OJSC RAZGULAY Group

Condensed Consolidated Interim Financial Information for the six-month period ended 30 June 2007

Content

Independent Accountants' Review Report 3
Condensed Consolidated Interim Statement of Income 4
Condensed Consolidated Interim Balance Sheet 5
Condensed Consolidated Interim Statement of Cash Flows 6
Condensed Consolidated Interim Statement of Changes in Equity 7
Notes to the Condensed Consolidated Interim Financial Information 9

KPMG Limited
11 Gogolevsky Boulevard
Moscow 119019
Russia

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

Independent Auditors' Report

To the Board of Directors
OJSC RAZGULAY Group

Report on Review of the Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of OJSC RAZGULAY Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2007, and the related condensed 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 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 information as at 30 June 2007 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*.

Emphasis of matter

Without qualifying our review conclusion, we draw attention to the fact that the US dollar amounts in the accompanying condensed consolidated interim financial information, which are presented solely for the convenience of users as described in note 2(e) and do not form part of the condensed consolidated interim financial information, are not reviewed.

KPMG Limited

KPMG Limited
17 October 2007

		Six-month period ended 30 June			
		2007	**2006**	**2007**	**2006**
	Note	*Million RUR*		*Million USD**	
Revenue	5	8,501	7,846	329	304
Gain from change in fair value of biological assets and agricultural produce	6	889	-	35	-
		9,390	7,846	364	304
Cost of sales		(7,849)	(6,790)	(304)	(263)
Gross profit		1,541	1,056	60	41
Operating expenses, net	7	(382)	(710)	(15)	(28)
Profit from operations		1,159	346	45	13
Net financial expense		(609)	(367)	(23)	(14)
Profit/(loss) before income tax		550	(21)	22	(1)
Income tax expense	8	(168)	(84)	(7)	(3)
Profit/(loss) for the period		382	(105)	15	(4)
Attributable to:					
Shareholders of the Company		414	(20)	16	(1)
Minority interest		(32)	(85)	(1)	(3)
		382	(105)	15	(4)
Basic and diluted earnings/(loss) per share (RUR / USD*)	9	3.92	(0.19)	0.15	(0.01)

The condensed consolidated interim statement of income is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial information set out on pages 9 to 24.

The condensed consolidated interim financial information was approved on 17 October 2007:

Potapenko I.V.
Chairman, Board of Directors

Soldatov A.V.
General director, OJSC RAZGULAY Group

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

	Note	30 June 2007	31 December 2006	30 June 2007	31 December 2006
		Millions RUR		*Millions USD**	
Non-current assets		16,697	17,224	647	667
Current assets		15,367	12,679	595	491
Total assets		32,064	29,903	1,242	1,158
Equity	13				
Attributable to shareholders of the Company		13,115	12,701	508	492
Minority interest		1,545	1,468	60	57
Total equity		14,660	14,169	568	549
Non-current liabilities		6,368	5,811	247	225
Current liabilities		11,036	9,923	427	384
Total liabilities		17,404	15,734	674	609
Total equity and liabilities		32,064	29,903	1,242	1,158

The condensed consolidated interim balance sheet is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial information set out on pages 9 to 24.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

	Six-month period ended 30 June			
	2007	**2006**	**2007**	**2006**
	Millions RUR		*Millions USD**	
Profit/(loss) for the period	382	(105)	15	(4)
Adjustments, net	(722)	869	(28)	34
Operating (loss)/profit before changes in working capital	(340)	764	(13)	30
Net changes in working capital	(1,740)	(2,479)	(67)	(96)
Cash flows used by operations before income taxes and interest paid	(2,080)	(1,715)	(80)	(66)
Income taxes and interest paid	(672)	(396)	(26)	(15)
Cash flows used by operating activities	(2,752)	(2,111)	(106)	(81)
Cash flows from/(used by) investing activities	366	(875)	14	(34)
Cash flows from financing activities	2,786	3,072	108	119
Net increase in cash and cash equivalents	400	86	16	4
Cash and cash equivalents at the beginning of the period	2,193	559	85	22
Cash and cash equivalents at the end of the period	2,593	645	101	26

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 information set out on pages 9 to 24.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

Millions RUR	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 at 1 January 2006	345	418	1,510	8,758	11,031	1,508	12,539
Loss and total recognized gains and losses for the period	-	-	-	(20)	(20)	(85)	(105)
Shares issued	18	707	-	-	725	-	725
Effect of business combinations under common control	-	27	-	-	27	13	40
Effect of disposal of subsidiaries to entities under common control – note 4(e)	-	-	-	(48)	(48)	(9)	(57)
Balance at 30 June 2006	363	1,152	1,510	8,690	11,715	1,427	13,142
Balance on 1 January 2007	362	1,184	1,510	9,645	12,701	1,468	14,169
Profit and total recognized gains and losses 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

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 information set out on pages 9 to 24.

Millions USD*	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 at 1 January 2006	13	16	58	339	426	58	484
Loss and total recognized gains and losses for the period	-	-	-	(1)	(1)	(3)	(4)
Shares issued	1	27	-	-	28	-	28
Effect of business combinations under common control	-	1	-	-	1	1	2
Effect of disposal of subsidiaries to entities under common control – note 4(e)	-	-	-	(2)	(2)	-	(2)
Balance on 30 June 2006	14	44	58	336	452	56	508
Balance on 1 January 2007	14	46	58	374	492	57	549
Profit and total recognized gains and losses for the period	-	-	-	16	16	(1)	15
Acquisition of minority interests – note 4(c)	-	-	-	-	-	(1)	(1)
Disposal of minority interests to entities under common control – note 4(d)	-	-	-	-	-	5	5
Balance at 30 June 2007	14	46	58	390	508	60	568

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

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 Group has been operating as a privately owned enterprise since 1992 and till 2005 was known as the Razguliay-UkrRos Group. On 12 September 2005, the Company changed its legal status from a closed joint stock company (ZAO) to an open joint-stock company (OAO), as defined by the Civil Code of the Russian Federation, and its name from "Agrocoinvest" to "RAZGULAY Group". The Company was 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 18.

(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 2006.

(b) Significant accounting policies

Except as described below, 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 2006.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

The Group adopted IFRS 7 *Financial Instruments: Disclosures* and Amendment to IAS 1 *Presentation of Financial Statements: Capital Disclosures* with effect from 1 January 2007. The adoption of these standards had no impact on the condensed consolidated interim financial information as at and for the six-month period ended 30 June 2007. However, these standards will require additional disclosures with respect to the Group's financial instruments and share capital in its consolidated financial statements as at and for the year ending 31 December 2007.

(c) Basis of measurement

The condensed consolidated interim financial information is prepared on the historical cost basis except for the following:

- All property, plant and equipment is measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Biological assets are measured at fair value less point-of-sale costs.

(d) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Company's functional currency and the currency in which this condensed consolidated interim financial information is presented. All financial information presented in RUR has been rounded to the nearest million.

(e) Convenience translation

In addition to presenting the condensed consolidated interim financial information in RUR, supplementary information in USD has been prepared for the convenience of users of the condensed consolidated interim financial information.

All amounts in the condensed consolidated interim financial information, including comparatives, are translated from RUR to USD at the closing exchange rate at 30 June 2007 of RUR 25.8162 to one USD.

All financial information presented in USD has been rounded to the nearest million.

(f) Use of judgments, estimates and assumptions

The preparation of condensed consolidated interim financial information requires management to make judgments, 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.

Except as disclosed below, in preparing these condensed consolidated interim financial information, the significant judgments 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 Group's consolidated financial statements as at and for the year ended 31 December 2006.

During the six-month period ended 30 June 2007 management reassessed its estimates in respect of tax contingencies (see note 17). The determination of the fair value less point-of-sale costs of biological assets at 30 June 2007 involved using judgments, estimates and assumptions (note 6).

3 Condensed segment information

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

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

In millions RUR	**Six-month period ended 30 June 2007**		
	Grain	**Sugar**	**Total**
Segment revenue, including gain from change in fair value of biological assets and agricultural produce	4,453	4,937	9,390
Segment result	276	14	290

In millions RUR	**Six-month period ended 30 June 2006**		
	Grain	**Sugar**	**Total**
Segment revenue	5,914	1,932	7,846
Segment result	961	(388)	573

*In millions USD**	**Six-month period ended 30 June 2007**		
	Grain	**Sugar**	**Total**
Segment revenue, including gain from change in fair value of biological assets and agricultural produce	172	192	364
Segment result	11	1	12

*In millions USD**	**Six-month period ended 30 June 2006**		
	Grain	**Sugar**	**Total**
Segment revenue	229	75	304
Segment result	37	(15)	22

4 Changes in the composition of the Group

(a) Acquisition of subsidiaries in transactions under common control

In the six months ended 30 June 2007 the Group did not acquire subsidiaries from entities under common control.

During the six-month period ended 30 June 2006 the Group acquired controlling interests in the following companies controlled by the ultimate shareholder of the Group prior to the acquisition:

Entity	Date of acquisition	Segment	Interest acquired
OAO Kondopozhsky KHP	February 2006	Grain	75%
OOO Agroinvest	February 2006	Sugar	100%
OOO Lgovagroinvest	March 2006	Sugar	100%

The consideration paid to acquire the above interests amounted to RUR 271 million / USD* 10 million settled in cash.

As of 1 January 2006 the Group held 20% in OAO Kondopozhsky KHP. The Group concluded that it did not have significant influence over this company because of the strong position of its majority shareholders. Consequently, the investment was classified as available for sale. The acquisition of a 75% interest increased the Group’s interest in the company to 95% resulting in obtaining control over the company.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

(b) Effect of acquisition of subsidiaries in transactions under common control

In the six months ended 30 June 2006 the acquisition of subsidiaries from entities under common control had the following effect on the Group's assets and liabilities at the date of acquisition:

	Six-month period ended 30 June 2006	
	Million RUR	_Million USD*_
Non-current assets	1,723	67
Current assets	726	28
Non-current liabilities	(301)	(12)
Current liabilities	(384)	(15)
Net assets acquired	1,764	68
Increase in minority interest	(131)	(5)
Group's share in net assets acquired	1,633	63
Difference between the consideration paid and the Group's share in the book value of the net assets acquired from related parties, recognised as additional paid-in capital	(256)	(10)
Consideration paid	1,377	53
Settled in previous periods	877	34
Settled in current period	500	19
	1,377	53

(c) Acquisition of minority interest in subsidiaries

In April 2007 the Group increased its shareholding in OAO Russko-Polyanskiy Elevator to 85% by acquiring additional 21% of the ordinary shares in the subsidiary. The consideration paid to acquire the shares amounted to RUR 8 million / USD* 0.3 million. The excess of the book value of minority interest over the consideration paid at the date of acquisition as part of the gains and losses on acquisition and disposal of subsidiaries was recognised as negative goodwill within operating expenses, net (note 7).

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

In March 2007 the Group disposed of 25% of its interest in ZAO Bugulminsky KHP #1 for the total consideration of RUR 136 million / USD* 5 million, decreasing its ownership from 100% to 75%. The carrying amount of the minority interest at the date of disposal was RUR 136 million/ USD* 5 million. Accordingly, the financial result on the transaction was RUR 0/ USD* 0 million.

(e) Disposal of subsidiaries

In June 2007 the Group disposed of its interest in OOO Azovsky Portovy Elevator, ZAO Sakharny kombinat Kolpnyansky and OOO Orelagroinvest for the total consideration of RUR 1,865 million / USD* 72 million. The gain on the disposal was recognised as part of the gains and losses on acquisition and disposal of subsidiaries included in operating expenses, net (note 7).

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

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 2007	
	Million RUR	*Million USD**
Non-current assets	697	27
Current assets	1,403	54
Non-current liabilities	(1,117)	(43)
Current liabilities	(405)	(16)
Net assets disposed of	578	22
Goodwill derecognised	104	4
Consideration received	(665)	(26)
Consideration receivable	(1,200)	(46)
	(1,183)	(46)

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/ USD* 23 million and RUR 327 million/ USD* 13 million, respectively. Subsequent to 30 June 2007 OOO Azovsky Portovy Elevator repaid its loan in full. Additionally, subsequent to 30 June 2007 the bank approved change of guarantor for the loan payable by ZAO Sakharny kombinat Kolpnyansky. The new guarantors will not belong to the Group.

During the six-month period ended 30 June 2006 the Group disposed of its interest in OAO Nurlatsky elevator to an entity controlled by the controlling shareholder of the Group. The disposal resulted in a net decrease in equity of RUR 57 million / USD* 2 million including minority interest of RUR 9 million / USD* 0.3 million.

5 Revenue

	Six-month period ended 30 June			
	2007	**2006**	**2007**	**2006**
	Million RUR		*Million USD**	
Revenue from sales	8,152	7,568	315	293
Revenue from processing, storage services and other sales	349	278	14	11
	8,501	7,846	329	304

6 Gains from changes in fair value of biological assets and agricultural produce

The gains from changes in fair value of biological assets and agricultural produce represent the difference between the cost and the fair value less point-of-sale costs of finished goods and investments in growing crops as at 30 June 2007.

The fair value of biological assets has been determined by applying estimated yields, obtained from published sources, to the area under cultivation, future prices as at 30 June 2007 and estimates of the extent of biological transformation as at 30 June 2007.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

7 Operating expenses, net

	Six-month period ended 30 June			
	2007	2006	2007	2006
	Million RUR		*Million USD**	
Distribution expenses	(605)	(131)	(23)	(5)
Administrative expenses	(673)	(344)	(26)	(13)
Taxes, other than on profit	(75)	(55)	(3)	(2)
Gain on disposal of subdiaries and minority shares	1,183	-	46	-
Negative goodwill on acquisition of minority share	19	-	1	-
Other operating expenses, net	(231)	(180)	(10)	(8)
	(382)	(710)	(15)	(28)

8 Income tax expense

	Six-month period ended 30 June			
	2007	2006	2007	2006
	Million RUR		*Million USD**	
Current tax expense	(554)	(314)	(21)	(12)
Deferred tax benefit	386	230	14	9
	(168)	(84)	(7)	(3)

The Group's applicable tax rate in 2007 and 2006 was 24%. Subsidiaries qualifying for the status of agricultural producers are taxed at 0% in 2007 and at 6% in the years 2008 – 2009.

Reconciliation of effective tax rate:

	Six-month period ended 30 June					
	2007			2006		
	Million RUR	Million USD*	%	Million RUR	Million USD*	%
Profit/(loss) before income tax	550	22	100	(21)	(1)	100
Income tax at applicable tax rate	(132)	(5)	(24)	5	-	24
Effect of income/(loss) taxed in low tax jurisdictions	33	1	6	(53)	(2)	(252)
Income of agriculture subsidiaries taxed at 0%	175	7	32	-	-	-
Provision for tax penalties (note 15)	(142)	(6)	(26)	-	-	-
Change in unrecognized deferred tax assets	(48)	(2)	(9)	-	-	-
Non-deductible items	(54)	(2)	(10)	(36)	(1)	(171)
	(168)	(7)	(31)	(84)	(3)	(399)

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

9 Earnings/(loss) per share

Basic and diluted earnings/(loss) per share are calculated by dividing the profit attributable to the shareholders of the Company amounting to RUR 414 million / USD* 16 million for the six-month period ended 30 June 2007 and loss of RUR 20 million / USD* 1 million for the six-month period ended 30 June 2006, by the weighted average number of shares outstanding in the current and comparative periods amounting to 105,742,580 and 103,500,000 shares respectively.

10 Property, plant and equipment

	Six-month period ended 30 June			
	2007	**2006**	**2007**	**2006**
	Million RUR		_Million USD*_	
Balance on 1 January	15,486	11,806	600	457
Purchases	276	1,112	11	43
Acquisitions through business combinations	-	571	-	22
Disposals	(88)	(24)	(3)	(1)
Disposals as part of the disposal of subsidiaries	(697)	-	(27)	-
Depreciation charge	(556)	(416)	(22)	(16)
Balance on 30 June	14,421	13,049	559	505

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.

Security

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

11 Other non-current assets

	30 June 2007	**31 December 2006**	**30 June 2007**	**31 December 2006**
	Million RUR		_Million USD*_	
Advances issued to third parties for acquisition of property, plant and equipment	1,001	384	39	15
Advances issued to related parties for acquisition of property, plant and equipment	208	217	8	8
Investments in associates	281	250	11	10
Equity securities available-for-sale	2	-	-	-
	1,492	851	58	33

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

12 Trade and other receivables

	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	Million RUR		*Million USD**	
Trade receivables	3,112	2,635	121	102
Advances to related parties	1,425	1,115	55	43
Receivables for disposed subsidiaries (note 4)	1,199	-	46	-
Advances	1,180	844	46	33
Loans given to related parties	1,169	848	45	33
Taxes receivable	550	540	21	21
Receivables from associates	82	88	3	3
Deferred expenses	41	22	2	1
Other receivables	418	324	16	13
Provision for doubtful accounts	(160)	(65)	(6)	(3)
	9,016	6,351	349	246

13 Equity

(a) Share capital

On 1 January 2006 the authorised capital of the Company comprised 100,000,000 ordinary shares with a par value of RUR 3 / USD* 0.11 each. All shares were issued and paid up.

In January 2006 the Company increased the number of authorised ordinary shares from 100,000,000 to 120,000,000.

In March 2006 the Company was listed on the Russian Trading System Stock Exchange (RTS) and on the Moscow Interbank Currency Exchange (MICEX). As part of the listing the controlling shareholder sold 30,000,000 shares at RUR 134 / USD* 5 per share. The Company sold 6,000,000 newly issued shares to the controlling shareholder at RUR 124 / USD* 5 per share. The difference between the nominal value of the shares issued of RUR 18 million / USD* 1 million and the consideration received of RUR 744 million / USD* 29 million reduced by the amount of expenses incurred on issue of RUR 22 million / USD* 1 million was credited to additional paid-in capital - refer condensed consolidated statement of changes in equity.

In September 2006 the Group redeemed 257,420 shares for RUR 30 million / USD* 1 million. The difference between the nominal value of the shares redeemed and the consideration paid was debited 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 owners of the Company.

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 2007 the Company's distributable reserves amounted to RUR 9 million / USD* 0 million (31 December 2006: RUR 9 million / USD* 0 million).

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

(c) Transactions with the controlling shareholder

(i) Transactions on Group reorganisation

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

The effects of transactions with the controlling shareholder during the six months ended 30 June 2006 are presented below:

	Six-month period ended 30 June	
	2006	2006
	Million RUR	*Million USD**
Excess of the group's interest in the carrying amount of the net identifiable assets of the subsidiaries acquired over the consideration paid to the entities controlled by the controlling shareholder	27	1
Excess of the group's interest in the carrying amount of the net identifiable assets of the subsidiaries disposed over the consideration received from the entities controlled by the controlling shareholder	(48)	(2)
	(21)	(1)

14 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 16.

	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	Million RUR		*Million USD**	
Non-current				
Unsecured bond issue	5,009	3,987	194	154
Unsecured non-bank loans	8	10	-	-
	5,017	3,997	194	154
Current				
Secured bank loans	8,646	8,168	335	316
Secured non-bank loans	8	-	-	-
Unsecured non-bank loans	6	5	-	-
Unsecured non-bank loans from related parties	433	448	17	17
Current portion of unsecured bond issue	140	105	5	4
	9,233	8,726	357	337
	14,250	12,723	551	491

The following assets secure loans:

- Property, plant and equipment with a carrying amount of RUR 3,751 million / USD* 145 million (31 December 2006: RUR 5,332 million / USD* 207 million);

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

- Inventory with a carrying amount of RUR 68 million / USD* 3 million (31 December 2006: RUR 69 million / USD* 3 million);
- Shares in the following subsidiaries of the Company:

	Shares pledged %
Anastasievskoe, OOO	100
Bugulminsky elevator, ZAO	75
Bugulminsky KHP#2, ZAO	75
Dubovskkhleboproduct, OAO	75
Elevator Rudny Klad, OAO	52
Gerkules, OAO	86
Izobilie, OOO	100
Karachaevo-Cherkessky Mukomol, ZAO	75
Karachaevo-Cherkessky Sakharny zavod, OAO	100
Khlebnaya baza 63, OAO	52
Kineshemsky mukomolny kombinat, OAO	90
Kondopozhsky KHP, OAO	95
Kshensky Sakharny Kombinat, ZAO	100
Lgovsky KHP, ZAO	100
Nurlatsky Elevator, ZAO	100
Nurlatsky sakhar, ZAO	100
Poltavsky KHP, OAO	90
Pristen-Sakhar, ZAO	100
Russko-Polyanskiy Elevator, OAO	64
Rzhavskoye HPP, OAO	97
Sakharny Kombinat Bolshevik, ZAO	100
Sakharny Kombinat Kurganinsky, ZAO	100
Sakharny kombinat Lgovsky, OAO	100
Sakharny Kombinat Otradinsky, ZAO	100
Sakharny kombinat Tikhoretsky, ZAO	100
Slavyansky KHP, OAO	84
Starodubsky elevator, OAO	100
Tsimlyanskkhleboprodukt, OAO	100
Tsimlyanskoe, OOO	100
Zelenokumsky elevator,OAO	50

15 Trade and other payables

	30 June 2007	**31 December 2006**	**30 June 2007**	**31 December 2006**
	Million RUR		*Million USD**	
Taxes payable	742	232	29	9
Trade payables	598	614	23	24
Advances received	211	152	8	6
Payables to employees	90	73	3	3
Payables to associates	25	13	1	1
Other payables and accrued expenses	137	113	5	4
	1,803	1,197	69	47

The balance of taxes payable includes a provision in the amount of RUR 496 million / USD* 19 million made by the Group in respect of the outflow of funds that would result if the structured transactions to sell shares in subsidiaries (notes 4(d) and 4(e)) are challenged by tax authorities.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

16 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

(a) Credit risk

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

At the balance sheet date 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 3,890 million / USD* 151 million or 43% of the total receivables (2006: RUR 3,969 million / USD* 154 million or 57% of the total receivables). In addition, the advances issued to related parties for acquisition of property, plant and equipment amounted to RUR 208 million / USD* 8 million (2006: RUR 217 million / USD* 8 million).

(b) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

In October 2005 the Group issued 3-year rouble nominated notes with the nominal value of RUR 2,000 million / USD* 77 million. The coupons are payable twice per year. The coupon rate is set at approximately 11.5 % per annum for payments 1 to 3 and 1% per annum for payments 4 to 6. The bonds amounting to RUR 1,979 million / USD* 77 million, were redeemed by the issuer on 23 March 2007 at par. As a result, the effective interest rate on the bonds was 8.01 % per annum.

In October 2006 the Group issued 5-year rouble denominated notes with a nominal value of RUR 2,000 million / USD* 77 million. The coupons are payable twice a year. The coupon rate is set at approximately 10.25 % per annum for payments 1 to 3. The coupon rate for payments 4 to 10 is determinable by the issuer. The effective interest rate on the issue for the period ended 30 June 2007 amounted to 10.47% per annum.

In March 2007 the Group issued 5-year rouble denominated notes with a nominal value of RUR 3,000 million / USD* 116 million. The coupons are payable twice a year. The coupon rate is set at approximately 10.99% per annum for payments 1 to 4. The coupon rate for payments 5 to 10 is determinable by the issuer. The effective interest rate on the issue for the period ended 30 June 2007 amounted to 11.14% per annum.

(c) Foreign currency risk

The Group incurs foreign currency risk on sales of grain, purchases of cane sugar and borrowings that are denominated in a currency other than the functional currencies of the respective Group entities. The currency giving rise to this risk is primarily USD. Management does not hedge the Group's exposure to foreign currency risk. The risk of changes in foreign currencies' rates is partially mitigated by cash inflows generated by USD denominated export revenues.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

(d) Fair values

The fair value of the Group's financial assets and liabilities as of 30 June 2007 and 31 December 2006 approximated their carrying amounts.

17 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 2007 the Group insured its property, plant and equipment and inventories for a total amount of RUR 8,587 million / USD* 333 million and RUR 401 million / USD* 16 million (31 December 2006: RUR 7,487 million / USD* 290 million and RUR 1,000 million / USD* 39 million), respectively.

In addition, the Group insured certain biological assets against failure of crops. The insurance covers grain and sugar beet crops harvested before August 2007. The maximum insurance coverage amounts to RUR 290 million / USD* 11 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

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. This may include forfeiture of an amount equal to value of underlying transactions, where the Russian tax authorities are successful in establishing that such transactions had no purpose other than tax avoidance.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on this condensed consolidated interim financial information, if the authorities were successful in enforcing their interpretations, could be significant.

Before 31 December 2004, the Group used a number of SPEs, in which it did not hold any direct or indirect equity interest, for tax minimisation purposes. The SPEs only conducted transactions on behalf of the Group companies. The Group controlled these companies and transactions. Accordingly, the financial statements of these SPEs were included in the Group's consolidated financial statements.

Management of these SPEs is responsible for the correctness and timeliness of the tax payments by the SPEs. The entities have not reported their tax obligations to the tax authorities nor settled their tax liabilities, in accordance with all requirements of the Russian Federation tax and accounting legislation. They have also not made any provisions for the corresponding tax liabilities in their separate statutory financial statements.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

In 2005, the Group gradually ceased using the SPEs described above and began using a new legal structure to reduce corporate income tax and VAT payments. This arrangement involved transactions among Group entities in low tax jurisdictions. Some of these transactions, although technically in compliance with the Tax Code of the Russian Federation, were not consistent with the clear objectives of the overall tax system and could be challenged by the tax authorities. The use of such arrangements ceased with effect from 1 January 2006.

Management has not provided any amounts in respect of such obligations in this condensed consolidated interim financial information as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

If these arrangements were successfully challenged by the Russian tax authorities, the tax payments could become due together with penalties, ranging from 20%-40% of the amount of underpaid taxes, and late-payment interest. Other outcomes are possible, however, and management has determined that it is impracticable to estimate the potential financial effect, if any, of the contingent liabilities referred to above.

During the course of 2006 the Group entered into structured transactions to acquire shares in certain subsidiaries of the Group for a total consideration of RUR 1,284 million / USD* 50 million and certain items of machinery and equipment for a total consideration of RUR 959 million / USD* 37 million. If the structure of these transactions were successfully challenged by the tax or other authorities, such challenge could potentially have significant operational and financial consequences for the Group. Management has not provided any amounts in respect of these obligations in this condensed consolidated interim financial information as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

For tax consequences of the transactions in 2007 refer note 15.

(c) Bankruptcy law

The bankruptcy law in Russia is relatively new, often unclear and subject to interpretations. Application of bankruptcy procedures in practice is often contradictory, and the legality of such procedures is often challenged by different groups of stakeholders even after all bankruptcy procedures have been completed.

A significant part of the assets of Group were acquired as a result of bankruptcy procedures. This fact creates uncertainty with respect to the title to such assets, which potentially may be subject to challenge by former legal owners of these assets or their stakeholders. The effect of such potential challenge, if successful, could be material and accordingly impact this condensed consolidated interim financial information of the Group. However, management believes that the likelihood of such challenge being successful is less than probable.

18 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.

No publicly available financial statements are produced by the Company's parent company, ultimate controlling party or any other intermediate controlling party.

(b) Transactions with management and close family members

Key management (Chairman of the Board of Directors, General Director, Deputy General Director and Finance Director of the Company, Directors of sugar and grain business segments) received RUR 14 million / USD* 0.5 million of remuneration during the six months ended 30 June 2007 (30 June 2006: 13 million / USD* 0.5 million).

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

(c) Transactions with other related parties

(i) Transactions with shares

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

In 2006 the Group acquired controlling and non-controlling interests from fellow subsidiaries controlled by the controlling shareholder of the Group. The details of the transactions are disclosed in notes 4(a) and 4(b).

(ii) Transactions with related parties

	Six-month period ended 30 June			
	2007	2006	2007	2006
	In millions RUR		In millions USD*	
Sales	688	82	27	3
Purchases	(725)	(1,244)	(28)	(48)
Other operating (expenses)/income, net	(17)	17	(1)	1
Interest income	68	30	3	1
Sales to third parties under commission agreements with related parties	122	100	5	4
Purchases from third parties under commission agreements with related parties	(484)	(30)	(19)	(1)

(iii) Balances with related parties

	30 June 2007	1 January 2007	30 June 2007	1 January 2007
	In millions RUR		In millions USD*	
Loans issued to related parties	1,169	1,518	45	59
Trade and other receivables from related parties	2,092	922	81	36
Advances issued to related parties	837	1,332	32	51
Loans received from related parties	(433)	(448)	(17)	(17)
Trade and other payables to related parties	(259)	(173)	(10)	(7)

(iv) Guarantees issued

As at 30 June 2007 the Group did not have outstanding guarantees securing loan obligations of its fellow subsidiaries (31 December 2006: RUR 170 million/ USD* 7 million).

(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.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

19 Seasonality of operations

Sugar

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

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.

20 Significant subsidiaries

	Effective ownership, %	
	30 June 2007	30 June 2006
Holding companies		
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
Ultimate Global Investment Limited (BVI)	100	100
AgroServicGrup, OOO	100	100
Razguliay Capital Limited	100	100
Grain segment		
Agrofirma Poltavskaya, ZAO	100	100
Anastasievskoe, OOO	84	84
Azovskaya zernovaya kompaniya, OOO	100	100
Azovsky portovy elevator, OOO (note 4)	-	100
Bugulminsky elevator, ZAO	100	100
Bugulminsky KHP#1, ZAO	75	100
Bugulminsky KHP#2, ZAO	100	100
Dubovskkhleboproduct, OAO	75	75
Elevator Rudny Klad, OAO	52	52
Gerkules, OAO	86	86
Izobilie, OOO	100	100
Karachaevo-Cherkessky Mukomol, ZAO	75	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	100	100
Poltavsky KHP, OAO	90	90
Razguliay-Krupa, OOO	100	100
Razguliay-Muka, OOO	100	100
Russkaya bakaleynaya kompaniya, OOO	100	100
Russko-Polyanskiy elevator, OAO	85	64
Rzhavskoye HPP, OAO	97	97
Slavyansky KHP, OAO	84	84
Starodubsky elevator, OAO	100	100
Svetlogradsky elevator, OAO	56	56
Torgovy Dom Razgulay-Zerno, OOO	100	100
Tsimlyanskoe, OOO	100	100
Tsimlyanskkhleboprodukt, OAO	100	100

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).

	Effective ownership, % 30 June 2007	30 June 2006
Zelenokumsky elevator,OAO	50	50
Sugar segment		
Agroinvest, OOO	100	100
Chishminsky sakharny zavod, OAO	58	58
Druzhba, ZAO	100	100
Karachaevo-Cherkessky sakharny zavod,OAO	90	90
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
Nikalt, ZAO	100	100
Nurlatsky sakhar, ZAO	100	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	58	58
Otradaagroinvest, OOO	100	100
Belgorodagroinvest, OOO	100	100
Kshenagro, OOO	100	100
Nurlatagroinvest, OOO	100	100
Orelagroinvest, OOO (note 4)	-	100
Sakharny kombinat Kolpnyansky, ZAO (note 4)	-	100

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

21 Earnings before interest, tax, depreciation and amortisation

	Six-month period ended 30 June			
	2007	**2006**	**2007**	**2006**
	Million RUR		_Million USD*_	
Profit/(loss) for the period	382	(105)	15	(4)
Income tax expense	168	84	7	3
Depreciation	556	416	22	16
Interest expense, net	597	407	23	16
Foreign exchange losses attributable to loans	(7)	(52)	-	(2)
	1,696	750	67	29

22 Events subsequent to the balance sheet date

In July 2007 the Group sold 75% shares of ZAO Bugulminsky KHP#1 to a third party. As of the date of issue of this condensed consolidated interim financial information the Group is in process of finalising the terms of this transaction. It is not possible to estimate the effect of the transactions on the Group's consolidated financial position and financial performance until the terms of the deal have been finalised.

In July 2007 the Group acquired 26% shares of OAO Chishminsky sakharny zavod for a consideration of RUR 15 million / USD* 1 million payable in cash.

(*) The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated interim financial information - refer note 2(e).