

**Original in the Russian language**

**Group of companies “LenSpecSMU”**

**Consolidated interim financial statements**

*As at 30 of September, 2006*

# Original in the Russian language

Group of companies “LenSpecSMU”

Consolidated interim financial statements

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27 December 2006

Hereby we confirm that LenSpecSMU Group of companies is currently preparing its interim IFRS (IAS) financial statements for 3<sup>rd</sup> quarter of 2006 in full accordance with principles and methodology of International Financial Reporting Standards. Same standards and methodology were applied during the preparation of restated accounts and consolidated financial statements of LenSpecSMU Group consequently for years of 2003, 2004 and 2005.

LenSpecSMU Group expects its interim IFRS (IAS) financial statements for 3<sup>rd</sup> quarter of 2006 to be dully prepared and ready for the representation to investing public not later than the second week of February of 2007.

D.M. Vinokurov  
CEO  
Horwath International Taxation Consultation-Legal Center (Horwath ICLC, Joint Stock Company)  
Member of Horwath International Association

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Group of companies "LenSpecSMU"

Consolidated interim financial statements

### CONSOLIDATED INTERIM BALANCE SHEET

(Thousand Russian rubles)

	Notes	At December,31 2005	At December,31 2005 (revised)	At September,30 2006
Cash and cash equivalents	4	242 160	242 160	2 082 947
Financial investments (short-term)	5	-	-	488 000
Available-for-sale financial investments (AFS) (short-term)	5	15	15	-
Loans given	5	18 519	18 519	27 371
Accounts receivable (short-term)	6	1 369 922	1 369 922	2 455 435
VAT on purchases	6	23 660	23 660	5 156
Inventories	7	6 916 107	6 916 107	8 603 725
<i>(including work in process housing, construction objects and garage building objects)</i>	7	4 924 074	4 924 074	6 821 323
	11	836 265	836 265	254 352
Other current assets	8	38 417	38 417	161 803
<b>Total, current assets</b>		<b>8 608 800</b>	<b>8 608 800</b>	<b>13 824 437</b>
Accounts receivable (long-term)	6	129 127	129 127	37 184
Fixed assets, construction in progress objects and intangible assets	9	640 477	640 477	699 877
<i>including Property, plant and equipment and construction in progress</i>		639 948	639 948	699 240
<i>Intangible assets</i>		529	529	637
Property for lease	10	191 110	191 110	191 759
Long-term investments	11	-	-	4 369
Investments in associated companies	11	24 213	9 903	16 464
Available-for-sale financial assets (AFS) (long-term)	11	7 296	7 296	50 443
Loans given	11	31 549	31 549	24 620
Deferred tax assets		133 875	133 875	89 758
Other non-current assets	8	3 287	3 287	-
<b>Total, non-current assets</b>		<b>1 160 934</b>	<b>1 146 624</b>	<b>1 114 474</b>
<b>Total, assets</b>		<b>9 769 734</b>	<b>9 755 424</b>	<b>14 938 911</b>
Short-term borrowings	14	38 223	38 223	-
Accounts payable (short-term)	12	1 124 603	1 124 603	3 647 741
Deferred income (prepayments from clients)	12	3 102 682	3 102 682	3 574 313
Other short-term liabilities	12	489 868	489 868	1 290 627
<b>Total, short-term liabilities</b>		<b>4 755 376</b>	<b>4 755 376</b>	<b>8 512 681</b>
Long-term borrowings	14	1 530 268	1 530 268	2 564 660
Long-term liabilities for purpose financing (prepayments from clients)	12	2 672 053	2 672 053	2 795 005
Accounts payable (long-term)	12	49 367	49 367	-
Deferred tax liabilities		94 793	94 793	75 809
<b>Total, long-term liabilities</b>		<b>4 346 481</b>	<b>4 346 481</b>	<b>5 435 474</b>
<b>Total, liabilities</b>		<b>9 101 857</b>	<b>9 101 857</b>	<b>13 948 155</b>
<b>Minority interest</b>		<b>41 920</b>	<b>41 920</b>	<b>63 493</b>
Share capital, total		200	200	200
Share premium		72 373	72 063	72 063
Retained earnings	15-18	412 833	398 833	714 448
Revaluation reserve		140 552	140 552	140 552
<b>Total, equity</b>		<b>625 958</b>	<b>611 648</b>	<b>927 263</b>
<b>Total, equity and liabilities</b>		<b>9 769 735</b>	<b>9 755 424</b>	<b>14 938 911</b>

Signed by the Board of Directors of the Company

General director

Chief accountant

27.12.2006

The accompanying notes are the essential part of these consolidated interim financial statements

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### CONSOLIDATED INTERIM INCOME STATEMENT

*(Thousand Russian rubles)*

	Notes	3 months ended September 30, 2005	9 months 2005	3 months ended September 30, 2006	9 months 2006
Revenue	15	143 258	1 974 968	449 632	3 091 871
Cost of sales	16	(106 491)	(1 765 801)	(381 133)	(2 525 222)
<b>Gross profit</b>		<b>36 767</b>	<b>209 167</b>	<b>68 499</b>	<b>566 649</b>
Selling expenses	17	(680)	(14 669)	(5 900)	(5 971)
General and administrative expenses	17	(4 154)	(12 810)	(11 074)	(26 945)
Taxes, other than income tax	16	(691)	(1 169)	(2 219)	(3 797)
Other operating income/(expenses)	18	36 402	18 888	(6 124)	(72 453)
<b>Operating profit</b>		<b>67 644</b>	<b>199 407</b>	<b>43 182</b>	<b>457 483</b>
Share in the results of activity of associated companies		1 104	2 596	3 353	7 464
Net finance costs	19	(3 846)	(14 404)	712	991
<b>Profit before income tax, minority interest</b>		<b>64 902</b>	<b>187 599</b>	<b>47 247</b>	<b>465 938</b>
Income tax	13	(20 562)	(70 119)	(16 633)	(128 750)
<b>Profit before minority interest and extraordinary profits/losses</b>		<b>44 340</b>	<b>117 480</b>	<b>30 614</b>	<b>337 188</b>
Minority interest		(16 653)	(28 307)	(2 532)	(21 573)
<b>Net profit</b>		<b>27 687</b>	<b>89 173</b>	<b>28 082</b>	<b>315 615</b>

*The accompanying notes are the essential part of these consolidated interim financial statements.*

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### CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September, 2006

*(Thousand Russian rubles)*

	Share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
<b>Balance at December 31, 2004</b>	<b>200</b>	<b>72 373</b>	<b>140 552</b>	<b>149 755</b>	<b>362 880</b>
Errors of past periods		(310)		310	
<b>Adjusted Balance at December 31, 2004</b>	<b>200</b>	<b>72 063</b>	<b>140 552</b>	<b>150 065</b>	<b>362 880</b>
Net profit/(loss) for the period	-	-	-	89 173	<b>89 173</b>
Dividends	-	-	-	(40 000)	<b>(40 000)</b>
<b>Balance at September 30, 2005</b>	<b>200</b>	<b>72 063</b>	<b>140 552</b>	<b>199 238</b>	<b>412 053</b>
<b>Balance at December 31, 2005</b>	<b>200</b>	<b>72 373</b>	<b>140 552</b>	<b>412 833</b>	<b>625 958</b>
Errors of past periods		(310)		(14 000)	<b>(14 310)</b>
<b>Adjusted Balance at December 31, 2005</b>	<b>200</b>	<b>72 063</b>	<b>140 552</b>	<b>398 833</b>	<b>611 648</b>
Net profit/(loss) for the period	-	-	-	315 615	<b>315 615</b>
<b>Balance at September 30, 2006</b>	<b>200</b>	<b>72 063</b>	<b>140 552</b>	<b>714 448</b>	<b>927 263</b>

*The accompanying notes are the essential part of these consolidated interim financial statements*

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### CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

*(Thousand Russian rubles)*

	For period ended September,30 2005	For period ended September,30 2006
<b>Cash flows from operating activities</b>		
Profit before income tax and minority interest	187 599	465 938
Adjustments for net profit		
Depreciation	31 420	28 005
Foreign exchange (gain)/loss	9 116	(31 716)
Interest income	(14 881)	(36 863)
Interest expense	20 169	67 588
Other income and expenses	16 499	36 032
<b>Operating profit before changes in working capital</b>	<b>249 922</b>	<b>528 984</b>
(Increase)/decrease in Accounts receivables	(811 800)	(798 569)
(Increase)/decrease in Inventories	(1 832 384)	(1 687 618)
Net growth of equipment purchased for leasing	(733)	(7 268)
(Increase)/decrease in Other assets	81 640	(120 099)
(Increase)/decrease in Accounts payable	2 172 272	4 027 299
(Increase)/decrease in Other liabilities	513 474	(81 842)
<b>Cash flows from operating activities</b>	<b>372 390</b>	<b>1 860 887</b>
Income tax paid	<b>(58 812)</b>	<b>(193 174)</b>
<b>Net cash from operating activities</b>	<b>313 578</b>	<b>1 667 713</b>
Amounts borrowed	2 698 203	2 109 528
Repayment of amounts borrowed	(1 312 792)	(1 152 631)
Amounts received from sale of investments	28 709	2 707 954
Investments purchase	(1 039 758)	(3 316 190)
Dividend paid to shareholders	(40 000)	-
Interest paid	(31 928)	(113 142)
<b>Net cash from financial activity</b>	<b>302 434</b>	<b>235 519</b>
Purchase of property, plant and equipment, intangible assets and construction in progress	(444 319)	(69 841)
Acquisition of property, plant and equipment, intangible assets and construction in progress	26 404	870
Proceeds from investment borrowings	(421 384)	(39 163)
Repayment of investment borrowings	413 348	17 802
Interest income received	12 548	27 887
<b>Net cash from investment activities</b>	<b>(413 402)</b>	<b>(62 445)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>202 610</b>	<b>1 840 787</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>34 895</b>	<b>242 160</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>237 505</b>	<b>2 082 947</b>

*The accompanying notes are the essential part of these consolidated interim financial statements.*

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
As at 30 of September, 2006**

*(Thousand Russian rubles)*

**1. Principal activities**

One of the largest building and industrial holdings of Saint-Petersburg – LenSpecSMU – was founded in 1987 as a private building company. The Holding specializes in mass house building under brick and monolith technology in the field of higher comfort and business-class housing.

At present the share of the building market falling on the objects erected by the holding "LenSpecSMU" constitutes around 11% of the whole building market of Saint-Petersburg. During 9 months of 2006 the Group constructed buildings of total area of 109 532,7 sq. m.

The Company performs the whole cycle of investment and building process – from projecting of real estate to its operation.

The parent company – Closed joint stock company Specialized Building and Assembly Association "LenSpecSMU" was registered under the Resolution of the Registration chamber of Saint-Petersburg dated 28.12.1995. The last edition of the Articles of Association was registered by the Resolution of the Registration chamber of Saint-Petersburg dated 25.06.2002.

CJSC Specialized Building and Assembly Association "LenSpecSMU" as well as its subsidiaries included into the Group of companies "LenSpecSMU" have the following licenses:

- Licenses for carrying out activity on building of edifices and constructions.
- Licenses for carrying out realty activity.
- Licenses for carrying out activity on operation of underground constructions.
- License for carrying out activity on projecting of underground constructions.
- License carrying out activity on projecting of edifices and constructions.
- License for carrying out loads transportation.

Main subsidiaries are: CJSC "AKTIV", CJSC "SPb MFTC", OJSC "SMU "Electronstroy" and CJSC "CUN".

Main associated companies are CJSC "LenSpecSMU-Reconstruciton", CJSC "Building materials factory "Etalon", CJSC "Energy company "Teplogarant", LLC "Orgtehrefstroy" and CJSC LSO.

The parent company and the subsidiaries are named hereinafter "Companies", "Group", "Group of companies", "Holding", "LenSpecSMU". Shareholders of the head company are individuals, citizens of the RF. The head office is located in Saint-Petersburg at the following address: Bogatyrskiy prospect, 2.

During 9 months of 2006 1 456 employees on average worked for the Company.



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### NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS As at 30 of September, 2006

*(Thousand Russian rubles)*

#### **2. Basis of preparation**

##### **General**

The accompanying consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and are represented in thousand Russian rubles ("thousand rubles"). The Russian ruble is utilized as measurement currency as the majority of the Company's operations are expressed, measured or paid in Russian rubles. Operations in other currencies are treated as transactions in foreign currencies.

Preparation of the financial statements requires from the head body certain estimates and assumptions in respect of amounts stated in the statements. Such estimates are based on the information known at the date of the financial statements. Actual results, therefore, may differ from such estimates.

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### NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS As at 30 of September, 2006

(Thousand Russian rubles)

#### 2. Basis of preparation (continued)

##### General principles (continued)

The Company must maintain accounting records and prepare financial statements for the purposes of regulating bodies in Russian rubles in accordance with the Russian Accounting Standards (RAS). The accompanying consolidated interim financial statements have been prepared on the basis of official accounting registers with the necessary adjustments and re-classifications of particular items to comply with the requirements of IFRS.

##### Consolidated subsidiaries

The consolidated financial statements include the following companies:

	Share	Total, assets	Equity	Net profit (loss) of the accounting period
CJSC "SPb MFTC"	61%	2 222 445	59 878	27 047
OJSC "SMU "Electronstroy"	88%	67 357	1 155	(1 211)
CJSC "AKTIV"	100%	499 752	362 952	(91)
CJSC "CUN"	40%	3 613 980	81 782	18 620
Amounts excluded at consolidation		(2 076 409)	(360 556)	(24 467)
<b>TOTAL</b>		<b>4 327 125</b>	<b>145 211</b>	<b>19 898</b>

In April, 2005 LenSpecSMU switched to a new scheme for housing construction investing – through executing preliminary sales agreements (PSA). As an agent responsible for attracting new investors LenSpecSMU appointed CJSC "CUN"

Also, in 2005 CJSC SSMO "LenSpecSMU" was a guarantor for bonded loan (01 series) issued by CJSC "CUN". Total number of securities allocated – 1 million pieces, one bond nominal value is 1000 rubles.

In 2006 CJSC "CUN" issued second bonded loan, total number of securities allocated - 1.5 million pieces, with nominal value 1000 rubles each in total amount of 1,5 milliard rubles. CJSC SSMO "LenSpecSMU" was also a guarantor.

The share of LenSpecSMU in the authorized capital of the company constitutes 40%, but the characteristics of relations between CJSC SSMO "LenSpecSMU" and CJSC "CUN" allows considering strong control and, as a consequence, to include CJSC "CUN" in the group of subsidiaries.

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## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS As at 30 of September, 2006

*(Thousand Russian rubles)*

### 2. Basis of preparation (continued)

#### Associated companies accounted using equity method

The companies recognized in accounting using equity method are listed below:

		2005	2005 (revised)		9 months 2006
	Equity of the company	Investments in associated companies	Investments in associated companies	Including the share of net profit for 9 months 2006	Investments in associated companies
CJSC "LenSpecSMU-Reconstruction"	25%	2 647	2 647	5 038	7 685
CJSC "Building materials factory "Etalon"	25%	5 140	5 140	2 072	7 212
CJSC "Energy company "Teplogarant"	30%	903	903	-	-
LLC "ORGTECHREMSTROY"	20%	509	509	348	857
CJSC "LSO"	20%	704	704	6	710
CJSC "CUN"		14 310	-	-	-
<b>Total</b>		<b>24 213</b>	<b>9 903</b>	<b>7 464</b>	<b>16 464</b>

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### NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS As at 30 of September, 2006

*(Thousand Russian rubles)*

#### **2. Basis of preparation (continued)**

Below are the main provisions of accounting policy in accordance with which these consolidated interim financial statements were prepared:

##### **Inflation accounting**

Under the resolution of international bodies regulating accounting and financial reporting, from 1 of January, 2003 the Russian Federation does not meet the criteria of hyperinflationary economy, stated by IAS 29.

Starting from 2003 and during the following years the Company did not apply IAS 29 to the current accounting periods and content itself with representation of the aggregate influence of indexation on hyperinflation till 31 of December, 2002 on non-monetary items of the financial statements. Monetary items and the results of its activity will be recognized in the amounts of actual nominal amounts.

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
As at 30 of September, 2006**

*(Thousand Russian rubles)*

**3. Significant accounting policies**

**Cash and cash equivalents**

Cash and cash equivalents are stated at fair value of cash inflows. Cash and cash equivalents include cash on hand, cash in banks and highly liquid investments with maturity date up to ninety days from the date of issue not charged with any agreed liabilities.

**Accounts receivable**

Accounts receivable represent amounts due from individuals and legal entities to the Company under settlements for not redeemed flats.

Other accounts receivable include settlements under rent agreements, settlements for shares in garage-building cooperatives and other settlements.

Accounts receivable are stated at cost less provision for impairment. The amount of provision is recognized directly in the income statement.

**Taxes recoverable**

Taxes recoverable comprise incoming value added tax (hereinafter – VAT) as well as debit balance for other taxes.

**Inventories**

For accounting of construction in progress the Group of companies "LenSpecSMU" applies IAS 2 "Inventories". This standard is used due to the inappropriateness of applying IAS 11 "Construction Contracts".

Rejection to apply IAS 11 is caused by the fact that the principal activities of the companies consolidated into the Holding are those of investor and customer-builder. Companies of the Holding invest in and organize construction and operation of typical housing but do not perform construction works under construction contracts. ..

Sales of construction objects are performed through execution of share participation agreements (SPA) with future owners of housing (shareholders) or through executing agreements of preliminary sale. (PSA).

Notwithstanding considerable differences in two schemes, risks associated with buildings being constructed are transferred to shareholders (buyers) after commissioning of a house by the State commission and registration of ownership rights over the housing being purchased by co-investors and shareholders. Till such moment housing and premises (including garages) under construction are accounted in LenSpecSMU books as inventories within "Production in process".

Inventories are evaluated at the lower of cost and net realizable value.

The cost of inventories comprises all costs of purchase, production costs and other related cost included in cost of finished goods.

Administrative expenses that do not contribute to bringing the inventories to their present condition as well as selling costs are not included in the cost of the inventories.

**Short-term investments**

Investments are accounted for in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". The Company determines the corresponding classification of investments at initial recognition and re-evaluates this designation at every reporting date if it is required under IAS.

Short-term investments comprise bills of exchange of banks and legal entities purchased for short-term financial investments and recognized at fair value. Changes in the fair value of short-term investments are recognized in the income statement.

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### NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS As at 30 of September, 2006

*(Thousand Russian rubles)*

#### 3. Significant accounting policies (continued)

##### Long-term investments

Long-term investments comprise long-term bills of exchange, investments in other companies' shares, interests in garage-building cooperatives as well as loans given to legal entities. Investments in shares and interests which do not have an active market are stated at cost. In case of permanent diminution of long-term investments value, the carrying amount of such investments is adjusted accordingly.

In performed consolidation long-term investments of CJSC SSMO "LenSpecSMU" in the authorized capitals of subsidiary and associated companies are eliminated in accordance with the requirements of IAS 27 "Consolidated financial statements and accounting of investments in subsidiaries".

##### Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation and impairment losses.

At each reporting date the Holding's management assesses whether there is any indication that any asset of Property, Plant and Equipment may be impaired. If any such indications exist, the Company estimates the recoverable amount of the asset which is the higher of its net realizable value and value in use. Depreciation of assets under construction and assets not commissioned for operation starts from the date when such assets are put into operation. Depreciation is calculated using a straight line method based on the following estimated useful lives:

	<u>Years</u>
Land	Not applicable
Buildings	25-30
Machinery and equipment	3-5
Other fixed assets	5

The carrying amount of assets included in Property, Plant and Equipment is reviewed at each reporting date in order to estimate whether their carrying amount is higher than their recoverable amount. In this case the carrying amount is reduced to its recoverable amount., The impairment loss is recognized in the income statement of the current accounting period within administrative and operating expenses.

Repair and reconstruction costs incurred for items of Property, Plant and Equipment are recognized in the income statement as incurred within other administrative and operating expenses in case when they are not capitalized in the structure of corresponding fixed asset value.

Stated above accounting policy provisions for the item "Property, Plant and Equipment " are extended on the Property, Plant and Equipment of CJSC "AKTIV" received from CJSC SSMO "LenSpecSMU" as a contribution to the authorized capital which CJSC "AKTIV" then passes over on rent conditions to the parent company as well as to other companies included into the "LenSpecSMU" group.

Increase of the value of Property, Plant and Equipment passed over to CJSC "AKTIV" following their revaluation was recognized in the structure of capital surplus in accordance with the requirements of IAS 16 "Property, Plant and Equipment" and IAS 36 "Impairment of Assets".

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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*(Thousand Russian rubles)*

**3. Significant accounting policies (continued)**

**Liabilities, accounts payable, deferred income**

In 2005 in RF there was adopted the Federal Law "On participation in share holding in building apartment houses and other real estate objects".

This law reinforces control over building and sales of houses under scheme of executing share participation agreements. Enterprises engaged in the field of construction and using share participation agreements starting from April, 2005 must:

- register each share participation agreement;
- define with high degree of accuracy the price of agreement and the order of its payment, warranty term of share building, amounts of forfeit for breach of obligations by the parties etc..

Such conditions complicate execution of new share participation agreements.

Therefore,, starting from April, 2005, LenSpecSMU started using new scheme for attracting financing for housing construction - execution of preliminary sale agreements. For agreements executed before 01.04.2005 the former scheme of share participation agreements is used.

In accordance with the agreement LenSpecSMU engages its subsidiary CJSC "CUN" as an agent responsible for attraction of buyers and preliminary sale agreements execution.

At finishing construction LenSpecSMU acquires ownership right over the building constructed and, the buyer having contributed 100% of prepayment, within 30 days executes sales agreement with such buyer and actually passes over the objects constructed to him.

In accordance with the share participation agreements investors-share holders invest in Holding LenSpecSMU paying advances intended for housing building. As building and assembly works are performed and commissioned by the customer-builder (Holding) the advances received from shareholders are attributed to the deferred income and included into the structure of short-term liabilities.

At finishing building, objects of building commissioning by the state commission, registration of ownership rights for housing by the share holders and passing over the objects of building to the respective owners there performed writing-off of the deferred income and advances received to the financial result for each object.

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
As at 30 of September, 2006**

*(Thousand Russian rubles)*

**3. Significant accounting policies (continued)**

**Deferred taxes**

Deferred taxes are calculated using the balance sheet liability method which is based on the concept of temporary differences. Temporary differences are differences between carrying amounts of assets and liabilities recognized in balance sheet and the amounts used for taxation purposes. In accordance with this method deferred taxes are recognized for all temporary differences except for some particular cases. The amount of deferred tax assets and deferred tax liabilities provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized.

**Share capital**

Share capital is stated at historical cost. Contributions to share capital in the form of assets other than cash are recognized at fair value on the date of contribution. Profits and losses from sales of shares redeemed from shareholders are attributed to or written-off from the additional paid-in capital account.

Ordinary dividends are recognized in equity in the period in which they are declared. Dividends declared after the balance sheet date are disclosed in the section "Post-Balance sheet events" according to IAS 10 "Events after the Balance sheet date".

**Recognition of operating income/expenses**

The proceeds from sales of built housing and other operating income and expenses are recognized in the same period. In accordance with IFRS 18 "Revenue" the revenue is recognized when substantially all risks are transferred to customer; the amount of revenue can be measured reliably; the amount of related costs can be measured reliably; it is probable that economic benefits will flow to the company.

All income received and expenses incurred are shown in these financial statements separately net of VAT.

**Net finance costs**

Interest income and interest expense are recognized using accrual concept and are calculated using effective interest rate method.



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Group of companies "LenSpecSMU"

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### NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS As at 30 of September, 2006

*(Thousand Russian rubles)*

#### 4. Cash and cash equivalents

As at 30 of September cash and cash equivalents consist of the following items:

	At December,31 2005	At September,30 2006
Cash	24 375	442 727
Cash on hand	1 406	16 987
Current and settlement accounts	22 969	425 740
Cash equivalents	<u>217 785</u>	<u>1 640 220</u>
Deposits	203 385	1 640 220
Other cash equivalents	14 400	-
<b>TOTAL</b>	<b><u>242 160</u></b>	<b><u>2 082 947</u></b>

#### 5. Financial assets (short-term)

As at 30 of September the financial assets included held-to-maturity investments, financial investments available for sale as well as loans given:

	At December,31 2005	At September,30 2006
<b>Financial assets (short-term)</b>	-	<b>488 000</b>
Deposits	-	488 000
<b>Available-for-sale financial assets (AFS) (short-term)</b>	<b>15</b>	-
Other financial investments	15	-
<b>Loans given</b>	<b>18 519</b>	<b>27 371</b>
Loans given to legal entities	18 519	27 371
<b>TOTAL</b>	<b><u>18 534</u></b>	<b><u>515 371</u></b>

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#### 6. Accounts receivable, VAT and taxes recoverable

As at 30 of September accounts receivable of the Company consisted of the following items:

	At December,31 2005	At September,30 2006
<b>Accounts receivable (short-term)</b>	<b>1 369 922</b>	<b>2 455 435</b>
<b>Accounts receivable for the principal activities</b>	<b>350 032</b>	<b>691 539</b>
Accounts receivable for the principal activities	343 036	691 539
Accounts receivable accompanied by promissory notes	6 996	-
<b>Advances paid</b>	<b>214 181</b>	<b>510 285</b>
Advances to suppliers for the principal activities	181 682	508 895
Advances for purchase of equipment and capital construction	32 499	1 390
<b>Other accounts receivable and advances given</b>	<b>822 702</b>	<b>1 277 076</b>
<b>Bad debt provision (-)</b>	<b>(16 993)</b>	<b>(23 465)</b>
<b>Accounts receivable (long-term)</b>	<b>129 127</b>	<b>37 184</b>
Principal activities accounts receivable	17 024	31 401
<b>Other accounts receivable</b>	<b>112 103</b>	<b>5 783</b>
<b>TOTAL</b>	<b>1 499 049</b>	<b>2 492 619</b>

Accounts receivable for the principal activities occur in sales of property shares, flats built and works performed. Short-term accounts receivable have the following structure:

- Accounts receivable under investment agreements – **691 539** thousand rubles,
- Accounts receivable under other agreements – **1 787 361** thousand rubles.

Accounts receivable under other agreements includes advances given for the amount of **510 285** thousand rubles and other accounts receivable.

The major debtors for advances given are LenEnergO, Saint-Petersburg electricity networks, Energogarant - settlements for electricity, advances for technical opportunity providing of connection to electrical networks, and also for cable system of energy supply construction.

Other accounts receivable in the amount of **1 277 076** thousand rubles include settlements under rent agreements, settlements for shares in GBC and other settlements.

VAT and taxes recoverable:

	At December,31 2005	At September,30 2006
VAT	18 002	5 156
Recoverable taxes (other than VAT)	5 658	82 978
<b>VAT and recoverable taxes</b>	<b>23 660</b>	<b>88 134</b>

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#### 7. Inventories

As at 30 of September the inventories of the Company included the following items:

	At December,31 2005	At September,30 2006
<b>Raw materials</b>	<b>47 304</b>	<b>33 672</b>
Under approved nomenclature	41 467	31 969
Scrap metal	8 998	-
Metal-roll (armature, angle bars, metal bars, etc.)	10 836	2 763
Materials for inside furnishing	166	1 230
Wood Boards, Low density wood boards	957	850
Special clothing	172	257
Instruments	166	224
Inventories and utilities	7 011	7 974
Cement	2 735	128
Sand	114	175
Concrete and reinforced concrete items	2 648	7
Other	7 663	18 361
<b>Fuel</b>	<b>1 051</b>	<b>83</b>
<b>Tare and tare materials</b>	<b>1 130</b>	<b>1</b>
<b>Spare parts</b>	<b>2 719</b>	<b>1 354</b>
<b>Other raw materials</b>	<b>939</b>	<b>265</b>
<b>Work in process</b>	<b>5 760 339</b>	<b>7 075 675</b>
including construction in progress and garage building objects	4 924 074 836 265	6 821 323 254 352
<b>Finished products and goods for re-sale</b>	<b>1 108 464</b>	<b>1 494 378</b>
Under approved nomenclature	1 108 464	1 494 378
Food products	-	47
Secondary market flats	16 445	9 407
Own flats	853 170	1 246 082
Built-in premises	232 678	232 965
Inventories and utilities	2 500	-
Concrete and reinforced concrete items	671	1 889
Other	3 000	3 988
<b>TOTAL</b>	<b>6 916 107</b>	<b>8 603 725</b>

While the structure and cost of raw materials for 9 months of 2006 did not considerably exceed the level of 2005, the amount of finished goods grew due to the growth of volumes of own flats for sale on the housing market.

For 9 months of 2006 the volume of construction in progress also increased.

Therefore, comparison of inventories for two accounting periods showed almost doubling of construction volumes.

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The construction in progress includes flats in progress, infrastructure objects and objects of production purpose.

Objects of construction in progress in total amount of **7 075 675** thousand rubles are situated in following addresses:

	2005			9 months 2006		
	Housing construction objects	Garage building objects	Work in process	Housing construction objects	Garage building objects	Work in process:
Morskoy fasad, Morskoy Kaskad	1 060 445	453 850	1 514 295	48 574	-	48 574
Lanskoy block	17 921	4 340	22 261	17 984	-	17 984
Zhivoy rodnik (1, 2, 3 turn, infrastructure objects)	31 995	29 900	61 895	38 418	-	38 418
Grazhdanka-CITY	395 575	38 215	433 790	888 575	-	888 575
V. O. Birzhevaya linia, 12	1 025 365	146 577	1 171 942	1 618 583	-	1 618 583
House on Serebrystiy	5 368	-	5 368	3 351	-	3 351
Infrastructure objects	95 803	-	95 803	302 063	-	302 063
House in Ozerki	7 156	-	7 156	7 597	-	7 597
Zolotaya Gavan'	-	-	-	-	-	-
Ol'minskogo st.	1 515 931	132 256	1 648 187	1 961 734	199 165	2 160 899
House on Avangardnaya st.	8 101	-	8 101	3 980	-	3 980
Housing complex "Yuzhniy"	252 672	17 911	270 583	424 984	14 203	439 187
Novoye sozvezdiye	5 368	-	5 368	-	-	-
Other	88 597	-	88 597	189 178	-	189 178
Morskoy fasad, Morskoy Kaskad	147 217	-	147 217	469 662	30 284	499 947
Lanskoy block	266 560	13 216	279 776	846 639	10 700	857 339
<b>Total:</b>	<b>4 924 074</b>	<b>836 265</b>	<b>5 760 339</b>	<b>6 821 323</b>	<b>254 352</b>	<b>7 075 675</b>

Object comparison for 2005 and 9 months of 2006 shows that the largest object of building in 2006 were "Zolotaya Gavan'" and "Birzhevaya linia".

Flats redeemed for further re-sale (in particular – at the secondary market) for the amount of 9 407 thousand rubles as well as built at Holding's own account or at account of saved funds of depositors for the amount of 1 246 082 thousand rubles are included in the structure of finished production and goods for re-sale.

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#### 8. Other assets, liabilities

	At December,31 2005	At September,30 2006
<b>Other current assets</b>	<b>38 417</b>	<b>161 803</b>
Other current assets	30 752	-
Prepaid expenses	7 665	161 803
<b>Other non-current assets</b>	<b>3 287</b>	<b>-</b>
<b>Other short-term liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL Other assets</b>	<b>41 704</b>	<b>161 803</b>

Prepaid expenses constitute advances paid in the current period which relate to future periods and include the following: insurance, subscription, agency services with relation to Share Participation Agreements and other expenses.

Prepaid expenses have the following structure

	At December,31 2005	At September,30 2006
<b>Prepaid expenses</b>	<b>7 665</b>	<b>161 803</b>
Subscription	-	86
Insurance	-	3 773
Agency services with relation to Share Participation Agreements	-	122 326
Other expenses	7 665	35 618

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#### 9. Property, Plant and Equipment, intangible assets and capital construction in progress

The movement of Property, Plant and Equipment during 9 months of 2006 was as follows:

	TOTAL	Land	Buildings and facilities	Machinery and equipment	Vehicles	Devices and installations	Other FA	Construction in progress
Cost as at 31 of December, 2005	754 230	459 337	143 876	114 134	5 657	15 692	9 153	6 381
Errors of past periods	(20 605)	-	-	(20 411)	-	724	(918)	-
Cost as at 31 of December, 2005 (revised)	733 625	459 337	143 876	93 723	5 657	16 416	8 235	6 381
<b>Total, additions</b>	<b>152 913</b>	<b>374</b>	<b>85 142</b>	<b>39 332</b>	<b>14 564</b>	<b>3 927</b>	<b>2 306</b>	<b>7 268</b>
Putting into operation (additions of property, plant and equipment)	85 033	374	34 926	29 979	14 564	2 893	2 297	-
Construction at its own cost and expense	7 268	-	-	-	-	-	-	7 268
Assets acquisition	60 612	-	50 216	9 353	-	1 034	9	-
<b>Total, disposals</b>	<b>(65 616)</b>	<b>-</b>	<b>(45 185)</b>	<b>(7 675)</b>	<b>(5 483)</b>	<b>-</b>	<b>(892)</b>	<b>(6 381)</b>
<b>Sold (passed over free of charge)</b>	<b>(4 820)</b>	<b>-</b>	<b>(1 198)</b>	<b>(3 337)</b>	<b>(164)</b>	<b>-</b>	<b>(121)</b>	<b>-</b>
<b>Putting into operation</b>	<b>(60 796)</b>	<b>-</b>	<b>(43 987)</b>	<b>(4 338)</b>	<b>(5 319)</b>	<b>-</b>	<b>(771)</b>	<b>(6 381)</b>
Transfer into other assets structure	(55 844)	-	(41 302)	(2 817)	(4 689)	-	(655)	(6 381)
Liquidation, writing-off	(4 952)	-	(2 685)	(1 521)	(630)	-	(116)	-
Cost as at 30 of September, 2006	820 922	459 711	183 833	125 380	14 738	20 343	9 649	7 268
Accumulated depreciation as at 31 of December, 2005	(114 295)	-	(6 711)	(90 065)	(2 988)	(9 655)	(4 876)	-
Errors of past periods	20 618	-	-	20 191	-	294	133	-
Accumulated depreciation as at 31 of December, 2005 (revised)	(93 677)	-	(6 711)	(69 874)	(2 988)	(9 361)	(4 743)	-
Accumulated depreciation for the period	(34 721)	-	(14 947)	(10 291)	(1 180)	(7 551)	(752)	-
Depreciation on disposals	6 716	-	3 367	3 326	-	-	23	-
Accumulated depreciation as at 30 of September, 2006	(121 682)	-	(18 291)	(76 839)	(4 168)	(16 912)	(5 472)	-
Net book value as at 31 of December, 2005	639 948	459 337	137 165	23 849	2 669	7 055	3 492	6 381
Net book value as at 30 of September, 2006	699 240	459 711	165 542	48 541	10 570	3 431	4 177	7 268

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#### 9. Property, plant & equipment and capital construction in progress objects (continued)

Net book value of Company's Property, Plant and Equipment constitutes 699 240 thousand rubles.

During restatement of financial statements it was resolved to re-classify construction in progress of companies CJSC SSMO "LenSpecSMU" and CJSC "SPb MFTC" from the structure of construction in progress to the structure of goods in process due to resolution to use IAS 18 "Revenue" instead of using IAS 11 "Construction contracts" for accounting of the principal activities of the above-mentioned companies.

The amount of re-classification constituted **7 075 675** thousand rubles.

Intangible assets as at 30 of September, 2006 constitute **637** thousand rubles and include licenses for performance of different construction works. Impairment of licenses was not performed.

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#### 10. Property for lease

Property for lease represents Property, Plant and Equipment contributed by CJSC SSMO "LenSpecSMU" to the authorized capital of CJSC "AKTIV". Since in essence it is redistribution of assets within group companies, the requirements of IAS 17 "Leases" were not applied to the affiliated companies.

Settlements for lease as well as lease payments in the structure of profits and losses account were adjusted for the amount of unrealised profit formed within group companies.

As at 30 of September, 2006 the residual value of assets for lease constituted **191 759** thousand rubles. Mainly, CJSC "AKTIV" and CJSC "SPb MFTC" provide assets for lease and these assets for lease by CJSC "AKTIV" cover 97% of the total amount of assets for lease. The largest ratio is taken by item "Buildings and constructions". Mainly it represents office premises to affiliated companies by CJSC "AKTIV" for the total amount of **150 547** thousand rubles.

The second by value is item "Machines and equipment" representing mainly letting decking for lease. As at 30 of September, 2006 the amount constituted **20 487** thousand rubles.

	Total	Buildings and facilities	Machinery and equipment	Vehicles	Other FA
<b>Related parties</b>					
Cost as at 30 of September, 2006	98 262	60 274	37 159	-	829
Accumulated depreciation as at 30 of September, 2006	(36 172)	(10 179)	(25 562)	-	(431)
Net book value as at 30 of September, 2006	62 090	50 095	11 597	-	398
<b>Other companies</b>					
Cost as at 30 of September, 2006	181 187	104 817	35 270	19 658	21 442
Accumulated depreciation as at 30 of September, 2006	(51 518)	(4 365)	(26 380)	(7 034)	(13 739)
Net book value as at 30 of September, 2006	129 669	100 452	8 890	12 624	7 703
<b>Total FA Leased</b>					
Cost as at 30 of September, 2006	279 449	165 091	72 429	19 658	22 271
Accumulated depreciation as at 30 of September, 2006	(87 690)	(14 544)	(51 942)	(7 034)	(14 170)
Net book value as at 30 of September, 2006	191 759	150 547	20 487	12 624	8 101



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#### 11. Financial assets (long-term)

As at 30 of September, 2006 financial assets were represented by financial investments available for sale as well as loans given:

	At December,31 2005	At December,31 2005 (revised)	At September,30 2006
Long-term investments	-	-	4 369
Investments in affiliated companies	24 213	9 903	16 464
Financial investments available for sale (AFS) (long-term)	7 296	7 296	50 443
Loans given	31 549	31 549	24 620
<b>TOTAL LONG-TERM FINANCIAL INVESTMENTS</b>	<b>63 058</b>	<b>48 748</b>	<b>95 896</b>

Long-term loans given include loan given to LLC "Severnaya vysota and Co" in the amount of 10 205 thousand rubles, Leasing Telecom in amount of 15 747 thousand rubles and other loans given.

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#### 12. Liabilities

	At December,31 2005	At September,30 2006
<b>Short-term liabilities</b>	<b>4 227 285</b>	<b>7 222 054</b>
Payables to suppliers and contractors	1 000 055	431 368
Advances received	30 162	3 098 700
Liabilities on promissory notes issued	-	83 989
Deferred income (prepayments from clients)	3 102 682	3 574 313
Short-term liability for taxes payable	94 386	33 684
<b>Other short-term liabilities</b>	<b>489 868</b>	<b>1 290 627</b>
Other liabilities and accrued expenses	464 045	1 276 609
Dividend payable	728	2 655
Payables to personnel and accompanying liabilities	25 095	11 363
<b>Long-term liabilities</b>	<b>2 721 420</b>	<b>2 795 005</b>
Long-term liabilities for purpose financing (prepayments from clients)	2 672 053	2 795 005
Other long-term liabilities	49 367	-
<b>TOTAL</b>	<b>6 948 705</b>	<b>10 017 059</b>

Short-term liabilities in the amount of **7 222 054** thousand rubles includes settlements with suppliers and contractors for raw materials, services of building nature.

Received advances in the amount of **3 098 700** thousand rubles are represented by advances received by the Holding from flats purchasers under sales- purchase agreements.

Funds received by the Holding from shareholders under share participation agreements (SHA) as at 30 of September, 2006 was **6 369 318** thousand rubles.

As construction and assembly works are performed and commissioned by customer-builder (Holding) according to the act of works performed, the funds invested by shareholders are included in deferred income.

Funds invested by shareholders are included in the structure of deferred income in accordance with actually performed volume of construction. The amount included in deferred income equals to the volume of construction and assembly works performed by contractors and accepted by LenSpecSMU in accordance with acts of works performed and VAT at corresponding rate. For 9 months of 2006 the rate of VAT was 18%.

	At December,31 2005	At September,30 2006
Deferred income (prepayments from clients)	3 102 682	3 574 313
Long-term liabilities under purpose financing (prepayments from clients)	2 672 053	2 795 005
<b>TOTAL funds invested by share holders under share participation agreements</b>	<b>5 774 735</b>	<b>6 369 318</b>

Writing-off of deferred income and long-term liabilities is performed as the object is commissioned by the state commission and the ownership rights of shareholders are registered.

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#### 13. Taxation

Income tax expenses of the Company consist of the following items:

	At December,31 2005	At September,30 2006
Current income tax	(126 571)	(132 472)
Deferred income tax	(16 186)	3 722
<b>TOTAL income tax</b>	<b>(142 757)</b>	<b>(128 750)</b>

Parent company as well as its subsidiaries and affiliated companies must file separate tax returns. The applicable rate of corporate income tax for Russian companies constitutes 24%.

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#### 14. Borrowings

As at 30 of September, 2006 borrowings of LenSpecSMU can be represented as follows:

Long-term borrowings are represented by loan received from Trade Bank of Amsterdam in amount of **320 998** thousand rubles.

(a)

	<b>Total, borrowings</b>	<b>Investment borrowings</b>
Balance at the beginning of the period (principal amount), transient	540 862	540 862
<b>Balance at the beginning of the period (principal amount)</b>	<b>540 862</b>	<b>540 862</b>
Received (principal amount)	576 360	576 360
Repaid (principal amount)	(796 224)	(796 224)
<b>Balance at the end of the period (principal amount)</b>	<b>320 998</b>	<b>320 998</b>
Balance at the beginning of the period (interest), transient	29	29
<b>Balance at the beginning of the period (interest)</b>	<b>29</b>	<b>29</b>
Charged for the period (interest)	34 973	34 973
Paid up (interest)	(35 002)	(35 002)
<b>Balance at the end of the period (interest)</b>	<b>-</b>	<b>-</b>
<b>Balance at the end of the period (principal amount) in the following currencies</b>	<b>320 998</b>	<b>320 998</b>
Russian rubles borrowings	-	-
US dollars borrowings	320 998	320 998
<b>Total, borrowings (principal amount) at the end of period</b>	<b>320 998</b>	<b>320 998</b>
Payables within 12 months after the balance sheet date (principal amount) at the end of the period	91 484	91 484
Payables within 2 years after the balance sheet date (principal amount) at the end of the period	65 591	65 591
Payables within 3 years after the balance sheet date (principal amount) at the end of the period	65 591	65 591
Payables within 4 years after the balance sheet date (principal amount) at the end of the period	65 591	65 591
Payables within 5 years after the balance sheet date (principal amount) at the end of the period	32 741	32 741
<b>Total, borrowings (interest) at the end of the period</b>	<b>-</b>	<b>-</b>
Payables within 12 months after the balance sheet date (interest) at the end of the period	-	-

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In the period of 9 months of 2006 CJSC SSMO "LenSpecSMU" was a guarantor for second bonded loan given by CJSC "CUN". Total number of securities allocated – 1,5 million pieces, one bond nominal value is 1000 rubles.

The bonded loan as well as other loans can be represented as follows:

**(b)**

	<b>Total borrowings</b>
<b>Balance at the beginning of the period (principle amount)</b>	<b>1 000 000</b>
Received (principle amount)	1 533 168
Repaid (principal amount)	(356 407)
<b>Balance at the end of the period (principle amount)</b>	<b>2 176 761</b>
<b>Balance at the beginning of the period (interest)</b>	<b>27 600</b>
Charged for the period (interest)	11 685
Capitalized (interest)	105 756
Paid up (interest)	(78 140)
<b>Balance at the end of the period ( interest)</b>	<b>66 901</b>
<b>Balance at the end of the period (principal amount) in the following currencies:</b>	<b>2 176 761</b>
Russian rubles	2 176 761
<b>Balance at the end of the period (principal amount and interest)</b>	<b>2 243 662</b>

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#### 15. Revenue

	3 months ended September 30, 2005	9 months 2005	3 months ended September 30, 2006	9 months 2006
Commissioning of construction objects	43 580	1 642 402	11 546	1 939 261
Flats of the secondary market	147	989	4 164	8 410
Own flats	13 032	45 093	158 154	455 917
Built-in premises	-	77	41 312	147 581
Customer function	2 475	7 568	9 363	17 307
Rent	22 289	59 162	30 620	110 197
Building and assembly works and other services	8 659	16 756	78 402	79 722
Agent's services	15 590	82 475	62 187	193 765
Inventories sales	5 170	10 776	26 714	59 528
Other production, goods	32 316	109 670	27 170	80 183
<b>TOTAL proceeds from sales</b>	<b>143 258</b>	<b>1 974 968</b>	<b>449 632</b>	<b>3 091 871</b>

For 9 months of 2006, as compared with 9 months of 2005, the absolute value of proceeds and corresponding cost of sales increased twice. At the same time the gross profit in 9 months of 2006 also increased twice.

This fact evidences that in 2006 the profitability of objects commissioned remained at the level of 2005 year.

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#### 16. Cost of sales

	3 months ended September 30, 2005	9 months 2005	3 months ended September 30, 2006	9 months 2006
<b>Cost of production</b>	<b>42 799</b>	<b>1 589 879</b>	<b>226 165</b>	<b>2 230 262</b>
Materials (brick, metal roll, concrete and r/concrete items, utilities, etc.)	15 042	50 590	36 624	83 500
Commissioning of objects of building	-	1 462 049	2 127	1 529 714
Own flats	11 737	35 981	92 650	338 469
Flats of the secondary market	-	1 070	-	7 038
Rent	-	-	-	22 073
Built-in premises	-	316	-	124 323
Building and assembly works	6 668	20 333	66 066	88 456
Agent's services	6 893	12 184	28 653	30 564
Other costs (works, services)	588	2 310	-	5 163
Other material costs	1 871	5 046	45	962
<b>Energy (electric and heat)</b>	<b>541</b>	<b>2 648</b>	<b>473</b>	<b>1 938</b>
<b>Water</b>	<b>59</b>	<b>564</b>	<b>102</b>	<b>270</b>
<b>Wages and other payments to personnel</b>	<b>34 103</b>	<b>91 409</b>	<b>95 363</b>	<b>202 421</b>
<b>Depreciation</b>	<b>10 159</b>	<b>31 375</b>	<b>9 351</b>	<b>27 386</b>
<b>Insurance</b>	<b>333</b>	<b>1 051</b>	<b>602</b>	<b>691</b>
<b>Other expenses</b>	<b>18 497</b>	<b>48 875</b>	<b>49 077</b>	<b>62 254</b>
Rent services	-	-	-	-
Transportation services	1 108	2 543	4 637	7 397
Advisory, legal, audit and other professional services	8 716	21 583	10 200	10 308
Storage services	5	8	13	38
Documents registration	5	468	2 467	2 529
Repair and maintenance	4 454	6 693	5 613	5 911
Personnel expenses (staff recruitment expenses, insuring personnel, training personnel, food)	469	823	589	2 876
Office and computer hardware maintenance	341	1 311	344	1 236
Office and poligraphy expenses	122	480	255	554
Maintenance expenses	1 156	3 833	23 063	24 226
Communication services	-	-	1 675	1 865
Management expenses	1 824	6 440	-	-
Other	297	4 693	221	5 314
<b>TOTAL cost of sales</b>	<b>106 491</b>	<b>1 765 801</b>	<b>381 133</b>	<b>2 525 222</b>

## Original in the Russian language

Group of companies "LenSpecSMU"

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*(Thousand Russian rubles)*

#### 17. Selling and administrative expenses

Selling and administrative and operating expenses for 9 months of 2006 included the following items:

	3 months ended September 30, 2005	9 months 2005	3 months ended September 30, 2006	9 months 2006
<b>Selling expenses</b>	<b>680</b>	<b>14 669</b>	<b>5 900</b>	<b>5 971</b>
Advertisement and marketing	680	14 619	5 900	5 971
Other	-	50	-	-
<b>General and administrative expenses</b>	<b>4 154</b>	<b>12 810</b>	<b>11 074</b>	<b>26 945</b>
Wages and other payments to personnel	2 318	5 310	5 736	14 970
Amortization	-	45	225	619
Raw materials	-	-	-	1 077
Office and polygraph expenses	-	-	7	22
Business-trip expenses	-	-	-	-
Personnel expenses (staff recruitment expenses, insuring personnel, training personnel, food)	-	133	-	102
Advisory, legal, audit and other professional services	-	1	2 310	2 545
Informational (subscription, satellite TV and other)	-	95	-	-
Insurance expenses	-	-	-	3
Communication services	-	-	41	94
Transport	-	-	60	67
Office and computer hardware maintenance	-	-	119	297
Guarding services	-	-	-	-
Repair and maintenance	-	-	-	69
Other	1 836	7 226	2 576	7 080



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*(Thousand Russian rubles)*

#### 18. Other operating income and expenses

	3 months ended September 30, 2005	9 months 2005	3 months ended September 30, 2006	9 months 2006
<b>Total, operating income/expenses</b>	<b>36 402</b>	<b>18 888</b>	<b>(6 124)</b>	<b>(72 453)</b>
Income/expenses from sale of assets	39 798	26 481	19 342	34 080
Reserves recovery/creation	-	(900)	-	(4 561)
Income from participation in other organizations	100	11 143	1 121	10 335
Services of social nature	-	-	-	(2 840)
Expenses for social field support	(280)	(679)	(3 737)	(4 914)
Fees, fines, forfeits	579	745	(154)	301
Liquidation and written-off of assets	381	466	-	-
Expenses on liquidation founded companies	-	-	-	(41 667)
Write-off of liabilities/accounts receivable	-	(873)	(2)	(29)
Guaranties	-	-	(8 954)	(10 340)
Charity and donation	(2 041)	(9 659)	(312)	(3 287)
Bank commissions	(528)	(3 239)	(4 111)	(9 814)
Other	(1 607)	(4 597)	(9 317)	(39 717)

#### 19. Net financing costs

	3 months ended September 30, 2005	9 months 2005	3 months ended September 30, 2006	9 months 2006
<b>Total, net financing costs</b>	<b>(3 846)</b>	<b>(14 404)</b>	<b>712</b>	<b>991</b>
Interest income	6 521	14 881	15 521	36 863
Interest expense	(12 033)	(20 169)	(19 428)	(67 588)
Foreign exchange gain/(loss)	(884)	(514)	(141)	1 848
Foreign exchange differences	2 550	(8 602)	4 760	29 868

#### 20. Related party transactions

There have been no considerable operations with related parties other than those mentioned in the financial statements during 9 months of 2006.

#### 21. Events after the Balance sheet date

After the balance sheet date on 22 December 2006 the International rating agency Standard&Poor's awarded CJSC SSMO "LenSpecSMU" a long-term credit rating 'B' which forecasts stability and Russian national scale rating 'ruA-'. The rating 'ruA-' was awarded the first bonded loan (01 series) and the second bonded loan (02 series), both allocated by CJSC "CUN" and guaranteed by CJSC SSMO "LenSpecSMU".