OJSC LSR Group

Consolidated Financial Statements
for the year ended 31 December 2009

Contents

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Independent Auditors' Report

Board of Directors

OJSC LSR Group

We have audited the accompanying consolidated financial statements of OJSC LSR Group (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

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16 April 2010

	Note	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD	2008 ’000 USD
Revenue		51,023,927	49,813,079	1,608,416	2,004,123
Cost of sales		(32,279,461)	(31,807,408)	(1,017,539)	(1,279,703)
Gross profit		18,744,466	18,005,671	590,877	724,420
Distribution expenses		(2,590,756)	(2,226,311)	(81,668)	(89,571)
Administrative expenses	8	(3,324,202)	(4,446,387)	(104,788)	(178,891)
Change in fair value of investment property	16/17	(1,752,362)	(16,142,635)	(55,239)	(649,465)
Impairment losses on goodwill	15	(79,093)	(390,986)	(2,493)	(15,730)
Write-down of inventory	20	(529,084)	-	(16,678)	-
Other income	9	110,579	182	3,486	7
Other expenses	9	(84,200)	(203,538)	(2,654)	(8,189)
Results from operating activities		10,495,348	(5,404,004)	330,843	(217,419)
Finance income	11	855,858	389,771	26,979	15,682
Finance costs	11	(5,416,171)	(5,248,010)	(170,733)	(211,142)
Profit / (loss) before income tax		5,935,035	(10,262,243)	187,089	(412,879)
Income tax expense / (benefit)	12	(1,345,252)	2,255,168	(42,406)	90,732
Profit / (loss) for the year		4,589,783	(8,007,075)	144,683	(322,147)
Other comprehensive income					
Foreign currency translation differences for foreign operations		14,047	(8,825)	(26,391)	(238,845)
Total comprehensive income for the year		4,603,830	(8,015,900)	118,292	(560,992)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

	Note	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Profit / (loss) attributable to:					
Shareholders of the Company		4,714,389	(8,177,051)	148,611	(328,986)
Non-controlling interest		(124,606)	169,976	(3,928)	6,839
Profit / (loss) for the year		4,589,783	(8,007,075)	144,683	(322,147)
Total comprehensive income attributable to:					
Shareholders of the Company		4,728,436	(8,185,876)	122,220	(567,831)
Non-controlling interest		(124,606)	169,976	(3,928)	6,839
Total comprehensive income for the year		4,603,830	(8,015,900)	118,292	(560,992)
Basic and diluted earnings / (loss) per share	25				
Ordinary shares		50.33 RUR	(87.30) RUR	1.59 USD	(3.51) USD

These consolidated financial statements were approved by management on 16 April 2010 and were signed on its behalf by:

I.M. Levit
Chief Executive Officer

E.V. Tumanova
Chief Financial Officer

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

	Note	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD	2008 ’000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	14	31,843,363	28,314,000	1,052,875	963,704
Investment property under development	16	390,564	5,488,448	12,914	186,806
Investment property	17	2,304,827	1,925,057	76,207	65,522
Intangible assets	15	4,472,080	4,615,488	147,866	157,094
Other investments	18	49,438	124,627	1,635	4,242
Deferred tax assets	19	1,166,230	876,831	38,560	29,844
Trade and other receivables	21	1,940,751	1,206,318	64,169	41,059
Restricted cash	23	396,487	4,259,234	13,110	144,969
Total non-current assets		42,563,740	46,810,003	1,407,336	1,593,240
Current assets					
Other investments	18	123,806	133,648	4,094	4,549
Inventories	20	55,125,699	50,695,817	1,822,687	1,725,497
Income tax receivable		276,813	290,156	9,153	9,876
Trade and other receivables	21	9,328,773	12,661,265	308,448	430,943
Cash and cash equivalents	22	2,895,550	3,246,060	95,739	110,483
Restricted cash	23	35	-	1	-
Assets classified as held for sale	6	-	61,903	-	2,107
Total current assets		67,750,676	67,088,849	2,240,122	2,283,455
Total assets		110,314,416	113,898,852	3,647,458	3,876,695

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

	Note	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD	2008 ’000 USD
EQUITY AND LIABILITIES					
Equity	24				
Share capital		32,235	32,235	1,164	1,164
Share premium		14,562,700	14,562,700	569,931	569,931
Additional paid in capital		16,796,271	16,477,226	648,506	638,450
Foreign currency translation reserve		35,829	21,782	(180,407)	(154,016)
Retained earnings		7,945,398	3,231,009	259,008	110,397
Total equity attributable to shareholders of the Company		39,372,433	34,324,952	1,298,202	1,165,926
Non-controlling interest		248,659	648,530	11,837	24,442
Total equity		39,621,092	34,973,482	1,310,039	1,190,368
Non-current liabilities					
Loans and borrowings	26	24,433,473	18,863,532	807,873	642,045
Deferred tax liabilities	19	1,768,021	2,246,027	58,458	76,446
Trade and other payables	28	453	37,165	15	1,266
Provisions	27	741	1,700	25	58
Total non-current liabilities		26,202,688	21,148,424	866,371	719,815
Current liabilities					
Bank overdrafts	22	-	57,937	-	1,972
Loans and borrowings	26	15,107,418	17,952,486	499,515	611,036
Income tax payable		633,459	323,374	20,945	11,006
Trade and other payables	28	28,183,680	38,550,004	931,871	1,312,099
Provisions	27	566,079	885,556	18,717	30,141
Liabilities classified as held for sale	6	-	7,589	-	258
Total current liabilities		44,490,636	57,776,946	1,471,048	1,966,512
Total liabilities		70,693,324	78,925,370	2,337,419	2,686,327
Total equity and liabilities		110,314,416	113,898,852	3,647,458	3,876,695

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
OPERATING ACTIVITIES				
Profit / (loss) for the year	4,589,783	(8,007,075)	144,683	(322,147)
Adjustments for:				
Depreciation and amortisation	2,405,571	2,048,597	75,831	82,422
Loss on disposal of property, plant and equipment	77,609	156,618	2,446	6,301
Gain on disposal of other assets	(100,505)	-	(3,168)	-
Gain on disposal of subsidiaries	(3,483)	-	(110)	-
Change in fair value of investment property	1,752,362	16,142,635	55,239	649,465
Impairment losses on goodwill	79,093	390,986	2,493	15,730
Net finance expense	4,560,313	4,858,239	143,754	195,460
Inventory write-off included in cost of sales	529,084	-	16,678	-
Income tax expense / (benefit)	1,345,252	(2,255,168)	42,406	(90,732)
Operating profit before changes in working capital and provisions	15,235,079	13,334,832	480,252	536,499
Increase in inventories	(1,671,397)	(12,165,552)	(52,688)	(489,456)
Decrease / (increase) in trade and other receivables	4,147,453	(1,809,952)	130,740	(72,820)
(Decrease)/ increase in trade and other payables	(7,692,699)	10,547,135	(242,495)	424,341
(Decrease)/ increase in provisions	(320,436)	176,499	(10,101)	7,101
Cash flows from operations before income taxes and interest paid	9,698,000	10,082,962	305,708	405,665
Income taxes paid	(1,755,595)	(2,752,285)	(55,341)	(110,732)
Interest paid	(4,471,972)	(2,957,333)	(140,969)	(118,982)
Cash flows from operating activities	3,470,433	4,373,344	109,398	175,951

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	670,048	364,976	21,122	14,684
Interest received	65,077	324,707	2,051	13,064
Acquisition of property, plant and equipment	(7,525,889)	(9,319,623)	(237,237)	(374,955)
Decrease / (increase) in restricted cash	3,862,712	(4,204,373)	121,764	(142,734)
Acquisition of intangible assets	(17,014)	(26,680)	(536)	(1,073)
Acquisition of investment property and investment property under development	(285,240)	(849,989)	(8,992)	(34,198)
Loans given	(333,586)	(159,430)	(10,516)	(6,414)
Loans repaid	370,136	428,175	11,668	17,226
Disposal of subsidiaries (note 7)	296,434	-	9,345	-
Proceeds from disposal of assets and liabilities classified as held for sale	1,408	-	44	-
Acquisition of subsidiaries, net of cash acquired (note 7)	(2,925,384)	(4,572,149)	(92,216)	(183,950)
Acquisition of non-controlling interest	(18,235)	(151,277)	(575)	(6,086)
Disposal of non-controlling interest in subsidiaries	100	29,930	3	1,204
Disposal / (purchase) of other investments	80,882	(13,234)	2,550	(532)
Cash flows utilised by investing activities	(5,758,551)	(18,148,967)	(181,525)	(703,764)
FINANCING ACTIVITIES				
Proceeds from borrowings	34,581,868	27,750,665	1,090,116	1,116,489
Repayment of borrowings	(25,566,165)	(18,701,306)	(805,916)	(752,407)
Repayment of bonds	(6,079,812)	-	(191,653)	-
Distribution to shareholders	-	(40,140)	-	(1,615)
Payment of finance lease liabilities	(942,912)	(773,421)	(29,722)	(31,117)
Cash flows from financing activities	1,992,979	8,235,798	62,825	331,350
Net decrease in cash and cash equivalents	(295,139)	(5,539,825)	(9,302)	(196,463)
Cash and cash equivalents at the beginning of the year	3,188,123	8,593,449	108,511	350,093
Effect of exchange rate fluctuations on cash and cash equivalents	2,566	134,499	(3,470)	(45,119)
Cash and cash equivalents at the end of the year (note 22)	2,895,550	3,188,123	95,739	108,511

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

’000 RUR	Attributable to shareholders of the Company							Non-controlling interest	Total equity
	Share capital	Restitutable shares reserve	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total		
Balance at 1 January 2008	30,106	14,564,829	-	16,428,655	30,607	11,408,060	42,462,257	514,395	42,976,652
Total comprehensive income for the year									
(Loss) / profit for the year	-	-	-	-	-	(8,177,051)	(8,177,051)	169,976	(8,007,075)
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	(8,825)	-	(8,825)	-	(8,825)
Total comprehensive income for the year					(8,825)	(8,177,051)	(8,185,876)	169,976	(8,015,900)
Transactions with owners recorded directly in equity									
Contribution from shareholder	-	-	-	163	-	-	163	-	163
Excess of book values of net assets acquired for entities under common control over consideration paid	-	-	-	18,815	-	-	18,815	-	18,815
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	-	429,604	-	-	429,604	(524,828)	(95,224)
Excess of consideration paid over non-controlling interest acquired for entities under common control	-	-	-	(27,351)	-	-	(27,351)	(28,702)	(56,053)
Excess of non-controlling interest sold over consideration received for entities under common control	-	-	-	(334,512)	-	-	(334,512)	362,450	27,938
Excess of consideration received for entities under common control over book values of net assets sold	-	-	-	1,992	-	-	1,992	-	1,992
Acquisition of subsidiaries	-	-	-	-	-	-	-	155,239	155,239
Distribution to shareholders	-	-	-	(40,140)	-	-	(40,140)	-	(40,140)
Shares issued	2,129	(14,564,829)	14,562,700	-	-	-	-	-	-
Balance at 31 December 2008	32,235	-	14,562,700	16,477,226	21,782	3,231,009	34,324,952	648,530	34,973,482

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

'000 RUR	**Attributable to shareholders of the Company**							**Non-controlling interest**	**Total equity**
	Share capital	**Restitutable shares reserve**	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2009	32,235	-	14,562,700	16,477,226	21,782	3,231,009	34,324,952	648,530	34,973,482
Total comprehensive income for the year									
Profit / (loss) for the year	-	-	-	-	-	4,714,389	4,714,389	(124,606)	4,589,783
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	14,047	-	14,047	-	14,047
Total comprehensive income for the year	-	-	-	-	14,047	4,714,389	4,728,436	(124,606)	4,603,830
Transactions with owners recorded directly in equity									
Excess of consideration received for entities under common control over book values of net assets sold	-	-	-	61,915	-	-	61,915	-	61,915
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	-	257,176	-	-	257,176	(275,411)	(18,235)
Excess of non-controlling interest sold over consideration received for entities under common control	-	-	-	(46)	-	-	(46)	146	100
Balance at 31 December 2009	32,235	-	14,562,700	16,796,271	35,829	7,945,398	39,372,433	248,659	39,621,092

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

’000 USD	**Attributable to shareholders of the Company**							**Non-controlling interest**	**Total**
	Share capital	**Restitutable shares reserve**	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2008	1,078	570,017	-	636,495	84,829	439,383	1,731,802	19,045	1,750,847
Total comprehensive income for the year									
(Loss) /profit for the year	-	-	-	-	-	(328,986)	(328,986)	6,839	(322,147)
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	(238,845)	-	(238,845)	-	(238,845)
Total comprehensive income for the year	-	-	-	-	(238,845)	(328,986)	(567,831)	6,839	(560,992)
Transactions with owners recorded directly in equity									
Contribution from shareholder		-	-	7	-	-	7	-	7
Excess of book values of net assets acquired for entities under common control over consideration paid	-	-	-	757	-	-	757	-	757
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	-	17,284	-	-	17,284	(21,115)	(3,831)
Excess of consideration paid over non-controlling interest acquired for entities under common control	-	-	-	(1,100)	-	-	(1,100)	(1,155)	(2,255)
Excess of non-controlling interest sold over consideration received for entities under common control	-	-	-	(13,458)	-	-	(13,458)	14,582	1,124
Excess of consideration received for entities under common control over book values of net assets sold	-	-	-	80	-	-	80	-	80
Acquisition of subsidiaries	-	-	-	-	-	-	-	6,246	6,246
Distribution to shareholders	-	-	-	(1,615)	-	-	(1,615)	-	(1,615)
Shares issued	86	(570,017)	569,931	-	-	-	-	-	-
Balance at 31 December 2008	1,164	-	569,931	638,450	(154,016)	110,397	1,165,926	24,442	1,190,368

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

’000 USD	**Attributable to shareholders of the Company**							**Non-controlling interest**	**Total**
	Share capital	**Restitutable shares reserve**	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2009	1,164	-	569,931	638,450	(154,016)	110,397	1,165,926	24,442	1,190,368
Total comprehensive income for the year									
Profit / (loss) for the year	-	-	-	-	-	148,611	148,611	(3,928)	144,683
Other comprehensive income	-	-	-	-					
Foreign currency translation differences for foreign operations	-	-	-	-	(26,391)	-	(26,391)	-	(26,391)
Total comprehensive income for the year	-	-	-	-	(26,391)	148,611	122,220	(3,928)	118,292
Transactions with owners recorded directly in equity									
Excess of consideration received for entities under common control over book values of net assets sold	-	-	-	1,952	-	-	1,952	-	1,952
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	-	8,106	-	-	8,106	(8,682)	(576)
Excess of non-controlling interest sold over consideration received for entities under common control	-	-	-	(2)	-	-	(2)	5	3
Balance at 31 December 2009	1,164	-	569,931	648,506	(180,407)	259,008	1,298,202	11,837	1,310,039

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 110.

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, St. Petersburg, 190031, Russia.

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

The Group's significant subsidiaries are detailed in note 34.

The Group is ultimately controlled (68.42%) by a single individual, Mr. A. Molchanov, who has the power to direct the transactions of the Group at his own discretion and for his own benefit. He also has a number of other business interests outside the Group. Related party transactions are detailed in note 33.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

These consolidated financial statements were approved by the Board of Directors on 16 April 2010.

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. These consolidated 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 RUR is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUR to USD should not be construed as a representation that the RUR amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

(d) Use of estimates and judgments

The preparation of the consolidated 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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, as well as information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 13 - revenue recognition;
- Note 14 – useful lives of property, plant and equipment;
- Note 15 – impairment;
- Notes 16 and 17 – determination of fair values of investment properties and investment properties under development;
- Note 21 – allowances for trade receivables;
- Note 27 – warranty provision, provision for site restoration and environment restoration; and
- Note 32 – contingencies.

(e) Change in accounting policy

(i) Overview

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

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

(ii) Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23 *Borrowing Costs* (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated.

The change in accounting policy had no impact on assets, profit or earnings per share in the year ended 31 December 2009 as there were no significant new assets, which fall under the definition of the qualifying asset in 2009.

(iii) Determination and presentation of operating segments

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

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

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

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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(iv) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as at 1 January 2009. The revised standard requires a presentation of all owner changes in equity to be presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

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

(v) Accounting for investment property under development

The Group applies revised IAS 40 *Investment Property*, which became effective as of 1 January 2009. Property that is being constructed or developed for future use as investment property is treated as investment property and recognised at fair value. The change in accounting policy had no impact on assets, profit or earnings per share in the year ended 31 December 2009.

3 Significant accounting policies

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

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

Non-recoverable VAT in the amount of RUR 458,816 thousand / USD 15,616 thousand was reclassified from trade and other receivables into inventory;

Management believes that such presentation is more appropriate.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated 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 financial statements.

(b) Foreign currencies

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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 expire.

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

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

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

(d) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs (see note 2(e) (ii)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Reclassification of owner occupied property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

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

(f) Intangible assets

(i) Goodwill

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 on or after 1 January 2005

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Acquisitions of non-controlling interests

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

(ii) Research and development

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

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

(g) Leased assets

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

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

(h) Investment property under development

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

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

In the absence of current prices in an active market, the fair values of are established by considering the aggregate of the estimated cash flows expected to be received from renting out the property less the estimated costs, including developer's profit margin, to complete the individual projects to the stage where they could be marketed. 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 then suggested by historical trends.

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

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

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

(ii) Non-financial assets

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

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

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

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

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

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

(m) Non-current assets held for sale

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

(n) Employee benefits

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

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

(o) Provisions

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

(i) Warranties

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

(ii) Site restoration

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

(iii) Onerous contracts

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

(p) Revenues

(i) Goods sold

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

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

(ii) Services

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

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

(iii) Construction contracts

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

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

(iv) Rental income

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

(q) Other expenses

(i) Lease payments

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

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

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the 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) Financial income and finance costs

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

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

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

(s) Income tax expense

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

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

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

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

(t) Earnings per share

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

(u) Segment reporting

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

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

(v) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2009, 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.

- Revised IAS 24 *Related Party Disclosures (2009)* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The Group has not yet determined the potential effect of the amendment.
- Amendment to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* which clarifies that the entity receiving goods or services in a share-based payment transaction that is settled by any other entity in the group or any shareholder of such an entity in cash or other assets is required to recognise the goods or services received in its financial statements. Amendment will come into effect on 1 January 2010. The Group has not yet determined the potential effect of the amendment.
- Revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 (2008) *Consolidated and Separate Financial Statements* came into effect on 1 July 2009 (i.e. they become mandatory for the Group's 2010 consolidated financial statements). The revisions address, among other things, accounting for step acquisitions, require acquisition-related costs to be recognised as

expenses and remove the exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require the effects of transactions with non-controlling interests to be recognised directly in equity.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. 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.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* addresses the accounting for non-cash dividend distributions to owners. The interpretation clarifies when and how a non-cash dividend should be recognised and how the difference between the dividend paid and the carrying amount of the net assets distributed should be recognised. IFRIC 17 became effective for annual periods beginning on or after 1 July 2009.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance on accounting for debt for equity swaps by the debtor. The interpretation clarifies that an entity's equity instruments qualify as "consideration paid" in accordance with paragraph 41 of International Financial Reporting Standards IAS 39 *Financial Instruments: Recognition and Measurement.* Additionally, the interpretation clarifies how to account for the initial measurement of own equity instruments issued to extinguish a financial liability and how to account for the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued. IFRIC 19 is applicable for annual periods beginning on or after 1 July 2010.
- 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 not earlier than 1 January 2010. 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 every six months. The valuations are based primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm's lengths basis, using the Discounted Cash Flow technique for investment property under development and 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 six reportable segments as described below which are the Group’s strategic business units. The strategic business units offer different products and services and are managed separately, because they require different technology and marketing strategies. The format of reporting segments is based on Group’s management and internal reporting structure.

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

(a) Operating segments

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

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

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

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

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

Construction. Construction business units specialize in panel construction.

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

There are varying levels of integration between the Building Materials, Construction and Real Estate Development 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.

(b) Geographical information

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

(c) Major customer

Revenues from one customer of the Group's construction segment represents approximately RUR 6,297,865 thousand/ USD 198,526 thousand (year ended 31 December 2008: RUR 3,930,262 thousand/ USD 158,126 thousand) of the Group's total revenues.

(i) Operating segments

Year ended 31 December 2009 ’000 RUR	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Revenue from external customers	23,355,688	143,926	9,568,582	3,140,947	12,125,239	1,312,656	17,423	49,664,461
Inter-segment revenue	61,208	1	704,371	461,757	631,008	450,949	-	2,309,294
Total segment revenue	23,416,896	143,927	10,272,953	3,602,704	12,756,247	1,763,605	17,423	51,973,755
Segment result	7,034,039	446,835	(420,632)	851,271	2,660,419	284,054	-	10,855,986
Depreciation/amortisation	35,104	1,266	882,919	518,111	552,918	302,529	112,724	2,405,571
Capital expenditure	16,918	1,673	7,425,322	142,530	270,797	29,203	12,499	7,898,942

Year ended 31 December 2008 ’000 RUR	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Revenue from external customers	12,095,165	169,908	17,980,201	5,635,738	9,596,954	2,063,029	104,527	47,645,522
Inter-segment revenue	59,247	10,754	1,229,038	1,317,915	3,466,710	689,289	-	6,772,953
Total segment revenue	12,154,412	180,662	19,209,239	6,953,653	13,063,664	2,752,318	104,527	54,418,475
Segment result	(11,522,893)	(545,424)	2,891,788	2,633,572	2,699,891	574,417	-	(3,268,649)
Depreciation/amortisation	30,972	1,165	717,471	513,276	421,068	277,090	87,555	2,048,597
Capital expenditure	224,723	1,222	6,662,829	853,823	1,239,005	1,163,966	300,063	10,445,631

Year ended 31 December 2009 ’000 USD	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Revenue from external customers	736,236	4,537	301,628	99,011	382,221	41,379	549	1,565,561
Inter-segment revenue	1,929	-	22,204	14,556	19,891	14,215	-	72,795
Total revenue	738,165	4,537	323,832	113,567	402,112	55,594	549	1,638,356
Segment result	221,732	14,085	(13,259)	26,834	83,864	8,954	-	342,210
Depreciation/amortisation	1,107	40	27,832	16,332	17,430	9,537	3,553	75,831
Capital expenditure	533	53	234,067	4,493	8,536	921	394	248,997

Year ended 31 December 2008 ’000 USD	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Revenue from external customers	486,623	6,836	723,395	226,742	386,113	83,002	4,204	1,916,915
Inter-segment revenue	2,384	433	49,448	53,024	139,476	27,732	-	272,497
Total revenue	489,007	7,269	772,843	279,766	525,589	110,734	4,204	2,189,412
Segment result	(463,599)	(21,944)	116,345	105,956	108,624	23,110	-	(131,508)
Depreciation/amortisation	1,246	47	28,866	20,651	16,941	11,148	3,523	82,422
Capital expenditure	9,041	49	268,065	34,352	49,849	46,830	12,072	420,258

Year ended 31 December 2009 ’000 RUR	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Segment assets	68,676,251	2,574,875	26,825,749	4,385,653	8,838,369	2,982,238	-	114,283,135
Segment liabilities	24,178,899	290,101	3,292,741	603,646	3,543,105	247,561	-	32,156,053

Year ended 31 December 2008 ’000 RUR	**Real Estate Development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Segment assets	72,451,812	1,964,506	25,000,082	5,297,576	8,316,293	3,596,670	-	116,626,939
Segment liabilities	31,988,212	59,012	3,050,876	1,120,184	2,561,413	352,243	-	39,131,940

Year ended 31 December 2009 ’000 USD	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Segment assets	2,270,725	85,136	886,972	145,008	292,234	98,605	-	3,778,680
Segment liabilities	799,456	9,592	108,872	19,959	117,150	8,185	-	1,063,214

Year ended 31 December 2008 ’000 USD	**Real Estate Development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Segment assets	2,465,991	66,865	850,910	180,310	283,056	122,417	-	3,969,549
Segment liabilities	1,088,760	2,009	103,841	38,127	87,181	11,989	-	1,331,907

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

Revenue	’000 RUR		’000 USD	
	2009	2008	2009	2008
Total revenue for reportable segments	51,973,755	54,418,475	1,638,356	2,189,412
Other revenue	272,648	190,955	8,595	7,684
Transportation revenue	1,086,818	1,976,602	34,260	79,524
Elimination of intersegment revenue	(2,309,294)	(6,772,953)	(72,795)	(272,497)
Consolidated revenue	51,023,927	49,813,079	1,608,416	2,004,123

Profit/(loss) for the year	’000 RUR		’000 USD	
	2009	2008	2009	2008
Total segment result	10,855,986	(3,268,649)	342,210	(131,508)
Other result	491,716	(726,573)	15,502	(29,232)
Unallocated expenses and income, net	(852,354)	(1,408,782)	(26,869)	(56,679)
Finance income	855,858	389,771	26,979	15,682
Finance costs	(5,416,171)	(5,248,010)	(170,733)	(211,142)
Income tax expense/(benefit)	(1,345,252)	2,255,168	(42,406)	90,732
Profit/(loss) for the year	4,589,783	(8,007,075)	144,683	(322,147)

Assets	’000 RUR		’000 USD	
	31 December		31 December	
	2009	2008	2009	2008
Total assets for reportable segments	114,283,135	116,626,939	3,778,680	3,969,549
Elimination of intersegment assets	(11,850,816)	(12,363,608)	(391,837)	(420,811)
Unallocated assets	7,882,097	9,635,521	260,615	327,957
Total assets	110,314,416	113,898,852	3,647,458	3,876,695

Liabilities

	’000 RUR		’000 USD	
	31 December		31 December	
	2009	2008	2009	2008
Total liabilities for reportable segments	32,156,053	39,131,940	1,063,214	1,331,907
Elimination of intersegment liabilities	(3,213,349)	(2,713,028)	(106,246)	(92,342)
Unallocated liabilities	41,750,620	42,506,458	1,380,451	1,446,762
Total liabilities	70,693,324	78,925,370	2,337,419	2,686,327

Other material items

	’000 RUR		’000 USD	
	2009	2008	2009	2008
Capital expenditure	7,898,942	10,445,631	248,997	420,258
Elimination of intersegment purchases	(224,618)	(115,893)	(7,080)	(4,664)
Consolidated capital expenditure	7,674,324	10,329,738	241,917	415,594

6 Assets classified as held for sale

As at 31 December 2008 one entity within the Group was presented as a disposal group held for sale following the commitment of the Group’s management to plan to sell this entity representing a non-core business of the Group. The sale was finalised in November 2009.

	As at 31 December 2008	
	’000 RUR	’000 USD
Assets classified as held for sale		
Property plant and equipment	5,314	181
Inventories	55,424	1,886
Financial assets	1,165	40
	61,903	2,107
Liabilities classified as held for sale		
Trade and other payables	(7,589)	(258)
	(7,589)	(258)

For details of effect of disposal refer to note 7.

7 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

There were no acquisitions of subsidiaries during the year ended 31 December 2009.

During the year ended 31 December 2009 the Group has repaid outstanding payables for the shares in the subsidiaries acquired before 1 January 2009 in the amount of RUR 2,925,384 thousand/ USD 92,216 thousand, which was disclosed within investing activities in the consolidated statement of cash flows.

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

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

Acquisition of companies in Yekaterinburg

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

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

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

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

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

Acquisition of OAO "Aeroc Obuchow"

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

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

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

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

Acquisition of OOO "Kaskad"

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

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

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

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

Acquisition of companies under common control

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

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

(b) Changes in non-controlling interests

During the year ended 31 December 2009 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The Group recognised a decrease in non-controlling interest of RUR 275,411 thousand / USD 8,682 thousand. Contribution from shareholders of RUR 257,176 thousand / USD 8,106 was recognised directly in equity.

During the year ended 31 December 2009 the Group disposed of minority holdings in a number of its subsidiaries to companies controlled by the Group ultimate controlling party and third parties. The Group recognised an increase in non-controlling interest of RUR 146 thousand / USD 5 thousand. Distribution to shareholders of RUR 46 thousand / USD 2 thousand was recognised directly in equity.

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

During the year ended 31 December 2008 the Group disposed of minority holdings in a number of its subsidiaries to companies controlled by the Group ultimate controlling party and third parties. The Group recognised an increase in non-controlling interest of RUR 362,450 thousand / USD 14,582 thousand. Distribution to shareholders of RUR 334,512 thousand / USD 13,458 thousand was recognised directly in equity.

(c) Disposal of subsidiaries

In September 2009 the Group disposed of Joint-Stock Company "Golden Kazanskaya" to related party. The net gain on the disposal of RUR 61,915 thousand / USD 1,952 thousand was recognised as contribution from shareholders.

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 RUR	’000 USD
Non-current assets		
Property, plant and equipment	216,666	6,830
Deferred tax assets	47	1
Current assets		
Trade and other receivables	39,324	1,241
Income tax receivable	1,137	36
Cash and cash equivalents	3,566	112
Non-current liabilities		
Deferred tax liability	(20,640)	(651)
Current liabilities		
Trade and other payables	(2,015)	(64)
Net identifiable assets, liabilities and contingent liabilities disposed	238,085	7,505
Excess of consideration received for entities under common control over book values of net assets sold	61,915	1,952
Consideration received	300,000	9,457
Cash disposed of	(3,566)	(112)
Net cash inflow	296,434	9,345

In November 2009 the Group disposed of ZAO “Kikerino-Elektrik”, previously disclosed as held for sale, to a third party. The subsidiary contributed a loss of RUR 6,644 thousand / USD 210 thousand to the net profit for the year including the net gain on the disposal of RUR 3,483 thousand / USD 110 thousand.

The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal. Cash proceeds on disposal of ZAO "Kikerino-Elektrik" were received by the Group in 2010:

Carrying amounts at the date of disposal	**'000 RUR**	**'000 USD**
Non-current assets		
Property, plant and equipment	2,541	80
Deferred tax assets	3,354	106
Current assets		
Inventory	48,302	1,523
Trade and other receivables	1,724	54
Cash and cash equivalents	592	19
Non-current liabilities		
Deferred tax liability	(8,814)	(278)
Current liabilities		
Trade and other payables	(19,651)	(620)
Net identifiable assets, liabilities and contingent liabilities disposed	28,048	884
Excess of consideration received over book values of net assets sold recognised in the statement of comprehensive income	3,483	110
Consideration received	31,531	994
Consideration received satisfied in cash	2,000	63
Cash disposed of	(592)	(19)
Net cash inflow	1,408	44

8 Administrative expenses

	2009	**2008**	**2009**	**2008**
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
Wages and salaries	1,928,450	2,501,624	60,790	100,648
Services	617,640	953,167	19,470	38,349
Materials	93,393	173,160	2,944	6,967
Depreciation and amortisation	148,255	114,510	4,673	4,607
Taxes other than profit tax	235,541	260,495	7,425	10,480
Social expenditure	137,600	216,252	4,338	8,700
Insurance	37,438	39,305	1,180	1,581
Other administrative expenses	125,885	187,874	3,968	7,559
	3,324,202	4,446,387	104,788	178,891

9 Other income and expenses

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Other income:				
Gain on disposal of assets and liabilities held for sale	3,483	-	110	-
Gain on disposal of other assets	107,096	182	3,376	7
Total other income	110,579	182	3,486	7
Other expenses:				
Loss on disposal of property, plant and equipment	(77,609)	(156,618)	(2,446)	(6,301)
Loss on disposal of other assets	(6,591)	(46,920)	(208)	(1,888)
Total other expenses	(84,200)	(203,538)	(2,654)	(8,189)
Net other income / (expenses)	26,379	(203,356)	832	(8,182)

10 Total personnel costs

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Wages and salaries:				
Cost of sales	4,462,088	5,455,276	140,657	219,481
Administrative expenses	1,928,450	2,501,624	60,790	100,648
Distribution expenses	320,311	378,715	10,097	15,237
	6,710,849	8,335,615	211,544	335,366

11 Finance income and finance costs

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Recognised in profit or loss				
Finance income				
Foreign exchange gain	597,406	58,482	18,832	2,353
Interest income	65,077	324,707	2,051	13,064
Repurchase of own bonds	181,647	-	5,726	-
Income from sale of available-for-sale investments	7,881	4,624	248	186
Other finance income	3,847	1,958	122	79
	855,858	389,771	26,979	15,682
Finance costs				
Interest expense	(4,645,471)	(3,152,388)	(146,438)	(126,830)
Unwind of discount on payables for shares of the subsidiaries acquired	(250,001)	-	(7,881)	-
Foreign exchange loss	(507,205)	(2,181,419)	(15,989)	(87,765)
Loss from sale of available-for-sale investments	(1,698)	(8,830)	(54)	(355)
Non-controlling interest in limited liability subsidiaries	36,534	162,104	1,152	6,522
Other finance costs	(48,330)	(67,477)	(1,523)	(2,714)
	(5,416,171)	(5,248,010)	(170,733)	(211,142)
Net finance costs recognised in profit or loss	(4,560,313)	(4,858,239)	(143,754)	(195,460)
Recognised in other comprehensive income				
Finance income / (costs)				
Foreign currency translation differences for foreign operations	14,047	(8,825)	(26,391)	(238,845)
Finance income / (costs) recognised in other comprehensive income, net of tax	14,047	(8,825)	(26,391)	(238,845)
Attributable to:				
Equity holders of the Company	14,047	(8,825)	(26,391)	(238,845)
Non-controlling interest	-	-	-	-
Finance income recognised in other comprehensive income, net of tax	14,047	(8,825)	(26,391)	(238,845)

12 Income tax (expense)/benefit

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD	2008 ’000 USD
Current tax expense				
Current year	2,077,886	2,647,920	65,501	106,534
Deferred tax expense				
Origination and reversal of temporary differences	(732,634)	(4,903,088)	(23,095)	(197,266)
Income tax (benefit) / expense	1,345,252	(2,255,168)	42,406	(90,732)

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

Reconciliation of effective tax rate:

	2009 ’000 RUR	%	2008 ’000 RUR	%	2009 ’000 USD	%	2008 ’000 USD	%
Profit / (loss) for the year	4,589,783		(8,007,075)		144,683		(322,147)	
Income tax (benefit)/ expense	1,345,252		(2,255,168)		42,406		(90,732)	
Profit / (loss) before income tax	5,935,035	100	(10,262,243)	100	187,089	100	(412,879)	100
Income tax at applicable tax rate	1,187,007	20	(2,462,938)	24	37,418	20	(99,091)	24
Effect of reduction of the income tax rate from 24% to 20%	-		(268,051)	3	-		(10,784)	3
Tax incentives	(73,358)	(1)	-	-	(2,312)	(1)	-	-
Non-deductible items	336,179	6	574,928	(6)	10,597	6	23,131	(6)
Non-taxable items	(104,576)	(2)	(99,107)	1	(3,297)	(2)	(3,988)	1
	1,345,252	23	(2,255,168)	22	42,406	23	(90,732)	22

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

13 Construction contracts

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

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD	2008 ’000 USD
Contract revenue	12,196,988	7,919,424	384,483	318,621
Contract costs	(8,464,157)	(5,443,938)	(266,814)	(219,025)
Gross profit	3,732,831	2,475,486	117,669	99,596

14 Property, plant and equipment

'000 RUR	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2008	8,010,010	6,467,714	2,381,922	628,076	3,620,738	21,108,460
Acquisitions through business combinations	1,356,813	1,025,771	81,990	37,128	368,207	2,869,909
Additions	821,115	2,096,209	598,456	75,269	6,734,331	10,325,380
Disposals	(65,736)	(95,448)	(281,106)	(28,784)	(337,637)	(808,711)
Transfers from investment property	4,358	-	-	-	-	4,358
Transfers and reclassifications	1,277,849	1,110,558	42,236	(60,376)	(2,370,267)	-
Effect of movements in exchange rates	(175,248)	(28,406)	(5,836)	989	83,704	(124,797)
At 31 December 2008	11,229,161	10,576,398	2,817,662	652,302	8,099,076	33,374,599
At 1 January 2009	11,229,161	10,576,398	2,817,662	652,302	8,099,076	33,374,599
Additions	196,578	327,122	99,096	50,597	7,000,931	7,674,324
Disposals	(144,111)	(50,338)	(97,103)	(14,729)	(492,288)	(798,569)
Disposal of subsidiaries	(226,641)	(2,858)	-	(199)	-	(229,698)
Transfers and reclassifications	599,029	877,853	4,513	(14,324)	(2,370,225)	(903,154)
Effect of movements in exchange rates	(8,026)	(911)	(557)	331	11,220	2,057
At 31 December 2009	11,645,990	11,727,266	2,823,611	673,978	12,248,714	39,119,559
Depreciation and impairment losses						
At 1 January 2008	(751,661)	(1,596,130)	(683,521)	(256,367)	-	(3,287,679)
Depreciation charge	(440,989)	(1,038,262)	(428,483)	(119,487)	-	(2,027,221)
Acquisitions through business combinations	(4,023)	(801)	(302)	(402)	-	(5,528)
Disposals	32,214	116,969	117,453	20,973	-	287,609
Transfers and reclassifications	(2,769)	(50,016)	429	52,356	-	-
Effect of movements in exchange rates	(6,548)	(21,334)	1,164	(1,062)	-	(27,780)
At 31 December 2008	(1,173,776)	(2,589,574)	(993,260)	(303,989)	-	(5,060,599)
At 1 January 2009	(1,173,776)	(2,589,574)	(993,260)	(303,989)	-	(5,060,599)
Depreciation charge	(582,977)	(1,226,594)	(436,791)	(96,387)	-	(2,342,749)
Disposals	11,596	54,136	35,562	15,016	-	116,310
Disposal of subsidiaries	11,335	1,661	-	36	-	13,032
Transfers and reclassifications	(1,628)	(6,020)	(379)	8,027	-	-
Effect of movements in exchange rates	(44)	(2,164)	218	(200)	-	(2,190)
At 31 December 2009	(1,735,494)	(3,768,555)	(1,394,650)	(377,497)	-	(7,276,196)
Net book value						
At 1 January 2008	7,258,349	4,871,584	1,698,401	371,709	3,620,738	17,820,781
At 31 December 2008	10,055,385	7,986,824	1,824,402	348,313	8,099,076	28,314,000
At 31 December 2009	9,910,496	7,958,711	1,428,961	296,481	12,248,714	31,843,363

’000 USD	**Land and buildings**	**Machinery and equipment**	**Transportation equipment**	**Other fixed assets**	**Assets under construction**	**Total**
Cost/Deemed cost						
At 1 January 2008	326,324	263,491	97,038	25,588	147,507	859,948
Acquisitions through business combinations	54,588	41,270	3,299	1,494	14,814	115,465
Additions	33,036	84,336	24,078	3,028	270,941	415,419
Disposals	(2,645)	(3,840)	(11,310)	(1,158)	(13,584)	(32,537)
Transfers from investment property	175	-	-	-	-	175
Transfers and reclassifications	51,412	44,681	1,699	(2,429)	(95,363)	-
Effect of movements in exchange rates	(80,691)	(69,957)	(18,901)	(4,321)	(48,651)	(222,521)
At 31 December 2008	382,199	359,981	95,903	22,202	275,664	1,135,949
At 1 January 2009	382,199	359,981	95,903	22,202	275,664	1,135,949
Additions	6,197	10,312	3,124	1,595	220,689	241,917
Disposals	(4,543)	(1,587)	(3,061)	(464)	(15,518)	(25,173)
Disposal of subsidiaries	(7,144)	(90)	-	(6)	-	(7,240)
Transfers and reclassifications	18,883	27,672	142	(452)	(74,715)	(28,470)
Effect of movements in exchange rates	(10,527)	(8,535)	(2,748)	(590)	(1,126)	(23,526)
At 31 December 2009	385,065	387,753	93,360	22,285	404,994	1,293,457
Depreciation and impairment losses						
At 1 January 2008	(30,622)	(65,026)	(27,846)	(10,444)	-	(133,938)
Depreciation charge	(17,742)	(41,772)	(17,239)	(4,807)	-	(81,560)
Acquisitions through business combinations	(162)	(32)	(12)	(16)	-	(222)
Disposals	1,296	4,706	4,725	844	-	11,571
Transfers and reclassifications	(111)	(2,012)	17	2,106	-	-
Effect of movements in exchange rates	7,390	15,996	6,548	1,970	-	31,904
At 31 December 2008	(39,951)	(88,140)	(33,807)	(10,347)	-	(172,245)
At 1 January 2009	(39,951)	(88,140)	(33,807)	(10,347)	-	(172,245)
Depreciation charge	(18,377)	(38,666)	(13,769)	(3,038)	-	(73,850)
Disposals	366	1,707	1,121	473	-	3,667
Disposal of subsidiaries	357	52	-	1	-	410
Transfers and reclassifications	(51)	(190)	(12)	253	-	-
Effect of movements in exchange rates	273	633	354	176	-	1,436
At 31 December 2009	(57,383)	(124,604)	(46,113)	(12,482)	-	(240,582)
Net book value						
At 1 January 2008	295,702	198,465	69,192	15,144	147,507	726,010
At 31 December2008	342,248	271,841	62,096	11,855	275,664	963,704
At 31 December 2009	327,682	263,149	47,247	9,803	404,994	1,052,875

Depreciation expense of RUR 2,139,681 thousand/USD 67,449 thousand (2008: RUR 1,867,134 thousand/USD 75,120 thousand) has been charged in cost of goods sold, RUR 48,683 thousand/USD 1,535 thousand (2008: RUR 28,773 thousand/USD 1,158 thousand) in distribution expenses and RUR 138,998 thousand/USD 4,382 thousand (2008: RUR 110,495 thousand / USD 4,446 thousand) in administrative expenses.

(a) Impairment

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

(b) Security

Properties with a carrying amount of RUR 7,732,231 thousand /USD 255,660 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 3,279,270 thousand /USD 111,614 thousand) (refer to note 26).

(c) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2009 the net book value of leased plant and machinery was RUR 2,186,397 thousand/ USD 72,291 thousand (31 December 2008: RUR 3,066,561 thousand/ USD 104,374 thousand). The leased equipment secures the lease obligations. In addition to that other properties with a carrying amount of RUR 3,158 thousand / USD 104 thousand secure the lease obligations (31 December 2008: RUR 51,699 thousand / USD 1,760 thousand).

15 Intangible assets

’000 RUR	Goodwill	Other	Total
Cost			
Balance at 1 January 2008	1,211,509	20,832	1,232,341
Acquisition of subsidiaries	3,115,403	678,261	3,793,664
Additions	-	26,680	26,680
Disposals	-	(1,925)	(1,925)
Effects of movement in exchange rates	-	551	551
Balance at 31 December 2008	4,326,912	724,399	5,051,311
Balance at 1 January 2009	4,326,912	724,399	5,051,311
Additions	-	17,014	17,014
Disposals	-	(3,668)	(3,668)
Effects of movement in exchange rates	-	138	138
Balance at 31 December 2009	4,326,912	737,883	5,064,795
Amortisation and impairment losses			
Balance at 1 January 2008	-	(2,488)	(2,488)
Amortisation charge	-	(42,195)	(42,195)
Acquisition of subsidiaries	-	(1,504)	(1,504)
Disposals	-	1,433	1,433
Impairment losses during the year	(390,986)	-	(390,986)
Effects of movement in exchange rates	-	(83)	(83)
Balance at 31 December 2008	(390,986)	(44,837)	(435,823)
Balance at 1 January 2009	(390,986)	(44,837)	(435,823)
Amortisation charge	-	(80,010)	(80,010)
Disposals	-	2,198	2,198
Impairment losses during the year	(79,093)	-	(79,093)
Effects of movement in exchange rates	-	13	13
Balance at 31 December 2009	(470,079)	(122,636)	(592,715)
Net book value			
At 1 January 2008	1,211,509	18,344	1,229,853
At 31 December 2008	3,935,926	679,562	4,615,488
At 31 December 2009	3,856,833	615,247	4,472,080

'000 USD	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2008	49,357	848	50,205
Acquisition of subsidiaries	125,342	27,288	152,630
Additions	-	1,073	1,073
Disposals	-	(77)	(77)
Effects of movement in exchange rates	(27,428)	(4,476)	(31,904)
Balance at 31 December 2008	147,271	24,656	171,927
Balance at 1 January 2009	147,271	24,656	171,927
Additions	-	536	536
Disposals	-	(116)	(116)
Effect of movements in exchange rates	(4,205)	(678)	(4,883)
Balance at 31 December 2009	143,066	24,398	167,464
Amortisation and impairment losses			
Balance at 1 January 2008	-	(101)	(101)
Amortisation charge	-	(1,698)	(1,698)
Acquisition of subsidiaries	-	(61)	(61)
Disposals	-	58	58
Impairment losses during the year	(15,730)	-	(15,730)
Effects of movement in exchange rates	2,422	277	2,699
Balance at 31 December 2008	(13,308)	(1,525)	(14,833)
Balance at 1 January 2009	(13,308)	(1,525)	(14,833)
Amortisation charge	-	(2,522)	(2,522)
Disposals	-	69	69
Impairment losses during the year	(2,493)	-	(2,493)
Effect of movements in exchange rates	258	(77)	181
Balance at 31 December 2009	(15,543)	(4,055)	(19,598)
Net book value			
At 1 January 2008	49,357	747	50,104
At 31 December 2008	133,963	23,131	157,094
At 31 December 2009	127,523	20,343	147,866

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

Intangible assets classified within other, with a carrying amount of RUR 2,443 thousand / USD 81 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 3,382 thousand /USD 115 thousand) (refer to note 26).

(a) Impairment testing of goodwill 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 recognised are as follows:

		Allocated goodwill		Accumulated impairment losses		Net book value as at 31 December 2009	
Entity / Business Unit	**Business Segment**	**'000 RUR**	**'000 USD**	**'000 RUR**	**'000 USD**	**'000 RUR**	**'000 USD**
OAO "Zavod ZhBI-6"	Building Materials	254,172	8,404	(188,583)	(6,235)	65,589	2,169
Aeroc International AS	Building Materials	245,952	8,132	-	-	245,952	8,132
JSC "Aeroc Obuchow"	Building Materials	818,546	27,065	(164,594)	(5,442)	653,952	21,623
LSR Europe GmbH	Real Estate Development	50,093	1,656	-	-	50,093	1,656
OOO "Cement"	Building Materials	621,485	20,549	-	-	621,485	20,549
OAO "Parkon"	Building Materials	17,354	574	-	-	17,354	574
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG" (formerly OAO SKV SPb)	Real Estate Development	22,451	742	-	-	22,451	742
BU Crushed Granite Ural	Aggregates	128,269	4,242	(116,902)	(3,866)	11,367	376
BU Construction Ural	Construction	736,429	24,349	-	-	736,429	24,349
BU Development Ural	Real Estate Development	1,276,844	42,218	-	-	1,276,844	42,218
BU Crushed Granite Saint-Petersburg	Aggregates	155,317	5,135	-	-	155,317	5,135
		4,326,912	143,066	(470,079)	(15,543)	3,856,833	127,523

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

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

Building Materials, Aggregates and Construction services segments:

- Cash flows were projected based on budgeted operating results for 2010 and four - eleven years business plans;
- Plan for 2010 was prepared considering the expected recession in construction industry in 2009;
- The recovery of the market is assumed to start in 2010-2011, and the plants are expected to reach the levels of 2008 in 2011-2012;
- Cash flows for further years were extrapolated assuming 2% further growth in production;
- Discount rate of 19.74% 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 38.81% at a market interest rate of 13.02% p.a. and an industry average beta-coefficient.

Construction:

- Cash flows were projected based on budgeted operating results for 2010 and four years business plans;
- Plans for 2010-2011 were prepared based on the actual contract portfolio and the actual prices, while consecutive years were planned with assumption of market recovery in 2010-2011;
- Cash flows for further years were assuming 2% further growth in production;
- Discount rate of 15.43% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 39.92% at a market interest rate of 13.02% p.a. and an industry average beta-coefficient.

Real Estate Development and Commercial Real Estate:

- Cash flows were determined for the existing and planned investment projects up to the end of their construction and sale.
- Discount rate of 15.43% was applied in determining the recoverable amount of the assets. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 39.92% at a market interest rate of 13.02% 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.

Additional impairment loss on goodwill of RUR 79,093 thousand / USD 2,493 thousand was recognised in respect of BU Crushed Granit Ural.

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

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

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

Entity / Business unit	**'000 RUR**	**'000 USD**
JSC "Aeroc Obuchow"	91,734	3,033
BU Concrete	7,484	247
BU Cement	1,096,320	36,249
BU Crushed Granite Ural	116,498	3,852
BU Transportation	33,618	1,112
BU Development Ural	523,498	17,309
Other	4,969	164

- An increase of one percentage point in the discount rate used would have caused the impairment loss in respect of the following entities / BUs:

Entity / Business unit	**'000 RUR**	**'000 USD**
JSC "Aeroc Obuchow"	50,138	1,658
BU Cement	614,109	20,305
BU Crushed Granite Ural	103,790	3,432
BU Transportation	15,089	499
BU Development Ural	60,859	2,012

16 Investment property under development

'000 RUR	2009			2008		
	Land	Construc-tion	Total	Land	Construc-tion	Total
Cost / Fair value						
At 1 January	3,841,140	1,647,308	5,488,448	19,673,093	1,065,242	20,738,335
Change in fair value recognised directly in the statement of comprehensive income	(2,085,028)	(47,104)	(2,132,132)	(15,831,020)	(42,060)	(15,873,080)
Reclassification into inventories	(1,611,682)	(1,639,310)	(3,250,992)	-	(66,661)	(66,661)
Additions	-	285,240	285,240	262	690,813	691,075
Disposal	-	-	-	(1,195)	(26)	(1,221)
At 31 December	144,430	246,134	390,564	3,841,140	1,647,308	5,488,448

'000 USD	2009			2008		
	Land	Construc-tion	Total	Land	Construc-tion	Total
Cost / Fair value						
At 1 January	130,739	56,067	186,806	801,472	43,397	844,869
Change in fair value recognised directly in the statement of comprehensive income	(65,725)	(1,485)	(67,210)	(636,927)	(1,692)	(638,619)
Reclassification into inventories	(50,805)	(51,676)	(102,481)	-	(2,682)	(2,682)
Additions	-	8,992	8,992	11	27,793	27,804
Disposal	-	-	-	(48)	(1)	(49)
Effect of movements in exchange rates	(9,433)	(3,760)	(13,193)	(33,769)	(10,748)	(44,517)
At 31 December	4,776	8,138	12,914	130,739	56,067	186,806

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

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

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

Initially, the Group intended to build an office center with a gross buildable area of 346,924 square meters, a net leasable area of 179,559 square meters and with parking for 2,663 cars on the land plot, belonging to the Group subsidiary OAO "Zavod Elektrik", which was treated as an investment property under development. However, as the prospects of the St. Petersburg office real estate market seem weaker as compared to the residential property market, the Group decided to reposition the project to the residential development and started the works for re-design in 2009. Accordingly, reclassification of this land plot and construction capitalized into inventory was made. Until the date of reclassification OAO "Zavod Elektrik" investment property under development was stated at fair value. The effect of loss from revaluation of this investment property under development in 2009 recognised in the statement of comprehensive income amounted to RUR 1,887,809 thousand / USD 59,509 thousand.

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

							Rent rates assumed per sq mtr			
Project	**Expected occupa-tion rate**	**Discount rate used**	**Location**	**Gross buildable area**	**Capitalised costs of construc-tion**	**Fair value of land compo-nent**	**Offices**	**Retail**	**Other**	**Parking (per lot)**
				Sq mtr	**'000 RUR**	**'000 RUR**	**RUR**	**RUR**	**RUR**	**RUR**
TOC na Leningradskom	78%	22%	Vyborg, Lenigradskiy pr. 17	9,283	19,744	12,808	11,000	-	-	-
Kuybisheva	90%	22%	Saint-Petersburg, Kuybisheva str. 13 B	10,276	18,947	126,728	13,500	-	13,500	60,000
Hermitage View House	90%	17%	Saint-Petersburg, Zoologicheskiy Lane 2-4	19,374	207,443	4,894	17,000	18,000	18,000	96,000
					246,134	144,430				
				Sq mtr	**'000 USD**	**'000 USD**	**USD**	**USD**	**USD**	**USD**
TOC na Leningradskom	78%	22%	Vyborg, Lenigradskiy pr. 17	9,283	653	423	364	-	-	-
Kuybisheva	90%	22%	Saint-Petersburg, Kuybisheva str. 13 B	10,276	626	4,190	446	-	446	1,984
Hermitage View House	90%	17%	Saint-Petersburg, Zoologicheskiy Lane 2-4	19,374	6,859	163	562	595	595	3,174
					8,138	4,776				

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

Investment properties under development with a fair value of RUR 212,337 thousand / USD 7,021 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 159,967 thousand / USD 5,445 thousand) - refer to note 26.

Sensitivity analysis

A 10% increase in the estimated rental rates would have increased fair values of investment projects and profit by RUR 124,682 thousand / USD 4,122 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 RUR 44,793 thousand / USD 1,481 thousand. A 10% decrease in the assumed discount rate would have increased fair values of investment projects and profit by RUR 49,100 thousand / USD 1,623 thousand on the basis that all other variables remain constant.

A 10% increase in the anticipated costs to completion of individual projects would have decreased fair values of investment projects and profit by RUR 84,458 thousand / USD 2,793 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 RUR 108,626 thousand / USD 3,592 thousand. A 10% decrease in the anticipated occupancy rates of individual projects would have decreased fair values of investment projects and profit by RUR 148,077 thousand / USD 4,896 thousand.

17 Investment property

’000 RUR	**2009**	**2008**
Cost		
At 1 January	1,925,057	2,040,056
Transfer into property, plant and equipment	-	(4,358)
Additions	-	158,914
Change in fair value	379,770	(269,555)
At 31 December	2,304,827	1,925,057

’000 USD	**2009**	**2008**
Cost		
At 1 January	65,522	83,111
Transfer into property, plant and equipment	-	(175)
Additions	-	6,394
Change in fair value	11,971	(10,846)
Effect of movements in exchange rates	(1,286)	(12,962)
At 31 December	76,207	65,522

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 the comparable approach has been used.

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

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Rental income from investment property	143,926	169,908	4,537	6,836
Direct operating expenses arising from investment property that generated rental income during the year	19,047	9,248	600	372
Direct operating expenses arising from investment property that did not generate rental income during the year	-	-	-	-

Investment properties with a fair value of RUR 2,304,827 thousand / USD 76,207 thousand are subject to a registered debenture to secure bank loans (31 December 2008: nil) - refer to note 26.

18 Other investments

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Non-current				
Available-for-sale investments:				
Stated at cost	11,578	10,652	383	363
Originated loans	37,860	113,975	1,252	3,879
	49,438	124,627	1,635	4,242
Current				
Available-for-sale investments:				
Stated at fair value	2,365	84,173	78	2,865
Originated loans	121,441	49,475	4,016	1,684
	123,806	133,648	4,094	4,549

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

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

19 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

’000 RUR	**Assets**		**Liabilities**		**Net**	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
Property, plant and equipment	(314,588)	(178,291)	1,772,801	1,805,821	1,458,213	1,627,530
Intangible assets	(19)	(325)	114,246	135,069	114,227	134,744
Investment property under development	(12,189)	(9,688)	112,980	512,031	100,791	502,343
Investment property	-	-	345,090	265,021	345,090	265,021
Investments	-	(2,009)	-	-	-	(2,009)
Inventories	(549,571)	(692,231)	309,084	405,723	(240,487)	(286,508)
Trade and other receivables	(348,416)	(313,966)	10,659	15,256	(337,757)	(298,710)
Loans and borrowings	(89,807)	(150,556)	12,797	35,758	(77,010)	(114,798)
Provisions	(8,721)	(9,705)	-	-	(8,721)	(9,705)
Trade and other payables	(156,823)	(285,534)	14,982	9,380	(141,841)	(276,154)
Tax loss carry-forwards	(610,714)	(172,558)	-	-	(610,714)	(172,558)
Tax (assets)/liabilities	(2,090,848)	(1,814,863)	2,692,639	3,184,059	601,791	1,369,196
Set off of tax	924,618	938,032	(924,618)	(938,032)	-	-
Net tax (assets)/liabilities	(1,166,230)	(876,831)	1,768,021	2,246,027	601,791	1,369,196

’000 USD	**Assets**		**Liabilities**		**Net**	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
Property, plant and equipment	(10,402)	(6,068)	58,616	61,463	48,214	55,395
Intangible assets	(1)	(11)	3,777	4,597	3,776	4,586
Investment property under development	(403)	(330)	3,736	17,428	3,333	17,098
Investment property	-	-	11,410	9,020	11,410	9,020
Investments	-	(68)	-	-	-	(68)
Inventories	(18,171)	(23,561)	10,221	13,809	(7,950)	(9,752)
Trade and other receivables	(11,520)	(10,686)	352	519	(11,168)	(10,167)
Loans and borrowings	(2,969)	(5,124)	423	1,217	(2,546)	(3,907)
Provisions	(288)	(330)	-	-	(288)	(330)
Trade and other payables	(5,185)	(9,719)	495	320	(4,690)	(9,399)
Tax loss carry-forwards	(20,193)	(5,874)	-	-	(20,193)	(5,874)
Tax (assets)/liabilities	(69,132)	(61,771)	89,030	108,373	19,898	46,602
Set off of tax	30,572	31,927	(30,572)	(31,927)	-	-
Net tax (assets)/liabilities	(38,560)	(29,844)	58,458	76,446	19,898	46,602

Temporary difference of RUR 22,091,261 thousand / USD 730,430 thousand (31 December 2008: RUR 15,173,503 thousand / USD 516,460 thousand) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and the reversal is not expected in the foreseeable future.

Tax losses that arose within the year ended 31 December 2009 will expire in 10 years.

(b) Movement in temporary differences during the year

'000 RUR	1 January 2009	Recognised in income	Acquired/ disposed	Effect of movements in exchange rate	31 December 2009
Property, plant and equipment	1,627,530	(141,057)	(20,528)	(7,732)	1,458,213
Intangible assets	134,744	(20,517)	-	-	114,227
Investment property under development	502,343	(401,552)	-	-	100,791
Investment property	265,021	80,069	-	-	345,090
Investments	(2,009)	2,009	-	-	-
Inventories	(286,508)	46,112	(91)	-	(240,487)
Trade and other receivables	(298,710)	(39,077)	30	-	(337,757)
Loans and borrowings	(114,798)	37,788	-	-	(77,010)
Provisions	(9,705)	984	-	-	(8,721)
Trade and other payables	(276,154)	142,960	(8,647)	-	(141,841)
Tax loss carry-forwards	(172,558)	(440,353)	3,183	(986)	(610,714)
	1,369,196	(732,634)	(26,053)	(8,718)	601,791

’000 RUR	1 January 2008	Recognised in income	Acquired	Effect of movements in exchange rate	31 December 2008
Property, plant and equipment	1,696,759	(479,917)	410,688	-	1,627,530
Intangible assets	(144)	(26,562)	161,450	-	134,744
Investment property under development	4,388,802	(3,886,458)	(1)	-	502,343
Investment property	461,159	(196,138)	-	-	265,021
Investments	(595)	(1,414)	-	-	(2,009)
Inventories	(442,788)	(220,396)	376,676	-	(286,508)
Trade and other receivables	(177,929)	(113,946)	(6,835)	-	(298,710)
Assets held for sale	(2,707)	2,707	-	-	-
Loans and borrowings	(91,705)	(23,093)	-	-	(114,798)
Provisions	(3,546)	(4,286)	(1,873)	-	(9,705)
Trade and other payables	(379,817)	114,882	(12,264)	1,045	(276,154)
Tax loss carry-forwards	(65,257)	(68,467)	(29,425)	(9,409)	(172,558)
	5,382,232	(4,903,088)	898,416	(8,364)	1,369,196

’000 USD	1 January 2009	Recognised in income	Acquired/ disposed	Effect of movements in exchange rate	31 December 2009
Property, plant and equipment	55,395	(4,447)	(647)	(2,087)	48,214
Intangible assets	4,586	(647)	-	(163)	3,776
Investment property under development	17,098	(12,658)	-	(1,107)	3,333
Investment property	9,020	2,524	-	(134)	11,410
Investments	(68)	63	-	5	-
Inventories	(9,752)	1,454	(3)	351	(7,950)
Trade and other receivables	(10,167)	(1,232)	1	230	(11,168)
Loans and borrowings	(3,907)	1,191	-	170	(2,546)
Provisions	(330)	31	-	11	(288)
Trade and other payables	(9,399)	4,506	(273)	476	(4,690)
Tax loss carry-forwards	(5,874)	(13,880)	100	(539)	(20,193)
	46,602	(23,095)	(822)	(2,787)	19,898

’000 USD	1 January 2008	Recognised in income	Acquired	Effect of movements in exchange rate	31 December 2008
Property, plant and equipment	69,125	(19,308)	16,523	(10,945)	55,395
Intangible assets	(6)	(1,069)	6,496	(835)	4,586
Investment property under development	178,798	(156,364)	-	(5,336)	17,098
Investment property	18,787	(7,891)	-	(1,876)	9,020
Investments	(24)	(57)	-	13	(68)
Inventories	(18,039)	(8,868)	15,155	2,000	(9,752)
Trade and other receivables	(7,248)	(4,585)	(275)	1,941	(10,167)
Assets held for sale	(110)	109	-	1	-
Loans and borrowings	(3,736)	(929)	-	758	(3,907)
Provisions	(145)	(172)	(75)	62	(330)
Trade and other payables	(15,474)	4,622	(493)	1,946	(9,399)
Tax loss carry-forwards	(2,659)	(2,754)	(1,186)	725	(5,874)
	219,269	(197,266)	36,145	(11,546)	46,602

20 Inventories

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD	2008 ’000 USD
Work in progress, construction of buildings	42,794,692	36,529,612	1,414,972	1,243,332
Finished goods, construction of buildings	7,508,160	7,487,673	248,251	254,853
Raw materials and consumables	1,571,237	1,843,637	51,952	62,751
Finished goods and goods for resale	1,529,191	2,377,042	50,561	80,906
Work in progress	355,692	544,713	11,761	18,540
Rights to secure lease contracts	1,366,727	1,913,140	45,190	65,115
	55,125,699	50,695,817	1,822,687	1,725,497
Write down of inventories in the current year	529,084	-	16,678	-

Inventories with a carrying amount of RUR 6,050,773 thousand /USD 200,064 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 1,874,964 thousand /USD 63,817 thousand) (refer to note 26).

21 Trade and other receivables

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD	2008 ’000 USD
Non-current				
Accounts receivable - trade	5,791	1,473	191	50
Prepayments to suppliers	800,643	889,670	26,472	30,282
Other receivables	1,134,317	315,175	37,506	10,727
	1,940,751	1,206,318	64,169	41,059
Current				
Prepayments for flats	1,231,753	4,425,292	40,727	150,621
Accounts receivable – trade	2,061,310	2,760,942	68,156	93,972
Prepayments to suppliers	1,384,190	1,977,802	45,767	67,317
VAT receivable	796,205	1,140,566	26,326	38,821
Deferred expenses	814,635	230,823	26,935	7,856
Notes receivable	1,417,184	411,695	46,858	14,013
Amounts due from customers for contract work	1,155,758	332,269	38,214	11,310
Receivables on disposals of subsidiaries	29,531	-	976	-
Employee receivables	5,383	7,847	178	267
Other receivables	1,269,579	1,520,476	41,978	51,751
	10,165,528	12,807,712	336,115	435,928
Provision for doubtful debtors	(836,755)	(146,447)	(27,667)	(4,985)
	9,328,773	12,661,265	308,448	430,943

Prepayments for flats acquired for resale include RUR 439,892 thousand / USD 14,545 thousand for flats that will be received after 12 months from the balance sheet date (31 December 2008: RUR 549,220 thousand / USD 18,693 thousand).

Other non-current receivables include the advance of RUR 903,154 thousand / USD 29,862 thousand paid to CERIC S.A. for the supply of equipment for the new brick-making plant. This advance was reclassified from property, plant and equipment as we believe that due to the bankruptcy of CERIC S.A. the Group will receive back cash on bank guarantee rather than equipment (refer to note 32 (b)).

Receivables with a carrying amount of RUR 25,344 thousand /USD 838 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 44,161 thousand /USD 1,503 thousand) (refer to note 26).

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

22 Cash and cash equivalents

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Petty cash	8,184	9,915	271	337
Current accounts	681,975	1,573,213	22,549	53,546
Call deposits	2,205,391	1,662,932	72,919	56,600
Cash and cash equivalents in the statement of financial position	2,895,550	3,246,060	95,739	110,483
Bank overdrafts	-	(57,937)	-	(1,972)
Cash and cash equivalents in the statement of cash flows	2,895,550	3,188,123	95,739	108,511

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

23 Restricted cash

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Non-current				
Restricted cash	396,487	4,259,234	13,110	144,969
Current				
Restricted cash	35	-	1	-
	396,522	4,259,234	13,111	144,969

Restricted cash includes the amount of RUR 396,487 thousand /USD 13,110 thousand (31 December 2008: RUR 4,195,919 thousand /USD 142,814 thousand) which is reserved in connection with confirmed irrevocable letters of credit issued by the Group's bankers on building of Cement Plant in Leningrad Region

24 Equity

(a) Share capital

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

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

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2009 the Company had retained earnings, including the profit for the current period, of RUR 97,048 thousand/ USD 3,209 thousand (as at 31 December 2008: RUR 98,924 thousand/ USD 3,367 thousand).

25 Earnings per share

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

	2009	**2008**
Issued shares at 1 January	93,663,832	93,663,832
Weighted average number of shares for the year ended 31 December	93,663,832	93,663,832

26 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer to note 29.

	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	'000 RUR	'000 RUR	'000 USD	'000 USD
Non-current				
Secured bank loans	21,861,290	4,917,984	722,826	167,390
Unsecured bank loans	2,000,000	9,342,880	66,128	317,997
Unsecured other loans	597	15,698	20	535
Unsecured bond issues	-	3,683,520	-	125,373
Finance lease liability	571,586	903,450	18,899	30,750
	24,433,473	18,863,532	807,873	642,045
Current				
Secured bank loans	8,583,432	2,071,266	283,804	70,498
Unsecured bank loans	3,165,179	8,991,489	104,654	306,037
Unsecured other loans	43,514	554,329	1,439	18,867
Secured bond issue	-	332,486	-	11,317
Unsecured bond issue	2,669,990	4,895,000	88,281	166,608
Finance lease liability	645,303	1,107,916	21,337	37,709
	15,107,418	17,952,486	499,515	611,036

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 RUR	Currency	Nominal interest rate	Year of maturity	31 December 2009 Face value	31 December 2009 Carrying amount	31 December 2008 Face value	31 December 2008 Carrying amount
Secured facility	EUR	7.00 – 17.50% Euribor+1.5%/ 7.75%	2010-2018	5,809,416	5,809,416	1,289,466	1,289,466
	USD	9.00 – 12.00% Libor + 5.50% / 7.81%	2010-2015	13,290,977	13,290,977	2,409,193	2,409,193
	RUR	8.95–17.30%	2010-2012	11,339,481	11,339,481	3,618,051	3,618,051
	Other	2.80 - 6.00%	2010-2019	4,848	4,848	5,026	5,026
Unsecured facility	EUR	-	-	-	-	5,186,611	5,186,611
	USD	Libor + 8.25%	2010	1,285,379	1,285,379	3,359,665	3,359,665
	RUR	0 – 17.00%	2010-2011	6,593,901	6,593,901	18,936,640	18,936,640
Finance lease liability		6.30 – 49.70%	2010-2014	1,216,889	1,216,889	2,011,366	2,011,366
				39,540,891	39,540,891	36,816,018	36,816,018

'000 USD	Currency	Nominal interest rate	Year of maturity	31 December 2009 Face value	31 December 2009 Carrying amount	31 December 2008 Face value	31 December 2008 Carrying amount
Secured facility	EUR	7.00 – 17.50% Euribor+1.5%/ 7.75%	2010-2018	192,084	192,084	43,889	43,889
	USD	9.00 – 12.00% Libor + 5.50% / 7.81%	2010-2015	439,455	439,355	82,000	82,000
	RUR	8.95–17.30%	2010-2012	374,931	374,931	123,145	123,145
	Other	2.80 - 6.00%	2010-2019	160	160	171	171
Unsecured facility	EUR	-	-	-	-	176,533	176,533
	USD	Libor + 8.25%	2010	42,500	42,500	114,351	114,351
	RUR	0 – 17.00%	2010-2011	218,022	218,022	644,533	644,533
Finance lease liability		6.30 – 49.70%	2010-2014	40,236	40,236	68,459	68,459
				1,307,388	1,307,388	1,253,081	1,253,081

Covenants and other matters

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

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

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

- a prohibition restricting the Group ability to make very significant acquisitions without the prior permission of the lender other than acquisitions in its core business;
- a limitation on the Group ability to incur additional debt beyond a certain Total debt / EBITDA ratio, certain Total debt / Tangible Net Worth ratio and a certain EBIT/ gross interest ratio;
- subject to certain exceptions, a prohibition restricting the Group ability to make significant loans, or give credit, guarantees or indemnities to the third party;
- a 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 RUR	**31 December 2009**			**31 December 2008**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	813,046	167,743	645,303	1,382,462	274,546	1,107,916
Between one and five years	692,896	121,310	571,586	1,117,238	213,788	903,450
	1,505,942	289,053	1,216,889	2,499,700	488,334	2,011,366

’000 USD	**31 December 2009**			**31 December 2008**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	26,883	5,546	21,337	47,054	9,345	37,709
Between one and five years	22,910	4,011	18,899	38,027	7,277	30,750
	49,793	9,557	40,236	85,081	16,622	68,459

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUR 7,732,231 thousand /USD 255,660 thousand is pledged as collateral to secure bank loans (31 December 2008: RUR 3,279,270 thousand / USD 111,614 thousand) – refer to note 14(b).
- Investment property under development with a fair value of RUR 212,337 thousand / USD 7,021 thousand is pledged as collateral to secure bank loans (31 December 2008: RUR 159,967 thousand / USD 5,445 thousand) – refer to note 16.
- Investment property with a fair value of RUR 2,304,827 thousand / USD 76,207 thousand is pledged as collateral to secure bank loans (31 December 2008: nil) – refer to note 17.
- Inventories with a carrying amount of RUR 6,050,773 thousand /USD 200,064 thousand are pledged as collateral to secure bank loans. (31 December 2008: RUR 1,874,964 thousand / USD 63,817 thousand) – refer to note 20.
- Intangibles with a carrying amount of RUR 2,443 thousand /USD 81 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 3,382 thousand / USD 115 thousand) – refer to note 15.
- Receivables with a carrying amount of RUR 25,344 thousand /USD 838 thousand are subject to a registered debenture to secure bank loans (31 December 2008: RUR 44,161 thousand /USD 1,503 thousand) – refer to note 21.

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

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

- 9.27% of OAO “Gatchinsky DSK”;
- 100.00% of OAO “Granit-Kuznechnoye”;
- 79.41 % of OAO MTO “ARHPROEKT”;
- 25.95% of OAO “ZAVOD ELEKTRIK”;
- 100.00% of ZAO “DSK “Blok”;
- 100.00% of OOO “Martynovka”;
- 100.00% of ZAO “Promyshlenny leasing” (formerly OOO “Promyshlenny leasing”);
- 100.00% of ZAO “INGEOKOM S-Pb”.

27 Provisions

’000 RUR	Site restoration	Environment restoration	Warranty provisions	Total
Current				
Balance at 1 January 2009	870,564	8,859	6,133	885,556
Provisions made during the year	808,478	-	-	808,478
Provisions used during the year	(1,125,181)	(3,062)	-	(1,128,243)
Exchange difference	-	-	288	288
Balance at 31 December 2009	553,861	5,797	6,421	566,079
Non-current				
Balance at 1 January 2009	-	1,700	-	1,700
Change in amount discounted	-	(959)	-	(959)
Balance at 31 December 2009	-	741	-	741

’000 USD	Site restoration	Environment restoration	Warranty provisions	Total
Current				
Balance at 1 January 2009	29,631	302	208	30,141
Provisions made during the year	25,485	-	-	25,485
Provisions used during the year	(35,469)	(97)	-	(35,566)
Exchange difference	(1,334)	(13)	4	(1,343)
Balance at 31 December 2009	18,313	192	212	18,717
Non-current				
Balance at 1 January 2009	-	58	-	58
Change in amount discounted	-	(30)	-	(30)
Exchange difference	-	(3)	-	(3)
Balance at 31 December 2009	-	25	-	25

(a) Warranty provision

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

(b) Site restoration

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

(c) Environment restoration

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

28 Trade and other payables

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD	2008 '000 USD
Non-current payables				
Accounts payable – trade	-	35,640	-	1,213
Other payables	453	1,525	15	53
	453	37,165	15	1,266
Current payables				
Prepayments received for flats	17,621,161	24,450,717	582,630	832,212
Accounts payable – trade	3,784,067	3,484,099	125,117	118,586
Advances from customers	1,786,315	3,350,789	59,063	114,048
Notes payable	18,334	62,371	606	2,123
Employee-related liabilities	516,545	593,507	17,079	20,201
Other taxes payable	1,537,882	1,150,971	50,849	39,175
Non-controlling interest in limited liability subsidiaries	55,213	91,747	1,826	3,122
Accounts due to customers for contract work	1,560,702	803,385	51,603	27,344
Interest payable	480,824	477,229	15,899	16,243
Deferred income	86,811	67,860	2,870	2,310
Payables for shares of the subsidiaries acquired	-	2,675,383	-	91,060
Other payables	735,826	1,341,946	24,329	45,675
	28,183,680	38,550,004	931,871	1,312,099

Prepayments received for flats include RUR 880,398 thousand / USD 29,110 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2008: RUR 18,148,894 thousand / USD 617,721 thousand).

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

29 Financial risk management

(a) Overview

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

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

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

Risk management framework

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

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

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

(b) Credit risk

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is only one customer of the Group's construction segment, which represents approximately RUR 6,297,865 thousand/ USD 198,526 thousand or more than 10% of the Group's revenue (refer to note 5 (c)). Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

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

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

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

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

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

(ii) Investments

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

(iii) Guarantees

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

Exposure to credit risk

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

'000 RUR	**Carrying amount**	
	31 December 2009	**31 December 2008**
Available-for-sale financial assets	13,943	94,825
Loans and receivables	6,544,775	5,379,400
Cash and cash equivalents	2,895,550	3,246,060
Restricted cash	396,522	4,259,234
Financial assets held for sale	-	1,165
	9,850,790	12,980,684

'000 USD	**Carrying amount**	
	31 December 2009	**31 December 2008**
Available-for-sale financial assets	461	3,228
Loans and receivables	216,399	183,095
Cash and cash equivalents	95,739	110,483
Restricted cash	13,111	144,969
Financial assets held for sale	-	40
	325,710	441,815

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

'000 RUR	**Carrying amount**	
	31 December 2009	**31 December 2008**
Domestic	1,430,224	2,547,032
Euro-zone countries	34,233	12,101
Other CIS countries	90,594	125,012
	1,555,051	2,684,145

'000 USD	**Carrying amount**	
	31 December 2009	**31 December 2008**
Domestic	47,289	86,692
Euro-zone countries	1,132	412
Other CIS countries	2,995	4,254
	51,416	91,358

The Group's most significant trade debtor, OOO "NSK-Monolith", accounts for RUR 77,187 thousand / USD 2,552 thousand of the trade receivables carrying amount at 31 December 2009 (31 December 2008: RUR 107,668 thousand / USD 3,560 thousand).

The total amount of impaired trade receivables at the reporting date was RUR 512,050 thousand / USD 16,930 thousand (31 December 2008: RUR 78,270 thousand / USD 2,664 thousand). At 31

December 2009 the Group did not have any general provisions on its trade receivables (31 December 2008: nil).

The aging of trade receivables at the reporting date was:

	Gross 2009	Impairment 2009	Gross 2009	Impairment 2009
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
Not past due	732,926	2,753	24,234	91
Past due 0-30 days	267,793	836	8,854	28
Past due 31-150 days	390,502	33,580	12,912	1,110
Past due more than 150 days	675,879	474,881	22,347	15,701
	2,067,101	512,050	68,347	16,930

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

	2009	2008
	'000 RUR	**'000 RUR**
Balance at 1 January	(78,270)	(35,260)
Impairment loss recognised	(433,780)	(43,010)
Balance at 31 December	(512,050)	(78,270)

	2009	2008
	'000 USD	**'000 USD**
Balance at 1 January	(2,664)	(1,436)
Impairment loss recognised	(13,674)	(1,730)
Effect of movements in exchange rates	(592)	502
Balance at 31 December	(16,930)	(2,664)

The impairment loss at 31 December 2009 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:

	2009	**2008**
	’000 RUR	**’000 RUR**
Balance at 1 January	(68,177)	(134,948)
Impairment (loss) / reversal	(256,528)	66,771
Balance at 31 December	(324,705)	(68,177)

	2009	**2008**
	’000 USD	**’000 USD**
Balance at 1 January	(2,321)	(5,498)
Impairment (loss) / reversal	(8,086)	2,686
Effect of movements in exchange rates	(330)	491
Balance at 31 December	(10,737)	(2,321)

(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 31 December 2009 the Group’s undrawn short-term credit facilities amount is RUR 2,101,193 thousand / USD 69,474 thousand (31 December 2008: RUR 4,603,795 thousand / USD 156,696 thousand) from Russian, and Ukrainian banks. Interest would be payable at the rate of 11.00% to 18.00%.

The following are the contractual maturities of financial liabilities, excluding estimated interest payments and 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.

31 December 2009	**Average interest rate**					
'000 RUR	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUR*	8.95%-17.30%	12.8%	7,643,153	3,696,328	-	11,339,481
USD*	9.00% - 12.00%	11.4%	362,931	8,468,377	-	8,831,308
USD	Libor + 5.50% / 7.81%	8.64%	450,941	3,650,414	358,314	4,459,669
EUR*	7.00%-17.50%	7.57%	41,345	2,702,125	2,472,313	5,215,783
EUR	Euribor + 1.50% / 7.75%	4.67%	84,722	508,911	-	593,633
Other*	2.80% - 6.00%	5.89%	340	1,185	3,323	4,848
Unsecured bank loans:						
RUR*	6.00% - 13.20%	12.84%	1,879,800	2,000,000	-	3,879,800
USD	Libor + 8.25%	8.70%	1,285,379	-	-	1,285,379
Unsecured other loans:						
RUR*	0.0%-0.01%	0.00%	43,514	-	597	44,111
Unsecured bond issues:						
RUR*	13.25%-17.00%	13.25%	2,669,990	-	-	2,669,990
Finance lease liabilities						
RUR*	6.30% - 49.70%	18.31%	645,303	571,586	-	1,216,889
Trade and other payables		-	5,074,264	453	-	5,074,717
			20,181,682	21,599,379	2,834,547	44,615,608

*Fixed rate

31 December 2008	**Average interest rate**					
'000 RUR	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUR*	8.95%-16.50%	10.00%	487,907	3,130,144	-	3,618,051
USD*	9.02% - 11.00%	9.5%	470,086	705,130	-	1,175,216
USD	Libor + 6.00% / 6.22%	9.1%	881,412	352,565	-	1,233,977
EUR*	8.80%-12.00%	10.8%	175,111	141,416	-	316,527
EUR	Euribor + 0.99% / 5.75%	5.5%	56,421	268,046	315,986	640,453
Other*	2.50% - 6.00%	5.8%	329	1,223	3,474	5,026
Unsecured bank loans:						
RUR*	9.85% - 15.37%	12.1%	7,591,130	2,598,119	-	10,189,249
USD	Libor + 5.25% / 8.25%	9.3%	1,337,044	2,022,621	-	3,359,665
EUR*	3.00%-4.63%	4.6%	63,315	1,011,743	3,710,397	4,785,455
Unsecured other loans:						
RUR*	0.0%-14.00%	1.9%	153,173	15,066	632	168,871
EUR*	10.00%	10.0%	401,156	-	-	401,156
Unsecured bond issues:						
RUR*	8.35%-13.25%	11.0%	4,895,000	3,683,520	-	8,578,520
Secured bond issues:						
EUR	6m Euribor + 4.50%	8.0%	332,486	-	-	332,486
Finance lease liabilities						
RUR*	10.37 – 42.72%	17.92%	1,107,916	903,450	-	2,011,366
Trade and other payables		-	8,132,775	37,165	-	8,169,940
			26,085,261	14,870,208	4,030,489	44,985,958

*Fixed rate

31 December 2009	**Average interest rate**					
’000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUR*	8.95%-17.30%	12.8%	252,715	122,216	-	374,931
USD*	9.00% - 12.00%	11.4%	12,000	280,000	-	292,000
USD	Libor + 5.5% / 7.81%	8.64%	14,910	120,698	11,847	147,455
EUR*	7.00%-17.50%	7.57%	1,367	89,344	81,745	172,456
EUR	Euribor + 1.50% / + 7.75%	4.67%	2,801	16,827	-	19,628
Other*	2.80% - 6.00%	5.89%	11	39	110	160
Unsecured bank loans:						
RUR*	6.00% - 13.20%	12.84%	62,154	66,128	-	128,282
USD	Libor + 8.25%	8.70%	42,500	-	-	42,500
Unsecured other loans:						
RUR*	0.0%-0.01%	0.00%	1,439	-	20	1,459
Unsecured bond issues:						
RUR*	13.25%-17.00%	13.25%	88,281	-	-	88,281
Finance lease liabilities						
RUR*	6.30% - 49.70%	18.31%	21,337	18,899	-	40,236
Trade and other payables		-	167,777	15	-	167,792
			667,292	714,166	93,722	1,475,180

*Fixed rate

31 December 2008 '000 USD	Average interest rate Contractual	Effective	Less than 1 year	1-5 years	Over 5 years	Total
Secured bank loans:						
RUR*	8.95%-16.50%	10.00%	16,607	106,538	-	123,145
USD*	9.02%-11.00%	9.5%	16,000	24,000	-	40,000
USD	Libor + 6.01% / 6.22%	9.1%	30,000	12,000	-	42,000
EUR*	8.80%-12.00%	10.8%	5,960	4,813	-	10,773
EUR	Euribor + 0.99% / 5.75%	5.50%	1,920	9,124	10,755	21,799
Other*	2.50%-6.00%	5.80%	11	42	118	171
Unsecured bank loans:						
RUR*	9.85%-15.37%	12.10%	258,374	88,430	-	346,804
USD	Libor + 5.25% / 8.25%	9.3%	45,508	68,843	-	114,351
EUR*	3.0%-4.63%	4,60%	2,155	34,436	126,288	162,879
Unsecured other loans:						
RUR*	0.00%-14.00%	1.9%	5,213	513	22	5,748
EUR*	10.00%	10.00%	13,654	-	-	13,654
Unsecured bond issues:						
RUR*	8.35%-13.25%	11.00%	166,608	125,373	-	291,981
Secured bond issues:						
EUR	6m Euribor + 4.50%	8.00%	11,317	-	-	11,317
Finance lease liabilities						
RUR*	10.37%-42%	17.92%	37,709	30,750	-	68,459
Trade and other payables		-	276,809	1,266	-	278,075
			887,845	506,128	137,183	1,531,156

* Fixed rate

(d) Market risk

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

(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 (RUR), but also Euro, Estonian Krone (EEK) and Ukrainian Hryvna (UAH). The currencies in which these transactions primarily are denominated are Euro and USD.

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

Exposure to currency risk

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

31 December 2009 '000 RUR	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	6,319,083	18,771	-	47,620
Originated loans	159,301	-	-	-
Secured bank loans	(11,339,481)	(5,809,416)	(13,290,977)	(4,848)
Unsecured bank loans	(3,879,800)	-	(1,285,379)	-
Unsecured other loans	(44,111)	-	-	-
Unsecured bond issues	(2,669,990)	-	-	-
Finance lease liabilities	(1,216,889)	-	-	-
Trade and other payables	(4,936,834)	(34,721)	(7,467)	(95,695)
Gross balance sheet exposure	(17,608,721)	(5,825,366)	(14,583,823)	(52,923)

31 December 2008 '000 RUR	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	4,938,666	218,569	1,303	57,412
Originated loans	163,450	-	-	-
Secured bank loans	(3,618,051)	(956,980)	(2,409,193)	(5,026)
Unsecured bank loans	(10,189,249)	(4,785,455)	(3,359,665)	-
Unsecured other loans	(168,871)	(401,156)	-	-
Unsecured bond issue	(8,578,520)	-	-	-
Secured bond issues	-	(332,486)	-	-
Finance lease liabilities	(2,011,366)	-	-	-
Trade and other payables	(7,800,303)	(113,966)	(5,213)	(250,458)
Gross balance sheet exposure	(27,264,244)	(6,371,474)	(5,772,768)	(198,072)

31 December 2009 '000 USD	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	208,935	621	-	1,575
Originated loans	5,268	-	-	-
Secured bank loans	(374,931)	(192,084)	(439,455)	(160)
Unsecured bank loans	(128,282)	-	(42,500)	-
Unsecured other loans	(1,459)	-	-	-
Unsecured bond issues	(88,281)	-	-	-
Finance lease liabilities	(40,236)	-	-	-
Trade and other payables	(163,233)	(1,148)	(247)	(3,164)
Gross balance sheet exposure	(582,219)	(192,611)	(482,202)	(1,749)

31 December 2008 '000 USD	**RUR-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	168,095	7,439	44	1,954
Originated loans	5,563	-	-	-
Secured bank loans	(123,145)	(32,572)	(82,000)	(171)
Unsecured bank loans	(346,804)	(162,879)	(114,351)	-
Unsecured other loans	(5,748)	(13,654)	-	-
Unsecured bonds issue	(291,981)	-	-	-
Secured bond issues	-	(11,317)	-	-
Finance lease liabilities	(68,459)	-	-	-
Trade and other payables	(265,494)	(3,879)	(177)	(8,525)
Gross balance sheet exposure	(927,973)	(216,862)	(196,484)	(6,742)

The following significant exchange rates applied during the period:

	31 December 2009	**31 December 2008**
	RUR	**RUR**
1 USD equals	30.2442	29.3804
1 Euro equals	43.3883	41.4411
1 EEK equals	2.74374	2.65623

Sensitivity analysis

A 10% strengthening of RUR against the above currencies would have increased profit by RUR 2,046,211 thousand / USD 67,656 thousand. A 10% weakening of the RUR against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(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 RUR	**Carrying amount**	
	31 December 2009	**31 December 2008**
Fixed rate instruments		
Financial assets	173,244	258,275
Financial liabilities	(33,202,210)	(31,249,437)
	(33,028,966)	(30,991,162)
Variable rate instruments		
Financial liabilities	(6,338,681)	(5,566,581)

'000 USD	**Carrying amount**	
	31 December 2009	**31 December 2008**
Fixed rate instruments		
Financial assets	5,729	8,791
Financial liabilities	(1,097,805)	(1,063,614)
	(1,092,076)	(1,054,823)
Variable rate instruments		
Financial liabilities	(209,583)	(189,467)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

’000 RUR	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Year ended 31 December 2009		
Variable rate instruments	(63,387)	63,387
Cash flow sensitivity	(63,387)	63,387
Year ended 31 December 2008		
Variable rate instruments	(55,666)	55,666
Cash flow sensitivity	(55,666)	55,666

’000 USD	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Year ended 31 December 2009		
Variable rate instruments	(2,096)	2,096
Cash flow sensitivity	(2,096)	2,096
Year ended 31 December 2008		
Variable rate instruments	(1,895)	1,895
Cash flow sensitivity	(1,895)	1,895

(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 RUR	Note	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Financial assets					
Available-for-sale financial assets	18	13,943	13,943	94,825	94,825
Loans and receivables		6,544,775	6,544,775	5,379,400	5,379,400
Cash and cash equivalents	22	2,895,550	2,895,550	3,246,060	3,246,060
Restricted cash	23	396,522	396,522	4,259,234	4,259,234
		9,850,790	9,850,790	12,979,519	12,979,519
Financial liabilities					
Secured bank loans	26	(30,444,722)	(29,294,838)	(6,989,250)	(6,151,239)
Unsecured bank loans	26	(5,165,179)	(4,897,591)	(18,334,369)	(16,375,347)
Unsecured other loans	26	(44,111)	(38,509)	(570,027)	(532,452)
Secured bond issues	26	-	-	(332,486)	(317,233)
Unsecured bond issues	26	(2,669,990)	(2,519,375)	(8,578,520)	(7,848,100)
Trade and other payables	28	(5,074,717)	(5,074,717)	(8,169,940)	(8,169,940)
Finance lease liabilities	26	(1,216,889)	(1,216,889)	(2,011,366)	(2,011,366)
		(44,615,608)	(43,041,919)	(44,985,958)	(41,405,677)

'000 USD	Note	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Financial assets					
Available-for-sale financial assets	18	461	461	3,228	3,228
Loans and receivables		216,399	216,399	183,095	183,095
Cash and cash equivalents	22	95,739	95,739	110,483	110,483
Restricted cash	23	13,111	13,111	144,969	144,969
		325,710	325,710	441,775	441,775
Financial liabilities					
Secured bank loans	26	(1,006,630)	(968,610)	(237,888)	(209,365)
Unsecured bank loans	26	(170,782)	(161,935)	(624,034)	(557,356)
Unsecured other loans	26	(1,459)	(1,273)	(19,402)	(18,123)
Secured bond issues	26	-	-	(11,317)	(10,797)
Unsecured bond issues	26	(88,281)	(83,301)	(291,981)	(267,120)
Trade and other payables	28	(167,792)	(167,792)	(278,075)	(278,075)
Finance lease liabilities	26	(40,236)	(40,236)	(68,459)	(68,459)
		(1,475,180)	(1,423,147)	(1,531,156)	(1,409,295)

The interest rates used to discount estimated cash flows, where applicable, are based on marginal borrowing rates, available for the Group as at 31 December:

	2009	2008
Loans and borrowings	9.0% - 13.0%	9.0% - 15.0%
Leases	6.30% - 49.70%	10.37%-42%

(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 was as follows:

	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	’000 RUR	’000 RUR	’000 USD	’000 USD
Total liabilities	70,693,324	78,925,370	2,337,419	2,686,327
Less: cash and cash equivalents	(2,895,550)	(3,246,060)	(95,739)	(110,483)
Net liabilities	67,797,774	75,679,310	2,241,680	2,575,844
Total equity	39,621,092	34,973,482	1,310,039	1,190,368
Net liabilities to capital ratio	1.71	2.16	1.71	2.16

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

30 Operating leases

Non-cancellable operating lease rentals are payable as follows:

’000 RUR	2009	2008
Less than one year	195,312	386,330
Between one and five years	379,261	507,780
More than five years	1,176,826	1,144,344
	1,751,399	2,038,454

’000 USD	2009	2008
Less than one year	6,458	13,149
Between one and five years	12,540	17,283
More than five years	38,911	38,949
	57,909	69,381

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 year ended 31 December 2009 an amount of RUR 80,724 thousand / USD 2,545 thousand (2008: RUR 62,530 thousand / USD 2,516 thousand) was recognised as an expense in the statement of comprehensive income in respect of non-cancellable operating leases. During the year ended 31 December 2009 an amount of RUR 272,304 thousand / USD 8,584 thousand (2008: RUR 501,589 thousand / USD 20,180 thousand) was capitalized to the construction cost of the properties, located on the respective land plots.

31 Commitments

At 31 December 2009, the Group was committed to purchase property, plant and equipment for approximately RUR 5,032,827 thousand / USD 166,407 thousand (31 December 2008: RUR 7,022,962 thousand/ USD 239,036 thousand) net of VAT, including commitment to purchase equipment for a new cement plant for RUR 3,247,672 thousand / USD 107,382 thousand (31 December 2008: RUR 4,575,097 thousand/ USD 155,719 thousand) and commitment to purchase equipment for a new brick-making plant for RUR 1,159,291 thousand / USD 38,331 thousand (31 December 2008: RUR 1,107,264 thousand/USD 37,687 thousand).

32 Contingencies

(a) Insurance

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

(b) Litigation

In April 2009 one of the Group subsidiaries entered into litigation with CERIC S.A. in Stockholm arbitration court. The amount under dispute excluding penalties comprised of RUR 1,845,969 thousand / USD 61,035 thousand, including the amount of prepayment to CERIC S.A. of RUR 1,073,249 thousand / USD 35,486 thousand (RUR 903,154 thousand/ USD 29,862 thousand at amortised cost). In response CERIC S.A. initiated counter-claim to the Group subsidiary for the amount of RUR 1,720,433 thousand / USD 56,885 thousand. It is probable that the Group will recover the amount of prepayment and will not incur liabilities under these litigation and no amount has been written off or provided in connection with the Group's obligation under these litigation.

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

(c) Taxation contingencies

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

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated 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 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 2010 to 2027.

33 Related party transactions

(a) Control relationships

The Company is controlled by Andrey Molchanov, who owes 63.39% of the voting shares directly, 4.98% of the voting shares through an affiliated company Streetlink ltd and 0.05% of the voting shares through an affiliated company ZAO “NPO Reconstruktsia”.

(b) Transactions with management and close family members

The management and their close family members control 13.65% of the voting shares of the Group. (31 December 2008: 13.8%).

(i) Management remuneration

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

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	31 December 2009		**31 December**		**31 December**		**31 December**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	’000 RUR	**’000 RUR**	**’000 RUR**	**’000 RUR**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Sale of goods and services	95,654	168,896	(292,816)	(91,194)	3,015	6,795	(9,682)	(3,104)
Purchases of goods and services from related parties	34	-	4,370	-	1	-	144	-
Loans received (included into unsecured other loans – refer to note 26) from related parties	-	466,186	15,066	478,282	-	18,756	498	16,279
Loans given to related parties	19,670	11,915	12,485	10,336	620	479	413	352
Sale of shares (please refer to note 7 (c))	300,000	-	-	-	9,457	-	-	-

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

	2009	**2008**	**2009**	**2008**
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
Salaries and bonuses	346,839	542,984	10,933	21,846

(ii) Other transactions

Loans to executive directors amounting to RUR 12,485 thousand /USD 413 thousand are included in “employee receivables” (31 December 2008: RUR 3,434 thousand /USD 117 thousand) (refer to note 21). Interest of 8.5% - 13% p.a. was payable on these loans. The loans were expected to be repaid within 1-2 years.

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

(c) Transactions with other related parties

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

(i) Revenue

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
	'000 RUR	**'000 RUR**	**'000 RUR**	**'000 RUR**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Sale of goods and services provided to:								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	445,952	26,085	11,281	164,840	14,058	1,049	373	5,611
Companies significantly influenced by the Group key management	361,825	2,376	937,241	-	11,406	96	30,989	-
	807,777	28,461	948,522	164,840	25,464	1,145	31,362	5,611

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

(ii) Expenses

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
	’000 RUR	**’000 RUR**	**’000 RUR**	**’000 RUR**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Purchase of goods and services from:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	179,215	995,542	87,880	114,368	5,649	40,054	2,906	3,893
Companies significantly influenced by the Group management	-	62,103	7,641	14,688	-	2,499	253	500
	179,215	1,057,645	95,521	129,056	5,649	42,553	3,159	4,393

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 year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
	’000 RUR	**’000 RUR**	**’000 RUR**	**’000 RUR**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Loans received (included into unsecured other loans – refer to note 26):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	3,858,821	45,000	-	15,066	121,641	1,810	-	513
Companies significantly influenced by the Group management	-	1,317,508	25,472	49,000	-	53,007	842	1,668
	3,858,821	1,362,508	25,472	64,066	121,641	54,817	842	2,181
Loans given (included into other investments – originated loans category– refer to note 18):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	(60,755)	(264)	(1,512)	(376)	(1,915)	(11)	(50)	(13)
Companies significantly influenced by the Group management	-	(560)	-	(3,101)	-	(23)	-	(106)
	(60,755)	(824)	(1,512)	(3,477)	(1,915)	(34)	(50)	(119)
	3,798,066	1,361,684	23,960	60,589	119,726	54,783	792	2,062

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

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

(iv) Other investments

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
	'000 RUR	**'000 RUR**	**'000 RUR**	**'000 RUR**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Non-current available-for-sale investments stated at cost (included into other investments – originated loans category– refer to note 18):								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	-	-	-	-	-	-	-
Companies significantly influenced by the Group management	3,282	41,123	481	20,713	103	1,654	16	705
	3,282	41,123	481	20,713	103	1,654	16	705

(v) Transactions with shares / promissory notes

Purchase of shares from

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
	'000 RUR	**'000 RUR**	**'000 RUR**	**'000 RUR**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	44,326	-	50,801	-	1,783	-	1,729
Companies significantly influenced by the Group management	2,041	68,950	-	68,950	64	2,774	-	2,347
	2,041	113,276	-	119,751	64	4,557	-	4,076

Sale of shares to

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	’000 RUR	’000 RUR	’000 RUR	’000 RUR	’000 USD	’000 USD	’000 USD	’000 USD
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	26,960	-	-	-	1,085	-	-
Companies significantly influenced by the Group management	-	-	-	15,625	-	-	-	532
	-	26,960	-	15,625	-	1,085	-	532

34 Significant subsidiaries

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

Entity	Country of incorporation	Ownership/voting interest 31 December 2009	Ownership/voting interest 31 December 2008
OOO “Nevsky Portal”	Russia	100.00%	100.00%
ZAO “Promyshlenny leasing” (formerly OOO “Promyshlenny leasing”)	Russia	100.00%	100.00%
OOO “Martynovka”	Russia	100.00%	100.00%
OAO “NKSM”	Russia	100.00%	100.00%
ZAO NPO “VSR”	Russia	80.00%	80.00%
OOO “SPb GDC “YUNA”	Russia	100.00%	100.00%
DNP “Alakul”**	Russia	-	-
“DNP “Penaty 2”**	Russia	-	-
ZAO “MSR-Butovo”	Russia	100.00%	100.00%
OAO “Zavod ZhBI-6”	Russia	57.70%	57.70%
OOO “GDSK Invest Primorsky” (formerly OOO “GDSK Iinvest-49”)	Russia	100.00%	100.00%
ZAO “Zarechye”	Russia	100.00%	100.00%
OOO “LenSpecSMO Promstroymontazh”	Russia	100.00%	100.00%
Limited Liability Company Smolniy District	Russia	100.00%	100.00%
OOO “VSMP” (formerly ZAO “ VSMP “)	Russia	100.00%	100.00%
OOO "Yakornaya"	Russia	100.00%	100.00%
OOO “BaltStroyKomplekt”	Russia	100.00%	100.00%
Aeroc International AS	Estonia	90.00%	90.00%
ZAO “Obyedineniye 45-M”	Russia	100.00%	100.00%
OOO “LSR-Invest”	Russia	100.00%	100.00%
ZAO “Chifko plus”	Russia	100.00%	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Strabe Wohnbau Gmbh & Co. KG	Germany	70.00%	70.00%
Saargemunder Strabe Wohnbau Beteiligungs-GmbH	Germany	70.00%	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
LSR Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestrasse Projektetnwicklungs GmbH & Co KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstr. 79 mbH	Germany	80.00%	-
JSC "A Plus Estate"	Russia	100.00%	100.00%
ZAO “INGEOKOM S-Pb”	Russia	100.00%	100.00%
OAO “Stroicorporatciya”	Russia	100.00%	100.00%
OAO MTO “ARHPROEKT”	Russia	100.00%	100.00%
LLC “LSR - UKRAINE”	Ukraine	100.00%	100.00%
OOO “Velikan-XXI vek”	Russia	100.00%	100.00%
OAO “ZAVOD ELEKTRIK”	Russia	100.00%	100.00%
ZAO “ZAVOD “STROIFARFOR”	Russia	100.00%	95.75%

Entity	**Country of incorporation**	**Ownership/voting interest 31 December 2009**	**Ownership/voting interest 31 December 2008**
OOO “BSK Invest-1”**	Russia	20.00%	20.00%
OOO “BSK Invest-2”**	Russia	20.00%	20.00%
OOO “BSK Invest-3”**	Russia	20.00%	20.00%
Limited Liability Company "Cement"	Russia	100.00%	100.00%
OOO “Investproekt”	Russia	100.00%	100.00%
ZAO “Kazanskaya, 36”	Russia	100.00%	100.00%
OOO “Ozherel’evskaya keramika”	Russia	100.00%	100.00%
OOO “Okhtinskiy Bereg”	Russia	94.00%	94.00%
Joint-Stock Company “Parkon”	Russia	100.00%	100.00%
Lsr Group Ltd (formerly OOO LSR)	Russia	100.00%	100.00%
OOO “Ohta 25”	Russia	55.00%	55.00%
OOO Agentstvo “TRIADA”	Russia	100.00%	100.00%
OOO “Barrikada”	Russia	100.00%	100.00%
OOO “UK “LSR Ural” (former OOO “UK “NOVA GROUP”)	Russia	100.00%	100.00%
OOO “Promrezerv”	Russia	100.00%	100.00%
OAO “Betfor”	Russia	92.65%	92.64%
OOO “SMU NOVA-stroy”	Russia	100.00%	-
OOO “PKU NOVA-StroyProekt”	Russia	100.00%	100.00%
ZAO “NOVA-stroy”	Russia	100.00%	100.00%
OOO “Granit-Invest”	Russia	100.00%	100.00%
OOO “Uralscheben”	Russia	100.00%	100.00%
JSC “Aeroc Obuchow”	Ukraine	97.32%	97.2766%
OOO “Kentavr Management”	Russia	100.00%	100.00%
ZAO “Beton 45”	Russia	100.00%	-
Hiuki Holding LTD **	Cyprus	-	-

* The Group controls OOO “Stroitelny trest № 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.

35 Events subsequent to the balance sheet date

(a) Financing events

In January – February 2010 Group subsidiaries repaid overdrafts in OAO “Sberbank” with a nominal value of RUR 80,000 thousand / USD 2,646 thousand.

In January – March 2010 the Group subsidiaries repaid a revolving credit lines in OAO “Sberbank” with a nominal value of RUR 3,358,000 thousand / USD 111,030 thousand.

In March 2010 the Group subsidiaries early repaid a revolving credit lines in OAO “Sberbank” with a nominal value of RUR 1,300,000 thousand / USD 42,983 thousand.

In February 2010 the Group fully paid the third coupon payment of its Series 02 bonds totaling RUR 176,346 thousand / USD 5,831 thousand.

In February 2010 the Group successfully met its obligation to repay bonds issued by the Company which were presented for payment for the total amount of RUR 1,979,414 thousand / USD 65,448 thousand.

In February 2010 one of the Group subsidiaries early repaid a revolving credit line in OAO “Bank Saint-Petersburg” with a nominal value of RUR 500 thousand / USD 17 thousand.

In March 2010 the Group subsidiaries repaid a revolving credit lines in OAO “Bank VTB Severo-Zapad” with a nominal value of RUR 650,000 thousand / USD 21,492 thousand.

In March 2010 the Company early repaid the third installment under the loan agreement with ZAO “Raiffeizenbank” in the amount of 642,689 thousand/USD 21,250 thousand.

In January 2010 one of the Group subsidiaries entered into a loan agreement with OAO “Bank Saint-Petersburg”. The total amount of non-revolving credit line granted is limited to RUR 911,154 thousand / USD 30,127 thousand. The loan is to be repaid no later than 24 January 2011.

In January 2010 the Company entered into the loan agreement with Mr. Andrey Molchanov. Total amount of the loan granted is limited to RUR 1,555,000 thousand / USD 51,415 thousand. The loan is to be repaid no later than 25 February 2011.

In February 2010 the Company entered into a loan agreement with OAO “Sberbank”. The total amount of non-revolving credit line granted is limited to RUR 1,500,000 thousand / USD 49,596 thousand. The loan is to be repaid no later than 26 July 2011.

In February - March 2010 the Group sold its Series LSR Group 02 and LSR-Invest 02 bonds on public market for the total amounts of RUR 2,060,330 thousand / USD 68,123 thousand and RUR 450,000 thousand / USD 14,879 thousand respectively.

In March 2010 one of the Group subsidiaries entered into two loan agreements with OAO “Bank Saint-Petersburg”. The total amount of revolving credit lines granted is limited to RUR 897,271 thousand / USD 29,668 thousand. The loans are to be repaid no later than 27 February 2012.

In March 2010 one of the Group subsidiaries entered into a loan agreement with OAO “Sberbank”. The total amount of revolving credit line granted is limited to RUR 1,300,000 thousand / USD 42,983 thousand. The loan is to be repaid no later than 21 September 2011.

In March 2010 one of the Group subsidiaries entered into a loan agreement with OAO “Sberbank”. The total amount of revolving credit line granted is limited to RUR 282,500 thousand / USD 9,341 thousand. The loan is to be repaid no later than 16 March 2011.

In March 2010 the Company entered into a loan agreement with OAO “Sberbank”. The total amount of non-revolving credit line granted is limited to RUR 637,500 thousand / USD 21,078 thousand. The loan is to be repaid no later than 19 September 2011.

In March 2010 one of the Group subsidiaries entered into a loan agreement with OAO “Bank VTB Severo-Zapad”. The total amount of revolving credit line granted is limited to RUR 800,000 thousand / USD 26,451 thousand. The loan is to be repaid no later than 23 September 2011.

In April 2010 the Company sold its Series LSR Group 02 bonds on public market for the total amount of RUR 250,000 thousand / USD 8,266 thousand.

(b) Operating events

In February 2010 the Group extraordinary shareholders meeting approved the signing of the Underwriting Agreement between the Company, Company’s shareholders - Streetlink Limited and Mr. Andrey Molchanov, and Underwriting Banks – Goldman Sachs International, J.P. Morgan Securities Limited, VTB Capital plc and other entities specified in the Underwriting Agreement as underwriters, bookrunners or managers, and/or their affiliated companies. The subject of the agreement is performance of transactions related to an offering of ordinary shares of the Company in the form of global depositary receipts and/or shares to Russian and international investors.

In March 2010 one of the Group subsidiaries has entered into a government contract with Saint Petersburg Committee for Construction under which it should design and construct pre-school educational facilities and secondary schools in the Osinovaya Roscha area in St. Petersburg. The total value of the government contract is RUR 1,995,139 thousand / USD 65,968 thousand.

In March 2010 the Group has taken the decision to increase the Company’s share capital through placement of new ordinary registered book-entry shares by open subscription and approved the Decision on Additional Issue and Prospectus. The total number of shares to be placed is 16,042,508 shares, with a par value of RUR 0.25 each.

In March 2010 the Group received notifications from two of its shareholders, Andrey Molchanov and Streetlink Limited, regarding a change in their Company shareholdings. According to the notifications, Andrey Molchanov transferred 53.39 percent of shares in the Company to Streetlink Limited under the stock lending agreement.

In March 2010 one of the Group subsidiaries entered into a number of preliminary contracts totaling RUR 1,722,445 thousand / USD 56,951 thousand to purchase land lots of 34 hectares in the Kalininsky district of St. Petersburg. According to the terms of the contracts, the payment will be made by several tranches; the last tranche is scheduled for the second half of 2013.

In April 2010, the Company received a notification from the Federal Financial Markets Service about public registration of the additional ordinary registered book-entry shares issue of OJSC LSR Group. The total number of the additional shares issue is 16,042,508 shares, with a par value of RUR 0.25 each. In accordance with current legislation of the Russian Federation, the Company is entitled to place additional shares within a year since the date of the public registration.

36 Supplementary disclosures

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

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

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

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

Year ended 31 December 2009 **'000 RUR**	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. management fee)	Depreciation/ Amortisation	Change in fair value of investment property	Impairment losses on goodwill	EBITDA*
Brick	1,312,737	17,811	**1,330,548**	99,352	76,288	-	-	**175,640**
Reinforced Concrete Saint-Petersburg	2,577,992	223,111	**2,801,103**	202,271	186,193	-	-	**388,464**
Reinforced& Ready-mix Concrete Moscow	431,732	559,380	**991,112**	(323,227)	51,492	-	-	**(271,735)**
Ready-mix Concrete Saint-Petersburg	2,034,859	214,628	**2,249,487**	(223,644)	299,717	-	-	**76,073**
Aerated Concrete	1,607,283	25,874	**1,633,157**	(151,034)	221,388	-	-	**70,354**
Cement	1,051,385	646,103	**1,697,488**	(21,028)	32,931	-	-	**11,903**
Other	552,594	182,811	**735,405**	(234)	14,910	-	-	**14,676**
Eliminations	-	(1,165,347)	**(1,165,347)**	(3,088)	-	-	-	**(3,088)**
Building Materials	**9,568,582**	**704,371**	**10,272,953**	**(420,632)**	**882,919**	**-**	**-**	**462,287**
Construction Saint-Petersburg	11,399,451	286,126	**11,685,577**	2,900,584	336,804	-	-	**3,237,388**
Construction Moscow	111,083	-	**111,083**	12,219	-	-	-	**12,219**
Construction Ural	614,705	344,882	**959,587**	(252,384)	216,114	-	-	**(36,270)**
Construction	**12,125,239**	**631,008**	**12,756,247**	**2,660,419**	**552,918**	**-**	**-**	**3,213,337**
Sand	1,981,786	124,075	**2,105,861**	811,411	280,281	-	-	**1,091,692**
Crushed Granite	1,141,703	361,402	**1,503,105**	42,303	199,654	-	-	**241,957**
Crushed Granite Ural	17,458	1,470	**18,928**	(2,443)	38,176	-	-	**35,733**
Eliminations	-	(25,190)	**(25,190)**	-	-	-	-	**-**
Aggregates	**3,140,947**	**461,757**	**3,602,704**	**851,271**	**518,111**	**-**	**-**	**1,369,382**
Tower Cranes	897,253	179,101	**1,076,354**	287,629	219,200	-	-	**506,829**
Transportation	4,063	206,075	**210,138**	4,309	51,392	-	-	**55,701**
Pile Driving services	411,340	66,524	**477,864**	(7,884)	31,937	-	-	**24,053**
Eliminations	-	(751)	**(751)**	-	-	-	-	**-**
Construction Services	**1,312,656**	**450,949**	**1,763,605**	**284,054**	**302,529**	**-**	**-**	**586,583**
Elite Real Estate	12,950,905	40	**12,950,945**	4,338,252	22,255	(2,132,132)	-	**6,492,639**
Business Class and Mass Market Real Estate	8,015,323	15,315	**8,030,638**	2,424,612	1,702	-	-	**2,426,314**
Real Estate Urals	1,803,368	1,843	**1,805,211**	231,846	1,103	-	-	**232,949**
Gated Communities	336,080	-	**336,080**	83,648	587	-	-	**84,235**
Real Estate Moscow	-	12,930	**12,930**	(33,639)	7,887	-	-	**(25,752)**
Real Estate Western Europe	185,037	-	**185,037**	(18,579)	353	-	-	**(18,226)**
Other	65,153	44,161	**109,314**	7,613	1,217	-	-	**8,830**
Eliminations	(178)	(13,081)	**(13,259)**	286	-	-	-	**286**
Real Estate Development	**23,355,688**	**61,208**	**23,416,896**	**7,034,039**	**35,104**	**(2,132,132)**	**-**	**9,201,275**
Commercial Real Estate	**143,926**	**1**	**143,927**	**446,835**	**1,266**	**379,770**	**-**	**68,331**
Other Entities	**17,423**	**-**	**17,423**		**112,724**	**-**	**-**	**112,724**
Unallocated Expenses & Income	272,648	-	**272,648**	(852,354)	-	-	(79,093)	**(773,261)**
Transportation revenue	1,086,818	-	**1,086,818**	-	-	-	-	**-**
Eliminations	-	(2,309,294)	**(2,309,294)**	491,716	-	-	-	**491,716**
Consolidated	**51,023,927**	**-**	**51,023,927**	**10,495,348**	**2,405,571**	**(1,752,362)**	**(79,093)**	**14,732,374**

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

Year ended 31 December 2009 ’000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. management fee)	Depreciation/ Amortisation	Change in fair value of investment property	Impairment losses on goodwill	EBITDA*
Brick	41,381	561	**41,942**	3,132	2,405	-	-	**5,537**
Reinforced Concrete Saint-Petersburg	81,265	7,033	**88,298**	6,376	5,869	-	-	**12,245**
Reinforced& Ready-mix Concrete Moscow	13,609	17,633	**31,242**	(10,189)	1,623	-	-	**(8,566)**
Ready-mix Concrete Saint-Petersburg	64,144	6,766	**70,910**	(7,050)	9,448	-	-	**2,398**
Aerated Concrete	50,666	816	**51,482**	(4,761)	6,979	-	-	**2,218**
Cement	33,143	20,367	**53,510**	(663)	1,038	-	-	**375**
Other	17,420	5,763	**23,183**	(7)	470	-	-	**463**
Eliminations	-	(36,735)	**(36,735)**	(97)	-	-	-	**(97)**
Building Materials	**301,628**	**22,204**	**323,832**	**(13,259)**	**27,832**	-	-	**14,573**
Construction Saint-Petersburg	359,342	9,019	**368,361**	91,434	10,617	-	-	**102,051**
Construction Moscow	3,502	-	**3,502**	385	-			**385**
Construction Ural	19,377	10,872	**30,249**	(7,955)	6,813	-	-	**(1 142)**
Construction	**382,221**	**19,891**	**402,112**	**83,864**	**17,430**	-	-	**101,294**
Sand	62,471	3,911	**66,382**	25,578	8,835	-	-	**34,413**
Crushed Granite	35,990	11,392	**47,382**	1,333	6,294	-	-	**7,627**
Crushed Granite Ural	550	46	**596**	(77)	1,203	-	-	**1,126**
Eliminations	-	(793)	**(793)**	-	-	-	-	**-**
Aggregates	**99,011**	**14,556**	**113,567**	**26,834**	**16,332**	-	-	**43,166**
Tower Cranes	28,284	5,646	**33,930**	9,067	6,910	-	-	**15,977**
Transportation	128	6,496	**6,624**	136	1,620	-	-	**1,756**
Pile Driving services	12,967	2,097	**15,064**	(249)	1,007	-	-	**758**
Eliminations	-	(24)	**(24)**	-	-	-	-	**-**
Construction Services	**41,379**	**14,215**	**55,594**	**8,954**	**9,537**	-	-	**18,491**
Elite Real Estate	408,248	1	**408,249**	136,754	702	(67,210)	-	**204,666**
Business Class and Mass Market Real Estate	252,665	483	**253,148**	76,430	54	-	-	**76,484**
Real Estate Urals	56,847	58	**56,905**	7,308	35	-	-	**7,343**
Gated Communities	10,594	-	**10,594**	2,637	19	-	-	**2,656**
Real Estate Moscow	-	408	**408**	(1,060)	249	-	-	**(811)**
Real Estate Western Europe	5,833	-	**5,833**	(586)	11	-	-	**(575)**
Other	2,054	1,392	**3,446**	240	37	-	-	**277**
Eliminations	(5)	(413)	**(418)**	9	-	-	-	**9**
Real Estate Development	**736,236**	**1,929**	**738,165**	**221,732**	**1,107**	**(67,210)**	-	**290,049**
Commercial Real Estate	**4,537**	-	**4,537**	**14,085**	**40**	**11,971**	-	**2,154**
Other Entities	**549**	-	**549**	**-**	**3,553**	-	-	**3,553**
Unallocated Expenses & Income	8,595	-	**8,595**	(26,869)	-	-	(2,493)	**(24,376)**
Transportation revenue	34,260	-	**34,260**	-	-	-	-	**-**
Eliminations	-	(72,795)	**(72,795)**	15,502	-	-	-	**15,502**
Consolidated	**1,608,416**	-	**1,608,416**	**330,843**	**75,831**	**(55,239)**	**(2,493)**	**464,406**

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

Year ended 31 December 2008 ’000 RUR	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. management fee)	Depreciation/ Amortisation	Change in fair value of investment property	Impairment losses on goodwill	EBITDA*
Brick	2,641,044	68,367	**2,709,411**	950,744	87,519	-	-	**1,038,263**
Reinforced Concrete Saint-Petersburg	4,421,105	723,160	**5,144,265**	1,213,588	188,616	-	-	**1,402,204**
Reinforced& Ready-mix Concrete Moscow	711,074	145,515	**856,589**	57,972	23,663	-	-	**81,635**
Ready-mix Concrete Saint-Petersburg	5,563,375	168,298	**5,731,673**	350,552	260,974	-	-	**611,526**
Aerated Concrete	2,553,605	36,150	**2,589,755**	174,416	135,547	-	-	**309,963**
Cement	1,061,005	1,405,825	**2,466,830**	(41,287)	8,582	-	-	**(32,705)**
Other	1,028,993	206,806	**1,235,799**	194,930	12,570	-	-	**207,500**
Eliminations	-	(1,525,083)	**(1,525,083)**	(9,127)	-	-	-	**(9,127)**
Building Materials	**17,980,201**	**1,229,038**	**19,209,239**	**2,891,788**	**717,471**	**-**		**3,609,259**
Construction Saint-Petersburg	8,053,470	2,926,493	**10,979,963**	2,436,434	267,516	-	-	**2,703,950**
Construction Ural	1,543,484	540,217	**2,083,701**	263,457	153,552	-	-	**417,009**
Construction	**9,596,954**	**3,466,710**	**13,063,664**	**2,699,891**	**421,068**	**-**		**3,120,959**
Sand	3,484,532	358,956	**3,843,488**	1,712,970	301,516	-	-	**2,014,486**
Crushed Granite	2,104,824	983,625	**3,088,449**	955,061	196,775	-	-	**1,151,836**
Crushed Granite Ural	46,382	9,793	**56,175**	(34,459)	14,985	-	-	**(19,474)**
Eliminations	-	(34,459)	**(34,459)**	-	-	-	-	**-**
Aggregates	**5,635,738**	**1,317,915**	**6,953,653**	**2,633,572**	**513,276**	**-**	**-**	**3,146,848**
Tower Cranes	1,171,812	162,829	**1,334,641**	436,020	188,361	-	-	**624,381**
Transportation	71,554	364,995	**436,549**	7,896	62,690	-	-	**70,586**
Pile Driving services	819,663	163,304	**982,967**	130,501	26,039	-	-	**156,540**
Eliminations	-	(1,839)	**(1,839)**	-	-	-	-	**-**
Construction Services	**2,063,029**	**689,289**	**2,752,318**	**574,417**	**277,090**	**-**	**-**	**851,507**
Elite Real Estate	3,927,938	2,292	**3,930,230**	(13,695,375)	20,419	(15,493,797)	-	**1,818,841**
Business Class and Mass Market Real Estate	5,163,383	16,517	**5,179,900**	1,585,520	1,994	-	-	**1,587,514**
Real Estate Urals	2,001,966	10,462	**2,012,428**	332,296	611	-	-	**332,907**
Gated Communities	143,314	2,400	**145,714**	3,355	490	-	-	**3,845**
Real Estate Moscow	495,159	254	**495,413**	238,843	5,844	-	-	**244,687**
Real Estate Western Europe	294,639	-	**294,639**	2,331	364	-	-	**2,695**
Other	68,766	59,984	**128,750**	13,235	1,250	-	-	**14,485**
Eliminations	-	(32,662)	**(32,662)**	(3,098)	-	-	-	**(3,098)**
Real Estate Development	**12,095,165**	**59,247**	**12,154,412**	**(11,522,893)**	**30,972**	**(15,493,797)**	**-**	**4,001,876**
Commercial Real Estate	**169,908**	**10,754**	**180,662**	**(545,424)**	**1,165**	**(648,838)**	**-**	**104,579**
Other Entities	**104,527**	**-**	**104,527**	**-**	**87,555**	**-**	**-**	**87,555**
Unallocated Expenses & Income	190,955	-	**190,955**	(1,408,782)	-	-	(390,986)	**(1,017,796)**
Transportation revenue	1,976,602		**1,976,602**	-	-	-	-	**-**
Eliminations	-	(6,772,953)	**(6,772,953)**	(726,573)	-	-	-	**(726,573)**
Consolidated	**49,813,079**	**-**	**49,813,079**	**(5,404,004)**	**2,048,597**	**(16,142,635)**	**(390,986)**	**13,178,214**

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

Year ended 31 December 2008 ’000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. management fee)	Depreciation/ Amortisation	Change in fair value of investment property	Impairment losses on goodwill	EBITDA*
Brick	106,257	2,751	**109,008**	38,251	3,521	-	-	**41,772**
Reinforced Concrete Saint-Petersburg	177,874	29,095	**206,969**	48,826	7,589	-	-	**56,415**
Reinforced& Ready-mix Concrete Moscow	28,608	5,854	**34,462**	2,332	951	-	-	**3,283**
Ready-mix Concrete Saint-Petersburg	223,831	6,771	**230,602**	14,104	10,500	-	-	**24,604**
Aerated Concrete	102,739	1,454	**104,193**	7,017	5,453	-	-	**12,470**
Cement	42,687	56,560	**99,247**	(1,661)	345	-	-	**(1,316)**
Other	41,399	8,320	**49,719**	7,843	507	-	-	**8,350**
Eliminations	-	(61,357)	**(61,357)**	(367)	-	-	-	**(367)**
Building Materials	**723,395**	**49,448**	**772,843**	**116,345**	**28,866**	-	-	**145,211**
Construction Saint-Petersburg	324,014	117,742	**441,756**	98,024	10,763	-	-	**108,787**
Construction Ural	62,099	21,734	**83,833**	10,600	6,178	-	-	**16,778**
Construction	**386,113**	**139,476**	**525,589**	**108,624**	**16,941**	-	-	**125,565**
Sand	140,193	14,442	**154,635**	68,918	12,131	-	-	**81,049**
Crushed Granite	84,683	39,574	**124,257**	38,425	7,917	-	-	**46,342**
Crushed Granite Ural	1,866	394	**2,260**	(1,387)	603	-	-	**(784)**
Eliminations	-	(1,386)	**(1,386)**	-	-	-	-	-
Aggregates	**226,742**	**53,024**	**279,766**	**105,956**	**20,651**	-	-	**126,607**
Tower Cranes	47,146	6,551	**53,697**	17,542	7,578	-	-	**25,120**
Transportation	2,879	14,685	**17,564**	318	2,522	-	-	**2,840**
Pile Driving services	32,977	6,570	**39,547**	5,250	1,048	-	-	**6,298**
Eliminations	-	(74)	**(74)**	-	-	-	-	-
Construction Services	**83,002**	**27,732**	**110,734**	**23,110**	**11,148**	-	-	**34,258**
Elite Real Estate	158,032	92	**158,124**	(551,004)	821	(623,360)	-	**73,177**
Business Class and Mass Market Real Estate	207,738	665	**208,403**	63,790	80	-	-	**63,870**
Real Estate Urals	80,544	421	**80,965**	13,369	25	-	-	**13,394**
Gated Communities	5,766	97	**5,863**	135	20	-	-	**155**
Real Estate Moscow	19,922	10	**19,932**	9,609	235	-	-	**9,844**
Real Estate Western Europe	11,854	-	**11,854**	94	15	-	-	**109**
Other	2,767	2,413	**5,180**	532	50	-	-	**582**
Eliminations	-	(1,314)	**(1,314)**	(124)	-	-	-	**(124)**
Real Estate Development	**486,623**	**2,384**	**489,007**	**(463,599)**	**1,246**	**(623,360)**	-	**161,007**
Commercial Real Estate	**6,836**	**433**	**7,269**	**(21,944)**	**47**	**(26,105)**	-	**4,208**
Other Entities	**4,204**		**4,204**		**3,523**	-		**3,523**
Unallocated Expenses & Income	7,684	-	**7,684**	(56,679)	-	-	(15,730)	**(40,949)**
Transportation revenue	79,524	-	**79,524**	-	-	-	-	-
Eliminations	-	(272,497)	**(272,497)**	(29,232)	-	-	-	**(29,232)**
Consolidated	2,004,123	-	**2,004,123**	**(217,419)**	82,422	(649,465)	(15,730)	530,198

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