

OJSC LSR Group

**Consolidated Interim Financial Statements
for the six month period ended
30 June 2012**

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Independent Auditors' Report on Review of Consolidated Interim Financial Statements

Board of Directors

OJSC LSR Group

Introduction

We have reviewed the accompanying consolidated statement of financial position of OJSC LSR Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (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 financial position of the Group as at 30 June 2012, and its financial performance and its 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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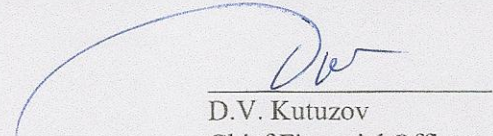
28 August 2012

	Note	Six months ended 30 June			
		2012 '000 RUB	2011 '000 RUB	2012 '000 USD	2011 '000 USD
Revenue		22,680,804	22,963,555	740,259	802,243
Cost of sales		(16,194,630)	(17,172,565)	(528,562)	(599,932)
Gross profit		6,486,174	5,790,990	211,697	202,311
Distribution expenses		(2,016,216)	(1,203,638)	(65,806)	(42,049)
Administrative expenses	7	(2,335,227)	(2,409,015)	(76,217)	(84,161)
Other income	8	205,100	507,209	6,694	17,719
Other expenses	8	(33,442)	(269)	(1,092)	(9)
Results from operating activities		2,306,389	2,685,277	75,276	93,811
Finance income	10	205,480	573,349	6,706	20,031
Finance costs	10	(2,050,887)	(1,948,666)	(66,936)	(68,078)
Profit before income tax		460,982	1,309,960	15,046	45,764
Income tax expense	11	(201,323)	(642,268)	(6,571)	(22,438)
Profit for the period		259,659	667,692	8,475	23,326
Other comprehensive income/ (loss)					
Foreign currency translation differences for foreign operations		(2,723)	38,312	(27,856)	149,910
Total comprehensive income/ (loss) for the period		256,936	706,004	(19,381)	173,236

	Note	Six months ended 30 June			
		2012 '000 RUB	2011 '000 RUB	2012 '000 USD	2011 '000 USD
Profit/(loss) attributable to:					
Shareholders of the Company		311,232	715,095	10,158	24,982
Non-controlling interest		(51,573)	(47,403)	(1,683)	(1,656)
Profit for the period		<u>259,659</u>	<u>667,692</u>	<u>8,475</u>	<u>23,326</u>
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		308,509	753,407	(17,698)	174,892
Non-controlling interest		(51,573)	(47,403)	(1,683)	(1,656)
Total comprehensive income/(loss) for the period		<u>256,936</u>	<u>706,004</u>	<u>(19,381)</u>	<u>173,236</u>
Basic and diluted profit per share	24	3.02	6.94	0.10	0.24
Ordinary shares		RUB	RUB	USD	USD

These consolidated interim financial statements were approved by management on 28 August 2012 and were signed on its behalf by:


 A.I. Vakhmistrov
 Chief Executive Officer


 D.V. Kutuzov
 Chief Financial Officer

		30 June	31 December	30 June	31 December
		2012	2011	2012	2011
	Note	'000 RUB	'000 RUB	'000 USD	'000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	13	39,557,972	37,329,459	1,205,416	1,159,440
Intangible assets	14	5,022,762	4,879,941	153,057	151,569
Investment property under development	15	853,150	651,174	25,998	20,226
Investment property	16	685,625	2,310,658	20,893	71,768
Other investments	17	271,352	112,245	8,269	3,486
Deferred tax assets	18	1,860,666	1,794,616	56,698	55,741
Trade and other receivables	20	134,371	686,651	4,094	21,327
Restricted cash	22	929,719	894,732	28,330	27,790
Total non-current assets		49,315,617	48,659,476	1,502,755	1,511,347
Current assets					
Other investments	17	115,200	126,156	3,508	3,919
Inventories	19	60,078,293	56,586,046	1,830,712	1,757,543
Income tax receivable		159,957	168,236	4,874	5,225
Trade and other receivables	20	24,861,677	16,083,930	757,587	499,561
Cash and cash equivalents	21	3,681,734	5,194,904	112,190	161,352
Restricted cash	22	22,190	43,422	676	1,349
Total current assets		88,919,051	78,202,694	2,709,547	2,428,949
Total assets		138,234,668	126,862,170	4,212,302	3,940,296

		30 June	31 December	30 June	31 December
		2012	2011	2012	2011
	Note	'000 RUB	'000 RUB	'000 USD	'000 USD
EQUITY AND LIABILITIES					
Equity	23				
Share capital		34,577	34,577	1,241	1,241
Share premium		26,408,386	26,408,386	959,987	959,987
Additional paid in capital		16,783,833	16,783,833	648,080	648,080
Foreign currency translation reserve		(8,914)	(6,191)	(316,712)	(288,856)
Retained earnings		8,793,213	10,552,205	288,356	345,766
Total equity attributable to shareholders of the Company		52,011,095	53,772,810	1,580,952	1,666,218
Non-controlling interest		121,602	174,688	7,641	9,373
Total equity		52,132,697	53,947,498	1,588,593	1,675,591
Non-current liabilities					
Loans and borrowings	25	31,384,070	36,134,105	956,340	1,122,313
Deferred tax liabilities	18	1,554,930	1,700,274	47,382	52,810
Trade and other payables	27	136,934	170,818	4,173	5,306
Provisions	26	13,270	8,742	404	272
Total non-current liabilities		33,089,204	38,013,939	1,008,299	1,180,701
Current liabilities					
Loans and borrowings	25	7,835,400	2,788,327	238,760	86,604
Income tax payable		311,859	431,886	9,503	13,414
Trade and other payables	27	44,516,685	31,350,289	1,356,518	973,729
Provisions	26	348,823	330,231	10,629	10,257
Total current liabilities		53,012,767	34,900,733	1,615,410	1,084,004
Total liabilities		86,101,971	72,914,672	2,623,709	2,264,705
Total equity and liabilities		138,234,668	126,862,170	4,212,302	3,940,296

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
OPERATING ACTIVITIES				
Profit for the period	259,659	667,692	8,475	23,326
Adjustments for:				
Depreciation and amortisation	1,216,777	1,149,157	39,713	40,146
Loss / (gain) on disposal of property, plant and equipment	23,995	(234,708)	783	(8,200)
Gain on disposal of other assets	-	(11,424)	-	(399)
Gain on acquisitions of subsidiaries	-	(149,060)	-	(5,207)
Gain on disposal of subsidiaries	(49,032)	(111,467)	(1,600)	(3,894)
Net finance costs	1,845,407	1,375,317	60,230	48,047
Income tax expense	201,323	642,268	6,571	22,438
Operating profit before changes in working capital and provisions	3,498,129	3,327,775	114,172	116,257
(Increase) / decrease in inventories	(3,274,013)	1,088,949	(106,858)	38,043
Increase in trade and other receivables	(6,054,048)	(5,419,809)	(197,593)	(189,344)
Increase in trade and other payables	12,761,325	2,945,470	416,507	102,901
Increase / (decrease) in provisions	26,790	(222,972)	874	(7,790)
Cash flows from operations before income taxes and interest paid	6,958,183	1,719,413	227,102	60,067
Income taxes paid	(506,040)	(414,830)	(16,516)	(14,492)
Interest paid	(1,923,907)	(1,414,973)	(62,793)	(49,433)
Cash flows from / (utilised by) operating activities	4,528,236	(110,390)	147,793	(3,858)

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	241,264	450,438	7,874	15,736
Interest received	93,513	18,837	3,052	658
Acquisition of property, plant and equipment	(4,010,821)	(1,507,799)	(130,906)	(52,676)
Increase in restricted cash	(13,755)	(124,563)	(449)	(4,352)
Acquisition of intangible assets	(208,977)	(34,746)	(6,821)	(1,214)
Acquisition of investment property and investment property under development	(243,099)	(82,431)	(7,934)	(2,880)
Loans given	(5,903)	(59,170)	(193)	(2,067)
Loans repaid	9,127	42,437	298	1,483
Disposal of subsidiaries, net of cash disposed (note 6)	(43,004)	1,421	(1,404)	50
Acquisition of subsidiaries, net of cash acquired	-	(1,032,511)	-	(36,071)
Proceeds from disposal of assets and liabilities classified as held for sale	-	44,831	-	1,566
Purchase of other investments	(15,435)	(24,293)	(504)	(849)
Cash flows utilised by investing activities	(4,197,090)	(2,307,549)	(136,987)	(80,616)
FINANCING ACTIVITIES				
Proceeds from borrowings	2,257,211	5,969,812	73,671	208,558
Proceeds from bonds	-	2,427,232	-	84,797
Repayment of borrowings	(2,056,073)	(3,447,858)	(67,106)	(120,453)
Repayment of bonds	(482)	(468,812)	(16)	(16,378)
Acquisition of non-controlling interest	-	(20,269)	-	(708)
Payment of finance lease liabilities	(72,101)	(277,099)	(2,353)	(9,681)
Dividends payment	(2,070,224)	(1,624,582)	(67,568)	(56,756)
Cash flows (utilised by) / from financing activities	(1,941,669)	2,558,424	(63,372)	89,379
Net (decrease) / increase in cash and cash equivalents	(1,610,523)	140,485	(52,566)	4,905
Cash and cash equivalents at the beginning of the period	5,194,904	1,327,139	161,352	43,546
Effect of exchange rate fluctuations on cash and cash equivalents	97,353	63,517	3,404	6,085
Cash and cash equivalents at the end of the period (note 21)	3,681,734	1,531,141	112,190	54,536

'000 RUB

	Attributable to shareholders of the Company							
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2011	34,577	26,408,386	16,798,659	(13,377)	9,715,541	52,943,786	199,770	53,143,556
Total comprehensive income for the period								
Profit for the period	-	-	-	-	715,095	715,095	(47,403)	667,692
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	38,312	-	38,312	-	38,312
Total comprehensive income for the period	-	-	-	38,312	715,095	753,407	(47,403)	706,004
Transactions with owners recorded directly in equity								
Acquisition of subsidiaries	-	-	-	-	-	-	123,708	123,708
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	51,349	-	-	51,349	(71,489)	(20,140)
Excess of consideration paid over non-controlling interest acquired for entities under common control	-	-	(496)	-	-	(496)	367	(129)
Dividends to shareholders	-	-	-	-	(1,624,582)	(1,624,582)	-	(1,624,582)
Balance at 30 June 2011	34,577	26,408,386	16,849,512	24,935	8,806,054	52,123,464	204,953	52,328,417

'000 RUB

	Attributable to shareholders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings			
Balance at 1 January 2012	34,577	26,408,386	16,783,833	(6,191)	10,552,205	53,772,810	174,688	53,947,498
Total comprehensive income for the period								
Profit for the period	-	-	-	-	311,232	311,232	(51,573)	259,659
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(2,723)	-	(2,723)	-	(2,723)
Total comprehensive income for the period	-	-	-	(2,723)	311,232	308,509	(51,573)	256,936
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	-	-	-	-	(1,513)	(1,513)
Dividends to shareholders	-	-	-	-	(2,070,224)	(2,070,224)	-	(2,070,224)
Balance at 30 June 2012	34,577	26,408,386	16,783,833	(8,914)	8,793,213	52,011,095	121,602	52,132,697

'000 USD

	Attributable to shareholders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total		
Balance at 1 January 2011	1,241	959,987	648,585	(193,604)	317,296	1,733,505	10,227	1,743,732
Total comprehensive income for the period								
Profit for the period	-	-	-	-	24,982	24,982	(1,656)	23,326
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	149,910	-	149,910	-	149,910
Total comprehensive income for the period	-	-	-	149,910	24,982	174,892	(1,656)	173,236
Transactions with owners recorded directly in equity								
Acquisition of subsidiaries	-	-	-	-	-	-	4,322	4,322
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	1,794	-	-	1,794	(2,498)	(704)
Excess of consideration paid over non-controlling interest acquired for entities under common control	-	-	(17)	-	-	(17)	13	(4)
Dividends to shareholders	-	-	-	-	(56,756)	(56,756)	-	(56,756)
Balance at 30 June 2011	1,241	959,987	650,362	(43,694)	285,522	1,853,418	10,408	1,863,826

'000 USD

	Attributable to shareholders of the Company							Non-controlling interest	Total equity
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Total		
Balance at 1 January 2012	1,241	959,987	648,080	(288,856)	345,766	1,666,218	9,373	1,675,591	
Total comprehensive income for the period									
Profit for the period	-	-	-	-	10,158	10,158	(1,683)	8,475	
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	(27,856)	-	(27,856)	-	(27,856)	
Total comprehensive income for the period	-	-	-	(27,856)	10,158	(17,698)	(1,683)	(19,381)	
Transactions with owners recorded directly in equity									
Disposal of subsidiaries	-	-	-	-	-	-	(49)	(49)	
Dividends to shareholders	-	-	-	-	(67,568)	(67,568)	-	(67,568)	
Balance at 30 June 2012	1,241	959,987	648,080	(316,712)	288,356	1,580,952	7,641	1,588,593	

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 shares are traded on the London Stock Exchange and Moscow Interbank Currency Exchange.

The Company’s registered office is at 36, Kazanskaya Ulitsa, Saint-Petersburg, 190031, Russia.

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

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

The Group is ultimately controlled by a single individual, Mr. A. Molchanov. Related party transactions are detailed in note 32.

(b) Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. 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 IAS 34 Interim Financial Reporting.

(b) Basis of measurement

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

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

The carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 may include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian

Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

- Note 12 - revenue recognition;
- Note 3- (e) - (iv) - useful lives of property, plant and equipment;
- Note 14 - impairment;
- Notes 15 and 16 - determination of fair values of investment properties and investment properties under development;
- Note 20 - allowances for trade receivables;
- Note 26 - warranty provision, provision for site restoration and environment restoration; and
- Note 31 - contingencies.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all period, presented in these consolidated interim financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Special purpose entities

The Group has established a number of special purpose entities (“SPE”s) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE’s risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs’ management and that result in the Group receiving all of the benefits related to the SPEs’ operations and net assets, being exposed to the majority of risks incident to the SPE’s activities, and retaining the majority of the residual or ownership risks related to the SPE or their assets.

(iii) Acquisitions from entities under common control

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

(iv) Disposals to entities under common control

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

(v) Acquisitions and disposals of non-controlling interests

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

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

(vi) Transactions eliminated on consolidation

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

(b) Foreign currencies

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

Foreign exchange gains and losses arising from a monetary item received from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(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 other comprehensive income as the foreign currency translation reserve.

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

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

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

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

Available-for-sale financial assets

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

Other

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

(ii) *Non-derivative financial liabilities*

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

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

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

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

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

(d) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of comprehensive income.

(ii) Reclassification of owner occupied property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

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

(f) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and is included in intangible assets.

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 between 1 January 2005 and 1 January 2010

For acquisitions between 1 January 2005 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in the statement of comprehensive income.

Acquisitions after 1 January 2010

For acquisitions after 1 January 2010, the Group measures goodwill at the acquisition date as the excess of the aggregate of: the fair value of the consideration transferred; the recognised amount of any non-controlling interests in the acquiree; if the business combination is achieved in stages, the

fair value of the existing equity interest in the acquiree; over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Any deficit is a gain on a bargain purchases, which is recognised immediately in the statement of comprehensive income.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

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

(g) Leased assets

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

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

(h) Investment property under development

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

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

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

(i) Investment property

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

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

(j) Inventories

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

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

(k) Construction work in progress

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

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

(l) Impairment**(i) Financial assets**

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

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

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the

extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

(m) Non-current assets held for sale

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

(n) Employee benefits

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

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

(o) Provisions

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

(i) Warranties

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

(ii) Site restoration

In accordance with the Group's environmental policy and applicable statutory requirements, provision is made for the Group's obligation to incur additional costs including costs associated with clean up the surrounding area after finishing the construction of apartment building. The related expense is recognised in the statement of comprehensive income.

(p) Revenues

(i) Goods sold

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

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

(ii) Services

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

(iii) Construction contracts

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

The stage of completion is assessed by reference to surveys of work performed for panel construction contracts or as the proportion that contract costs incurred for work performed to date bear to estimated total contract costs for all other construction contracts. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

(iv) Rental income

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

(q) Other expenses

(i) Lease payments

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

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

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(ii) Social expenditure

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

(r) Finance income and finance costs

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

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

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

(s) Income tax expense

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

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

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

by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(t) Earnings per share

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

(u) Segment reporting

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

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

(v) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2012, and have not been applied in preparing this consolidated 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.

- IAS 27 (2011) *Separate Financial Statements* will become effective for annual periods beginning on or after 1 January 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after 1 January 2013. Early adoption of IAS 27 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011).
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these

changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).
- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.
- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

- Amendment to IAS 12 *Income taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces an exception to the current measurement principles for deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with IAS 40 *Investment Property*. The exception also applies to investment property acquired in a business combination accounted for in accordance with IFRS 3 *Business Combinations* provided the acquirer subsequently measures the assets using the fair value model. In these specified circumstances the measurement of deferred tax liabilities and deferred tax assets should reflect a rebuttable presumption that the carrying amount of the underlying asset will be recovered entirely by sale unless the asset is depreciated or the business model is to consume substantially all the asset. The amendment is effective for periods beginning on or after 1 January 2012 and is applied retrospectively.
- Amendment to IFRS 7 *Disclosures – Transfers of Financial Assets* introduces additional disclosure requirements for transfers of financial assets in situations where assets are not derecognised in their entirety or where the assets are derecognised in their entirety but a continuing involvement in the transferred assets is retained. The new disclosure requirements are designated to enable the users of financial statements to better understand the nature of the risks and rewards associated with these assets. The amendment is effective for annual periods beginning on or after 1 July 2011.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2011. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Property, plant and equipment

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

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

(b) Investment property and investment property under development

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

(c) Intangible assets

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

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

(d) Inventories

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

(e) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be estimated on a reasonable basis by other means, investments are stated at cost less impairment losses.

(f) Trade and other receivables

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

(g) Non-derivative financial liabilities

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

5 Operating segments

The Group has nine reportable segments as described below which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately, because they require different technology and marketing strategies. The format of reporting segments is based on Group's management and internal reporting structure.

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

In 2012 the Group carried out internal reorganization and management accordingly changed composition of reportable operating segments. Comparative data has been changed accordingly.

(a) Operating segments and geographical information

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

Real Estate. NW, Real Estate. Moscow, Real Estate. Ural and Real Estate. Europe. The Real Estate business units specialize in the development of elite, mass-market and business class residential real estate, gated communities and commercial real estate. These business units are located in Saint-Petersburg, Moscow, Ural region and Germany.

Construction. NW, Construction. Moscow, and Construction. Ural. The construction business units specialize in panel construction, providing of tower cranes services, transportation of construction materials and pile driving services. These business units are located in Saint-Petersburg, Moscow, and Ural region.

Building Materials. NW and Building Materials. Moscow. The building materials business units are engaged in the production of brick, concrete and reinforced concrete items, ready-mix concrete, aerated concrete blocks, crushed stone production, land-based and marine-dredged sand extraction. These business units are located in Saint-Petersburg and Moscow.

There are varying levels of integration between the Building Materials, Construction and Real Estate reportable segments. This integration includes transfers of raw materials and services, respectively. Inter-segment pricing is determined on an arm's length basis. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The operations of the Group are conducted and managed primarily in North-West region, Moscow, Ural and in Germany, where the production facilities and sales offices of the Group are located. The Group has also operations in Ukraine, the volume of which is not significant to total operations of the Group.

(b) Major customer

Revenues from one customer of the Group represents approximately RUB 1,455,963 thousand / USD 47,520 thousand (six months ended 30 June 2011: RUB 1,309,456 thousand / USD 45,746 thousand) of the Group's total revenues.

(i) Operating segments

Six months ended 30 June 2012 '000 RUB	Building materials. NW	Real Estate. NW	Construction. NW	Real Estate. Moscow	Construction. Moscow	Building materials. Moscow	Real Estate. Ural	Construction. Ural	Other. Ural	Real Estate. Europe	Other entities	Total
Revenue from external customers	5,774,041	4,544,547	5,557,446	532,116	1,192,911	849,810	1,109,698	437,446	-	500,650	834,839	21,333,504
Inter-segment revenue	572,548	3	2,345,008	-	100,005	5,921	-	632,066	-	50,077	-	3,705,628
Total segment revenue	6,346,589	4,544,550	7,902,454	532,116	1,292,916	855,731	1,109,698	1,069,512	-	550,727	834,839	25,039,132
Segment result	1,469,468	867,483	420,544	(32,080)	119,194	(163,999)	120,697	(12,321)	(24,423)	88,708	-	2,853,271
Depreciation/amortisation	486,006	7,249	436,161	10,889	10,109	91,724	1,174	80,222	20,225	199	72,819	1,216,777
Capital expenditure	2,803,464	368,534	671,294	47,371	219,103	122,086	-	26,788	-	909	205,742	4,465,291
Six months ended 30 June 2011 '000 RUB	Building materials. NW	Real Estate. NW	Construction. NW	Real Estate. Moscow	Construction. Moscow	Building materials. Moscow	Real Estate. Ural	Construction. Ural	Other. Ural	Real Estate. Europe	Other entities	Total
Revenue from external customers	4,454,027	6,781,920	5,719,801	504,439	1,566,691	454,253	1,072,514	475,355	-	279,145	646,833	21,954,978
Inter-segment revenue	496,689	20,600	595,886	-	695,840	110,519	-	277,835	-	562	-	2,197,931
Total segment revenue	4,950,716	6,802,520	6,315,687	504,439	2,262,531	564,772	1,072,514	753,190	-	279,707	646,833	24,152,909
Segment result	451,605	1,775,240	448,530	86,903	280,904	(101,731)	135,942	(161,120)	(25,730)	14,258	-	2,904,801
Depreciation/amortisation	459,416	11,579	424,219	6,633	22,073	47,337	511	100,458	20,370	161	56,400	1,149,157
Capital expenditure	1,249,987	41,208	211,348	51,464	18,899	132,185	8,491	27,603	-	565	63,704	1,805,454

Six months ended 30 June 2012 '000 USD	Building materials. NW	Real Estate. NW	Construction. NW	Real Estate. Moscow	Construction. Moscow	Building materials. Moscow	Real Estate. Ural	Construction. Ural	Other. Ural	Real Estate. Europe	Other entities	Total
Revenue from external customers	188,454	148,326	181,384	17,367	38,934	27,736	36,218	14,277	-	16,340	27,248	696,284
Inter-segment revenue	18,687	-	76,537	-	3,264	193	-	20,629	-	1,634	-	120,944
Total segment revenue	207,141	148,326	257,921	17,367	42,198	27,929	36,218	34,906	-	17,974	27,248	817,228
Segment result	47,961	28,313	13,726	(1,047)	3,890	(5,353)	3,939	(402)	(797)	2,895	-	93,125
Depreciation/amortisation	15,862	237	14,235	355	330	2,994	38	2,618	660	6	2,378	39,713
Capital expenditure	91,500	12,028	21,910	1,546	7,151	3,985	-	874	-	30	6,715	145,739
Six months ended 30 June 2011 '000 USD	Building materials. NW	Real Estate. NW	Construction. NW	Real Estate. Moscow	Construction. Moscow	Building materials. Moscow	Real Estate. Ural	Construction. Ural	Other. Ural	Real Estate. Europe	Other entities	Total
Revenue from external customers	155,604	236,930	199,824	17,623	54,733	15,870	37,469	16,607	-	9,752	22,596	767,008
Inter-segment revenue	17,351	720	20,818	-	24,310	3,861	-	9,706	-	20	-	76,786
Total segment revenue	172,955	237,650	220,642	17,623	79,043	19,731	37,469	26,313	-	9,772	22,596	843,794
Segment result	15,777	62,019	15,670	3,036	9,814	(3,554)	4,749	(5,629)	(899)	498	-	101,481
Depreciation/amortisation	16,049	405	14,820	232	771	1,654	18	3,510	712	6	1,969	40,146
Capital expenditure	43,669	1,440	7,384	1,798	660	4,618	297	964	-	20	2,226	63,076

At the end of 30 June 2012	Building materials.	Real Estate.	Const- ruction.	Real Estate.	Construction	Building materials.	Real Estate.	Constru	Other.	Real Estate.	Other	Total
'000 RUB	NW	NW	NW	Moscow	. Moscow	Moscow	Ural	Ural	Ural	Europe	entities	
Segment assets, excluding net financial position*	37,228,226	53,559,700	19,418,789	9,335,658	1,793,430	2,690,133	6,816,166	1,654,658	343,283	1,170,970	-	134,011,013
Segment liabilities, excluding net financial position*	4,848,543	24,924,022	10,762,538	4,021,348	1,858,246	701,615	2,477,785	539,272	29,645	100,869	-	50,263,883
Net financial position*	23,830,817	5,061,375	(2,187,911)	3,672,036	142,961	690,277	11,629	162,195	2,820	611,291	7,410,004	39,407,494
Year ended 31 December 2011	Building materials.	Real Estate.	Const- ruction.	Real Estate.	Construction	Building materials.	Real Estate.	Constru	Other.	Real Estate.	Other	Total
'000 RUB	NW	NW	NW	Moscow	. Moscow	Moscow	Ural	Ural	Ural	Europe	entities	
Segment assets, excluding net financial position*	32,292,650	56,253,212	19,226,160	7,132,482	1,850,790	2,032,031	6,429,716	1,695,558	363,783	1,193,886	-	128,470,268
Segment liabilities, excluding net financial position*	3,694,787	18,846,402	7,972,347	2,523,200	1,305,425	530,480	2,093,940	611,559	51,572	388,711	-	38,018,423
Net financial position*	21,886,399	7,048,828	1,368,519	3,018,840	665,331	325,266	51,000	86,011	3,320	413,255	4,253,003	39,119,772

* Net financial position is debt of the Group allocated to Operating Segments. Net financial positions is calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.

At the end of 30 June 2012 '000 USD	Building materials. NW	Real Estate. NW	Const- ruction. NW	Real Estate. Moscow	Construction. Moscow	Building materials. Moscow	Real Estate. Ural	Construc tion. Ural	Other. Ural	Real Estate. Europe	Other entities	Total
Segment assets, excluding net financial position*	1,134,422	1,632,077	591,731	284,477	54,650	81,974	207,703	50,421	10,461	35,682	-	4,083,598
Segment liabilities, excluding net financial position*	147,745	759,487	327,957	122,539	56,625	21,380	75,503	16,433	903	3,074	-	1,531,646
Net financial position*	726,175	154,231	(66,671)	111,895	4,356	21,034	354	4,942	86	18,627	225,798	1,200,827
Year ended 31 December 2011 '000 USD												
Segment assets, excluding net financial position*	1,002,999	1,747,206	597,158	221,532	57,485	63,114	199,705	52,663	11,299	37,082	-	3,990,243
Segment liabilities, excluding net financial position*	114,759	585,363	247,618	78,370	40,546	16,477	65,037	18,995	1,602	12,073	-	1,180,840
Net financial position*	679,783	218,934	42,506	93,764	20,665	10,102	1,584	2,671	103	12,836	132,097	1,215,045

* Net financial position is debt of the Group allocated to Operating Segments. Net financial positions is calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Revenue	'000 RUB		'000 USD	
	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Total revenue for reportable segments	25,039,132	24,152,909	817,228	843,794
Other revenue	134,509	175,733	4,392	6,139
Transportation revenue	1,212,791	832,844	39,583	29,096
Elimination of intersegment revenue	(3,705,628)	(2,197,931)	(120,944)	(76,786)
Consolidated revenue	22,680,804	22,963,555	740,259	802,243

Profit for the period	'000 RUB		'000 USD	
	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Total segment result	2,853,271	2,904,801	93,125	101,481
Other result	(88,315)	330,937	(2,882)	11,561
Unallocated expenses and income, net	(458,567)	(550,461)	(14,967)	(19,231)
Finance income	205,480	573,349	6,706	20,031
Finance costs	(2,050,887)	(1,948,666)	(66,936)	(68,078)
Income tax expense	(201,323)	(642,268)	(6,571)	(22,438)
Profit for the period	259,659	667,692	8,475	23,326

Assets	'000 RUB		'000 USD	
	At the end of 30 June 2012	Year ended 31 December 2011	At the end of 30 June 2012	Year ended 31 December 2011
Total assets for reportable segments	134,011,013	128,470,268	4,083,598	3,990,243
Elimination of intersegment assets	(7,907,336)	(13,476,220)	(240,953)	(418,567)
Unallocated assets	12,130,991	11,868,122	369,657	368,620
Total assets	138,234,668	126,862,170	4,212,302	3,940,296

Liabilities	'000 RUB		'000 USD	
	At the end of 30 June 2012	Year ended 31 December 2011	At the end of 30 June 2012	Year ended 31 December 2011
Segment liabilities, excluding net financial position	50,263,883	38,018,423	1,531,646	1,180,840
Elimination of intersegment liabilities	(6,247,712)	(7,472,604)	(190,380)	(232,097)
Unallocated liabilities	2,866,330	3,446,421	87,343	107,045
Consolidated loans and borrowings	39,219,470	38,922,432	1,195,100	1,208,917
Total liabilities	86,101,971	72,914,672	2,623,709	2,264,705

Net financial position	'000 RUB		'000 USD	
	At the end of 30 June 2012	Year ended 31 December 2011	At the end of 30 June 2012	Year ended 31 December 2011
Net financial position before adjustments	39,407,494	39,119,772	1,200,827	1,215,045
Adjustments	(188,024)	(197,340)	(5,727)	(6,128)
Consolidated loans and borrowings	39,219,470	38,922,432	1,195,100	1,208,917

Other material items	'000 RUB		'000 USD	
	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Capital expenditure	4,465,291	1,805,454	145,739	63,076
Elimination of intersegment purchases	(395,341)	(120,895)	(12,904)	(4,226)
Consolidated capital expenditure	4,069,950	1,684,559	132,835	58,850

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

During the six months ended 30 June 2011 the Group has acquired 3 subsidiaries. In April 2011 one of the Group subsidiaries acquired from the third party 85.936% of shares of OAO “Obuhovsky zavod SMiK”, entity that produces reinforced concrete in Saint-Petersburg. The primary reason of business combination was to strengthen the market position and extend product mix variety on the reinforced concrete market of Saint-Petersburg.

The Group has over the recent years been in talks with the former owner of OAO “Obuhovsky zavod SMiK” regarding a potential acquisition of the Company. The bargain purchase gain arose because of the Group’s negotiation powers; firstly, the seller was not able to identify other potential buyers due to the Group’s strong competitive position, and secondly, the former owner was seeking to raise cash through a quick sales process.

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

	Recognised fair values on acquisition	
	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	256,892	8,975
Deferred tax assets	4,469	156
Current assets		
Inventory	56,238	1,965
Trade and other receivables	94,672	3,307
Income tax receivable	3,257	114
Cash and cash equivalents	4,163	145
Non-current liabilities		
Loans and borrowings	(2,208)	(77)
Deferred tax liabilities	(37,486)	(1,310)
Current liabilities		
Trade and other payables	(66,661)	(2,329)
Net identifiable assets, liabilities and contingent liabilities	313,336	10,946
Non-controlling interest	(44,055)	(1,539)
Net identifiable assets, liabilities and contingent liabilities acquired	269,281	9,407
Negative goodwill on acquisition	(149,060)	(5,207)
Consideration paid	120,221	4,200
Consideration paid satisfied in cash	-	-
Cash acquired	4,163	145
Net cash inflow	4,163	145

The amounts of revenue earned and loss incurred by the subsidiary from the date of acquisition to the reporting date were RUB 74,781 thousand / USD 2,613 thousand and RUB 8,013 thousand / USD 280 thousand respectively. Revenue earned by the subsidiary for the six months period ended 30 June 2011 amounted to RUB 188,374 thousand / USD 6,581 thousand. It has not been practicable to determine profit for the six month period ended 30 June 2011 on an IFRS basis because the subsidiary's financial statements were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

The fair value of net assets at the acquisition date was determined by independent appraisal.

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2011 and four - nine years business plans;
- The 15.80% discount rate was applied for Property plant and Equipment impairment test;
- The increase in usage of production capacity to 2015 from 30% to 60% as the results of both improved market conditions and internal marketing efforts;
- Decrease in gross margin from 12% in 2011 to 6% in 2015 due to planned shift in product mix towards more popular but less profitable products.

There were no significant adjustments made in the financial statements to the amounts provided in the appraisal's report.

In May 2011 the Group acquired from the third party 93.44% of shares of OAO "Pavlovskaya Keramika", entity that produces brick in Moscow region. The primary reason of business combination was to increase market share in Moscow region.

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

	Recognised fair values on acquisition	
	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	1,042,548	36,422
Intangible assets	93	3
Deferred tax assets	182,048	6,360
Current assets		
Inventory	88,990	3,109
Trade and other receivables	4,900	171
Cash and cash equivalents	2,657	93
Non-current liabilities		
Deferred tax liabilities	(1,227)	(43)
Current liabilities		
Loans and borrowings	(4,908)	(171)
Trade and other payables	(100,882)	(3,524)
Net identifiable assets, liabilities and contingent liabilities	1,214,219	42,420
Non-controlling interest	(79,653)	(2,783)

	Recognised fair values on acquisition	
	'000 RUB	'000 USD
Net identifiable assets, liabilities and contingent liabilities acquired	1,134,566	39,637
Goodwill on acquisition	103,043	3,600
Consideration paid and liability incurred	1,237,609	43,237
Consideration paid satisfied in cash	558,568	19,514
Cash acquired	(2,657)	(93)
Net cash outflow	555,911	19,421

The amounts of revenue earned and profit earned by the subsidiary from the date of acquisition to the reporting date were RUB 19,104 thousand / USD 667 thousand and RUB 2,721 thousand / USD 95 thousand respectively. Revenue earned by the subsidiary for the six months period ended 30 June 2011 amounted to RUB 71,029 thousand / USD 2,481 thousand. It has not been practicable to determine profit for the six month period ended 30 June 2011 on an IFRS basis because the subsidiary's financial statements were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

The fair value of the acquisition was determined by independent appraisal.

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2011 and four - nine years business plans;
- The 15.82% discount rate was applied for Property plant and Equipment impairment test;
- Current utilization of subsidiary equals to 50%, it is expected, that the subsidiary will operate in full capacity starting year 2013 as the result of both improved market conditions and internal efforts;
- The increase in selling prices within 5-20% range during years 2012-2015 due improvement of quality and variety of output

There were no significant adjustments made in the financial statements to the amounts provided in the appraisal's report.

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.

In January 2011 the Group acquired 100% shares of OOO "MSR Perspektiva" from the third party. OOO "MSR Perspektiva" is engaged in construction activities in Moscow and had no significant assets and liabilities at the date of acquisition. Goodwill recognized at acquisition comprised RUB 11,250 thousand / USD 393 thousand, consideration paid and liability incurred was RUB 1,025 thousand / USD 36 thousand.

In June 2011 one of the Group subsidiaries made prepayment to the third party for the acquisition of 50% shares of a new subsidiary OOO "436 KNI" amounting to RUB 479,909 thousand / USD 17,093 thousand – refer to notes 17 and 34.

(b) Changes in non-controlling interests

During the six months ended 30 June 2011 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The

Group recognised a decrease in non-controlling interest of RUB 71,122 thousand / USD 2,485 thousand. Contribution from shareholders of RUB 50,853 thousand / USD 1,777 thousand was recognised directly in equity.

The acquisition of subsidiaries (OAO “Pavlovskaya Keramika” and OAO “Obuhovsky zavod SMiK”) resulted in recognition of increase in non-controlling interest of RUB 123,708 thousand / USD 4,322 thousand.

(c) Disposal of subsidiaries

In April 2012 the Group has sold 38% of shares of OAO “Zavod ZhBI-6” to third parties and lost control over the subsidiary. OAO “Zavod ZhBI-6” was engaged in the reinforced concrete production in Moscow. The disposal of the subsidiary had the following effect on the Group’s assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	132,304	4,318
Goodwill	65,589	2,141
Intangible assets	5,315	173
Deferred tax assets	81,406	2,657
Current assets		
Inventories	118,369	3,863
Trade and other receivables	943,665	30,799
Income tax receivable	840	27
Cash and cash equivalents	27,506	898
Non-current liabilities		
Deferred tax liabilities	(35,029)	(1,143)
Other long-term liabilities	(36,727)	(1,199)
Current liabilities		
Interest-bearing loans and borrowings	(364)	(12)
Trade and other payables	(1,247,366)	(40,712)
Short-term provisions	(3,670)	(120)
Net assets, liabilities and contingent liabilities disposed	51,838	1,690
Non-controlling interest in disposal subsidiaries	5,832	190
Excess of consideration received over book values of net assets sold	64,530	2,108
Consideration accrued not satisfied in cash	122,200	3,988
Cash and cash equivalents disposed	(27,506)	(898)
Net cash inflow	(27,506)	(898)

In April 2011 the Group sold 100% shares of OOO “Karier Petrovskiy” to the third party. OOO “Karier Petrovskiy” was engaged in crushed granite production in Saint-Petersburg. The disposal of the subsidiary had the following effect on the Group’s assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	152	5
Current assets		
Inventories	35,927	1,255
Trade and other receivables	25,506	891
Cash and cash equivalents	579	20
Non-current liabilities		
Deferred tax liabilities	(3,665)	(128)
Interest-bearing loans and borrowings	(6,246)	(218)
Current liabilities		
Interest-bearing loans and borrowings	(42,794)	(1,495)
Trade and other payables	(118,926)	(4,155)
Net assets, liabilities and contingent liabilities disposed	(109,467)	(3,825)
Excess of consideration received over book values of net assets sold	111,467	3,895
Consideration received	2,000	70
Cash and cash equivalents disposed	(579)	(20)
Net cash inflow	1,421	50

7 Administrative expenses

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Wages and salaries	1,403,698	1,374,148	45,814	48,007
Services	380,060	508,719	12,404	17,772
Materials	74,742	54,442	2,439	1,902
Depreciation and amortisation	88,729	99,903	2,896	3,491
Taxes other than profit tax	131,196	106,643	4,282	3,726
Social expenditure	60,510	97,927	1,975	3,421
Insurance	9,335	10,544	305	368
Other administrative expenses	186,957	156,689	6,102	5,474
	<u>2,335,227</u>	<u>2,409,015</u>	<u>76,217</u>	<u>84,161</u>

8 Other income and expenses

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Other income:				
Gain on disposal of property, plant and equipment	-	234,708	-	8,200
Gain on disposal of other assets	155,776	11,693	5,084	408
Gain on disposal of subsidiaries	49,032	111,467	1,600	3,894
Negative goodwill recognised as gain	-	149,060	-	5,207
Other income	292	281	10	10
Total other income	<u>205,100</u>	<u>507,209</u>	<u>6,694</u>	<u>17,719</u>
Other expenses:				
Loss on disposal of property, plant and equipment	(23,995)	-	(783)	-
Loss on disposal of other investments	(5,167)	(269)	(169)	(9)
Loss on other assets	(4,280)	-	(140)	-
Total other expenses	<u>(33,442)</u>	<u>(269)</u>	<u>(1,092)</u>	<u>(9)</u>
Net other expenses	<u>171,658</u>	<u>506,940</u>	<u>5,602</u>	<u>17,710</u>

9 Total personnel costs

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Wages and salaries:				
Cost of sales	3,185,127	2,680,138	103,957	93,632
Administrative expenses	1,403,698	1,374,148	45,814	48,007
Distribution expenses	184,011	182,119	6,006	6,362
	<u>4,772,836</u>	<u>4,236,405</u>	<u>155,777</u>	<u>148,001</u>

10 Finance income and finance costs

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Recognised in profit or loss				
Finance income				
Foreign exchange gain	107,200	539,677	3,499	18,854
Interest income	93,513	18,837	3,052	658
Unwind of discount	2,742	2,691	89	94
Resale of own bonds	-	427	-	15
Income from sale of available-for-sale investments	2,025	9,468	66	331
Other finance income	-	2,249	-	79
	<u>205,480</u>	<u>573,349</u>	<u>6,706</u>	<u>20,031</u>
Finance costs				
Interest expense	(1,875,934)	(1,769,820)	(61,227)	(61,830)
Unwind of discount on payables for shares of the subsidiaries acquired	(3,000)	(3,648)	(98)	(127)
Foreign exchange loss	(161,506)	(178,019)	(5,271)	(6,219)
Impairment of financial assets	(10,268)	-	(335)	-
Loss from sale of available-for-sale investments	(144)	(5,414)	(4)	(189)
Repurchase of own bonds	(482)	-	(16)	-
Non-controlling interest in limited liability subsidiaries	447	16,874	15	590
Other finance costs	-	(8,639)	-	(303)
	<u>(2,050,887)</u>	<u>(1,948,666)</u>	<u>(66,936)</u>	<u>(68,078)</u>
Net finance costs recognised in profit or loss	<u>(1,845,407)</u>	<u>(1,375,317)</u>	<u>(60,230)</u>	<u>(48,047)</u>

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Recognised in other comprehensive income				
Finance income / (costs)				
Foreign currency translation differences for foreign operations	(2,723)	38,312	(27,856)	149,910
Finance income / (costs) recognised in other comprehensive income, net of tax	(2,723)	38,312	(27,856)	149,910
Attributable to:				
Equity holders of the Company	(2,723)	38,312	(27,856)	149,910

11 Income tax expense

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Current tax expense				
Current period	391,027	484,953	12,763	16,942
Deferred tax expense				
Origination and reversal of temporary differences	(189,704)	157,315	(6,192)	5,496
Income tax expense	201,323	642,268	6,571	22,438

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20% (six months 2011: 20%).

Reconciliation of effective tax rate:

	Six months ended 30 June							
	2012		2011		2012		2011	
	'000 RUB	%	'000 RUB	%	'000 USD	%	'000 USD	%
Profit for the period	259,659	56	667,692	51	8,475	56	23,326	51
Income tax expense	201,323	44	642,268	49	6,571	44	22,438	49
Profit before income tax	<u>460,982</u>	<u>100</u>	<u>1,309,960</u>	<u>100</u>	<u>15,046</u>	<u>100</u>	<u>45,764</u>	<u>100</u>
Income tax at applicable tax rate	92,196	(20)	261,992	(20)	3,009	(20)	9,153	(20)
Non-taxable income	(106,033)	23	(83,771)	6	(3,460)	23	(2,927)	6
Non-deductible expenses	298,193	(65)	141,038	(11)	9,732	(65)	4,927	(11)
Change in unrecognised deductible temporary differences	-	-	265,312	(20)	-	-	9,269	(20)
Tax incentives	-	-	(17,527)	1	-	-	(612)	1
Current period (reverses of losses)/losses for which no deferred tax asset was recognised	(83,033)	18	75,224	(6)	(2,710)	18	2,628	(6)
Total income tax expenses for the period	<u>201,323</u>	<u>(44)</u>	<u>642,268</u>	<u>(50)</u>	<u>6,571</u>	<u>(44)</u>	<u>22,438</u>	<u>(50)</u>

12 Construction contracts

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

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Contract revenue	3,872,279	4,795,895	126,384	167,547
Contract costs	(3,450,565)	(3,950,108)	(112,620)	(137,999)
Gross profit	<u>421,714</u>	<u>845,787</u>	<u>13,764</u>	<u>29,548</u>

13 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2011	12,033,019	11,197,237	2,893,050	693,323	15,055,845	41,872,474
Acquisitions through business combinations	350,283	363,494	27,341	2,817	556,436	1,300,371
Additions	62,100	340,330	179,161	25,511	1,077,457	1,684,559
Disposals	(159,925)	(80,811)	(86,720)	(8,762)	(29,838)	(366,056)
Business disposals	-	(98)	(92)	-	-	(190)
Transfers and reclassifications	523,153	304,701	3,897	4,488	(836,239)	-
Effect of movements in exchange rates	(69,716)	(55,553)	(1,893)	(737)	(5,919)	(133,818)
At 30 June 2011	<u>12,738,914</u>	<u>12,069,300</u>	<u>3,014,744</u>	<u>716,640</u>	<u>15,817,742</u>	<u>44,357,340</u>
At 1 January 2012	13,765,865	12,487,882	3,159,470	719,818	18,097,515	48,230,550
Additions	195,160	291,475	299,142	38,887	3,245,286	4,069,950
Disposals	(166,701)	(240,121)	(72,109)	(18,947)	(70,029)	(567,907)
Business disposals	(96,227)	(30,621)	(2,061)	(2,087)	(29,604)	(160,600)
Reclassifications to inventories	-	-	-	-	(272,690)	(272,690)
Transfers and reclassifications	7,183,624	4,834,259	6,010	12,649	(12,036,542)	-
Effect of movements in exchange rates	14,065	14,386	630	192	(1,489)	27,784
At 30 June 2012	<u>20,895,786</u>	<u>17,357,260</u>	<u>3,391,082</u>	<u>750,512</u>	<u>8,932,447</u>	<u>51,327,087</u>
Depreciation and impairment losses						
At 1 January 2011	(2,196,713)	(4,639,347)	(1,742,719)	(442,056)	-	(9,020,835)
Depreciation charge	(287,998)	(636,540)	(186,566)	(37,963)	-	(1,149,067)
Acquisitions through business combinations	-	-	-	(144)	-	(144)
Disposals	21,068	62,763	60,816	6,214	-	150,861
Business disposals	-	24	14	-	-	38
Transfers and reclassifications	17,128	(9,565)	(232)	(7,331)	-	-
Effect of movements in exchange rates	6,512	7,604	848	326	-	15,290
At 30 June 2011	<u>(2,440,003)</u>	<u>(5,215,061)</u>	<u>(1,867,839)</u>	<u>(480,954)</u>	<u>-</u>	<u>(10,003,857)</u>
At 1 January 2012	(2,719,438)	(5,679,963)	(2,001,984)	(499,706)	-	(10,901,091)
Depreciation charge	(286,399)	(669,509)	(191,638)	(45,529)	-	(1,193,075)
Disposals	65,205	159,411	62,970	16,181	-	303,767
Business disposals	8,237	16,615	1,809	1,635	-	28,296
Transfers and reclassifications	61	(425)	414	(50)	-	-
Effect of movements in exchange rates	(2,865)	(3,653)	(347)	(147)	-	(7,012)
At 30 June 2012	<u>(2,935,199)</u>	<u>(6,177,524)</u>	<u>(2,128,776)</u>	<u>(527,616)</u>	<u>-</u>	<u>(11,769,115)</u>
Net book value						
At 1 January 2011	<u>9,836,306</u>	<u>6,557,890</u>	<u>1,150,331</u>	<u>251,267</u>	<u>15,055,845</u>	<u>32,851,639</u>
At 30 June 2011	<u>10,298,911</u>	<u>6,854,239</u>	<u>1,146,905</u>	<u>235,686</u>	<u>15,817,742</u>	<u>34,353,483</u>
At 1 January 2012	<u>11,046,427</u>	<u>6,807,919</u>	<u>1,157,486</u>	<u>220,112</u>	<u>18,097,515</u>	<u>37,329,459</u>
At 30 June 2012	<u>17,960,587</u>	<u>11,179,736</u>	<u>1,262,306</u>	<u>222,896</u>	<u>8,932,447</u>	<u>39,557,972</u>

'000 USD	Land and buildings	Machinery and equipment	Transportati on equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2011	394,824	367,401	94,926	22,749	494,009	1,373,909
Acquisitions through business combinations	12,237	12,699	955	98	19,439	45,428
Additions	2,169	11,890	6,259	891	37,641	58,850
Disposals	(5,587)	(2,823)	(3,030)	(306)	(1,042)	(12,788)
Business disposals	-	(3)	(3)	-	-	(6)
Transfers and reclassifications	18,277	10,645	136	157	(29,215)	-
Effect of movements in exchange rates	31,813	30,074	8,136	1,936	42,562	114,521
At 30 June 2011	<u>453,733</u>	<u>429,883</u>	<u>107,379</u>	<u>25,525</u>	<u>563,394</u>	<u>1,579,914</u>
At 1 January 2012	427,563	387,869	98,132	22,357	562,103	1,498,024
Additions	6,370	9,513	9,763	1,269	105,920	132,835
Disposals	(5,441)	(7,837)	(2,354)	(618)	(2,286)	(18,536)
Business disposals	(3,141)	(999)	(67)	(68)	(966)	(5,241)
Reclassifications to inventories	-	-	-	-	(8,900)	(8,900)
Transfers and reclassifications	234,460	157,781	196	413	(392,850)	-
Effect of movements in exchange rates	(23,072)	(17,415)	(2,337)	(483)	9,171	(34,136)
At 30 June 2012	<u>636,739</u>	<u>528,912</u>	<u>103,333</u>	<u>22,870</u>	<u>272,192</u>	<u>1,564,046</u>
Depreciation and impairment losses						
At 1 January 2011	(72,078)	(152,225)	(57,182)	(14,505)	-	(295,990)
Depreciation charge	(10,061)	(22,238)	(6,518)	(1,326)	-	(40,143)
Acquisitions through business combinations	-	-	-	(5)	-	(5)
Disposals	736	2,193	2,125	217	-	5,271
Business disposals	-	1	-	-	-	1
Transfers and reclassifications	598	(334)	(8)	(256)	-	-
Effect of movements in exchange rates	(6,103)	(13,146)	(4,944)	(1,257)	-	(25,450)
At 30 June 2011	<u>(86,908)</u>	<u>(185,749)</u>	<u>(66,527)</u>	<u>(17,132)</u>	<u>-</u>	<u>(356,316)</u>
At 1 January 2012	(84,465)	(176,418)	(62,180)	(15,521)	-	(338,584)
Depreciation charge	(9,348)	(21,852)	(6,255)	(1,486)	-	(38,941)
Disposals	2,128	5,203	2,055	528	-	9,914
Business disposals	269	542	59	53	-	923
Transfers and reclassifications	2	(14)	14	(2)	-	-
Effect of movements in exchange rates	1,972	4,297	1,439	350	-	8,058
At 30 June 2012	<u>(89,442)</u>	<u>(188,242)</u>	<u>(64,868)</u>	<u>(16,078)</u>	<u>-</u>	<u>(358,630)</u>
Net book value						
At 1 January 2011	<u>322,746</u>	<u>215,176</u>	<u>37,744</u>	<u>8,244</u>	<u>494,009</u>	<u>1,077,919</u>
At 30 June 2011	<u>366,825</u>	<u>244,134</u>	<u>40,852</u>	<u>8,393</u>	<u>563,394</u>	<u>1,223,598</u>
At 1 January 2012	<u>343,098</u>	<u>211,451</u>	<u>35,952</u>	<u>6,836</u>	<u>562,103</u>	<u>1,159,440</u>
At 30 June 2012	<u>547,297</u>	<u>340,670</u>	<u>38,465</u>	<u>6,792</u>	<u>272,192</u>	<u>1,205,416</u>

Depreciation expense of RUB 1,072,157 thousand / USD 34,993 thousand has been charged in cost of goods sold (30 June 2011: RUB 995,955 thousand / USD 34,794 thousand), RUB 19,546 thousand / USD 638 thousand in distribution expenses (30 June 2011: RUB 20,008 thousand / USD 699 thousand) and RUB 81,724 thousand / USD 2,667 thousand in administrative expenses (30 June 2011: RUB 98,561 thousand / USD 3,443 thousand).

(a) Impairment

Property, plant and equipment were tested for impairment as at 30 June 2012; the basis for impairment is disclosed in note 14.

(b) Security

Properties with a carrying amount of RUB 1,561,430 thousand / USD 47,580 thousand are subject to a registered debenture to secure bank loans (31 December 2011: RUB 1,604,669 thousand / USD 49,840 thousand) (refer to 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 2012 the net book value of leased plant and machinery was RUB 578,104 thousand / USD 17,616 thousand (31 December 2011: RUB 667,529 thousand / USD 20,733 thousand).

14 Intangible assets

'000 RUB	Goodwill	Other	Total
<i>Cost</i>			
Balance at 1 January 2011	4,080,960	1,134,717	5,215,677
Acquisitions through business combinations	114,293	93	114,386
Additions	-	34,746	34,746
Disposals	-	(1,119)	(1,119)
Effects of movement in exchange rates	-	(48)	(48)
Balance at 30 June 2011	<u>4,195,253</u>	<u>1,168,389</u>	<u>5,363,642</u>
Balance at 1 January 2012	4,195,253	1,404,433	5,599,686
Additions	-	258,977	258,977
Disposals	-	(1,300)	(1,300)
Business disposals	(254,172)	(5,363)	(259,535)
Effects of movement in exchange rates	-	46	46
Balance 30 June 2012	<u>3,941,081</u>	<u>1,656,793</u>	<u>5,597,874</u>
<i>Amortisation and impairment losses</i>			
Balance at 1 January 2011	(470,079)	(178,375)	(648,454)
Amortisation charge	-	(35,184)	(35,184)
Disposals	-	736	736
Effects of movement in exchange rates	-	21	21
Balance at 30 June 2011	<u>(470,079)</u>	<u>(212,802)</u>	<u>(682,881)</u>
Balance at 1 January 2012	(470,079)	(249,666)	(719,745)
Amortisation charge	-	(44,165)	(44,165)
Disposals	-	181	181
Business disposals	188,583	48	188,631
Effects of movement in exchange rates	-	(14)	(14)
Balance 30 June 2012	<u>(281,496)</u>	<u>(293,616)</u>	<u>(575,112)</u>
<i>Net book value</i>			
At 1 January 2011	<u>3,610,881</u>	<u>956,342</u>	<u>4,567,223</u>
At 30 June 2011	<u>3,725,174</u>	<u>955,587</u>	<u>4,680,761</u>
At 1 January 2012	<u>3,725,174</u>	<u>1,154,767</u>	<u>4,879,941</u>
At 30 June 2012	<u>3,659,585</u>	<u>1,363,177</u>	<u>5,022,762</u>

'000 USD	Goodwill	Other	Total
Cost			
Balance at 1 January 2011	133,903	37,233	171,136
Acquisitions through business combinations	3,993	3	3,996
Additions	-	1,214	1,214
Disposals	-	(39)	(39)
Effects of movement in exchange rates	11,530	3,205	14,735
Balance at 30 June 2011	<u>149,426</u>	<u>41,616</u>	<u>191,042</u>
Balance at 1 January 2012	130,303	43,621	173,924
Additions	-	8,453	8,453
Disposals	-	(42)	(42)
Business disposals	(8,296)	(175)	(8,471)
Effect of movements in exchange rates	(1,914)	(1,368)	(3,282)
Balance 30 June 2012	<u>120,093</u>	<u>50,489</u>	<u>170,582</u>
Amortisation and impairment losses			
Balance at 1 January 2011	(15,424)	(5,854)	(21,278)
Amortisation charge	-	(1,229)	(1,229)
Disposals	-	26	26
Effects of movement in exchange rates	(1,319)	(523)	(1,842)
Balance at 30 June 2011	<u>(16,743)</u>	<u>(7,580)</u>	<u>(24,323)</u>
Balance at 1 January 2012	(14,600)	(7,755)	(22,355)
Amortisation charge	-	(1,441)	(1,441)
Disposals	-	6	6
Business disposals	6,155	2	6,157
Effect of movements in exchange rates	(133)	241	108
Balance 30 June 2012	<u>(8,578)</u>	<u>(8,947)</u>	<u>(17,525)</u>
Net book value			
At 1 January 2011	<u>118,479</u>	<u>31,379</u>	<u>149,858</u>
At 30 June 2011	<u>132,683</u>	<u>34,036</u>	<u>166,719</u>
At 1 January 2012	<u>115,703</u>	<u>35,866</u>	<u>151,569</u>
At 30 June 2012	<u>111,515</u>	<u>41,542</u>	<u>153,057</u>

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

(a) Impairment testing of goodwill and property, plant and equipment

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

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

Entity / Business Unit	Business Segment	Allocated goodwill		Impairment losses		Net book value at 30 June 2012	
		'000 RUB	'000 USD	'000 RUB	'000 USD	'000 RUB	'000 USD
PJSC "Aeroc Obuchow"	Building Materials. NW	818,546	24,943	(164,594)	(5,016)	653,952	19,927
LSR Europe GmbH	Real Estate. Europe	50,093	1,526	-	-	50,093	1,526
Limited Liability Company "Cement"	Building Materials. NW	621,485	18,938	-	-	621,485	18,938
BU LSR. Reinforced Concrete. NW	Construction. NW	17,354	529	-	-	17,354	529
JOINT-STOCK COMPANY							
"CONSTRUCTION CORPORATION							
"REVIVAL OF SAINT-PETERSBURG"							
BU Other. Ural	Other. Ural	128,269	3,909	(116,902)	(3,562)	11,367	347
BU LSR. Construction. Ural	Construction. Ural	736,429	22,441	-	-	736,429	22,441
BU LSR. Real Estate. Ural	Real Estate. Ural	1,276,844	38,908	-	-	1,276,844	38,908
BU LSR. Bazovye. NW	Building Materials. NW	155,317	4,733	-	-	155,317	4,733
OOO "LSR. Stroy - M" (formerly OOO "MSR Perspektiva")	Construction. Moscow	11,250	343	-	-	11,250	343
Open joint stock company "Pavlovskaya Keramika"	Building Materials. Moscow	103,043	3,139	-	-	103,043	3,139
		<u>3,941,081</u>	<u>120,093</u>	<u>(281,496)</u>	<u>(8,578)</u>	<u>3,659,585</u>	<u>111,515</u>

Goodwill will be tested for impairment for all BU as at 31 December 2012.

Impairment review of non-financial assets was conducted by the Group with regard to those business units, for which indicators of impairment were identified as at 30 June 2012.

The following key assumptions were used in determining the recoverable amounts of the respective companies as at 30 June 2012 and has not significantly changed compared to those that were used as at 31 December 2011.

Building Materials segments:

- Cash flows were projected based on budgeted operating results for 2012 and three - nine years business plans;
- The market has already recovered, and some of the plants has reached the sales levels of 2008 in 2012, the other plants are expected to reach the sales levels of 2008 in 2012-2013;
- Cash flows for further years were extrapolated assuming 2% further growth in production;
- Pre-tax discount rate of 20.2% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 48.54% at a market interest rate of 12.76% p.a. and an industry average beta-coefficient.

Construction segments:

- Cash flows were projected based on budgeted operating results for 2012 and three years business plans;
- Plan for 2012 is prepared based on the actual contract portfolio and the actual prices;
- Cash flows for further years were assuming 2% further growth in production;
- Pre-tax discount rate of 19.68% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

Real Estate segments:

- Cash flows were determined for the existing and planned investment projects on the basis of 4-year budgeted operating results.
- Cash flows for further years were assuming 2% further growth.
- Pre-tax discount rate of 19.68% was applied in determining the recoverable amount of the assets. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

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

No impairment loss was recognised in respect of goodwill allocated to the entities and business units above and other non-financial assets, as the impairment test demonstrates that for these

entities and business units' values in use are significantly higher than carrying amounts in aggregate and individually.

The estimates made for impairment test purpose in relation to business units are particularly sensitive in the following areas:

- A 10% decrease in undiscounted net cash inflows would have caused the impairment loss in respect of the following BU:

Entity / Business unit	'000 RUB	'000 USD
Limited Liability Company "Cement"	327,837	9,990

15 Investment property under development

	Fair value of investment projects			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Cost / Fair value				
At 1 January	651,174	319,381	20,226	10,479
Additions	233,164	82,431	7,610	2,880
Disposals	(21,280)	-	(695)	-
Disposals of subsidiaries	(9,908)	-	(323)	-
Effect of movements in exchange rates	-	-	(820)	952
At 30 June	<u>853,150</u>	<u>401,812</u>	<u>25,998</u>	<u>14,311</u>

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

Costs capitalised relate to development carried out on sites owned or partly owned by the Group. Both land and costs capitalised are measured at fair value with any change therein recognised in the statement of comprehensive income.

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

The latest independent valuation of the investment property under development has been done as at 31 December 2011. The management assess that there had been no significant changes of the fair value since the date of the last independent valuation as at 31 December 2011 to 30 June 2012.

The major assumptions used in valuation models and valuation results as at 31 December 2011 are as follows:

Project	Expected occupation rate	Discount rate used	Location	Gross buildable area Sq mtr	Fair value of investment projects '000 RUB	Rent rates assumed per sq mtr			
						Offices RUB	Retail RUB	Other RUB	Parking (per lot) RUB
Hermitage View House	90%	17%	Saint-Petersburg, Zoologicheskij Lane 2-4	19,374	619,986	13,000	18,000	13,000	72,000
					<u>619,986</u>				
				<u>Sq mtr</u>	<u>'000 USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Hermitage View House	90%	17%	Saint-Petersburg, Zoologicheskij Lane 2-4	19,374	19,257	404	599	404	2,236
					<u>19,257</u>				

The properties are expected to be completed in period till the end of 2012.

As at 31 December 2011 and 30 June 2012 there were no investment properties under development to be subject to a registered debenture to secure bank loans.

Sensitivity analysis

A 10% increase in the estimated rental rates would have increased fair values of investment projects and profit by RUB 65,401 thousand / USD 1,993 thousand. A 10% decrease in the estimated rental would have an 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 projects and profit by RUB 21,749 thousand / USD 663 thousand. A 10% decrease in the assumed discount rate would have increased fair values of investment projects and profit by RUB 23,551 thousand / USD 718 thousand on the basis that all other variables remain constant.

A 10% increase in the anticipated costs to completion of individual projects would have decreased fair values of investment projects and profit by RUB 43,952 thousand / USD 1,339 thousand. A 10% decrease in these costs would have an equal but opposite effect on the basis that all other variables remain constant. A 10% increase in the anticipated occupancy rates of individual projects would have increased the fair values of investment projects and profit by RUB 39,451 thousand / USD 1,202 thousand. A 10% decrease in the anticipated occupancy rates of individual projects would have decreased fair values of investment projects and profit by RUB 78,903 thousand / USD 2,404 thousand.

16 Investment property

'000 RUB	2012	2011
Cost		
At 1 January	2,310,658	2,308,258
Additions	9,935	-
Reclassification	(2,230)	-
Disposal	(1,632,738)	-
At 30 June	<u>685,625</u>	<u>2,308,258</u>
'000 USD	2012	2011
Cost		
At 1 January	71,768	75,738
Additions	324	-
Reclassification	(73)	-
Disposal	(53,290)	-
Effect of movements in exchange rates	2,164	6,477
At 30 June	<u>20,893</u>	<u>82,215</u>

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 preparing the valuations of the existing office properties as at 31 December 2011 the comparable approach has been used.

The following amounts were recognized in the Consolidated Statement of Comprehensive Income in respect of investment property rental income and direct operating expenses:

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Rental income from investment property	96,796	81,871	3,159	2,860
Direct operating expenses arising from investment property that generated rental income during the period	33,680	21,564	1,099	753

17 Other investments

	30 June 2012 '000 RUB	31 December 2011 '000 RUB	30 June 2012 '000 USD	31 December 2011 '000 USD
<i>Non-current</i>				
Available-for-sale investments:				
<i>Stated at cost</i>	875	9,968	26	309
Prepayment for acquisition of subsidiary	-	50,000	-	1,553
Originated loans	270,477	52,277	8,243	1,624
	<u>271,352</u>	<u>112,245</u>	<u>8,269</u>	<u>3,486</u>
<i>Current</i>				
Available-for-sale investments:				
<i>Stated at cost</i>	6,560	-	200	-
Originated loans	81,597	90,391	2,485	2,808
Held to maturity investments	27,043	35,765	823	1,111
	<u>115,200</u>	<u>126,156</u>	<u>3,508</u>	<u>3,919</u>

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

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 28.

18 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

'000 RUB	Assets		Liabilities		Net	
	31		31		31	
	30 June 2012	December 2011	30 June 2012	December 2011	30 June 2012	December 2011
Property, plant and equipment	(1,350,953)	(1,115,215)	2,318,445	2,221,649	967,492	1,106,434
Intangible assets	(411)	(259)	143,683	144,354	143,272	144,095
Investment property under development	(26,461)	(26,461)	-	1,663	(26,461)	(24,798)
Investment property	-	-	114,629	350,966	114,629	350,966
Inventories	(438,474)	(463,091)	398,631	428,351	(39,843)	(34,740)
Trade and other receivables	(436,271)	(315,884)	203,828	110,905	(232,443)	(204,979)
Loans and borrowings	(68,125)	(46,218)	17,858	27,285	(50,267)	(18,933)
Provisions	-	(1,435)	-	-	-	(1,435)
Trade and other payables	(259,431)	(252,934)	203,082	72,315	(56,349)	(180,619)
Tax loss carry-forwards	(1,125,766)	(1,230,333)	-	-	(1,125,766)	(1,230,333)
Tax (assets)/liabilities	(3,705,892)	(3,451,830)	3,400,156	3,357,488	(305,736)	(94,342)
Set off of tax	1,845,226	1,657,214	(1,845,226)	(1,657,214)	-	-
Net tax (assets)/liabilities	(1,860,666)	(1,794,616)	1,554,930	1,700,274	(305,736)	(94,342)

'000 USD	Assets		Liabilities		Net	
	31		31		31	
	30 June 2012	December 2011	30 June 2012	December 2011	31 June 2012	December 2011
Property, plant and equipment	(41,167)	(34,638)	70,648	69,003	29,481	34,365
Intangible assets	(13)	(8)	4,378	4,484	4,365	4,476
Investment property under development	(806)	(822)	-	52	(806)	(770)
Investment property	-	-	3,493	10,901	3,493	10,901
Inventories	(13,361)	(14,383)	12,147	13,304	(1,214)	(1,079)
Trade and other receivables	(13,294)	(9,811)	6,211	3,445	(7,083)	(6,366)
Loans and borrowings	(2,076)	(1,436)	544	847	(1,532)	(589)
Provisions	-	(45)	-	-	-	(45)
Trade and other payables	(7,905)	(7,857)	6,189	2,247	(1,716)	(5,610)
Tax loss carry-forwards	(34,304)	(38,214)	-	-	(34,304)	(38,214)
Tax (assets)/liabilities	(112,926)	(107,214)	103,610	104,283	(9,316)	(2,931)
Set off of tax	56,228	51,473	(56,228)	(51,473)	-	-
Net tax (assets)/liabilities	(56,698)	(55,741)	47,382	52,810	(9,316)	(2,931)

Deferred tax assets on tax losses carry-forward recognised as at 30 June 2012 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In accessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same data as it used for impairment testing of goodwill and property, plant and equipment (refer to note 14). The major part of those tax losses relates to operating segments Building Materials. NW, Building Materials. Moscow and Other Entities and expire in 2013-2022.

(b) Movement in temporary differences during the period

'000 RUB	1 January 2012	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2012
Property, plant and equipment	1,106,434	(105,594)	(33,000)	(348)	967,492
Intangible assets	144,095	(823)	-	-	143,272
Investment property under development	(24,798)	(1,663)	-	-	(26,461)
Investment property	350,966	(188,166)	(48,171)	-	114,629
Inventories	(34,740)	12,405	(17,508)	-	(39,843)
Trade and other receivables	(204,979)	(54,275)	26,811	-	(232,443)
Loans and borrowings	(18,933)	(31,334)	-	-	(50,267)
Provisions	(1,435)	1,435	-	-	-
Trade and other payables	(180,619)	109,136	15,134	-	(56,349)
Tax loss carry-forwards	(1,230,333)	69,175	35,157	235	(1,125,766)
	<u>(94,342)</u>	<u>(189,704)</u>	<u>(21,577)</u>	<u>(113)</u>	<u>(305,736)</u>

'000 RUB	1 January 2011	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2011
Property, plant and equipment	1,313,802	(114,118)	(22,780)	3,975	1,180,879
Intangible assets	101,475	(7,564)	-	-	93,911
Investment property under development	(11,202)	(18,690)	-	-	(29,892)
Investment property	348,692	280	-	-	348,972
Inventories	(134,826)	102,413	1,227	-	(31,186)
Trade and other receivables	(189,305)	(2,756)	(15,426)	-	(207,487)
Loans and borrowings	(15,625)	40,933	-	-	25,308
Provisions	(8,813)	(3,206)	-	-	(12,019)
Trade and other payables	(181,141)	29,706	(7,980)	-	(159,415)
Tax loss carry-forwards	(1,045,436)	130,317	(106,510)	(926)	(1,022,555)
	<u>177,621</u>	<u>157,315</u>	<u>(151,469)</u>	<u>3,049</u>	<u>186,516</u>

'000 USD	1 January 2012	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2012
Property, plant and equipment	34,365	(3,448)	(1,078)	(358)	29,481
Intangible assets	4,476	(27)	-	(84)	4,365
Investment property under development	(770)	(54)	-	18	(806)
Investment property	10,901	(6,141)	(1,572)	305	3,493
Inventories	(1,079)	405	(571)	31	(1,214)
Trade and other receivables	(6,366)	(1,771)	875	179	(7,083)
Loans and borrowings	(589)	(1,023)	-	80	(1,532)
Provisions	(45)	47	-	(2)	-
Trade and other payables	(5,610)	3,562	494	(162)	(1,716)
Tax loss carry-forwards	(38,214)	2,258	1,148	504	(34,304)
	<u>(2,931)</u>	<u>(6,192)</u>	<u>(704)</u>	<u>511</u>	<u>(9,316)</u>

'000 USD	1 January 2011	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2011
Property, plant and equipment	43,108	(3,987)	(796)	3,733	42,058
Intangible assets	3,329	(264)	-	280	3,345
Investment property under development	(367)	(653)	-	(44)	(1,064)
Investment property	11,441	9	-	979	12,429
Inventories	(4,424)	3,578	43	(308)	(1,111)
Trade and other receivables	(6,212)	(96)	(539)	(543)	(7,390)
Loans and borrowings	(513)	1,430	-	(16)	901
Provisions	(289)	(112)	-	(27)	(428)
Trade and other payables	(5,943)	1,038	(278)	(495)	(5,678)
Tax loss carry-forwards	(34,302)	4,553	(3,721)	(2,951)	(36,421)
	<u>5,828</u>	<u>5,496</u>	<u>(5,291)</u>	<u>608</u>	<u>6,641</u>

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Tax losses	80,528	163,561	2,454	5,080
Deductible temporary differences on intercompany sales of investments	84,008	84,008	2,560	2,609
Total deferred tax assets have not been recognised	<u>164,536</u>	<u>247,569</u>	<u>5,014</u>	<u>7,689</u>

The tax losses expire in 2017-2021. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that the Group will sell investments in the foreseeable future and can utilize the benefits therefrom.

19 Inventories

	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Work in progress, construction of buildings	49,806,817	43,750,949	1,517,718	1,358,890
Finished goods, construction of buildings	3,314,236	5,948,011	100,992	184,743
Finished goods and goods for resale	2,299,608	2,590,524	70,074	80,461
Raw materials and consumables	1,995,467	2,124,940	60,806	66,000
Work in progress	1,552,139	1,061,596	47,297	32,972
Lease incentives	1,110,026	1,110,026	33,825	34,477
	<u>60,078,293</u>	<u>56,586,046</u>	<u>1,830,712</u>	<u>1,757,543</u>

Inventories with a carrying amount of RUB 6,297,043 thousand / USD 191,884 thousand are subject to a registered debenture to secure bank loans (31 December 2011: RUB 6,258,029 thousand / USD 194,372 thousand) (refer to note 25).

20 Trade and other receivables

	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Non-current				
Notes receivable on disposals of subsidiaries	133,473	131,723	4,067	4,091
Accounts receivable - trade	305	293	9	9
Prepayments to suppliers	-	543,827	-	16,891
Other receivables	593	10,808	18	336
	<u>134,371</u>	<u>686,651</u>	<u>4,094</u>	<u>21,327</u>
Current				
Prepayments for flats	6,083,060	4,951,971	185,364	153,807
Prepayments to suppliers	5,100,818	3,262,795	155,433	101,341
Accounts receivable – trade	3,946,888	2,614,087	120,270	81,193
Amounts due from customers for contract work	3,593,575	2,341,397	109,504	72,723
Receivables for sale of Investment Property	1,671,947	-	50,948	-
VAT receivable	845,038	646,897	25,750	20,092
Notes receivable	887,898	730,864	27,056	22,700
Deferred expenses	124,887	122,062	3,806	3,791
Current receivables on disposals of subsidiaries	122,220	-	3,724	-
Employee receivables	8,871	3,819	270	119
Other receivables	3,198,139	2,312,540	97,453	71,826
	<u>25,583,341</u>	<u>16,986,432</u>	<u>779,578</u>	<u>527,592</u>
Provision for doubtful debtors	<u>(721,664)</u>	<u>(902,502)</u>	<u>(21,991)</u>	<u>(28,031)</u>
	<u>24,861,677</u>	<u>16,083,930</u>	<u>757,587</u>	<u>499,561</u>

Prepayments for flats acquired for resale include RUB 35,223 thousand / USD 1,073 thousand for flats that will be received after 12 months from the balance sheet date (31 December 2011: RUB 1,142,845 thousand / USD 35,496 thousand).

In 2011 the Group won litigation for repayment of advance paid to CERIC S.A. for the supply of equipment for new brick-making plant received cash on bank guarantee.

Other current receivables include interest and court charges adjudged to the Group by Stockholm arbitration court in amount RUB 147,079 thousand / USD 4,482 thousand. The Group has claimed the amount from Credit Lyonnais Bank, that is the guarantor on CERIC S.A. payment on that contract. The Group believes the payment receipt is probable.

Non-current receivables on disposals of subsidiaries include discounted amount of receivables from sale of Aeroc International AS with discount rate 4.42%.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 28.

21 Cash and cash equivalents

	30 June 2012 '000 RUB	31 December 2011 '000 RUB	30 June 2012 '000 USD	31 December 2011 '000 USD
Petty cash	6,056	11,655	185	362
Current accounts	2,313,696	2,662,564	70,503	82,698
Call deposits	1,361,982	2,520,685	41,502	78,292
Cash and cash equivalents in the statement of financial position	<u>3,681,734</u>	<u>5,194,904</u>	<u>112,190</u>	<u>161,352</u>
Cash and cash equivalents in the statement of cash flows	<u>3,681,734</u>	<u>5,194,904</u>	<u>112,190</u>	<u>161,352</u>

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

22 Restricted cash

	30 June 2012 '000 RUB	31 December 2011 '000 RUB	30 June 2012 '000 USD	31 December 2011 '000 USD
Non-current				
Restricted cash	929,719	894,732	28,330	27,790
Current				
Restricted cash	22,190	43,422	676	1,349
	<u>951,909</u>	<u>938,154</u>	<u>29,006</u>	<u>29,139</u>

Restricted cash as at 30 June 2012 includes the amount of RUB 929,719 thousand / USD 28,330 thousand which was reserved in connection with confirmed letters of credit issued by the Group's bankers on building of Brick Plant in Leningrad Region (31 December 2011: RUB 894,732 thousand /USD 27,790 thousand).

Cash in the amount of RUB 22,190 thousand / USD 676 thousand is restricted for use by the Group according to the requirements of German legislation that regulates operations between developers and investors-individuals (31 December 2011: RUB 43,422 thousand / USD 1,349 thousand).

23 Equity

(a) Share capital

Number of shares unless otherwise stated

	Ordinary shares	
	30 June 2012	31 December 2011
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the year	103,030,215	103,030,215
On issue at end of the year, fully paid	103,030,215	103,030,215

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

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2012 the Company had retained earnings, including the profit for the current period, of RUB 6,099,687 thousand / USD 185,870 thousand (as at 31 December 2011: RUB 8,119,072 thousand / USD 252,176 thousand).

In April 2012 The Group distributed dividends in the amount of RUB 2,070,224 thousand / USD 67,568 thousand at value RUB 20 / USD 0,6 per share for financial year ended 31 December 2011.

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 outstanding during the year, refer to note 23 (a). The Company has no dilutive potential ordinary shares.

	2012	2011
Issued shares at 1 January	103,030,215	103,030,215
Weighted average number of shares for the six months ended 30 June	103,030,215	103,030,215

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, refer to note 28.

	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Non-current				
Secured bank loans	25,131,973	26,620,132	765,825	826,812
Unsecured bank loans	140,000	420,000	4,266	13,045
Unsecured other loans	9,000	9,000	274	280
Unsecured bond issues	6,000,000	8,957,993	182,833	278,232
Finance lease liability	103,097	126,980	3,142	3,944
	<u>31,384,070</u>	<u>36,134,105</u>	<u>956,340</u>	<u>1,122,313</u>
Current				
Secured bank loans	3,639,318	1,186,888	110,898	36,864
Unsecured bank loans	420,000	280,000	12,798	8,697
Unsecured other loans	6,021	175,387	183	5,447
Unsecured bond issue	3,636,421	1,000,000	110,809	31,060
Finance lease liability	133,640	146,052	4,072	4,536
	<u>7,835,400</u>	<u>2,788,327</u>	<u>238,760</u>	<u>86,604</u>

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 RUB	Currency	Nominal interest rate	Year of maturity	30 June 2012		31 December 2011	
				Face value	Carrying amount	Face value	Carrying amount
Secured facility	EUR	2.60%	2013	611,291	611,291	413,255	413,255
	USD	6M Libor+5.76%	2019	5,613,480	5,613,480	6,366,930	6,366,930
	RUB	2.50% - 10.10%	2013-				
Unsecured facility	RUB	CBR rate+3%	2021	22,546,520	22,546,520	21,026,835	21,026,835
			2012-				
Finance lease liability		0% – 10.50%	2021	10,211,442	10,211,442	10,842,380	10,842,380
		9.70% - 40.02%	2012-				
			2017	236,737	236,737	273,032	273,032
				<u>39,219,470</u>	<u>39,219,470</u>	<u>38,922,432</u>	<u>38,922,432</u>

'000 USD	Currency	Nominal interest rate	Year of maturity	30 June 2012		31 December 2011	
				Face value	Carrying amount	Face value	Carrying amount
Secured facility	EUR	2.60%	2013	18,627	18,627	12,836	12,836
	USD	6M Libor+5.76%	2019	171,055	171,055	197,754	197,754
		2.50% - 10.10%	2013-				
	RUB	CBR rate+3%	2021	687,040	687,040	653,086	653,086
Unsecured facility	RUB	0% – 10.50%	2012-	311,164	311,164	336,761	336,761
Finance lease liability		9.70% - 40.02%	2012-2017	7,214	7,214	8,480	8,480
				<u>1,195,100</u>	<u>1,195,100</u>	<u>1,208,917</u>	<u>1,208,917</u>

Covenants and other matters

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

- a limitation on the Group ability to incur additional debt beyond certain financial ratios;
- subject to certain exceptions, a prohibition restricting the Group ability to make significant loans, or give credit, guarantees or indemnities to the third party;
- a restriction on paying or declaring any dividend or other distribution or interest on any unpaid interest (whether in cash or in kind);
- a liability to provide to the Banks with such financial and other information, the Banks may reasonably require in relation to the loan contracts, including the Group annual audited and unaudited consolidated financial statements, prepared in accordance with IFRS.

Finance lease liabilities are payable as follows:

'000 RUB	30 June 2012			31 December 2011		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	163,488	29,848	133,640	182,806	36,754	146,052
Between one and five years	121,611	18,514	103,097	145,263	18,283	126,980
	<u>285,099</u>	<u>48,362</u>	<u>236,737</u>	<u>328,069</u>	<u>55,037</u>	<u>273,032</u>

'000 USD	30 June 2012			31 December 2011		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	4,982	910	4,072	5,678	1,142	4,536
Between one and five years	3,706	564	3,142	4,512	568	3,944
	<u>8,688</u>	<u>1,474</u>	<u>7,214</u>	<u>10,190</u>	<u>1,710</u>	<u>8,480</u>

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 1,561,430 thousand / USD 47,580 thousand is pledged as collateral to secure bank loans (31 December 2011: RUB 1,604,669 thousand / USD 49,840 thousand) – refer to note 13(b).
- Inventories with a carrying amount of RUB 6,297,043 thousand / USD 191,884 thousand are pledged as collateral to secure bank loans. (31 December 2011: RUB 6,258,029 thousand / USD 194,372 thousand) – refer to note 19.

The finance lease liabilities are secured by the leased assets (refer to note 13(c)).

Bank loans are secured by the pledge of the following shares in subsidiary companies as at 30 June 2012:

- 50.00% + 1 share of ZAO “DSK “Blok”;
- 50.00% + 1 share of JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG”;
- 100.00% of JSC “Pobeda LSR”;
- 100.00% of ZAO “Promyshlenny leasing”;
- 100.00% of Limited Liability Company “Cement”.

26 Provisions

'000 RUB	Site restoration	Environ- ment restoration	Warranty provision	Provision for unprofitable contracts	Litigation provision	Total
Current						
Balance at 1 January 2012	312,873	5,522	8,168	(2)	3,670	330,231
Provisions made during the period	252,678	-	124	-	4,280	257,082
Provisions used during the period	(230,228)	(4,526)	-	2	-	(234,752)
Disposals of subsidiaries	-	-	-	-	(3,670)	(3,670)
Exchange differences (+/-)	-	-	(68)	-	-	(68)
Balance at 30 June 2012	<u>335,323</u>	<u>996</u>	<u>8,224</u>	<u>-</u>	<u>4,280</u>	<u>348,823</u>
Non-current						
Balance at 1 January 2012	-	8,742	-	-	-	8,742
Provisions made during the period	-	4,528	-	-	-	4,528
Balance at 30 June 2012	<u>-</u>	<u>13,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,270</u>

'000 USD	<u>Site restoration</u>	<u>Environ- ment restoration</u>	<u>Warranty provision</u>	<u>Provision for unprofitable contracts</u>	<u>Litigation provision</u>	<u>Total</u>
Current						
Balance at 1 January 2012	9,718	172	254	-	113	10,257
Provisions made during the period	8,247	-	4	-	140	8,391
Provisions used during the period	(7,514)	(148)	-	-	-	(7,662)
Disposals of subsidiaries	-	-	-	-	(120)	(120)
Exchange differences (+/-)	(233)	6	(7)	-	(3)	(237)
Balance at 30 June 2012	<u>10,218</u>	<u>30</u>	<u>251</u>	<u>-</u>	<u>130</u>	<u>10,629</u>
Non-current						
Balance at 1 January 2012	-	272	-	-	-	272
Provisions made during the period	-	148	-	-	-	148
Exchange differences (+/-)	-	(16)	-	-	-	(16)
Balance at 30 June 2012	<u>-</u>	<u>404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404</u>

(a) Site restoration

The Group records provisions in respect of the Group's obligation to incur additional costs including costs associated with clean up the surrounding area after finishing the construction of apartment buildings in Saint-Petersburg , Moscow, Yekaterinburg and Leningrad region.

(b) 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.

(c) Warranty provision

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

(d) Provision for unprofitable contracts

The Group records provisions in respect of the Group's loss contracts in connection of immediately reflection of loss on construction contracts. Amount of the provision is calculated based on contract price, contract expenses accounted contract stage per definite loss contract.

(e) Litigation provision

The Group recognises provision on legal obligations that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

27 Trade and other payables

	30 June 2012 '000 RUB	31 December 2011 '000 RUB	30 June 2012 '000 USD	31 December 2011 '000 USD
Non-current payables				
Notes payable long-term	136,934	170,018	4,173	5,281
Accounts payable trade	-	800	-	25
	<u>136,934</u>	<u>170,818</u>	<u>4,173</u>	<u>5,306</u>
Current payables				
Prepayments received for flats	24,830,671	15,655,109	756,643	486,242
Accounts payable trade	5,706,606	5,439,520	173,892	168,950
Accounts due to customers for contract work	4,647,476	1,648,402	141,618	51,199
Advances from customers	3,170,692	3,681,206	96,618	114,337
Other taxes payable	1,818,971	1,684,598	55,428	52,323
Interest payable	1,172,755	1,147,598	35,736	35,644
Employee-related liabilities	951,742	757,142	29,002	23,517
Advance payments from investors (short-term)	405,966	-	12,371	-
Notes payable	53,209	79,467	1,621	2,468
Deferred income	31,534	52,951	961	1,645
Non-controlling interest in limited liability subsidiaries	30,739	33,079	937	1,027
Dividend liabilities, interest-free	1,804	1,804	55	56
Payables for shares of the subsidiaries acquired	-	604	-	19
Other payables	1,694,520	1,168,809	51,636	36,302
	<u>44,516,685</u>	<u>31,350,289</u>	<u>1,356,518</u>	<u>973,729</u>

Prepayments received for flats include RUB 11,093,801 thousand / USD 338,051 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2011: RUB 3,159,487 thousand / USD 98,133 thousand).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

28 Financial risk management

(a) Overview

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

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

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

Risk management framework

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

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

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

(b) Credit risk

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

(i) Trade and other receivables

Revenues from one customer of the Group represents approximately RUB 1,455,963 thousand / USD 47,520 thousand (six months ended 30 June 2011: RUB 1,309,456 thousand / USD 45,746 thousand) of the Group's total revenues (refer to note 5(b)). Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

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

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

In the Real Estate. NW, Real Estate. Moscow, Real Estate. Ural operating segment most sales are on prepayment and cash basis, as the customers are individuals.

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

(ii) Investments

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

(iii) Guarantees

At 30 June 2012 guarantees made to third parties were RUB 269,682 thousand / USD 8,218 thousand (31 December 2011: RUB 369,459 thousand / USD 11,475 thousand).

Exposure to credit risk

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

	Carrying amount	
	30 June 2012	31 December 2011
Available-for-sale financial assets	7,435	9,968
Loans and receivables	13,279,855	7,470,043
Held to maturity investments	27,043	35,765
Cash and cash equivalents	3,681,734	5,194,904
Restricted cash	951,909	938,154
	17,947,976	13,648,834

	Carrying amount	
	30 June 2012	31 December 2011
Available-for-sale financial assets	226	309
Loans and receivables	404,663	232,017
Held to maturity investments	823	1,111
Cash and cash equivalents	112,190	161,352
Restricted cash	29,006	29,139
	546,908	423,928

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

	Carrying amount	
	30 June 2012	31 December 2011
Domestic	3,394,054	1,952,626
Euro-zone countries	40,166	44,297
Other CIS countries	26,141	16,795
	3,460,361	2,013,718

	Carrying amount	
	30 June 2012	31 December 2011
Domestic	103,424	60,648
Euro-zone countries	1,224	1,376
Other CIS countries	796	522
	105,444	62,546

The Group's most significant trade debtor, ZAO "NPO Rekonstrutsya", accounts for RUB 732,753 thousand / USD 22,329 thousand of the trade receivables carrying amount at 30 June 2012 (31 December 2011 OOO "Lenstroyenergo PSO": RUB 94,298 thousand / USD 2,929 thousand).

The total amount of impaired trade receivables at the reporting date was RUB 486,832 thousand / USD 14,835 thousand (31 December 2011: RUB 600,662 thousand / USD 18,656 thousand).

The aging of trade receivables at the reporting date was:

	Gross 30 June 2012	Impairment 30 June 2012	Gross 31 December 2011	Impairment 31 December 2011
	'000 RUB	'000 RUB	'000 RUB	'000 RUB
Not past due	2,663,238	-	1,079,153	-
Past due 0-30 days	329,391	(1,501)	499,528	(6)
Past due 31-150 days	315,786	(80,417)	391,621	(51,158)
Past due more than 150 days	638,778	(404,914)	644,078	(549,498)
	<u>3,947,193</u>	<u>(486,832)</u>	<u>2,614,380</u>	<u>(600,662)</u>

	Gross 30 June 2012	Impairment 30 June 2012	Gross 31 December 2011	Impairment 31 December 2011
	'000 USD	'000 USD	'000 USD	'000 USD
Not past due	81,154	-	33,518	-
Past due 0-30 days	10,037	(46)	15,515	-
Past due 31-150 days	9,623	(2,450)	12,164	(1,589)
Past due more than 150 days	19,465	(12,339)	20,005	(17,067)
	<u>120,279</u>	<u>(14,835)</u>	<u>81,202</u>	<u>(18,656)</u>

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

	2012 '000 RUB	2011 '000 RUB
Balance at 1 January	(600,662)	(577,104)
Impairment loss recognised	113,830	(1,386)
Balance at 30 June	<u>(486,832)</u>	<u>(578,490)</u>

	2012 '000 USD	2011 '000 USD
Balance at 1 January	(18,656)	(18,936)
Impairment loss recognised	3,715	(48)
Effect of movements in exchange rates	106	(1,621)
Balance at 30 June	<u>(14,835)</u>	<u>(20,605)</u>

The impairment loss at 30 June 2012 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and internal analysis on the underlying customers' credit ratings.

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

	2012	2011
	'000 RUB	'000 RUB
Balance at 1 January	(301,840)	(368,776)
Impairment reversal	67,008	57,655
Balance at 30 June	(234,832)	(311,121)

	2012	2011
	'000 USD	'000 USD
Balance at 1 January	(9,375)	(12,100)
Impairment reversal	2,187	2,014
Effect of movements in exchange rates	32	(995)
Balance at 30 June	(7,156)	(11,081)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 30 June 2012 the Group's unused short-term credit facilities amount is RUB 7,702,000 thousand / USD 234,696 thousand (31 December 2011: RUB 4,572,000 thousand / USD 142,005 thousand) from Russian, and Ukrainian banks. Interest would be payable at the rate of 8.50% to 10.25%.

The following are the contractual maturities of financial liabilities, excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

30 June 2012	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	'000 RUB	Contractual				
Secured bank loans:						
RUB*	2.50% - 10.10%	8.67%	2,801,695	12,702,831	4,819,794	20,324,320
RUB*	CBR rate+3%	10.75%	170,939	1,367,508	683,753	2,222,200
USD	6m Libor+5.76%	9.55%	55,393	3,717,830	1,840,257	5,613,480
EUR*	2.60%	2.60%	611,291	-	-	611,291
Unsecured bank loans:						
RUB*	8.18%	8.18%	420,000	140,000	-	560,000
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.01%	6,021	-	9,000	15,021
Unsecured bond issues:						
RUB*	8.47% - 10.50%	9.55%	3,636,421	6,000,000	-	9,636,421
Finance lease liabilities						
RUB*	13.85% - 40.02%	21.74%	66,490	42,972	-	109,462
EUR*	9.70% - 17.38%	12.70%	58,476	30,849	-	89,325
USD*	13.27% - 13.70%	13.45%	5,668	25,911	-	31,579
Other*	22.00% - 26.00%	24.00%	3,006	3,365	-	6,371
Trade and other payables		-	8,659,633	136,934	-	8,796,567
Future interests**		-	3,180,199	6,698,044	333,605	10,211,848
Guarantees***		-	-	269,682	-	269,862
			<u>19,675,232</u>	<u>31,135,927</u>	<u>7,686,408</u>	<u>58,497,567</u>

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 30 June 2012.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

**31 December
2011**

'000 RUB	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	Contractual	Effective				
Secured bank loans:						
RUB*	2.50% - 10.10%	8.85%	374,847	11,976,989	6,110,922	18,462,758
RUB	CBR rate+3%	10.75%	341,877	1,367,508	854,692	2,564,077
USD	6m Libor+5.76%	6.18%	262,932	4,134,257	1,969,741	6,366,930
EUR*	3.34% - 5.25%	8.68%	207,232	206,023	-	413,255
Unsecured bank loans:						
RUB*	8.18%	9.75%	280,000	420,000	-	700,000
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.00%	175,387	-	9,000	184,387
Unsecured bond issues:						
RUB*	8.47% - 10.50%	11.73%	1,000,000	8,957,993	-	9,957,993
Finance lease liabilities						
RUB*	13.69%-48.91%	19.57%	53,921	80,896	-	134,817
EUR*	9.71%-27.32%	15.32%	87,574	43,527	-	131,101
USD*	6.30%-15.95%	15.49%	1,213	-	-	1,213
Other*	22.00%-26.00%	24.58%	3,344	2,557	-	5,901
Trade and other payables		-	7,870,881	170,818	-	8,041,699
Future interests**		-	3,220,455	6,858,839	381,646	10,460,940
Guarantees***		-	91,958	277,501	-	369,459
			<u>13,971,621</u>	<u>34,496,908</u>	<u>9,326,001</u>	<u>57,794,530</u>

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2011.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

30 June 2012	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	'000 USD	Contractual				
Secured bank loans:						
RUB*	2.50% - 10.10%	8.67%	85,374	387,082	146,869	619,325
RUB*	CBR rate+3%	10.75%	5,209	41,671	20,835	67,715
USD	6m Libor+5.76%	9.55%	1,688	113,290	56,077	171,055
EUR*	2.60%	2.60%	18,627	-	-	18,627
Unsecured bank loans:						
RUB*	8.18%	8.18%	12,798	4,266	-	17,064
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.01%	183	-	274	457
Unsecured bond issues:						
RUB*	8.47% - 10.50%	9.55%	110,809	182,833	-	293,642
Finance lease liabilities						
RUB*	13.85% - 40.02%	21.74%	2,025	1,309	-	3,334
EUR*	9.70% - 17.38%	12.70%	1,782	940	-	2,722
USD*	13.27% - 13.70%	13.45%	173	790	-	963
Other*	22.00% - 26.00%	24.00%	92	103	-	195
Trade and other payables		-	263,877	4,173	-	268,050
Future interests**		-	96,907	204,104	10,166	311,177
Guarantees***		-	-	8,218	-	8,218
			<u>599,544</u>	<u>948,779</u>	<u>234,221</u>	<u>1,782,544</u>

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 30 June 2012.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

31 December 2011	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	'000 USD	Contractual				
Secured bank loans:						
RUB*	2.50% - 10.10%	8.85%	11,642	372,002	189,803	573,447
RUB	CBR rate+3%	10.75%	10,619	42,474	26,546	79,639
USD	6m Libor+5.76%	6.18%	8,166	128,409	61,179	197,754
EUR*	3.34% - 5.25%	8.68%	6,437	6,399	-	12,836
Unsecured bank loans:						
RUB*	8.18%	9.75%	8,697	13,045	-	21,742
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.00%	5,447	-	280	5,727
Unsecured bond issues:						
RUB*	8.47% - 10.50%	11.73%	31,060	278,232	-	309,292
Finance lease liabilities						
RUB*	13.69%-48.91%	19.57%	1,674	2,513	-	4,187
EUR*	9.71%-27.32%	15.32%	2,720	1,352	-	4,072
USD*	6.30%-15.95%	15.49%	38	-	-	38
Other*	22.00%-26.00%	24.58%	104	79	-	183
Trade and other payables		-	244,466	5,306	-	249,772
Future interests**		-	100,027	213,033	11,854	324,914
Guarantees***		-	2,856	8,619	-	11,475
			<u>433,953</u>	<u>1,071,463</u>	<u>289,662</u>	<u>1,795,078</u>

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2011.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

(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.

(i) Currency risk

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

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

Exposure to currency risk

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

30 June 2012 '000 RUB	RUB- denominated	EUR- denominated	USD- denominated	Other- denominated
Trade and other receivables	12,604,818	321,571	1,332	60
Originated loans	310,751	41,323	-	-
Secured bank loans	(22,546,520)	(611,291)	(5,613,480)	-
Unsecured bank loans	(560,000)	-	-	-
Unsecured other loans	(15,021)	-	-	-
Unsecured bond issues	(9,636,421)	-	-	-
Finance lease liabilities	(109,462)	(89,325)	(31,579)	(6,371)
Trade and other payables	(8,121,107)	(129,548)	(545,912)	-
Gross balance sheet exposure	<u>(28,072,962)</u>	<u>(467,270)</u>	<u>(6,189,639)</u>	<u>(6,311)</u>

31 December 2011 '000 RUB	RUB- denominated	EUR- denominated	USD- denominated	Other- denominated
Trade and other receivables	7,106,587	220,788	-	-
Originated loans	100,388	42,088	-	192
Secured bank loans	(21,026,835)	(413,255)	(6,366,930)	-
Unsecured bank loans	(700,000)	-	-	-
Unsecured other loans	(184,387)	-	-	-
Unsecured bond issues	(9,957,993)	-	-	-
Finance lease liabilities	(134,817)	(131,101)	(1,213)	(5,901)
Trade and other payables	(6,547,078)	(323,820)	(1,170,801)	-
Gross balance sheet exposure	<u>(31,344,135)</u>	<u>(605,300)</u>	<u>(7,538,944)</u>	<u>(5,709)</u>

30 June 2012 '000 USD	RUB- denominated	EUR- denominated	USD- denominated	Other- denominated
Trade and other receivables	384,093	9,799	41	2
Originated loans	9,469	1,259	-	-
Secured bank loans	(687,040)	(18,627)	(171,055)	-
Unsecured bank loans	(17,064)	-	-	-
Unsecured other loans	(457)	-	-	-
Unsecured bond issues	(293,642)	-	-	-
Finance lease liabilities	(3,334)	(2,722)	(963)	(195)
Trade and other payables	(247,467)	(3,948)	(16,635)	-
Gross balance sheet exposure	<u>(855,422)</u>	<u>(14,239)</u>	<u>(188,612)</u>	<u>(193)</u>

31 December 2011 '000 USD	RUB- denominated	EUR- denominated	USD- denominated	Other- denominated
Trade and other receivables	220,727	6,858	-	-
Originated loans	3,119	1,307	-	6
Secured bank loans	(653,087)	(12,836)	(197,754)	-
Unsecured bank loans	(21,742)	-	-	-
Unsecured other loans	(5,727)	-	-	-
Unsecured bond issues	(309,292)	-	-	-
Finance lease liabilities	(4,187)	(4,072)	(38)	(183)
Trade and other payables	(203,349)	(10,058)	(36,365)	-
Gross balance sheet exposure	<u>(973,538)</u>	<u>(18,801)</u>	<u>(234,157)</u>	<u>(177)</u>

The following significant exchange rates applied during the period:

	30 June 2012	31 December 2011
	RUB	RUB
1 USD equals	32.8169	32.1961
1 Euro equals	41.3230	41.6714
1 UAH equals	4.0623	4.0055

Sensitivity analysis

A 10% strengthening of RUB against the above currencies would have increased profit by RUB 666,322 thousand / USD 20,304 thousand. A 10% weakening of the RUB against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(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, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Profile

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

'000 RUB	Carrying amount	
	30 June 2012	31 December 2011
Fixed rate instruments		
Financial assets	386,552	188,401
Financial liabilities	(33,605,990)	(29,991,425)
	<u>(33,219,438)</u>	<u>(29,803,024)</u>
Variable rate instruments		
Financial liabilities	(5,613,480)	(8,931,007)
	<u>(5,613,480)</u>	<u>(8,931,007)</u>
'000 USD	Carrying amount	
	30 June 2012	31 December 2011
Fixed rate instruments		
Financial assets	11,777	5,852
Financial liabilities	(1,024,044)	(931,524)
	<u>(1,012,267)</u>	<u>(925,672)</u>
Variable rate instruments		
Financial liabilities	(171,055)	(277,393)
	<u>(171,055)</u>	<u>(277,393)</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and the statement of comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the six months 2011.

'000 RUB	Profit or loss	
	100 bp increase	100 bp decrease
Six months ended 30 June 2012		
Variable rate instruments	(56,135)	56,135
Cash flow sensitivity	(56,135)	56,135
Six months ended 30 June 2011		
Variable rate instruments	(77,200)	77,200
Cash flow sensitivity	(77,200)	77,200
'000 USD	Profit or loss	
	100 bp increase	100 bp decrease
Six months ended 30 June 2012		
Variable rate instruments	(1,711)	1,711
Cash flow sensitivity	(1,711)	1,711
Six months ended 30 June 2011		
Variable rate instruments	(2,750)	2,750
Cash flow sensitivity	(2,750)	2,750

(e) Fair values versus carrying amounts

The fair value of unquoted equity investments is discussed in note 4. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for loans.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

'000 RUB	Note	Carrying amount	Fair value	Carrying amount	Fair value
		30 June 2012	30 June 2012	31 December 2011	31 December 2011
Financial assets					
Available-for-sale financial assets	17	7,435	7,435	9,968	9,968
Loans and receivables		13,279,855	13,279,855	7,470,043	7,470,043
Held to maturity investments	17	27,043	27,043	35,765	35,765
Cash and cash equivalents	21	3,681,734	3,681,734	5,194,904	5,194,904
Restricted cash	22	951,909	951,909	938,154	938,154
		<u>17,947,976</u>	<u>17,947,976</u>	<u>13,648,834</u>	<u>13,648,834</u>
Financial liabilities					
Secured bank loans	25	(28,771,291)	(27,877,809)	(27,807,020)	(26,790,154)
Unsecured bank loans	25	(560,000)	(542,569)	(700,000)	(682,101)
Unsecured other loans	25	(15,021)	(10,237)	(184,387)	(164,545)
Unsecured bond issues	25	(9,636,421)	(9,392,109)	(9,957,993)	(9,851,305)
Trade and other payables	27	(8,796,567)	(8,796,567)	(8,041,699)	(8,041,699)
Finance lease liabilities	25	(236,737)	(236,737)	(273,032)	(273,032)
		<u>(48,016,037)</u>	<u>(46,856,028)</u>	<u>(46,964,131)</u>	<u>(45,802,836)</u>

'000 USD	Note	Carrying amount	Fair value	Carrying amount	Fair value
		30 June 2012	30 June 2012	31 December 2011	31 December 2011
Financial assets					
Available-for-sale financial assets	17	226	226	309	309
Loans and receivables		404,663	404,663	232,017	232,017
Held to maturity investments	17	823	823	1,111	1,111
Cash and cash equivalents	21	112,190	112,190	161,352	161,352
Restricted cash	22	29,006	29,006	29,139	29,139
		<u>546,908</u>	<u>546,908</u>	<u>423,928</u>	<u>423,928</u>
Financial liabilities					
Secured bank loans	25	(876,722)	(849,496)	(863,676)	(832,093)
Unsecured bank loans	25	(17,064)	(16,533)	(21,742)	(21,186)
Unsecured other loans	25	(457)	(312)	(5,727)	(5,111)
Unsecured bond issues	25	(293,642)	(286,197)	(309,292)	(305,978)
Trade and other payables	27	(268,050)	(268,050)	(249,772)	(249,772)
Finance lease liabilities	25	(7,214)	(7,214)	(8,480)	(8,480)
		<u>(1,463,149)</u>	<u>(1,427,802)</u>	<u>(1,458,689)</u>	<u>(1,422,620)</u>

The interest rates used to discount estimated cash flows, where applicable, are based on marginal borrowing rates, available for the Group as at:

	30 June 2012	31 December 2011
Loans and borrowings	7.00%-11.00%	8.00% - 10.00%
Leases	9.70%-40.02%	6.30% - 48.91%

(f) Operational risk

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

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

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

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

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

(g) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

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

	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Total liabilities	86,101,971	72,914,672	2,623,709	2,264,705
Less: cash and cash equivalents	(3,681,734)	(5,194,904)	(112,190)	(161,352)
Net liabilities	<u>82,420,237</u>	<u>67,719,768</u>	<u>2,511,519</u>	<u>2,103,353</u>
Total equity	<u>52,132,697</u>	<u>53,947,498</u>	<u>1,588,593</u>	<u>1,675,591</u>
Net liabilities to capital ratio	<u>1.58</u>	<u>1.26</u>	<u>1.58</u>	<u>1.26</u>

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

29 Operating leases

Non-cancellable operating lease rentals are payable as follows:

'000 RUB	30 June 2012	31 December 2011
	<hr/>	<hr/>
Less than one year	174,124	155,299
Between one and five years	483,038	425,273
More than five years	1,895,076	2,044,378
	<hr/> 2,552,238 <hr/>	<hr/> 2,624,950 <hr/>

'000 USD	30 June 2012	31 December 2011
	<hr/>	<hr/>
Less than one year	5,306	4,824
Between one and five years	14,719	13,209
More than five years	57,747	63,498
	<hr/> 77,772 <hr/>	<hr/> 81,531 <hr/>

The Group leases a number of land plots under operating leases. The leases typically vary from an initial period of four to forty nine years, with an option to renew the lease after that date. Lease payments are usually fixed.

For the production entities lease payments are expensed as incurred, while for the real estate construction entities lease payments are capitalised to the construction costs of the properties, located on the respective land plots. During the six months ended 30 June 2012 an amount of RUB 49,661 thousand / USD 1,621 thousand was recognised as an expense in the statement of comprehensive income in respect of non-cancellable operating leases. During the six months ended 30 June 2012 an amount of RUB 22,166 thousand / USD 723 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

30 Commitments

At 30 June 2012, the Group was committed to purchase property, plant and equipment for approximately RUB 1,429,826 thousand / USD 43,570 thousand (31 December 2011: RUB 3,527,815 thousand / USD 109,573 thousand) net of VAT, including commitment to purchase equipment for a new brick-making plant for RUB 1,190,112 thousand / USD 36,265 thousand (31 December 2011: RUB 1,867,107 thousand / USD 57,992 thousand).

31 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

In April 2009 one of the Group subsidiaries entered into litigation with CERIC S.A. in Stockholm arbitration court. At 29 July 2011 Stockholm arbitration court declared its final award in favour of the Group (refer to note 20 for more details).

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

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

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

(d) Environmental liabilities

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

The Group is engaged in crushed stone production and extraction of clay in ten areas covered by forests. According to existing legislation and the terms of licenses obtained by the Group there is a liability for the Group to restore these sites when quarrying is complete. The costs associated with restoration cannot be determined as, in accordance with existing licences on crushed stone production, the methods of restoration and its cost will be determined in the future based on discussions between the Group and Russian Environment Authorities after the quarrying is complete. Accordingly, no provision has been recognised in the consolidated interim financial statements for expected expenses on restoration. It is planned that quarrying will be completed for the currently used ten areas in the years from 2013 to 2027.

32 Related party transactions

(a) Control relationships

The Company is ultimately controlled by Andrey Molchanov.

(b) Transactions with management and close family members

The management and their close family members control 5.00% of the voting shares of the Group. (31 December 2011: 5.00%).

(i) Management remuneration

Key management received the following remuneration during the period, which is included in personnel costs (refer to note 9):

	Six months ended 30 June			
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Salaries and bonuses	167,420	198,085	5,464	6,920
	167,420	198,085	5,464	6,920

(ii) Other transactions management and close family members

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	30 June 2012	30 June 2011	30 June 2012	31 December 2011	30 June 2012	30 June 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Sale of goods and services	2,910	19,065	(2,640)	(2,118)	95	666	(80)	(66)
Purchase of goods and services	89	69,026	6,191	-	3	2,411	189	-
Loans received (included into unsecured other loans – refer to note 25)	-	13,309	2,820	3,520	-	465	86	109
Loans given to related parties	800	-	1,759	3,540	26	-	54	110
Purchase of shares	-	38	-	-	-	1	-	-
Sales of note	-	-	9,147	9,252	-	-	279	287
Other expenses	(3,214)	(32,342)	33,090	9,685	(105)	(1,130)	1,008	301

As at 30 June 2012 there were no loans to executive directors (refer to notes 17, 20).

(c) Transactions with other related parties

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

(i) Revenue

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2012	30 June 2011	30 June 2012	31 December 2011	30 June 2012	30 June 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'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 owners	1,885,591	295,341	1,885,094	362	61,542	10,318	57,443	11
Companies significantly influenced by the Group key management	551	21,869	(57,244)	(33,610)	18	764	(1,744)	(1,044)
	<u>1,886,142</u>	<u>317,210</u>	<u>1,827,850</u>	<u>(33,248)</u>	<u>61,560</u>	<u>11,082</u>	<u>55,699</u>	<u>(1,033)</u>

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.

Other expenses as at 30 June 2012 to companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners includes the amount of RUB 26,902 thousand / USD 878 thousand (30 June 2011: RUB 105 thousand / USD 4 thousand). Outstanding balance includes the amount of RUB 30,207 thousand / USD 938 thousand (31 December 2011: RUB 3,465 thousand / USD 108 thousand).

Other income as at 30 June 2012 to companies controlled significantly influenced by the Group management includes the amount of RUB 21,593 thousand / USD 738 thousand (30 June 2011: RUB 17,456 thousand / USD 610 thousand). Outstanding balance includes the amount of RUB 44,467 thousand / USD 1,381 thousand (31 December 2011: RUB 27,195 thousand / USD 845 thousand).

(ii) Expenses

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2012	30 June 2011	30 June 2012	31 December 2011	30 June 2012	30 June 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'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	5,749	21,249	(490,569)	(247,701)	188	742	(14,949)	(7,694)
Companies significantly influenced by the Group management	535	5,970	506	883	17	209	15	27
	<u>6,284</u>	<u>27,219</u>	<u>(490,063)</u>	<u>(246,818)</u>	<u>205</u>	<u>951</u>	<u>(14,934)</u>	<u>(7,667)</u>

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 period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2012	30 June 2011	30 June 2012	31 December 2011	30 June 2012	30 June 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Loans given (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	(253)	-	(674)	(421)	(8)	-	(21)	(13)
Companies significantly influenced by the Group management	(979)	(1,630)	(2,423)	(1,444)	(32)	(57)	(74)	(45)
	(1,232)	(1,630)	(3,097)	(1,865)	(40)	(57)	(95)	(58)
	(1,232)	(1,630)	(3,097)	(1,865)	(40)	(57)	(95)	(58)

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 interest and are repayable based on contractual terms.

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2012	30 June 2011	30 June 2012	31 December 2011	30 June 2012	30 June 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Interests (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	12	-	-	-	-	-	-
Companies significantly influenced by the Group management	-	-	-	-	-	-	-	-
	-	12	-	-	-	-	-	-

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 interest and are repayable based on contractual terms. No discounting of the loans has been performed at the balance sheet date due to the short maturity of loans received and given.

(iv) **Other investments**

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2012	30 June 2011	30 June 2012	31 December 2011	30 June 2012	30 June 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'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 17):								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	-	563	563	-	-	17	17
Companies significantly influenced by the Group management	-	-	(1,508)	6	-	-	(46)	-
	-	-	(945)	569	-	-	(29)	17

(v) *Transactions with shares / promissory notes*

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	30 June 2012	30 June 2011	30 June 2012	31 December 2011	30 June 2012	30 June 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	-	42,567	42,567	-	-	1,297	1,322
Companies significantly influenced by the Group management	-	574	-	-	-	20	-	-
	-	574	42,567	42,567	-	20	1,297	1,322

33 Significant subsidiaries

<u>Entity</u>	<u>Country of incorporation</u>	<u>Ownership/ voting interest 30 June 2012</u>	<u>Ownership/ voting interest 31 December 2011</u>
JOINT-STOCK COMPANY			
“CONSTRUCTION CORPORATION			
“REVIVAL OF SAINT-PETERSBURG”			
	Russia	100.00%	100.00%
OOO “GDSK”	Russia	100.00%	100.00%
OAo “LSR”	Russia	100.00%	100.00%
OAo NPO “Keramika”	Russia	-	100.00%
OAo “Granit-Kuznechnoye”	Russia	-	100.00%
OAo “Rudas”	Russia	-	100.00%
“Leningrad river port Open Joint-Stock Company”	Russia	-	100.00%
JSC “Scanex”	Russia	100.00%	100.00%
ZAO “Vertikal”	Russia	100.00%	100.00%
OAo “PO “Barrikada”	Russia	100.00%	100.00%
ZAO “DSK “Blok”	Russia	100.00%	100.00%
OJSC “UM-260”	Russia	100.00%	100.00%
OOO “Obyedineniye 45”	Russia	100.00%	100.00%
ZAO “MSR”	Russia	100.00%	100.00%
OOO “GATP №1”	Russia	100.00%	100.00%
JSC “Pobeda LSR”	Russia	100.00%	100.00%
OOO “Aeroc SPb”	Russia	100.00%	100.00%
LCC “AEROC”	Ukraine	100.00%	100.00%
OOO “Osobnyak”	Russia	100.00%	100.00%
OOO “Kvartira LuxServis”	Russia	100.00%	100.00%
JSC “Construction trust № 28”	Russia	79.17%	79.17%
OOO “Construction trust № 28”*	Russia	50.00%	50.00%
ZAO “Promyshlenny leasing”	Russia	100.00%	100.00%
ZAO NPO “VSR”	Russia	-	80.00%
OOO “SPb GDC “YUNA”	Russia	100.00%	100.00%
DNP “Alakul”**	Russia	-	-
“DNP “Penaty-2”**	Russia	-	-
ZAO “MSR-Butovo”	Russia	100.00%	100.00%
OAo “Zavod ZhBI-6”	Russia	-	57.80%
OOO “GDSK Invest Primorsky”	Russia	-	100.00%
OOO “LenSpecSMO “PromstroyMontazh”	Russia	100.00%	100.00%
Limited Liability Company Smolniiy District	Russia	100.00%	100.00%
OOO “VSMP”	Russia	100.00%	100.00%
OOO “BaltStroyKomplekt”	Russia	100.00%	100.00%
OOO “Obyedineniye 45-M”	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/ voting interest 30 June 2012	Ownership/ voting interest 31 December 2011
OOO "LSR-Invest"	Russia	-	100.00%
ZAO "Chifko plus"	Russia	-	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Strabe Wohnbau GmbH & Co. KG	Germany	70.00%	70.00%
Saargemunder Strabe Wohnbau Beteiligungs-GmbH	Germany	70.00%	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
LSR Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestrasse Projektentwicklungs GmbH & Co KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstr. 79 mbH	Germany	80.00%	80.00%
MUC Campus V GmbH	Germany	70.00%	70.00%
Bereiteranger Vermögensverwaltungs GmbH	Germany	70.00%	70.00%
Bereiteranger Projektentwicklung GmbH & Co.	Germany	70.00%	70.00%
Aignerstraße Projektentwicklungsgesellschaft mbH	Germany	100.00%	-
JSC "A Plus Estate"	Russia	100.00%	100.00%
ZAO "INGEOKOM S-Pb"	Russia	-	100.00%
OAD "Stroicorporatciya"	Russia	100.00%	100.00%
OAD MTO "ARHPROEKT"	Russia	100.00%	100.00%
LLC "LSR - UKRAINE"	Ukraine	100.00%	100.00%
OOO "Velikan-XXI vek"	Russia	100.00%	100.00%
OAD "ZAVOD ELEKTRIK"	Russia	-	100.00%
OOO "ZAVOD "STROIFARFOR"	Russia	100.00%	100.00%
OOO "BSK Invest-3"***	Russia	20.00%	20.00%
Limited Liability Company "Cement"	Russia	100.00%	100.00%
ZAO "Kazanskaya, 36"	Russia	100.00%	100.00%
OOO "LSR.Stenovye - M" (formerly OOO "Ozherel'evskaya keramika")	Russia	100.00%	100.00%
OOO "Okhtinskiy Bereg"	Russia	-	100.00%
Lsr Group Ltd	Russia	100.00%	100.00%
OOO "Ohta 25"	Russia	-	55.00%
Limited Liability Company "Barrikada"	Russia	100.00%	100.00%
Open Joint-Stock Company "BETFOR"	Russia	100.00%	100.00%
OOO "SMU "NOVA-stroy"	Russia	-	100.00%
LTD "PKU "NOVA-StroiProekt"	Russia	100.00%	100.00%
ZAO "NOVA-stroy"	Russia	100.00%	100.00%
OOO "LSR-Nerud"	Russia	100.00%	100.00%
PJSC "Uralscheben"	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/ voting interest 30 June 2012	Ownership/ voting interest 31 December 2011
JSC "Aeroc Obuchov"	Ukraine	97.36%	97.36%
OOO "Kentavr Management"	Russia	100.00%	100.00%
OOO "Rybkhoz"	Russia	100.00%	100.00%
OOO "LSR.Stroy - M" (formerly OOO "MSR Perspektiva")	Russia	100.00%	100.00%
OAO "Obuhovsky zavod SMiK"	Russia	100.00%	100.00%
Open joint stock company "Pavlovskaya Keramika"	Russia	83.44%	93.44%
OOO "LSR-Stroy"	Russia	100.00%	100.00%
OOO "KUZZhBI"	Russia	100.00%	100.00%
Limited Liability Company "AvtoKomBalt"	Russia	100.00%	100.00%
OOO "GALS"	Russia	100.00%	100.00%
LLC "436 KNI"	Russia	100.00%	100.00%
OOO "KIN-Center"	Russia	100.00%	100.00%
ZAO "LSR-Bazovye"	Russia	100.00%	100.00%
ZAO "Golden Kazanskaya"	Russia	100.00%	100.00%
OOO "Tehnerud"	Russia	100.00%	-
LTD "Factor-Nedra"	Russia	100.00%	-
OOO "Kazinskoe Karieroupravleniye"	Russia	100.00%	-
OOO "Apollo"	Russia	-	-
OOO "Gribalevoy, 9"	Russia	100.00%	-

* The Group controls OOO "Construction trust № 28" as it has the power to appoint or remove the General Director, which is the ultimate governing body of the entity, and control is exercised through this body

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

34 Events subsequent to the reporting date

Financing events

In August 2012 the Group subsidiaries entered into a loan agreements with OAO "Sberbank". The total amount of non-revolving credit lines granted is limited to RUB 671,548 thousand / USD 20,463 thousand. The loan is to be repaid no later August 2016.

35 Supplementary disclosures

The following Group entities are included in Operating segments and Business units disclosures:

<u>Division</u>	<u>Segment</u>	<u>Business unit</u>	<u>Product</u>	<u>Entity</u>			
LSR. NW	Building Materials. NW	LSR.Wall Materials.NW	Brick	JSC "Pobeda LSR" LSR Stenovye (Brick)			
			New Brick Plant	JSC "Pobeda LSR"			
			Aerated Concrete	JSC "Scanex" OOO "Aeroc SPb" PJSC "Aeroc Obuchow" LLC "AEROC" LSR Stenovye (Aerated Concrete)			
		LSR.Basic Materials.NW	Ready-mix Concrete	OOO "Obyedineniye 45" ZAO "LSR-Bazovy" Ready-mix Concrete			
				Sand	OOO "VSMP" "Leningrad river port Open Joint-Stock Company" OOO "Rybkhoz" ZAO "LSR-Bazovy" Sand OAO "Rudas" OOO "Tehnerud" LTD "Factor-Nedra"		
				Crushed Granite	OAO "Granit-Kuznechnoye" LLC "436 KNP" ZAO "LSR-Bazovy" Crushed Granite		
				LSR.Cement.NW	Cement	OOO "LSR-Nerud" (OOO "Granit-Invest") ZAO "Chifko plus" Limited Liability Company "Cement"	
						Real Estate. NW	LSR.Real Estate.NW

Division	Segment	Business unit	Product	Entity
				OAO "Stroicorporatciya" Limited Liability Company Smolny District OOO "SPB GDC "YUNA" OOO "LenSpecSMO "Promstroyontazh"
			Mass Market Real Estate	OAO "LSR" OAO NPO "Keramika" OOO "GDSK Invest Primorsky" OOO "ZAVOD "STROIFARFOR" OOO "GDSK" OOO "Okhtinskiy Bereg"
			Other	OOO "Kvartira LuxServis"
	Construction.NW	LSR. Construction.NW	Construction	ZAO "DSK "Blok" OOO "GATP №1"
		LSR. Project management	Project management	OOO "LSR-Stroy" Limited Liability Company "AvtoKomBalt"
		LSR. Reinforced Concrete. NW	Reinforced Concrete	Limited Liability Company "Barrikada" OAO "Obuhovsky zavod SMiK" OOO "KIN-Center" OAO "PO "Barrikada" JSC "Construction trust № 28" OOO "Construction trust № 28"
		LSR.Tower Cranes	Tower Cranes	OJSC "UM-260"
LSR. Moscow	Real Estate. Moscow	LSR.Real Estate. Moscow	Real Estate	ZAO "MSR" OOO "Velikan-XXI vek" OOO "Kentavr Management" ZAO "MSR-Butovo"
	Construction. Moscow	LSR.Construction. Moscow	Construction	OOO "LSR.Stroy - M" (OOO "MSR Perspektiva") ZAO "MSR" OAO "Zavod ZhBI-6"
	Building Materials. Moscow	LSR.Basic Materials. Moscow	Ready-mix Concrete	OOO "Obyedineniye 45-M"
		LSR.Wall Materials. Moscow	Brick	OOO "LSR.Stenovye - M" (OOO "Ozherel'evskaya keramika") Open joint stock company "Pavlovskaya Keramika"

Division	Segment	Business unit	Product	Entity
LSR. Ural	Real Estate.Ural	LSR.Real Estate.Ural	Real Estate	ZAO "NOVA-stroy"
	Construction. Ural	LSR.Construction. Ural	Construction	Limited Liability Company "BETFOR" Limited Liability Company "KUZZhBP" OOO "SMU "NOVA-stroy" LTD "PKU "NOVA-StroiProekt"
	Other. Ural	Other. Ural	Other. Ural	PJSC "Uralscheben"
LSR. Europe	Real Estate. Europe	LSR. Europe	Real Estate	LSR Europe GmbH Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH LSR Vermögensverwaltungs GmbH Oefelestrasse Projektentwicklungs GmbH & Co KG Saargemunder Strabe Wohnbau Beteiligungs-GmbH Projektgesellschaft Bayerstr. 79 mbH Saargemunder Strabe Wohnbau GmbH & Co. KG Bereiteranger Projektentwicklung GmbH & Co.KG Bereiteranger Vermögensverwaltungs GmbH MUC Campus V GmbH Aignerstraße Projektentwicklungsgesellschaft mbH
				ZAO "Kazanskaya, 36"
				ZAO "Promyshlenny leasing"
				OJSC LSR Group
				OAo MTO "ARHPROEKT"
				Lsr Group Ltd
				ZAO "Golden Kazanskaya"
				LLC "LSR - UKRAINE"
				JSC "A Plus Estate"
				OOO "BaltStroyKomplekt"
				OOO "Ohta 25"
			OOO "BSK Invest-3"	
			ZAO "Vertikal"	
			OOO "GALS"	
			OOO "Kazinskoe Karieroupravleniye"	
			OOO "Gribalevoy, 9"	
			OOO "Apollo"	
Other Entities	Other entities	Other entities	Other entities	

Key financial performance indicators by operating segment / business unit were as follows:

For 6 months ended 30 June 2012	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	Write off of change in fair value of the disposed asset	EBITDA*
'000 RUB							
Brick	613,100	4,780	617,880	116,759	28,488	-	145,247
New Brick Plant	-	23	23	(10,069)	492	-	(9,577)
Aerated Concrete	1,128,973	740	1,129,713	197,675	86,522	-	284,197
Eliminations	-	(1,646)	(1,646)	-	-	-	-
LSR.Wall Materials.NW	1,742,073	3,897	1,745,970	304,365	115,502	-	419,867
Ready-mix Concrete	1,338,479	131,594	1,470,073	250,721	80,721	-	331,442
Sand	1,020,718	123,486	1,144,204	429,664	91,769	-	521,433
Crushed Granite	1,233,394	519,653	1,753,047	299,711	160,982	-	460,693
Eliminations	-	(355,336)	(355,336)	3,202	-	-	3,202
LSR.Basic Materials.NW	3,592,591	419,397	4,011,988	983,298	333,472	-	1,316,770
LSR.Cement.NW	439,377	486,038	925,415	201,300	37,032	-	238,332
Eliminations	-	(336,784)	(336,784)	(19,495)	-	-	(19,495)
Building Materials. NW	5,774,041	572,548	6,346,589	1,469,468	486,006	-	1,955,474
Elite Real Estate	970,404	-	970,404	403,065	3,082	-	406,147
Mass Market Real Estate	3,539,087	-	3,539,087	464,430	3,587	-	468,017
Other	35,056	7,920	42,976	1,353	580	-	1,933
Eliminations	-	(7,917)	(7,917)	(1,365)	-	-	(1,365)
Real Estate. NW	4,544,547	3	4,544,550	867,483	7,249	-	874,732
LSR. Construction.NW	2,193,386	2,136,453	4,329,839	289,727	175,065	-	464,792
LSR. Project management	803,610	-	803,610	50,927	200	-	51,127
LSR. Reinforced Concrete. NW	2,257,166	303,106	2,560,272	(36,448)	149,740	-	113,292
LSR.Tower Cranes	628,288	42,741	671,029	136,071	111,156	-	247,227
Eliminations	-	(462,296)	(462,296)	(19,733)	-	-	(19,733)
Construction. NW	5,882,450	2,020,004	7,902,454	420,544	436,161	-	856,705
Eliminations	(325,004)	(2,491,615)	(2,816,619)	(247,245)	-	-	(247,245)
LSR. NW	15,876,034	100,940	15,976,974	2,510,250	929,416	-	3,439,666
Real Estate. Moscow	532,116	-	532,116	(32,080)	10,889	-	(21,191)
Construction. Moscow	1,192,911	100,005	1,292,916	119,194	10,109	-	129,303
LSR.Basic Materials. Moscow	780,930	5,921	786,851	(24,461)	35,739	-	11,278
LSR.Wall Materials. Moscow	68,880	-	68,880	(139,538)	55,985	-	(83,553)
Eliminations	-	-	-	-	-	-	-
Building Materials. Moscow	849,810	5,921	855,731	(163,999)	91,724	-	(72,275)
Eliminations	-	(81,067)	(81,067)	(153)	-	-	(153)
LSR. Moscow	2,574,837	24,859	2,599,696	(77,038)	112,722	-	35,684
Real Estate. Ural	1,109,698	-	1,109,698	120,697	1,174	-	121,871
Construction. Ural	437,446	632,066	1,069,512	(12,321)	80,222	-	67,901
Other. Ural	-	-	-	(24,423)	20,225	-	(4,198)
Eliminations	-	(626,571)	(626,571)	(27,495)	-	-	(27,495)
LSR. Ural	1,547,144	5,495	1,552,639	56,458	101,621	-	158,079
LSR. Europe	500,650	50,077	550,727	88,708	199	-	88,907
Other entities	834,839	-	834,839	-	72,819	-	72,819
Unallocated income and expenses	134,509	-	134,509	(458,567)	-	(1,143,306)	684,739
Transportation revenue	1,212,791	-	1,212,791	-	-	-	-
Eliminations	-	(181,371)	(181,371)	186,578	-	-	186,578
Consolidated	22,680,804	-	22,680,804	2,306,389	1,216,777	(1,143,306)	4,666,472

*EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period

For 6 months ended 30 June 2012	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/Amortisation	Write off of change in fair value of the disposed asset	EBITDA*
'000 USD							
Brick	20,010	156	20,166	3,811	930	-	4,741
New Brick Plant	-	1	1	(329)	16	-	(313)
Aerated Concrete	36,848	24	36,872	6,452	2,824	-	9,276
Eliminations	-	(54)	(54)	-	-	-	-
LSR.Wall Materials.NW	56,858	127	56,985	9,934	3,770	-	13,704
Ready-mix Concrete	43,685	4,295	47,980	8,183	2,635	-	10,818
Sand	33,314	4,030	37,344	14,023	2,995	-	17,018
Crushed Granite	40,256	16,961	57,217	9,782	5,253	-	15,035
Eliminations	-	(11,598)	(11,598)	105	-	-	105
LSR.Basic Materials.NW	117,255	13,688	130,943	32,093	10,883	-	42,976
LSR.Cement.NW	14,341	15,863	30,204	6,570	1,209	-	7,779
Eliminations	-	(10,991)	(10,991)	(636)	-	-	(636)
Building Materials. NW	188,454	18,687	207,141	47,961	15,862	-	63,823
Elite Real Estate	31,672	-	31,672	13,155	101	-	13,256
Mass Market Real Estate	115,509	-	115,509	15,158	117	-	15,275
Other	1,145	258	1,403	44	19	-	63
Eliminations	-	(258)	(258)	(44)	-	-	(44)
Real Estate. NW	148,326	-	148,326	28,313	237	-	28,550
LSR. Construction.NW	71,588	69,730	141,318	9,456	5,714	-	15,170
LSR. Project management	26,228	-	26,228	1,662	7	-	1,669
LSR. Reinforced Concrete. NW	73,670	9,893	83,563	(1,190)	4,887	-	3,697
LSR.Tower Cranes	20,506	1,395	21,901	4,441	3,627	-	8,068
Eliminations	-	(15,089)	(15,089)	(643)	-	-	(643)
Construction. NW	191,992	65,929	257,921	13,726	14,235	-	27,961
Eliminations	(10,608)	(81,322)	(91,930)	(8,070)	-	-	(8,070)
LSR. NW	518,164	3,294	521,458	81,930	30,334	-	112,264
Real Estate. Moscow	17,367	-	17,367	(1,047)	355	-	(692)
Construction. Moscow	38,934	3,264	42,198	3,890	330	-	4,220
LSR.Basic Materials. Moscow	25,488	193	25,681	(798)	1,166	-	368
LSR.Wall Materials. Moscow	2,248	-	2,248	(4,555)	1,828	-	(2,727)
Eliminations	-	-	-	-	-	-	-
Building Materials. Moscow	27,736	193	27,929	(5,353)	2,994	-	(2,359)
Eliminations	-	(2,646)	(2,646)	(5)	-	-	(5)
LSR. Moscow	84,037	811	84,848	(2,515)	3,679	-	1,164
Real Estate. Ural	36,218	-	36,218	3,939	38	-	3,977
Construction. Ural	14,277	20,629	34,906	(402)	2,618	-	2,216
Other. Ural	-	-	-	(797)	660	-	(137)
Eliminations	-	(20,450)	(20,450)	(897)	-	-	(897)
LSR. Ural	50,495	179	50,674	1,843	3,316	-	5,159
LSR. Europe	16,340	1,634	17,974	2,895	6	-	2,901
Other entities	27,248	-	27,248	-	2,378	-	2,378
Unallocated income and expenses	4,392	-	4,392	(14,967)	-	(37,315)	22,348
Transportation revenue	39,583	-	39,583	-	-	-	-
Eliminations	-	(5,918)	(5,918)	6,090	-	-	6,090
Consolidated	740,259	-	740,259	75,276	39,713	(37,315)	152,304

*EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period

For 6 months ended 30 June 2011	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/Amortisation	Write off of fair value of the disposed asset	EBITDA*
'000 RUB							
Brick	629,840	3,604	633,444	(9,553)	28,743	-	19,190
New Brick Plant	-	-	-	(63,908)	204	-	(63,704)
Aerated Concrete	743,289	11,670	754,959	45,797	81,622	-	127,419
Eliminations	-	(165)	(165)	(25)	-	-	(25)
LSR.Wall Materials.NW	1,373,129	15,109	1,388,238	(27,689)	110,569	-	82,880
Ready-mix Concrete	1,165,251	72,571	1,237,822	117,165	98,844	-	216,009
Sand	812,655	88,889	901,544	490,067	105,937	-	596,004
Crushed Granite	499,841	326,133	825,974	(53,548)	130,306	-	76,758
Eliminations	-	(268,258)	(268,258)	110	-	-	110
LSR.Basic Materials.NW	2,477,747	219,335	2,697,082	553,794	335,087	-	888,881
LSR.Cement.NW	603,151	326,458	929,609	(75,592)	13,760	-	(61,832)
Eliminations	-	(64,213)	(64,213)	1,092	-	-	1,092
Building Materials. NW	4,454,027	496,689	4,950,716	451,605	459,416	-	911,021
Elite Real Estate	2,089,075	-	2,089,075	793,585	9,759	-	803,344
Mass Market Real Estate	4,641,717	13,384	4,655,101	976,389	1,221	-	977,610
Other	51,128	14,996	66,124	5,653	599	-	6,252
Eliminations	-	(7,780)	(7,780)	(387)	-	-	(387)
Real Estate. NW	6,781,920	20,600	6,802,520	1,775,240	11,579	-	1,786,819
LSR. Construction.NW	3,090,142	628,062	3,718,204	235,601	211,606	-	447,207
LSR. Project management	27,780	-	27,780	2,847	44	-	2,891
LSR. Reinforced Concrete. NW	2,100,153	82,969	2,183,122	149,802	103,465	-	253,267
LSR.Tower Cranes	501,726	27,040	528,766	60,405	109,104	-	169,509
Eliminations	-	(142,185)	(142,185)	(125)	-	-	(125)
Construction. NW	5,719,801	595,886	6,315,687	448,530	424,219	-	872,749
Eliminations	-	(1,075,335)	(1,075,335)	29,408	-	-	29,408
LSR. NW	16,955,748	37,840	16,993,588	2,704,783	895,214	-	3,599,997
Real Estate. Moscow	504,439	-	504,439	86,903	6,633	-	93,536
Construction. Moscow	1,566,691	695,840	2,262,531	280,904	22,073	-	302,977
LSR.Basic Materials. Moscow	430,509	110,309	540,818	(82,680)	38,561	-	(44,119)
LSR.Wall Materials. Moscow	23,744	210	23,954	(19,051)	8,776	-	(10,275)
Eliminations	-	-	-	-	-	-	-
Building Materials. Moscow	454,253	110,519	564,772	(101,731)	47,337	-	(54,394)
Eliminations	-	(806,149)	(806,149)	1,156	-	-	1,156
LSR. Moscow	2,525,383	210	2,525,593	267,232	76,043	-	343,275
Real Estate. Ural	1,072,514	-	1,072,514	135,942	511	-	136,453
Construction. Ural	475,355	277,835	753,190	(161,120)	100,458	-	(60,662)
Other. Ural	-	-	-	(25,730)	20,370	-	(5,360)
Eliminations	-	(277,247)	(277,247)	3,020	-	-	3,020
LSR. Ural	1,547,869	588	1,548,457	(47,888)	121,339	-	73,451
LSR. Europe	279,145	562	279,707	14,258	161	-	14,419
Other entities	646,833	-	646,833	-	56,400	-	56,400
Unallocated income and expenses	175,733	-	175,733	(550,461)	-	-	(550,461)
Transportation revenue	832,844	-	832,844	-	-	-	-
Eliminations	-	(39,200)	(39,200)	297,353	-	-	297,353
Consolidated	22,963,555	-	22,963,555	2,685,277	1,149,157	-	3,834,434

*EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period

For 6 months ended 30 June 2011							
'000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/Amortisation	Write off of change in fair value of the disposed asset	EBITDA *
Brick	22,004	126	22,130	(334)	1,004	-	670
New Brick Plant	-	-	-	(2,233)	7	-	(2,226)
Aerated Concrete	25,967	408	26,375	1,600	2,852	-	4,452
Eliminations	-	(6)	(6)	(1)	-	-	(1)
LSR.Wall Materials.NW	47,971	528	48,499	(968)	3,863	-	2,895
Ready-mix Concrete	40,709	2,535	43,244	4,093	3,453	-	7,546
Sand	28,390	3,105	31,495	17,121	3,701	-	20,822
Crushed Granite	17,462	11,394	28,856	(1,871)	4,552	-	2,681
Eliminations	-	(9,372)	(9,372)	4	-	-	4
LSR.Basic Materials.NW	86,561	7,662	94,223	19,347	11,706	-	31,053
LSR.Cement.NW	21,072	11,405	32,477	(2,641)	480	-	(2,161)
Eliminations	-	(2,244)	(2,244)	39	-	-	39
Building Materials. NW	155,604	17,351	172,955	15,777	16,049	-	31,826
Elite Real Estate	72,983	-	72,983	27,724	341	-	28,065
Mass Market Real Estate	162,161	468	162,629	34,111	43	-	34,154
Other	1,786	524	2,310	197	21	-	218
Eliminations	-	(272)	(272)	(13)	-	-	(13)
Real Estate. NW	236,930	720	237,650	62,019	405	-	62,424
LSR. Construction.NW	107,956	21,942	129,898	8,231	7,393	-	15,624
LSR. Project management	971	-	971	99	2	-	101
LSR. Reinforced Concrete. NW	73,370	2,899	76,269	5,233	3,615	-	8,848
LSR.Tower Cranes	17,527	945	18,472	2,110	3,810	-	5,920
Eliminations	-	(4,968)	(4,968)	(3)	-	-	(3)
Construction. NW	199,824	20,818	220,642	15,670	14,820	-	30,490
Eliminations	-	(37,567)	(37,567)	1,027	-	-	1,027
LSR. NW	592,358	1,322	593,680	94,493	31,274	-	125,767
Real Estate. Moscow	17,623	-	17,623	3,036	232	-	3,268
Construction. Moscow	54,733	24,310	79,043	9,814	771	-	10,585
LSR.Basic Materials. Moscow	15,040	3,854	18,894	(2,888)	1,347	-	(1,541)
LSR.Wall Materials. Moscow	830	7	837	(666)	307	-	(359)
Eliminations	-	-	-	-	-	-	-
Building Materials. Moscow	15,870	3,861	19,731	(3,554)	1,654	-	(1,900)
Eliminations	-	(28,163)	(28,163)	40	-	-	40
LSR. Moscow	88,226	8	88,234	9,336	2,657	-	11,993
Real Estate. Ural	37,469	-	37,469	4,749	18	-	4,767
Construction. Ural	16,607	9,706	26,313	(5,629)	3,510	-	(2,119)
Other. Ural	-	-	-	(899)	712	-	(187)
Eliminations	-	(9,686)	(9,686)	106	-	-	106
LSR. Ural	54,076	20	54,096	(1,673)	4,240	-	2,567
LSR. Europe	9,752	20	9,772	498	6	-	504
Other entities	22,596	-	22,596	-	1,969	-	1,969
Unallocated income and expenses	6,139	-	6,139	(19,231)	-	-	(19,231)
Transportation revenue	29,096	-	29,096	-	-	-	-
Eliminations	-	(1,370)	(1,370)	10,388	-	-	10,388
Consolidated	802,243	-	802,243	93,811	40,146	-	133,957

*EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period

Net financial position**

	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
LSR.Wall Materials.NW	(1,349,173)	(1,821,445)	(41,112)	(56,574)
New Brick Plant	(6,303,597)	(4,459,097)	(192,084)	(138,498)
LSR.Basic Materials.NW	(490,044)	(747,510)	(14,933)	(23,217)
LSR.Cement.NW	(15,688,003)	(14,858,347)	(478,046)	(461,494)
Building Materials. NW	(23,830,817)	(21,886,399)	(726,175)	(679,783)
Real Estate. NW	(5,061,375)	(7,048,828)	(154,231)	(218,934)
LSR. Construction.NW	3,079,358	409,173	93,835	12,709
LSR. Project management	(200,000)	(546,580)	(6,094)	(16,977)
LSR. Reinforced Concrete. NW	(27,884)	(432,442)	(850)	(13,432)
LSR.Tower Cranes	(663,563)	(798,670)	(20,220)	(24,806)
Construction.NW	2,187,911	(1,368,519)	66,671	(42,506)
Real Estate. Moscow	(3,672,036)	(3,018,840)	(111,895)	(93,764)
Construction. Moscow	(142,961)	(665,331)	(4,356)	(20,665)
LSR.Basic Materials. Moscow	(106,265)	60,900	(3,238)	1,892
LSR.Wall Materials. Moscow	(584,012)	(386,166)	(17,796)	(11,994)
Building Materials. Moscow	(690,277)	(325,266)	(21,034)	(10,102)
Real Estate. Ural	(11,629)	(51,000)	(354)	(1,584)
Construction. Ural	(162,195)	(86,011)	(4,942)	(2,671)
Other. Ural	(2,820)	(3,320)	(86)	(103)
Real Estate. Europe	(611,291)	(413,255)	(18,627)	(12,836)
Other entities	(7,410,004)	(4,253,003)	(225,798)	(132,097)
Adjustments	188,024	197,340	5,727	6,128
Consolidated	(39,219,470)	(38,922,432)	(1,195,100)	(1,208,917)

**NFP (Net financial position). Net financial position is debt of the Group allocated to Business Units. Calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.