OJSC LSR Group

Consolidated Interim Financial Statements
for the six months ended
30 June 2008

Contents

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Independent Auditors' Report

Board of Directors of OJSC LSR Group

Report on Review of the Consolidated Interim Financial Statements

Introduction

We have reviewed the accompanying consolidated interim balance sheet of OJSC LSR Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2008, and the related consolidated interim statements of income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes (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 2008, 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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01 October 2008

	Note	Six months ended 30 June 2008 '000 RUR	Six months ended 30 June 2007 '000 RUR	Six months ended 30 June 2008 '000 USD	Six months ended 30 June 2007 '000 USD
Revenue		22,504,027	16,062,031	939,861	615,812
Cost of sales		(14,104,957)	(10,257,445)	(589,081)	(393,266)
Gross profit		8,399,070	5,804,586	350,780	222,546
Distribution expenses		(1,151,803)	(815,343)	(48,104)	(31,260)
Administrative expenses	9	(2,269,029)	(2,013,155)	(94,764)	(77,183)
Change in fair value of investment property	16/17	(3,816,981)	5,022,347	(159,413)	192,555
Other income	10	253,845	-	10,602	-
Other expenses	10	(318,996)	(142,998)	(13,323)	(5,483)
Results from operating activities		1,096,106	7,855,437	45,778	301,175
Financial income	12	301,847	87,734	12,606	3,364
Financial expenses	12	(1,210,836)	(782,127)	(50,569)	(29,986)
Profit before income tax		187,117	7,161,044	7,815	274,553
Income tax expense	13	(117,096)	(1,702,508)	(4,890)	(65,274)
Profit for the period		70,021	5,458,536	2,925	209,279
Attributable to:					
Shareholders of the Company		(92,697)	5,400,757	(3,871)	207,064
Minority interest		162,718	57,779	6,796	2,215
		70,021	5,458,536	2,925	209,279
Basic and diluted (loss)/earnings per share	24				
Ordinary shares		(1.04) RUR	63.43 RUR	(0.04) USD	2.43 USD

These consolidated interim financial statements were approved by management on 01 October 2008 and were signed on its behalf by:

I.M. Levit
Chief Executive Officer

E.V. Tumanova
Chief Financial Officer

The consolidated interim income statement is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 11 to 93.

	Note	30 June 2008 '000 RUR	31 December 2007 '000 RUR	30 June 2008 '000 USD	31 December 2007 '000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	14	23,406,372	17,820,781	997,829	726,010
Investment property under development	16	17,748,505	20,738,335	756,630	844,869
Investment property	17	1,680,364	2,040,056	71,635	83,111
Intangible assets	15	2,619,903	1,229,853	111,688	50,104
Other investments	18	80,851	45,768	3,447	1,865
Deferred tax assets	19	1,707,376	1,295,524	72,787	52,779
Trade and other receivables	21	1,616,179	1,358,625	68,899	55,350
Total non-current assets		48,859,550	44,528,942	2,082,915	1,814,088
Current assets					
Other investments	18	201,548	296,614	8,592	12,084
Inventories	20	38,174,791	32,981,623	1,627,416	1,343,655
Income tax receivable		72,053	160,166	3,072	6,525
Trade and other receivables	21	13,988,579	9,048,792	596,342	368,643
Cash and cash equivalents	22	7,573,927	8,708,473	322,881	354,779
Assets classified as held for sale	7	70,729	28,309	3,015	1,153
Total current assets		60,081,627	51,223,977	2,561,318	2,086,839
Total assets		108,941,177	95,752,919	4,644,233	3,900,927

The consolidated interim balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 11 to 93.

	Note	30 June 2008 '000 RUR	31 December 2007 '000 RUR	30 June 2008 '000 USD	31 December 2007 '000 USD
EQUITY AND LIABILITIES					
Equity	23				
Share capital		32,235	30,106	1,167	1,078
Restitutable Shares Reserve		-	14,564,829	-	570,017
Share premium		14,562,700	-	569,928	-
Additional paid in capital		16,546,378	16,428,655	641,412	636,495
Foreign currency translation reserve		-	30,607	161,997	83,631
Retained earnings		11,295,673	11,408,060	434,610	440,581
Total equity attributable to shareholders of the Company		42,436,986	42,462,257	1,809,114	1,731,802
Minority interest		666,478	514,395	28,414	19,045
Total equity		43,103,464	42,976,652	1,837,528	1,750,847
Non-current liabilities					
Loans and borrowings	25	20,600,675	13,347,929	878,220	543,788
Deferred tax liabilities	19	6,270,761	6,677,755	267,327	272,048
Trade and other payables	27	10,604,906	9,111,903	452,094	371,214
Provisions	26	6,239	7,565	266	308
Total non-current liabilities		37,482,581	29,145,152	1,597,907	1,187,358
Current liabilities					
Bank overdraft	22	112,063	60,163	4,777	2,451
Loans and borrowings	25	12,519,059	10,743,375	533,696	437,680
Income tax payable		315,854	342,324	13,466	13,947
Trade and other payables	27	14,616,509	11,785,272	623,111	480,127
Provisions	26	778,062	689,878	33,169	28,105
Liabilities classified as held for sale	7	13,585	10,103	579	412
Total current liabilities		28,355,132	23,631,115	1,208,798	962,722
Total liabilities		65,837,713	52,776,267	2,806,705	2,150,080
Total equity and liabilities		108,941,177	95,752,919	4,644,233	3,900,927

The consolidated interim balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 11 to 93.

	Six months ended 30 June			
	2008	**2007**	**2008**	**2007**
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
OPERATING ACTIVITIES				
Profit for the period	70,021	5,458,536	2,925	209,279
Adjustments for:				
Depreciation and amortisation	895,590	623,998	37,404	23,924
Loss on disposal of property, plant and equipment	17,842	124,223	745	4,763
Change in fair value of investment property	3,816,981	(5,022,347)	159,413	(192,555)
Net finance expense	908,989	701,034	37,963	26,877
Other non-cash movements	-	(8,859)	-	(340)
Income tax expense	117,096	1,702,508	4,890	65,274
Operating profit before changes in working capital and provisions	5,826,519	3,579,093	243,340	137,222
Increase in inventories	(4,914,233)	(2,869,648)	(205,239)	(110,021)
Increase in trade and other receivables	(5,006,769)	(803,767)	(209,103)	(30,817)
Increase in trade and other payables	3,972,524	956,823	165,909	36,685
Increase in provisions	86,858	30,150	3,628	1,156
Cash flows from operations before income taxes and interest paid	(35,101)	892,651	(1,465)	34,225
Income taxes paid	(1,274,993)	(450,906)	(53,249)	(17,288)
Interest paid	(1,182,986)	(730,276)	(49,406)	(27,998)
Cash flows utilised by operating activities	(2,493,080)	(288,531)	(104,120)	(11,061)

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 11 to 93.

	Six months ended 30 June			
	2008	**2007**	**2008**	**2007**
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	136,488	270,638	5,700	10,376
Interest received	142,277	26,828	5,942	1,029
Acquisition of property, plant and equipment	(4,522,392)	(1,959,552)	(188,874)	(75,129)
Acquisition of intangible assets	(19,054)	-	(796)	-
Acquisition of investment property under development	(547,390)	(1,315,561)	(22,861)	(50,438)
Loans given	(118,918)	(1,431,803)	(4,967)	(54,895)
Loans repaid	193,809	1,382,010	8,094	52,988
Acquisition of subsidiaries, net of cash acquired	(2,611,691)	(12,229)	(109,075)	(472)
Acquisition of minority interest	(60,554)	-	(2,529)	-
Disposal of minority holdings in subsidiaries	979	-	41	-
Purchase of other investments	-	(43,065)	-	(1,651)
Cash flows utilised by investing activities	(7,406,446)	(3,082,734)	(309,325)	(118,192)
FINANCING ACTIVITIES				
Proceeds from borrowings	13,781,247	11,036,198	575,562	423,123
Repayment of borrowings	(4,516,424)	(7,940,834)	(188,624)	(304,448)
Dividends paid to minority shareholders	(40,138)	-	(1,676)	-
Payment of finance lease liabilities	(511,669)	(394,034)	(21,369)	(15,107)
Cash flows from financing activities	8,713,016	2,701,330	363,893	103,568
Net decrease in cash and cash equivalents	(1,186,510)	(669,935)	(49,552)	(25,685)
Cash and cash equivalents at beginning of period	8,648,310	1,582,278	352,328	60,092
Effect of exchange rate fluctuations on cash and cash equivalents	64	-	15,328	933
Cash and cash equivalents at end of period (note 22)	7,461,864	912,343	318,104	35,340

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 11 to 93.

'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 2007	30,106	-	-	2,145,697	-	2,522,636	4,698,439	441,248	5,139,687
Profit for the period	-	-	-	-	-	5,400,757	5,400,757	57,779	5,458,536
Total recognised income and expense for the period					-	5,400,757	5,400,757	57,779	5,458,536
Excess of book values of net assets acquired for entities under common control over consideration paid	-	-	-	862,490	-	-	862,490	-	862,490
Excess of minority interest acquired over consideration paid	-	-	-	36,342	-	-	36,342	(31,415)	4,927
Balance at 30 June 2007	30,106	-	-	3,044,529	-	7,923,393	10,998,028	467,612	11,465,640
Balance at 1 January 2008	30,106	14,564,829	-	16,428,655	-	11,438,667	42,462,257	514,395	42,976,652
Foreign exchange translation differences	-	-	-	-	-	(10,159)	(10,159)	-	(10,159)
(Loss)/ profit for the period	-	-	-	-	-	(92,697)	(92,697)	162,718	70,021
Total recognised income and expense for the period					-	(102,856)	(102,856)	162,718	59,862
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
Dividends paid to minority interest	-	-	-	-	-	(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	16,546,378	-	11,295,673	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 11 to 93.

'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 2007	1,078	-	-	77,510	8,785	91,639	179,012	16,182	195,194
Profit for the period	-	-	-	-	-	207,063	207,064	2,215	209,279
Foreign exchange translation differences	-	-	-	-	6,397	-	6,397	-	6,397
Total recognised income and expense for the period					6,397	207,063	213,460	2,215	215,675
Excess of book values of net assets acquired for entities under common control over consideration paid	-	-	-	33,068	-	-	33,068	-	33,068
Excess of minority interest acquired over consideration paid	-	-	-	1,393	-	-	1,393	(1,204)	189
Balance at 30 June 2007	1,078	-	-	111,971	15,182	298,702	426,933	17,193	444,126
Balance at 1 January 2008	1,078	570,017	-	636,495	83,631	440,581	1,731,802	19,045	1,750,847
(Loss) /Profit for the period					-	(3,871)	(3,871)	6,796	2,925
Foreign exchange translation differences					78,366	(423)	77,942	3,016	80,961
Total recognised income and expense for the period					78,366	(4,294)	74,071	9,812	83,883
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
Dividends paid to minority interest	-	-	-	-	-	(1,676)	(1,676)	-	(1,676)
Shares issued	89	(570,017)	569,928	-	-	-	-	-	-
Balance at 30 June 2008	1,167	-	569,928	641,412	161,997	434,610	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 11 to 93.

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 Group's principal activities include real estate development in St. Petersburg 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 and Estonia, 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 32.

The Group is ultimately controlled (72.90%) by a single individual, Mr. Molchanov, who has the power to direct the transactions of the Group at his own discretion and for his own benefit. He also has a number of other business interests outside of the Group. In November 2007 the Group completed its public offering of 10,643,718 ordinary shares at USD 72.50 each and placed global depository receipts ("GDR`s") on the London Stock Exchange as well as shares on the Not-for-Profit Partnership Stock Exchange "Russian Trading System" and Closed Joint Stock Company "Moscow Interbank Currency Exchange". Related party transactions are detailed in note 31.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The consolidated 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 International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

(b) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis except that investment properties, the land components of investment properties under development and financial investments classified as available-for-sale are stated at fair value; property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRSs; and the carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 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 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

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated interim financial statements in conformity with IFRSs. Actual results could differ from those estimates.

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

- Note 14 – deemed cost of property plant and equipment;
- Notes 16 and 17 – determination of Fair Values of investment properties and the land components of investment properties under development;
- Note 26 – warranty provision, provision for site restoration and environment restoration; and
- Note 30 – contingencies.

3 Significant accounting policies

The significant accounting policies applied in the preparation of the consolidated interim financial statements are described in note 3(a) to 3(u). These accounting policies have been consistently applied except for the following changes in accounting policy, which had a material impact on the Group's financial position or result of operations:

Changes in classification

Some comparatives have been adjusted to conform to the current period's presentations and additional information available.

In the previous year the Group modified the classification of its current assets in the balance sheet. Comparatives were reclassified for consistency, which resulted in lease incentives for the amount of RUR 2,404,477 thousand / USD 91,317 thousand being reclassified from trade and other receivables to inventory.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are enterprises controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control effectively commences until the date that control effectively ceases. The accounting policies of subsidiaries have been changed 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 risk incidental to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its 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 Company are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their deemed cost, determined by the independent appraiser. 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 to/from entities under common control

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. 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 profit or loss.

(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 exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. 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 income statement.

(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.

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, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. 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 the statement of cash flows.

Available-for-sale financial assets

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 on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

Loans and receivables

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs, related to the acquisition or construction of qualifying assets are expensed in profit or loss as incurred.

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 disposals of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised within "other income' or "other expenses" in profit or loss.

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

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 profit or loss.

(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 profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. 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.

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 profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) 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. Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

(iii) 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 profit or loss when incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss 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.

(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 on the Group's balance sheet. Properties acquired for development and held under "lease incentives" terms are carried within inventory or investment property under development on a payment basis.

(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 is measured at fair value with any change therein recognised in profit or loss. Buildings that are being constructed for future use as investment property are accounted for in the same way as property, plant and equipment until construction or development is complete, at which time they are remeasured to fair value and reclassified as investment property along with related land component. Any gain or loss arising on remeasurement is recognised in profit or loss.

In the absence of current prices in an active market, the fair values are established 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. A yield 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 profit or loss. 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) Impairment

(i) Financial assets

A financial asset 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 one or more events have had a negative effect on the estimated future cash flows of that asset.

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. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

(ii) Reversal of impairment

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. 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.

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.

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.

(l) 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 income statement. Gains are not recognised in excess of any cumulative impairment loss.

(m) Employee benefits

Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an expense in profit or loss when they are due.

(n) 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.

(i) 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 profit or loss as quarrying is carried out.

(ii) 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.

(o) Revenues

(i) Goods sold

Revenue from the sale of goods 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 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.

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 occupy of the property, following certification by the competent Authorities.

(ii) Services

Revenue from services, rendered by the "Construction" segment, is recognised in profit or loss 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 profit or loss 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 profit or loss in proportion to the stage of completion of the contract. 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 profit or loss.

(iv) Rental income

Rental income from investment property is recognised in profit or loss 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.

(p) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in profit or loss 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 profit or loss as incurred.

(q) Financial income and expenses

Financial income comprises interest income on funds invested, 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, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Financial expenses 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. All borrowing costs are recognised in profit or loss using the effective interest method, except for borrowing costs related to qualifying assets which are recognised as part of the cost of such assets.

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

(r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 using the balance sheet method, providing for 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 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(s) Earnings per share

The Group presents basic and diluted 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.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), that is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

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

(u) 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 2008, 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. Except as stated below, the Group has not yet analysed the likely impact of these new or revised Standards and Interpretations on its financial position or performance.

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting.
  IFRS 8 *Operating Segments,* which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6 Segment Reporting). Under the management approach, the Group will represent segment information in respect of Development, Commercial Real Estate, Building Materials, Aggregates, Construction and Construction Services, therefore there will be no change to the current business segments.

- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date. Currently it is impracticable to evaluate the effect of the adoption of the revised standard on the consolidated financial statements.

- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any effect on the consolidated financial statements.

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, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(b) Investment property and investment property under development

The fair value of investment property and the land component of investment property under development is based on valuations, performed 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. The valuations are based primarily on comparable rents, yields and sales prices from recent market transactions on an arm's lengths basis, using the Discounted Cash Flow technique, 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 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) 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.

(f) 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 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.

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 this consolidated interim financial statements.

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's 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's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes 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. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. 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 St. Petersburg and Leningrad Region. Recently Group management started to diversify this kind of risk by growing operations in Moscow and entering new large markets in the Ural region and the Ukraine.

More than 85% of the Group's customers 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 and in related credit risks specific credit policies are developed at the level of operational segments. All companies which operate in the development segment make sales on advance payment condition. 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.

Goods sold are subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. In accordance with the Group's accounting policy all overdue receivables are considered to be fully impaired.

(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 2008 no guarantees were outstanding (31 December 2007: none).

(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, month and week to forecast potential liquidity deficit and identify sources of covering that deficit. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains secured and unsecured short term credit facilities of RUR 9,129,871 thousand / USD 389,212 thousand (31 December 2007: RUR 4,610,313 thousand / USD 187,182 thousand) from Russian and Estonian Banks. Interest would be payable at the rate of 6.24% to 14.5%.

(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.

The Group does not apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in the currencies other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUR), but also Euro (EUR) and Estonian Crone (EEK). The currencies in which these transactions primarily are denominated are the 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, USD and EEK. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by as far as possible, matching assets with liabilities.

(ii) 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, management strives to ensure that the variable interest rate credit amount should not exceed 20% of total debt since it is subject to greater macroeconomics risks.

(iii) Other market price risk

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

(e) 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. It was specifically agreed that the Group does not intend to pay dividends on its ordinary shares until 2011 at the earliest.

From time to time the Company may consider purchasing its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board of Directors; the Group does not have a defined share buy-back plan.

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the 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) Business segments

The Group comprises the following main business segments:

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

Commercial real estate. Commercial real estate company owns and operates business centres.

Building materials. The building materials production companies 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 companies are engaged in crushed stone production, land-based sand quarrying and sea sand quarrying.

Construction. Construction companies specialize in panel construction.

Construction services. Construction services companies specialize in providing of tower cranes services, transportation of construction materials and foundation works.

The management of the Group has reconsidered the operational activity of OOO Stroitelny trest № 28 and ZAO Stroitelny trest № 28 resulting in the transfer of operational and financial results of the companies from the Construction business segment to the Construction services business segment. Comparative data has been changed respectively.

(b) Geographical segments

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.

(i) Business segments

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	9,087,762	2,682,610	4,064,987	971,125	8,392	-	22,504,027
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	9,786,964	3,347,538	5,765,076	1,385,137	8,392	(3,525,678)	22,504,027
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 2007 ’000 RUR	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Revenue from external customers	5,444,431	24,676	6,469,126	1,809,053	1,652,479	652,319	9,947	-	16,062,031
Inter-segment revenue	319,134	-	322,514	430,485	492,215	285,769	-	(1,850,117)	-
Total revenue	5,763,565	24,676	6,791,640	2,239,538	2,144,694	938,088	9,947	(1,850,117)	16,062,031
Segment result	5,026,983	1,104,932	1,136,818	596,407	(50,495)	126,189	36,350	165,245	8,142,429
Unallocated expenses									(286,992)
Financial income									87,734
Financial expenses									(782,127)
Income tax expense									(1,702,508)
Profit for the period									5,458,536
Depreciation/amortisation	19,078	1,518	221,206	181,347	78,641	95,855	26,502	-	624,147
Capital expenditure	175,693	125,554	642,971	640,522	154,303	669,957	384,692	(172,529)	2,621,163

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	234,238	3,365	379,542	112,037	169,771	40,558	350	-	939,861
Inter-segment revenue	1,488	494	29,202	27,770	71,002	17,291	-	(147,247)	-
Total revenue	235,726	3,859	408,744	139,807	240,773	57,849	350	(147,247)	939,861
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 2007 '000 USD	Real estate development	Commercial real estate	Building materials	Aggregates	Construction	Construction services	Other entities	Eliminations	Consolidated
Revenue from external customers	208,737	946	248,024	69,359	63,355	25,010	381	-	615,812
Inter-segment revenue	12,236	-	12,365	16,505	18,871	10,956	-	(70,933)	-
Total revenue	220,973	946	260,389	85,864	82,226	35,966	381	(70,933)	615,812
Segment result	192,732	42,363	43,585	22,866	(1,936)	4,838	1,394	6,335	312,177
Unallocated expenses									(11,002)
Financial income									3,364
Financial expenses									(29,986)
Income tax expense									(65,274)
Profit for the period									209,279
Depreciation/amortisation	732	58	8,481	6,953	3,010	3,675	1,016	-	23,924
Capital expenditure	6,736	4,815	24,651	24,557	5,916	25,685	14,749	(6,615)	100,494

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 2007 ’000 RUR	**Real Estate Development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Segment assets	30,238,896	1,771,093	9,616,809	3,228,220	3,982,565	2,336,496	575	(4,103,632)	47,071,022
Unallocated assets									3,884,371
Total assets									50,955,393
Segment liabilities	19,916,198	473,939	3,619,366	820,556	1,601,143	929,649	(1,159)	(3,785,597)	23,574,095
Unallocated liabilities									15,915,658
Total liabilities									39,489,753

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

Six months ended 30 June 2007 ’000 USD	**Real Estate Development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Segment assets	1,171,315	68,604	372,511	125,046	154,266	90,505	22	(158,956)	1,823,313
Unallocated assets									150,463
Total assets									1,973,776
Segment liabilities	771,461	18,358	140,197	31,785	62,021	36,010	(45)	(146,636)	913,151
Unallocated liabilities									616,499
Total liabilities									1,529,650

7 Assets classified as held for sale

One entity within the Group is 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 2008.

	As at 30 June 2008	
	'000 RUR	**'000 USD**
Assets classified as held for sale		
Property plant and equipment	7,124	304
Inventories	61,491	2,621
Financial assets	2,114	90
	70,729	3,015
Liabilities classified as held for sale		
Trade and other payables	(13,585)	(579)
	(13,585)	(579)

8 Acquisitions and disposals of subsidiaries and minority interests

(a) Acquisition of subsidiaries

During the six months ended 30 June 2008 the Group acquired a controlling interest, settled in cash, in OAO Betfor (1 April 2008, 87.5% of share capital), OOO UK Nova-Group (29 May 2008, 100% of share capital), OOO Kaskad (28 February 2008, 100% of share capital) from third parties and OOO Okhta-25 (11 April 2008, 55% of share capital) from companies controlled by the ultimate shareholder. The impact of acquiring the subsidiaries was to increase profit for the six months ended 30 June 2008 by RUR 66,038 thousand / USD 2,758 thousand. OAO Betfor forms the main part of the values being acquired.

During the six months ended 30 June 2007 the Group acquired a controlling interest, settled in cash, in ZAO Grad from companies controlled by the Company's ultimate controlling party. This acquisition had no impact on profit for the six months ended 30 June 2007.

It has not been possible to determine the carrying amounts of the assets and liabilities of subsidiaries acquired from third parties on an IFRS basis immediately prior to the date of acquisition because the subsidiaries' financial statements were prepared in accordance with local accounting principles which are significantly different from IFRSs. For the same reason it has not been possible to determine the effect of these acquisitions had they taken place at the start of the period.

The acquisition of the subsidiaries from unrelated parties had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition			
	Six months ended 30 June 2008		Six months ended 30 June 2007	
	'000 RUR	'000 USD	'000 RUR	'000 USD
Non-current assets				
Property, plant and equipment	2,092,966	87,412	-	-
Intangible assets	209,770	8,763	-	-
Deferred tax asset	9,613	401	-	-
Current assets				
Investments	106,543	4,450	-	-
Inventory	275,352	11,500	-	-
Trade and other receivables	147,959	6,180	-	-
Cash and cash equivalents	21,816	911	-	-
Non-current liabilities				
Deferred tax liability	(404,626)	(16,898)	-	-
Loans and borrowings	(131,409)	(5,488)	-	-
Current liabilities				
Loans and borrowings	(353,505)	(14,764)	-	-
Deferred income	(28)	(1)	-	-
Trade and other payables	(352,562)	(14,724)	-	-
Net identifiable assets, liabilities and contingent liabilities	1,621,889	67,742	-	-
Minority interest	(145,857)	(6,092)	-	-
Net identifiable assets, liabilities and contingent liabilities acquired	1,476,032	61,650	-	-
Goodwill on acquisitions	1,173,601	49,009	-	-
Consideration paid	2,649,633	110,659	-	-
Cash acquired	(21,816)	(911)	-	-
Net cash outflow	2,627,817	109,748	-	-

The acquisition of the 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:

	Recognised fair values on acquisition			
	Six months ended 30 June 2008		Six months ended 30 June 2007	
	'000 RUR	'000 USD	'000 RUR	'000 USD
Non-current assets				
Property, plant and equipment	-	-	1,135,944	43,552
Investments	-	-	810	31
Current assets				
Inventory	3,583	150		
Income tax receivable	4,129	172	368	14
Trade and other receivables	70,524	2,945	7,976	307
Cash and cash equivalents	16,137	674	71	3
Non-current liabilities				
Deferred tax liability	-	-	(269,973)	(10,351)
Current liabilities				
Trade and other payables	(60,158)	(2,512)	(406)	(16)
Net identifiable assets, liabilities and contingent liabilities	34,215	1,429	874,790	33,540
Minority interest in OOO companies	(15,389)	(643)	-	-
Net identifiable assets, liabilities and contingent liabilities acquired	18,826	786	874,790	33,540
Difference between net assets acquired and consideration paid recognised in equity	(18,815)	(785)	(862,490)	(33,068)
Consideration paid	11	1	12,300	472
Cash acquired	(16,137)	(674)	(71)	(3)
Net cash outflow	(16,126)	(673)	12,229	469

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.

The acquisition of the Yekaterinburg companies (OAO Betfor and OOO UK Nova-Group) is treated as a single cash-generating unit and therefore it was considered impracticable to separate goodwill recognition. The acquisition of the Yekaterinburg companies had the following effect on the Group's assets and liabilities at the date of acquisition:

	'000 RUR	**'000 USD**
Non-current assets		
Property, plant and equipment	2,092,895	87,408
Deferred tax asset	8,870	370
Current assets		
Investments	106,543	4,450
Inventory	272,233	11,370
Trade and other receivables	144,014	6,015
Cash and cash equivalents	21,702	906
Non-current liabilities		
Loans and borrowings	(131,409)	(5,488)
Deferred tax liability	(354,285)	(14,796)
Current liabilities		
Loans and borrowings	(340,505)	(14,221)
Deferred income	(28)	(1)
Trade and other payables	(350,826)	(14,652)
Net identifiable assets, liabilities and contingent liabilities	1,469,204	61,361
Minority interest	(145,857)	(6,092)
Net identifiable assets, liabilities and contingent liabilities acquired	1,323,347	55,269
Goodwill on acquisitions	1,018,286	42,527
Consideration paid	2,341,633	97,796
Cash acquired	(21,702)	(906)
Net cash outflow	2,319,931	96,890

The acquisition of OOO Kaskad had the following effect on the Group's assets and liabilities at the date of acquisition:

	'000 RUR	'000 USD
Non-current assets		
Property, plant and equipment	64	3
Intangible assets	209,770	8,761
Deferred tax asset	743	31
Current assets		
Inventory	3,119	130
Trade and other receivables	3,945	165
Cash	114	5
Non-current liabilities		
Deferred tax liability	(50,341)	(2,102)
Current liabilities		
Loans and borrowings	(13,000)	(543)
Trade and other payables	(1,731)	(72)
Net identifiable assets, liabilities and contingent liabilities	152,683	6,378
Minority interest	-	-
Net identifiable assets, liabilities and contingent liabilities acquired	152,683	6,378
Goodwill on acquisitions	155,317	6,485
Consideration paid	308,000	12,863
Cash acquired	(114)	(5)
Net cash outflow	307,886	12,858

(b) Changes in minority interests

During the six months ended 30 June 2008 the Group acquired an additional minority interest in a number of subsidiaries. The Group recognised a decrease in minority interest of RUR 278,428 thousand / USD 11,628 thousand. Contribution from shareholders of RUR 243,020 thousand / USD 10,150 thousand and distribution to shareholders of RUR 25,146 thousand / USD 1,050 thousand was recognised directly in equity.

During the six months ended 30 June 2008 the Group disposed of minority holdings in a number of its subsidiaries. The Group recognised an increase in minority interest of RUR 122,044 thousand / USD 5,097 thousand. Distribution to shareholders of RUR 120,958 thousand / USD 5,052 thousand was recognised directly in equity.

9 Administrative expenses

	Six months ended 30 June			
	2008	**2007**	**2008**	**2007**
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
Wages and salaries	1,355,829	818,814	56,625	31,393
Services	428,313	558,146	17,888	21,399
Materials	70,675	224,903	2,952	8,623
Depreciation and amortisation	52,819	20,852	2,206	799
Taxes other than profit tax	121,365	143,852	5,069	5,515
Social expenditure	119,368	38,420	4,985	1,473
Insurance	19,436	22,231	812	852
Other administrative expenses	101,224	185,937	4,227	7,129
	2,269,029	2,013,155	94,764	77,183

10 Other income and expenses

	Six months ended 30 June			
	2008	**2007**	**2008**	**2007**
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
Other income:				
Gain on disposal of property, plant and equipment	136,387	-	5,696	-
Gain on disposal of other assets	117,458	-	4,906	-
Total other income	253,845	-	10,602	-
Other expenses:				
Loss on disposal of property, plant and equipment	(154,229)	(124,223)	(6,441)	(4,763)
Loss on disposal of other assets	(164,767)	(18,775)	(6,882)	(720)
Total other expenses	(318,996)	(142,998)	(13,323)	(5,483)
Net other income / (expenses)	(65,151)	(142,998)	(2,721)	(5,483)

11 Total personnel costs

	Six months ended 30 June			
	2008	2007	2008	2007
	’000 RUR	’000 RUR	’000 USD	’000 USD
Wages and salaries:				
Cost of sales	2,540,969	1,735,227	106,121	66,528
Administrative expenses	1,355,829	818,814	56,625	31,393
Distribution expenses	186,690	92,375	7,797	3,542
	4,083,488	2,646,416	170,543	101,463

12 Financial income and expenses

	Six months ended 30 June			
	2008	2007	2008	2007
	’000 RUR	’000 RUR	’000 USD	’000 USD
Financial income				
Foreign exchange gain	154,040	31,180	6,433	1,195
Interest income	142,277	26,828	5,942	1,029
Income from sale of available-for-sale investments	5,030	29,726	210	1,140
Other financial income	500	-	21	-
	301,847	87,734	12,606	3,364
Financial expenses				
Interest expense	(1,233,366)	(727,862)	(51,510)	(27,906)
Foreign exchange loss	(29,116)	-	(1,216)	-
Loss from sale of available-for-sale investments	(5,154)	-	(215)	-
Minority interest in limited liability subsidiaries	112,530	(54,265)	4,700	(2,080)
Other financial expenses	(55,730)	-	(2,328)	-
	(1,210,836)	(782,127)	(50,569)	(29,986)

13 Income tax expense

	Six months ended 30 June			
	2008	**2007**	**2008**	**2007**
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
Current tax expense				
Current period	1,328,777	553,367	55,495	21,216
Deferred tax expense				
Origination and reversal of temporary differences	(1,211,679)	1,149,141	(50,605)	44,058
Income tax expense	117,097	1,702,508	4,890	65,274

The Group’s applicable tax rate is the corporate income tax rate of 24% (2007: 24%).

Reconciliation of effective tax rate:

	Six months ended 30 June							
	2008		**2007**		**2008**		**2007**	
	’000 RUR	**%**	**’000 RUR**	**%**	**’000 USD**	**%**	**’000 USD**	**%**
Profit for the period	70,021		5,458,536		2,925		209,279	
Income tax expense	117,096		1,702,508		4,890		65,274	
Profit before income tax	187,117	100	7,161,044	100	7,815	100	274,553	100
Income tax at applicable tax rate	44,908	24	1,718,651	24	1,876	24	65,892	24
Non-deductible items	124,818	67	75,113	1	5,212	67	2,875	1
Non-taxable items	(52,630)	(28)	(91,256)	(1)	(2,198)	(28)	(3,493)	(1)
	117,096	63	1,702,508	24	4,890	63	65,274	24

The increase in the effective tax rate for the 6 months ended 30 June 2008 compared to the 6 months ended 30 June 2007 is due to the effect on profit before income tax of the non-deductible and non-taxable items given that the profit before tax has been significantly affected by the fair value movements on investment property (RUR 3,816,981 thousand reduction in the 6 months ended 30 June 2008 and a RUR 5,022,347 thousand increase in the 6 months ended 30 June 2007). Hence, the relatively stable non-deductible and non-taxable items have a larger % effect given the smaller profit before income tax.

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 2007	5,072,585	4,264,142	1,732,384	517,796	935,800	12,522,707
Acquisitions through business combinations	1,135,944	-	-	-	-	1,135,944
Additions	267,741	1,015,254	405,260	35,885	897,023	2,621,163
Disposals	-	(336,960)	(150,206)	(4,830)	-	(491,996)
Transfers	63,823	124,345	104,477	47,866	(427,000)	(86,489)
Effect of movements in exchange rates	(251)	(405)	(25)	-	6	(675)
At 30 June 2007	6,539,842	5,066,376	2,091,890	596,717	1,405,829	15,700,654
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)
Transfer 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
Depreciation and impairment losses						
At 1 January 2007	(471,417)	(852,556)	(418,571)	(159,041)	-	(1,901,585)
Depreciation charge	(129,088)	(345,672)	(133,431)	(15,807)	-	(623,998)
Disposals	4,784	60,796	25,654	5,922	-	97,156
Transfers	127	389	(164)	664	-	1,016
Effect of movements in exchange rates	5	19	5	(2)	-	27
At 30 June 2007	(595,589)	(1,137,024)	(526,507)	(168,264)	-	(2,427,384)
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)
Net book value						
At 1 January 2007	4,601,168	3,411,586	1,313,813	358,755	935,800	10,621,122
At 30 June 2007	5,944,253	3,929,352	1,565,383	428,453	1,405,829	13,273,270

'000 RUR	**Land and buildings**	**Machinery and equipment**	**Transportation equipment**	**Other fixed assets**	**Assets under construction**	**Total**
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

'000 USD	**Land and buildings**	**Machinery and equipment**	**Transportation equipment**	**Other fixed assets**	**Assets under construction**	**Total**
Cost/Deemed cost						
At 1 January 2007	192,646	161,944	65,795	19,664	35,540	475,589
Acquisitions through business combinations	43,552	-	-	-	-	43,552
Additions	10,265	38,924	15,538	1,376	34,391	100,494
Disposals	-	(12,919)	(5,759)	(185)	-	(18,863)
Transfers and reclassifications	2,447	4,767	4,006	1,835	(16,371)	(3,316)
Effect of movements in exchange rates	4,413	3,532	1,454	423	896	10,718
At 30 June 2007	253,323	196,248	81,034	23,113	54,456	608,174
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)
Transfer 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
Depreciation and impairment losses						
At 1 January 2007	(17,903)	(32,379)	(15,899)	(6,040)	-	(72,221)
Depreciation charge	(4,949)	(13,253)	(5,116)	(606)	-	(23,924)
Disposals	183	2,331	984	227	-	3,725
Transfers and reclassifications	5	15	(6)	25	-	39
Effect of movements in exchange rates	(406)	(758)	(360)	(124)	-	(1,648)
At 30 June 2007	(23,070)	(44,044)	(20,397)	(6,518)	-	(94,029)
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)

'000 USD	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Net book value						
At 1 January 2007	174,743	129,565	49,896	13,624	35,540	403,368
At 30 June 2007	230,253	152,204	60,637	16,595	54,456	514,145
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

Depreciation expense of RUR 821,779 thousand/USD 34,321 thousand has been charged in cost of goods sold, RUR 10,433 thousand/USD 436 thousand in distribution expenses and RUR 51,954 thousand/USD 2,170 thousand in administrative expenses.

(a) Determination of deemed cost

In 2005 management commissioned American Appraisal Inc. to independently appraise property, plant and equipment as at 1 January 2005 in order to determine its deemed cost.

The majority of the Group's property, plant and equipment is specialised in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales of comparable property, plant and equipment for using a market-based approach for determining fair value.

Consequently the fair value of property, plant and equipment was 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.

The depreciated replacement cost was estimated based on internal sources and analysis of the Russian and international markets for similar property, plant and equipment. Various market data were collected from published information, catalogues, statistical data etc, and industry experts and suppliers of property, plant and equipment were contacted both in the Russian Federation and abroad.

In addition to the determination of the depreciated replacement cost, cash flow testing was conducted in order to assess the reasonableness of those values.

The following key assumptions were used in performing the cash flow testing:

- Cash flows were projected based on actual operating results and the five-year business plan.
- Total production at the Group companies for which assessment of the reasonableness of values has been done was projected at RUR 22,456 million/USD 829 million in the first year of the business plan. The anticipated annual production growth included in the cash flow projections was from 6% to 13% for each year since 2007 to 2011.
- Cash flows for further periods during which property plant and equipment is planned to be used were extrapolated assuming no further growth in production, and revenue and expenses increasing in line with inflation.
- Discount rates from 17.48% to 22.68% were applied in determining the recoverable amount of the plants. The discount rate was estimated based on an industry average weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external sources and internal sources (historical data).

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would have decreased the depreciated replacement cost values by RUR 221 million/USD 8 million.
- A 10% decrease in future planned production would have decreased depreciated replacement cost values by RUR 1,571 million/USD 58 million.

(b) Security

Properties with a carrying amount of RUR 2,765,982 thousand /USD 117,916 thousand are subject to a registered debenture to secure bank loans (31 December 2007: RUR 2,273,439 thousand /USD 92,619 thousand) (see note 25).

(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 2008 the net book value of leased plant and machinery was RUR 2,486,169 thousand/ USD 105,987 thousand (31 December 2007: RUR 2,493,110 thousand/ USD 101,568 thousand). The leased equipment secures the lease obligations.

15 Intangible assets

'000 RUR	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2007	572,669	4,044	576,713
Balance at 30 June 2007	572,669	16,257	588,926
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
Amortization and impairment losses			
Balance at 1 January 2007	-	(810)	(810)
Balance at 30 June 2007	-	(1,366)	(1,366)
Balance at 1 January 2008	-	(2,488)	(2,488)
Amortization charge	-	(11,424)	(11,424)
Effects of movement in exchange rates	-	(2)	(2)
Disposals	-	498	498
Balance at 30 June 2008	-	(13,416)	(13,416)
Net book value			
At 1 January 2007	572,669	3,234	575,903

At 30 June 2007	572,669	14,891	587,560
At 1 January 2008	1,211,509	18,344	1,229,853
At 30 June 2008	2,385,110	234,793	2,619,903

'000 USD	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2007	21,749	154	21,903
Effect of movements in exchange rates	434	477	911
Balance at 30 June 2007	22,183	631	22,814
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)
Effect of movements in exchange rates	3,313	238	3,551
Balance at 30 June 2008	101,679	10,581	112,260
Amortization and impairment losses			
Balance at 1 January 2007	-	(31)	(31)
Balance at 30 June 2007	-	(54)	(54)
Balance at 1 January 2008	-	(101)	(101)
Amortization charge	-	(477)	(477)
Disposals	-	21	21
Effect of movements in exchange rates	-	(15)	(15)
Balance at 30 June 2008	-	(572)	(572)
Net book value			
At 1 January 2007	21,749	123	21,872
At 30 June 2007	22,183	577	22,760
At 1 January 2008	49,357	747	50,104
At 30 June 2008	101,679	10,009	111,688

Intangible assets classified within other, with a carrying amount of RUR 2,993 thousand /USD 128 thousand are subject to a registered debenture to secure bank loans (2007: RUR 2,767 thousand /USD 113 thousand) (see note 25).

(a) Goodwill

Goodwill is allocated to the Group's statutory entities. 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, are as follows:

	Allocated goodwill	
	’000 RUR	**’000 USD**
Zavod Zhelezobetonich Izdeliy-6	254,173	10,836
Aeroc International AS	245,950	10,484
LSR Europe GmbH	50,093	2,135
OOO Cement	621,485	26,496
OAO Parkon	17,355	740
OAO Construction Corporation Revival of Saint-Petersburg	22,451	957
OAO Betfor and OOO UK Nova Group	1,018,286	43,410
OOO Kaskad	155,317	6,621
	2,385,110	101,679

Goodwill is tested for impairment annually. No testing of goodwill for impairment was performed during the six months ended 30 June 2008.

16 Investment property under development

’000 RUR	**2008**			**2007**		
	Land	**Costs capitalised**	**Total**	**Land**	**Costs capitalised**	**Total**
Cost / Fair value						
At 1 January	19,673,093	1,065,242	20,738,335	-	496,852	496,852
Transfer from investment property	-	-	-	281,474	222,708	504,182
Transfer from lease incentives	-	-	-	1,139,388	-	1,139,388
Reclassification into inventories	-	(66,661)	(66,661)	-	-	-
Additions	-	547,390	547,390	42,030	87,827	129,857
Disposal	(1,195)	(7,717)	(8,912)	-	(43,004)	(43,004)
Change in fair value recognised directly in profit and loss	(3,461,647)	-	(3,461,647)	3,894,072	-	3,894,072
At 30 June	16,210,251	1,538,254	17,748,505	5,356,964	764,383	6,121,347

'000 USD	2008			2007		
	Land	Costs capitalised	Total	Land	Costs capitalised	Total
Cost/Fair value						
At 1 January	801,472	43,397	844,869	-	18,869	18,869
Transfer from investment property	-	-	-	10,792	8,538	19,330
Transfer from lease incentives	-	-	-	43,683	-	43,683
Reclassification into inventories	-	(2,784)	(2,784)	-	-	-
Additions	-	22,861	22,861	1,611	3,367	4,978
Disposal	(50)	(322)	(372)	-	(1,649)	(1,649)
Change in fair value recognised directly in profit and loss	(144,573)	-	(144,573)	149,296	-	149,296
Effect of movements in exchange rates	34,205	2,424	36,629	2,122	483	2,605
At 30 June	691,054	65,576	756,630	207,504	29,608	237,112

Investment property under construction consists of plots of land, wholly or partly owned, or leased 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 or sites to which the Group holds lease titles and which will be acquired on completion of the development. Land on which the Group holds title of ownership is measured at fair value with any change therein recognised in profit or loss. Buildings that are being constructed for future use as investment property are accounted for in the same way as property, plant and equipment until construction or development is complete, at which time they are remeasured to fair value and reclassified as investment property along with the related land component. Any gain or loss arising on remeasurement is recognized in profit or loss.

The fair value of the land component 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 yield 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 annual rental rates used to determine the fair values of the land component in investment properties under development are within the range USD 530 to USD 850 per square meter, while the Developer's profit used ranges between 13% and 15.5% as follows:

Project				Rent rates assumed per sq mtr				
	Gross buildable area	**Capitalised costs of construction**	**Fair value of land component**	**Offices**	**Retail**	**Other**	**Parking (per lot)**	**Developer's profit assumed**
	Sq mtr	**'000 RUR**	**'000 RUR**	**RUR**	**RUR**	**RUR**	**RUR**	**%**
TOC na Leningradskom	9,161	17,674	384,199	12,902	-	-	-	14.0
Kuybisheva	11,513	9,051	609,199	17,358	-	16,420	62,162	13.0
Hermitage View House	19,374	165,294	366,474	19,939	19,939	19,939	89,138	13.5
Electric City	362,060	380,141	14,850,379	18,531	12,902	12,432	63,335	15.5
		572,160	16,210,251					
Other Items (not carried at fair value)		966,094						
		1,538,254						

	Sq mtr	'000 USD	'000 USD	USD	USD	USD	USD	%
TOC na Leningradskom	9,161	753	16,379	550	-	-	-	14.0
Kuybisheva	11,513	386	25,971	740	-	700	2,650	13.0
Hermitage View House	19,374	7,047	15,623	850	850	850	3,800	13.5
Electric City	362,060	16,206	633,081	790	550	530	2,700	15.5
		24,392	691,054					
Other items (not carried at fair value)		41,184						
		65,576						

Investment properties under development with a carrying amount of RUR 531,768 thousand / USD 22,670 thousand are subject to a registered debenture to secure bank loans (2007: RUR 1,100,979 thousand / USD 44,853 thousand) - see note 25.

Sensitivity analysis

A 10% increase in the estimated rental rates would have increased fair values of investment property under development and profit by RUR 2,709,630 thousand / USD 115,513 thousand. A 10% decrease in the estimated rental rates would have the equal but opposite effect on the basis that all other variables remain constant.

A 10% increase in the assumed discount rate would have decreased fair values of investment property under development and profit by RUR 1,030,205 thousand / USD 43,918 thousand. A 10% decrease in the assumed discount rate would have increased fair values of investment property under development and profit by RUR 1,102,586 thousand / USD 47,004 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 property under development and profit by RUR 1,007,508 thousand / USD 42,951 thousand. A 10% increase in these costs would have the equal but opposite effect on the basis that all other variables remain constant.

All properties, except for Electric City are projected to be fully occupied on commissioning. A 10% decrease in the anticipated occupancy of individual projects would have decreased fair values of investment property under development and profit by RUR 2,918,338 thousand / USD 124,411 thousand.

17 Investment property

’000 RUR	**2008**	**2007**
Cost		
At 1 January	2,040,056	1,046,666
Transfer into investment property under development	-	(504,182)
Transfer into property, plant and equipment	(4,358)	-
Change in fair value	(355,334)	1,093,881
Additions	-	123,714
Disposals	-	-
At 30 June	1,680,364	1,760,079

’000 USD	**2008**	**2007**
Cost		
At 1 January	83,111	39,750
Transfer into investment property under development	-	(19,330)
Transfer into property, plant and equipment	(182)	-
Change in fair value	(14,840)	41,939
Additions	-	4,743
Disposals	-	-
Effect of movements in exchange rates	3,546	1,075
At 30 June	71,635	68,177

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 aggregate of the estimated cash flows expected to be received from renting out the property. A yield 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 annual rental income per square metre applied in the valuations reflects those actually being received from existing tenants of the properties and stands at USD 960 for office space and ranges between USD 3,121 and USD 4,320 per each parking space.

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

	Six months ended 30 June			
	2008	**2007**	**2008**	**2007**
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
Rental income from investment property	80,569	24,676	3,365	946
Direct operating expenses arising from investment property that generated rental income during the period	3,604	-	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 134,933 thousand / USD 5,752 thousand. A 10% decrease in rental rates would have decreased fair values of investment property and profit by RUR 135,091 thousand / USD 5,759 thousand 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 135,091 thousand / USD 5,759 thousand.

A 10% increase in initial yield would have decreased fair values of investment property and profit by RUR 152,801 thousand / USD 6,514 thousand. A 10% decrease in initial yield would have increased fair values of investment property and profit by RUR 186,697 thousand / USD 7,959 thousand on the basis that all other variables remain constant.

18 Other investments

	30 June 2008 ’000 RUR	31 December 2007 ’000 RUR	30 June 2008 ’000 USD	31 December 2007 ’000 USD
Non-current				
Available-for-sale investments:				
Stated at cost	21,088	10,181	899	415
Originated loans	59,763	35,587	2,548	1,450
	80,851	45,768	3,447	1,865
Current				
Available-for-sale investments:				
Stated at fair value	66,849	71,410	2,850	2,909
Originated loans	134,699	225,204	5,742	9,175
	201,548	296,614	8,592	12,084

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.

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 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007
Property, plant and equipment	(78,699)	(37,853)	2,052,081	1,734,612	1,973,382	1,696,759
Intangible assets	(607)	(149)	48,564	5	47,957	(144)
Investment property under development	-	-	3,684,993	4,388,802	3,684,993	4,388,802
Investment property	-	-	295,789	461,159	295,789	461,159
Investments	-	(595)	-	-	-	(595)
Inventories	(790,186)	(467,697)	57,311	24,909	(732,875)	(442,788)
Trade and other receivables	(271,176)	(234,453)	63,094	56,524	(208,082)	(177,929)
Assets, held for sale	-	(2,707)	-	-	-	(2,707)
Loans and borrowings	(131,028)	(125,393)	37,842	33,688	(93,186)	(91,705)
Provisions	(2,512)	(3,697)	-	151	(2,512)	(3,546)
Trade and other payables	(316,359)	(353,945)	31,087	(25,872)	(285,272)	(379,817)
Tax loss carry-forwards	(116,809)	(69,035)	-	3,777	(116,809)	(65,258)
Tax (assets)/liabilities	(1,707,376)	(1,295,524)	6,270,761	6,677,755	4,563,385	5,382,231
Set off of tax	-	-	-	-	-	-
Net tax (assets)/liabilities	(1,707,376)	(1,295,524)	6,270,761	6,677,755	4,563,385	5,382,231

’000 USD	Assets		Liabilities		Net	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007
Property, plant and equipment	(3,355)	(1,542)	87,482	70,667	84,127	69,125
Intangible assets	(26)	(6)	2,070	-	2,044	(6)
Investment property under development	-	-	157,094	178,798	157,094	178,798
Investment property	-	-	12,610	18,787	12,610	18,787
Investments	-	(24)	-	-	-	(24)
Inventories	(33,686)	(19,054)	2,443	1,015	(31,243)	(18,039)
Trade and other receivables	(11,560)	(9,551)	2,690	2,303	(8,870)	(7,248)
Assets, held for sale	-	(110)	-	-	-	(110)
Loans and borrowings	(5,586)	(5,108)	1,613	1,372	(3,973)	(3,736)
Provisions	(107)	(151)	-	6	(107)	(145)
Trade and other payables	(13,487)	(14,420)	1,325	(1,054)	(12,162)	(15,474)
Tax loss carry-forwards	(4,980)	(2,812)	-	154	(4,980)	(2,658)
Tax (assets)/liabilities	(72,787)	(52,778)	267,327	272,048	194,540	219,270
Set off of tax	-	-	-	-	-	-
Net tax (assets)/liabilities	(72,787)	(52,778)	267,327	272,048	194,540	219,270

(b) Movement in temporary differences during the period

’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 2008	Recognised in income	Acquired	Effect of movements in exchange rate	30 June 2008
Property, plant and equipment	69,125	(3,242)	14,856	3,386	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	-	(7)	(107)
Trade and other payables	(15,474)	4,295	(345)	(638)	(12,162)
Tax loss carry-forwards	(2,658)	(2,013)	(110)	(198)	(4,980)
	219,270	(50,605)	16,497	9,378	194,540

During the six months ended 30 June 2008 RUR 1,211,679 thousand / USD 50,605 thousand (2007: RUR 1,149,141 thousand/USD 44,058 thousand) of the movement in the deferred tax asset and liability was recognised in profit or loss.

20 Inventories

	30 June 2008 ’000 RUR	31 December 2007 ’000 RUR	30 June 2008 ’000 USD	31 December 2007 ’000 USD
Work in progress, construction of buildings	28,544,768	23,337,356	1,216,882	950,752
Finished goods, construction of buildings	1,994,376	3,218,536	85,022	131,122
Raw materials and consumables	1,857,419	1,398,489	79,183	56,974
Finished goods and goods for resale	1,365,280	1,129,855	58,203	46,030
Work in progress	431,695	526,711	18,403	21,458
Lease incentives	3,981,253	3,370,676	169,723	137,320
	38,174,791	32,981,623	1,627,416	1,343,656

Inventories with a carrying amount of RUR 1,153,431 thousand /USD 49,172 thousand are subject to a registered debenture to secure bank loans (2007: 1,008,617 thousand /USD 41,091) (see note 25). There was no write-down of inventories during 6 months 2007 and 6 months 2008.

21 Trade and other receivables

	30 June 2008	31 December 2007	30 June 2008	31 December 2007
	'000 RUR	'000 RUR	'000 USD	'000 USD
Non-current				
Prepayments for flats	281,750	308,527	12,011	12,569
Accounts receivable - trade	2,720	141	116	6
Other non-current prepayments	777,364	-	33,140	-
Other receivables	554,345	1,049,957	23,632	42,775
	1,616,179	1,358,625	68,899	55,350
Current				
Prepayments for flats	4,118,104	1,924,361	175,557	78,398
Accounts receivable – trade	2,935,935	1,872,150	125,161	76,269
Prepayments	3,876,790	2,403,403	165,270	97,913
VAT receivable	1,416,148	1,142,352	60,371	46,539
Deferred expenses	232,910	289,658	9,929	11,801
Notes receivable	300,093	528,071	12,793	21,513
Employee receivables	11,881	11,574	506	472
Finance lease receivable	-	26,134	-	1,065
Other receivables	1,214,773	1,021,297	51,781	41,607
	14,106,634	9,219,000	601,375	375,577
Provision for doubtful debtors	(118,055)	(170,208)	(5,033)	(6,934)
	13,988,579	9,048,792	596,342	368,643

Receivables with a carrying amount of RUR 93,073 thousand /USD 3,968 thousand are subject to a registered debenture to secure bank loans (2007: RUR 110,531 thousand /USD 4,503 thousand) (see note 25).

22 Cash and cash equivalents

	30 June 2008 '000 RUR	31 December 2007 '000 RUR	30 June 2008 '000 USD	31 December 2007 '000 USD
Petty cash	10,868	7,140	463	291
Current accounts	2,119,385	2,539,415	90,351	103,455
Call deposits	1,481,952	6,105,791	63,176	248,747
Restricted cash	3,961,722	1,114	168,891	45
Bank promissory notes	-	55,013	-	2,241
Cash and cash equivalents in the balance sheet	7,573,927	8,708,473	322, 881	354,779
Bank overdrafts	(112,063)	(60,163)	(4,777)	(2,451)
Cash and cash equivalents in the statement of cash flows	7,461,864	8,648,310	318,104	352,328

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

Cash and cash equivalents include the amount of RUR 3,905,333 thousand /USD 166,489 thousand (31 December 2007: RUR 53,747 thousand /USD 2,190 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 56,389 thousand /USD 2,404 thousand (31 December 2007: nil) which is reserved in connection with confirmed irrevocable letters of credit issued by the Group's bankers on purchase of new equipment.

23 Equity

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares	
	30 June 2008	**31 December 2007**
Authorised shares		
Par value	RUR 0.25	RUR 0.25
On issue at beginning of period	85,148,936	85,148,936
Issued during the period and fully paid	8,514,896	-
On issue at end of period, fully paid	93,663,832	85,148,936

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.

In September 2007 Federal Service on Financial Markets (FSFR of Russian Federation) registered the additional issue of 8,514,896 ordinary shares of the Company (10% of share capital). These shares were placed under private offering for further Initial Public Offering.

In November 2007 the Group completed its public offering of 10,643,718 ordinary shares at USD 72.50 each and placed global depository receipts (“GDR`s”) on the London Stock Exchange as well as shares on the Non-for-Profit Partnership “Stock Exchange “Russian Trading System” and Closed Joint Stock Company “Moscow Interbank Currency Exchange”. Cash in the amount of USD 771,670 thousand, generated from the public offering, was partly withheld by selling shareholders and partly used for bank loans repayment in the amount of RUR 3,432,000 thousand/ USD 141,008 thousand.

The remaining part of the cash, generated by the public offering, has been used to finance new acquisitions.

As had been disclosed in the Prospectus for the Initial Public Offering in on the London Stock exchange, of the total amount of shares listed, 8,514,896 shares being offered by Hiuki Holding Limited, had been acquired by this subsidiary of the Company from certain individual shareholder on the basis of a "Stock Lending Agreement" dated 21 September 2007. In terms of this agreement, Hiuki Holding Ltd was to reacquire an equivalent number of shares following the Initial Public Offering and transfer back to the individual shareholders the equivalent number of shares on or around the 31 March 2008. Costs born by the Group for issuance of restitutable shares amounted to RUR 536,476 thousand / USD 21,931 thousand.

Hiuki Holding Ltd did reacquire these shares on the 15 November 2007, by way of a direct issue of new shares by the Company, and transferred these back to the individual shareholders on 24 April 2008.

As at 31 December 2007 these transactions, being the acquisition and ownership of shares in the Company by the subsidiary and the issue of these shares at a premium by the Company, have been eliminated on consolidation. The liability towards the individual shareholders was assessed as being in the nature of an advance settlement on the issue of shares to the individual shareholders and has, accordingly, been classified as a Reserve in the Group's Balance Sheet described as "Restitutable Shares Reserve" and valued at the equivalent price at which the shares were issued to the Subsidiary on the 15 November 2007. On 24 April 2008 this Reserve was released at the point of transfer of the shares to the individual shareholders and was reflected as increase in share capital and share premium.

(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 2008 the Company had retained earnings, including the profit for the current period, of RUR 631,972 thousand/ USD 26,941 thousand (as at 31 December 2007: RUR 485,064 thousand/ USD 19,761 thousand). Dividend distribution in the amount of RUR 40,138 thousand/ USD 1,676 thousand relates to the dividend paid to the minority shareholders of MSR-Invest.

24 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 issued in July 2006 when the Company re-registered as an OAO company and number of shares issued during the period, see note 23(a). The Company has no dilutive potential ordinary shares.

25 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 28.

	30 June 2008 '000 RUR	31 December 2007 '000 RUR	30 June 2008 '000 USD	31 December 2007 '000 USD
Non-current				
Secured bank loans	5,622,891	5,796,591	239,708	236,150
Unsecured other loans	8,930,171	1,369,902	380,699	55,809
Secured bond issues	295,558	287,466	12,600	11,711
Unsecured bond issues	5,000,000	5,000,000	213,153	203,698
Finance lease liability	752,055	893,970	32,060	36,420
	20,600,675	13,347,929	878,220	543,788
Current				
Secured bank loans	640,342	456,755	27,298	18,608
Current portion of secured bank loans	511,569	254,667	21,809	10,375
Unsecured other loans	10,446,055	8,434,896	445,322	343,633
Unsecured bond issue	-	665,044	-	27,094
Current portion of finance lease liability	921,093	932,013	39,267	37,970
	12,519,059	10,743,375	533,696	437,680

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 June 2008		31 December 2007	
’000 RUR	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR	6.12 – 9.83%	2008-2014	1,525,673	1,514,626	1,459,531	1,359,856
	USD	7.75 – 10.4%	2008-2012	1,923,499	1,923,499	2,012,826	1,972,518
	RUR	8.95 – 14.5%	2008-2014	3,648,765	3,627,864	3,461,284	3,458,685
	EEK and other	6.0%	2008-2014	4,371	4,371	4,420	4,420
Unsecured facility	EUR	3 – 6.70%	2008-2014	4,267,664	4,267,665	81,059	81,059
	RUR	0 – 14.0%	2008-2014	20,774,625	20,108,320	15,416,353	15,388,783
	EEK and other	2.5%	2008-2014	241	241	-	-
Finance lease liabilities	RUR	11 – 35%	2008-2014	1,673,148	1,673,148	1,825,983	1,825,983
				33,817,986	33,119,734	24,261,456	24,091,304

				30 June 2008		31 December 2007	
’000 USD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR	6.12 – 9.83%	2008-2014	65,040	64,569	59,461	55,400
	USD	7.75 – 10.4%	2008-2012	82,000	82,000	82,002	80,359
	RUR	8.95 – 14.5%	2008-2014	155,549	154,659	141,011	140,905
	EEK	6.0%	2008-2014	186	187	180	180
Unsecured facility	EUR	3 – 6.70%	2008-2014	181,933	181,933	3,302	3,302
	RUR	0 – 14.0%	2008-2014	885,636	857,231	628,055	626,932
	EEK	2.5%	2008-2014	10	10	-	-
Finance lease liabilities	RUR	11 – 35%	2008-2014	71,327	71,327	74,390	74,390
				1,441,681	1,411,916	988,401	981,468

On 19 March 2007 and on 17 March 2008, the Group entered into two credit agreements (the ‘‘Credit Agreements’’) with a total amount of RUR 9,205,567 thousands / USD 382,984 thousand. The funds advanced under the Credit Agreements were intended for general corporate purposes and purchase of machinery, equipment and related engineering services for the construction of a green field cement plant in Slantsy, Russia. As of 30 June 2008 the facilities were fully drawn. The amount of RUR 1,250,000 thousand / USD 53,288 thousand was repaid in June 2008.

Repayment and prepayment

One of the loans is repayable in four equal instalments of RUB 1,250 million in June 2008, September 2008, December 2008 and March 2009. Another loan shall be repaid by 14 semi-annual equal instalments starting 6 months after the date of commercial contractor issues the build documentation or loan contract date if earlier. Subject to the payment of a pre-payment penalty, the Group may elect to voluntarily prepay the whole facility.

Events of default

The Credit Agreements contain certain events of default, including:

– Non-payment;
– Non-compliance with the financial covenants specified in the Credit Agreements;
– Insolvency;
– The occurrence of any event which has, in the opinion of the lenders, a material adverse effect on the Group financial condition or business, ability to perform Group obligations under the Credit Agreement and related finance documents (together, the ‘‘Finance Documents’’) or which affects the validity or enforceability of any of the Finance Documents;
– Any government body (other than in its capacity as a shareholder) authorises the removal of the Group management board, the seizure, expropriation or nationalization of 10% or more of either Group issued shares or those of any of the Group subsidiaries, or interferes with the Group business to the extent that the Group is impeded from or unable to perform the Groups` obligations under the Finance Documents; or any claim is asserted against the Group with respect to taxes for an amount exceeding USD 5 million, except where (a) the claim will be successfully contested by the Group, or (b) the Group will be able to satisfy the claim without adversely impacting its ability to perform its obligations relating to the loan.

Security

The Groups’ obligations and liabilities under the Credit Agreements are guaranteed by the OAO “Group LSR” and its subsidiaries OAO ‘‘Pobeda LSR’’; OAO ‘‘Obiedinenie 45’’; ZAO ‘‘DSK ‘‘Block’’; OAO ‘‘Rudas’’; OOO ‘‘GDSK’’; OAO ‘‘Granit-Kuznechnoye’’; ZAO ‘‘MOSSTROY-REKONSTRUKTSIA’’; OAO ‘‘Gatchinsky DSK’’; Construction Corporation ‘‘Revival of St. Petersburg’’; OAO ’’PO Barrikada’’, OAO ’’Leningradsky Rechnoy Port’’; OOO ‘‘Aerok SPb’’ and OAO ‘‘LSR’’.

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;
– a limitation on the Group ability to incur additional debt beyond a Total debt / EBITDA ratio = 4.0, Total debt / Equity ratio = 4.0 and a EBITDA / gross interest ratio = 2.4, as of 31 December 2007;
– an aggregate EBITDA (excluding intra-company items) of the obligors for any period should be at least 68% of consolidated EBITDA of the Group, an aggregate revenue (excluding intra-

company items) of the obligors for any period should be at least 65% of the consolidated revenue, an aggregate total assets (excluding intra-company items) at the end of each period should comprise at least 55% of consolidated total assets. All measurements should be made on Russian accounting basis;

– a limitation on the Group consolidated total borrowings do not exceed EBITDA for that IFRS measurement period multiplied by 3.8 as of 30 June 2008, and multiplied by 3.2 during any IFRS measurement period ending 31 December 2008 and thereafter;
– a limitation on the Group consolidated EBIT/interest expenses for the period ending 30 June 2008 and 31 December 2008 exceeds interest expenses multiplied by 3, and for each period ending 30 June 2009 and thereafter exceeds interest expenses multiplied by 4;
– a limitation that the consolidated total borrowings do not exceed 1.5 times the tangible net worth for each period;
– a prohibition, subject to certain exceptions, on the Group ability to enter into new joint venture agreements without the approval of the lender;
– subject to certain exceptions, a prohibition restricting the Group ability to make significant loans, or give credit, guarantees or indemnities;
– a prohibition on paying or declaring any dividend or other distribution or interest on any unpaid interest (whether in cash or in kind);
– a finalisation of the Environmental Management Plan (EMP) by an external consultant and employ the consultant to conduct 3 audits of the project; and
– a procurement that the emission from Cement Plant shall not surpass the emission values which are as follows: CO_2: 0.875 kg/kg clinker; SO_2: 400 mg/Nm3; NOx: 600 mg/Nm; Particle matter (kiln system: 30 mg/Nm3.

Finance lease liabilities are payable as follows:

’000 RUR	**30 June 2008**			**31 December 2007**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	1,125,997	204,904	921,093	1,206,057	274,044	932,013
Between one and five years	913,604	163,945	749,659	1,120,096	234,855	885,241
More than five years	2,504	108	2,396	11,403	2,674	8,729
	2,042,105	368,957	1,673,148	2,337,556	511,573	1,825,983

’000 USD	**30 June 2008**			**31 December 2007**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	48,002	8,735	39,267	49,134	11,164	37,970
Between one and five years	38,947	6,989	31,958	45,632	9,568	36,064
More than five years	107	5	102	465	109	356
	87,056	15,729	71,327	95,231	20,841	74,390

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUR 2,765,982 thousand /USD 117,916 thousand is pledged as collateral to secure bank loans (2007: RUR 2,273,439 thousand / USD 92,619 thousand) – see note 14(b).
- Investment property under development with a fair value of RUR 531,768 thousand / USD 22,670 thousand is pledged as collateral to secure bank loans (2007: RUR 1,100,979 thousand / USD 44,853 thousand) – see note 16.
- Inventories with a carrying amount of RUR 1,153,431 thousand /USD 49,172 thousand are pledged as collateral to secure bank loans. (2007: RUR 1,008,617 thousand / USD 41,091 thousand) – see note 20.
- Intangibles with a carrying amount of RUR 2,993 thousand /USD 128 thousand are subject to a registered debenture to secure bank loans (2007: RUR 2,767 thousand / USD 113 thousand) – see note 15.
- Receivables with a carrying amount of RUR 93,073 thousand /USD 3,968 thousand are subject to a registered debenture to secure bank loans (2007: RUR 110,531 thousand /USD 4,503 thousand) – see note 21.

The finance lease liabilities are secured by the leased assets (see 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.

The value of the shares pledged determined on the basis of net assets calculated in accordance with local accounting principles comprised RUR 1,660,198 thousand / USD 70,715 thousand (2007: RUR 1,773,026 thousand / USD 72,232 thousand).

26 Provisions

'000 RUR	Site restoration	Environment restoration	Warranty provisions	Total
Current				
Balance at 1 January 2008	682,020	2,504	5,354	689,878
Provisions made during the period	575,248	-	1,605	576,853
Provisions used during the period	(488,620)	-	(1,919)	(490,539)
Change in amount discounted	-	1,724	-	1,724
Exchange difference	-	-	146	146
Balance at 30 June 2008	768,648	4,228	5,186	778,062
Non-current				
Balance at 1 January 2008	-	7,565	-	7,565
Provisions made during the period	-	-	-	-
Provisions used during the period	-	-	-	-
Change in amount discounted	-	(1,326)	-	(1,326)
Balance at 30 June 2008	-	6,239	-	6,239

'000 USD	Site restoration	Environment restoration	Warranty provisions	Total
Current				
Balance at 1 January 2008	27,785	102	218	28,105
Provisions made during the period	24,025	-	67	24,092
Provisions used during the period	(20,407)	-	(80)	(20,487)
Change in amount discounted	-	78	-	78
Exchange difference	1,365	-	16	1,381
Balance at 30 June 2008	30,768	180	221	33,169
Non-current				
Balance at 1 January 2008	-	308	-	308
Provisions made during the period	-	-	-	-
Provisions used during the period	-	-	-	-
Change in amount discounted	-	(55)	-	(55)
Exchange difference	-	13	-	13
Balance at 30 June 2008	-	266	-	266

(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.

(b) Site restoration

The Group records provisions in respect of the Group's obligation to clean up the surrounding area after the construction of apartment buildings in St. Petersburg. The damage caused during construction is cleaned up after the construction of buildings is completed. 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. No discounting has been applied as this amount is insignificant.

27 Trade and other payables

	30 June 2008 ’000 RUR	31 December 2007 ’000 RUR	30 June 2008 ’000 USD	31 December 2007 ’000 USD
Non-current payables				
Prepayments received for flats	10,444, 920	8,858,509	445,274	360,891
Accounts payable – trade	40,851	140,868	1,742	5,739
Other payables	119,135	112,526	5,079	4,584
	10,604,906	9,111,903	452,095	371,214
Current payables				
Prepayments received for flats	6,956,448	5,893,177	296,558	240,087
Accounts payable – trade	2,241,032	1,521,488	95,537	61,985
Advances from customers	2,101,272	1,702,967	89,579	69,378
Notes payable	86,658	88,771	3,694	3,616
Employee-related liabilities	767,810	513,590	32,732	20,923
Other taxes payable	1,057,127	505,538	45,066	20,595
Minority interest in limited liability subsidiaries	137,229	234,856	5,850	9,568
Amounts due to customers for contract work	202,075	338,137	8,615	13,776
Interest payable	336,646	301,169	14,351	12,269
Deferred income	124,217	91,433	5,295	3,725
Dividends payable	73	81	3	3
Other payables	605,922	594,065	25,831	24,202
	14,616,509	11,785,272	623,111	480,127

28 Financial instruments

(a) 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 2008	31 December 2007
Available-for-sale financial assets	21,088	10,181
Held-to-maturity investments, short-term	66,849	71,410
Loans and receivables	14,183,041	9,309,583
Cash and cash equivalents	7,573,927	8,708,473
Financial assets held for sale	2,114	4,702
	21,847,019	18,104,349

'000 USD	Carrying amount	
	30 June 2008	31 December 2007
Available-for-sale financial assets	899	415
Held-to-maturity investments, short-term	2,850	2,909
Loans and receivables	604,632	379,268
Cash and cash equivalents	322,881	354,779
Financial assets held for sale	90	192
	931,352	737,563

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

'000 RUR	Carrying amount	
	30 June 2008	31 December 2007
Domestic	2,703,669	1,741,083
Euro-zone countries	94,299	65,228
Other CIS countries	60,169	30,579
	2,858,137	1,836,890

'000 USD	Carrying amount	
	30 June 2008	31 December 2007
Domestic	115,259	70,931
Euro-zone countries	4,020	2,657
Other CIS countries	2,565	1,246
	121,844	74,834

The Group's most significant customer, a Saint-Petersburg Construction Committee, accounts for RUR 133,125 thousand / USD 5,675 thousand of the trade receivables carrying amount at 30 June 2008 (2007: nil).

All trade receivables for which payment is overdue are subject for full impairment therefore it is impracticable to make an aging analysis of trade receivables. The total amount of impaired trade receivables at the reporting date was RUR 77,798 thousand / USD 3,317 thousand.

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

	2008	**2007**
	'000 RUR	**'000 RUR**
Balance at 1 January	(35,260)	(39,407)
Impairment loss recognised	(42,538)	(1,849)
Balance at 30 June	(77,798)	(41,256)

	2008	**2007**
	'000 USD	**'000 USD**
Balance at 1 January	(1,436)	(1,497)
Impairment loss recognised	(1,881)	(101)
Balance at 30 June	(3,317)	(1,598)

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

	2008	**2007**
	'000 RUR	**'000 RUR**
Balance at 1 January	(134,948)	(95,239)
Impairment loss recognised	94,691	(45,512)
Balance at 30 June	(40,257)	(140,751)

	2008	**2007**
	'000 USD	**'000 USD**
Balance at 1 January	(5,498)	(3,617)
Impairment loss recognised	3,782	(1,835)
Balance at 30 June	(1,716)	(5,452)

At 30 June 2008 the Group did not have any general provisions on its trade receivables (2007: nil).

(b) Liquidity risk

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

30 June 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%-14.5%	9.53%	94,100	3,299,489	-	3,393,589
RUR	1m Mosprime + 5%	10.00%	120,000	-	-	120,000
USD*	10.40%	10.40%	-	234,573	-	234,573
USD	Libor + 3.9% / 4.1%	7.83%	-	1,571,640	-	1,571,640
EUR*	6.24%-18%	9.67%	47,895	106,294	-	154,189
EUR	Euribor + 0.99% /Euribor + 0.5%	6.34%	378,347	233,310	173,448	785,105
Other*	6.00%	6.00%	-	935	3,202	4,137
Current portion of secured bank loans:						
EUR*	6.24%-18%	8.80%	221,446	-	-	221,446
EUR	Euribor + 0.99% /Euribor + 0.5%	6.34%	58,327	-	-	58,327
USD	Libor + 3.9% / 4.1%	7.83%	117,287	-	-	117,287
RUR*	10.00%	10.00%	114,275	-	-	114,275
Other*	6.00%	6.00%	234	-	-	234
Unsecured other loans:						
RUR*	0.0%-14.00%	10.12%	10,440,288	4,605,820	62,213	15,108,321
EUR	3m Euribor + 1.75%	6.70%	5,450	-	-	5,450
EUR*	3.0%-5.0%	4.61%	258	1,858,177	2,403,779	4,262,214
Other*	2.50%	2.50%	59	175	7	241
Unsecured bond issues:						
RUR*	8.35%-10.7%	9.29%	-	5,000,000	-	5,000,000
Secured bond issues:						
EUR	6m Euribor + 4.5%	9.63%	-	295,558	-	295,558
Finance lease liabilities						
RUR*	7%-41%	20.80%	921,093	749,659	2,396	1,673,148
Trade and other payables		-	14,616,509	10,604,906	-	25,221,415
			27,135,568	28,560,536	2,645,045	58,341,149

31 December 2007	**Average interest rate**					
'000 RUR	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUR*	8.95%-11.75%	9.48%	103,639	3,315,977	-	3,419,616
USD*	10.4%	10.4%	-	205,192	-	205,192
USD	Libor + 3.9% / Libor + 4.1%	9.36%	-	1,767,326	-	1,767,326
EUR*	8.65%-8.8%	8.69%	-	390,954	-	390,954
EUR	Euribor + 0.99% / Euribor + 1.5%	6.04%	352,900	112,938	-	465,838
EEK*	6.0%	6.0%	216	1,078	3,126	4,420
Current portion of secured bank loans:						
EUR*	8.8%	8.8%	215,599	-	-	215,599
RUR*	10.0%	10.0%	39,068	-	-	39,068
Unsecured other loans:						
RUR*	0.0%-16.41%	9.14%	8,068,737	1,267,846	47,156	9,383,739
RUR	1 m Mosprime + 3%	9.58%	340,000	-	-	340,000
EUR*	5.0%-9.0%	7.71%	26,159	54,900	-	81,059
Unsecured bond issues:						
RUR*	8.35%-10.7%	9.37%	665,044	5,000,000	-	5,665,044
Secured bond issues:						
EUR	6m Euribor + 4.5%	9.63%	-	287,466	-	287,466
Finance lease liabilities						
RUR*	7%-41%	20.8%	932,013	885,241	8,729	1,825,983
Trade and other payables			11,785,272	9,111,903	-	20,897,175
			22,528,647	22,400,821	59,011	44,988,479

*Fixed rate

30 June 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%-14.5%	9.53%	4,012	140,659	-	144,671
RUR	1m Mosprime + 5%	10.00%	5,116	-	-	5,116
USD*	10.40%	10.40%	-	10,000	-	10,000
USD	Libor + 3.9% / 4.1%	7.83%	-	67,000	-	67,000
EUR*	6.24%-18%	9.67%	2,042	4,531	-	6,573
EUR	Euribor + 0.99%/ Euribor+0.5%	6.34%	16,128	9,947	7,394	33,469
Other*	6.00%	6.00%	-	40	137	177
Current portion of secured bank loans:						
EUR*	6.24%-18%	8.80%	9,440	-	-	9,440
EUR	Euribor + 0.99% / Euribor+0.5%	6.34%	2,487	-	-	2,487
USD	Libor + 3.9% / 4.1%	7.83%	5,000	-	-	5,000
RUR*	10.00%	10.00%	4,872	-	-	4,872
Other*	6.00%	6.00%	10	-	-	10
Unsecured other loans:						
RUR*	0.0%-14.00%	10.12%	445,076	196,350	2,652	644,078
EUR	3m Euribor + 1.75%	6.70%	232	-	-	232
EUR*	3.0%-5.0%	4.61%	11	53,611	128,079	181,701
Other*	2.50%	2.50%	3	7	-	10
Unsecured bond issues:						
RUR*	8.35%-10.7%	9.29%	-	213,153	-	213,153
Secured bond issues:						
EUR	6m Euribor + 4.5%	9.63%	-	12,600	-	12,600
Finance lease liabilities						
RUR*	7%-41%	20.80%	39,267	31,958	102	71,327
Trade and other payables		-	623,111	452,094	-	1,075,205
			1,156,807	1,191,950	138,364	2,487,121

31 December 2007	**Average interest rate**					
'000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUR*	8.95%-11.75%	9.48%	4,222	135,092	-	139,314
USD*	10.4%	10.4%	-	8,359	-	8,359
USD	Libor + 3.9% / Libor + 4.1%	9.36%	-	72,000	-	72,000
EUR*	8.65%-8.8%	8.69%	-	15,927	-	15,927
EUR	Eribor + 0.99% / Euribor + 1.5%	6,04%	14,377	4,601	-	18,978
EEK*	6.0%	6.0%	9	44	127	180
Current portion of secured bank loans:				-	-	-
EUR*	8.8%	8.8%	8,783	-	-	8,783
RUR*	10.0%	10.0%	1,592	-	-	1,592
Unsecured other loans:				-	-	-
RUR*	0.0%-16.41%	9.14%	328,716	51,651	1,921	382,288
RUR	1 m Mosprime + 3%	9.58%	13,851	-	-	13,851
EUR*	5.0%-9.0%	7.71%	1,066	2,237	-	3,303
Secured bond issues:						
EUR	6m Euribor + 4.5%	9.63%	-	11,711	-	11,711
Unsecured bond issues:			-	-	-	-
RUR*	8.35%-10.7%	9.37%	27,094	203,698	-	230,792
Finance lease liabilities						
RUR*	7%-41%	20.8%	37,970	35,917	356	74, 243
Trade and other payables			480,127	371,214	-	851,341
			917,807	912,451	2,404	1,832,662

* Fixed rate

(c) Currency risk

Exposure to currency risk

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

30 June 2008 '000 RUR	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	13,858,182	136,775	23,000	68,899
Secured bank loans	(3,627,864)	(1,219,067)	(1,923,500)	(4,371)
Unsecured other loans	(15,108,321)	(4,267,664)	-	(241)
Unsecured bond issues	(5,000,000)	-	-	-
Secured bond issue	-	(295,558)	-	-
Trade payables	(14,386,199)	(84,530)	(21)	(145,994)
Gross balance sheet exposure	(24,264,202)	(5,730,044)	(1,900,521)	(81,707)

31 December 2007 '000 RUR	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	8,910,442	110,135	319	27,895
Secured bank loans	(3,458,684)	(1,072,391)	(1,972,518)	(4,420)
Unsecured other loans	(9,723,765)	(81,059)	-	-
Unsecured bond issues	(5,665,044)	-	-	-
Secured bond issue	-	(287,466)	-	-
Trade payables	(35,243,796)	(10,923)	(1,718)	(74,853)
Gross balance sheet exposure	(45,180,847)	(1,341,704)	(1,973,917)	(51,378)

30 June 2008 '000 USD	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	590,783	5,831	981	2,937
Secured bank loans	(154,659)	(51,969)	(82,000)	(187)
Unsecured other loans	(644,078)	(181,933)	-	(10)
Unsecured bond issues	(213,153)	-	-	-
Secured bonds issue	-	(12,600)	-	-
Trade payables	(613,293)	(3,604)	(1)	(6,224)
Gross balance sheet exposure	(1,034,400)	(244,275)	(81,020)	(3,483)

31 December 2007 '000 USD	RUR-denominated	EUR-denominated	USD-denominated	Other-denominated
Trade and other receivables	363,007	4,487	13	1,136
Secured bank loans	(140,906)	(43,688)	(80,359)	(180)
Unsecured other loans	(396,141)	(3,302)	-	-
Unsecured bond issues	(230,791)	-	-	-
Secured bonds issue	-	(11,711)	-	-
Trade payables	(1,435,815)	(445)	(70)	(3,049)
Gross balance sheet exposure	(1,840,645)	(54,660)	(80,416)	(2,093)

The following significant exchange rates applied during the period:

	30 June 2008	31 December 2007
	RUR	RUR
1 USD equals	23.4573	24.5462
1 Euro equals	36.9077	35.9332
1 EEK equals	2.36118	2.2846

The Group's operations in currencies other than RUR are immaterial therefore the influence of currencies fluctuations on income statement was not considered.

Sensitivity analysis

A 10% strengthening of RUR against the above currencies would have increased profit by RUR thousand 771,958 / USD 32,878 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.

(d) Interest rate risk

Profile

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

'000 RUR	Carrying amount	
	30 June 2008	31 December 2007
Fixed rate instruments		
Financial assets	282,399	342,382
Financial liabilities	(30,166,366)	(21,230,700)
	(29,883,967)	(20,888,318)
Variable rate instruments		
Financial liabilities	(2,953,368)	(2,860,630)

’000 USD	**Carrying amount**	
	30 June 2008	**31 December 2007**
Fixed rate instruments		
Financial assets	12,039	13,949
Financial liabilities	(1,286,012)	(864,928)
	(1,273,973)	(850,979)
Variable rate instruments		
Financial liabilities	(125,904)	(116,540)

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 profit or loss 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 2007.

’000 RUR	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Six months ended 30 June 2008		
Variable rate instruments	(29,534)	29,534
Cash flow sensitivity	(29,534)	29,534
Six months ended 30 June 2007		
Variable rate instruments	(28,606)	28,606
Cash flow sensitivity	(28,606)	28,606

’000 USD	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Six months ended 30 June 2008		
Variable rate instruments	(1,259)	1,259
Cash flow sensitivity	(1,259)	1,259
Six months ended 30 June 2007		
Variable rate instruments	(1,165)	1,165
Cash flow sensitivity	(1,165)	1,165

(e) Fair values

The fair value of unquoted equity investments is discussed in note 3. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts.

29 Commitments

At 30 June 2008, the Group was committed to purchase property, plant and equipment for approximately RUR 4,561,621 thousand/ USD 194,465 thousand (31 December 2007: RUR 7,590,408 thousand/ USD 309,229 thousand), thereof commitment to purchase equipment for a new cement plant for RUR nil / USD nil (31 December 2007: RUR 3,854,996 thousand/ USD 157,051 thousand) and commitment to purchase equipment for a new brick-making plant for RUR 3,159,081 thousand/USD 134,674 thousand (31 December 2007: RUR 2,539,507 thousand/USD 103,458 thousand).

30 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

Litigation includes 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Certain intra group transactions in connection with the reorganisation of the property inventory undertaken during this period may have given rise to the risk of additional economic outflows estimated of RUR 123,000 thousand (USD 5,244 thousand). Steps are being taken to mitigate this risk by the year end and this risk is consequently assessed as low.

(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 but a liability arises in relation to quarrying sand. Before June 2006 the Group rented land from which sand is quarried from a related party which is liable for the restoration works. The related party that rented land to the Group was acquired by the Group in June 2006. As at the date of purchase by the Group, the site restoration recorded in the books of the acquired company amounted to RUR 23,683 thousand/ USD 823 thousand.

The Group is engaged in crushed stone production in three 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 financial statements for expected expenses on restoration. It is planned that quarrying will be completed for the currently used three areas in the years 2051 and 2057 respectively.

31 Related party transactions

(a) Control relationships

The Company is controlled by Andrey Molchanov, who is owing 66.4% of the voting shares directly and 6.5% of the voting shares through an affiliated company Streetlink ltd.

(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 2007: 13.9%).

(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 2008	30 June 2007	30 June 2008	31 December 2007	30 June 2008	30 June 2007	30 June 2008	31 December 2007
	’000 RUR	’000 RUR	’000 RUR	’000 RUR	’000 USD	’000 USD	’000 USD	’000 USD
Sale of goods and services	27,956	4,281	(118,173)	(71,492)	1,168	164	(5,038)	(2,913)
	27,956	4,281	(118,173)	(71,492)	1,168	164	(5,038)	(2,913)

Key management received the following remuneration during the period, which is included in personnel costs (see note 11):

	Six months ended 30 June			
	2008	2007	2008	2007
	’000 RUR	’000 RUR	’000 USD	’000 USD
Salaries and bonuses	154,142	143,439	6,438	5,499

(ii) Other transactions

Loans to executive directors amounting to RUR 3,434 thousand /USD 146 thousand are included in "employee receivables" (31 December 2007: RUR 1,167 thousand /USD 48 thousand) (see note 21). Interest of 8.5% p.a. is payable on these loans. The loans are expected to be repaid within 2 years.

(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 2008	**30 June 2007**	**30 June 2008**	**31 December 2007**	**30 June 2008**	**30 June 2007**	**30 June 2008**	**31 December 2007**
	'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	53,072	87	98,563	205,757	2,217	3	4,202	8,382
Companies significantly influenced by the Group key management	71	199,360	14	-	3	7,643	1	-
	53,143	199,447	98,577	205,757	2,220	7,646	4,203	8,382

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 2008	**30 June 2007**	**30 June 2008**	**31 December 2007**	**30 June 2008**	**30 June 2007**	**30 June 2008**	**31 December 2007**
	’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	58,684	8,023	14,804	116,119	2,451	308	631	4,731
Companies significantly influenced by the Group management	-	184,910	-	9,723	-	7,089	-	396
	58,684	192,933	14,804	125,842	2,451	7,397	631	5,127

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 2008	**30 June 2007**	**30 June 2008**	**31 December 2007**	**30 June 2008**	**30 June 2007**	**30 June 2008**	**31 December 2007**
	’000 RUR	**’000 RUR**	**’000 RUR**	**’000 RUR**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Loans received (included into unsecured other loans – refer to note 25):								
Companies significantly influenced by the Group management	-	(11,800)	75,600	45,000	-	(452)	3,223	1,833
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	43,600	(232,810)	13,000	-	1,821	(8,926)	554	-
Other	-	-	15,066	-	-	-	642	-
	43,600	(244,610)	103,666	45,000	1,821	(9,378)	4,419	1,833
Loans given (included into other investments – originated loans category– refer to note 18):								
Companies significantly influenced by the Group management	6,000	182,258	6,000	-	251	6,988	256	-
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	(26,434)	232,744	51,668	41,457	(1,104)	8,923	2,203	1,689
	(20,434)	415,002	57,688	41,457	(853)	15,911	2,459	1,689
	23,166	170,392	161,354	86,457	968	6,533	6,878	3,522

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.

	Transaction value six months ended		**Outstanding balance**		**Transaction value six months ended**		**Outstanding balance**	
	30 June 2008	**30 June 2007**	**30 June 2008**	**31 December 2007**	**30 June 2008**	**30 June 2007**	**30 June 2008**	**31 December 2007**
	'000 RUR	**'000 RUR**	**'000 RUR**	**'000 RUR**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Non-current available-for-sale investments stated at cost (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	-	-	9,920	-	-	-	423	-
Companies significantly influenced by the Group management	10,621	-	10,807	-	444	-	461	
	10,621	-	20,727	-	444	-	884	-

(d) Pricing policies

Related party transactions are based on market prices.

32 Significant subsidiaries

Entity	Country of incorporation	Ownership/voting interest 30 June 2008	Ownership/voting interest 31 December 2007
OAO «Gatchinsky DSK»	Russia	99.90%	98.23%
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG" (formerly OAO SKV SPb)	Russia	100.00%	97.79%
OOO «GDSK»	Russia	100.00%	100.00%
OAO «LSR»	Russia	99.995%	99.99%
OAO «NPO Keramika»	Russia	98.226%	88.09%
OAO «Granit-Kuznechnoye»	Russia	99.23%	95.09%
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	90.70%	90.70%
ZAO «DSK «Blok»	Russia	100.00%	100.00%
OAO «UM-260» (formerly ZAO UM-260)	Russia	100.00%	97.11%
"St.Petersburg River Port Open Joint-Stock Company"	Russia	100.00%	100.00%
OAO «Obyedineniye 45»	Russia	100.00%	100.00%
ZAO «MSR» (formerly ZAO Mosstroyrekonstruktsia)	Russia	99.00% + 1.00%	100.00%
OAO «GATP-1»	Russia	100.00%	99.90%
Joint-Stock Company "Pobeda LSR" (formerly ZAO Pobeda LSR)	Russia	99.87%	99.87%
OOO «Aerok SPb»	Russia	100.00%	100.00%
«AEROC» SIA (formerly Aeroc Poribet SIA)	Latvia	100.00%	100.00%
Aeroc aktsiaselts (formerly Aeroc AS)	Estonia	100.00%	100.00%
LCC «Aeroc» ltd (formerly Aeroc Ukraine)	Ukraine	100.00%	100.00%
Joint-Stock Company «Petrobeton»	Russia	100.00%	100.00%
OOO «Aeroc Kaliningrad»	Russia	100.00%	100.00%
JSC «BEREZAN PICU»	Ukraine	99.99%	99.25%
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%

Entity	Country of incorporation	Ownership/voting interest 30 June 2008	Ownership/voting interest 31 December 2007
OOO TD «Granit-Kuznechnoye»	Russia	100.00%	100.00%
ZAO «Paradny kvartal» (formerly ZAO «Naberezhnaya Evropy»)	Russia	100.00%	100.00%
OOO «Nevsky Portal»	Russia	100.00%	100.00%
OOO «PSG LSR»	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	96.90%	97.00%
ZAO NPO «Vyborgstroyrekonsruktsiya»	Russia	80.00%	80.00%
OOO «SPB GDC «YUNA»	Russia	100.00%	100.00%
DNP «Alakul»*	Russia	-	-
«DNP «Penaty 2»*	Russia	-	-
DNP «Severnoye pomestye»*	Russia	-	-
ZAO «MSR-Butovo»	Russia	100%	100%
OOO "MSR-Invest - 1-19, 21-23, 31-34, 36,37,40,41,45,46,48,49"	Russia	24%	24%
OOO "MSR-Standart - 1-10,12-14, 23,25-27, 32,40"	Russia	24%	24%
OOO "MSR-Kredit - 1-3,8-10"	Russia	24%	24%
OOO "MSR-Novostroika - 1-4"	Russia	24%	24%
OAO «Zavod ZhBI-6»	Russia	57.70%	57.70%
OOO GDSK Yugo-Zapad (formerly OOO GDSK-invest-35	Russia	-	-
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%
ZAO «Severnaya Venecia»	Russia	100.00%	100.00%
ZAO «Vsevolozhskoye SMP»	Russia	100.00%	100.00%
OOO "Yakornaya"	Russia	99.00% + 1.00%	100.00%
OOO «BaltStroyKomplekt»	Russia	100.00%	100.00%
Aerok International AS	Estonia	90.00%	90.00%
ZAO «Obyedineniye 45-M»	Russia	100.00%	100.00%
OOO «SKV Invest-2»*	Russia	-	-
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	Germany	70.00%	70.00%

Entity	Country of incorporation	Ownership/voting interest 30 June 2008	Ownership/voting interest 31 December 2007
Beteiligungs-GmbH			
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
JSC "A Plus Estate"	Russia	100.00%	100.00%
ZAO «INGEOKOM S-Pb»	Russia	100.00%	100.00%
Joint-Stock Company "Stroitel"	Russia	100.00%	100.00%
OAO «Stroicorporatciya»	Russia	100.00%	99.87%
OOO «GIDROTEHNIK»	Russia	100.00%	100.00%
Joinr-Stock Company "Golden Kazanskaya"	Russia	100.00%	100.00%
OAO MTO «ARHPROEKT»	Russia	100.00%	99.94%
LLC «LSR - UKRAINE»	Ukraine	100.00%	100.00%
OOO «Velikan-XXI vek»	Russia	100.00%	100.00%
OAO «ZAVOD ELEKTRIK»	Russia	99.0% + 1.00%	97.15%
ZAO «Kikerino-Elektrik»	Russia	100.00%	100.00%
ZAO «ZAVOD «STROIFARFOR»	Russia	95.75%	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%
LLC "MASADA CAPITAL"	Russia	94.00%	94.00%
OOO «Murinskoe»	Russia	94.00%	94.00%
OOO «Ozherel'evskaya keramika»	Russia	100.00%	100.00%
OOO «Okhtinskiy Bereg»	Russia	94.00%	94.00%
Joint-Stock Company "Parkon"	Russia	100.00%	98.50%
Lsr Group Ltd (formerly OOO LSR)	Russia	100.00%	100.00%
LSR Group Ltd (formerly OOO UK LSR)	Russia	100.00%	100.00%
OOO «Ohta 25»	Russia	55.00%	-
OOO «Kaskad»	Russia	100.00%	-
OOO «Kingisepeskij GOK»	Russia	100.00%	-
OOO «InvestFinBusines»	Russia	100.00%	-
OOO Agentstvo «TRIADA»	Russia	80.14% + 19.86%	-
OOO «Barrikada»	Russia	100.00%	-
OOO «UK «NOVA-GROUP»	Russia	100.00%	-
OOO «Promrezerv»	Russia	100.00%	-
OAO «Betfor»	Russia	87.86%	-
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.

33 Events subsequent to the balance sheet date

Subsequent to 30 June 2008 the following significant events occurred:

On 19 August 2008 the Group acquired a number of companies in the Ural region representing two separate cash generating units.

OOO "Nova Group", OOO "Uralscheben", OOO "GGK" and ZAO "RDSZ" represent a crushed granite business unit and were acquired as a single business with separately defined contract terms and consideration.

ZAO "Nova Stroy", OOO "Nova Stroy" represent real estate development business unit and OOO "SMU Nova Stroy", OOO "PKU NovaStroyProject" represent construction business unit and were acquired as a single business with separately defined contract terms and consideration.

The net assets of the acquired subsidiaries constituting the crushed granite business unit in Yekaterinburg were as follows at the date of acquisition:

'000 RUR	**Pre-acquisition carrying amounts***	**Fair value**
Non-current assets		
Property, plant and equipment	32,807	80,990
Intangible assets	1,241	465,907
Investments	21,353	-
Deferred tax assets	14,339	14,339
Current assets		
Investments	51,190	-
Inventories	31,368	15,697
Trade and other receivables	102,286	69,396
Cash and cash equivalents	15,188	15,188
Non-current liabilities		
Loans and borrowings	(5,527)	-
Deferred tax liability	(1,798)	(109,040)
Current liabilities		
Loans and borrowings	(186,931)	(159,181)
Trade and other payables	(92,873)	(59,786)
Net identifiable assets, liabilities and contingent liabilities	**(17,357)**	**333,510**
Negative goodwill	-	(302,437)
Consideration paid	-	31,073
Cash acquired	-	(15,188)
Net cash outflow	-	15,885

’000 USD	Pre-acquisition carrying amounts*	Fair value
Non-current assets		
Property, plant and equipment	1,401	3,458
Intangible assets	53	19,895
Investments	912	-
Deferred tax assets	612	612
Current assets		
Investments	2,186	-
Inventories	1,339	670
Trade and other receivables	4,368	2,963
Cash and cash equivalents	649	649
Non-current liabilities		
Loans and borrowings	(236)	-
Deferred tax liabilities	(77)	(4,656)
Current liabilities		
Loans and borrowings	(7,982)	(6,797)
Trade and other payables	(3,966)	(2,553)
Net identifiable assets, liabilities and contingent liabilities	**(741)**	**14,241**
Negative goodwill	-	(12,918)
Consideration paid	-	1,323
Cash acquired	-	(649)
Net cash outflow	-	674

* Pre-acquisition carrying amounts are disclosed in accordance with national (russian) accounting principles for comparative purposes with fair values only.

The fair value of the business is based on valuations by independent valuers who hold recognized and relevant professional qualifications. In the absence of current prices in an active market, the valuations are prepared using the DCF technique.

The net assets of the acquired subsidiaries constituting the real estate development business unit and construction business unit in Yekaterinburg were as follows at the date of acquisition:

’000 RUR	Pre-acquisition carrying amounts*	Fair value
Non-current assets		
Property, plant and equipment	29,326	72,283
Investment property / Construction	2,674,527	3,779,787
Intangible asses	-	2,425
Long-term Investments	132,146	-
Deferred tax assets	1,157	-
Current assets		
Inventories	386,442	383,373
Trade and other receivables	3,753,886	3,753,886
VAT receivable	398,480	398,480
Investments	25,892	-

’000 RUR	**Pre-acquisition carrying amounts***	**Fair value**
Cash and cash equivalents	39,800	39,800
Non-current liabilities		
Loans and borrowings	(131,192)	-
Deferred tax lilability	(198)	(93)
Other payables	(5,182,201)	(5,313,408)
Current liabilities		
Loans and borrowings	(200,845)	(241,236)
Trade and other payables	(1,135,750)	(1,121,138)
Net identifiable assets, liabilities and contingent liabilities	**791,470**	**1,754,158**
Goodwill	-	1,865,969
Consideration paid	-	3,620,127
Cash acquired	-	39,800
Net cash outflow	-	3,580,327

’000 USD	**Pre-acquisition carrying amounts***	**Fair value**
Non-current assets		
Property, plant and equipment	1,252	3,087
Investment property / Construction	114,205	161,401
Intangible assets	-	104
Long-term Investments	5,643	-
Deferred tax assets	49	-
Current assets		
Inventories	`16,501	16,370
Trade and other receivables	160,295	160,295
VAT receivable	17,016	17,016
Short-term Investments	1,106	-
Cash and cash equivalents	1,700	1,700
Non-current liabilities		
Loans and borrowings	(5,602)	-
Deferred tax liability	(8)	(4)
Other payables	(221,286)	(226,888)
Current liabilities		
Loans and borrowings	(8,576)	(10,301)
Trade and other payables	(48,498)	(47,875)

’000 USD	**Pre-acquisition carrying amounts***	**Fair value**
Net identifiable assets, liabilities and contingent liabilities	**33,797**	**74,905**
Goodwill	-	79,678
Consideration paid	-	154,583
Cash acquired	-	1,700
Net cash outflow	-	152,883

* Pre-acquisition carrying amounts are disclosed in accordance with national (russian) accounting principles for comparative purposes with fair values only.

The above data on net assets of the acquired subsidiaries is based on the best available management estimates and assumptions to date. The values are, therefore, provisional and subject to change in the financial year end. The total amount of consideration (Euro 100,225 thousand) is to be paid as follows: Euro 4,875 thousand was paid at the date of the agreement (19 August 2008), Euro 41,050 thousand is payable by 31 December 2008, Euro 54,300 thousand is payable by 31 December 2010.

On 3 July 2008 the Group entered into a credit agreement with ZAO Raiffeisen Bank. The amount of the non-revolving credit line is no more than RUR 1,993,870 thousand / USD 85,000 thousand.

On 7 July 2008 the Group entered into a credit agreements with OAO Bank Saint-Petersburg. The total amount of the credit is RUR 600,000 thousand / USD 25,578 thousand.

On 7 August 2008 the Group issued five-years bonds on the domestic market. The total amount of the issue was RUR 5,000,000 thousand / USD 213,153 thousand. The coupon rate is 13.25%.

On 11 August 2008 the Group entered into a credit agreements with OAO AB Orgresbank. The amount of the revolving credit line is no more than RUR 534,896 thousand / USD 22,803 thousand.

34 Supplementary disclosures

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

Segment	Business unit	Entity
Construction	Construction	OAO «Gatchinsky DSK»
		ZAO «DSK «Blok»
		OAO «Betfor»
Real Estate Development	Gated Communities	DNP «Alakul»
		«DNP «Penaty 2»
		DNP «Severnoye pomestye»
		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»
		LLC "MASADA CAPITAL"
		OOO «Murinskoe»
		OOO «Nevsky Portal»
		OOO «Okhtinskiy Bereg»
	Real Estate in Western Europe	LSR Europe GmbH
		Max-Josephs-Hohe Immobilien-und Projektentwicklungs GmbH
		Saargemunder Strabe Wohnbau Beteiligungs-GmbH
		Saargemunder Strabe Wohnbau Gmbh & Co. KG
	Real Estate in Moscow	ZAO «MSR» (formerly ZAO Mosstroyrekonstruktsia)
		OOO Agentstvo «TRIADA»
		OOO «Velikan-XXI vek»
		OOO «InvestFinBusines»
		ZAO «MSR-Butovo»
		OOO "MSR-Invest - 1-19, 21-23, 31-34, 36,37,40,41,45,46,48,49"
		OOO "MSR-Kredit - 1-3,8-10"
		OOO "MSR-Novostroika - 1-4"
		OOO "MSR-Standart - 1-10,12-14, 23,25-27, 32,40"
	Elite Real Estate	OOO «SKV Invest-2»
		ZAO «INGEOKOM S-Pb»
		ZAO «Kikerino-Elektrik»
		ZAO NPO «Vyborgstroyrekonsruktsiya»
		ZAO «Paradny kvartal» (formerly ZAO «Naberezhnaya Evropy»)
		ZAO «Severnaya Venecia»
		Joint-Stock Company "Stroitel"
		OAO «ZAVOD ELEKTRIK»
		JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG" (formerly OAO SKV SPb)

Segment	Business unit	Entity
Aggregates	Other	OAO «Stroicorporatciya»
		OOO «Martynovka»
		Limited Liability Company Smolniy District
		OOO «SPB GDC «YUNA»
		OOO «LenSpecSMO Promstroymontazh»
		OOO «Kvartira LuxServis»
		OOO «Investproekt»
		OOO «Promrezerv»
		ZAO «Vsevolozhskoye SMP»
	Sand	"Leningrad river port Open Joint-Stock Company"
		OAO «Rudas»
		"St.Petersburg River Port Open Joint-Stock Company"
		OOO «GIDROTEHNIK»
		OOO «Kaskad»
	Crushed Granite	OOO «Kingisepeskij GOK»
		OAO «Granit-Kuznechnoye»
		OOO TD «Granit-Kuznechnoye»
	Other	OOO «BaltStroyKomplekt»
		OOO «Ohta 25»
Building Materials	Ready-mix Concrete	OOO «BSK Invest-1-3»
		ZAO «Obyedineniye 45-M»
		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"
		JSC «BEREZAN PICU»
		OOO «Aeroc Kaliningrad»
		OOO «Aerok SPb
		LCC «Aeroc» ltd (formerly Aeroc Ukraine)
	Reinforced Concrete	OAO «Zavod ZhBI-6»
		OAO «NKSM»
		Joint-Stock Company "Parkon"
		OAO "ПО "Баррикада"
		OAO «PO «Barrikada»
	Bricks	Joint-Stock Company "Pobeda LSR" (formerly ZAO Pobeda LSR)
		OOO «Ozherel'evskaya keramika»
	Other	ZAO «Vertikal»
		OOO "Yakornaya"
	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»

Segment	Business unit	Entity
	Tower Cranes	OAO «UM-260» (formerly ZAO UM-260)
		Joinr-Stock Company "Golden Kazanskaya"
		ZAO «Kazanskaya, 36»
		ZAO «Promyshlenny leasing» (formerly OOO «Promyshlenny leasing»)
		OJSC LSR Group
		OAO MTO «ARHPROEKT»
Other Entities	Other entities	Lsr Group Ltd (formerly OOO LSR)
		OOO «LSR-Invest»
		LLC «LSR - UKRAINE»
		OOO «PSG LSR»
		Hiuki Holding LTD
		LSR Group Ltd (formerly OOO UK LSR)
		OOO «UK «NOVA-GROUP»

For the six months ended 30 June 2008 ('000 RUR)	**Construction**	Brick	Reinforced Concrete	Ready-mix Concrete	Aerated Concrete	Cement	Other	*Eliminations*	**Building Materials**
Revenue from external customers	4,064,987	1,428,214	2,648,331	2,791,938	1,255,183	527,803	436,293	0	9,087,762
Inter-group revenue	1,700,089	38,402	476,210	62,825	22,018	831,990	101,869	(834,112)	699,202
Total revenue	**5,765,076**	**1,466,616**	**3,124,541**	**2,854,763**	**1,277,201**	**1,359,793**	**538,162**	**(834,112)**	**9,786,964**
Operating profit	**1,149,834**	**455,797**	**598,959**	**128,686**	**143,888**	**(10,269)**	**81,514**	**(30,097)**	**1,368,478**
Depreciation/Amortization	**166,291**	46,439	99,465	126,785	61,526	1,840	5,452	0	341,507
Change in fair value of investment property	**0**	0	0	0	0	0	0	0	0
EBITDA*	**1,316,125**	**502,236**	698,424	**255,471**	**205,414**	**(8,429)**	**86,966**	**(30,097)**	**1,709,985**

For the six months ended 30 June 2008	Sand	Crushed Granite	*Eliminations*	**Aggregates**	Tower Cranes	Transportation	Pile Foundation Construction	*Eliminations*	**Construction Services**
Revenue from external customers	1,487,595	1,195,015	0	2,682,610	546,976	42,035	382,114	0	971,125
Inter-group revenue	173,087	502,282	(10,441)	664,928	74,685	181,981	157,974	(628)	414,012
Total revenue	**1,660,682**	**1,697,297**	**(10,441)**	**3,347,538**	**621,661**	**224,016**	**540,088**	**(628)**	**1,385,137**
Operating profit	**593,854**	**395,403**	**0**	**989,258**	**195,761**	**(13,790)**	**53,010**	**0**	**234,981**
Depreciation/Amortization	118,219	89,908	0	208,127	87,248	34,314	13,353	0	134,915
Change in fair value of investment property	0	0	0	0	0	0	0	0	0
EBITDA*	**712,073**	**485,311**	**0**	**1,197,385**	**283,009**	**20,524**	**66,363**	**0**	**369,896**

For the six months ended 30 June 2008	Elite Real Estate	Business Class and Mass Market Real Estate	Gated Communities	Real Estate in Moscow	Real Estate in Western Europe	Other	*Eliminations*	**Real Estate Development**	**Commercial Real Estate**
Revenue from external customers	2,417,093	2,491,248	25,401	465,998	175,469	33,373	0	5,608,582	80,569
Inter-group revenue	490	20,353	1,800	254	0	33,878	(21,145)	35,630	11,817
Total revenue	**2,417,583**	**2,511,601**	**27,201**	**466,252**	**175,469**	**67,251**	**(21,145)**	**5,644,212**	**92,386**
Operating profit	**(2,347,901)**	**735,530**	**(10,566)**	**271,096**	**12,081**	**7,712**	**(2,028)**	**(1,334,076)**	**(309,335)**
Depreciation/Amortization	8,832	1,214	341	1,431	146	568	0	12,532	478
Change in fair value of investment property	(3,461,647)	0	0	0	0	0	0	(3,461,647)	(355,334)
EBITDA*	**1,122,578**	**736,744**	**(10,225)**	**272,527**	**12,227**	**8,280**	**(2,028)**	**2,140,103**	**46,477**

For the six months ended 30 June 2008	**Other entities**	*Eliminations*	Unallocated Expenses	**Consolidated**
Revenue from external customers	8,392	0	*0*	**22,504,027**
Inter-group revenue	0	(3,525,678)	*0*	**0**
Total revenue	**8,392**	**(3,525,678)**	***0***	22,504,027
Operating profit	**0**	**(425,964)**	**(577,070)**	1,096,105
Depreciation/Amortization	31,740	**0**	0	**895,590**
Change in fair value of investment property	0	**0**	0	**(3,816,981)**
EBITDA*	**31,740**	(425,964)	(577,070)	**5,808,676**

EBITDA= Operating Result + Depreciation/amortisation -** *Change in fair value* **of Investment Property

For the six months ended 30 June 2008 ('000 USD)	**Construction**	Brick	Reinforced Concrete	Ready-mix Concrete	Aerated Concrete	Cement	Other	*Eliminations*	**Building Materials**
Revenue from external customers	169,771	59,648	110,605	116,603	52,422	22,043	18,221	0	379,542
Inter-group revenue	71,002	1,604	19,888	2,624	920	34,747	4,254	(34,836)	29,201
Total revenue	**240,773**	**61,252**	**130,493**	**119,227**	**53,342**	**56,790**	**22,475**	**(34,836)**	**408,743**
Operating profit	**48,022**	**19,036**	**25,015**	**5,374**	**6,009**	**(429)**	**3,404**	**(1,257)**	**57,152**
Depreciation/Amortization	**6,945**	1,939	4,154	5,295	2,570	77	228	0	14,263
Change in fair value of investment property	**0**	0	0	0	0	0	0	0	0
EBITDA*	**54,967**	**20,975**	29,169	**10,669**	**8,579**	**(352)**	**3,632**	**(1,257)**	**71,415**

For the six months ended 30 June 2008	Sand	Crushed Granite	*Eliminations*	**Aggregates**	Tower Cranes	Transportation	Pile Foundation Construction	*Eliminations*	**Construction Services**
Revenue from external customers	62,128	49,909	0	112,037	22,844	1,756	15,959	0	40,559
Inter-group revenue	7,229	20,977	(436)	27,770	3,119	7,600	6,598	(26)	17,291
Total revenue	**69,357**	**70,886**	**(436)**	**139,807**	**25,963**	**9,356**	**22,557**	**(26)**	**57,850**
Operating profit	**24,802**	**16,514**	**0**	**41,316**	**8,176**	**(576)**	**2,214**	**0**	**9,814**
Depreciation/Amortization	4,937	3,755	0	8,692	3,644	1,433	558	0	5,635
Change in fair value of investment property	0	0	0	0	0	0	0	0	0
EBITDA*	**29,739**	**20,269**	**0**	**50,008**	**11,820**	**857**	**2,772**	**0**	**15,449**

For the six months ended 30 June 2008	Elite Real Estate	Business Class and Mass Market Real Estate	Gated Communities	Real Estate in Moscow	Real Estate in Western Europe	Other	*Eliminations*	**Real Estate Development**	**Commercial Real Estate**
Revenue from external customers	100,948	104,045	1,061	19,462	7,328	1,394	0	234,238	3,365
Inter-group revenue	20	850	75	11	0	1,415	(883)	1,488	494
Total revenue	**100,968**	**104,895**	**1,136**	**19,473**	**7,328**	**2,809**	**(883)**	**235,726**	**3,859**
Operating profit	**(98,058)**	**30,719**	**(441)**	**11,322**	**505**	**322**	**(85)**	**(55,716)**	**(12,919)**
Depreciation/Amortization	369	51	14	60	6	24	0	524	20
Change in fair value of investment property	(144,573)	0	0	0	0	0	0	(144,573)	(14,840)
EBITDA*	**46,884**	**30,770**	**(427)**	**11,382**	**511**	**346**	**(85)**	**89,381**	**1,941**

For the six months ended 30 June 2008	**Other entities**	*Eliminations*	Unallocated Expenses	**Consolidated**
Revenue from external customers	350	0	*0*	**939,862**
Inter-group revenue	0	(147,247)	*0*	**0**
Total revenue	**350**	**(147,247)**	***0***	**939,862**
Operating profit	**0**	**(17,790)**	**(24,101)**	**45,778**
Depreciation/Amortization	1,326	**0**	0	**37,405**
Change in fair value of investment property	0	**0**	0	**(159,413)**
EBITDA*	**1,326**	**(17,790)**	**(24,101)**	**242,596**

EBITDA= Operating Result + Depreciation/amortisation -** *Change in fair value* ***of Investment Property

For the six months ended 30 June 2007 ('000 RUR)	**Construction**	Brick	Reinforced Concrete	Ready-mix Concrete	Aerated Concrete	Other	_Eliminations_	**Building Materials**
Revenue from external customers	**1,652,479**	1,010,587	2,029,839	1,763,299	770,187	895,214	0	**6,469,126**
Inter-group revenue	**492,215**	51,110	224,181	123,946	16,611	406,628	(499,962)	**322,514**
Total revenue	**2,144,694**	**1,061,697**	**2,254,020**	**1,887,245**	**786,798**	**1,301,842**	**(499,962)**	**6,791,640**
Operating profit	**(50,495)**	**255,709**	**443,481**	**117,160**	**189,994**	**131,058**	**(584)**	**1,136,818**
Depreciation/Amortization	**78,641**	26,212	63,349	72,795	53,685	5,165	0	**221,206**
Fair value adjustment of investment property	**0**	0	0	0	0	0	0	**0**
EBITDA	**28,146**	**281,921**	**506,830**	**189,955**	**243,679**	**136,223**	**(584)**	**1,358,024**

For the six months ended 30 June 2007	Sand	Crushed Granite	_Eliminations_	**Aggregates**	Tower Cranes	Transportation	Pile Foundation Construction	**Construction Services**
Revenue from external customers	1,080,363	728,690	0	**1,809,053**	357,861	75,824	218,634	**652,319**
Inter-group revenue	104,452	333,868	(7,835)	**430,485**	51,768	171,383	62,618	**285,769**
Total revenue	**1,184,815**	**1,062,558**	**(7,835)**	**2,239,538**	**409,629**	**247,207**	**281,252**	**938,088**
Operating profit	**414,271**	**193,502**	**(11,366)**	**596,407**	**128,733**	**(3,048)**	**504**	**126,189**
Depreciation/Amortization	121,588	59,759	0	**181,347**	50,481	34,694	10,680	**95,855**
Fair value adjustment of investment property	0	0	0	**0**	0	0		**0**
EBITDA	**535,859**	**253,261**	**(11,366)**	**777,754**	**179,214**	**31,646**	**11,184**	**222,044**

For the six months ended 30 June 2007	Elite Real Estate	Business Class and Mass Market Real Estate	Gated Communities	Real Estate in Moscow	Real Estate in Western Europe	_Eliminations_	**Real Estate Development**	**Commercial Real Estate**
Revenue from external customers	1,581,109	2,230,357	9,714	1,506,886	116,365	0	5,444,431	24,676
Inter-group revenue	322,579	11,222	1,800	331	0	(16,798)	319,134	0
Total revenue	**1,903,688**	**2,241,579**	**11,514**	**1,507,217**	**116,365**	**(16,798)**	**5,763,565**	**24,676**
Operating profit	**4,368,679**	**346,593**	**6,464**	**351,119**	**(11,560)**	**(34,312)**	**5,026,983**	**1,104,932**
Depreciation/Amortization	7,487	9,034	148	2,340	69	0	19,078	1,518
Fair value adjustment of investment property	3,928,466	0	0	0	0	0	3,928,466	1,093,881
EBITDA	**447,700**	**355,627**	**6,612**	**353,459**	**(11,491)**	**(34,312)**	**1,117,595**	**12,569**

For the six months ended 30 June 2007	**Other entities**	_Eliminations_	Unallocated Expenses	**Consolidated**
Revenue from external customers	9,947			16,062,031
Inter-group revenue	0	(1,850,117)		0
Total revenue	**9,947**	**(1,850,117)**		**16,062,031**
Operating profit	**36,350**	**165,245**	**(286,992)**	**7,855,437**
Depreciation/Amortization	26,502	0		624,147
Fair value adjustment of investment property	0	0		5,022,347
EBITDA	**62,852**	**165,245**	**(286,992)**	**3,457,237**

* _EBITDA= Operating Result + Depreciation/amortisation - Fair value adjustment of Investment Property_

For the six months ended 30 June 2007 (‘000 USD)	**Construction**	Brick	Reinforced Concrete	Ready-mix Concrete	Aerated Concrete	Other	_Eliminations_	**Building Materials**
Revenue from external customers	63,355	38,745	77,823	67,604	29,529	34,322	0	248,023
Inter-group revenue	18,871	1,960	8,595	4,752	637	15,590	(19,168)	12,366
Total revenue	**82,226**	**40,705**	**86,418**	**72,356**	**30,166**	**49,912**	**(19,168)**	**260,389**
Operating profit	**(1,936)**	**9,804**	**17,003**	**4,492**	**7,284**	**5,025**	**(22)**	**43,586**
Depreciation/Amortization	3,015	1,005	2,429	2,791	2,058	198	0	8,481
Fair value adjustment of investment property	0	0	0	0	0	0	0	0
EBITDA	**1,079**	**10,809**	**19,432**	**7,283**	**9,342**	**5,223**	**(22)**	**52,067**

For the six months ended 30 June 2007	Sand	Crushed Granite	_Eliminations_	**Aggregates**	Tower Cranes	Transportation	Pile Foundation Construction	**Construction Services**
Revenue from external customers	41,421	27,938	0	**69,359**	13,720	2,907	8,382	25,009
Inter-group revenue	4,005	12,800	(300)	**16,505**	1,985	6,571	2,401	10,957
Total revenue	**45,426**	**40,738**	**(300)**	**85,864**	**15,705**	**9,478**	**10,783**	35,966
Operating profit	**15,883**	**7,419**	**(436)**	**22,866**	**4,936**	**(117)**	**19**	4,838
Depreciation/Amortization	4,662	2,291	0	**6,953**	1,935	1,330	409	3,674
Fair value adjustment of investment property	0	0	0	**0**	0	0	0	0
EBITDA	**20,545**	**9,710**	**(436)**	**29,819**	**6,871**	**1,213**	**429**	8,512

For the six months ended 30 June 2007	Elite Real Estate	Business Class and Mass Market Real Estate	Gated Communities	Real Estate in Moscow	Real Estate in Western Europe	_Eliminations_	**Real Estate Development**	**Commercial Real Estate**
Revenue from external customers	60,619	85,511	372	57,773	4,461	0	208,736	946
Inter-group revenue	12,368	430	69	13	0	(644)	12,236	0
Total revenue	**72,987**	**85,941**	**441**	**57,786**	**4,461**	**(644)**	**220,972**	**946**
Operating profit	**167,493**	**13,288**	**248**	**13,462**	**(443)**	**(1,316)**	**192,732**	**42,363**
Depreciation/Amortization	287	346	6	90	3	0	732	58
Fair value adjustment of investment property	150,616	0	0	0	0	0	150,616	41,939
EBITDA	**17,164**	**13,634**	**254**	**13,552**	**(440)**	**(1,316)**	**42,848**	**482**

For the six months ended 30 June 2007	**Other entities**	_Eliminations_	Unallocated Expenses	**Consolidated**
Revenue from external customers	384	0	0	615,812
Inter-group revenue	0	(70,935)	0	0
Total revenue	**384**	**(70,933)**	**0**	**615,812**
Operating profit	**1,394**	**6,334**	**(11,003)**	**301,174**
Depreciation/Amortization	1,016	0	0	23,929
Fair value adjustment of investment property	0	0	0	192,555
EBITDA	**2,410**	**6,334**	**(11,003)**	**132,548**

* _EBITDA= Operating Result + Depreciation /amortisation - Fair value adjustment of Investment Property_