OJSC MOSTOTREST

Consolidated Financial Statements
for the year ended 31 December 2009

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CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated Statement of Financial Position

Mln RUR	Note	2009	2008	1 January 2008
ASSETS				
Non-current assets				
Property, plant and equipment	12	9,421	10,441	10,337
Intangible assets		26	5	16
Trade and other receivables	18	14	210	51
Other investments	13	196	152	235
Loans given		20	51	55
Other non-current assets	14	1,512	-	-
Total non-current assets		11,189	10,859	10,694
Current assets				
Inventories	16	2,473	2,406	2,040
Income tax receivable		1,065	847	265
Trade and other receivables	18	810	828	700
Amounts due from customers for construction contracts	17	3,095	2,764	1,723
Loans given		331	793	192
Prepayments		1,103	1,001	2,228
Cash and cash equivalents	19	4,861	5,211	2,280
Total current assets		13,738	13,850	9,428
Total assets		24,927	24,709	20,122
EQUITY AND LIABILITIES				
Equity				
Share capital	20	131	131	131
Reserve for available-for-sale financial assets		110	30	132
Retained earnings		9,011	6,807	6,088
Total equity attributable to equity holders of the Company		9,252	6,968	6,351
Long-term liabilities				
Loans and borrowings	22	273	1,052	1,736
Long-term trade and other payables	23	306	1,214	71
Deferred tax liabilities	15	356	616	660
Total long-term liabilities		935	2,882	2,467
Short-term liabilities				
Loans and borrowings	22	6,010	7,730	4,744
Trade and other payables	23	4,565	3,657	2,956
Amounts due to customers for construction contracts	17	3,194	2,341	2,490
Construction contracts loss provision		170	441	653
Other provisions		112	105	106
Current tax liabilities		689	585	355
Total short-term liabilities		14,740	14,859	11,304
Total liabilities		15,675	17,741	13,771
Total equity and liabilities		24,927	24,709	20,122

These consolidated financial statements were approved by management on 31 August 2010 and were signed on its behalf by:

V.N.Vlasov
General director

O.G.Tanana
Director of finance

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 48.

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated Statement of Comprehensive Income

Mln RUR	Note	2009	2008
Revenue	6	32,392	30,334
Cost of sales	7	(24,211)	(24,142)
Gross profit		8,181	6,192
Other income		194	163
Administrative expenses	8	(3,827)	(3,490)
Other expenses		(261)	(736)
Results from operating activities		4,287	2,129
Finance income	10	300	119
Finance costs	10	(1,116)	(1,007)
Net finance costs		(816)	(888)
Profit before income tax		3,471	1,241
Income tax expense	11	(867)	(522)
Profit for the year		2,604	719
Other comprehensive income			
Net change in fair value of available-for-sale financial assets, net of tax	10	80	(102)
Total comprehensive income		2,684	617
Earnings per share			
Basic earnings per share (RUB)	21	2,098	579
Diluted earnings per share (RUB)	21	2,098	579

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 48.

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated Statement of Changes in Equity

Mln RUR

	Share capital	Available-for-sale investments revaluation reserve	Retained earnings	Total	Total equity
Balance at 1 January 2008	131	132	6,088	6,351	6,351
Total comprehensive income for the year					
Profit for the year	-	-	719	719	719
Other comprehensive income					
Net change in fair value of available-for-sale financial assets	-	(137)	-	(137)	(137)
Income tax on other comprehensive income	-	35	-	35	35
Total other comprehensive income	-	(102)	-	(102)	(102)
Total comprehensive income for the year	-	(102)	719	617	617
Balance at 31 December 2008	131	30	6,807	6,968	6,968
Total comprehensive income for the year					
Profit for the year	-	-	2,604	2,604	2,604
Other comprehensive income					
Net change in fair value of available-for-sale financial assets	-	100	-	100	100
Income tax on other comprehensive income	-	(20)	-	(20)	(20)
Total other comprehensive income	-	80	-	80	80
Total comprehensive income for the year	-	80	2,604	2,684	2,684
Transactions with owners, recorded directly in equity					
Dividends to equity holders	-	-	(400)	(400)	(400)
Balance at 31 December 2009	131	110	9,011	9,252	9,252

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 48.

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated Statement of Cash Flows

Mln RUR	**2009**	**2008**
Cash flows from operating activities		
Profit for the year	2,604	719
Adjustments for:		
Depreciation	1,421	1,327
Loss on disposal of property, plant and equipment	33	261
Net interest expense	966	880
Income tax expense	867	522
Cash from operating activities before changes in working capital and provisions	**5,891**	**3,709**
Increase in inventories	(67)	(366)
Decrease/(increase) in trade and other receivables	214	(287)
Increase in amounts due from customers for construction contracts	(331)	(1,041)
(Increase)/decrease in prepayments for current assets	(102)	1,227
Increase/(decrease) in other liabilities	8	(2)
(Decrease)/increase in trade and other payables	(271)	1,632
Increase/(decrease) in amounts due to customers for construction contracts	853	(149)
Cash flows from operations before income taxes and interest paid	**6,195**	**4,723**
Income tax paid	(1,213)	(918)
Net cash from operating activities	**4,982**	**3,805**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	72	97
Interest received	67	40
Dividends received	2	10
Loans given	(128)	(1,451)
Acquisition of property, plant and equipment	(245)	(1,488)
Acquisition of equity accounting investments	(1,556)	-
Proceeds from sale of financial assets	-	83
(Acquisition)/proceeds from disposal of intangible assets	(24)	10
Repayment of the loans given	646	889
Net cash used in investing activities	**(1,166)**	**(1,810)**
Cash flows from financing activities		
Proceeds from borrowings	9,883	15,335
Repayment of borrowings	(12,403)	(13,229)
Payment of finance lease liabilities	(186)	(220)
Interest paid	(1,060)	(950)
Dividends paid	(400)	-
Net cash (used in)/from financing activities	**(4,166)**	**936**
Net (decrease)/increase in cash and cash equivalents	(350)	2,931
Cash and cash equivalents at 1 January	5,211	2,280
Cash and cash equivalents at 31 December	**4,861**	**5,211**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 48.

Notes to the Consolidated Financial Statements

1 Background

(a) Organisation and operations

OJSC Mostotrest (the "Company") and its subsidiaries (the "Group") comprise Russian open joint stock companies (OAO) and limited liability (OOO) companies as defined in the Civil Code of the Russian Federation. The Company was established as a state-owned enterprise in 1930. The Company was privatised as an open joint stock company in December 1992.

The Company's registered office is Myasnitskaya Street 24/7, Bld.3, Moscow, 101990, Russian Federation.

The Group's principal activity is the construction of transport infrastructure items, including railway, highway and city bridges, overpasses, interchanges, and other engineering structures for the state municipal entities. The Group's major customers are government agencies and other public bodies. The Group primarily operates in the European part of the Russian Federation.

The Company's shares are registered for trading on the Russian Trading System (RTS) and Moscow Interbank Currency Exchange (MICEX) stock exchanges.

(b) Business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These are the Group's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

The Group does not prepare consolidated financial statements under Russian Accounting Principles. Accordingly, an explanation of how the transition to IFRSs has been affected to the reported financial position, financial performance and cash flows of the Group is not presented in those consolidated financial statements.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the following material items in the statement of financial position:

- items of property, plant and equipment are stated at their fair values as at the date of the first-time adoption of IFRSs;
- financial investments classified as available-for-sale are stated at fair value;
- equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, GosKomStat. Russia ceased to be hyperinflationary for IFRS purposes as of 1 January 2003.

(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 these consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest million.

(d) Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 12 - fair value as deemed cost of property, plant and equipment;
- Note 17 – construction contracts in progress;
- Note 18 – allowances for trade receivables.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 6 – revenue recognition based on the percentage-of-completion method on construction contracts;
- Note 27 – contingencies.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening consolidated IFRS statement of financial position as at 1 January 2008 for the purposes of the transition to IFRS. The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Acquisitions on or after 1 January 2008

For acquisitions on or after 1 January 2008, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

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

Acquisitions prior to 1 January 2008

In respect of acquisitions prior to 1 January 2008, the Group measures goodwill as the difference between the Company’s interest in a subsidiary’s net identifiable assets on the date of transition and the cost of that interest. Negative goodwill is credited to retained earnings.

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity of as equity holders. Therefore no goodwill is recognised as a result of such transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iv) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to RUR at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

(i) Non-derivative financial instruments

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

Loans and receivables

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

Cash and cash equivalents

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group’s investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be reliably measured, investments are stated at cost less impairment losses.

(ii) Non-derivative financial liabilities

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

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

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

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

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

(d) Share capital

Ordinary shares

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

Repurchase of share capital

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

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. As of 1 January 2008, the date of the first-time adoption of IFRS, the fair value of the property, plant and equipment were determined and accepted as the deemed cost of these assets.

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

- Buildings and structures 25 years
- Machinery and equipment 6 years
- Vehicles 6 years
- Other PPE 2 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. Any negative goodwill is a bargain purchase that is recognised in profit or loss. For measurement of goodwill at initial recognition, see note 3(a)(i).

Subsequent measurement

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives of intangible assets, mainly consisting of software, vary from 1 to 7 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised on the Group’s statement of financial position.

(h) Inventories

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

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

The Group inventories include construction materials, other inventories and work-in-progress. The work-in-progress includes the cost of inventories, production labor costs and production overhead costs (including depreciation).

(i) Amounts due from/ to customers for construction contracts

Amounts due from customers for construction contracts represent the amount of construction contracts in progress less consideration received by the Group for works already performed. Amounts due from customers are presented separately in the statement of financial position for all contracts in which costs incurred plus recognised profits and losses exceeds consideration received.

If the consideration received for works performed to date exceeds costs incurred plus recognised profits and losses, then the difference is presented as Due to customers for construction contracts in the statement of financial position.

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

(j) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

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

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

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

(k) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

(l) Provisions

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

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(m) Revenue

(i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in an inflow of economic benefits and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the share of the costs incurred to date in the total estimated contract costs. The contract costs that relate to future activity on the contract are excluded from costs incurred to date in determining the stage of completion (deferred recognition) and recognized as inventories.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iii) Other revenue

Revenue from other activities is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(n) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

(o) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, and foreign currency gains.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

(p) Income tax

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

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

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

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

(q) Earnings per share

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

(r) Segment reporting

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

(s) New Standards and Interpretations early adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2009, and have not been applied in preparing these consolidated financial statements. The following new Standards, amendments to Standards and Interpretations may potentially impact the Group’s financial position or performance. The Group plans to adopt these pronouncements when they become effective.

- Revised IAS 24 *Related Party Disclosures (2009)* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The Group has not yet determined the potential effect of the amendment.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2010. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Property, plant and equipment

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

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

(b) Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

(c) Trade and other receivables

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

(d) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

(a) Information about reportable segments

The Group has 15 operating segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately as they are located in different regions, operate different construction projects and require different technology strategies. Each segment represents a separate legal branch of the Company. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the location of each reportable segment:

Segment	Short name	Management location
Mostotryad -4	MO-4	Moscow
Mostotryad -1	MO-1	Nizhny Novgorod
Mostotryad -6	MO-6	Yaroslavl
Mostotryad -10	MO-10	Rostov-On-Don
Mostotryad -114	MO-114	Moscow
Mostotryad -90	MO-90	Dmitrov
Mostotryad -81	MO-81	Voronezh
Other segments	Other	-

Other segments include 8 operating segments which due to size have been combined as one reportable segment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	MO-4		MO-1		MO-6		MO-10		MO-114		MO-90		MO-81		Other		Total	
Mln RUR	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
External revenues	4,794	4,936	4,732	3,708	3,563	2,559	3,561	1,583	2,473	3,288	2,263	1,668	1,909	2,213	6,192	5,856	29,487	25,811
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	904	592	904	592
Total revenue	4,794	4,936	4,732	3,708	3,563	2,559	3,561	1,583	2,473	3,288	2,263	1,668	1,909	2,213	7,096	6,448	30,391	26,403
Profit before tax	1,555	975	830	644	494	433	371	19	311	93	607	(10)	48	80	(301)	(256)	3,915	1,978
Reportable segment net profit	1,206	755	647	511	388	306	225	(9)	346	266	465	(13)	14	62	(282)	8	3,009	1,886
Reportable segment assets:	2,786	1,999	1,414	1,767	1,621	1,471	2,287	990	1,216	1,022	1,035	789	403	493	3,751	3,604	14,513	12,135
Inventories	346	340	221	311	252	197	261	208	274	217	155	206	94	178	725	685	2,328	2,342

Mln RUR	**2009**	**2008**
Revenues		
Total revenue for reportable segments	30,391	26,403
Timing difference in revenue recognition	(944)	793
Unallocated amounts	3,849	3,730
Elimination of inter-segment revenue	(904)	(592)
Consolidated revenue	32,392	30,334
Profit before tax		
Total profit before tax for reportable segments	3,915	1,978
Timing difference in revenue recognition	(944)	793
Other adjustments	(109)	(611)
Unallocated amounts	609	(919)
Consolidated profit before tax	3,471	1,241
Assets		
Total assets for reportable segments	14,513	12,135
Other adjustments	(127)	616
Other unallocated amounts	10,541	11,958
Consolidated total assets	24,927	24,709

6 Revenue

Mln RUR	**2009**	**2008**
Revenue construction contracts:		
bridges and highways	23,678	22,965
railway infrastructure facilities	2,984	11
other infrastructure facilities	3,026	3,249
other facilities	2,286	3,263
Total revenue from construction contracts	31,974	29,488
Other revenue	418	846
Total revenue	32,392	30,334

Below is the information on the geographical allocation of revenues from construction contracts. In presenting the information on the basis of geographical information, revenue is based on the geographical location of construction sites:

Mln RUR	**2009**	**2008**
Central Federal District	19,914	18,412
Southern Federal District	5,958	2,002
Volga Federal District	4,724	5,345
Siberian Federal District	756	796
Northwestern Federal District	622	2,933
Total revenue from construction contracts	31,974	29,488

7 Cost of sales

Mln RUR	2009	2008
Services of subcontractors	6,799	6,286
Materials	6,277	7,230
Personnel expenses	4,784	4,583
Depreciation	1,409	1,312
Labor services	756	998
Machinery, equipment and vehicles services	733	557
Design and technological work	451	390
Maintanance and repair services	444	238
Fuel	405	420
Other	2,153	2,128
	24,211	24,142

8 Administrative expenses

Mln RUR	2009	2008
Personnel expenses	2,098	1,908
Consulting services	518	20
Social expenses	173	439
Materials	136	147
Charity	103	74
Other administrative expenses	799	902
	3,827	3,490

9 Personnel costs

Mln RUR	2009	2008
Wages and salaries	5,873	5,486
Contributions to State pension fund	945	892
Unused vacation provision	64	113
	6,882	6,491

10 Finance income and finance costs

Mln RUR	2009	2008
Recognised in profit or loss:		
Foreign exchange gain	150	-
Interest income on loans given	92	75
Interest income on bank deposits	56	34
Share of profit of associates	2	10
Finance income	300	119
Interest expense on borrowings	(1,045)	(941)
Foreign exchange loss	-	(8)
Interest expense on finance leases	(71)	(58)
Finance costs	(1,116)	(1,007)
Net finance costs recognized in profit or loss	(816)	(888)

Mln RUR	2009	2008
Recognised in other comprehensive income:		
Net change in fair value of available-for-sale financial assets	100	(137)
Income tax on income and expense recognised in other comprehensive income	(20)	35
Finance income recognised in other comprehensive income, net of tax	80	(102)

11 Income tax expense

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2008: 24%).

Mln RUR	2009	2008
Current tax expense		
Current year	1,080	519
Adjustments of prior years tax	27	12
	1,107	531
Deferred tax expense		
Origination and reversal of temporary differences	(240)	(9)
	(240)	(9)
Total income tax expense	867	522

Income tax recognised directly in other comprehensive income

Mln RUR	2009			2008		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Revaluation reserve for available-for-sale assets	100	(20)	80	(137)	35	(102)
	100	(20)	80	(137)	35	(102)

Reconciliation of effective tax rate:

	2009		2008	
	Mln RUR	**%**	**Mln RUR**	**%**
Profit before income tax	3,471	100%	1,241	100%
Income tax at applicable tax rate	694	20%	298	24%
Effect of decrease in tax rate	-	-	(111)	(9%)
Non-deductible expenses	167	5%	356	29%
Non-taxable income	(21)	(1%)	(33)	(3%)
Underprovided in prior years	27	1%	12	1%
	867	25%	522	42%

12 Property, plant and equipment

Property, plant and equipment have been revalued to determine deemed cost as part of the adoption of IFRSs. The aggregate adjustments to carrying amounts reported under Russian Accounting Principles for each class of property, plant and equipment are as follows:

Mln RUR	Land	Buildings and structures	Machnery and equipmnent	Vehicles	Other	Construciton in progress	Total
Carrying amount under RAP	16	729	909	568	41	353	2,616
Adjustments	288	3,769	2,146	1,346	464	(292)	7,721
Carrying amount under IFRS	304	4,498	3,055	1,914	505	61	10,337

Mln RUR	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost or deemed cost							
Balance at 1 January 2008	304	4,498	3,066	1,915	505	61	10,349
Additions	1	95	1,249	204	113	132	1,794
Disposals	-	(225)	(67)	(48)	(193)	(33)	(566)
Transfers	-	25	-	-	-	(25)	-
Balance at 31 December 2008	305	4,393	4,248	2,071	425	135	11,577
Additions	7	38	269	30	53	107	504
Disposals	-	(17)	(52)	(30)	(159)	(38)	(296)
Balance at 31 December 2009	312	4,414	4,465	2,071	319	204	11,785
Depreciation and impairment losses							
Balance at 1 January 2008	-	-	11	1	-	-	12
Depreciation for the year	-	167	583	372	205	-	1,327
Impairment loss	-	-	5	-	-	-	5
Disposals	-	(4)	(10)	(11)	(183)	-	(208)
Balance at 31 December 2008	-	163	589	362	22	-	1,136
Depreciation for the year	-	173	750	322	182	-	1,427
Impairment loss	-	-	(7)	(1)	-	-	(8)
Disposals	-	(1)	(14)	(18)	(158)	-	(191)
Balance at 31 December 2009	-	335	1,318	665	46	-	2,364
Carrying amounts							
At 1 January 2008	304	4,498	3,055	1,914	505	61	10,337
At 31 December 2008	305	4,230	3,659	1,709	403	135	10,441
At 31 December 2009	312	4,079	3,147	1,406	273	204	9,421

Depreciation expense of RUR 1,409 mln (2008: RUR 1,312 mln) has been charged to cost of goods sold, RUR 12 mln (2008: RUR 15 mln) to administrative expenses, and RUR 6 mln (2008: RUR 0 mln) to work-in-progress.

(a) Cost of property, plant and equipment

In 2010 management engaged an independent professional appraiser to appraise the fair value of property, plant and equipment as at 1 January 2008 in order to determine their deemed cost on the date of the Group's adoption of IFRSs. The fair value of property, plant and equipment was determined to be RUR 10,337 mln.

The fair value of property, plant and equipment was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence. The fair value of certain movable property was determined based on the market prices for similar property, plant and equipment using a comparative approach.

In addition to the determination of the depreciated replacement cost, cash flow testing was conducted in order to assess the reasonableness of those values, which resulted in depreciated replacement cost values being decreased by RUR 173 mln in arriving at the above value.

A terminal value was derived from the analysis of value based on income, under which the projected normalized cash flow for the first post-projected year is capitalized.

The following key assumptions were used in performing the cash flow testing:

Key assumptions	Value
Projected period	2008-2013
Annual revenue growth rate	9.4%
Annual costs growth rate	9.0%
Discount rate	14.8%

The values assigned to the key assumptions represented management's assessment of future trends in the business as at 1 January 2008 and are based on both external sources and internal sources.

(b) Security

At 31 December 2009 properties with a carrying amount of RUR 389 mln (2008: RUR 532 mln) are pledged to secure bank loans (see note 22).

(c) Leased machinery and equipment

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2009 the net book value of leased plant and machinery was RUR 623 mln (2008: RUR 619 mln). The leased equipment secures lease obligations.

13 Other investments

Available-for-sale investments comprise equity instruments of financial institutions that are mainly listed either on the RTS or MICEX stock exchanges.

The fair value of available-for-sale equity investments was determined by reference to their quoted market prices.

During the year the Group sold available-for-sale investments stated at cost that had a carrying amount of RUR 56 mln, which resulted in a gain of RUR 14 mln.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 24.

14 Other non-current assets

In October 2009 the Group entered into a preliminary agreement to acquire 25.002% interest in OAO Mostostroy-11, a bridge construction company located in West-Siberian district for a consideration of RUR 1,575 mln. Out of the total consideration payable, the Group made a downpayment of RUR 1,512 mln prior to 31 December 2009. The shares in the Company were subsequently acquired in February 2010.

15 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Mln RUR	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	-	-	(1,067)	(1,249)	(1,067)	(1,249)
Investments	21	-	-	1	21	1
Inventories	4	32	-	-	4	32
Trade and other receivables	-	-	(5)	(77)	(5)	(77)
Construction contracts (including due from and due to customers)	668	650	-	-	668	650
Loans and borrowings	70	115	-	-	70	115
Provisions	-	-	(1)	(3)	(1)	(3)
Other	-	-	(47)	(86)	(47)	(86)
Tax loss carry-forwards	1	1	-	-	1	1
Tax assets/(liabilities)	764	798	(1,120)	(1,414)	(356)	(616)
Net tax assets/(liabilities)	764	798	(1,120)	(1,414)	(356)	(616)

(b) Unrecognised deferred tax liability

A temporary difference of RUR 2 mln (31 December 2008: RUR 4 mln, 1 January 2008: RUR 4 mln) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

(c) Movement in temporary differences during the year

Mln RUR	1 January 2008	Recognised in income	Recognised in other comprehen-sive income	31 December 2008
Property, plant and equipment	(1,694)	445	-	(1,249)
Investments	(41)	7	35	1
Inventories	38	(6)	-	32
Trade and other receivables	41	(118)	-	(77)
Construction contracts (including due from and due to customers)	795	(145)		650
Loans and borrowings	170	(55)	-	115
Provisions	1	(4)	-	(3)
Other	25	(111)	-	(86)
Tax loss carry-forwards	5	(4)	-	1
	(660)	9	35	(616)

Mln RUR	1 January 2009	Recognised in income	Recognised in other comprehen-sive income	31 December 2009
Property, plant and equipment	(1,249)	182	-	(1,067)
Investments	1	-	20	21
Inventories	32	(28)	-	4
Trade and other receivables	(77)	72	-	(5)
Construction contracts (including due from and due to customers)	650	18		668
Loans and borrowings	115	(45)	-	70
Provisions	(3)	2	-	(1)
Other	(86)	39	-	(47)
Tax loss carry-forwards	1	-	-	1
	(616)	240	20	(356)

16 Inventories

Mln RUR	2009	2008	1 January 2008
Construction materials	2,426	2,399	1,847
Work in progress	47	7	37
Finished goods and goods for resale	-	-	156
	2,473	2,406	2,040

There was no impairment of inventories as at 31 December 2009 (2008: RUR 14 mln). Inventories with a carrying amount of RUR 919 mln (2008: RUR 172 mln) are pledged as security for borrowings (see Note 22).

17 Construction contracts in progress

Mln RUR	2009	2008	1 January 2008
Progress billings	83,894	61,636	35,235
Billed in excess of contract revenue recognized	(902)	(455)	(2,216)
Contract revenue accumulated to the period end	82,992	61,181	33,019
Contract costs accumulated to the period end	(68,156)	(51,893)	(29,606)
Expected losses recognised accumulated to the period end	(170)	(441)	(653)
Recognised profits less recognised losses	14,666	8,847	2,760
Contract revenue accumulated to the period end	82,992	61,181	33,019
Advances received	(2,107)	(652)	(269)
Payments	(80,984)	(60,106)	(33,517)
Net receivables from/(payables to) customers	(99)	423	(767)
Due from customers	3,095	2,764	1,723
Due to customers	(3,194)	(2,341)	(2,490)
	(99)	423	(767)
Retentions	351	268	228

The retentions on construction contracts in the amount of RUR 351 mln as at December 31, 2009 (2008: RUR 268 mln) are measured at the fair value of the consideration receivable based on the expected timing of cash inflows. Retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.

Cash inflows from one of the construction contracts in the amount of RUR 250 mln are pledged as collateral for a bank loan (see Note 22).

18 Trade and other receivables

Mln RUR	2009	2008	1 January 2008
Trade receivables	390	918	613
Other receivables	434	120	138
	824	1,038	751
Non-current	14	210	51
Current	810	828	700
	824	1,038	751

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in notes 24 (b)(i), 24 (d)(i).

19 Cash and cash equivalents

Mln RUR	**2009**	**2008**	**1 January 2008**
Petty cash	1	1	1
Cash at banks	685	1,723	2,279
Bank deposits with maturities less than 3 months	4,175	3,487	-
	4,861	5,211	2,280

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24.

20 Capital and reserves

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	2009	**2008**
Authorised shares	1,241,200	1,241,200
Par value	28 RUR	28 RUR
On issue at 1 January	1,241,200	1,241,200
On issue at 31 December, fully paid	1,241,200	1,241,200

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

The share capital of RUR 35 mln was formed prior to 31 December 2002, when the Russian economy was considered to be hyperinflationary for IFRS purposes. Therefore the balance of the share capital was adjusted for the effect of hyperinflation of RUR 96 mln. As a result, the carrying value of the share capital as at 1 January 2008, 31 December 2008 and 31 December 2009 amounted to RUR 131 mln.

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2009 the Company had retained earnings, including the profit for the current year, of RUR 7,335 mln (2008: RUR 4,323 mln).

At the reporting date dividends of RUR 645 per ordinary share totalling RUR 801 mln have been recommended by the Board of Directors, but have not been approved and, therefore, have not been provided for.

21 Earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders of RUR 2,604 mln (2008: RUR 719 mln), and a weighted average number of ordinary shares outstanding of 1,241,200 (2008: 1,241,200), calculated as shown below. The Company has no dilutive potential ordinary shares.

	2009	2008
Issue as at 1 January and 31 December	1,241,200	1,241,200
Weighted average number of shares	1,241,200	1,241,200
Profit attributed to shareholders (mln RUR)	2,604	719
Basic and diluted earnings per share (RUR)	2,098	579

22 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 24.

Mln RUR	**2009**	**2008**	**1 January 2008**
Short-term liabilities			
Secured bank loans	5,040	5,815	4,657
Unsecured bank loans	805	1,810	-
Current portion of finance lease liabilities	165	105	87
	6,010	7,730	4,744
Long-term liabilities			
Unsecured bank loans	208	833	1,586
Finance lease liabilities	65	219	150
	273	1,052	1,736
Total loans and borrowings	**6,283**	**8,782**	**6,480**

Terms of repayment of long-term bank loans are as follows:

Mln RUR	**2009**	**2008**
Between 1 and 2 years	208	150
Between 2 and 5 years	-	683
	208	833

Finance lease liabilities are payable as follows:

Mln RUR	Future minimum lease payments	Interest	Present value of minimum lease payments
1 January 2008			
Less than one year	123	36	87
Between 1 and 5 years	180	30	150
	303	66	237
31 December 2008			
Less than one year	199	94	105
Between 1 and 5 years	251	32	219
	450	126	324
31 December 2009			
Less than one year	203	38	165
Between 1 and 5 years	77	12	65
	280	50	230

The carrying amount and fair value of loans and borrowings were as follows:

2009

Mln RUR	Face value	Carrying amount
Secured bank loans	5,040	5,040
Unsecured bank loans	1,013	1,013
Finance lease liabilities	280	230
Total	**6,333**	**6,283**

2008

Mln RUR	Face value	Carrying amount
Secured bank loans	5,815	5,815
Unsecured bank loans	2,643	2,643
Finance lease liabilities	450	324
Total	**8,908**	**8,782**

The carrying amounts of the Group's loans and borrowings were denominated in the following currencies:

Mln RUR	2009	2008
RUB	6,226	8,670
USD	2	3
EURO	55	109
Total	**6,283**	**8,782**

The bank loans are attracted in RUR and at fixed interest rates. The weighted-average effective interest rates at the reporting date were as follows:

	2009	2008
Bank loans	13.6%	11.9%
Finance lease liabilities	14.2%	15.6%

The outstanding bank loans for total amount of RUR 3,133 mln (2008: RUR 5,243 mln) are secured by the following:

- Property, plant and equipment with total carrying amount of RUR 389 mln (2008: RUR 532 mln), see Note 12(b);
- Inventories with carrying amount of RUR 919 mln (2008: RUR 172 mln), see Note 16;
- Revenue on construction contracts RUR 250 mln (2008: RUR 0 mln), see Note 17.

Finance lease liabilities are secured by the leased assets, see Note 12 (c).

23 Trade and other payables

Mln RUR	2009	2008	1 January 2008
Trade payables	3,294	2,911	2,326
Payables to personnel	622	977	316
Other taxes payable	754	769	262
Other payables and accrued expenses	201	214	123
	4,871	4,871	3,027
Long-term	306	1,214	71
Short-term	4,565	3,657	2,956
	4,871	4,871	3,027

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

24 Financial instruments and risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

(b) Credit risk

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. There is no concentration of credit risk geographically or with respect to sales transactions with a single customer.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and represent the maximum open amount without requiring approval from the management; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the management, and future sales are made on a prepayment basis with approval of the management.

As a result of the deteriorating economic conditions in 2008 and 2009, certain purchase limits have been redefined, since the Group's experience is that the economic downturn has had a greater impact in these business segments than in the Group's other business segments.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2009 no guarantees were outstanding (2008: none).

(iv) Exposure to credit risk

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

Mln RUR	Carrying amount		
	2009	2008	1 January 2008
Available-for-sale financial assets	196	152	235
Amounts due from customers for construction contracts	3,095	2,764	1,723
Loans and receivables	1,175	1,882	998
Cash and cash equivalents	4,861	5,211	2,280
	9,327	10,009	5,236

Impairment losses

The aging of trade and other receivables and amounts due from customers for construction contracts at the reporting date was:

Mln RUR	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2009	2009	2008	2008	1 January 2008	1 January 2008
Trade and other receivables						
Not past due	803	(107)	1,135	(23)	779	(117)
Past due 0-183 days	98	(17)	84	(1)	91	(3)
Past due more than 183 days	172	(125)	141	(298)	219	(218)
Amounts due from customers for construction contracts						
Not past due	3,095	-	2,764	-	1,723	-
	4,168	(249)	4,124	(322)	2,812	(338)

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 183 days; the main portion of the trade receivables balance relates to customers that have a good track record with the Group.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2009 and 2008 the Group does not have any collective impairment on its trade receivables or its held-to-maturity investments.

In addition, the majority of the balance of construction in progress due from customers (note 17) is from government agencies and other public bodies, therefore, there is a concentration of credit risk with such type of customers.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains several lines of credit with large banks operating in Russia.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

2009

Mln RUR	Carrying amount	0-6 mth	6-12 mth	1-2 yrs	2-3 yrs	over 3 yrs
Non-derivative financial liabilities						
Bank loans	6,053	300	5,545	-	-	208
Finance lease liabilities	230	85	80	59	6	-
Trade payables	3,294	1,572	1,006	371	342	3
	9,577	1,957	6,631	430	348	211

2008

Mln RUR	Carrying amount	0-6 mth	6-12 mth	1-2 yrs	2-3 yrs	over 3 yrs
Non-derivative financial liabilities						
Bank loans	8,458	840	6,785	150	10	673
Finance lease liabilities	324	45	44	174	61	-
Trade payables	2,911	1,402	165	229	614	501
	11,693	2,287	6,994	553	685	1,174

(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on finance leases, purchases of machinery and equipment, and short-term deposits with banks (with maturities of less than 3 months) that are denominated in a currency other than the RUR.

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

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

Mln RUR	USD-denominated 2009	Euro-denominated 2009	USD-denominated 2008	Euro-denominated 2008
Cash and cash equivalents	2	188	1,744	1,753
Trade payables	-	(285)	-	(445)
Finance lease liabilities	(2)	(55)	(3)	(109)
Gross exposure	-	(152)	1,741	1,199

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate		
	2009	2008	2009	2008	1 January 2008
USD 1	31.72	24.86	30.24	29.38	24.55
EUR 1	43.82	37.99	43.39	41.44	35.93

Sensitivity analysis

A weakening of the RUR, as indicated below, against the following currencies at 31 December would have increased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Mln RUR	Growth in Equity and Profit	
	2009	2008
USD (10% weekening)	-	174
Euro (10% weekening)	(15)	120

A strengthening of the RUR against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) ***Interest rate risk***

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

Profile

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

	Carrying amount	
Mln RUR	**2009**	**2008**
Fixed rate instruments		
Financial assets	547	996
Financial liabilities	(6,283)	(8,782)
	(5,736)	(7,786)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(iii) ***Other market price risk***

Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the management.

The primary goal of the Group's investment strategy is to maximise investment returns.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

The majority of the Group's equity investments are listed either on the RTS or MICEX stock exchanges.

The available-for-sale investments, which are carried at cost, mainly consist of unquoted equity securities of financial institutions. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty of future cash flows in this industry.

During the year the Group sold available-for-sale investments stated at cost that had a carrying amount of RUR 56 mln, which resulted in a gain of RUR 14 mln.

The majority of the Group's equity investments are listed either on the RTS or MICEX stock exchanges. For such investments, classified as instruments available for sale, an increase of the RTS index or MICEX index by 5% at the reporting date, would lead to an increase in shareholders' equity of RUR 7 mln after tax (2008: increase by RUR 2 mln); similar reduction in these indices would lead to a decrease in shareholders' equity of 7 mln after tax (2008: decrease of RUR 2 mln. Such sensitivity analysis of the fair value reflects the sensitivity of each equity instrument to the appropriate market index.

(e) Fair values versus carrying amounts

The fair values of financial assets and liabilities as at the reporting dates were not significantly different from their carrying amounts. The basis for determining fair values is disclosed in note 4. Inputs for the valuation of the available-for-sale financial assets are primarily based on the observable market data (hierarchy level 1).

(f) Capital management

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

25 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Mln RUR	**2009**	**2008**
Less than 1 year	63	65
From 1 to 5 years	165	165
More than 5 years	196	200
	424	430

The Group leases a number of land plots, warehouses and production equipment under operating leases. The leases typically run for an initial period of 5 to 49 years for land plots, one to two years for production equipment and other property, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

Since the title to land plots and other property does not pass to the Group, the lease payments are regularly revised based on the market rates, and the Group does not have an interest in the residual value of the leased property, all the risks and rewards incidental to ownership these assets remain with the lessor. As such, the Group classified these leases as operating leases.

During the year ended 31 December 2009 an amount of RUR 65 mln was recognised as an expense in profit or loss in respect of operating leases (2008: RUR 37 mln).

26 Capital commitments

As at 31 December 2009 the Group did not have significant contractual obligations to purchase property, plant and equipment.

27 Contingencies

(a) Insurance

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

The Group will is responsible for the violation of the Law on Urban Planning, including for causing injury to life, health or property of third parties as a result of conducting construction works or defects in construction, renovation, overhaul of capital construction assets. The Group will also be held responsible for accidental loss of or damage to property being constructed. In order to reduce the risk of losses and obligations to third parties as a consequence of conducting construction works, the Group has obtained full insurance coverage against civil liabilities arising under the construction contracts in accordance with the terms of these contracts.

(b) Warranties

The Group has certain warranty obligations under construction contracts terms of which range from one to seven years. The Group performed analysis of historical data on actual compensations paid and defects rectified under these warranties for the past seven years. Based on this analysis, the Group concluded that the probability of the constructions works carried out during the reporting period will not satisfy the quality conditions specified in the contract and require repair, is low. Therefore the Group did not recognize a warranty liability on construction contracts as at the reporting date.

The retentions held by customers under the construction contracts are usually returned in full.

(c) Litigation

As at 31 December 2009 and 2008 the Group was not engaged in litigations, the outcome of which might have material effect on the consolidated financial statements.

(d) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Tax compliance of the Group's suppliers

The Group regularly enters into transactions with various suppliers. These entities are fully responsible for their own tax and accounting compliance. However, due to existing tax authorities' practice, if these entities' tax compliance is challenged by the tax authorities as not being in full conformity with the applicable tax legislation, this may result in additional tax risks for the Group. Should these suppliers be successfully challenged, the Group may become liable to additional tax payments, although management of these entities is primarily responsible for the correctness and timeliness of the entities' tax payments. Management of the Group believes that it is not practicable to estimate the financial effect of potential tax liabilities, which ultimately could be imposed on the Group due to transactions with suppliers. However, if such liabilities were imposed, the amounts involved, including penalties and interest, could be material.

If the cases described above were successfully challenged by the Russian tax authorities, the additional payments could become due together with penalties, ranging from 20% - 40% of the amount of underpaid taxes, and late-payment interest. Management has not provided any amounts in respect of such obligations in these consolidated financial statements as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

28 Related party transactions

(a) Control relationships

The Company's immediate parent company is Marc O'Polo Investments Ltd (Cyprus).

Neither the Company's ultimate parent company nor the next highest parent company prepare IFRS consolidated financial statements that are available for public use.

(i) Management remuneration

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

Mln RUR	**2009**	**2008**
Salaries and bonuses	782	938
Contributions to the State Pension Fund	4	4
	786	942

During the reporting period there were no other material transactions conducted with key management personnel and their close family members.

(b) Transactions with other related parties

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

(i) Revenue

Mln RUR	Transaction value		Outstanding balance		
	2009	2008	2009	2008	1 January 2008
Sale of goods:					
Other related parties	10	81	5	5	-
Services rendered:					
Other related parties	11	1,402	12	25	-
	21	1,483	17	30	-

(ii) Expenses

Mln RUR	Transaction value		Outstanding balance		
	2009	2008	2009	2008	1 January 2008
Purchase of goods:					
Other related parties	572	347	12	15	-
Services received:					
Other related parties	225	540	49	2	-
	797	887	61	17	-

(iii) Loans

Mln RUR	Transaction value		Outstanding balance		
	2009	2008	2009	2008	1 January 2008
Loans received:					
Other related parties	2,000	-	1,000	-	-
	2,000	-	1,000	-	-

The loans received from the related parties are repayable in 2010. The loans bear interest at 13.5% and 14.5% per annum. In 2009 interest expense was amounted to RUR 104 mln (2008: RUR 0 mln).

29 Group entities

		Ownership interest		
Subsidiary	**Country of incorporation**	**2009**	**2008**	**1 January 2008**
OOO "Taganka Most"	Russia	100%	100%	100%
OOO "Mostotrest SPB"	Russia	100%	100%	100%
OOO "Sledyashie test-Systemy"	Russia	51%	51%	51%

30 Events subsequent to the reporting date

Acquisition of shares in new companies

In May 2010 the Company completed acquisition of equity interest in the following companies:

- 51% equity interest in the Inzhtransstroy Corporation LLC for a consideration of RUR 2,220 mln, payable in cash. The entity is one of the largest design and engineering companies in the infrastructure construction industry in Russia;
- 50.1% equity interest in the Transstroymechanizatsiya LLC for a consideration of RUR 1,264 mln, payable in cash. The entity is engaged in the construction and renovation of highways, airports, and has its own facility for production of asphalt and concrete;
- 25.002% of shares of OJSC OAO Mostostroy-11 for a consideration of RUR 1,575 mln, payable in cash. The entity is the leading bridge-construction entity in the West-Siberian region of the Russian Federation.

The above acquisitions will be accounted for in the Group’s consolidated financial statements for the year ended 31 December 2010. By the date of the issue of these consolidated financial statements the Group has not completed the purchase price allocation and, therefore, the information on the fair values of the respective identifiable assets, liabilities and contingent liabilities is not disclosed.

Significant construction contracts concluded

The following significant construction contracts were concluded in 2010:

- The contract to renovate the bridge over the Moskva river in the Moscow region for a total consideration of RUR 564 mln concluded with the “Central Russia Federal Highways Management Department of the Federal Highways Agency”.
- The contract to construct speed-highway in the area of 15th km and 58th km between Moscow and Saint Petersburg for a total consideration of RUR 1,000 mln concluded with the North-West Concession Company LLC.

Significant borrowings

During the first half of 2010 the Group concluded a number of loan agreements with banks for total amount of RUR 10,900 mln to replenish the working capital. The loans were obtained under fixed and floating interest rates based primarily on the MosPrime 3M rate. The loans mature in 2011-2013 and are secured by pledging property, plant and equipment, inventories and cash receipts from customers on construction contracts.

A share-split and additional floating of the Company shares

On 30 June 2010 the General Meeting of the shareholders approved the split outstanding shares in the ratio of 200 for 1. As a result, the number of outstanding shares after the split amounts to 248,240,000 with the par value of RUR 0.14 per share.

In addition, the General Meeting of the shareholders approved additional issue of 248,240,000 ordinary shares with par value RUR 0.14 each. The additional shares shall provide the same rights that previously issued shares do.

Dividends declared for 2009

On 30 June 2010 the Annual General Meeting of shareholders declared the payment of dividends on ordinary shares for 2009 in the amount of RUR 801 mln (RUR 645 per share).

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Independent Auditors' Report

Board of Directors

OJSC Mostotrest

We have audited the accompanying consolidated financial statements of OJSC Mostotrest (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2009, 31 December 2008 and 1 January 2008, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the years ended 31 December 2009 and 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. Except as described in the Basis for Qualified Opinion paragraph, we conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Qualified Opinion

We did not observe the counting of inventories stated at RUR 2,406 million as at 31 December 2008 and at RUR 2,040 million as at 1 January 2008, because we were engaged as auditors of the Group only after those dates. It was impracticable to satisfy ourselves as to those inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to cost of sales, taxation expense and net profit for the years ended 31 December 2009 and 31 December 2008, and to inventories and retained earnings as at 31 December 2008 and 1 January 2008.

Qualified Opinion

In our opinion, except for the effects on the corresponding figures of such adjustments, if any, that might have been determined to be necessary had it been practicable to obtain sufficient appropriate audit evidence as described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, 31 December 2008 and 1 January 2008, and its consolidated financial performance and its consolidated cash flows for the years ended 31 December 2009 and 31 December 2008 in accordance with International Financial Reporting Standards.

ZAO KPMG
31 August 2010