



THE INFORMATION CONTAINED IN THIS ANNOUNCEMENT IS RESTRICTED AND NOT FOR PUBLICATION, DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA

## **PIK GROUP (“The Group” or “PIK”)**

### **FINANCIAL RESULTS FOR THE 6 MONTHS ENDED JUNE 30 2010**

#### **REVALUATION OF PORTFOLIO OF PROPERTIES AS OF JULY 1 2010**

(LONDON, October 4 2010) - PIK (LSE: PIK), a leading Russian residential developer, today announces its consolidated IFRS financial results for the first six months ended June 30 2010, reviewed by KPMG. We are also pleased to announce the results of a revaluation of our portfolio of properties, conducted by CB Richard Ellis as of July 01 2010.

#### **Results Summary**

- Total revenues were up by 39% to US\$503 million (1H09: US\$363million)
- Gross profit fell to approx. US\$ (1million) (1H09: US\$74million) following additional provisions (accruals) of US\$130million for construction costs for social infrastructure around certain development projects in the Moscow metropolitan area
- Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) from development activities was at US\$ (81million) (1H09: US\$ (13million))
- Normalized net loss per share reduced to US\$ (0.33) (1H09: US\$ (0.37))
- Total assets as of June 30 2010 remained almost flat reaching US\$3.76billion (1H09: US\$3.82billion)
- Net debt as of June 30 2010 amounted to US\$1.29billion (1H09: US\$1.15billion)

#### **Operation Summary**

- Total housing completions for the first six months of 2010 compared to same period of 2009 were up by 41% and reached approx. 245,000 sq. meters.
- For the same periods, transfers to customers on own development projects under adopted revenue recognition criteria totaled approx. 152,000 sq. meters vs. approx. 110,000 sq. meters back in 2009.

- New sales contracts to customers (including retail and wholesale) for the same periods were up 6.6 times and reached approx. 159,000 sq. meters.

### **Valuation Summary**

- Total net selling area decreased by approximately 7% to 10.76mln square meters (January 01 2010: 11.59mln sq meters), following increased pre-sales, revised master plans and reduction of interest in regional projects
- The market value of the remaining portfolio increased by 3% to US\$2.56bn (January 01 2010: US\$2.48bn) as more development activity triggered value accretion
- Market portfolio value per square meter was up by 11% to US\$238 (January 01 2010: US\$214).
- Operational horizon at around 5 years in Moscow and Moscow region is safe and appropriate.

### **Pavel Poselenov, CEO of PIK Group comments:**

*“While completions of residential real estate are always heavily weighted towards the second half of the year, we can see clear signs of recovery in residential apartment sales. Conditions for the consumer continue to improve and the appetite for better living standards remains strong.*

*PIK is now in a good position to monetize its pipeline. In the first half we continued to enjoy very healthy level of pre-sales on our mass market residential projects”*

### **Enquiries:**

#### *Institutional Investors*

PIK Group  
Viktor Szalkay

Tel: +7 495 505 97 33 ext. 1358/1315  
[ir@pik.ru](mailto:ir@pik.ru)

#### *International media*

Citigate Dewe Rogerson  
Tom Baldock

Tel: +44 20 7638 9571

#### *Russian media*

Dmitry Ivliev

Tel: +7 495 505 97 33 ext. 1028/1010

## **Introduction**

From mid-2009, PIK started seeing positive signals in the residential market. Residential prices in Moscow metropolitan area stabilized, customer sentiment changed, and transaction volumes started to increase on a consistent basis. In December 2009, one of the key leading indicators for the industry, secondary market transactions in Moscow, doubled versus the 2009 average. This trend continued in first six months of 2010, and in April 2010 the amount of secondary market transactions in Moscow reached pre-crisis level. Pent-up demand in the secondary market led to higher transaction volumes for almost each of the first six months in 2010 than in any of the previous periods of 2007-2009 years.

Since the second half of 2009, PIK re-launched projects frozen back in 2008-2009 and we were also able to launch new ones. For the first six months of the year PIK managed to pre-sell 159,000 square meters in total (including wholesale and retail), compared to only 123,000 square meters in the whole of 2009. This shows that PIK has started moving in the right direction.

PIK is encouraged by these trends, which bode well for the second half of the year when most of our revenue is recognized; due to our conservative accounting standards sales are only recorded when buildings are completed and formally accepted by the state commission.

## **Operational review**

During the first six months of 2010, PIK Group resumed all development projects frozen in at the end of 2008 and during 2009; the Company also launched a number of projects in the Moscow metropolitan area and selectively in other regions such as for example, Nizhny Novgorod and Obninsk (Kaluga region).

The key new launches (resumptions) in the Moscow metropolitan area include, but not limited to the following projects: English Town, Zapovednaya, Bicevsky, Ak.Vinogradova, Prospect Budennogo, Kuntsevo in Moscow and Khimki "Novokurkino", Mytishchi "Yaroslavsky", Lubertsy "Krasnaya Gorka" in Moscow region.

During the first half of 2010, PIK launched a new mortgage program with Gazprombank on new properties under construction in certain mass market projects. In addition, PIK extended and also launched existing mortgage programs with VTB24, Sberbank and others for properties at the final stage of completion.

The initiation of this mortgage program resulted in a significant increase in the share of PIK sales in the Moscow metropolitan area funded by mortgages, which has risen from well below 5% to above 10% since the beginning of the year.

### *Housing completions*

During the first six months of 2010, housing completions were up by 41% and reached 245,000 sq. meters (1H09: 174,000 sq. m), of which 85% was located in Moscow metropolitan area.

The above figure includes PIK's own housing completions as well as construction services rendered to third parties and shares of third party co-investors.

New sales contracts to customers (wholesale, retail) on own development projects increased over 6-fold and reached approx. 159,000 sq. meters, while transfers to customers under revenue recognition criteria was upon approx. 152,000 sq. meters.

| <i>In '000 sqm</i>                              | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>6M09</b> | <b>6M10</b> | <b>YoY change, %</b> |
|---|-------------|-------------|-------------|-------------|-------------|----------------------|
| Total housing completions <sup>(1)</sup>        | 1,542       | 813         | 884         | 174         | 245         | 40.8%                |
| New sales contracts to customers <sup>(1)</sup> | 825         | 520         | 123         | 24          | 159         | 562.5%               |
| Transfers to customers <sup>(2)</sup>           | 992         | 378         | 492         | 110         | 152         | 38.2%                |

Source: (1) Management accounts  
(2) as per revenue recognition policy adopted under IFRS

As shown on the table above, historically housing completions incur in the second half of the year, e.g. c. 20% of total housing completions took place in the first half of 2009, whilst c. 80% were in the second half of 2009

The 41% increase in housing completions in 1H10 came as the Group experienced greater availability of capital, including access to new credit facilities and a boost in cash collections. In addition, part of that sq. meters increase in total housing construction was attributed to construction services activity.

#### *Cash collections*

On the back of a recovering macroeconomic environment and improvements in mortgage accessibility, PIK Group's total cash collections for 1H10 were up by 111% year-on-year, reaching RUB12.8billion (approx.US\$430million). Total cash collections were driven by residential real estate sales, which increased by 404% year-on-year and came to RUB8.7 billion (approx. US\$290million).

PIK Group saw an impressive improvement in residential real estate sales in the first half - both retail and wholesale - in its core market of the Moscow metropolitan area. Residential real estate sales in Moscow increased by more than eighteen-fold and reached RUB4.4 billion (approx. US\$145million).

| <i>(RUB MM)</i>  | <b>6 months ended<br/>June 30 2009</b> | <b>6 months ended<br/>June 30 2010</b> | <b>Change,<br/>YoY, %</b> |
|--|--|--|---------------------------|
| <b>Total cash collections *</b>                              | <b>6,071</b>                           | <b>12,835</b>                          | <b>111%</b>               |
| <i>including:</i>  |  |  |                           |
| Cash collections from residential real estate sales          | 1,723                                  | 8,682                                  | 404%                      |
| Cash collections from construction services sales and others | 4,348                                  | 4,153                                  | -5%                       |

(\*) excluding offsets with suppliers

Note: Cash collections are non-IFRS measures and represent operating data prepared based upon cash basis.

Source: Management accounts

## Financial review

In line with PIK's accounting standards, cash collections will be recognized as sales revenue once the residential real estate properties have been completed and third party acceptance acts (formal building certification provided by authorities) are received upon the completed units, i.e. part of pre-sales effected in 2010 would be recognized in sales revenue in 2010 and onwards in 2011-2012. In the first half of the year, PIK Group's top-line revenue showed a 39% increase and reached RUB15.1 billion (approx. US\$503million).

In 1H10, PIK Group continued implementation of its cost optimization program, which resulted in a 12% decline in SG&A expenses. SG&A expenses came to RUB2.0billion (approx. US\$67million) and decreased on the back of optimization of headcount and overheads.

Nevertheless, profitability of operations for 1H10 suffered and gross profit came down to RUB (44million) (approx. US\$ (1.5million)) due to the increased provisions (accruals) for construction costs to completion of RUB3.9 billion (approx. US\$130million). This figure has been recognized in cost of sales. Gross profit margin was negative vs. 20.4% a year ago.

These provisions comprise of two major changes, first, revised master plans on certain developments located in the Moscow region, second, new more costly requirements for social infrastructure imposed by the local authorities.

The revision of the master plans resulted in reduction of net selling area and the respective increase in cost of infrastructure per square meter. As a result additional costs of RUB0.5billion (approx. US\$17million) were recognized during the six-month period ended 30 June 2010 as related to apartments sold prior to 31 December 2009.

In addition, change in design of social infrastructure and utilities as per new requirements imposed by the local authorities resulted in an increase of cost of sales by RUB3.4billion (approx. US\$113million).

EBITDA before accounting for impairment losses and sales of development rights in the first half of 2010 was at RUB (3.2billion) (approx. US\$ (107million)). Adjusted EBITDA from core activities was negative at RUB2.5billion US\$ (81million) (1H09: US\$(13million)).

As a result, in 1H10, PIK Group recorded a net loss of RUB5.2billion (approx. US\$(172million) or RUB (10.4) per share (US\$ (0.35) per share)

As of June 30 2010, total debt increased from US\$1.27billion as of December 31 2009 to US\$1.35billion upon number of drawdowns from existing RUB12.75billion credit facility opened by Sberbank of Russian Federation.

The share of RUB-denominated debt was at 64% of the total debt and that of USD-denominated debt at 36%. The average interest rate for the RUB-denominated debt was at c. 13.5% and c. 11.1% for USD-denominated debt

Net debt was at US\$1.29billion as of June 30 2010.

Year-to-date, PIK successfully restructured and extended maturities with creditors on all outstanding debt with the exception of one debt held by NomosBank. The principal

amount of that is US\$262million (excluding accrued penalties). Management continues to hold discussions with Nomosbank regarding the restructuring of this debt and expects final resolution by the end of the year.

## Portfolio valuation

Total net selling area decreased by approximately 7% to 10.76million square meters (January 01 2010: 11.59million sq.meters), of which 97% is represented by area for residential development.

This reduction was due to several factors. Firstly we experienced improved presales of 159,000 square meters during the first half of the year. Secondly, the revision of master plans for three residential projects in the Moscow metropolitan area resulted in a reduction of net selling area by 383,000 square meters. Finally, in line with our focus on the Moscow metropolitan area, we also reduced our interests (together with outstanding liabilities) in a number of low margin regional projects at an early stage of development; this had a cumulative effect of decreasing our portfolio by 290,000 square meters.

Following these disposals, the market value of the remaining portfolio increased by 3% to US\$2.56billion (January 01 2010: US\$2.48billion) as more development activity triggered value accretion. By the end of the period, the market portfolio value per square meter was up by 11% to US\$238 (January 01 2010: US\$214).

| <i>Breakdown of properties by type</i>  | <b>NSA unsold area<br/>(‘000 sqm)</b> | <b>Value<br/>(US\$MM)</b> |
|---|---------------------------------------|---------------------------|
| Completed and partially sold properties | 17                                    | 18                        |
| Properties in course of development     | 3,239                                 | 1,408                     |
| Properties held for future development  | 7,506                                 | 1,138                     |
| <b>Total</b>                            | <b>10,762</b>                         | <b>2,564</b>              |

*Note: NSA is the abbreviation for net selling area  
Source: CB Richard Ellis valuation report*

| <i>Breakdown of properties by geography</i> | <b>Number of<br/>properties</b> | <b>NSA unsold<br/>area<br/>(‘000 sqm)</b> | <b>Market value<br/>(US\$MM)</b> |
|---|---------------------------------|---|----------------------------------|
| Moscow                                      | 29                              | 1,358                                     | 1,482                            |
| Moscow Region                               | 23                              | 3,916                                     | 774                              |
| Russia’s Regions                            | 51                              | 5,488                                     | 308                              |
| <b>Total</b>                                | <b>103</b>                      | <b>10,762</b>                             | <b>2,564</b>                     |

*Note: NSA is the abbreviation for net selling area  
Source: CB Richard Ellis valuation report*

## Top-10 projects by value summary

| Project Name                         | Location      | Type                              | January 01 2010        |                | July 01 2010           |                |
|--------------------------------------|---------------|-----------------------------------|------------------------|----------------|------------------------|----------------|
|                                      |               |                                   | Unsold area ('000 sqm) | Value (US\$MM) | Unsold area ('000 sqm) | Value (US\$MM) |
| Mantulinskaya St., 7                 | Moscow        | High-end Residential / Commercial | 252                    | 184            | 254                    | 326            |
| Mytnaya, 13 (English Town)           | Moscow        | High-end Residential              | 48                     | 357            | 49                     | 307            |
| Mytishi, Yaroslavsky                 | Moscow Region | Mass Market Residential           | 726                    | 190            | 697                    | 235            |
| Kuntsevo                             | Moscow        | Mass Market Residential           | 163                    | 150            | 164                    | 168            |
| Khimki, Novokurkino                  | Moscow Region | Mass Market Residential           | 650                    | 311            | 321                    | 163            |
| Kommunarka, plot #27                 | Moscow Region | Mass Market Residential           | 1,023                  | 158            | 1,089                  | 147            |
| Khimki, Sovkhoznyaya str., 11        | Moscow Region | Mass Market Residential           | 318                    | 104            | 306                    | 104            |
| Mitshurinsky prospect., 5-6          | Moscow        | High-end Residential              | 65                     | 95             | 65                     | 94             |
| Perovskaya St., 66                   | Moscow        | Mass Market Residential           | 139                    | 82             | 139                    | 89             |
| Kutuzovsky prospekt, 14A (Park-City) | Moscow        | High-end Residential, Commercial  | 101                    | 81             | 64                     | 76             |
| <b>Subtotal</b>                      |               |                                   | <b>3,485</b>           | <b>1,712</b>   | <b>3,148</b>           | <b>1,709</b>   |
| <b>As of total, %</b>                |               |                                   | <b>30.00%</b>          | <b>69.10%</b>  | <b>29.25%</b>          | <b>66.73%</b>  |

Source: CB Richard Ellis valuation report

## Strategy

Our strategy is set with the aim to align to new economic landscape. It is primarily aimed on maintaining a leading position as an established developer in the Moscow metropolitan area, PIK Group's core market, with focus on development of affordable housing in urban neighbourhoods for the Russian middle class.

PIK is determined to realize a capacity utilization rate of approximately 1.0-1.2 million square meters per year in the medium term. PIK would continue to execute on existing land plots with the highest development margins and highest vertical integration. Our aim is to monetize existing landbank potential across all cities.

PIK Group is comfortable with its 3-5 year horizon of uninterrupted construction activity and expects to retain a very selective and disciplined approach when entering into new Moscow metropolitan area – based projects.

## Corporate Governance

### Shareholder structure

As of June 30 2010, the founding shareholders had an interest of approximately 22.5% of PIK Group, while Nafta Moskva Group had under control approximately 38.3% of PIK Group. The rest is considered to be free-float on different stock markets.

### *Board of Directors*

At the Group's General Meeting of Shareholders on 31 May 2010, the Company's shareholders approved the election of the following members of the Board of Directors:

- Yury V. Zhukov – Member of the Board of Directors;
- Alexander Mosionzhik - Nafta Moskva, Chairman of the Board of Directors;
- Pavel Grachev - Moscow Representative Office of Nafta Moskva (Cyprus), Managing Director;
- Lee S. Timmins - Hines International Corporation, Head of Moscow Representative Office;
- Alexander Gubarev - Head of Moscow Representative Office of Galahad Advisers Limited;
- Sergey Bessonov - Deputy Director of the Department for Work with Major Clients at Sberbank of Russia;
- Anna Kolonchina - Moscow Representative Office of Nafta Moskva (Cyprus), Managing Director;
- Pavel Poselenov - CEO, President of PIK Group.

On August 12 2010, the Board of Directors meeting of PIK Group took place. The Board of Directors resolved to approve the decision on the additional issue of securities, which followed the Board decision of July 28 2010 to increase the Company's charter capital by means of an offering of additional ordinary registered uncertified shares in the amount of up to 123,315,000 (one hundred twenty three million three hundred fifteen thousand) with a nominal value per share of 62.50 (sixty two point fifty) rubles. It is proposed that the Additional Shares be placed by means of an open subscription.

### **2010 outlook**

Consensus GDP forecasts for Russia stand at 4.5% and 4.0% for 2010 and 2011, accordingly, while the Federal Government continues to make residential housing a political priority.

This backdrop enables us to continue with our previous guidance for FY2010 of 1million sq. meters of total housing completions.



Note: The calculation of following measures used in this announcement is set below. Our calculations of the below measures may be different from the calculation used by other companies and therefore comparability may be limited. The below measures are not measures of financial performance under IFRS.

1a). EBITDA represents net profit/loss for the period before income tax expenses, interest income, interest expense including penalties payable, depreciation and amortization.

|  | 1H10<br>MM USD | 1H09<br>MM USD |
|--|----------------|----------------|
| <b>Net (Loss)/profit for the period</b>      | <b>-172</b>    | <b>-186</b>    |
| Depreciation and amortisation                | 13             | 16             |
| Interest expense including penalties payable | 109            | 132            |
| Interest income                              | -7             | -7             |
| Income tax expense/(credit)                  | -50            | -10            |
| <b>EBITDA</b>                                | <b>-107</b>    | <b>-55</b>     |

1b) Adjusted EBITDA from development activities represents net profit/loss for the period before income tax expenses, interest income, interest expense including penalties payable, depreciation, foreign exchange gain/(loss), impairment losses, impairment loss on financial assets, income/loss from disposal of a subsidiary and other income/expense (net).

|   | 1H10<br>MM USD | 1H09<br>MM USD |
|---|----------------|----------------|
| <b>Net (Loss)/profit for the year</b>                                     | <b>-172</b>    | <b>-186</b>    |
| Plus: Depreciation and amortisation                                       | 13             | 16             |
| Income tax expenses/(credit)  | -50            | -10            |
| Interest expenses, including penalties payable                            | 109            | 132            |
| Less: Interest income   | -7             | -7             |
| Impairment losses/(gain) on non-financial assets and inventory write down | 20             | -9             |
| Impairment losses/(gain) on financial assets                              | 0              | 10             |
| Foreign exchange loss/(gain)  | 16             | 39             |
| (Income)/loss from disposal of a subsidiary                               | -11            | 0              |
| Other income (net)  | 1              | 1              |
| <b>Adjusted EBITDA from development activities</b>                        | <b>-81</b>     | <b>-13</b>     |

2a) Normalized net profit/loss calculated as net profit impairment losses, impairment loss on financial assets, income/loss from disposal of a subsidiary and other income/expense (net).

|   | 1H10<br>MM USD | 1H09<br>MM USD |
|---|----------------|----------------|
| <b>Net (Loss)/profit for the year</b>                                     | <b>-172</b>    | <b>-186</b>    |
| Impairment losses/(gain) on non-financial assets and inventory write down | 20             | -9             |
| Impairment losses/(gain) on financial assets                              | 0              | 10             |
| (Income)/loss from disposal of a subsidiary                               | -11            | 0              |
| Other income (net)  | 1              | 1              |
| <b>Normalized net loss</b>  | <b>-162</b>    | <b>-183</b>    |

2b) Normalized profit/loss per share calculated as normalized net profit/loss divided by number of shares outstanding as of December 31.

|  | <b>1H10</b><br><b>MM USD</b> | <b>1H09</b><br><b>MM USD</b> |
|--|------------------------------|------------------------------|
| Normalized net profit                          | -172                         | -183                         |
| Number of shares outstanding as of December 31 | 493.26                       | 493.26                       |
| <b>Normalized net profit/share</b>             | <b>-0.33</b>                 | <b>-0.37</b>                 |

3. Total assets calculated as sum of non-current and current assets.

|                          | <b>June 30</b><br><b>2010</b><br><b>MM USD</b> | <b>December 31</b><br><b>2009</b><br><b>MM USD</b> |
|--------------------------|--|--|
| Total non-current assets | 1,124  | 1,224  |
| Total current assets     | 2,640  | 2,600  |
| <b>Total assets</b>      | <b>3,764</b>                                   | <b>3,824</b>                                       |

4. Total debt calculated as sum of non-current loans and borrowings, current loans and borrowings.

|                                  | <b>June 30</b><br><b>2010</b><br><b>MM USD</b> | <b>December 31</b><br><b>2009</b><br><b>MM USD</b> |
|----------------------------------|--|--|
| Non-current loans and borrowings | 230  | 208  |
| Current loans and borrowings     | 1,122  | 1,058  |
| <b>Total debt</b>                | <b>1,352</b>                                   | <b>1,266</b>                                       |

5. Net debt calculated as total debt less cash and cash equivalents.

|                           | <b>June 30</b><br><b>2010</b><br><b>MM USD</b> | <b>December 31</b><br><b>2009</b><br><b>MM USD</b> |
|---------------------------|--|--|
| Total debt                | 1,352  | 1,266  |
| Cash and cash equivalents | 63   | 113  |
| <b>Net debt</b>           | <b>1,289</b>                                   | <b>1,153</b>                                       |

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of PIK. You can identify forward-looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. These statements are only predictions and actual events or results may differ materially. PIK does not intend to or undertake any obligation to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in PIK's projections or forward-looking statements, including, among others, general economic conditions, PIK's competitive environment, risks associated with operating in Russia, rapid technological and market change, and other factors specifically related to PIK and its operations.

## Appendix

### Consolidated financial statements as of and for the year ended June 30 2010

Note: The Group's reporting currency is Russian roubles. However, for presentation purposes, these amounts were converted into US\$ using average RUB/US\$ exchange rate of the Central Bank of Russian Federation (1H10: 30.06; FY09: 31.68; 1H09: 33.05; FY08: 24.86) for the income statement and using RUB/US\$ exchange rate (30 June 2010: 31.20; 31 December 2009: 30.24; 31 December 2008: 29.38) for the balance sheet as of the date of reporting.

The full version of the IFRS financial statements is available on the Group's website at <http://www.pik-group.com/investors/financial-statements>

### Consolidated statement of financial position as of June 30 2010

|   | Six months<br>ended 30<br>June 2010<br>MM RUB | Six months<br>ended 31<br>December<br>2009<br>MM RUB | Six months<br>ended 30<br>June 2010<br>MM USD | Six months<br>ended 31<br>December<br>2009<br>MM USD |
|---|---|--|---|--|
| <b>ASSETS</b>   |   |  |   |  |
| <b>Non-current assets</b>   |   |  |   |  |
| Property, plant and equipment                                     | 9,738   | 10,390   | 312   | 344  |
| Intangible assets   | 21,845  | 22,072   | 700   | 730  |
| Investments in equity accounted investees                         | 2,370   | 3,460  | 76  | 114  |
| Other investments   | 1,100   | 997  | 35  | 33   |
| Deferred tax assets   | 9   | 86   | 0   | 3  |
| <b>Total non-current assets</b>                                   | <b>35,062</b>                                 | <b>37,005</b>  | <b>1,124</b>                                  | <b>1,224</b>   |
| <b>Current assets</b>   |   |  |   |  |
| Inventories   | 66,904  | 63,677   | 2,144   | 2,105  |
| Other investments   | 326   | 872  | 10  | 29   |
| Income tax receivable   | 103   | 87   | 3   | 3  |
| Trade and other receivables                                       | 12,770  | 10,598   | 409   | 350  |
| Cash and cash equivalents   | 1,967   | 3,417  | 63  | 113  |
| Assets held for sale  | 310   | 0  | 10  | 0  |
| <b>Total current assets</b>                                       | <b>82,380</b>                                 | <b>78,651</b>  | <b>2,640</b>                                  | <b>2,601</b>   |
| <b>Total assets</b>   | <b>117,442</b>                                | <b>115,656</b>                                       | <b>3,764</b>                                  | <b>3,824</b>   |
| <b>EQUITY AND LIABILITIES</b>                                     |   |  |   |  |
| <b>Equity</b>   |   |  |   |  |
| Share capital   | 30,843  | 30,843   | 989   | 1,020  |
| Additional paid-in capital  | 20,082  | 20,082   | 644   | 664  |
| Reserve resulting from additional share issue                     | -28,506                                       | -28,506  | -914  | -943   |
| Retained earnings   | -22,425                                       | -17,294  | -719  | -572   |
| <b>Total equity attributable to equity holders of the Company</b> | <b>-6</b>                                     | <b>5,125</b>   | <b>0</b>                                      | <b>169</b>   |
| Non-controlling interests   | 273   | 555  | 9   | 18   |
| <b>Total equity</b>   | <b>267</b>                                    | <b>5,680</b>   | <b>9</b>                                      | <b>188</b>   |
| <b>Non-current liabilities</b>                                    |   |  |   |  |
| Loans and borrowings  | 7,166   | 6,277  | 230   | 208  |
| Trade and other payables  | 312   | 1,128  | 10  | 37   |

|                                      |                |                |              |              |
|--------------------------------------|----------------|----------------|--------------|--------------|
| Deferred tax liabilities             | 4,128          | 5,170          | 132          | 171          |
| <b>Total non-current liabilities</b> | <b>11,606</b>  | <b>12,575</b>  | <b>372</b>   | <b>416</b>   |
| <b>Current liabilities</b>           |                |                |              |              |
| Loans and borrowings                 | 35,030         | 32,013         | 1,123        | 1,058        |
| Trade and other payables             | 69,243         | 63,528         | 2,219        | 2,101        |
| Provisions                           | 1,140          | 608            | 37           | 20           |
| Income tax payable                   | 156            | 1,252          | 5            | 41           |
| <b>Total current liabilities</b>     | <b>105,569</b> | <b>97,401</b>  | <b>3,384</b> | <b>3,220</b> |
| <b>Total liabilities</b>             | <b>117,175</b> | <b>109,976</b> | <b>3,756</b> | <b>3,636</b> |
| <b>Total equity and liabilities</b>  | <b>117,442</b> | <b>115,656</b> | <b>3,764</b> | <b>3,824</b> |

## Consolidated statement of comprehensive income for 6 months ended June 30 2010

|  | Six months<br>ended 30<br>June 2010 | Six months<br>ended 30<br>June 2009 | Six months<br>ended 30<br>June 2010 | Six months<br>ended 30<br>June 2009 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | MM RUB                              | MM RUB                              | MM USD                              | MM USD                              |
| <b>Revenue</b>   | 15,126                              | 11,983                              | 503                                 | 363                                 |
| Cost of sales  | -15,170                             | -9,541                              | -505                                | -289                                |
| <b>Gross profit</b>  | <b>-44</b>                          | <b>2,442</b>                        | <b>-1.5</b>                         | <b>74</b>                           |
| Distribution expenses  | -222                                | -305                                | -7                                  | -9                                  |
| Administrative expenses  | -1,780                              | -2,201                              | -59                                 | -67                                 |
| Impairment losses and reversal of impairment loss              | -613                                | 285                                 | -20                                 | 9                                   |
| Other income and expenses                                      | 79                                  | -365                                | 3                                   | -11                                 |
| Finance income   | 211                                 | 243                                 | 7                                   | 7                                   |
| Finance costs  | -4,283                              | -6,502                              | -142                                | -197                                |
| Share of loss of equity accounted investees, net of income tax | -33                                 | -61                                 | -1                                  | -2                                  |
| <b>Loss before income tax</b>                                  | <b>-6,685</b>                       | <b>-6,464</b>                       | <b>-222</b>                         | <b>-196</b>                         |
| Income tax credit  | 1,514                               | 317                                 | 50                                  | 10                                  |
| <b>Loss and total comprehensive income for the year</b>        | <b>-5,171</b>                       | <b>-6,147</b>                       | <b>-172</b>                         | <b>-186</b>                         |
| <i>Attributable to:</i>  |                                     |                                     |                                     |                                     |
| (Loss)/profit attributable to shareholders of the Company      | -5,131                              | -6,031                              | -171                                | -182                                |
| (Loss)/profit attributable to minority interest                | -40                                 | -116                                | -1                                  | -4                                  |
| <b>Total comprehensive loss for the year</b>                   | <b>-5,171</b>                       | <b>-6,147</b>                       | <b>-172</b>                         | <b>-186</b>                         |

## Consolidated statement of cash flows for 6 months ended June 30 2010

|   | Six months<br>ended 30<br>June 2010<br>MM RUB | Six months<br>ended 30<br>June 2009<br>MM RUB | Six months<br>ended 30<br>June 2010<br>MM USD | Six months<br>ended 30<br>June 2009<br>MM USD |
|---|---|---|---|---|
| <b>OPERATING ACTIVITIES</b>   |   |   |   |   |
| <b>(Loss)/profit for the period</b>   | <b>-5,171</b>                                 | <b>-6,147</b>                                 | <b>-172</b>                                   | <b>-186</b>                                   |
| <i>Adjustments for:</i>   |   |   | 0   | 0   |
| Depreciation and amortisation   | 383   | 517   | 13  | 16  |
| Foreign exchange loss, net  | 472   | 1,301   | 16  | 39  |
| Loss on disposal of property,<br>plant and equipment  | -6  | -16   | 0   | 0   |
| (Reversal of impairment loss)/<br>impairment loss on non-current<br>assets                    | 613   | -285  | 20  | -9  |
| Share of loss of equity accounted<br>investees  | 33  | 61  | 1   | 2   |
| (Reversal of impairment)<br>/impairment of financial assets                                   | 0   | 323   | 0   | 10  |
| Income from disposal of a<br>subsidiary   | -331  | 0   | -11   | 0   |
| Interest expense, including<br>penalties payable  | 3,283   | 4,378   | 109   | 132   |
| Interest income   | -211  | -243  | -7  | -7  |
| Income tax (credit)/expense   | -1,514  | -317  | -50   | -10   |
| <b>Operating (loss)/profit before<br/>changes in working capital and<br/>provisions</b>       | <b>-1,921</b>                                 | <b>-428</b>                                   | <b>-64</b>                                    | <b>-13</b>                                    |
| (Increase)/ decrease in<br>inventories  | -2,560  | 2,293   | -82   | 73  |
| (Increase)/ decrease in trade and<br>other receivables  | -2,116  | 376   | -68   | 12  |
| (Increase)/ decrease in trade and<br>other payables   | 5,052   | -2,287  | 162   | -73   |
| Decreased in provisions   | 0   | 106   | 0   | 3   |
| <b>Cash flows from/(utilised in)<br/>operations before income<br/>taxes and interest paid</b> | <b>-2,073</b>                                 | <b>60</b>                                     | <b>-69</b>                                    | <b>3</b>                                      |
| Income taxes paid   | -32   | -40   | -1  | -1  |
| Interest paid   | -1,852  | -1,447  | -62   | -44   |
| <b>Cash flows (utilised in)/from<br/>operating activities</b>                                 | <b>-3,957</b>                                 | <b>-1,427</b>                                 | <b>-131</b>                                   | <b>-42</b>                                    |
| <b>INVESTING ACTIVITIES</b>   |   |   |   |   |
| Proceeds from disposal of<br>property, plant and equipment                                    | 135   | 19  | 4   | 1   |
| Interest received   | 14  | 231   | 0   | 7   |
| Acquisition of property, plant and<br>equipment   | -81   | -176  | -3  | -6  |
| Acquisition of development rights<br>and other intangible assets                              | 0   | -249  | 0   | -8  |
| Acquisition of equity accounted<br>investees  | 0   | -2,208  | 0   | -71   |
| Acquisition of non-controlling<br>interests   | 0   | -61   | 0   | -2  |

|  |              |               |           |            |
|--|--------------|---------------|-----------|------------|
| Proceeds from sale of non-controlling interests and development rights | 0            | 0             | 0         | 0          |
| Loans advanced   | -28          | -168          | -1        | -5         |
| Repayment of loans advanced  | 11           | 0             | 0         | 0          |
| Repayment of loans advanced to individuals                             | 108          | 338           | 3         | 11         |
| <b>Cash flows utilised by investing activities</b>                     | <b>159</b>   | <b>-2,274</b> | <b>5</b>  | <b>-73</b> |
| <b>FINANCING ACTIVITIES</b>  |              |               |           |            |
| Proceeds from borrowings   | 7,076        | 4,528         | 227       | 145        |
| Repayment of borrowings  | -4,728       | -3,225        | -152      | -103       |
| Transactions with shareholders   | 0            | -385          | 0         | -12        |
| <b>Cash flows from financing activities</b>                            | <b>2,348</b> | <b>918</b>    | <b>75</b> | <b>29</b>  |
| Net decrease in cash and cash equivalents                              | -1,450       | -2,783        | -52       | -86        |
| Cash and cash equivalents at beginning of period, net of overdrafts    | 3,417        | 3,153         | 113       | 107        |
| <b>Cash and cash equivalents at end of period, net of overdrafts</b>   | <b>1,967</b> | <b>370</b>    | <b>61</b> | <b>22</b>  |

-END-