

**OAO Group of Companies PIK
Consolidated Interim Condensed
Financial Statements
as at and for the six-month period ended
30 June 2012**

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Consolidated Interim Condensed Financial Statements

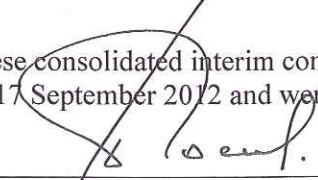
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Consolidated Interim Condensed Statement of Financial Position

| In million RUB | Note | 30 June 2012 | 31 December 2011 |
|---|------|----------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 9,090 | 9,023 |
| Intangible assets | 11 | 16,039 | 26,843 |
| Investments in equity accounted investees | | 27 | - |
| Other investments | | 2 | 8 |
| Deferred tax assets | | 795 | 897 |
| Total non-current assets | | 25,953 | 36,771 |
| Current assets | | | |
| Inventories | | 92,838 | 76,026 |
| Other investments | | 113 | 291 |
| Income tax receivable | | 933 | 1,081 |
| Trade and other receivables | | 11,690 | 11,731 |
| Cash and cash equivalents | | 2,668 | 2,874 |
| Total current assets | | 108,242 | 92,003 |
| Total assets | | 134,195 | 128,774 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 30,843 | 30,843 |
| Additional paid-in capital | | (8,424) | (8,424) |
| Retained earnings | | (23,878) | (22,706) |
| Total equity attributable to equity holders of the Company | | (1,459) | (287) |
| Non-controlling interest | | 715 | 505 |
| Total equity | | (744) | 218 |
| Non-current liabilities | | | |
| Loans and borrowings | 12 | 28,357 | 27,549 |
| Trade and other payables | | 365 | 142 |
| Deferred tax liabilities | | 786 | 1,687 |
| Total non-current liabilities | | 29,508 | 29,378 |
| Current liabilities | | | |
| Loans and borrowings | 12 | 18,985 | 19,522 |
| Trade and other payables | | 61,844 | 54,824 |
| Provisions | | 24,358 | 24,561 |
| Income tax payable | | 244 | 271 |
| Total current liabilities | | 105,431 | 99,178 |
| Total liabilities | | 134,939 | 128,556 |
| Total equity and liabilities | | 134,195 | 128,774 |

These consolidated interim condensed financial statements were approved by the Board of Directors on 17 September 2012 and were signed on its behalf by:



 Pavel A. Poselenov
 President



 Andrey M. Rodionov
 Vice-President, Economics and Finance

Consolidated Interim Condensed Statement of Comprehensive Income

| In million RUB | Note | Six-month period ended 30 June 2012 | Six-month period ended 30 June 2011 (restated) |
|--|-------------|--|---|
| Revenue | 6 | 15,085 | 22,794 |
| Cost of sales | | (11,889) | (19,152) |
| Gross profit | | 3,196 | 3,642 |
| Distribution expenses | | (324) | (301) |
| Administrative expenses | | (1,320) | (1,298) |
| Reversal of impairment loss and impairment losses, net | 10 | 24 | 1,710 |
| Other income and expenses, net | | 238 | 543 |
| Finance income | 7 | 77 | 2,403 |
| Finance costs | 8 | (3,184) | (2,683) |
| (Loss)/profit before income tax | | (1,293) | 4,016 |
| Income tax benefit/(expense) | 9 | 331 | (830) |
| Loss/(profit) and total comprehensive income for the period | | (962) | 3,186 |
| Loss/(profit) and total comprehensive income for the period | | (962) | 3,186 |
| <i>Attributable to:</i> | | | |
| Owners of the Company | | (1,172) | 3,181 |
| Non-controlling interest | | 210 | 5 |
| Total comprehensive (loss)/income for the period | | (962) | 3,186 |
| Basic and diluted (loss)/profit per share | | (2.38) | 6.45 |

Consolidated Interim Condensed Statement of Changes in Equity

| In million RUB | Attributable to equity holders of the Company | | | | Non-controlling interest | Total equity |
|--|---|--------------------------------|-------------------|----------------|-----------------------------|----------------|
| | Share capital | Additional paid-in- capital | Retained earnings | Subtotal | | |
| Balance as at 1 January 2011 (restated) | 30,843 | (8,424) | (27,351) | (4,932) | 345 | (4,587) |
| Profit and total comprehensive income for the year | - | - | 3,181 | 3,181 | 5 | 3,186 |
| Balance as at 30 June 2011 | 30,843 | (8,424) | (24,170) | (1,751) | 350 | (1,401) |
| Balance as at 1 January 2012 | 30,843 | (8,424) | (22,706) | (287) | 505 | 218 |
| Loss and total comprehensive income for the period | - | - | (1,172) | (1,172) | 210 | (962) |
| At 30 June 2012 | 30,843 | (8,424) | (23,878) | (1,459) | 715 | (744) |

Consolidated Interim Condensed Statement of Cash Flows

| | Six-month period ended 30 June 2012 | Six-month period ended 30 June 2011 (restated) |
|--|---|---|
| In million RUB | | |
| OPERATING ACTIVITIES | | |
| (Loss)/profit for the period | (962) | 3,186 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 346 | 339 |
| Impairment losses and reversal of impairment losses, net | (24) | (1,710) |
| Foreign exchange losses/(gains), net | 44 | (894) |
| Loss on disposal of property, plant and equipment | 40 | 4 |
| Impairment loss on financial assets/(reversal of impairment) | 246 | (15) |
| Loss from disposal of subsidiaries | 22 | - |
| Interest expense, including penalties payable and reversal of penalties | 2,831 | 1,312 |
| Change in non-controlling interest in limited liability companies | 11 | 59 |
| Interest income | (43) | (115) |
| Income tax (benefit)/expense | (331) | 830 |
| Cash from operating activities before changes in working capital and provisions | 2,180 | 2,996 |
| Increase in inventories | (6,011) | (8,260) |
| (Increase)/decrease in trade and other receivables | (142) | 448 |
| Increase in trade and other payables | 6,785 | 3,243 |
| Decrease in provision for cost to complete | (220) | (348) |
| Cash flows from / (used in) operations before income taxes and interest paid | 2,592 | (1,921) |
| Income taxes paid | (367) | (1,027) |
| Interest paid | (2,665) | (2,626) |
| Net cash used in operating activities | (440) | (5,574) |
| INVESTING ACTIVITIES | | |
| Proceeds from disposal of property, plant and equipment | 17 | 15 |
| Interest received | 23 | - |
| Acquisition of property, plant and equipment | (330) | (181) |
| Acquisition of development rights and other intangible assets | - | (616) |
| Proceeds from disposal of equity accounted investees | - | 1,721 |
| Proceeds from disposal of subsidiaries | 273 | - |
| Loans advanced | - | (165) |
| Repayment of loans advanced | - | 591 |
| Net cash (used in)/from investing activities | (17) | 1,365 |
| FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 1,813 | 13,048 |
| Repayment of borrowings | (1,562) | (10,686) |
| Net cash from financing activities | 251 | 2,362 |
| Net decrease in cash and cash equivalents | (206) | (1,847) |
| Cash and cash equivalents at beginning of period | 2,874 | 4,350 |
| Cash and cash equivalents at end of period | 2,668 | 2,503 |

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 16.

Notes to the Consolidated Interim Condensed Financial Statements

1 Significant accounting policies

These consolidated interim condensed financial statements of OAO Group of Companies PIK and its subsidiaries (the “Group”) have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board .

Adoption of amended and revised IFRSs

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2011, except that the Group has adopted those amended/revised standards mandatory for financial annual periods beginning on 1 January 2012.

| <u>Standards</u> | <u>Effective for annual periods beginning on or after</u> |
|--|---|
| IAS 12 (Amended) <i>Income Taxes</i> | 1 January 2012 |
| IFRS 1 (Amended) <i>First-time adoption of international financial reporting standards</i> | 1 July 2011 |
| IFRS 7 (Amended) <i>Financial instruments: disclosures</i> | 1 July 2011 |

Amended *IAS 12 Income taxes* provided an exception to the general principles of IAS 12 for investment property measured using fair value model. For the purpose of measuring deferred tax, the amendments introduced a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The amendment also introduced similar guidance for measuring deferred tax on non-depreciable assets measured using the revaluation model in IAS 16. These requirements were previously included into SIC-21 Income taxes-recovery of revalued non-depreciable assets. Amended IAS 12 did not have a significant effect on the Group’s consolidated interim condensed financial statements.

IFRS 7 Financial Instruments: disclosures introduces additional disclosure requirements for transfers of financial assets in situations where assets are not derecognized in their entirety or where the assets are derecognized in their entirety but a continuing involvement in the transferred assets is retained. The amendments help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position and promote transparency in the reporting of transfer transactions, particularly those that involve securitization of financial assets. Amended IFRS 7 did not have a significant effect on the Group’s consolidated interim condensed financial statements.

The above amendments did not have a significant effect on the Group’s consolidated interim condensed financial statements.

New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective for the six-month period ended June 2012, and have not been applied in these consolidated interim condensed financial statements.

| Standards | Effective for annual periods beginning on or after |
|--|---|
| IAS 1 (Amended) <i>Presentation of Financial Statements</i> | 1 July 2012, 1 January 2013 |
| IAS 16 (Amended) <i>Property, plant and equipment</i> | 1 January 2013 |
| IAS 19 (Amended) <i>Employee Benefits</i> | 1 July 2013 |
| IAS 27 (Amended) <i>Separate Financial Statements</i> | 1 January 2013 |
| IAS 28 (Amended) <i>Investments in Associates and Joint Ventures</i> | 1 January 2013 |
| IAS 32 (Amended) <i>Financial instruments: presentation</i> | 1 January 2014 |
| IFRS 1 (Amended) <i>First-time adoption of international financial reporting standards</i> | 1 July 2011 |
| IFRS 7 (Amended) <i>Financial instruments: disclosure</i> | 1 January 2013 |
| IFRS 9 (Amended) <i>Financial Instruments</i> | 1 January 2015 |
| IFRS 10 (Amended) <i>Consolidated Financial Statements</i> | 1 January 2013 |
| IFRS 11 (Amended) <i>Joint Arrangements</i> | 1 January 2013 |
| IFRS 12 (Amended) <i>Disclosure of Interests in other entities</i> | 1 January 2013 |
| IFRS 13 (Amended) <i>Fair Value Measurement</i> | 1 January 2013 |
| IFRIC 20 (Amended) <i>Stripping Costs in the Production Phase of a Surface Mine</i> | 1 January 2013 |

The adoption of the pronouncements listed above is not expected to have a significant impact on the Group's consolidated financial statements in future periods.

Change in accounting policy in 2011

In 2011 the Group changed its accounting policy with respect to the capitalisation of borrowing costs. The Group ceased capitalisation of borrowing costs on constructed residential properties. The effects of the change on the statements of financial position of the Group as at 31 December 2010 and 31 December 2011 and the detailed description is given in the latest annual financial statements of the Group. The change was applied retrospectively. As a result cost of sales for the 6 months ended 30 June 2011 decreased by RUB 523 million, finance costs increase by RUB 523 million and retained earnings as at 30 June 2011 decreased by RUB 1,235 million. There were also certain adjustments to prior periods described in the Group's financial statements for 2011. As a result of these adjustments the Group's retained earnings as at 30 June 2011 decreased by RUB 1,357 million.

Reclassification of costs

In order to conform to the current period's presentation, a reclassification of certain costs amounting to RUB 615 million from general and administrative expenses to the cost of sales was performed as reported in the consolidated interim condensed statement of comprehensive income for the six-month period ended 30 June 2012.

2 Estimates

The preparation of consolidated interim condensed financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim condensed financial statements, the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

3 Operating segments

(i) *Segment profit and losses*

| mln RUB | Real estate development | | Construction segment | | Industrial segment | | Other | | Total | |
|---|-------------------------|---------------|------------------------|--------------|------------------------|--------------|------------------------|--------------|------------------------|---------------|
| | Six-month period ended | | Six-month period ended | | Six-month period ended | | Six-month period ended | | Six-month period ended | |
| | 30 June | | 30 June | | 30 June | | 30 June | | 30 June | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| External revenues | 9,599 | 17,323 | 2,757 | 2,027 | 1,287 | 947 | 1,534 | 1,456 | 15,177 | 21,753 |
| Inter-segment revenue | 233 | - | 10,595 | 7,651 | 1,465 | 1,155 | 993 | 944 | 13,286 | 9,750 |
| Total revenue for reportable segments | 9,832 | 17,323 | 13,352 | 9,678 | 2,752 | 2,102 | 2,527 | 2,400 | 28,463 | 31,503 |
| Interest income | 76 | 174 | - | - | - | - | 5 | - | 81 | 174 |
| Interest expense | (2,539) | (2,283) | (9) | (21) | (24) | - | (2) | (85) | (2,574) | (2,389) |
| Depreciation and amortisation | 23 | 19 | 112 | 88 | 51 | 76 | 108 | 119 | 294 | 302 |
| Reportable segment (loss)/profit before income tax | (1,728) | 3,273 | 285 | (19) | (81) | (132) | (98) | (51) | (1,622) | 3,071 |

(ii) Geographical information

The Real Estate Development, Construction, Industrial and Other segments are managed on a Russian basis, but operate in three principal geographical areas: Moscow, Moscow Region and other regions.

In presenting information on the basis of geographical information, revenue is based on the geographical location of development sites.

| | External revenues | |
|---------------|--------------------------|---------------------|
| | 30 June 2012 | 30 June 2011 |
| | mln RUB | mln RUB |
| Moscow | 5,933 | 11,188 |
| Moscow Region | 7,547 | 8,822 |
| Other regions | 1,697 | 1,743 |
| | 15,177 | 21,753 |

(iii) Reconciliations of reportable segment revenues and profit or loss

| | 30 June 2012 | 30 June 2011 |
|---|---------------------|---------------------|
| | mln RUB | mln RUB |
| Revenues | | |
| Total external revenue | 15,177 | 21,753 |
| Revenue of entities not included in reportable | - | 59 |
| Other | (92) | 982 |
| Consolidated revenue | 15,085 | 22,794 |
| Profit or loss | | |
| Segment (loss)/profit before tax | (1,622) | 3,071 |
| Impairment of property, plant and equipment, | 24 | 1,710 |
| Timing differences relating to recognition of costs | (85) | (1,535) |
| Provision for doubtful accounts | 35 | 779 |
| Difference in accruals of penalties and fines | 155 | 76 |
| Other expenses | 200 | (85) |
| Consolidated (loss)/profit before income tax | (1,293) | 4,016 |

4 Seasonality of operations

Higher revenues in the construction industry in Russia are usually experienced in the second half of each year when construction works are completed and formally accepted by state commissions.

5 Disposal of subsidiaries

In June 2012 the Group sold its 75% and 30% interest in two Closed End Share Real Estate Investment Funds (ZPIFNs) for a total consideration of RUB 273 million.

The net loss of RUB 22 million is included in other income and expenses.

ZPIFNs are launched to sell commercial groundfloors of residential buildings within the Group construction sites.

6 Revenue

Revenue from sales of apartments

| | 30 June 2012 | 30 June 2011 |
|--|---------------------|---------------------|
| Completions | | |
| Buildings, units | 7 | 22 |
| Sellable area, thousand square meters | 109 | 256 |
| Underground garages, units | 1 | 1 |
| Free standing garages, units | - | 3 |
| Sellable parking spaces, units | 10 | 1,371 |
| | <hr/> | <hr/> |
| Sale of premises | | |
| Premises sold in buildings completed in current period, thousand square meters | 87 | 185 |
| Premises sold in buildings completed in prior periods, thousand square meters | 51 | 75 |
| | <hr/> | <hr/> |
| | 138 | 260 |
| | <hr/> | <hr/> |
| Parking spaces sold in buildings completed in current period, units | 10 | 442 |
| | <hr/> | <hr/> |

During the six-month period ended 30 June 2012 revenue from sale of apartments in exchange for goods and services received (barter transaction) amounted to RUB 366 million (2011: RUB 2,739 million).

Sale of construction services

Construction services in the amount of RUB 2,483 million (2011: RUB 2,149 million) were provided to developers of buildings where the Group participates as a constructor and included in total revenue.

7 Finance income

| mln RUB | 30 June 2012 | 30 June 2011 |
|--|---------------------|---------------------|
| Interest income | 43 | 115 |
| Reversal of bank penalties | - | 1,312 |
| Foreign exchange gains | - | 894 |
| Reversal of impairment of financial assets | - | 15 |
| Other finance income | 34 | 67 |
| | <hr/> | <hr/> |
| | 77 | 2,403 |
| | <hr/> | <hr/> |

8 Finance costs

| mln RUB | 30 June 2012 | 30 June 2011 |
|---|---------------------|---------------------|
| Interest expense | 2,831 | 2,486 |
| Penalties and fines for late repayment of loan | - | 138 |
| Foreign exchange losses | 44 | - |
| Impairment of financial assets | 246 | - |
| Other finance costs | 52 | - |
| Change in non-controlling interest in limited liability companies | 11 | 59 |
| | <hr/> | <hr/> |
| | 3,184 | 2,683 |
| | <hr/> | <hr/> |

9 Income tax benefit/(expense)

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to pre tax income of the interim period.

| | 30 June 2012 | 30 June 2011 |
|---|--------------|--------------|
| <i>Current tax expense</i> | | |
| Current year | (411) | (674) |
| Adjustment to prior year taxable income recognised in current | (77) | - |
| Tax provision reversed/(recognised) | 20 | (60) |
| | <u>(468)</u> | <u>(734)</u> |
| <i>Deferred tax benefit/(expense)</i> | | |
| Origination and reversal of temporary differences | 799 | (96) |
| | <u>799</u> | <u>(96)</u> |
| | 331 | (830) |

During the six-month period ended 30 June 2012 the Group reversed tax provision amounting RUB 317 million recognized in prior periods and accrued additional provisions of RUB 297 million.

10 Impairment losses and reversal of impairment on non-financial assets

During the six-month period ended 30 June 2011 the Group reversed impairment losses of RUB 2,068 million and recognized additional impairment losses of RUB 358 million in respect of the development rights, property, plant and equipment and inventories primarily as a result of revisions to the time schedules of construction projects, plant utilisation capacity and changes in real estate market prices.

11 Intangible assets

During the six-month period ended 30 June 2012 the Group commenced development of four major land plots located in Moscow and Moscow region. The related development rights initially recognized as intangible assets were reclassified as construction in progress included in inventories:

| Location of land plot | mln RUB |
|---------------------------------------|----------------------|
| Moscow region, South-West, Kommunarka | 5,402 |
| Moscow, South-east, Shelkovskoye | 1,061 |
| Moscow, South-East (KHZ) | 4,333 |
| Moscow region, Zheleznodorojniy | 144 |
| | <u>10,940</u> |

12 Loans and borrowings

30 June 2012

| mln RUB | Total | Overdue | Under 1 | |
|---|---------------|----------|---------------|---------------|
| | | | year | 1 - 5 years |
| Secured bank loans | | | | |
| RUB - fixed at 12% | 32,799 | - | 12,470 | 20,329 |
| RUB - fixed at 14-15% | 7,890 | - | 2,900 | 4,990 |
| USD - fixed at 9,5%-11% | 3,226 | - | 1,675 | 1,551 |
| USD - fixed at 10%, payable on demand | 398 | - | 398 | - |
| Unsecured bank loans | | | | |
| RUB - fixed at 14% | 74 | - | 49 | 25 |
| Unsecured loans from third parties | | | | |
| RUB - fixed at 0% | 1 | 1 | - | - |
| RUB - fixed at 0.1% - 10% | 21 | - | 2 | 19 |
| RUB - fixed at 12%-15% | 1,443 | - | - | 1,443 |
| Interest payable | 1,490 | - | 1,490 | - |
| | 47,342 | 1 | 18,984 | 28,357 |

31 December 2011

| mln RUB | Total | Overdue | Under 1 | |
|---|---------------|-----------|---------------|---------------|
| | | | year | 1 - 5 years |
| <i>Secured bank loans</i> | | | | |
| RUB - fixed at 12-14% | 37,390 | - | 16,114 | 21,276 |
| RUB - fixed at 14-16% | 4,000 | - | 600 | 3,400 |
| USD - fixed at 10%-11% | 3,272 | - | 491 | 2,781 |
| USD - fixed at 10%, payable on demand | 778 | - | 778 | - |
| <i>Unsecured bank loans</i> | | | | |
| RUB - fixed at 14% | 74 | - | - | 74 |
| <i>Unsecured loans from third parties</i> | | | | |
| RUB - fixed at 0% | 2 | 2 | - | - |
| RUB - fixed at 0.1% - 10% | 159 | 18 | 123 | 18 |
| RUB - fixed at 10.1% - 18% | 15 | - | 15 | - |
| USD - fixed at 3% - 12% | 57 | - | 57 | - |
| Interest payable | 1,324 | - | 1,324 | - |
| | 47,071 | 20 | 19,502 | 27,549 |

At 30 June 2012 the following assets secured bank loans:

- property, plant and equipment with a carrying value of RUB 2,786 million (2011: RUB 2,847 million);
- development rights with a carrying value of RUB 10,706 million (2011: RUB 11,756 million);
- inventory with a carrying value of RUB 1,192 million (2011: RUB 5 million);
- residential and commercial property under construction with a total saleable area of 80 thousand square meters and with a carrying value of RUB 4,289 million in Moscow and the Moscow Region (31 December 2011: 107 thousand square meters and with a carrying value of RUB 5,493 million);

- shares of the following subsidiaries which comprise a substantial part of the Group:

| | 30 June 2012 | | 31 December 2011 | |
|-----------------------------------|-------------------------|---------------------------|-------------------------|---------------------------|
| | Number of shares | % of share capital | Number of shares | % of share capital |
| OAo DSK-2 | 51,950,334 | 98 | 51,950,334 | 98 |
| OAo DSK-3 | 1,747,081 | 81 | 1,747,081 | 81 |
| OAo KHZ | 1,454,600 | 92 | 1,454,600 | 92 |
| OAo 160 DSK | 1,219,628 | 75 | 1,219,628 | 75 |
| ZAO Pervaya Ipotechnaya Kompanya- | 334,000 | 100 | 334,000 | 100 |
| ZAO TP Red East | 37,317 | 93 | 37,317 | 93 |
| ZAO Stroybusinesscenter | 10,000 | 100 | 10,000 | 100 |
| ZAO Podmoskovie 160 DSK | 5,811 | 63 | 5,811 | 63 |
| ZAO Monetchik | 100 | 100 | 100 | 100 |
| ZAO PIK Zapad | - | - | 110 | 100 |
| OOO NSS | - | 100 | - | 100 |
| OOO Stroyinvest | - | 100 | - | 100 |
| OOO Status Land | - | 100 | - | 100 |
| 100 KHI | 10,016 | 77 | 10,016 | 77 |
| 480 KHI | 1,556,430 | 100 | 1,556,430 | 100 |
| OAo KSRZ | 48,170 | 100 | - | - |
| OAo Zawod Gazstroy mash | 387,421 | 87 | 387,421 | 87 |
| OOO Waystone | - | 100 | - | 100 |

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios, maximum amount of debt, and cross-default provisions. Covenant breaches generally permit lenders to demand accelerated repayment of the principal and interest. As at 30 June 2012 the Group breached the following financial covenants in various loan agreements in amount of RUB 398 million (31 December 2011: RUB 778 million): EBITDA to interest expense. These loans classified as current, payable on demand, as at 30 June 2012 and 31 December 2011.

13 Commitments

The Group entered into a number of co-investment contracts, where payments have not been made in full, and contracts to provide construction services. However, significant funds have been collected from individuals through pre-sale agreements to finance the projects. Therefore, the Group has contractual obligations to complete the buildings within its normal operating cycle. As at 30 June 2012 commitments under these contracts amounted to approximately RUB 41,872 million (31 December 2011: RUB 48,225 million). These commitments also cover the costs to construct apartments or/and social infrastructure for municipal authorities.

14 Contingencies

Except as described below, the contingencies of the Group related to insurance, warranties and taxation did not change significantly from the contingencies reported in the consolidated financial statements as at and for the year ended 31 December 2011.

Litigation

The Group is involved in various claims and legal proceedings relating to supply and service contracts. The amount of RUB 861 million related to accounts payable claimed at court as at the 30 June 2012 (31 December 2011: RUB 776 million). This amount was included in accounts payable as at 30 June 2012. Management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group's operations, since the amounts are included in the balance of accounts payable at period ends.

Taxation contingencies

The contingencies of the Group related to taxation did not change significantly from the contingencies reported in the consolidated financial statements as at and for the year ended 31 December 2011.

15 Related party transactions

(a) Control relationships

As at 30 June 2011 and 2012 there were no immediate or ultimate parent companies of the Group.

As at 30 June 2012 the Nafta Moskva Group and its ultimate owner Mr. Suleiman Kerimov controlled approximately 38.3% of the Company's ordinary shares, and, thus, exercised significant influence over the operations of the Group.

(b) Management remuneration

Key management received remuneration of RUB 77 million during the six-month period ended 30 June 2012 (2011: RUB 71 million) including contributions to the state pension fund.

(c) Transactions with other related parties

During the six-month period ended 30 June 2012 executive directors purchased from the Group residential property and a parking lot in buildings which had not been completed as at 30 June 2012 for a total consideration of RUB 13 million. This amount is included in advances from customers as at 30 June 2012.

16 Events subsequent to the reporting date

There no significant events occurred after the reporting date, which had a significant impact on Group's results.



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Independent Auditors' Report on review of Consolidated Interim Condensed Financial Statements

The Board of Directors

OAO Group of Companies PIK

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO Group of Companies PIK (the "Company") and its subsidiaries (the "Group") as at 30 June 2012, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to consolidated interim condensed financial statements. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 June 2012 and for the six-month period then ended are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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ZAO KPMG
17 September 2012