OJSC LSR Group

Consolidated Interim Financial Statements for the six months ended 30 June 2009

Contents

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Independent Auditors' Report

Board of Directors of OJSC LSR Group

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of OJSC LSR Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2009, and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes to the consolidated interim financial statements. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on these consolidated interim financial statements 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 interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not present fairly, in all material respects, the consolidated interim financial position of the Group as at 30 June 2009, and its consolidated interim financial performance and its consolidated interim cash flows for the six month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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23 October 2009

		Six months ended 30 June			
		2009	2008	2009	2008
	Note	’000 RUR	’000 RUR	’000 USD	’000 USD
Revenue		20,330,091	22,156,687	614,798	925,354
Cost of sales		(13,225,679)	(13,839,678)	(399,955)	(578,001)
Gross profit		7,104,412	8,317,009	214,843	347,353
Distribution expenses		(881,472)	(1,086,886)	(26,656)	(45,393)
Administrative expenses	8	(1,680,688)	(2,269,029)	(50,825)	(94,764)
Change in fair value of investment property	16/17	(2,134,077)	(3,816,981)	(64,536)	(159,413)
Other income	9	73,608	-	2,226	-
Other expenses	9	(77,532)	(48,007)	(2,345)	(2,005)
Results from operating activities		2,404,251	1,096,106	72,707	45,778
Financial income	11	279,605	301,847	8,455	12,606
Financial expenses	11	(2,774,165)	(1,210,836)	(83,893)	(50,569)
(Loss) / profit before income tax		(90,309)	187,117	(2,731)	7,815
Income tax expense	12	(97,492)	(117,096)	(2,948)	(4,890)
(Loss) / profit for the period		(187,801)	70,021	(5,679)	2,925
Other comprehensive income					
Foreign currency translation differences for foreign operations		51,204	(10,159)	(71,430)	80,959
Other comprehensive income for the period, net of income tax		51,204	(10,159)	(71,430)	80,959
Total comprehensive (loss) / income for the period		(136,597)	59,862	(77,109)	83,884
(Loss) /Profit attributable to:					
Shareholders of the Company		(118,725)	(92,697)	(3,590)	(3,871)
Minority interest		(69,076)	162,718	(2,089)	6,796
(Loss) / profit for the period		(187,801)	70,021	(5,679)	2,925

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

		Six months ended 30 June			
		2009	**2008**	**2009**	**2008**
	Note	**'000 RUR**	**'000 RUR**	**'000 USD**	**'000 USD**
Total comprehensive (loss) / income attributable to:					
Shareholders of the Company		(67,521)	(102,856)	(75,020)	74,072
Minority interest		(69,076)	162,718	(2,089)	9,812
Total comprehensive (loss) / income for the period		(136,597)	59,862	(77,109)	83,884
Basic and diluted loss per share	25				
Ordinary shares		(1.27) RUR	(0.99) RUR	(0.04) USD	(0.04) USD

These consolidated interim financial statements were approved by management on 23 October 2009 and were signed on its behalf by:

I.M. Levit
Chief Executive Officer

E.V. Tumanova
Chief Financial Officer

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

	Note	30 June 2009 '000 RUR	31 December 2008 '000 RUR	30 June 2009 '000 USD	31 December 2008 '000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	14	30,226,697	28,314,000	966,005	963,704
Investment property under development	16	2,502,829	5,488,448	79,987	186,806
Investment property	17	1,925,057	1,925,057	61,522	65,522
Intangible assets	15	4,576,052	4,615,488	146,245	157,094
Other investments	18	59,006	124,627	1,886	4,242
Deferred tax assets	19	1,071,533	876,831	34,245	29,844
Trade and other receivables	21	1,011,210	1,206,318	32,317	41,059
Restricted cash	23	2,082,385	4,259,234	66,550	144,969
Total non-current assets		43,454,769	46,810,003	1,388,757	1,593,240
Current assets					
Other investments	18	163,565	133,648	5,227	4,549
Inventories	20	50,729,147	50,695,817	1,621,237	1,725,497
Income tax receivable		186,310	290,156	5,954	9,876
Trade and other receivables	21	13,066,570	12,661,265	417,590	430,943
Cash and cash equivalents	22	678,698	3,246,060	21,690	110,483
Restricted cash	23	715,776	-	22,875	-
Assets classified as held for sale	6	277,624	61,903	8,872	2,107
Total current assets		65,817,690	67,088,849	2,103,445	2,283,455
Total assets		109,272,459	113,898,852	3,492,202	3,876,695

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

	Note	30 June 2009 '000 RUR	31 December 2008 '000 RUR	30 June 2009 '000 USD	31 December 2008 '000 USD
EQUITY AND LIABILITIES					
Equity	24				
Share capital		32,235	32,235	1,164	1,164
Share premium		14,562,700	14,562,700	569,931	569,931
Additional paid in capital		16,477,114	16,477,226	638,447	638,450
Foreign currency translation reserve		72,986	21,782	(225,446)	(154,016)
Retained earnings		3,112,284	3,231,009	106,807	110,397
Total equity attributable to shareholders of the Company		34,257,319	34,324,952	1,090,903	1,165,926
Minority interest		615,600	686,387	23,590	25,731
Total equity		34,872,919	35,011,339	1,114,493	1,191,657
Non-current liabilities					
Loans and borrowings	26	14,574,102	18,863,532	465,769	642,045
Deferred tax liabilities	19	1,737,679	2,246,027	55,534	76,446
Trade and other payables	28	36,756	37,165	1,175	1,265
Provisions	27	1,097	1,700	35	58
Total non-current liabilities		16,349,634	21,148,424	522,513	719,814
Current liabilities					
Bank overdrafts	22	47,081	57,937	1,505	1,972
Loans and borrowings	26	24,606,446	17,952,486	786,390	611,036
Income tax payable		241,018	323,374	7,703	11,006
Trade and other payables	28	32,396,171	38,512,147	1,035,335	1,310,811
Provisions	27	749,485	885,556	23,953	30,141
Liabilities classified as held for sale	6	9,705	7,589	310	258
Total current liabilities		58,049,906	57,739,089	1,855,196	1,965,224
Total liabilities		74,399,540	78,887,513	2,377,709	2,685,038
Total equity and liabilities		109,272,459	113,898,852	3,492,202	3,876,695

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

	Six months ended 30 June			
	2009	**2008**	**2009**	**2008**
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
OPERATING ACTIVITIES				
(Loss) / profit for the period	(187,801)	70,021	(5,679)	2,925
Adjustments for:				
Depreciation and amortisation	1,157,236	895,590	34,996	37,404
Loss on disposal of property, plant and equipment	11,582	17,842	350	745
Change in fair value of investment property	2,134,077	3,816,981	64,536	159,413
Net finance expense	2,494,560	908,989	75,438	37,963
Income tax expense	97,492	117,096	2,948	4,890
Operating profit before changes in working capital and provisions	5,707,146	5,826,519	172,589	243,340
(Increase)/ decrease in inventories	965,578	(4,914,233)	29,200	(205,239)
Increase in trade and other receivables	(210,197)	(5,006,769)	(6,357)	(209,103)
(Decrease)/ increase in trade and other payables	(3,466,685)	3,972,524	(104,835)	165,909
(Decrease)/ increase in provisions	(136,674)	86,858	(4,133)	3,628
Cash flows from / (utilized by) operations before income taxes and interest paid	2,859,168	(35,101)	86,464	(1,465)
Income taxes paid	(770,848)	(1,274,993)	(23,311)	(53,249)
Interest paid	(1,996,545)	(1,182,986)	(60,377)	(49,406)
Cash flows from / (utilised by) operating activities	91,775	(2,493,080)	2,776	(104,120)

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

	Six months ended 30 June			
	2009	2008	2009	2008
	'000 RUR	'000 RUR	'000 USD	'000 USD
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	408,021	136,488	12,339	5,700
Interest received	41,551	142,277	1,257	5,942
Acquisition of property, plant and equipment	(3,622,561)	(4,522,392)	(109,549)	(188,874)
Decrease /(increase) in restricted cash	1,461,073	(3,906,861)	44,184	(163,167)
Acquisition of intangible assets	(1,153)	(19,054)	(35)	(796)
Acquisition of investment property and investment property under development	(199,450)	(547,390)	(6,032)	(22,861)
Loans given	(49,076)	(118,918)	(1,484)	(4,968)
Loans repaid	32,985	193,809	997	8,094
Acquisition of subsidiaries, net of cash acquired (note 7)	(2,923,176)	(2,611,691)	(88,399)	(109,075)
Acquisition of minority interest	(1,923)	(60,554)	(58)	(2,528)
Disposal of minority holdings in subsidiaries	100	978	3	41
Disposal of other investments	50,648	-	1,532	-
Cash flows utilised by investing activities	(4,802,961)	(11,313,308)	(145,245)	(472,492)
FINANCING ACTIVITIES				
Proceeds from borrowings	11,298,158	13,781,247	341,665	575,562
Repayment of borrowings	(7,993,283)	(4,516,424)	(241,723)	(188,623)
Repayment of bonds	(795,731)	-	(24,064)	-
Distribution to shareholders	-	(40,138)	-	(1,677)
Payment of finance lease liabilities	(418,434)	(511,669)	(12,654)	(21,369)
Cash flows from financing activities	2,090,710	8,713,016	63,224	363,893
Net decrease in cash and cash equivalents	(2,620,476)	(5,093,372)	(79,245)	(212,719)
Cash and cash equivalents at the beginning of the period	3,188,123	8,593,449	108,511	350,093
Effect of exchange rate fluctuations on cash and cash equivalents	63,970	65	(9,081)	11,839
Cash and cash equivalents at the end of the period (note 22)	631,617	3,500,142	20,185	149,213

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

’000 RUR	Attributable to shareholders of the Company							Minority interest	Total equity
	Share capital	Restitutable shares reserve	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total		
Balance at 1 January 2008	30,106	14,564,829	-	16,428,655	30,607	11,408,060	42,462,257	514,395	42,976,652
Total comprehensive income for the period									
(Loss)/ profit for the period	-	-	-	-	-	(92,697)	(92,697)	162,718	70,021
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	(10,159)	-	(10,159)	-	(10,159)
Total comprehensive income for the period					(10,159)	(92,697)	(102,856)	162,718	59,862
Transactions with owners recorded directly in equity									
Excess of book values of net assets acquired for entities under common control over consideration paid	-	-	-	18,815	-	-	18,815	-	18,815
Excess of minority interest acquired for entities under common control over consideration paid	-	-	-	243,020	-	-	243,020	(252,466)	(9,446)
Excess of consideration paid over minority interest acquired for entities under common control	-	-	-	(25,146)	-	-	(25,146)	(25,962)	(51,108)
Excess of minority interest sold over consideration received for entities under common control	-	-	-	(120,958)	-	-	(120,958)	121,936	978
Excess of consideration received for entities under common control over book values of net assets sold	-	-	-	1,992	-	-	1,992	-	1,992
Acquisition of subsidiaries	-	-	-	-	-	-	-	145,857	145,857
Distribution to shareholders	-	-	-	(40,138)	-		(40,138)	-	(40,138)
Shares issued	2,129	(14,564,829)	14,562,700	-	-	-	-	-	-
Balance at 30 June 2008	32,235	-	14,562,700	16,506,240	20,448	11,315,363	42,436,986	666,478	43,103,464

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

’000 RUR	**Attributable to shareholders of the Company**							**Minority interest**	**Total equity**
	Share capital	**Restitutable shares reserve**	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2009	32,235	-	14,562,700	16,477,226	21,782	3,231,009	34,324,952	686,387	35,011,339
Total comprehensive income for the period									
(Loss) / profit for the period	-	-	-	-	-	(118,725)	(118,725)	(69,076)	(187,801)
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	51,204	-	51,204	-	51,204
Total comprehensive income for the period	-	-	-	-	51,204	(118,725)	(67,521)	(69,076)	(136,597)
Transactions with owners recorded directly in equity									
Excess of minority interest acquired for entities under common control over consideration paid	-	-	-	66	-	-	66	(1,766)	(1,700)
Excess of consideration paid over minority interest acquired for entities under common control	-	-	-	(132)	-	-	(132)	(91)	(223)
Excess of minority interest sold over consideration received for entities under common control	-	-	-	(46)	-	-	(46)	146	100
Balance at 30 June 2009	32,235	-	14,562,700	16,477,114	72,986	3,112,284	34,257,319	615,600	34,872,919

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

’000 USD	Attributable to shareholders of the Company							Minority interest	Total
	Share capital	**Restitutable shares reserve**	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2008	1,078	570,017	-	636,495	83,631	440,581	1,731,802	19,045	1,750,847
Total comprehensive income for the period									
(Loss) /Profit for the period	-	-	-	-	-	(3,871)	(3,871)	6,796	2,925
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	78,366	(423)	77,943	3,016	80,959
Total comprehensive income for the period					78,366	(4,294)	74,072	9,812	83,884
Transactions with owners recorded directly in equity									
Excess of book values of net assets acquired for entities under common control over consideration paid	-	-	-	786	-	-	786	-	786
Excess of minority interest acquired for entities under common control over consideration paid	-	-	-	10,150	-	-	10,150	(10,544)	(394)
Excess of consideration paid over minority interest acquired for entities under common control	-	-	-	(1,050)	-	-	(1,050)	(1,084)	(2,134)
Excess of minority interest sold over consideration received for entities under common control	-	-	-	(5,052)	-	-	(5,052)	5,093	41
Excess of consideration received for entities under common control over book values of net assets sold	-	-	-	83	-	-	83	-	83
Acquisition of subsidiaries	-	-	-	-	-	-	-	6,092	6,092
Distribution to shareholders	-	-	-	(1,677)	-	-	(1,677)	-	(1,677)
Shares issued	89	(570,017)	569,928	-	-	-	-	-	-
Balance at 30 June 2008	1,167	-	569,928	639,735	161,997	436,287	1,809,114	28,414	1,837,528

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

’000 USD	Attributable to shareholders of the Company							Minority interest	Total
	Share capital	Restitutable shares reserve	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total		
Balance at 1 January 2009	1,164	-	569,931	638,450	(154,016)	110,397	1,165,926	25,731	1,191,657
Total comprehensive income for the period									
(Loss) /profit for the period	-	-	-	-	-	(3,590)	(3,590)	(2,089)	(5,679)
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-		(71,430)	-	(71,430)	-	(71,430)
Total comprehensive income for the period	-	-	-		(71,430)	(3,590)	(75,020)	(2,089)	(77,109)
Transactions with owners recorded directly in equity									
Excess of minority interest acquired for entities under common control over consideration paid	-	-	-	2	-	-	2	(53)	(51)
Excess of consideration paid over minority interest acquired for entities under common control	-	-	-	(4)	-	-	(4)	(3)	(7)
Excess of minority interest sold over consideration received for entities under common control	-	-	-	(1)	-	-	(1)	4	3
Balance at 30 June 2009	1,164	-	569,931	638,447	(225,446)	106,807	1,090,903	23,590	1,114,493

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 104.

1 Background

(a) Organisation and operations

OJSC LSR Group (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian limited liability and open and closed joint stock companies as defined in the Civil Code of the Russian Federation, and companies located in other countries.

The Company's registered office is at 36, Kazanskaya Ulitsa, St. Petersburg, 190031, Russia.

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 are available upon request from the Company's registered office at 36, Kazanskaya Ulitsa, St. Petersburg, 190031, Russia or at www.lsrgroup.ru.

The Group's principal activities include real estate development in St. Petersburg, Munich and Moscow, prefabricated panel construction in St. Petersburg and Yekaterinburg, commercial real estate development in St. Petersburg and Moscow, the production of building materials at plants located in Russia (St. Petersburg, Leningrad region and Urals Region), Latvia Estonia and Ukraine the extraction and processing of aggregates in different areas of Leningrad region, and the provision of construction services. These products and services are sold mainly in Russia.

The Group's significant subsidiaries are detailed in note 33.

The Group is ultimately controlled (72.9%) by a single individual, Mr. A. Molchanov, who has the power to direct the transactions of the Group at his own discretion and for his own benefit. Related party transactions are detailed in note 32. Subsequent to the balance sheet date Mr. A. Molchanov reduced his share to 68.38% (refer to note 34).

(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. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The consolidated interim financial statements reflect 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

These consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

These consolidated interim financial statements were approved by the Board of Directors on 23 October 2009.

(b) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis except for the following material items in the statement of financial position:

- investment properties and investment properties under development are measured at fair value;
- financial investments classified as available-for-sale are stated at fair value.

The carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 may include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(c) 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 these consolidated interim financial statements are presented. These consolidated interim financial statements are also presented in United States Dollars ("USD") since the management believes that this currency is useful for the users of the consolidated interim financial statements. All financial information presented has been rounded to the nearest thousand, except if otherwise indicated. The RUR is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUR to USD should not be construed as a representation that the RUR amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

(d) Use of estimates and judgments

The preparation of the consolidated interim financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in the following notes:

- Note 15 – impairment;
- Notes 16 and 17 – determination of fair values of investment properties and investment properties under development;
- Note 27 – warranty provision, provision for site restoration and environment restoration; and
- Note 31 – contingencies.

(e) Change in accounting policy

(i) Overview

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- Accounting for borrowing costs;
- Determination and presentation of operating segments;
- Presentation of the financial statements;
- Accounting for investment property.

(ii) Accounting for borrowing costs

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

The Group has capitalised borrowing costs with respect to property, plant and equipment under construction (see note 3 (e) (i)) and development costs (see note 3 (f) (ii)).

(iii) Determination and presentation of operating segments

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

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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

Segment results that are reported to the CEO include items, directly attributable to a segment as well as those, that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), financial income and expeses, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

(iv) Presentation of financial statements

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

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

(v) Accounting for investment property

The Group applies revised IAS 40 *Investment Property*, which became effective as of 1 January 2009. Property that is being constructed or developed for future use as investment property is treated as investment property and recognised at fair value. The change in accounting policy had no impact on assets, profit or earnings per share in the interim period ended 30 June 2009.

3 Significant accounting policies

The accounting policies set out below has been applied consistently to all period, presented in these consolidated interim financial statements, and have been applied consistently by the Group entities, except as explained in note 2 (e), which addresses changes in the accounting policies.

Certain comparative amounts have been reclassified to conform with the current years` presentation of which the significant ones are described below:

- Revenue from transportation services was netted off in the amount of RUR 355,452 thousand / USD 14,845 thousand with cost of sales in the amount of RUR 290,534 thousand / USD 12,134 thousand and distribution expenses in the amount of RUR 64,918 thousand / USD 2,711 thousand;
- Non-recoverable VAT in the amount of RUR 458,816 thousand / USD 15,616 thousand was reclassified from trade and other receivables into inventory;

Management believes that such presentation is more appropriate.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Special purpose entities

The Group has established a number of special purpose entities (“SPE”s) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities.

An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving all of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or their assets.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their carrying amounts in the financial statements of the entities transferred. If these companies previously have not prepared IFRS financial statements, assets and liabilities are determined in accordance with IFRS1. Any difference between the book value of net assets acquired and consideration paid is recognised as a contribution from, or distribution to, shareholders.

(iv) Disposals to entities under common control

Disposals of controlling interests in entities to the same controlling shareholder that controls the Company are accounted for at the date of transfer of shares from the Group. The assets and liabilities sold are derecognised at their book values as recognised in the financial statements of the Group. Any difference between the book value of net assets sold and consideration received is recognised as a contribution from, or a distribution to, shareholders.

(v) Acquisitions and disposals of minority interests

Any difference between the consideration paid to acquire a minority interest, and the carrying amount of that minority interest, is recognised as a contribution from or a distribution to shareholders.

Any difference between the consideration received upon disposal of a minority portion of the Group's interest in a subsidiary, and the carrying amount of that portion of the Group's interest in the subsidiary, including attributable goodwill, is recognised as a distribution to, or a contribution from, shareholders.

(vi) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in foreign currency translated at the exchange rate at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUR at the weighted average exchange rate for the period which approximates the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since 1 January 2005, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the statement of comprehensive income as part of profit or loss on disposal.

(iii) Translation to presentation currency

The assets and liabilities of Group enterprises are translated to USD at exchange rates at the reporting date. Income and expenses are translated to USD at rates approximating exchange rates at the dates of the transactions. Translation differences are recognised directly in equity in the foreign currency translation reserve.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers to right to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and loans issued.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be estimated on a reasonable basis by other means, investments are stated at cost less impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised in other comprehensive income and presented within equity in the additional paid-in capital. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of comprehensive income. When revalued assets are sold, the amounts included in the revaluation reserve within the additional paid-in capital are transferred to retained earnings.

(ii) Reclassification of owner occupied property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain or loss on remeasurement is recognised in equity.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

(iv) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20 to 50 years
- Machinery and equipment 5 to 29 years
- Transportation equipment 8 to 20 years
- Other fixed assets 5 to 20 years.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(f) Intangible assets

(i) Goodwill and negative goodwill

Goodwill or negative goodwill arises on the acquisition of subsidiaries, associates and joint ventures and is included in intangible assets.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Acquisitions prior to 1 January 2005

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2005. The Group did not prepare consolidated financial statements under Russian GAAP. In respect of acquisitions prior to 1 January 2005, goodwill therefore represents the difference between the Company’s interest in a subsidiary’s net identifiable assets on the date of transition and the cost of that interest.

Acquisitions on or after 1 January 2005

For acquisitions on or after 1 January 2005, goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Any negative goodwill is recognised immediately in the statement of comprehensive income.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs (see note 2 (e) (ii)). Other development expenditure is recognised in the statement of other comprehensive income as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income when incurred.

(v) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefit s embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Acquired rights to lease of land for development are recognised at cost in inventory or investment property under development.

(h) Investment property under development

Investment property under development consists of plots of land, wholly or partly owned by the Group or leased to the Group, on which commercial properties are being, or will be, built. These properties will be leased to third parties on completion.

Investment property under development consists of two components: land and buildings. Land and buildings are measured at fair value with any change therein recognised in the statement of comprehensive income

In the absence of current prices in an active market, the fair values of are established by considering the aggregate of the estimated cash flows expected to be received from renting out the property less the estimated costs, including developer's profit margin, to complete the individual projects to the stage where they could be marketed as well as actual costs incurred. Discount rate that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. In the case when investment property forms part of a larger property unit, it is distinguished on the basis of the area which it occupies in the total area of the property unit. Investment property is measured at fair value with any change therein recognised in the statement of comprehensive income.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 3(p) (iii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

(l) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial asset (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less then suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the additional paid-in capital in equity, to the statement of comprehensive income. The cumulative loss that is removed from other comprehensive income and recognised in the statement of comprehensive income is the difference between the acquisition cost, net of any principal repayments and amortisation, and the current fair value, less any impairment loss previously recognised in the statement of comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the statement of comprehensive income, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, investment properties under development, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(m) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in statement of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

(n) Employee benefits

Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an expense in the statement of comprehensive income when they are due.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

(ii) Site restoration

In accordance with the Group's environmental policy and applicable statutory requirements, provision is made for site restoration of the land being quarried. The related expense is recognised in the statement of comprehensive income as quarrying is carried out.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(p) Revenues

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and he amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from the sale of flats is recognised when the buyer signs the act of acceptance of the property, following certification by the competent Authorities.

(ii) Services

Revenue from services, rendered by the "Construction" segment, is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Revenue from services, rendered by the "Construction services" segment is recognised in the statement of comprehensive income when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the statement of comprehensive income in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create as asset related to future contract activity.

The stage of completion is assessed as the proportion that contract costs incurred for work performed to date bear to estimated total contract costs. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

(iv) Rental income

Rental income from investment property is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(q) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the statement of comprehensive income as incurred.

(r) Financial income and finance costs

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(s) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Earnings per share

The Group presents basic and earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 2 (e) (iii)).

Inter-segment pricing is determined on an arm's length basis.

(v) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2009, and have not been applied in preparing this consolidated interim financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the statement of comprehensive income. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated interim financial statements.
- Amendment to IAS 39 Financial Instruments: *Recognition and Measurement – Eligible Hedged Items* clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment, which becomes mandatory for the Group's 2010 consolidated financial statements, with retrospective application required, is not expected to have any impact on the consolidated interim financial statements.

- Revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 (2008) *Consolidated and Separate Financial Statements*, which come into effect on 1 July 2009 (i.e. become mandatory for the Group's 2010 consolidated financial statements). The revisions address, among others, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require to recognise the effects of transactions with non-controlling interest directly in equity.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* addresses the accounting of non-cash dividend distributions to owners. The interpretation clarifies when and how the non-cash dividend should be recognised and how the differences between the dividend paid and the carrying amount of the net assets distributed should be recognised. IFRIC 17 becomes effective for annual periods beginning on or after 1 July 2009.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(b) Investment property and investment property under development

The fair value of investment property and the investment property under development is based on valuations, performed by external independent valuation companies, who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment property being valued every six months. The valuations are based primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm's lengths basis, using the Discounted Cash Flow technique for investment property under development and income approach for investment property, undertaken according to the requirements of the United Kingdom's Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

(c) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(d) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(e) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(f) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(g) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group has six 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. The format of reporting segments is based on Group’s management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

(a) Operating segments

The following summary describes the operations in each of the Group's reportable segments:

Real Estate Development business units specialize in the development of elite, mass-market and business class residential real estate, gated communities and commercial real estate

Commercial real estate. Commercial Real Estate business unit owns and operates business centres.

Building materials. The building materials business units are engaged in the production of brick, concrete and reinforced concrete items, ready-mix concrete, aerated concrete blocks, and window blocks and doors.

Aggregates. Aggregates business units are engaged in crushed stone production, land-based and marine-dredged sand extraction.

Construction. Construction business units specialize in panel construction.

Construction services. Construction services business units specialize in providing of tower cranes services, transportation of construction materials and pile driving services.

(b) Geographical information

The operations of the Group are conducted and managed primarily in St. Petersburg, in Moscow and in Yekaterinburg, where the production facilities and sales offices of the Group are located. The Group also has operations in Germany, Latvia, Ukraine and Estonia, the volume of which is not significant to total operations of the Group. Accordingly, no geographical segmental information is presented.

(c) Major customer

Revenues from one customer of the Group's construction segment represents approximately RUR 2,732,936 thousand/ USD 82,646 thousand (six months ended 30 June 2008: RUR 1,408,102 thousand/ USD 58,808 thousand) of the Group's total revenues.

(i) Operating segments

Six months ended 30 June 2009 ’000 RUR	Real estate development	Commercial real estate	Building materials	Aggregates	Construction	Construction services	Other entities	Eliminations	Consolidated
Revenue from external customers	9,388,572	76,764	4,410,441	1,529,756	3,999,415	758,887	166,256	-	20,330,091
Inter-segment revenue	20,275	1	259,483	212,399	427,600	180,531	-	(1,100,289)	-
Total segment revenue	9,408,847	76,765	4,669,924	1,742,155	4,427,015	939,418	166,256	(1,100,289)	20,330,091
Segment result	1,555,684	42,087	(351,549)	378,290	565,458	179,744	-	270,839	2,640,553
Unallocated expenses									(236,302)
Financial income									279,605
Financial expenses									(2,774,165)
Income tax expense									(97,492)
Loss for the period									(187,801)
Depreciation/amortisation	18,422	772	431,599	237,016	264,029	152,364	53,034	-	1,157,236
Capital expenditure	2,257	165	3,565,145	37,911	164,213	9,005	2,753	(150,092)	3,631,357

Six months ended 30 June 2008 ’000 RUR	Real estate development	Commercial real estate	Building materials	Aggregates	Construction	Construction services	Other entities	Eliminations	Consolidated
Revenue from external customers	5,608,582	80,569	8,905,792	2,451,005	4,064,987	971,125	74,627	-	22,156,687
Inter-segment revenue	35,630	11,817	699,202	664,928	1,700,089	414,012	-	(3,525,678)	-
Total segment revenue	5,644,212	92,386	9,604,994	3,115,933	5,765,076	1,385,137	74,627	(3,525,678)	22,156,687
Segment result	(1,334,076)	(309,335)	1,368,478	989,258	1,149,834	234,981	-	(425,964)	1,673,176
Unallocated expenses									(577,070)
Financial income									301,847
Financial expenses									(1,210,836)
Income tax expense									(117,096)
Profit for the period									70,021
Depreciation/amortisation	12,532	478	341,507	208,127	166,291	134,915	31,740	-	895,590
Capital expenditure	182,136	959	3,041,398	552,321	484,289	505,655	162,483	(80,605)	4,848,636

Six months ended 30 June 2009 **'000 USD**	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Revenue from external customers	283,918	2,321	133,375	46,261	120,946	22,949	5,028	-	614,798
Inter-segment revenue	613	-	7,847	6,423	12,931	5,459	-	(33,273)	-
Total revenue	284,531	2,321	141,222	52,684	133,877	28,408	5,028	(33,273)	614,798
Segment result	47,045	1,273	(10,631)	11,440	17,100	5,436	-	8,190	79,853
Unallocated expenses									(7,146)
Financial income									8,455
Financial expenses									(83,893)
Income tax expense									(2,948)
Loss for the period									(5,679)
Depreciation/amortisation	557	23	13,052	7,168	7,984	4,608	1,604	-	34,996
Capital expenditure	68	5	107,813	1,146	4,966	272	83	(4,538)	109,815

Six months ended 30 June 2008 **'000 USD**	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Revenue from external customers	234,237	3,365	371,943	102,364	169,771	40,558	3,116	-	925,354
Inter-segment revenue	1,488	494	29,202	27,770	71,003	17,291	-	(147,248)	-
Total revenue	235,725	3,859	401,145	130,134	240,774	57,849	3,116	(147,248)	925,354
Segment result	(55,716)	(12,919)	57,153	41,315	48,022	9,814	-	(17,790)	69,879
Unallocated expenses									(24,101)
Financial income									12,606
Financial expenses									(50,569)
Income tax expense									(4,890)
Profit for the period									2,925
Depreciation/amortisation	523	20	14,263	8,692	6,945	5,635	1,326	-	37,404
Capital expenditure	7,607	40	127,021	23,067	20,226	21,118	6,786	(3,366)	202,499

Six months ended 30 June 2009 ’000 RUR	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Segment assets	69,010,412	2,191,914	25,150,088	4,820,979	9,853,997	3,475,070	-	(13,116,605)	101,385,855
Unallocated assets									7,886,604
Total assets									109,272,459
Segment liabilities	28,604,024	285,514	3,779,618	736,158	2,707,239	591,224	-	(4,771,775)	31,932,002
Unallocated liabilities									42,467,538
Total liabilities									74,399,540

Six months ended 30 June 2008 ’000 RUR	**Real Estate Development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Segment assets	71,946,452	1,887,154	23,922,137	6,475,195	7,957,728	3,128,900	-	(15,542,285)	99,775,281
Unallocated assets									9,165,896
Total assets									108,941,177
Segment liabilities	29,666,012	627,600	4,595,529	942,442	1,928,213	1,196,913	-	(13,292,117)	25,664,592
Unallocated liabilities									40,173,121
Total liabilities									65,837,713

Six months ended 30 June 2009 '000 USD	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Segment assets	2,205,482	70,051	803,764	154,072	314,921	111,059	-	(419,189)	3,240,160
Unallocated assets									252,042
Total assets									3,492,202
Segment liabilities	914,147	9,125	120,792	23,527	86,520	18,895	-	(152,500)	1,020,506
Unallocated liabilities									1,357,203
Total liabilities									2,377,709

Six months ended 30 June 2008 '000 USD	**Real Estate Development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Segment assets	3,067,124	80,451	1,019,816	276,042	339,243	133,387	-	(662,578)	4,253,485
Unallocated assets									390,748
Total assets									4,644,233
Segment liabilities	1,264,681	26,755	195,910	40,177	82,201	51,025	-	(566,651)	1, 094,098
Unallocated liabilities									1,712,607
Total liabilities									2,806,705

6 Assets classified as held for sale

Two entities within the Group are presented as a disposal group held for sale following the commitment of the Group's management to plan to sell this entity representing a non-core business of the Group. Efforts to sell the disposal Group have commenced, and the sale is expected to take place within 2009.

	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	'000 RUR	'000 RUR	'000 USD	'000 USD
Assets classified as held for sale				
Property plant and equipment	220,480	5,314	7,047	181
Inventories	54,397	55,424	1,738	1,886
Receivables held for sale	2,141	-	68	-
Financial assets	606	1,165	19	40
	277,624	61,903	8,872	2,107
Liabilities classified as held for sale				
Trade and other payables	9,705	7,589	310	258
	9,705	7,589	310	258

7 Acquisitions and disposals of subsidiaries and minority interests

(a) Acquisition of subsidiaries

There were no acquisitions and disposals of subsidiaries during the six months ended 30 June 2009.

During the six months ended 30 June 2009 the Group has repaid outstanding payables for the shares in the subsidiaries acquired before 1 January 2009 in the amount of RUR 2,923,176 thousand/ USD 88,399 thousand, which was disclosed within investing activities in the consolidated interim statement of cash flows.

During the year 2008 the Group had the following significant acquisitions of subsidiaries:

Name of acquired company	**Share acquired**	**Seller**	**Date of acquisition**	**Location**	**Segment**
OAO “Betfor”	87.5%	Third party	1 April 2008	Ekaterinburg, Russia	Construction
OOO “UK Nova-Group”	100.00%	Third party	29 May 2008	Ekaterinburg, Russia	Unallocated
ZAO “Nova-Stroy”	100.00%	Third party	19 August 2008	Ekaterinburg, Russia	Real Estate Development
OOO “Nova-Stroy”	100.00%	Third party	19 August 2008	Ekaterinburg, Russia	Real Estate Development
OOO “SMU NOVA-stroy”	100.00%	Third party	19 August 2008	Ekaterinburg, Russia	Construction
OOO “PKU “NOVA-StroyProekt”	100.00%	Third party	19 August 2008	Ekaterinburg, Russia	Construction
OOO “Uralscheben”	100.00%	Third party	27 July 2008	Ekaterinburg, Russia	Aggregates
OOO “Rezhevskiy Drobilno-Sortirovochniy Zavod”	100.00%	Third party	27 July 2008	Ekaterinburg, Russia	Aggregates
“Gagarskiy Granitniy Carier”	100.00%	Third party	27 July 2008	Ekaterinburg, Russia	Aggregates
OOO “Kaskad”	100.00%	Third party	28 February 2008	Saint-Petersburg Region, Russia	Aggregates
OAO “Aeroc Obuchow” (former OAO “Obukhovskiy Zavod Poristykh Izdeliy”)	97.27%	Third party	1 October 2008	Obuchow, Ukraine	Building Materials
OOO “Okhta-25”	55.00%	Entity under common control	11 April 2008	Saint-Petersburg, Russia	Building Materials

Acquisition of companies in Yekaterinburg

The companies in Yekaterinburg were acquired from the same seller. Although control over the individual companies was obtained during the period from April to August 2008 due to certain approval registration procedures, the acquisitions were negotiated as a package and considered by the Group as a single purchase.

Acquisition of the companies in Yekaterinburg had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition	
	'000 RUR	**'000 USD**
Non-current assets		
Property, plant and equipment	2,245,745	90,353
Intangible assets	466,827	18,781
Investments	22,145	891
Deferred tax assets	51,710	2,080
Non-current trade and other receivables	65,258	2,626
Current assets		
Inventory	4,977,728	200,268
Trade and other receivables	1,925,583	77,473
Income tax receivable	41,509	1,670
Loan receivable	159,627	6,422
Cash and cash equivalents	42,522	1,711
Non-current liabilities		
Loans and borrowings	(131,808)	(5,303)
Deferred tax liabilities	(863,849)	(34,755)
Long-term liabilities	(2,920,429)	(117,497)
Current liabilities		
Overdraft	(27,430)	(1,104)
Loans and borrowings	(860,313)	(34,613)
Deferred income	(28)	(1)
Provisions	(13,314)	(536)
Income tax payable	(1,063)	(43)
Trade and other payables	(1,380,846)	(55,556)
Net identifiable assets, liabilities and contingent liabilities	3,799,574	152,867
Minority interest	(145,235)	(5,843)
Net identifiable assets, liabilities and contingent liabilities acquired	3,654,339	147,024
Goodwill on acquisition	2,141,540	86,161
Consideration paid and liability incurred	5,795,879	233,185
Consideration paid satisfied in cash	3,520,496	141,640
Cash acquired	(15,092)	(607)
Net cash outflow	3,505,404	141,033

It has not been practicable to determine the carrying amounts of the subsidiary's assets, liabilities and contingent liabilities on an IFRS basis immediately prior to the date of acquisition because the subsidiary's financial statements were prepared in accordance with Russian Accounting Principles, which are significantly different from IFRSs.

Goodwill on the acquisition represents the difference between the fair values of net assets acquired and considerations paid. Management believes that goodwill represents a premium paid for entering Ekaterinburg market which is not capable of being individually identified and separately recognised.

Acquisition of OAO "Aeroc Obuchow"

In October 2008 the Group acquired OAO "Aeroc Obuchow" (former OAO "Obukhovskiy Zavod Poristykh Izdeliy") which had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition	
	'000 RUR	**'000 USD**
Non-current assets		
Property, plant and equipment	618,565	24,887
Intangible assets	160	6
Deferred tax assets	90	4
Current assets	-	-
Inventory	82,342	3,313
Trade and other receivables	69,854	2,810
Other current assets	-	-
Cash and cash equivalents	15	1
Non-current liabilities		
Loans and borrowings	(296,369)	(11,924)
Deferred tax liabilities	(36,769)	(1,479)
Other non-current liabilities	(5,095)	(205)
Current liabilities		
Trade and other payables	(66,335)	(2,669)
Net identifiable assets, liabilities and contingent liabilities	366,458	14,744
Minority interest	(10,004)	(403)
Net identifiable assets, liabilities and contingent liabilities acquired	356,454	14,341
Goodwill on acquisition	818,546	32,933
Consideration paid and liability incurred	1,175,000	47,274
Consideration paid satisfied in cash	775,000	31,180
Cash acquired	(15)	(1)
Net cash outflow	774,985	31,179

It has not been practicable to determine the carrying amounts of the subsidiary's assets, liabilities and contingent liabilities on an IFRS basis immediately prior to the date of acquisition because the subsidiary’s financial statements were prepared in accordance with Russian Accounting Principles, which are significantly different from IFRSs.

Goodwill on acquisitions represents the difference between the fair values of net assets acquired and considerations paid. Management believes that goodwill represents the potential synergy from the acquisition, including savings on transportation costs to Ukraine, which is not capable of being individually identified and separately recognised.

Acquisition of OOO “Kaskad”

In February 2008 the Group acquired OOO “Kaskad”, which had the following effect on the Group’s assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition	
	’000 RUR	**’000 USD**
Non-current assets		
Property, plant and equipment	64	3
Intangible assets	209,770	8,440
Deferred tax assets	743	30
Current assets		
Inventory	3,119	125
Trade and other receivables	3,945	159
Cash and cash equivalents	114	5
Non-current liabilities		
Deferred tax liabilities	(50,341)	(2,025)
Current liabilities		
Loans and borrowings	(13,000)	(523)
Trade and other payables	(1,731)	(70)
Net identifiable assets, liabilities and contingent liabilities	152,683	6,144
Minority interest	-	-
Net identifiable assets, liabilities and contingent liabilities acquired	152,683	6,144
Goodwill on acquisition	155,317	6,248
Consideration paid	308,000	12,392
Cash acquired	(114)	(5)
Net cash outflow	307,886	12,387

It has not been practicable to determine the carrying amounts of the subsidiary’s assets, liabilities and contingent liabilities on an IFRS basis immediately prior to the date of acquisition because the subsidiary’s financial statements were prepared in accordance with Russian Accounting Principles, which are significantly different from IFRSs.

Goodwill on acquisitions represents the difference between the fair values of net assets acquired and considerations paid. Management believes that goodwill represents the potential synergy from the acquisition which is not capable of being individually identified and separately recognised.

Acquisition of companies under common control

The acquisition of subsidiaries from companies controlled by the Company's ultimate controlling party had the following effect on the Group's assets and liabilities at the date of acquisition:

	2008	
	'000 RUR	**'000 USD**
Non-current assets		
Property, plant and equipment	7	-
Investments	-	-
Current assets		
Inventory	3,583	144
Income tax receivable	4,129	166
Trade and other receivables	70,525	2,837
Cash and cash equivalents	16,137	649
Non-current liabilities		
Deferred tax liabilities	-	-
Current liabilities		
Trade and other payables	(60,168)	(2,421)
Net identifiable assets, liabilities and contingent liabilities	34,213	1,375
Minority interest in OOO companies	(15,387)	(618)
Net identifiable assets, liabilities and contingent liabilities acquired	18,826	757
Difference between net assets acquired and consideration paid recognised in equity	(18,815)	(757)
Consideration paid	11	-
Cash acquired	(16,137)	(649)
Net cash (inflow) / outflow	(16,126)	(649)

(b) Changes in minority interests

During the six months ended 30 June 2009 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The Group recognised a decrease in minority interest of RUR 1,857 thousand / USD 56 thousand. Contribution from shareholders of RUR 66 thousand / USD 2 thousand and distribution to shareholders of RUR 132 thousand / USD 4 thousand was recognised directly in equity.

During the six months ended 30 June 2009 the Group disposed of minority holdings in a number of its subsidiaries to companies controlled by the Group ultimate controlling party and third parties. The Group recognised an increase in minority interest of RUR 146 thousand / USD 4 thousand. Distribution to shareholders of RUR 46 thousand / USD 1 thousand was recognised directly in equity.

During the year ended 31 December 2008 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The Group recognised a decrease in minority interest of RUR 553,530 thousand / USD 22,270 thousand. Contribution from shareholders of RUR 429,604 thousand / USD 17,284 thousand and distribution to shareholders of RUR 27,351 thousand / USD 1,100 thousand was recognised directly in equity.

During the year ended 31 December 2008 the Group disposed of minority holdings in a number of its subsidiaries to companies controlled by the Group ultimate controlling party and third parties. The Group recognised an increase in minority interest of RUR 362,451 thousand / USD 14,582 thousand. Distribution to shareholders of RUR 334,512 thousand / USD 13,458 thousand was recognised directly in equity.

(c) Disposal of subsidiaries

During six months ended 30 June 2009 the Group received advances from related parties for sale of shares of Joint-Stock Company "Golden Kazanskaya" and ZAO "Kazanskaya, 36" in the amount of RUR 300,000 thousand / USD 9,588 thousand and RUR 540,000 thousand / USD 17,258 thousand respectively by returning of promissory notes. Sale of shares of Joint-Stock Company "Golden Kazanskaya" occurred subsequently to the balance sheet date (refer to note 34). Sale of shares of ZAO "Kazanskaya, 36" was not finalized.

8 Administrative expenses

	Six months ended 30 June			
	2009	**2008**	**2009**	**2008**
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
Wages and salaries	978,306	1,355,829	29,585	56,625
Services	281,484	428,313	8,512	17,888
Materials	37,987	70,675	1,149	2,952
Depreciation and amortisation	73,497	52,819	2,223	2,206
Taxes other than profit tax	121,782	121,365	3,683	5,069
Social expenditure	50,109	119,368	1,515	4,985
Insurance	15,651	19,436	473	812
Other administrative expenses	121,872	101,224	3,685	4,227
	1,680,688	2,269,029	50,825	94,764

9 Other income and expenses

	Six months ended 30 June			
	2009	2008	2009	2008
	’000 RUR	’000 RUR	’000 USD	’000 USD
Other income:				
Gain on disposal of other assets	73,608	-	2,226	-
Total other income	73,608	-	2,226	-
Other expenses:				
Loss on disposal of property, plant and equipment	(11,582)	(17,842)	(350)	(745)
Loss on disposal of other assets	(65,950)	(30,165)	(1,995)	(1,260)
Total other expenses	(77,532)	(48,007)	(2,345)	(2,005)
Net other income / (expenses)	(3,924)	(48,007)	(119)	(2,005)

10 Total personnel costs

	Six months ended 30 June			
	2009	2008	2009	2008
	’000 RUR	’000 RUR	’000 USD	’000 USD
Wages and salaries:				
Cost of sales	2,154,543	2,540,969	65,155	106,121
Administrative expenses	978,306	1,355,829	29,585	56,625
Distribution expenses	168,412	186,690	5,093	7,797
	3,301,261	4,083,488	99,833	170,543

11 Financial income and expenses

	Six months ended 30 June			
	2009	2008	2009	2008
	’000 RUR	’000 RUR	’000 USD	’000 USD
Financial income				
Foreign exchange gain	72,430	154,040	2,190	6,433
Interest income	41,551	142,277	1,257	5,942
Repurchase of own bonds	162,038	-	4,900	-
Income from sale of available-for-sale investments	2,286	5,030	69	210
Other financial income	1,300	500	39	21
	279,605	301,847	8,455	12,606
Financial expenses				
Interest expense	(2,021,122)	(1,233,366)	(61,121)	(51,510)
Unwind of discount on payables for shares of the subsidiaries acquired	(247,793)	-	(7,493)	-
Foreign exchange loss	(476,422)	(29,116)	(14,407)	(1,216)
Loss from sale of available-for-sale investments	(3,855)	(5,154)	(117)	(215)
Minority interest in limited liability subsidiaries	(1,106)	112,530	(33)	4,700
Other financial expenses	(23,867)	(55,730)	(722)	(2,328)
	(2,774,165)	(1,210,836)	(83,893)	(50,569)

12 Income tax expense

	Six months ended 30 June			
	2009	2008	2009	2008
	’000 RUR	’000 RUR	’000 USD	’000 USD
Current tax expense				
Current period	792,338	1,328,775	23,961	55,495
Deferred tax expense				
Origination and reversal of temporary differences	(694,846)	(1,211,679)	(21,013)	(50,605)
Income tax (benefit) / expense	97,492	117,096	2,948	4,890

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20% (2008: 24%).

Reconciliation of effective tax rate:

	Six months ended 30 June							
	2009 '000 RUR	%	2008 '000 RUR	%	2009 '000 USD	%	2008 '000 USD	%
(Loss) / profit for the period	(187,801)		70,021		(5,679)		2,925	
Income tax (benefit)/ expense	97,492		117,096		2,948		4,890	
(Loss) / profit before income tax	(90,309)	100	187,117	100	(2,731)	100	7,815	100
Income tax at applicable tax rate	(18,062)	20	44,908	24	(546)	20	1,876	24
Tax incentives	(16,100)	18	-	-	(487)	18	-	-
Non-deductible items	182,748	(202)	124,818	67	5,526	(202)	5,212	67
Non-taxable items	(51,094)	57	(52,630)	(28)	(1,545)	57	(2,198)	(28)
	97,492	(107)	117,096	63	2,948	(107)	4,890	63

The effective tax rate for the six months ended 30 June 2009 compared to the six months ended 2008 is affected by decrease of the income tax rate from 24% to 20%, which affected deferred taxes.

13 Construction contracts

The revenue and gross margin recognised on construction contracts during the year are presented below:

	Six months ended 30 June			
	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Contract revenue	3,714,403	3,297,618	112,327	137,722
Contract costs	(2,722,757)	(2,360,918)	(82,339)	(98,602)
Gross profit	991,646	936,700	29,988	39,120

14 Property, plant and equipment

’000 RUR	**Land and buildings**	**Machinery and equipment**	**Transportation equipment**	**Other fixed assets**	**Assets under construction**	**Total**
Cost/Deemed cost						
At 1 January 2008	8,010,010	6,467,714	2,381,922	628,076	3,620,738	21,108,460
Acquisitions through business combinations	1,152,688	871,097	57,074	4,860	11,377	2,097,096
Additions	408,021	711,697	294,105	37,648	3,392,807	4,844,278
Disposals	(38,746)	(46,942)	(219,824)	(8,529)	(330,533)	(644,574)
Transfers from investment property	4,358	-	-	-	-	4,358
Transfers and reclassifications	179,828	320,762	52,540	(41,794)	(511,336)	-
Effect of movements in exchange rates	(1,869)	12,332	(392)	(112)	50,078	60,037
At 30 June 2008	9,714,290	8,336,660	2,565,425	620,149	6,233,131	27,469,655
At 1 January 2009	11,229,161	10,576,398	2,817,662	652,302	8,099,076	33,374,599
Additions	69,893	145,636	4,806	16,070	3,394,952	3,631,357
Disposals	(21,112)	(32,214)	(47,564)	(4,493)	(366,767)	(472,150)
Transfers into assets held for sale	(226,600)	(2,673)	-	(199)	-	(229,472)
Transfers and reclassifications	314,537	422,517	7,308	(10,029)	(734,333)	-
Effect of movements in exchange rates	59,959	616	1,131	1,336	23,503	86,545
At 30 June 2009	11,425,838	11,110,280	2,783,343	654,987	10,416,431	36,390,879
Depreciation and impairment losses						
At 1 January 2008	(751,661)	(1,596,130)	(683,521)	(256,367)	-	(3,287,679)
Depreciation charge	(195,143)	(466,958)	(203,653)	(57,915)	-	(923,669)
Acquisitions through business combinations	(3,933)	(15)	(125)	(57)	-	(4,130)
Disposals	27,380	46,702	75,846	4,958	-	154,886
Transfers and reclassifications	133	(34,726)	(981)	35,574	-	-
Effect of movements in exchange rates	(493)	(2,745)	437	110	-	(2,691)
At 30 June 2008	(923,717)	(2,053,872)	(811,997)	(273,697)	-	(4,063,283)
At 1 January 2009	(1,173,776)	(2,589,574)	(993,260)	(303,989)	-	(5,060,599)
Depreciation charge	(286,954)	(600,924)	(219,793)	(49,064)	-	(1,156,735)
Disposals	7,027	19,588	24,523	2,840	-	53,978
Transfers into assets held for sale	11,335	1,490	-	28	-	12,853
Transfers and reclassifications	337	(5,982)	(1,542)	7,187	-	-
Effect of movements in exchange rates	(3,568)	(9,268)	(96)	(747)	-	(13,679)
At 30 June 2009	(1,445,599)	(3,184,670)	(1,190,168)	(343,745)	-	(6,164,182)
Net book value						
At 1 January 2008	7,258,349	4,871,584	1,698,401	371,709	3,620,738	17,820,781
At 30 June 2008	8,790,573	6,282,788	1,753,428	346,452	6,233,131	23,406,372
At 1 January 2009	10,055,385	7,986,824	1,824,402	348,313	8,099,076	28,314,000
At 30 June 2009	9,980,239	7,925,610	1,593,175	311,242	10,416,431	30,226,697

'000 USD	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2008	326,324	263,491	97,038	25,588	147,507	859,948
Acquisitions through business combinations	48,141	36,381	2,384	203	475	87,584
Additions	17,041	29,723	12,283	1,572	141,698	202,317
Disposals	(1,618)	(1,960)	(9,181)	(356)	(13,804)	(26,919)
Transfers from investment property	182	-	-	-	-	182
Transfers and reclassifications	7,510	13,396	2,194	(1,745)	(21,355)	-
Effect of movements in exchange rates	16,547	14,366	4,648	1,175	11,201	47,937
At 30 June 2008	414,127	355,397	109,366	26,437	265,722	1,171,049
At 1 January 2009	382,199	359,981	95,903	22,202	275,664	1,135,949
Additions	2,114	4,404	145	486	102,666	109,815
Disposals	(638)	(974)	(1,438)	(136)	(11,091)	(14,277)
Transfers into assets held for sale	(6,853)	(81)	-	(6)	-	(6,940)
Transfers and reclassifications	9,512	12,777	221	(303)	(22,207)	-
Effect of movements in exchange rates	(21,179)	(21,037)	(5,879)	(1,310)	(12,137)	(61,542)
At 30 June 2009	365,155	355,070	88,952	20,933	332,895	1,163,005
Depreciation and impairment losses						
At 1 January 2008	(30,622)	(65,026)	(27,846)	(10,444)	-	(133,938)
Depreciation charge	(8,150)	(19,502)	(8,505)	(2,419)	-	(38,576)
Acquisitions through business combinations	(164)	(1)	(5)	(2)	-	(172)
Disposals	1,144	1,950	3,168	207	-	6,469
Transfers and reclassifications	6	(1,450)	(41)	1,485	-	-
Effect of movements in exchange rates	(1,593)	(3,529)	(1,386)	(495)	-	(7,003)
At 30 June 2008	(39,379)	(87,558)	(34,615)	(11,668)	-	(173,220)
At 1 January 2009	(39,951)	(88,140)	(33,807)	(10,347)	-	(172,245)
Depreciation charge	(8,678)	(18,172)	(6,647)	(1,484)	-	(34,981)
Disposals	213	592	742	86	-	1,633
Transfers into assets held for sale	343	45	-	1	-	389
Transfers and reclassifications	10	(181)	(47)	218	-	-
Effect of movements in exchange rates	1,864	4,078	1,723	539	-	8,204
At 30 June 2009	(46,199)	(101,778)	(38,036)	(10,987)	-	(197,000)
Net book value						
At 1 January 2008	295,702	198,465	69,192	15,144	147,507	726,010
At 30 June 2008	374,748	267,839	74,751	14,769	265,722	997,829
At 1 January 2009	342,248	271,841	62,096	11,855	275,664	963,704
At 30 June 2009	318,956	253,292	50,916	9,946	332,895	966,005

Depreciation expense of RUR 1,030,505 thousand/USD 31,163 thousand has been charged in cost of goods sold, RUR 18,784 thousand/USD 568 thousand in distribution expenses and RUR 68,802 thousand/USD 2,081 thousand in administrative expenses.

(a) Impairment

Property, plant and equipment were tested for impairment; the basis for impairment is disclosed in note 15.

(b) Security

Properties with a carrying amount of RUR 3,306,082 thousand /USD 105,658 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 3,279,270 thousand /USD 111,614 thousand) (refer to note 26).

(c) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2009 the net book value of leased plant and machinery was RUR 2,688,665 thousand/ USD 85,926 thousand (31 December 2008: RUR 3,066,561 thousand/ USD 104,374 thousand). The leased equipment secures the lease obligations. Also properties with a carrying amount of RUR 20,694 thousand / USD 661 thousand secure the lease obligations (31 December 2008: RUR 51,699 thousand / USD 1,760 thousand).

15 Intangible assets

’000 RUR	Goodwill	Other	Total
Cost			
Balance at 1 January 2008	1,211,509	20,832	1,232,341
Acquisition of subsidiaries	1,173,601	209,770	1,383,371
Additions	-	19,054	19,054
Disposals	-	(1,541)	(1,541)
Effects of movement in exchange rates		94	94
Balance at 30 June 2008	2,385,110	248,209	2,633,319
Balance at 1 January 2009	4,326,912	724,399	5,051,311
Additions	-	1,153	1,153
Disposals	-	(2,134)	(2,134)
Effects of movement in exchange rates	-	298	298
Balance at 30 June 2009	4,326,912	723,716	5,050,628
Amortisation and impairment losses			
Balance at 1 January 2008	-	(2,488)	(2,488)
Amortisation charge	-	(11,424)	(11,424)
Disposals	-	498	498
Effects of movement in exchange rates	-	(2)	(2)
Balance at 30 June 2008	-	(13,416)	(13,416)
Balance at 1 January 2009	(390,986)	(44,837)	(435,823)
Amortisation charge	-	(39,391)	(39,391)
Disposals	-	703	703
Effects of movement in exchange rates	-	(65)	(65)
Balance at 30 June 2009	(390,986)	(83,590)	(474,576)
Net book value			
At 1 January 2008	1,211,509	18,344	1,229,853
At 30 June 2008	2,385,110	234,793	2,619,903
At 1 January 2009	3,935,926	679,562	4,615,488
At 30 June 2009	3,935,926	640,126	4,576,052

’000 USD	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2008	49,357	848	50,205
Acquisition of subsidiaries	49,009	8,763	57,772
Additions	-	796	796
Disposals	-	(64)	(64)
Effects of movement in exchange rates	3,313	238	3,551
Balance at 30 June 2008	101,679	10,581	112,260
Balance at 1 January 2009	147,271	24,656	171,927
Additions	-	35	35
Disposals	-	(65)	(65)
Effect of movements in exchange rates	(8,989)	(1,497)	(10,486)
Balance at 30 June 2009	138,282	23,129	161,411
Amortisation and impairment losses			
Balance at 1 January 2008	-	(101)	(101)
Amortisation charge	-	(477)	(477)
Disposals	-	21	21
Effects of movement in exchange rates	-	(15)	(15)
Balance at 30 June 2008	-	(572)	(572)
Balance at 1 January 2009	(13,308)	(1,525)	(14,833)
Amortisation charge	-	(1,191)	(1,191)
Disposals	-	21	21
Effect of movements in exchange rates	813	24	837
Balance at 30 June 2009	(12,495)	(2,671)	(15,166)
Net book value			
At 1 January 2008	49,357	747	50,104
At 30 June 2008	101,679	10,009	111,688
At 1 January 2009	133,963	23,131	157,094
At 30 June 2009	125,787	20,458	146,245

Other intangible assets mainly include licences for extraction of sand and crushed granite in Saint-Petersburg and Ural regions.

Intangible assets classified within other, with a carrying amount of RUR 3,137 thousand / USD 100 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 3,382 thousand /USD 115 thousand) (refer to note 26).

(a) Impairment testing of goodwill

Goodwill is allocated to the Group's entities or business units when appropriate. For the purpose of impairment testing these units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each entity or business unit (BU) and the related impairment losses recognised are as follows:

		Allocated goodwill		**Accumulated impairment losses**		**Net book value as at 30 June 2009**	
Entity / Business Unit	**Business Segment**	**'000 RUR**	**'000 USD**	**'000 RUR**	**'000 USD**	**'000 RUR**	**'000 USD**
OAO "Zavod ZhBI-6"	Building Materials	254,172	8,123	(188,583)	(6,027)	65,589	2,096
Aeroc International AS	Building Materials	245,952	7,860	-	-	245,952	7, 860
JSC "Aeroc Obuchow"	Building Materials	818,546	26,160	(164,594)	(5,260)	653,952	20,900
LSR Europe GmbH	Real Estate Development	50,093	1,601	-	-	50,093	1,601
OOO "Cement"	Building Materials	621,485	19,862	-	-	621,485	19,862
OAO "Parkon"	Building Materials	17,354	555	-	-	17,354	555
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG" (formerly OAO SKV SPb)	Real Estate Development	22,451	718	-	-	22,451	718
BU Crushed Granite Ural	Aggregates	128,269	4,099	(37,809)	(1,208)	90,460	2,891
BU Construction Ural	Construction	736,429	23,535	-	-	736,429	23,535
BU Development Ural	Real Estate Development	1,276,844	40,805	-	-	1,276,844	40,805
OOO "Kaskad"	Aggregates	155,317	4,964	-	-	155,317	4,964
		4,326,912	138,282	(390,986)	(12,495)	3,935,926	125,787

The recoverable amount of each entity represents value in use as determined by discounting the future cash flows generated from the continuing use of the assets. The recoverable amounts were determined using the discounted cash flow technique.

The following key assumptions were used in determining the recoverable amounts of the respective companies:

Building Materials, Aggregates and Construction services segments:

- Cash flows were projected based on budgeted operating results for 2009 and four - twelve years business plans;
- Plan for 2009-2010 was prepared considering the expected recession in construction industry in 2009;
- The recovery of the market is assumed to start in 2010-2011, and the plants are expected to reach the levels of 2008 in 2011;
- Cash flows for further years were extrapolated assuming 2% further growth in production;
- Discount rate of 19.94% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 39%-40% at a market interest rate of 16.4% p.a. and an industry average beta-coefficient.

Construction:

- Cash flows were projected based on budgeted operating results for 2009 and four years business plans;
- Plan for 2009-2010 was prepared based on the actual contract portfolio and the actual prices, while consecutive years were planned with assumption of market recovery in 2010-2011, and the plants are expected to reach the levels of 2008 in 2011;
- Cash flows for further years were assuming 2% further growth in production;
- Discount rate of 16.1% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 39%-40% at a market interest rate of 16.4% p.a. and an industry average beta-coefficient.

Real Estate Development and Commercial Real Estate:

- Cash flows were determined for the existing and planned investment projects up to the end of their construction and sale.
- Discount rate of 16.1% was applied in determining the recoverable amount of the assets. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 39%-40% at a market interest rate of 16.4% p.a. and an industry average beta-coefficient.

The values assigned to the key assumptions represent management’s assessment of future trends in the construction, development and construction materials production industry and are based on both external sources and internal sources.

No impairment loss was recognised in respect of goodwill allocated to all entities and business units above as the impairment test demonstrates that for these entities and business units’ values in use are significantly higher than carrying amounts in aggregate and individually.

In determining a total value in use of RUR 48,657,480 thousand / USD 1,555,029 thousand (compared to a carrying amount of RUR 27,855,338 thousand / USD 890,220 thousand) for these entities and business units, management has used the above assumptions.

The estimates made for impairment test purpose in relation to these entities and business unit are particularly sensitive in the following areas:

- A 10% decrease in future planned production would have caused the impairment loss of RUR 511,867 thousand / USD 16,359 thousand in Development Ural business unit;
- An increase of one percentage point in the discount rate used would have caused the impairment loss of RUR 96,906 thousand / USD 3,097 thousand in Development Ural business unit.

16 Investment property under development

'000 RUR	**2009**			**2008**		
	Land	**Costs capitalised**	**Total**	**Land**	**Costs capitalised**	**Total**
Cost / Fair value						
At 1 January	3,841,140	1,647,308	5,488,448	19,673,093	1,065,242	20,738,335
Change in fair value recognised directly in the statement of comprehensive income	(2,074,403)	(59,674)	(2,134,077)	(3,461,647)	-	(3,461,647)
Reclassification into inventories	-	(1,050,992)	(1,050,992)	-	(66,661)	(66,661)
Additions	-	199,450	199,450	-	547,390	547,390
Disposal	-	-	-	(1,195)	(7,717)	(8,912)
At 30 June	1,766,737	736,092	2,502,829	16,210,251	1,538,254	17,748,505

'000 USD	2009			2008		
	Land	Costs capitalised	Total	Land	Costs capitalised	Total
Cost / Fair value						
At 1 January	130,739	56,067	186,806	801,472	43,397	844,869
Change in fair value recognised directly in the statement of comprehensive income	(62,732)	(1,804)	(64,536)	(144,573)	-	(144,573)
Reclassification into inventories	-	(31,783)	(31,783)	-	(2,784)	(2,784)
Additions	-	6,032	6,032	-	22,861	22,861
Disposal	-	-	-	(50)	(322)	(372)
Effect of movements in exchange rates	(11,544)	(4,988)	(16,532)	34,205	2,424	36,629
At 30 June	56,463	23,524	79,987	691,054	65,576	756,630

Investment property under development consists of plots of land, wholly or partly owned, by the Group, on which commercial properties are being, or will be, built. These properties will be leased to third parties on completion.

Investment property under development consists of two components: land and costs capitalised in connection with the development of the site. Costs capitalised relate to development carried out on sites owned or partly owned by the Group. Both land and costs capitalised are measured at fair value with any change therein recognised in the statement of comprehensive income.

The fair value of the investment property under development is based on valuations by independent valuers who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment property being valued. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property less the estimated costs to complete the individual projects to the stage where they could be marketed and the estimated developer's profit margin. A discount rate that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

The major assumptions used in valuation models and valuation results are as follows:

Project	Expected occupation rate	Discount rate used	Location	Gross buildable area	Capitalised costs of construction	Fair value of land component	Rent rates assumed per sq mtr: Offices	Rent rates assumed per sq mtr: Retail	Rent rates assumed per sq mtr: Other	Parking (per lot)
				Sq mtr	**'000 RUR**	**'000 RUR**	**RUR**	**RUR**	**RUR**	**RUR**
TOC na Leningradskom	75%	22%	Vyborg, Lenigradskiy pr. 17	9,283	19,644	10,993	11,000	-	-	-
Kuybisheva	85%	22%	Saint-Petersburg, Kuybisheva str. 13 B	10,276	11,440	124,343	13,500	-	13,500	60,000
Hermitage View House	95%	18%	Saint-Petersburg, Zoologicheskiy Lane 2-4	19,374	132,271	4,138	17,000	18,000	18,000	95,000
Electric City	85%	23%	Saint-Petersburg, Medikov str. 10	346,924	572,737	1,627,263	13,500	15,000	13,500	55,000
					736,092	1,766,737				
				Sq mtr	**'000 USD**	**'000 USD**	**USD**	**USD**	**USD**	**USD**
TOC na Leningradskom	75%	22%	Vyborg, Lenigradskiy pr. 17	9,283	628	352	352	-	-	-
Kuybisheva	85%	22%	Saint-Petersburg, Kuybisheva str. 13 B	10,276	366	3,974	431	-	431	1,918
Hermitage View House	95%	18%	Saint-Petersburg, Zoologicheskiy Lane 2-4	19,374	4,226	132	543	575	575	3,036
Electric City	85%	23%	Saint-Petersburg, Medikov str. 10	346,924	18,304	52,005	431	479	431	1,758
					23,524	56,463				

The properties are expected to be completed in period from 2011 till the middle of 2013.

Investment properties under development with a carrying amount of RUR 674,606 thousand / USD 21,560 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 159,967 thousand / USD 5,445 thousand) - refer to note 26.

Sensitivity analysis

A 10% increase in the estimated rental rates would have increased fair values of investment projects and profit by RUR 878,800 thousand / USD 28,085 thousand. A 10% decrease in the estimated rental would have decreased fair values of investment projects and profit by RUR 878,722 thousand / USD 28,083 thousand on the basis that all other variables remain constant.

A 10% increase in the assumed discount rate would have decreased fair values of investment projects and profit by RUR 430,557 thousand / USD 13,760 thousand. A 10% decrease in the assumed discount rate would have increased fair values of investment projects and profit by RUR 475,101 thousand / USD 15,184 thousand on the basis that all other variables remain constant.

A 10% increase in the anticipated costs to completion of individual projects would have decreased fair values of investment projects and profit by RUR 681,511 thousand / USD 21,780 thousand. A 10% decrease in these costs would have increased fair values of investment projects and profit by RUR 681,723 thousand / USD 21,787 thousand on the basis that all other variables remain constant.

A 10% increase in the anticipated occupancy rates of individual projects would have increased the fair values of investment projects and profit by RUR 878,800 thousand / USD 28,085 thousand. A 10% decrease in the anticipated occupancy rates of individual projects would have decreased fair values of investment projects and profit by RUR 878,722 thousand / USD 28,083 thousand.

17 Investment property

’000 RUR	**2009**	**2008**
Cost		
At 1 January	1,925,057	2,040,056
Transfer into property, plant and equipment	-	(4,358)
Change in fair value	-	(355,334)
At 30 June	1,925,057	1,680,364

’000 USD	**2009**	**2008**
Cost		
At 1 January	65,522	83,111
Transfer into property, plant and equipment	-	(182)
Change in fair value	-	(14,840)
Effect of movements in exchange rates	(4,000)	3,546
At 30 June	61,522	71,635

Investment property comprises a number of commercial properties that are leased to third parties.

External, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the Group’s investment property portfolio on a regular basis. The fair values are based on the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction.

In the absence of current prices in an active market, the valuations are prepared by considering the income expected to be received from renting out the property. A yield that reflects the specific risks inherent to the property is applied to the net income to arrive at the property valuation.

Because there were no significant changes in assumptions the Group has not carried out a valuation as of 30 June 2009 and reflected investment properties at values received as a result of valuation performed as of 31 December 2008. The major assumptions used in valuation models and valuation results as of 31 December 2008 are as follows:

Project	Occupation rate	Yield	Location	Gross area	Fair value	Rental rates assumed per sq meter: Offices	Rental rates assumed per sq meter: Parking (per lot)
				Sq mtr	’000 RUR	RUR	RUR
Apollo Business Center	84%	10%	Saint-Petersburg, Dobrolyubova pr.8	8,454	887,027	19,900	98,300
Gelious Business Center	96%	11%	Saint-Petersburg, Marata str. 47-49	3,909	336,680	13,500	92,700
Litera Business Center	100%	10%	Saint-Petersburg, Galernaya str. 10	2,379	163,150	13,100	92,700
Orlov Business Center	50%	6,26%	Saint-Petersburg, Paradnaya str. 7a	4,990	538,200	19,900	98,300
					1,925,057		
				Sq mtr	’000 USD	USD	USD
Apollo Business Center	84%	10%	Saint-Petersburg, Dobrolyubova pr.8	8,454	28,348	636	3,142
Gelious Business Center	96%	11%	Saint-Petersburg, Marata str. 47-49	3,909	10,760	431	2,963
Litera Business Center	100%	10%	Saint-Petersburg, Galernaya str. 10	2,379	5,214	418	2,963
Orlov Business Center	50%	6,26%	Saint-Petersburg, Paradnaya str. 7a	4,990	17,200	636	3,142
					61,522		

The following amounts were recognized in the Consolidated Interim Statement of Comprehensive Income in respect of investment property:

	Six months ended 30 June			
	2009	2008	2009	2008
	’000 RUR	’000 RUR	’000 USD	’000 USD
Rental income from investment property	76,764	80,569	2,321	3,365
Direct operating expenses arising from investment property that generated rental income during the period	5,811	3,604	175	154
Direct operating expenses arising from investment property that did not generate rental income during the period	-	-	-	-

Sensitivity analysis

A 10% increase in rental rates would have increased fair values of investment property and profit by RUR 151,726 thousand / USD 5,164 thousand. A 10% decrease in rental rates would have the equal but opposite effect on the basis that all other variables remain constant.

A 10% decrease in projected occupancy rates would have decreased fair values of investment property and profit by RUR 151,726 thousand / USD 5,164 thousand.

A 10% increase in yield would have decreased fair values of investment property and profit by RUR 214,545 thousand / USD 7,302 thousand. A 10% decrease in initial yield would have increased fair values of investment property and profit by RUR 175,457 thousand / USD 5,972 thousand on the basis that all other variables remain constant.

18 Other investments

	30 June 2009 '000 RUR	31 December 2008 '000 RUR	30 June 2009 '000 USD	31 December 2008 '000 USD
Non-current				
Available-for-sale investments:				
Stated at cost	21,575	10,652	690	363
Originated loans	37,431	113,975	1,196	3,879
	59,006	124,627	1,886	4,242
Current				
Available-for-sale investments:				
Stated at fair value	21,422	84,173	684	2,865
Originated loans	142,143	49,475	4,543	1,684
	163,565	133,648	5,227	4,549

Available-for-sale investments stated at cost comprise unquoted equity securities in the construction industry. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty of future cash flows in this industry. However, management does not believe that the fair value at the end of the period would differ significantly from that carrying amount.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 29.

19 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

’000 RUR	Assets		Liabilities		Net	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Property, plant and equipment	(228,775)	(178,291)	1,814,421	1,805,821	1,585,646	1,627,530
Intangible assets	(827)	(325)	120,946	135,069	120,119	134,744
Investment property under development	(24,752)	(9,688)	118,075	512,031	93,323	502,343
Investment property	-	-	267,091	265,021	267,091	265,021
Investments	-	(2,009)	-	-	-	(2,009)
Inventories	(669,414)	(692,231)	346,260	405,723	(323,154)	(286,508)
Trade and other receivables	(345,251)	(313,966)	50,355	15,256	(294,896)	(298,710)
Loans and borrowings	(104,551)	(150,556)	27,575	35,758	(76,976)	(114,798)
Provisions	(20,658)	(9,705)	-	-	(20,658)	(9,705)
Trade and other payables	(267,634)	(285,534)	35,083	9,380	(232,551)	(276,154)
Tax loss carry-forwards	(451,798)	(172,558)	-	-	(451,798)	(172,558)
Tax (assets)/liabilities	(2,113,660)	(1,814,863)	2,779,806	3,184,059	666,146	1,369,196
Set off of tax	1,042,127	938,032	(1,042,127)	(938,032)	-	-
Net tax (assets)/liabilities	(1,071,533)	(876,831)	1,737,679	2,246,027	666,146	1,369,196

’000 USD	Assets		Liabilities		Net	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Property, plant and equipment	(7,311)	(6,068)	57,987	61,463	50,676	55,395
Intangible assets	(26)	(11)	3,865	4,597	3,839	4,586
Investment property under development	(791)	(330)	3,774	17,428	2,983	17,098
Investment property	-	-	8,536	9,020	8,536	9,020
Investments	-	(68)	-	-	-	(68)
Inventories	(21,395)	(23,561)	11,066	13,809	(10,329)	(9,752)
Trade and other receivables	(11,034)	(10,686)	1,609	519	(9,425)	(10,167)
Loans and borrowings	(3,341)	(5,124)	881	1,217	(2,460)	(3,907)
Provisions	(660)	(330)	-	-	(660)	(330)
Trade and other payables	(8,553)	(9,719)	1,121	320	(7,432)	(9,399)
Tax loss carry-forwards	(14,439)	(5,874)	-	-	(14,439)	(5,874)
Tax (assets)/liabilities	(67,550)	(61,771)	88,839	108,373	21,289	46,602
Set off of tax	33,305	31,927	(33,305)	(31,927)	-	-
Net tax (assets)/liabilities	(34,245)	(29,844)	55,534	76,446	21,289	46,602

Temporary difference of RUR 17,186,939 thousand / USD 549,272 thousand (31 December 2008: RUR 15,173,503 thousand / USD 516,460 thousand) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and the reversal is not expected in the foreseeable future.

Tax losses that arose within six months ended 30 June 2009 will expire in 10 years.

(b) Movement in temporary differences during the period

'000 RUR	1 January 2009	Recognised in income	Effect of movements in exchange rate	30 June 2009
Property, plant and equipment	1,627,530	(35,061)	(6,823)	1,585,646
Intangible assets	134,744	(14,625)	-	120,119
Investment property under development	502,343	(409,020)	-	93,323
Investment property	265,021	2,070	-	267,091
Investments	(2,009)	2,009	-	-
Inventories	(286,508)	(36,646)	-	(323,154)
Trade and other receivables	(298,710)	3,814	-	(294,896)
Loans and borrowings	(114,798)	37,822	-	(76,976)
Provisions	(9,705)	(10,953)	-	(20,658)
Trade and other payables	(276,154)	43,603	-	(232,551)
Tax loss carry-forwards	(172,558)	(277,859)	(1,381)	(451,798)
	1,369,196	(694,846)	(8,204)	666,146

'000 RUR	1 January 2008	Recognised in income	Acquired	Effect of movements in exchange rate	30 June 2008
Property, plant and equipment	1,696,759	(77,636)	355,703	(1,444)	1,973,382
Intangible assets	(144)	(1,609)	49,710	-	47,957
Investment property under development	4,388,802	(703,809)	-	-	3,684,993
Investment property	461,159	(165,370)	-	-	295,789
Investments	(595)	595	-	-	-
Inventories	(442,788)	(290,815)	730	(2)	(732,875)
Trade and other receivables	(177,929)	(29,921)	(232)	-	(208,082)
Assets, held for sale	(2,707)	2,707	-	-	-
Loans and borrowings	(91,705)	(1,481)	-	-	(93,186)
Provisions	(3,546)	1,034	-	-	(2,512)
Trade and other payables	(379,817)	102,813	(8,268)	-	(285,272)
Tax loss carry-forwards	(65,258)	(48,187)	(2,630)	(734)	(116,809)
	5,382,231	(1,211,679)	395,013	(2,180)	4,563,385

'000 USD	**1 January 2009**	**Recognised in income**	**Effect of movements in exchange rate**	**30 June 2009**
Property, plant and equipment	55,395	(1,060)	(3,659)	50,676
Intangible assets	4,586	(442)	(305)	3,839
Investment property under development	17,098	(12,370)	(1,745)	2,983
Investment property	9,020	63	(547)	8,536
Investments	(68)	61	7	-
Inventories	(9,752)	(1,109)	532	(10,329)
Trade and other receivables	(10,167)	115	627	(9,425)
Loans and borrowings	(3,907)	1,144	303	(2,460)
Provisions	(330)	(332)	2	(660)
Trade and other payables	(9,399)	1,320	647	(7,432)
Tax loss carry-forwards	(5,874)	(8,403)	(162)	(14,439)
	46,602	(21,013)	(4,300)	21,289

'000 USD	**1 January 2008**	**Recognised in income**	**Acquired**	**Effect of movements in exchange rate**	**30 June 2008**
Property, plant and equipment	69,125	(3,242)	14,856	3,388	84,127
Intangible assets	(6)	(67)	2,076	41	2,044
Investment property under development	178,798	(29,394)	-	7,690	157,094
Investment property	18,787	(6,907)	-	730	12,610
Investments	(24)	25	-	(1)	-
Inventories	(18,039)	(12,146)	30	(1,088)	(31,243)
Trade and other receivables	(7,248)	(1,250)	(10)	(362)	(8,870)
Assets, held for sale	(110)	113	-	(3)	-
Loans and borrowings	(3,736)	(62)	-	(175)	(3,973)
Provisions	(145)	43	-	(5)	(107)
Trade and other payables	(15,474)	4,295	(345)	(638)	(12,162)
Tax loss carry-forwards	(2,658)	(2,013)	(110)	(199)	(4,980)
	219,270	(50,605)	16,497	9,378	194,540

20 Inventories

	30 June 2009 '000 RUR	31 December 2008 '000 RUR	30 June 2009 '000 USD	31 December 2008 '000 USD
Work in progress, construction of buildings	37,703,075	36,529,612	1,204,941	1,243,332
Finished goods, construction of buildings	6,823,997	7,487,673	218,086	254,852
Raw materials and consumables	1,650,453	1,843,637	52,746	62,751
Finished goods and goods for resale	2,026,385	2,377,042	64,761	80,906
Work in progress	612,097	544,713	19,562	18,540
Rights to secure lease contracts	1,913,140	1,913,140	61,141	65,116
	50,729,147	50,695,817	1,621,237	1,725,497
Write down of inventories in the current period	(52,084)	-	(1,665)	-

Inventories with a carrying amount of RUR 3,521,647 thousand /USD 112,547 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 1,874,964 thousand /USD 63,817 thousand) (refer to note 26).

21 Trade and other receivables

	30 June 2009 '000 RUR	31 December 2008 '000 RUR	30 June 2009 '000 USD	31 December 2008 '000 USD
Non-current				
Accounts receivable - trade	1,395	1,473	45	50
Prepayments to suppliers	847,060	889,670	27,071	30,282
Other receivables	162,755	315,175	5,201	10,727
	1,011,210	1,206,318	32,317	41,059
Current				
Prepayments for flats	5,178,301	4,425,292	165,492	150,621
Accounts receivable – trade	2,805,380	2,760,942	89,656	93,972
Prepayments to suppliers	1,594,894	1,977,802	50,971	67,317
VAT receivable	564,652	1,140,566	18,046	38,821
Deferred expenses	243,239	230,823	7,773	7,856
Notes receivable	670,932	411,695	21,442	14,013
Amounts due from customers for contract work	1,364,120	332,269	43,595	11,309
Employee receivables	5,862	7,847	187	267
Other receivables	1,038,270	1,520,476	33,182	51,751
	13,465,650	12,807,712	430,344	435,927
Provision for doubtful debtors	(399,080)	(146,447)	(12,754)	(4,984)
	13,066,570	12,661,265	417,590	430,943

Prepayments for flats acquired for resale include RUR thousand 468,100 / USD thousand 14,960 for flats that will be received after 12 months from the balance sheet date (31 December 2008: RUR 549,220 thousand / USD 18,693 thousand).

Receivables with a carrying amount of RUR 62,206 thousand /USD 1,988 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 44,161 thousand /USD 1,503 thousand) (refer to note 26).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 29.

22 Cash and cash equivalents

	30 June 2009 '000 RUR	31 December 2008 '000 RUR	30 June 2009 '000 USD	31 December 2008 '000 USD
Petty cash	3,691	9,915	118	337
Current accounts	608,735	1,573,213	19,454	53,546
Call deposits	66,272	1,662,932	2,118	56,600
Cash and cash equivalents in the balance sheet	678,698	3,246,060	21,690	110,483
Bank overdrafts	(47,081)	(57,937)	(1,505)	(1,972)
Cash and cash equivalents in the statement of cash flows	631,617	3,188,123	20,185	108,511

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 29.

23 Restricted cash

	30 June 2009 '000 RUR	31 December 2008 '000 RUR	30 June 2009 '000 USD	31 December 2008 '000 USD
Non-current				
Restricted cash	2,082,385	4,259,234	66,550	144,969
Current				
Restricted cash	715,776	-	22,875	-
	2,798,161	4,259,234	89,425	144,969

Restricted cash include the amount of RUR 2,082,335 thousand /USD 66,550 thousand (31 December 2008: RUR 4,195,919 thousand /USD 142,814 thousand) which is reserved in connection with confirmed irrevocable letters of credit issued by the Group's bankers on building of Cement Plant in Leningrad Region and the amount of RUR 715,776 thousand / USD 22,875 thousand (31 December 2008: nil) reserved in connection with participation in the State Auctions for construction of residential property.

24 Equity

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	30 June 2009	**31 December 2008**
Authorised shares		
Par value	RUR 0.25	RUR 0.25
On issue at beginning of period	93,663,832	85,148,936
Issued during the period and fully paid	-	8,514,896
On issue at end of period, fully paid	93,663,832	93,663,832

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2009 the Company had retained earnings, including the profit for the current period, of RUR 206,313 thousand/ USD 6,593 thousand (as at 31 December 2008: RUR 98,924 thousand/ USD 3,367 thousand).

25 Earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, refer to note 24 (a). The Company has no dilutive potential ordinary shares.

In thousands of shares	**2009**	**2008**
Issued shares at 1 January	93,663,832	93,663,832
Weighted average number of shares for the six months ended 30 June	93,663,832	93,663,832

26 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, refer to note 29.

	30 June 2 009	31 December 2008	30 June 2009	31 December 2008
	'000 RUR	'000 RUR	'000 USD	'000 USD
Non-current				
Secured bank loans	7,995,430	4,917,984	255,523	167,390
Unsecured bank loans	5,771,850	9,342,880	184,461	317,997
Unsecured other loans	600	15,698	19	535
Secured bond issues	-	-	-	-
Unsecured bond issues	-	3,683,520	-	125,373
Finance lease liability	806,222	903,450	25,766	30,750
	14,574,102	18,863,532	465,769	642,045
Current				
Secured bank loans	5,033,067	2,071,266	160,850	70,498
Unsecured bank loans	10,564,771	8,991,489	337,636	306,037
Unsecured other loans	297,073	554,329	9,494	18,867
Secured bond issue	218,008	332,486	6,968	11,317
Unsecured bond issue	7,697,520	4,895,000	246,003	166,608
Finance lease liability	796,007	1,107,916	25,439	37,709
	24,606,446	17,952,486	786,390	611,036

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 RUR	Currency	Nominal interest rate	Year of maturity	30 June 2009 Face value	30 June 2009 Carrying amount	31 December 2008 Face value	31 December 2008 Carrying amount
Secured facility	EUR	3.00 – 17.50%	2009-2015	1,155,576	1,155,576	1,289,466	1,289,466
	USD	7.37 – 12.70%	2009-2011	5,413,239	5,413,239	2,409,193	2,409,193
	RUR	8.95 – 19.00%	2009-2011	6,672,577	6,672,577	3,618,051	3,618,051
	EEK and other	2.80 - 6.00%	2009-2015	5,113	5,113	5,026	5,026
Unsecured facility	EUR	4.63 – 11.00%	2009-2015	5,060,057	5,060,057	5,186,611	5,186,611
	USD	8.00-8.81%	2009-2011	3,221,364	3,221,364	3,359,665	3,359,665
	RUR	0 – 16.75%	2009-2015	16,050,393	16,050,393	18,936,640	18,936,640
Finance lease liabilities		6.30 – 41.19%	2009-2014	1,602,229	1,602,229	2,011,366	2,011,366
				39,180,548	39,180,548	36,816,018	36,816,018

'000 USD	Currency	Nominal interest rate	Year of maturity	30 June 2009 Face value	30 June 2009 Carrying amount	31 December 2008 Face value	31 December 2008 Carrying amount
Secured facility	EUR	3.00 – 17.50%	2009-2015	36,931	36,931	43,889	43,889
	USD	7.37 – 12.70%	2009-2011	173,000	173,000	82,000	82,000
	RUR	8.95 – 19.00%	2009-2011	213,247	213,247	123,145	123,145
	EEK	2.80 - 6.00%	2009-2015	163	163	171	171
Unsecured facility	EUR	4.63 – 11.00%	2009-2015	161,713	161,713	176,533	176,533
	USD	8.00-8.81%	2009-2011	102,951	102,951	114,351	114,351
	RUR	0 – 16.75%	2009-2015	512,949	512,949	644,533	644,533
Finance lease liabilities		6.30 – 41.19%	2009-2014	51,205	51,205	68,459	68,459
				1,252,159	1,252,159	1,253,081	1,253,081

Covenants and other matters

The Credit Agreements require the Group to comply with certain general, informational and financial covenants, including:

– a negative pledge significantly restricting the Group's ability, subject to certain exceptions, to create any additional security over its assets without the prior permission of the lender;

– a ''no disposals'' pledge significantly restricting the Group's ability to dispose of any of its assets, subject to certain exceptions, without the prior permission of the lender;

- a prohibition restricting the Group ability to make very significant acquisitions without the prior permission of the lender other than acquisitions in its core business;
- a limitation on the Group ability to incur additional debt beyond a certain Total debt / EBITDA ratio, certain Total debt / Tangible Net Worth ratio and a certain EBIT/ gross interest ratio;
- subject to certain exceptions, a prohibition restricting the Group ability to make significant loans, or give credit, guarantees or indemnities to the third party ;
- a prohibition on paying or declaring any dividend or other distribution or interest on any unpaid interest (whether in cash or in kind);
- a liability to provide to the Banks with such financial and other information, the Banks may reasonably require in relation to the loan contracts, including the Group annual audited and interim unaudited consolidated financial statements, prepared in accordance with IFRS.

Finance lease liabilities are payable as follows:

’000 RUR	**30 June 2009**			**31 December 2008**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	1,013,936	217,929	796,007	1,382,462	274,546	1,107,916
Between one and five years	947,251	141,029	806,222	1,117,238	213,788	903,450
More than five years	-	-	-	-	-	-
	1,961,187	358,958	1,602,229	2,499,700	488,334	2,011,366

’000 USD	**30 June 2009**			**31 December 2008**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	32,404	6,965	25,439	47,054	9,345	37,709
Between one and five years	30,273	4,507	25,766	38,027	7,277	30,750
More than five years	-	-	-	-	-	-
	62,677	11,472	51,205	85,081	16,622	68,459

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUR 3,306,082 thousand /USD 105,658 thousand is pledged as collateral to secure bank loans (31 December 2008: RUR 3,279,270 thousand / USD 111,614 thousand) – refer to note 14(b).
- Investment property under development with a fair value of RUR 674,606 thousand / USD 21,560 thousand is pledged as collateral to secure bank loans (31 December 2008: RUR 159,967 thousand / USD 5,445 thousand) – refer to note 16.
- Inventories with a carrying amount of RUR 3,521,647 thousand /USD 112,547 thousand are pledged as collateral to secure bank loans. (31 December 2008: RUR 1,874,964 thousand / USD 63,817 thousand) – refer to note 20.
- Intangibles with a carrying amount of RUR 3,137 thousand /USD 100 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 3,382 thousand / USD 115 thousand) – refer to note 15.
- Receivables with a carrying amount of RUR 62,206 thousand /USD 1,988 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 44,161 thousand /USD 1,503 thousand) – refer to note 21.

The finance lease liabilities are secured by the leased assets (refer to note 14(c)).

Bank loans are secured by the pledge of the following shares in subsidiary companies:

- 9.27% of OAO Gatchinsky DSK;
- 100% of Aeroc AS;
- 100% of Aeroc CIA;
- 89.22% of OAO Granit-Kuznechnoe;
- 89.92 % of OAO MTO Arkhproekt;
- 25.95% of OAO Zavod Elektrik;
- 26% of OOO Osobnyak.

27 Provisions

’000 RUR	Site restoration	Environment restoration	Warranty provisions	Total
Current				
Balance at 1 January 2009	870,564	8,859	6,133	885,556
Provisions made during the period	367,739	-	617	368,356
Provisions used during the period	(503,532)	(1,243)	-	(504,775)
Exchange difference	-	-	348	348
Balance at 30 June 2009	734,771	7,616	7,098	749,485
Non-current				
Balance at 1 January 2009	-	1,700	-	1,700
Change in amount discounted	-	(603)	-	(603)
Balance at 30 June 2009	-	1,097	-	1,097

’000 USD	Site restoration	Environment restoration	Warranty provisions	Total
Current				
Balance at 1 January 2009	29,631	302	208	30,141
Provisions made during the period	11,121	-	19	11,140
Provisions used during the period	(15,227)	(38)	-	(15,265)
Exchange difference	(2,043)	(20)	-	(2,063)
Balance at 30 June 2009	23,482	244	227	23,953
Non-current				
Balance at 1 January 2009	-	58	-	58
Change in amount discounted	-	(18)	-	(18)
Exchange difference	-	(5)	-	(5)
Balance at 30 June 2009	-	35	-	35

(a) Warranty provision

The provision for warranties relates mainly to the residential units sold during the period. The provision is based on estimates made from historical warranty data associated with similar products and services and is required under the German legislation. The Group expects the resulting outflow of economic benefits over the next year. For the production companies warranty provision relates to the construction works done.

(b) Site restoration

The Group records provisions in respect of the Group's obligation to incur additional costs including costs associated with clean up the surrounding area after finishing the construction of apartment buildings in St. Petersburg. The Group expects the resulting outflow of economic benefits over the next year.

(c) Environment restoration

The Group records provisions in respect of the Group's obligation to clean up the surrounding area after quarrying sand in forested areas. The damage caused during quarrying is cleaned up after quarrying is completed. The amount of provision is estimated based on the average cost of past restoration works and current information available. The Group expects the resulting outflow of economic benefits over the next five years.

28 Trade and other payables

	30 June 2009 ’000 RUR	31 December 2008 ’000 RUR	30 June 2009 ’000 USD	31 December 2008 ’000 USD
Non-current payables				
Accounts payable – trade	35,205	35,640	1,125	1,213
Other payables	1,551	1,525	50	52
	36,756	37,165	1,175	1,265
Current payables				
Prepayments received for flats	21,018,093	24,450,717	671,710	832,212
Accounts payable – trade	3,706,058	3,484,099	118,441	118,586
Advances from customers	2,788,271	3,350,789	89,109	114,048
Notes payable	-	62,371	-	2,123
Employee-related liabilities	719,841	593,507	23,004	20,201
Other taxes payable	961,270	1,150,971	30,721	39,175
Minority interest in limited liability subsidiaries	54,996	53,890	1,758	1,834
Accounts due to customers for contract work	987,566	803,385	31,560	27,344
Interest payable	501,806	477,229	16,037	16,243
Deferred income	66,738	67,860	2,133	2,310
Payables for shares of the subsidiaries acquired	-	2,675,383	-	91,060
Advances for shares	840,000	-	26,845	-
Other payables	751,532	1,341,946	24,017	45,675
	32,396,171	38,512,147	1,035,335	1,310,811

Prepayments received for flats include RUR 4,408,430 thousand / USD 140,888 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2008: RUR 18,148,894 thousand / USD 617,721 thousand).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

29 Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There are no single customers which generate more than 10% of the Group's revenue. However, geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Managing Directors; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

As a result of the deteriorating economic circumstances in 2008 and 2009, certain purchase limits have been redefined, particularly for the customers operating in the Building Materials, Construction and Aggregates business segments, since the Group has experienced that the economic downturn has had a greater impact in these business segments than in the Group's other business segments.

Most of the Group's customers in the Building Materials, Construction and Aggregates segments have been transacting with the Group for over four years, and losses have occurred infrequently. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group does not have a unified policy for management of credit risk in place. Due to significant differences in operations at different business units specific credit policies are developed at the level of operational companies. Each of the operating companies has established procedures in place to review and collect outstanding receivables. New customers, as well as customers with significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place. All companies involved in the extraction and production of building materials have in place credit control procedures which require them to cancel despatching goods in case of the absence of a signed contract, previous fail to pay or previous violations of contract conditions. Also certain limits for the accounts receivable are established for particular customers.

In the Real Estate Development segment most sales are on prepayment and cash basis, as the customers are individuals.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. This allowance represents a specific loss component that relates to individually significant exposures.

(ii) Investments

The Group does not invest any of its assets in traded securities. It limits its exposure to credit risk by only investing in securities and only with counterparties that are known to them and that have an appropriate reputation in the market. Management does not expect any counterparty to fail to meet its obligations.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to its own subsidiaries. At 30 June 2009 no guarantees were outstanding (31 December 2008: none).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 RUR	**Carrying amount**	
	30 June 2009	**31 December 2008**
Available-for-sale financial assets	42,997	94,825
Loans and receivables	5,855,214	5,387,247
Cash and cash equivalents	678,698	3,246,060
Restricted cash	2,798,161	4,259,234
Financial assets held for sale	606	1,165
Receivables held for sale	2,141	-
	9,377,817	12,988,531

'000 USD	**Carrying amount**	
	30 June 2009	**31 December 2008**
Available-for-sale financial assets	1,374	3,228
Loans and receivables	187,124	183,361
Cash and cash equivalents	21,690	110,483
Restricted cash	89,425	144,969
Financial assets held for sale	19	40
Receivables held for sale	68	-
	299,700	442,081

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

'000 RUR	**Carrying amount**	
	30 June 2009	**31 December 2008**
Domestic	2,241,214	2,547,032
Euro-zone countries	60,339	12,101
Other CIS countries	168,183	125,012
	2,469,736	2,684,145

'000 USD	**Carrying amount**	
	30 June 2009	**31 December 2008**
Domestic	71,627	86,692
Euro-zone countries	1,928	412
Other CIS countries	5,375	4,254
	78,930	91,358

The Group's most significant customer, ZAO "SMU-13 Metrostroy", accounts for RUR 55,566 thousand / USD 1,776 thousand of the trade receivables carrying amount at 30 June 2009 (31 December 2008: RUR 1,615 thousand / USD 55 thousand).

All trade receivables for which payment is overdue are fully impaired. The total amount of impaired trade receivables at the reporting date was RUR 337,039 thousand / USD 10,771 thousand (31 December 2008: RUR 78,270 thousand / USD 2,664 thousand). At 30 June 2009 the Group did not have any general provisions on its trade receivables (31 December 2008: nil).

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	2009	**2008**
	'000 RUR	**'000 RUR**
Balance at 1 January	(78,270)	(35,260)
Impairment loss recognised	(258,769)	(42,538)
Balance at 30 June	(337,039)	(77,798)

	2009	**2008**
	'000 USD	**'000 USD**
Balance at 1 January	(2,664)	(1,436)
Impairment loss recognised	(7,825)	(1,777)
Effect of movements in exchange rates	(282)	(104)
Balance at 30 June	(10,771)	(3,317)

The movement in the allowance for impairment in respect of advances paid and other receivables during the period was as follows:

	2009	**2008**
	'000 RUR	**'000 RUR**
Balance at 1 January	(68,177)	(134,948)
Impairment loss reversed	6,136	94,691
Balance at 30 June	(62,041)	(40,257)

	2009	**2008**
	'000 USD	**'000 USD**
Balance at 1 January	(2,320)	(5,498)
Impairment loss recognised	186	3,956
Effect of movements in exchange rates	151	(174)
Balance at 30 June	(1,983)	(1,716)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 30 June 2009 the Group's undrawn short-term credit facilities amount is RUR 2,365,037 thousand / USD 75,583 thousand (31 December 2008: RUR 4,603,795 thousand / USD 156,696 thousand) from Russian, Ukrainian and Estonian Banks. Interest would be payable at the rate of 7.75% to 21%.

The following are the contractual maturities of financial liabilities, excluding estimated interest payments and excluding the impact of netting agreements:

30 June 2009	**Average interest rate**					
'000 RUR	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUR*	8.95%-19.0%	12.9%	3,070,065	3,602,512	-	6,672,577
USD*	9.50% - 12.70%	11.5%	1,251,616	3,003,878	-	4,255,494
USD	Libor + 5.9% / 6.1%	7.4%	571,050	586,695	-	1,157,745
EUR*	7.0%-17.5%	14.3%	65,901	224,734	-	290,635
EUR	Euribor + 0.99% /Euribor + 7.75%	4.9%	74,086	501,473	71,374	646,933
Other*	2.8% - 6.00%	5.9%	349	1,241	3,523	5,113
Unsecured bank loans:						
RUR*	9.85% - 16.75%	12.5%	8,055,200	-	-	8,055,200
USD	Libor + 5.25% / 8.25%	8.75%	2,442,623	778,741	-	3,221,364
EUR*	4.63%-11.00%	4.7%	66,948	2,139,641	2,853,468	5,060,057
Unsecured other loans:						
RUR*	0.0%-14.0%	9.9%	297,073	-	600	297,673
Unsecured bond issues:						
RUR*	8.35%-13.25%	10.7%	7,697,520	-	-	7,697,520
Secured bond issues:						
EUR	6m Euribor + 4.5%	6.0%	218,008	-	-	218,008
Finance lease liabilities						
RUR*	6.30% - 41.19%	17.92%	796,007	806,222	-	1,602,229
Trade and other payables		-	6,695,503	36,756	-	6,732,259
			31,301,949	11,681,893	2,928,965	45,912,807

*Fixed rate

31 December 2008	**Average interest rate**					
'000 RUR	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUR*	8.95%-16.5%	10.00%	487,907	3,130,144	-	3,618,051
USD*	9.02% - 11%	9.5%	470,086	705,130	-	1,175,216
USD	Libor + 6.0% / 6.22%	9.1%	881,412	352,565	-	1,233,977
EUR*	8.80%-12%	10.8%	175,111	141,416	-	316,527
EUR	Euribor + 0.99% /Euribor + 5.75%	5.5%	56,421	268,046	315,986	640,453
Other*	2.5% - 6.00%	5.8%	329	1,223	3,474	5,026
Unsecured bank loans:						
RUR*	9.85% - 15.37%	12.1%	7,591,130	2,598,119	-	10,189,249
USD	Libor + 5.25% / 8.25%	9.3%	1,337,044	2,022,621	-	3,359,665
EUR*	3.0%-4.63%	4.6%	63,315	1,011,743	3,710,397	4,785,455
Unsecured other loans:						
RUR*	0.0%-14.0%	1.9%	153,173	15,066	632	168,871
EUR*	10.0%	10.0%	401,156	-	-	401,156
Unsecured bond issues:						
RUR*	8.35%-13.25%	11.0%	4,895,000	3,683,520	-	8,578,520
Secured bond issues:						
EUR	6m Euribor + 4.5%	8.0%	332,486	-	-	332,486
Finance lease liabilities						
RUR*	10.37 – 42.72%	17.92%	1,107,916	903,450	-	2,011,366
Trade and other payables		-	9,839,396	37,165	-	9,876,561
			27,791,882	14,870,208	4,030,489	46,692,579

*Fixed rate

30 June 2009	**Average interest rate**					
'000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUR*	8.95%-19.0%	12.9%	98,115	115,132	-	213,247
USD*	9.50% - 12.70%	11.5%	40,000	96,000		136,000
USD	Libor + 5.9% / 6.1%	7.4%	18,250	18,750	-	37,000
EUR*	7.0%-17.5%	14.3%	2,106	7,182		9,288
EUR	Euribor + 0.99% /Euribor + 7.75%	4.9%	2,368	16,026	2,281	20,675
Other*	2.8% - 6.00%	5.9%	11	39	113	163
Unsecured bank loans:						
RUR*	9.85% - 16.75%	12.5%	257,433	-	-	257,433
USD	Libor + 5.25% / 8.25%	8.75%	78,063	24,888	-	102,951
EUR*	4.63%-11.00%	4.7%	2,140	68,380	91,193	161,713
Unsecured other loans:						
RUR*	0.0%-14.0%	9.9%	9,494	-	19	9,513
Unsecured bond issues:						
RUR*	8.35%-13.25%	10.7%	246,003	-	-	246,003
Secured bond issues:						
EUR	6m Euribor + 4.5%	6.0%	6,968	-	-	6,968
Finance lease liabilities						
RUR*	6.30% - 41.19%	17.92%	25,439	25,766	-	51,205
Trade and other payables		-	213,978	1,175	-	215,153
			1,000,368	373,338	93,606	1,467,312

*Fixed rate

31 December 2008	**Average interest rate**					
'000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUR*	8.95%-16.5%	10.00%	16,607	106,538	-	123,145
USD*	9,02%-11,00%	9.5%	16,000	24,000	-	40,000
USD	Libor + 6.01% / 6.22%	9.1%	30,000	12,000	-	42,000
EUR*	8.80%-12.00%	10.8%	5,960	4,813	-	10,773
EUR	Euribor + 0.99% /Euribor + 5.75%	5.50%	1,920	9,124	10,755	21,799
Other*	2.50%-6.00%	5.80%	11	42	118	171
Unsecured bank loans:						
RUR*	9,85%-15.37%	12.10%	258,374	88,430	-	346,804
USD	Libor + 5.25% / 8.25%	9.3%	45,508	68,843	-	114,351
EUR*	3.0%-4.63%	4,60%	2,155	34,436	126,288	162,879
Unsecured other loans:						
RUR*	0.00%-14.00%	1.9%	5,213	513	22	5,748
EUR*	10.00%	10.00%	13,654	-	-	13,654
Unsecured bond issues:						
RUR*	8.35%-13.25%	11.00%	166,608	125,373	-	291,981
Secured bond issues:						
EUR	6m Euribor + 4.5%	8.00%	11,317	-	-	11,317
Finance lease liabilities						
RUR*	10.37%-42%	17.92%	37,709	30,750	-	68,459
Trade and other payables		-	334,897	1,265	-	336,162
			945,933	506,127	137,183	1,589,243

* Fixed rate

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(e) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUR), but also Euro, Estonian Krone (EEK) and Ukrainian Hryvna (UAH). The currencies in which these transactions primarily are denominated are Euro and USD.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily RUR, but also EUR and USD. This provides an economic hedge and no derivatives are entered into.

Exposure to currency risk

The Group's exposure to currency risk was as follows based on principal amounts:

30 June 2009 '000 RUR	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	5,600,286	30,743	720	43,891
Originated loans	179,574	-	-	-
Secured bank loans	(6,672,577)	(937,568)	(5,413,239)	(5,113)
Unsecured bank loans	(8,055,200)	(5,060,057)	(3,221,364)	-
Unsecured other loans	(297,673)	-	-	-
Unsecured bond issues	(7,697,520)	-	-	-
Secured bond issue	-	(218,008)	-	-
Finance lease liabilities	(1,602,229)	-	-	-
Trade and other payables	(6,546,738)	(96,319)	(2,111)	(87,091)
Gross balance sheet exposure	(25,092,077)	(6,281,209)	(8,635,994)	(48,313)

31 December 2008 ’000 RUR	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	4,946,513	218,569	1,303	57,412
Originated loans	163,450	-	-	-
Secured bank loans	(3,618,051)	(956,980)	(2,409,193)	(5,026)
Unsecured bank loans	(10,189,249)	(4,785,455)	(3,359,665)	-
Unsecured other loans	(168,871)	(401,156)	-	-
Unsecured bond issue	(8,578,520)	-	-	-
Secured bond issues	-	(332,486)	-	-
Finance lease liabilities	(2,011,366)	-	-	-
Trade and other payables	(9,506,924)	(113,966)	(5,213)	(250,458)
Gross balance sheet exposure	(28,963,018)	(6,371,474)	(5,772,768)	(198,072)

30 June 2009 ’000 USD	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	178,976	983	23	1,403
Originated loans	5,739	-	-	-
Secured bank loans	(213,247)	(29,963)	(173,000)	(163)
Unsecured bank loans	(257,433)	(161,713)	(102,951)	-
Unsecured other loans	(9,513)	-	-	-
Unsecured bond issues	(246,003)	-	-	-
Secured bonds issue	-	(6,968)	-	-
Finance lease liabilities	(51,205)	-	-	-
Trade and other payables	(209,225)	(3,078)	(67)	(2,783)
Gross balance sheet exposure	(801,911)	(200,739)	(275,995)	(1,543)

31 December 2008 '000 USD	RUR-denominated	EUR-denominated	USD-denominated	Other-denominated
Trade and other receivables	168,361	7,439	44	1,954
Originated loans	5,563	-	-	-
Secured bank loans	(123,145)	(32,572)	(82,000)	(171)
Unsecured bank loans	(346,804)	(162,879)	(114,351)	-
Unsecured other loans	(5,748)	(13,654)	-	-
Unsecured bonds issue	(291,981)	-	-	-
Secured bond issues	-	(11,317)	-	-
Finance lease liabilities	(68,459)	-	-	-
Trade and other payables	(323,581)	(3,879)	(177)	(8,525)
Gross balance sheet exposure	(985,784)	(216,862)	(196,484)	(6,742)

The following significant exchange rates applied during the period:

	30 June 2009 RUR	31 December 2008 RUR
1 USD equals	31.2904	29.3804
1 Euro equals	43.8191	41.4411
1 EEK equals	2.79389	2.65623

Sensitivity analysis

A 10% strengthening of RUR against the above currencies would have increased profit by RUR 1,496,552 thousand / USD 47,828 thousand. A 10% weakening of the RUR against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(f) 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.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

'000 RUR	Carrying amount	
	30 June 2009	31 December 2008
Fixed rate instruments		
Financial assets	222,571	258,275
Financial liabilities	(33,936,498)	(31,249,437)
	(33,713,927)	(30,991,162)
Variable rate instruments		
Financial liabilities	(5,244,050)	(5,566,581)

'000 USD	Carrying amount	
	30 June 2009	31 December 2008
Fixed rate instruments		
Financial assets	7,113	8,791
Financial liabilities	(1,084,565)	(1,063,614)
	(1,077,452)	(1,054,824)
Variable rate instruments		
Financial liabilities	(167,594)	(189,467)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the statement of comprehensive income.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and the statement of comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for six months of 2008.

'000 RUR	Profit or loss	
	100 bp increase	100 bp decrease
Six months ended 30 June 2009		
Variable rate instruments	(52,441)	52,441
Cash flow sensitivity	(52,441)	52,441
Six months ended 30 June 2008		
Variable rate instruments	(29,534)	29,534
Cash flow sensitivity	(29,534)	29,534

’000 USD	Profit or loss	
	100 bp increase	100 bp decrease
Six months ended 30 June 2009		
Variable rate instruments	(1,676)	1,676
Cash flow sensitivity	(1,676)	1,676
Six months ended 30 June 2008		
Variable rate instruments	(1,259)	1,259
Cash flow sensitivity	(1,259)	1,259

(g) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of the transactions;
- requirements for the reconciliation and monitoring of the transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessments of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit, to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

(h) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	'000 RUR	'000 RUR	'000 USD	'000 USD
Total liabilities	74,399,540	78,887,513	2,377,709	2,685,038
Less: cash and cash equivalents	(678,698)	(3,246,060)	(21,690)	(110,483)
Net debt	73,720,842	75,641,453	2,356,019	2,574,555
Total equity	34,872,919	35,011,339	1,114,493	1,191,657
Debt to capital ratio	2.11	2.16	2.11	2.16

There were no changes in the Group's approach to capital management during the period.

(i) Fair values

The fair value of unquoted equity investments is discussed in note 4. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for loans. As at 30 June 2009 fair value of loans with carrying value of RUR 37,578,319 thousand / USD 1,200,954 thousand equals to RUR 34,308,556 thousand / USD 1,096,456 thousand. As at 31 December 2008 fair value of loans with carrying value of RUR 34,808,651 thousand / USD 1,184,621 thousand equals to RUR 33,589,153 thousand / USD 1,143,250 thousand. In determining fair values market rates of 16% for loans nominated in Russian roubles (31 December 2008: 15%) and 11% for loans nominated in foreign currencies (31 December 2008: 9%) were used.

30 Commitments

At 30 June 2009, the Group was committed to purchase property, plant and equipment for approximately RUR 6,312,899 thousand / USD 201,752 thousand (31 December 2008: RUR 7,022,962 thousand/ USD 239,036 thousand) net of VAT, including commitment to purchase equipment for a new cement plant for RUR 4,362,886 thousand / USD 139,432 thousand (31 December 2008: RUR 4,575,097 thousand/ USD 155,719 thousand) and commitment to purchase equipment for a new brick-making plant for RUR 1,170,802 thousand / USD 37,417 thousand (31 December 2008: RUR 1,107,264 thousand/USD 37,687 thousand).

31 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. 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) Litigation

In April 2009 one of the Group subsidiaries entered into litigation with CERIC S.A. in Stockholm arbitration court. The amount under dispute comprised of RUR 1,522,100 thousand / USD 48,644 thousand, including the amount of prepayment to CERIC of RUR 903,154 thousand / USD 28,864 thousand. In response CERIC S.A. initiated counter-claim to the Group subsidiary for the amount of RUR 1,708,945 thousand / USD 54,616 thousand. On the balance sheet date the outcome of the litigation and the amount of loss to the Group, if any, cannot be predicted with any certainty.

Except for the arbitration above, other litigations include a number of small claims relating to purchases from domestic customers. Based on experience in resolving such claims, management believes that they will be settled without significant cost to the Group. Accordingly, no provision has been made for such amounts.

(c) 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.

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 these consolidated interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The Group companies entered into transactions involving other Group companies at prices which management believed were consistent with applicable tax law. However, based on the uncertainty of legislation, the tax authorities could take a different position and attempt to assess additional tax and interest. The potential amount of such assessment cannot be reasonably estimated based on the uncertainty of transfer pricing rules, but could be significant. Management has not made any provision because it believes there will be no outflow of funds relating to any such assessment.

(d) Environmental liabilities

The Group is engaged in dredging sand from the sea bed and quarrying sand in forested areas. There is no liability to perform any restoration work in relation to the sea bed after the dredging is complete.

The Group is engaged in crushed stone production in five areas covered by forests. According to existing legislation and the terms of licenses obtained by the Group there is a liability for the Group to restore these sites when quarrying is complete. The costs associated with restoration cannot be determined as, in accordance with existing licences on crushed stone production, the methods of restoration and its cost will be determined in the future based on discussions between the Group and Russian Environment Authorities after the quarrying is complete. Accordingly, no provision has been recognised in the consolidated interim financial statements for expected expenses on restoration. It is planned that quarrying will be completed for the currently used three areas in the years 2030 and 2178 respectively (refer to note 27).

32 Related party transactions

(a) Control relationships

The Company is controlled by Andrey Molchanov, who owes 63.4% of the voting shares directly and 9.5% of the voting shares through an affiliated company Streetlink ltd. The Company was notified that after the balance sheet date Streetlink ltd sold 4.52% of the voting shares to a third party, resulting in reduction of Mr. Molchanov stake to 68.38%. (refer to note 34).

(b) Transactions with management and close family members

The management and their close family members control 13.8% of the voting shares of the Group. (31 December 2008: 13.8%).

(i) Management remuneration

Sales to and purchases from key management personnel are disclosed below:

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2009	30 June 2008	30 June 2009	31 December 2008	30 June 2009	30 June 2008	30 June 2009	31 December 2008
	’000 RUR	’000 RUR	’000 RUR	’000 RUR	’000 USD	’000 USD	’000 USD	’000 USD
Sale of goods and services	18,675	27,956	(306,923)	(91,194)	565	1,167	(9,809)	(3,104)
Purchases of goods and services from related parties	85	-	-	-	3	-	-	-
Loans received (included into unsecured other loans – refer to note 26) from related parties	-	-	15,066	478,282	-	-	481	16,279
Loans given to related parties	125	-	13,811	10,336	4	-	441	352
Sale of shares	-	-	(300,000)	-	-	-	(9,588)	-
	18,885	27,956	(578,046)	397,424	572	1,167	(18,475)	13,527

Key management received the following remuneration during the period, which is included in personnel costs (refer to note 10):

	Six months ended 30 June			
	2009	2008	2009	2008
	’000 RUR	’000 RUR	’000 USD	’000 USD
Salaries and bonuses	243,062	281,090	7,350	11,739

(ii) Other transactions

There were no loans to executive directors (31 December 2008: RUR 3,434 thousand /USD 146 thousand) (refer to note 21). Interest of 8.5% - 11% p.a. was payable on these loans. The loans were expected to be repaid within 1 year.

As further described in note 7, during 2008 the Group acquired certain companies from entities under common control. In addition, the Group also acquired additional interests in subsidiaries, or disposed of part of its interests, to entities under common control. In accordance with the Group's accounting policy, differences, if any, between the carrying amount of net assets acquired or disposed of and consideration paid or received are recognised directly in equity as distributions to or contributions from shareholders.

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Revenue

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2009	**30 June 2008**	**30 June 2009**	**31 December 2008**	**30 June 2009**	**30 June 2008**	**30 June 2009**	**31 December 2008**
	'000 RUR	**'000 RUR**	**'000 RUR**	**'000 RUR**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Sale of goods and services provided to:								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owner	17,051	53,072	44,926	50,970	516	2,217	1,436	1,735
Companies significantly influenced by the Group key management	443,756	71	(884,889)	113,870	13,420	3	(28,280)	3,876
	460,807	53,143	(839,963)	164,840	13,936	2,220	(26,844)	5,611

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured.

(ii) Expenses

	Transaction value six months ended		**Outstanding balance**		**Transaction value six months ended**		**Outstanding balance**	
	30 June 2009	**30 June 2008**	**30 June 2009**	**31 December 2008**	**30 June 2009**	**30 June 2008**	**30 June 2009**	**31 December 2008**
	’000 RUR	**’000 RUR**	**’000 RUR**	**’000 RUR**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Purchase of goods and services from:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	98,104	58,684	41,073	20,865	2,967	2,451	1,313	710
Companies significantly influenced by the Group management	4,798	-	90,711	108,191	145	-	2,899	3,682
	102,902	58,684	131,784	129,056	3,112	2,451	4,212	4,392

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured.

(iii) Loans

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2009 ’000 RUR	**30 June 2008 ’000 RUR**	**30 June 2009 ’000 RUR**	**31 December 2008 ’000 RUR**	**30 June 2009 ’000 USD**	**30 June 2008 ’000 USD**	**30 June 2009 ’000 USD**	**31 December 2008 ’000 USD**
Loans received (included into unsecured other loans – refer to note 26):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	43,600	6,203	15,066	-	1,821	198	513
Companies significantly influenced by the Group management	1,857,321	-	246,795	49,000	56,167	-	7,887	1,668
	1,857,321	43,600	252,998	64,066	56,167	1,821	8,085	2,181
Loans given (included into other investments – originated loans category– refer to note 18):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	(14,404)	(16,751)	(14,680)	(376)	(435)	(700)	(469)	(13)
Companies significantly influenced by the Group management	(50)	(6,000)	(1,091)	(3,101)	(2)	(251)	(35)	(106)
	(14,454)	(22,751)	(15,771)	(3,477)	(437)	(951)	(504)	(119)
	1,842,867	20,849	237,227	60,589	55,730	870	7,581	2,062

The loans from companies, significantly influenced by the Group management, and companies, controlled or significantly influenced by, or on behalf of, the Group’s ultimate beneficial owners, bear no interest and are repayable based on contractual terms.

The loans to companies, significantly influenced by the Group management, and companies, controlled, or significantly influenced by, or on behalf of, the Group's ultimate beneficial owners bear no interest and are repayable based on contractual terms. No discounting of the loans has been performed at the balance sheet date due to the short maturity of loans received and given.

(iv) Transactions with shares / promissory notes

Purchase of shares from

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	30 June 2009	30 June 2008	30 June 2009	31 December 2008	30 June 2009	30 June 2008	30 June 2009	31 December 2008
	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 USD	'000 USD	'000 USD	'000 USD
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	30,874	-	24,749	30,088	934		791	1,024
Companies significantly influenced by the Group management	-	-	34,750	68,950	-		1,111	2,347
	30,874	-	59,499	99,038	934		1,902	3,371

Sale of shares to

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	30 June 2009	30 June 2008	30 June 2009	31 December 2008	30 June 2009	30 June 2008	30 June 2009	31 December 2008
	’000 RUR	’000 RUR	’000 RUR	’000 RUR	’000 USD	’000 USD	’000 USD	’000 USD
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	-	3,221	-	-	-	103	-
Companies significantly influenced by the Group management	-	-	(524,375)	15,625	-	-	(16,758)	532
	-	-	(521,154)	15,625	-	-	(16,655)	532

33 Significant subsidiaries

Entity	Country of incorporation	Ownership/voting interest 30 June 2009	Ownership/voting interest 31 December 2008
OAO “Gatchinsky DSK”	Russia	100.00%	100.00%
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG" (formerly OAO SKV SPb)	Russia	100.00%	100.00%
OOO “GDSK”	Russia	100.00%	100.00%
OAO “LSR”	Russia	100.00%	100.00%
OAO NPO “Keramika” (formerly ZAO NPO “Keramika”)	Russia	100.00%	100.00%
OAO “Granit-Kuznechnoye”	Russia	100.00%	100.00%
OAO “Rudas”	Russia	100.00%	100.00%
“Leningrad river port Open Joint-Stock Company”	Russia	100.00%	100.00%
Joint-Stock Company "Scanex"	Russia	100.00%	100.00%
ZAO “Vertikal”	Russia	100.00%	100.00%
OAO “PO “Barrikada”	Russia	88.75%	88.75%
ZAO “DSK “Blok”	Russia	100.00%	100.00%
OAO “UM-260” (formerly ZAO UM-260)	Russia	100.00%	100.00%
OAO “Obyedineniye 45”	Russia	100.00%	100.00%
ZAO “MSR” (formerly ZAO Mosstroyrekonstruktsia)	Russia	100.00%	100.00%
OAO “GATP-1”	Russia	100.00%	100.00%
JSC "Pobeda LSR" (formerly ZAO “Pobeda LSR”)	Russia	100.00%	99.89%
OOO “Aeroc SPb”	Russia	100.00%	100.00%
“AEROC” SIA (formerly Aeroc Poribet SIA)	Latvia	100.00%	100.00%
Aeroc aktsiaselts	Estonia	100.00%	100.00%
LCC “Aeroc” ltd	Ukraine	100.00%	100.00%
Joint-Stock Company “Petrobeton”	Russia	100.00%	100.00%
OOO “Aeroc Kaliningrad”	Russia	100.00%	100.00%
UAB “Aeroc”	Lithuania	100.00%	100.00%
OOO “Osobnyak”	Russia	100.00%	100.00%
OOO “Kvartira LuxServis”	Russia	100.00%	100.00%
ZAO “Stroitelny trest № 28”	Russia	79.17%	79.17%
OOO “Stroitelny trest № 28”	Russia	50.00%	50.00%
ZAO “Paradny kvartal” (formerly ZAO “Naberezhnaya Evropy”)	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/voting interest 30 June 2009	Ownership/voting interest 31 December 2008
OOO "Nevsky Portal"	Russia	100.00%	100.00%
ZAO "Promyshlenny leasing" (formerly OOO "Promyshlenny leasing")	Russia	100.00%	100.00%
OOO "Martynovka"	Russia	100.00%	100.00%
OAO "NKSM"	Russia	100.00%	100.00%
ZAO NPO "VSR"	Russia	80.00%	80.00%
OOO "SPb GDC "YUNA"	Russia	100.00%	100.00%
DNP "Alakul"*	Russia	-	-
"DNP "Penaty 2"*	Russia	-	-
ZAO "MSR-Butovo"	Russia	100%	100%
OAO "Zavod ZhBI-6"	Russia	57.70%	57.70%
OOO "GDSK Invest Primorsky" (formerly OOO "GDSK Iinvest-49")	Russia	100.00%	100.00%
ZAO "Zarechye"	Russia	100.00%	100.00%
OOO "LenSpecSMO Promstroymontazh"	Russia	100.00%	100.00%
Limited Liability Company Smolniy District	Russia	100.00%	100.00%
OOO "VSMP" (formerly ZAO " VSMP ")	Russia	100.00%	100.00%
OOO "Yakornaya"	Russia	100.00%	100.00%
OOO "BaltStroyKomplekt"	Russia	100.00%	100.00%
Aeroc International AS	Estonia	90.00%	90.00%
ZAO "Obyedineniye 45-M"	Russia	100.00%	100.00%
OOO "LSR-Invest"	Russia	100.00%	100.00%
ZAO "Chifko plus"	Russia	100.00%	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Strabe Wohnbau Gmbh & Co. KG	Germany	70.00%	70.00%
Saargemunder Strabe Wohnbau Beteiligungs-GmbH	Germany	70.00%	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
LSR Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestrasse Projektetnwicklungs GmbH & Co KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstr. 79 mbH	Germany	80.00%	-
JSC "A Plus Estate"	Russia	100.00%	100.00%
ZAO "INGEOKOM S-Pb"	Russia	100.00%	100.00%
OAO "Stroicorporatciya"	Russia	100.00%	100.00%
Joint-Stock Company "Golden Kazanskaya"	Russia	100.00%	100.00%
OAO MTO "ARHPROEKT"	Russia	100.00%	100.00%
LLC "LSR - UKRAINE"	Ukraine	100.00%	100.00%
OOO "Velikan-XXI vek"	Russia	100.00%	100.00%
OAO "ZAVOD ELEKTRIK"	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/voting interest 30 June 2009	Ownership/voting interest 31 December 2008
ZAO “Kikerino-Elektrik”	Russia	100.00%	100.00%
ZAO “ZAVOD “STROIFARFOR”	Russia	96.28%	95.75%
OOO “BSK Invest-1”*	Russia	20.00%	20.00%
OOO “BSK Invest-2”*	Russia	20.00%	20.00%
OOO “BSK Invest-3”*	Russia	20.00%	20.00%
Limited Liability Company "Cement"	Russia	100.00%	100.00%
OOO “Investproekt”	Russia	100.00%	100.00%
ZAO “Kazanskaya, 36”	Russia	100.00%	100.00%
OOO “Ozherel’evskaya keramika”	Russia	100.00%	100.00%
OOO “Okhtinskiy Bereg”	Russia	94.00%	94.00%
Joint-Stock Company "Parkon"	Russia	100.00%	100.00%
Lsr Group Ltd (formerly OOO LSR)	Russia	100.00%	100.00%
OOO “Ohta 25”	Russia	55.00%	55.00%
OOO Agentstvo “TRIADA”	Russia	100.00%	100.00%
OOO “Barrikada”	Russia	100.00%	100.00%
OOO “UK “LSR Ural” (former OOO “UK “NOVA GROUP”)	Russia	100.00%	100.00%
OOO “Promrezerv”	Russia	100.00%	100.00%
OAO “Betfor”	Russia	92.65%	92.64%
OOO “SMU NOVA-stroy”	Russia	100.00%	-
OOO “PKU NOVA-StroyProekt”	Russia	100.00%	100.00%
ZAO “NOVA-stroy”	Russia	100.00%	100.00%
OOO “NOVA-stroy”	Russia	100.00%	100.00%
OOO “Granit-Invest”	Russia	100.00%	100.00%
OOO “Uralscheben”	Russia	100.00%	100.00%
JSC “Aeroc Obuchow”	Ukraine	97.32%	97.2766%
OOO “Kentavr Management”	Russia	100.00%	100.00%
Hiuki Holding LTD *	Cyprus	-	-

* These subsidiaries are special purpose entities (see policy in the note 3(a)(ii)) in which the Group has no direct controlling ownership or direct controlling voting interest.

34 Events subsequent to the balance sheet date

Financing events

On 16th and 27th of July the Group successfully met its obligation to repay bonds issued by OOO "LSR Invest" which were presented for payment for the total amount of RUR 2,969,100 thousand / USD 94,888 thousand.

In July 2009 one of the Group subsidiaries fully repaid non-revolving credit line in OAO "Ural Bank for Reconstruction and Development" with a nominal value of RUR 150,000 thousand / USD 4,794 thousand.

In September 2009 one of the Group subsidiaries fully repaid a loan in OAO "Sberbank" with a nominal value of RUR 66,997 thousand / USD 2,141 thousand.

In September 2009 the Company early repaid a last tranche of non-revolving credit line in OAO "AB ORGRESBANK" for the amount of RUR 118,997 thousand / USD 3,803 thousand.

In September 2009 the Company early repaid the first tranche of the loan in ZAO "Raiffeisenbank" for the amount of RUR 664,921 thousand / USD 21,250 thousand.

In July 2009 one of the Group subsidiaries entered into a loan agreement with OAO "Bank VTB Severo-Zapad". The total amount of overdraft granted is limited to RUR 60,000 thousand / USD 1,918 thousand.

In July 2009 one of the Group subsidiaries entered into a loan agreement with OAO "Sberbank". The total amount of revolving credit line granted is limited to RUR 500,000 thousand / USD 15,979 thousand.

In July 2009 one of the Group subsidiaries entered into two loan agreements with OAO "Sberbank". The total amount of overdraft and revolving credit line is limited to RUR 275,000 thousand / USD 8,789 thousand.

In July 2009 one of the Group subsidiaries entered into a loan agreement with OAO "Sberbank". The total amount of revolving credit line granted is limited to RUR 240,000 thousand / USD 7,670 thousand.

In August 2009 one of the Group subsidiaries entered into an overdraft agreement with OAO "Sberbank". The total amount of overdraft granted is limited to RUR 40,000 thousand / USD 1,278 thousand.

In September 2009 the Company entered into a loan agreement and a revolving credit line with OAO "Bank VTB Severo-Zapad". The total amount of the loan granted is RUR 50,000 thousand / USD 1,598 thousand. The total amount of revolving credit line granted is limited to RUR 900,000 thousand / USD 28,763 thousand.

In October 2009 one of the Group subsidiaries entered into an overdraft agreement with OAO "Bank VTB Severo-Zapad". The total amount of overdraft granted is limited to RUR 50,000 thousand / USD 1,598 thousand.

In October 2009 one of the Group subsidiaries entered into a revolving credit line agreement with OAO "Bank VTB Severo-Zapad". The total amount of revolving credit line granted is limited to RUR 2,000,000 thousand / USD 63,917 thousand.

In October 2009 one of the Group subsidiaries entered into a revolving credit line agreement with OAO “Bank VTB Severo-Zapad”. The total amount of revolving credit line granted is limited to RUR 500,000 thousand / USD 15,979 thousand.

Operating events

In September 2009 the Group disposed of Joint-Stock Company "Golden Kazanskaya" to related party. The net gain on the disposal of RUR 62,794 thousand / USD 2,007 thousand was recognised as contribution from shareholders.

The disposal of the subsidiary preliminary had the following effect on the Group’s assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	**’000 RUR**	**’000 USD**
Non-current assets		
Property, plant and equipment	216,244	6,885
Investments	31,070	993
Current assets		
Trade and other receivables	9,298	297
Income tax receivable	1,178	38
Cash and cash equivalents	665	21
Non-current liabilities		
Deferred tax liability	(20,408)	(652)
Current liabilities		
Trade and other payables	(841)	(27)
Net identifiable assets, liabilities and contingent liabilities disposed	237,206	7,555
Excess of consideration received for entities under common control over book values of net assets sold	62,794	2,007
Consideration received	300,000	9,562
Cash disposed of	(665)	(21)
Net cash inflow	299,335	9,541

In September 2009 Mr. Andrey Molchanov, acting through Streetlink Limited, sold 21,166,535 global depository receipts (the "GDRs"), each representing 0.2 ordinary shares of the Company to a third party. As a result of the transaction his share in the Group decreased by 4.52% from 72.9% to 68.38%.

35 Supplementary disclosures

The following Group entities are included in Segments and Business unit disclosures:

Segment	Business unit	Entity
Construction	Construction Saint-Petersburg	OAO “Gatchinsky DSK”
		ZAO “DSK “Blok”
	Construction Ural	OAO "Betfor"
		OOO "SMU NOVA-stroy"
		OOO "PKU NOVA-StroyProekt"
Real Estate Development	Gated Communities	DNP “Alakul”
		“DNP “Penaty 2”
		ZAO “Zarechye”
		OOO “Osobnyak”
	Business Class and Mass Market Real Estate	ZAO “ZAVOD “STROIFARFOR”
		OAO “LSR”
		OAO “NPO Keramika”
		OOO “GDSK Invest Primorsky” (formerly OOO “GDSK Iinvest-49”)
		OOO “GDSK”
		OOO “Nevsky Portal”
		OOO “Okhtinskiy Bereg”
	Real Estate in Western Europe	LSR Europe GmbH
		Max-Josephs-Hohe Immobilien-und Projektentwicklungs GmbH
		LSR Vermögensverwaltungs GmbH
		Oefelestrasse Projektetnwicklungs GmbH & Co KG
		Saargemunder Strabe Wohnbau Beteiligungs-GmbH
		Projektgesellschaft Bayerstr. 79 mbH
		Saargemunder Strabe Wohnbau Gmbh & Co. KG
	Real Estate Ural	OOO “Investproekt”
		OOO “Promrezerv”
		ZAO "NOVA-stroy"
		OOO "NOVA-stroy"
	Real Estate in Moscow	ZAO “MSR” (formerly ZAO Mosstroyrekonstruktsia)
		OOO Agentstvo “TRIADA”
		OOO “Velikan-XXI vek”
		OOO "Kentavr Management"
		ZAO “MSR-Butovo”
	Elite Real Estate	ZAO “INGEOKOM S-Pb”
		ZAO “Kikerino-Elektrik”
		ZAO NPO “Vyborgstroyrekonsruktsiya”
		ZAO “Paradny kvartal” (formerly ZAO “Naberezhnaya Evropy”)
		OAO “ZAVOD ELEKTRIK”
		JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG" (formerly OAO SKV SPb)
		OAO “Stroicorporatciya”
		OOO “Martynovka”
		Limited Liability Company Smolniy District

Segment	Business unit	Entity
	Other	OOO “SPB GDC “YUNA” OOO “LenSpecSMO Promstroymontazh” OOO “Kvartira LuxServis”
Aggregates	Sand	OOO “Vsevolozhskoye SMP” "Leningrad river port Open Joint-Stock Company" OAO “Rudas”
	Crushed Granite	OAO “Granit-Kuznechnoye” OOO “Granit-Invest”
	Crushed Granite Ural	OOO "Uralscheben"
Building Materials	Other	OOO “BaltStroyKomplekt” OOO “Ohta 25” OOO “BSK Invest-1-3” ZAO “Vertikal”
	Ready-mix Concrete	OOO "Yakornaya" OAO “Obyedineniye 45”
	Aerated Concrete	UAB “Aeroc” Aeroc aktsiaselts (formerly Aeroc AS) Aeroc International AS “AEROC” SIA (formerly Aeroc Poribet SIA) Joint-Stock Company “Petrobeton” Joint-Stock Company "Scanex" OOO “Aeroc Kaliningrad” OOO “Aerok SPb JSC "Aeroc Obuchow" LCC “Aeroc” ltd (formerly Aeroc Ukraine)
	Reinforced Concrete Saint-Petersburg	OAO “NKSM” Joint-Stock Company "Parkon" OOO “Barrikada” OAO “PO “Barrikada”
	Reinforced Concrete Moscow	OAO “Zavod ZhBI-6” ZAO “Obyedineniye 45-M”
	Bricks	Joint-Stock Company "Pobeda LSR" (formerly ZAO Pobeda LSR) OOO “Ozherel’evskaya keramika”
	Cement	ZAO “Chifko plus” Limited Liability Company "Cement"
Commercial Real Estate	Commercial Real Estate	JSC "A Plus Estate"
Construction Services	Transportation	OAO “GATP-1”
	Pile Foundation Construction	ZAO “Stroitelny trest № 28” OOO “Stroitelny trest № 28”
	Tower Cranes	OAO “UM-260” (formerly ZAO UM-260)
Other Entities	Other entities	Joinr-Stock Company "Golden Kazanskaya" ZAO “Kazanskaya, 36” ZAO “Promyshlenny leasing” (formerly OOO “Promyshlenny leasing”) OJSC LSR Group OAO MTO “ARHPROEKT” Lsr Group Ltd (formerly OOO LSR) OOO “LSR-Invest” LLC “LSR - UKRAINE” Hiuki Holding LTD
	Other entities Ural	OOO “UK “LSR Ural”

Key financials by business segment / unit were as follows:

For the 6 months ended 30 June 2009 ('000 RUR)	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. MF & Depr.)	Depreciation/ Amortisation TOTAL	Change in fair value of investment property	EBITDA*
Brick	704.396	10,476	714,872	55,387	38,351		93,738
Reinforced Concrete Saint-Petersburg	1,064,693	91,708	1,156,401	(41,112)	95,459		54,347
Reinforced Concrete Moscow	109,966	245,442	355,408	(52,302)	19,096		(33,206)
Ready-mix Concrete	980,277	97,178	1,077,455	(203,216)	150,945		(52,271)
Aerated Concrete	759,370	15,758	775,128	(136,787)	112,580		(24,207)
Cement	476,109	331,974	808,083	(6,522)	9,340		2,818
Other	315,630	58,282	373,912	30,118	5,828		35,946
Eliminations	-	(591,335)	(591,335)	2,885	-		2,885
Building Materials	**4,410,441**	**259,483**	**4,669,924**	**(351,549)**	**431,599**	**-**	**80,050**
Sand	864,811	55,600	920,411	400,549	120,042		520,591
Crushed Granite	656,672	159,095	815,767	(22,304)	98,677		76,373
Crushed Granite Ural	8,273	1,072	9,345	45	18,297		18,342
Eliminations	-	(3,368)	(3,368)	-	-		-
Aggregates	**1,529,756**	**212,399**	**1,742,155**	**378,290**	**237,016**	**-**	**615,306**
Tower Cranes	488,944	76,221	565,165	185,987	109,398		295,385
Transportation	2,833	94,775	97,608	(6,200)	26,892		20,692
Pile Foundation and Construction	267,110	9,890	277,000	(43)	16,074		16,031
Eliminations	-	(355)	(355)	-	-		-
Construction Services	**758,887**	**180,531**	**939,418**	**179,744**	**152,364**	**-**	**332,108**
Elite Real Estate	3,240,257	25	3,240,282	(280,509)	11,390	(2,134,077)	1,864,958
Business Class and Mass Market Real Estate	4,513,316	2,491	4,515,807	1,476,014	1,140		1,477,154
Gated Communities	22,718	-	22,718	25,113	313		25,426
Real Estate in Moscow	-	-	-	(18,322)	4,172		(14,150)
Real Estate in Western Europe	123,445	-	123,445	(926)	176		(750)
Real Estate Ural	1,454,843	1,123	1,455,966	348,579	607		349,186
Other	33,993	27,749	61,742	6,419	624		7,043
Eliminations	-	(11,113)	(11,113)	(684)	-		(684)
Real Estate Development	**9,388,572**	**20,275**	**9,408,847**	**1,555,684**	**18,422**	**(2,134,077)**	**3,708,183**
Construction Saint-Petersburg	3,693,325	218,349	3,911,674	717,839	156,000		873,839
Construction Ural	306,090	209,251	515,341	(152,381)	108,029		(44,352)
Construction	**3,999,415**	**427,600**	**4,427,015**	**565,458**	**264,029**	**-**	**829,487**
Commercial Real Estate	**76,764**	**1**	**76,765**	**42,087**	**772**		**42,859**
Other	**166,256**	**-**	**166,256**	**-**	**53,034**		**53,034**
Eliminations	-	(1,100,289)	(1,100,289)	270,839	-		270,839
Unallocated Expenses	-	-	-	(236,302)	-		(236,302)
Consolidated	**20,330,091**	**-**	**20,330,091**	**2,404,251**	**1,157,236**	**(2,134,077)**	**5,695,564**

**EBITDA= Operating Result + Depreciation / amortisation - Change in fair value of Investment Property+ impairment losses recognised during the reporting period*

For the 6 months ended 30 June 2009 ('000 USD)	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. MF & Depr.)	Depreciation/ Amortisation TOTAL	Change in fair value of investment property	EBITDA*
Brick	21,301	317	21,618	1,675	1,160	-	2,835
Reinforced Concrete Saint-Petersburg	32,198	2,773	34,971	(1,243)	2,887	-	1,644
Reinforced Concrete Moscow	3,326	7,422	10,748	(1,582)	577	-	(1,005)
Ready-mix Concrete	29,643	2,939	32,582	(6,145)	4,565	-	(1,580)
Aerated Concrete	22,964	477	23,441	(4,137)	3,405	-	(732)
Cement	14,398	10,039	24,437	(197)	282	-	85
Other	9,545	1,762	11,307	911	176	-	1,087
Eliminations	-	(17,882)	(17,882)	87	-	-	87
Building Materials	**133,375**	**7,847**	**141,222**	**(10,631)**	**13,052**	**-**	**2,421**
Sand	26,153	1,681	27,834	12,113	3,630	-	15,743
Crushed Granite	19,858	4,811	24,669	(674)	2,984	-	2,310
Crushed Granite Ural	250	33	283	1	554	-	555
Eliminations	-	(102)	(102)	-	-	-	-
Aggregates	**46,261**	**6,423**	**52,684**	**11,440**	**7,168**	**-**	**18,608**
Tower Cranes	14,786	2,305	17,091	5,624	3,309	-	8,933
Transportation	86	2,866	2,952	(187)	813	-	626
Pile Foundation and Construction	8,077	299	8,376	(1)	486	-	485
Eliminations	-	(11)	(11)	-	-	-	-
Construction Services	**22,949**	**5,459**	**28,408**	**5,436**	**4,608**	**-**	**10,044**
Elite Real Estate	97,988	1	97,989	(8,483)	345	(64,536)	56,398
Business Class and Mass Market Real Estate	136,486	75	136,561	44,636	34	-	44,670
Gated Communities	687	-	687	759	10	-	769
Real Estate in Moscow	-	-	-	(554)	126	-	(428)
Real Estate in Western Europe	3,733	-	3,733	(28)	5	-	(23)
Real Estate Ural	43,996	34	44,030	10,542	18	-	10,560
Other	1,028	839	1,867	194	19	-	213
Eliminations	-	(336)	(336)	(21)	-	-	(21)
Real Estate Development	**283,918**	**613**	**284,531**	**47,045**	**557**	**(64,536)**	**112,138**
Construction Saint-Petersburg	111,690	6,603	118,293	21,708	4,717	-	26,425
Construction Ural	9,256	6,328	15,584	(4,608)	3,267	-	(1,341)
Construction	**120,946**	**12,931**	**133,877**	**17,100**	**7,984**	**-**	**25,084**
Commercial Real Estate	**2,321**	**-**	**2,321**	**1,273**	**23**	**-**	**1,296**
Other	**5,028**	**-**	**5,028**	**-**	**1,604**	**-**	**1,604**
Eliminations	-	(33,273)	(33,273)	8,190	-	-	8,190
Unallocated Expenses	-	-	-	(7,146)	-	-	(7,146)
Consolidated	**614,798**	**-**	**614,798**	**72,707**	**34,996**	**(64,536)**	**172,239**

**EBITDA= Operating Result + Depreciation/amortisation - Change in fair value of Investment Property+ impairment losses recognised during the reporting period*

For the 6 months ended 30 June 2008 ('000 RUR)	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. MF & Depr.)	Depreciation/ Amortisation TOTAL	Change in fair value of investment property	EBITDA*
Brick	1,373,959	38,402	1,412,361	455,797	46,439	-	502,236
Reinforced Concrete Saint-Petersburg	2,177,762	416,463	2,594,225	575,945	90,619	-	666,564
Reinforced Concrete Moscow	342,854	59,747	402,601	24,071	11,413		35,484
Ready-mix Concrete	2,791,938	62,825	2,854,763	127,629	124,217	-	251,846
Aerated Concrete	1,255,183	22,018	1,277,201	143,888	61,526	-	205,414
Cement	527,803	831,990	1,359,793	(10,269)	1,840	-	(8,429)
Other	436,293	101,869	538,162	81,514	5,453	-	86,967
Eliminations	-	(834,112)	(834,112)	(30,097)	-	-	(30,097)
Building Materials	8,905,792	699,202	9,604,994	1,368,478	341,507	-	1,709,985
Sand	1,255,990	173,087	1,429,077	593,854	118,219	-	712,073
Crushed Granite	1,195,015	502,282	1,697,297	395,404	89,908	-	485,312
Eliminations	-	(10,441)	(10,441)	-	-	-	-
Aggregates	**2,451,005**	**664,928**	**3,115,933**	**989,258**	**208,127**	**-**	**1,197,385**
Tower Cranes	546,976	74,685	621,661	195,761	87,248	-	283,009
Transportation	42,035	181,981	224,016	(13,790)	34,314	-	20,524
ST 28	382,114	157,974	540,088	53,010	13,353	-	66,363
Eliminations	-	(628)	(628)	-	-	-	-
Construction Services	**971,125**	**414,012**	**1,385,137**	**234,981**	**134,915**	**-**	**369,896**
Elite Real Estate	2,417,093	490	2,417,583	(2,347,901)	8,832	(3,461,647)	1,122,578
Business Class and Mass Market Real Estate	2,491,248	20,353	2,511,601	735,530	1,214	-	736,744
Gated Communities	25,401	1,800	27,201	(10,566)	341	-	(10,225)
Real Estate in Moscow	465,998	254	466,252	271,096	1,431	-	272,527
Real Estate in Western Europe	175,469	-	175,469	12,081	146	-	12,227
Other	33,373	33,878	67,251	7,712	568	-	8,280
Eliminations	-	(21,145)	(21,145)	(2,028)	-	-	(2,028)
Real Estate Development	**5,608,582**	**35,630**	**5,644,212**	**(1,334,076)**	**12,532**	**(3,461,647)**	**2,140,103**
Construction	**4,064,987**	**1 ,700,089**	**5,765,076**	**1,149,834**	**166,291**	**-**	**1,316,125**
Commercial Real Estate	**80,569**	**11,817**	**92,386**	**(309,335)**	**478**	**(355,334)**	**46,477**
Other	**74,627**	**-**	**74,627**	**-**	**31,740**	**-**	**31,740**
Eliminations	-	(3,525,678)	(3,525,678)	(425,964)	-	-	(425,964)
Unallocated Expenses	-	-	-	(577,070)	-	-	(577,070)
Consolidated	**22,156,687**	**-**	**22,156,687**	**1,096,106**	**895,590**	**(3,816,981)**	**5,808,677**

**EBITDA= Operating Result + Depreciation / amortisation - Change in fair value of Investment Property+ impairment losses recognised during the reporting period*

For the 6 months ended 30 June 2008 ('000 USD)	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. MF & Depr.)	Depreciation/ Amortisation TOTAL	Change in fair value of investment property	EBITDA*
Brick	57,382	1,604	58,986	19,036	1,939	-	20,975
Reinforced Concrete **Saint-Petersburg**	90,953	17,393	108,346	24,054	3,785	-	27,839
Reinforced Concrete Moscow	14,319	2,495	16,814	1,005	477	-	1,482
Ready-mix Concrete	116,603	2,626	119,229	5,330	5,188	-	10,518
Aerated Concrete	52,422	919	53,341	6,009	2,570	-	8,579
Cement	22,043	34,747	56,790	(429)	77	-	(352)
Other	18,221	4,254	22,475	3,404	227	-	3,631
Eliminations	-	(34,836)	(34,836)	(1,256)	-	-	(1,256)
Building Materials	**371,943**	**29,202**	**401,145**	**57,153**	**14,263**	**-**	**71,416**
Sand	52,455	7,229	59,684	24,802	4,937	-	29,739
Crushed Granite	49,909	20,977	70,886	16,513	3,755	-	20,268
Eliminations	-	(436)	(436)	-	-	-	-
Aggregates	**102,364**	**27,770**	**130,134**	**41,315**	**8,692**	**-**	**50,007**
Tower Cranes	22,844	3,119	25,963	8,176	3,644	-	11,820
Transportation	1,756	7,600	9,356	(576)	1,433	-	857
ST 28	15,958	6,598	22,556	2,214	558	-	2,772
Eliminations	-	(26)	(26)	-	-	-	-
Construction Services	**40,558**	**17,291**	**57,849**	**9,814**	**5,635**	**-**	**15,449**
Elite Real Estate	100,948	20	100,968	(98,058)	369	(144,573)	46,884
Business Class and Mass Market Real Estate	104,045	850	104,895	30,719	51	-	30,770
Gated Communities	1,061	75	1,136	(441)	14	-	(427)
Real Estate in Moscow	19,462	11	19,473	11,322	60	-	11,382
Real Estate in Western Europe	7,328	-	7,328	505	6	-	511
Other	1,393	1,416	2,809	322	23	-	345
Eliminations	-	(884)	(884)	(85)	-	-	(85)
Real Estate Development	**234,237**	**1,488**	**235,725**	**(55,716)**	**523**	**(144,573)**	**89,380**
Construction	**169,771**	**71,003**	**240,774**	**48,022**	**6,945**	**-**	**54,967**
Commercial Real Estate	**3,365**	**494**	**3,859**	**(12,919)**	**20**	**(14,840)**	**1,941**
Other	**3,116**	**-**	**3,116**	**-**	**1,326**	**-**	**1,326**
Eliminations	-	(147,248)	(147,248)	(17,790)	-	-	(17,790)
Unallocated Expenses	-	-	-	(24,101)	-	-	(24,101)
Consolidated	**925,354**	**-**	**925,354**	**45,778**	**37,404**	**(159,413)**	**242,595**

**EBITDA= Operating Result + Depreciation/amortisation - Change in fair value of Investment Property+ impairment losses recognised during the reporting period*