OJSC RAZGULAY Group

Condensed Consolidated Interim Financial Statements and Supplementary Financial Information for the six-month period ended 30 June 2010

Contents

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Independent Auditors' Report on review of Condensed Consolidated Interim Financial Statements

The Board of Directors

OJSC RAZGULAY Group

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of OJSC RAZGULAY Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2010, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended (the "condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this 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 this 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 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements as at 30 June 2010 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other Matter

The supplementary financial information provided on page 22 does not form part of the accompanying condensed consolidated interim financial statements and is unreviewed.

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ZAO KPMG
29 June 2011

Condensed consolidated interim statement of financial position

	Note	30 June 2010 *Million RUB*	31 December 2009 *Million RUB*
ASSETS			
Non-current assets			
Property, plant and equipment	10	30,563	33,937
Intangible assets		808	808
Investments in equity accounted investees		49	397
Land lease rights	11	292	-
Other non-current assets	12	201	155
Total non-current assets		31,913	35,297
Current assets			
Inventories and biological assets	13	8,314	6,678
Other investments		136	1,206
Trade and other receivables	14	7,450	3,709
Cash and cash equivalents		871	401
Total current assets		16,771	11,994
Total assets		48,684	47,291
EQUITY AND LIABILITIES			
Equity	15		
Share capital		519	519
Additional paid-in capital		9,305	9,305
Retained earnings		1,943	3,163
Total equity attributable to equity holders of the Company		11,767	12,987
Non-controlling interests		851	897
Total equity		12,618	13,884
Non-current liabilities			
Loans and borrowings	16	19,498	20,702
Finance lease liabilities		786	471
Deferred tax liabilities		762	850
Total non-current liabilities		21,046	22,023
Current liabilities			
Loans and borrowings	16	9,116	4,950
Finance lease liabilities		121	62
Trade and other payables	17	2,887	3,563
Provisions		2,896	2,809
Total current liabilities		15,020	11,384
Total liabilities		36,066	33,407
Total equity and liabilities		48,684	47,291

The condensed consolidated interim 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 8 to 21.

Condensed consolidated interim statement of comprehensive income

		Six-month period ended 30 June	
		2010	2009
	Note	Million RUB	
Revenue		10,149	12,947
Cost of sales		(8,607)	(10,740)
Change in fair value of biological assets		1,307	1,256
Gross profit		2,849	3,463
Distribution expenses		(1,192)	(1,589)
Administrative expenses		(967)	(1,157)
Taxes other than on income		(138)	(81)
Negative goodwill related to acquisitions of shares in subsidiaries		56	-
Gains related to acquisitions and disposals of shares in subsidiaries		-	3
Other expenses, net		(160)	(362)
Profit from operations		448	277
Finance income		44	692
Finance costs		(1,665)	(1,698)
Loss before income tax		(1,173)	(729)
Income tax benefit/(expense)	8	3	(262)
Loss for the period		(1,170)	(991)
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		(1,170)	(986)
Loss attributable to:			
Owners of the Company		(1,139)	(953)
Non-controlling interests		(31)	(38)
		(1,170)	(991)
Total comprehensive income attributable to:			
Owners of the Company		(1,139)	(948)
Non-controlling interests		(31)	(38)
		(1,170)	(986)
Basic and diluted loss per share, RUB	9	(7.20)	(6.03)

The condensed consolidated interim financial statements were approved by the Board of Directors on 29 June 2011 and signed on its behalf by:

Soukhinov V.E.

General Director, OJSC RAZGULAY Group

The condensed consolidated interim 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 8 to 21.

Condensed consolidated interim statement of changes in equity

Million RUB	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	**Additional paid-in capital**	**Retained earnings**	**Total**		
Balance on 1 January 2009	519	9,305	4,742	14,566	882	15,448
Total comprehensive income for the period						
Loss for the period	-	-	(953)	(953)	(38)	(991)
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	5	5	-	5
Total comprehensive income for the period	-	-	(948)	(948)	(38)	(986)
Transactions with owners, recorded directly in equity						
Acquisition of non-controlling 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
Balance on 1 January 2010	519	9,305	3,163	12,987	897	13,884
Total comprehensive income for the period						
Loss and total comprehensive income for the period	-	-	(1,139)	(1,139)	(31)	(1,170)
Transactions with owners, recorded directly in equity						
Increase in non-controlling interests due to business combinations	-	-	-	-	10	10
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	(25)	(25)
Distributions to equity holders	-	-	(81)	(81)	-	(81)
Total transactions with owners	-	-	(81)	(81)	(15)	(96)
Balance at 30 June 2010	519	9,305	1,943	11,767	851	12,618

The condensed 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 statements set out on pages 8 to 21.

Condensed consolidated interim statement of cash flows

	Six-month period ended 30 June 2010	2009
	Million RUB	
OPERATING ACTIVITIES		
Loss for the period	(1,170)	(991)
Adjustments for:		
Depreciation	858	690
Change in fair value of biological assets	(1,307)	(1,256)
Gains related to acquisitions and disposals of shares in subsidiaries	-	(3)
Reversal of impairment losses on property, plant and equipment	(71)	-
Negative goodwill	(56)	-
Foreign exchange losses/(gains)	118	(157)
Loss on disposal of property, plant and equipment	98	14
Share of loss/(profit) of equity accounted investees, net of tax	6	(11)
Income tax (benefit)/expense	(3)	262
Interest expense, net	1,486	1,554
Share of profit attributable to participants in limited liability subsidiaries	-	4
Cash (used in)/from operating profit before changes in working capital and provisions	**(41)**	**106**
Decrease in inventories	178	1,816
Decrease in trade and other receivables	464	373
Decrease in trade and other payables	(1,887)	(747)
Cash flows (used in)/from operations before income taxes and interest paid	**(1,286)**	**1,548**
Income tax paid	(170)	(39)
Interest paid	(1,367)	(1,551)
Cash flows used in operating activities	**(2,823)**	**(42)**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	17	-
Proceeds from disposal of investments	-	6
Acquisition of property, plant and equipment	(373)	(583)
Acquisition of investments	-	(62)
Return of advances paid for property, plant and equipment	409	243
Loans given to related parties	(12)	(700)
Loans collected from related parties	-	637
Loans given to third parties	(96)	(6)
Loans collected from third parties	607	21
Interest income	41	99
Acquisition of subsidiaries, net of cash acquired	(210)	-
Cash flows from/(used in) investing activities	**383**	**(345)**
FINANCING ACTIVITIES		
Transaction with owners	(43)	-
Acquisition of non-controlling interests	(2)	(11)
Proceeds from borrowings	9,256	7,371
Repayment of borrowings	(6,301)	(8,626)
Cash flows from/(used in) financing activities	**2,910**	**(1,266)**
Net increase/(decrease) in cash and cash equivalents	**470**	**(1,653)**
Cash and cash equivalents at the beginning of the period	401	2,024
Cash and cash equivalents at the end of the period	871	371

The condensed consolidated interim 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 8 to 21.

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 V. 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 the Chairman of the Board of Directors of the Company, in the opinion of management, Mr. Igor V. Potapenko continued to have de facto control over the operations of the Group.

In May 2010 Mr. Igor V. Potapenko ceased to be the Company's controlling shareholder having disposed of 21.4% shares in the Company to entities ultimately controlled by Avangard Asset Management. As a result of this transaction, the Company ceased to have an ultimate controlling party. Subsequent to 30 June 2010, Mr. Igor V. Potapenko sold an additional 7.6% shares of the Company to the Group.

Further information about related party transactions is disclosed in note 19.

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 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 2009.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed 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 2009.

(a) Accounting for business combinations

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of the previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree; less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(b) Accounting for acquisitions of non-controlling interests

From 1 January 2010 the Group has applied IAS 27 *Consolidated and Separate Financial Statements* (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

(c) Reclassifications

In these condensed consolidated interim financial statements the Group has changed presentation of certain items of the statement of financial position. Comparative information has been re-presented so that it is in conformity with the current presentation. In particular the Group has made the following changes:

(i) the presentation of advances to third parties for the acquisition of agricultural land has changed from other non-current assets to a new category of property, plant and equipment – advances for land acquisition;

(ii) the presentation of certain land plots has been changed from intangibles and other non-current assets to property, plant and equipment; and

(iii) certain lease agreements have been recognized as finance leases.

A summary of reconciliations and the items affected in these condensed consolidated interim financial statements is presented below:

Million RUB	As previously reported	Reclassification of advances for land acquisition, note 3(c)(i)	Reclassification of land into property, plant and equipment, note 3(c)(ii)	Recognition of finance lease, note 3(c)(iii)	As reclassified
Property plant and equipment, net book value					
At 1 January 2009	15,240	18,844	370	-	34,454
Additions	1,573	(660)	-	-	913
Disposals	(14)	-	-	-	(14)
Depreciation charge	(690)	-	-	-	(690)
At 30 June 2009	16,109	18,184	370	-	34,663
At 31 December 2009	16,485	16,775	370	307	33,937
Other non-current assets					
At 1 January 2009	19,494	(18,844)	(65)	-	585
At 30 June 2009	18,295	(18,184)	(65)	-	46
At 31 December 2009	16,995	(16,775)	(65)	-	155
Intangible assets					
At 1 January 2009	1,114	-	(305)	-	809
At 30 June 2009	1,113	-	(305)	-	808
At 31 December 2009	1,113	-	(305)	-	808
Trade and other receivables					
At 31 December 2009	3,697	-	-	12	3,709
Trade and other payables					
At 31 December 2009	(3,244)	-	-	(319)	(3,563)

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 2009.

The Group has substantial inventory and biological assets as at 30 June. 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.

Million RUB	Six-month period ended 30 June 2010						
	Grain	**Sugar**	**Agri-culture**	**Subtotal**	**Manage ment**	**Elimi-nations**	**Total**
Revenue	4,805	5,461	1,482	11,748	126	(1,178)	10,696
Segment costs	(3,410)	(3,561)	(893)	(7,864)	-	1,501	(6,363)
Earnings/(loss) before interest, tax, depreciation and amortisation	145	770	(221)	694	(120)	417	991
Other income and expenses	(397)	(771)	(1,088)	(2,256)	(48)	-	(2,304)
Profit/(loss) for the period	(252)	(1)	(1,309)	(1,562)	(168)	417	(1,313)

Million RUB	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 RUB	**Six-month period ended 30 June 2010**	**Six-month period ended 30 June 2009**
Total loss for reportable segments	(1,562)	(1,836)
Effect of recognizing fair value of biological assets:		
Gain from change in fair value of biological assets recognised for period	1,307	1,256
Effect of recognising fair value of biological assets for the period	(886)	(643)
Negative goodwill related to acquisitions of shares in subsidiaries	56	-
Gains related to acquisitions and disposals of shares in subsidiaries	-	3
Deferred tax benefit/(expense)	118	(13)
Long-term agricultural land prepayment write off	(68)	-
Construction in progress write off	(54)	(22)
Difference in depreciation of property, plant and equipment	(224)	(161)
Eliminations	417	397
Other, net	(274)	28
Consolidated loss for the period	(1,170)	(991)

6 Seasonality of operations

The Group earns a major part of its revenues and margins in the second half of the calendar and financial 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 produces sugar from imported raw sugar, and sells sugar produced from sugar beet and raw sugar.

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 for all reportable segments.

7 Changes in the composition of the Group

(a) Acquisition of ZAO Donskaya Agrarnaya Gruppa and its subsidiaries

In March 2010 the Group increased its interest in ZAO Donskaya Agrarnaya Gruppa from 25%+1 share to 100% through acquisition of the shares from a fellow subsidiary. Total consideration paid for the 100% interest amounted to RUB 608 million settled in cash. Excess of the consideration over the acquiree's book value of net assets in the amount of RUB 38 million has been recognised in equity.

The acquisition had the following impact on the Group's effective ownership in individual entities:

	Ownership at 30 June 2009	Ownership at 1 January 2010	Ownership at 30 June 2010
Donskaya Agrarnaya Gruppa, ZAO	25%	25%	100%
AP imeni Yaroslavskogo, OAO	25%	25%	47%
Krinichansky, OAO	23%	23%	75%
Selkhoztekhnika, ZAO	24%	24%	98%
Degtevskoe, OOO	25%	25%	98%
Rassvet, ZAO	22%	22%	86%
Plemennoiy zavod Progress, OAO	25%	25%	100%
DonAgro, OOO	25%	25%	100%
Kucherbai agroinvest, OOO	25%	25%	100%

Identified assets acquired and liabilities assumed

Million RUB	Recognised book values on acquisition
Property, plant and equipment	2,441
Land lease rights	370
Inventories	462
Trade and other receivables	980
Other investments	730
Non-current loans and borrowings	(2,065)
Deferred tax liabilities	(30)
Current loans and borrowings	(688)
Trade and other payables	(1,695)
Net identifiable assets acquired	505
Non-controlling interests	(10)
Group's share of net identifiable assets acquired	495
De-recognised investment in the equity accounted investee	75
Excess of consideration over the Group's share of net identifiable assets acquired, recognised in equity	38
Total consideration	608
Consideration settled in previous periods for 25% + 1 share	420
Consideration settled in current period for 75% - 1 share	188
	608

The book value of property, plant and equipment of RUB 2,441 million includes advances in the amount of RUB 1,199 million paid by the Group to third parties for the acquisition of land plots for ZAO Donskaya Agrarnaya Gruppa. Consequently, non-current loans and borrowings of RUB 2,065 million include loans in the amount of RUB 1,199 million payable to the Group for those land plots.

(b) Acquisition of OOO Kurganinskagro

In March 2010 the Group acquired a 100% interest in an agricultural company OOO Kurganinskagro from third parties for RUB 28 million. Excess of the fair value of the acquiree's net assets over the purchase consideration amounted to RUB 56 million and has been recognized in profit and loss as negative goodwill.

(c) Acquisition of non-controlling interests in subsidiaries

Subsidiary	Month of acquisition	Interest acquired	Consideration paid, in million RUB	Negative goodwill in million RUB
6 months 2009				
OAO Shipunovsky Elevator	April 2009	8%	11	(3)
6 months 2010				
ZAO Anastasievskoe	May 2010	3%	-	(21)
OAO Dubovskkhleboprodukt	April 2010	1%	-	(2)
OAO Russko-Polyansky Elevator	June 2010	3%	2	(2)
			2	(25)

8 Income tax expense

	Six-month period ended 30 June 2010	2009
	Million RUB	
Current tax expense	(115)	(249)
Deferred tax benefit/(expense)	118	(13)
	3	(262)

Income tax expense is recognized based on managements` best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The applicable tax rate for the Company and its Russian subsidiaries was 20% during the six-month periods ended 30 June 2010 and 30 June 2009. For the entities located in Cyprus, the applicable tax rate is the corporate income tax rate of 10% (2009: 10%). For the entity located in the Netherlands, the effective income tax rate applied for the six-month period was 20% (2009: 20%).

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			
	2010		2009	
	Million RUB	%	*Million RUB*	%
Loss before income tax	(1,173)	100	(729)	100
Income tax at applicable tax rate	235	(20)	146	(20)
Effect of income taxed in low tax jurisdictions	(16)	1	(117)	16
Effect of income of agriculture subsidiaries taxed at 0%	(104)	9	(149)	21
Provision for income tax, including penalties and late-payment interest	(87)	8	(155)	21
Non-deductible items	(25)	2	13	(2)
	3	-	(262)	36

9 Loss per share

Basic and diluted loss per share are calculated by dividing the loss attributable to the owners of the Company amounting to RUB 1,139 million for the six-month period ended 30 June 2010 and RUB 953 million for the six-month period ended 30 June 2009 by the weighted average number of shares outstanding in the current and comparative periods amounting to 158,093,157 shares.

10 Property, plant and equipment

Million RUB	Six-month period ended 30 June	
	2010	2009
Balance on 1 January, reclassified (note 3(c))	33,937	34,454
Purchases	373	913
Additions through acquisition under common control (note 7(a), 7(b))	1,283	-
Disposals	(115)	(14)
Transfer of advances paid for land acquisition into other receivables (note 14)	(3,357)	-
Advances for land acquisition received in 2010	(393)	-
Advances for land acquisition transfer to land lease rights	(307)	-
Depreciation charge	(858)	(690)
Balance on 30 June	30,563	34,663

11 Land lease rights

Land lease rights comprise up-front payments made by the Group to lessors upon conclusion of land lease agreements. The value of land lease rights is amortised on a straight-line basis over the term of respective land lease agreements (from 2 to 25 years).

12 Other non-current assets

Million RUB	30 June 2010	31 December 2009
VAT on finance leases	119	71
Equity securities available-for-sale	63	63
Other non-current assets	19	21
	201	155

13 Inventories and biological assets

The fair value of biological assets is based on the market price of the estimated harvest, net of the estimated costs to manage the crop until harvest and harvesting costs and a reasonable profit margin based on the effort required to manage and harvest the crops. The following key assumptions were used in determining the fair value of biological assets:

- in 2010 the Group cultivated sugar beet, wheat, barley, sunflower, rice, soya and other crops. As at 30 June 2010 the Group has planted 98,251 hectares of winter wheat (30 June 2009: 98,020 hectares), 47,208 hectares for planting sugar beet (30 June 2009: 46,529 hectares) and 16,466 hectares of rice (30 June 2009: 18,092 hectares);
- the yield per hectare is assumed to be 33.08 tons for sugar beets (2009: 36.26 tons); 3.39 tons for winter wheat (2009: 4.4 tons) and the yield of rice per hectare is assumed to be 5.66 tons (2009: 5.4 tons);
- average sales price of agricultural produce at the harvest point has been assumed at 1,902 RUB per ton in 2010 (2009; 1,720 RUB per ton) for sugar beets; at 4,716 RUB per ton in 2010 (2009: 5,374 RUB per ton) for winter wheat and 11,959 RUB per ton (2009: 12,240 RUB per ton) for rice.

14 Trade and other receivables

Million RUB	30 June 2010	31 December 2009
Trade receivables	2,951	2,938
Advances paid to third parties	1,327	536
Taxes receivable	1,082	983
Deferred expenses	168	150
Trade receivables from related parties	19	40
Receivables from equity accounted investees	11	687
Advances paid to related parties	1	1
Other receivables	3,850	342
Other receivables from related parties	37	31
Provision for doubtful accounts	(1,996)	(1,999)
	7,450	3,709

At 30 June 2010 other receivables included RUB 3,357 million of prepayments made by the Group in 2008 to third parties for acquisition of land. This amount is stated net of an impairment loss of RUB 704 million, recognized as a result of impairment testing of the Group's agriculture cash-generating unit as at 31 December 2008. As a result of reclassifications made by the Group (note 3(c)), these prepayments have been presented at 1 January 2010 within property, plant and equipment. In June 2010 the Group agreed with the debtor that RUB 4,061 million should be returned, as no land was delivered to the Group. Subsequent to 30 June 2010 the balance of RUB 4,061 million has been settled in full (note 20(f)).

15 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 RUB 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 RUB 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 RUB 114 million and the consideration received of RUB 6,859 million, reduced by the amount of expenses incurred on issue of RUB 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.

16 Loans and borrowings

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

Million RUB	**Maturity as at 30 June 2010**	**30 June 2010**	**31 December 2009**
Non-current			
Secured bank loans	1 – 2 years	84	829
Secured bank loans	2 – 3 years	56	25
Secured bank loans	4 – 5 years	19,290	18,910
Unsecured non-bank loans		7	6
RUB denominated bonds:			
- OOO Razgulay-Finans, issue 2	September 2011	7	220
- OOO Razgulay-Finans, issue 3	March 2012	54	712
		19,498	20,702
Current			
Secured bank loans		6,203	3,888
Unsecured loans from related parties		2	5
RUB denominated bonds:			
- OOO Razgulay-Finans, issue 4	May 2011	2	1,057
- OJSC Group RAZGULAY, issue BO-8	December 2010	1,895	-
- OJSC Group RAZGULAY, issue BO-12	December 2010	534	-
- OJSC Group RAZGULAY, issue BO-15	October 2010	480	-
		9,116	4,950
		28,614	25,652

Maturities as at 30 June 2010 for bonds are the nearest dates when bonds can be claimed for redemption by bondholders, per respective irrevocable public offers (see note 20).

Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and overdue payments of the Group's debt. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest. The Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans and bonds both at 1 January 2010 and 30 June 2010.

Security

The following assets secure loans:

- property, plant and equipment with a carrying amount of RUB 1,541 million (31 December 2009: country-region 1,184 million);
- inventory with a carrying amount of RUB 448 million (31 December 2009: RUB 1,122 million);
- financial lease liabilities are secured by the leased assets;
- bank promissory note with a carrying value of RUB 170 million (31 December 2009: RUB 777 million);
- shares in the following subsidiaries and equity-accounted investees of the Company, which constitute a substantial part of the Group:

	Percentage of shares ownership pledged	
	30 June 2010 (%)	31 December 2009 (%)
Subsidiaries		
Agrofirma Poltavskaya, ZAO	100	100
Alekseevka-agroinvest	100	-
Bashkir-agroinvest, OOO	100	-
Bugulminsky elevator, ZAO	75	75
Bugulminsky KHP#2, ZAO	75	-
Chishminskiy sakharny zavod, OAO	84	-
Dubovskkhleboproduct, OAO	75	75
Elevator Rudny Klad, OAO	50	56
Erkenagroinvest, OOO	100	-
Gerkules, OAO	86	86
Grayvoronagroinvest, OOO	51	-
Izobilie, OOO	100	-
Karachaevo-Cherkessky Mukomol, ZAO	100	-
Karachaevo-Cherkessky Sakharny zavod, OAO	90	-
Khlebnaya baza 63, OAO	52	52
Kineshemsky mukomolny kombinat, OAO	90	-
Kolomensky KHP,ZAO	100	100
Krinichanskiy, OAO	74	-
Krivetsagro, OOO	100	-
Kshenagro, OOO	100	-
Kshensky Sakharny Kombinat, ZAO	100	-
Lgovagroinvest, OOO	52	-
Lgovsky KHP, ZAO	100	100
Lgovsky MKK, OAO	99	99
Otradaagroinvest, OOO	100	-
Plemennoiy zavod Progress, OAO	100	25
Podolsky EMZ, OAO	97	97
Poltavsky KHP, OAO	90	-

	Percentage of shares ownership pledged	
	30 June 2010 (%)	**31 December 2009 (%)**
Subsidiaries		
Pristen-Sakhar, ZAO	100	100
Rassvet, ZAO	86	22
Razgulay Group, OJSC	17	17
Russko-Polyanskiy Elevator, OAO	63	-
Sakharny Kombinat Alexeevsky, ZAO	100	100
Sakharny Kombinat Kurganinsky, ZAO	100	100
Sakharny Kombinat Bolshevik, ZAO	100	-
Sakharny Kombinat Otradinsky, ZAO	100	-
Sakharny kombinat Tikhoretsky, ZAO	100	-
Selkhoztekhnika, ZAO	73	24
Shipunovo-agroinvest, OOO	100	-
Shipunovsky Elevator, OAO	87	87
Slavyansky KHP	86	-
Starodubsky elevator, OAO	100	-
Svetlogradsky elevator, OAO	97	97
Svetlyagroinvest	100	-
Tikhoretskagroinvest, OOO	100	-
Tsimlyanskkhleboprodukt, OAO	100	100
Tsimlyanskoye, OOO	100	-
Zelenokumsky elevator, OAO	50	50
Equity accounted investee		
Angelinsky Elevator, OAO	-	25

17 Trade and other payables

	30 June 2010	31 December 2009
	Million RUB	
Trade payables	1,522	1,402
Advances received	491	497
Taxes payable other than income tax	341	325
Payables to employees	139	146
Trade payables to related parties	3	12
Payables to equity accounted investees	23	547
Income tax payable	8	70
Other payables to related parties	13	11
Other payables and accrued expenses	347	553
	2,887	3,563

18 Contingencies

Except as described in the following two paragraphs, there have been no changes in the Group's contingent liabilities as at 30 June 2010 compared with 31 December 2009.

Tax-related contingencies increased by RUB 170 million.

In the reporting period the Group has completed acquisition of control over certain agricultural land plots in Russia. The way this acquisition was structured could be challenged by the Russian tax authorities. Should the challenge be successful, the Group may become liable to additional income tax payments. Management of the Group believes that it is not practicable to estimate the financial effect of potential tax liabilities which ultimately could be imposed on the Group due to the land acquisition.

19 Related party transactions

(a) Control relationships

At 30 June 2010, the Company did not have either an immediate parent company or ultimate controlling party, see note 1.

(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 RUB 33 million during the six-month period ended 30 June 2010 (30 June 2009: 32 million).

(c) Transactions with other related parties

(i) Acquisition of subsidiaries from entities under common control

In March 2010 the Group acquired controlling interests from an entity controlled by the shareholder who controlled the Group at the date of the transaction. The details of the transactions are disclosed in note 7.

(ii) Other transactions with fellow subsidiaries

	Six-month period ended 30 June	
	2010	2009
	Million RUB	
Sales	118	295
Purchases	(2)	(202)
Other operating expenses	(1)	(232)
Interest income	12	64

(iii) Balances with related parties

	30 June 2010	31 December 2009
	Million RUB	
Short-term loans issued to related parties	42	599
Trade and other receivables from related parties	67	758
Advances issued to related parties	1	1
Trade and other payables to related parties	(39)	(570)
Short-term loans payable to related parties	(2)	(5)

(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.

20 Events subsequent to the reporting date

(a) Change of the Company's governance

In July 2010 the composition of the Board of Directors of the Company, including the Chairman of the Board, was changed and a new Chief Executive Officer was appointed.

(b) Bonds

In October 2010 and December 2010 the Company redeemed three issues of its traded discounted bonds (issue BO-15 and issues BO-08 and BO-12) for a total amount of RUB 2,800 million at nominal value.

In December 2010 the Company placed a new issue of traded discounted bonds BO-9 and sold bonds of issue 05 of OOO Razgulay Finance for a total amount of RUB 1,600 million.

In May 2011 the Group issued 3-year RUB-denominated bonds with a nominal value of RUB 3,000 million. The coupons are payable twice a year. The coupon rate is set at 12% per annum for the first three payments. The bond holders have the right to require the Group to redeem bonds in November 2012. Also bonds issued contain a number of covenants and restrictions related to certain financial ratios. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

(c) Changes in shareholder structure

In May 2011 entities ultimately controlled by Avangard Asset Management acting for AVG CIS Agricultural Opportunities Fund acquired an additional 8.6% interest in the Company and, therefore, increased its ownership interest in the Company to 29.99%. As a result of this transaction, Avangard Asset Management became the largest shareholder of the Company.

(d) Purchase of treasury shares

In November 2010 the Group entered into an agreement to repurchase 11,991,050 shares for RUB 561 million from a related party, and in December 2010 the Group obtained title to the shares. In 2011 the Group has settled its payable for the shares repurchased by transferring to the buyer its receivables from third parties in the amount of RUB 561 million.

(e) Agreement to acquire subsidiaries

In February 2011 the Group entered into an agreement to acquire a 50% interest in ZAO Orskiy miasokombinat, ZAO Orenburgsky broiler and ZAO Uralsky Broiler. Under the terms of the agreement, the Group can obtain control over the shares any time starting from 1 January 2012. The purchase consideration of RUR 3,500 million includes a transfer of the Group's other receivables (note 14) to the seller.

(f) Other receivables collection

In the period from November 2010 to February 2011 the debtor settled the other receivable of the Group in the total amount of RUB 4,061 million (note 14) which had been used to enter into the transactions described in notes 20(d) and 20(e) above.

Supplementary Financial Information

Earnings before interest, tax, depreciation and amortisation

	Six-month period ended 30 June	
	2010	**2009**
	Million RUB	
Loss for the period	(1,170)	(991)
Income tax (benefit)/expense	(3)	262
Depreciation and amortisation	858	690
Interest expense, net	1,486	1,554
Foreign exchange loss/(gain)	118	(157)
	1,289	1,358