OJSC Cherkizovo Group

Independent Accountants' Review Report

Condensed Consolidated Interim
Financial Statements
For the Six Months Ended 30 June 2009 and 2008
(UNAUDITED)

Table of Contents

ZAO Deloitte & Touche CIS
Business Center "Mokhovaya"
4/7 Vozdvizhenka St., Bldg. 2
Moscow, 125009
Russia

Tel: +7 (495) 787 0600
Fax: +7 (495) 787 0601
www.deloitte.ru

Independent Accountants' Review Report

To the Shareholders of OJSC Cherkizovo Group:

We have reviewed the accompanying condensed consolidated interim balance sheet of OJSC Cherkizovo Group and subsidiaries (together "the Group") as of 30 June 2009 and the related condensed consolidated interim statements of income, cash flows and changes in equity and comprehensive income for the six-month periods ended 30 June 2009 and 2008 ("the Financial Statements"). These Financial Statements are the responsibility of the Group's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on information furnished to us by management, we understand that the Group did not maintain historical cost records for property, plant and equipment acquired prior to 31 December 2001. The Group established the carrying value of property, plant and equipment based on their estimated fair values as of such date. Accounting principles generally accepted in the United States of America require that property, plant and equipment be stated at historical cost. The information needed to quantify the effects of these items on the financial position, results of operations, and cash flows of the Group is not reasonably determinable from the accounts and records.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine competent evidential matter regarding the carrying value of property, plant and equipment as discussed in the preceding paragraph, we are not aware of any material modifications that should be made to the Financial Statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche CIS

5 October 2009

Unaudited condensed consolidated interim balance sheets

As of 30 June 2009 and 31 December 2008

		30 June 2009 US$000	31 December 2008 US$000
ASSETS			
Current assets:			
Cash and cash equivalents		21 362	49 667
Trade receivables, net of allowance for doubtful accounts of 3 812 and 3 259 as of 30 June 2009 and 31 December 2008, respectively		77 614	87 909
Advances paid, net of allowance for doubtful accounts of 1 184 and 1 351 as of 30 June 2009 and 31 December 2008, respectively		22 361	29 660
Inventory	3	122 959	133 870
Loans receivable		12 260	8 303
Deferred tax assets		4 383	4 668
Other receivables, net of allowance for doubtful accounts of 1 388 and 562 as of 30 June 2009 and 31 December 2008, respectively		27 259	28 356
Other current assets		17 240	26 398
Total current assets		**305 438**	**368 831**
Non-current assets:			
Property, plant and equipment, net	4	676 112	685 205
Goodwill		10 102	8 548
Other intangible assets, net		40 540	43 210
Loans receivable		100	6 036
Deferred tax assets		544	579
Notes receivable, net		1 232	7 903
VAT receivable		12 822	11 462
Total non-current assets		**741 452**	**762 943**
Total assets		**1 046 890**	**1 131 774**

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Unaudited condensed consolidated interim balance sheets continued

As of 30 June 2009 and 31 December 2008

		30 June 2009 US$000	31 December 2008 US$000
LIABILITIES AND EQUITY			
Current liabilities:			
Trade accounts payable		57 050	66 297
Short-term debt and current portion of finance leases	5	124 453	236 351
Tax related payables		7 235	7 561
Deferred tax liabilities		51	54
Payroll related liability		12 220	12 237
Advances received		3 137	3 810
Payables for non-current assets		12 859	11 285
Interest payable		2 053	2 713
Other payables		7 135	4 049
Total current liabilities		**226 193**	**344 357**
Non-current liabilities:			
Long-term debt and finance leases	5	333 103	325 666
Deferred tax liabilities		25 878	28 594
Tax related payables		6 511	6 935
Payables to shareholders	13	639	929
Other liabilities		5	144
Total non current liabilities		**366 136**	**362 268**
Total liabilities		**592 329**	**706 625**
Equity:			
Shareholders' equity:			
Share capital	6	15	15
Additional paid-in capital	6	289 146	289 146
Treasury shares	6	(496)	(496)
Other accumulated comprehensive loss	6	(87 055)	(64 550)
Retained earnings		227 144	176 865
Total shareholders' equity		**428 754**	**400 980**
Noncontrolling interests		25 807	24 169
Total equity		**454 561**	**425 149**
Total liabilities and equity		**1 046 890**	**1 131 774**

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Unaudited condensed consolidated interim income statement

For the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008

		Six months ended 30 June 2009 US$000	Six months ended 30 June 2008 US$000	Year ended 31 December 2008 US$000
Sales	7	459 298	553 968	1 166 406
Cost of sales	8	(330 911)	(413 459)	(887 015)
Gross profit		**128 387**	**140 509**	**279 391**
Selling, general and administrative expenses	9	(65 132)	(90 395)	(172 843)
Impairment of non-current assets		-	-	(2 258)
Other operating income (expense)		(221)	166	(822)
Operating Income		**63 034**	**50 280**	**103 468**
Other income (expense), net	10	(124)	3 974	1 185
Interest expense, net	11	(8 468)	(15 439)	(22 725)
Income from continuing operations before tax		**54 442**	**38 815**	**81 928**
Income tax		(2 112)	(890)	(1 462)
Income from continuing operations		**52 330**	**37 925**	**80 466**
Discontinued operations, net of tax		-	(1 353)	599
Net Income		**52 330**	**36 572**	**81 065**
Less: Net income attributable to noncontrolling interests		(2 051)	(319)	(2 960)
Net income attributable to Group Cherkizovo		**50 279**	**36 253**	**78 105**
Amounts attributable to Group Cherkizovo:				
Income from continuing operations, net of tax		50 279	37 229	76 508
Discontinued operations, net of tax		-	(976)	1 597
Net income		50 279	36 253	78 105
Weighted average number of shares outstanding		43 028 022	40 377 628	41 725 834
		US$	**US$**	**US$**
Earnings per share – basic and diluted:				
Income from continuing operations attributable to Group Cherkizovo		1.17	0.92	1.83
Discontinued operations attributable to Group Cherkizovo		-	(0.02)	0.04
Net income attributable to Group Cherkizovo		1.17	0.90	1.87

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Unaudited condensed consolidated interim cash flow statements

For the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008

	Six months ended 30 June 2009 US$000	Six months ended 30 June 2008 US$000	Year ended 31 December 2008 US$000
Cash flows from (used in) operating activities:			
Income from continuing operations	52 330	37 925	80 466
Adjustments to reconcile income from continuing operations to net cash from operating activities:			
Impairment of non-current assets	-	-	2 258
Depreciation and amortisation	17 198	22 944	45 791
Bad debt expense	4 656	265	3 681
Foreign exchange (gain) loss	(91)	(2 769)	1 596
Deferred tax expense (benefit)	255	(1 881)	(5 504)
Other adjustments	1 865	(250)	(12)
Changes in operating assets and liabilities			
Decrease (increase) in inventories	6 922	6 582	3 101
Decrease (increase) in trade receivables	2 271	(8 479)	(18 414)
Decrease (increase) in advances paid	5 311	(7 562)	1 346
Decrease (increase) in non-current assets	(1 949)	10 434	7 226
Decrease (increase) in other current assets	5 281	(27 403)	(4 325)
Increase (decrease) in trade accounts payable	(4 790)	3 816	5 744
Increase (decrease) in taxes payable	(494)	(1 532)	2 287
Increase (decrease) in other current payables	3 195	1 426	4 080
Net cash from operating activities associated with continuing operations	**91 960**	**33 516**	**129 321**
Net cash used in operating activities associated with discontinued operations	**-**	**(1 217)**	**(1 101)**
Total net cash from operating activities	**91 960**	**32 299**	**128 220**
Cash flows from (used in) investing activities:			
Purchases of long-lived assets	(47 060)	(95 296)	(165 248)
Proceeds from sale of property, plant and equipment	188	194	1 028
Acquisition/sale of subsidiaries, net of 14 cash acquired	(1 853)	-	58
Sale of notes receivable	9 890	-	-
Purchases of notes receivable	(3 427)	-	(402)
Issuance of long-term loans	(805)	(1 981)	(1 968)
Repayment on long-term loans issued	742	1 970	1 342
Issuance of short-term loans	(8 421)	-	(7 098)
Repayments on short-term loans issued	4 598	45	56
Net cash used in investing activities associated with continuing operations	**(46 148)**	**(95 068)**	**(172 232)**
Net cash used in investing activities associated with discontinued operations	**-**	**(139)**	**(143)**
Total net cash used in investing activities	**(46 148)**	**(95 207)**	**(172 375)**

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Unaudited condensed consolidated interim cash flow statements continued

For the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008

	Six months ended 30 June 2009 US$000	**Six months ended 30 June 2008 US$000**	**Year ended 31 December 2008 US$000**
Cash flows from (used in) financing activities:			
Proceeds from long-term loans	38 301	61 052	113 954
Repayment of long-term loans	(75 979)	(18 686)	(46 223)
Proceeds from long-term loans to related parties	5	-	149
Repayment of long-term loans to related parties	-	(909)	(1 025)
Purchase of treasury stock	-	-	(496)
Proceeds from short-term loans	33 431	167 331	273 951
Repayment of short-term loans	(65 098)	(219 395)	(330 665)
Proceeds from shares issued	-	82 340	82 340
Payments for services related to share issuance	-	(547)	(2 903)
Cash distributed to shareholders	(213)	(24)	(48)
Net cash from (used in) financing activities associated with continuing operations	**(69 553)**	**71 162**	**89 034**
Net cash from financing activities associated with discontinued operations	**-**	**501**	**376**
Total net cash from (used in) financing activities	**(69 553)**	**71 663**	**89 410**
Total cash from (used in) operating, investing and financing activities	**(23 741)**	**8 755**	**45 255**
Impact of exchange rate difference on cash and cash equivalents	(4 564)	603	(12 526)
Net (decrease) increase in cash and cash equivalents:	**(28 305)**	**9 358**	**32 729**
Cash and cash equivalents associated with continuing operations, at the beginning of the period	**49 667**	**16 859**	**16 859**
Cash and cash equivalents associated with discontinued operations, at the beginning of the period	**-**	**79**	**79**
Cash and cash equivalents associated with continuing operations, at the end of the period	**21 362**	**26 288**	**49 667**
Cash and cash equivalents associated with discontinued operations, at the end of the period	**-**	**8**	**-**

Supplemental Information:			
Income taxes paid	1 712	4 976	8 521
Interest paid	30 207	36 205	71 697
Property, plant and equipment acquired under finance leases	22	2 507	6 494

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Unaudited condensed consolidated interim statements of changes in equity and comprehensive income

For the six months ended 30 June 2009 and 2008

	Share capital US$000	Additional paid-in capital US$000	Retained earnings US$000	Treasury shares US$000	Other comprehensive income/ loss US$000	Total Shareholders' equity US$000	Non-controlling interests US$000	Total comprehensive income US$000
Balances at 1 January 2008	**14**	**209 861**	**98 758**	**-**	**20 890**	**329 523**	**21 226**	
Net income for the six months ended 30 June, 2008	-	-	36 253	-	-	36 253	319	36 572
New share issue	1	79 285	-			79 286	-	
Translation effect	-	-	-	-	18 332	18 332	-	18 332
Balances at 30 June 2008	**15**	**289 146**	**135 011**	**-**	**39 222**	**463 394**	**21 545**	
For the six months ended 30 June 2008								**54 904**
Balances at 1 January 2009	**15**	**289 146**	**176 865**	**(496)**	**(64 550)**	**400 980**	**24 169**	
Acquisition of subsidiary	-	-	-	-	-	-	59	
Net income for the six months ended 30 June, 2009	-	-	50 279	-	-	50 279	2 051	52 330
Translation effect	-	-	-	-	(22 505)	(22 505)	(472)	(22 977)
Balances at 30 June 2009	**15**	**289 146**	**227 144**	**(496)**	**(87 055)**	**428 754**	**25 807**	
For the six months ended 30 June 2009								**29 353**

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 (in US$000)

1 Business

OJSC Cherkizovo Group and subsidiaries (together “the Group”) trace their origins back to the transformation of a formerly state owned enterprise, Cherkizovsky Meat Processing Plant (Moscow), into a limited liability partnership and subsequent privatisation in the early 1990’s. At the time of privatisation, one individual became the majority shareholder in the enterprise. Over the next decade, this individual continued to acquire other meat processing and agricultural entities in the Russian Federation registering shareholding amounts personally as well as in the name of other immediate family members or friends of the family. As the Group evolved with continuing acquisitions, two distinctive operating structures emerged made up of meat processing (APK Cherkizovsky) and agricultural entities (APK Mikhailovsky and Golden Rooster Co. Limited).

During the first half of 2009, the Group continued to feel the indirect effects of the global financial crisis as well as the results of government policy in the agricultural sector. Foremost, were the dual impacts of lower input costs for grain and higher selling prices on meat in the poultry and pork segments boosting gross margins during the period. In contrast, the meat processing segment continued to struggle due to low demand and high prices on raw meat input costs; however, cost optimization measures taken by Group management have succeeded in reducing the current period loss in the segment.

Management focused on improving its management of working capital over the period by decreasing inventory balances, improving collection of accounts receivable and decreasing the amount of advances paid by the Group. As a result, cash flows from operations of the Group increased significantly over the period and were instrumental in the Group’s ability to repay a large portion of its outstanding bonds. The Group continues to successfully attract additional financing as required, albeit at current market rates, which are higher than the Group has paid for similar financing in the past. Management believes that the Group will be able to continue to meet its obligations and discharge its responsibilities as they become due in the normal course of business.

2 Summary of significant accounting policies

Basis of preparation

The condensed consolidated interim financial statements of the Group include the accounts of OJSC Group Cherkizovo and subsidiaries controlled through direct ownership of the majority of the voting interests. Companies acquired or disposed of during the periods presented are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for the preparation of interim financial information. They do not include all information and notes required by U.S. GAAP in the preparation of annual consolidated financial statements. The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are the same as those described in the Group's audited consolidated financial statements prepared in accordance with U.S. GAAP for the year ended 31 December 2008. The condensed consolidated balance sheet as of 31 December 2008 is derived from the 31 December 2008 audited consolidated financial statements.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The principal management estimates underlying these financial statements include estimation of discounted future cash flows used in assessing assets for impairment, allowances for bad debts, calculation of deferred taxes and valuation allowances for deferred tax assets.

For the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 (in US$000)

2 Summary of significant accounting policies continued

Management believes that all adjustments necessary for a fair statement of the results for the periods presented have been made and all such adjustments were of a normal recurring nature unless otherwise disclosed. The financial results for the six months ended 30 June 2009 are not necessarily indicative of financial results for the full year. The unaudited condensed consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2008.

Foreign currency translation

The Group follows a translation policy in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation" and has determined the Russian rouble to be the Group's companies' functional currency. Management has selected the US Dollar as the Group's reporting currency and translates the consolidated financial statements into US Dollars.

The following table summarizes the exchange rates of the Russian rouble to 1 US dollar at 30 June 2009, 31 December 2008 and 30 June 2008.

	Exchange rate
30 June 2009	31.2904
31 December 2008	29.3804
30 June 2008	23.4573
Average exchange rate for the six months ended 30 June 2009	33.0679
Average exchange rate for the year ended 31 December 2008	24.8553
Average exchange rate for the six months ended 30 June 2008	23.9440

Effect of accounting pronouncements adopted

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements but may require some entities to change their measurement practices. The Group adopted SFAS No. 157 effective January 1, 2008 with respect to financial assets and liabilities and effective January 1, 2009 with respect to nonfinancial assets and liabilities. Adoption did not have a significant effect on the Group's financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations" ("SFAS No. 141(R)"). This statement significantly changes the accounting for business combinations. SFAS No. 141(R) and FSP FAS 141(R)-1 are effective on January 1, 2009 for all new business combinations. The Group's acquisitions subsequent to the effective date have been accounted for under the provisions of SFAS No. 141(R) and FSP FAS 141(R)-1, refer to Note 15 ("Subsidiaries, acquisitions, divestitures") for further disclosures, including the impact the adoption has on the Group's financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51. The Group has adopted both SFAS No. 160 and EITF 08-10 on 1 January, 2009. As a result of adoption of the standard, certain comparative items relating to noncontrolling interests have been reclassified in the balance sheet and income statement to comply with the standard's new presentation requirements.

In April 2008, the FASB issued FSP FAS 142-3, "Determination of the Useful Life of Intangible Assets" This standard was applied as part of the Group's acquisitions subsequent to the effective date (Note 15 "Subsidiaries, acquisitions, divestitures"); the adoption did not have a significant impact on Group's financial statements.

2 Summary of significant accounting policies continued

In October 2008, the FASB issued FSP FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active," which clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued, and any revisions resulting from a change in the valuation technique or its application were required to be accounted for as a change in accounting estimate. Application of FSP FAS 157-3 did not cause the Group to change its valuation techniques for assets and liabilities measured under SFAS No. 157.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments". FSP FAS 107-1 amends SFAS No. 107 and APB Opinion No. 28 to require disclosures about fair value of financial instruments in interim reporting periods for publicly traded companies. This FSP is effective for the second quarter of 2009 and does not require disclosures for earlier periods presented for comparative purposes. The Group has adopted the new disclosure provisions on June 30, 2009; however, the adoption of this standard did not have a significant impact on the Group's financial statements.

In May 2009, FASB issued SFAS No. 165, "Subsequent Events". SFAS No. 165 establishes the principles and requirements for the disclosure of subsequent events. In particular, the Statement sets forth the period after the balance sheet date during which management of a reporting entity will evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity will recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity will make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009. The adoption of this standard did not have a significant impact on the Group's financial statements.

New accounting pronouncements

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140." SFAS No. 166 removes the concept of a qualifying special purpose entity and the exception from applying FASB Interpretation No. ("FIN") 46(R) to variable interest entities that are qualifying special-purpose entities. SFAS No. 166 requires that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. The standard also requires additional disclosures about any transfers of financial assets and a transferor's continuing involvement with transferred financial assets. SFAS No. 166 is effective for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years. The Group is currently evaluating the impact of adopting SFAS No. 166 on its financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," which changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the purpose and design of the other entity and the reporting entity's ability to direct the activities of the other entity that most significantly impact its economic performance. SFAS No. 167 also requires additional disclosures about a reporting entity's involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. SFAS No. 167 is effective for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years. The Group is currently evaluating the impact of adopting SFAS No. 167 on its financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162." The FASB Accounting Standards Codification will become the source of authoritative generally accepted accounting principles in the United States of America. The Codification changes the referencing of financial standards but is not intended to change or alter existing U.S. GAAP. The Codification is effective for interim or annual financial periods ending after September 15, 2009.

3 Inventory

Inventory as of 30 June 2009 and 31 December 2008 comprised:

	30 June 2009 US$000	31 December 2008 US$000
Livestock	57 583	55 316
Raw materials and goods for resale	54 428	70 173
Finished goods	5 565	3 101
Work in-process	5 383	5 280
Total inventory	**122 959**	**133 870**

4 Property, plant and equipment, net

The carrying amounts of property, plant and equipment as of 30 June 2009 and 31 December 2008 comprised:

	30 June 2009 US$000	31 December 2008 US$000
Buildings, infrastructure and leasehold improvements	374 484	367 487
Land	2 849	2 373
Machinery and equipment	137 982	136 162
Vehicles	24 690	27 168
Cattle	158	183
Sows	11 274	7 838
Other	1 244	1 685
Advances paid for property, plant and equipment	32 407	43 817
Construction in progress and equipment for installation	91 024	98 492
Total property, plant and equipment, net	**676 112**	**685 205**

Accumulated depreciation amounted to 158 284 and 145 777 as of 30 June 2009 and 31 December 2008, respectively. Depreciation expense amounted to 16 969 and 22 793 for the six months ended 30 June 2009 and 2008, respectively, which includes depreciation of leased equipment.

Vehicles and Machinery and equipment include 12 527 and 15 424 of leased equipment as of 30 June 2009 and 31 December 2008, respectively. Buildings, infrastructure and leasehold improvements include 12 205 and 13 830 of leased buildings and constructions as of 30 June 2009 and 31 December 2008, respectively. Accumulated depreciation on leased property and equipment amounted to 4 726 and 3 775 as of 30 June 2009 and 31 December 2008, respectively.

Loss on disposal of property, plant and equipment of 221 and a gain of 166 were recognized in the Other operating income (expense) line item in the consolidated income statement for the six months ended 30 June 2009 and 2008, respectively.

5 Borrowings

Borrowings of the Group as of 30 June 2009 and 31 December 2008 comprised:

				30 June 2009 US$000		**31 December 2008 US$000**	
	Interest rates	**WAIR***	**EIR****	**Current**	**Non-current**	**Current**	**Non-current**
Finance leases	8.30% - 15.30%	14.33%	14.22%	3 202	5 847	4 179	7 476
Bonds	17.00%	17.00%	17.00%	-	74	68 073	-
Bank loans	8.00% - 20.00%	15.59%	6.87%	3 964	5 753	5 058	7 206
Credit lines	8.50% - 18.50%	13.74%	4.09%	90 937	316 446	129 449	305 686
Loans from government	3.00% - 6.00%	4.09%	4.09%	24 500	4 808	27 308	5 054
Other borrowings	0.00% - 18.00%	13.99%	13.99%	1 850	175	2 284	244
				124 453	**333 103**	**236 351**	**325 666**
Total borrowings					**457 556**		**562 017**

* WAIR represents the weighted average interest rate on outstanding loans.
** EIR represents the effective rate on borrowings at the end of the period, adjusted by government subsidies for certain qualifying debt.
Since approvals for subsidies are submitted annually by the Group as required by law, the existence of such subsidies in any given year is not necessarily indicative of their existence in future periods. See Note 11 for further disclosure of government subsidies related to interest on borrowings.

Maturity of long-term borrowings (excluding finance leases) is as follows:

	01.07.2010 US$000	**01.07.2011 US$000**	**01.07.2012 US$000**	**01.07.2013 US$000**	**01.07.2014 US$000**	**01.07.2015 US$000**	**>01.07.2015 US$000**	**Total US$000**
Long-term borrowings (including current portion)	57 296	48 448	139 062	71 208	47 186	4 415	16 938	**384 553**

As of 30 June 2009, the Group's borrowings are denominated in the following currencies: 443 307 in Russian roubles, 699 in Euro and 13 550 in US dollars. As of December 31 2008, the Group's borrowings are denominated in the following currencies: 542 042 in Russian roubles, 663 in Euro and 19 312 in US dollars.

The interest on the majority of borrowings is paid on a monthly or quarterly basis, with the exception of bonds, for which the interest is paid on a semi-annual basis.

Finance leases

As of 30 June 2009 and 31 December 2008, the Group used certain fixed assets under leasing contracts that qualified for treatment as finance leases. The lower of the incremental borrowing and the rate implicit in the lease agreement was used in capitalizing the leases.

5 Borrowings continued

The total minimum lease payments due under these lease agreements comprise:

	30 June 2009 US$000		31 December 2008 US$000	
Payments falling due	**Total minimum lease payments US$000**	**Portion related to interest US$000**	**Total minimum lease payments US$000**	**Portion related to interest US$000**
Within one year	4 254	1 052	5 525	1 346
In year two	2 003	744	3 051	910
In year three	882	648	1 319	720
In year four	807	622	869	675
In year five	805	593	858	647
After year five	7 045	3 088	7 932	3 601
	15 796	**6 747**	**19 554**	**7 899**

Bonds

During June 2006, the Group raised two billion roubles (74 881 at the issuance date) through an issue of puttable bonds with a face value of 1 000 roubles (37 at the issuance date). The coupon rate on the bonds, payable semi-annually, was set at 8.85% per annum for the first three years.

In June 2009, as allowed by the original agreement, the Group bid a coupon rate to be paid for an additional two years. At that point, the investors in the bonds had the right to redeem the bonds at their par amount or were able to accept the Group's bid, causing the maturity to be extended to June 2011. The investors' decision to redeem was decided by each individual bondholder therefore a portion of the outstanding principle, in the amount of 1 287 662 or 64.38% of the total bond issue became due and was redeemed in June 2009.

Additionally, in the period from February to May 2009, the Group repurchased 710 028 bonds on the open market for 20 394 resulting in a gain of 1 077, which was included in the "Other income, net" line item in the consolidated income statement for the six months ended 30 June 2009.

Bank Loans

Gazprombank

Borrowings from Gazprombank consist of two long-term rouble denominated loans with interest ranging from 12% to 18.5% per annum. Notes receivable with a carrying value of 1 232 were pledged as collateral under these loan agreements. Principal payment is due on maturity in 2014. Amount outstanding was 5 753 and 6 127 as of 30 June 2009 and 31 December 2008, respectively.

MMB

Borrowings from MMB consist of one US dollar denominated loan with interest of 8% per annum. Principal payment is due on maturity in 2010. Amount outstanding was 2 154 and 3 231 as of 30 June 2009 and 31 December 2008, respectively.

Savings Bank of Russia

Borrowings from Saving Bank of Russia consist of five short-term rouble denominated loans with interest ranging from 17% to 20% per annum. Two of the loans are guaranteed by a Group company. Amount outstanding was 1 480 and 1 293 as of 30 June 2009 and 31 December 2008, respectively.

5 Borrowings continued

Lines of credit

Savings Bank of Russia

Borrowings from the Savings Bank of Russia consist of fifty one rouble denominated lines of credit with interest ranging from 11.5% to 18.5% per annum. Several of these instruments are guaranteed by Group companies and related parties. Principal payments are due from 2009 to 2015. Amount outstanding was 206 937 and 206 812 as of 30 June 2009 and 31 December 2008, respectively. Seven of the lines of credit for total 19 687 outstanding as of 30 June 2009 are revolving facilities with principal payments due at maturity before 30 June 2010.

Gazprombank

Borrowings from Gazprombank consist of five rouble denominated lines of credit with interest ranging from 11.5% to 16.5% per annum. Some of these facilities are guaranteed by Group companies and related parties. Principal payments are due from 2009 to 2016. Amount outstanding was 125 606 and 133 772 as of 30 June 2009 and 31 December 2008, respectively.

Bank Zenith

Borrowings from Bank Zenith consist of four rouble denominated lines of credit with interest ranging from 14% to 16% per annum. Some of these facilities are guaranteed by Group companies and related parties. Principal payment is due on maturity in 2011 and 2013. Amount outstanding was 70 629 and 66 699 as of 30 June 2009 and 31 December 2008, respectively.

Lipetzkkombank

Borrowings from Lipetzkombank consist of one US dollar denominated and one rouble denominated line of credit with interest rates of 8.5% and 15% per annum respectively. Amount outstanding was 4 073 and 11 201 as of 30 June 2009 and 31 December 2008, respectively.

The total amount of unused credit on lines of credit as of 30 June 2009 is 31 202. The unused credit can be utilized from 2009 to 2015 with varying expiration of available amounts: 8 421 expires by 30 June 2010 and 22 781 by the year 2015.

Loans from government

Department of Food Supply of the City of Moscow

Borrowings from the Department of Food Supply of the City of Moscow consist of one rouble denominated long-term and two rouble denominated short-term loans with interest ranging from 3.4% to 4.0% per annum. Principal payments are due on maturity in 2009 and 2010. Amount outstanding was 23 335 and 24 851 as of 30 June 2009 and 31 December 2008, respectively.

Department of Taxes and Financial Policies, Moscow City Government

Borrowings from the Department of Taxes and Financial Policies of the Moscow City Government consist of two rouble denominated long-term loans with interest ranging from 5.5% to 6% per annum. Principal payments are due from 2010 to 2011. Amount outstanding was 5 049 and 6 603 as of 30 June 2009 and 31 December 2008, respectively.

Other borrowings

Other borrowings primarily represent unsecured loans from shareholders and contractors with interest rates ranging from 0% to 18% per annum. Principal payments are due from 2009 to 2014.

5 Borrowings continued

Collateral under borrowings

Shares of and participating interests in the following Group companies are pledged as collateral under certain borrowings as of 30 June 2009:

- JSC Vasiljevskaya – 92%
- CJSC Petelinskaya – 76%
- JSC Lipetskmyasoprom – 99%
- LLC Budenovets Agrofirm – 51%
- LLC Mikhailovsky Feed Milling Plant – 51%
- LLC Kuznetsovsky Kombinat – 51%
- LLC Ardymsky Feed Milling Plant – 51%
- CJSC Botovo – 51%
- LLC AIC Mikhailovsky – 51%
- JSC Biruliovsky meat processing plant – 51%
- JSC MPP Ulyanovsky – 35%
- LLC Tambovmyasoprom – 51%
- LLC Cherkizovo-Kashira – 50%

Inventory with carrying value of 32 665 and 19 916 was pledged under certain borrowings as of 30 June 2009 and 31 December 2008, respectively.

Property, plant and equipment with carrying value of 222 293 and 151 166 was pledged under loan agreements as of 30 June 2009 and 31 December 2008, respectively.

The significant loan agreements with Gazprombank and Savings Bank of Russia contain financial covenants that require the maintenance of minimum revenue accruals on account and opened in banks-creditors by companies-borrowers. The Group believes that the Group is in compliance with these covenants as of June 30, 2009 and December 31, 2008, respectively.

6 Shareholders' equity

Share capital

All issued and outstanding shares have equal voting rights. As of 30 June 2009, MB Capital Partners Ltd. (formerly, Cherkizovsky Group Ltd.) owned 61.1% of the outstanding share capital of OJSC Cherkizovo Group. The Group is authorized to issue preferred shares not exceeding 25% of its ordinary share capital. No such shares are currently issued.

In accordance with Russian legislation, earnings available for dividends are limited to retained earnings of OJSC Cherkizovo Group, calculated in accordance with statutory rules in local currency. No dividends were declared or paid for the six months ended 30 June 2009 and 2008.

Earnings per share

Earnings per share for the six months ended 30 June 2009 and 2008 have been determined using the weighted average number of Group shares outstanding over each period.

7 Sales

Sales for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 comprised:

	Six months ended 30 June 2009 US$000	Six months ended 30 June 2008 US$000	Year ended 31 December 2008 US$000
Produced goods and goods for resale	474 030	569 786	1 203 704
Other sales	4 164	5 268	13 844
Sales volume discounts	(14 381)	(17 357)	(41 744)
Sales returns	(4 515)	(3 729)	(9 398)
Total sales	**459 298**	**553 968**	**1 166 406**

8 Cost of sales

Cost of sales for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 comprised:

	Six months ended 30 June 2009 US$000	Six months ended 30 June 2008 US$000	Year ended 31 December 2008 US$000
Raw materials and goods for resale	259 526	320 062	704 697
Personnel (excluding pension costs)	30 118	40 498	80 004
Depreciation and amortisation	15 277	19 844	39 749
Utilities	13 222	16 128	31 230
Pension costs	4 640	6 392	12 451
Other	8 128	10 535	18 884
Total cost of sales	**330 911**	**413 459**	**887 015**

Raw materials and goods for resale are offset by subsidies received from local governments in the amount of 1 009, 31 891 and 34 433 for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008, respectively. These targeted subsidies are received based on the amount of meat produced.

9 Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 comprised:

	Six months ended 30 June 2009 US$000	**Six months ended 30 June 2008 US$000**	**Year ended 31 December 2008 US$000**
Personnel (excluding pension costs)	23 382	36 247	67 904
Transportation	7 419	10 132	20 811
Bad debt expense	4 656	265	3 681
Materials and supplies	4 294	7 141	14 379
Pension costs	3 503	5 575	9 144
Taxes (other than income tax)	3 297	4 211	8 172
Security services	3 097	3 639	7 332
Depreciation and amortisation	1 921	2 950	5 601
Audit, consulting and legal fees	1 693	2 590	4 912
Advertising and marketing	1 401	3 940	4 339
Utilities	1 172	1 596	3 025
Veterinary services	956	1 376	2 550
Bank charges	828	799	2 015
Repairs and maintenance	827	1 495	2 804
Information technology and communication services	611	754	1 620
Insurance	532	541	1 080
Other	5 543	7 144	13 474
Total selling, general and administrative expenses	**65 132**	**90 395**	**172 843**

10 Other income (expense), net

Other income and expenses for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 comprised:

	Six months ended 30 June 2009 US$000	**Six months ended 30 June 2008 US$000**	**Year ended 31 December 2008 US$000**
Reserve on loans receivable	(2 315)	-	-
Gain on early retirement of bonds	1 077	-	-
Interest income	681	1 051	1 965
Foreign exchange gain (loss)	91	2 769	(1 596)
Gain from debt forgiveness	49	158	1 019
Other financial income (loss)	293	(4)	(203)
Total other income (expense), net	**(124)**	**3 974**	**1 185**

11 Interest expense, net

Interest expense for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 comprised:

	Six months ended 30 June 2009 US$000	**Six months ended 30 June 2008 US$000**	**Year ended 31 December 2008 US$000**
Interest expense, net	7 773	14 399	20 742
Finance lease interest expenses	692	1 032	1 975
Amortisation of discount	3	8	8
Total financial expenses, net	**8 468**	**15 439**	**22 725**

In accordance with Russian legislation, enterprises engaged in agricultural activities and enterprises involved in purchasing meat receive subsidies on certain qualifying loans. The Group has accounted for such subsidies by reducing the interest expense on the associated loans by 6 521, 7 825 and 18 433 for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008, respectively.

Interest capitalized for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 was 2 753, 3 445 and 7 910, respectively.

12 Related parties

Related parties include shareholders, entities under common ownership and control with the Group, members of key management personnel and affiliated companies. The Company and its subsidiaries enter into various transactions such as the sale and purchase of inventory. In addition, the Group enters into financing transactions with related parties. The amounts recognised are not necessarily indicative of the amounts that would be recognised for transactions with third parties.

Trading transactions

Trading transactions with related parties comprise mostly of sales of mixed fodder to LLC RAO Penzenskaya Grain Company and CJSC Penzamyasoprom and purchases of raw materials from these companies.

Trade receivables, trade payables and advances issued are associated with such transactions. The Group expects to settle such balances in the normal course of business.

Financing transactions

During the six months ended 30 June 2009 and for the year ended 31 December 2008, certain shareholders issued loans to the Group and, as of 30 June 2009, have personally guaranteed certain of the bank loans and lines of credit for a total amount of 127 194 (Note 5).

12 Related parties continued

As of 30 June 2009 and as of 31 December 2008, balances with related parties are summarized as follows:

	30 June 2009 US$000	31 December 2008 US$000
Balances		
Short-term loans receivable	12 084	8 235
Trade receivables	15 873	14 842
Advances issued	8 808	7 319
Other receivables and prepayments	724	2 043
Long-term loans receivable	89	157
Trade payables	5 077	2 380
Short-term loans	347	937
Other payables	2 987	548
Current portion of long-term loans payable	37	34
Long-term loans payable	4	5
Long-term payables to shareholders related to lease agreements	639	929

For the six months then ended 30 June 2009 and 2008, and for the year ended 31 December 2008, transactions with related parties are summarized as follows:

Operations	Six months ended 30 June 2009 US$000	Six months ended 30 June 2008 US$000	Year ended 31 December 2008 US$000
Sales	7 250	7 059	17 830
Rent income	64	8	135
Purchases of IT services	138	313	582
Purchases of security services	536	563	1 241
Purchases of goods and services	13 396	8 040	24 099
Purchases of property, plant and equipment	2 268	42	40

13 Long-term payables to shareholders

Movements in the total liability to shareholders for leased property for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 were:

	Six months ended 30 June 2009 US$000	Six months ended 30 June 2008 US$000	Year ended 31 December 2008 US$000
Liability at the beginning of the period	975	1 215	1 215
Interest accrued at 14% on leasing liability	36	87	166
Repayment	(49)	(111)	(213)
Purchase of assets	(200)	-	-
Translation gain (loss)	(72)	56	(193)
Liability at the end of the period	690	1 247	975

14 Segment reporting

The Group's operations are divided into three segments by types of products produced: meat processing, poultry and pork. Substantially all of the Group's operations are located within the Russian Federation. All segments have different chief operating decision makers. For the purpose of determining reportable segments, the Group has determined the chief operating decision makers to be the individuals responsible for allocating resources to and assessing the performance of each component of the business.

The meat processing segment is involved in the production of a wide range of meat products, including sausages, ham and raw meat. Pork and poultry segments produce and offer distinctive products, such as semi-finished poultry products, raw meat, eggs and other poultry meat products in the poultry segment and raw pork meat in the pork segment. All three segments are involved in other business activities, including production of dairy, crop cultivation and other services, which are non-core business activities.

The Group evaluates segment performance based on profit before income taxes. The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties. Corporate assets comprise cash in bank received from both the issuance of new shares and bond issue, and loans to Group companies.

Segment information for the six months ended 30 June 2009:

	Meat-Processing US$000	Poultry US$000	Pork US$000	Corporate assets/ expenditures US$000	Intersegment US$000	Combined US$000
Total Sales	206 561	221 346	50 759	786		479 452
including other sales	1 774	25 294	2 285	-		29 353
including sales volume discount	(7 388)	(6 993)	-	-		(14 381)
Intersegment Sales	(134)	(11 989)	(7 245)	(786)		(20 154)
Sales to external customers	206 427	209 357	43 514	-		459 298
Cost of Sales	(176 870)	(143 969)	(29 287)	(17)	19 232	(330 911)
Gross profit	**29 691**	**77 377**	**21 472**	**769**	**(922)**	**128 387**
Operating expenses	(28 328)	(27 621)	(3 814)	(6 512)	922	(65 353)
Operating income	**1 363**	**49 756**	**17 658**	**(5 743)**	**-**	**63 034**
Other income and expenses, net	(2 099)	(1 958)	(152)	10 414	(6 329)	(124)
Interest expenses	(5 647)	(5 213)	(609)	(3 328)	6 329	(8 468)
Total net segment income (loss) from continuing operations before tax	**(6 383)**	**42 585**	**16 897**	**1 343**	**-**	**54 442**
Supplemental information						
Expenditure for segment property, plant and equipment	4 729	23 419	23 191	239	-	51 578
Depreciation and amortisation expense	5 075	9 250	2 865	8	-	17 198
Income Tax (benefit) expense	(96)	1 508	598	102	-	2 112

14 Segment reporting continued

Segment information for the six months ended 30 June 2008:

	Meat-Processing US$000	Poultry US$000	Pork US$000	Corporate assets/ expen-ditures US$000	Inter-segment US$000	Combined US$000
Total Sales	266 924	247 261	53 972	351		568 508
including other sales	1 144	22 452	3 718	-		27 314
including sales volume discount	(11 694)	(5 663)	-	-		(17 357)
Intersegment Sales	(96)	(10 038)	(4 055)	(351)		(14 540)
Sales to external customers	266 828	237 223	49 917	-		553 968
Cost of Sales	(223 604)	(173 885)	(30 058)	(18)	14 106	(413 459)
Gross profit	**43 320**	**73 376**	**23 914**	**333**	**(434)**	**140 509**
Operating expenses	(45 425)	(34 853)	(3 771)	(6 614)	434	(90 229)
Operating (loss) income	**(2 105)**	**38 523**	**20 143**	**(6 281)**	**-**	**50 280**
Other income and expenses, net	812	947	(18)	14 166	(11 933)	3 974
Interest expenses	(8 016)	(9 724)	(813)	(8 819)	11 933	(15 439)
Nonrecurring expense	-	-	-	-	-	-
Total net segment income (loss) from continuing operations before tax	**(9 309)**	**29 746**	**19 312**	**(934)**	**-**	**38 815**
Supplemental information						
Expenditure for segment property, plant and equipment	5 923	38 232	45 050	21	-	89 226
Depreciation and amortisation expense	9 144	10 588	3 210	4	-	22 944
Income Tax expense (benefit)	218	415	270	(13)	-	890

Segment information for the year ended 31 December 2008 comprised:

	Meat-Processing US$000	Poultry US$000	Pork US$000	Corporate assets/ expen-ditures US$000	Inter-segment US$000	Combined US$000
Total Sales	578 045	505 204	112 507	1 028		1 196 784
including other sales	4 640	39 773	6 148	-		50 561
including sales volume discount	(26 363)	(15 380)	-	-		(41 743)
Intersegment Sales	(271)	(19 859)	(9 224)	(1 024)		(30 378)
Sales to external customers	577 774	485 345	103 283	4		1 166 406
Cost of Sales	(484 748)	(366 330)	(64 939)	(40)	29 042	(887 015)
Gross profit	**93 297**	**138 874**	**47 568**	**988**	**(1 336)**	**279 391**
Operating expenses	(86 343)	(70 498)	(8 293)	(12 125)	1 336	(175 923)
Operating income	**6 954**	**68 376**	**39 275**	**(11 137)**	**-**	**103 468**
Other income and expenses, net	74	(2 477)	(102)	26 536	(22 846)	1 185
Interest expenses	(14 777)	(14 611)	(1 723)	(14 460)	22 846	(22 725)
Nonrecurring expense	-	-	-	-	-	
Total net segment income (loss) from continuing operations before tax	**(7 749)**	**51 288**	**37 450**	**939**	**-**	**81 928**
Supplemental information						
Expenditure for segment property, plant and equipment	12 234	74 994	65 473	5 624	-	158 325
Depreciation and amortisation expense	17 261	22 248	6 271	11	-	45 791
Income Tax expense (benefit)	1 451	(264)	(59)	335	-	1 463

14 Segment reporting continued

The reconciliation between net segment profit and income from continuing operations per the consolidated income statements for the six months ended 30 June 2009 and 2008 and for the year ended 31 December 2008 is as follows:

	Six months ended 30 June 2009 US$000	Six months ended 30 June 2008 US$000	Year ended 31 December 2008 US$000
Total net segment income from continuing operations before tax	54 442	38 815	81 928
Net (income) loss attributable to noncontrolling interests	(2 051)	(319)	(2 960)
Income taxes	(2 112)	(890)	(1 462)
Loss from discontinued operations, net of income tax benefit (expense)	-	(1 353)	(4 000)
Net gain on disposal of subsidiary	-	-	4 599
Net income attributable to Group Cherkizovo	**50 279**	**36 253**	**78 105**

Segment assets and total assets per the consolidated balance sheets as of 30 June 2009 and 31 December 2008 is as follows:

	30 June 2009 US$000	31 December 2008 US$000
Meat processing	263 803	292 640
Poultry	342 801	404 582
Pork	415 564	334 204
Corporate assets	222 879	308 517
Intersegment	(198 157)	(208 169)
Total assets	**1 046 890**	**1 131 774**

15 Subsidiaries, acquisitions, divestitures

Acquisitions

Penzensky Kombinat Hleboproductov

On 3 March 2009 the Group acquired 57.29% of the share capital of OJSC Penzensky Kombinat Hleboproductov in exchange for 1 867 in cash. Penzensky Kombinat Hleboproductov (“Penzensky”) is an elevator and mixed fodder producer situated near JSC Vasiljevskaya poultry producing company in the Penza region of the Russian Federation. The Group acquired this entity in order to gain access to its grain storage facilities.

The results of Penzensky’s operations have been included in the condensed consolidated interim financial statements since the acquisition date. The acquisition was accounted for using historical book values as provisional values based on the assumption that the historical book values are equivalent to fair value at the date of acquisition since there was no other information available at that time. The Group is in the process of obtaining a third party valuation report on the fair value of the assets and liabilities acquired including obtaining third-party valuation of the property, plant and equipment and accordingly, these amounts will change.

15 Subsidiaries, acquisitions, divestitures continued

The provisional purchase price allocation was as follows:

Purchase price	**1 867**
Inventory	419
Other current assets	440
Property, plant and equipment	1 592
Goodwill (assigned to the poultry segment)	1 796
Other non-current assets	1 024
Short-term loans and finance leases	(3 103)
Other current liabilities	(248)
Noncontrolling interest	(53)

The following pro forma financial information presents consolidated income statements as if the acquisition occurred at the beginning of the respective period. Pro forma information is presented for all preceding comparative periods:

Pro forma Information	**For the six months ended 30 June 2009 US$000 (UNAUDITED)**	**For the six months ended 30 June 2008 US$000 (UNAUDITED)**	**For the year ended 31 December 2008 US$000 (UNAUDITED)**
Sales	461 174	564 121	1 185 292
Income from continuing operations	50 449	37 413	77 182
Net income	**50 449**	**36 437**	**78 779**
Weighted average number of shares outstanding	43 028 022	40 377 628	41 725 834
Earnings per share:			
Income from continuing operations	1.17	0.93	1.85
Net income	**1.17**	**0.90**	**1.89**

These unaudited pro forma results have been prepared for comparison purposes only and contain certain adjustments which relate to the new accounting base of property, plant and equipment recognized in recording the combination. The unaudited pro forma information does not purport to represent what the Group's financial position or results of operations would actually have been if these transactions had occurred at the beginning of the period or to project the Group's future results of operations. The actual results of operations of Penzensky Kombinat Hleboproductov are included in the consolidated financial statements of the Group only from the date of acquisition and were:

Sales	2 365
Operating Loss	(198)
Net Loss	(164)

No other significant changes in the ownership structure of the Group occurred during the first six months of 2009.

15 Subsidiaries, acquisitions, divestitures continued

Discontinued operations

OJSC Belmyaso

The Group sold OJSC Belmyaso in December 2008. Accordingly, the results of these operations for the prior period ended 30 June 2008 has been restated to reflect these discontinued operations in the unaudited condensed consolidated income statement as following:

Income statement for the six-month period ended 30 June 2008	Adjustments made to present as discontinued operations US$000
Sales	(5 333)
Gross profit (loss)	293
Operating income (loss)	1 437
Income tax	(546)
Gain (loss) from discontinued operations (net of noncontrolling interest)	(1 353)

Assets held for sale

LLC MPP Salsky

In November 2007, management of the Group made a decision to dispose of a subsidiary in the meat processing segment – LLC MPP Salsky. The entity was classified as available for sale at 31 December 2007 in accordance with the provisions of SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." During 2008, market conditions changed significantly impacting the ability of the Group to complete the sale. The Group continued to actively market the entity through the end of 2008 including making adjustments to the selling price.

In 2009, there have been no new significant developments related to the sale and LLC MPP Salsky was reclassified as held for use as the sale of this entity is improbable in the near future. Management's substantial doubt of the sale results from the lack of new offers to purchase LLC MPP Salsky at a price that is considered reasonable by management. Upon reclassification to held for use, the assets and liabilities have been measured at the carrying amount prior to its designation as an asset held for sale, adjusted for any depreciation expense that would have been recognized had the asset been continuously classified as held and used.

For comparative purposes, Salsky is being presented in continuing operations for the six-month period ended 30 June 2008 and as of 31 December 2008 and for the year then ended. Intergroup balances previously presented separately between continuing operations and held for sale on the balance sheet are eliminated after being reclassified into continuing operations in these financial statements. This presentation also affects the following disclosures:

Balance sheet as of 31 December 2008	Adjustments made to reclassify to held for use US$000
Total current assets	(609)
Total non-current assets	(1 881)
Total current liabilities	1 670
Total non-current liabilities	818

15 Subsidiaries, acquisitions, divestitures continued

Income statement for the year ended 31 December 2008	Adjustments made to reclassify to held for use US$000
Sales	126
Gross profit (loss)	(51)
Operating income (loss)	(460)
Income tax expense	(53)
Gain (loss) from discontinued operations (net of noncontrolling interest)	523

Income statement for the six-month period ended 30 June 2008	Adjustments made to reclassify to held for use US$000
Sales	87
Gross profit (loss)	(16)
Operating income (loss)	(383)
Income tax expense	177
Gain (loss) from discontinued operations (net of noncontrolling interest)	212

16 Fair value of financial instruments

As of 30 June 2009 and 31 December 2008, there were no financial instruments measured at fair value.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables reported in the consolidated balance sheet approximate fair value due to the short maturity of those instruments.

As of 30 June 2009, the Group had various long term borrowings that are measured at amortised cost. Solely for the purpose of presentation, the Group has estimated fair value based on expected discounted cash flows incorporating interest rates on other similar debt adjusted for the Group's estimated non-performance risk, including credit risk. Other similar debt was determined based on rates available for similar facilities in the Russian Federation at 30 June 2009. Non-performance risk was estimated based on spreads between debt obtained by the Group and average interest rates in the Russian Federation on other similar debt at the reporting date.

The carrying values and fair values of the Group's long term borrowings, with the exception of finance leases, as of 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009 US$000		31 December 2008 US$000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans receivable	12 360	11 442	14 339	12 408
Notes receivable, net	1 232	640	7 903	3 950
Borrowings other than finance leases	448 508	418 772	550 363	505 743

17 Commitments and contingencies

Legal

As of 30 June 2009 and 31 December 2008, several Group companies reported negative net assets in their statutory financial statements. In accordance with the Civil Code of the Russian Federation, a liquidation process may be initiated against a company reporting negative net assets. Management believes that it is remote that the liquidation process will be initiated against those companies.

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time. Management believes that the resolution of all such outstanding matters will not have a material impact on the Group's financial position or results of operations.

Taxation

Laws and regulations affecting businesses in the Russian Federation continue to change. These changes are characterized by different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects could be significant.

Environmental remediation costs

The Group's management believes that it is in compliance with applicable legislation and is not aware of any potential environmental claims; therefore, no liabilities associated with such costs are recorded as of 30 June 2009.

Capital commitments

At 30 June 2009, the Group had large capital projects in progress at JSC Lipetskmyasoprom, LLC Tambovmyasoprom, JSC Vasiljevskaya and CJSC Petelinskaya. As part of these projects, commitments had been made to contractors of approximately 17 191, 18 775, 14 909 and 1 682, respectively, towards completion of the projects.

Also the Group is in the process of implementing an integrated management planning and accounting system related to the meat processing segment. As part of this project, commitments have been made to contractors of approximately 1 842 towards completion of the project.

Operating lease commitments

At 30 June 2009, the Group had the following obligations under non-cancellable operating lease agreements:

	1.07.2010 US$000	1.07.2011 US$000	1.07.2012 US$000	1.07.2013 US$000	1.07.2014 US$000	>1.07.2014 US$000	Total US$000
Total commitments	448	445	444	444	444	4 431	**6 656**

18 Subsequent events

The Group obtained 35 873 and repaid 43 359 on lines of credit, bank loans and loans for the period from 1 July to 5 October 2009.

The Group has evaluated subsequent events through 5 October 2009 which is the date of issuance of these condensed consolidated interim financial statements.