

# **RSG INTERNATIONAL LIMITED**

## **Unaudited interim condensed consolidated financial statements**

*For the six months period ended 30 June 2011*

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## **General information**

### **Board of Directors**

Marios Nicolaides

### **Company secretary**

A.J.K. Management Services Limited  
1 Naousis, Karapatakis bldg  
Larnaca, 6018  
Cyprus

### **Registered office**

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Larnaca, 6018  
Cyprus

### **Independent auditors**

Ernst & Young Cyprus Limited  
Certified Public Accountants and Registered Auditors  
36 Byron Avenue  
P.O. Box 21656  
1511 Nicosia  
Cyprus

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### TO THE MEMBERS OF RSG INTERNATIONAL LIMITED

#### *Introduction*

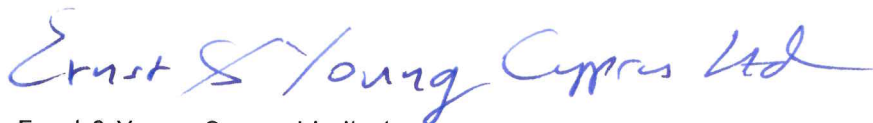
We have reviewed the accompanying interim condensed consolidated financial statements of RSG International Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2011, comprising of the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of operations, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as issued by International Accounting Standards Board and adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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. Consequently, it 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

A handwritten signature in blue ink that reads 'Ernst & Young Cyprus Ltd'.

Ernst & Young Cyprus Limited  
Certified Public Accountants and Registered Auditors

Nicosia  
18 November 2011

**Interim consolidated statement of operations****For the six months ended 30 June 2011***(in thousands of US Dollars)*

	<i>Notes</i>	<i>Six months ended 30 June</i>	
		<i>2011</i>	<i>2010</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Revenues	6	186,611	55,163
Cost of sales	7	(127,192)	(49,180)
<b>Gross profit</b>		<b>59,419</b>	<b>5,983</b>
General and administrative expenses	7	(28,223)	(23,159)
Other operating (expenses)/income, net	7	(10,383)	2,031
Change in fair value of investment property	11	19,304	16,178
<b>Operating profit</b>		<b>40,117</b>	<b>1,033</b>
Finance income	7	837	1,063
Finance expense	7	(16,138)	(7,221)
Foreign exchange gains/(losses), net		5,008	(2,607)
Gain from a bargain purchase		—	12,923
Gain on acquisition of investment in associate	4	1,604	—
Share of profits of associates	4	299	177
<b>Profit before income tax</b>		<b>31,727</b>	<b>5,368</b>
Income tax expense	8	(13,577)	(545)
<b>Net profit for the year</b>		<b>18,150</b>	<b>4,823</b>
Attributable to:			
Equity holders of the parent		17,325	4,823
Non-controlling interests		825	—

The accompanying notes on pages 6 to 20 form an integral part of these interim condensed consolidated financial statements.

**Interim consolidated statement of comprehensive income****For the six months ended 30 June 2011***(in thousands of US Dollars)*

<b>Notes</b>	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Net profit</b>	18,150	4,823
<b>Other comprehensive income</b>		
Effect of translation to presentation currency	21,746	(23,235)
Share of other comprehensive loss of associates accounted for using the equity method	(836)	(141)
<b>Total other comprehensive income/(loss), net of tax</b>	<b>20,910</b>	<b>(23,376)</b>
<b>Total comprehensive income/(loss), net of tax</b>	<b>39,060</b>	<b>(18,553)</b>
Attributable to:		
Equity holders of the parent	38,235	(18,553)
Non-controlling interests	825	—

The accompanying notes on pages 6 to 20 form an integral part of these interim condensed consolidated financial statements.



**Interim consolidated statement of financial position****At 30 June 2011***(in thousands of US Dollars)*

	<b>Notes</b>	<b>30 June 2011 (unaudited)</b>	<b>31 December 2010 (audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	62,919	54,122
Intangible assets other than goodwill	10	1,105	1,413
Goodwill	5	12,498	11,513
Investments in associates	4	10,128	6,175
Investment properties	11	593,732	527,490
Deferred income tax assets		25,410	10,576
VAT recoverable	12	42	233
Interest-bearing loans receivable	13	958	486
Inventories	14	80,383	68,964
		<b>787,175</b>	<b>680,972</b>
<b>Current assets</b>			
Inventories	14	383,689	333,336
Trade and other receivables	15	32,293	178,108
Prepayments		6,176	6,170
Interest-bearing loans receivable	13	6,031	5,047
Other taxes recoverable	12	29,056	24,217
Cash and cash equivalents	16	70,830	36,289
		<b>528,075</b>	<b>583,167</b>
<b>Total assets</b>		<b>1,315,250</b>	<b>1,264,139</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	17	3,888	3,888
Share premium	17	384,857	384,857
Capital contribution reserve		94,779	68,769
Business combination reserve		119,320	133,907
Retained earnings/( losses)		(218,498)	(235,823)
Foreign currency translation reserve		3,758	(17,152)
<b>Equity attributable to equity holders of the parent</b>		<b>388,104</b>	<b>338,446</b>
Non-controlling interests		15,412	—
<b>Total equity</b>		<b>403,516</b>	<b>338,446</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	18	224,959	178,547
Deferred income tax liabilities		135,413	112,754
Debt securities issued	19	106,349	—
Other liabilities		52	5
		<b>466,773</b>	<b>291,306</b>
<b>Current liabilities</b>			
Trade and other payables	20	82,614	59,693
Advances from customers	21	65,215	53,772
Interest-bearing loans and borrowings	18	272,727	508,108
Income tax payable		8,290	4,039
Other taxes payable		9,076	2,702
Provisions	22	7,039	6,073
		<b>444,961</b>	<b>634,387</b>
<b>Total liabilities</b>		<b>911,734</b>	<b>925,693</b>
<b>Total equity and liabilities</b>		<b>1,315,250</b>	<b>1,264,139</b>

On 18 November 2011 the Board of Directors of RSG International Limited authorised these financial statements for issue.

Marios Nicolaides  Director

The accompanying notes on pages 6 to 20 form an integral part of these interim condensed consolidated financial statements.

**Interim consolidated statement of cash flows****For the six months ended 30 June 2011***(in thousands of US Dollars)*

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flows from operating activities:</b>		
Profit before income tax	31,727	5,368
<i>Adjustments for:</i>		
Depreciation and amortization (Note 9, 10)	978	1,167
Gain from bargain purchase	—	(12,923)
Gain on acquisition of investment in associate (Note 4)	(1,604)	—
Interest income	(616)	(641)
Interest expense	10,594	6,168
Change in fair value of investment properties (Note 11)	(19,304)	(16,178)
Gain on sale of property, plant and equipment	(798)	—
Change in inventory allowance for net realizable value (Note 14)	2,556	606
Bad debt expense	(11)	510
Change in other provisions	(921)	—
Foreign exchange (gains)/losses	(5,008)	2,607
Other finance expenses, net	5,288	631
Share of profits of associates (Note 4)	(299)	(177)
<b>Operating cash flows before working capital changes</b>	<b>22,582</b>	<b>(12,862)</b>
<b>Changes in working capital:</b>		
Decrease/(increase) in trade and other receivables	151,899	(4,339)
Increase in inventories	(27,531)	(115,813)
Increase in trade and other payables	20,610	18,342
Decrease in prepayments	495	3,477
Decrease in VAT receivable	138	227
Increase/(decrease) in advances received	11,165	(7,814)
Increase/(decrease) in other taxes payable	6,003	(3,234)
<b>Cash flows from/(used in) operating activities</b>	<b>185,361</b>	<b>(122,016)</b>
Income tax paid	(11,214)	(265)
Interest paid	(12,372)	(8,690)
<b>Net cash flows from/(used in) operating activities</b>	<b>161,775</b>	<b>(130,971)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of subsidiaries, net of cash acquired	—	2
Purchase of property, plant and equipment	(1,419)	(6,389)
Purchase of investment properties	(572)	(301)
Issuance of loans receivable	(197)	—
Repayment of loans receivable including interest	22	92
<b>Net cash flows used in investing activities</b>	<b>(2,166)</b>	<b>(6,596)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	187,669	170,325
Repayment of borrowings	(320,095)	(33,206)
<b>Net cash flows (used in)/from financing activities</b>	<b>(132,426)</b>	<b>137,119</b>
Effect of exchange rate changes on cash and cash equivalents	7,358	559
<b>Net increase in cash and cash equivalents</b>	<b>34,541</b>	<b>111</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>36,289</b>	<b>17,490</b>
<b>Cash and cash equivalents at the end of the period (Note 16)</b>	<b>70,830</b>	<b>17,601</b>

The accompanying notes on pages 6 to 20 form an integral part of these interim condensed consolidated financial statements.



**Interim consolidated statement of changes in equity****For the six months ended 30 June 2011***(in thousands of US Dollars)*

	<i>Issued capital</i>	<i>Share premium</i>	<i>Capital contribution reserve</i>	<i>Business combina- tion reserve</i>	<i>Retained earnings/ (losses)</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>	<i>Non- Controlling interest</i>	<i>Total equity</i>
<b>As at 31 December 2009</b>	<b>2</b>	<b>–</b>	<b>58,098</b>	<b>491,377</b>	<b>(324,488)</b>	<b>9,762</b>	<b>234,751</b>	<b>–</b>	<b>234,751</b>
Net profit for the period	–	–	–	–	4,823	–	4,823	–	4,823
Other comprehensive loss	–	–	–	–	–	(23,376)	(23,376)	–	(23,376)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,823</b>	<b>(23,376)</b>	<b>(18,553)</b>	<b>–</b>	<b>(18,553)</b>
Issue of share capital	3,886	384,857	–	(384,857)	–	–	3,886	–	3,886
Transfer of controlling interest in subsidiaries in transactions with entities under common control	–	–	–	27,387	–	–	27,387	–	27,387
Discount on loans received from entities under common control (Note 18)	–	–	12,456	–	–	–	12,456	–	12,456
<b>As at 30 June 2010 (unaudited)</b>	<b>3,888</b>	<b>384,857</b>	<b>70,554</b>	<b>133,907</b>	<b>(319,665)</b>	<b>(13,614)</b>	<b>259,927</b>	<b>–</b>	<b>259,927</b>
<b>As at 31 December 2010</b>	<b>3,888</b>	<b>384,857</b>	<b>68,769</b>	<b>133,907</b>	<b>(235,823)</b>	<b>(17,152)</b>	<b>338,446</b>	<b>–</b>	<b>338,446</b>
Net profit for the period	–	–	–	–	17,325	–	17,325	825	18,150
Other comprehensive income	–	–	–	–	–	20,910	20,910	–	20,910
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17,325</b>	<b>20,910</b>	<b>38,235</b>	<b>825</b>	<b>39,060</b>
Discount on loans received from entities under common control (Note 18)	–	–	26,010	–	–	–	26,010	–	26,010
Effect of disposal of non-controlling interest (Note 3)	–	–	–	(14,587)	–	–	(14,587)	14,587	–
<b>As at 30 June 2011 (unaudited)</b>	<b>3,888</b>	<b>384,857</b>	<b>94,779</b>	<b>119,320</b>	<b>(218,498)</b>	<b>3,758</b>	<b>388,104</b>	<b>15,412</b>	<b>403,516</b>

The accompanying notes on pages 6 to 20 form an integral part of these interim condensed consolidated financial statements.

(in thousands of US Dollars)

## 1. Corporate information

The interim condensed consolidated financial statement of RSG INTERNATIONAL LIMITED (hereinafter "the Company") and its subsidiaries (hereinafter, "RSG International" or "the Group") for the six months ended 30 June 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 18 November 2011.

RSG INTERNATIONAL LIMITED was incorporated in the Republic of Cyprus on 24 March 2008 as a limited liability company under the Republic of Cyprus Companies Law, Cap. 113. The Company's registered office is located at 1 Naousis Street, Karapatakis building, P.O. 6018, Larnaca, the Republic of Cyprus.

Mr. V. Vekselberg is the ultimate controlling beneficiary of the Group.

### *Going concern*

These interim condensed consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. For the six months period ended 30 June 2011 the Group reported operating cash inflow of \$161,775 and net profit of \$18,150. For the six months period ended 30 June 2010 the Group reported operating cash outflow of \$130,971 and net profit of \$4,823. Management believes that necessary financing will be available to the Group and it will be able to pay debts as they become due.

Based on the current market conditions the Board and the management have reasonable expectations that the Group has adequate resources to continue its operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these interim condensed consolidated financial statements.

## 2. Significant accounting policies

### 2.1 Basis of preparation

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

The interim consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.2 New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

#### ► IAS 24 *Related Party Transactions* (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity.

Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

#### ► IAS 32 *Financial Instruments: Presentation* (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.



*(in thousands of US Dollars)***2. Significant accounting policies (continued)****2.2 New standards, interpretations and amendments thereof, adopted by the Group (continued)**▶ *IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)*

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements. The amendment to the interpretation therefore had no effect on the financial position or performance of the Group.

*Improvements to IFRSs (issued May 2010)*

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- ▶ *IFRS 3 Business Combinations*: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- ▶ *IFRS 7 Financial Instruments – Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- ▶ *IAS 1 Presentation of Financial Statements*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.
- ▶ *IAS 34 Interim Financial Statements*: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:
  - ▶ *IFRS 3 Business Combinations* – Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005)
  - ▶ *IFRS 3 Business Combinations* – Unreplaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination
  - ▶ *IAS 27 Consolidated and Separate Financial Statements* – applying the IAS 27 (as revised in 2008) transition requirements to consequentially amended standards
  - ▶ *IFRIC 13 Customer Loyalty Programmes* – in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty program)

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**3. Business combinations and disposal of non-controlling interests***Disposal of non-controlling interest in a subsidiary*

On 31 March 2011, the Group sold 3% of its ordinary shares in RSG-Akademicheskoye Limited, the holding company for the "Academic City" project (disclosed in Note 25). RSG-Akademicheskoye Limited is the parent company of ZAO Renova StroyGroup-Akademicheskoe, which represented approximately 68% of the consolidated assets of the Group as at 30 June 2011 and 63% of the consolidated revenues of the Group for the six months ended 30 June 2011. The book value of the net assets of ZAO Renova StroyGroup-Akademicheskoe was \$431,515 and \$486,897 as of 31 December 2010 and 31 March 2011, respectively. This change in ownership interest did not result in a loss of control. The effect of changes in non-controlling interest was accounted for as the Group's equity transaction.

*(in thousands of US Dollars)***4. Investment in associates**

The Group accounted for investments in associates under the equity method.

*ZHSPK "Akademichesky"*

Main asset of ZHSPK "Akademichesky" ("ZHSPK") is a land plot with fair value of \$32,593 as of 30 June 2011 (as of 31 December 2010: \$29,116). This associate's net assets as of 30 June 2011 amounted to \$33,708 (as of 31 December 2010: \$30,141).

In June 2011 the Group acquired additional 9.38% shares of ZHSPK "Akademichesky" which resulted in an increase in the voting rights up to 22% and interest in profits of the associate up to 46.25%.

The consideration transferred by the Group comprised of 15 land plots held by *OOO "Uralskaya Kompaniya Razvitiya"* with the total carrying value of \$1,420. The Group recognized gain on the transaction in the total amount of \$1,604 which represented an excess of the fair value of acquired share in the net assets of ZHSPK "Akademichesky" over the total carrying value of the transferred land plots. The Group's share of profit in ZHSPK for the six months period ended 30 June 2011 amounted to \$366 (for comparable six months of 2010: \$244).

The movement in investments in the associate was as follows:

	<b>ZHSPK</b>	
	<i>For six months ended 30 June</i>	
	<b>2011</b>	<b>2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Opening balance at 1 January	5,826	3,466
Additional investments	3,024	–
Share of profit	366	244
Translation difference	513	(131)
Closing balance at 30 June	<b>9,729</b>	<b>3,579</b>

*ZAO "Sverdlovskoe"*

The Group owns 9.96% interest in ZAO "Sverdlovskoe". Net assets of ZAO "Sverdlovskoe" decreased to \$106 as of 30 June 2011 (31 December 2010: \$633) and the carrying value of investments decreased to \$282 as of 30 June 2011 (31 December 2010: \$323). The Group's share in the loss of the associate was \$67 for the six months ended 30 June 2011 (for the six months ended 30 June 2010: \$67).

**5. Goodwill**

As of 30 June 2011 the Group had goodwill resulted from the acquisition of subsidiaries (RSG-Krasnodar and Tatlin) in the previous periods in the amount of \$12,498 (31 December 2010: \$11,513).

The Group determines whether goodwill is impaired on an annual basis (as of 30 June), or whenever indicators of impairment are present.

Goodwill was tested for impairment as of 30 June 2011. For the purpose of impairment testing the recoverable amount of goodwill has been determined based on value in use. Value in use has been calculated using cash flows projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash generating units. The key assumptions used by the management in value in use calculation are presented in the table below. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the respective business plans results using a zero real growth rate. The Group expects the listed below cash-generating units to operate more than five years, therefore, a longer than five-year period is justified for cash flow projections used in impairment test. No impairment of goodwill was identified as of 30 June 2011.



*(in thousands of US Dollars)***5. Goodwill (continued)**

Testing assumptions are set out in the table below:

	<i>Period of forecast, years</i>	<i>Pre-tax discount rate, %</i>	<i>Commodity</i>	<i>Average price per m<sup>2</sup> (thousands of rubles)</i>
OOO "Tatlin" as at 30 June 2011	17.5	21	Rental income	6.7
OOO "Tatlin" as at 31 December 2010	18	22	Rental income	6.7
ZAO "Renova-Stroy Group Krasnodar" as at 30 June 2011	2.5-7.5	11.58-12.76	Assets under construction	40.4-84.7
ZAO "Renova-Stroy Group Krasnodar" as at 31 December 2010	3-8	20	Assets under construction	45.2-87.7

**6. Revenues**

Revenues include the following:

	<i>Six months ended 30 June 2011 (unaudited)</i>	<i>2010 (unaudited)</i>
Sale of inventory properties	177,632	48,826
Rental income	1,311	1,034
Other revenue	7,668	5,303
	<b>186,611</b>	<b>55,163</b>

In the sales of residential property for the six months ended 30 June 2011 and 2010 was included imputed interest on advances received from individuals in the amount of \$5,517 and \$3,993 respectively.

**7. Income and expenses**

Staff costs and depreciation of property, plant and equipment included in cost of inventories, general and administrative expenses amounted to the following:

	<i>Six months ended 30 June 2011 (unaudited)</i>	<i>2010 (unaudited)</i>
Staff costs, including social security taxes	11,201	9,590
Depreciation of property, plant and equipment and amortization of intangible assets	978	1,167

*Cost of sales*

In the cost of sales of residential property for the six months ended 30 June 2011 and 2010 was included imputed interest on advances received from individuals in the amount of \$5,517 and \$3,993, respectively.

*(in thousands of US Dollars)***7. Income and expenses (continued)***General and administrative expenses*

The structure of general and administrative expenses was the following:

	<b>Six months ended 30 June 2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Payroll	10,332	7,522
Consulting	3,644	2,669
Other professional services	6,367	1,311
Rent	1,930	1,861
Taxes	964	2,622
Advertising	620	150
Security	549	331
Audit fees	503	640
Depreciation of property, plant and equipment	290	284
Telecommunication	257	92
Amortization of intangible assets	125	121
Charity contributions	—	3,088
Other	2,642	2,468
	<b>28,223</b>	<b>23,159</b>

*Finance income*

The components of finance income were as follows:

	<b>Six months ended 30 June 2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest on loans receivable	565	530
Amortization of loans commitments	258	422
Interest on bank accounts	14	111
	<b>837</b>	<b>1,063</b>

*Finance expense*

The components of finance expense were as follows:

	<b>Six months ended 30 June 2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest expense	10,594	6,168
Amortization of discount (Note 18)	5,544	902
Other financial expenses	—	151
	<b>16,138</b>	<b>7,221</b>

*Other operating expenses and income*

The components of other operating income and expenses were as follows:

	<b>Six months ended 30 June 2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Increase of inventory NRV provision	(2,556)	(606)
Penalty fees reversal/(accruals)	103	(260)
Other (expenses)/income, net	(7,930)	2,897
	<b>(10,383)</b>	<b>2,031</b>

*(in thousands of US Dollars)***8. Income tax**

The Group's income was subject to tax at the following tax rates:

	<b>2011</b>	<b>2010</b>
The Russian Federation	20.00%	20.00%
The Republic of Cyprus	10.00%	10.00%

Major components of income tax expense were as follows:

	<b>For six months ended 30 June 2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Income tax expense – current	(13,218)	(1,053)
Deferred tax (expense)/benefit – origination and reversal of temporary differences	(359)	508
<b>Income tax expense</b>	<b>(13,577)</b>	<b>(545)</b>

Net temporary differences of \$401,782 and \$369,920 as of 30 June 2011 and 31 December 2010, respectively, were associated with investments in subsidiaries. At 30 June 2011 and 31 December 2010 the Group did not recognise any deferred tax liability in respect of these temporary differences, as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

**9. Property plant and equipment**

Additions to construction in progress during the six months ended 30 June 2011 in the total amount of \$7,233 were mainly represented by construction costs incurred on continued construction of utilities networks and boiler facilities (for the six months ended 30 June 2010: \$7,417).

In 2008, the Group acquired 100% of ordinary shares of OOO "Altavir" (the Russian Federation) with its only asset, a building in the center of Moscow. This transaction qualified for a purchase of assets. The building was purchased for \$7,000 with the intention to use it for administrative purposes. Accounts payable recognized as a result of acquisition of the asset were not settled by the Group. On 7 June 2011 it was agreed by the parties of the transaction to terminate the acquisition contract which resulted in the disposal of respective building. Financial statements as of 30 June 2011 reflect disposal of the building with carrying value in the amount of \$5,743. The Group recognized a gain on disposal of the asset in the amount of \$1,060 as a part of other operating expenses/income for the period.

The amount of borrowing costs capitalized as a part of additions to property, plant and equipment during six months ended 30 June 2011 amounted to \$212 (for the six months ended 30 June 2010: \$1,272). The weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 10.2%, which is the effective interest rate on specific borrowings.

**10. Intangible assets other than goodwill**

Intangible assets as at 30 June 2011 and 31 December 2010, in the amount of \$1,105 and \$1,413, respectively, represent 20-year contractual rights to lease a business complex in Yekaterinburg and a 10-year contractual right for the land lease agreement in Krasnodar.

On 29 April 2011 one of the contracts for the rent of a business complex in Yekaterinburg was terminated. The net carrying value of the disposed rent contract was \$262. The amortization period for the remaining contract term is 16.5 and 6 years for Yekaterinburg and Krasnodar, respectively.

Amortization charge for the six months periods ended 30 June 2011 and 30 June 2010 amounted to \$125 and \$121, respectively.



*(in thousands of US Dollars)***11. Investment property**

Investment properties consist of the following:

	<i>For six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Opening balance at 1 January</b>	<b>527,490</b>	<b>448,998</b>
Additions (acquisitions)	12	2,409
Additions (subsequent expenditure)	2,006	687
Transfer from inventory	2,922	—
Transfer to PPE	(3,476)	—
Disposals	(39)	—
Translation difference	45,513	(14,363)
Net gain from a fair value adjustment	19,304	16,178
<b>Closing balance at 30 June</b>	<b>593,732</b>	<b>453,909</b>

As at 30 June 2011 and 2010, the fair value of investment property was determined based on valuation performed by an accredited independent appraiser, who holds a recognised and relevant professional qualification and who has had recent experience in the locations and category of the investment property being valued.

The fair value of investment property was determined using the income approach and/or the sales comparison approach. The income approach is based on the assumption that the value of the property is conditional on the future benefits that the property will bring the owner within a certain period of time, and the risks associated with receiving the benefits. The sales comparison approach is based on comparative analysis of actual sales and/or asking prices for comparable properties.

Interest capitalized as part of subsequent expenditure to investment properties amounted to \$1,404 and \$412 for the six months periods ended 30 June 2011 and 30 June 2010.

The Group had income from rent of investment property of \$604 and \$529 and direct operating expenses arising from investment property that generated rental income of \$257 and \$148 for the six months periods ended 30 June 2011 and 30 June 2010, respectively.

**12. VAT recoverable**

The management of the Group periodically reviews the recoverability of the balance of input value added tax and believes that VAT recoverable balance of \$27,169 as at 30 June 2011 (as at 31 December 2010: \$24,156) is fully recoverable during 12 months following the respective reporting date.

**13. Loans receivable**

Short-term and long-term loans receivable were as follows as of:

	<i>30 June</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Long-term loans receivable</b>		
Loans receivable from third parties	528	486
Loans receivable from related parties (Note 23)	430	—
<b>Total long-term loans receivable</b>	<b>958</b>	<b>486</b>
<b>Short-term loans receivable</b>		
Loans receivable from third parties	514	333
Loans receivable from related parties (Note 23)	2,424	2,376
Interest receivable from third parties	157	111
Interest receivable from related parties (Note 23)	2,936	2,227
<b>Total short-term loans receivable</b>	<b>6,031</b>	<b>5,047</b>



(in thousands of US Dollars)

**13. Loans receivable (continued)**

Short-term loan receivable of \$2,424 and interest receivable of \$2,936 as at 30 June 2011 represent amounts relating to an overdue loan given to ZAO "Sverdlovskoye" (the Group's associate), which is secured by the land plot, owned by ZAO "Sverdlovskoe". (Note 4).

The weighted average effective annual interest rates for the loans receivable were as follows:

	<i>Long-term loans receivable</i>		<i>Short-term loans receivable</i>	
	<i>as at 30 June 2011</i>	<i>as at 31 December 2010</i>	<i>as at 30 June 2011</i>	<i>as at 31 December 2010</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Ruble	7.1%	11%	32%	32%

No impairment was recognised for the loans receivable balances as at 30 June 2011 and 31 December 2010.

**14. Inventories**

Inventories consisted of the following as of:

	<i>30 June 2011</i>	<i>31 December 2010</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Inventory properties under construction:		
- at cost	349,837	251,482
- at net realizable value, net of allowance	10,602	—
Constructed inventory properties:		
- at cost	90,811	138,862
- at net realizable value, net of allowance	12,704	11,477
Other inventories, at cost	118	479
	<b>464,072</b>	<b>402,300</b>
Including:		
- Current	383,689	333,336
- Non-current	80,383	68,964
Allowance for net realizable value	9,701	6,417

The Group accrued imputed interest on advances received from the individuals for residential property. The total amount of recognized imputed interest in inventory as at 30 June 2011 and 31 December 2010 was \$7,137 and \$10,540, respectively.

A summary of movement in inventories is set out in the table below:

	<i>For six months ended 30 June 2011</i>	<i>2010</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Opening balance at 1 January	402,300	299,216
Construction costs incurred	140,386	204,028
Interest capitalized	9,982	4,546
Transfer to investment property	(2,922)	—
Transfer to property plant and equipment	(143)	—
Changes in the allowance for net realizable value	(2,556)	(606)
Disposals (recognized in cost of sales)	(116,603)	(44,238)
Other disposals	(1,392)	—
Translation differences	35,020	(15,041)
Closing balance at 30 June	<b>464,072</b>	<b>447,905</b>

*(in thousands of US Dollars)***15. Trade and other receivables**

At 30 June 2011, \$658 of trade and other receivables were denominated in US Dollars, \$31,635 were denominated in rubles (31 December 2010: \$630 and \$177,478).

At 30 June 2011 the allowance for irrecoverable amounts was recognized in the amount of \$1,655 (2010: \$1,771) in other operating expenses.

**16. Cash and cash equivalents**

As of 30 June 2011 and 31 December 2010 cash and cash equivalents included cash restricted by the Russian authorities as a result of legal proceedings regarding one of the customers of the Group in the amount of \$837 and \$779, respectively.

At 30 June 2011, \$32,286 of cash and cash equivalents were held in OAO "Metcombank" (related party) (2010: \$17,892).

Cash and cash equivalents were denominated in the following currencies:

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Rubles	70,854	36,170
US Dollars	(24)	119
<b>Total</b>	<b>70,830</b>	<b>36,289</b>

**17. Equity**

Total number of outstanding shares at 30 June 2011 and 31 December 2010 was 3,888,677 of nominal value \$1 (not in thousands) each, of which 3,887,450 were issued at a premium of \$99 each (not in thousands).

No dividends were declared during the six months period ended 30 June 2011.

On 31 March 2011, the Group sold 3% of its ordinary shares in RSG-Akademicheskoye Limited, the holding company for the "Academic City" project. The effect of the transaction was accounted for in the Group's equity (Note 3).

**18. Loans and borrowings**

Short-term and long-term loans and borrowings were as follows as of:

	<b>Weighted average effective interest rate %</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
		<i>(unaudited)</i>	<i>(audited)</i>
<b>Current</b>			
Related parties (Note 23)	4.40%	214,751	250,051
Third parties	14.09%	57,976	258,057
<b>Total current borrowings</b>		<b>272,727</b>	<b>508,108</b>
<b>Non-current</b>			
Related parties (Note 23)	8.04%	163,414	99,183
Third parties	11.52%	61,545	79,364
<b>Total non-current borrowings</b>		<b>224,959</b>	<b>178,547</b>
<b>Total borrowings</b>		<b>497,686</b>	<b>686,655</b>

At 30 June 2011, \$60,841 of loans and borrowings were denominated in US Dollars (31 December 2010: \$60,650). Other loans and borrowings were denominated in Russian rubles.

All borrowings bear fixed interest rate as at 30 June 2011 and 31 December 2010.



(in thousands of US Dollars)

## 18. Loans and borrowings (continued)

### *Loans from Savings Bank of the Russian Federation*

In 2009-2011 the Group entered into a number of credit facility agreements with Savings Bank of the Russian Federation. The facilities mature in 2011-2014 and throughout 2011 bore interest in the range of 10.28%-17%. These loans were denominated in Russian Rubles. At 30 June 2011, the Group had outstanding amount within these loan facilities in the amount of \$32,074 and unused loan facilities in the amount of \$115,653. These facilities are used to finance the operating activities of the Group.

### *Loans from Credit Bank Otkrytie*

In 2010 the Group entered into credit facility agreements with Commercial Bank Otkrytie for the total amount of \$90,239 (at the exchange rate as of 30 June 2011). The facility matures in September-December 2011 and throughout 2011 bore interest of 10.5%-16.5%. At 30 June 2011, the Group had outstanding amount within these loan facilities in the amount of \$6,174 and unused loan facilities in the amount of \$1,976. These loans were denominated in Russian Rubles. These facilities are used to finance the operating activities of the Group.

In 2011 the Group entered into credit facility agreements with Commercial Bank Otkrytie for the total amount of \$55,555 (at the exchange rate as of 30 June 2011). The facility matures 2011-2013 and throughout 2011 bore interest of 14%-16.5%. At 30 June 2011, the Group had outstanding amount within these loan facilities in the amount of \$5,502 and unused loan facilities in the amount of \$49,942. These loans were denominated in Russian Rubles. These facilities are used to finance the operating activities of the Group.

### *Loans from Moscow Credit Bank*

In 2011 the Group entered into credit facility agreements with Moscow Credit Bank for the total amount of \$14,247 (at the exchange rate as of 30 June 2011). The facility matures June 2013 and throughout 2011 bore interest of 9%-13.3%. At 30 June 2011, the Group had unused loan facilities in the amount of \$14,247. These loans were denominated in Russian Rubles. These facilities are obtained to finance the operating activities of the Group.

### *Loans from CKB-Bank*

In 2010 the Group entered into credit facility agreements with CKB-Bank for the total amount of \$22,624 (at the exchange rate as of 30 June 2011). The facility matures August-September 2014 and throughout 2011 bore interest of 14%. At 30 June 2011, the Group had an outstanding amount within these loan facilities in the amount of \$15,999 and unused loan facilities in the amount of \$6,715. These loans were denominated in Russian Rubles. These facilities are used to finance the operating activities of the Group.

The rest of the borrowings from the third parties amounting to \$59,772 as of 30 June 2011 are secured by inventory or investment property.

### *Interest rates under the loans from entities under common control*

As long-term loans from entities under common control bear interest below market rates, at origination, the difference between the loan amount and its fair value is treated as an equity contribution to the Group, which represents an investment by the parent in the Group. Capital contribution related to loans originated during the six months ended 30 June 2010 and 30 June 2011 amounts to \$12,456 and \$26,010, respectively.

### *Compliance with covenants*

Some of the loan agreements with Savings Bank of the Russian Federation, concluded in 2009-2011, provide for covenants in respect of several Group's subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness. The Group was in compliance with these covenants as at 31 December 2010 and 30 June 2011.

### *Pledged assets*

At 30 June 2011, the Group had inventory with a total carrying value of \$ 248,632 (31 December 2010: \$141,834) and investment property with a total carrying value of \$213,907 (31 December 2010: 212,890), pledged as collateral under the loan agreements.

At 30 June 2011, the 100% shares of ElitComplex were pledged as collateral under Commercial Bank Otkrytie loan. This subsidiary represents 4% of the consolidated assets as at 30 June 2011 and 2% of consolidated revenues of the Group for the six months ended 30 June 2011. At 30 June 2011 the net assets (including intra-group balances) of ElitComplex were \$7,396.



(in thousands of US Dollars)

## 18. Loans and borrowings (continued)

### *Pledged assets (continued)*

The Group pledged under credit facility agreement with Commercial Bank Otkrytie the inventory with a carrying value of \$105,743 (at the exchange rate as of 30 June 2011).

At 30 June 2011, the 100% shares of ElectroSetevaya Company were pledged as collateral under Savings Bank loan. This subsidiary represents 1% of the consolidated assets as at 30 June 2011 and 0.1% of consolidated revenues of the Group for the six months ended 30 June 2011. At 30 June 2011 the net assets (including intra-group balances) of ElectroSetevayaCompany were \$12,483.

At 30 June 2011, the 100% shares of TeploSetevaya Company were pledged as collateral under Savings Bank loan. This subsidiary represents 3% of the consolidated assets as at 30 June 2011 and 4% of consolidated revenues of the Group for the six months ended 30 June 2011. At 30 June 2011 the net assets (including intra-group balances) of ElectroSetevayaCompany were \$22,558.

At 30 June 2011, the 100% shares of Vodostabzhauschaya Company were pledged as collateral under Moscow Credit Bank loan. This subsidiary represents 1% of the consolidated assets as at 30 June 2011 and 0.1% of consolidated revenues of the Group for the six months ended 30 June 2011. At 30 June 2011 the net assets (including intra-group balances) of ElectroSetevayaCompany were \$12,244.

At 30 June 2011, the 100% shares of EnergoGeneriruyuschaya Company were pledged as collateral under Commercial Bank Otkrytie loan. This subsidiary represents 0.3% of the consolidated assets as at 30 June 2011 and 3% of consolidated revenues of the Group for the six months ended 30 June 2011. At 30 June 2011 the net assets (including intra-group balances) of ElitComplex were \$79,704.

At 30 June 2011, the 100% shares of Largo were pledged as collateral under Savings Bank loan. This subsidiary represents 1% of the consolidated assets as at 30 June 2011 and 0.2% of the consolidated revenues of the Group for the six months ended 30 June 2011. At 30 June 2011 the net assets (including intra-group balances) of Largo were \$713.

At 30 June 2011, the 100% shares of RSG-A, Region Sroy Invest, and PSP-Express were pledged as collateral under Savings Bank of the Russian Federation loans (100% shares of RSG-A at 31 December 2010). These subsidiaries represent 61% and 76% of the consolidated assets as at 30 June 2011 and 31 December 2010, respectively, and 82% and 62% of consolidated revenues of the Group for the six months ended 30 June 2011 and 2010, respectively. At 30 June 2011 and 31 December 2010 the net assets (including intra-group balances) were \$557,752 and \$449,529, respectively.

At 25 December 2009 and 9 June 2011, the Group signed an agreement with Savings Bank of the Russian Federation for the total amount of \$424,303 (at the exchange rate as at 30 June 2011). The Group pledged under credit facility agreement with Savings Bank of the Russian Federation the inventory with a carrying value of \$116,889 and investment property with a carrying value of \$ 191,324 (at the exchange rate as of 30 June 2011)

The Group pledged under credit facility agreement with CKB-Bank the investment property with a carrying value of \$22,583 (at the exchange rate as of 30 June 2011)

### *Discount amortisation*

Amortization of the discount is charged to finance expenses and amounted to \$5,544 and \$902 for the six months ended 30 June 2011 and 2010, respectively.

### *Unutilised borrowing facilities*

The Group had unutilised borrowing facilities in the total amount of \$210,134 and \$36,934 as of 30 June 2011 and 31 December 2010, respectively.

## 19. Debt securities issued

In June 2011 LLC RSG-Finance, the Group's subsidiary, issued 3 billion ruble denominated bonds with a par value of 1,000 ruble each. These securities were issued at par value, mature on 18 June 2014, bear an interest at a rate of 10.75% and were guaranteed by the Company. The liabilities under the bonds were accounted for at amortised cost in the interim condensed consolidated financial statements.

Debt issuance costs paid by the Group in relation to the arrangement of bonds in the amount of \$509 represented agent commission and arrangement costs.



(in thousands of US Dollars)

**20. Trade and other payables**

Trade and other payables denominated in rubles amounted to \$80,176 as at 30 June 2011 (31 December 2010: \$50,697), trade and other payables denominated in US Dollars amounted to \$2,438 as at 30 June 2011 (31 December 2010: \$8,996).

**21. Advances from customers**

At 30 June 2011 and 31 December 2010, advances received were mainly represented by advance payments received from individuals for construction of residential property.

Advances received at 30 June 2011 are expected to be settled before 30 June 2012.

As advances received represent a form of financing, the Group recognized imputed interest at the market rate of 12.8-19.5% (the six months ended 30 June 2010: 17-18%). The related interest was capitalized in inventory (Note 14).

At 30 June 2011 and 31 December 2010 advances received were denominated in Russian rubles.

**22. Provisions**

As at 30 June 2011 and 31 December 2010, provisions consisted of tax liabilities in the amount of \$852 and \$797, provision for bonuses in the amount of \$5,340 and \$4,920 and accrual for unused vacations in the amount of \$847 and \$356, respectively.

**23. Balances and transactions with related parties**

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding on 30 June 2011 and 31 December 2010 are detailed below.

	<i>Loans receivable</i>	<i>Trade and other receivables</i>	<i>Interest-bearing loans and borrowings</i>	<i>Trade and other payables</i>	
<b>30 June 2011 (unaudited)</b>					
Shareholder of the parent company	–	18	4,132	54	
Associates	5,789	988	–	100	
Entities under common control	–	146	374,032	19,792	
<b>Total</b>	<b>5,789</b>	<b>1,152</b>	<b>378,164</b>	<b>19,946</b>	
	<i>Loans receivable</i>	<i>Trade and other receivables</i>	<i>Interest-bearing loans and borrowings</i>	<i>Trade and other payables</i>	
<b>31 December 2010 (audited)</b>					
Shareholder of the parent company	–	28	4,079	50	
Associates	4,603	758	–	44	
Entities under common control	–	31	345,155	61	
<b>Total</b>	<b>4,603</b>	<b>817</b>	<b>349,234</b>	<b>155</b>	
	<i>Revenue</i>	<i>Finance income</i>	<i>Purchases</i>	<i>Finance expense</i>	<i>Finance capitalization</i>
<b>Six months ended 30 June 2011 (unaudited)</b>					
Shareholder of the parent company	–	–	3,672	53	–
Associates	(999)	(530)	291	–	–
Entities under common control	(79)	(260)	81	13,468	3,690
<b>Total</b>	<b>(1,078)</b>	<b>(790)</b>	<b>4,044</b>	<b>13,521</b>	<b>3,690</b>
	<i>Revenue</i>	<i>Finance income</i>	<i>Purchases</i>	<i>Finance expense</i>	<i>Finance capitalization</i>
<b>Six months ended 30 June 2010 (unaudited)</b>					
Shareholder of the parent company	–	–	–	50	–
Associates	–	442	124	–	–
Entities under common control	3,955	329	50	8,762	2,014
<b>Total</b>	<b>3,955</b>	<b>771</b>	<b>174</b>	<b>8,812</b>	<b>2,014</b>

*(in thousands of US Dollars)***23. Balances and transactions with related parties (continued)**

At 30 June 2011, \$32,286 of cash and cash equivalents were held in OAO "Metcombank" (related party) (2010: \$17,892).

The balances with related parties as at 30 June 2011 and 31 December 2010 are unsecured, include interest and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

*Compensation to key management personnel*

Key management personnel include top managers of the Group and major subsidiaries.

Total compensation to key management personnel was included in general and administrative expenses in the consolidated statement of operations and consisted of short-term employee benefits:

	<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Salary	1,477	1,907
Performance bonuses	1,477	—
Other compensations	76	439
Social security taxes	73	52
	<u>3,103</u>	<u>2,398</u>

**24. Contingencies, commitments and operating risks****Taxation**

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities, which were identified by management as of 30 June 2011 as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements are approximately \$6,801 (31 December 2010: \$6,248).

**Contractual commitments**

The Group has signed a number of contracts for the construction works as of 30 June 2011. The Group had firm contractual commitments for the construction works for an approximate amount of \$225,522 as at 30 June 2011 (31 December 2010: \$192,377). However, many of contracts provide for payments stage wise based on specifically agreed cost of stages. It is not practicable to measure the amount of these purchase commitments, though they constitute significant amount and concern most of the construction and investment projects of the Group.

**25. Segment information**

For management purposes, the Group is organised into business units based on the construction projects, and has the following reportable operating segments:

- ▶ the project "Akademic City" (investment and residential property)
- ▶ the project "MegaStroy" (residential and non-residential property)
- ▶ the project "Aprelevka" (residential and non-residential property)
- ▶ the project "Ramenki" (residential and non-residential property)
- ▶ the project "RSG-UK" (management companies)
- ▶ the project "TSK" (energy supply)



(in thousands of US Dollars)

**25. Segment information (continued)**

The following tables present measures of segment revenues and segment results on management accounts in accordance with IFRS 8 and a reconciliation of revenue and segment result used by management for decision making and revenue and net result per the consolidated financial statements prepared under IFRS:

**Six months ended 30 June 2011 (unaudited)**

	<i>Akademic City</i>	<i>TSK</i>	<i>Ramenki</i>	<i>Aprelevka</i>	<i>Megastroy</i>	<i>RSG-UK</i>	<i>Other projects</i>	<i>Total</i>
Segment revenue	295,304	12,196	9,950	30,040	12	219	11,331	359,052
Accrual vs. cash basis	(153,688)	(3,291)	9,863	(1,307)	1,441	(30)	(85,255)	(232,267)
Elimination of intergroup operations	(24,775)	(2,122)	(903)	—	—	(189)	87,815	59,826
Revenue per IFRS consolidated financial statements	116,841	6,783	18,910	28,733	1,453	—	13,891	186,611

**Six months ended 30 June 2010 (unaudited)**

	<i>Akademic City</i>	<i>TSK</i>	<i>Ramenki</i>	<i>Aprelevka</i>	<i>Megastroy</i>	<i>RSG-UK</i>	<i>Other projects</i>	<i>Total</i>
Segment revenue	24,000	12,115	4,107	5,369	4,104	2,989	40,107	92,791
Accrual vs. cash basis	2,835	(2,065)	(4,107)	11,209	2,366	(37)	(583)	9,618
Elimination of intergroup operations	(610)	(5,958)	—	(1,264)	—	(2,952)	(36,462)	(47,246)
Revenue per IFRS consolidated financial statements	26,225	4,092	—	15,314	6,470	—	3,062	55,163

**Six months ended 30 June 2011 (unaudited)**

	<i>Akademic City</i>	<i>TSK</i>	<i>Ramenki</i>	<i>Aprelevka</i>	<i>Megastroy</i>	<i>RSG-UK</i>	<i>Other projects</i>	<i>Total</i>
Segment result	(4,206)	462	310	1,395	1	49,256	(12,677)	34,541
Accrual vs. cash basis	55,828	(1,820)	6,878	3,245	(5,898)	(77,445)	6,760	(12,452)
Net gain/(loss) per IFRS consolidated financial statements	51,622	(1,358)	7,188	4,640	(5,897)	(28,189)	(5,917)	22,089

**Six months ended 30 June 2010 (unaudited)**

	<i>Akademic City</i>	<i>TSK</i>	<i>Ramenki</i>	<i>Aprelevka</i>	<i>Megastroy</i>	<i>RSG-UK</i>	<i>Other projects</i>	<i>Total</i>
Segment result	4,961	141	262	(62)	(2,014)	337	668	4,293
Accrual vs. cash basis	757	(1,309)	1,415	3,224	195	(19,871)	16,119	530
Net gain/(loss) per IFRS consolidated financial statements	5,718	(1,168)	1,677	3,162	(1,819)	(19,534)	16,787	4,823

During the six months ended 30 June 2011, 21% of the Group's consolidated revenues were received upon the fulfillment of the Contractual obligations with the Ministry of Defense of the Russian Federation (2010: 34%). No any other of the Group's customers amounted to 10% or more of the consolidated revenues during the six months ended 30 June 2011.

Intersegment transactions may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

*(in thousands of US Dollars)***26. Subsequent events**

In July-September 2011, the Group partially repaid its obligations under a number of credit facilities with Savings Bank of the Russian Federation in the amount of \$1,635 (including interest).

In July-September 2011, the Group received debt drawings of \$2,809 from Savings Bank of the Russian Federation under existing credit facility agreements. Additionally, the Group received debt drawings of \$589 from other banks.

In July 2011 the Group settled obligations under a number of credit facility agreements with CKB-Bank in the total amount of \$15,999 (at the exchange rate at 30 June 2011). As a result investment property in the amount of \$22,583 was release of pledge.

The Group is currently in the process of recapitalization of loans payable to related parties into capital in the total amount of approximately \$290,000.