year periods. The sales volume of by-products, as beet pulp and molasses, are also increased. Revenue from beet pulp and molasses amounted to 1,972 million roubles in 12M 2016 (12M 2015: 1,126 million roubles).

Additional factor of sales growth in 2016 are trading operations with rice and the beginning of sales of buckwheat products. Sales of rice and buckwheat amounted to RUB 888 million in 12M 2016 (12M 2015: 14 million roubles).

Sugar sales, production volumes and average sales prices per kilogram (excl. VAT)

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Sugar production volume (in ths t), incl.	810	766	44	6
Beet sugar	750	582	168	29
Cane sugar	59	183	(124)	(68)
Sales volume (in ths t)	866	784	82	11
Average sales price (RUB per kg, excl. VAT)	39.4	40.4	(0.9)	(2)

Higher sugar beet prices for harvest of 2015 compared to harvest of 2014 lead to an increase in costs of sales.

An increase in general and administrative expenses in 12M 2016 include 125 million roubles attributed to newly acquired plants, whose financial results are included in the consolidated segment's results starting 1 June 2016.

Meat Segment

The financial results of the Meat Segment for 12M 2016 compared to 12M 2015 — in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Sales	17,851	18,117	(266)	(1)
Net gain/ (loss) on revaluation of biological assets and agricultural produce*	146	(304)	450	-
Cost of sales*	(14,822)	(11,728)	(3,094)	(26)
Gross profit	3,175	6,085	(2,910)	(48)
Gross profit margin	18%	34%	-16%	
Gross profit excl. effect of biological assets revaluation	*3,029*	*6,389*	*(3,360)*	*(53)*
Adjusted gross profit margin	*17%*	*35%*	*-18%*	
Distribution and selling expenses	(280)	(119)	(161)	(135)
General and administrative expenses	(714)	(600)	(114)	(19)
Other operating income/ (expenses), net	332	852	(520)	(61)
incl. reimbursement of operating costs (government grants)	108	682	(575)	(84)
Operating profit	2,513	6,218	(3,705)	(60)
Adjusted EBITDA	4,013	7,672	(3,659)	(48)
Adjusted EBITDA margin	*22%*	*42%*	*-20%*	

A slight decrease in *Sales* in 12M 2016 resulted from a decrease in pork sales prices. Comparison on a quarter-to-quarter basis show 14% increase in sales in 2016 mainly because of price growth. Additional factor is a shift to sales of more expensive processed pork, with the sales volume held nearly constant.

Pork sales volumes and the average pork sales prices per kilogram (excl. VAT)

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Sales volume (in ths t), incl.	162	176	(15)	(8)
livestock pigs	76	141	(66)	(46)
processed pork	86	35	51	147
Average sale prices (RUB per kg, excl. VAT):				
livestock pigs	91.7	99.4	(7.8)	(8)
processed pork	124.1	114.2	9.9	9

The decrease in sales volume in 12M 2016 compared to prior year is linked to change in product mix. In the middle of 2015 the Group launched the slaughter house, that led to movement from sales of livestock pigs to sales of processed pigs with related decrease in volumes due to wastage. Total sales volume on the quarter to quarter bases are nearly on the same level.

Higher grain prices for harvest 2015 compared to harvest 2014 led to an increase in feed costs. Increased feed costs and processing costs of slaughter house led to a significant increase in costs of sales in 2016 compared to 2015.

A drop in government grants for reimbursement of operating costs in 12M, minus 575 million roubles, also contributed to the negative trend in operating profit and Adjusted EBITDA figures.

Oil and Fat segment

The financial results of the Oil and Fat Segment for 12M 2016 compared to 12M 2015 — in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Sales	19,864	17,252	2,612	15
Cost of sales	(16,494)	(12,664)	(3,830)	(30)
Gross profit	3,370	4,588	(1,218)	(27)
Gross profit margin	*17%*	*27%*	*-10%*	
Distribution and selling expenses	(3,554)	(2,750)	(804)	(29)
General and administrative expenses	(720)	(527)	(193)	(37)
Other operating income/ (expenses), net	127	59	67	114
Operating profit/ (loss)	(778)	1,369	(2,147)	-
Adjusted EBITDA	(420)	1,662	(2,082)	-
Adjusted EBITDA margin	*-2%*	*10%*	*-12%*	

Intra-segment sales include sales of raw oil from Samara Oil Plant to Ekaterinburg Fat Plant.

Far East operations in 12M include results of operations of LLC Primorskaya soya, fat plant, acquired in Q4 2015 and engaged in soya bean oil extraction and processing. Far East operations in 12M 2015 also included tolling operations with soya bean on the related party's production facilities.

Sales volumes by product — ths t

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Ekaterinburg Fat Plant				
mayonnaise	77	66	11	17
margarine	37	43	(6)	(15)
bottled oil	15	8	7	86
Samara oil plant				
bulk oil	174	169	5	3
meal	138	143	(5)	(4)
Far East				
bottled oil	11	6	5	88
bulk oil	2	4	(2)	(43)
meal	62	55	7	13

The average sale prices per kilogram (excl. VAT) for sales to third parties — RUB per kg, excl. VAT

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
mayonnaise	76.7	72.7	4.0	5
margarine	75.6	70.7	4.8	7
bottled oil	71.9	62.6	9.3	15
bulk oil	53.0	47.6	5.4	11
meal	18.2	17.2	1.0	6

Increase in prices for sunflower seeds and sunflower raw oil that exceeded the growth of finished goods sale prices together with a continuing growth of advertising expenses in Ekaterinburg fat plant led to the decrease of profitability of the segment.

Agricultural Segment

As at 31 December 2016 the segment's area of controlled land stands at 665 ths hectares (31 December 2015: 504 ths hectares), an increase of 161 thousand hectares or 32%.

The financial results of the Agricultural Segment for 12M 2016 compared to 12M 2015 in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Sales	21,155	14,211	6,944	49
Net gain/ (loss) on revaluation of biological assets and agricultural produce*	69	1,191	(1,122)	(94)
Cost of sales*	(13,376)	(6,672)	(6,704)	(100)
Net gain/ (loss) from trading derivatives	1	0	0	215
Gross profit	7,848	8,730	(882)	(10)
Gross profit margin	*37%*	*61%*	*-24%*	
Gross profit excl. effect of biological assets and agricultural produce revaluation	*7,780*	*7,539*	*240*	*3*
Adjusted gross profit margin	*37%*	*53%*	*-16%*	
Distribution and selling expenses	(2,733)	(1,450)	(1,283)	(88)
General and administrative expenses	(893)	(567)	(326)	(57)
Other operating income/ (expenses), net	275	(229)	503	-
incl. reimbursement of operating costs (government grants)	337	218	119	55
Operating profit	4,498	6,485	(1,987)	(31)
Adjusted EBITDA	6,192	6,630	(438)	(7)
Adjusted EBITDA margin	*29%*	*47%*	*-17%*	

A significant increase in sales volumes was the main driver of an increase in *sales* in 12M 2016 compared to 12M 2015. Increase in sales volume resulted from the increase in land bank cultivated and increase in yields.

Sales volumes by product ths t

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
sugar beet	3,798	2,538	1,260	50
wheat	413	285	128	45
barley	377	310	67	22
sunflower seeds	50	22	28	132
corn	91	77	15	19
soy	182	12	170	1,474

All sugar beet are sold to the sugar segment. The sales volume of grain sold to the Meat Segment amounted to 129 ths tonnes in 12M 2016 (12M 2015: 128 ths tonnes). Sales volumes of grain include sales of wheat, barley, corn and peas.

The average sale prices per kilogram (excl. VAT) RUB per kg, excl. VAT

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
sugar beet	2.4	2.9	(0.5)	(18)
wheat	7.4	8.7	(1.3)	(15)
barley	7.2	8.6	(1.4)	(16)
sunflower seeds	21.7	21.1	0.6	3
corn	8.1	7.6	0.5	6
soy	21.2	23.3	(2.1)	(9)

General and administrative expenses increased by 326 million roubles in 12M 2016 as a number of new companies joined the Agricultural Segment and the Group during the current year. Additionally, the higher expenses are attributed to the implementation of SAP ERP and its integration with the existing financial reporting system, and related personnel expenses.

Other operating income, net includes income from reimbursement of operating expenses (government grants), which is higher by 119 million roubles in 12M 2016 to the prior year periods. Further, a gain from the partial release of lost-harvest provision was recognised in 12M 2016 in the amount of 63 million roubles compared to 328 million roubles of loss in 12M 2015.

Key Consolidated Cash Flow Indicators

The key consolidated cash flow indicators presented according to management accounts methodology in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Net cash from operating activities, incl.	11,809	15,922	(4,113)	(26)
Operating cash flow before working capital changes	18,066	22,973	(4,907)	(21)
Working capital changes	(5,140)	(4,683)	(458)	(10)
Net cash from investing activities, incl.	(23,346)	(13,071)	(11,275)	(86)
Purchases of property, plant and equipment and inventories intended for construction	(16,713)	(11,438)	(5,274)	(46)
Net cash from financing activities	15,040	(7,736)	22,776	-
Net increase/ (decrease) in cash and cash equivalents	2,350	(5,915)	8,265	-

The main investments in property, plant and equipment and inventories intended for construction in 12M 2016 were made in the meat segment in the amount of 8,066 million roubles (12M 2015: 5,239 million roubles), related to the new construction project in the Tambov region, and in the agriculture segment in the amount of 5,145 million roubles (12M 2015: 2,625 million roubles), related to purchases of machinery and equipment. Significant investments were also made in Sugar Segment in the amount of 2,504 million roubles (12M 2015: 2,920 million roubles). Investments in the Oil and Fat Segment amounted to 950,951 ths roubles (12M 2015: 609 million roubles).

Debt position and liquidity management

in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Gross debt	44,503	50,323	(5,821)	(12)
Short-term borrowings	11,704	25,860	(14,156)	(55)
Long-term borrowings	32,798	24,463	8,335	34
Cash and cash equivalents, bank deposits and bonds	(40,160)	(34,751)	(5,409)	(16)
Short-term cash, deposits and bonds	(23,044)	(20,037)	(3,007)	(15)
Long-term cash, deposits and bonds	(17,116)	(14,714)	(2,402)	(16)
Net debt	4,342	15,572	(11,230)	(72)
Short-term borrowings, net	(11,340)	5,823	(17,163)	-
Long-term borrowings, net	15,682	9,749	5,933	61
Adjusted EBITDA	18,205	24,423	(6,218)	(25)
Net debt/ Adjusted EBITDA	0.24	0.64	(0.4)	

Net finance income/ (expense)

in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Net interest expense	(3,614)	(2,042)	(1,572)	(77)
Gross interest expense	(4,810)	(3,857)	(953)	(25)
Reimbursement of interest expense	1,196	1,815	(619)	(34)
Interest income	4,466	1,577	2,889	183
Net gain/ (loss) from bonds held for trading	(0)	637	(637)	-
Other financial income, net	(1,135)	3,080	(4,215)	-
Net foreign exchange gain/ (loss)	(1,107)	3,129	(4,236)	-
Other financial income / (expenses), net	(28)	(49)	21	44
Total net finance income/ (expenses)	(284)	3,252	(3,536)	-

In 2016 the Group continued to enjoy benefits from the state agriculture subsidies programme. In 12M 2016 1,196 million roubles of subsidies received covered 25% of gross interest expense.

Other financial income, net relates mainly to net financial foreign exchange losses.

Subsidies

The key types of received government support according to management accounts methodology

in RUB mn

	Year ended		Variance	
	31 December 2016	31 December 2015	Units	%
Reimbursement of CAPEX from regional budget	1,525	1,000	525	53
Reimbursement of interest expenses on investment loans	1,025	1,112	(87)	(8)
Reimbursement of interest expenses on current loans	309	475	(166)	(35)
Other subsidie	300	90	210	233
Subsidies under per hectar support in crop farming	210	162	48	30
TOTAL	**3,369**	**2,839**	**530**	**19**

In 2017 the number of subsidies was decreased. Direct farming subsidies for seeds, crop insurance and livestock farming subsidies were consolidated in one government support programme called Unified Subsidy. The limits approved for 2017 are lower than the sum of the limits for 2016 of the included programmes. A number of regions in the Central Federal District, including the Belgorod, Tambov and Kursk Regions, decided to stop direct farming subsidies altogether. In light of this, the Group expects a decrease in subsidies in 2017 under government support.

However, a new mechanism of subsidised lending to agribusinesses, approved by Russian government Resolution No. 1528, was introduced as of 1 January 2017, and Rusagro Group plans to finance current and investment activities under this new mechanism at an interest rate of 1-5%. The previous mechanism of sibsidised lending involved raising financing on a commercial basis with subsequent reimbursement of partial interest.

Corporate Governance

THE QUALITY OF RUSAGRO GROUP'S CORPORATE GOVERNANCE SYSTEM IS A CONSTANT FOCUS OF THE BOARD OF DIRECTORS AND MANAGEMENT

Corporate Governance System

Rusagro Group devotes considerable attention to developing its corporate governance system, which it sees as vital to maintaining the performance of its business and growing shareholder value. The Group recognises the impact that the quality of the corporate governance system has on its investment attractiveness, the confidence of the investment community and its business reputation, and is committed to continuous improvement.

High standards of corporate governance are dictated by the public status of the Company, whose Global Depositary Receipts (GDR) are issued on its shares and traded on the London Stock Exchange and Moscow Exchange.

The Company's core corporate governance documents are:
- Company Articles of Association.
- Code of Business Conduct and Ethics of the Company.
- Code of Conduct for Prevention of Insider Trading of the Company.
- Regulation on the Audit Committee of the Board of Directors of the Company.

Code of Business Conduct and Ethics

The Company' Code of Business Conduct and Ethics was approved in 2014 and codifies:
- Basic rules, principles and values.
- Standards of business and social conduct.
- Ethical standards for internal and external corporate relations.
- Principles of social responsibility to employees, shareholders, business partners, the government and society.

The Code plays an important role in creating a strong corporate culture and well-knit system of corporate values that defines and forms the Company's reputation, competitiveness and effectiveness.

The Code is based on generally accepted standards of corporate ethics and business conduct, international laws and documents that define best practices in corporate governance. The Code extends to all subsidiaries and companies in the Group. The provisions of the Code apply to members of the Board of Directors, management and other employees of the Company.

In addition to complying with the Code, all employees must comply with international laws and regulations against corruption, including:

- UK Bribery Act;
- U.S. Foreign Corrupt Practices Act (FCPA);
- Anti-corruption regulations of the Company, as well as all other current anti-corruption legislation applicable to the Company and its employees.

THE COMPANY'S CORE CORPORATE VALUES	RUSAGRO GROUP EMPLOYEES
Results	Set ambitious goals and achieve them
Continuous improvement	Do the work better every day and become better every day
Teamwork and cooperation	Achieve goals together and value everyone's contribution
Our people	Respect individuality and value professionalism
Integrity	Value trust and count on the integrity of their colleagues

Code of Conduct for Prevention of Insider Trading

Being a public company, Rusagro Group has a responsibility to establish and observe a special procedure for disclosure of information that can have a significant impact on the price of the Company's securities.

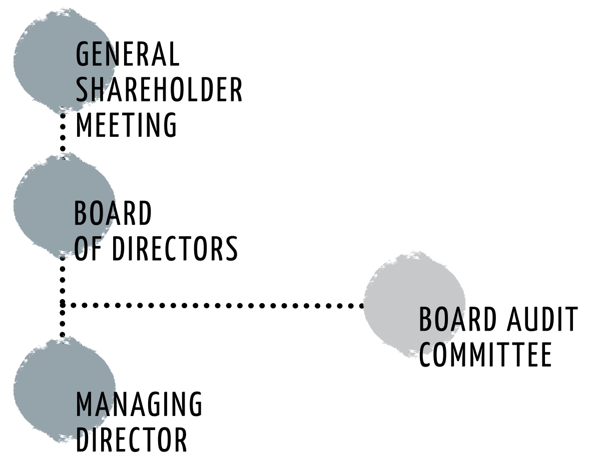
Using the latest international practices in this area, the Company ensures that all stock market participants have equal access to sensitive information, striving to prevent unlawful use of insider information.

In addition to understanding and complying with the Code of Conduct for Prevention of Insider Trading, Company employees must comply with international laws and regulations on the use and disclosure of insider information. They include:
- Market Abuse Law of Cyprus.
- UK Financial Services and Markets Act of 2000 (FSMA).
- Disclosure and Transparency Rules of the UK Financial Conduct Authority.
- UK Criminal Justice Act of 1993 and other applicable laws and/or regulations of regulators.

Corporate Governance Structure

In accordance with the Articles of Association, the Company's corporate governance system consists of the following bodies:
- General Shareholder Meeting.
- Board of Directors.
- Board Audit Committee.
- Managing Director.

SYSTEM OF GOVERNANCE AND CONTROL BODIES



General Shareholder Meeting

The Company's highest governance body is the General Shareholder Meeting. Annual General Shareholder Meetings are held once a year and any additional meetings of shareholders are considered to be extraordinary. The location for holding shareholder meetings is: 8 Mykinon Street, 1065, Nicosia, Cyprus. If the location of the shareholder meeting needs to be changed, the date and location for the Annual General Meeting and extraordinary meetings are designated by the Company's Board of Directors.

The General Shareholder Meeting holds exclusive authority to:
- Announce payment of dividends on the Company's securities.
- Make decisions about issues of shares and other securities of the Company.
- Make decisions on the acquisition of previously issued shares of the Company.
- Approve the Company's financial statements.
- Review the reports of auditors and the Board of Directors.
- Approve the annual report.
- Elect Board directors.
- Elect an auditor for the Company and determine their remuneration.
- Approve the acquisition of Company shares by Board directors.
- Make decisions on the liquidation of the Company.

The Company held three General Shareholder Meetings in 2016, on 8 April, 26 May and 23 September.

At the extraordinary general meeting in April 2016, shareholders approved a secondary public offering (SPO) of up to 10,000,000 shares.

At the general meeting in May 2016, shareholders approved the:
- Audited consolidated financial statements for 2015.
- Audited separate financial statements for 2015.
- Independent auditor's report for 2015.
- Annual report for 2015.
- Payment of dividends for 2015.

At the extraordinary general meeting in September 2016, shareholders approved payment of dividends for the first half of 2016.

Minutes of General Shareholder Meetings are available on the Group's website in the section on Corporate Documents of ROS AGRO PLC.

Board of Directors

The Board of Directors is the Company's collective governance body and is responsible for the general management of the Company's business, with the exception of issues that are under the exclusive authority of the General Shareholder Meeting. The Board is collectively accountable to shareholders for the Group's performance.

The Board sets strategic goals, ensuring the necessary financial and human resources to achieve them, and assesses the performance of the Group's management team. The Board also defines the values and standards of corporate governance and ensures that the Group meets all obligations to shareholders.

In accordance with the Company's Articles of Association, the Board consists of at least two but not more than five directors, at least two of whom must be independent directors.

At the Annual General Meeting on 26 May 2016, shareholders elected the following directors to the Board:

1. **Mr Vadim Moshkovich,**
   Chairman of the Board of Directors of ROS AGRO PLC
2. **Mr Tassos Televantides,**
   Board Director (independent), Chairman of the Audit Committee of ROS AGRO PLC
3. **Mr Richard Smyth,**
   Board Director (independent) and member of the Audit Committee of ROS AGRO PLC
4. **Ms Anna Khomenko,**
   Board Director, member of the Audit Committee and Compliance Officer of ROS AGRO PLC
5. **Mr Maxim Basov,**
   Board Director of ROS AGRO PLC, Chief Executive Officer of JSC Rusagro Group, Chief Executive Officer of LLC Rusagro Group of Companies

VADIM MOSHKOVICH

Chairman of the Board, ROS AGRO PLC

Mr Moshkovich, who has been working in the agribusiness sector since 1995, was elected Chairman of the Board in May 2015.

He started his career in the industry as head of CJSC Shugarimpeks Trading and Shugarimpeks Trading Company. In 1999, he became the CEO and co-owner of a group of companies that were consolidated into LLC Rusagro Group of Companies in 2003. He served as CEO of the group until 2006.

He served as a member of the Federation Council, the upper house of Russia's parliament, from 2006 to 2014, representing the Belgorod Region.

Mr Moshkovich, born in 1967, graduated from the Moscow State Institute of Radio Engineering, Electronics and Automation.

TASSOS TELEVANTIDES

Director, ROS AGRO PLC

Mr Televantides, a chartered certified accountant who was a partner at PricewaterhouseCoopers Cyprus for more than 20 years, joined the Board of ROS AGRO PLC in November 2011, when he was also elected Chairman of the Audit Committee.

He has been CEO of CypcoDirect Limited since 2008 and has served as Chairman of the Board at Limassol Bishopric since 2009. From 1994 to 1998 he served on the Board of Directors of ICPAC, and from 2002 to 2008 he was Honorary Treasurer of the Limassol Chamber of Commerce and Industry.

Mr Televantides, who was born in 1948, has also served as a director at a Canadian pharmaceutical group, a Norwegian drilling rig construction company, Gazprombank Finance Services and Olivant Investments.

RICHARD ANDREW SMYTH

Director, ROS AGRO PLC

Mr Smyth was Chairman of the Board of Directors of ROS AGRO PLC from February 2011 to May 2015.

He has been Regional President of Mars LLC in Central Europe and the CIS since January 2009, prior to which he was a general manager at Mars LLC from 2003 to 2009.

Mr Smyth, born in 1962, graduated from Oxford University in the UK in 1984.

ANNA KHOMENKO

Director, Managing Director and Compliance Officer, ROS AGRO PLC

Ms Khomenko is the Managing Partner of Fiduciana Trust (Cyprus) Limited.

She was a director at IFG Trust (Cyprus), a provider of financial services to companies listed on the London and Dublin stock exchanges, from 2007 to 2009, prior to which she was the head of the corporate department at Excel-Serve (Cyprus).

Ms Khomenko, born in 1977, studied international law at the Taras Shevchenko Institute of International Relations in Ukraine and continued her education at Keele University in the UK, where she earned a dual Bachelors Degree in Law and International Politics.

MAXIM BASOV

Board Director of ROS AGRO PLC, Chief Executive Officer of JSC Rusagro Group, Chief Executive Officer of LLC Rusagro Group of Companies

Mr Basov, who joined the Board of ROS AGRO PLC in February 2011, has been the CEO of OJSC Rusagro Group since the company's inception and was appointed CEO of LLC Rusagro Group of Companies in July 2009.

He was head of Metalloinvest Group from April 2006 to May 2009 and has also held management positions at Severstal, Kuzbassugol, Severstal Resources and Interpipe Group.

Mr Basov, born in 1975, graduated from New York University with majors in Economics and Finance, International Business and Philosophy.

The Board of Directors held four in-person meetings in 2016, on 28 March, 20 May, 25 August and 18 November. Vadim Moshkovich was elected chairman. The quorum met the requirements set forth in the Company's Articles of Association.

In addition to discussing financial results, the results of the Audit Committee, the options programme for upper management, the Board considered the following issues at the meetings:

In March 2016:

- Capex forecast for 2016 and report on capex for the period of 2009-2015.
- Presentation of a greenhouse project and the up-to-date results of a transaction with Razguliay Group – the signing of a deal to acquire three sugar plants.
- Remuneration for the Company's senior management team for 2015 and planned changes in management team.
- Recommendations for payment of dividends for the second half of 2015 in accordance with the Company's policy.
- Carrying out an SPO in April.

In May 2016:

- Presentation of sugar division's key strategic goals for 2016-2022.
- Presentation of results of SPO carried out in April 2016.
- Up-to-date results of a Razguliay Group deal – purchase of debt and shares, three sugar plants in the Kursk and Orel Regions and buckwheat mill in Voronezh Region, and acquisition of land.
- Sale of 6,666 GDR from treasury stock to Mitsui at a price of USD 15/GDR.

In August 2016

- Recommendations for payment of dividends for the first half of 2016 in accordance with the Company's policy.
- Presentation of plans to expand business segments, including information on construction and the technical aspects of these projects.
- Current results of deal with Razguliay Group and prospective deals to acquire sugar, oil and fats assets.
- Presentation of Group Strategy for 2017-2021 with a summary of the Group's vision and goals, strategies for business segments and new business opportunities to reach these goals.

In November 2016:

- Report on major Group projects, and presentation of plans to expand several business segments, including information on construction and the technical aspects of these projects.
- A number of investment projects to acquire assets.
- Plans for possible changes in the structure of the management team and introduction of new positions by the end of 2016.
- Options programme for Group employees.
- Presentation of Group Strategy for 2016-2022 with a summary of the Group's vision and goals, strategies for business segments and new business opportunities.

Details about decisions made are available on the Group's website in the section of Corporate Documents of ROS AGRO PLC.

Corporate management

MAXIM BASOV

Chief Executive Officer, LLC Rusagro Group of Companies

For details about Mr Basov's background, see Board of Directors section.

ALEXANDER ROSLAVTSEV

Chief Financial Officer, LLC Rusagro Group of Companies

Mr Roslavtsev, a member of the Association of Certified Chartered Accounts since 2001, was appointed CFO of Rusagro Group of Companies in June 2016.

He previously served as CFO at Hewlett Packard in Russia and the CIS, and CFO and vice president of Rosinter Restaurants Holding. He has also worked at Intel, Ford Motor Company, KPMG UK and KPMG in Russia.

Mr Roslavtsev graduated from the Moscow State Aviation Institute with a Master's degree in Planning Engineering. He has also attended courses at the Wharton Business School.

SERGEY KOLTUNOV

Deputy CEO, Legal and Corporate Affairs, LLC Rusagro Group of Companies

Prior to joining the Group, Mr Koltunov was head of legal services and held other management positions at Russian Alcohol Group and the Danone Group's baby food and medical nutrition division in Russia and the CIS. He won the Manager of the Year award in 2010 in the Food Industry category in a competition held by the Free Economic Society and the International Academy of Management.

Mr Koltunov graduated with honours from the law department of Nizhny Novgorod State University in 2003, and in 2004 he completed a second degree, earning the qualification of Economist-Manager, in this university's economics department. In 2011, he completed courses at the Russian Presidential Academy of National Economy and Public Administration.

AURIKA DMITRIEVA

HR Director, LLC Rusagro Group of Companies

Ms Dmitrieva was appointed Director of Human Resources at Rusagro Group of Companies in October 2012.

Prior to joining Rusagro, she worked at Interpipe (Ukraine) and Centravis (Ukraine). She holds two post secondary degrees, in Psychology and HR Management.

SVETLANA KUZNETSOVA

Head of Investment Department, LLC Rusagro Group of Companies

Ms Kuznetsova was appointed Investment Director of Rusagro Group of Companies in October 2016.

From 2012 to 2015 Ms Kuznetsova served as head of the Funds and Investment Services department at Europe Finance Ltd. Before joining the Group she was a senior analyst at the Skolkovo Institute of Science and Technology and worked on the programme of strategic innovations development of Russian agriculture industry - the National Technology Initiative FoodNet .

Ms Kuznetsova graduated from the National Research University Higher School of Economics in 2011 with a major in the World Economy and International Business.

DMITRY BREKHOV

Head of Internal Audit Department, LLC Rusagro Group of Companies

Mr Brekhov was appointed Head of the Internal Audit Department at Rusagro Group of Companies in October 2010.

Prior to joining the Group, he was the head of internal audit at agricultural investment company Agrico and investment group Antanta Prioglobal.

Mr Brekhov graduated from Moscow State University in 1997 with a degree in Accounting and Audit.

Management of LLC Rusagro Group of Companies Divisions

NIKOLAI ZHIRNOV
Head of Sugar Division

Mr Zhirnov joined the Group in September 2009 as Commercial Director of LLC Rusagro Centre and was appointed General Director of Rusagro Centre in October 2011.

He worked for Wrigley Russia from 1997 to 2005, eventually becoming division manager. He earned an MBA from the Stockholm School of Economics in 2004, and from 2005 to 2009 served as general director of Sportland Russia, the Russian division of Sportland International.

Mr Zhirnov graduated from Chelyabinsk State Technical University in 1996 with a degree in Applied Mathematics.

ANTON ULANOV
Head of Meat Division

Mr Ulanov was appointed Head of the Meat Division in April 2016.

Prior to joining Rusagro Group, he served as CEO of LLC Kuban AgroHolding Management Company, and from 2010 to 2012 he was CEO of Sotex Research and Production Enterprise.

He held various positions at GAZ Group from 2003 to 2010. From 2006 to 2008 he headed the economics department of the Light Commercial Vehicles division of RusPromAvto Management Company, and the consolidated budgeting and long-term financial modelling department of GAZ Group Commercial Vehicles. He served as economics and finance director at GAZ Automobile Plant from 2008 to 2010.

Mr Ulanov graduated from Nizhny Novgorod State Technical University with a specialisation in Automation of Manufacturing and Industrial Processes, and Economics and Enterprise Management.

VLADIMIR FILIPTSEV
Head of Oil & Fats Division

Mr Filiptsev, who was appointed General Director of the EZhK Fats Plant in December 2014, has been Head of the Oil & Fats Division since January 2016.

In the period from 1996 to 2011 he was head of sales at the Russian division and served as executive director at the Russian Standard Group and Roust Inc., and as general director of Progress. In 2011, he returned to Roust Inc. in the position of general director.

He also worked at Coca-Cola for seven years, eventually becoming director of sales.

Mr Filiptsev graduated from the Bauman Moscow State Technical University in 1991 with a degree in Radioelectronics and Laser Technology. He earned an MBA in Budapest in 1996 under a joint programme between IMF (Hungary) and Cleveland University (USA).

KONSTANTIN BELDUSHKIN
Head of Agriculture Division

Mr Beldushkin has been Head of the Agriculture Division since August 2013. He was appointed General Director of LLC Rusagro Invest in January 2012, prior to which he was director of strategy at Rusagro Group of Companies from August 2009.

He has served as deputy director for strategic development, investment and optimisation at the Interpipe Group, and worked at CentreInvest Group and Bain & Company.

He graduated from the Moscow State Institute of International Relations in 1996 with a diploma in International Economic Relations.

In 1994-1995 he received his MBA in Business Management from City University of New York, Baruch Business School.

Audit Committee of the Board of Directors

The Audit Committee was created in order to make the Board of Directors more effective. The Audit Committee's main objectives include:

- Assisting the Board of Directors in making decisions concerning reporting and audit
- Increasing the effectiveness of Board control over the financial and economic activities of the Company by reviewing and making recommendations to the Board on issues that fall under the Board's authority
- Establishing an effective system of control over the financial and economic activities of the Company and ensuring the Board's involvement in exercising control over the financial and economic activities of the Company

The Audit Committee operates on the basis of the Regulation on the Audit Committee of the Board of Directors, in accordance with the laws of Cyprus, the Company Articles of Association, Regulation on the Board of Directors and decisions of the Company's Board of Directors.

The members of the Audit Committee are elected by the Board. The Committee can only be chaired by an independent director.

The members of the Group's Audit Committee are Tassos Televantides (Chairman), Richard Andrew Smyth and Anna Khomenko.

The Board Audit Committee held four in-person meetings in 2016, on 25 March, 17 May, 24 August and 15 November.

Risk Management

The Company makes every effort to identify, assess and minimise the potential impact of risks on its business, and is committed to meeting international and national standards of risk management. The Company continually monitors risks and develops risk mitigation policy, as well as the measures to minimise negative impact if they are realised

THE COMPANY OUTLINES THE FOLLOWING KEY RISKS FOR ITS BUSINESS:

Risk description	Risk mitigation
Industry risks	
Risk of decrease in product prices	
The Company's financial results are affected by the level of prices for sugar, pork, agricultural crops, vegetable oils and products made from them. The level of prices depends on a number of factors that the Company cannot fully control. Key reasons for possible decreases in prices could include: – Restrictions on product exports. – Reduction of Russia's restrictions on product imports. – Decline in household purchasing power. – Growth in supply of products. – Decline in world prices.	The Company mitigates this risk in the following main ways: – Diversifying the Company's product portfolio by expanding the range of products and developing retail brands. – Developing sales channels, signing contracts with large industrial partners and retail chains. – Maximising sales of the most profitable products. – Selecting period of highest prices. – Developing export sales and entering new markets. – Continually monitoring the situation on the markets in order to obtain complete and reliable information about the condition of these markets and ensure a reliable foundation for forecasting the trends in their development.
Risk of price increases for purchased raw materials and services	
Fluctuations in prices for raw materials and services could impact the Company's profit and lead to financial losses and reduce margins. The Company's financial results are most sensitive to prices for the following types of raw materials: – Sunflower seeds. – Grain and protein components of feed. – Sugar beets. – Livestock.	The Company mitigates this risk in the following main ways: – Developing its own raw materials base. – Managing supplies and inventories of raw materials. – Increasing utilisation efficiency. – Systematically monitoring prices. – Compiling forecasts for changes in world prices, oil prices, exchange rates. – Calculating profitability of deals from sale price of finished product under concluded contracts. – Maintaining minimum necessary raw material inventories.
Risk of abnormal weather	
Abnormal weather (drought, frost, excessive moisture, strong winds, hail, damping-out) can lead to lower yields and higher costs.	The Company mitigates this risk in the following main ways: – Implementing high precision systemes of tracking and forecasting weather conditions based on data from weather stations. – Regularly monitoring crops. – Managing expenses during period of crop growth based on monitoring data. – Developing sprinkler and irrigation systems. – Selecting the optimal hybrid and pedigree seeds for each climate zone. – Observing agronomic schedules for planting and selecting the best ways to cultivate crops (expanding direct planting area, treating crops against disease). – Using the farming technique of snow retention to increase moisture reserves in the soil.
Risk of agronomic errors	
Agronomic errors in the agriculture business could lead to lower yields or inefficient utilisation of raw materials, which could have a negative impact on the Company's financial results. The main reasons for this risk arising are: – The qualifications and experience of employees. – Limited data about soil and condition of crops in fields. – Quality of process execution.	The Company mitigates this risk in the following main ways: – Participating in the training of future employees by entering into agreements with specialised educational institutions in the regions of the agriculture segment for students to undergo internships in the agriculture division. – Introducing crop monitoring systems to automatically monitor the development of crops in the field and the quality of soil cultivation, maintaining records of the results of agrochemical analysis of soil, and creating maps for differentiated application of fertiliser. – Creating automatic quality control systems for execution of operational processes, including control over rate of application, photopoint monitoring of hoppers at time of loading and during operation, expenditure control. – Automating production planning on the basis of SAP ERP and system of current reporting based on various sources (SAP ERP, monitoring system, satellite system, weather services).

Risk description	Risk mitigation
Risks of African Swine Fever	
Taking into account cases of ASF among wild boars and domesticated pigs in Russia, there is a chance of infection of pigs grown at the Company's production facilities.	The Company mitigates this risk in the following main ways: – Prohibiting traffic of vehicles and purchased goods and materials from areas under ASF quarantine. – Disinfecting vehicles, goods and materials arriving at production facilities at which the Company grows pigs. – Preventing physical contact between pigs grown by the Company and wild animals. – Controlling food products supplied to production facilities. – Controlling the health of pigs grown at the Company's production facilities. – Monitoring AFS incidents in Russia.
Financial risks	
Credit risk	
Risk of losses for the Company due to non-fulfilment of obligations by counterparties to transfer cash, cash equivalents or other financial assets to the Company. Company activities that lead to exposure to credit risk include: – Provision of loans. – Selling on credit. – Placing deposits in banks. – Other transactions with counterparties that result in creation of financial assets.	In order to minimise credit risk for cash held in banks, in bank deposits and constrained in use, the Company places cash in financial institutions that, at the time of the transaction, have minimum risk of default.
Net interest rate risk	
The Company's financial results and operating cash flow are subject to changes in market interest rates. The Company is exposed to interest rate risk when it receives short- and long-term credit and loans: – Credit and loans with floating interest rates give rise to the risk of changes in the Company's future cash flows as a result of fluctuations in the market interest rate. – Credit and loans with fixed interest rates are a source of risk of changes in the fair price of the credit and loans as a result of changes in the market interest rate.	The Company performs regular analysis of its exposure to the risk of interest rates fluctuations. The Company considers various scenarios, taking into account refinancing, changes in position and alternative financing. Based on these scenarios, the Company estimates the impact of possible interest rate fluctuations on financial results for different currencies. Such scenarios are developed for the most substantial interest obligations.
Currency risk	
In the short and medium term, the Company is exposed to the risk of unfavourable changes in exchange rates, as it operates in many countries and prices for its finished products depend on world prices that are set in foreign currency (prices for agricultural products, sugar, pork, oil, meal). Furthermore, in the event of ruble appreciation, revenues decrease faster than production costs, negatively impacting the Company's financial performance.	In order to reduce currency risks, loans/credit are extended to the Company's subsidiaries in local currency within the context of intra-group financing.
Government support risk	
The Company's financial results are subject to the changes in policy of government support of agriculture industry, particularly pork and crop production. The reduction in direct subsidies, such as CAPEX reimbursement, and interest rate subsidies may also reduce investment activities of the Group.	To mitigate this risk the Company takes a proactive position and advocates the importance of government support for further development of Russian agriculture industry. It actively participates in relevant discussions on federal and regional level, promotes the fair distribution of the state support among market players. The Company performs careful monitoring of changes in government support policy and reacts to the changes in timely manner by promptly adopting its business strategy accordingly.

Relations with Shareholders and Investors

Share Capital

The Company's authorised capital consisted of 60,000,000 declared common shares and 27,333,333 issued common shares with par value of 0.01 euros each as of 31 December 2016.

The Company carried out an initial public offering on the London Stock Exchange (LSE) in April 2011 that saw the placement of 4,000,000 shares (including a greenshoe option) issued by the Company and 1,000,000 shares offered by the Company's controlling shareholders at a price of USD 15 per Global Depositary Receipt (5 GDR/1 share). The joint global coordinators, bookrunners and lead managers of the IPO were investment banks Alfa Capital Holdings (Cyprus) Limited, London Branch, Credit Suisse Securities (Europe) Limited and Renaissance Securities (Cyprus) Limited. The Company raised about USD 300 million before commission expenses with the IPO, which valued the whole Company at USD 1.8 billion.

The GDR of ROS AGRO PLC (ISIN - US7496552057) were accepted for trading on the MICEX Stock Exchange's First Tier (top) quotation list on 26 November 2014. Trading of the GDR began on 1 December 2014. The decision to list on MICEX was made in order to expand the investor base.

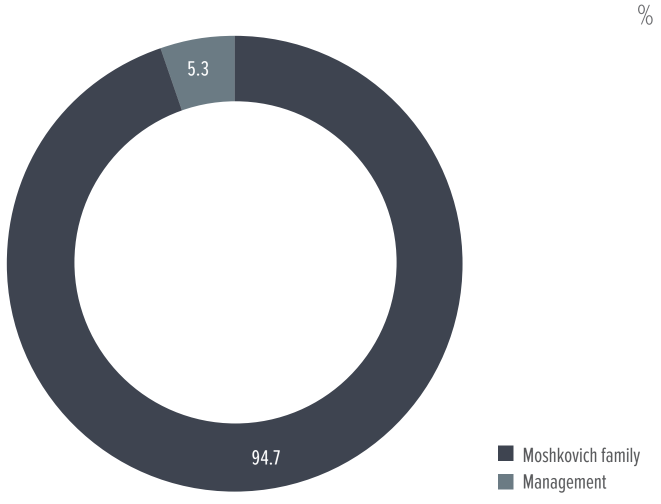
The Company carried out an SPO in May 2016, placing 3,333,333 shares issued by the Company, or 16,665,665 GDR at a price of USD 15 per GDR. The joint global coordinators and bookrunners of the SPO were investment banks J.P. Morgan Securities plc, UBS Limited and VTB Capital plc. The Company raised about USD 250 million before commission expenses with the SPO, which valued the whole Company at USD 2.05 billion.

The Group held 2,205,982 of its own GDR, equivalent to about 441,196 shares, as of 31 December 2016.

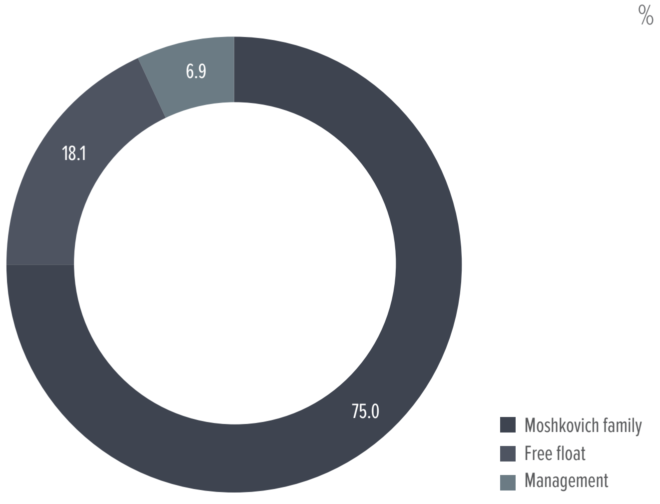
Company trading codes:

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

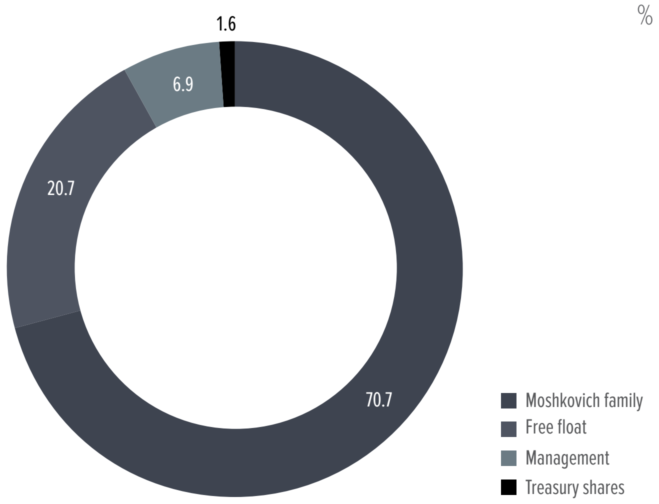
COMPANY EQUITY STRUCTURE PRIOR TO IPO



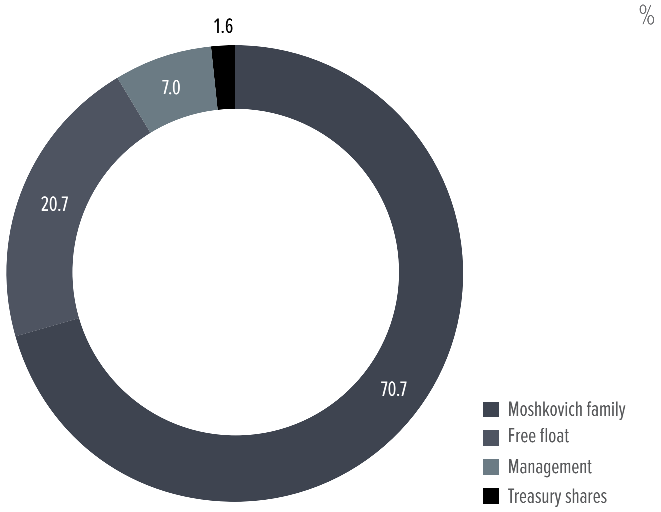
COMPANY EQUITY STRUCTURE AFTER IPO



COMPANY EQUITY STRUCTURE AFTER SPO



COMPANY EQUITY STRUCTURE AS OF 31 DECEMBER 2016



COMPANY GDR PRICE ON LONDON STOCK EXCHANGE (1 JAN TO 31 DEC 2016), USD/GDR

The Company's GDR were included in the MICEX and RTS indexes, the broad market index and the consumer sector index as of 16 December 2015.

Dividend policy

The Company's dividend policy is built on the following principles:
- Respect for shareholder rights as defined by legislation
- Balance between the interests of the Company and shareholders
- The need to develop the Company and increase its investment attractiveness
- Transparency in how dividends are determined and paid

The Company's Board of Directors approved the dividend policy on 29 August 2013 that provides for a payout of at least 25% of net profit annually. The first announcement of dividends was made in the first half of 2014 on the basis of financial statements for 2013. Dividends for 2013 totalled 1.0 billion roubles (USD 28.7 million) or 42.45 roubles (USD 1.22) per share and 8.37 roubles (USD 0.24) per GDR (five GDR represent one share), not including 442,530 treasury GDR held by the Company.

For 2014, the Company paid shareholders dividends in the amount of 25% of net profit for 2014, or a total of 5.0 billion roubles.

At an extraordinary general meeting on 3 October 2014, shareholders approved the recommendation of the Board to pay interim dividends for the first half of 2014 in the amount of 2 billion roubles (USD 54.1 million) or 84.90 roubles (USD 2.30) per share and 16.98 roubles (USD 0.46) per GDR (five GDR represent one share), not including 2,212,648 treasury GDR held by the Company. The interim dividends were paid on 17 October 2014.

Dividends for the second half of 2014 totalled 3.0 billion roubles (USD 55.4 million) or 130.03 roubles (USD 2.35) per share and 26.01 roubles (USD 0.47) per GDR (five GDR represent one share), not including 2,212,648 treasury GDR held by the Company. These interim dividends were paid on 5 June 2015.

A new dividend policy, under which the Company will pay dividends twice per year and allocate at least 25% of IFRS net profit for dividends, was approved by the Board of Directors on 25 May 2015.

For 2015, the Company paid shareholders dividends in the amount of 30% of net profit for 2015, or a total of 7.1 billion roubles.

Dividends for the first half of 2015 totalled 1.8 billion roubles (USD 27.1 million) or 76.45 roubles (USD 1.15) per share and 15.29 roubles (USD 0.23) per GDR (five GDR represent one share), not including 2,212,648 treasury GDR held by the Company.

Dividends for the second half of 2015 totalled 5.3 billion roubles (USD 77.9 million) or 198.45 roubles (USD 2.90) per share and 39.69 roubles (USD 0.58) per GDR (five GDR represent one share), not including 2,212,648 treasury GDR held by the Company.

For 2016, the Board of Directors recommended paying dividends in the amount of 48% of net profit for 2016, or a total of 6.6 billion roubles.

Dividends for the first half of 2016 totalled 2.0 billion roubles (USD 30.9 million) or 74.55 roubles (USD 1.15) per share and 14.91 roubles (USD 0.23) per GDR (five GDR represent one share), not including 2,212,648 treasury GDR held by the Company.

Dividends for the second half of 2016 totalled 4.6 billion roubles (USD 78.0 million) or 171.75 roubles (USD 2.90) per share and 34.35 roubles (USD 0.58) per GDR (five GDR represent one share), not including 2,172,368 treasury GDR held by the Company.

DIVIDEND PAYMENTS FOR 2013-2016

	Total		Per share		Per GDR	
	RUB bn	USD mn	RUB	USD	RUB	USD
2013	1	28.7	42.45	1.22	8.37	0.24
Total for 2013: RUB 1.0 bn (31% of net profit for 2013)						
H1 2014	2	54.1	84.90	2.30	16.98	0.46
H2 2014	3	55.4	130.03	2.35	26.01	0.47
Total for 2014: RUB 5.0 bn (25% of net profit for 2014)						
H1 2015	1.8	27.1	76.45	1.15	15.29	0.23
H2 2015	5.3	77.9	198.45	2.90	39.69	0.58
Total for 2015: RUB 7.1 bn (30% of net profit for 2015)						
H1 2016	2.0	30.9	74.55	1.15	14.91	0.23
H2 2016	4.6	78.0	171.75	2.90	34.35	0.58
Total for 2016: RUB 6.6 bn (48% of net profit for 2016)						

Information for Shareholders

Protection of Shareholder Rights

The Company delivers strong margins and regular dividend payments. The Company builds its relationship with shareholders in such a way as to best protect their rights and prevent any violations of their rights. The Company's Code of Business Conduct and Ethics sets out the main standards for external corporate conduct and relations with shareholders and investors.

The Company equally respects the rights of all shareholders, regardless of the number of shares that they own, adhering to the following principles:
- Minimise objective risks for investors, providing full disclosure of information about its business and refraining from actions that could mislead investors
- Make every effort to increase shareholder value, prevent corporate conflicts and ensure a high standard of corporate governance, making compliance with the Code of Business Conduct and Ethics, as well as internal Company documents a priority

The Company guarantees to all shareholders that it will safeguard all rights established by current legislation and proceeding from the Company's obligations in connection with the trading of its securities on foreign stock exchanges. The Company also offers its shareholders assistance and support according to the best world practices in corporate governance. The Company is continually working to make it simpler, easier, more efficient and less costly for shareholders to exercise their rights.

Information Policy

The Company, as an issuer of securities, demonstrates its investment attractiveness to investors. The foundation of this investment attractiveness is the performance of the Company's business, but issues of corporate governance, particularly the openness and transparency of the Company's activities, are very important for making positive investment decisions.

Seeking to ensure a level of openness that is consistent with best practices, the Company prepares and promptly reports to the investment community all information that might have a material impact on the price of the Company's securities:
- Annual and quarterly reporting on operating and financial results
- Information about all material facts of the Company's operations
- Special information and analytical materials for investors

The Company provides equal access for all representatives of the investment community to information about the Company and takes care to prevent any investor from gaining exclusive access to this information.

Any information that can have an impact on the share price is published on the Group's official website, the RNS portal (LSE), the Moscow Exchange and the Interfax Centre for Disclosure of Corporate Information. The Company holds conference calls on quarterly and annual financial results in order to present the results and provide additional explanations that are necessary for understanding the Group's financial condition.

The Company's management and key executives regularly hold meetings with representatives of the media and the investment community, as well as constantly maintain contact through the Internet and telecommunication networks in order to ensure consistent interpretation of results and events. The Company also annually arranges for visits to important Group assets as part of Analyst and Investor Day.

Analytical coverage of the Company is provided by ten investment banks: BCS, VTB Capital, Gazprombank, Otkritie, BofAML, Credit Suisse, UBS, J.P. Morgan, Renaissance Capital and Sberbank CIB.

The Company works to continually improve the quality of relations with the investment community and is open to comments and suggestions for development. The Company highly values its shareholders and investors and will continue making efforts to better meet their needs for reliable, complete and timely information.

Corporate Social Responsibility

RUSAGRO GROUP RESPECTS THE PUBLIC INTEREST IN ITS ACTIVITIES AND ASSUMES RESPONSIBILITY TO STAKEHOLDERS. THE GROUP INVESTS IN THE DEVELOPMENT OF ITS EMPLOYEES,THE CREATION OF SAFE AND EQUITABLE WORKING CONDITIONS AND ENVIRONMENTALLY-CONSCIOUS PRACTICES. IT PROMOTES THE DEVELOPMENT OF REGIONS BY CREATING NEW JOBS AND THROUGH ITS CHARITABLE ACTIVITIES

Corruption Prevention

In accordance with the Code of Business Conduct and Ethics, all of the Company's employees comply with laws against corruption and money laundering. Employees are prohibited from making, promising or receiving unlawful payments in cash, property or any other form. The Company's rules also prohibit offering, receiving or sanctioning the offer of valuable gifts to government or private customers, business partners, their representatives or affiliated parties in order to obtain undue commercial advantages.

Any interaction with government officials and other persons that fall within the scope of the UK Bribery Act or the U.S. Foreign Corrupt Practices Act (FCPA) must be in strict compliance with the Company's anti-corruption provisions and current legislation. As part of its efforts to prevent corruption, the Company:

- Does business only with reliable business partners engaged in legal activities and not involved in corruption
- Makes every possible effort to prevent bribery in the name of the Company by developing and implementing a system of appropriate procedures
- Takes every possible action prescribed by the law to obtain information attesting to the proper use of funds that the Company provides for charity and sponsorships
- Cooperates with the authorities, partners and customers in the area of corruption prevention on the principle of reciprocity

All of the principles and prohibitions established by the Code also apply to agents, consultants and other third parties working on behalf of the Company.

Transparency

The Company is committed to the principle of transparency and seeks to build and maintain stable and constructive relations with government agencies and local authorities. The Company operates in strict compliance with the laws and regulations of countries where it has a presence.
The Company's relations with government agencies and local authorities are based on the principles of responsibility, integrity, professional partnership, mutual trust and respect, and the sanctity of obligations.

The Company works with business partners on the basis of long-term cooperation, mutual benefit, respect, trust, honesty and fairness. The Company does business only with reliable business partners and adheres to the following main rules:

- The Company selects suppliers primarily on a tender basis
- The Company meets its contractual obligations to business partners in good faith and demands the same in return
- The Company always resolves disputes that arise in the course of doing business by legal means, holding negotiations and striving to find a mutually acceptable compromise
- The Company always takes into consideration the requirements of legislation in the countries with which it conducts business transactions

The Company builds relations with competitors on the principles of mutual respect, and always welcomes and supports mutually beneficial cooperation. The Company does not tolerate unfair competition or abuse of dominant position in its activities. The Company strictly abides by the antitrust laws of countries in which it does business.

Purchasing

Efficient purchasing is extremely important to Rusagro Group, because the cost and quality of its products, and ultimately its profit and competitiveness in the market, depend on this process.

When organising purchasing, the Group proceeds from the assumption that this process must be:

- Clearly regulated
- As automated as possible
- Absolutely transparent

The Group's purchasing activities are based on a standard Tender Regulation that sets out the goals and principles for organising and holding tenders. Centralisation of purchasing within business divisions, as well as the development of annual purchasing schedules, enable suppliers to plan their production and logistics, and thus offer more favourable terms to the Group. Purchasing management at the Group is conducted on the basis of a SAP system that contains up-to-date data on the purchasing process and provides customised reports. The Group currently makes most of its purchases on electronic trading platforms, which saves a substantial amount of time and effort, and ensures clarity and transparency in the purchasing process, impartiality in selection of counterparties and, consequently, fair competition.

Suppliers are selected on a competitive basis only. There are standard requirements in place for all potential suppliers. Tender announcements are published in the media, the Internet and on Rusagro Group's corporate website. Healthy competition and the absence of a monopoly on a given good or service makes it possible to enter into contracts on optimal terms.

Quality Management

Rusagro Group's main goal in the area of quality is to produce competitive, high quality products that meet the needs and expectations of customers. The Group devotes considerable attention to increasing customer satisfaction and uses information obtained in the process of handling complaints to improve its products.

The Group maintains extensive statistics based on a complaints log broken down by SKU, shipments and customers. When new complaints are received they are compared to similar cases and the customer service history is analysed. This makes it possible to accelerate the complaints review process.

When the root causes of shortcomings are found, companies seek to address them as quickly as possible and provide feedback. A KPI-based bonus system has been introduced in order to encourage employees to be proactive in preventing shortcomings.

Human Resources Management

The development of human capital is not only one of the key elements of Rusagro Group's CSR policy, it is also one of the priorities of its strategic development. The Company considers its employees to be its greatest asset and a crucial element in its effective development.

The Group seeks to create conditions for attracting and retaining the best professionals, developing professional skills and competencies, and promoting employee motivation and engagement.

Group management believes that the key to a successful business is in the balance between the high-quality and efficient work of all employees sharing common values and principles, on one hand, and the Company's commitment to providing the employees with opportunities for career growth, on the other.

The Group believes its responsibilities to employees entail:

- Providing stable and decent pay, and working conditions that meet legal standards
- Ensuring compliance with occupational health and safety standards
- Providing social security, healthcare and other elements of corporate responsibility
- Developing and improving the system of training, motivating and assessing the potential of employees
- Supporting the initiative and efforts of employees to grow, advance professional competencies and perform challenging tasks
- Maintaining an atmosphere of cooperation, mutual understanding and stability

Employee Structure

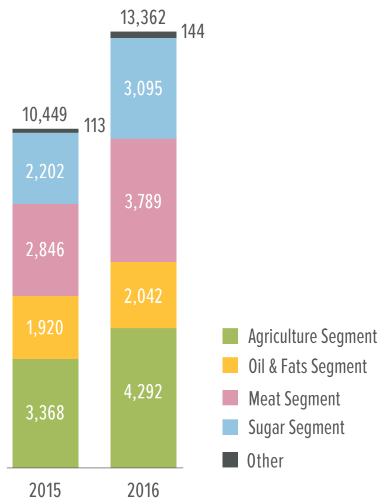
Rusagro Group's average number of employees grew by 27.9% to 13,362 in 2016. This growth was primarily driven by the meat and agriculture segments, which added 943 and 924 employees, respectively, due to the rapid expansion of the business.

Most of the Company's workforce, 52.6%, falls into the age group of 36 to 55. The second largest age group, between the ages of 26 and 35, makes up 27.3% of the workforce. Young professionals account for 8.1%.

Some 39% of Group employees have a post secondary education and 38% have a secondary vocational education.

Women make up 32% of the Group's workforce.

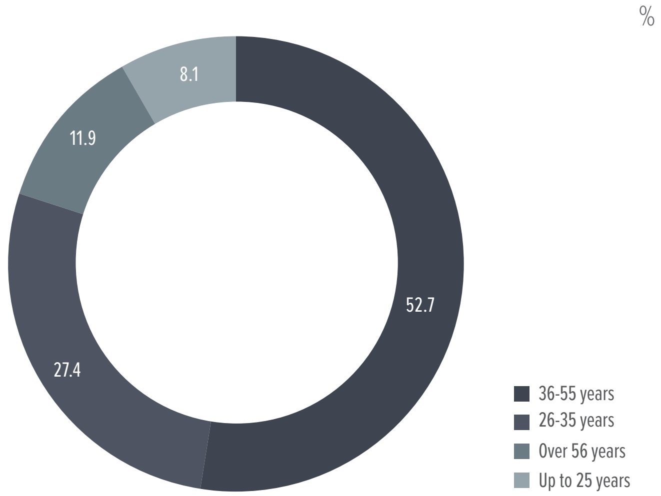
AVERAGE NUMBER OF GROUP EMPLOYEES* IN 2016



* *Including permanent and seasonal employees.*

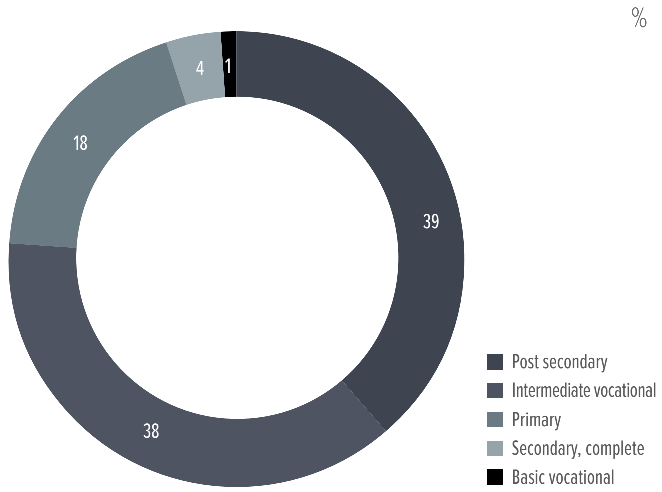
Source: Company data

AGE STRUCTURE OF GROUP WORKFORCE IN 2016



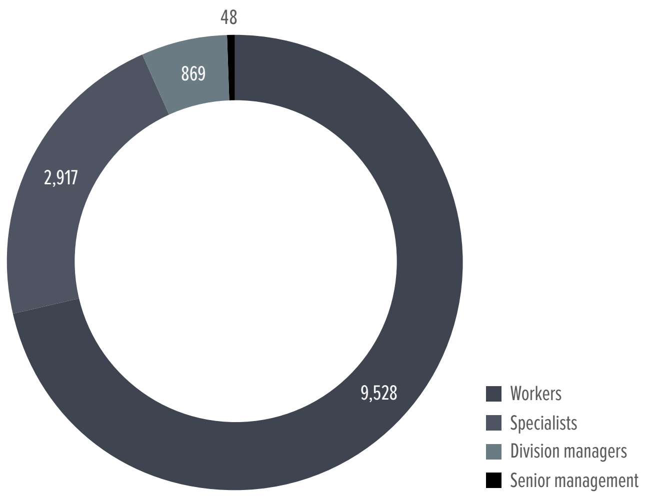
Source: Company data

STRUCTURE OF GROUP WORKFORCE BY LEVEL OF EDUCATION IN 2016



Source: Company data

STRUCTURE OF WORKFORCE BY CATEGORY, EMPLOYEES IN 2016



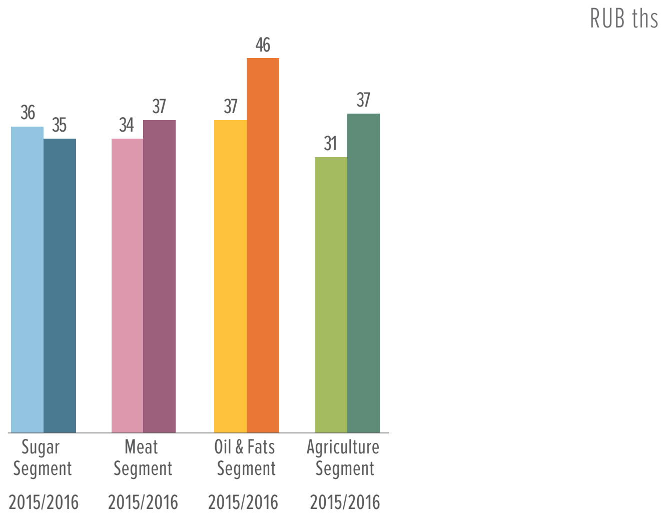
Source: Company data

Salaries

The average monthly salary at Group production and operating units rose in all business divisions in 2016 except the sugar division. The biggest increase in average salary was 25% in the Oil and Fats Segment, while the average salary in the agriculture and meat divisions rose by 19% and 8% respectively.

The 3% decrease in average salary in the sugar division was due to the acquisition of new plants in the Kursk and Orel Regions. The Company plans to bring salaries at the new plants up to the market level within 18 months to two years.

AVERAGE MONTHLY SALARY AT GROUP PRODUCTION AND OPERATING UNITS



Source: Company data

Training and Development

One of the Group's important values, Continuous Improvement, applies not just to processes, but also to staff. Our system of training and development fosters the continuous professional growth of employees, acquisition and development of skills and proficiency, sharing of knowledge and career development.

The Company approved a new employee training and development system in 2016 based on mentorship, training and coaching. The system is founded on the learning organisation model and is expected to function 90% through internal training.

Training and development will be conducted according the following proportion:
- 70% on the job by tackling new creative challenges and participating in projects;
- 20% by passing on knowledge to fellow employees; and
- 10% through traditional training and development methods such as workshops, seminars, conferences, online courses and so on.

The new system is now being implemented in all business segments. Training of mentors has been organised, HR professionals have been trained in developing online courses using the iSpring Suite, and development programme of line managers has been introduced.

The periodic formulation of individual development plans based on the results of comprehensive assessments motivates employees to grow by tackling new challenges.

A distance education system will become an important tool for acquiring new and reinforcing existing knowledge. In 2017 there are plans to actively flesh out this system, both with online courses provided by outside contractors and ones developed within the company.

Every employee of the Company has opportunities for career growth thanks to career paths developed according to functional areas. Employees can also express their career preferences, including those involving transfer to other business divisions of Rusagro Group.

The share of internal hires at the Company is growing every year, which is an indication of the Group's systematic efforts to improve the quality of human capital and demonstrates that it offers genuine opportunities for career advancement and professional growth. The percentage of internal hires grew to 36% in 2016 from 34% in the previous year.

Attracting Younger Employees

One of the instruments used to achieve the strategic goal of providing the Company with high quality staff is the Work with Youth programme. Its main goals are to:
- Raise the human capital quality index by attracting young people with potential
- Change the corporate culture by lowering the average age of the workforce and embracing young people's greater flexibility and ability to think out of the box
- Establish an attractive employer brand among the young generation

The Company took certain steps to implement this programme in 2016. New disciplines were introduced at a number of specialised vocational schools in the Tambov and Belgorod Regions, and dual education was introduced, making it possible to train industry specialists for Rusagro Group. In addition, all business divisions have launched internship programmes for students with the possibility of future employment. The Group works with educational institutions such as the Zherdevka Sugar Industry College, Yutanovka Agromechanical Technical School, Kotovsk Industrial School and the Michurinsk State Agrarian University.

Considerable work was done last year to expand channels of interaction with young people. In addition to the already traditional Days of Open Doors, Career Days and job fairs, new and fresh approaches were used in 2016 to attract young people. The Agriculture and Meat Segments held a joint IQ Show for students attending agricultural post secondary institutions in order to introduce them to Rusagro Group's main business processes in the form of a game. The EZhK Plant successfully held master classes for students from leading Ekaterinburg post secondary institutions during a Career Night, and the meat and agriculture divisions together released a mobile app for students.

In addition to its work with post secondary students, Rusagro Group is also involved in specialised vocational school programmes to attract school-age young people.

Automation of HR Processes

Given the Group's rapid development, improving HR management technology has become particularly important. The Company completed the roll-out of the ETWeb Enterprise software system in 2016 in order to efficiently organise HR management processes.

The new IT system enables managers to get a complete picture of employee development, conduct comprehensive assessments, manage training and development, do career planning, and review and monitor changes in salary.

The system has now been successfully implemented at all Group segments and has already been used to conduct several complete cycles of comprehensive staff assessment.

The Company's near-term plans include continuing to work with the staff assessment and development system, develop HR analytics, add content to the distance education system and expand its scope to reach more employees with distance learning methods.

Internal Corporate Communications

A cohesive corporate culture built around the Company's corporate values plays a defining role in the lives of Rusagro Group employees.

The Group uses various internal communication tools in order to convey these values, as well as to adhere to the principles of transparency. The Company publishes a bimonthly corporate newspaper called Vestnik Rusagro that informs employees about the main events and developments in the life of the Company. Once a year, the Company holds the Rusagro Fair Games, which have already become a tradition and drew more than 5,000 Group employees from all regions of operation in 2016. All business segments and production facilities hold regular Information Days, when employees have an opportunity to find out company news directly from their managers and give feedback.

In 2016 the Company launched the Employer Brand project to develop and promote the Rusagro Group brand as an attractive employer to both internal and external audiences.

Occupational Health and Safety

The Company fully recognises its responsibility to the public and its own employees for creating safe working conditions and ensuring industrial safety. The Company recognises that the life and health of its employees take precedence over operating results in all of its activities.

The Company sees the occupational health and safety (OHS) management system as an essential element in the efficient management of operations and assumes responsibility for managing operating risks that impact the life and health of employees, equipment and property.

In order to ensure workplace safety and prevent injuries and occupational illnesses, the Company provides ongoing training for employees, conducts special safety orientations and provides the necessary healthcare foremployees. The Company invests in workplace safety, providing protective clothing, personal protective equipment for employees working with chemicals, and professional literature.

Compliance with workplace safety standards is continually monitored by the State Labour Inspectorate and is consistent with the federal laws,local regulations, internal regulations on production control at hazardous production facilities and internal policies on occupational andindustrial safety. Workplaces, machinery, equipment and production processes at all Group units meet OHS standards.

The workplace injury rate (per 1,000 people) in 2016 was 6 in the oil and fats division; 14.7 in the sugar division; 0.98 in the meat division; and 2.6 in the agriculture division. There were no fatal incidents in the reporting period.

Measures in 2016

Rusagro Group carried out a whole range of measures in the area of OHS at its units in 2016, including:

Sugar Segment:
- Completed modernising ventilation and emergency lighting systems at the Zherdevsky and Nikiforovsky Plants
- Modernised emergency shutdown system for transport systems at the Otradinsky Plant
- Assessed working conditions at 309 workplaces at the Kshensky Plant and purchased protective clothing for the plant in Krivets

Meat Segment:
- Assessed working conditions to identify occupational hazards
- Assessed industrial safety of steam and hot water pipelines at compound feed production facility
- Worked out data sheets for hazardous production facilities

Oil and Fats Segment:

SAPP
- Installed sensors to measure maximum allowable concentrations of solvent around work area
- Installed safety systems for working at heights of more than 1.8 metres and instructed employees in their use

EZhK
- Introduced a programme to reduce the number of accidents
- Introduced a system to identify, report and investigate hazardous events
- Updated production control programme

Agriculture Segment:
- As part of an audit programme, prepared recommendations for employees on how they can do their jobs more efficiently and safely, and reduce risks when working at heights and handling crop protection agents
- Replaced respirators used in working with crop protection agents with new models of respirators and half-masks made by 3M; conducted safety orientations, including on the use of the new protective equipment
- Organised a cross audit, in the course of which employees at Agrotechnologies and Rusagro-Invest analysed the preparation of OHS documentation and regulatory compliance of equipment used in repairs

Plans for 2017

The Company plans to carry out the following measures in the area of OHS in 2017:
- **In the Sugar Segment:** develop plans for fire alarm system at the Otradinsky Plant; conduct a special assessment of working conditions for 129 workplaces; provide protective clothing for 100% of workers at facilities in Krivets and Kshen
- **In the Meat Segment:** implement an integrated OHS, industrial and environmental safety system; prepare a plan for the development and implementation of essential procedures/instructions
- **In the Oil and Fats Segment:** update equipment of the dust control system at the elevator of the plant in Ekaterinburg
- **In the Agriculture Segment:** assess risks in order to minimise them in work involving application of mineral and liquid fertilisers

Social Investments

Rusagro Group is a strategic investor with long-term interests, so it has a stake in the social development and improvement of living standards in regions where it has a presence. The Company's Board of Directors adopted a philanthropy programme in December 2015, the main goal of which is to support educational institutions and improvements to public amenities in rural areas. Assistance is targeted foremost to areas where the Company's employees live and work.

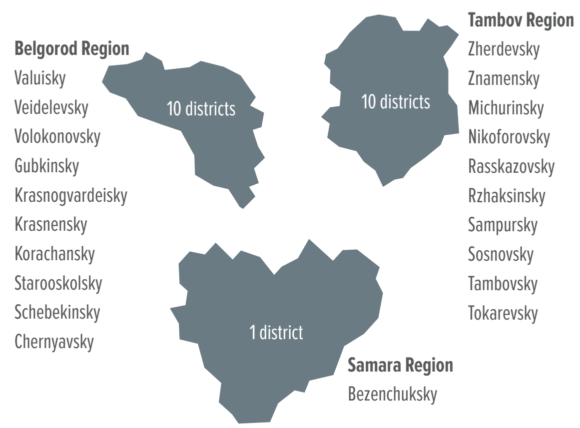
Philanthropy Programme

Ten districts of Belgorod Region, ten districts of the Tambov Region and one district of the Samara Region were included in Rusagro Group's philanthropy programme in 2016. The Company provided a total of 9.8 million roubles in funding.

In 2017 the Group plans to expand the programme considerably to include:
- 11 districts of Belgorod Region
- 14 districts of Tambov Region
- 5 districts of Samara Region
- 3 districts of Orel Region
- 5 districts of Kursk Region
- 4 districts of Primorye Territory

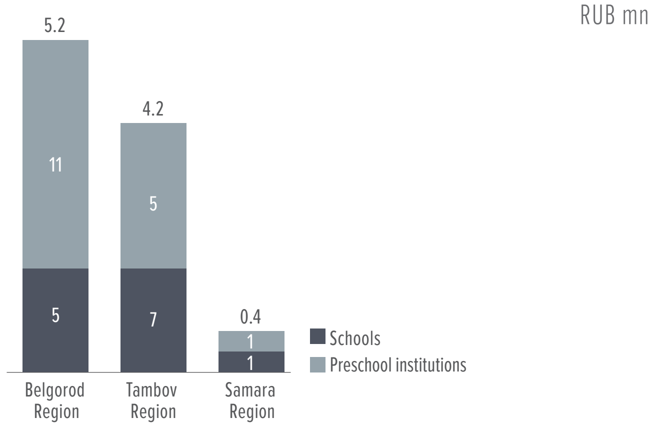
The Company plans to allocate 17.5 million roubles for the philanthropy programme in 2017. The number of educational institutions participating in the programme will increase dramatically. While in 2016 assistance was provided to 30 educational institutions, the programme for 2017 includes 43 schools and kindergartens.

GEOGRAPHY OF PHILANTHROPY PROGRAMME IN 2016



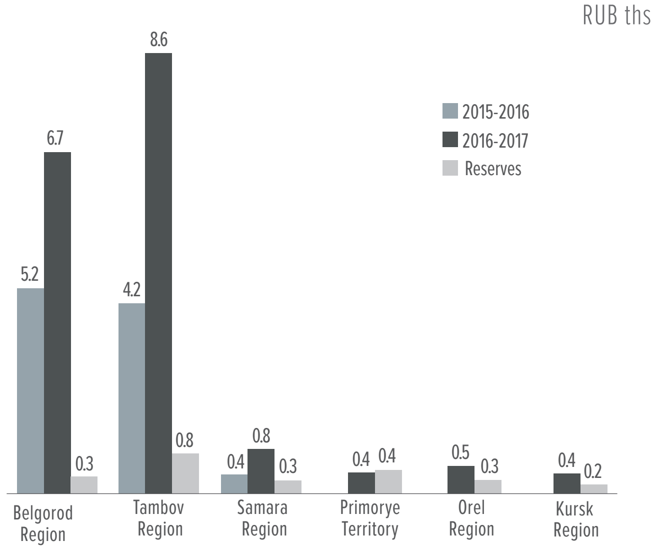
Source: Company data

RECIPIENTS OF PHILANTHROPY PROGRAMME IN 2016



Source: Company data

BUDGET OF PHILANTHROPY PROGRAMME



Source: Company data

Rusagro Group philanthropy programme projects

Although the philanthropy programme only began at the end of 2015, residents of districts in the Belgorod, Tambov and Samara Regions have already seen the first results. Implemented projects include:
- Opening of playgrounds, installation of new equipment at playgrounds
- Organisation of robotics clubs at schools with provision of robot assembly kits
- Introduction of additional computer science programmes at schools using the latest computer and multimedia equipment
- Organisation of a digital lab for chemistry and biology with built-in and removable measurement sensors, barometers and GPS
- Organisation of a play digital lab for elementary grades

Environmental Safety

Rusagro Group is committed to complying with applicable standards of environmental legislation, sustainable use of natural resources and implementing environmentally safe technologies, as well as compliance with biosecurity and veterinary safety requirements in its livestock farming division.

Biosecurity and Veterinary Safety

Rusagro Group adheres to the latest standards for growing animals of high quality and reducing the risk of disease.

Territorial division – the land on which pig farms are located is controlled by the Group, and there are no other livestock farming operations or households that raise animals within a 10 km radius of our farms. The farms are situated 1 to 3 km apart, which helps prevent the spread of infection.

Territorial specialisation – animals of different generations and different production functions are housed separately in order to prevent the spread of disease.

Restricted access – access to areas within pig farming complexes is strictly controlled and restricted. Each site is equipped with showers and every visitor must shower before entering and exiting, as well as leave all personal belongings outside of the site and wear special clothing and footwear inside. Vehicles enter the territory of the complexes only after being washed and disinfected. The entry and exit of employees, visitors and vehicles is recorded.

Feed quality control – all feed ingredients are under constant laboratory control, which includes assessment of quality and purity, and monitoring for pathogenic elements, infections and toxic substances. All feed is heat-treated, preventing the spread of disease through feed.

Strict sanitary procedures – the Group's pig farming complexes have procedures in place to regularly clean and disinfect production areas. The Group uses the full/empty principle, where production areas are filled exclusively with animals of the same generation. After the growing period is over, the area is cleaned and disinfected.

Vaccination – animals are regularly vaccinated to prevent all known diseases.

Disease monitoring – the Company's veterinarians constantly monitor data on the spread of any diseases and study the latest scientific breakthroughs in biosecurity and veterinary safety. The Group strives to respond quickly to any outbreaks of disease in the country, immediately halting purchases of feed and shipments of animals in regions where cases of disease are reported.

Environmental Protection

Rusagro Group's environmental management system was developed taking into account provisions of environmental protection legislation.

Environmental Protection Measures

The priorities in environmental protection in 2016 were to:

Sugar Segment:
- Reduce waste dumping at the Zherdevsky and Otradinsky Plants to maximum allowable concentrations
- Reduce discharge of conditionally clean industrial wastewater at the Otradinsky Plant by 10%

Meat Segment:
- Obtain resource use licences; Tambov Bacon, for the first time ever, secured 26 licences in 2016 to use subsurface resources (extract artesian water)
- Undergo preparations to receive license to handle hazardous waste
- Replace mercury vapour lamps with LED (reduction of Class 1 hazardous waste)
- Remove topsoil from premises of Belgorod Bacon totaling 72,100 m3

Oil and Fats Segment:
- Install new air purification, dust and gas collection equipment; modernise production facilities to reduce emissions; establish a sanitary buffer zone at SAPP. In 2016 a license was obtained to transport waste and the plant was registered with the Federal Natural Resources Oversight Service (Rosprirodnadzor). The company has adopted a lean production concept – the plant reduces expenses at every stage through conservation of all resources
- Expand programme of measurements along boundary of sanitary buffer zone and reduce emissions of malodorous substances at plant in Ekaterinburg

Agriculture Segment:
- Arrange for timely extension of permit documentation for environmental protection at farms
- Organise efforts to develop and introduce internal documentation (orders, instructions, provisions, regulations, logs)
- Create system of control for compliance with environmental standards at production facilities
- Develop provisions and programmes for production control

Rusagro Group's plans for 2017 include:

Sugar Segment:
- Return a portion of conditionally clean water into the flume water system at the Otradinsky Sugar Plant
- Design cooling tower for water recycling systems at the Nikoforovsky and Zherdevsky Sugar Plants
- Clean sections of filtration fields at Nikiforovsky Sugar Plant

Meat Segment:
- Obtain resource use licence (extraction of artesian water)
- Amend standards for maximum allowable emissions and draft standards for generation of waste and limits for its disposal at slaughterhouse and meat processing plant

Oil and Fats Segment:
- Carry out first stage of work on reducing emissions of malodorous substances at the EZhK Fats Plant

Agriculture Segment:
- Acquire containers for waste collection, upgrade sites for temporary waste storage
- Install meters to measure intake of water resources from bodies of water, install fish protection systems, monitor water quality
- Control emissions of pollutants

Energy conservation

Sugar Segment:
- Install energy efficient equipment and lighting at Valuikisakhar
- Replace lighting at the Nikiforovsky Plant and its premises with LED
- Use frequency inverters at the Otradinsky Plant
- Replace contact start-up fittings with soft starters and frequency inverters at the Nika Plant

Meat Segment:
- Switch from conventional lighting to LED
- Link lighting to dispatch system by introducing automatic and remote control lighting

Oil and Fats Segment:
- Install LED lights at hazardous production facilities of the SAPP elevator
- Switch mayonnaise production at the EZhK Plant to cold method; replace steam boiler; install automated electricity metering systems; decommission inefficient and unused equipment; optimise capacity utilisation at plant

Agriculture Segment:
- Install automatic control system for outdoor and street lighting
- Use frequency regulation in drives of electric motors
- Switch from conventional lighting to LED
- Install infrared motion and presence sensors, infrared heaters
- Staff training, annual certification, engagement in development of innovative ideas, development of measures to improve the operation of energy services

Waste Management

Virtually all solid waste generated in the process of economic activities at Rusagro Group units is classified as class 4 (low hazard) and 5 (virtually non-hazardous) in terms of environmental impact. Waste in these classes amounted to respectively 39% and 61% of the total in the reporting period.

tonnes	2015	2016
1 Class	2.3	5.5
2 Class	3.6	8.6
3 Class	1,300,039	451
4 Class	745,339	1,117,611
5 Class	925,659	1,750,808

Source: Company data

The meat division accounts for the largest share of Class 4 waste (1,115,400 tonnes in 2016), and the sugar division accounts for the largest share of Class 5 waste (1,692,200 tonnes in 2016).

Additional Information

ROS AGRO PLC
INTERNATIONAL FINANCIAL REPORTING

Consolidated IFRS Financial Statements

for the year ended 31 December 2016 and Independent Auditor's Report

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Mr. Vadim Moshkovich
Chairman of the Board of Directors
President of LLC Rusagro Group of Companies

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

Mr. Richard Andrew Smyth
Member of the Audit Committee
Non-executive Director

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

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

Board Support

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

Company Secretary

Fiduciana Secretaries Limited
8 Mykinon
CY-1065, Nicosia
Cyprus

Registered office

8 Mykinon
CY-1065, Nicosia
Cyprus

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited consolidated financial statements of ROS AGRO PLC (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2016. The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

Principal activities

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

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

In 2016 revenue increased by RR 11,817,421 thousand or 16%. All segments except for the Meat segment demonstrated increase in revenue. The major contributors to the sales growth were the Agricultural and the Sugar segments where sales increased by RR 6,944,029 thousand or 49% and RR 4,386,284 thousand or 13%, respectively comparing to the previous year. Growth in sales of the both segments was a result of higher sales volumes of sugar beet, wheat, soy and barley in Agricultural division and an increase in sales volume by 11% in Sugar division. Sales growth in the Oil and Fat segment by RR 2,611,814 thousand or 15% was driven by an increase in sales volumes of mayonnaise and sunflower oil and an increase in sales prices of all main products of the segment, which was partly compensated by a decrease in volumes of margarine and sunflower meal sold. Sales turnover in the Meat segment decreased by RR 266,010 thousand or 1% mainly due to a decrease in sales volumes, which is linked to a change in the product mix. In the middle of 2015 the Group launched the slaughter house that led to the shift from sales of livestock pigs to sales of processed pork with related decrease in volumes due to wastage.

In 2015 revenue increased by RR 13,326,921 thousand or 23%. All four main segments demonstrated increase in revenue. The major contributor to the sales growth was the Sugar segment where sales increased by RR 10,389,634 thousand or 46% comparing to the previous year. Growth in sales of the Sugar segment was a result of a significant increase in average sales prices by 42% in 2015. Higher sales volumes of sugar beet, barley and corn and higher average sales prices of all crops (barley, corn, sugar beet, wheat, pea and sunflower seeds) led to an increase in sales of the Agriculture segment that was partly offset by a decrease in sales volumes of sunflower seeds, pea and wheat. Overall sales in the Agriculture segment increased by RR 3,500,611 thousand or 33%. Sales growth in the Oil and Fat segment by RR 2,331,935 thousand or 16% was driven by an increase in sales volume of mayonnaise and an increase in sales prices of consumer margarine, mayonnaise, sunflower raw oil and sunflower meal that was partly offset by a drop in volumes of margarine, sunflower raw oil and sunflower meal sold. Sales turnover in the Meat segment increased by RR 366,734 thousand or 2% thanks to the positive price factor that was partly offset by a decrease sales volumes.

In 2016 Adjusted EBITDA decreased by RR 6,218,350 thousand or 25% with negative dynamics in all four segments. Sugar segment demonstrated a decrease by RR 1,489,011 thousand or 13%. Adjusted EBITDA in the Meat segment decreased by RR 3,658,733 thousand or 48% mainly as a result of higher cost of sales compared to the prior year due to a decrease in sale prices and growth in feed cost. The drop in the Oil and Fat segment amounted to RR 2,082,353 thousand or 125% due to higher cost of sales (as cost of raw oil, sunflower seeds and soy beans increased and exceeded the growth of finished goods sale prices) and higher distribution and selling expenses. Agriculture segment showed a decrease by RR 437,596 thousand or 7%.

In 2015 Adjusted EBITDA increased by RR 6,353,926 thousand or 35%. Sugar segment and Agriculture segment demonstrated an increase in Adjusted EBITDA by 6,259,130 or 130% and 2,254,382 or 52%, respectively, as a result of an increase in sales volumes and sales prices as described above together with the continuous improvement in the efficiency of operations. In the Meat segment Adjusted EBITDA decreased by RR 1,157,136 thousand or 13%, in the Oil and Fat segment drop in Adjusted EBITDA amounted to RR 220,293 thousand or 12%.

In 2016 the Group investments in property, plant and equipment and inventories intended for construction amounted to RR 16,712,503 thousand on a cash basis. Investments of RR 8,066,143 thousand were made in the Meat segment and related mainly to the new construction project in Tambov region. The Sugar segment invested RR 2,503,980 thousand in modernization of the sugar plants. The Agriculture segment invested RR 5,145,197 thousand in acquisition of new agricultural machinery and equipment. Investments in the Oil and Fat division amounted to RR 950,951 thousand.

In 2015 the Group investments in property, plant and equipment and inventories intended for construction amounted to RR 11,438,252 thousand on a cash basis. Investments of RR 5,238,807 thousand were made in the Meat segment and related mainly to the construction in Far East region. The Sugar segment invested RR 2,919,538 thousand in modernization of the sugar plants.

The Agriculture segment invested RR 2,625,332 thousand in acquisition of new agricultural machinery and equipment.

Changes in the Group's structure

On 4 March 2016 the Group acquired 100.00% of ownership interest in the share capital of LLC Kolyshleyskiy Elevator, a grain silo located in the Penza region.

On 12 May 2016 the Group increased its share in the share capital of OJSC Pugachevskiy elevator up to 66.87%.

In May 2016 the Group acquired 92.89% shares in the share capital of OJSC Hercules, a buckwheat processing plant located in Voronezh region.

On 17 October 2016 the Group acquired 100.00% of ownership interest in the share capital of LLC Alekseevka-Agroinvest, an agricultural entity located in the Belgorod region.

In May 2016 the Group acquired through one deal a controlling stake in three sugar plants: 100.00% share capital of CJSC Kshenskiy Sugar Plant and 86.75% share capital of OJSC Krivets-Sakhar, both situated in Kursk region, and 100.00% share capital of CJSC Otradinskiy Sugar Plant, located in Orel region. Within the same deal, the Group acquired 59.00% of the share capital of OJSC By General Vatutin, agricultural entity located in Belgorod region. At the time of the purchase transaction, CJSC Kshenskiy Sugar Plant and CJSC Otradinskiy Sugar Plant together controlled 100.00% ownership interest in LLC Kshenagro, located in Kursk region, and LLC Otradaagroinvest, located in Orel region, both are agricultural entities.

The acquisitions of the Group during 2016 are disclosed in Note 25 to the consolidated financial statements.

Principal risks and uncertainties

The Group's critical estimates and judgments and financial risk management are disclosed in Notes 2 and 30 to the consolidated financial statements. The Group's operating environment is disclosed in Note 1 to the consolidated financial statements.

The Group's contingencies are disclosed in Note 31 to the consolidated financial statements.

Future developments

The Group adheres to its strategy the main purpose of which is to become the largest vertically integrated agricultural company in the Russian market. In 2017 and beyond, the Group plans to continue modernization and expansion of its production and storage facilities in all business segments. The Group plans to make further expansion in the Far Eastern region where it develops agricultural and meat business.

Results

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

Human resources management and environmental protection

The Group offers its employees opportunities to realize their professional potential, improve their knowledge and skills, work on interesting innovation projects and be part of a cohesive team. Group management believes that one of the keys to a successful business is maintaining a balance between the high quality and efficient work of all employees who share common values and principles on one hand, and the Company's commitment to providing opportunities for career growth on the other. Group business divisions annually prepare and implement employee training and development plans based on the business's strategic and current objectives, as well as needs identified by comprehensive assessment. Based on the results of a comprehensive assessment, every employee draws up an individual development plan for a period of one to two years that lists all training and development activities that are intended to advance the employee's skills or pass on the knowledge they have gained.

The Group is committed to protecting the environment and minimizing the environmental impact of its operations in regions where it has a presence. All of the Group's divisions constantly monitor wastewater runoff and air quality, and are equipped with treatment facilities that meet all the standards of applicable environmental legislation. The Group has implemented guidelines for maximum allowable emissions and guidelines for waste generation and established sanitary buffer zones for warehouses storing crop protection agents. The Group also returns packaging from crop protection agents and fertilizer to counterparties and performs soil deacidification efforts on farmland.

Dividends

Pursuant to its Articles of Association the Company may pay dividends out of its profits. In August 2013 the Board of Directors has approved a new dividend policy with payout ratio of at least 25% of the Group's profit for the year applicable starting from the year ended 31 December 2013. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement.

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

In 2016 the Company distributed RR 5,336,758 thousand of dividends for the second half of 2015 and RR 2,004,336 thousand of interim dividends for the first half of 2016. The dividends for the second half of 2015 amounted to RR 198.45 per share and interim dividends for 2016 amounted to RR 74.55 per share.

In 2015 the Company distributed RR 3,063,227 thousand of dividends for the second half of 2014 and RR 1,800,959 thousand of interim dividends for the first half of 2015. The dividends for the second half of 2014 amounted to RR 130.03 per share and interim dividends for 2015 amounted to RR 76.45 per share.

Subsequent to the year ended 31 December 2016, the Board of Directors recommends the payment of additional dividends out of the profits for the year 2016 to the amount of RR 4,619,353 thousand. Given that the Company has already paid interim dividends for the first half of 2016 to the amount of RR 2,004,336 thousand, the total dividend out of the profits for 2016 amount to RR 6,623,689 thousand. The dividend per share will be fixed at the dividend record date set on 13 April 2017.

The proposed dividend is subject to approval by the shareholders at the Annual General Meeting. These consolidated financial statements do not reflect the dividends that have not been approved on the reporting date.

Share capital

On 5 May 2016 the Company successfully completed a secondary public offering (hereinafter "SPO") of global depositary receipts (hereinafter "GDRs"). The SPO included an offering by the Company of 16,666,665 of GDRs with every five GDRs representing an interest in one ordinary share of the Company. The offering price was USD 15 per GDR (the equivalent of USD 75 per ordinary share).

As a result of the SPO, the Company issued 3,333,333 ordinary shares of par value EUR 0.01 each at the price of USD 75 per share. These shares were fully paid in the amount of USD 250 million resulting in an increase of share capital and share premium by RR 2,535 thousand and RR 16,406,906 thousand net of an amount of RR 133,507 thousand out of the total expenses directly attributable to the new shares issued.

The share capital of the Company is disclosed in Note 14.

The role of the Board of Directors

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

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

Members of the Board of Directors

The members of the Board of Directors at 31 December 2016 and at the date of this report are shown in the beginning of these consolidated financial statements. All of them were members of the Board throughout the year ended 31 December 2016.

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

The Company's Directors' remuneration is disclosed in Note 27. No any significant changes to the remuneration were during the year ended 31 December 2016.

Directors' Interests

The Directors Mr Vadim Moshkovich, Mr. Maxim Basov, Mr. Richard Smyth and Mr. Anastassios Televantides held interest in the Company as at 31 December 2016 and 31 December 2015.

Mr Vadim Moshkovich has no direct interest in the Company as at 31 December 2016. The number of shares held indirectly through a company controlled by him as at 31 December 2016 is 19,327,829 (31 December 2015: 17,999,996).

The number of shares held directly by Mr. Maxim Basov as at 31 December 2016 is 1,895,514 (31 December 2015: 1,657,303).

The number of shares directly held by Mr. Richard Andrew Smyth as at 31 December 2016 and 31 December 2015 is 6,225.

The number of shares directly held by Mr. Anastassios Televantides as at 31 December 2016 and 31 December 2015 is 2,000.

Audit Committee

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

Internal control and risk management systems in relation to the financial reporting process

The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations. The Audit Committee of the Board of directors of the Company reviews high-risk areas at least once a quarter. Reporting from various Group entities to the central office is supervised on an ongoing basis and procedures have been established for control and checking of such reporting. With each acquisition the Group seeks to adapt and incorporate the financial reporting system of the acquired operations quickly and efficiently.

Corporate Governance

Since 2011, the Company adopted the following codes: Code of Conduct on insider information and Code of Business Conduct and Ethics (the "Codes"). In addition, since May 2014 the Company together with its subsidiaries and affiliates adopted a new edition of the Codes for mandatory compliance by all employees.

Events after the balance sheet date

The material events after the consolidated balance sheet date are disclosed in Note 33 to the consolidated financial statements.

Branches

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

Treasury shares

On 25 August 2011 the Board unanimously resolved that it is in the best interest of the Company to buy back GDRs from the market for the total amount of up to USD 10 million increased to up to USD 30 million via subsequent Board's decision on 17 July 2012.

In 2016 and 2015 the Company did not buy back its own GDRs from the market.

At 31 December 2016 the Group held 2,205,982 of its own GDRs that is equivalent of approximately 441,196 shares representing 1.6% of the issued share capital. In 2016 the Group sold 6,666 of its own GDRs from those held as treasury shares that is equivalent of approximately 1,333 shares representing 0.005% of the issued share capital.

As at 31 December 2015, the Company owned 2.21m GDRs, acquired for the total cost of RR 505,880 thousand representing 1.84% of its issued share capital.

Research and development activities

The Group is not engaged in research and development activities.

Going Concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2017, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. The appointment of the auditors will be approved at the Annual General Meeting.

By Order of the Board

Vadim Moshkovich
Chairman of the Board of Directors
Limassol
13 March 2017

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

Each of the Directors confirms to the best of his or her knowledge that these consolidated financial statements (which are presented on pages 1 to 61) have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

By Order of the Board

Vadim Moshkovich
Chairman of the Board of Directors
Limassol
13 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROS AGRO PLC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements of ROS AGRO PLC (the "Company") and its subsidiaries (together with the Company, the "Group"), give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

What we have audited
We have audited the consolidated financial statements which are presented on pages 1 to 61 and comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

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

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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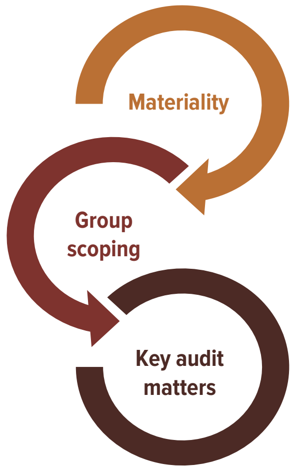
Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we considered the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Overview



Materiality
Overall group materiality: Russian Roubles ("RR") 965 million that represents 4,8% of average profit before tax for the past 3 years.

Audit scope
We conducted audit work covering the significant components and the consolidation process.

Analytical review procedures were performed for the remaining non-significant components.

Key Audit Matters
We have identified the following key audit matters:
- Business combinations – purchase price allocation
- Impairment assessment of goodwill

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

pwc

Overall Group materiality	RR 965 million
How we determined it	4,8% of average profit before tax for the past 3 financial years
Rationale for the materiality benchmark applied	We chose profit before tax as the critical measure because, in our view, it is the measure against which the performance of the Group is most commonly assessed. The 4,8% benchmark is consistent with quantitative materiality thresholds for profit-oriented companies in this sector. Averaging was applied as the benchmark amount was significantly volatile over the last several years that is not reflective of expectations of operating results for the current period or the foreseeable future. We also note the acquisitions which occurred during the past 3 financial years.

We agreed with the Audit Committee that we would report to them individual misstatements identified during our audit above RR 96 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

ROS AGRO PLC is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of ROS AGRO PLC.

Our audit included full scope audit of four significant components and the consolidation process with analytical review procedures performed for two non-significant components.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
BUSINESS COMBINATIONS – PURCHASE PRICE ALLOCATION	
Refer to Note 25 – Goodwill. We focused on this area due to the significant number and size of acquisitions that took place during the year ended 31 December 2016. The total purchase consideration for these acquisitions was RR 6,395,348 thousands. Management assessed that these acquisitions qualify as business combinations by applying the definition in IFRS 3 "Business Combinations". Management determined that the total fair value of the net identifiable assets acquired was RR 6,782,457 thousands. The acquisitions which occurred during 2016 resulted to the following: – An excess of the Group's share of identifiable net assets acquired over consideration paid which was recognised directly in the consolidated statement of profit and loss and other comprehensive income amounting to RR 636,036 thousands. – Goodwill which was recognised in the consolidated statement of financial position amounting to RR 408,929 thousands. We focused on property, plant and equipment valuation as part of determination of fair value of net identifiable assets in each business combination as a significant area of judgement. The valuation methodology, as well as the inputs and assumptions in the valuation models, will affect the fair values of the net identifiable assets.	We have evaluated the management's assessment that the acquisitions that took place in 2016 should be accounted for as business combinations in accordance with the definition set out in IFRS 3 "Business Combinations". We have evaluated the management's procedures for determining the fair value of the net identifiable assets acquired. We have performed additional audit procedures to assess the appropriateness of identifiable assets acquired and liabilities assumed at the acquisition dates. An independent professional appraiser performed the valuation of property, plant and equipment and the rights under land rent agreements for all acquisitions except for LLC Alekseevka-Agroinvest where provisional values were used as permitted by IFRS 3. We have discussed with management the provisional values used for LLC Alekseevka-Agroinvest. In order to assist us in our audit we involved PwC valuation experts that have the knowledge and experience in the industry and country of operation to assist us in evaluating methodology, models and assumptions used. We evaluated the adequacy of the disclosures made in Note 25 of the consolidated financial statements regarding the business combinations and the critical estimates and assumptions used.

Key audit matter	How our audit addressed the Key audit matter
IMPAIRMENT ASSESSMENT OF GOODWILL	
Refer to Note 25 – Goodwill. Based on the requirements of IAS 36 "Impairment of Assets" and in line with the Group's accounting policy for impairment of goodwill as documented in Note 2 to the consolidated financial statements goodwill is reviewed for impairment annually. We focused on this area given the relative size of goodwill and given that the assessment of the recoverable amount is complex and involves significant judgement. In particular, we focused our audit effort on management's assessment of impairment of the Oil Primorie CGU due to the fact that the headroom between the carrying amount and recoverable amount of this CGUs was sensitive to changes in key assumptions. Based on the results of the impairment tests carried out an impairment charge of RR 590 million for the Oil Primorie CGU was recognised resulting in the carrying amount of the CGU being written down to its recoverable amount.	We obtained management's impairment models prepared as of 31 December 2016, and evaluated the valuation inputs and assumptions, methodologies and calculations applied by management and as approved by the Group's Board of Directors. In order to assist us in our audit, we involved PwC valuation experts that have knowledge of the industry and Russia market conditions to assist us in evaluating the methodology, models and key assumptions used. We challenged management's key assumptions underlying the cash flow forecasts, such as the projected prices growth rates, volumes growth rates, and compared to management's internal forecasts and long term strategic plans that were approved by the Group's Board of Directors. We also considered publicly available information, in particular in relation to consensus estimates for macroeconomic assumptions. We also performed a look-back analysis to compare previous forecasts to actual results. For all CGUs, we assessed management's sensitivity analysis and modelled potential alternative outcomes to assess the potential impact on the overall conclusion in the event of different outcomes, focusing on those assumptions that created the most variability on the overall model results. For the impairment charge identified in respect of Oil Primorie CGU, we evaluated the adequacy of the disclosures made in Note 25 of the consolidated financial statements, including those regarding the key assumptions and sensitivities to changes in such assumptions as required.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management report which we obtained prior to the date of this auditor's report, and the Company's Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Yiangos Kaponides.

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

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13 March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

	Notes	31 December 2016	31 December 2015
ASSETS			
Current assets			
Cash and cash equivalents	3	6,751,712	4,401,703
Restricted cash		39	-
Short-term investments	4	17,230,012	29,981,025
Trade and other receivables	5	4,607,634	3,504,497
Prepayments	6	746,886	1,186,836
Current income tax receivable		97,461	41,816
Other taxes receivable	7	3,663,194	1,613,361
Inventories	8	29,538,204	22,569,821
Short-term biological assets	9	4,696,957	3,616,397
Total current assets		**67,332,099**	**66,915,456**
Non-current assets			
Property, plant and equipment	12	45,662,146	35,127,186
Inventories intended for construction		38,963	26,851
Goodwill	25	2,225,304	2,405,791
Advances paid for property, plant and equipment	6	14,172,240	5,392,600
Long-term biological assets	9	1,745,467	1,913,224
Long-term investments	10	17,751,740	15,378,412
Investments in associates	11	110,504	431,404
Deferred income tax assets	26	1,935,298	1,490,657
Other intangible assets	13	1,999,209	761,911
Restricted cash	3	-	71,142
Total non-current assets		**85,640,871**	**62,999,178**
Total assets		**152,972,970**	**129,914,635**
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	15	11,704,276	25,860,464
Trade and other payables	16	6,988,905	3,736,755
Current income tax payable		99,450	383,535
Other taxes payable	17	3,814,278	2,359,135
Total current liabilities		**22,606,909**	**32,339,889**
Non-current liabilities			
Long-term borrowings	15	32,798,240	24,462,877
Government grants	18	3,712,593	2,043,667
Deferred income tax liability	26	535,514	496,235
Total non-current liabilities		**37,046,347**	**27,002,779**
Total liabilities		**59,653,256**	**59,342,668**

	Notes	31 December 2016	31 December 2015
Equity			
Share capital	14	12,269	9,734
Treasury shares	14	(499,590)	(505,880)
Share premium	14	26,964,479	10,557,573
Share-based payment reserve	27	1,181,437	1,263,637
Retained earnings		65,420,978	59,219,626
Equity attributable to owners of ROS AGRO PLC		**93,079,573**	**70,544,690**
Non-controlling interest		240,141	27,276
Total equity		**93,319,714**	**70,571,966**
Total liabilities and equity		**152,972,970**	**129,914,635**

Approved for issue and signed on behalf of the Board of Directors on 13 March 2017

Maxim Basov
Director of ROS AGRO PLC

Vadim Moshkovich
Chairman of the Board of Directors

The accompanying notes on pages 124 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Sales	19	84,256,585	72,439,164
Net gain on revaluation of biological assets and agricultural produce	9	48,176	2,040,860
Cost of sales	20	(58,915,613)	(43,271,410)
Net gain from trading derivatives	29	335,997	223,948
Gross profit		**25,725,145**	**31,432,562**
Distribution and selling expenses	21	(7,993,094)	(5,313,993)
General and administrative expenses	22	(5,356,057)	(4,065,560)
Other operating income/ (expenses), net	23	1,830,088	184 968
Operating profit		**14,206,082**	**22,237,977**
Interest expense	24	(3,614,107)	(2,041,743)
Interest income		4,465,667	1,576,601
Net gain/ (loss) from bonds held for trading		(422)	636,601
Other financial income/ (expenses), net	24	(1,134,849)	3,080,295
Share of results of associates	11	20,831	23,997
Profit before income tax		**13,943,202**	**25,513,728**
Income tax expense	26	(267,790)	(1,823,392)
Profit for the year		**13,675,412**	**23,690,336**
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss:			
Change in value of available-for-sale financial assets	15	(107,782)	(39,469)
Income tax relating to other comprehensive income		21,556	7,894
Total comprehensive income for the period		**13,589,186**	**23,658,761**
Profit is attributable to:			
Owners of ROS AGRO PLC		13,684,192	23,482,192
Non-controlling interest		(8,780)	208,144
Profit for the period		**13,675,412**	**23,690,336**
Total comprehensive income is attributable to:			
Owners of ROS AGRO PLC		13,597,966	23,450,617
Non-controlling interest		(8,780)	208,144
Total comprehensive income for the period		**13,589,186**	**23,658,761**
Earnings per ordinary share for profit attributable to the owners of ROS AGRO PLC, basic and diluted (in RR per share)	28	531.56	996,80

The accompanying notes on pages 124 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from operating activities			
Profit before income tax		**13,943,202**	**25,513,728**
Adjustments for:			
Depreciation and amortisation	20, 21, 22	5,819,850	3,510,992
Interest expense	24	4,810,145	3,856,801
Government grants	23,24	(1,943,206)	(2,933,099)
Interest income		(4,465,667)	(1,576,601)
Loss/ (gain) on disposal of property, plant and equipment	23	31,217	32,582
Net (gain) / loss on revaluation of biological assets and agricultural produce	9	(48,176)	(2,040,860)
Change in provision for net realisable value of inventory		92,961	(173,998)
Share of results of associates		(20,831)	(23,997)
Change in provision for impairment of receivables and prepayments		(28,388)	28,755
Foreign exchange (gain) / loss, net	23, 24	1,074,439	(3,001,430)
Share based remuneration	27	4,026	4,015
Settlement of loans and accounts receivable previously written-off	23	(937,545)	-
Lost harvest write-off	23	-	327,991
Reversal of harvest previously written-off	23	(63,450)	-
Net (gain) / loss from bonds held for trading		14,864	(636,601)
Change in provision for impairment of other taxes receivables		(197,409)	-
Change in provision for impairment of advances paid for property, plant and equipment		(7,405)	(9,432)
Impairment of goodwill	23	589,416	-
Excess of the Group's share of identifiable net assets acquired over consideration paid	23	(636,036)	-
Loss on disposal of subsidiaries, net	23	-	1,142
Other provisions		(15,454)	-

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Loss on other investments	23	7,820	26,142
Other non-cash and non-operating expenses, net		41,511	67,175
Operating cash flow before working capital changes		**18,065,884**	**22,973,305**
Change in trade and other receivables and prepayments		371,138	(1,117,623)
Change in other taxes receivable		(1,440,920)	(251,233)
Change in inventories		(6,093,853)	(3,162,095)
Change in biological assets		842,463	(896,493)
Change in trade and other payables		1,354,325	481,675
Change in other taxes payable		(173,631)	262,793
Cash generated from operations		**12,925,406**	**18,290,329**
Income tax paid		(1,116,502)	(2,368,293)
Net cash from operating activities		**11,808,904**	**15,922,036**
Cash flows from investing activities			
Purchases of property, plant and equipment		(16,642,716)	(11,423,459)
Purchases of other intangible assets		(275,416)	(256,505)
Proceeds from sales of property, plant and equipment		71,637	46,529
Purchases of inventories intended for construction		(69,787)	(14,793)
Proceeds from cash withdrawals from deposits		22,469,547	34,162,514
Deposits placed with banks		(23,934,790)	(59,209,261)
Investments in subsidiaries, net of cash acquired	25	(7,506,408)	(931,395)
Purchases of bonds		(2,566,211)	(3,433,426)
Proceeds from sales of bonds		3,433,426	7,567,628
Proceeds from sales of rights of claim		124,405	-
Loans given		(1,217,297)	(1,168,351)
Loans repaid		11,261,011	1,106,602
Purchases of loans issued	15	-	(30,080,733)
Movement in restricted cash		64,117	(90,993)
Interest received		4,585,875	981,885
Dividends received		12,198	-
Proceeds from sale of subsidiaries, net of cash disposed		-	(46)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Purchases of other investments	15	-	(400,387)
Net cash from investing activities		**(10,190,409)**	**(63,144,191)**
Cash flows from financing activities			
Proceeds from borrowings		26,104,909	63,966,110
Repayment of borrowings		(33,949,009)	(16,657,102)
Interest paid		(3,823,363)	(3,416,791)
Sale of non-controlling interest	14	-	164,316
Purchases of non-controlling interest	14	(142,850)	(168,421)
Proceeds from issue of own shares, net of transaction cost	14	16,328,269	-
Dividends paid to owners of Ros Agro PLC		(7,124,250)	(4,546,749)
Proceeds from sales of treasury shares		6,373	-
Proceeds from government grants		3,487,866	3,014,204
Other financial activities		(4,135)	(18,451)
Net cash from financing activities		**883,810**	**42,337,116**
Net effect of exchange rate changes on cash and cash equivalents		(152,296)	(1,029,571)
Net increase/ (decrease) in cash and cash equivalents		**2,350,009**	**(5,914,610)**
Cash and cash equivalents at the beginning of the year	3	4,401,703	10,316,313
Cash and cash equivalents at the end of the year	**3**	**6,751,712**	**4,401,703**

The accompanying notes on pages 124 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

		Attributable to owners of ROS AGRO PLC								
	Notes	Share capital	Treasury shares	Share premium	Share-based payment reserve	Fair value reserve for available-for-sale investments	Retained earnings*	Total	Non-controlling interest	Total equity
Balance at 1 January 2015		**9,734**	**(505,880)**	**10,557,573**	**1,291,198**	**-**	**40,159,833**	**51,512,458**	**306,843**	**51,819,301**
Total comprehensive income for the year		-	-	-	-	(31,576)	23,482,193	23,450,617	208,144	23,658,761
Share based remuneration	27	-	-	-	4,015	-	-	4,015	-	4,015
Dividends	14	-	-	-	-	-	(4,864,186)	(4,864,186)	-	(4,864,186)
Recognition of non-controlling interests on acquisition of subsidiaries	25	-	-	-	-	-	-	-	(750)	(750)
Acquisition of non-controlling interest	14	-	-	-	-	-	479,259	479,259	(646,930)	(167,671)
Disposal of ownership interests in subsidiaries without loss of control	14	-	-	-	-	-	(37,473)	(37,473)	159,969	122,496
Balance at 31 December 2015		**9,734**	**(505,880)**	**10,557,573**	**1,295,213**	**(31,576)**	**59,219,626**	**70,544,690**	**27,276**	**70,571,966**
Balance at 1 January 2016		**9,734**	**(505,880)**	**10,557,573**	**1,295,213**	**(31,576)**	**59,219,626**	**70,544,690**	**27,276**	**70,571,966**
Total comprehensive income for the year		-	-	-	-	(86,226)	13,684,192	13,597,966	(8,780)	13,589,186
Share issue	14	2,535	-	16,406,906	-	-	-	16,409,441	-	16,409,441
Sale of treasury shares	14		6,290					6,290		6,290
Share based remuneration	27	-	-	-	4,026	-	-	4,026	-	4,026
Dividends	14	-	-	-	-	-	(7,341,094)	(7,341,094)	-	(7,341,094)
Recognition of non-controlling interests on acquisition of subsidiaries	25	-	-	-	-	-	-	-	185,135	185,135
Acquisition of non-controlling interest	14	-	-	-	-	-	(159,272)	(159,272)	16,423	(142,849)
Disposal of ownership interests in subsidiaries without loss of control	14	-	-	-	-	-	17,526	17,526	20,087	37,613
Balance at 31 December 2016		**12,269**	**(499,590)**	**26,964,479**	**1,299,239**	**(117,802)**	**65,420,978**	**93,079,573**	**240,141**	**93,319,714**

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

The accompanying notes on pages 124 to 176 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

1. Background

Description of the business

These consolidated financial statements were prepared for ROS AGRO PLC (hereinafter the "Company") and its subsidiaries (hereinafter collectively with the Company, the "Group"). The Group is ultimately controlled by Mr. Vadim Moshkovich (hereinafter the "Owner"), who controls 70.7% of issued shares in ROS AGRO PLC as at 31 December 2016 (31 December 2015: 75.0%).

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

The registered office of ROS AGRO PLC is at 8 Mykinon, CY-1065, Nicosia, Cyprus.

The Group operates in the Russian Federation except for financial derivatives trading activity (Note 30).

Principal subsidiaries of the Group included into these consolidated financial statements are listed below. The Group's ownership share is the same as voting share.

Entity	Principal activity	Group's share in the share capital, %	
		31 December 2016	31 December 2015
OJSC Rusagro Group	Investment holding, financing	100	100
LLC Group of Companies Rusagro	Investment holding, financing	100	100
	SUGAR SEGMENT		
LLC Rusagro-Sakhar	Sugar division trading company, sales operations	100	100
OJSC Valuikisakhar	Beet and raw sugar processing	100	99.9
OJSC Sugar Plant Znamensky	Beet and raw sugar processing	-*	100
LLC Rusagro-Tambov	Beet and raw sugar processing	100	-
OJSC Krivets-Sakhar	Beet and raw sugar processing	98.8	-
CJSC Kshenskiy Sugar Plant	Beet and raw sugar processing	100	-
CJSC Otradinskiy Sugar Plant	Beet and raw sugar processing	100	-
OJSC Hercules	Buckwheat processing plant	82.9	-
Limeniko Trade and Invest Limited	Trading operations with goods and derivatives	100	100
	OIL AND FAT SEGMENT		
OJSC Fats and Oil Integrated Works	Oil processing	100	100
CJSC Samaraagroprompererabotka	Oil extraction	100	100
OJSC Pugachevskiy elevator	Elevator	66.87	29.00
LLC Primorskaya Soya	Oil extraction and processing	75.0	75.0
	MEAT SEGMENT		
LLC Belgorodsky Bacon	Cultivation of pigs	-**	100
LLC Tambovsky Bacon	Cultivation of pigs	100	100
LLC Rusagro-Primorie	Cultivation of pigs	100	100
	AGRICULTURE SEGMENT		
LLC Rusagro-Invest	Agriculture	100	100
LLC Agrotehnology	Agriculture	100	100
CJSC Primagro	Agriculture	100	100
OJSC By General Vatutin	Agriculture	59	-
LLC Kshenagro	Agriculture	100	-
LLC Otradaagroinvest	Agriculture	100	-
LLC Alekseevka-Agroinvest	Agriculture	100	-

*In 2016 the Group undertook legal reorganization in its Sugar segments. As part of this reorganization process OJSC Sugar Plant Znamensky was reorganized into the new legal entity LLC Rusagro-Tambov.

**In 2016 the Group also undertook legal reorganization in its Meat segments. As part of this reorganization process LLC Belgorodsky Bacon was merged into the fellow subsidiary LLC Tambovsky Bacon.

Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 31). During 2016 the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

2. Summary of significant accounting policies

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, financial instruments categorized as at fair value through profit or loss, revaluation of available-for-sale financial assets, biological assets that are presented at fair value less point-of-sale costs and agricultural produce which is measured at fair value less point-of-sale costs at the point of harvest. The Group entities registered in Russia keep their accounting records in Russian Roubles in accordance with Russian accounting regulations (RAR). These consolidated financial statements significantly differ from the financial statements prepared for statutory purposes under RAR in that they reflect certain adjustments, which are necessary to present the Group's consolidated financial position, results of operations, and cash flows in accordance with IFRS as adopted by the EU.

As of the date of the authorisation of these consolidated financial statements all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and effective as at 1 January 2016 have been adopted by the EU through the endorsement procedure established by the European Commission.

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

Changes in presentation

During the year, the Group has changed its classification of prepayments, cost of sales and distribution and selling expenses within the disclosure notes to the consolidated financial statements.

Prepayments for different types of raw materials were combined and presented as "prepayments for raw materials". In addition, prepayments for other materials and prepayments for rent that were previously included in "other prepayments" are now separately presented. Cost of sales note disclosure is now presented as cost of production, cost of goods for resale and cost of purchases of biological assets adjusted for change in inventories and biological assets. Distribution and selling expenses note disclosure is now presented as distribution and selling expenses attributable to goods produced adjusted for change in distribution and selling expenses attributable to goods not sold.

The Group management believes that the changed presentation enhances quality, internal consistency and comparability of the consolidated financial statements by providing reliable and more relevant information.

In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly.

The effect of reclassifications for presentation purposes on the comparative information at 31 December 2015 was as follows:

Year ended 31 December 2015	Changed presentation	Change in presentation	As previously presented
Prepayments (Note 6)			
Prepayments for raw materials	186,925	186,925	-
Prepayments for barley	-	(69,243)	69,243
Prepayments for sunflower seeds	-	(43,842)	43,842
Prepayments for sugar	-	(43,840)	43,840
Prepayments for sugar beet	-	(30,000)	30,000
Prepayments for other materials	54,415	54,415	-
Prepayments for rent	12,637	12,637	-
Other prepayments	221,516	(67,053)	288,569
Total	**475,494**	**-**	**475,494**

2015	Changed presentation	Change in presentation	As previously presented
Cost of sales (Note 20)			
Raw materials used in production	34,394,948	(293,906)	34,688,854
Depreciation	3,718,736	623,963	3,094,773
Services	2,501,124	(197,556)	2,698,680
Payroll	2,578,825	(270,663)	2,849,488
Other	2,190,181	2,076,568	113,613
Reversal of provision for net realisable value	(209,117)	(35,119)	(173,998)
Purchases of goods for resale	2,947,185	2,947,185	-
Purchase of biological assets	62,817	62,817	-
Changes in inventories and biological assets	(4,913,289)	(4,913,289)	-
Total	**43,271,410**	**-**	**43,271,410**

2015	Changed presentation	Change in presentation	As previously presented
Distribution and selling expenses (Note 21)			
Transportation and loading services	2,356,506	(189,468)	2,545,974
Payroll	732,169	(12,206)	744,375
Advertising	1,020,472	74,862	945,610
Other services	538,895	538,895	-
Depreciation and amortization	288,372	21,969	266,403
Materials	197,883	31,360	166,523
Fuel and energy	71,867	(20,281)	92,148
Provision for impairment of receivables	18,380	(10,375)	28,755
Other	411,322	(112,883)	524,205
Change in selling and distribution expenses attributable to goods not sold	(321,873)	(321,873)	-
Total	**5,313,993**	**-**	**5,313,993**

2.2. Critical accounting estimates and judgements in applying accounting policies

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Fair value of livestock and agricultural produce

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

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

Key inputs used in the fair value measurement of bearer livestock of the Group were as follows:

	31 December 2016		31 December 2015	
	Cows	Pigs (sows)	Cows	Pigs (sows)
Length of production usage in calves / farrows	5	5	5	5
Market prices for comparable bearer livestock in the same region (in Russian Roubles/kg, excl. VAT)	166	311	186	320

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

	31 December 2016		31 December 2015	
	10% increase	10% decrease	10% increase	10% decrease
COWS				
Length of production usage in calves	1,281	(1,534)	2,591	(3,080)
Market prices for comparable bearer livestock in the same region	8,383	(8,383)	10,550	(10,550)
PIGS				
Length of production usage in farrows	32,057	(12,845)	29,753	(11,067)
Market prices for comparable bearer livestock in the same region	100,223	(100,223)	111,992	(111,992)

The fair value of consumable livestock (pigs) is determined based on the market prices multiplied by the livestock weight at the end of each reporting period, adjusted for the expected culling rates. The market price of consumable pigs being the key input used in the fair value measurement was 104 Russian Roubles per kilogram, excluding VAT, as at 31 December 2016 (31 December 2015: 89 Russian Roubles per kilogram, excluding VAT).

Should the market prices used in determination of fair value of consumable livestock have been 10% higher/lower with all other variables held constant, the fair value of the consumable livestock as at 31 December 2016 would be higher/lower by RR 381,369 (31 December 2015: RR 320,299).

The fair value less estimated point-of-sale costs for agricultural produce at the time of harvesting was calculated based on quantities of crops harvested and the prices on deals that took place in the region of location on or about the moment of harvesting and was adjusted for estimated point-of-sale costs at the time of harvesting. The average market prices (Russian Roubles/tonne, excluding VAT) used for fair value measurement of harvested crops were as follows:

	2016	2015
Sugar beet	2,497	2,966
Wheat	7,137	7,352
Barley	6,294	6,887
Sunflower	20,167	22,702
Corn	7,687	7,662
Soya bean	21,455	21,862

Should the market prices used in determination of fair value of harvested crops have been 10% higher/lower with all other variables held constant, the fair value of the crops harvested in 2016 would be higher/lower by RR 2,381,147 (2015: RR 1,555,566).

Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units ("CGUs") have been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 25.

Impairment test of property, plant and equipment and other intangible assets

As of 31 December 2016 management determined that there were no indicators that would necessitate performing an impairment test of property, plant and equipment and other intangible assets at all CGUs except for Oil Primorie CGU which demonstrated significant underperformance in production and sales volumes, Details of impairment assessment performed are disclosed in Note 25. As of 31 December 2015 management determined that there were no indicators that would necessitate performing an impairment test of property, plant and equipment and other intangible assets at any of the CGUs.

Deferred income tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statements of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. The key assumptions in the business plan are EBITDA margin and pre-tax discount rate (Notes 25, 26).

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 31).

2.3. Foreign currency and translation methodology

Functional and presentation currency

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

Translation of foreign currency items into functional currency

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

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

2.4. Group accounting

Consolidation

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

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

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

Goodwill is measured by deducting the fair value of net assets of the acquiree from the aggregate of the fair value of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement. The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

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

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

Associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of changes in net asset of investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of investee's profits and other equity movements. Any acquisition-related costs are treated as part of the investment in the associate.

Purchases of non-controlling interests

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

Purchases of subsidiaries from parties under common control

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

Disposals of subsidiaries and associates

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.5. Property, plant and equipment

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

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

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

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

2.6. Depreciation

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

Asset category	Useful life, years
Buildings	15-50
Constructions	5-50
Machinery, vehicles and equipment	3-20
Other	4-6

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

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

2.7. Biological assets and agricultural produce

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

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

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

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

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

2.8. Goodwill

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

2.9. Intangible assets

The Group's intangible assets other than goodwill have definite useful lives and primarily include acquired land lease rights, capitalised computer software, patents, trademarks and licences. Acquired computer software licences, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets are amortised using the straight-line method over their useful lives:

Asset category	Useful life, years
Trademarks	5-12
Software licences	1-3
Capitalised internal software development costs	3-5
Other licences	1-3

Acquired land lease rights are amortised over the duration of the related land lease agreements (over 2 – 50 years).

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

2.10. Impairment of non-current assets

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

2.11 Financial instruments

Financial instruments – key measurement terms

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

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

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

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial instruments

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

Initial recognition and measurement of financial instruments

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

Derecognition of financial instruments

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

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities

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

Presentation of results from sugar trading derivatives

The Group engages in raw sugar derivative trading transactions through an agent on ICE Futures US primarily in order to manage the raw sugar purchase price risk (Note 30). As such transactions are directly related to the core activity of the Group, and their results are presented above gross profit as 'Net gain from trading derivatives' in the consolidated statements of profit or loss and other comprehensive income. Management believes that the presentation above gross profit line appropriately reflects the nature of derivative operations of the Group.

Impairment of financial assets carried at amortised cost

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

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

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

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

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

2.12. Cash and cash equivalents, investments

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

Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in non-current assets.

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

2.13. Prepayments

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

2.14. Inventories

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

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

2.15. Borrowings

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

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

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

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

2.16. Trade and other payables

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

2.17. Value added tax

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

2.18. Other taxes payable

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

2.19. Income tax

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

Current tax

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

Deferred tax

Deferred income tax is provided in full, using the balance sheet liability method, on tax losses carry forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax balance is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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

2.20. Employee benefits

Payroll costs and related contributions

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

Pension costs

The Group contributes to the Russian Federation state pension fund on behalf of its employees and has no obligation beyond the payments made. The contribution was approximately 18.6% (2015: 17.9%) of the employees' gross pay and is expensed in the same period as the related salaries and wages.

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

Share-based payment transactions

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

2.21. Provisions for liabilities and charges

Provisions for liabilities and charges are recognised where the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

2.22. Revenue recognition

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

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

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

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

2.23. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker.

Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

2.24. Government grants

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

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

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

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

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

Government grants cash inflows are presented in financing activities section of the consolidated statements of cash flows.

2.25. Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved, appropriately authorised and are no longer at the discretion of the Group. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

2.26. Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option (Note 32).

2.27. Share capital and share premium

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

2.28. Treasury shares

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

2.29. Amendments of the consolidated financial statements after issue

Any changes to these consolidated financial statements after issue require approval of the Group's management and the Board of Directors who authorised these consolidated financial statements for issue.

2.30.Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company relevant to its parent company financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group:

Adopted by the European Union

New standards

IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018; EU effective date 1 January 2018).

IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018).

The Group's assessment of the impact of the above standards that were not early adopted by the Group is set out below:

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group will undertake a detailed assessment of the classification and measurement of financial assets.

The financial assets held by the Group include equity instruments currently classified as AFS for which a FVOCI election is available and debt instruments currently classified as held-to-maturity and measured at amortised cost which appear to meet the conditions for classification at amortised cost under IFRS 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Group doesn't expect this standard to have a significant impact on its consolidated financial statements.

Not yet adopted and not yet endorsed by the European Union

New standards

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Amendments

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).

Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).

Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

The Group's Board of Directors assesses the impact of new standards and interpretations at the point when these are endorsed by the European Union. As a result the impact of the above new standards and interpretations that have not been endorsed by the European Union has not been assessed.

3. Cash and cash equivalents

	31 December 2016	31 December 2015
Bank deposits with original maturity of less than three months	480,000	2,579,395
Bank balances receivable on demand	6,233,951	1,693,211
Brokerage accounts	32,168	124,899
Interest receivable on bank deposits within cash equivalents	5,401	3,690
Cash in hand	192	363
Cash in transit	-	145
Total	**6,751,712**	**4,401,703**

The Group had the following currency positions:

	31 December 2016	31 December 2015
Russian Roubles	6,221,563	3,215,750
US Dollars	370,545	1,018,231
Euro	159,555	167,480
Other	49	242
Total	**6,751,712**	**4,401,703**

The weighted average interest rate on cash at bank balances presented within cash and cash equivalents was 8.44% at 31 December 2016 (31 December 2015: 7.70%).

As at 31 December 2015 "Restricted cash" line within non-current assets in the consolidated statements of financial position includes the cash restricted under irrevocable bills of credit issued for purchases of property, plant and equipment in the amount of RR 71,142.

4. Short-term investments

	31 December 2016	31 December 2015
Bank deposits with original maturity over three months	16,260,200	15,635,460
Current portion of long-term bank deposits	32,200	-
Loans issued to third parties	39,018	10,130,187
Bonds (Note 15)	-	3,318,378
Interest receivable on bank deposits within short-term investments	561,964	497,070
Loans issued to related parties (Note 27)	268,620	174,491
Interest receivable on bonds	60,094	151,005
Interest receivable on loans issued to third parties	7,830	44,462
Financial derivatives	-	28,444
Interest receivable on loans issued to related parties (Note 27)	86	1,528
Total	**17,230,012**	**29,981,025**

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

	31 December 2016	31 December 2015
Russian Roubles	16,292,400	8,234,100
Euro	-	113,090
US dollars	-	7,288,270
Total	**16,292,400**	**15,635,460**

As at 31 December 2016 the interest rates on bank deposit within short-term investments vary between 9.70% and 10.5% (31 December 2015: 0.7% and 11.6%). As at 31 December 2016 the weighted average interest rate on the bank deposits equals 10.11% (31 December 2015: 7.05%).

As at 31 December 2016 bank deposits in the amount of RR 442,200 (31 December 2015: RR 6,034,100) were pledged as collateral for the Group's borrowings (Note 15).

5. Trade and other receivables

	31 December 2016	31 December 2015
Trade receivables	3,702,734	3,123,931
Other	208,840	161,442
Less: provision for impairment (Note 30)	(124,164)	(174,007)
Total financial assets within trade and other receivables	**3,787,410**	**3,111,366**
Deferred charges	820,224	393,131
Total trade and other receivables	**4,607,634**	**3,504,497**

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

	31 December 2016	31 December 2015
Russian Roubles	2,813,395	2,426,009
US dollars	575,126	684,581
Euro	396,667	776
Other	2,221	-
Total	**3,787,409**	**3,111,366**

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

	Trade receivables	Other receivables
As at 1 January 2015	**93,476**	**51,421**
(Reversed)/ Accrued	(22,785)	52,656
Utilised	(3,061)	(3,299)
Disposal of subsidiaries	5,294	304
As at 31 December 2015 (Note 30)	**72,924**	**101,082**
Accrued/(Reversed)	18,814	(7,414)
Utilised	(32,622)	(5,770)
Reclassification to prepayments (Note 6)	-	(22,850)
As at 31 December 2016 (Note 30)	**59,116**	**65,048**

The majority of the Company's trade debtors are proven counterparties with whom the Company has long-lasting sustainable relationships.

6. Prepayments

Prepayments classified as current assets represent the following advance payments:

	31 December 2016	31 December 2015
Prepayments under insurance contracts	159,885	136,929
Prepayments for transportation services	135,536	167,232
Prepayments for fuel and energy	100,747	69,934
Prepayments for rent	72,620	12,637
Prepayments for raw material	60,531	186,925
Prepayments for other materials	55,168	54,415
Prepayments for advertising expenses	9,816	100,636
Prepayments to customs	225	156,697
Deposit for participation in auction	-	141,344
Other prepayments	188,310	221,517
Less: provision for impairment	(35,952)	(61,430)
Total	**746,886**	**1,186,836**

Reconciliation of movements in the prepayments impairment provision:

	2016	2015
As at 1 January	**61,430**	**63,104**
Reversed	(37,262)	(1,119)
Acquisition of subsidiaries	(11,922)	(351)
Utilised	856	(204)
Reclassification from Other receivables (Note 5)	22,850	-
As at 31 December	**35,952**	**61,430**

As at 31 December 2016 prepayments classified as non-current assets and included in "Advances paid for property, plant and equipment" line in the statements of financial position in the amount of RR 14,172,240 (31 December 2015: RR 5,392,600) represent advance payments for construction works and purchases of production equipment.

7. Other taxes receivable

	31 December 2016	31 December 2015
Value added tax receivable	3,482,308	1,797,910
Other taxes receivable	180,886	12,860
Less: provision for impairment	-	(197,409)
Total	**3,663,194**	**1,613,361**

8. Inventories

	31 December 2016	31 December 2015
Raw materials	10,503,270	7,521,626
Finished goods	16,323,457	12,951,444
Work in progress	3,071,719	2,372,509
Less: provision for write-down to net realisable value	(360,242)	(275,758)
Total	**29,538,204**	**22,569,821**

9. Biological assets

The fair value of biological assets belongs to level 3 measurements in the fair value hierarchy. Pricing model is used as a valuation technique for biological assets fair value measurement. There were no changes in valuation technique during the years ended 31 December 2016 and 2015.

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

Short-term biological assets

	Consumable livestock, pigs	Unharvested crops	Total
As at 1 January 2015	**3,019,334**	**435,603**	**3,454,937**
Increase due to purchases and gain arising from cost inputs	12,089,194	8,333,237	20,422,431
Gain on initial recognition of agricultural produce	-	6,257,208	6,257,208
Lost harvest write-off (Note 23)	-	(327,991)	(327,991)
Decrease due to harvest and sales of the assets	(16,911,968)	(14,385,854)	(31,297,822)
Gain arising from changes in fair value less estimated point-of-sale costs	5,107,634	-	5,107,634
As at 31 December 2015	**3,304,194**	**312,203**	**3,616,397**
Increase due to purchases and gain arising from cost inputs	14,390,534	12,435,253	26,825,787
Acquisitions through business combinations	-	1,526,784	1,526,784
Gain on initial recognition of agricultural produce	-	7,076,223	7,076,223
Reversal of harvest previously written-off (Note 23)	-	63,450	63,450
Decrease due to harvest and sales of the assets	(15,723,877)	(20,609,565)	(36,333,442)
Gain arising from changes in fair value less estimated point-of-sale costs	1,921,758	-	1,921,758
As at 31 December 2016	**3,892,609**	**804,348**	**4,696,957**

Long-term biological assets

	Bearer livestock		
	Pigs	Cows	Total
As at 1 January 2015	**1,665,084**	**127,975**	**1,793,059**
Increases due to purchases and breeding costs of growing livestock	726,858	47,207	774,065
Decreases due to sales	(1,115,637)	(63,406)	(1,179,043)
Acquisitions through business combinations	-	3,338	3,338
Gain arising from changes in fair value less estimated point-of-sale costs	518,261	3,544	521,805
As at 31 December 2015	**1,794,566**	**118,658**	**1,913,224**
Increases due to purchases and breeding costs of growing livestock	769,865	195,099	964,964
Acquisitions through business combinations	-	71,853	71,853
Decreases due to sales	(991,678)	(179,814)	(1,171,492)
Loss arising from changes in fair value less estimated point-of-sale costs	(746)	(32,336)	(33,082)
As at 31 December 2016	**1,572,007**	**173,460**	**1,745,467**

In 2016 the aggregate gain on initial recognition of agricultural produce and from the change in fair value less estimated point-of-sale costs of biological assets amounted to RR 8,964,899 (2015: RR 11,886,647).

Included in the above amounts there are gains related to realised biological assets and agricultural produce amounting to RR 8,916,723 (2015: RR 9,845,787).

Livestock population were as follows:

	31 December 2016	31 December 2015
Cows (heads)	2,431	2,109
Pigs within bearer livestock (heads)	82,125	83,387
Pigs within consumable livestock (tonnes)	40,187	39,822

Cows are cultivated for the purpose of production of milk. In 2016 the milk produced amounted to 3,648 tonnes (2015: 4,329 tonnes).

In 2016 total area of cultivated land amounted to 551 thousand ha (2015: 410 thousand ha).

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

	2016	2015
Sugar beet	4,309	2,538
Wheat	459	307
Barley	319	271
Sunflower	73	55
Corn	140	109
Soya bean	170	105

Key inputs in the fair value measurement of the livestock and the agricultural crops harvested together with sensitivity to reasonably possible changes in those inputs are disclosed in Note 2.2.

As at 31 December 2015 biological assets with a carrying value of RR 693,348 were pledged as collateral for the Group's borrowings (Note 15). There were no biological assets pledged as collateral as at 31 December 2016.

The Group is exposed to financial risks arising from changes in milk, meat and crops prices. The Group does not anticipate that milk or crops prices will decline significantly in the foreseeable future except some seasonal fluctuations and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in respective prices. The Group reviews its outlook for milk, meat and crops prices regularly in considering the need for active financial risk management.

10. Long-term investments

	31 December 2016	31 December 2015
Bank deposits with original maturity over twelve months	14,596,500	14,714,290
Bonds held for trading	2,519,915	-
Available-for-sale financial assets (Note 15)	272,284	380,212
Interest receivable on bank deposits within long-term investments	311,570	251,959
Loans issued to third parties	15,400	26,629
Other long-term investments	36,071	5,322
Total	**17,751,740**	**15,378,412**

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

As at 31 December 2016 bank deposits in the amount of RR 14,596,500 (31 December 2015: RR 14,714,290) were pledged as collateral for the Group's borrowings (Note 15).

Bank deposits include restricted deposit in Vnesheconombank in amount of RR 13,900,000 which could not be withdrawn till 27 November 2028 (Note 15).

Bonds held for trading were denominated in Russian Roubles and mature in period from 2019 till 2025. Nominal interest rates on bonds vary between 10.00% and 12.60%. Bonds held for trading were acquired with the intention of generating a profit from short-term price fluctuations and for the purpose of these consolidated financial statements were classified as trading investments with measurement at fair value through profit and loss.

11. Investments in associates

On 4 August 2015 the Group acquired 29.00% of the share capital of OJSC Pugachevskiy elevator for RR 320,000. On 12 May 2016 the Group increased its share in the share capital of OJSC Pugachevskiy elevator up to 66.87% (Note 25).

As at 31 December 2015 acquisition of OJSC Pugachevskiy elevator was accounted using the provisional amounts of assets and liabilities of the investee. In 2016 an independent professional appraiser performed valuation of the fair value of these assets and liabilities as at the acquisition date. The fair value appeared to be equal to the provisional amounts presented as at 31 December 2015. The balances have not been restated.

The tables below summarise the information on net assets or liabilities of the acquired associates at the date of acquisition, consideration transferred and other details of the transactions described above.

Year ended 31 December 2015	OJSC Pugachevskiy elevator
Share of ownership interest acquired	29%
Cash consideration transferred	320,000
Total consideration	**320,000**
Provisional fair value of net assets/ (liabilities) of associate acquired	61,404
Group's share in the net assets/ (liabilities) of associate acquired	17,807
Goodwill arising from the acquisition	302,193

The Group's interests in its principal associates were as follows:

Name of entity	Principal activity	Group's share in the share capital	
		31 December 2016	31 December 2015
OJSC Pugachevskiy elevator	Grain elevator	-	29.00%
LLC Rusprotein	Holding company	25.00%	25.00%
CJSC Status	Registrar	25.00%	25.00%

The country of incorporation of the Group's associates, as well as their principal place of business, is the Russian Federation. The associate incorporated as CJSC has share capital consisting solely of ordinary shares. Ownership interests in CJSC Status, LLC Rusprotein and OJSC Pugachevskiy elevator are held directly by the Group.

All Group's associates are private companies and there are no quoted market prices available for their shares.

The table below summarizes the movements in the carrying amount of the Group's investment in associates:

	2016	2015
Carrying amount at 1 January	**431,404**	**87,407**
Fair value of share of net assets/ (liabilities) of associates acquired	-	17,807
Goodwill arising on acquisition	-	302,193
Share of profit/ (loss) of associates	20,831	23,997
Dividends distributed	(14,021)	-
Impairment loss	(7,821)	-
De-recognition of investments in associates as a result of business combination (Note 25)	(319,889)	-
Carrying amount at 31 December	**110,504**	**431,404**

LLC Rusprotein is planned to be liquidated after all bankruptcy procedures in relation to its subsidiaries will be finalized. As at 31 December 2016 the Group's management estimated the recoverable amount of the investments in LLC Rusprotein to be equal nil. Consequently in 2016 the Group wrote off the carrying amount on the investments in LLC Rusproteun till nill. The related impairment loss in the amount RR 7,821 was included in "Other operating income/ (expenses), net" line item in the statement of profit or loss and other comprehensive income.

Summarized financial information is reconciled to the carrying amount of investments in associates as follows:

	2016	2015
Net assets/ (liabilities) of associate acquired	**183,394**	**461, 710**
Group's share in the net assets/ (liabilities) of associate acquired	74,283	103,822
Goodwill arising on acquisitions	6,457	303,605
Other	8,933	-
Share of profit/ (loss) of associates	20,831	23,997
Carrying amount at 31 December	**110,504**	**431,404**

Summarized financial information of each material associate is as follows at 31 December 2016:

	LLC Rusprotein (consolidated)	CJSC Status	Total
Current assets	591,079	674,400	1,265,479
Non-current assets	561,664	38,866	600,530
Current liabilities	(1,394,158)	(271,377)	(1,665,535)
Non-current liabilities	(17,080)	-	(17,080)
Net assets/ (liabilities)	**(258,495)**	**441,889**	**183,394**
Revenue	15,868	794,087	809,955
Profit or loss/ Total comprehensive income or loss	(316,194)	89,749	(226,445)

Summarized financial information of each material associate is as follows at 31 December 2015:

	OJSC Pugachevskiy elevator	LLC Rusprotein (consolidated)*	CJSC Status	Total
Current assets	48,443	648,394	561,052	1,257,889
Non-current assets	20,556	421,729	32,514	474,799
Current liabilities	(4,342)	(873,169)	(172,781)	(1,050,292)
Non-current liabilities	(3,253)	(217,433)	-	(220,686)
Net assets/ (liabilities)	**61,404**	**(20,479)**	**420,785**	**461,710**
Revenue	31,281	1,058,268	805,009	1,894,558
Profit or loss/ Total comprehensive income or loss	(5,559)	55,717	71,155	121,313

**Financial information on LLC Rusprotein is provided on consolidated basis including financial information of all its subsidiaries.*

There are no contingent liabilities relating to the Group's interest in the associates.

12. Property, plant and equipment

	Land	Machinery, vehicles and equipment	Buildings and constructions	Assets under construction	Other	Total
Cost (Note 2.5)						
As at 1 January 2015	3,145,797	22,441,878	18,696,312	2,872,192	187,662	47,343,841
Additions	560,993	2,134,112	494,353	6,276,787	52,146	9,518,391
Acquisitions through business combinations (Note 25)	472,735	183,899	343,504	2,171	-	1,002,309
Transfers	-	3,258,267	2,479,274	(5,740,958)	3,417	-
Disposals	(191,445)	(385,923)	(412,263)	(2,217)	(8,345)	(1,000,193)
Disposal through disposal of subsidiaries	-	-	(699)	-	(207)	(906)
As at 31 December 2015	**3,988,080**	**27,632,233**	**21,600,481**	**3,407,975**	**234,673**	**56,863,442**
Accumulated depreciation (Note 2.6)						
As at 1 January 2015	-	(12,770,977)	(4,908,310)	-	(144,586)	(17,823,873)
Charge for the year	-	(3,101,202)	(1,221,542)	-	(15,940)	(4,338,684)
Disposals	-	369,686	48,176	-	8,287	426,149
Disposal through disposal of subsidiaries	-	-		-	152	152
As at 31 December 2015	**-**	**(15,502,493)**	**(6,081,676)**	**-**	**(152,087)**	**(21,736,256)**
Net book value as at 31 December 2015	**3,988,080**	**12,129,740**	**15,518,805**	**3,407,975**	**82,586**	**35,127,186**
Cost (Note 2.5)						
As at 1 January 2016	3,988,080	27,632,233	21,600,481	3,407,975	234,673	56,863,442
Additions	2,003,874	4,111,264	62,064	5,189,127	22,373	11,388,702
Acquisitions through business combinations (Note 25)	1,110,589	2,730,486	1,214,641	71,750	42,060	5,169,526
Transfers	39,646	2,368,713	845,941	(3,313,358)	59,058	-
Disposals	(2,605)	(717,829)	(149,017)	(23,823)	(10,704)	(903,978)
As at 31 December 2016	**7,139,584**	**36,124,867**	**23,574,110**	**5,331,671**	**347,460**	**72,517,692**
Accumulated depreciation (Note 2.6)						
As at 1 January 2016	-	(15,502,493)	(6,081,676)	-	(152,087)	(21,736,256)
Charge for the year	-	(4,251,472)	(1,453,586)	-	(55,765)	(5,760,823)
Disposals	-	613,597	18,025	-	9,911	641,533
As at 31 December 2016	**-**	**(19,140,368)**	**(7,517,237)**	**-**	**(197,941)**	**(26,855,546)**
Net book value as at 31 December 2016	**7,139,584**	**16,984,499**	**16,056,873**	**5,331,671**	**149,519**	**45,662,146**

In 2016 for presentation purposes land was separated into the individual category. The numbers were also reclassified for the year ended 31 December 2015.

As at 31 December 2016 property, plant and equipment with a net book value of RR 9,907,536 (31 December 2015: RR 8,448,932) were pledged as collateral for the Group's borrowings (Note 15).

As at 31 December 2016 the assets under construction related mainly to the modernization programme on the Group's sugar plants.

During the reporting period, the Group capitalised interest expenses within assets under construction in amount of RR 444,534 (2015: nil). The average capitalisation rate in 2016 was 11.15%.

13. Other intangible assets

	Acquired land lease rights	Trademarks	Software licenses	Internally developed software	Other	Total
Cost (Note 2.9)						
As at 1 January 2015	37,334	251,120	135,604	37,122	105,101	566,281
Additions	79,639	1,638	122,778	7,284	56,563	267,902
Acquisitions through business combinations (Note 25)	233,578	51,947	-	-	-	285,525
Disposals	(14)	-	(32,159)	(1,265)	-	(33,438)
As at 31 December 2015	**350,537**	**304,705**	**226,223**	**43,141**	**161,664**	**1,086,270**
Accumulated depreciation (Note 2.9)						
As at 1 January 2015	(1,365)	(85,943)	(40,217)	(25,033)	(75,024)	(227,582)
Charge for the year	(11,805)	(35,823)	(23,012)	(2,200)	(23,937)	(96,777)
As at 31 December 2015	**(13,170)**	**(121,766)**	**(63,229)**	**(27,233)**	**(98,961)**	**(324,359)**
Net book value as at 31 December 2015	**337,367**	**182,939**	**162,994**	**15,908**	**62,703**	**761,911**
Cost (Note 2.9)						
As at 1 January 2016	350,537	304,705	226,223	43,141	161,664	1,086,270
Additions	396,870	20,442	254,934	12,275	48,697	733,218
Acquisitions through business combinations (Note 25)	761,657	-	6	-	-	761,663
Disposals	-	-	(26,875)	(405)	(39,783)	(67,063)
As at 31 December 2016	**1,509,064**	**325,147**	**454,288**	**55,011**	**170,578**	**2,514,088**
Accumulated depreciation (Note 2.6)						
As at 1 January 2016	(13,170)	(121,766)	(63,229)	(27,233)	(98,961)	(324,359)
Charge for the year	(47,088)	(28,802)	(78,965)	(4,973)	(30,692)	(190,520)
As at 31 December 2016	**(60,258)**	**(150,568)**	**(142,194)**	**(32,206)**	**(129,653)**	**(514,879)**
Net book value as at 31 December 2016	**1,448,806**	**174,579**	**312,094**	**22,805**	**40,925**	**1,999,209**

14. Share capital, share premium and transactions with non-controlling interests

Share capital and share premium

At 31 December 2016 issued and paid share capital consisted of 27,333,333 ordinary shares (31 December 2015: 24,000,000 ordinary shares) with par value of EUR 0.01 each.

At 31 December 2016 and 2015, the authorised share capital consisted of 60,000,000 ordinary shares with par value of EUR 0.01 each.

On 5 May 2016 the Company successfully completed a secondary public offering (hereinafter "SPO") of global depositary receipts (hereinafter "GDRs"). The SPO included an offering by the Company of 16,666,665 of GDRs with every five GDRs representing an interest in one ordinary share of the Company. The offering price was USD 15 per GDR (the equivalent of USD 75 per ordinary share).

As a result of the SPO, the Company issued 3,333,333 ordinary shares of par value EUR 0.01 each at the price of USD 75 per share. These shares were fully paid in the amount of USD 250 million resulting in an increase of share capital by RR 2,535 and share premium by RR 16,406,906 net of the expenses directly attributable to the new shares issued of RR 133,507.

Treasury shares

At 31 December 2016 the Group held 2,205,982 of its own GDRs (31 December 2015: 2,212,648 own GDRs) that is equivalent of approximately 441,196 shares (31 December 2015: 442,530 shares). The GDRs are held as 'treasury shares'. In 2015 and 2016 there were no acquisitions of treasury shares. In 2016 the group sold 6,666 of its own GDRs from those held as treasury shares.

Dividends

In 2016 the Company distributed RR 5,336,758 of dividends for the second half of 2015 and RR 2,004,336 of interim dividends for the first half of 2016. The dividends for the second half of 2015 amounted to RR 198.45 per share and interim dividends for 2016 amounted to RR 74.55 per share.

In 2015 the Company distributed RR 3,063,227 of dividends for the second half of 2014 and RR 1,800,959 of interim dividends for the first half of 2015. The dividends for the second half of 2014 amounted to RR 130.03 per share and interim dividends for 2015 amounted to RR 76.45 per share.

Purchases of non-controlling interests

2016

In December 2016 the Group increased its share in OJSC Krivets-Sakhar up to 98.82%. The consideration paid amounted to RR 141,256. The excess of consideration paid over the Group's share of identifiable net assets acquired in the amount of RR 161,879 was recorded as a capital transaction in the statements of changes in equity.

In 2016 the Group increased its share in OJSC Valuikisakhar to 100.0%. The consideration paid was RR 1,594. The excess of the carrying amount of the non-controlling interest over the purchase consideration in the amount of RR 2,607 was recorded as a capital transaction in the statements of changes in equity.

2015

In 2015 the Group increased its share in OJSC Sugar Plant Znamensky to 100.0%. The consideration paid was RR 45,175. The difference between the carrying amount of the non-controlling interest and the purchase consideration in the amount of RR 245,903 was recorded as a capital transaction in the statements of changes in equity.

In 2015 the Group increased its share in OJSC Valuikisakhar to 99.9%. The consideration paid was RR 122,496. The difference between the carrying amount of a non-controlling interest and the purchase consideration in the amount of RR 233,356 was recorded as a capital transaction in the statements of changes in equity.

Disposal of interest in subsidiaries without loss of control

In 2016 the Group disposed of 10% of ownership interests in OJSC Hercules for consideration in the amount of RR 37,613. The excess of consideration received over the carrying amount of a non-controlling interest disposed in the amount of RR 17,526 was recorded as a capital transaction in the statements of changes in equity.

In 2015 the Group disposed of 10% of ownership interests in OJSC Valuikisakhar for consideration in the amount of RR 122,496. The difference between the carrying amount of a non-controlling interest and the consideration received in the amount of RR 37,473 was recorded as a capital transaction in the statements of changes in equity.

15. Borrowings

Short-term borrowings

	31 December 2016		31 December 2015	
	Interest rate	Carrying amount	Interest rate	Carrying amount
Bank loans	4.0-12.5%	6,079,514	3.9-19.9%	20,326,442
Loans received from third parties	6.0%	691,497	6.0%	327,249
Loans received from related parties (Note 27)		-	8.9%	60,216
Finance leases		-		4,136
Interest accrued on borrowings from third parties		75,511		182,196
Interest accrued on borrowings from related parties (Note 27)		-		1,084
Current portion of long-term borrowings		4,857,754		4,959,141
Total		**11,704,276**		**25,860,464**

All short-term borrowings are at fixed interest rate. The above borrowings are denominated in the following currencies:

	31 December 2016	31 December 2015
Russian Roubles	11,353,699	25,289,533
US Dollars	13,047	169,006
Euro	337,530	401,925
Total	**11,704,276**	**25,860,464**

Long-term borrowings

	31 December 2016		31 December 2015	
	Interest rate	Carrying amount	Interest rate	Carrying amount
Bank loans	1.0-13.0%	37,655,994	1.0-17.5%	29,422,018
Less current portion of long-term borrowings from:				
Bank loans	1.0-13.0%	(4,857,754)	1.0-13.0%	(4,959,141)
Total		**32,798,240**		**24,462,877**

The long-term borrowings are all denominated in Russian Roubles.

In November 2015 the Group entered into a transaction with Vnesheconombank (hereinafter – "VEB") for acquisition of debt (loans and bonds) and equity (19.97% shares in PJSC Group Razguliay) of PJSC Group Razguliay and its subsidiaries (hereinafter – "Razguliay Group"). The total consideration for this acquisition amounted to RR 33,914,546 and was paid by the Group in cash.

For the purpose of financing of this transaction, the Group raised a thirteen-year loan from VEB in the amount of RR 33,914,546 at 1% per annum. The fair value of this loan at inception date was RR 13,900,000 determined using the effective interest rate of 13.23%. The loan is measured at amortized costs with an effective interest rate of 13.23%. The loan is secured by a thirteen-year deposit placed by the Group with VEB in the amount of RR 13,900,000 at interest rate of 12.84% per annum.

The cost of the Group of financial assets acquired in this transaction representing fair value of the loan obtained from VEB was allocated to the individual identifiable financial assets based on their relative fair values at the date of acquisition.

The acquired ownership interest in Razguliay Group (19.97% of shares) was accounted for as available-for-sale investment and included in Long-term investments (Note 11). At the date of initial recognition they were recognised at fair value of RR 400,387 which was equal to the market value of the shares according to the quotes at MOEX shortly before the date of the transaction. Subsequently these shares are measured at fair value within other comprehensive income subject to impairment testing. These shares were determined to be within level 1 of the fair value hierarchy. As at 31 December 2016 the fair value of the acquired ownership interest amounted to RR 253,136 (31 December 2015: RR 360,918).

The acquired bonds were accounted for as available-for-sale investment and included in Short-term investments (Note 4). At the date of initial recognition they were recognised at fair value of RR 3,433,426 (including accumulated coupon income) which was equal the market value of the bonds according to the quotes at MOEX shortly before the date of the transaction. Subsequently these bonds are measured at fair value within other comprehensive income subject to impairment testing. These bonds were determined to be within level 2 of the fair value hierarchy. As at 31 December 2015 the acquired bonds (including interest receivable) amounted to RR 3,469,383 (Note 4). During 2016 the bonds and the related accrued coupon income were fully repaid.

The acquired loans were accounted for as loans and receivables and included in Short-term investments (Note 4). At the date of initial recognition they were recognised at the relative fair value of RR 10,066,187. Subsequently these loans receivables were measured at amortised cost subject to impairment testing. In 2016 the loans receivable in the amount of RR 4,018 were settled against the counterclaim of the Razguliay Group. As a result of the acquisition in 2016 of control of some of the Razguliay Group's subsidiaries the loans receivable in the amount of RR 470,924 were eliminated on the consolidation of the acquired entities (Note 25). In 2016 the Group received cash repayment under these loan agreements in the amount of RR 10,402,682. The gain resulted from the excess of the repayment received over the carrying amount of the loans, amounted to RR 811,437 and was included in Other operating income / (expenses) line item (Note 23).

Maturity of long-term borrowings:

Fixed interest rate borrowings:	31 December 2016	31 December 2015
2 years	3,448,130	5,076,610
3-5 years	16,584,152	8,935,161
More than 5 years	10,681,649	10,451,106
Total	**30,713,931**	**24,462,877**

Floating interest rate borrowings:	31 December 2016	31 December 2015
2 years	1,667,448	-
3-5 years	416,861	
Total	**2,084,309**	**-**

For details of property, plant and equipment and biological assets pledged as collateral for the above borrowings see Note 12 and Note 9 respectively.

For details of bank deposits pledged as collateral for the above borrowings refer to Notes 4 and 10.

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

	Pledged shares, %	
	31 December 2016	31 December 2015
LLC Tambovsky Bacon	100.0	100.0
LLC Belgorodsky Bacon (former OJSC Belgorodsky Bacon)	-	100.0
LLC Rusagro-Primorie	100.0	100.0
OJSC Valuikisakhar	51.0	51.0
OJSC Rusagro-Tambov	51.0	-

Net Debt*

As part of liquidity risk management, the Group Treasury analyses its net debt position. The Group management determines the Net Debt of the Group as outstanding long-term borrowings and short-term borrowings less cash and cash equivalents, all bank deposits, bonds held for trading and banks' promissory notes. The Group management compares net debt figure with Adjusted EBITDA (Note 29) and considers the normal level of Net Debt/Adjusted EBITDA ratio to be not more than 3.

As at 31 December 2016 and 2015 the net debt of the Group was as follows:

	31 December 2016	31 December 2015
Long-term borrowings	32,798,240	24,462,877
Short-term borrowings	11,704,276	25,860,464
Cash and cash equivalents	(6,751,712)	(4,401,703)
Bank deposits within short-term investments (Note 4)	(16,292,400)	(15,635,460)
Bank deposits within long-term investments (Note 10)	(14,596,500)	(14,714,290)
Bonds held for trading (Note 10)	(2,519,915)	-
Net debt*	**4,341,989**	**15,571,888**
including long-term Net debt	15,681,825	9,748,587
including short-term Net debt	(11,339,836)	5,823,301
Adjusted EBITDA* (Note 29)	**18,205,051**	**24,423,401**
Net debt/ Adjusted EBITDA*	**0.24**	**0.64**

** not an IFRS measure.*

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

	Year ended 31 December 2016		
	According to IFRS	Reclassifications	Management accounts
Cash flows from investing activities			
Purchases of property, plant and equipment	(16,642,716)	-	(16,642,716)
Purchases of inventories intended for construction	(69,787)	-	(69,787)
Proceeds from cash withdrawals from deposits	22,469,547	(22,469,547)	-
Deposits placed with banks	(23,934,790)	23,934,790	-
Purchases of bonds	(2,566,211)	2,566,211	-
Proceeds from sales of bonds	3,433,426	(3,433,426)	-
Loans given	(1,217,297)	1,217,297	-
Loans repaid	11,261,011	(11,261,011)	-
Interest received	4,585,875	(4,585,875)	-
Proceeds from sales of rights of claim	124,405	(124,405)	-
Other cash flows in investing activities*	(7,633,872)	-	(7,633,872)
Net cash from investing activities	**(10,190,409)**	**(14,155,966)**	**(24,346,375)**
Cash flows from financing activities			
Proceeds from borrowings	26,104,909	-	26,104,909
Repayment of borrowings	(33,949,009)	-	(33,949,009)
Proceeds from cash withdrawals from deposits*	-	22,469,547	22,469,547
Deposits placed with banks*	-	(23,934,790)	(23,934,790)
Purchases of bonds*	-	(2,566,211)	(2,566,211)
Proceeds from sales of bonds*	-	3,433,426	3,433,426
Loans given*	-	(1,217,297)	(1,217,297)
Loans repaid*	-	11,261,011	11,261,011
Interest paid	(3,823,363)	-	(3,823,363)
Interest received*	-	4,585,875	4,585,875
Proceeds from government grants	3,487,866	-	3,487,866
Proceeds from issue of own shares, net of transaction cost	16,328,269	-	16,328,269
Proceeds from sales of treasury shares	6,373	-	6,373
Proceeds from sales of rights of claim*	-	124,405	124,405
Other cash flows in financing activities*	(7,271,235)	-	(7,271,235)
Net cash used in financing activities	**883,810**	**14,155,966**	**15,039,776**

	Year ended 31 December 2015		
	According to IFRS	Reclassifications	Management accounts
Cash flows from investing activities			
Purchases of property, plant and equipment	(11,423,459)	-	(11,423,459)
Purchases of inventories intended for construction	(14,793)	-	(14,793)
Proceeds from cash withdrawals from deposits	34,162,514	(34,162,514)	-
Deposits placed with banks	(59,209,261)	59,209,261	-
Purchases of bonds	(3,433,426)	3,433,426	-
Proceeds from sales of bonds held for trading	7,567,628	(7,567,628)	-
Loans given	(1,168,351)	1,168,351	-
Purchases of loans issued	(30,080,733)	30,080,733	-
Loans repaid	1,106,602	(1,106,602)	-
Interest received	981,885	(981,885)	-
Other cash flows in investing activities*	(1,632,797)	-	(1,632,797)
Net cash from investing activities	**(63,144,191)**	**50,073,142**	**(13,071,049)**
Cash flows from financing activities			
Proceeds from borrowings	63,966,110	-	63,966,110
Repayment of borrowings	(16,657,102)	-	(16,657,102)
Proceeds from cash withdrawals from deposits	-	34,162,514	34,162,514
Deposits placed with banks	-	(59,209,261)	(59,209,261)
Purchases of bonds	-	(3,433,426)	(3,433,426)
Proceeds from sales of bonds held for trading	-	7,567,628	7,567,628
Loans given	-	(1,168,351)	(1,168,351)
Purchases of loans issued	-	(30,080,733)	(30,080,733)
Loans repaid	-	1,106,602	1,106,602
Interest paid	(3,416,791)	-	(3,416,791)
Interest received	-	981,885	981,885
Proceeds from government grants	3,014,204	-	3,014,204
Other cash flows in financing activities*	(4,569,305)	-	(4,569,305)
Net cash used in financing activities	**42,337,116**	**(50,073,142)**	**(7,736,026)**

**See details in the consolidated statements of cash flows.*

16. Trade and other payables

	31 December 2016	31 December 2015
Trade accounts payable	3,440,952	1,354,262
Payables for property, plant and equipment	453,350	485,721
Other payables	4,528	18,215
Total financial liabilities within trade and other payables	**3,898,830**	**1,858,198**
Payables to employees	1,425,581	1,149,900
Advances received	1,664,494	728,657
Total trade and other payables	**6,988,905**	**3,736,755**

Financial liabilities within trade and other payables of RR 308,201 (31 December 2015: RR 187,623) are denominated in US Dollars, financial liabilities within trade and other payables of RR 161,300 are denominated in Euros (31 December 2015: RR 145,150). All other financial liabilities within trade and other payables are denominated in Russian Roubles.

17. Other taxes payable

	31 December 2016	31 December 2015
Value added tax	3,664,836	2,143,870
Unified social tax	7,005	105,987
Property tax	81,214	49,849
Personal income tax	33,385	30,725
Transport tax	3,464	2,885
Other	24,374	25,819
Total	**3,814,278**	**2,359,135**

18. Government grants

During 2015-2016 the Group received government grants from Tambov and Belgorod regional governments and the Federal government in partial compensation of the investments into acquisition of equipment for agricultural business and sugar processing and the investments into construction of the pig-breeding farms and the slaughter house. The receipts of these grants in 2016 amounted to RR 1,665,675 (2015: RR 426,544). These grants are deferred and amortised on a straight-line basis over the expected lives of the related assets.

Additionally, in 2016 the Group obtained the government grants for reimbursement of interest expenses on bank loans received for construction of the pig-breeding farms in Far East. The government grants related to interest expenses capitalised into the carrying value of assets, were similarly deferred and amortised on a straight-line basis over the expected lives of the related assets. In 2016 the deferred government grants, related to capitalised interest expense, amounted to RR 305,238 (2015: nil).

The movements in deferred government grants in the statements of financial position were as follows:

	2016	2015
As at 1 January	2,043,667	1,962,562
Government grants received	1,970,913	426,544
Amortization of deferred income to match related interest expenses	-	(127,658)
Amortization of deferred income to match related depreciation (Note 23)	(301,987)	(217,781)
As at 31 December	**3,712,593**	**2,043,667**

Other bank loan interests, which had been refunded by the state, were credited to the consolidated statements of profit or loss and other comprehensive income and netted with the interest expense (Note 24).

Other government grants received are included in Note 23.

19. Sales

	2016	2015
Sales of goods	83,777,898	72,163,124
Sales of services	478,687	276,040
Total	**84,256,585**	**72,439,164**

Sales in 2016 include revenue arising from exchange of goods amounting to RR 226,410 (2015:RR 244,241) and exchange of services amounting to RR 100,656 (2015: RR 161,904).

20. Cost of sales

	2016	2015
Raw materials used in production	42,196,264	34,394,948
Purchases of goods for resale	7,149,203	2,947,185
Depreciation and amortisation	5,378,038	3,718,736
Services	4,805,443	2,501,124
Payroll	4,684,144	2,578,825
Other	2,226,803	2,190,181
Purchase of biological assets	285,515	62,817
Provision/ (Reversal of provision) for net realisable value	82,545	(209,117)
Changes in inventories and biological assets	(7,892,342)	(4,913,289)
Total	**58,915,613**	**43,271,410**

«Changes in inventories and biological assets» line above includes changes in balances of goods produced and goods purchased for resale, changes in work in progress and changes in biological assets excluding effect of revaluation adjustments. This line also includes change in depreciation as included in work in progress, finished goods and biological assets in the amount of RR (387,799) (2015: RR (623,963)).

Payroll costs include salary of RR 3,592,679 (2015: RR 1,942,258) and statutory pension contributions of RR 844,374 (2015: RR 442,467).

The average number of employees employed by the Group during the year ended 31 December 2016 was 12,399 (10,449 for the year ended 31 December 2015).

21. Distribution and selling expenses

	2016	2015
Transportation and loading services	4,208,526	2,356,506
Payroll	1,008,708	732,169
Advertising	1,407,548	1,020,472
Other services	635,395	538,895
Depreciation and amortisation	265,026	288,372
Materials	260,746	197,883
Fuel and energy	136,878	71,867
Provision for impairment of receivables	(47,981)	18,380
Other	583,689	411,322
Change in selling and distribution expenses attributable to goods not sold	(465,441)	(321,873)
Total	**7,993,094**	**5,313,993**

Change in selling and distribution expenses attributable to goods not sold include the depreciation in the amount of RR nil in 2016 (2015: RR (21,969)).

Payroll costs include salary of RR 800,001 (2015: RR 576,872) and statutory pension contributions of RR 208,708 (2015: RR 155,297).

22. General and administrative expenses

	2016	2015
Payroll	3,027,768	2,570,148
Taxes, excluding income tax	518,006	347,386
Services of professional organisations	454,693	252,096
Depreciation and amortisation	176,786	149,816
Rent	216,723	109,299
Security	114,656	93,910
Materials	61,022	79,245
Bank services	133,806	69,730
Repair and maintenance	124,917	45,947
Fuel and energy	61,364	39,203
Travelling expenses	77,232	53,452
Communication	27,480	44,045
Insurance	36,445	17,484
Statutory audit fees	1,714	1,538
Other	323,445	192,261
Total	**5,356,057**	**4,065,560**

Payroll costs above include salary of RR 2,546,037 (2015: RR 2,273,379) and statutory pension contributions of RR 481,731 (2015: RR 296,769).

The total fees charged by the Company's statutory auditor for the statutory audit of the annual financial statements of the Company for the year ended 31 December 2016 amounted to RR 1,714 (2015: RR 1,976). The total fees charged by the Company's statutory auditor for the year ended 31 December 2016 for tax advisory services amounted to RR 993 (2015: RR 191) and for other non-assurance services amounted to RR 1,949 (2015: RR nil).

23. Other operating income/ (expenses), net

	2016	2015
Reimbursement of operating expenses (government grants)	445,181	900,260
Operating foreign exchange gains and losses, net	32,808	(127,752)
Amortization of deferred income to match related depreciation (Note 18)	301,987	217,781
Rental income	-	(11,508)
Gain/ (loss) on disposal of property, plant and equipment	(31,217)	(32,582)
Provision for impairment of advances paid for property, plant and equipment	724	9,432
Settlement of loans and accounts receivable previously written-off (Note 15)	937,545	-
Charitable donations and social costs	(127,150)	(410,381)
Loss on disposal of subsidiaries, net	-	(1,142)
Loss on other investments	(7,820)	(26,142)
Lost harvest write-off (Note 9)	-	(327,991)
Reversal of harvest previously written-off (Note 9)	63,450	-
Impairment of goodwill (Note 25)	(589,416)	-
Excess of the Group's share of identifiable net assets acquired over consideration paid (Note 25)	636,036	-
Share-based remuneration	(4,026)	(4,015)
Other	171,986	(992)
Total	**1,830,088**	**184,968**

Lost harvest write-off is represented by damage of crops due to unfavourable weather conditions.

24. Interest expense and other financial income/ (expenses), net

Interest expense comprised of the following:

	2016	2015
Interest expense	4,810,145	3,856,801
Reimbursement of interest expense (government grants)	(1,196,038)	(1,815,058)
Interest expense, net	**3,614,107**	**2,041,743**

Other financial income/ (expenses), net comprised of the following items:

	2016	2015
Financial foreign exchange differences gain/(loss), net	(1,107,247)	3,129,182
Other financial expenses, net	(27,602)	(48,887)
Other financial income/ (expenses), net	**(1,134,849)**	**3,080,295**

25. Goodwill

	2016	2015
Carrying amount at 1 January	2,405,791	1,191,832
Acquisitions of subsidiaries	408,929	1,213,959
Impairment	(589,416)	-
Carrying amount at 31 December	**2,225,304**	**2,405,791**

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

	31 December 2016	31 December 2015
Oil Primorie CGU	399,046	988,461
Oil Samara CGU	899,401	667,329
Agriculture Center CGU	199,276	178,133
Sugar CGU	502,083	346,370
Agriculture Primorie CGU	225,498	225,498
Total	**2,225,304**	**2,405,791**

On 4 March 2016 the Group acquired 100.00% of ownership interest in the share capital of LLC Kolyshleyskiy Elevator, a grain silo located in the Penza region, for cash consideration in the amount of RR 180,000. The goodwill arising on acquisition was allocated to Agriculture Center CGU. Its close location to the other agricultural companies of the Group will enable to create the greater efficiency and competitive advantage.

On 12 May 2016 the Group increased its share in the share capital of OJSC Pugachevskiy elevator up to 66.87%. The cash consideration transferred amounted to RR 9,178. The equity interest in OJSC Pugachevskiy elevator held before the business combination amounted to 29.00%. The grain elevator is situated in the close proximity to the Group's oil extraction plant CJSC Samaraagroprompererabotka. The goodwill arising on acquisition allocated to Oil Samara CGU will allow to develop synergies and achieve cost savings on the combination of the businesses.

In May 2016 the Group acquired 92.89% shares in the share capital of OJSC Hercules, a buckwheat processing plant located in Voronezh region. The total consideration transferred amounted to RR 347,559. The goodwill arising on acquisition is attributable to the acquired customer base and the expected profitability of the acquired business and allocated to Sugar CGU.

On 17 October 2016 the Group acquired 100.00% of ownership interest in the share capital of LLC Alekseevka-Agroinvest, an agricultural entity located in the Belgorod region, for cash consideration of RR 216,102.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and non-controlling interest at the acquisition date:

	OJSC Hercules	LLC Kolyshleyskiy Elevator	OJSC Pugachevskiy elevator	LLC Alekseevka-Agroinvest
Consideration transferred	347,559	180,000	9,178	216,102
Fair value of equity interest in subsidiary held before the business combination	-	-	319,889	-
Total consideration	**347,559**	**180,000**	**329,067**	**216,102**
Recognized amounts of identifiable assets acquired and liabilities assumed:				
Cash and cash equivalents	415	69,785	39,580	13
Short-term investments	-	435	-	6,217
Trade and other receivables	4,376	3,431	3,122	69,112
Prepayments	394	175	732	830
Current income tax receivable	-	-	981	-
Other taxes receivable	5,903	120	117	4,353
Inventories	17,532	12,671	3,050	72,599
Short-term biological assets	-	-	-	97,877
Property, plant and equipment	139,959	94,248	128,290	20,322
Long-term investments	10,240	-	-	-
Deferred income tax assets	33,739	-	-	106
Borrowings	-	-	(3,199)	-
Trade and other payables	(7,201)	(1,764)	(4,152)	(49,644)
Current income tax payable	-	(795)	-	(574)
Other taxes payable	(826)	(5,825)	(1,625)	(1,009)
Deferred income tax liability	-	(11,762)	(21,851)	-
Total identifiable net assets	**204,531**	**160,719**	**145,045**	**220,202**
Non-controlling interest	(14,548)	-	(48,051)	-
Goodwill arising from the acquisition	**157,576**	**19,281**	**232,073**	**-**
Excess of the Group's share of identifiable net assets acquired over consideration paid	**-**	**-**	**-**	**(4,100)**
Total purchase consideration and previously held interest in the acquiree	347,559	180,000	329,067	216,102
Less: Non-cash consideration	-	-	(319,889)	-
Less: Cash and cash equivalents of subsidiary acquired	(415)	(69,785)	(39,580)	(13)
Outflow/ (inflow) of cash and cash equivalents on acquisition	**347,144**	**110,215**	**(30,402)**	**216,089**

The fair values of identifiable assets and liabilities of the above mentioned acquisitions, except for LLC Alekseevka-Agroinvest, were determined using discounted cash flow models. The valuation of property, plant and equipment was performed by an independent professional appraiser. The acquisition of LLC Alekseevka-Agroinvest was accounted using the provisional amounts of assets and liabilities of the investees as the Group had not finalized the fair value determination of these assets and liabilities at the moment of preparation of the consolidated financial statements for 2016.

In May 2016 the Group acquired through one deal a controlling stake in three sugar plants: 100.00% share capital of CJSC Kshenskiy Sugar Plant and 86.75% share capital of OJSC Krivets-Sakhar, both situated in Kursk region, and 100.00% share capital of CJSC Otradinskiy Sugar Plant, located in Orel region. Within the same deal, the Group acquired 59.00% of the share capital of OJSC By General Vatutin, agricultural entity located in Belgorod region. At the time of the purchase transaction, CJSC Kshenskiy Sugar Plant and CJSC Otradinskiy Sugar Plant together controlled 100.00% ownership interest in LLC Kshenagro, located in Kursk region, and LLC Otradaagroinvest, located in Orel region, both are agricultural entities. The total consideration transferred under the deal amounted to RR 5,322,620.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and non-controlling interest at the acquisition date:

	OJSC Krivets-Sakhar	CJSC Kshenskiy Sugar Plant	CJSC Otradinskiy Sugar Plant	OJSC By General Vatutin	LLC Kshenagro	LLC Otrada-agroinvest	Total
Consideration transferred							5,322,620
Recognized amounts of identifiable assets acquired and liabilities assumed:							
Cash and cash equivalents	137	13	9	1,251	174	480	2,064
Short-term investments	-	386,085	5,676	69,650	1,494,332	25,619	1,981,362
Trade and other receivables	4,152	3,120	9,102	10,594	243,804	7,465	278,237
Prepayments	105,766	1,400	782,564	1,739	2,157	5,688	899,314
Current income tax receivable	-	18,238	57,170	639	666	181	76,894
Other taxes receivable	17,859	394	625	19,341	94,763	188,437	321,419
Inventories	101,406	120,910	137,730	95,539	82,837	288,380	826,802
Short-term biological assets	-	-	-	161,999	533,471	733,437	1,428,907
Property, plant and equipment	391,917	915,557	1,125,475	121,384	948,227	1,284,147	4,786,707
Inventories intended for construction	4,880	3,175	4,209	58	50	105	12,477
Long-term biological assets	-	-	-	71,853	-	-	71,853
Deferred income tax assets	41,691	-	-	529	-	-	42,220
Other intangible assets	-	4,690	6,171	289,660	163,276	297,866	761,663
Borrowings	(585,951)	(352,041)	(854,756)	(386,085)	(280,798)	(904,989)	(3,364,620)
Trade and other payables	(190,391)	(125,274)	(48,430)	(182,091)	(179,872)	(971,578)	(1,697,636)
Current income tax payable	-	-	-	(45)	(33)	-	(78)
Other taxes payable	(3,190)	(19,804)	(69,059)	(1,823)	(4,284)	(3,874)	(102,034)
Deferred income tax liability	-	(131,314)	(141,473)	-	(805)	-	(273,592)
Total identifiable net assets	**(111,724)**	**825,149**	**1,015,013**	**274,193**	**3,097,965**	**951,364**	**6,051,960**
Non-controlling interest	15,029	-	-	(112,433)	-	-	(97,404)
Excess of the Group's share of identifiable net assets acquired over consideration paid							**(631,936)**
Total purchase consideration							5,322,620
Less: Cash and cash equivalents of subsidiary acquired							(2,064)
Outflow of cash and cash equivalents on acquisition							**5,320,556**

The fair values of identifiable assets and liabilities of the above mentioned acquisitions were determined using discounted cash flow models. The valuation of property, plant and equipment and the rights under land rent agreements was performed by an independent professional appraiser.

In 2016 the Group also acquired 100.00% ownership interest in JSC Turga, JSC Sergeevskoie, JSC Pogranichnoie, LLC Armada-Land, LLC GeoRitm and LLC Landlord, all located in Primorie region. The total cash consideration amounted to RR 1,538,484. These entities were acquired with the purpose of obtaining control over the agricultural land bank, owned by the acquired entities through ownership rights and rent agreements. There were no production processes on the acquired entities at the moment of acquisition. All other assets except for the land were immaterial. These deals were accounted for as assets acquisitions.

The total purchase consideration for these acquisitions was RR 6,395,348. Management determined that the fair value of the net identifiable assets acquired was RR 6,782,457.

The acquisitions which occurred during 2016 resulted to the following:

- An excess of the Group's share of identifiable net assets acquired over consideration paid which was recognised directly in the consolidated statement of profit and loss and other comprehensive income amounting to RR 636,036.
- Goodwill which was recognised in the consolidated statement of financial position amounting to RR 408,929.

2015

On 22 January 2015 the Group acquired 100.00% of the share capital of OJSC Uchkhoz PGSKHA for cash consideration in the amount of RR 131,471. On 2 February 2015 the Group acquired 100.00% of the share capital of LLC Rusagro-Primorie for cash consideration in the amount of RR 322,242. Both entities are situated in Far East region. The consideration for these shares was transferred to the sellers in the end of 2014 (see Note 6). The goodwill arising on acquisitions of OJSC Uchkhoz PGSKHA and LLC Rusagro-Primorie is primarily attributable to the expected profitability of the acquired businesses. The goodwill arising on acquisitions was allocated to Agriculture Primorie CGU.

On 8 October 2015 the Group acquired 75.00% of the share capital of LLC Primorskaya soya for cash consideration in the amount of RR 983,981. The entity is situated in Far East Primorie region and engaged in soya bean oil extraction and processing. The goodwill arising on acquisition was allocated to Oil Primorie CGU and attributable to acquired customer base and expected profitability of the acquired business.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and non-controlling interest at the acquisition date:

	OJSC Uchkhoz PGSKHA	LLC Rusagro-Primorie	LLC Primorskaya soya
Consideration transferred	131,471	322,242	983,981
Recognised amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	18	4,827	47,741
Short-term investments	-	-	151,976
Trade and other receivables	20,358	197,921	-
Prepayments	819	57,778	13,019
Current income tax receivable	-	927	-
Other taxes receivable	31	19,304	8,760
Inventories	2,370	415,148	4,996
Property, plant and equipment	169,595	251,133	581,581
Long-term biological assets	3,179	-	-
Other intangible assets	-	233,604	51,946
Deferred income tax assets	-	-	729
Short-term borrowings	(17,577)	(966,868)	-
Long-term borrowings	(8,663)	-	(425,338)
Trade and other payables	(47,773)	(98,977)	(440,365)
Current income tax payable	(188)	-	-
Other taxes payable	(6,678)	(1,687)	(275)
Deferred income tax liability	-	(385)	-
Total identifiable net assets	**115,491**	**112,725**	**(5,230)**
Non-controlling interest	-	-	750
Goodwill arising from the acquisition	**15,980**	**209,517**	**988,461**
Total purchase consideration and previously held interest in the acquire	131,471	322,242	983,981
Less: Prepayments at the beginning on the reporting period	(131,471)	(322,242)	-
Less: Cash and cash equivalents of subsidiary acquired	(18)	(4,827)	(47,741)
Outflow of cash and cash equivalents on acquisition in 2015	**(18)**	**(4,827)**	**936,240**

The fair values of identifiable assets and liabilities of OJSC Uchkhoz PGSKHA and LLC Rusagro-Primorie were determined using discounted cash flow models. The valuation of property, plant and equipment was performed by an independent professional appraiser. Acquisition of LLC Primorskaya soya was accounted using the provisional amounts of assets and liabilities of the investees as the Group had not finalized the fair value determination of these assets and liabilities at the moment of preparation of these consolidated financial statements. In 2016 the Group finalised the valuation and adjusted the comparatives figures for 2015 in these consolidated financial statements accordingly. The differences between provisional amounts and the fair values of identifiable assets and liabilities assumed and the resulted effect on the goodwill are summarised in the following table:

	LLC Primorskaya soya: fair values	LLC Primorskaya soya: provisional amounts	Differences
Consideration transferred	983,981	983,981	-
Recognised amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	47,741	47,741	-
Short-term investments	151,976	300,000	(148,024)
Prepayments	13,019	13,019	-
Other taxes receivable	8,760	8,760	-
Inventories	4,996	4,996	-
Property, plant and equipment	581,581	62,394	519,187
Other intangible assets	51,946	-	51,946
Deferred income tax assets	729	729	-
Long-term borrowings	(425,338)	-	(425,338)
Trade and other payables	(440,365)	(440,365)	-
Other taxes payable	(275)	(275)	-
Deferred income tax liability	-	-	-
Total identifiable net assets	**(5,230)**	**(3,001)**	**(2,229)**
Non-controlling interest	750	750	-
Goodwill arising from the acquisition	**988,461**	**986,232**	**2,229**

Goodwill Impairment Test

The carrying amount of goodwill as at 31 December 2016 and 2015 was tested for impairment. The recoverable amount of the Group's cash-generating units has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Group management covering a five-year period and the expected market prices for the Group's key products for the same period according to leading industry publications. Cash flows beyond the five-year period are projected with a long-term growth rate of 3.5% per annum (31 December 2015: 3.5% per annum).

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

	EBITDA margin*		Pre-tax discount rate	
	2016	2015	2016	2015
Oil Primorie CGU	6.5-7.8%	1.8-9.0%	15.9%	15.4%
Oil Samara CGU	5.0-15.2%	6.9-14.3%	14.9%	18.6%
Agriculture Center CGU	16.7-29.8%	26.9-27.6%	13.0%	15.4%
Sugar CGU	25.7-29.7%	18.2-18.3%	15.8%	18.8%
Agriculture Primorie CGU	(3.9)-37.9%	24.2-35.5%	13.1%	15.4%

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

As a result of the testing, the impairment losses were recognised for the goodwill allocated to Oil Primorie CGU. The loss amounted to RR 589,416 and were included in "Other operating income/ (expenses), net" line item in the statement of comprehensive income. The impairment in the Oil Primorie CGU arose as a result of the plant continuing underperformance in terms of production and sales volumes. No class of assets other than goodwill were impaired. As at 31 December 2016 the recoverable amount of Oil Primorie CGU amounted to RR 2,247,197.

If the revised estimated EBITDA margin used in impairment test for the Oil Primorie CGU had been 2.0 % lower than management's estimates, with all other assumptions held constant, the Group would need to recognise additional impairment of goodwill in the amount of RR 399,046and to reduce the carrying value of property, plant and equipment by RR 483,763. If the revised estimated pre-tax discount rate applied to the discounted cash flows of the Oil Primorie CGU had been 2.0 % higher than management's estimates, with all other assumptions held constant, the Group would need to recognise additional impairment of goodwill in the amount of RR 327,194. Had this impairment been recognised, the Group would not be able to reverse any impairment losses that arose on goodwill in subsequent periods even if circumstances improve. The CGUs' carrying amount would be equal to value in use at a discount rate of 13.4%.

If the revised estimated pre-tax discount rate applied to the discounted cash flows of the Agriculture Primorie CGU had been 2.0 % higher than management's estimates, with all other assumptions held constant, the Group would need to reduce the carrying value of goodwill by RR 225,498 and property, plant and equipment by RR 477,974. Had this impairment been recognised, the Group would not be able to reverse any impairment losses that arose on goodwill in subsequent periods even if circumstances improve. A reasonably possible shift in EBITDA margin used in impairment test for the Agriculture Primorie CGU would not lead to impairment of goodwill as of 31 December 2016. The recoverable amount of the Agriculture Primorie CGU exceeds its carrying amount by RR 1,054,190. The CGUs' carrying amount would be equal to value in use at a discount rate of 14.2% p.a.

A reasonably possible shift in key assumptions underlying the value-in-use calculations for other CGU would not lead to impairment of goodwill as of 31 December 2016.

A reasonably possible shift in key assumptions underlying the value-in-use calculations would not lead to impairment of goodwill as of 31 December 2015.

26. Income tax

	2016	2015
Current income tax charge	881,708	2,257,362
Deferred tax (credit)/ charge	(613,918)	(433,970)
Income tax expense	**267,790**	**1,823,392**

The Group companies domiciled in Russia were subject to an income tax rate of 20% (2015: 20%) of taxable profits, except for profit on sales of agricultural produce taxable at 0% (2015: 0%) and profit obtained from the Group's oil extraction activity in Samara region subject to a reduced rate of 15.5% in 2012-2016. Group entities operating in other tax jurisdictions were taxed at 0% and 12.5% (2015: 0% and 12.5%).

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

	2016	2015
Profit before tax:	13,943,202	25,513,727
- taxable at 0%	10,854,142	15,259,322
- taxable at 12.5%	1,370,655	2,739,003
- taxable at 15.5%	(295,207)	930,022
- taxable at 20%	2,013,612	6,585,380
Theoretical tax charge calculated at the applicable tax rate of 20%, 15.5% and 12.5% (2015: 20%, 15.5% and 12.5%)	528,297	1,803,605
Tax effect of items which are not deductible or assessable for taxation purposes:		
- non-taxable income	(454,303)	(402,079)
- non-deductible expenses	410,694	194,622
- share based remuneration	805	803
Utilisation of previously unrecognised tax losses	6,298	2,839
Withholding income tax on dividends distributed	-	184,211
Deferred tax charge/ (credit) in respect of withholding income tax on dividends to be distributed	(222,900)	38,689
Adjustments of income tax in respect of prior years and tax penalties	(1,124)	6,367
Tax losses for which no deferred tax assets were recognised	2,301	-
Other	(2,278)	(5,665)
Income tax expense	**267,790**	**1,823,392**

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

	1 January 2016	Deferred tax assets/ (liabilities) acquisition/ disposal	Deferred tax credited/ (charged) to other comprehensive income	Deferred tax credited/ (charged) to profit or loss	31 December 2016
Tax effects of deductible/ (taxable) temporary differences:					
Property, plant and equipment	(400,636)	(344,963)	-	73,890	(671,709)
Impairment of receivables	145,648	175	-	142,270	288,093
Payables	33,666	-	-	(228,543)	(194,877)
Financial assets	4,057,160	-	21,566	(204,980)	3,873,746
Inventory and biological assets	905,271	(5,142)	-	(228,936)	671,193
Borrowings	(4,002,909)	-	-	317,628	(3,685,281)
Loss carried forward	449,272	119,227	-	456,290	1,024,789
Withholding income tax on dividends to be distributed	(222,900)	-	-	222,900	-
Other	29,850	581	-	63,399	93,830
Net deferred tax (liability) / asset	**994,422**	**(230,122)**	**21,566**	**613,918**	**1,399,784**
Recognised deferred tax asset	1,490,657				1,935,298
Recognised deferred tax liability	(496,235)				(535,514)

	1 January 2015	Deferred tax assets/ (liabilities) acquisition/ disposal	Deferred tax credited/ (charged) to other comprehensive income	Deferred tax credited/ (charged) to profit or loss	31 December 2015
Tax effects of deductible/ (taxable) temporary differences:					
Property, plant and equipment	(410,666)	14	-	10,016	(400,636)
Impairment of receivables	148,372	(350)	-	(2,374)	145,648
Payables	21,242	-	-	12,424	33,666
Financial assets	44,563	4,002,909	7,894	1,794	4,057,160
Inventory and biological assets	538,087	-	-	367,184	905,271
Borrowings	-	(4,002,909)	-	-	(4,002,909)
Loss carried forward	364,978	-	-	84,294	449,272
Withholding income tax on dividends to be distributed	(184,211)	-	-	(38,689)	(222,900)
Other	30,530	-	-	(680)	29,850
Net deferred tax (liability) / asset	**552,895**	**(336)**	**7,894**	**433,969**	**994,422**
Recognised deferred tax asset	1,016,544				1,490,657
Recognised deferred tax liability	(463,649)				(496,235)

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

	31 December 2016	31 December 2015
Deferred tax assets:		
-Deferred tax asset to be recovered after more than 12 months	788,782	460,709
-Deferred tax asset to be recovered within 12 months	1,146,516	1,029,948
	1,935,298	**1,490,657**
Deferred tax liabilities:		
-Deferred tax liability to be settled after more than 12 months	(358,793)	(278,488)
-Deferred tax liability to be settled within 12 months	(176,721)	(217,747)
	(535,514)	**(496,235)**
Total net deferred tax asset	**1,399,784**	**994,422**

The Group has not recognised a deferred tax liability of RR 3,296,606 (2015: RR 2,446,762) in respect of temporary differences associated with undistributed earnings of subsidiaries and associates as the Group is able to control the timing of reversal of those temporary differences and it is probable that they will not reverse in the foreseeable future.

In August 2013 the Board of Directors has approved a new dividend policy with payout ratio of at least 25% of net income. As the dividends will be distributed from net income of reporting period they will be subject to current withholding income tax at the applicable rate.

Refer to Note 31 "Contingencies" for description of tax risks and uncertainties.

27. Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. All of the Group's related party transactions during the year ended 31 December 2016 and 2015 consist of transactions with members of the Board of Directors and other key management personnel, transactions with the entities controlled by the Owner and transactions with the entities controlled by the key management personnel.

Key management personnel

Share option incentive scheme
In 2014 the Group initiated a new share option incentive scheme for its top-management. Under the scheme the employees will be granted a Company's GDR provided the remain in their position up to a specific date in the future. The amount of GDRs granted will be dependent on the average market prices of GDRs for the period preceding this date. Expenses recognized under this agreement for the year ended 31 December 2016 in the amount of RR 4,026 (2015: RR 4,015) are included in "Share-based remuneration" line in the consolidated statements of profit or loss or other comprehensive income.

As at 31 December 2016, the share-based payment reserve accumulated in equity as a result of the share-based payment transactions amounted to RR 1,299,239 (31 December 2015: RR 1,295,213).

Other remuneration to key management personnel
Remuneration to 15 (2015: 14) representatives of key management personnel, included in payroll costs, comprised short-term remuneration such as salaries, discretionary bonuses and other short-term benefits totalling RR 1,088,490 including RR 88,236 payable to the State Pension Fund (2015: RR 1,230,938 and RR 134,450 respectively).

The Company Directors' remuneration
Included in the share-based compensation and other remuneration to key management personnel disclosed above, are the Company directors' fees, salaries and other short-term benefits totalling RR 860,023 in respect of the year ended 31 December 2016 (2015: RR 1,002,393).

Dividends paid to Key management personnel
During the year ended 31 December 2016 the dividends paid to key management personnel amounted RR 264,933 (2015: RR 193,007).

Loan agreements with the Key management personnel

Balances and transactions under the loan agreements with the Key management personnel consist of the following:

Transactions	31 December 2016	31 December 2015
Operating foreign exchange differences gain/ (loss), net	(1,034)	-
Short-term loans repayments received	17,515	-
Interest accrued on loans provided	722	1,445
Interest received	2,251	-

Balances	31 December 2016	31 December 2015
Other receivables from related parties, gross	150	-
Short-term loans issued to related parties	-	17,515
Interest receivable on short-term loans issued to related parties	-	1,528
Trade accounts payable to related parties	(65)	-
Other payables to related parties	(1,548)	-

Loans issued to the Key management personnel were denominated in Russian Roubles with an interest rate of 8.25%.

Entities controlled by the Owner

Dividends paid to entities controlled by the Owner

During the year ended 31 December 2016 the dividends paid to entities controlled by the Owner amounted RR 4,768,786 (2015: RR 3,474,120).

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

Transactions	31 December 2016	31 December 2015
Sales of goods and services	56	1,585
Purchases of goods	21	-
Purchases of services	180,043	-
Purchases of property, plant and equipment and inventories intended for construction	300	2,300,010
Acquisition receivables under cession of rights	-	7,915

Balances	31 December 2016	31 December 2015
Trade receivables from related parties, gross	67	-
Other receivables from related parties, gross	33	-
Prepayments to related parties, gross	63,856	
Advances received from related parties	(2)	-

Entities controlled by the Key Management Personnel

Balances and transactions with entities controlled by the Key management personnel are presented in the table below:

Transactions	31 December 2016	31 December 2015
Sale of goods and services	-	77,620
Purchases of goods	-	408
Reversal of provision for impairment of receivables	-	24,162
Loans issued	-	362,600
Loans repayments received	-	362,600
Interest accrued on loans provided	-	11,352
Interest received	-	11,320
Loans received	-	83,484
Interest accrued on loans received	-	4,535
Interest paid on loans received	-	3,516
Balances	**31 December 2016**	**31 December 2015**
Trade and other receivables, gross	-	62
Trade and other payables	-	(15)
Short-term loans received (Note 15)	-	(60,216)
Interest payable (Note 15)	-	(1,084)

Loans issued in 2015 to the entities controlled by the Key Management Personnel were denominated in Russian Roubles with an interest rate of 13.93% and were fully repaid by the counterparties in 2015.

Loan received from the entities controlled by the Key Management Personnel is denominated in Russian Roubles with an interest rate calculated as monthly MosPrimeM1 rate minus 3% valid from 1 January 2015. Loans were fully repaid by the Group in 2016.

Associates

Balances and transactions with associates are presented in the table below:

Transactions	31 December 2016	31 December 2015
Sales of goods and services	-	71,833
Purchases of goods	-	54,990
Purchases of services	5,806	123,517
Reversal of provision for impairment of receivables	(28)	1
Short-term loans repayments received	2,867	-
Interest accrued on loans provided	165	-
Interest received	110	-
Balances	**31 December 2016**	**31 December 2015**
Trade receivables from related parties, gross	49	-
Provision for impairment of trade receivables from related parties	(49)	-
Prepayments to related parties, gross	2	-
Other receivables from related parties, gross	13,566	-
Short-term loans issued	268,620	156,976
Interest receivable on short-term loans issued to related parties	86	-
Advances paid to related parties for property, plant and equipment and inventories intended for construction	324,386	-
Trade and other payables	(41,166)	(90,140)
Short-term loans received from related parties	(425,338)	-

28. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding the effect of GDRs purchased by the Company and held as treasury shares. The Company has no dilutive potential financial instruments; therefore, the diluted earnings per share equals the basic earnings per share.

	2016	2015
Profit for the year attributable to the Company's equity holders	13,684,192	23,482,192
Weighted average number of ordinary shares in issue	25,743,485	23,557,470
Basic and diluted earnings per share (RR per share)	**531.56**	**996.80**

29. Segment information

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

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

The Group is organised on the basis of four main business segments:

- Sugar – represents production and trading operation with white sugar;
- Meat – represents cultivation of pigs and selling of consumable livestock to third parties;
- Agriculture – represents cultivation of plant crops (sugar beet, grain crops and other plant crops) and dairy cattle livestock;
- Oil and Fat – represents vegetable oil extraction, production and sales of mayonnaise, consumer margarine, and bottled vegetable oil.

Certain of the Group's businesses are not included within the reportable operating segments, as they are not included in the reports provided to the CODM. The results of these operations are included in "Other" caption. The Company, OJSC Rusagro Group and LLC Group of Companies Rusagro that represent the Group's head office and investment holding functions and earn revenue considered incidental to the Group's activities are included in "Other" caption.

Factors that management used to identify the reportable segments

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

Segment financial information reviewed by the CODM includes:

- Quarterly reports containing information about income and expenses by business units (segments) based on IFRS numbers, that may be adjusted to present the segments results as if the segments operated as independent business units and not as the division within the Group;
- Quarterly reports with a breakdown of separate material lines of IFRS consolidated statements of financial positions and IFRS consolidated statements of cash flows by segment;
- In addition to the main financial indicators, operating data (such as yield, production volumes, cost per unit, staff costs) and revenue data (volumes per type of product, market share) are also reviewed by the CODM on a quarterly basis.

Measurement of operating segment profit or loss, assets and liabilities

The CODM assesses the performance of the operating segments based on the Adjusted EBITDA figure for the period. Adjusted EBITDA figure is not an IFRS measure. Adjusted EBITDA is reconciled to IFRS operating profit in this Note.

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

- depreciation and amortisation;
- other operating income/expenses, net (other than reimbursement of operating costs (government grants));
- the difference between the gain on revaluation of biological assets and agriculture produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realised agricultural produce for the year and revaluation of biological assets attributable to realised biological assets and included in cost of sales;
- share-based remuneration;
- provision/(reversal of provision) for net realisable value of agricultural products in stocks.

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

Analysis of revenues by products and services

Each business segment except for the "Agriculture" segment is engaged in the production and sales of similar or related products (see above in this note). The "Agriculture" segment in addition to its main activity of growing and harvesting agricultural crops, is engaged in the cultivation of dairy cattle livestock. Related revenue from sales of milk and other livestock products was RR 116,427 (2015: RR 129,170).

For the amount of revenue from services, which comprise mainly processing of sugar beet for third party agricultural enterprises, see Note 19.

Geographical areas of operations

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

	2016	2015
Russian Federation	71,378,381	63,430,179
Foreign countries	12,878,204	9,008,985
Total	**84,256,585**	**72,439,164**

Major customers

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

Information about reportable segment adjusted EBITDA, assets and liabilities

Segment information for the reportable segments' assets and liabilities as at 31 December 2016 and 2015 is set out below:

2016	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Assets	37,371,595	40,092,460	35,161,048	13,593,174	97,353,322	(70,598,629)	152,972,970
Liabilities	24,943,950	22,196,454	18,943,182	11,890,072	20,116,342	(38,436,744)	59,653,256
Additions to non-current assets*	5,129,985	10,893,317	10,483,090	1,230,362	128,215	(14,916)	27,850,053

2015	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Assets	31,410,307	30,244,245	21,709,942	13,585,265	99,309,537	(66,344,662)	129,914,634
Liabilities	21,591,826	17,182,039	11,974,529	9,378,000	22,840,212	(23,623,938)	59,342,668
Additions to non-current assets*	2,928,482	6,838,897	3,268,640	1,286,944	65,377	172,946	14,561,286

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

Segment information for the reportable segments' adjusted EBITDA for the years ended 31 December 2016 and 2015 is set out below:

2016	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Sales (Note 19)	37,239,582	17,851,245	21,154,816	19,863,843	94,920	(11,947,821)	84,256,585
Net gain/ (loss) on revaluation of biological assets and agricultural produce (Note 9)	-	145,878	68,934	-	-	(166,636)	48,176
Cost of sales (Note 20)	(25,626,600)	(14,822,058)	(13,375,993)	(16,493,978)	-	11,403,016	(58,915,613)
incl. Depreciation and amortisation	*(1,239,315)*	*(1,827,178)*	*(1,496,884)*	*(356,307)*	-	*(70,555)*	*(4,990,239)*
Net gain/ (loss) from trading derivatives	335,277	-	720	-	-	-	335,997
Gross profit	**11,948,259**	**3,175,065**	**7,848,477**	**3,369,865**	**94,920**	**(711,441)**	**25,725,145**
Distribution and Selling, General and administrative expenses (Notes 21, 22)	(3,722,493)	(993,890)	(3,625,504)	(4,274,300)	(1,945,389)	1,212,425	(13,349,151)
incl. Depreciation and amortisation	*(113,749)*	*(42,811)*	*(203,840)*	*(127,743)*	*(22,231)*	*68,561*	*(441,813)*
Other operating income/(expenses), net (Note 23)	59,966	331,569	274,594	126,562	18,124,997	(17,087,600)	1,830,088
incl. Reimbursement of operating costs (government grants)	-	*107,853*	*337,328*	-	-	-	*445,181*
Operating profit	**8,285,732**	**2,512,744**	**4,497,567**	**(777,873)**	**16,274,528**	**(16,586,616)**	**14,206,082**
Adjustments:							
Depreciation included in Operating Profit	1,353,064	1,869,989	1,700,725	484,051	22,231	1,992	5,432,052
Other operating (income) /expenses, net	(59,966)	(331,569)	(274,594)	(126,562)	(18,124,997)	17,087,600	(1,830,088)
Reimbursement of operating costs (government grants)	-	107,853	337,328	-	-	-	445,181
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	(145,878)	(68,934)	-	-	166,636	(48,176)
Adjusted EBITDA*	**9,578,830**	**4,013,139**	**6,192,092**	**(420,384)**	**(1,828,238)**	**669,612**	**18,205,051**

** Non-IFRS measure*

2015	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Sales (Note 18)	32,853,298	18,117,255	14,210,787	17,252,029	41,924	(10,036,129)	72,439,164
Net gain/ (loss) on revaluation of biological assets and agricultural produce (Note 9)	-	(303,980)	1,190,980	-	-	1,153,860	2,040,860
Cost of sales (Note 20)	(20,289,816)	(11,728,195)	(6,671,663)	(12,664,459)	-	8,082,723	(43,271,410)
incl. Depreciation and amortisation	*(861,985)*	*(1,290,757)*	*(731,891)*	*(223,818)*	-	*13,678*	*(3,094,773)*
Net gain/ (loss) from trading derivatives	223,719	-	229	-	-	-	223,948
Gross profit	**12,787,201**	**6,085,080**	**8,730,333**	**4,587,570**	**41,924**	**(799,546)**	**31,432,562**
Distribution and Selling, General and administrative expenses (Notes 21, 22)	(2,689,653)	(719,221)	(2,017,231)	(3,277,525)	(1,570,593)	894,670	(9,379,553)
incl. Depreciation and amortisation	*(108,308)*	*(28,880)*	*(157,811)*	*(128,106)*	*(24,677)*	*31,563*	*(416,219)*
Other operating income/(expenses), net (Note 23)	(63,221)	851,773	(228,584)	59,222	16,176,588	(16,610,810)	184,968
incl. Reimbursement of operating costs (government grants)	-	*682,396*	*217,864*	-	-	-	*900,260*
Operating profit	**10,034,327**	**6,217,632**	**6,484,518**	**1,369,267**	**14,647,919**	**(16,515,686)**	**22,237,977**
Adjustments:							
Depreciation included in Operating Profit	970,293	1,319,637	889,702	351,924	24,677	(45,241)	3,510,992
Other operating (income) /expenses, net	63,221	(851,773)	228,584	(59,222)	(16,176,588)	16,610,810	(184,968)
Reimbursement of operating costs (government grants)	-	682,396	217,864	-	-	-	900,260
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	303,980	(1,190,980)	-	-	(1,153,860)	(2,040,860)
Adjusted EBITDA*	**11,067,841**	**7,671,872**	**6,629,688**	**1,661,969**	**(1,503,992)**	**(1,103,977)**	**24,423,401**

** Non-IFRS measure*

30. Financial risk management

Financial risk factors

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

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

Credit risk

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

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

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

	31 December 2016	31 December 2015
Long-term financial assets		
Bank deposits (Note 10)	14,596,500	14,714,290
Interest receivable (Note 10)	311,570	251,959
Loans issued (Note 10)	15,400	26,629
Restricted cash (Note 3)	-	71,142
Bonds held for trading (Note 10)	2,519,915	-
Other long-term investments (Note 10)	36,071	5,322
Total long-term financial assets	**17,479,456**	**15,069,342**
Short-term financial assets		
Cash and cash equivalents (Note 3)	6,751,712	4,401,703
Bonds (Note 4)	-	3,318,378
Short-term restricted cash	39	-
Financial assets within trade and other receivables (Note 5)	3,787,409	3,111,366
Bank deposits (Note 4)	16,292,400	15,635,460
Loans issued (Note 4)	307,638	10,304,678
Interest receivable (Note 4)	629,974	694,065
Financial derivatives (Note 4)	-	28,444
Total short-term financial assets	**27,769,172**	**37,494,094**
Total	**45,248,628**	**52,563,436**

As at 31 December 2016 the Group has collateral against RR 1,357,702 of its trade receivables (31 December 2015: RR 301,327). The Group has geographical concentration of credit risk in the Russian market since the majority of the Group's customers conduct their business in Russian Federation.

For minimisation of credit risk related to cash in bank, bank deposits and restricted cash the Group places cash in financial institutions which at the moment of transaction have the minimum risk of a default. The table below shows the rating and balances with major banks at the reporting dates:

	Rating agency	31 December 2016		31 December 2015	
		Rating	Balance	Rating	Balance
Vnesheconombank	Fitch Ratings	bbb-	14,070,707	bbb-	14,071,183
Alfa Bank	Fitch Ratings	bb+	11,505,904	bb+	8,636,157
Gazprombank	Fitch Ratings	bb-	10,013,847	bb-	500,460
VTB Bank	Moody's	Ba2	1,805,423	Ba2	1,503,310
Locko Bank	Fitch Ratings	b+	458,597	b+	457,256
Sberbank	Fitch Ratings	bbb-	422,113	bbb-	8,909,772
Credit Suisse	Fitch Ratings	a	78,513	a	86,594
Rosselkhozbank	Fitch Ratings	b-	73,749	b-	1,263,951
Bank of Cyprus	Fitch Ratings	b-	150	ccc	16,817
Other	-		84,951		717
Total cash at bank, bank deposits and restricted cash (Note 3, 4, 10)			**38,513,954**		**35,446,217**

As at 31 December 2016, the Group have bonds held for trading. The table below shows the rating and balances of bonds held for trading at 31 December 2016:

	Rating agency	31 December 2016		31 December 2015	
		Rating	Balance	Rating	Balance
Rosselkhozbank	Fitch Ratings	bb-	2,161,610	-	-
LLC Lenta	Fitch Ratings	bb	23,414	-	-
JSC EuroChem	Fitch Ratings	bb	194,009	-	-
VimpelCom Ltd	Fitch Ratings	bb+	140,882	-	-
Total bonds (Note 10)			**2,519,915**		**-**

Financial assets that are neither past due nor impaired and not renegotiated as at the reporting date

	31 December 2016	31 December 2015
Long-term financial assets		
Bank deposits (Note 10)	14,596,500	14,714,290
Bonds held for trading (Note 10)	2,519,915	-
Interest receivable (Note 10)	311,570	251,959
Available-for-sale investments (Note 10)	272,284	380,212
Loans issued (Note 10)	15,400	26,629
Restricted cash (Note 3)	-	71,142
Other long-term investments (Note 10)	36,071	5,322
Total long-term financial assets	**17,751,740**	**15,449,554**
Short-term financial assets		
Bank deposits (Note 4)	16,292,400	15,635,460
Cash and cash equivalents (Note 3)	6,751,712	4,401,703
Trade receivables	3,635,598	2,947,205
Interest receivable (Note 4)	629,974	692,537
Other short-term receivables	90,383	45,491
Loans issued to third parties (Note 4)	39,018	7,613,640
Loans issued to related parties (Note 4)	4,531	17,515
Restricted cash	39	-
Bonds (Note 4)	-	3,318,378
Financial derivatives (Note 4)	-	28,444
Total short-term financial assets	**27,443,655**	**34,700,373**
Total	**45,195,395**	**50,149,927**

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

	31 December 2016	31 December 2015
Distribution and retail outlets	1,996,210	1,780,142
Manufacturers (candy, juice and other)	1,339,733	1,137,421
Other not categorised	299,655	29,642
Total trade receivables	**3,635,598**	**2,947,205**

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

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

	31 December 2016	31 December 2015
Overdue short-term loans issued		
- 3 months and less	-	2,516,547
- over 3 months	264,089	158,504
Total	**264,089**	**2,675,051**

Financial assets that are impaired as at the reporting date

The table below shows the analysis of impaired financial assets:

	31 December 2016		31 December 2015	
	Nominal value	Impairment	Nominal Value	Impairment
Impaired receivables (Note 5):				
- trade receivables	67,136	(59,116)	176,726	(72,924)
- other receivables	118,456	(65,048)	115,951	(101,083)
Impaired loans issued	82,315	(82,315)	90,000	(26,000)
Total	**267,907**	**(206,479)**	**382,677**	**(200,007)**

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

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

The Group has no financial assets at 31 December 2016 and 2015 that would otherwise be impaired whose terms have been renegotiated.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Group Treasury analyses the net debt position as disclosed in Note 15.

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

At 31 December 2016	Carrying value	Contractual undiscounted cash flows				
		Total	2017	2018	2019-2021	After 2021
Borrowings and loans (Note 15)						
- principal amount	44,340,311	62,762,742	11,385,221	5,115,577	17,001,014	29,260,930
- interest	162,205	11,906,821	3,083,987	2,427,478	4,654,742	1,740,614
Financial liabilities within trade and other payables (Note 16)	3,898,830	3,898,830	3,898,830	-	-	-
Total	**48,401,346**	**78,568,393**	**18,368,038**	**7,543,055**	**21,655,756**	**31,001,544**

At 31 December 2015	Carrying value	Contractual undiscounted cash flows				
		Total	2016	2017	2018-2020	After 2020
Borrowings and loans (Note 15)						
- principal amount	50,135,925	70,006,595	25,921,769	4,651,272	8,935,161	30,498,393
- interest	187,416	8,168,502	1,795,441	1,419,464	2,721,177	2,232,420
Financial liabilities within trade and other payables (Note 16)	1,858,198	1,858,198	1,858,198	-	-	-
Total	**52,181,539**	**80,033,295**	**29,575,408**	**6,070,736**	**11,656,338**	**32,730,813**

The rate of CBRF used for calculating interest payments for government loans (Note 15) is 10% (2015: 17%).

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

	31 December 2016	31 December 2015
US Dollar	60.6569	72.8827
Euro	63.8111	79.6972

In addition the Group has commitments as disclosed in Note 32.

Market risk

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

Cash flow and fair value interest rate risk

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

Interest rates under most of the Group's borrowings are fixed. However, the terms of the contracts stipulate the right of the creditor for a unilateral change of the interest rate (both increase and decrease), which can be based, among other triggers, on a decision of the CBRF to change the refinancing rate.

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

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

During the year ended 31 December 2016, had interest rate for borrowings with other than fixed rate been increased/decreased by 600 basis points the profit before taxation would have been RR 224,835 (2015: RR 7,851,461) lower/higher.

Foreign exchange risk

As at 31 December 2016 and 2015, foreign exchange risk arises on cash in banks, short-term investments, long-term investments, trade and other receivables, borrowings and trade and other payables denominated in foreign currency (Notes 3, 4, 5, 15 and 16).

At 31 December 2016, if the Russian Rouble had weakened/strengthened by 30% (31 December 2015: 30%) against the US dollar with all other variables held constant, the Group's profit before taxation would have been RR 186,978 (2015: RR 2,610,244) lower/higher.

At 31 December 2016 if the Russian Rouble had weakened/strengthened by 30% (31 December 2015: 30%) against the Euro with all other variables held constant, the Group's profit before taxation would have been RR 18,091 (2015: RR 78,269) lower/higher.

Purchase price risk

The Group purchases raw sugar and manages its exposure to this commodity price risk through financial derivatives. In 2016 the Group's total purchases of raw sugar were RR 908,860 (2015: RR 3,434,006). The Group trades raw sugar derivatives on ICE Futures US through an agent. Through derivatives, management aims to offset its long position in sugar inventory in order to minimise effects of price fluctuations on the results of the Group. The gains less losses on trading sugar derivatives of RR 335,997 (2015: RR 223,948) are presented as a separate line within the consolidated statements of profit or loss and other comprehensive income.

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

Sales price risk

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

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

Fair value estimation

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

Financial assets carried at amortised cost

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

Liabilities carried at amortised cost

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

Financial instruments by measurement categories and fair values as at 31 December 2016

	Loans and receivables	Other at amortised cost	Available for sale	At fair value through profit or loss	Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	6,751,712	-	-	-	6,751,712	6,751,712
Short-term restricted cash	39	-	-	-	39	39
Bank deposits (Note 4)	16,292,400	-	-	-	16,292,400	16,292,400
Short-term loans issued (Note 4)	307,638	-	-	-	307,638	307,638
Short-term interest receivable (Note 4)	629,974	-	-	-	629,974	629,974
Financial assets within trade and other receivables (Note 5)	3,787,410	-	-	-	3,787,410	3,787,410
Total short-term financial assets	**27,769,173**	**-**	**-**	**-**	**27,769,173**	**27,769,173**
Bonds held for trading	-	-	-	2,519,915	2,519,915	2,519,915
Loans issued (Note 10)	15,400	-	-	-	15,400	15,400
Bank deposits (Note 10)	14,596,500	-	-	-	14,596,500	14,596,500
Interest receivable (Note 10)	311,570	-	-	-	311,570	311,570
Equity securities held as available-for-sale investments	-	-	272,284	-	272,284	272,284
Other long-term investments (Note 10)	36,071	-	-	-	36,071	36,071
Total long-term financial assets	**14,959,541**	**-**	**272,284**	**2,519,915**	**17,751,740**	**17,751,740**
Total financial assets	**42,728,714**	**-**	**272,284**	**2,519,915**	**45,520,913**	**45,520,913**
Financial liabilities						
Short-term borrowings	-	11,704,276	-	-	11,704,276	11,704,276
Financial liabilities within trade and other payables (Note 16)	-	3,898,830			3,898,830	3,898,830
Total short-term financial liabilities	**-**	**15,603,106**			**15,603,106**	**15,603,106**
Long-term borrowings	-	32,798,240	-	-	32,798,240	32,798,240
Total long-term financial liabilities	**-**	**32,798,240**	**-**	**-**	**32,798,240**	**32,798,240**
Total financial liabilities	**-**	**48,401,346**			**48,401,346**	**48,401,346**

Financial instruments by measurement categories and fair values as at 31 December 2015

	Loans and receivables	Other at amortised cost	Available for sale	At fair value through profit or loss	Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	4,401,703	-	-	-	4,401,703	4,401,703
Bonds (Note 4)	-	-	3,318,378	-	3,318,378	3,318,378
Loans issued (Note 4)	10,304,678	-	-	-	10,304,678	10,304,678
Bank deposits (Note 4)	15,635,460	-	-	-	15,635,460	15,635,460
Interest receivable (Note 4)	694,065	-	-	-	694,065	694,065
Financial derivatives (Note 4)	-	-	-	28,444	28,444	28,444
Financial assets within trade and other receivables (Note 5)	3,111,366	-	-	-	3,111,366	3,111,366
Total short-term financial assets	**34,147,272**	**-**	**3,318,378**	**28,444**	**37,494,094**	**37,494,094**
Restricted cash	71,142	-	-	-	71,142	71,142
Loans issued (Note 10)	26,629	-	-	-	26,629	26,629
Bank deposits (Note 10)	14,714,290	-	-	-	14,714,290	14,714,290
Interest receivable (Note 10)	251,959	-	-	-	251,959	251,959
Available-for-sale investments (Note 10)	-	-	380,212	-	380,212	380,212
Other long-term investments (Note 10)	5,322	-	-	-	5,322	5,322
Total long-term financial assets	**15,069,342**	**-**	**380,212**	**-**	**15,449,554**	**15,449,554**
Total financial assets	**49,216,614**	**-**	**3,698,590**	**28,444**	**52,943,648**	**52,943,648**
Financial liabilities						
Short-term borrowings	-	25,860,464	-	-	25,860,464	25,860,464
Financial liabilities within trade and other payables (Note 16)	-	1,858,198	-	-	1,858,198	1,858,198
Total short-term financial liabilities	**-**	**27,718,662**	**-**	**-**	**27,718,662**	**27,718,662**
Long-term borrowings	-	24,462,877	-	-	24,462,877	24,462,877
Total long-term financial liabilities	**-**	**24,462,877**	**-**	**-**	**24,462,877**	**24,462,877**
Total financial liabilities	**-**	**52,181,539**	**-**	**-**	**52,181,539**	**52,181,539**

The Group management uses discounted cash flow valuation technique in the financial instruments fair value measurement for level 3 measurements. The fair value is based on discounting of cash flows using 12.84-13.23% (2015: 12.84-13.23%) discount rate.

Fair value of bonds held-for trading is derived from open active markets and is within level 1 of the fair value hierarchy. Fair value of bonds classified as available-for-sale is within level 2 of the fair value hierarchy and the inputs are derived from open market as the last quotations.

Sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2016.

Capital management

The primary objective of the Group's capital management is to maximize participants' return while sustaining a reasonable level of financial risks. The Group does not have a quantified target level of participants' return or capital ratios. To fulfil capital management objectives while providing for external financing of regular business operations and investment projects, the Group management compares expected return of these operations and projects with the costs of debt and maintains prudent financial risk management as described above.

The Group companies complied with all externally imposed capital requirements throughout 2016 and 2015.

31. Contingencies

Tax legislation

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. Transfer pricing legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis. Management has implemented internal controls to be in compliance with current transfer pricing legislation.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Group's operations.

Starting from 2015 new rules were put in place establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency means that such legal entity's worldwide income will be taxed in Russia.

The tax liabilities of the Group were determined on the assumption that the foreign companies of the Group were not subject to applicable Russian taxes, because they did not have a permanent establishment in Russia and were not Russian tax residents by way of application of the new tax residency rules. However, the Russian tax authorities may challenge this interpretation of relevant legislation in regard to the foreign companies of the Group. The impact of any such challenge cannot be reliably estimated currently; however, it may affect the financial position and/or the overall operations of the Group.

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and customs positions will be sustained. Accordingly, at 31 December 2016 no provision for potential tax liabilities had been recorded (2015: no provision). Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

Social obligations

Some production companies of the Group have collective agreements signed with the employees. Based on these contracts the companies make social payments to the employees. The amounts payable are determined in each case separately and depend primarily on performance of the company. These payments do not satisfy the liability recognition criteria listed in IAS 19, "Employee Benefits". Therefore, no liability for social obligations was recognised in these consolidated financial statements.

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims.

There are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.

Operating environment of the Group

The uncertainties related to the operating environment of the Group are described in Note 1.

32. Commitments

Contractual capital expenditure commitments
As at 31 December 2016 the Group had outstanding contractual commitments in respect of purchases or construction of property, plant and equipment in the amount of RR 4,404,089.

As at 31 December 2015 the Group had outstanding contractual commitments in respect of purchases or construction of property, plant and equipment in the amount of RR 10,045,193.

Operating lease commitments
As at 31 December 2016, the Group had 2,452 land lease agreements (31 December 2015: 719) of these 1,350 land lease agreements (31 December 2015: 398) fixed rent payments are defined and denominated in Russian Roubles. For these land lease agreements the future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2016	31 December 2015
Not later than 1 year	72,190	144,726
Later than 1 year and not later than 5 years	230,601	296,287
Later than 5 years	1,686,662	1,140,233
Total	**1,989,453**	**1,581,246**

In addition, in 1,102 land lease agreements (31 December 2015: 321) the rent is established as a non-monetary measure based on a certain share of agricultural produce harvested or a fixed volume of harvested crops. For 2016 related rent expenses were RR 246,167 (2015: RR 283,733).

33. Subsequent events

Subsequent to the year ended 31 December 2016, the Board of Directors recommends the payment of additional dividends out of the profits for the year 2016 to the amount of RR 4,619,353 thousand. Given that the Company has already paid interim dividends for the first half of 2016 to the amount of RR 2,004,336 thousand, the total dividend out of the profits for 2016 amount to RR 6,623,689 thousand. The dividend per share will be fixed at the dividend record date set on 13 April 2017. The proposed dividend is subject to approval by the shareholders at the Annual General Meeting. These consolidated financial statements do not reflect the dividends that have not been approved on the reporting date.

Full Disclaimer

This annual report was written using the information available to ROS AGRO PLC and its subsidiaries (hereinafter also "the Group") at the time of its preparation. Some of the statements in this Annual Report regarding the Group's business activities, economic indicators, financial position, business and operating performance, plans, projects and expected results, as well as tariff trends, costs, anticipated expenses, development prospects, industry and market forecasts, individual projects and other factors are forward-looking statements, i.e. they are not established facts. The forward-looking statements which the Group may make from time to time (but which are not included in this document) may also contain planned or expected data on revenue, profits (losses), dividends and other financial indicators and ratios. The words "intends", "aims", "projects", "expects", "estimates", "plans", "believes", "assumes", "may", "should", "will", "will continue" and similar expressions usually indicate forward-looking statements. However, this is not the only way to denote the forward-looking character of information. Due to their specific nature, forward-looking statements are associated with inherent risk and uncertainty, both general and specific, and there is the danger that assumptions, forecasts and other forward-looking statements will not actually come to pass. In light of these risks, uncertainties and assumptions, the Group cautions that, owing to the influence of a wide range of material factors, actual results may differ from those indicated, directly or indirectly, in the forward-looking statements, which are only valid as at the time of preparation of this Annual Report. ROS AGRO PLC neither affirms nor guarantees that the performance results set forth in the forward-looking statements will be achieved. The Group accepts no liability for losses which may be incurred by individuals or legal entities who act on the basis of the forward-looking statements. In each particular case, the forward-looking statements represent only one of many possible development scenarios, and should not be seen as the most probable. Except in those cases directly stipulated by applicable legislation and the Listing Rules of the UK Listing Authority, the Group assumes no obligation to publish updates and amendments to the forward-looking statements to reflect new information or subsequent events.

SOURCES FOR OPERATING DATA AND CERTAIN FINANCIAL INDICATORS

The operating data and certain financial indicators used in this Annual Report are based on management accounting data, which is subject to management estimates, judgment and presentation.

The financial information presented in a series of tables in this document has been rounded to the nearest integer or decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables and charts in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded number.

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