OJSC RAZGULAY Group

Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2009

Contents

Condensed consolidated statement of comprehensive income

	Note	Six-month period ended 30 June 2009	Six-month period ended 30 June 2008 Restated
		Million RUR	
Revenue		12,947	11,476
Cost of sales		(10,740)	(9,754)
Change in fair value of biological assets		1,256	1,243
Gross profit		3,463	2,965
Distribution expenses		(1,589)	(572)
Administrative expenses		(1,157)	(1,115)
Taxes other than on income		(81)	(77)
Gains related to acquisitions and disposals of shares in subsidiaries		3	1,523
Other expenses, net		(362)	(291)
Profit from operations		277	2,433
Finance income		692	216
Finance expenses		(1,698)	(940)
(Loss)/profit before income tax		(729)	1,709
Income tax expense	8	(262)	(708)
(Loss)/profit for the period		(991)	1,001
Other comprehensive income			
Foreign currency translation differences for foreign operations		6	-
Income tax on other comprehensive income		(1)	-
Other comprehensive income for the period, net of income tax		5	-
Total comprehensive income for the period		(986)	1,001
(Loss)/profit attributable to:			
Shareholders of the Company		(953)	1,034
Minority interest		(38)	(33)
		(991)	1,001
Total comprehensive income attributable to:			
Shareholders of the Company		(948)	1,034
Minority interest		(38)	(33)
		(986)	1,001
Basic and diluted (loss)/earnings per share, RUR	9	(6.03)	8.62

The condensed consolidated interim financial statements were approved by the Board of Directors on 16 November 2009 and signed on its behalf by:

Potapenko I.V.
Chairman of the Board of Directors and Chief Executive Officer

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 7 to 20.

Condensed consolidated statement of financial position

	Note	30 June 2009 *Million RUR*	31 December 2008 *Million RUR*
ASSETS			
Non-current assets			
Property, plant and equipment	10	16,008	15,138
Intangible assets		1,113	1,114
Investments in equity accounted investees	11	497	67
Other non-current assets	12	18,295	19,494
Total non-current assets		35,913	35,813
Current assets			
Inventories		7,653	8,214
Other investments		1,081	848
Trade and other receivables	13	4,782	5,273
Cash and cash equivalents		371	2,024
Total current assets		13,887	16,359
Total assets		49,800	52,172
EQUITY AND LIABILITIES			
Equity	14		
Share capital		519	519
Additional paid-in capital		9,305	9,305
Retained earnings		3,794	4,742
Total equity attributable to equity holders of the Company		13,618	14,566
Minority interest		830	882
Total equity		14,448	15,448
Non-current liabilities			
Loans and borrowings	15	3,863	29
Deferred tax liabilities		736	723
Net assets attributable to participants in limited liability subsidiaries		19	15
Total non-current liabilities		4,618	767
Current liabilities			
Loans and borrowings	15	21,409	26,095
Trade and other payables	16	6,494	7,198
Provisions		2,831	2,664
Total current liabilities		30,734	35,957
Total liabilities		35,352	36,724
Total equity and liabilities		49,800	52,172

The condensed consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 7 to 20.

Condensed consolidated statement of changes in equity

Million RUR	Attributable to shareholders of the Company				Minority interest	Total equity
	Share capital	**Additional paid-in capital**	**Retained earnings**	**Total**		
Balance on 1 January 2008, restated	405	2,762	10,958	14,125	1,092	15,217
Total comprehensive income for the period						
Profit or loss	-	-	1,034	1,034	(33)	1,001
Transactions with owners, recorded directly in equity						
Acquisition of minority interests in subsidiaries	-	-	-	-	(364)	(364)
Disposal of minority interests in subsidiaries to entities under common control	-	31	-	31	176	207
Acquisition of subsidiaries	-	-	-	-	37	37
Total transactions with owners	-	31	-	31	(151)	(120)
Balance at 30 June 2008, restated	405	2,793	11,992	15,190	908	16,098
Balance on 1 January 2009	519	9,305	4,742	14,566	882	15,448
Total comprehensive income for the period						
Profit or loss	-	-	(953)	(953)	(38)	(991)
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	5	5	-	5
	-	-	(948)	(948)	(38)	(986)
Transactions with owners, recorded directly in equity						
Acquisition of minority interests in subsidiaries	-	-	-	-	(14)	(14)
Total transactions with owners	-	-	-	-	(14)	(14)
Balance at 30 June 2009	519	9,305	3,794	13,618	830	14,448

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 7 to 20.

Condensed consolidated statement of cash flows

	Six-month period ended 30 June	
	2009	**2008, restated**
	Million RUR	
OPERATING ACTIVITIES		
(Loss)/profit for the period	(991)	1,001
Adjustments for:		
Depreciation and amortisation	690	560
Gain from change in fair value of biological assets	(1,256)	(1,243)
Gains and losses related to acquisitions and disposals of shares in subsidiaries	(3)	(1,523)
Foreign exchange gains	(157)	(1)
Loss on disposal of property, plant and equipment	14	69
Share of profit of equity accounted investees, net of income tax	(11)	(53)
Income tax expense	262	708
Interest expense, net	1,554	716
Share of profit attributable to participants in limited liability subsidiaries	4	22
Operating profit before changes in working capital and provisions	106	256
Decrease/(increase) in inventories	1,816	(1,701)
Decrease in trade and other receivables	373	3,493
Decrease in trade and other payables	(747)	(1,216)
Cash flows from operations before income taxes and interest paid	1,548	832
Income tax paid	(39)	(108)
Interest paid	(1,551)	(678)
Cash flows (used by)/from operating activities	(42)	46
INVESTING ACTIVITIES		
Proceeds from disposal of subsidiaries	-	300
Proceeds from disposal of investments	6	-
Acquisition of property, plant and equipment	(583)	(5,205)
Acquisition of investments	(62)	(50)
Acquisition of minority interests	(11)	(150)
Proceeds from disposal of minority interests	-	207
Return of advances paid for property, plant and equipment	243	-
Loans given to related parties	(700)	(3,098)
Loans collected from related parties	637	2,168
Loans given to third parties	(6)	(72)
Loans collected from third parties	21	-
Interest income	99	8
Acquisition of subsidiaries, net of cash acquired	-	(273)
Cash flows used by investing activities	(356)	(6,165)
FINANCING ACTIVITIES		
Proceeds from borrowings	7,371	19,992
Repayment of borrowings	(8,626)	(11,047)
Cash flows (used by)/from financing activities	(1,255)	8,945
Net (decrease)/increase in cash and cash equivalents	(1,653)	2,826
Cash and cash equivalents at the beginning of the period	2,024	2,696
Cash and cash equivalents at the end of the period	371	5,522

The condensed consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 7 to 20.

Notes to the condensed consolidated interim financial statements

1 Reporting entity

OJSC RAZGULAY Group (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian open joint stock, closed joint stock and limited liability companies as defined in the Civil Code of the Russian Federation. The Group also includes a number of legal entities operating in Cyprus, British Virgin Islands and the Netherlands.

Until July 2008, the majority of the Company's shares were owned by Mr. Igor V. Potapenko, who ultimately controlled the Group and had the power to direct transactions of the Group at his own discretion and for his own benefit. In July 2008, Mr. Igor Potapenko's ownership interest decreased to 47%. In the absence of any other party owning a significant stake in the business and, as a result of his being Chief Executive Officer (CEO) of the Group and Chairman of the Board of Directors of the Company, in the opinion of management, Mr. Potapenko continues to have de facto control over the operations of the Group. Mr. Potapenko has a number of other business interests outside of the Group. Further information about related party transactions is disclosed in note 18.

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 are available upon request from the Company's registered office at 6/64, 2 Institutskaya, Moscow, 109428, Russia or at its website www.raz.ru.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2008.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2008.

(a) Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of IAS 23 *Borrowing Costs* (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share in the interim period ended 30 June 2009.

(b) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(c) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed consolidated interim financial statements as of and for the six months period ended on 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings/(loss) per share.

(d) Change in accounting policy for property, plant and equipment

In prior periods, the Group measured its property, plant and equipment at revalued amounts. During the year ended 31 December 2008, the Group changed its accounting policy to one of measuring property, plant and equipment at cost less accumulated depreciation and impairment losses. Property, plant and equipment was valued to determine deemed cost at 1 January 2002, the date of transfer to IFRSs. Fair value was determined based on depreciated replacement cost by an independent appraiser, OOO Balt-Audit-Expert. Management believes that measuring property, plant and equipment at cost results in the consolidated financial statements providing more relevant information, given the subjectivity associated with the regular application of fair value techniques.

The change in accounting policy has been applied retrospectively and the following adjustments have been recognised to the condensed consolidated interim financial information as at and for the six-month period ended 30 June 2008:

Million RUR	**Six-month period ended 30 June 2008**		
	As previously reported	**Adjustments**	**As restated**
Total assets	47,649	(1,821)	45,828
Total equity	17,618	(1,520)	16,098
Profit for the period	736	265	1,001
Basic and diluted earnings per share	6.18	2.44	8.62

4 Estimates

The preparation of these condensed consolidated interim financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008.

The Group has substantial inventory and biological assets as at 30 June; however, such inventory is not significant at 31 December. Biological assets are measured at fair value less costs to sell, with any change herein recognized in profit or loss. The fair value of biological assets involves critical judgements about yield, future costs, harvest prices and discount rates.

5 Operating segments

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

- *Grain:* Purchase, processing and sale of grain products.
- *Sugar:* Purchase of sugar beet and raw sugar, processing them into sugar, and selling sugar.
- *Agriculture*: Growing sugar beet and grain products, development of land bank.

In addition, the CEO also reviews certain financial information related to the management operations of the Group.

Notes to the condensed consolidated interim financial statements

Million RUR	Six-month period ended 30 June 2009						
	Grain	**Sugar**	**Agri-culture**	**Subtotal**	**Manage ment**	**Elimi-nations**	**Total**
Revenue	8,877	3,532	1,025	13,434	613	(268)	13,779
Segment costs	(8,758)	(2,723)	(1,426)	(12,907)	(560)	665	(12,802)
Earnings/(loss) before interest, tax, depreciation and amortisation	119	809	(401)	527	53	397	977
Other income and expenses	(443)	(996)	(924)	(2,363)	3	-	(2,360)
Profit/(loss) for the period	(324)	(187)	(1,325)	(1,836)	56	397	(1,383)

The major differences between information provided to the CEO and the related IFRS-based revenues and costs relate to:

- Recognition of input and output value added tax as additional costs and revenue items in management information
- Non-recognition of gains from change in fair value of biological assets in management information
- Recognition of depreciation of property, plant and equipment in management information based on statutory accounts.

Reconciliation of reportable segment loss

Million RUR	**Six-month period ended 30 June 2009**
Total loss for reportable segments	(1,836)
Effect of recognizing fair value of biological assets:	
Gain from change in fair value of biological assets recognised for the six-month period ended 30 June 2009	1,256
Effect of recognising fair value of biological assets for the year ended 31 December 2008	(643)
Difference in depreciation of property, plant and equipment	(161)
Eliminations	397
Other, net	(4)
Consolidated loss before income tax	(991)

The Group recently changed the structure of its internal organisation in a manner that caused the composition of its reportable segments to change. Effective 1 January 2009, reportable segments have included the Agricultural segment. Comparable segment information is not available and the costs of developing it would be excessive.

6 Seasonality of operations

The Group earns a major part of its revenues and margins in the second half of the year.

The Group produces sugar from sugar beet mainly from September to November when the beet is harvested. During the rest of the year the Group trades in sugar purchased from third parties, or produces sugar from imported raw sugar, which is less profitable than producing sugar from sugar beet. The Group trades in sugar purchased from third parties only when the market demand is high and the prices are favourable.

Grain consumption tends to be consistent throughout the year. However, major purchases are made in summer and autumn months. The level of grain stock by the end of autumn is usually higher than in mid-summer before the new harvest.

The Group attempts to minimise the seasonal impact through the management of inventories to meet demand; however, the first half year typically results in lower revenues and results for all reportable segments.

7 Changes in the composition of the Group

(a) Acquisition of subsidiaries

During the six-month period ended 30 June 2008 the Group acquired controlling interests in the following companies:

Entity	Date of acquisition	Segment	Interest acquired
OAO Podolsky EMZ	March 2008	Grain	51%
OAO Shipunovsky elevator	May 2008	Grain	51%

The consideration paid to acquire the above interests amounted to RUR 273 million.

As of 1 January 2008 the Group held 46% in OAO Podolsky EMZ (a flour milling plant) and 36% in OAO Shipunovsky Elevator. Consequently, the investments were previously accounted for using the equity method. The acquisition of the additional 51% interest increased the Group's interest in these companies to 97% and 87%, respectively, resulting in the Group obtaining control over these businesses.

Determination of the fair values and purchase price allocation for both acquisitions was performed in 2008 by an independent appraiser, OOO Balt-Audit-Expert.

The acquisitions had the following effect on the Group's assets and liabilities at the dates of acquisitions:

	Recognised fair values on acquisition
	Million RUR
Non-current assets	613
Current assets	115
Non-current liabilities	(80)
Current liabilities	(86)
Net identifiable assets acquired	562
Minority interest	(37)
Group's share of net identifiable assets acquired	525
Goodwill on acquisition	24
Derecognised investment in equity accounted investees	(72)
Excess of the fair value of the net identifiable assets over the consideration paid	(37)
Total consideration	440
Consideration settled in previous periods	167
Consideration settled in current period	273
	440

(b) Acquisition of minority interests in subsidiaries

Subsidiary	Month of acquisition	Interest acquired	Consideration paid, in million RUR	Goodwill/(negative goodwill), in million RUR
OAO Shipunovsky Elevator	April 2009	8%	11	(3)

Subsidiary	Month of acquisition	Interest acquired	Consideration paid, in million RUR	Goodwill/(negative goodwill), in million RUR
ZAO Karachaevo-Cherkessky Mukomol	March 2008	25%	103	(175)
OAO Svetlogradsky Elevator	April 2008	40%	47	(39)
			150	(214)

(c) Disposal of minority interests in subsidiaries to entities under common control

Subsidiary	Month of disposal	Interest disposed	Consideration received, in million RUR	Gain on disposal, in million RUR
ZAO Bugulminsky KHP#2	March 2008	25%	97	11
ZAO Bugulminsky Elevator	March 2008	25%	110	20
			207	31

(d) Disposal of subsidiaries

In June 2008 the Group disposed of its interest in ZAO Nurlatsky Elevator, ZAO Nurlatsky Sakhar and OOO Aksubaevo-Agroinvest for a total consideration of RUR 1,696 million. The gain on the disposal was included in Gains related to acquisition and disposal of shares in subsidiaries.

The disposal of the subsidiaries had the following effects on the Group's assets and liabilities at the dates of disposal:

Million RUR	**Six-month period ended 30 June 2008, restated**
Non-current assets	568
Current assets	281
Non-current liabilities	(59)
Current liabilities	(366)
Net assets disposed of	424
Consideration received	(300)
Consideration receivable	(1,396)
Gain on disposal	(1,272)

8 Income tax expense

	Six-month period ended 30 June	
	2009	**2008, restated**
	Million RUR	
Current tax expense	(249)	(836)
Deferred tax (expense)/benefit	(13)	128
	(262)	(708)

The applicable tax rate for the Company and its Russian subsidiaries was 20% during the six-month period ended 30 June 2009 and 24% during the six-month period ended 30 June 2008. The reduction of the income tax rate was effective from 1 January 2009. For the entities located in Cyprus, the applicable tax rate is the corporate income tax rate of 10%. For the entity located in the Netherlands, acquired by the Group in November 2008, the effective income tax rate applied for the six-month period was 24%. Income earned by entities incorporated in the British Virgin Islands is not currently subject to income tax.

Subsidiaries qualifying for the status of agricultural producers are taxed at 0% until 2012, at 12% from 2012 until 2015 and at 20% from 2016 onwards.

Reconciliation of effective tax rate:

	Six-month period ended 30 June			
	2009		**2008, restated**	
	Million RUR	%	Million RUR	%
(Loss)/profit before income tax	(729)		1,709	
Income tax at applicable tax rate	146	(20)	(410)	(24)
Effect of income taxed in low tax jurisdictions	(117)	16	571	33
Income of agriculture subsidiaries taxed at 0%	(149)	20	(55)	(3)
Provision for income tax	(25)	3	(671)	(39)
Provision for income tax penalties	(130)	18	(56)	(3)
Change in unrecognised deferred tax assets	14	(2)	(59)	(3)
Non-deductible items	(1)	-	(28)	(2)
	(262)	35	(708)	(41)

9 (Loss)/earnings per share

Basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profit attributable to the owners of the Company amounting to RUR 953 million for the six-month period ended 30 June 2009 and RUR 1,034 million for the six-month period ended 30 June 2008 by the weighted average number of shares outstanding in the current and comparative periods amounting to 158,093,157 shares and 120,000,000 shares, respectively.

10 Property, plant and equipment

Million RUR	Six-month period ended 30 June	
	2009	**2008, restated**
Balance on 1 January	15,138	12,260
Purchases	1,573	1,861
Acquisitions through business combinations	-	382
Disposals	(14)	(69)
Disposals as part of the sale of subsidiaries	-	(568)
Depreciation charge	(689)	(560)
Balance on 30 June	16,008	13,306

11 Investments in equity accounted investees

Investments in equity accounted investees comprise of 25% interest in ZAO Donskaya Agrarnaya Gruppa and 25% interest in OAO Angelinsky Elevator.

12 Other non-current assets

Million RUR	**30 June 2009**	**31 December 2008**
	Million RUR	
Advances issued to third parties for acquisition of agricultural land, net of impairment	17,606	18,510
Advances issued to third parties for acquisition of property, plant and equipment, net of impairment	55	408
Prepayment made to related party to acquire shares in equity accounted investees	-	357
Non-current loans issued to related parties, RUR denominated, 2%-3% per annum, maturing in 2012-2014	436	-
Non-current loans issued to third parties, RUR denominated, 2% per annum, maturing in 2012	39	56
Equity securities available-for-sale	79	83
Other non-current assets	80	80
	18,295	19,494

13 Trade and other receivables

Million RUR	**30 June 2009**	**31 December 2008**
Trade receivables	3,402	4,049
Taxes receivable	1,382	1,491
Advances issued to third parties	1,028	468
Other receivables	435	489
Receivables from equity accounted investees	278	352
Deferred expenses	103	109
Other receivables from related parties	45	88
Trade receivables from related parties	34	72
Advances issued to related parties	1	25
Provision for doubtful accounts	(1,926)	(1,870)
	4,782	5,273

14 Equity

(a) Share capital

On 1 January 2008 the authorised capital of the Company comprised 120,000,000 fully paid-up ordinary shares with a par value of RUR 3 each.

In July 2008 the authorised capital of the Company was increased from 120,000,000 to 190,000,000 ordinary shares with a par value of 3 RUR per share each.

In July 2008 the Group sold 38,093,157 newly issued ordinary shares for USD 7.75 per share. The difference between the nominal value of the shares issued of RUR 114 million and the consideration received of RUR 6,859 million reduced by the amount of expenses incurred on issue of RUR 268 million was credited to additional paid-in capital.

The holders of shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Company's shareholders.

All ordinary shares rank equally with regard to the Company's residual assets.

(b) Dividends

In accordance with the Russian legislation, the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2009 the Company's distributable reserves amounted to RUR 11 million (31 December 2008: RUR 13 million).

15 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings.

Million RUR	**Maturity as at 30 June 2009**	**30 June 2009**	**31 December 2008**
Non-current			
Secured bank loans	1 – 2 years	881	-
Secured bank loans	2 – 3 years	99	
Secured bank loans	4 – 5 years	2,700	
Unsecured non-bank loans		7	13
Finance lease liabilities		176	16
		3,863	29
Current			
Secured bank loans	0 – 6 months	9,555	10,545
Secured bank loans	6 – 12 months	952	
Unsecured bank loans		-	340
Unsecured non-bank loans		-	2
RUR denominated bonds:			
- OOO Razgulay-Finans, issue 2	September 2011	1,450	1,853
- OOO Razgulay-Finans, issue 3	March 2012	1,061	2,310
- OOO Razgulay-Finans, issue 4	May 2013	1,979	2,604
- OOO Razgulay-Finans, issue 5	October 2013	2,049	2,049
- OJSC Group RAZGULAY, issue BO-2	October 2009	1,930	1,804
- OJSC Group RAZGULAY, issue BO-4	October 2009	484	452
- OJSC Group RAZGULAY, issue BO-5	October 2009	484	452
- OJSC Group RAZGULAY, issue BO-6	October 2009	483	451
- OJSC Group RAZGULAY, issue BO-7		-	1,867
- OJSC Group RAZGULAY, issue BO-11	November 2009	950	888
- OJSC Group RAZGULAY, issue BO-14		-	467
Current portion of finance lease liabilities		32	11
		21,409	26,095
		25,272	26,124

Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and the maximum amount of the Group's debt. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

Notes to the condensed consolidated interim financial statements

As at 30 June 2009, the Group was in breach of a number of financial covenants which allow lenders to demand immediate repayment of RUR 1,134 million of non-current loans and RUR 3,455 million of current loans (31 December 2008: RUR 1,134 million and RUR 5,647 million, respectively). Those non-current loans are classified as current liabilities as at 30 June 2009 and as at 31 December 2008.

As was disclosed in the Group's consolidated financial statements as at and for the year ended 31 December 2008, the Group was in compliance with covenants relating to its bonds as at 31 December 2008. In April and May 2009 the Group failed to redeem bonds of its subsidiary OOO Razgulay Finance (issues 2, 3 and 4) when they became due for redemption per irrevocable public offers. As at 30 June 2009 bondholders have agreed that bonds of RUR 3,512 million will be redeemed not earlier than in March – May 2010 when the bondholders may claim for redemption under a new irrevocable public offer. At 30 June 2009 the balance of bonds of RUR 736 million was unsettled. The above balances are stated at nominal values.

Security

The following assets secure loans:

- Property, plant and equipment with a carrying amount of RUR 5,667 million (31 December 2008: RUR 6,279 million);
- Inventory with a carrying amount of RUR 321 million (31 December 2008: zero);
- The financial lease liabilities are secured by the leased assets;
- Bank promissory note with a carrying value of RUR 607 million (31 December 2008: zero);
- Shares in the following subsidiaries of the Company, which constitute a substantial part of the Group:

	Percentage of shares pledged	
	30 June 2009	**31 December 2008**
Agrofirma Poltavskaya, ZAO	-	100
Agroinvest,OOO	100	100
Anastasievskoe,OOO	-	100
Belgorodagroinvest, OOO	100	100
Bugulminsky elevator, ZAO	75	-
Bugulminsky KHP#2, ZAO	75	75
Druzhba, ZAO	-	100
Dubovskkhleboproduct, OAO	75	75
Elevator Rudny Klad, OAO	56	-
Erkenagroinvest, OOO	100	100
Gerkules, OAO	86	86
Izobilie, OOO	-	100
Karachaevo-Cherkessky Mukomol, ZAO	100	100
Karachaevo-Cherkessky Sakharny zavod, OAO	90	90
Kineshemsky mukomolny kombinat, OAO	90	90
Kondopozhsky KHP, OAO	95	95
Krivetsagro, OOO	100	100
Krivets-Sakhar, OAO	97	-
Kshenagro, OOO	100	100
Kshensky Sakharny Kombinat, ZAO	100	100
Lgovagroinvest, OOO	100	100
Lgovsky MKK, OAO	99	99
Otradaagroinvest, OOO	100	100
Podolsky EMZ, OAO	97	97
Poltavsky KHP, OAO	90	90
Pristen-Sakhar, ZAO	100	100
RAZGULAY Group, OAO	17	-
Russko-Polyanskiy Elevator, OAO	85	85
Rzhavskoye HPP, OAO	97	97
Sakharny Kombinat Alexeevsky, ZAO	100	100
Sakharny Kombinat Bolshevik, ZAO	100	100

	Percentage of shares pledged	
	30 June 2009	**31 December 2008**
Sakharny Kombinat Kurganinsky, ZAO	-	100
Sakharny Kombinat Lgovsky, OAO	100	100
Sakharny Kombinat Otradinsky, ZAO	100	100
Sakharny Kombinat Tikhoretsky, ZAO	100	100
Slavyansky KHP	85	85
Starodubsky elevator, OAO	100	100
Tikhoretskagroinvest, OOO	100	100
Tsimlyanskkhleboprodukt, OAO	100	100
Tsimlyanskoye, OOO	-	100

At 30 June 2009 the ultimate controlling party has provided, for no consideration, financial guarantees for loans payable by the Group in the total amount of RUR 1,083 million (31 December 2008: RUR 2,059 million).

16 Trade and other payables

	30 June 2009	**31 December 2008**
	Million RUR	
Trade payables	1,725	2,433
Advances received	3,716	3,638
Taxes payable other than income tax	232	221
Trade payables to related parties	140	147
Payables to employees	118	94
Payables to equity accounted investees	113	360
Income tax payable	55	55
Other payables to related parties	63	46
Advances received from related parties	-	32
Other payables and accrued expenses	332	172
	6,494	7,198

17 Contingencies

There have been no changes in the Group's contingent liabilities as at 30 June 2009 compared to the balance as at 31 December 2008, except that:

- insurance coverage of inventories decreased by RUR 549 million;
- the Group had no insurance of biological assets against crop failure;
- tax-related contingencies increased by RUR 137 million.

18 Related party transactions

(a) Control relationships

Management considers that the Group's ultimate controlling party is Mr. Igor Potapenko, who also acts as Chairman of the Board of Directors and Chief Executive Officer.

The Company does not have a parent company.

(b) Transactions with management and close family members

Key management (Chairman of the Board of Directors, General Director, Finance Director of the Company, Directors of sugar, grain and agricultural business segments) received remuneration of RUR 32 million during the six-month period ended 30 June 2009 (30 June 2008: 21 million).

(c) Transactions with other related parties

(i) Transactions involving the sale of shares

In the six-month period ended 30 June 2008 the Group disposed of minority interests in subsidiaries to entities under common control. The details of these transactions are disclosed in note 7(c).

(ii) Other transactions with related parties (fellow subsidiaries)

	Six-month period ended 30 June	
	2009	**2008**
	Million RUR	
Sales	295	188
Purchases	(202)	(2,267)
Other operating expenses	(232)	(148)
Interest income	64	156
Purchases from third parties under commission agreements with related parties	-	(45)

(iii) Balances with related parties

	30 June2009	**1 January 2009**
	Million RUR	
Short-term loans issued to related parties	471	848
Long-term loans issued to related parties	436	-
Trade and other receivables from related parties	357	512
Advances issued to related parties	1	25
Trade and other payables to related parties	(316)	(553)
Advances received from related parties	-	(32)

(d) Pricing policies

Normally, when goods are transferred between related parties prior to the sale of the same goods to a third party, the transfer price is determined as the ultimate resale price, reduced by a margin sufficient to cover costs and allow the related party to make an appropriate profit. Certain non-trading transactions may not be based on market prices.

19 Earnings before interest, tax, depreciation and amortisation

	Six-month period ended 30 June 2009	Six-month period ended 30 June 2008, restated
	Million RUR	
(Loss)/profit for the period	(991)	1,001
Income tax expense	262	708
Depreciation and amortisation	690	560
Interest income and expenses, net	1,554	716
Foreign exchange gain	(157)	(1)
	1,358	2,984

20 Events subsequent to the balance sheet date

Restructuring of bonds issued by OOO Razgulay Finance (issues 2, 3 and 4)

Subsequent to 30 June 2009, the Group continued restructuring of bonds issued by OOO Razgulay Finance (issues 2, 3 and 4). As a result of the restructuring, at 30 October 2009 the nominal value of unsettled bonds was RUR 12 million.

Loans and other bonds

From July to October 2009, the Group redeemed bond issues of OJSC Group RAZGULAY (issues BO-2, BO-4, BO-5, BO-6 and BO-11) and bond issue 5 of OOO Razgulay Finance, with a total nominal value of RUR 5,971 million.

Additionally, the Group received long-term loans of RUR 6,020 million at 16% per annum, maturing in 5 years.

New subsidiary

In July 2009 the Group set up a new subsidiary OOO Razgulay-Market to which distribution activities of the Group will be allocated.

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ZAO KPMG
Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report

Board of Directors
OJSC RAZGULAY Group

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of OJSC RAZGULAY Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2009, and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of selected explanatory notes ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2009 and for the six-month period then ended are not prepared, in all material respects, in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

ZAO KPMG
16 November 2009