

**OAQ Group of Companies PIK  
Consolidated Condensed Interim  
Financial Information  
for the six-month period ended  
30 June 2008**

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## **Independent Auditors' Report**

Board of Directors  
OAO Group of Companies PIK

### **Report on Review of the Interim Financial Information**

#### *Introduction*

We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Group of Companies PIK (the "Company") and its subsidiaries (the "Group") as at 30 June 2008, and the related consolidated interim condensed statements of income, changes in equity and cash flows for the six-month period then ended (the consolidated interim financial information). Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information as at 30 June 2008 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG  
29 September 2008

**OAO Group of Companies PIK**  
*Consolidated Condensed Interim Income Statement for the six-month period ended 30 June 2008*

	Note	Six months ended	Six months ended
		30 June 2008	30 June 2007
		mln RUR	Restated mln RUR
Revenue	5	20,579	13,704
Cost of sales		(12,918)	(9,548)
<b>Gross profit</b>		<b>7,661</b>	<b>4,156</b>
Gain on disposal of development rights		-	363
Distribution expenses		(978)	(378)
Administrative expenses		(2,168)	(1,129)
Other income and expenses		(268)	(27)
Finance income		235	475
Finance expenses		(975)	(1,057)
Share of income of equity accounted investees net of income tax		40	-
<b>Profit before income tax</b>		<b>3,547</b>	<b>2,403</b>
Income tax expense		(1,320)	(598)
<b>Profit for the period</b>		<b>2,227</b>	<b>1,805</b>
<i>Attributable to:</i>			
Shareholders of the Company		2,302	1,827
Minority interest		(75)	(22)
		<b>2,227</b>	<b>1,805</b>
Basic earnings per share			
Ordinary shares		RUR 4.54	RUR 3.9

The consolidated condensed interim financial information was approved on 29 September 2008 by:

  
 Kirill V. Pisarev  
 President

  
 Evgeny D. Luneev  
 Vice-President, Economics and Finance

**OAO Group of Companies PIK**  
Consolidated Condensed Interim Balance Sheet as at 30 June 2008

	Note	<b>30 June 2008</b> <b>mln RUR</b>	<b>31 December 2007</b> <b>mln RUR</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		14,003	12,556
Intangible assets		34,554	21,213
Investments in equity accounted investees		3,471	3,419
Other investments		718	295
Deferred tax assets		236	112
Other non-current assets		101	131
<b>Total non-current assets</b>		<b>53,083</b>	<b>37,726</b>
<b>Current assets</b>			
Inventories		63,791	50,272
Other investments		4,725	3,376
Income tax receivable		400	227
Trade and other receivables		18,473	18,096
Cash and cash equivalents		6,252	17,056
<b>Total current assets</b>		<b>93,641</b>	<b>89,027</b>
<b>Total assets</b>		<b>146,724</b>	<b>126,753</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	3		
Share capital		30,843	30,843
Additional paid-in capital		20,082	19,401
Reserve resulting from additional share issue		(28,506)	(28,506)
Treasury shares		(2,428)	-
Retained earnings		29,637	27,335
<b>Total equity attributable to shareholders of the Company</b>		<b>49,628</b>	<b>49,073</b>
Minority interest		1,114	1,266
<b>Total equity</b>		<b>50,742</b>	<b>50,339</b>
<b>Non-current liabilities</b>			
Loans and borrowings	6	6,114	10,460
Provisions		58	68
Deferred tax liabilities		9,023	8,006
<b>Total non-current liabilities</b>		<b>15,195</b>	<b>18,534</b>
<b>Current liabilities</b>			
Loans and borrowings	6	31,097	24,180
Trade and other payables		48,658	32,706
Provisions		987	891
Income tax payable		45	103
<b>Total current liabilities</b>		<b>80,787</b>	<b>57,880</b>
<b>Total liabilities</b>		<b>95,982</b>	<b>76,414</b>
<b>Total equity and liabilities</b>		<b>146,724</b>	<b>126,753</b>

	<b>Six months ended 30 June 2008 mln RUR</b>	<b>Six months ended 30 June 2007 mln RUR</b>
<b>OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	2,227	1,805
<i>Adjustments for:</i>		
Depreciation and amortisation	549	343
Foreign exchange loss/(gain), net	36	(41)
Loss on disposal of property, plant and equipment	56	127
Gain on disposal of available-for-sale financial assets	-	(221)
Impairment loss on goodwill	-	28
Share of income of equity accounted investees	(40)	-
Interest expense	901	1,005
Interest income	(235)	(213)
Income tax expense	1,320	598
<b>Operating profit before changes in working capital and provisions</b>	4,814	3,431
Increase in inventories	(13,288)	(2,614)
Increase in trade and other receivables	(1,703)	(3,012)
Increase/(decrease) in trade and other payables	14,009	(1,621)
Decreased/(increase) in provisions	(10)	55
<b>Cash flows from/(utilised in) operations before income taxes and interest paid</b>	3,822	(3,761)
Income taxes paid	(561)	(329)
Interest paid	(1,374)	(1,150)
<b>Cash flows from/(utilised in) operating activities</b>	1,887	(5,240)
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	9	11
Interest received	175	-
Acquisition of property, plant and equipment	(2,355)	(1,137)
Acquisition of development rights and other intangible assets	(11,631)	(4,135)
Acquisition of equity accounted investees	(9)	-
Acquisition of minority interests	(193)	(7)
Proceeds from sale of minority interests and development rights	1,047	-
Loans advanced	(920)	(5,681)
Repayment of loans advanced	1,326	5,318
Loans advanced to individuals	(1,540)	-
Repayment of loans advanced to individuals	437	-
Acquisition of subsidiaries, net of cash acquired (note 4)	-	(1,032)
<b>Cash flows utilised by investing activities</b>	(13,654)	(6,663)
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	18,470	13,959
Repayment of borrowings	(15,754)	(10,368)
Consideration paid for treasury shares	(2,428)	-
Proceeds from share issue	-	23,095
Transactions with Majority Shareholders	681	-
<b>Cash flows from financing activities</b>	969	26,686
Net (decrease)/increase in cash and cash equivalents	(10,798)	14,783
Effect of exchange rate fluctuations on cash and cash equivalents	(76)	-
Cash and cash equivalents at beginning of year, net of overdrafts	17,046	815
<b>Cash and cash equivalents at end of period, net of overdrafts</b>	6,172	15,598

**OAO Group of Companies PIK**  
*Consolidated Condensed Interim Statement of Changes in Equity for the six-month period ended 30 June 2008*

mln RUR	Attributable to shareholders of the Company						Minority interest	Total equity
	Share capital	Additional paid-in capital	Reserve resulting from additional share issue	Treasury shares	Retained earnings	Total		
<b>Balance at 1 January 2007</b>	28,530	-	(28,506)	-	9,481	9,505	425	9,930
Net profit for the period and total recognised income and expenses	-	-	-	-	1,827	1,827	(22)	1,805
Acquisition of subsidiaries	-	-	-	-	-	-	2	2
Acquisition of minority shares	-	-	-	-	-	-	(7)	(7)
Share issue	2,313	20,782	-	-	-	23,095	-	23,095
<b>Balance at 30 June 2007</b>	<b>30,843</b>	<b>20,782</b>	<b>(28,506)</b>	<b>-</b>	<b>11,308</b>	<b>34,427</b>	<b>398</b>	<b>34,825</b>
<b>Balance at 1 January 2008</b>	30,843	19,401	(28,506)	-	27,335	49,073	1,266	50,339
Net profit for the period and total recognised income and expenses	-	-	-	-	2,302	2,302	(75)	2,227
Acquisition of minority shares	-	-	-	-	-	-	(77)	(77)
Contribution made by Majority Shareholders	-	681	-	-	-	681	-	681
Acquisition of treasury shares	-	-	-	(2,428)	-	(2,428)	-	(2,428)
<b>Balance at 30 June 2008</b>	<b>30,843</b>	<b>20,082</b>	<b>(28,506)</b>	<b>(2,428)</b>	<b>29,637</b>	<b>49,628</b>	<b>1,114</b>	<b>50,742</b>

The consolidated condensed interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated condensed interim financial information set out on pages 8 to 16.

## **1 Basis of preparation**

### **(a) Statement of compliance**

This consolidated condensed interim financial information of OAO Group of Companies PIK (the Company) and its subsidiaries (the Group) has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Company and its subsidiaries are together referred to as the Group.

The consolidated condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2007.

### **(b) Significant accounting policies**

Except as described below, the accounting policies applied by the Group in this consolidated condensed interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007.

The number of the Group's projects in which third party construction managers are involved has increased significantly as the Group has expanded into the regions. The Group's construction management resources are limited, and third party managers have been increasingly engaged to manage construction projects outside Moscow. The Group's subsidiaries typically provide substantial construction services to such construction managers.

In prior periods, the Group recognised revenue from construction services provided by the Group's subsidiaries to third party construction managers. In 2008, Management decided to change this accounting policy. Effective 1 January 2008, revenue from such services has been treated as an intercompany transaction and eliminated against related costs. Management believes that such presentation results in the consolidated financial statements providing more relevant information.

This change in accounting policy has been applied retrospectively and resulted in a reduction in revenue from construction services and related costs for the six-month period ended 30 June 2007 of RUR 4,064 million. The change had no effect on equity as at 30 June and 31 December 2007 or gross profit and net profit for the six-month period ended 30 June 2007. The revised presentation resulted in an increase in the gross profit margin percentage from 23% to 31% for the six-month period ended 30 June 2007.

### **(c) Functional and presentation currency**

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Company's functional currency and the currency in which this consolidated condensed interim financial information is presented. All financial information presented in RUR has been rounded to the nearest million.

## 2 Condensed segment information

### (a) Business segments

mln RUR	Sales of real estate property		Construction services		Sales of construction materials and other activities		Eliminations		Consolidated	
	Six months ended 30 June 2008	Six months ended 30 June 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Six months ended 30 June 2008	Six months ended 30 June 2007
Revenue from external customers	16,362	10,384	2,404	1,770	1,813	1,550	-	-	20,579	13,704
Inter-segment revenue	-	52	7,786	5,401	3,116	885	(10,902)	(6,338)	-	-
Segment revenues	16,362	10,436	10,190	7,171	4,929	2,435	(10,902)	(6,338)	20,579	13,704
Head – office expenses	-	-	-	-	-	-	-	-	(122)	(81)
Segment result	4,745	2,916	(399)	93	63	55	-	-	4,409	3,064
Financial income									235	475
Financial expenses									(975)	(1,057)
Profit before income tax									3,547	2,403
	<b>30 June 2008</b>	<b>31 December 2007</b>	<b>30 June 2008</b>	<b>31 December 2007</b>	<b>30 June 2008</b>	<b>31 December 2007</b>	<b>30 June 2008</b>	<b>31 December 2007</b>	<b>30 June 2008</b>	<b>31 December 2007</b>
Segment assets	137,616	118,177	63,450	50,880	16,654	13,279	(75,103)	(59,341)	142,617	122,995
Investments in equity accounted investees	3,470	3,419	-	-	-	-	-	-	3,471	3,419
Deferred tax assets	-	-	-	-	-	-	-	-	236	112
Income tax receivable	-	-	-	-	-	-	-	-	400	227
Total assets									146,724	126,753

**(b) Geographical segments**

Mln RUR	Moscow and Moscow Region		Other Regions		Consolidated	
	6 months to 30 June 2008	6 months to 30 June 2007	6 months to 30 June 2008	6 months to 30 June 2007	6 months to 30 June 2008	6 months to 30 June 2007
	Revenue from external customers	18,991	12,613	1,588	1,091	20,579

Mln RUR	Moscow and Moscow Region		Other Regions		Consolidated	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	Segment assets	116,640	101,814	25,977	21,181	142,617

### 3 Equity

**(a) Treasury shares**

In January 2008 the Group acquired 3,290,000 ordinary shares of the Company for a total consideration of RUR 2,428 million (or RUR 738 per share). The Group plans to use these shares for share-based compensation arrangements with top management. As at 30 June 2008 no share-based compensation arrangement have been formally approved or agreed.

**(b) Additional paid-in capital**

During 2007 the Group acquired legal ownership over the shares in certain subsidiaries of the Group for a total consideration of RUR 704 million from a related party. Those subsidiaries have been included in the Group's consolidated financial statements in prior periods as the previous legal owners held the respective interests on behalf of the Group; therefore, the consideration payable under the sale and purchase agreement was recognised as a decrease in additional paid-in capital in 2007. On 31 December 2007 the outstanding amount payable to the related party in respect of this transaction amounted to RUR 353 million.

In April 2008 the Group received contributions from the Majority Shareholders in the amount of RUR 681 million compensating the Group for the costs incurred in 2007. The contribution was recognised as an increase in additional paid-in capital during the six-month ended 30 June 2008.

### 4 Acquisition of new subsidiaries and minority shares

**(a) Acquisitions of subsidiaries**

In April 2007 the Group acquired 100% of the shares in OOO Foton GBI and OOO Foton ABZ for RUR 1,037 million settled in cash. The main activity of the acquired subsidiaries is production of concrete mix and reinforced concrete products at the production facilities located in Kaluga region. The acquisition of the subsidiaries resulted in goodwill amounting to RUR 329 million. The goodwill arose on the acquisition mainly because of limited supply of production facilities to manufacture concrete products in the regions.

In May 2007 the Group obtained control over OAO Khromtsovsky Karier, a sand pit, by acquiring further 25% interest for RUR 32 million. This acquisition increased the Group's interest in the associate from 48% to 73%.

**(b) Effect of acquisitions**

The acquisitions of the subsidiaries had the following effect on the Group's assets and liabilities at the dates of acquisitions:

	<b>Six months ended 30 June 2007 mln RUR</b>
Property, plant and equipment	1,293
Investments	6
Inventories	106
Trade and other receivables	116
Cash and cash equivalents	37
Deferred tax liability	(213)
Loans and borrowings	(41)
Trade and other payables	(563)
<b>Net identifiable assets</b>	741
Minority interest	(1)
Goodwill on acquisition	329
<b>Consideration paid</b>	1,069
Cash acquired	(37)
<b>Net cash outflow</b>	1,032

**(c) Acquisition of minority interest**

In September 2007 the Group acquired 50% plus 1 share in Sturm Properties Limited for a consideration of RUR 1,347 million settled in cash. The purchase agreement provided for an option to acquire an additional 25% interest in the Storm Properties Group for a market price at the date of the transaction. In February 2008 the Group partially exercised the option by acquiring additional 4.33% interest in the subsidiary for a consideration of RUR 189 million. The acquisition of the minority share resulted in additional goodwill amounting to RUR 112 million.

## **5 Revenue**

During the six-month period ended 30 June 2008 the Group completed 26 buildings with a saleable area of 283 thousand square meters (six-month period ended 30 June 2007: 13 buildings with a saleable area of 261 thousand square meters). Of the buildings completed during the six-month period ended 30 June 2008, the Group sold 198 thousand square meters (six-month period ended 30 June 2007: 154 thousand). In addition, approximately 67 thousand square meters were sold during the six-month period ended 30 June 2008 in buildings completed in earlier periods (six-month period ended 30 June 2007: 52 thousand).

Construction services in the amount of RUR 2,404 million (six-month period ended 30 June 2007: RUR 1,770 million) were provided to developers of buildings where the Group participates as a co-investor.

## 6 Loans and borrowings

mln RUR	30 June 2008		
	Total	Under 1 year	1 - 5 years
<b>Secured bank loans</b>			
RUR - fixed at 8% - 15%	15,028	9,321	5,707
USD - fixed at 5% - 8%	1,593	1,544	49
<b>Unsecured bank loans</b>			
RUR - fixed at 8% - 12%	6,093	5,918	175
USD - fixed at 5.5% - 13%	12,659	12,542	117
<b>Unsecured loans from third parties</b>			
RUR - fixed at 0% - 2%	466	453	13
RUR - fixed at 5% - 7%	224	224	-
RUR - fixed at 10% - 15%	48	48	-
USD - fixed at 2% - 13%	5	5	-
<b>Unsecured loans from related parties</b>			
RUR - fixed at 0%-11%	681	681	-
RUR - fixed at 11%	23	-	23
<b>Overdrafts in related bank</b>			
RUR - fixed at 15%	24	24	-
<b>Bank overdrafts</b>			
RUR - fixed at 10%	55	55	-
USD - fixed at 15%	1	1	-
<b>Interest payable</b>	157	157	-
<b>Finance lease liabilities (RUR)</b>	154	124	30
<b>Total</b>	<b>37,211</b>	<b>31,097</b>	<b>6,114</b>

  

mln RUR	31 December 2007			
	Total	Under 1 year	1 - 5 years	Over 5 years
<b>Secured bank loans</b>				
RUR - fixed at 8% - 10%	15,578	8,189	7,389	-
USD - fixed at 8% - 12%	1,727	549	1,178	-
<b>Unsecured bank loans</b>				
RUR - fixed at 8% - 10%	10,168	8,701	1,467	-
USD - fixed at 5% - 12%	3,676	3,676	-	-
<b>Bonds, PIK-05</b>				
RUR - fixed at 10.2% - 13% effective at 11.7%	560	560	-	-
<b>Unsecured loans from third parties</b>				
RUR - fixed at 0%-2%	483	371	31	81
RUR - fixed at 5% - 7%	200	-	200	-
RUR - fixed at 10% - 15%	120	120	-	-
USD - fixed at 2%	5	3	2	-
USD - fixed at 3%	1,228	1,228	-	-
USD - fixed at 13%	326	326	-	-
<b>Unsecured loans from related parties</b>				
RUR - fixed at 0%	169	169	-	-
RUR - fixed at 11%	23	-	23	-
<b>Overdrafts in related bank</b>				
RUR - fixed at 14%	9	9	-	-
<b>Bank overdrafts</b>				
RUR - fixed at 9%	1	1	-	-
<b>Interest payable</b>	158	158	-	-
<b>Finance lease liabilities (RUR)</b>	209	120	89	-
<b>Total</b>	<b>34,640</b>	<b>24,180</b>	<b>10,379</b>	<b>81</b>

At 30 June 2008 the bank loans are secured with the following assets:

- property, plant and equipment with a carrying value of RUR 672 million (2007: RUR 643 million);
- inventory with a carrying value of RUR 8,150 million (2007: RUR 8,149 million);

- 1,747,081 shares of OAO DSK-3 (81% of the total shares in the capital), 51,950,334 shares of OAO DSK-2 (98 % of the total shares in the capital), 100% stakeholding in OOO NSS, 100% stakeholding in OOO Stroyinvest, 100% stakeholding in OOO Status Land, 1,454,600 shares of OAO Kuskovskiy himzavod (92% of the total shares in the capital), 100 shares of ZAO Monetchik (100% of the total shares in the capital), 50,000 shares of Avtorita Holdings Ltd (100% of the total shares in the capital).

At 30 June 2008 the balance of interest payable was RUR 157 million (31 December 2007: RUR 158 million).

During the six-month period ended 30 June 2008 RUR 901 million was recognised as interest expense (six-month period ended 30 June 2007: RUR 1,005 million) and RUR 279 million (six-month period ended 2007: RUR 43 million) was capitalised as part of work in progress.

## **7 Seasonality of operations**

Due to the seasonal nature of the Group's operations, higher revenues in the construction industry are usually expected in the second half of each year when construction works are completed and formally accepted by state commissions.

## **8 Contingencies**

The contingencies of the Group did not change significantly from the contingencies reported in the consolidated financial statements as at and for the year ended 31 December 2007.

In addition, during the six-month period ended 30 June 2008, the Group undertook a restructuring involving an equity accounted investee at a price for tax purposes only which management believed was fair value consistent with applicable tax law. However, based on the uncertainty of the transfer pricing rules, 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.

## **9 Capital commitments**

### **(a) Commitments under co-investment and construction services contracts**

The Group has entered into a number of co-investment contracts, where payments have not been made in full, and contracts to provide construction services. As at 30 June 2008 commitments under these contracts amounted to approximately RUR 335,152 million (31 December 2007: RUR 221,570 million).

### **(b) Commitments to complete construction**

At 30 June 2008 the Group had contractual commitments with municipal authorities to complete the construction of residential buildings where the apartments had been sold to customers by a predecessor construction company, which due to insolvency has not completed the construction. As at 30 June 2008 costs to complete such constructions were estimated to be approximately RUR 1,252 million and will become a part of construction work in progress intended for sale (31 December 2007: RUR 967 million).

## 10 Financial guarantees

As at 30 June 2008 and 31 December 2007 there were no significant financial guarantees provided by the Group to entities outside the Group.

In December 2006, the Group provided a guarantee to a third party in relation to the loan of RUR 1,315 million granted by that third party to Bank ZhilFinans, the Group's related party. The loan bears variable interest rate of 8%-11% p.a. and matures in December 2008; however, the loan can become payable earlier if certain circumstances occur. The guarantee was granted at nil consideration.

## 11 Related party transactions

### (a) Control relationships

The Company is ultimately controlled by two individuals, Kirill V. Pisarev and Yury V. Zhukov (the "Majority Shareholders"), who both have equal power to direct the operations of the Group at their own discretion and for their own benefit. They also have interests in a number of other businesses outside of the Group.

IBG Development Group Incorporated and FMC Realtors Holding Incorporated, both registered in the British Virgin Islands, represent the two Majority Shareholders and own approximately 41% and 42% of the Company's issued share capital, respectively.

### (b) Transactions with management and close family members

Key management and their close family members control 83% of the voting shares of the Company.

### (i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs:

	<b>Six months ended 30 June 2008 mln RUR</b>	<b>Six months ended 30 June 2007 mln RUR</b>
Salaries and bonuses	137	79
Contributions to State pension fund	3	2
	140	81

### (ii) Other transactions

As at 30 June 2008 an interest-bearing loan to an executive director amounting to RUR 15 million (2007: RUR 15 million) was included in other investments.

In 2007 the Group entered into an agreement with a related party for construction of office premises. As at 30 June 2008 an advance paid to the related party of RUR 89 million is included in the closing balance of property, plant and equipment.

### (c) Transactions with other related parties

The Group's other related party transactions, which are with entities controlled by the Majority Shareholders, are disclosed below.

**(i) *Loans receivable from related parties***

During the six-month period ended 30 June 2008 the Group issued an interest-bearing loan (8% per annum) to a related party amounting to RUR 656 million. The loan matures in December 2008.

At 30 June 2008 the Group had an outstanding interest-bearing loan (11% per annum) receivable from a related party amounting to RUR 1,082 million (2007: RUR 1,180 million). The loan matures in December 2008.

At 30 June 2008 the Group had an outstanding interest-bearing loan (7% per annum) receivable from a related party amounting to RUR 99 million (2007: RUR 99 million). The loan matures in 2010-2011.

At 30 June 2008 the Group had an outstanding interest-bearing loan (0% per annum) receivable from a related party amounting to RUR 63 million (2007: RUR 63 million). The loan matures in 2011.

In 2006 the Group acquired the rights of the claim under a loan issued by a third party to Group's equity accounted investee. At 30 June 2008 the amount of RUR 35 million is receivable from related party.

During the six-month period ended 30 June 2008 the Group acquired promissory notes issued by a related party company with a total amount of RUR 484 million.

The above loans and investments are included in other investments

**(ii) *Loans payable to related parties***

The outstanding loans payable to related parties controlled by the shareholders of the Group at 30 June 2008 and 2007 are disclosed in note 6.

**(iii) *Accounts receivable from related parties***

During 2007 the Group sold its shares in Bank Zhilfinans to a related party, the outstanding balance of accounts receivable from this operation at 30 June 2008 amounted to RUR 464 million (2007: RUR 464 million).

**(iv) *Accounts payable to related parties***

During the six-month period ended 30 June 2008, the Group participated as a contractor in construction contracts with related parties and the outstanding balance of accounts payable from this operation at 30 June 2008 amounted to RUR 2,018 million (2007: RUR 1,510 million). During the six-month period ended 30 June 2008, the Group purchased construction services through a related party and capitalised the costs in inventories in the amount of RUR 577 million.

**(v) *Transactions with Bank ZhiFinance***

A summary of transactions and balances of settlements with Bank ZhiFinance, is as follows:

<b>mln RUR</b>	<b>Six months ended 30 June 2008</b>		<b>Six months ended 30 June 2007</b>	
	<b>Transaction value</b>	<b>Outstanding balance</b>	<b>Transaction value</b>	<b>Outstanding balance</b>
Loans received during the year	249	-	61	-
Loans repaid during the year	234	-	87	-

The loans from Bank ZhiFinance bear interest of 15% per annum and are repayable upon demand.

During the six-month period ended 30 June 2008 the Group acquired a mortgage loan portfolio from the bank for a consideration of RUR 1,546 million. The mortgage loans have been provided by the bank to 3rd party individuals who entered into preliminary agreements with the Group to acquire flats. The loans are secured with the underlying flats. The loans are primarily RUR denominated and bear interest of 13.5% to 16% per annum. The balance of loans as at 30 June 2008 is included in other investments.

The outstanding accounts payable to the Bank from this operation at 30 June 2008 amounted to RUR 155 million.

As at 30 June 2008 and 31 December 2007, the Group's cash deposits in Bank ZhiFinance amounted to RUR 1,190 million and RUR 890 million, respectively.

**(vi) *Transactions with related parties under co-investment agreements***

Starting from 2005, the Group provides loans to ZAO Park-City Investments, an equity accounted investee, to finance development of a land plot in the center of Moscow. During the six-month period ended 30 June 2008, the Group issued loans of RUR 251 million. The loans as at 30 June 2008 amounted to RUR 222 million (31 December 2007: RUR 71 million). The loans are included in advances to contractors, as the development rights for the land plot are registered with the related party.

**(vii) *Transactions with PSG Osnova***

During the six-month period ended 30 June 2008 the Group paid RUR 13 million (2007: RUR 39 million) to PSG Osnova under a property insurance contract.

## **12 Events subsequent to the balance sheet date**

In July 2008 the Group acquired a land plot in Saint Petersburg with an area of approximately 63 hectares for a consideration of RUR 10,394 million. The Group intends to develop residential properties on this plot.