

OJSC RAZGULAY Group

**Condensed Consolidated Interim
Financial Information
for the six-month period ended
30 June 2008**

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Independent Auditors' Report

Board of Directors
OJSC RAZGULAY Group

Report on Review of the Interim Financial Information

Introduction

We have reviewed the accompanying consolidated interim balance sheet of OJSC RAZGULAY Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2008, and the related consolidated interim statements of income, changes in equity and cash flows for the six-month period then ended (the condensed consolidated interim financial information). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 information 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.

Basis for Qualified Conclusion

The Group has adopted the revaluation model for the measurement of property, plant and equipment. The most recent valuation of the Group's property, plant and equipment was as at 31 December 2005. There are indications that the carrying amount of property, plant and equipment stated at RUR 15,550 million as at 30 June 2008 (31 December 2007: RUR 14,606 million) might differ materially from that which would be determined using fair value. International Financial Reporting Standard IAS 16 *Property, Plant and Equipment* requires that revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The effects of this departure from International Financial Reporting Standards, if any, on property, plant and equipment, revaluation reserve, taxation and minority interests as at 30 June 2008 and for the six-month period then ended and as at 31 December 2007 have not been determined.

Qualified Conclusion

Based on our review, except for any effects of the matter described in the Basis for Qualified Conclusion, nothing has come to our attention that causes us to believe that the consolidated interim financial information as at 30 June 2008 and for the six-month period then ended is not prepared, in all material respects, in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.


ZAO KPMG

ZAO KPMG
17 October 2008

OJSC RAZGULAY Group
*Consolidated interim statement of income
for the six-month period ended 30 June 2008*

	Note	Six-month period ended 30 June	
		2008	2007
		<i>Million RUR</i>	
Revenue	5	11,476	8,501
Gain from change in fair value of biological assets	6	1,243	889
		12,719	9,390
Cost of sales		(9,865)	(7,849)
Gross profit		2,854	1,541
Distribution expenses		(562)	(605)
Administrative expenses		(1,145)	(723)
Taxes other than on income		(77)	(75)
Gains related to acquisitions and disposals of shares in subsidiaries		1,463	1,202
Other expenses, net		(330)	(212)
Profit from operations		2,203	1,128
Net financial expense		(764)	(578)
Profit before income tax		1,439	550
Income tax expense	7	(703)	(168)
Profit for the period		736	382
<i>Attributable to:</i>			
Shareholders of the Company		742	414
Minority interest		(6)	(32)
		736	382
Basic and diluted earnings per share	8	6.18	3.92

The condensed consolidated interim financial information was approved by Management on 17 October 2008 and signed on its behalf by:



Potapenko I.V.
Chairman, Board of Directors



Soldatov A.V.
General director, OJSC RAZGULAY Group

OJSC RAZGULAY Group
Consolidated interim balance sheet as of 30 June 2008

	Note	30 June 2008 <i>Million RUR</i>	31 December 2007 <i>Million RUR</i>
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	9	15,550	14,606
Intangible assets		838	783
Investments in equity accounted investees		68	286
Other non-current assets	10	6,103	2,751
Total non-current assets		22,559	18,426
<i>Current assets</i>			
Inventories		6,375	3,436
Other investments	11	3,098	2,132
Trade and other receivables	12	10,095	12,274
Cash and cash equivalents		5,522	2,696
Total current assets		25,090	20,538
Total assets		47,649	38,964
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	13	405	405
Additional paid-in capital		2,762	2,762
Property, plant and equipment revaluation reserve		1,427	1,486
Retained earnings		11,895	11,094
Total equity attributable to shareholders of the Company		16,489	15,747
Minority interest		1,129	1,295
Total equity		17,618	17,042
<i>Non-current liabilities</i>			
Loans and borrowings	14	9,149	5,002
Deferred tax liabilities		1,268	1,380
Total non-current liabilities		10,417	6,382
<i>Current liabilities</i>			
Loans and borrowings	14	13,553	8,987
Trade and other payables	15	3,843	5,101
Provisions	16	2,218	1,452
Total current liabilities		19,614	15,540
Total liabilities		30,031	21,922
Total equity and liabilities		47,649	38,964

OJSC RAZGULAY Group
*Consolidated interim statement of cash flows
for the six-month period ended 30 June 2008*

	Six-month period ended 30 June	
	2008	2007
	<i>Million RUR</i>	
OPERATING ACTIVITIES		
Profit for the period	736	382
Adjustments for:		
Depreciation	649	556
Valuation gain on biological assets and agricultural produce	(1,243)	(889)
Gains and losses related to acquisitions and disposals of shares in subsidiaries	(1,463)	(1,202)
Unrealised foreign exchange differences relating to loans and borrowings	(3)	(9)
Loss on disposal of property, plant and equipment	73	88
Gain / (Loss) from investments in associates	48	(31)
Income tax expense	703	168
Interest expense, net	716	597
Operating profit/(loss) before changes in working capital and provisions	216	(340)
(Increase)/decrease in inventories	(1,684)	534
Decrease /(increase) in trade and other receivables	3,506	(2,788)
(Decrease)/ increase in trade and other payables	(1,245)	514
Cash flows from/(used by) operations before income taxes and interest paid	793	(2,080)
Income tax paid	(108)	(54)
Interest paid	(679)	(618)
Cash flows from/(used by) operating activities	6	(2,752)
INVESTING ACTIVITIES		
Proceeds from disposal of subsidiaries	300	380
Proceeds from disposal of investments	2,168	656
Acquisition of property, plant and equipment	(5,205)	(884)
Acquisition of investments	(50)	-
Acquisition of minority interests	(150)	(8)
Disposal of minority interests	207	136
Loans given to related parties	(3,098)	-
Loans given to third parties	(72)	-
Interest income	8	86
Acquisition of subsidiaries, net of cash acquired	(253)	-
Cash flows (used by)/from investing activities	(6,145)	366
FINANCING ACTIVITIES		
Proceeds from borrowings	19,992	9,661
Repayment of borrowings	(11,027)	(6,875)
Cash flows from financing activities	8,965	2,786
Net increase in cash and cash equivalents	2,826	400
Cash and cash equivalents at the beginning of the period	2,696	2,193
Cash and cash equivalents at the end of the period	5,522	2,593

OJSC RAZGULAY Group
Consolidated interim statement of changes in equity
for the six-month period ended 30 June 2008

<i>Million RUR</i>	Attributable to shareholders of the Company					Minority interest	Total equity
	Share capital	Additional paid-in capital	Revaluation reserve, property, plant and equipment	Retained earnings	Total		
Balance on 1 January 2007	362	1,184	1,510	9,645	12,701	1,468	14,169
Profit and total recognised income and expenses for the period	-	-	-	414	414	(32)	382
Acquisition of minority interests – note 4(c)	-	-	-	-	-	(27)	(27)
Disposal of minority interests to entities under common control –note 4(d)	-	-	-	-	-	136	136
Balance at 30 June 2007	362	1,184	1,510	10,059	13,115	1,545	14,660
Balance on 1 January 2008	405	2,762	1,486	11,094	15,747	1,295	17,042
Profit and total recognised income and expenses for the period	-	-	-	742	742	(6)	736
Acquisition of minority interests – note 4(c)	-	-	-	-	-	(394)	(394)
Disposal of minority interests to entities under common control –note 4(d)	-	-	-	-	-	207	207
Effect of acquisition of subsidiaries	-	-	-	-	-	27	27
Effect of disposal of subsidiaries to third parties	-	-	(59)	59	-	-	-
Balance at 30 June 2008	405	2,762	1,427	11,895	16,489	1,129	17,618

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial information set out on pages 7 to 21.

1 Background

(a) Organisation and operations

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 established under the legislation of Cyprus and British Virgin Islands.

The Company's shares were listed on the Russian Trading System Stock Exchange (RTS) and on the Moscow Interbank Currency Exchange (MICEX) in March 2006.

The Company's registered office is 6/64, 2 Institutskaya, Moscow, 109428, Russia.

The Group's principal activities are the purchase, growing, processing and distribution of agricultural products, mainly sugar and grain. These products are sold in the Russian Federation and abroad.

The ultimate controlling party of the Group is Mr. Igor Potapenko who also acts as Chief Executive Officer of the Group and Chairman of the Board of Directors of the Company. He also has a number of other business interests outside of the Group. Further information about related party transactions is disclosed in note 19.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The condensed consolidated interim financial information reflects management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

This condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial information does 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 2007.

(b) Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007.

3 Condensed segment information

Condensed segment information is presented in respect of sugar and grain operations being the Group's business segments.

<i>Million RUR</i>	Six-month period ended 30 June 2008		
	Grain	Sugar	Total
Segment revenue, including gain from change in fair value of biological assets	9,008	3,711	12,719
Segment result	1,006	181	1,187

<i>Million RUR</i>	Six-month period ended 30 June 2007		
	Grain	Sugar	Total
Segment revenue, including gain from change in fair value of biological assets	4,222	5,168	9,390
Segment result	45	245	290

4 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 253 million.

As of 1 January 2008 the Group held 46% in OAo Podolsky EMZ and 36% in OAo Shipunovsky Elevator. Consequently, the investments were 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 the these companies.

During the six-month period ended 30 June 2007 the Group did not acquire subsidiaries from third parties.

(b) Effect of acquisition of subsidiaries

In the six-month period ended 30 June 2008 the acquisition of subsidiaries had the following effect on the Group's assets and liabilities at the dates of acquisitions:

<i>Determined on a provisional basis</i>	Six-month period ended 30 June 2008 Million RUR
Non-current assets	448
Current assets	143
Non-current liabilities	(99)
Current liabilities	(94)
Net assets acquired	398
Increase in minority interest	(27)
Group's share in net assets acquired	371
Goodwill on acquisition	55
Negative goodwill on acquisition	(6)
Consideration paid	420
Settled in previous periods	167
Settled in current period	253
	420

As at the date of issue of this condensed consolidated interim financial information, the Group has not completed the valuation of the acquired subsidiaries' assets, liabilities and contingent liabilities; therefore, the fair values of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the dates of acquisition were determined on a provisional basis. Management plans to finalise the purchase price allocation prior to completing the Group's consolidated financial statements for the year ending 31 December 2008.

(c) Acquisition of minority interests in subsidiaries

Transactions in the six-month period ended 30 June 2008

In March 2008 the Group acquired an additional 25% interest in ZAO Karachaevo-Cherkessky Mukomol for a consideration of RUR 103 million, increasing its ownership from 75% to 100%. The carrying amount of the subsidiary's net assets at the date of the transaction was RUR 1,154 million. The excess of the carrying value of minority interest over the consideration paid amounting to RUR 186 million was recognised as negative goodwill included in gains related to acquisition and disposal of shares in subsidiaries.

In April 2008 the Group acquired an additional 40% interest in OAO Svetlogradsky Elevator for a consideration of RUR 47 million, increasing its ownership from 56% to 96%. The carrying amount of the subsidiary's net assets at the date of the transaction was RUR 262 million. The excess of the carrying value of minority interest over the consideration paid amounting to RUR 58 million was recognised as negative goodwill included in gains related to acquisition and disposal of shares in subsidiaries.

Transactions in the six-month period ended 30 June 2007

In April 2007 the Group increased its shareholding in OAO Russko-Polyanskiy Elevator to 85% by acquiring an additional 21% of the ordinary shares in the subsidiary. The consideration paid to acquire the shares amounted to RUR 8 million. The carrying amount of OAO Russko-Polyanskiy Elevator's net assets at the date of the transaction was RUR 132 million. The excess of the carrying value value of minority interest over the consideration paid amounting to RUR 19 million was recognised as negative goodwill included in gains related to acquisition and disposal of shares in subsidiaries.

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

Transactions in the six-month period ended 30 June 2008

In March 2008 the Group disposed of 25% of its interest in ZAO Bugulminsky KHP#2 for a total consideration of RUR 97 mln, decreasing its ownership from 100% to 75%. The carrying amount of the minority interest at the date of disposal was RUR 97 million. Accordingly, the financial result on the transaction was RUR nil.

In March 2008 the Group disposed of 25% of its interest in ZAO Bugulminsky Elevator for a total consideration of RUR 110 mln, decreasing its ownership from 100% to 75%. The carrying amount of the minority interest at the date of disposal was RUR 110 million. Accordingly, the financial result on the transaction was RUR nil.

Transactions in the six-month period ended 30 June 2007

In March 2007 the Group disposed of 25% of its interest in ZAO Bugulminsky KHP #1 for a total consideration of RUR 136 million, decreasing its ownership from 100% to 75%. The carrying amount of the minority interest at the date of disposal was RUR 136 million. Accordingly, the financial result on the transaction was RUR nil.

(e) 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.

In June 2007 the Group disposed of its interest in OOO Azovsky Portovy Elevator, ZAO Sakharny Kombinat Kolpnyansky and OOO Orelagroinvest for a total consideration of RUR 1,865 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:

	Six-month period ended 30 June	
	2008	2007
	<i>Million RUR</i>	<i>Million RUR</i>
Non-current assets	643	697
Current assets	282	1,403
Non-current liabilities	(389)	(1,117)
Current liabilities	(54)	(405)
Net assets disposed of	482	578
Goodwill derecognised	-	104
Consideration received	(300)	(665)
Consideration receivable	(1,396)	(1,200)
	(1,214)	(1,183)

As at 30 June 2008 the amount of the Group's outstanding guarantees securing loan obligations of the disposed subsidiary ZAO Nurlatsky Sakhar, amounted to RUR 300 million. Subsequent to 30 June 2008 ZAO Nurlatsky Sakhar repaid its loan in full.

As at 30 June 2007 the amount of the Group's outstanding guarantees securing loan obligations of the disposed subsidiaries, OOO Azovsky Portovy Elevator and ZAO Sakharny Kombinat Kolpnyansky, amounted to RUR 600 million and RUR 327 million, respectively. In September 2007 OOO Azovsky Portovy Elevator repaid its loan in full.

5 Revenue

	Six-month period ended 30 June	
	2008	2007
	<i>Million RUR</i>	
Revenue from sales	11,134	8,152
Revenue from processing, storage services and other sales	342	349
	11,476	8,501

6 Gains from change in fair value of biological assets

The gains from change in fair value of biological assets represent the difference between the cost and the fair value less point-of-sale costs of the Group's investment in growing crops as at 30 June 2008.

The fair value of biological assets has been determined by applying estimated yields, obtained from published sources, to the area under cultivation, commodity prices as at 30 June 2008 and estimates of the extent of biological transformation as at 30 June 2008.

7 Income tax expense

	Six-month period ended 30 June	
	2008	2007
	<i>Million RUR</i>	
Current tax expense	(836)	(554)
Deferred tax benefit	133	386
	(703)	(168)

The Group's applicable tax rate in 2008 and 2007 was 24%. Subsidiaries qualifying for the status of agricultural producers are taxed at 0% until 2012.

Reconciliation of effective tax rate:

	Six-month period ended 30 June			
	2008		2007	
	Million RUR	%	Million RUR	%
Profit before income tax	1,439		550	
Income tax at applicable tax rate	(345)	(24)	(132)	(24)
Effect of (loss)/income taxed in low tax jurisdictions	(100)	(7)	33	6
(Loss)/income of agriculture subsidiaries taxed at 0%	(55)	(4)	175	32
Provision for tax penalties	(56)	(4)	(142)	(26)
Change in unrecognised deferred tax assets	(32)	(2)	(48)	(9)
Non-deductible items	(115)	(8)	(54)	(10)
	(703)	(49)	(168)	(31)

8 Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to the shareholders of the Company amounting to RUR 742 million for the six-month period ended 30 June 2008 and RUR 414 million for the six-month period ended 30 June 2007, by the weighted average number of shares outstanding in the current and comparative periods amounting to 120,000,000 and 105,742,580 shares respectively.

9 Property, plant and equipment

	Six-month period ended 30 June	
	2008	2007
	<i>Million RUR</i>	
Balance on 1 January	14,606	15,486
Purchases	1,861	276
Acquisitions through business combinations	448	-
Disposals	(73)	(88)
Disposals as part of the sale of subsidiaries	(643)	(697)
Depreciation charge	(649)	(556)
Balance on 30 June	15,550	14,421

The most recent revaluation of the property, plant and equipment was carried out as of 31 December 2005 by an independent appraisal firm ZAO Balt-Audit- Expert.

There are indications that the carrying amount of property, plant and equipment as at 30 June 2008 might differ materially from that which would be determined using fair value. Management believes, on the basis of information provided by the independent appraiser, that the fair value of the property, plant and equipment as at 30 June 2008 exceeds its carrying amount.

Security

Certain items of property, plant and equipment have been pledged to secure bank loans - refer note 14.

10 Other non-current assets

	30 June 2008	31 December 2007
	<i>Million RUR</i>	
Advances issued to third parties for acquisition of property, plant and equipment, including land plots	6,022	2,506
Advances issued to related parties for acquisition of property, plant and equipment	-	172
Loans issued to related parties	28	67
Equity securities available-for-sale	53	3
Other	-	3
	6,103	2,751

11 Other investments

Other investments comprise unsecured RUR denominated loans issued by the Group to related parties at a fixed interest rate of 6-11% per annum.

12 Trade and other receivables

	30 June 2008	31 December 2007
	<i>Million RUR</i>	
Trade receivables	3,872	7,679
Advances issued to third parties	1,621	940
Advances issued to related parties	1,531	2,625
Receivables for disposed subsidiaries (note 4(e))	1,396	-
Taxes receivable	881	576
Receivables from equity accounted investees	102	24
Deferred expenses	175	73
Other receivables	706	505
Provision for doubtful accounts	(189)	(148)
	10,095	12,274

13 Equity

(a) Share capital

On 1 January 2007 the authorised capital of the Company comprised 120,000,000 ordinary shares with a par value of RUR 3 each. 106,000,000 shares were issued and paid up, of which 257,420 shares were redeemed and accounted as treasury shares.

In September 2007 the Group sold the above 257,420 shares for RUR 30 million. The difference between the nominal value of the shares sold and the consideration received was credited to additional paid-in capital.

In November 2007 the Group sold 14,000,000 newly issued ordinary shares for RUR 115.56 per share. The difference between the nominal value of the shares issued of RUR 42 million and the consideration received of RUR 1,618 million reduced by the amount of expenses incurred on issue of RUR 27 million was credited to additional paid-in capital - refer consolidated interim statement of changes in equity.

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 2008 the Company's distributable reserves amounted to RUR 12 million (31 December 2007: RUR 11 million).

(c) Transactions with the controlling shareholder

(i) Group reorganisation

During the six months ended 30 June 2008 the Group disposed of its 25% share in ZAO Bugulminsky KHP #2 and ZAO Bugulminsky Elevator – refer note 4(d).

During the six months ended 30 June 2007 the Group disposed of its 25% share in ZAO Bugulminsky KHP #1 – refer note 4(d).

14 Loans and borrowings

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

OJSC RAZGULAY Group
*Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2008*

	30 June 2008	31 December 2007
	<i>Million RUR</i>	
<i>Non-current</i>		
RUR denominated bonds:		
- OOO Razgulay-Finans, issue 3 (maturity - Mar 2012; effective rate 11.14%)	2,985	2,986
- OOO Razgulay-Finans, issue 4 (maturity - May 2013; effective rate 11.82%)	2,987	-
- OOO Razgulay-Finans, issue 2 (maturity - Sep 2011; effective rate 11.6%)	2,021	2,008
Secured bank loans	1,134	-
Unsecured non-bank loans	8	8
Finance lease liabilities	14	-
	9,149	5,002
<i>Current</i>		
Secured bank loans	10,095	8,326
RUR denominated bonds:		
- OAO Razgulay Group, issue 1 (maturity - Dec 2008; effective rate 10.50%)	1,903	-
- OOO Razgulay-Finans, issue 1 (maturity - Oct 2008; effective rate 9.62%)	715	21
- OAO Razgulay Group, issue 3 (maturity - Dec 2008; effective rate 10.12%)	477	-
- Current portion of non-current bonds	182	128
Unsecured non-bank loans	159	4
Unsecured non-bank loans from related parties	14	508
Finance lease liabilities	8	-
	13,553	8,987
	22,702	13,989

The following assets secure loans:

- Property, plant and equipment with a carrying amount of RUR 6,656 million (31 December 2007: RUR 4,939 million);
- Inventory with a carrying amount of RUR 607 million (31 December 2007: RUR 144 million);
- The financial lease liabilities are secured by the leased assets;
- Shares in the following subsidiaries of the Company:

	Percentage of shares pledged	
	30 June 2008	31 December 2007
Agrofirma Poltavskaya, ZAO	100	100
Agroinvest, OOO	100	-
Anastasievskoe, OOO	100	100
Belgorodagroinvest, OOO	100	-
Bugulminsky KHP#2, ZAO	75	75
Bugulminsky Elevator, ZAO	-	75
Chishminsky Sakharny Zavod, OAO	-	84
Dubovskkhleboproduct, OAO	-	75
Druzhba, ZAO	100	-
Elevator Rudny Klad, OAO	-	52
Erkenagroinvest, OOO	100	-
Gerkules, OAO	86	86
Izobilie, OOO	100	100

	Percentage of shares pledged	
	30 June 2008	31 December 2007
Karachaevo-Cherkessky Mukomol, ZAO	100	75
Karachaevo-Cherkessky Sakharny Zavod, OAO	90	90
Khlebnaya Baza 63, OAO	-	52
Kineshensky Mukomolny Kombinat, OAO	90	90
Kondopozhsky KHP, OAO	95	95
Krivets-Agro, OOO	100	-
Krivets-Sakhar, OAO	97	97
Kshenagro, OOO	100	-
Kshensky Sakharny Kombinat, ZAO	100	100
Lgovagroinvest, OOO	100	-
Lgovsky KHP, ZAO	100	100
Lgovsky MKK, OAO	99	-
Nurlatsky Elevator, ZAO	-	100
Nurlatsky Sakhar, ZAO	-	100
Otradaagroinvest, OOO	100	-
Poltavsky KHP, OAO	90	90
Pristen-Sakhar, ZAO	100	-
Russko-Polyanskiy Elevator, OAO	-	85
Rzhavskoye HPP, OAO	-	97
Sakharny Kombinat Alexeevsky, ZAO	-	100
Sakharny Kombinat Bolshevik, ZAO	100	100
Sakharny Kombinat Kurganinsky, ZAO	100	100
Sakharny Kombinat Lgovsky, OAO	100	-
Sakharny Kombinat Otradinsky, ZAO	100	100
Sakharny kombinat Tikhoretsky, ZAO	100	100
Slavyansky KHP, OAO	85	85
Starodubsky Elevator, OAO	-	100
Tikhoretskagroinvest, OOO	100	-
Torgovy Dom Razgulay-Zerno, OOO	100	-
Torgovy Dom RSK, OOO	100	-
Tsimlyanskkhleboprodukt, OAO	100	100
Tsimlyanskoe, OOO	100	100
Zelenokumsky Elevator, OAO	-	50

15 Trade and other payables

	30 June 2008	31 December 2007
	<i>Million RUR</i>	
Trade payables	2,256	3,630
Advances received	981	907
Taxes payable	219	233
Payables to employees	120	100
Payables to equity accounted investees	93	6
Other payables and accrued expenses	174	225
	3,843	5,101

16 Provisions

There have been no changes in provisions related to tax exposures as compared to balance of provisions recognised in the consolidated financial statements as at and for the year ended 31 December 2007, except for the following:

- The provision for income tax related to disposal of interests in subsidiaries increased by RUR 533 million;
- The provision for income tax related to the grain trading operations increased by RUR 147 million; and

- The provision for tax exposures arising from other transactions increased by RUR 86 million.

The above amounts include penalties and late-payment interest.

17 Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

At 30 June 2008, there was a significant concentration of credit risk in respect of amounts receivable from related parties. The total amount receivable from related parties was RUR 5,198 million or 44% of the total receivables (2007: RUR 6,355 million or 46% of the total receivables). Total receivables from related parties include advances issued to related parties for acquisition of property, plant and equipment amounted to RUR nil million (2007: RUR 172 million) and advances issued to related parties to finance agricultural suppliers amounted to RUR 1,531 million (2007: RUR 2,625 million).

18 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available.

As at 30 June 2008 the Group insured its property, plant and equipment and inventories for a total amount of RUR 8,756 million and RUR 1,520 million (31 December 2007: RUR 5,295 million and RUR 1,642 million), respectively.

In addition, the Group insured certain biological assets against crop failure. The insurance covers grain and sugar beet crops harvested before August 2008 and winter grain crops to be harvested in 2009. The maximum insurance coverage amounts to RUR 2,059 million.

The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Taxation contingencies

There have been no changes to taxation contingencies disclosed in the consolidated financial statements as at and for the year ended 31 December 2007 except that:

- The contingent liability related to transactions to acquire items of machinery and equipment, land plots and rent rights of land has been increased to reflect additional transactions made during the six-month period ended 30 June 2008 with a value of RUR 1,173 million;
- The contingent liability related to acquisition of shares in subsidiaries has been increased to reflect additional transactions made during the six-month period ended 30 June 2008 with a value of RUR 103 million;
- The contingent liability related to trading operations has been increased to reflect additional transactions made during the six-month period ended 30 June 2008 with a value of RUR 2,477 million.

19 Related party transactions

(a) Control relationships

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 and grain business segments) received RUR 21 million of remuneration during the six-month period ended 30 June 2008 (30 June 2007: 14 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 4(d).

In the six-month period ended 30 June 2007 the Group disposed of a minority interest in a subsidiary to an entity under common control. The details of this transaction are disclosed in note 4(d).

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

	Six-month period ended 30 June	
	2008	2007
	<i>Million RUR</i>	
Sales	188	688
Purchases	(2,267)	(725)
Other operating expenses	(148)	(17)
Interest income	156	68
Sales to third parties under commission agreements with related parties	-	122
Purchases from third parties under commission agreements with related parties	(45)	(484)

(iii) Balances with related parties

	30 June 2008	1 January 2008
	<i>Million RUR</i>	
Loans issued to related parties	3,121	2,199
Trade and other receivables from related parties	546	1,534
Advances issued to related parties	1,531	2,625
Loans received from related parties	(14)	(508)
Trade and other payables to related parties	(1,394)	(212)

(d) Pricing policies

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.

20 Seasonality of operations

Sugar

The Group produces sugar from sugar beet mainly during the period 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 prices are favourable.

Grain

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.

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

21 Significant subsidiaries

	Effective ownership, %	
	30 June 2008	31 December 2007
<i>Holding companies</i>		
Razgulay-Finans, OOO	100	100
Sakharnaya kompaniya Razguliay, ZAO	100	100
Zernovaya kompaniya Razguliay, ZAO	100	100
Purpose Ventures Inc. (BVI)	100	100
Razguliay UkrRos Group Limited (Cyprus)	100	100
Secure Global Solutions (BVI)	100	100
AgroServicGrup, OOO	100	100
Razguliay Capital Limited	100	100
Invest-Aliance, OOO	100	100
Razgulay- Agro, OOO – newly formed	100	-
<i>Grain segment</i>		
Agrofirma Poltavskaya, ZAO	100	100
Anastasievskoe, OOO	85	85
Azovskaya zernovaya kompaniya, OOO	100	100
Bugulminsky elevator, ZAO (refer note 4(d))	75	100
Bugulminsky KHP#2, ZAO (refer note 4(d))	75	100
Dubovskkhleboproduct, OAO	75	75
Elevator Rudny Klad, OAO	56	56
Gerkules, OAO	86	86
Izobilie, OOO	100	100
Karachaevo-Cherkessky Mukomol, ZAO (refer note 4(c))	100	75
Khlebnaya baza 63, OAO	52	52
Kineshemsky mukomolny kombinat, OAO	90	90
Kolomensky KHP, ZAO	100	100
Kondopozhsky KHP, OAO	95	95
Kuban-Ris, OOO	50	50
Lgovsky KHP, ZAO	100	100
Nurlatsky elevator, ZAO (refer note 4(e))	-	100
Ostadar Trading Limited	100	100
Podolsky EMZ, OAO (refer note 4(a))	97	46
Poltavsky KHP, OAO	90	90
Razguliay-Krupa, OOO	100	100
Razguliay-Muka, OOO	100	100
Rusagroservis, OOO	100	100
Russkaya bakaleynaya kompaniya, OOO	100	100

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*Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2008*

	Effective ownership, %	
	30 June 2008	31 December 2007
Russko-Polyanskiy elevator, OAO	85	85
Rzhavskoye HPP, OAO	97	97
Shipunovsky elevator, OAO (refer note 4(a))	87	36
Slavyanskaya Khlebnaya Kompania, OOO	100	100
Slavyansky KHP, OAO	85	85
Starodubsky elevator, OAO	100	100
Svetlogradsky elevator, OAO (refer note 4(c))	96	56
Torgovy Dom Razgulay-Zerno, OOO	100	100
Tsimlyanskoe, OOO	100	100
Tsimlyanskkhleboprodukt, OAO	100	100
Ultimate Global Investment Limited (BVI)	100	100
Zelenokumsky elevator, OAO	50	50
Sugar segment		
Agroinvest, OOO	100	100
Chishminsky sakharny zavod, OAO	84	84
Druzhba, ZAO	100	100
Karachaevo-Cherkessky sakharny zavod, OAO	90	90
Kavkaz, OAO	75	75
Krivets-Sakhar, OAO	97	97
Krivets-Agro, OOO	97	97
Kshensky sakharny kombinat, ZAO	100	100
Lgovagroinvest, OOO	100	100
Lgovsky MKK, OAO	99	99
Nurlatsky sakhar, ZAO (refer note 4(e))	-	100
Pristen-Sakhar, ZAO	100	100
Sakharny kombinat Alexeevsky, ZAO	100	100
Sakharny kombinat Bolshevik, ZAO	100	100
Sakharny kombinat Kurganinsky, ZAO	100	100
Sakharny kombinat Lgovsky, OAO	100	100
Sakharny kombinat Otradinsky, ZAO	100	100
Sakharny kombinat Tikhoretsky, ZAO	100	100
Torgovy Dom RSK, OOO	100	100
Tikhoretskagroinvest, OOO	100	100
Kurganinskagroinvest, OOO	100	100
Erkenagroinvest, OOO	90	90
Chishmy-agroinvest, OOO	84	84
Otradaagroinvest, OOO	100	100
Belgorodagroinvest, OOO	100	100
Kshenagro, OOO	100	100
Nurlatagroinvest, OOO	100	100
Pochaevo-Agro, OOO – newly formed	100	-

All ownership interests in the above table are rounded to whole numbers.

22 Earnings before interest, tax, depreciation and amortisation

	Six-month period ended 30 June	
	2008	2007
	<i>Million RUR</i>	
Profit for the period	736	382
Income tax expense	703	168
Depreciation	649	556
Interest income and expenses, net	718	597
Foreign exchange gain	(1)	(7)
	2,805	1,696

23 Events subsequent to the balance sheet date

In July 2008 the Group sold 38,093,157 newly issued ordinary shares for USD 7.75 per share. Total proceeds received by the Group amounted to approximately RUR 6,859 million, net of transaction costs of approximately RUR 250 million.

In October 2008 the Group issued 1-year rouble denominated bonds with a total nominal value of RUR 3,500 million at a discount of RUR 442 million. The bonds are payable on the maturity date at nominal value. The effective interest rate on the issue for the six-month period ended 30 June 2008 was approximately 14.8% per annum.

In October 2008 the Group redeemed rouble denominated bonds with a nominal value of RUR 751 million.

In October 2008 the Group committed to acquire control over the production assets of ZAO Davlekanovskiy KHP, a grain processing plant, for a consideration of RUR 108 million. A contingent element of the purchase price of up to RUR 500 million, which will be determined subsequent to the date of this condensed consolidated interim financial information, will also be incurred in addition to the above consideration.
