OJSC LSR Group

Consolidated Financial Statements for the year ended 31 December 2011

Contents

ZAO KPMG
North-West Regional Center
"Renaissance Plaza" Business Center
69-71 A, Ul. Marata
Saint Petersburg, Russia 191119

Telephone +7 (812) 313 7300
Fax +7 (812) 313 7301
Internet www.kpmg.ru

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 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 policies 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG

2 April 2012

	Note	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Revenue		51,909,689	49,949,506	1,766,393	1,644,742
Cost of sales		(37,247,498)	(36,875,073)	(1,267,465)	(1,214,226)
Gross profit		14,662,191	13,074,433	498,928	430,516
Distribution expenses		(2,916,263)	(2,374,650)	(99,235)	(78,194)
Administrative expenses	7	(4,708,419)	(4,045,227)	(160,219)	(133,202)
Change in fair value of investment property	15, 16	152,002	(36,283)	5,172	(1,194)
Other income	8	709,769	228,917	24,152	7,538
Other expenses	8	(44,272)	(576,742)	(1,506)	(18,991)
Results from operating activities		7,855,008	6,270,448	267,292	206,473
Finance income	10	207,606	685,905	7,064	22,586
Finance costs	10	(4,328,649)	(4,460,573)	(147,296)	(146,878)
Profit before income tax		3,733,965	2,495,780	127,060	82,181
Income tax expense	11	(1,302,347)	(753,860)	(44,317)	(24,823)
Profit for the year		2,431,618	1,741,920	82,743	57,358
Other comprehensive income / (loss)					
Foreign currency translation differences for foreign operations		7,186	(49,206)	(95,252)	(13,197)
Total comprehensive income for the year		2,438,804	1,692,714	(12,509)	44,161

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 112.

	Note	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Profit attributable to:					
Shareholders of the Company		2,465,933	1,770,249	83,911	58,291
Non-controlling interest		(34,315)	(28,329)	(1,168)	(933)
Profit for the year		2,431,618	1,741,920	82,743	57,358
Total comprehensive income attributable to:					
Shareholders of the Company		2,473,119	1,721,043	(11,341)	45,094
Non-controlling interest		(34,315)	(28,329)	(1,168)	(933)
Total comprehensive income for the year		2,438,804	1,692,714	(12,509)	44,161
Basic and diluted earnings per share	24	23.93	17.76	0.81	0.58
Ordinary shares		RUB	RUB	USD	USD

These consolidated financial statements were approved by management on 02 April 2012 and were signed on its behalf by:

A.I. Vakhmistrov
Chief Executive Officer

D.V. Kutuzov
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 112.

	Note	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	13	37,329,459	32,851,639	1,159,440	1,077,919
Intangible assets	14	4,879,941	4,567,223	151,569	149,858
Investment property under development	15	651,174	319,381	20,226	10,479
Investment property	16	2,310,658	2,308,258	71,768	75,738
Other investments	17	112,245	34,809	3,486	1,142
Deferred tax assets	18	1,794,616	1,501,991	55,741	49,283
Trade and other receivables	20	686,651	808,687	21,327	26,534
Restricted cash	22	894,732	11	27,790	-
Total non-current assets		48,659,476	42,391,999	1,511,347	1,390,953
Current assets					
Other investments	17	126,156	152,290	3,919	4,997
Inventories	19	56,586,046	52,821,493	1,757,543	1,733,165
Income tax receivable		168,236	178,139	5,225	5,845
Trade and other receivables	20	16,083,930	9,112,124	499,561	298,985
Cash and cash equivalents	21	5,194,904	1,327,139	161,352	43,546
Restricted cash	22	43,422	191,665	1,349	6,289
Assets classified as held for sale		-	44,831	-	1,471
Total current assets		78,202,694	63,827,681	2,428,949	2,094,298
Total assets		126,862,170	106,219,680	3,940,296	3,485,251

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 112.

	Note	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
EQUITY AND LIABILITIES					
Equity	23				
Share capital		34,577	34,577	1,241	1,241
Share premium		26,408,386	26,408,386	959,987	959,987
Additional paid in capital		16,783,833	16,798,659	648,080	648,585
Foreign currency translation reserve		(6,191)	(13,377)	(288,856)	(193,604)
Retained earnings		10,552,205	9,715,541	345,766	317,296
Total equity attributable to shareholders of the Company		53,772,810	52,943,786	1,666,218	1,733,505
Non-controlling interest		174,688	199,770	9,373	10,227
Total equity		53,947,498	53,143,556	1,675,591	1,743,732
Non-current liabilities					
Loans and borrowings	25	36,134,105	27,714,483	1,122,313	909,360
Deferred tax liabilities	18	1,700,274	1,679,612	52,810	55,111
Trade and other payables	27	170,818	194,261	5,306	6,374
Provisions	26	8,742	4,975	272	163
Total non-current liabilities		38,013,939	29,593,331	1,180,701	971,008
Current liabilities					
Loans and borrowings	25	2,788,327	3,988,571	86,604	130,872
Income tax payable		431,886	145,306	13,414	4,768
Trade and other payables	27	31,350,289	18,782,036	973,729	616,271
Provisions	26	330,231	566,880	10,257	18,600
Total current liabilities		34,900,733	23,482,793	1,084,004	770,511
Total liabilities		72,914,672	53,076,124	2,264,705	1,741,519
Total equity and liabilities		126,862,170	106,219,680	3,940,296	3,485,251

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 112.

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
OPERATING ACTIVITIES				
Profit for the year	2,431,618	1,741,920	82,743	57,358
Adjustments for:				
Depreciation and amortisation	2,431,932	2,380,528	82,754	78,386
(Gain) /loss on disposal of property, plant and equipment	(242,414)	53,484	(8,250)	1,761
Gain on disposal of other assets	(96,240)	(228,917)	(3,275)	(7,538)
(Gain)/loss on disposal of subsidiaries	(111,481)	523,258	(3,793)	17,230
Gain on acquisitions of subsidiaries	(259,634)	-	(8,834)	-
Loss on other assets	44,272	-	1,506	-
Change in fair value of investment property	(152,002)	36,283	(5,172)	1,194
Net finance costs	4,121,043	3,774,668	140,232	124,292
Income tax expense	1,302,347	753,860	44,317	24,823
Operating profit before changes in working capital and provisions	9,469,441	9,035,084	322,228	297,506
(Increase) / decrease in inventories	(3,126,563)	2,679,455	(106,391)	88,232
(Increase) / decrease in trade and other receivables	(6,204,252)	579,862	(211,119)	19,094
Increase / (decrease) in trade and other payables	12,605,714	(9,710,376)	428,949	(319,744)
(Decrease) / increase in provisions	(232,882)	5,035	(7,925)	166
Cash flows from operations before income taxes and interest paid	12,511,458	2,589,060	425,742	85,254
Income taxes paid	(1,167,223)	(1,557,871)	(39,718)	(51,298)
Interest paid	(3,605,914)	(3,406,499)	(122,703)	(112,169)
Cash flows from / (utilised by) operating activities	7,738,321	(2,375,310)	263,321	(78,213)

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 112.

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	579,657	246,902	19,725	8,130
Interest received	41,048	112,814	1,397	3,715
Acquisition of property, plant and equipment	(4,870,497)	(4,490,324)	(165,734)	(147,858)
(Increase) / decrease in restricted cash	(746,478)	204,846	(25,401)	6,745
Acquisition of intangible assets	(36,395)	(425,078)	(1,238)	(13,997)
Acquisition of investment property and investment property under development	(182,191)	(115,169)	(6,201)	(3,793)
Loans given	(67,360)	(118,724)	(2,292)	(3,909)
Loans repaid	83,815	99,176	2,853	3,266
Disposal of subsidiaries (note 6)	1,435	(18,445)	49	(607)
Acquisition of subsidiaries, net of cash acquired (note 6)	(2,664,384)	-	(90,664)	-
Proceeds from disposal of assets and liabilities classified as held for sale	44,831	29,531	1,526	972
Purchase of other investments	(106)	(30,613)	(4)	(1,008)
Cash flows utilised by investing activities	(7,816,625)	(4,505,084)	(265,984)	(148,344)
FINANCING ACTIVITIES				
Proceeds from borrowings	13,192,937	37,031,963	448,931	1,219,392
Proceeds from bonds	4,427,232	6,264,649	150,650	206,283
Repayment of borrowings	(10,597,123)	(46,513,630)	(360,600)	(1,531,605)
Repayment of bonds	(973,418)	(2,422,810)	(33,124)	(79,779)
Payment of finance lease liabilities	(399,668)	(754,904)	(13,600)	(24,858)
Acquisition of non-controlling interest	(49,418)	(6,601)	(1,682)	(217)
Dividends paid	(1,629,269)	-	(55,441)	-
Proceeds from secondary public offering	-	11,891,945	-	391,580
Cash flows from financing activities	3,971,273	5,490,612	135,134	180,796
Net increase / (decrease) in cash and cash equivalents	3,892,969	(1,389,782)	132,471	(45,761)
Cash and cash equivalents at the beginning of the year	1,327,139	2,895,550	43,546	95,739
Effect of exchange rate fluctuations on cash and cash equivalents	(25,204)	(178,629)	(14,665)	(6,432)
Cash and cash equivalents at the end of the year (note 21)	5,194,904	1,327,139	161,352	43,546

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 112.

’000 RUB	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2010	32,235	14,562,700	16,796,271	35,829	7,945,398	39,372,433	248,659	39,621,092
Total comprehensive income for the year								
Profit for the year	-	-	-	-	1,770,249	1,770,249	(28,329)	1,741,920
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(49,206)	-	(49,206)	-	(49,206)
Total comprehensive income for the year	-	-	-	(49,206)	1,770,249	1,721,043	(28,329)	1,692,714
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	-	-	-	-	(11,571)	(11,571)
Excess of consideration paid over non-controlling interest acquired	-	-	(9,576)	-	-	(9,576)	4,956	(4,620)
Excess of non-controlling interest acquired over consideration paid	-	-	3,212	-	-	3,212	(5,193)	(1,981)
Adjustment to non-controlling interest	-	-	8,752	-	-	8,752	(8,752)	-
Share issued	2,342	11,845,686	-	-	-	11,848,028	-	11,848,028
Distribution to shareholders	-	-	-	-	(106)	(106)	-	(106)
Balance at 31 December 2010	34,577	26,408,386	16,798,659	(13,377)	9,715,541	52,943,786	199,770	53,143,556

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 112.

'000 RUB	Attributable to shareholders of the Company							
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2011	34,577	26,408,386	16,798,659	(13,377)	9,715,541	52,943,786	199,770	53,143,556
Total comprehensive income for the year								
Profit for the year	-	-	-	-	2,465,933	2,465,933	(34,315)	2,431,618
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	7,186	-	7,186	-	7,186
Total comprehensive income for the year				7,186	2,465,933	2,473,119	(34,315)	2,438,804
Transactions with owners recorded directly in equity								
Acquisition of subsidiaries	-	-	(79,844)	-	-	(79,844)	123,669	43,825
Excess of consideration paid over non-controlling interest acquired	-	-	(496)	-	-	(496)	395	(101)
Excess of non-controlling interest acquired over consideration paid	-	-	65,514	-	-	65,514	(114,831)	(49,317)
Dividends to shareholders	-	-	-	-	(1,629,269)	(1,629,269)	-	(1,629,269)
Balance at 31 December 2011	34,577	26,408,386	16,783,833	(6,191)	10,552,205	53,772,810	174,688	53,947,498

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 112.

’000 USD	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2010	1,164	569,931	648,506	(180,407)	259,008	1,298,202	11,837	1,310,039
Total comprehensive income for the year								
Profit for the year	-	-	-	-	58,291	58,291	(933)	57,358
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(13,197)	-	(13,197)	-	(13,197)
Total comprehensive income for the year	-	-	-	(13,197)	58,291	45,094	(933)	44,161
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	-	-	-	-	(381)	(381)
Excess of consideration paid over non-controlling interest acquired	-	-	(315)	-	-	(315)	163	(152)
Excess of non-controlling interest acquired over consideration paid	-	-	106	-	-	106	(171)	(65)
Adjustment to non-controlling interest	-	-	288		-	288	(288)	-
Share issued	77	390,056	-	-	-	390,133	-	390,133
Distribution to shareholders	-	-	-	-	(3)	(3)	-	(3)
Balance at 31 December 2010	1,241	959,987	648,585	(193,604)	317,296	1,733,505	10,227	1,743,732

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 112.

’000 USD	Attributable to shareholders of the Company							
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2011	1,241	959,987	648,585	(193,604)	317,296	1,733,505	10,227	1,743,732
Total comprehensive income for the year								
Profit for the year	-	-	-	-	83,911	83,911	(1,168)	82,743
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(95,252)	-	(95,252)	-	(95,252)
Total comprehensive income for the year				(95,252)	83,911	(11,341)	(1,168)	(12,509)
Transactions with owners recorded directly in equity								
Acquisition of subsidiaries	-	-	(2,717)	-	-	(2,717)	4,208	1,491
Excess of consideration paid over non-controlling interest acquired	-	-	(17)	-	-	(17)	13	(4)
Excess of non-controlling interest acquired over consideration paid	-	-	2,229	-	-	2,229	(3,907)	(1,678)
Dividends to shareholders	-	-	-	-	(55,441)	(55,441)	-	(55,441)
Balance at 31 December 2011	1,241	959,987	648,080	(288,856)	345,766	1,666,218	9,373	1,675,591

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 112.

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) and Ukraine, the extraction and processing of aggregates in different areas of Leningrad region, and the provision of construction services. These products and services are sold mainly in Russia.

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

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

(b) Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(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 (“RUB”), 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 RUB is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUB to USD should not be construed as a representation that the RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

(d) Use of estimates and judgments

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

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

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

- Note 12 – revenue recognition;
- Note 13– useful lives of property, plant and equipment;
- Note 14 – impairment;
- Notes 15 and 16 – determination of fair values of investment properties and investment properties under development;
- Note 20 – allowances for trade receivables;
- Note 26 – warranty provision, provision for site restoration and environment restoration; and
- Note 31 – contingencies.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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 RUB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUB at the weighted average exchange rate for the period which approximates the exchange rates at the dates of the transactions.

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

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

(iii) Translation to presentation currency

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

Other

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

(ii) Non-derivative financial liabilities

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

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

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

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

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

(iii) Financial guarantees

The Group considers that financial guarantee contracts entered into by the Group entities to guarantee the indebtedness of entities that are controlled by the shareholders of the Group are insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(d) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Reclassification of owner occupied property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

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

(f) Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3 (a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Research and development

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic 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 investment property under development are established by considering the aggregate of the estimated cash flows expected to be received from renting out the property less the estimated costs, including developer’s profit margin, to complete the individual projects to the stage where they could be marketed. Discount rate that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

(i) Investment property

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

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

(j) Inventories

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

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

(k) Construction work in progress

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

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

(l) Impairment

(i) Financial assets

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

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

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

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

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

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

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

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

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

(m) Non-current assets held for sale

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

(n) Employee benefits

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

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

(o) Provisions

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

(i) Warranties

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

(ii) Site restoration

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

(p) Revenues

(i) Goods sold

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

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

(ii) Services

Revenue from services, rendered by the "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 an 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) Finance income and finance costs

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

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

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

(s) Income tax expense

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

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

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

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

(t) Earnings per share

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

(u) Segment reporting

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

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

(v) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2011, and have not been applied in preparing this consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IAS 27 (2011) *Separate Financial Statements* will become effective for annual periods beginning on or after 1 January 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after 1 January 2013. Early adoption of IAS 27 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011).

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

- Amendment to IAS 12 *Income taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces an exception to the current measurement principles for deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with IAS 40 *Investment Property*. The exception also applies to investment property acquired in a business combination accounted for in accordance with IFRS 3 *Business Combinations* provided the acquirer subsequently measures the assets using the fair value model. In these specified circumstances the measurement of deferred tax liabilities and deferred tax assets should reflect a rebuttable presumption that the carrying amount of the underlying asset will be recovered entirely by sale unless the asset is depreciated or the business model is to consume substantially all the asset. The amendment is effective for periods beginning on or after 1 January 2012 and is applied retrospectively.

- Amendment to IFRS 7 *Disclosures – Transfers of Financial Assets* introduces additional disclosure requirements for transfers of financial assets in situations where assets are not derecognised in their entirety or where the assets are derecognised in their entirety but a continuing involvement in the transferred assets is retained. The new disclosure requirements are designated to enable the users of financial statements to better understand the nature of the risks and rewards associated with these assets. The amendment is effective for annual periods beginning on or after 1 July 2011.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2011. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Property, plant and equipment

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

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

(b) Investment property and investment property under development

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

(c) Intangible assets

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

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

(d) Inventories

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

(e) Investments in equity and debt securities

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

(f) Trade and other receivables

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

(g) Non-derivative financial liabilities

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

5 Operating segments

The Group has 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. 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 and Ukraine, 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 represents approximately RUB 3,830,000 thousand/ USD 130,328 thousand (year ended 31 December 2010: RUB 7,005,719 thousand/ USD 230,685 thousand) of the Group's total revenues.

(i) Operating segments

Year ended 31 December 2011 ’000 RUB	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Revenue from external customers	18,302,145	171,684	15,531,566	3,876,519	9,940,626	1,800,615	3,735	49,626,890
Inter-segment revenue	215,238	4,081	1,087,869	1,128,061	2,750,089	463,238	-	5,648,576
Total segment revenue	18,517,383	175,765	16,619,435	5,004,580	12,690,715	2,263,853	3,735	55,275,466
Segment result	5,042,939	82,314	883,010	1,528,717	964,843	233,939	-	8,735,762
Depreciation/amortisation	42,322	1,333	846,281	574,880	578,220	286,902	101,994	2,431,932
Capital expenditure	357,445	136,694	3,268,644	523,298	483,145	181,394	160,675	5,111,295

Year ended 31 December 2010 ’000 RUB	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Revenue from external customers	21,129,684	144,371	10,583,719	3,107,911	12,165,224	1,183,145	15,331	48,329,385
Inter-segment revenue	68,739	-	1,115,838	599,552	879,656	360,603	-	3,024,388
Total segment revenue	21,198,423	144,371	11,699,557	3,707,463	13,044,880	1,543,748	15,331	51,353,773
Segment result	5,087,064	48,416	(338,060)	715,374	2,084,969	81,878	-	7,679,641
Depreciation/amortisation	24,890	862	859,096	502,735	600,361	287,155	105,429	2,380,528
Capital expenditure	178,914	1,750	3,169,577	703,406	332,742	179,963	76,913	4,643,265

Year ended 31 December 2011 ’000 USD	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Revenue from external customers	622,789	5,842	528,511	131,911	338,261	61,272	127	1,688,713
Inter-segment revenue	7,324	139	37,018	38,386	93,581	15,763	-	192,211
Total revenue	630,113	5,981	565,529	170,297	431,842	77,035	127	1,880,924
Segment result	171,602	2,801	30,047	52,019	32,832	7,961	-	297,262
Depreciation/amortisation	1,440	45	28,797	19,562	19,676	9,763	3,471	82,754
Capital expenditure	12,163	4,651	111,226	17,807	16,441	6,173	5,467	173,928

Year ended 31 December 2010 ’000 USD	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Revenue from external customers	695,760	4,754	348,502	102,338	400,578	38,959	505	1,591,396
Inter-segment revenue	2,263	-	36,742	19,742	28,965	11,874	-	99,586
Total revenue	698,023	4,754	385,244	122,080	429,543	50,833	505	1,690,982
Segment result	167,507	1,594	(11,132)	23,556	68,654	2,696	-	252,875
Depreciation/amortisation	820	28	28,288	16,554	19,769	9,455	3,472	78,386
Capital expenditure	5,891	58	104,368	23,162	10,957	5,926	2,532	152,894

Year ended 31 December 2011 ’000 RUB	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Segment assets, excluding net financial position*	70,961,364	2,704,538	33,509,436	7,616,393	14,316,224	2,674,227	-	131,782,182
Segment liabilities, excluding net financial position*	23,799,746	197,756	5,212,718	1,256,676	7,644,174	339,437	-	38,450,507
Net financial position*	10,531,923	331,000	22,733,107	686,904	(34,502)	1,083,712	3,787,628	39,119,772

Year ended 31 December 2010 ’000 RUB	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Segment assets, excluding net financial position*	65,863,486	2,553,306	26,946,940	5,256,703	6,764,953	2,833,860	-	110,219,248
Segment liabilities, excluding net financial position*	14,999,577	51,829	4,014,967	707,115	2,470,458	404,239	-	22,648,185
Net financial position*	15,581,767	355,492	17,866,588	393,580	(2,922,542)	1,730,222	(669,246)	32,335,861

Year ended of 31 December 2011 ’000 USD	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Segment assets, excluding net financial position*	2,204,036	84,002	1,040,792	236,563	444,657	83,061	-	4,093,111
Segment liabilities, excluding net financial position*	739,212	6,142	161,905	39,032	237,425	10,543	-	1,194,259
Net financial position*	327,118	10,281	706,082	21,335	(1,072)	33,659	117,642	1,215,045

Year ended 31 December 2010 ’000 USD	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Segment assets, excluding net financial position*	2,161,095	83,778	884,176	172,482	221,970	92,984	-	3,616,485
Segment liabilities, excluding net financial position*	492,162	1,701	131,738	23,202	81,060	13,264	-	743,127
Net financial position*	511,265	11,664	586,236	12,914	(95,894)	56,771	(21,959)	1,060,997

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

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

Revenue	'000 RUB		'000 USD	
	2011	2010	2011	2010
Total revenue for reportable segments	55,275,466	51,353,773	1,880,924	1,690,982
Other revenue	332,769	274,442	11,324	9,035
Transportation revenue	1,950,030	1,345,679	66,356	44,311
Elimination of intersegment revenue	(5,648,576)	(3,024,388)	(192,211)	(99,586)
Consolidated revenue	51,909,689	49,949,506	1,766,393	1,644,742

Profit for the year	'000 RUB		'000 USD	
	2011	2010	2011	2010
Total segment result	8,735,762	7,679,641	297,262	252,875
Other result	153,314	(326,772)	5,217	(10,760)
Unallocated expenses and income, net	(1,034,068)	(1,082,421)	(35,187)	(35,642)
Finance income	207,606	685,905	7,064	22,586
Finance costs	(4,328,649)	(4,460,573)	(147,296)	(146,878)
Income tax expense	(1,302,347)	(753,860)	(44,317)	(24,823)
Profit for the year	2,431,618	1,741,920	82,743	57,358

Assets	'000 RUB		'000 USD	
	2011	2010	2011	2010
Total assets for reportable segments	131,782,182	110,219,248	4,093,111	3,616,485
Elimination of intersegment assets	(13,246,319)	(11,554,930)	(411,427)	(379,139)
Unallocated assets	8,326,307	7,555,362	258,612	247,905
Total assets	126,862,170	106,219,680	3,940,296	3,485,251

Liabilities	'000 RUB		'000 USD	
	2011	2010	2011	2010
Segment liabilities, excluding net financial position	38,450,507	22,648,185	1,194,259	743,127
Elimination of intersegment liabilities	(7,666,314)	(3,401,053)	(238,112)	(111,596)
Unallocated liabilities	3,208,047	2,125,938	99,641	69,756
Consolidated loans and borrowings	38,922,432	31,703,054	1,208,917	1,040,232
Total liabilities	72,914,672	53,076,124	2,264,705	1,741,519

Net financial position	**’000 RUB**		**’000 USD**	
	2011	**2010**	**2011**	**2010**
Net financial position before adjustments	39,119,772	32,335,861	1,215,045	1,060,997
Adjustments	(197,340)	(632,807)	(6,128)	(20,765)
Consolidated loans and borrowings	38,922,432	31,703,054	1,208,917	1,040,232

Other material items	**’000 RUB**		**’000 USD**	
	2011	**2010**	**2011**	**2010**
Capital expenditure	5,111,295	4,643,265	173,928	152,894
Elimination of intersegment purchases	(54,622)	(99,403)	(1,858)	(3,274)
Consolidated capital expenditure	5,056,673	4,543,862	172,070	149,620

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

During the year ended 31 December 2011 the Group has acquired 6 subsidiaries. In April 2011 one of the Group subsidiaries acquired from the third party 85.936% of shares of OAO “Obuhovsky zavod SMiK”, entity that produces reinforced concrete in Saint Petersburg. The entity was included in segment Building materials. The primary reason of business combination was to strengthen the market position and extend product mix variety on the reinforced concrete market of Saint Petersburg.

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

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

	Recognised fair values on acquisition	
	’000 RUB	**’000 USD**
Non-current assets		
Property, plant and equipment	256,892	8,742
Deferred tax assets	4,469	152
Current assets		
Inventory	56,238	1,914
Trade and other receivables	94,672	3,222
Income tax receivable	3,257	111
Cash and cash equivalents	4,163	142
Non-current liabilities		
Loans and borrowings	(2,208)	(75)
Deferred tax liabilities	(37,486)	(1,276)
Current liabilities		
Trade and other payables	(66,661)	(2,268)
Net identifiable assets, liabilities and contingent liabilities	313,336	10,664
Non-controlling interest	(44,016)	(1,498)
Net identifiable assets, liabilities and contingent liabilities acquired	269,320	9,166
Negative goodwill on acquisition	(149,098)	(5,074)
Consideration paid	120,222	4,092
Consideration paid satisfied in cash	(120,222)	(4,092)
Cash acquired	4,163	142
Net cash outflow	(116,059)	(3,950)

The amounts of revenue earned and loss incurred by the subsidiary from the date of acquisition to the reporting date were RUB 177,169 thousand / USD 6,029 thousand and RUB 16,097 thousand / USD 548 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2011 amounted to RUB 231,105 thousand / USD 7,864 thousand. It has not been practicable to determine profit for the year ended 31 December 2011 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

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

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2011 and four - nine years business plans;

- The 15.80% post-tax discount rate was applied for Property plant and Equipment impairment test;
- The increase in usage of production capacity to 2015 from 30% to 60% as the results of both improved market conditions and internal marketing efforts;
- Decrease in gross margin from 12% in 2011 to 6% in 2015 due to planned shift in product mix towards more popular but less profitable products.

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

In May 2011 the Group acquired from the third party 93.44% of shares of OAO "Pavlovskaya Keramika", entity that produces brick in Moscow region. The primary reason of business combination was to increase market share in Moscow region. The entity was included in segment Building materials.
The acquisition had the following effect on the Group's assets and liabilities as at the date of acquisition:

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Property, plant and equipment	1,042,548	35,476
Intangible assets	93	3
Deferred tax assets	182,048	6,195
Current assets		
Inventory	88,990	3,028
Trade and other receivables	4,900	167
Cash and cash equivalents	2,657	90
Non-current liabilities		
Deferred tax liabilities	(1,227)	(42)
Current liabilities		
Loans and borrowings	(4,908)	(167)
Trade and other payables	(100,882)	(3,432)
Net identifiable assets, liabilities and contingent liabilities	1,214,219	41,318
Non-controlling interest	(79,653)	(2,710)
Net identifiable assets, liabilities and contingent liabilities acquired	1,134,566	38,608
Goodwill on acquisition	103,043	3,505
Consideration paid and liability incurred	1,237,609	42,113
Consideration paid satisfied in cash	(1,237,609)	(42,113)
Cash acquired	2,657	90
Net cash outflow	(1,234,952)	(42,023)

The amounts of revenue earned and loss incurred by the subsidiary from the date of acquisition to the reporting date were RUB 106,420 thousand / USD 3,426 thousand and RUB 71,687 thousand / USD 2,439 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2011 amounted to RUB 159,640 thousand / USD 5,432 thousand. It has not been practicable to determine profit for the year ended 31 December 2011 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

Acquisition – related costs incurred by the Group to effect an acquisition of OAO "Pavlovskaya Keramika" in amount of RUB 69,000 thousand / USD 2,348 thousand were recognized as an expense.

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

The major assumptions used by the appraisal were as follows:

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

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

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

In January 2011 the Group acquired 100% shares of OOO "MSR Perspectiva" from the third party. OOO "MSR Perspectiva" is engaged in construction activities in Moscow and had no significant assets and liabilities at the date of acquisition. Goodwill recognized at acquisition comprised RUB 11,250 thousand / USD 384 thousand, consideration paid and liability incurred was RUB 1,025 thousand / USD 35 thousand.

In July 2011 one of the Group subsidiaries acquired 100% of shares of OOO "436 KNI", entity engaged in the crushed granite production in Leningrad Region. The primary reason of business combination was to increase crushed granit production facilities in Leningrad region. The entity was included in segment Aggregates.

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

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Property, plant and equipment	810,765	27,589
Intangible assets	236,840	8,059
Deferred tax assets	26,496	902
Current assets		
Inventory	44,000	1,497
Trade and other receivables	23,896	813
Cash and cash equivalents	1,883	64
Non-current liabilities		
Deferred tax liabilities	(47,841)	(1,628)
Current liabilities		
Loans and borrowings	(3,000)	(102)
Trade and other payables	(58,436)	(1,988)
Net identifiable assets, liabilities and contingent liabilities	1,034,603	35,206
Negative goodwill on acquisition	(74,784)	(2,545)
Consideration paid and liability incurred	959,819	32,661
Consideration paid satisfied in cash	(959,819)	(32,661)
Cash acquired	1,883	64
Net cash outflow	(957,936)	(32,597)

The amounts of revenue and profit earned by the subsidiary from the date of acquisition to the reporting date were RUB 221,149 thousand / USD 7,525 thousand and RUB 6,888 thousand / USD 234 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2011 amounted to RUB 234,068 thousand / USD 7,965 thousand. It has not been practicable to determine profit for the year ended 31 December 2011 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

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

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2011 and business plans until year 2033;
- The 14.00% post-tax discount rate was applied for Property plant and Equipment impairment test.

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

Negative goodwill on acquisitions represents the difference between the fair values of net assets acquired and considerations paid. The bargain purchase gain arose because of the Group's negotiation powers due to its strong market position, early negotiation of price, performed in 2010 and advance of 50%, made by the Group before transfer of ownership rights.

In July 2011 the Group has acquired 100% of OOO "KIN-Center" from a third party. OOO "KIN-Center" is engaged in construction business in Saint Petersburg. The entity was included in segment Building materials.

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

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Intangible assets	11,096	378
Current assets		
Inventory	130,773	4,450
Trade and other receivables	501,428	17,063
Cash and cash equivalents	786	27
Non-current liabilities		
Deferred tax liabilities	(2,185)	(74)
Current liabilities		
Trade and other payables	(605,546)	(20,608)
Net identifiable assets, liabilities and contingent liabilities	36,352	1,236
Negative goodwill on acquisition	(35,752)	(1,215)
Consideration paid and liability incurred	600	21
Consideration paid satisfied in cash	(6)	-
Cash acquired	786	27
Net cash inflow	780	27

The amounts of revenue and profit earned by the subsidiary from the date of acquisition to the reporting date were RUB 454,633 thousand / USD 15,470 thousand and RUB 12,810 thousand / USD 436 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2011 amounted to RUB 991,757 thousand / USD 33,748 thousand. It has not been practicable to determine profit for the year ended 31 December 2011 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

Negative goodwill on acquisitions represents the difference between the fair values of net assets acquired and considerations paid. The bargain purchase gain arose because of the Group's negotiation powers due to its strong market position.

In November 2011 the Group has reacquired 100% of ZAO "Golden Kazanskaya" from a related party. ZAO "Golden Kazanskaya" is engaged in renting of office premises in Saint Petersburg. The entity has been included into segment Other entities.

Previously in 2009, when ZAO "Golden Kazanskaya" was sold to related party, net gain on disposal was recognised as contribution from shareholders in equity. Therefore in 2011 the excess of consideration paid over the acquired net assets at IFRS book values were recognised directly in equity as distribution to shareholders.

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

	Book values	
	'000 RUB	**'000 USD**
Non-current assets		
Property, plant and equipment	207,923	7,075
Current assets		
Inventory	40	1
Trade and other receivables	39,289	1,337
Cash and cash equivalents	4,637	158
Non-current liabilities		
Deferred tax liabilities	(20,592)	(701)
Current liabilities		
Trade and other payables	(1,141)	(38)
Net identifiable assets, liabilities and contingent liabilities	230,156	7,832
Change in additional capital due to acquisition (distribution)	79, 844	2,717
Consideration paid and liability incurred	310,000	10, 549
Consideration paid satisfied in cash	(310,000)	(10,549)
Cash acquired	4,637	158
Net cash outflow	(305,363)	(10,391)

The acquisition had not significant effect on the Group's revenue and profit from the date of acquisition.

The major part of ZAO "Golden Kazanskaya" revenues in 2011 were earned from the Group's companies.

There were no acquisitions of subsidiaries during the year ended 31 December 2010.

(b) Changes in non-controlling interests

During the twelve months ended 31 December 2011 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The Group recognised a decrease in non-controlling interest of RUB 114,436 thousand / USD 3,894 thousand. Contribution from shareholders of RUB 65,018 thousand / USD 2,212 thousand was recognised directly in equity.

The acquisition of subsidiaries (OAO "Pavlovskaya Keramika" and OAO "Obuhovsky zavod SMiK") resulted in recognition of increase in non-controlling interest of RUB 123,669 thousand / USD 4,208 thousand.

During the twelve months ended 31 December 2010 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The Group recognised a decrease in non-controlling interest of RUB 5,193 thousand / USD 171 thousand. Contribution from shareholders of RUB 3,212 thousand / USD 106 thousand was recognised directly in equity.

As at 31 December 2010 the Group recalculated net assets attributable to non-controlling interest and recognised the adjustment of RUB 8,752 thousand / USD 288 thousand directly in equity as it has no material impact on the financial statements.

(c) Disposal of subsidiaries

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

Carrying amounts at the date of disposal	**'000 RUB**	**'000 USD**
Non-current assets		
Property, plant and equipment	152	5
Current assets		
Inventories	35,927	1,223
Trade and other receivables	25,506	868
Cash and cash equivalents	579	20
Non-current liabilities		
Deferred tax liabilities	(3,665)	(125)
Interest-bearing loans and borrowings	(6,246)	(213)
Current liabilities		
Interest-bearing loans and borrowings	(42,794)	(1,456)
Trade and other payables	(118,926)	(4,047)
Net assets, liabilities and contingent liabilities disposed	(109,467)	(3,725)
Excess of consideration received over book values of net assets sold	111,467	3,793
Consideration received	2,000	68
Cash and cash equivalents disposed	(579)	(20)
Net cash inflow	1,421	48

In June 2010 one of the Group subsidiaries disposed its share in newly established entity OOO "Sluzhba 071" to an individual for a consideration of RUB 860 thousand / USD 29 thousand. The net gain on the disposal of RUB 854 thousand / USD 29 thousand was recognised as gain on disposal of subsidiary.

During the year 2010 the Group disposed Aeroc International AS, with its subsidiaries (Aeroc aktsiaselts (formerly Aeroc AS), "AEROC" SIA (formerly Aeroc Poribet SIA), Joint-Stock Company "Petrobeton", OOO "Aeroc Kaliningrad". The sale was performed to third party. The Baltic States markets were not strategic for the Group, and the difficult economic situation in Lithuania, Latvia and Estonia was one of the major factors in making a sales decision. The net loss on the disposal of RUB 523,258 thousand / USD 17,230 thousand was recognised as loss on disposal of subsidiary. The disposal is paid by notes receivable with maturity dates in 2014-2020.

Carrying amounts at the date of disposal	**'000 RUB**	**'000 USD**
Non-current assets		
Property, plant and equipment	729,835	24,033
Goodwill	245,952	8,099
Other intangible assets	1,823	60
Non-current trade and other receivables	558	18
Current assets		
Inventories	55,290	1,821
Trade and other receivables	322,461	10,618
Income tax receivable	351	12
Cash and cash equivalents	18,445	607
Non-current liabilities		
Other long-term liabilities	(1,516)	(50)
Current liabilities		
Interest-bearing loans and borrowings	(425,106)	(13,998)
Trade and other payables	(291,176)	(9,603)
Net assets, liabilities and contingent liabilities disposed	656,917	21,617
Non-controlling interest in disposed subsidiaries	(11,571)	(381)
Excess of book values of net assets sold over consideration received	(523,258)	(17,230)
Consideration received	(122,088)	(4,006)
Cash and cash equivalents disposed	(18,445)	(607)
Net cash outflow	(18,445)	(607)

7 Administrative expenses

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Wages and salaries	2,716,071	2,336,197	92,423	76,927
Services	906,454	781,112	30,846	25,720
Materials	130,320	95,223	4,435	3,135
Depreciation and amortisation	168,205	162,216	5,723	5,341
Taxes other than profit tax	229,858	227,708	7,822	7,498
Social expenditure	212,589	164,282	7,234	5,410
Insurance	19,525	32,969	664	1,086
Other administrative expenses	325,397	245,520	11,072	8,085
	4,708,419	4,045,227	160,219	133,202

8 Other income and expenses

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Other income:				
Negative goodwill recognised as gain	259,634	-	8,834	-
Gain on disposal of property, plant and equipment	242,414	-	8,250	-
Income from business disposal	111,481	-	3,793	-
Gain on disposal of other assets	94,118	228,917	3,202	7,538
Other income	2,122	-	73	-
Total other income	709,769	228,917	24,152	7,538
Other expenses:				
Loss on disposal of subsidiaries	-	(523,258)	-	(17,230)
Loss on disposal of property, plant and equipment	-	(53,484)	-	(1,761)
Loss on other assets	(44,272)	-	(1,506)	-
Total other expenses	(44,272)	(576,742)	(1,506)	(18,991)
Net other income	665,497	(347,825)	22,646	(11,453)

9 Total personnel costs

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Wages and salaries:				
Cost of sales	5,818,341	4,770,794	197,987	157,093
Administrative expenses	2,716,071	2,336,197	92,423	76,927
Distribution expenses	387,371	378,163	13,182	12,452
	8,921,783	7,485,154	303,592	246,472

10 Finance income and finance costs

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Recognised in profit or loss				
Finance income				
Foreign exchange gain	124,275	445,187	4,229	14,660
Interest income	41,048	112,814	1,397	3,715
Unwind of discount	5,479	112,410	186	3,701
Resale of own bonds	427	10,973	15	361
Income from sale of available-for-sale investments	10,785	3,606	366	119
Other finance income	25,592	915	871	30
	207,606	685,905	7,064	22,586
Finance costs				
Interest expense	(3,781,114)	(3,899,042)	(128,664)	(128,388)
Unwind of discount	(3,313)	-	(113)	-
Foreign exchange loss	(534,550)	(539,624)	(18,191)	(17,769)
Repurchase of own bonds	(3,750)	-	(128)	-
Loss from sale of available-for-sale investments	(11,962)	-	(406)	-
Impairment of financial assets	(16,079)	-	(547)	-
Non-controlling interest in limited liability subsidiaries	22,119	(545)	753	(18)
Other finance costs	-	(21,362)	-	(703)
	(4,328,649)	(4,460,573)	(147,296)	(146,878)
Net finance costs recognised in profit or loss	(4,121,043)	(3,774,668)	(140,232)	(124,292)
Recognised in other comprehensive income				
Finance income / (costs)				
Foreign currency translation differences for foreign operations	7,186	(49,206)	(95,252)	(13,197)
Finance income / (costs) recognised in other comprehensive income, net of tax	7,186	(49,206)	(95,252)	(13,197)
Attributable to:				
Equity holders of the Company	7,186	(49,206)	(95,252)	(13,197)

11 Income tax expense

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Current tax expense				
Current year	1,449,413	1,168,041	49,321	38,461
Deferred tax expense				
Origination and reversal of temporary differences	(147,066)	(414,181)	(5,004)	(13,638)
Income tax expense	1,302,347	753,860	44,317	24,823

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20% (2010: 20%).

Reconciliation of effective tax rate:

	2011 '000 RUB	%	2010 '000 RUB	%	2011 '000 USD	%	2010 '000 USD	%
Profit for the year	2,431,618		1,741,920		82,743		57,358	
Income tax expense	1,302,347		753,860		44,317		24,823	
Profit before income tax	3,733,965	100	2,495,780	100	127,060	100	82,181	100
Income tax at applicable tax rate	746,793	(20)	499,156	(20)	25,413	(20)	16,436	(20)
Non-taxable income	(157,656)	4	(46,628)	2	(5,365)	4	(1,536)	2
Non-deductible expenses	628,405	(17)	306,709	(13)	21,384	(17)	10,099	(13)
Change in unrecognised deductable temporary differences	10,413	-	73,595	(3)	354	-	2,424	(3)
Tax incentives	(36,083)	1	(92,198)	4	(1,228)	1	(3,036)	4
Current year losses for which no deferred tax asset was recognised	110,475	(3)	13,226	(0)	3,759	(3)	436	(0)
Total income tax expenses for the year	1,302,347	(35)	753,860	(30)	44,317	(35)	24,823	(30)

12 Construction contracts

Significant share of the Group’s revenue relates to construction services, provided under long-term construction contracts. Respective revenue and gross margin mainly relate to construction segment and are presented below:

	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Contract revenue	10,369,792	11,988,401	352,865	394,755
Contract costs	(8,749,972)	(9,484,657)	(297,745)	(312,311)
Gross profit	1,619,820	2,503,744	55,120	82,444

13 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Transpor-tation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2010	11,645,990	11,727,266	2,823,611	673,978	12,248,714	39,119,559
Additions	714,637	256,785	164,950	47,262	3,360,228	4,543,862
Disposals	(111,945)	(109,451)	(123,617)	(26,658)	(116,758)	(488,429)
Disposals of subsidiaries	(423,541)	(614,629)	(758)	(19,756)	(17,127)	(1,075,811)
Reclassifications to non-current assets held for sale	-	(122,383)	-	-	-	(122,383)
Transfers and reclassifications	248,421	89,243	28,529	19,638	(385,831)	-
Effect of movements in exchange rates	(40,543)	(29,594)	335	(1,141)	(33,381)	(104,324)
At 31 December 2010	12,033,019	11,197,237	2,893,050	693,323	15,055,845	41,872,474
At 1 January 2011	12,033,019	11,197,237	2,893,050	693,323	15,055,845	41,872,474
Acquisitions through business combinations	1,226,040	478,589	76,331	5,575	556,532	2,343,067
Additions	360,317	760,663	356,352	51,744	3,527,597	5,056,673
Disposals	(207,362)	(351,015)	(163,922)	(33,829)	(61,352)	(817,480)
Business disposals	-	(98)	(92)	-	-	(190)
Reclassifications to inventories	(300,173)	(2,563)	-	(1,206)	-	(303,942)
Transfers and reclassifications	613,854	370,717	(3,607)	3,714	(984,678)	-
Effect of movements in exchange rates	40,170	34,352	1,358	497	3,571	79,948
At 31 December 2011	13,765,865	12,487,882	3,159,470	719,818	18,097,515	48,230,550
Depreciation and impairment losses						
At 1 January 2010	(1,735,494)	(3,768,555)	(1,394,650)	(377,497)	-	(7,276,196)
Depreciation charge	(576,223)	(1,239,783)	(422,850)	(85,753)	-	(2,324,609)
Disposals	9,966	48,849	74,158	12,964	-	145,937
Disposals of subsidiaries	95,615	233,389	691	16,281	-	345,976
Reclassifications to non-current assets held for sale	-	69,806	-	-	-	69,806
Transfers and reclassifications	4,676	4,302	(1)	(8,977)	-	-
Effect of movements in exchange rates	4,747	12,645	(67)	926	-	18,251
At 31 December 2010	(2,196,713)	(4,639,347)	(1,742,719)	(442,056)	-	(9,020,835)
At 1 January 2011	(2,196,713)	(4,639,347)	(1,742,719)	(442,056)	-	(9,020,835)
Depreciation charge	(602,054)	(1,304,329)	(385,141)	(78,642)	-	(2,370,166)
Acquisitions through business combinations	(20,142)	(3,786)	-	(202)	-	(24,130)
Disposals	50,059	280,125	125,774	27,344	-	483,302
Business disposals	-	24	14	-		38
Reclassifications to inventories	43,336	1,899	-	1,071	-	46,306
Transfers and reclassifications	12,355	(6,299)	830	(6,886)	-	-
Effect of movements in exchange rates	(6,279)	(8,250)	(742)	(335)	-	(15,606)
At 31 December 2011	(2,719,438)	(5,679,963)	(2,001,984)	(499,706)	-	(10,901,091)
Net book value						
At 1 January 2010	9,910,496	7,958,711	1,428,961	296,481	12,248,714	31,843,363
At 31 December 2010	9,836,306	6,557,890	1,150,331	251,267	15,055,845	32,851,639
At 31 December 2011	11,046,427	6,807,919	1,157,486	220,112	18,097,515	37,329,459

'000 USD	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2010	385,065	387,753	93,360	22,285	404,994	1,293,457
Additions	23,532	8,455	5,431	1,556	110,646	149,620
Disposals	(3,686)	(3,604)	(4,070)	(878)	(3,845)	(16,083)
Disposals of subsidiaries	(13,946)	(20,239)	(25)	(651)	(564)	(35,425)
Reclassifications to non-current assets held for sale	-	(4,030)	-	-	-	(4,030)
Transfers and reclassifications	8,180	2,939	939	647	(12,705)	-
Effect of movements in exchange rates	(4,321)	(3,873)	(709)	(210)	(4,517)	(13,630)
At 31 December 2010	394,824	367,401	94,926	22,749	494,009	1,373,909
At 1 January 2011	394,824	367,401	94,926	22,749	494,009	1,373,909
Acquisitions through business combinations	41,720	16,286	2,597	190	18,938	79,731
Additions	12,261	25,884	12,126	1,761	120,038	172,070
Disposals	(7,056)	(11,944)	(5,578)	(1,151)	(2,088)	(27,817)
Business disposals	-	(3)	(3)	-	-	(6)
Reclassifications to inventories	(10,214)	(87)	-	(41)	-	(10,342)
Transfers and reclassifications	20,888	12,615	(123)	126	(33,506)	-
Effect of movements in exchange rates	(24,860)	(22,283)	(5,813)	(1,277)	(35,288)	(89,521)
At 31 December 2011	427,563	387,869	98,132	22,357	562,103	1,498,024
Depreciation and impairment losses						
At 1 January 2010	(57,383)	(124,604)	(46,113)	(12,482)	-	(240,582)
Depreciation charge	(18,974)	(40,824)	(13,924)	(2,824)	-	(76,546)
Disposals	328	1,609	2,442	427	-	4,806
Disposals of subsidiaries	3,148	7,685	23	536	-	11,392
Reclassifications to non-current assets held for sale	-	2,299	-	-	-	2,299
Transfers and reclassifications	154	142	-	(296)	-	-
Effect of movements in exchange rates	649	1,468	390	134	-	2,641
At 31 December 2010	(72,078)	(152,225)	(57,182)	(14,505)	-	(295,990)
At 1 January 2011	(72,078)	(152,225)	(57,182)	(14,505)	-	(295,990)
Depreciation charge	(20,487)	(44,384)	(13,106)	(2,676)	-	(80,653)
Acquisitions through business combinations	(685)	(129)	-	(7)	-	(821)
Disposals	1,703	9,532	4,280	930	-	16,445
Business disposals	-	1	-	-	-	1
Reclassifications to inventories	1,475	65	-	36	-	1,576
Transfers and reclassifications	420	(214)	28	(234)	-	-
Effect of movements in exchange rates	5,187	10,936	3,800	935	-	20,858
At 31 December 2011	(84,465)	(176,418)	(62,180)	(15,521)	-	(338,584)
Net book value						
At 1 January 2010	327,682	263,149	47,247	9,803	404,994	1,052,875
At 31 December 2010	322,746	215,176	37,744	8,244	494,009	1,077,919
At 31 December 2011	343,098	211,451	35,952	6,836	562,103	1,159,440

Depreciation expense of RUB 2,153,535 thousand / USD 73,280 thousand has been charged in cost of goods sold (2010: RUB 2,108,655 thousand / USD 69,434 thousand), RUB 42,160 thousand / USD 1,435 thousand in distribution expenses (2010: RUB 43,391 thousand / USD 1,429 thousand) and RUB 153,096 thousand / USD 5,210 thousand in administrative expenses (2010: RUB 147,293 thousand / USD 4,850 thousand).

(a) Impairment

Property, plant and equipment were tested for impairment; the basis for impairment is disclosed in note 14.

(b) Security

Properties with a carrying amount of RUB 1,604,669 thousand / USD 49,840 thousand are subject to a registered debenture to secure bank loans (31 December 2010: RUB 1,104,044 thousand / USD 36,226 thousand) (refer to note 25).

(c) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2011 the net book value of leased plant and machinery was RUB 667,529 thousand / USD 20,733 thousand (31 December 2010: RUB 1,402,103 thousand / USD 46,005 thousand).

14 Intangible assets

'000 RUB	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2010	4,326,912	737,883	5,064,795
Additions	-	425,078	425,078
Disposals	-	(23,061)	(23,061)
Disposal of subsidiaries	(245,952)	(5,396)	(251,348)
Effects of movement in exchange rates	-	213	213
Balance at 31 December 2010	4,080,960	1,134,717	5,215,677
Balance at 1 January 2011	4,080,960	1,134,717	5,215,677
Acquisitions through business combinations	114,293	248,029	362,322
Additions	-	36,395	36,395
Disposals	-	(14,786)	(14,786)
Effects of movement in exchange rates	-	78	78
Balance 31 December 2011	4,195,253	1,404,433	5,599,686
Amortisation and impairment losses			
Balance at 1 January 2010	(470,079)	(122,636)	(592,715)
Amortisation charge	-	(69,470)	(69,470)
Disposals	-	10,168	10,168
Disposal of subsidiaries	-	3,573	3,573
Effects of movement in exchange rates	-	(10)	(10)
Balance at 31 December 2010	(470,079)	(178,375)	(648,454)
Balance at 1 January 2011	(470,079)	(178,375)	(648,454)
Amortisation charge	-	(83,141)	(83,141)
Disposals	-	11,873	11,873
Effects of movement in exchange rates	-	(23)	(23)
Balance 31 December 2011	(470,079)	(249,666)	(719,745)
Net book value			
At 1 January 2010	3,856,833	615,247	4,472,080
At 31 December 2010	3,610,881	956,342	4,567,223
At 31 December 2011	3,725,174	1,154,767	4,879,941

’000 USD	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2010	143,066	24,398	167,464
Additions	-	13,997	13,997
Disposals	-	(759)	(759)
Disposal of subsidiaries	(8,099)	(178)	(8,277)
Effects of movement in exchange rates	(1,064)	(225)	(1,289)
Balance at 31 December 2010	133,903	37,233	171,136
Balance at 1 January 2011	133,903	37,233	171,136
Acquisitions through business combinations	3,889	8,440	12,329
Additions	-	1,238	1,238
Disposals	-	(503)	(503)
Effect of movements in exchange rates	(7,489)	(2,787)	(10,276)
Balance 31 December 2011	130,303	43,621	173,924
Amortisation and impairment losses			
Balance at 1 January 2010	(15,543)	(4,055)	(19,598)
Amortisation charge	-	(2,288)	(2,288)
Disposals	-	335	335
Disposal of subsidiaries	-	118	118
Effects of movement in exchange rates	119	36	155
Balance at 31 December 2010	(15,424)	(5,854)	(21,278)
Balance at 1 January 2011	(15,424)	(5,854)	(21,278)
Amortisation charge	-	(2,829)	(2,829)
Disposals	-	404	404
Effect of movements in exchange rates	824	524	1,348
Balance 31 December 2011	(14,600)	(7,755)	(22,355)
Net book value			
At 1 January 2010	127,523	20,343	147,866
31 December 2010	118,479	31,379	149,858
At 31 December 2011	115,703	35,866	151,569

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

(a) Impairment testing of goodwill, other intangible assets 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 2011	
Entity / Business Unit	**Operating Segment**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**
OAO "Zavod ZhBI-6"	Building Materials	254,172	7,894	(188,583)	(5,857)	65,589	2,037
PJSC "Aeroc Obuchow"	Building Materials	818,546	25,425	(164,594)	(5,112)	653,952	20,313
LSR Europe GmbH	Real Estate Development	50,093	1,556	-	-	50,093	1,556
Limited Liability Company "Cement"	Building Materials	621,485	19,303	-	-	621,485	19,303
BU Reinforced Concrete Spb	Building Materials	17,354	539	-	-	17,354	539
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	Real Estate Development	22,451	697	-	-	22,451	697
BU Crushed Granite Ural	Aggregates	128,269	3,984	(116,902)	(3,631)	11,367	353
BU Construction Ural	Construction	736,429	22,873	-	-	736,429	22,873
BU Development Ural	Real Estate Development	1,276,844	39,658	-	-	1,276,844	39,658
BU Sand	Aggregates	155,317	4,824	-	-	155,317	4,824
OOO "MSR Perspectiva"	Construction	11,250	349	-	-	11,250	349
Open joint stock company "Pavlovskaya Keramika"	Building Materials	103,043	3,201	-	-	103,043	3,201
		4,195,253	130,303	(470,079)	(14,600)	3,725,174	115,703

Impairment review was conducted by the Group as of 31 December 2011. The following key assumptions were used in determining the recoverable amounts of the respective companies as of 31 December 2011 and has not significantly changed compared to those that were used as of 31 December 2010.

Building Materials, Aggregates and Construction services segments:

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

Construction:

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

Real Estate Development:

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

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

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

The estimates made for goodwill impairment test are sensitive in the following area:

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

Entity / Business unit	**’000 RUB**	**’000 USD**
LSR Europe GmbH	50,093	1,556
OOO Cement	143,252	4,449
BU Development Ural	138,124	4,290

The estimates made for property, plant and equipment and other intangible assets impairment test are sensitive in the following area:

- A 10% decrease in undiscounted net cash inflows would have caused the impairment loss in respect of the following BU to which no goodwill had been allocated:

Entity / Business unit	**’000 RUB**	**’000 USD**
BU Brick NW	163,934	5,092

- An increase of one percentage point in the discount rate used would have caused the impairment loss in respect of the following BU to which no goodwill had been allocated:

Entity / Business unit	**’000 RUB**	**’000 USD**
BU Brick NW	306,137	95,008

15 Investment property under development

	Fair value of investment projects			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Cost / Fair value				
At 1 January	319,381	390,564	10,479	12,914
Change in fair value recognised directly in the statement of comprehensive income	149,602	(37,974)	5,090	(1,250)
Reclassification into inventories	-	(146,623)	-	(4,828)
Additions	182,191	113,414	6,201	3,735
Effect of movements in exchange rates	-	-	(1,544)	(92)
At 31 December	651,174	319,381	20,226	10,479

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

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

In 2010 the Group decided to change the concept of "Kuybisheva" to residential property. Initially, the Group intended to build an office centre with a gross buildable area of 10,276 square meters, and with parking, belonging to the Group subsidiary "Kuybisheva", 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 2010. Accordingly, reclassification of this land plot and construction capitalized into inventory was made.

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

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

						Rent rates assumed per sq mtr			
Project	**Expected occupa-tion rate**	**Discount rate used**	**Location**	**Gross buildable area**	**Fair value of investment projects**	**Offices**	**Retail**	**Other**	**Parking (per lot)**
				Sq mtr	**'000 RUB**	**RUB**	**RUB**	**RUB**	**RUB**
TOC na Leningradskom	70%	22%	Vyborg, Lenigradskiy pr. 17	7,362	31,188	11,500	-	-	-
Hermitage View House	90%	17%	Saint-Petersburg, Zoologicheskiy Lane 2-4	19,374	619,986	13,000	18,000	13,000	72,000
					651,174				
				Sq mtr	**'000 USD**	**USD**	**USD**	**USD**	**USD**
TOC na Leningradskom	70%	22%	Vyborg, Lenigradskiy pr. 17	7,362	969	357	-	-	-
Hermitage View House	90%	17%	Saint-Petersburg, Zoologicheskiy Lane 2-4	19,374	19,257	404	599	404	2,236
					20,226				

The properties are expected to be completed in period till the end of 2014.

As of 31 December 2011 and 31 December 2010 there were no investment properties under development to be subject to a registered debenture to secure bank loans.

Sensitivity analysis

A 10% increase in the estimated rental rates would have increased fair values of investment projects and profit by RUB 90,229 thousand / USD 2,802 thousand. A 10% decrease in the estimated rental would have an equal but opposite effect on the basis that all other variables remain constant.

A 10% increase in the assumed discount rate would have decreased fair values of investment projects and profit by RUB 28,617 thousand / USD 889 thousand. A 10% decrease in the assumed discount rate would have increased fair values of investment projects and profit by RUB 31,047 thousand / USD 964 thousand on the basis that all other variables remain constant.

A 10% increase in the anticipated costs to completion of individual projects would have decreased fair values of investment projects and profit by RUB 64,575 thousand / USD 2,006 thousand. A 10% decrease in these costs would have an equal but opposite effect on the basis that all other variables remain constant. A 10% increase in the anticipated occupancy rates of individual projects would have increased the fair values of investment projects and profit by RUB 69,324 thousand / USD 2,153 thousand. A 10% decrease in the anticipated occupancy rates of individual projects would have decreased fair values of investment projects and profit by RUB 108,775 thousand / USD 3,379 thousand.

16 Investment property

'000 RUB	**2011**	**2010**
Cost / Fair value		
At 1 January	2,308,258	2,304,827
Additions	-	1,755
Change in fair value	2,400	1,691
Disposal	-	(15)
At 31 December	2,310,658	2,308,258

'000 USD	**2011**	**2010**
Cost / Fair value		
At 1 January	75,738	76,207
Additions	-	58
Change in fair value	82	56
Disposal	-	-
Effect of movements in exchange rates	(4,052)	(583)
At 31 December	71,768	75,738

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

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

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

	2011	**2010**	**2011**	**2010**
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Rental income from investment property	171,689	144,371	5,842	4,754
Direct operating expenses arising from investment property that generated rental income during the year	54,758	32,156	1,863	1,059

17 Other investments

	2011	**2010**	**2011**	**2010**
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Non-current				
Available-for-sale investments:				
Stated at cost	9,968	18,595	309	610
Prepayment for acquisition of shares	50,000	-	1,553	-
Originated loans	52,277	16,214	1,624	532
	112,245	34,809	3,486	1,142
Current				
Held to maturity investments	35,765	25,961	1,111	852
Originated loans	90,391	126,329	2,808	4,145
	126,156	152,290	3,919	4,997

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

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

18 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

'000 RUB	Assets		Liabilities		Net	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Property, plant and equipment	(1,115,215)	(729,229)	2,221,649	2,043,031	1,106,434	1,313,802
Intangible assets	(259)	(57,193)	144,354	158,668	144,095	101,475
Investment property under development	(26,461)	(12,991)	1,663	1,789	(24,798)	(11,202)
Investment property	-	-	350,966	348,692	350,966	348,692
Inventories	(463,091)	(551,261)	428,351	416,435	(34,740)	(134,826)
Trade and other receivables	(315,884)	(335,114)	110,905	145,809	(204,979)	(189,305)
Loans and borrowings	(46,218)	(47,327)	27,285	31,702	(18,933)	(15,625)
Provisions	(1,435)	(8,813)	-	-	(1,435)	(8,813)
Trade and other payables	(252,934)	(244,565)	72,315	63,424	(180,619)	(181,141)
Tax loss carry-forwards	(1,230,333)	(1,045,436)	-	-	(1,230,333)	(1,045,436)
Tax (assets)/liabilities	(3,451,830)	(3,031,929)	3,357,488	3,209,550	(94,342)	177,621
Set off of tax	1,657,214	1,529,938	(1,657,214)	(1,529,938)	-	-
Net tax (assets)/liabilities	(1,794,616)	(1,501,991)	1,700,274	1,679,612	(94,342)	177,621

'000 USD	Assets		Liabilities		Net	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Property, plant and equipment	(34,638)	(23,927)	69,003	67,035	34,365	43,108
Intangible assets	(8)	(1,877)	4,484	5,206	4,476	3,329
Investment property under development	(822)	(426)	52	59	(770)	(367)
Investment property	-	-	10,901	11,441	10,901	11,441
Inventories	(14,383)	(18,088)	13,304	13,664	(1,079)	(4,424)
Trade and other receivables	(9,811)	(10,996)	3,445	4,784	(6,366)	(6,212)
Loans and borrowings	(1,436)	(1,553)	847	1,040	(589)	(513)
Provisions	(45)	(289)	-	-	(45)	(289)
Trade and other payables	(7,857)	(8,025)	2,247	2,082	(5,610)	(5,943)
Tax loss carry-forwards	(38,214)	(34,302)	-	-	(38,214)	(34,302)
Tax (assets)/liabilities	(107,214)	(99,483)	104,283	105,311	(2,931)	5,828
Set off of tax	51,473	50,200	(51,473)	(50,200)	-	-
Net tax (assets)/liabilities	(55,741)	(49,283)	52, 810	55,111	(2,931)	5,828

Temporary difference of RUB 16,882,485 thousand / USD 524,364 thousand (31 December 2010: RUB 18,566,025 thousand / USD 609,184 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.

Deferred tax assets on tax losses carry-forwards recognised as at 31 December 2011 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In accessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same data as it used for impairment testing of goodwill and property, plant and equipment (refer to note 14).The major part of those tax losses relates to business segments Construction, Building Materials and Other Entities and expire in 2012-2021.

(b) Movement in temporary differences during the year

’000 RUB	1 January 2011	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2011
Property, plant and equipment	1,313,802	(182,075)	(28,259)	2,966	1,106,434
Intangible assets	101,475	(6,933)	49,553	-	144,095
Investment property under development	(11,202)	(13,596)	-	-	(24,798)
Investment property	348,692	2,274	-	-	350, 966
Inventories	(134,826)	98,105	1,981	-	(34,740)
Trade and other receivables	(189,305)	(249)	(15,425)	-	(204,979)
Loans and borrowings	(15,625)	(3,308)	-	-	(18,933)
Provisions	(8,813)	7,378	-	-	(1,435)
Trade and other payables	(181,141)	8,502	(7,980)	-	(180,619)
Tax loss carry-forwards	(1,045,436)	(57,164)	(126,546)	(1,187)	(1,230,333)
	177,621	(147,066)	(126,676)	1,779	(94,342)

’000 RUB	**1 January 2010**	**Recognised in profit or loss**	**Acquired/ disposed**	**Effect of movements in exchange rate**	**31 December 2010**
Property, plant and equipment	1,458,213	(144,351)	-	(60)	1,313,802
Intangible assets	114,227	(12,752)	-	-	101,475
Investment property under development	100,791	(111,993)	-	-	(11,202)
Investment property	345,090	3,602	-	-	348,692
Investments	-	356	(356)	-	-
Inventories	(240,487)	106,350	(689)	-	(134,826)
Trade and other receivables	(337,757)	148,452	-	-	(189,305)
Loans and borrowings	(77,010)	61,385	-	-	(15,625)
Provisions	(8,721)	(138)	-	46	(8,813)
Trade and other payables	(141,841)	(39,300)	-	-	(181,141)
Tax loss carry-forwards	(610,714)	(425,792)	(13,750)	4,820	(1,045,436)
	601,791	(414,181)	(14,795)	4,806	177,621

’000 USD	**1 January 2011**	**Recognised in profit or loss**	**Acquired/ disposed**	**Effect of movements in exchange rate**	**31 December 2011**
Property, plant and equipment	43,108	(6,195)	(962)	(1,586)	34,365
Intangible assets	3,329	(236)	1,686	(303)	4,476
Investment property under development	(367)	(462)	-	59	(770)
Investment property	11,441	77	-	(617)	10,901
Inventories	(4,424)	3,337	66	(58)	(1,079)
Trade and other receivables	(6,212)	(9)	(525)	380	(6,366)
Loans and borrowings	(513)	(113)	-	37	(589)
Provisions	(289)	251	-	(7)	(45)
Trade and other payables	(5,943)	289	(271)	315	(5,610)
Tax loss carry-forwards	(34,302)	(1,943)	(4,304)	2,335	(38,214)
	5,828	(5,004)	(4,310)	555	(2,931)

’000 USD	1 January 2010	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2010
Property, plant and equipment	48,214	(4,753)	-	(353)	43,108
Intangible assets	3,776	(420)	-	(27)	3,329
Investment property under development	3,333	(3,688)	-	(12)	(367)
Investment property	11,410	119	-	(88)	11,441
Investments	-	12	(12)	-	-
Inventories	(7,950)	3,502	(23)	47	(4,424)
Trade and other receivables	(11,168)	4,888	-	68	(6,212)
Loans and borrowings	(2,546)	2,021	-	12	(513)
Provisions	(288)	(3)	-	2	(289)
Trade and other payables	(4,690)	(1,294)	-	41	(5,943)
Tax loss carry-forwards	(20,193)	(14,022)	(453)	366	(34,302)
	19,898	(13,638)	(488)	56	5,828

(c) Unrecognised deferred tax assets

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

	31 December 2011 ’000 RUB	31 December 2010 ’000 RUB	31 December 2011 ’000 USD	31 December 2010 ’000 USD
Tax losses	163,561	53,086	5,080	1,742
Deductible temporary differences on intercompany sales of investments	84,008	73,595	2,609	2,415
Total deferred tax assets have not been recognised	247,569	126,681	7,689	4,157

The tax losses expire in 2012-2021. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that the Group will sell investments in the foreseeable future and can utilize the benefits therefrom.

19 Inventories

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Work in progress, construction of buildings	43,750,949	37,585,913	1,358,890	1,233,259
Finished goods, construction of buildings	5,948,011	10,470,129	184,743	343,543
Finished goods and goods for resale	2,590,524	1,881,175	80,461	61,725
Raw materials and consumables	2,124,940	1,269,211	66,000	41,645
Lease incentives	1,110,026	1,110,026	34,477	36,422
Work in progress	1,061,596	505,039	32,972	16,571
	56,586,046	52,821,493	1,757,543	1,733,165

Inventories with a carrying amount of RUB 6,258,029 thousand / USD 194,372 thousand are subject to a registered debenture to secure bank loans (31 December 2010: RUB 6,885,496 thousand / USD 225,925 thousand) (refer to note 25).

20 Trade and other receivables

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Non-current				
Prepayments to suppliers	543,827	583,436	16,891	19,144
Notes receivable on disposals of subsidiaries	131,723	122,088	4,091	4,006
Accounts receivable - trade	293	1,142	9	37
Other receivables	10,808	102,021	336	3,347
	686,651	808,687	21,327	26,534
Current				
Prepayments for flats	4,951,971	1,610,438	153,807	52,841
Prepayments to suppliers	3,262,795	1,650,125	101,341	54,143
Accounts receivable – trade	2,614,087	2,229,608	81,193	73,157
Amounts due from customers for contract work	2,341,397	421,742	72,723	13,838
Notes receivable	730,864	965,377	22,700	31,676
VAT receivable	646,897	824,763	20,092	27,062
Deferred expenses	122,062	132,122	3,791	4,335
Employee receivables	3,819	6,281	119	206
Other receivables	2,312,540	2,217,548	71,826	72,763
	16,986,432	10,058,004	527,592	330,021
Provision for doubtful debtors	(902,502)	(945,880)	(28,031)	(31,036)
	16,083,930	9,112,124	499,561	298,985

Prepayments for flats acquired for resale include RUB 1,142,845 thousand / USD 35,496 thousand for flats that will be received after 12 months from the balance sheet date (31 December 2010: RUB 716,649 thousand / USD 23,514 thousand).

Other current receivables as at 31 December 2010 included the advance of RUB 915,279 thousand / USD 30,032 thousand paid to CERIC S.A. for the supply of equipment for new brick-making plant. The advance was reclassified from property, plant and equipment as management believed that due to bankruptcy of CERIC S.A. the Group will receive back cash on bank guarantee rather than equipment. During the twelve months ended 31 December 2011 the Group won litigation with CERIC S.A. in Stockholm arbitration court and received cash on bank guarantee The loss based on this award amounted to RUB 43,567 thousand / USD 1,483 thousand and was recognized in 2011 as Loss on other assets.

Other current receivables as at 31 December 2011 include interest and court charges adjudged to the Group by Stockholm arbitration court in amount RUB 148,319 thousand / USD 4,607 thousand. The amount was not repaid by CERIC S.A. or by bank and is sued to be paid by Credit Lyonnais Bank. The Group believes the payment receiving is probable.

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

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

21 Cash and cash equivalents

	2011 **’000 RUB**	**2010** **’000 RUB**	**2011** **’000 USD**	**2010** **’000 USD**
Petty cash	11,655	3,239	362	106
Current accounts	2,662,564	921,115	82,698	30,224
Call deposits	2,520,685	402,785	78,292	13,216
Cash and cash equivalents in the statement of financial position	5,194,904	1,327,139	161,352	43,546
Cash and cash equivalents in the statement of cash flows	5,194,904	1,327,139	161,352	43,546

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

22 Restricted cash

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Non-current				
Restricted cash	894,732	11	27,790	-
Current				
Restricted cash	43,422	191,665	1,349	6,289
	938,154	191,676	29,139	6,289

Restricted cash as at 31 December 2011 includes the amount of RUB 894,723 thousand / USD 27,790 thousand which was reserved in connection with confirmed letters of credit issued by the Group's bankers on building of Brick Plant in Leningrad Region.

Cash in the amount of RUB 43,422 thousand / USD 1,349 thousand is restricted for use by the Group according to the requirements of German legislation that regulates operations between developers and investors-individuals (31 December 2010: RUB 191,665 thousand /USD 6,289 thousand).

23 Equity

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares	
	31 December 2011	**31 December 2010**
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the year	103,030,215	93,663,832
Issued during the year and fully paid	-	9,366,383
On issue at end of the year, fully paid	103,030,215	103,030,215

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

In April 2010 Federal Service on Financial Markets (FSFR of Russian Federation) registered the additional issue of ordinary shares.

In May 2010 the Group completed its secondary public offering of 9,366,383 ordinary shares at value USD 42.5 each and placed global depository receipts ("GDR`s") on the London Stock Exchange as well as shares on the Russian stock exchanges RTS and MICEX. As a result of the offering the Group received cash net of costs of issuing new shares in the amount of RUB 11,848,028 thousand / USD 390,133 thousand.

The appropriate changes were made to the Company's charter capital in relation to new shares issued. Additional paid in capital reserve formed from proceeds from the issue was transferred to share capital and share premium after appropriate changes were made to the Company's charter documents. For the purpose of calculating earnings per share the share issuance was taken into account from 11 May 2010, as described in note 24.

(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 2011 the Company had retained earnings, including the profit for the current period, of RUB 8,119,072 thousand / USD 252,176 thousand (as at 31 December 2010: RUB 6,084,127 thousand / USD 199,631 thousand).

In 2011 the Group distributed dividends in total amount of RUB 1,629,269 thousand / USD 55,441 thousand, including RUB 1,545,453 thousand / USD 52,589 thousand distributed by the holding Company at value RUB 15 / USD 0.5 per share for financial year ended 31 December 2010.

24 Earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, refer to note 23 (a). The Company has no dilutive potential ordinary shares.

	2011	2010
Issued shares at 1 January	103,030,215	93,663,832
Effect of shares issued in May 2010	-	6,030,411
Weighted average number of shares for the year ended 31 December	103,030,215	99,694,243

25 Loans and borrowings

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

	2011	2010	2011	2010
	'000 RUB	'000 RUB	'000 USD	'000 USD
Non-current				
Secured bank loans	26,620,132	23,599,818	826,812	774,351
Unsecured bank loans	420,000	420,000	13,045	13,781
Unsecured other loans	9,000	-	280	-
Unsecured bond issues	8,957,993	3,500,000	278,232	114,841
Finance lease liability	126,980	194,665	3,944	6,387
	36,134,105	27,714,483	1,122,313	909,360
Current				
Secured bank loans	1,186,888	343,759	36,864	11,280
Unsecured bank loans	280,000	280,000	8,697	9,187
Unsecured other loans	175,387	56,649	5,447	1,859
Unsecured bond issue	1,000,000	3,000,856	31,060	98,463
Finance lease liability	146,052	307,307	4,536	10,083
	2,788,327	3,988,571	86,604	130,872

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2011		31 December 2010	
'000 RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR	3.34% - 5.25%	2012-2013	413,255	413,255	367,336	367,336
	USD	6м Libor+5.76%	2019	6,366,930	6,366,930	8,546,368	8,546,368
	RUB	2.50% - 10.10% CBR rate+3%	2011-2021	21,026,835	21,026,835	15,029,873	15,029,873
Unsecured facility	RUB	0 – 10.50%	2011-2021	10,842,380	10,842,380	7,257,505	7,257,505
Finance lease liability		6.30 – 48.91%	2012-2017	273,032	273,032	501,972	501,972
				38,922,432	38,922, 432	31,703,054	31,703,054

				31 December 2011		31 December 2010	
'000 USD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR	3.34% - 5.25%	2012-2013	12,836	12,836	12,053	12,053
	USD	6м Libor+5.76%	2019	197,754	197,754	280,422	280,422
	RUB	2.50% - 10.10% CBR rate+3%	2011-2021	653,086	653,086	493,156	493,156
Unsecured facility	RUB	0 – 10.50%	2011-2021	336,761	336,761	238,131	238,131
Finance lease liability		6.30 – 48.91%	2012-2017	8,480	8,480	16,470	16,470
				1,208,917	1,208,917	1,040,232	1,040,232

Covenants and other matters

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

– a limitation on the Group ability to incur additional debt beyond a certain financial ratios;

– subject to certain exceptions, a prohibition restricting the Group ability to make significant loans, or give credit, guarantees or indemnities to the third party;

- a restriction on paying or declaring any dividend or other distribution or interest on any unpaid interest (whether in cash or in kind);
- a liability to provide to the Banks with such financial and other information, the Banks may reasonably require in relation to the loan contracts, including the Group annual audited and unaudited consolidated financial statements, prepared in accordance with IFRS.

Finance lease liabilities are payable as follows:

’000 RUB	**31 December 2011**			**31 December 2010**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	182,806	36,754	146,052	368,601	61,294	307,307
Between one and five years	145,263	18,283	126,980	226,961	32,296	194,665
	328,069	55,037	273,032	595,562	93,590	501,972

’000 USD	**31 December 2011**			**31 December 2010**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	5,678	1,142	4,536	12,094	2,011	10,083
Between one and five years	4,512	568	3,944	7,447	1,060	6,387
	10,190	1,710	8,480	19,541	3,071	16,470

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 1,604,669 thousand / USD 49,840 thousand is pledged as collateral to secure bank loans (31 December 2010: RUB 1,104,044 thousand /USD 36,226 thousand) – refer to note 13(b).
- Inventories with a carrying amount of RUB 6,258,029 thousand / USD 194,372 thousand are pledged as collateral to secure bank loans. (31 December 2010: RUB 6,885,496 thousand / USD 225,925 thousand) – refer to note 19.

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

Bank loans are secured by the pledge of the following shares in subsidiary companies as of 31 December 2011:

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

26 Provisions

'000 RUB	**Site restoration**	**Environ-ment restoration**	**Warranty provision**	**Provision for unprofitable contracts**	**Litigation provision**	**Total**
Current						
Balance at 1 January 2011	560,507	-	6,373	-	-	566,880
Provisions made during the year	153,051	5,522	1,584	(2)	3,670	163,825
Provisions used during the year	(400,685)	-	-	-	-	(400,685)
Exchange differences (+/-)	-	-	211	-	-	211
Balance at 31 December 2011	312,873	5,522	8,168	(2)	3,670	330,231
Non-current						
Balance at 1 January 2011	-	4,975	-	-	-	4,975
Provisions made during the year	-	3,767	-	-	-	3,767
Balance at 31 December 2011	-	8,742	-	-		8,742

'000 USD	**Site restoration**	**Environ-ment restoration**	**Warranty provision**	**Provision for unprofitable contracts**	**Litigation provision**	**Total**
Current						
Balance at 1 January 2011	18,391	-	209	-	-	18,600
Provisions made during the year	5,208	188	54	-	125	5,575
Provisions used during the year	(13,635)	-	-	-	-	(13,635)
Exchange differences (+/-)	(246)	(16)	(9)	-	(12)	(283)
Balance at 31 December 2011	9,718	172	254	-	113	10,257
Non-current						
Balance at 1 January 2011	-	163	-	-	-	163
Provisions made during the year	-	128	-	-	-	128
Exchange differences (+/-)	-	(19)	-	-	-	(19)
Balance at 31 December 2011	-	272	-	-	-	272

(a) Site restoration

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

(b) Environment restoration

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

(c) Warranty provision

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

(d) Provision for unprofitable contracts

Provision for unprofitable contracts are recognized when the expected revenues are lower than the expected costs to completion.

(e) Litigation provision

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

27 Trade and other payables

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Non-current payables				
Notes payable long-term	170,018	194,261	5,281	6,374
Accounts payable trade	800	-	25	-
	170,818	194,261	5,306	6,374
Current payables				
Prepayments received for flats	15,655,109	8,937,683	486,242	293,262
Accounts payable trade	5,439,520	3,185,745	168,950	104,530
Advances from customers	3,681,206	2,731,010	114,337	89,609
Other taxes payable	1,684,598	818,765	52,323	26,865
Accounts due to customers for contract work	1,648,402	428,425	51,199	14,057
Interest payable	1,147,598	973,927	35,644	31,956
Employee-related liabilities	757,142	582,747	23,517	19,121
Notes payable	79,467	124,882	2,468	4,098
Deferred income	52,951	61,003	1,645	2,002
Non-controlling interest in limited liability subsidiaries	33,079	55,198	1,027	1,811
Dividend liabilities, interest-free	1,804	-	56	-
Payables for shares of the subsidiaries acquired	604	-	19	-
Other payables	1,168,809	882,651	36,302	28,960
	31,350,289	18,782,036	973,729	616,271

Prepayments received for flats include RUB 3,159,487 thousand / USD 98,133 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2010: RUB 2,126,552 thousand / USD 69,776 thousand).

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

28 Financial risk management

(a) Overview

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

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

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

Risk management framework

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

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

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

(b) Credit risk

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. One customer of the Group represents approximately RUB 3,830,000 thousand / USD 130,328 thousand or more than 7% 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.

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

At 31 December 2011 guarantees made to third parties were RUB 369,459 thousand / USD 11,475 thousand (31 December 2010: RUB 446,196 thousand / USD 14,640 thousand).

Exposure to credit risk

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

'000 RUB	**Carrying amount**	
	31 December 2011	**31 December 2010**
Available-for-sale financial assets	9,968	18,595
Loans and receivables	7,470,043	5,358,509
Held to maturity investments	35,765	25,961
Cash and cash equivalents	5,194,904	1,327,139
Restricted cash	938,154	191,676
	13,648,834	6,921,880

’000 USD	**Carrying amount**	
	31 December 2011	**31 December 2010**
Available-for-sale financial assets	309	610
Loans and receivables	232,017	175,822
Held to maturity investments	1,111	852
Cash and cash equivalents	161,352	43,546
Restricted cash	29,139	6,289
	423,928	227,119

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

’000 RUB	**Carrying amount**	
	31 December 2011	**31 December 2010**
Domestic	1,952,626	1,595,330
Euro-zone countries	44,297	39,002
Other CIS countries	16,795	19,314
	2,013,718	1,653,646

’000 USD	**Carrying amount**	
	31 December 2011	**31 December 2010**
Domestic	60,648	52,344
Euro-zone countries	1,376	1,280
Other CIS countries	522	634
	62,546	54,258

The Group’s most significant trade debtor, OOO “Lenstroyenergo PSO”, accounts for RUB 94,298 thousand / USD 2,929 thousand of the trade receivables carrying amount at 31 December 2011 (31 December 2010: OOO “NSK Monolith” RUB 32,829 thousand / USD 1,077 thousand).

The total amount of impaired trade receivables at the reporting date was RUB 600,662 thousand / USD 18,656 thousand (31 December 2010: RUB 577,104 thousand / USD 18,936 thousand).

The ageing of trade receivables at the reporting date was:

	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
	'000 RUB	**'000 RUB**	**'000 RUB**	**'000 RUB**
Not past due	1,079,153	-	851,625	(2,110)
Past due 0-30 days	499,528	(6)	358,067	(1,909)
Past due 31-150 days	391,621	(51,158)	573,753	(161,709)
Past due more than 150 days	644,078	(549,498)	447,305	(411,376)
	2,614,380	(600,662)	2,230,750	(577,104)

	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
	'000 USD	**'000 USD**	**'000 USD**	**'000 USD**
Not past due	33,518	-	27,942	(69)
Past due 0-30 days	15,515	-	11,749	(63)
Past due 31-150 days	12,164	(1,589)	18,826	(5,306)
Past due more than 150 days	20,005	(17,067)	14,677	(13,498)
	81,202	(18,656)	73,194	(18,936)

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

	2011	2010
	'000 RUB	**'000 RUB**
Balance at 1 January	(577,104)	(512,050)
Impairment loss recognised	(23,558)	(65,054)
Balance at 31 December	(600,662)	(577,104)

	2011	2010
	'000 USD	**'000 USD**
Balance at 1 January	(18,936)	(16,930)
Impairment loss recognised	(802)	(2,142)
Effect of movements in exchange rates	1,082	136
Balance at 31 December	(18,656)	(18,936)

The impairment loss at 31 December 2011 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:

	2011	**2010**
	’000 RUB	**’000 RUB**
Balance at 1 January	(368,776)	(324,705)
Impairment (loss) / reversal	66,936	(44,071)
Balance at 31 December	(301,840)	(368,776)

	2011	**2010**
	’000 USD	**’000 USD**
Balance at 1 January	(12,100)	(10,737)
Impairment (loss) / reversal	2,278	(1,451)
Effect of movements in exchange rates	447	88
Balance at 31 December	(9,375)	(12,100)

(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 2011 the Group’s undrawn short-term credit facilities amount is RUB 4,572,000 thousand / USD 142,005 thousand (31 December 2010: RUB 5,222,164 thousand / USD 171,348 thousand) from Russian and Ukrainian banks. Interest would be payable at the rate of 8.5% to 10.25%.

The following are the contractual maturities of financial liabilities, including 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 2011	**Average interest rate**					
’000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.50% - 10.10%	8.85%	374,847	11,976,989	6,110,922	18,462,758
RUB	CBR rate+3%	10.75%	341,877	1,367,508	854,692	2,564,077
USD	6m Libor+5.76%	6.18%	262,932	4,134,257	1,969,741	6,366,930
EUR*	3.34% - 5.25%	8.68%	207,232	206,023	-	413,255
Unsecured bank loans:						
RUB*	8.18%	9.75%	280,000	420,000	-	700,000
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.00%	175,387	-	9,000	184,387
Unsecured bond issues:						
RUB*	8.47% - 10.50%	11.73%	1,000,000	8,957,993	-	9,957,993
Finance lease liabilities						
RUB*	13.69%-48.91%	19.57%	53,921	80,896	-	134,817
EUR*	9.71%-27.32%	15.32%	87,574	43,527	-	131,101
USD*	6.30%-15.95%	15.49%	1,213	-	-	1,213
Other*	22.00%-26.00%	24.58%	3,344	2,557		5,901
Trade and other payables		-	7,870,881	170,818	-	8,041,699
Future interests**		-	3,220,455	6,858,839	381,646	10,460,940
Guarantees***		-	91,958	277,501	-	369,459
			13,971,621	34,496,908	9,326,001	57,794,530

*Fixed rate

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

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

31 December 2010	**Average interest rate**					
'000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	8.75%-10.00%	9.15%	-	6,252,162	7,111,725	13,363,887
RUB	CBR rate+3%	10.75%	104,123	832,992	728,871	1,665,986
USD*	10%	10%	-	1,134,975	2,239,275	3,374,250
USD	6m Libor + 5.5% / 7.81%	8.68%	66,516	3,558,420	1,547,182	5,172,118
EUR*	5.00% - 6.25%	5.94%	173,120	194,216	-	367,336
Unsecured bank loans:						
RUB*	9.00% - 9.75%	9.75%	280,000	420,000	-	700,000
Unsecured other loans:						
RUB*	0.00% - 0.10%	0.00%	56,649	-	-	56,649
Unsecured bond issues:						
RUB*	9.25%-13.5%	11.73%	3,000,856	3,500,000	-	6,500,856
Finance lease liabilities						
RUB*	13.06%-48.90%	22.90%	113,458	65,189	-	178,647
EUR*	9.47%-33.23%	17.00%	162,353	125,989	-	288,342
USD*	6.30%-21.73%	13.50%	29,325	1,148	-	30,473
Other*	18.00%-26.00%	22.00%	2,171	2,339	-	4,510
Trade and other payables		0.00%-6.15%	5,222,403	194,261	-	5,416,664
Future interests**		-	2,814,880	7,175,234	554,654	10,544,768
Guarantees***		-	-	446,196	-	446,196
			12,025,854	23,903,121	12,181,707	48,110,682

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2010.

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

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

*Fixed rate

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

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

31 December 2010	**Average interest rate**					
'000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	8.75%-10.00%	9.15%	-	205,144	233,348	438,492
RUB	CBR rate+3%	10.75%	3,416	27,332	23,916	54,664
USD*	10.00%	10.00%	-	37,241	73,475	110,716
USD	6m Libor+5.50%/ 7.81%	8.68%	2,184	116,756	50,766	169,706
EUR*	5.00% - 6.25%	5.94%	5,680	6,373	-	12,053
Unsecured bank loans:						
RUB*	9.00% - 9.75%	9.75%	9,187	13,781	-	22,968
Unsecured other loans:						
RUB*	0.0%-0.10%	0.00%	1,859	-	-	1,859
Unsecured bond issues:						
RUB*	9.25%-13.5%	11.73%	98,463	114,841	-	213,304
Finance lease liabilities						
RUB*	13.06%-48.90%	22.90%	3,723	2,140	-	5,863
EUR*	9.47%-33.23%	17.00%	5,327	4,133	-	9,460
USD*	6.30%-21.73%	13.50%	962	38	-	1,000
Other*	18.00%-26.00%	22.00%	71	76	-	147
Trade and other payables		0.00%-6.15%	171,355	6,374	-	177,729
Future interests**		-	92,360	235,432	18,199	345,991
Guarantees***		-	-	14,640	-	14,640
			394,587	784,301	399,704	1,578,592

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2010.

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

(d) Market risk

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

(i) Currency risk

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

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

Exposure to currency risk

The Group's exposure to currency risk was based on the following principal amounts:

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

31 December 2010 '000 RUB	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	4,137,781	1,077,498	6	681
Originated loans	142,543	-	-	-
Secured bank loans	(15,029,873)	(367,336)	(8,546,368)	-
Unsecured bank loans	(700,000)	-	-	-
Unsecured other loans	(56,649)	-	-	-
Unsecured bond issues	(6,500,856)	-	-	-
Finance lease liabilities	(178,647)	(288,342)	(30,473)	(4,510)
Trade and other payables	(4,758,403)	(359,171)	(297,071)	(2,019)
Gross balance sheet exposure	(22,944,104)	62,649	(8,873,906)	(5,848)

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

31 December 2010 **'000 USD**	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	135,768	35,355	-	22
Originated loans	4,677	-	-	-
Secured bank loans	(493,156)	(12,053)	(280,422)	-
Unsecured bank loans	(22,968)	-	-	-
Unsecured other loans	(1,859)	-	-	-
Unsecured bond issues	(213,304)	-	-	-
Finance lease liabilities	(5,863)	(9,460)	(1,000)	(147)
Trade and other payables	(156,131)	(11,785)	(9,747)	(66)
Gross balance sheet exposure	(752,836)	2,057	(291,169)	(191)

The following significant exchange rates applied during the period:

	31 December 2011	**31 December 2010**
	RUB	**RUB**
1 USD equals	32.1961	30.4769
1 Euro equals	41.6714	40.3331
1 UAH equals	4.0055	3.8283

Sensitivity analysis

A 10% strengthening of RUB against the above currencies would have increased profit by RUB 814,995 thousand / USD 25,313 thousand. A 10% weakening of the RUB against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Profile

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

'000 RUB	**Carrying amount**	
	31 December 2011	**31 December 2010**
Fixed rate instruments		
Financial assets	188,401	187,099
Financial liabilities	(29,991,425)	(24,864,950)
	(29,803,024)	(24,677,851)
Variable rate instruments		
Financial liabilities	(8,931,007)	(6,838,104)

'000 USD	**Carrying amount**	
	31 December 2011	**31 December 2010**
Fixed rate instruments		
Financial assets	5,852	6,139
Financial liabilities	(931,524)	(815,862)
	(925,672)	(809,723)
Variable rate instruments		
Financial liabilities	(277,393)	(224,370)

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 2010.

'000 RUB	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Year ended 31 December 2011		
Variable rate instruments	(89,310)	89,310
Cash flow sensitivity	(89,310)	89,310
Year ended 31 December 2010		
Variable rate instruments	(68,381)	68,381
Cash flow sensitivity	(68,381)	68,381

'000 USD	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Year ended 31 December 2011		
Variable rate instruments	(2,774)	2, 774
Cash flow sensitivity	(2,774)	2, 774
Year ended 31 December 2010		
Variable rate instruments	(2,244)	2,244
Cash flow sensitivity	(2,244)	2,244

(e) Fair values versus carrying amounts

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

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

'000 RUB	Note	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Financial assets					
Available-for-sale financial assets	17	9,968	9,968	18,595	18,595
Loans and receivables		7,470,043	7,470,043	5,358,509	5,358,509
Held to maturity investments	17	35,765	35,765	25,961	25,961
Cash and cash equivalents	21	5,194,904	5,194,904	1,327,139	1,327,139
Restricted cash	22	938,154	938,154	191,676	191,676
		13,648,834	13,648,834	6,921,880	6,921,880
Financial liabilities					
Secured bank loans	25	(27,807,020)	(26,790,154)	(23,943,577)	(26,484,350)
Unsecured bank loans	25	(700,000)	(682,101)	(700,000)	(728,078)
Unsecured other loans	25	(184,387)	(164,545)	(56,649)	(52,943)
Unsecured bond issues	25	(9,957,993)	(9,851,305)	(6,500,856)	(6,935,497)
Trade and other payables	27	(8,041,699)	(8,041,699)	(5,416,664)	(5,416,664)
Finance lease liabilities	25	(273,032)	(273,032)	(501,972)	(501,972)
		(46,964,131)	(45,802,836)	(37,119,718)	(40,119,504)

'000 USD	Note	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Financial assets					
Available-for-sale financial assets	17	309	309	610	610
Loans and receivables		232,017	232,017	175,822	175,822
Held to maturity investments	17	1,111	1,111	852	852
Cash and cash equivalents	21	161,352	161,352	43,546	43,546
Restricted cash	22	29,139	29,139	6,289	6,289
		423,928	423,928	227,119	227,119

'000 USD	Note	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Financial liabilities					
Secured bank loans	25	(863,676)	(832,093)	(785,631)	(868,997)
Unsecured bank loans	25	(21,742)	(21,186)	(22,968)	(2,389)
Unsecured other loans	25	(5,727)	(5,111)	(1,859)	(1,737)
Unsecured bond issues	25	(309,292)	(305,978)	(213,304)	(227,566)
Trade and other payables	27	(249,772)	(249,772)	(177,729)	(177,730)
Finance lease liabilities	25	(8,480)	(8,480)	(16,470)	(16,470)
		(1,458,689)	(1,422,620)	(1,217,961)	(1,294,889)

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 2011	31 December 2010
Loans and borrowings	8.00% - 10.00%	6.40% - 7.00%
Leases	6.30% - 48.91%	6.30% - 48.91%

(f) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of the transactions;
- requirements for the reconciliation and monitoring of the transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessments of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;

- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

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

(g) Capital management

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

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

	2011	**2010**	**2011**	**2010**
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Total liabilities	72,914,672	53,076,124	2,264,705	1,741,519
Less: cash and cash equivalents	(5,194,904)	(1,327,139)	(161,352)	(43,546)
Net liabilities	67,719,768	51,748,985	2,103,353	1,697,973
Total equity	53,947,498	53,143,556	1,675,591	1,743,732
Net liabilities to capital ratio	1.26	0.97	1.26	0.97

29 Operating leases

Non-cancellable operating lease rentals are payable as follows:

'000 RUB	**2011**	**2010**
Less than one year	155,299	147,657
Between one and five years	425,273	404,278
More than five years	2,044,378	1,360,368
	2,624,950	1,912,303

'000 USD	**2011**	**2010**
Less than one year	4,824	4,845
Between one and five years	13,209	13,265
More than five years	63,498	44,636
	81,531	62,746

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 2011 an amount of RUB 118,176 thousand / USD 4,021 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 2011 an amount of RUB 44,782 thousand / USD 1,524 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

30 Commitments

At 31 December 2011, the Group was committed to purchase property, plant and equipment for approximately RUB 3,527,815 thousand / USD 109,573 thousand (31 December 2010: RUB 2,752,120 thousand / USD 90,302 thousand) net of VAT, including commitment for construction works and equipment for a new cement plant for RUB 916,603 thousand / USD 28,469 thousand (31 December 2010: RUB 1,634,910 thousand / USD 53,644 thousand) and commitment to purchase equipment for a new brick-making plant for RUB 1,867,107 thousand / USD 57,992 thousand (31 December 2010: RUB 1,077,659 thousand / USD 35,360 thousand).

31 Contingencies

(a) Insurance

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

(b) Litigation

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

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

(c) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes 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 and substance-based 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 2012 to 2027.

32 Related party transactions

(a) Control relationships

The Company is ultimately controlled by Andrey Molchanov.

(b) Transactions with management and close family members

The management and their close family members control 5.0% of the voting shares of the Group. (31 December 2010: 7.62%).

(i) Management remuneration

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

	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Salaries and bonuses	338,302	516,397	11,512	17,004

(ii) Other transactions with management and close family members

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Sale of goods and services	69,918	40,277	(2,118)	(32,799)	2,379	1,326	(66)	(1,076)
Purchase of goods and services	69,154	101	-	4,370	2,353	3	-	143
Loans received (included into unsecured other loans – refer to note 26)	13,392	6,300	3,520	14,059	456	207	109	461
Loans given to related parties	1,200	31,173	3,540	33,922	41	1,026	110	1,113
Purchase of shares	38	396,711	-	-	1	13,063	-	-
Sale of shares	-	-	-	-	-	-	-	-
Purchase of note	-	-	-	-	-	-	-	-
Sales of note	34,119	-	9,252	6,025	1,161	-	287	198

As at 31 December 2011 there were no loans to executive directors (31 December 2010: RUB 30,200 thousand /USD 991 thousand) (refer to notes 17, 20).

(c) Transactions with other related parties

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

(i) Revenue

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
	'000 RUB	**'000 RUB**	**'000 RUB**	**'000 RUB**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Sale of goods and services provided to:								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	295,715	14,090	362	(31,994)	10,063	464	11	(1,050)
Companies significantly influenced by the Group key management	32,583	77,609	(33,610)	9,470	1,109	2,556	(1,044)	311
	328,298	91,699	(33,248)	(22,524)	11,172	3,020	(1,033)	(739)

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

(ii) Expenses and capital expenditures

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Purchase of goods and services from:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	32,936	38,632	(247,701)	14,839	1,121	1,272	(7,694)	487
Companies significantly influenced by the Group management	7,581	13,658	883	5,131	258	450	27	168
	40,517	52,290	(246,818)	19,970	1,379	1,722	(7,667)	655

All outstanding balances with related parties are to be settled in cash within the year 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 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Loans received (included into unsecured other loans – refer to note 25):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	1,773,500	-	23,970	-	58,398	-	786
Companies significantly influenced by the Group management	-	-	-	-	-	-	-	-
Loans provided by A.Molchanov	-	1,509,281	-	-	-	49,698	-	-
	-	3,282,781	-	23,970	-	108,096	-	786
Loans given (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	-	(421)	(421)	-	-	(13)	(14)
Companies significantly influenced by the Group management	(845)	-	(1,444)	(599)	(29)	-	(45)	(20)
	(845)	-	(1,865)	(1,020)	(29)	-	(58)	(34)
	(845)	3,282,781	(1,865)	22,950	(29)	108,096	(58)	752

The loans from companies, significantly influenced by the Group management, and companies, controlled or significantly influenced by, or on behalf of, the Group’s ultimate beneficial owners, bear interest and are repayable based on contractual terms.

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Interests (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	20	18,770	-	-	1	618	-	-
Companies significantly influenced by the Group management	-	67	-	-	-	2	-	-
Interests provided to A.Molchanov	-	66,721	-	-	-	2,197	-	-
	20	85,558	-	-	1	2,817	-	-

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

(iv) Other investments

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Non-current available-for-sale investments stated at cost (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	-	563	563	-	-	17	18
Companies significantly influenced by the Group management	10,473	-	6	3	356	-	-	-
	10,473	-	569	566	356	-	17	18

(v) Transactions with shares / promissory notes

Purchase of shares/promissory notes from

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	352,567	-	42,567	-	11,997	-	1,322	-
Companies significantly influenced by the Group management	11,044	97,742	-	708,288	376	3,218	-	23,240
	363,611	97,742	42,567	708,288	12,373	3,218	1,322	23,240

Sale of shares to

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	85	-	-	-	3	-	-
Companies significantly influenced by the Group management	-	174,562	-	-	-	5,748	-	-
	-	174,647	-	-	-	5,751	-	-

33 Significant subsidiaries

Entity	Country of incorporation	Ownership/ voting interest 31 December 2011	Ownership/ voting interest 31 December 2010
OAO “Gatchinsky DSK”	Russia	-	100.00%
JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG”	Russia	100.00%	100.00%
OOO “GDSK”	Russia	100.00%	100.00%
OAO “LSR”	Russia	100.00%	100.00%
OAO NPO “Keramika”	Russia	100.00%	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%
JSC “Scanex”	Russia	100.00%	100.00%
ZAO “Vertikal”	Russia	100.00%	100.00%
OAO “PO “Barrikada”	Russia	100.00%	100.00%
ZAO “DSK “Blok”	Russia	100.00%	100.00%
OJSC “UM-260”	Russia	100.00%	100.00%
OOO “Obyedineniye 45”	Russia	100.00%	100.00%
ZAO “MSR”	Russia	100.00%	100.00%
OOO “GATP №1”	Russia	100.00%	100.00%
JSC “Pobeda LSR”	Russia	100.00%	100.00%
OOO “Aeroc SPb”	Russia	100.00%	100.00%
LCC “AEROC”	Ukraine	100.00%	100.00%
OOO “Osobnyak”	Russia	100.00%	100.00%
OOO “Kvartira LuxServis”	Russia	100.00%	100.00%
JSC “Construction trust № 28”	Russia	79.17%	79.17%
OOO “Construction trust № 28”*	Russia	50.00%	50.00%
ZAO “Promyshlenny leasing”	Russia	100.00%	100.00%
ZAO NPO “VSR”	Russia	80.00%	80.00%
OOO “SPb GDC “YUNA”	Russia	100.00%	100.00%
DNP “Alakul”**	Russia	-	-
“DNP “Penaty-2”**	Russia	-	-
ZAO “MSR-Butovo”	Russia	100.00%	100.00%
OAO “Zavod ZhBI-6”	Russia	57.80%	57.70%
OOO “GDSK Invest Primorsky”	Russia	100.00%	100.00%
ZAO “Zarechye”	Russia	-	100.00%
OOO “LenSpecSMO “Promstroymontazh”	Russia	100.00%	100.00%
Limited Liability Company Smolniy District	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/ voting interest 31 December 2011	Ownership/ voting interest 31 December 2010
OOO "VSMP"	Russia	100.00%	100.00%
OOO "BaltStroyKomplekt"	Russia	100.00%	100.00%
OOO "Obyedineniye 45-M" (formerly 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%	80.00%
MUC Campus V GmbH	Germany	70.00%	-
Bereiteranger Vermogensverwaltungs GmbH	Germany	70.00%	70.00%
Bereiteranger Projektentwicklung GmbH & Co.	Germany	70.00%	70.00%
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%
OOO "ZAVOD "STROIFARFOR"	Russia	100.00%	100.00%
OOO "BSK Invest-3"**	Russia	20.00%	20.00%
Limited Liability Company "Cement"	Russia	100.00%	100.00%
ZAO "Kazanskaya, 36"	Russia	100.00%	100.00%
OOO "Ozherel'evskaya keramika"	Russia	100.00%	100.00%
OOO "Okhtinskiy Bereg"	Russia	100.00%	100.00%
Lsr Group Ltd	Russia	100.00%	100.00%
OOO "Ohta 25"	Russia	55.00%	55.00%
OOO Agentstvo "TRIADA"	Russia	-	100.00%
Limited Liability Company "Barrikada"	Russia	100.00%	100.00%
OOO "Promrezerv"	Russia	-	100.00%
Open Joint-Stock Company "BETFOR"(formerly OAO "Betfor")	Russia	100.00%	98.79%
OOO "SMU "NOVA-stroy"	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/ voting interest 31 December 2011	Ownership/ voting interest 31 December 2010
LTD “PKU “NOVA-StroiProekt”	Russia	100.00%	100.00%
ZAO “NOVA-stroy”	Russia	100.00%	100.00%
OOO “LSR-Nerud” (formerly OOO “Granit-Invest”)	Russia	100.00%	100.00%
PJSC “Uralscheben”	Russia	100.00%	100.00%
JSC “Aeroc Obuchow”	Ukraine	97.36%	97.36%
OOO “Kentavr Management”	Russia	100.00%	100.00%
OOO “Vsevolozhskie Ugodia”	Russia	-	99.99%
OOO “Rybkhoz”	Russia	100.00%	99.99%
OOO “Kompleks”	Russia	-	99.99%
OOO “MSR Perspectiva”	Russia	100.00%	-
OAO “Obuhovsky zavod SMiK”	Russia	100.00%	-
OAO “PK”	Russia	93.44%	-
OOO “OPTIMA”	Russia	-	99.99%
OOO “LSR-Stroy”	Russia	100.00%	100.00%
OOO “KUZZhBI” (formerly ZAO “KUZZhBI”)	Russia	100.00%	99.99%
ZAO “Martynovka”	Russia	-	100.00%
OOO “Karier Petrovskiy”	Russia	-	100.00%
JSC “HONKAVAARAN MAASTORAKENNUS”	Russia	-	100.00%
Limited Liability Company “AvtoKomBalt”	Russia	100.00%	-
OOO “GALS”	Russia	100.00%	-
LLC “436 KNI”	Russia	100.00%	-
OOO “KIN-Center”	Russia	100.00%	-
ZAO “LSR-Bazovye”	Russia	100.00%	-
ZAO “Golden Kazanskaya”	Russia	100.00%	-

* 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)(iii)) in which the Group has no direct controlling ownership or direct controlling voting interest.

34 Events subsequent to the reporting date

(a) Financing events

In February 2012 one of the Group subsidiaries entered into letter of credit with OAO “Bank VTB”. The total amount of letter of credit granted is limited to RUB 40,305 thousand / USD 1,252 thousand. Letter of credit is to be repaid no later February 2013.

(b) Operating events

In March 2012 the Board of Directors recommended the Annual General Shareholders' Meeting to distribute dividends of RUB 20.00 per ordinary share amounting to RUB 2,060,604 thousand / USD 64,002 thousand based on the results of the 2011 financial year.

35 Supplementary disclosures

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

Segment	Business unit	Entity
Construction	Construction SPb	OAO “Gatchinsky DSK” ZAO “DSK “Blok”
	Project management	OOO “LSR-Stroy” Limited Liability Company “AvtoKomBalt”
	Construction Moscow	OOO “MSR Perspectiva” ZAO “MSR”
	Construction Ural	Limited Liability Company “BETFOR” Limited Liability Company “KUZZhBI” OOO “SMU “NOVA-stroy” LTD “PKU “NOVA-StroiProekt”
Real Estate Development	Business Class and Mass Market Real Estate	OOO “ZAVOD “STROIFARFOR” OAO “LSR” OAO NPO “Keramika” OOO “GDSK Invest Primorsky” OOO “GDSK” OOO “Okhtinskiy Bereg”
	Real Estate in Western Europe	LSR Europe GmbH Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH LSR Vermögensverwaltungs GmbH Oefelestrasse Projektetnwicklungs GmbH & Co KG Saargemunder Strabe Wohnbau Beteiligungs-GmbH Projektgesellschaft Bayerstr. 79 mbH Saargemunder Strabe Wohnbau Gmbh & Co. KG Bereiteranger Projektentwicklung GmbH & Co.KG Bereiteranger Vermogensverwaltungs GmbH MUC Campus V GmbH
	Real Estate Urals	OOO “Promrezerv” ZAO “NOVA-stroy”
	Real Estate in Moscow	ZAO “MSR” OOO Agentstvo “TRIADA”

Segment	Business unit	Entity
		OOO "Velikan-XXI vek"
		OOO "Kentavr Management"
		ZAO "MSR-Butovo"
	Elite Real Estate	ZAO "INGEOKOM S-Pb"
		ZAO NPO "VSR"
		OAO "ZAVOD ELEKTRIK"
		ZAO "Martynovka"
		JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"
		DNP "Alakul"
		"DNP "Penaty-2"
		ZAO "Zarechye"
		OOO "Osobnyak"
		OAO "Stroicorporatciya"
		Limited Liability Company Smolniy District
		OOO "SPB GDC "YUNA"
		OOO "LenSpecSMO "Promstroymontazh"
	Other	OOO "Kvartira LuxServis"
Aggregates	Sand	OOO "VSMP"
		"Leningrad river port Open Joint-Stock Company"
		OOO "Vsevolozhskie Ugodia"
		OOO "OPTIMA"
		OOO "Kompleks"
		OOO "Rybkhoz"
		ZAO "LSR-Bazovy" Sand
		OAO "Rudas"
	Crushed Granite	OAO "Granit-Kuznechnoye"
		OOO "Karier Petrovskiy"
		JSC "HONKAVAARAN MAASTORAKENNUS"
		LLC "436 KNI"
		ZAO "LSR-Bazovy" Crushed Granite
		OOO "LSR-Nerud" (OOO "Granit-Invest")
	Crushed Granite Ural	PJSC "Uralscheben"
Building Materials	Other	OOO "BaltStroyKomplekt"
		OOO "Ohta 25"
		OOO "BSK Invest-3"
		ZAO "Vertikal"
	Ready-mix Concrete SPb	OOO "Obyedineniye 45"
		ZAO "LSR-Bazovy" Ready-mix Concrete
	Aerated Concrete	JSC "Scanex"
		OOO "Aeroc SPb"
		PJSC "Aeroc Obuchow"
		LSR Stenovye (Aerated Concrete)
		LLC "AEROC"
	Reinforced Concrete SPb	Limited Liability Company "Barrikada"

Segment	Business unit	Entity
		OAO “Obuhovsky zavod SMiK” OOO “KIN-Center” OAO “PO “Barrikada”
	Reinforced& Ready-mix Concrete Moscow	OAO “Zavod ZhBI-6” OOO “Obyedineniye 45-M”
	New Brick Plant	JSC “Pobeda LSR”
	Brick Moscow	OOO “Ozherel’evskaya keramika” Open joint stock company “Pavlovskaya Keramika”
	Brick NW	JSC “Pobeda LSR” LSR Stenovye (Brick)
	Cement	ZAO “Chifko plus” Limited Liability Company “Cement”
Commercial Real Estate	Commercial Real Estate	JSC “A Plus Estate”
Construction Services	Transportation	OOO “GATP №1” OOO “GALS”
	Pile foundation and construction	JSC “Construction trust № 28” OOO “Construction trust № 28”
	Tower Cranes	OJSC “UM-260”
Other Entities	Other entities	ZAO “Kazanskaya, 36” ZAO “Promyshlenny leasing” OJSC LSR Group OAO MTO “ARHPROEKT” Lsr Group Ltd OOO “LSR-Invest” ZAO “Golden Kazanskaya” LLC “LSR - UKRAINE”

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

Year ended 31 December 2011 '000 RUB	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ amortisation	Change in fair value of investment property	EBITDA*
New Brick Plant	-	-	-	(81,281)	361	-	**(80,920)**
Brick Moscow	109,257	1,079	**110,336**	(99,610)	65,227	-	**(34,383)**
Brick NW	1,386,827	11,185	**1,398,012**	148,214	55,126	-	**203,340**
Reinforced Concrete SPb	4,852,670	333,179	**5,185,849**	514,860	190,229	-	**705,089**
Reinforced Concrete Moscow	648,805	775,995	**1,424,800**	28,637	41,808	-	**70,445**
Ready-mix Concrete Moscow	1,259,795	118,212	**1,378,007**	(102,567)	81,116	-	**(21,451)**
Ready-mix Concrete SPb	2,923,230	173,746	**3,096,976**	299,057	189,986	-	**489,043**
Aerated Concrete	1,750,144	18,205	**1,768,349**	179,462	166,860	-	**346,322**
Cement	1,087,758	1,191,508	**2,279,266**	(29,762)	41,688	-	**11,926**
Other	1,513,080	67,542	**1,580,622**	45,773	13,880	-	**59,653**
Eliminations	-	(1,602,782)	**(1,602,782)**	(19,773)	-	-	**(19,773)**
Building Materials	**15,531,566**	**1,087,869**	**16,619,435**	**883,010**	**846,281**	**-**	**1,729,291**
Construction SPb	5,922,234	1,807,202	**7,729,436**	752,127	391,844	-	**1,143,971**
Project management	671,021	-	**671,021**	28,525	971	-	**29,496**
Construction Moscow	2,252,892	47,268	**2,300,160**	362,375	563	-	**362,938**
Construction Ural	1,094,479	898,107	**1,992,586**	(178,163)	184,842	-	**6,679**
Eliminations	-	(2,488)	**(2,488)**	(21)	-	-	**(21)**
Construction	**9,940,626**	**2,750,089**	**12,690,715**	**964,843**	**578,220**	**-**	**1,543,063**
Sand	2,094,507	353,932	**2,448,439**	1,189,609	239,908	-	**1,429,517**
Crushed Granite	1,782,012	913,074	**2,695,086**	384,654	294,320	-	**678,974**
Crushed Granite Ural	-	-	-	(45,546)	40,652	-	**(4,894)**
Eliminations	-	(138,945)	**(138,945)**	-	-	-	**-**
Aggregates	**3,876,519**	**1,128,061**	**5,004,580**	**1,528,717**	**574,880**	**-**	**2,103,597**
Tower Cranes	1,061,730	73,461	**1,135,191**	153,103	215,195	-	**368,298**
Transportation	14,674	258,894	**273,568**	25,146	40,450	-	**65,596**
Pile Foundation and Construction	724,211	131,792	**856,003**	55,690	31,257	-	**86,947**
Eliminations	-	(909)	**(909)**	-	-	-	**-**
Construction Services	**1,800,615**	**463,238**	**2,263,853**	**233,939**	**286,902**	**-**	**520,841**
Elite Real Estate	4,116,106	-	**4,116,106**	1,508,957	19,846	149,600	**1,379,203**
Business Class and Mass Market Real Estate	10,990,809	23,001	**11,013,810**	3,017,207	2,531	-	**3,019,738**
Real Estate Urals	1,691,143	39,580	**1,730,723**	133,033	1,418	-	**134,451**
Real Estate Moscow	917,806	-	**917,806**	312,368	16,817	-	**329,185**
Real Estate in Western Europe	479,129	184,186	**663,315**	61,409	532	-	**61,941**
Other	107,152	21,791	**128,943**	10,357	1,178	-	**11,535**
Eliminations	-	(53,320)	**(53,320)**	(392)	-	-	**(392)**
Real Estate Development	**18,302,145**	**215,238**	**18,517,383**	**5,042,939**	**42,322**	**149,600**	**4,935,661**
Commercial Real Estate	**171,684**	**4,081**	**175,765**	**82,314**	**1,333**	**2,402**	**81,245**
Other entities	**3,735**	**-**	**3,735**	**-**	**101,994**	**-**	**101,994**
Unallocated income and expenses	332,769	-	**332,769**	(1,034,068)	-	-	**(1,034,068)**
Transportation revenue	1,950,030	-	**1,950,030**	-	-	-	**-**
Eliminations	-	(5,648,576)	**(5,648,576)**	153,314	-	-	**153,314**
Consolidated	**51,909,689**	**-**	**51,909,689**	**7,855,008**	**2,431,932**	**152,002**	**10,134,938**

**EBITDA = Operating result + Depreciation/amortisation -Change in fair value of Investment property - Write off of change in fair value at reclassification to (from) investment property at the moment of the assets disposal - impairment losses recognised during the reporting period*

Year ended 31 December 2011 '000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ amortisation	Change in fair value of investment property	EBITDA*
New Brick Plant	-	-	-	(2,766)	12	-	**(2,754)**
Brick Moscow	3,718	37	**3,755**	(3,390)	2,220	-	**(1,170)**
Brick NW	47,191	381	**47,572**	5,043	1,876	-	**6,919**
Reinforced Concrete SPb	165,128	11,337	**176,465**	17,520	6,473	-	**23,993**
Reinforced Concrete Moscow	22,078	26,406	**48,484**	974	1,423		**2,397**
Ready-mix Concrete Moscow	42,869	4,023	**46,892**	(3,490)	2,760	-	**(730)**
Ready-mix Concrete SPb	99,472	5,912	**105,384**	10,176	6,465	-	**16,641**
Aerated Concrete	59,554	619	**60,173**	6,107	5,678	-	**11,785**
Cement	37,014	40,545	**77,559**	(1,013)	1,419	-	**406**
Other	51,487	2,298	**53,785**	1,558	471	-	**2,029**
Eliminations	-	(54,540)	**(54,540)**	(672)	-	-	**(672)**
Building Materials	**528,511**	**37,018**	**565,529**	**30,047**	**28,797**	**-**	**58,844**
Construction SPb	201,522	61,497	**263,019**	25,594	13,334	-	**38,928**
Project management	22,834	-	**22,834**	971	33	-	**1,004**
Construction Moscow	76,662	1,608	**78,270**	12,331	19	-	**12,350**
Construction Ural	37,243	30,561	**67,804**	(6,063)	6,290	-	**227**
Eliminations	-	(85)	**(85)**	(1)	-	-	**(1)**
Construction	**338,261**	**93,581**	**431,842**	**32,832**	**19,676**	**-**	**52,508**
Sand	71,272	12,044	**83,316**	40,480	8,164	-	**48,644**
Crushed Granite	60,639	31,070	**91,709**	13,089	10,015	-	**23,104**
Crushed Granite Ural	-	-	-	(1,550)	1,383	-	**(167)**
Eliminations	-	(4,728)	**(4,728)**	-	-	-	**-**
Aggregates	**131,911**	**38,386**	**170,297**	**52,019**	**19,562**	**-**	**71,581**
Tower Cranes	36,129	2,500	**38,629**	5,210	7,323	-	**12,533**
Transportation	499	8,810	**9,309**	856	1,376	-	**2,232**
Pile Foundation and Construction	24,644	4,485	**29,129**	1,895	1,064	-	**2,959**
Eliminations	-	(32)	**(32)**	-	-	-	**-**
Construction Services	**61,272**	**15,763**	**77,035**	**7,961**	**9,763**	**-**	**17,724**
Elite Real Estate	140,064	-	**140,064**	51,347	675	5,090	**46,932**
Business Class and Mass Market Real Estate	373,997	783	**374,780**	102,670	86	-	**102,756**
Real Estate Urals	57,547	1,347	**58,894**	4,527	48	-	**4,575**
Real Estate Moscow	31,231	-	**31,231**	10,629	572	-	**11,201**
Real Estate in Western Europe	16,304	6,268	**22,572**	2,090	18	-	**2,108**
Other	3,646	742	**4,388**	352	41	-	**393**
Eliminations	-	(1,816)	**(1,816)**	(13)	-	-	**(13)**
Real Estate Development	**622,789**	**7,324**	**630,113**	**171,602**	**1,440**	**5,090**	**167,952**
Commercial Real Estate	**5,842**	**139**	**5,981**	**2,801**	**45**	**82**	**2,764**
Other entities	**127**	**-**	**127**	**-**	**3,471**	**-**	**3,471**
Unallocated income and expenses	11,324	-	**11,324**	(35,187)	-	-	**(35,187)**
Transportation revenue	66,356	-	**66,356**	-	-	-	**-**
Eliminations	-	(192,211)	**(192,211)**	5,217	-	-	**5,217**
Consolidated	**1,766,393**	**-**	**1,766,393**	**267,292**	**82,754**	**5,172**	**344,874**

**EBITDA = Operating result + Depreciation/amortisation -Change in fair value of Investment property - Write off of change in fair value at reclassification to (from) investment property at the moment of the assets disposal - impairment losses recognised during the reporting period*

Year ended 31 December 2010 '000 RUB	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ amortisation	Change in fair value of investment property	EBITDA*
New Brick Plant	-	-	-	(55,777)	881	-	**(54,896)**
Brick Moscow	4,314	-	**4,314**	(14,231)	6,966	-	**(7,265)**
Brick NW	1,250,061	8,646	**1,258,707**	5,575	64,645	-	**70,220**
Reinforced Concrete Spb	3,002,270	251,118	**3,253,388**	192,675	162,787	-	**355,462**
Reinforced Concrete Moscow	181,985	1,432,717	**1,614,702**	(47,014)	60,629		**13,615**
Ready-mix Concrete Moscow	834,312	23,389	**857,701**	(224,790)	73,098	-	**(151,692)**
Ready-mix Concrete Spb	1,912,282	89,142	**2,001,424**	(1,564)	230,927	-	**229,363**
Aerated Concrete	1,480,784	32,231	**1,513,015**	(95,690)	209,219	-	**113,529**
Cement	1,357,160	552,242	**1,909,402**	(18,872)	35,030	-	**16,158**
Other	560,551	87,216	**647,767**	(78,842)	14,914	-	**(63,928)**
Eliminations	-	(1,360,863)	**(1,360,863)**	470	-	-	**470**
Building Materials	**10,583,719**	**1,115,838**	**11,699,557**	**(338,060)**	**859,096**	**-**	**521,036**
Construction Spb	9,722,954	439,667	**10,162,621**	1,974,209	387,096	-	**2,361,305**
Project management	-	-	-	(1,912)	-	-	**(1,912)**
Construction Moscow	1,667,540	-	**1,667,540**	185,468	-	-	**185,468**
Construction Ural	774,730	439,989	**1,214,719**	(72,796)	213,265	-	**140,469**
Construction	**12,165,224**	**879,656**	**13,044,880**	**2,084,969**	**600,361**	**-**	**2,685,330**
Sand	1,996,316	209,033	**2,205,349**	758,734	272,217	-	**1,030,951**
Crushed Granite	1,107,639	479,085	**1,586,724**	19,717	189,394	-	**209,111**
Crushed Granite Ural	3,956	119	**4,075**	(63,077)	41,124	-	**(21,953)**
Eliminations	-	(88,685)	**(88,685)**	-	-	-	**-**
Aggregates	**3,107,911**	**599,552**	**3,707,463**	**715,374**	**502,735**	**-**	**1,218,109**
Tower Cranes	844,429	92,327	**936,756**	84,316	210,885	-	**295,201**
Transportation	7,349	192,928	**200,277**	6,331	45,506	-	**51,837**
Pile Foundation and Construction	331,367	76,131	**407,498**	(8,769)	30,764	-	**21,995**
Eliminations	-	(783)	**(783)**			-	**-**
Construction Services	**1,183,145**	**360,603**	**1,543,748**	**81,878**	**287,155**	**-**	**369,033**
Elite Real Estate	4,284,043	2	**4,284,045**	1,846,127	12,517	(37,974)	**1,896,618**
Business Class and Mass Market Real Estate	12,537,613	46,345	**12,583,958**	2,600,453	2,104	-	**2,602,557**
Real Estate Urals	2,283,972	1,059	**2,285,031**	292,079	1,006	-	**293,085**
Real Estate Moscow	1,705,278	-	**1,705,278**	349,325	7,599	-	**356,924**
Real Estate in Western Europe	241,385	-	**241,385**	(14,104)	524	-	**(13,580)**
Other	77,393	26,584	**103,977**	8,040	1,140	-	**9,180**
Eliminations	-	(5,251)	**(5,251)**	5,144	-	-	**5,144**
Real Estate Development	**21,129,684**	**68,739**	**21,198,423**	**5,087,064**	**24,890**	**(37,974)**	**5,149,928**
Commercial Real Estate	**144,371**	**-**	**144,371**	**48,416**	**862**	**1,691**	**47,587**
Other entities	**15,331**	**-**	**15,331**	**-**	**105,429**	**-**	**105,429**
Unallocated income and expenses	274,442	-	**274,442**	(1,082,421)	-	-	**(1,082,421)**
Transportation revenue	1,345,679	-	**1,345,679**		-	-	**-**
Eliminations		(3,024,388)	**(3,024,388)**	(326,772)	-	-	**(326,772)**
Consolidated	**49,949,506**	**-**	**49,949,506**	**6,270,448**	**2,380,528**	**(36,283)**	**8,687,259**

**EBITDA = Operating result + Depreciation/amortisation -Change in fair value of Investment property - Write off of change in fair value at reclassification to (from) investment property at the moment of the assets disposal - impairment losses recognised during the reporting period*

Year ended 31 December 2010 '000 USD	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Operating profit (excl. management fee)**	**Depreciation/ Amortisation**	**Change in fair value of investment property**	**EBITDA***
New Brick Plant	-	-	-	(1,837)	29	-	**(1,808)**
Brick Moscow	142	-	**142**	(469)	229	-	**(240)**
Brick NW	41,162	285	**41,447**	184	2,129	-	**2,313**
Reinforced Concrete Spb	98,859	8,269	**107,128**	6,344	5,360	-	**11,704**
Reinforced Concrete Moscow	5,992	47,177	**53,169**	(1,548)	1,996		**448**
Ready-mix Concrete Moscow	27,473	770	**28,243**	(7,402)	2,407	-	**(4,995)**
Ready-mix Concrete Spb	62,968	2,935	**65,903**	(51)	7,604	-	**7,553**
Aerated Concrete	48,759	1,061	**49,820**	(3,151)	6,889	-	**3,738**
Cement	44,689	18,184	**62,873**	(621)	1,154	-	**533**
Other	18,458	2,872	**21,330**	(2,596)	491	-	**(2,105)**
Eliminations	-	(44,811)	**(44,811)**	15	-	-	**15**
Building Materials	**348,502**	**36,742**	**385,244**	**(11,132)**	**28,288**	**-**	**17,156**
Construction Spb	320,159	14,477	**334,636**	65,007	12,747	-	**77,754**
Project management	-	-	-	(63)	-	-	**(63)**
Construction Moscow	54,909	-	**54,909**	6,107	-	-	**6,107**
Construction Ural	25,510	14,488	**39,998**	(2,397)	7,022	-	**4,625**
Construction	**400,578**	**28,965**	**429,543**	**68,654**	**19,769**	**-**	**88,423**
Sand	65,736	6,883	**72,619**	24,984	8,964	-	**33,948**
Crushed Granite	36,472	15,775	**52,247**	649	6,236	-	**6,885**
Crushed Granite Ural	130	4	**134**	(2,077)	1,354	-	**(723)**
Eliminations	-	(2,920)	**(2,920)**	-	-	-	**-**
Aggregates	**102,338**	**19,742**	**122,080**	**23,556**	**16,554**	**-**	**40,110**
Tower Cranes	27,805	3,040	**30,845**	2,777	6,944	-	**9,721**
Transportation	242	6,353	**6,595**	208	1,498	-	**1,706**
Pile Foundation and Construction	10,912	2,507	**13,419**	(289)	1,013	-	**724**
Eliminations	-	(26)	**(26)**	-	-	-	**-**
Construction Services	**38,959**	**11,874**	**50,833**	**2,696**	**9,455**	**-**	**12,151**
Elite Real Estate	141,065	-	**141,065**	60,789	413	(1,250)	**62,452**
Business Class and Mass Market Real Estate	412,840	1,526	**414,366**	85,628	69	-	**85,697**
Real Estate Urals	75,207	35	**75,242**	9,618	33	-	**9,651**
Real Estate Moscow	56,152	-	**56,152**	11,503	250	-	**11,753**
Real Estate in Western Europe	7,948	-	**7,948**	(464)	17	-	**(447)**
Other	2,548	875	**3,423**	265	38	-	**303**
Eliminations	-	(173)	**(173)**	168	-	-	**168**
Real Estate Development	**695,760**	**2,263**	**698,023**	**167,507**	**820**	**(1,250)**	**169,577**
Commercial Real Estate	**4,754**	**-**	**4,754**	**1,594**	**28**	**56**	**1,566**
Other entities	**505**	**-**	**505**	**-**	**3,472**	**-**	**3,472**
Unallocated income and expenses	9,035	-	**9,035**	(35,642)	-	-	**(35,642)**
Transportation revenue	44,311	-	**44,311**	-	-	-	**-**
Eliminations	-	(99,586)	**(99,586)**	(10,760)	-	-	**(10,760)**
Consolidated	**1,644,742**	**-**	**1,644,742**	**206,473**	**78,386**	**(1,194)**	**286,053**

**EBITDA = Operating result + Depreciation/amortisation -Change in fair value of Investment property - Write off of change in fair value at reclassification to (from) investment property at the moment of the assets disposal - impairment losses recognised during the reporting period*

Net financial position**

	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
New Brick Plant	(4,459,097)	(2,548,892)	(138,498)	(83,634)
Brick Moscow	(386,166)	(86,852)	(11,994)	(2,850)
Brick NW	117,793	77,195	3,659	2,532
Reinforced Concrete SPb	(404,323)	(121,532)	(12,558)	(3,988)
Reinforced Concrete Moscow	(666,331)	(927,295)	(20,696)	(30,426)
Ready-mix Concrete Moscow	60,900	(133,885)	1,892	(4,393)
Ready-mix Concrete SPb	(63,926)	(634,245)	(1,986)	(20,811)
Aerated Concrete	(1,940,030)	(1,725,021)	(60,257)	(56,601)
Cement	(14,858,347)	(11,683,372)	(461,495)	(383,352)
Other	(133,580)	(82,689)	(4,149)	(2,713)
Building Materials	**(22,733,107)**	**(17,866,588)**	**(706,082)**	**(586,236)**
Construction SPb	666,093	3,110,803	20,689	102,071
Project management	(546,580)	-	(16,977)	-
Construction Moscow	1,000	-	31	-
Construction Ural	(86,011)	(188,261)	(2,671)	(6,177)
Construction	**34,502**	**2,922,542**	**1,072**	**95,894**
Sand	(146,783)	(113,467)	(4,559)	(3,723)
Crushed Granite	(536,801)	(170,455)	(16,673)	(5,593)
Crushed Granite Ural	(3,320)	(109,658)	(103)	(3,598)
Aggregates	**(686,904)**	**(393,580)**	**(21,335)**	**(12,914)**
Tower Cranes	(798,670)	(1,462,101)	(24,806)	(47,974)
Transportation	(256,923)	(221,362)	(7,980)	(7,263)
Pile Foundation and Construction	(28,119)	(46,759)	(873)	(1,534)
Construction Services	**(1,083,712)**	**(1,730,222)**	**(33,659)**	**(56,771)**
Elite Real Estate	(4,299,578)	(5,528,960)	(133,543)	(181,415)
Business Class and Mass Market Real Estate	(2,749,250)	(4,818,236)	(85,391)	(158,095)
Real Estate Urals	(51,000)	(984,320)	(1,584)	(32,297)
Real Estate Moscow	(3,018,840)	(3,882,915)	(93,764)	(127,405)
Real Estate in Western Europe	(413,255)	(367,336)	(12,836)	(12,053)
Other	-	-	-	-
Real Estate Development	**(10,531,923)**	**(15,581,767)**	**(327,118)**	**(511,265)**
Commercial Real Estate	**(331,000)**	**(355,492)**	**(10,281)**	**(11,664)**
Other entities	**(3,787,628)**	**669,246**	**(117,642)**	**21,959**
Adjustments	197,340	632,807	6,128	20,765
Consolidated	**(38,922,432)**	**(31,703,054)**	**(1,208,917)**	**(1,040,232)**

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