

OJSC LSR Group

Combined financial statements for the 6 months 2011

(TRANSLATION OF THE ORIGINAL RUSSIAN VERSION)

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Combined Balance Sheet as of 30 June 2011

'000 RUB

Assets	Code	31 December 2010	30 June 2011
1	2	3	4
I. Non-current assets			
Intangible assets	1110	23 901	24 286
<i>including goodwill</i>	-	23 889	24 241
Results of research and development	1120	-	7
Property, plant and equipment	1130	12 890	13 626
Income-bearing investments in tangible assets	1140	1 499	1 384
Long-term financial investments	1150	2	585
Deferred tax assets	1160	1 093	1 137
Other non-current assets	1170	17 314	21 874
<i>including work in progress</i>	-	17 160	21 702
TOTAL for Section I	1100	56 699	62 899
II. Current assets			
Inventories, including:	1210	32 862	31 974
<i>raw materials, consumables and other similar assets</i>	-	1 492	1 700
<i>work in progress</i>	-	17 358	19 930
<i>finished goods and goods for resale</i>	-	11 886	8 241
<i>dispatched goods</i>	-	175	261
<i>prepaid expenses</i>	-	1 813	1 635
<i>other inventory and costs</i>	-	138	207
VAT on purchased assets	1220	437	386
Trade and other receivables, including:	1230	17 817	26 178
<i>non-current accounts receivables - trade</i>	-	152	40
<i>other non-current receivables</i>	-	2 555	4 403
<i>current accounts receivables - trade</i>	-	2 987	5 058
<i>other current receivables</i>	-	12 123	16 677
Short-term financial investments	1240	380	319
Cash and cash equivalents	1250	1 153	1 758
Other current assets	1260	474	873
TOTAL for Section II	1200	53 123	61 488
BALANCE	1600	109 822	124 387

CAPITAL AND LIABILITIES	Code	31 December 2010	30 June 2011
1	2	3	4
III. Capital and reserves			
Share capital	1310	26	26
Revaluation of non-current assets	1340	452	1 722
Additional paid in capital	1350	27 981	27 653
Reserve capital, including:	1360	89	94
<i>reserves established in accordance with legislation</i>	-	36	41
<i>reserves established in accordance with charter documents</i>	-	53	53
Retained earnings	1370	24 650	23 765
Goodwill	-	290	920
Non-controlling interest	-	198	135
TOTAL for Section III	1300	53 686	54 315
IV. Long - term liabilities			
Loans and borrowings, including:	1410	28 409	32 626
<i>non-current liabilities loans</i>	-	24 294	25 106
<i>non-current liabilities borrowings</i>	-	3 509	6 968
<i>non-current interests</i>	-	606	552
Deferred tax liabilities	1420	608	732
Other long-term liabilities, including:	1450	2 821	5 632
<i>payables of participants</i>	-	2 598	5 031
<i>lessors and suppliers</i>	-	215	598
TOTAL for Section IV	1400	31 838	38 990
V. Short - term liabilities			
Loans and borrowings, including:	1510	4 380	4 465
<i>current liabilities loans</i>	-	982	2 245
<i>current liabilities borrowings</i>	-	3 048	1 536
<i>current interests</i>	-	350	684
Accounts payable, including:	1520	10 565	14 264
<i>trade accounts payable</i>	-	2 865	4 469
<i>accrued payroll</i>	-	240	338
<i>payable to State non-budgetary funds</i>	-	77	172
<i>taxes and levies payable</i>	-	905	1 140
<i>advances from customers</i>	-	2 690	4 455
<i>other payables</i>	-	3 788	3 690
Deferred income	1530	246	281
Reserves for future expenses	1540	547	355
Other short-term liabilities	1550	8 560	11 717
TOTAL for Section V	1500	24 298	31 082
BALANCE	1700	109 822	124 387

Off-balance-sheet items	Code	31 December 2010	30 June 2011
Leased property, plant and equipment	910	6 456	5 430
including capital leases	911	1 950	3 319
Inventory items accepted into custody	920	186	189
Goods accepted on commission	930	7	-
Bad debt written off to losses	940	221	230
Assets received as collateral for liabilities and payments	950	1 454	3 212
Assets pledged as collateral for liabilities and payments	960	42 400	30 686
Depreciation of housing assets	970	3	4
Intangible assets obtained for use	990	267	220

Chief Executive Officer _____

Chief Accountant _____

/A.I.Vakhmistrov/

/Y.N.Yakovleva/

26 August 2011

Combined Statement of Income for the 6 month 2011
'000 RUB

Indicator		Six months ended 30 June 2011	Six months ended 30 June 2010
Description 1	Code 2	3	4
INCOME AND EXPENSES FROM ORDINARY OPERATIONS			
Revenue (net of value added tax, excise and similar obligatory charges)	2110	22 695	17 471
Cost of sales	2120	(17 335)	(12 756)
Gross profit	2100	5 360	4 715
Selling expenses	2210	(882)	(732)
Administrative expenses	2220	(1 716)	(1 723)
Profit (loss) from operations	2200	2 762	2 261
OTHER INCOME AND EXPENSES			
Interest receivable	2320	19	36
Interest payable	2330	(1 113)	(1 539)
Other income	2340	3 547	2 557
Other expenses	2350	(3 063)	(3 105)
Profit before taxation	2300	2 152	211
Income tax expense :	2410	(472)	(424)
<i>permanent tax liabilities (assets)</i>	2421	(172)	135
Deferred tax liabilities	2430	(131)	(115)
Deferred tax assets	2450	(162)	394
Other:	2460	(20)	(14)
<i>the tax of previous years</i>		(6)	(10)
<i>financial sanctions</i>		(4)	(4)
Profit (loss) after tax	2400	1 367	53
Non-controlling interest		(29)	(18)
Income for the period with non-controlling interest	2400	1 338	35
Permanent tax liabilities		-	18
Other transactions	2520	1	-
Total comprehensive income for the period	2500	1 339	35

ANALYSIS OF SPECIFIC GAINS AND LOSSES

Indicator	Six months ended 30 June 2011		Six months ended 30 June 2010	
	profit	loss	profit	loss
Description				
Fines, penalties, punitive damages recognized or imposed by a court (arbitration court) ruling	3	21	17	15
Profit (loss) brought forward	40	70	16	40
Reimbursement of damages caused by non-fulfillment or improper fulfillment of obligations	4	10	2	12
Exchange gains/losses from foreign currency transactions	842	523	1 674	1 474
Deductions to valuation reserves	-	808	-	-
Accounts receivable and accounts payable written off upon expiration of the recovery period	7	13	3	23

Chief Executive Officer _____

Chief Accountant _____

/A.I.Vakhmistrov/

/Y.N.Yakovleva/

26 August 2011

Explanatory notes

OJSC LSR Group (previously LSR Group Ltd.)(hereinafter the “Company”) and its subsidiaries (hereinafter jointly referred to as “Group”) are Russian limited liability, open and closed joint stock companies, as defined in the Civil Code of the Russian Federation and companies located outside the Russian Federation.

The Company is registered at 36 Kazanskaya Street, St. Petersburg, 190031 Russian Federation.

The Company is engaged in real estate development and construction in St. Petersburg, Moscow, Yekaterinburg and Munich, production of building materials at production facilities located in St. Petersburg, Moscow and Moscow, Leningrad and Ural regions and extraction of aggregates in various districts of the Leningrad Region.

During the first six months of 2011

- Four new entities were included into the Group including one engaged in real estate development, one engaged in construction and two entities producing building materials;
- Two entities (engaged in production of building materials and real estate development) have been merged with larger entities of the Group;
- One entity engaged in production of building materials was sold.

Given acquisitions, mergers and disposals didn't have any significant effect on Company's financial position. Acquisitions made during the period contributed RUB 421 million to the net profit. Mergers and disposals didn't have any material effect on net profit for the period.

The Group prepares consolidated financial statement in accordance with IFRS.

Given consolidated balance sheet and statement of income of OJSC LSR Group for the 6 months of 2011 have been prepared in accordance with Russian Accounting Standards (RAS). Deductions to valuation reserves have been carried out since 2011.

The Group's combined results include unrealized gains/losses resulted from intergroup activities.

The financial results are reported in RUB millions. Assets and liabilities of international activities, including goodwill, have been converted into RUB at the exchange rate of the Central Bank of the Russian Federation as of the reporting date. The arising foreign exchange differences are charged to the retained earnings.

OJSC LSR Group combined financial statements comprise the results of its subsidiaries. Subsidiaries are enterprises controlled by the Group, which implies the Group's capability to manage directly or indirectly both financial and production policies of subsidiaries aiming to receive economic benefits from their activities. Financial results of subsidiaries are included into combined statements during the period of such control.

Furthermore, special purpose entities ("SPEs") included into the scope of consolidation are controlled by the Group, which is reflected in the valuation of relations between SPE. SPEs were established in a way that sets strict limitations on their management authority. As a result, the Group is the beneficiary of all SPEs' activities and net assets.

The combined financial statements of OJSC LSR Group contain the list of enterprises included into the combined financial statements.

The list of subsidiaries included into financial statements

№	Full name	Share of OJSC LSR Group as of 30.06.2011	Place of business activities
1	ОАО "Gatchinsky DSK"	100,00%	Saint-Petersburg
2	JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT- PETERSBURG"	100,00%	Saint-Petersburg
3	ООО "GDSK"	100,00%	Saint-Petersburg
4	ОАО "LSR"	100,00%	Saint-Petersburg
5	ОАО NPO "Keramika"	100,00%	Saint-Petersburg
6	ОАО "Granit-Kuznechnoye"	100,00%	Leningrad region
7	ОАО "Rudas"	100,00%	Saint-Petersburg
8	"Leningrad river port Open Joint- Stock Company"	100,00%	Saint-Petersburg
9	ЗАО "Vertikal"	100,00%	Saint-Petersburg
10	ОАО "ПО "Баррикада"	100,00%	Saint-Petersburg
11	ЗАО "ДСК "Блок"	100,00%	Saint-Petersburg
12	ОJSC "UM-260"	100,00%	Saint-Petersburg
13	ООО "Obyedineniye 45"	100,00%	Saint-Petersburg
14	ЗАО "MSR"	100,00%	Moscow
15	ООО "GATP №1"	100,00%	Saint-Petersburg
16	JSC "Pobeda LSR"	100,00%	Saint-Petersburg
17	ООО "Osobnyak"	100,00%	Saint-Petersburg
18	ООО "Kvartira LuxServis"	100,00%	Saint-Petersburg
19	JSC "Construction trust № 28"	39,59%	Saint-Petersburg
20	ООО "Construction trust № 28"	50,00%	Saint-Petersburg
21	OJSC LSR Group	100,00%	Saint-Petersburg
22	ЗАО "Promyshlenny leasing"	100,00%	Saint-Petersburg
23	ЗАО "Martynovka"	merged with "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	Saint-Petersburg
24	ЗАО NPO "VSR"	80,00%	Saint-Petersburg
25	ООО "SPb GDC "YUNA"	100,00%	Saint-Petersburg
26	DNP "Alakul"	100,00%	Saint-Petersburg
27	"DNP "Penaty-2"	100,00%	Leningrad region
28	ЗАО "MSR-Butovo"	100,00%	Moscow
29	ОАО "Zavod ZhBI-6"	57,80%	Moscow
30	Limited Liability Company "Cement"	100,00%	Leningrad region
31	ООО "GDSK Invest Primorsky"	100,00%	Saint-Petersburg
32	ЗАО "Zarechye"	100,00%	Saint-Petersburg
33	ООО "LenSpecSMO"	100,00%	Saint-Petersburg
34	Limited Liability Company Smolny District	100,00%	Saint-Petersburg
35	ООО "VSMP"	100,00%	Saint-Petersburg
36	ООО "BaltStroyKomplekt"	100,00%	Saint-Petersburg
37	ООО "Obyedineniye 45-M"	100,00%	Moscow
38	ООО "LSR-Invest"	100,00%	Saint-Petersburg
39	ЗАО "Chifko plus"	100,00%	Saint-Petersburg
40	ООО "Velikan-XXI vek"	100,00%	Moscow
41	LSR Europe GmbH	100,00%	Germany
42	JSC "A Plus Estate"	100,00%	Saint-Petersburg
43	ЗАО "INGEOKOM S-Pb"	100,00%	Saint-Petersburg
44	ОАО "Stroicorporatciya"	100,00%	Saint-Petersburg

№	Full name	Share of OJSC LSR Group as of 30.06.2011	Place of business activities
45	ОАО МТО "АРНПРОЕКТ"	100,00%	Moscow
46	LLC "LSR - UKRAINE"	100,00%	Ukraine
47	ООО "BSK Invest-3"	20,00%	Saint-Petersburg
48	ОАО "ЗАВОД ЭЛЕКТРИК"	100,00%	Saint-Petersburg
49	Saargemunder Strabe Wohnbau Gmbh & Co.KG	70,00%	Germany
50	Saargemunder Strabe Wohnbau Beteiligungs-GmbH	70,00%	Germany
51	Max-Josephs-Hohe Immobilien-und Projektentwicklungs GmbH	94,80%	Germany
52	ООО "ЗАВОД "СТРОИФАРФОР"	100,00%	Saint-Petersburg
53	ООО "Ozherel'evskaya keramika"	100,00%	Moscow
54	ООО "Okhtinskiy Bereg"	100,00%	Saint-Petersburg
55	ЗАО "Kazanskaya, 36"	100,00%	Saint-Petersburg
56	ООО Agentstvo "TRIADA"	100,00%	Moscow
57	ООО "Promrezerv"	100,00%	Yekaterinburg
58	Limited Liability Company "Barrikada"	100,00%	Saint-Petersburg
59	Open Joint-Stock Company "BETFOR"	100,00%	Yekaterinburg
60	ООО "Ohta 25"	55,00%	Saint-Petersburg
61	ЗАО "NOVA-stroy"	100,00%	Yekaterinburg
62	ООО "SMU "NOVA-stroy"	100,00%	Yekaterinburg
63	ООО "PKU NOVA-StroyProekt"	100,00%	Yekaterinburg
64	ООО "Uralscheben"	100,00%	Yekaterinburg
65	ООО "Kentavr Management"	100,00%	Moscow
66	ООО "Granit-Invest"	100,00%	Leningrad region
67	LSR Vermögensverwaltungs GmbH	85,00%	Germany
68	Lsr Group Ltd	100,00%	Saint-Petersburg
69	Oefelestrasse Projektentwicklungs GmbH & Co KG	85,00%	Germany
70	ООО "Karier Petrovskiy"	sold	Leningrad region
71	ООО "Vsevolozhskie Ugodia"	100,00%	Saint-Petersburg
72	ООО "Rybkhhoz"	100,00%	Saint-Petersburg
73	Bereiteranger Vermögensverwaltungs GmbH	70,00%	Germany
74	Bereiteranger Projektentwicklung GmbH & Co.KG	70,00%	Germany
75	ООО "Aeroc SPb"	100,00%	Saint-Petersburg
76	JSC "Scanex"	100,00%	Saint-Petersburg
77	JSC "Aeroc Obuchow"	97,36%	Ukraine
78	ООО "Kompleks"	100,00%	Saint-Petersburg
79	ООО "OPTIMA"	100,00%	Saint-Petersburg
80	ООО "LSR-Stroy"	100,00%	Saint-Petersburg
81	ЗАО "КУЗЗhBI"	100,00%	Yekaterinburg
82	JSC "HONKAVAARAN MAASTORAKENNUS"	merged with ОАО "Granit-Kuznechnoye"	Saint-Petersburg
83	LLC "AEROC"	100,00%	Ukraine
84	Projektgesellschaft Bayerstr. 79 mbH	80,00%	Germany
85	ООО "MSR Perspektiva"	100,00%	Moscow
86	MUC Campus V GmbH	70,00%	Germany
87	ОАО "Obuhovskiy zavod SMiK"	85,94%	Saint-Petersburg
88	ОАО "Pavlovskaya Keramika"	93,44%	Moscow