OJSC LSR Group

Consolidated Interim Financial Statements for the six-month period ended 30 June 2013

Contents

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Auditors' Report on Review of Consolidated Interim Financial Statements

To the Board of Directors

OJSC LSR Group

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of OJSC LSR Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2013, and the related consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (the "consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity: Open Joint Stock Company Group LSR

Registered in the Unified State Register of Legal Entities on 14 August 2006 by Saint Petersburg Inter-Regional Tax Inspectorate No.15 of the Federal Tax Service of the Russian Federation, Registration No. 5067847227300, Certificate series 78 No. 005984878.

36, Kazanskaya street, Saint Petersburg, Russia, 190031

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

ZAO KPMG (North-West Regional Center) registered by the Saint Petersburg Registration Chamber on 13 June 1997, Registration No. 74620

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2013, and its financial performance and its cash flows for the six - month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Mr. Yagnov I.A., Director of ZAO KPMG North-West Regional Center, (power of attorney dated 27 October 2011)

ZAO KPMG

28 August 2013

Saint Petersburg, Russian Federation

		Six months ended 30 June			
		2013	**2012**	**2013**	**2012**
	Note	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**
Revenue		27,508,238	22,680,804	886,878	740,259
Cost of sales		(19,149,748)	(16,194,630)	(617,394)	(528,562)
Gross profit		8,358,490	6,486,174	269,484	211,697
Distribution expenses		(2,069,799)	(2,016,216)	(66,729)	(65,806)
Administrative expenses	7	(2,569,522)	(2,335,227)	(82,846)	(76,217)
Other income	8	98,335	205,100	3,170	6,694
Other expenses	8	(54,897)	(33,442)	(1,770)	(1,092)
Results from operating activities		3,762,607	2,306,389	121,309	75,276
Finance income	10	241,846	205,480	7,797	6,706
Finance costs	10	(2,587,776)	(2,050,887)	(83,431)	(66,936)
Profit before income tax		1,416,677	460,982	45,675	15,046
Income tax expense	11	(471,403)	(201,323)	(15,199)	(6,571)
Profit for the period		945,274	259,659	30,476	8,475
Other comprehensive income / (loss)					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		54,565	(2,723)	1,759	(88)
Items that will never be reclassified to profit or loss:					
Foreign currency translation difference		-	-	(131,301)	(27,768)
Total comprehensive income/ (loss) for the period		999,839	256,936	(99,066)	(19,381)

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 103.

		Six months ended 30 June			
		2013	**2012**	**2013**	**2012**
	Note	**'000 RUB**	**'000 RUB**	**'000 USD**	**'000 USD**
Profit attributable to:					
Shareholders of the Company		920,732	311,232	29,685	10,158
Non-controlling interest		24,542	(51,573)	791	(1,683)
Profit for the period		945,274	259,659	30,476	8,475
Total comprehensive income attributable to:					
Shareholders of the Company		975,297	308,509	(99,857)	(17,698)
Non-controlling interest		24,542	(51,573)	791	(1,683)
Total comprehensive income/ (loss) for the period		999,839	256,936	(99,066)	(19,381)
Basic and diluted earnings per share	24	8.94 RUB	3.02 RUB	0.29 USD	0.10 USD

These consolidated interim financial statements were approved by management on 28 August 2013 and were signed on its behalf by:

A.I. Vakhmistrov
Chief Executive Officer

D.V. Kutuzov
Chief Financial Officer

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 103.

	Note	30 June 2013 '000 RUB	31 December 2012 '000 RUB	30 June 2013 '000 USD	31 December 2012 '000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	13	40,251,090	39,907,439	1,230,581	1,313,926
Intangible assets	14	4,904,362	4,948,589	149,940	162,929
Investment property under development	15	152,731	152,731	4,670	5,028
Investment property	16	675,600	675,600	20,655	22,244
Other investments	17	3,622	146,740	110	4,832
Deferred tax assets	18	2,257,226	1,731,791	69,009	57,018
Trade and other receivables	20	145,184	132,754	4,439	4,372
Restricted cash	22	91,037	476,883	2,783	15,701
Total non-current assets		48,480,852	48,172,527	1,482,187	1,586,050
Current assets					
Other investments	17	256,850	191,536	7,853	6,305
Inventories	19	70,302,082	66,497,314	2,149,320	2,189,376
Income tax receivable		169,715	146,679	5,189	4,829
Trade and other receivables	20	21,175,033	18,802,155	647,375	619,048
Cash and cash equivalents	21	4,071,628	3,967,086	124,480	130,613
Restricted cash	22	9,265	563	283	19
Total current assets		95,984,573	89,605,333	2,934,500	2,950,190
Total assets		144,465,425	137,777,860	4,416,687	4,536,240

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 103.

	Note	30 June 2013 '000 RUB	31 December 2012 '000 RUB	30 June 2013 '000 USD	31 December 2012 '000 USD
EQUITY AND LIABILITIES					
Equity	23				
Share capital		34,577	34,577	1,241	1,241
Share premium		26,408,386	26,408,386	959,987	959,987
Additional paid in capital		16,704,881	16,697,997	645,541	645,319
Foreign currency translation reserve		48,657	(5,908)	(315,695)	(186,153)
Retained earnings		12,293,812	13,433,684	401,688	438,438
Total equity attributable to shareholders of the Company		55,490,313	56,568,736	1,692,762	1,858,832
Non-controlling interest		(12,883)	132,763	3,329	8,025
Total equity		55,477,430	56,701,499	1,696,091	1,866,857
Non-current liabilities					
Loans and borrowings	25	33,524,883	33,948,989	1,024,944	1,117,747
Deferred tax liabilities	18	1,399,654	1,447,003	42,791	47,642
Trade and other payables	27	60,367	185,218	1,845	6,098
Provisions	26	19,651	16,361	601	538
Total non-current liabilities		35,004,555	35,597,571	1,070,181	1,172,025
Current liabilities					
Loans and borrowings	25	9,408,525	5,525,669	287,643	181,929
Income tax payable		359,939	901,016	11,004	29,665
Trade and other payables	27	44,014,397	38,708,838	1,345,636	1,274,462
Provisions	26	200,579	343,267	6,132	11,302
Total current liabilities		53,983,440	45,478,790	1,650,415	1,497,358
Total liabilities		88,987,995	81,076,361	2,720,596	2,669,383
Total equity and liabilities		144,465,425	137,777,860	4,416,687	4,536,240

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 103.

	Six months ended 30 June			
	2013	**2012**	**2013**	**2012**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
OPERATING ACTIVITIES				
Profit for the period	945,274	259,659	30,476	8,475
Adjustments for:				
Depreciation and amortisation	1,517,101	1,216,777	48,912	39,713
(Gain) / loss on disposal of property, plant and equipment	(11,646)	23,995	(375)	783
Gain on disposal of subsidiaries (note 6)	(454)	(49,032)	(15)	(1,600)
Loss on other assets	54,897	-	1,770	-
Net finance costs	2,345,930	1,845,407	75,634	60,230
Income tax expense	471,403	201,323	15,198	6,571
Operating profit before changes in working capital and provisions	5,322,505	3,498,129	171,600	114,172
Increase in inventories	(3,735,065)	(3,274,013)	(120,420)	(106,858)
Increase in trade and other receivables	(2,438,261)	(6,054,048)	(78,611)	(197,593)
Increase in trade and other payables	5,670,355	12,761,325	182,815	416,507
(Decrease) / increase in provisions	(139,398)	26,790	(4,494)	874
Cash flows from operations before income taxes and interest paid	4,680,136	6,958,183	150,890	227,102
Income taxes paid	(1,571,792)	(506,040)	(50,675)	(16,516)
Interest paid	(2,169,380)	(1,923,907)	(69,942)	(62,793)
Cash flows from operating activities	938,964	4,528,236	30,273	147,793

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 103.

	Six months ended 30 June			
	2013	**2012**	**2013**	**2012**
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	99,170	241,264	3,197	7,874
Interest received	92,436	93,513	2,980	3,052
Acquisition of property, plant and equipment	(2,068,612)	(4,010,821)	(66,693)	(130,906)
Decrease / (increase) in restricted cash	96,165	(13,755)	3,100	(449)
Acquisition of intangible assets	(2,474)	(208,977)	(80)	(6,821)
Acquisition of investment property and investment property under development	-	(243,099)	-	(7,934)
Loans given	(8,181)	(5,903)	(264)	(193)
Loans repaid	6,069	9,127	196	298
Disposal of subsidiaries	5,059	(43,004)	163	(1,404)
Purchase of other investments	(2,063)	(15,435)	(67)	(504)
Cash flows utilised by investing activities	(1,782,431)	(4,197,090)	(57,468)	(136,987)
FINANCING ACTIVITIES				
Proceeds from borrowings	9,350,375	2,257,211	301,461	73,671
Proceeds from bonds	3,000,000	-	96,721	-
Repayment of borrowings	(6,696,149)	(2,056,073)	(215,887)	(67,106)
Repayment of bonds	(2,631,184)	(482)	(84,831)	(16)
Payment of finance lease liabilities	(62,029)	(72,101)	(2,000)	(2,353)
Dividends paid	(2,060,604)	(2,070,224)	(66,435)	(67,568)
Cash flows from / (utilised by) financing activities	900,409	(1,941,669)	29,029	(63,372)
Net increase / (decrease) in cash and cash equivalents	56,942	(1,610,523)	1,834	(52,566)
Cash and cash equivalents at the beginning of the period	3,967,086	5,194,904	130,613	161,352
Effect of exchange rate fluctuations on cash and cash equivalents	47,600	97,353	(7,967)	3,404
Cash and cash equivalents at the end of the period (note 21)	4,071,628	3,681,734	124,480	112,190

’000 RUB	Attributable to shareholders of the Company							
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2012	34,577	26,408,386	16,783,833	(6,191)	10,552,205	53,772,810	174,688	53,947,498
Total comprehensive income for the period								
Profit for the period	-	-	-	-	311,232	311,232	(51,573)	259,659
Other comprehensive income								
Foreign currency translation differences				(2,723)	-	(2,723)	-	(2,723)
Total comprehensive income for the period				(2,723)	311,232	308,509	(51,573)	256,936
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	-	-	-	-	(1,513)	(1,513)
Dividends to shareholders	-	-	-	-	(2,070,224)	(2,070,224)	-	(2,070,224)
Balance at 30 June 2012	34,577	26,408,386	16,783,833	(8,914)	8,793,213	52,011,095	121,602	52,132,697

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 103.

’000 RUB	Attributable to shareholders of the Company							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2013	34,577	26,408,386	16,697,997	(5,908)	13,433,684	56,568,736	132,763	56,701,499
Total comprehensive income for the period								
Profit for the period	-	-	-	-	920,732	920,732	24,542	945,274
Other comprehensive income								
Foreign currency translation differences				54,565	-	54,565	-	54,565
Total comprehensive income for the period				54,565	920,732	975,297	24,542	999,839
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	6,884	-	-	6,884	(170,188)	(163,304)
Dividends to shareholders	-	-	-	-	(2,060,604)	(2,060,604)	-	(2,060,604)
Balance at 30 June 2013	34,577	26,408,386	16,704,881	48,657	12,293,812	55,490,313	(12,883)	55,477,430

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 103.

’000 USD	Attributable to shareholders of the Company							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2012	1,241	959,987	648,080	(288,856)	345,766	1,666,218	9,373	1,675,591
Total comprehensive income for the period								
Profit for the period	-	-	-	-	10,158	10,158	(1,683)	8,475
Other comprehensive income								
Foreign currency translation differences				(27,856)	-	(27,856)	-	(27,856)
Total comprehensive income for the period				(27,856)	10,158	(17,698)	(1,683)	(19,381)
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	-	-	-	-	(49)	(49)
Dividends to shareholders	-	-	-	-	(67,568)	(67,568)	-	(67,568)
Balance at 30 June 2012	1,241	959,987	648,080	(316,712)	288,356	1,580,952	7,641	1,588,593

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 103.

’000 USD	Attributable to shareholders of the Company							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2013	1,241	959,987	645,319	(186,153)	438,438	1,858,832	8,025	1,866,857
Total comprehensive income for the period								
Profit for the period	-	-	-	-	29,685	29,685	791	30,476
Other comprehensive income								
Foreign currency translation differences				(129,542)	-	(129,542)	-	(129,542)
Total comprehensive income for the period				(129,542)	29,685	(99,857)	791	(99,066)
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	222	-	-	222	(5,487)	(5,265)
Dividends to shareholders	-	-	-	-	(66,435)	(66,435)	-	(66,435)
Balance at 30 June 2013	1,241	959,987	645,541	(315,695)	401,688	1,692,762	3,329	1,696,091

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 103.

1 Background

(a) Organisation and operations

OJSC LSR Group (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian limited liability and open and closed joint stock companies as defined in the Civil Code of the Russian Federation, and companies located in other countries. The Company's shares are traded on the London Stock Exchange and Moscow Exchange.

The Company's registered office is at 36, Kazanskaya Ulitsa, Saint-Petersburg, 190031, Russia.

The Group's principal activities include real estate development in Saint-Petersburg, Munich and Moscow, prefabricated panel construction in Saint-Petersburg and Yekaterinburg, commercial real estate development in Saint-Petersburg and Moscow, the production of building materials at plants located in Russia (Saint-Petersburg, Leningrad region and Urals Region) and Ukraine, the extraction and processing of aggregates in different areas of Leningrad region, and the provision of construction services. These products and services are sold mainly in Russia.

The Group's significant subsidiaries are detailed in note 33.

The Group is ultimately controlled by a single individual, Andrey Molchanov. Related party transactions are detailed in note 32.

(b) Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The 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 interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The Group additionally presents the consolidated interim financial statements in Russian language in accordance with the Federal law #208-fz "On consolidated financial reporting".

(b) Basis of measurement

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

- investment properties and investment properties under development are measured at fair value;
- financial investments classified as available-for-sale are stated at fair value.

The carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 may 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 at 1 January 2003.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. These consolidated financial statements are also presented in United States Dollars ("USD") since the management believes that this currency is useful for the users of the consolidated financial statements. All financial information presented has been rounded to the nearest thousand, except if otherwise indicated. The RUB is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUB to USD should not be construed as a representation that the RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

(d) Use of estimates and judgments

The preparation of the consolidated interim 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 could 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies are described in the following notes:

- Note 12 – revenue recognition;
- Note 3– useful lives of property, plant and equipment;
- Note 14 – impairment;
- Note 20 – allowances for trade receivables;
- Note 26 – warranty provision, provision for site restoration and environment restoration; and
- Note 31 – contingencies.

3 Significant accounting policies

Except for the adoption of the new standards and interpretations effective as of 1 January 2013, the accounting policies applied by the Group were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2012.

(a) Changes in accounting policies

Adoption of IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements* which are effective as of 1 January 2013 did not have impact on financial position and performance of the Group and had insignificant impact on presentation of these consolidated interim financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not significantly impact the annual consolidated financial statements of the Group or the consolidated interim financial statements of the Group.

(b) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated interim 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.

(iii) Special purpose entities

The Group has established a number of special purpose entities (“SPE”s) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE’s risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decisionmaking powers of the SPEs' management and that result in the Group receiving all of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or their assets.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their carrying amounts in the financial statements of the entities transferred. If these companies previously have not prepared IFRS financial statements, assets and liabilities are determined in accordance with IFRS1. Any difference between the book value of net assets acquired and consideration paid is recognised as a contribution from, or distribution to, shareholders.

(v) Disposals to entities under common control

Disposals of controlling interests in entities to the same controlling shareholder that controls the Company are accounted for at the date of transfer of shares from the Group. The assets and liabilities sold are derecognised at their book values as recognised in the financial statements of the Group. Any difference between the book value of net assets sold and consideration received is recognised as a contribution from, or a distribution to, shareholders.

(vi) Acquisitions and disposals of non-controlling interests

Any difference between the consideration paid to acquire a non-controlling interest, and the carrying amount of that non-controlling interest, is recognised as a contribution from or a distribution to shareholders.

Any difference between the consideration received upon disposal of a minority portion of the Group's interest in a subsidiary, and the carrying amount of that portion of the Group's interest in the subsidiary, including attributable goodwill, is recognised as a distribution to, or a contribution from, shareholders.

(vii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated 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 foreign currency translated at the exchange rate 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 that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the statement of profit or loss and 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.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUB at the weighted average exchange rate for the period which approximates the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since 1 January 2005, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the statement of profit or loss and other comprehensive income as part of profit or loss on disposal.

Foreign exchange gains and losses arising from a monetary item received from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(iii) Translation to presentation currency

The assets and liabilities of Group enterprises are translated to USD at exchange rates at the reporting date. Income and expenses are translated to USD at rates approximating exchange rates at the dates of the transactions. Translation differences are recognised directly in other comprehensive income as the foreign currency translation reserve.

(d) 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 (including assets 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 asset when the contractual rights to the cash flows from the asset expire, or it transfers to right to receive the contractual cash flows on the financial asset in a transaction in which substantially all 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.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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 and loans issued.

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 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. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised in other comprehensive income and presented within equity in the additional paid-in capital. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of profit or loss and other comprehensive income.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities 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 expired.

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.

(e) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, 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 of the transaction is transferred to/from retained earnings.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are 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 its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. 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 the statement of profit or loss and other comprehensive income.

(ii) Reclassification of owner occupied property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain or loss on remeasurement is recognised in equity.

(iii) 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 the statement of profit or loss and other comprehensive income as incurred.

(iv) 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 the statement of profit or loss and other comprehensive income 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 20 to 50 years
- Machinery and equipment 5 to 29 years
- Transportation equipment 8 to 20 years
- Other fixed assets 5 to 20 years.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(g) Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(b)(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) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit or loss and other comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the statement of profit or loss and other comprehensive income as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) 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.

(iv) 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 statement of profit or loss and other comprehensive income as incurred.

(v) Amortisation

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

Amortisation is recognised in the statement of profit or loss and other comprehensive income 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 the future economic benefit s embodied in the asset.

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

(h) 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 in the Group’s statement of financial position. Acquired rights to lease of land for development are recognised at cost in inventory or investment property under development.

(i) Investment property under development

Investment property under development consists of plots of land, wholly or partly owned by the Group or leased to the Group, on which commercial properties are being, or will be, built. These properties will be leased to third parties on completion.

Investment property under development consists of two components: land and buildings. Land and buildings are measured at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

In the absence of current prices in an active market, the fair values of investment property under development are established by considering the aggregate of the estimated cash flows expected to be received from renting out the property less the estimated costs, including developer’s profit margin, to complete the individual projects to the stage where they could be marketed. Discount rate that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. In the case when investment property forms part of a larger property unit, it is distinguished on the basis of the area which it occupies in the total area of the property unit. Investment property is measured at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle 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 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.

(l) Construction work in progress

Construction work in progress represents the gross unbilled 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(q)(iii)) less progress billings and 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.

Construction work in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

(m) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be 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 asset (including equity securities) 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 and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities 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 then 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 original effective interest rate. Losses are recognised in the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income.

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 additional paid-in capital in equity, to the statement of profit or loss and other comprehensive income. The cumulative loss that is removed from other comprehensive income and recognised in the statement of profit or loss and other comprehensive income is the difference between the acquisition cost, net of any principal repayments and amortisation, and the current fair value, less any impairment loss previously recognised in the statement of profit or loss and other comprehensive income. 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 the statement of profit or loss and other comprehensive income, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of profit or loss and other comprehensive income. 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 investment properties, investment properties under development, 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, 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, or CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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 CGU 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 the statement of profit or loss and other comprehensive income. 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 associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(n) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in statement of profit or loss and other comprehensive income. Gains are not recognised in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

(o) Employee benefits

Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an expense in the statement of profit or loss and other comprehensive income when they are due.

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.

(p) 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.

(ii) Site restoration

In accordance with the Group's environmental policy and applicable statutory requirements, provision is made for the Group's obligation to incur additional costs including costs associated with clean up the surrounding area after finishing the construction of apartment building. The related expense is recognised in the statement of profit or loss and other comprehensive income.

(q) Revenues

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the 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, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from the sale of flats is recognised when the buyer signs the act of acceptance of the property, following certification by the competent Authorities.

(ii) Services

Revenue from services, rendered by the companies providing construction services is recognised in the statement of profit or loss and other comprehensive income when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

(iii) 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 revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the statement of profit or loss and other comprehensive income 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 as the proportion that contract costs incurred for work performed to date bear to estimated total contract costs. An expected loss on a contract is recognised immediately in the statement of profit or loss and other comprehensive income.

(iv) Rental income

Rental income from investment property is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(r) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income 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.

(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 the statement of profit or loss and other comprehensive income as incurred.

(s) Finance income and finance 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, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues in the statement of profit or loss and other comprehensive income, using the effective interest method. Dividend income is recognised 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, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, 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 the statement of profit or loss and other comprehensive income using the effective interest method.

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

(t) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income 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 on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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 goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. 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 liabilities and assets, 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 temporary difference 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.

(u) Earnings per share

The Group presents basic 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.

(v) 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. An operating segment’s operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm’s length basis.

(w) New Standards and Interpretations not yet adopted

A number of new Standards, *amendments to Standards* and Interpretations are not yet effective as at 30 June 2013, and have not been applied in preparing this consolidated interim financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. 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. The Group does not intend to adopt this standard early.
- 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 for annual periods beginning after 1 January 2014. 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 / or 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 the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

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 (via application of discounted cash flow method), and obsolescence.

(b) Investment property and investment property under development

The fair value of investment property and the investment property under development is based on valuations, performed by external independent valuation companies, who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment property being valued. The valuations are based primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm's lengths basis, using the Discounted Cash Flow technique for investment property under development and market approach for investment property, undertaken according to the requirements of the United Kingdom's Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

(c) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(d) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(e) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. 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 estimated on a reasonable basis by other means, investments are stated at cost less impairment losses.

(f) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, 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.

(g) 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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group has ten reportable segments as described below which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately, because they require different technology and marketing strategies. The format of reporting segments is based on Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

In the second half of 2012 and 2013 the Group carried out internal reorganization and management accordingly changed composition of reportable operating segments for Building materials NW and Construction NW. Comparative data has been changed accordingly.

(a) Operating segments and geographical information

The following summary describes the operations in each of the Group's segments:

Real Estate. NW, Real Estate. Moscow, Real Estate. Ural and Real Estate. Europe. The Real Estate business units specialize in the development of elite, mass-market and business class residential real estate, gated communities and commercial real estate. These business units are located in Saint-Petersburg, Moscow, Ural region and Germany.

Construction. NW , Construction. Moscow, and Construction. Ural. The construction business units specialize in panel construction, providing of tower cranes services, transportation of construction materials and pile driving services. These business units are located in Saint-Petersburg, Moscow, and Ural region.

Building Materials. NW and Building Materials. Moscow. The building materials business units are engaged in the production of brick, concrete and reinforced concrete items, ready-mix concrete, aerated concrete blocks, crushed stone production, land-based and marine-dredged sand extraction. These business units are located in Saint-Petersburg and Moscow.

There are varying levels of integration between the Building Materials, Construction and Real Estate reportable segments. This integration includes transfers of raw materials and services, respectively. Inter-segment pricing is determined on an arm's length basis. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

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.

The operations of the Group are conducted and managed primarily in North-West region, Moscow, Ural and in Germany, where the production facilities and sales offices of the Group are located. The Group has also operations in Ukraine, the volume of which is not significant to total operations of the Group.

(b) Major customers

Revenues from the largest customer of the Group represents approximately RUB 1,228,526 thousand / USD 39,608 thousand (six months ended 30 June 2012: RUB 1,455,963 thousand / USD 47,520 thousand).

Revenue from the next four significant customers of the Group amounts approximately to RUB 1,399,520 thousand / USD 45,121 thousand (six months ended 30 June 2012: RUB 1,928,908 thousand / USD 62,956 thousand).

(i) Operating segments

Six months ended 30 June 2013 '000 RUB	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construc-tion. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Revenue from external customers	7,215,339	11,068,719	2,608,311	983,748	1,335,502	941,281	1,399,009	521,450	60	37,444	338,006	26,448,869
Inter-segment revenue	711,848	-	5,510,324	-	328,280	19,188	-	1,461,602	-	435,965	-	8,467,207
Total segment revenue	7,927,187	11,068,719	8,118,635	983,748	1,663,782	960,469	1,399,009	1,983,052	60	473,409	338,006	34,916,076
Segment result	658,537	3,375,781	832,062	44,830	113,338	(83,927)	253,933	149,084	(22,069)	978	-	5,322,547
Depreciation/amortisation	893,421	20,201	299,079	4,236	28,486	94,376	1,099	83,462	20,209	326	72,206	1,517,101
Capital expenditure	1,120,535	376,420	274,405	269	25,685	51,502	11,058	182,697	-	769	500,017	2,543,357

Six months ended 30 June 2012 '000 RUB	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construc-tion. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Revenue from external customers	7,872,417	4,544,547	3,459,070	532,116	1,192,911	849,810	1,109,698	437,446	-	500,650	834,839	21,333,504
Inter-segment revenue	529,444	3	2,424,081	-	100,005	5,921	-	632,066	-	50,077	-	3,741,597
Total segment revenue	8,401,861	4,544,550	5,883,151	532,116	1,292,916	855,731	1,109,698	1,069,512	-	550,727	834,839	25,075,101
Segment result	1,400,177	867,483	492,940	(32,080)	119,194	(163,999)	120,697	(12,321)	(24,423)	88,708	-	2,856,376
Depreciation/amortisation	617,440	7,249	302,414	10,889	10,109	91,724	1,174	80,222	20,225	199	75,132	1,216,777
Capital expenditure	4,126,778	368,534	1,010,621	47,371	219,103	122,086	-	26,788	-	909	206,133	6,128,323

Six months ended 30 June 2013 ’000 USD	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Revenue from external customers	232,626	356,861	84,093	31,717	43,057	30,347	45,105	16,812	2	1,207	10,897	852,724
Inter-segment revenue	22,950	-	177,656	-	10,584	619	-	47,123	-	14,056	-	272,988
Total segment revenue	255,576	356,861	261,749	31,717	53,641	30,966	45,105	63,935	2	15,263	10,897	1,125,712
Segment result	21,232	108,837	26,826	1,445	3,654	(2,706)	8,187	4,807	(712)	32	-	171,602
Depreciation/amortisation	28,804	651	9,642	137	918	3,043	35	2,691	652	11	2,328	48,912
Capital expenditure	36,127	12,136	8,847	9	828	1,660	357	5,890	-	25	16,121	82,000

Six months ended 30 June 2012 ’000 USD	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Revenue from external customers	256,941	148,326	112,898	17,367	38,934	27,736	36,218	14,277	-	16,340	27,248	696,285
Inter-segment revenue	17,280	-	79,117	-	3,264	193	-	20,629	-	1,634	-	122,117
Total segment revenue	274,221	148,326	192,015	17,367	42,198	27,929	36,218	34,906	-	17,974	27,248	818,402
Segment result	45,699	28,313	16,089	(1,047)	3,890	(5,353)	3,939	(402)	(797)	2,895	-	93,226
Depreciation/amortisation	20,152	237	9,870	355	330	2,994	38	2,618	660	6	2,453	39,713
Capital expenditure	134,690	12,028	32,985	1,546	7,151	3,985	-	874	-	30	6,728	200,017

Six months ended 30 June 2013 ’000 RUB	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construc-tion. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Segment assets, excluding net financial position*	39,205,750	57,900,364	15,787,871	11,753,451	1,694,478	2,250,910	8,214,263	2,415,942	306,530	821,809	-	140,351,368
Segment liabilities, excluding net financial position*	6,598,326	25,856,387	6,723,171	5,108,828	1,070,435	385,370	4,298,784	934,111	28,350	169,334	-	51,173,096
Net financial position*	22,264,546	4,611,375	93,082	3,240,712	195,132	1,288,105	-	(28,000)	1,910	-	11,456,119	43,122,981

Year ended 31 December 2012 ’000 RUB	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construc-tion. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Segment assets, excluding net financial position*	39,917,623	53,927,404	14,794,688	11,095,928	1,957,608	2,376,015	7,348,641	1,938,538	328,323	851,237	-	134,536,005
Segment liabilities, excluding net financial position*	5,646,381	23,706,273	5,988,303	4,815,714	859,438	422,437	3,298,229	542,549	27,760	237,831	-	45,544,915
Net financial position*	21,511,076	5,061,375	(121,872)	4,696,158	467,387	1,892,820	-	-	2,060	-	6,188,755	39,697,759

* Net financial position is debt of the Group allocated to Operating Segments. Net financial positions is calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.

At the end of 30 June 2013 ’000 USD	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construction. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Segment assets, excluding net financial position*	1,198,623	1,770,166	482,677	359,334	51,805	68,816	251,132	73,862	9,371	25,125	-	4,290,911
Segment liabilities, excluding net financial position*	201,728	790,498	205,545	156,190	32,726	11,782	131,425	28,558	867	5,177	-	1,564,496
Net financial position*	680,686	140,982	2,846	99,077	5,966	39,381	-	(856)	58	-	350,244	1,318,384

Year ended 31 December 2012 ’000 USD	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construction. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Segment assets, excluding net financial position*	1,314,260	1,775,522	487,105	365,326	64,453	78,229	241,949	63,825	10,810	28,026	-	4,429,505
Segment liabilities, excluding net financial position*	185,903	780,513	197,161	158,554	28,296	13,908	108,592	17,863	914	7,830	-	1,499,534
Net financial position*	708,238	166,642	(4,013)	154,618	15,388	62,319	-	-	68	-	203,760	1,307,020

* Net financial position is debt of the Group allocated to Operating Segments. Net financial positions is calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Revenue	**’000 RUB**		**’000 USD**	
	Six months ended 30 June 2013	**Six months ended 30 June 2012**	**Six months ended 30 June 2013**	**Six months ended 30 June 2012**
Total revenue for reportable segments	34,916,076	25,075,101	1,125,712	818,402
Other revenue	128,089	134,509	4,129	4,391
Transportation revenue	931,280	1,212,791	30,025	39,583
Elimination of intersegment revenue	(8,467,207)	(3,741,597)	(272,988)	(122,117)
Consolidated revenue	27,508,238	22,680,804	886,878	740,259

Profit for the period	**’000 RUB**		**’000 USD**	
	Six months ended 30 June 2013	**Six months ended 30 June 2012**	**Six months ended 30 June 2013**	**Six months ended 30 June 2012**
Total segment result	5,322,547	2,856,376	171,602	93,226
Other result (intersegment eliminations)	(710,563)	(93,110)	(22,909)	(3,039)
Unallocated expenses and income, net	(849,377)	(456,877)	(27,384)	(14,911)
Finance income	241,846	205,480	7,797	6,706
Finance costs	(2,587,776)	(2,050,887)	(83,431)	(66,936)
Income tax expense	(471,403)	(201,323)	(15,198)	(6,571)
Profit for the period	945,274	259,659	30,477	8,475

Assets	**’000 RUB**		**’000 USD**	
	At the end of 30 June 2013	**31 December 2012**	**At the end of 30 June 2013**	**31 December 2012**
Total assets for reportable segments	140,351,368	134,536,005	4,290,911	4,429,505
Elimination of intersegment assets	(10,687,953)	(7,616,662)	(326,760)	(250,774)
Unallocated assets	14,802,010	10,858,517	452,536	357,509
Total assets	144,465,425	137,777,860	4,416,687	4,536,240

Liabilities	**’000 RUB**		**’000 USD**	
	At the end of 30 June 2013	**31 December 2012**	**At the end of 30 June 2013**	**31 December 2012**
Segment liabilities, excluding net financial position	51,173,096	45,544,915	1,564,496	1,499,534
Elimination of intersegment liabilities	(7,363,048)	(6,233,706)	(225,108)	(205,240)
Unallocated liabilities	2,244,539	2,290,494	68,620	75,413
Consolidated loans and borrowings	42,933,408	39,474,658	1,312,588	1,299,676
Total liabilities	88,987,995	81,076,361	2,720,596	2,669,383

Net financial position	**’000 RUB**		**’000 USD**	
	At the end of 30 June 2013	**31 December 2012**	**At the end of 30 June 2013**	**31 December 2012**
Net financial position before adjustments	43,122,981	39,697,759	1,318,384	1,307,020
Adjustments	(189,573)	(223,101)	(5,797)	(7,344)
Consolidated loans and borrowings	42,933,408	39,474,658	1,312,587	1,299,676

Other material items	**’000 RUB**		**’000 USD**	
	Six months ended 30 June 2013	**Six months ended 30 June 2012**	**Six months ended 30 June 2013**	**Six months ended 30 June 2012**
Capital expenditure	2,543,357	6,128,323	82,000	200,017
Elimination of intersegment purchases	(411,271)	(2,058,373)	(13,261)	(67,182)
Consolidated capital expenditure	2,132,086	4,069,950	68,739	132,835

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

During the six months ended 30 June 2013 and the six months ended 30 June 2012 the Group has not acquired any subsidiaries.

(b) Disposal of subsidiaries

In April 2012 the Group has sold 38% of shares of OAO "Zavod ZhBI-6" to third parties and lost control over the subsidiary. OAO "Zavod ZhBI-6" was engaged in the reinforced concrete production in Moscow. The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	**'000 RUB**	**'000 USD**
Non-current assets		
Property, plant and equipment	132,304	4,318
Goodwill	65,589	2,141
Intangible assets	5,315	173
Deferred tax assets	81,406	2,657
Current assets		
Inventories	118,369	3,863
Trade and other receivables	943,665	30,799
Income tax receivable	840	27
Cash and cash equivalents	27,506	898
Non-current liabilities		
Deferred tax liabilities	(35,029)	(1,143)
Other long-term liabilities	(36,727)	(1,199)
Current liabilities		
Interest-bearing loans and borrowings	(364)	(12)
Trade and other payables	(1,247,366)	(40,712)
Short-term provisions	(3,670)	(120)
Net assets, liabilities and contingent liabilities disposed	51,838	1,690
Non-controlling interest in disposal subsidiaries	5,832	190
Excess of consideration received over book values of net assets sold	64,530	2,108
Consideration accrued not satisfied in cash	122,200	3,988
Cash and cash equivalents disposed	(27,506)	(898)
Net cash outflow	(27,506)	(898)

Group recognised an increase in non-controlling interests of RUB 5,832 thousand/ USD 190 thousand.

During the six months ended 30 June 2012 the Group also recognised decrease of RUB 7,345 thousand/USD 239 thousand in equity from sale of non-controlling interest in ZAO NPO "VSR".

In June 2013 the Group has sold 50% of shares of OOO "Construction trust № 28" and its 79,17% share in JSC "Construction trust № 28" to third parties and lost control over the subsidiaries, as management has decided to cease operation of this line of business. OOO "Construction trust № 28" and JSC "Construction trust № 28" were engaged in Pile Foundation and Construction in Saint-Petersburg. The disposal of the subsidiaries had the following effect on the Group's assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	**'000 RUB**	**'000 USD**
Non-current assets		
Property, plant and equipment	239,811	7,732
Investment	11	-
Deferred tax assets	6,665	215
Current assets		
Inventories	63,157	2,036
Trade and other receivables	181,315	5,846
Cash and cash equivalents	48,369	1,559
Non-current liabilities		
Deferred tax liabilities	(42,513)	(1,371)
Current liabilities		
Interest-bearing loans and borrowings	(3,192)	(103)
Trade and other payables	(188,229)	(6,068)
Current income tax liabilities	(660)	(21)
Net assets, liabilities and contingent liabilities disposed	304,734	9,825
Non-controlling interest in disposal subsidiaries	(170,188)	(5,487)
Excess of consideration received over book values of net assets sold	454	15
Consideration accrued not satisfied in cash	135,000	4,353
Cash and cash equivalents disposed	(48,369)	(1,559)
Net cash outflow	(48,369)	(1,559)

Group recognised a decrease in non-controlling interests of RUB 170,188 thousand/USD 5,487 thousand in equity and of RUB 23,360 thousand/ USD 753 thousand in liability.

During six months ended 30 June 2013 the Group also recognised RUB 6,884 thousand / USD 222 thousand excess of consideration received over the book values of net assets of other not significant subsidiaries disposed as contribution from shareholders directly in equity.

7 Administrative expenses

	Six months ended 30 June			
	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Wages and salaries	1,529,407	1,403,698	49,309	45,814
Services	374,424	380,060	12,071	12,404
Materials	60,142	74,742	1,939	2,439
Depreciation and amortisation	128,865	88,729	4,155	2,896
Taxes other than profit tax	195,749	131,196	6,312	4,282
Social expenditure	99,098	60,510	3,196	1,975
Insurance	7,152	9,335	231	305
Other administrative expenses	174,685	186,957	5,633	6,102
	2,569,522	2,335,227	82,846	76,217

8 Other income and expenses

	Six months ended 30 June			
	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Other income:				
Gain on disposal of property, plant and equipment	11,646	-	375	-
Gain on disposal of other assets	86,235	155,776	2,780	5,084
Gain on disposal of subsidiaries	454	49,032	15	1,600
Other income	-	292	-	10
Total other income	98,335	205,100	3,170	6,694
Other expenses:				
Loss on disposal of other investments	-	(5,167)	-	(169)
Loss on disposal of property, plant and equipment	-	(23,995)	-	(783)
Loss on other assets	(54,897)	(4,280)	(1,770)	(140)
Total other expenses	(54,897)	(33,442)	(1,770)	(1,092)
Net other income	43,438	171,658	1,400	5,602

9 Total personnel costs

	Six months ended 30 June			
	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Wages and salaries:				
Cost of sales	3,667,228	3,185,127	118,233	103,957
Administrative expenses	1,529,407	1,403,698	49,309	45,814
Distribution expenses	222,541	184,011	7,175	6,006
	5,419,176	4,772,836	174,717	155,777

10 Finance income and finance costs

	Six months ended 30 June			
	2013	**2012**	**2013**	**2012**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Recognised in profit or loss				
Finance income				
Foreign exchange gain	143,436	107,200	4,624	3,499
Interest income	92,436	93,513	2,980	3,052
Unwind of discount	2,974	2,742	96	89
Income from sale of available-for-sale investments	-	2,025	-	66
Other finance income	3,000	-	97	-
	241,846	205,480	7,797	6,706
Finance costs				
Interest expense	(2,013,450)	(1,875,934)	(64,915)	(61,227)
Unwind of discount on payables for shares of the subsidiaries acquired	(2,062)	(3,000)	(66)	(98)
Foreign exchange loss	(479,055)	(161,506)	(15,445)	(5,271)
Impairment of financial assets	(71,344)	(10,268)	(2,300)	(335)
Loss from sale of available-for-sale investments	(86)	(144)	(3)	(4)
Repurchase of own bonds	(5,271)	(482)	(170)	(16)
Non-controlling interest in limited liability subsidiaries	(1,591)	447	(51)	15
Other finance costs	(14,917)	-	(481)	-
	(2,587,776)	(2,050,887)	(83,431)	(66,936)
Net finance costs recognised in profit or loss	(2,345,930)	(1,845,407)	(75,634)	(60,230)
Recognised in other comprehensive income				
Finance income / (costs)				
Foreign currency translation differences for foreign operations	54,565	(2,723)	(129,542)	(27,856)
Finance income / (costs) recognised in other comprehensive income, net of tax	54,565	(2,723)	(129,542)	(27,856)
Attributable to:				
Equity holders of the Company	54,565	(2,723)	(129,542)	(27,856)

11 Income tax expense

	Six months ended 30 June			
	2013	2012	2013	2012
	’000 RUB	’000 RUB	’000 USD	’000 USD
Current tax expense				
Current period	1,026,581	391,027	33,098	12,763
Deferred tax expense				
Origination and reversal of temporary differences	(555,178)	(189,704)	(17,899)	(6,192)
Income tax expense	471,403	201,323	15,199	6,571

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20% (six months 2012: 20%).

Reconciliation of effective tax rate:

	Six months ended 30 June							
	2013		2012		2013		2012	
	’000 RUB	%	’000 RUB	%	’000 USD	%	’000 USD	%
Profit for the period	945,274	67	259,659	56	30,476	67	8,475	56
Income tax expense	471,403	33	201,323	44	15,199	33	6,571	44
Profit before income tax	1,416,677	100	460,982	100	45,675	100	15,046	100
Income tax at applicable tax rate	283,335	(20)	92,196	(20)	9,135	(20)	3,009	(20)
Non-taxable income	(41,738)	3	(106,033)	23	(1,346)	3	(3,460)	23
Non-deductible expenses	224,460	(16)	298,193	(65)	7,238	(16)	9,732	(65)
Current period (reverses of losses)/losses for which no deferred tax asset was recognised	5,346	-	(83,033)	18	172	-	(2,710)	18
Total income tax expenses for the period	471,403	(33)	201,323	(44)	15,199	(33)	6,571	(44)

12 Construction contracts

Significant share of the Group’s revenue relates to construction services, provided under long-term construction contracts. Respective revenue and gross margin mainly relate to construction segments and are presented below:

	Six months ended 30 June			
	2013	2012	2013	2012
	’000 RUB	’000 RUB	’000 USD	’000 USD
Contract revenue	2,950,466	3,872,279	95,125	126,384
Contract costs	(2,824,242)	(3,450,565)	(91,055)	(112,620)
Gross profit	126,224	421,714	4,070	13,764

13 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2012	13,765,865	12,487,882	3,159,470	719,818	18,097,515	48,230,550
Additions	195,160	291,475	299,142	38,887	3,245,286	4,069,950
Disposals	(166,701)	(240,121)	(72,109)	(18,947)	(70,029)	(567,907)
Business disposals	(96,227)	(30,621)	(2,061)	(2,087)	(29,604)	(160,600)
Reclassifications to inventories	-	-	-	-	(272,690)	(272,690)
Transfers and reclassifications	7,183,624	4,834,259	6,010	12,649	(12,036,542)	-
Effect of movements in exchange rates	14,065	14,386	630	192	(1,489)	27,784
At 30 June 2012	20,895,786	17,357,260	3,391,082	750,512	8,932,447	51,327,087
At 1 January 2013	21,132,312	18,298,087	3,509,303	787,666	9,053,127	52,780,495
Additions	423,134	247,814	163,130	33,230	1,264,778	2,132,086
Disposals	(55,774)	(213,860)	(61,696)	(23,271)	(35,671)	(390,272)
Business disposals	(82,654)	(319,252)	(29,230)	(8,623)	(236)	(439,995)
Reclassifications to inventories	-	-	-	-	(44,671)	(44,671)
Transfers and reclassifications	1,004,381	2,350,107	3,382	10,319	(3,368,189)	-
Effect of movements in exchange rates	59,711	53,526	2,325	728	697	116,987
At 30 June 2013	22,481,110	20,416,422	3,587,214	800,049	6,869,835	54,154,630
Depreciation and impairment losses						
At 1 January 2012	(2,719,438)	(5,679,963)	(2,001,984)	(499,706)	-	(10,901,091)
Depreciation charge	(286,399)	(669,509)	(191,638)	(45,529)	-	(1,193,075)
Disposals	65,205	159,411	62,970	16,181	-	303,767
Business disposals	8,237	16,615	1,809	1,635	-	28,296
Transfers and reclassifications	61	(425)	414	(50)	-	-
Effect of movements in exchange rates	(2,865)	(3,653)	(347)	(147)	-	(7,012)
At 30 June 2012	(2,935,199)	(6,177,524)	(2,128,776)	(527,616)	-	(11,769,115)
At 1 January 2013	(3,239,171)	(6,825,448)	(2,282,229)	(526,208)	-	(12,873,056)
Depreciation charge	(400,352)	(853,158)	(185,379)	(47,729)	-	(1,486,618)
Disposals	37,389	167,275	57,724	20,685	-	283,073
Business disposals	38,867	139,253	14,763	7,301		200,184
Transfers and reclassifications	(13)	(1,557)	2,664	(1,094)	-	-
Effect of movements in exchange rates	(10,601)	(14,695)	(1,316)	(511)	-	(27,123)
At 30 June 2013	(3,573,881)	(7,388,330)	(2,393,773)	(547,556)	-	(13,903,540)
Net book value						
At 1 January 2012	11,046,427	6,807,919	1,157,486	220,112	18,097,515	37,329,459
At 30 June 2012	17,960,587	11,179,736	1,262,306	222,896	8,932,447	39,557,972
At 1 January 2013	17,893,141	11,472,639	1,227,074	261,458	9,053,127	39,907,439
At 30 June 2013	18,907,229	13,028,092	1,193,441	252,493	6,869,835	40,251,090

'000 USD	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2012	427,563	387,869	98,132	22,357	562,103	1,498,024
Additions	6,370	9,513	9,763	1,269	105,920	132,835
Disposals	(5,441)	(7,837)	(2,354)	(618)	(2,286)	(18,536)
Business disposals	(3,141)	(999)	(67)	(68)	(966)	(5,241)
Reclassifications to inventories	-	-	-	-	(8,900)	(8,900)
Transfers and reclassifications	234,460	157,781	196	413	(392,850)	-
Effect of movements in exchange rates	(23,072)	(17,415)	(2,337)	(483)	9,171	(34,136)
At 30 June 2012	636,739	528,912	103,333	22,870	272,192	1,564,046
At 1 January 2013	695,767	602,452	115,541	25,934	298,068	1,737,762
Additions	13,642	7,990	5,259	1,071	40,777	68,739
Disposals	(1,798)	(6,895)	(1,989)	(750)	(1,150)	(12,582)
Business disposals	(2,665)	(10,293)	(942)	(278)	(8)	(14,186)
Reclassifications to inventories	-	-	-	-	(1,440)	(1,440)
Transfers and reclassifications	32,382	75,769	109	333	(108,593)	-
Effect of movements in exchange rates	(50,021)	(44,839)	(8,307)	(1,850)	(17,627)	(122,644)
At 30 June 2013	687,307	624,184	109,671	24,460	210,027	1,655,649
Depreciation and impairment losses						
At 1 January 2012	(84,465)	(176,418)	(62,180)	(15,521)	-	(338,584)
Depreciation charge	(9,348)	(21,852)	(6,255)	(1,486)	-	(38,941)
Disposals	2,128	5,203	2,055	528	-	9,914
Business disposals	269	542	59	53	-	923
Transfers and reclassifications	2	(14)	14	(2)	-	-
Effect of movements in exchange rates	1,972	4,297	1,439	350	-	8,058
At 30 June 2012	(89,442)	(188,242)	(64,868)	(16,078)	-	(358,630)
At 1 January 2013	(106,647)	(224,723)	(75,141)	(17,325)	-	(423,836)
Depreciation charge	(12,908)	(27,506)	(5,977)	(1,539)	-	(47,930)
Disposals	1,205	5,393	1,861	667	-	9,126
Business disposals	1,253	4,490	476	235	-	6,454
Transfers and reclassifications	-	(50)	86	(36)	-	-
Effect of movements in exchange rates	7,834	16,515	5,511	1,258	-	31,118
At 30 June 2013	(109,263)	(225,881)	(73,184)	(16,740)	-	(425,068)
Net book value						
At 1 January 2012	343,098	211,451	35,952	6,836	562,103	1,159,440
At 30 June 2012	547,297	340,670	38,465	6,792	272,192	1,205,416
At 1 January 2013	589,120	377,729	40,400	8,609	298,068	1,313,926
At 30 June 2013	578,044	398,303	36,487	7,720	210,027	1,230,581

Depreciation expense of RUB 1,314,800 thousand / USD 42,390 thousand has been charged in cost of goods sold (30 June 2012: RUB 1,072,157 thousand / USD 34,993 thousand), RUB 41,275 thousand / USD 1,331 thousand in distribution expenses (30 June 2012: RUB 19,546 thousand / USD 638 thousand) and RUB 116,353 thousand / USD 3,751 thousand in administrative expenses (30 June 2012: RUB 81,724 thousand / USD 2,667 thousand).

(a) Impairment

Property, plant and equipment were tested for impairment; the basis for impairment is disclosed in note 14.

(b) Security

Properties with a carrying amount of RUB 12,261,784 thousand / USD 374,875 thousand are subject to a registered debenture to secure bank loans (31 December 2012: RUB 7,454,944 thousand / USD 245,449 thousand) (refer to note 25).

(c) Leased plant and machinery

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 30 June 2013 the net book value of leased plant and machinery was RUB 333,987 thousand / USD 10,211 thousand (31 December 2012: RUB 478,820 thousand / USD 15,765 thousand).

14 Intangible assets

’000 RUB	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2012	4,195,253	1,404,433	5,599,686
Additions	-	258,977	258,977
Disposals	-	(1,300)	(1,300)
Disposal of subsidiaries	(254,172)	(5,363)	(259,535)
Effects of movement in exchange rates	-	46	46
Balance 30 June 2012	3,941,081	1,656,793	5,597,874
Balance at 1 January 2013	3,941,081	1,603,014	5,544,095
Additions	-	2,474	2,474
Disposals	-	(2,590)	(2,590)
Effects of movement in exchange rates	-	148	148
Balance 30 June 2013	3,941,081	1,603,046	5,544,127
Amortisation and impairment losses			
Balance at 1 January 2012	(470,079)	(249,666)	(719,745)
Amortisation charge	-	(44,165)	(44,165)
Disposals	-	181	181
Disposal of subsidiaries	188,583	48	188,631
Effects of movement in exchange rates	-	(14)	(14)
Balance 30 June 2012	(281,496)	(293,616)	(575,112)
Balance at 1 January 2013	(281,496)	(314,010)	(595,506)
Amortisation charge	-	(44,435)	(44,435)
Disposals	-	235	235
Effects of movement in exchange rates	-	(59)	(59)
Balance 30 June 2013	(281,496)	(358,269)	(639,765)
Net book value			
At 1 January 2012	3,725,174	1,154,767	4,879,941
At 30 June 2012	3,659,585	1,363,177	5,022,762
At 1 January 2013	3,659,585	1,289,004	4,948,589
At 30 June 2013	3,659,585	1,244,777	4,904,362

’000 USD	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2012	130,303	43,621	173,924
Additions	-	8,453	8,453
Disposals	-	(42)	(42)
Disposal of subsidiaries	(8,296)	(175)	(8,471)
Effect of movements in exchange rates	(1,914)	(1,368)	(3,282)
Balance 30 June 2012	120,093	50,489	170,582
Balance at 1 January 2013	129,757	52,778	182,535
Additions	-	80	80
Disposals	-	(84)	(84)
Effect of movements in exchange rates	(9,268)	(3,764)	(13,032)
Balance 30 June 2013	120,489	49,010	169,499
Amortisation and impairment losses			
Balance at 1 January 2012	(14,600)	(7,755)	(22,355)
Amortisation charge	-	(1,441)	(1,441)
Disposals	-	6	6
Disposal of subsidiaries	6,155	2	6,157
Effect of movements in exchange rates	(133)	241	108
Balance 30 June 2012	(8,578)	(8,947)	(17,525)
Balance at 1 January 2013	(9,268)	(10,338)	(19,606)
Amortisation charge	-	(1,433)	(1,433)
Disposals	-	8	8
Effect of movements in exchange rates	662	810	1,472
Balance 30 June 2013	(8,606)	(10,953)	(19,559)
Net book value			
At 1 January 2012	115,703	35,866	151,569
At 30 June 2012	111,515	41,542	153,057
At 1 January 2013	120,489	42,440	162,929
At 30 June 2013	111,883	38,057	149,940

Other intangible assets mainly include licences for extraction of sand and crushed granite in Saint-Petersburg and Ural regions.

(a) Impairment testing of goodwill, other intangible assets and property, plant and equipment

Goodwill is allocated to the Group's entities or business units when appropriate. For the purpose of impairment testing these units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each entity or business unit (BU) and the related impairment losses recognised are as follows:

		Allocated goodwill		Impairment losses		Net book value at 30 June 2013	
Entity / Business Unit	**Business Segment**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**
PJSC "Aeroc Obuchow"	Building Materials. NW	818,546	25,025	(164,594)	(5,032)	653,952	19,993
LSR Europe GmbH	Real Estate. Europe	50,093	1,531	-	-	50,093	1,531
Limited Liability Company "Cement"	Building Materials. NW	621,485	19,000	-	-	621,485	19,000
BU LSR. Reinforced Concrete. NW	Building Materials. NW	17,354	531	-	-	17,354	531
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	Real Estate. NW	22,451	686	-	-	22,451	686
BU Other. Ural	Other. Ural	128,269	3,922	(116,902)	(3,574)	11,367	348
BU LSR.Construction. Ural	Construction. Ural	736,429	22,515	-	-	736,429	22,515
BU LSR.Real Estate.Ural	Real Estate.Ural	1,276,844	39,036	-	-	1,276,844	39,036
BU LSR.Bazovye.NW	Building Materials. NW	155,317	4,748	-	-	155,317	4,748
OOO "LSR.Stroitelstvo-M" (OOO "LSR.Stroy - M")	Construction. Moscow	11,250	344	-	-	11,250	344
BU LSR.Wall Materials.Moscow	Building Materials.Moscow	103,043	3,151	-	-	103,043	3,151
		3,941,081	120,489	(281,496)	(8,606)	3,659,585	111,883

Goodwill will be tested for impairment for all BU as at 31 December 2013.

Impairment review of non-financial assets was conducted by the Group with regard to those business units, for which indicators of impairment were identified as at 30 June 2013.

The following key assumptions were used in determining the recoverable amounts of the respective companies as at 30 June 2013 and have not significantly changed compared to those that were used as at 31 December 2012, except for update of cash flow projections and budgeted results compare to those used as at 31 December 2012.

Building Materials segments:

- Cash flows were projected based on budgeted operating results for 2013 and three - nine years business plans;
- The market has already recovered, and some of the plants has reached the sales levels of 2008 in 2013, the other plants are expected to reach the sales levels of 2008 in 2013-2014;
- Cash flows for further years were extrapolated assuming 2% further growth in production;
- Pre-tax discount rate of 20.2% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 48.54% at a market interest rate of 12.76% p.a. and an industry average beta-coefficient.

Construction segments:

- Cash flows were projected based on budgeted operating results for 2013 and three years business plans;
- Plan for 2013 is prepared based on the actual contract portfolio and the actual prices;
- Cash flows for further years were assuming 2% further growth in production;
- Pre-tax discount rate of 19.68% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

Real Estate segments:

- Cash flows were determined for the existing and planned investment projects on the basis of 4-year budgeted operating results.
- Cash flows for further years were assuming 2% further growth.
- Pre-tax discount rate of 19.68% was applied in determining the recoverable amount of the assets. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

The values assigned to the key assumptions represent management’s assessment of future trends in the construction, development and construction materials production industry and are based on both external sources and internal sources.

No impairment loss was recognised in respect of goodwill allocated to the entities and business units above and other non-financial assets, as the impairment test demonstrates that for these entities and business units’ values in use are significantly higher than carrying amounts in aggregate and individually.

The estimates made for impairment test purpose in relation to business units are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would have caused the impairment loss in respect of the following BU:

Entity / Business unit	**’000 RUB**	**’000 USD**
Limited Liability Company “Cement”	21,765	665

- A 10% decrease in undiscounted net cash inflows would have caused the impairment loss in respect of the following BU:

Entity / Business unit	**’000 RUB**	**’000 USD**
Limited Liability Company “Cement”	661,528	20,225

15 Investment property under development

	Fair value of investment projects			
	2013	**2012**	**2013**	**2012**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Cost / Fair value				
At 1 January	152,731	651,174	5,028	20,226
Additions	-	233,164	-	7,610
Disposals	-	(21,280)	-	(695)
Disposals of subsidiaries	-	(9,908)	-	(323)
Effect of movements in exchange rates	-	-	(358)	(820)
At 30 June	152,731	853,150	4,670	25,998

Investment property under development consists of plots of land, wholly or partly owned, by the Group, on which commercial properties are being, or will be, built and costs capitalised in connection with the development of the site. These properties will be leased to third parties on completion.

Costs capitalised relate to development carried out on sites owned or partly owned by the Group. Both land and costs capitalised are measured at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

As at 30 June 2013 the investment property under development is represented by parking related to the project Hermitage View House (Saint-Petersburg, Zoologicheskiy Lane 2-4). The other premises of this property have been sold in 2012.

16 Investment property

’000 RUB	**2013**	**2012**
Cost / Fair value		
At 1 January	675,600	2,310,658
Additions	-	9,935
Reclassification	-	(2,230)
Disposal	-	(1,632,738)
At 30 June	675,600	685,625

’000 USD	**2013**	**2012**
Cost / Fair value		
At 1 January	22,244	71,768
Additions	-	324
Reclassification	-	(73)
Disposal	-	(53,290)
Effect of movements in exchange rates	(1,589)	2,164
At 30 June	20,655	20,893

Investment property comprises a number of commercial properties that are leased to third parties. External, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the Group’s investment property portfolio on a regular basis. The fair values are based on the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction.

In preparing the valuations of the existing office properties as of 31 December 2012 the comparable approach has been used.

The following amounts were recognized in the consolidated interim statement of profit or loss and other comprehensive income in respect of investment property:

	Six months ended 30 June			
	2013	**2012**	**2013**	**2012**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Rental income from investment property	57,471	96,796	1,853	3,159
Direct operating expenses arising from investment property that generated rental income during the period	28,664	33,680	924	1,099

17 Other investments

	30 June 2013 '000 RUB	31 December 2012 '000 RUB	30 June 2013 '000 USD	31 December 2012 '000 USD
Non-current				
Available-for-sale investments:				
Stated at cost	762	1,539	23	50
Originated loans	2,860	145,201	87	4,782
	3,622	146,740	110	4,832
Current				
Held to maturity investments	20,419	17,676	624	582
Originated loans	236,431	173,860	7,229	5,723
	256,850	191,536	7,853	6,305

Available-for-sale investments stated at cost comprise unquoted equity securities in the construction industry. 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. However, management does not believe that the fair value at the end of the period would differ significantly from that carrying amount.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 28.

18 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

'000 RUB	**Assets**		**Liabilities**		**Net**	
	30 June 2013	**31 December 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**31 December 2012**
Property, plant and equipment	(1,267,013)	(1,357,872)	2,160,955	2,273,905	893,942	916,033
Intangible assets	(528)	(6,917)	116,980	136,894	116,452	129,977
Investment property under development	(2,697)	(2,697)	-	-	(2,697)	(2,697)
Investment property	-	-	113,498	113,060	113,498	113,060
Inventories	(791,293)	(505,473)	211,195	372,456	(580,098)	(133,017)
Trade and other receivables	(318,984)	(412,856)	257,873	114,424	(61,111)	(298,432)
Loans and borrowings	(50,358)	(23,465)	3,142	10,471	(47,216)	(12,994)
Trade and other payables	(246,499)	(245,200)	174,130	182,593	(72,369)	(62,607)
Tax loss carry-forwards	(1,217,973)	(934,111)	-	-	(1,217,973)	(934,111)
Tax (assets)/liabilities	(3,895,345)	(3,488,591)	3,037,773	3,203,803	(857,572)	(284,788)
Set off of tax	1,638,119	1,756,800	(1,638,119)	(1,756,800)	-	-
Net tax (assets)/liabilities	(2,257,226)	(1,731,791)	1,399,654	1,447,003	(857,572)	(284,788)

'000 USD	**Assets**		**Liabilities**		**Net**	
	30 June 2013	**31 December 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**31 December 2012**
Property, plant and equipment	(38,736)	(44,706)	66,066	74,867	27,330	30,161
Intangible assets	(16)	(228)	3,576	4,507	3,560	4,279
Investment property under development	(82)	(89)	-	-	(82)	(89)
Investment property	-	-	3,470	3,722	3,470	3,722
Inventories	(24,192)	(16,642)	6,457	12,263	(17,735)	(4,379)
Trade and other receivables	(9,752)	(13,593)	7,884	3,767	(1,868)	(9,826)
Loans and borrowings	(1,540)	(773)	96	345	(1,444)	(428)
Trade and other payables	(7,536)	(8,073)	5,324	6,012	(2,212)	(2,061)
Tax loss carry-forwards	(37,237)	(30,755)	-	-	(37,237)	(30,755)
Tax (assets)/liabilities	(119,091)	(114,859)	92,873	105,483	(26,218)	(9,376)
Set off of tax	50,082	57,841	(50,082)	(57,841)	-	-
Net tax (assets)/liabilities	(69,009)	(57,018)	42,791	47,642	(26,218)	(9,376)

Deferred tax assets on tax losses carry-forwards recognised as at 30 June 2013 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In accessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same data as it used for impairment testing of goodwill and property, plant and equipment as at 31 December 2012 and 30 June 2013 as appropriate (refer to note 14).The major part of those tax losses relates to business segments Building Materials NW and Other Entities and expire in 2014-2023.

(b) Movement in temporary differences during the period

’000 RUB	1 January 2013	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2013
Property, plant and equipment	916,033	30,321	(51,755)	(657)	893,942
Intangible assets	129,977	(13,526)	1	-	116,452
Investment property under development	(2,697)	-	-	-	(2,697)
Investment property	113,060	438	-	-	113,498
Inventories	(133,017)	(445,314)	(1,767)	-	(580,098)
Trade and other receivables	(298,432)	217,746	19,575	-	(61,111)
Loans and borrowings	(12,994)	(34,860)	638	-	(47,216)
Trade and other payables	(62,607)	(10,647)	885	-	(72,369)
Tax loss carry-forwards	(934,111)	(299,336)	15,474	-	(1,217,973)
	(284,788)	(555,178)	(16,949)	(657)	(857,572)

’000 RUB	1 January 2012	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2012
Property, plant and equipment	1,106,434	(105,594)	(33,000)	(348)	967,492
Intangible assets	144,095	(823)	-	-	143,272
Investment property under development	(24,798)	(1,663)	-	-	(26,461)
Investment property	350,966	(188,166)	(48,171)	-	114,629
Inventories	(34,740)	12,405	(17,508)	-	(39,843)
Trade and other receivables	(204,979)	(54,275)	26,811	-	(232,443)
Loans and borrowings	(18,933)	(31,334)	-	-	(50,267)
Provisions	(1,435)	1,435	-	-	-
Trade and other payables	(180,619)	109,136	15,134	-	(56,349)
Tax loss carry-forwards	(1,230,333)	69,175	35,157	235	(1,125,766)
	(94,342)	(189,704)	(21,577)	(113)	(305,736)

’000 USD	1 January 2013	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2013
Property, plant and equipment	30,161	978	(1,669)	(2,140)	27,330
Intangible assets	4,279	(436)	-	(283)	3,560
Investment property under development	(89)	-	-	7	(82)
Investment property	3,722	14	-	(266)	3,470
Inventories	(4,379)	(14,357)	(57)	1,058	(17,735)
Trade and other receivables	(9,826)	7,020	631	307	(1,868)
Loans and borrowings	(428)	(1,124)	21	87	(1,444)
Trade and other payables	(2,061)	(343)	29	163	(2,212)
Tax loss carry-forwards	(30,755)	(9,651)	499	2,670	(37,237)
	(9,376)	(17,899)	(546)	1,603	(26,218)

’000 USD	1 January 2012	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2012
Property, plant and equipment	34,365	(3,448)	(1,078)	(358)	29,481
Intangible assets	4,476	(27)	-	(84)	4,365
Investment property under development	(770)	(54)	-	18	(806)
Investment property	10,901	(6,141)	(1,572)	305	3,493
Inventories	(1,079)	405	(571)	31	(1,214)
Trade and other receivables	(6,366)	(1,771)	875	179	(7,083)
Loans and borrowings	(589)	(1,023)	-	80	(1,532)
Provisions	(45)	47	-	(2)	-
Trade and other payables	(5,610)	3,562	494	(162)	(1,716)
Tax loss carry-forwards	(38,214)	2,258	1,148	504	(34,304)
	(2,931)	(6,192)	(704)	511	(9,316)

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	’000 RUB	’000 RUB	’000 USD	’000 USD
Tax losses	99,099	93,753	3,030	3,087
Deductible temporary differences on intercompany sales of investments	84,008	84,008	2,568	2,766
Total deferred tax assets have not been recognised	183,107	177,761	5,598	5,853

The tax losses expire in 2014-2023. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that the Group will sell investments in the foreseeable future and can utilize the benefits therefrom.

19 Inventories

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	’000 RUB	’000 RUB	’000 USD	’000 USD
Work in progress, construction of buildings	57,037,578	47,644,072	1,743,789	1,568,647
Finished goods, construction of buildings	5,835,370	11,092,791	178,402	365,223
Finished goods and goods for resale	2,636,264	3,552,766	80,597	116,973
Raw materials and consumables	2,667,631	2,165,629	81,557	71,300
Work in progress	1,468,787	1,385,604	44,906	45,620
Lease incentives	656,452	656,452	20,069	21,613
	70,302,082	66,497,314	2,149,320	2,189,376

Inventories with a carrying amount of RUB 2,382,863 thousand / USD 72,850 thousand are subject to a registered debenture to secure bank loans (31 December 2012: RUB 2,206,947 thousand / USD 72,662 thousand) (refer to note 25).

20 Trade and other receivables

	30 June 2013 '000 RUB	31 December 2012 '000 RUB	30 June 2013 '000 USD	31 December 2012 '000 USD
Non-current				
Notes receivable on disposals of subsidiaries	144,088	132,754	4,405	4,372
Accounts receivable - trade	998	-	31	-
Other receivables	98	-	3	-
	145,184	132,754	4,439	4,372
Current				
Prepayments to suppliers	6,740,382	5,192,059	206,071	170,945
Prepayments for flats	3,941,706	3,626,570	120,508	119,402
Accounts receivable – trade	3,197,877	3,184,588	97,767	104,850
Amounts due from customers for contract work	2,845,530	2,189,512	86,995	72,088
Receivables and notes for sale of investment property	1,492,079	1,492,079	45,617	49,126
Notes receivable	564,420	437,701	17,256	14,411
VAT receivable	499,975	900,844	15,286	29,660
Current receivables on disposals of subsidiaries	157,164	75,592	4,805	2,489
Deferred expenses	120,277	162,413	3,677	5,347
Employee receivables	5,183	3,100	158	102
Other receivables	2,138,098	2,136,257	65,367	70,335
	21,702,691	19,400,715	663,507	638,755
Provision for doubtful debtors	(527,658)	(598,560)	(16,132)	(19,707)
	21,175,033	18,802,155	647,375	619,048

As at 30 June 2013 there were no prepayments for flats acquired for resale that will be received after 12 months from the reporting date (31 December 2012: RUB 55,303 thousand / USD 1,821 thousand).

Non-current receivables on disposals of subsidiaries include discounted amount of receivables from sale of Aeroc International AS with discount rate 4.42%.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 28.

21 Cash and cash equivalents

	30 June 2013 '000 RUB	31 December 2012 '000 RUB	30 June 2013 '000 USD	31 December 2012 '000 USD
Petty cash	6,945	4,045	212	133
Current accounts	3,114,701	2,182,107	95,225	71,844
Call deposits	949,982	1,780,934	29,043	58,636
Cash and cash equivalents in the consolidated interim statement of financial position	4,071,628	3,967,086	124,480	130,613
Cash and cash equivalents in the consolidated interim statement of cash flows	4,071,628	3,967,086	124,480	130,613

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

22 Restricted cash

	30 June 2013 '000 RUB	31 December 2012 '000 RUB	30 June 2013 '000 USD	31 December 2012 '000 USD
Non-current				
Restricted cash	91,037	476,883	2,783	15,701
Current				
Restricted cash	9,265	563	283	19
	100,302	477,446	3,066	15,720

Restricted cash (non -current) as at 30 June 2013 includes the amount of RUB 16,382 thousand / USD 501 thousand which was reserved in connection with confirmed letters of credit issued by the Group’s bankers on building of Brick Plant in Leningrad Region (31 December 2012: RUB 191,287 thousand / USD 6,298 thousand). As well it includes the amount of RUB 74,654 thousand / USD 2,282 thousand which was reserved in connection with confirmed letters of credit issued by the Group’s bankers on equipment for production of ferroconcrete piles, plates, and also equipment for reconstruction of concrete-mixing knot (31 December 2012: RUB 285,063 thousand /USD 9,386 thousand).

Restricted cash (current) as at 30 June 2013 includes the amount of RUB 598 thousand / USD 18 thousand restricted for use by the Group according to the requirements of German legislation that regulates operations between developers and investors-individuals (31 December 2012: RUB 563 thousand / USD 19 thousand). As well it includes the amount of RUB 667 thousand / USD 20 thousand which was reserved in connection with confirmed letters of credit issued by the Group’s bankers on purchase of spare parts for the equipment of brick production. Also, cash in the amount of RUB 8,000 thousand / USD 245 thousand was reserved in the bank for receiving of the bank guarantee.

23 Equity

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	31 June 2013	**31 December 2012**
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the year	103,030,215	103,030,215
On issue at end of the period, fully paid	103,030,215	103,030,215

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

(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 30 June 2013 the Company had retained earnings, including the profit for the current period, of RUB 6,567,918 thousand / USD 200,798 thousand (as at 31 December 2012: RUB 8,581,963 thousand / USD 282,555 thousand).

In April 2013 The Group distributed dividends in the amount of RUB 2,060,604 thousand / USD 66,435 thousand at value RUB 20 / USD 0,6 per share for financial year ended 31 December 2012.

In April 2012 The Group distributed dividends in the amount of RUB 2,070,224 / USD 67,568 thousand at value RUB 20 / USD 0.6 per share for financial year ended 31 December 2011.

24 Earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, refer to note 23(a). The Company has no dilutive potential ordinary shares.

	2013	**2012**
Issued shares at 1 January	103,030,215	103,030,215
Weighted average number of shares for the six-month period ended 30 June	103,030,215	103,030,215

25 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer to note 28.

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	'000 RUB	'000 RUB	'000 USD	'000 USD
Non-current				
Secured bank loans	22,639,919	24,069,204	692,162	792,462
Unsecured bank loans	3,000,000	-	91,718	-
Unsecured other loans	-	9,000	-	296
Unsecured bond issues	7,800,000	9,800,000	238,466	322,658
Finance lease liability	84,964	70,785	2,598	2,331
	33,524,883	33,948,989	1,024,944	1,117,747
Current				
Secured bank loans	2,561,633	1,022,422	78,316	33,663
Unsecured other loans	8,470	5,070	259	167
Unsecured bond issue	6,770,639	4,396,552	206,996	144,753
Finance lease liability	67,783	101,625	2,072	3,346
	9,408,525	5,525,669	287,643	181,929

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 June 2013		31 December 2012	
'000 RUB	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
	USD	6м Libor+5.76%	2019	5,204,904	5,204,904	5,146,306	5,146,306
	RUB	2.00% - 11.00% CBR rate+3%	2014-2021	19,996,648	19,996,648	19,945,320	19,945,320
Unsecured facility	RUB	0% – 11.50%	2013-2016	17,579,109	17,579,109	14,210,622	14,210,622
Finance lease liability		10.12 % - 26.00 %	2013-2017	152,747	152,747	172,410	172,410
				42,933,408	42,933,408	39,474,658	39,474,658

				30 June 2013		31 December 2012	
’000 USD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
	USD	6м Libor+5.76%	2019	159,127	159,127	169,438	169,438
	RUB	2.00% - 11.00% CBR rate+3%	2014-2021	611,350	611,350	656,687	656,687
Unsecured facility	RUB	0% – 11.50%	2013-2016	537,440	537,440	467,874	467,874
Finance lease liability		10.12 % - 26.00 %	2013-2017	4,670	4,670	5,677	5,677
				1,312,587	1,312,587	1,299,676	1,299,676

Covenants and other matters

The Credit Agreements require the Group to comply with certain general, informational and financial covenants, including:

- a limitation on the Group ability to incur additional debt beyond certain financial ratios;
- subject to certain exceptions, a prohibition restricting the Group ability to make significant loans, or give credit, guarantees or indemnities to the third party;
- a restriction on paying or declaring any dividend or other distribution or interest on any unpaid interest (whether in cash or in kind);
- a liability to provide to the Banks with such financial and other information, the Banks may reasonably require in relation to the loan contracts, including the Group annual audited and unaudited consolidated financial statements, prepared in accordance with IFRS.

Finance lease liabilities are payable as follows:

’000 RUB	**30 June 2013**			**31 December 2012**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	85,369	17,586	67,783	122,030	20,405	101,625
Between one and five years	104,171	19,207	84,964	84,905	14,120	70,785
	189,540	36,793	152,747	206,935	34,525	172,410

’000 USD	**30 June 2013**			**31 December 2012**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	2,610	538	2,072	4,018	672	3,346
Between one and five years	3,185	587	2,598	2,796	465	2,331
	5,795	1,125	4,670	6,814	1,137	5,677

Bank loans are secured by the following:

– Property, plant and equipment with a carrying amount of RUB 12,261,784 thousand / USD 374,875 thousand is pledged as collateral to secure bank loans (31 December 2012: RUB 7,454,944 thousand / USD 245,449 thousand) – refer to note 13(b).
– Inventories with a carrying amount of RUB 2,382,863 thousand / USD 72,850 thousand are pledged as collateral to secure bank loans. (31 December 2012: RUB 2,206,947 thousand / USD 72,662 thousand) – refer to note 19.

The finance lease liabilities are secured by the leased assets (refer to note 13(c)).

Bank loans are secured by the pledge of the following shares in subsidiary companies as at 30 June 2013:

– 50.00% + 1 share of ZAO “LSR-Bazovye”;
– 50.00% + 1 share of ZAO “DSK “Blok”;
– 50.00% + 1 share of JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG”;
– 100.00% of JSC “Pobeda LSR”;
– 100.00% of ZAO “Industrial leasing”;
– 100.00% of Limited Liability Company “Cement”.

26 Provisions

’000 RUB	Site restoration	Environment restoration	Warranty provision	Provision for unprofitable contracts	Litigation provision	Total
Current						
Balance at 1 January 2013	289,193	38,512	6,115	5,774	3,673	343,267
Provisions made during the period	26,786	-	256	1,611	15,569	44,222
Provisions used during the period	(160,522)	(19,176)	(470)	(4,336)	(1,346)	(185,850)
Release of unused amounts	-	-	-	(1,438)	-	(1,438)
Exchange differences (+/-)	-	-	378	-	-	378
Balance at 30 June 2013	155,457	19,336	6,279	1,611	17,896	200,579
Non-current						
Balance at 1 January 2013	-	16,361	-	-	-	16,361
Provisions made during the period	-	3,290	-	-	-	3,290
Balance at 30 June 2013	-	19,651	-	-	-	19,651

'000 USD	**Site restoration**	**Environment restoration**	**Warranty provision**	**Provision for unprofitable contracts**	**Litigation provision**	**Total**
Current						
Balance at 1 January 2013	9,521	1,268	201	191	121	11,302
Provisions made during the period	864	-	8	52	502	1,426
Provisions used during the period	(5,175)	(618)	(15)	(140)	(43)	(5,991)
Release of unused amounts	-	-	-	(46)	-	(46)
Exchange differences (+/-)	(457)	(59)	(1)	(8)	(34)	(559)
Balance at 30 June 2013	4,753	591	193	49	546	6,132
Non-current						
Balance at 1 January 2013	-	538	-	-	-	538
Provisions made during the period	-	106	-	-	-	106
Exchange differences (+/-)	-	(43)	-	-	-	(43)
Balance at 30 June 2013	-	601	-	-	-	601

(a) Site restoration

The Group records provisions in respect of the Group's obligation to incur additional costs including costs associated with clean up the surrounding area after finishing the construction of apartment buildings in Saint-Petersburg, Moscow, Yekaterinburg and Leningrad region.

(b) Environment restoration

The Group records provisions in respect of the Group's obligation to clean up the surrounding area after quarrying sand in forested and underwater areas. The damage caused during quarrying is cleaned up after quarrying is completed. The amount of provision is estimated based on the average cost of past restoration works and current information available. The Group expects the resulting outflow of economic benefits over the next five years.

(c) Warranty provision

The provision for warranties relates mainly to the residential units sold during the period. The provision is based on estimates made from historical warranty data associated with similar products and services and is required under the German legislation. The Group expects the resulting outflow of economic benefits over the next year. For the production companies warranty provision relates to the construction works done.

(d) Provision for unprofitable contracts

The Group records provisions in respect of the Group's loss contracts in connection of immediately reflection of loss on construction contracts. Amount of the provision is calculated based on contract price, contract expenses accounted contract stage per definite loss contract.

(e) Litigation provision

The Group recognises provision on legal obligations that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

27 Trade and other payables

	30 June 2013 '000 RUB	31 December 2012 '000 RUB	30 June 2013 '000 USD	31 December 2012 '000 USD
Non-current payables				
Notes payable long-term	60,367	185,218	1,845	6,098
	60,367	185,218	1,845	6,098
Current payables				
Prepayments received for flats	29,319,244	24,035,017	896,365	791,336
Advances from customers	4,014,153	3,992,877	122,723	131,462
Accounts payable trade	4,546,058	4,657,545	138,985	153,346
Other taxes payable	1,494,994	1,571,518	45,706	51,741
Interest payable	1,111,831	1,108,042	33,992	36,482
Employee-related liabilities	1,063,683	834,709	32,520	27,482
Accounts due to customers for contract work	518,373	401,855	15,848	13,231
Notes payable	56,571	69,562	1,730	2,290
Deferred income	23,325	25,902	713	853
Non-controlling interest in limited liability subsidiaries	-	21,760	-	716
Dividend liabilities, interest-free	1,129	1,129	35	37
Other payables	1,865,036	1,988,922	57,019	65,486
	44,014,397	38,708,838	1,345,636	1,274,462

Prepayments received for flats include RUB 13,011,872 thousand / USD 397,807 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2012: RUB 6,486,921 thousand / USD 213,577 thousand).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

28 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk
- operational 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 interim 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 Board has established an Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee 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.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(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 and investment securities.

(i) Trade and other receivables

Trade receivables from the largest five debtors of the Group represents approximately RUB 700,589 thousand / USD 21,419 thousand (31 December 2012: RUB 1,004,284 thousand / USD 33,065 thousand) of the Group's total Trade receivables. Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

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

Most of the Group's customers in the Building materials. NW, Construction. NW operating segments have been transacting with the Group for over four years, and losses have occurred infrequently. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group does not have a unified policy for management of credit risk in place. Due to significant differences in operations at different business units specific credit policies are developed at the level of operational companies. Each of the operating companies has established procedures in place to review and collect outstanding receivables. New customers, as well as customers with significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place. All companies involved in the extraction and production of building materials have in place credit control procedures which require them to cancel despatching goods in case of the absence of a signed contract, previous fail to pay or previous violations of contract conditions. Also certain limits for the accounts receivable are established for particular customers.

In the Real Estate. NW, Real Estate. Moscow, Real Estate. Ural operating segments most sales are on prepayment and cash basis, as the customers are individuals.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. This allowance represents a specific loss component that relates to individually significant exposures.

(ii) Investments

The Group limits its exposure to credit risk by investing in credit notes of trade counterparties (customers and suppliers of the Group) that have an appropriate reputation in the market. The Group does not invest any of its assets in traded securities.

(iii) Guarantees

As at 30 June 2013 guarantees made to third parties were RUB 680,158 thousand / USD 20,794 thousand (31 December 2012: RUB 253,159 thousand / USD 8,335 thousand).

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:

'000 RUB	**Carrying amount**	
	30 June 2013	**31 December 2012**
Available-for-sale financial assets	762	1,539
Loans and receivables	10,294,528	9,439,059
Held to maturity investments	20,419	17,676
Cash and cash equivalents	4,071,628	3,967,086
Restricted cash	100,302	477,446
	14,487,639	13,902,806

'000 USD	**Carrying amount**	
	30 June 2013	**31 December 2012**
Available-for-sale financial assets	23	50
Loans and receivables	314,730	310,774
Held to maturity investments	624	582
Cash and cash equivalents	124,480	130,613
Restricted cash	3,066	15,720
	442,923	457,739

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

'000 RUB	**Carrying amount**	
	30 June 2013	**31 December 2012**
Domestic	2,170,159	2,779,221
Euro-zone countries	45,196	39,223
Other CIS countries	29,920	12,976
	2,245,275	2,831,420

'000 USD	**Carrying amount**	
	30 June 2013	**31 December 2012**
Domestic	66,347	91,504
Euro-zone countries	1,382	1,291
Other CIS countries	915	427
	68,644	93,222

The Group's most significant trade debtor, OOO "Ekspert", accounts for RUB 188,434 thousand / USD 5,761 thousand of the trade receivables carrying amount at 30 June 2013 (31 December 2012 OOO OOO "Ekspert": RUB 380,636 thousand / USD 12,532 thousand).

The total amount of impaired trade receivables at the reporting date was RUB 298,731 thousand / USD 9,133 thousand (31 December 2012: RUB 353,168 thousand / USD 11,628 thousand).

The ageing of trade receivables at the reporting date was:

	Gross 30 June 2013 '000 RUB	Impairment 30 June 2013 '000 RUB	Gross 31 December 2012 '000 RUB	Impairment 31 December 2012 '000 RUB
Not past due	1,557,413	-	1,902,151	-
Past due 0-30 days	274,617	-	515,498	-
Past due 31-150 days	230,268	(2,347)	277,347	(683)
Past due more than 150 days	481,708	(296,384)	489,592	(352,475)
	2,544,006	(298,731)	3,184,588	(353,168)

	Gross 30 June 2013 '000 USD	Impairment 30 June 2013 '000 USD	Gross 31 December 2012 '000 USD	Impairment 31 December 2012 '000 USD
Not past due	47,614	-	62,628	-
Past due 0-30 days	8,396	-	16,972	-
Past due 31-150 days	7,040	(72)	9,131	(23)
Past due more than 150 days	14,727	(9,061)	16,119	(11,605)
	77,777	(9,133)	104,850	(11,628)

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	2013 '000 RUB	2012 '000 RUB
Balance at 1 January	(353,168)	(600,662)
Impairment of disposed subsidiaries	89,013	-
Impairment loss recognised	(34,576)	113,830
Balance at 30 June	(298,731)	(486,832)

	2013 '000 USD	2012 '000 USD
Balance at 1 January	(11,628)	(18,656)
Impairment of disposed subsidiaries	2,870	-
Impairment loss recognised	(1,115)	3,715
Effect of movements in exchange rates	740	106
Balance at 30 June	(9,133)	(14,835)

The impairment loss at 30 June 2013 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and internal analysis on the underlying customers' credit ratings.

The movement in the allowance for impairment in respect of advances paid and other receivables during the period was as follows:

	2013	**2012**
	'000 RUB	**'000 RUB**
Balance at 1 January	(245,392)	(301,840)
Impairment (loss) / reversal	16,465	67,008
Balance at 30 June	(228,927)	(234,832)

	2013	**2012**
	'000 USD	**'000 USD**
Balance at 1 January	(8,079)	(9,375)
Impairment (loss) / reversal	531	2,187
Effect of movements in exchange rates	549	32
Balance at 30 June	(6,999)	(7,156)

(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 uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 30 June 2013 the Group's undrawn short-term credit facilities amount is RUB 13,230,053 thousand / USD 404,477 thousand (31 December 2012: RUB 7,702,000 thousand / USD 253,583 thousand) from Russian and Ukrainian banks. Interest would be payable at the rate of 3.50% to 10.50%.

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.

30 June 2013	**Average interest rate**					
’000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.00% - 11.00%	8.63%	1,572,928	14,778,396	1,765,001	18,116,325
RUB*	CBR rate+3%	10.75%	170,938	1,367,508	341,877	1,880,323
USD	6m Libor+5.76%	6.25%	817,767	4,070,048	317,089	5,204,904
Unsecured bank loans:						
RUR*	9,70%	9.70%	-	3,000,000	-	3,000,000
Unsecured other loans:						
RUB*	0.00% - 8.50%	6.58%	8,470	-	-	8,470
Unsecured bond issues:						
RUB*	8.47% - 11.50%	10.27%	6,770,639	7,800,000	-	14,570,639
Finance lease liabilities						
RUB*	13,27 % - 25,33 %	16.38%	47,774	49,000	-	96,774
USD*	13,00 % - 13,00 %	13.00%	5,971	33,346	-	39,317
EUR*	10,12 % - 15,00 %	12.68%	10,735	308	-	11,043
Other*	23,00 % - 26,00 %	23.46%	3,303	2,310	-	5,613
Trade and other payables		-	7,580,625	60,367	-	7,640,992
Future interests**		-	3,434,189	5,428,225	110,020	8,972,434
Guarantees***		-	585,985	94,173	-	680,158
			21,009,324	36,683,681	2,533,987	60,226,992

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 30 June 2013.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

31 December 2012	**Average interest rate**					
’000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.00% - 11.00%	8.60%	206,573	15,453,281	2,063,266	17,723,120
RUB*	CBR rate+3%	10.75%	341,877	1,367,508	512,815	2,222,200
USD	6m Libor+5.76%	6.56%	473,972	3,717,562	954,772	5,146,306
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.01%	5,070	-	9,000	14,070
Unsecured bond issues:						
RUB*	8.47% - 11.50%	10.28%	4,396,552	9,800,000	-	14,196,552
Finance lease liabilities						
RUB*	13.27%-35.54%	16.94%	56,655	68,258	-	124,913
EUR*	10.12%-27.32%	15.96%	41,737	301	-	42,038
Other*	23.00%-26.00%	23.77%	3,233	2,226	-	5,459
Trade and other payables		-	7,846,960	185,218	-	8,032,177
Future interests**		-	3,302,913	5,752,915	146,587	9,202,415
Guarantees***		-	177,368	75,791	-	253,159
			16,852,910	36,423,061	3,686,440	56,962,409

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2012.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

30 June 2013	**Average interest rate**					
'000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.00% - 11.00%	8.63%	48,089	451,815	53,961	553,865
RUB*	CBR rate+3%	10.75%	5,226	41,808	10,452	57,486
USD	6m Libor+5.76%	6.25%	25,001	124,432	9,694	159,127
Unsecured bank loans:						
RUB*	9,70%	9.70%	-	91,718	-	91,718
Unsecured other loans:						
RUB*	0.00% - 8. 50%	6.58%	259	-	-	259
Unsecured bond issues:						
RUB*	8.47% - 11.50%	10.27%	206,996	238,466	-	445,462
Finance lease liabilities						
RUB*	13,27 % - 25,33 %	16.38%	1,460	1,499	-	2,959
USD*	13,00 % - 13,00 %	13.00%	183	1,019	-	1,202
EUR*	10,12 % - 15,00 %	12.68%	328	9	-	337
Other*	23,00 % - 26,00 %	23.46%	101	71	-	172
Trade and other payables		-	231,761	1,845	-	233,606
Future interests**		-	104,992	165,955	3,364	274,311
Guarantees***		-	17,915	2,879	-	20,794
			642,311	1,121,516	77,471	1,841,298

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 30 June 2013.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

31 December 2012	**Average interest rate**					
’000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.00% - 11.00%	8.6%	6,802	508,789	67,932	583,523
RUB*	CBR rate+3%	10.75%	11,256	45,024	16,884	73,164
USD	6m Libor+5.76%	6.56%	15,605	122,398	31,435	169,438
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.01%	167	-	296	463
Unsecured bond issues:						
RUB*	8.47% - 11.50%	10.28%	144,753	322,658	-	467,411
Finance lease liabilities						
RUB*	13.27%-35.54%	16.94%	1,866	2,248	-	4,114
EUR*	10.12%-27.32%	15.96%	1,374	10	-	1,384
Other*	23.00%-26.00%	23.77%	106	73	-	179
Trade and other payables		-	258,357	6,098	-	264,455
Future interests**		-	108,746	189,411	4,826	302,983
Guarantees***		-	5,840	2,495	-	8,335
			554,872	1,199,204	121,373	1,875,448

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2012.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

(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 sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUB), but also Euro and Ukrainian Hryvna (UAH). The currencies in which these transactions primarily are denominated in Euro and USD.

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

Exposure to currency risk

The Group's exposure to currency risk was based on the following principal amounts:

30 June 2013 **'000 RUB**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	144,388	-	-
Secured bank loans	-	(5,204,904)	-
Finance lease liabilities	(11,043)	(39,317)	(5,613)
Trade and other payables	(339,425)	(136,559)	-
Gross balance sheet exposure	(206,080)	(5,380,780)	(5,613)

31 December 2012 **'000 RUB**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	178,735	27	83
Secured bank loans	-	(5,146,306)	-
Finance lease liabilities	(42,038)	-	(5,459)
Trade and other payables	(184,483)	(160,389)	-
Gross balance sheet exposure	(47,786)	(5,306,668)	(5,376)

30 June 2013 **'000 USD**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	4,414	-	-
Secured bank loans	-	(159,127)	-
Finance lease liabilities	(337)	(1,202)	(172)
Trade and other payables	(10,377)	(4,175)	-
Gross balance sheet exposure	(6,300)	(164,504)	(172)

31 December 2012 **'000 USD**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	5,885	-	3
Secured bank loans	-	(169,438)	-
Finance lease liabilities	(1,384)	-	(179)
Trade and other payables	(6,074)	(5,281)	-
Gross balance sheet exposure	(1,573)	(174,719)	(176)

The following significant exchange rates applied during the period:

	30 June 2013	**31 December 2012**
	RUB	**RUB**
1 USD equals	32.7090	30.3727
1 Euro equals	42.7180	40.2286
1 UAH equals	4.0107	3.7590

Sensitivity analysis

A 10% strengthening of RUB against the above currencies would have increased profit by RUB 559,247 thousand / USD 17,098 thousand. A 10% weakening of the RUB against the above currencies would have the equal but opposite effect 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:

'000 RUB	**Carrying amount**	
	30 June 2013	**31 December 2012**
Fixed rate instruments		
Financial assets	260,472	338,276
Financial liabilities	(37,728,504)	(34,328,352)
	(37,468,032)	(33,990,076)
Variable rate instruments		
Financial liabilities	(5,204,904)	(5,146,306)

'000 USD	**Carrying amount**	
	30 June 2013	**31 December 2012**
Fixed rate instruments		
Financial assets	7,963	11,137
Financial liabilities	(1,153,460)	(1,130,237)
	(1,145,497)	(1,119,100)
Variable rate instruments		
Financial liabilities	(159,127)	(169,438)

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, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and the statement of profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the six months 2012.

’000 RUB	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Six months ended 30 June 2013		
Variable rate instruments	(52,049)	52,049
Cash flow sensitivity	(52,049)	52,049
Six months ended 30 June 2012		
Variable rate instruments	(56,135)	56,135
Cash flow sensitivity	(56,135)	56,135

’000 USD	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Six months ended 30 June 2013		
Variable rate instruments	(1,591)	1,591
Cash flow sensitivity	(1,591)	1,591
Six months ended 30 June 2012		
Variable rate instruments	(1,711)	1,711
Cash flow sensitivity	(1,711)	1,711

(e) Fair values versus carrying amounts

The fair value of unquoted equity investments is discussed in note 4. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for loans.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

’000 RUB	**Note**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		30 June 2013	**30 June 2013**	**31 December 2012**	**31 December 2012**
Financial assets					
Available-for-sale financial assets	17	762	762	1,539	1,539
Loans and receivables		10,294,528	10,294,528	9,439,059	9,439,059
Held to maturity investments	17	20,419	20,419	17,676	17,676
Cash and cash equivalents	21	4,071,628	4,071,628	3,967,086	3,967,086
Restricted cash	22	100,302	100,302	477,446	477,446
		14,487,639	14,487,639	13,902,806	13,902,806
Financial liabilities					
Secured bank loans	25	(25,201,552)	(24,794,107)	(25,091,626)	(23,606,730)
Unsecured bank loans	25	(3,000,000)	(2,984,380)	-	-
Unsecured other loans	25	(8,470)	(8,207)	(14,070)	(9,380)
Unsecured bond issues	25	(14,570,639)	(14,616,656)	(14,196,552)	(14,056,550)
Trade and other payables	27	(7,640,992)	(7,640,992)	(8,032,178)	(8,032,177)
Finance lease liabilities	25	(152,747)	(152,747)	(172,410)	(172,410)
		(50,574,400)	(50,197,089)	(47,506,836)	(45,877,247)

’000 USD	**Note**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		30 June 2013	**30 June 2013**	**31 December 2012**	**31 December 2012**
Financial assets					
Available-for-sale financial assets	17	23	23	50	50
Loans and receivables		314,730	314,730	310,774	310,774
Held to maturity investments	17	624	624	582	582
Cash and cash equivalents	21	124,480	124,480	130,613	130,613
Restricted cash	22	3,066	3,066	15,720	15,720
		442,923	442,923	457,739	457,739

’000 USD	Note	Carrying amount	Fair value	Carrying amount	Fair value
		30 June 2013	30 June 2013	31 December 2012	31 December 2012
Financial liabilities					
Secured bank loans	25	(770,477)	(758,021)	(826,125)	(777,235)
Unsecured bank loans	25	(91,718)	(91,240)	-	-
Unsecured other loans	25	(259)	(251)	(463)	(309)
Unsecured bond issues	25	(445,462)	(446,870)	(467,411)	(462,802)
Trade and other payables	27	(233,606)	(233,606)	(264,455)	(264,454)
Finance lease liabilities	25	(4,670)	(4,670)	(5,677)	(5,676)
		(1,546,192)	(1,534,658)	(1,564,131)	(1,510,476)

The interest rates used to discount estimated cash flows, where applicable, are based on marginal borrowing rates, available for the Group as at:

	30 June 2013	31 December 2012
Loans and borrowings	5.00% - 10.00%	6.00% - 11.00%
Leases	10.12% - 26.00%	10.12% - 35.54%

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of the transactions;
- requirements for the reconciliation and monitoring of the transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessments of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;

- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit, to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

(g) 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.

The Group's liabilities to adjusted capital ratio at the end of the reporting period were as follows:

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Total liabilities	88,987,995	81,076,361	2,720,596	2,669,383
Less: cash and cash equivalents	(4,071,628)	(3,967,086)	(124,480)	(130,613)
Net liabilities	84,916,367	77,109,275	2,596,116	2,538,770
Total equity	55,477,430	56,701,499	1,696,091	1,866,857
Net liabilities to capital ratio	1.53	1.36	1.53	1.36

29 Operating leases

Non-cancellable operating lease rentals are payable as follows:

'000 RUB	30 June 2013	31 December 2012
Less than one year	222,819	260,155
Between one and five years	717,813	845,463
More than five years	3,249,088	3,611,793
	4,189,720	4,717,411

’000 USD	30 June 2013	31 December 2012
Less than one year	6,812	8,565
Between one and five years	21,945	27,836
More than five years	99,333	118,916
	128,090	155,317

The Group leases a number of land plots under operating leases. The leases typically vary from an initial period of four to forty nine years, with an option to renew the lease after that date. Lease payments are usually fixed.

For the production entities lease payments are expensed as incurred, while for the real estate construction entities lease payments are capitalised to the construction costs of the properties, located on the respective land plots. During the six-month period ended 30 June 2013 an amount of RUB 55,722 thousand / USD 1,797 thousand was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of non-cancellable operating leases. During the six-month period ended 30 June 2013 an amount of RUB 74,168 thousand / USD 2,391 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

30 Commitments

At 30 June 2013 the Group was committed to purchase property, plant and equipment for approximately RUB 371,334 thousand / USD 11,353 thousand (31 December 2012: RUB 427,136 thousand / USD 14,063 thousand) net of VAT.

31 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.

(b) Litigation

Existing litigations include a number of small claims relating to purchases from domestic customers. Based on experience in resolving such claims, management believes that they will be settled without significant cost to the Group. Accordingly, no provision has been made for such amounts.

(c) 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.

The Group companies entered into transactions involving other Group companies at prices which management believed were consistent with applicable tax law. However, based on the uncertainty of legislation, the tax authorities could take a different position and attempt to assess additional tax and interest. The potential amount of such assessment cannot be reasonably estimated based on the uncertainty of transfer pricing rules, but could be significant. Management has not made any provision because it believes there will be no outflow of funds relating to any such assessment.

(d) Environmental liabilities

The Group is engaged in dredging sand from the sea bed and quarrying sand in forested areas. There is no liability to perform any restoration work in relation to the sea bed after the dredging is complete.

The Group is engaged in crushed stone production and extraction of clay in ten areas covered by forests. According to existing legislation and the terms of licenses obtained by the Group there is a liability for the Group to restore these sites when quarrying is complete. The costs associated with restoration cannot be determined as, in accordance with existing licences on crushed stone production, the methods of restoration and its cost will be determined in the future based on discussions between the Group and Russian Environment Authorities after the quarrying is complete. Accordingly, no provision has been recognised in the consolidated interim financial statements for expected expenses on restoration. It is planned that quarrying will be completed for the currently used ten areas in the years from 2014 to 2028.

32 Related party transactions

(a) Control relationships

The Company is ultimately controlled by Andrey Molchanov.

(b) Transactions with management and close family members

The management and their close family members control 5.00% of the voting shares of the Group. (31 December 2012: 5.00%).

(i) Management remuneration

Key management received the following remuneration during the period, which is included in personnel costs (refer to note 9):

	Six months ended 30 June			
	2013	**2012**	**2013**	**2012**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Salaries and bonuses	241,528	167,420	7,787	5,464

(ii) Other transactions with management and close family members

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2013	30 June 2012	30 June 2013	31 December 2012	30 June 2013	30 June 2012	30 June 2013	31 December 2012
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Sale of goods and services	44,690	2,910	43,679	85	1,441	95	1,335	3
Purchase of goods and services	709	89	-	-	23	3	-	-
Loans received (included into unsecured other loans – refer to note 25)	1,910	-	1,910	2,060	62	-	58	68
Loans given to related parties	-	800	-	-	-	26	-	-
Purchase of shares	-	-	-	-	-	-	-	-
Sales of note	-	-	8,642	9,107	-	-	264	300
Other income / (expenses), net	(1,954)	(3,214)	118	1,533	(63)	(105)	4	50

As at 30 June 2013 there were no loans to executive directors (31 December 2012: there were no loans to executive directors) (refer to notes 17, 20).

(c) Transactions with other related parties

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

(i) Revenue

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2013	**30 June 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**30 June 2012**	**30 June 2013**	**31 December 2012**
	'000 RUB	**'000 RUB**	**'000 RUB**	**'000 RUB**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Sale of goods and services provided to:								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	710,029	1,885,591	1,877,248	2,306,799	22,892	61,542	57,392	75,950
Companies significantly influenced by the Group key management	62,002	551	364,044	(61,500)	1,999	18	11,130	(2,025)
	772,031	1,886,142	2,241,292	2,245,299	24,891	61,560	68,522	73,925

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances is secured.

Other expenses to companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners as at 30 June 2013 includes the amount of RUB 2,055 thousand / USD 66 thousand (other expenses 30 June 2012: RUB 26,902 thousand / USD 878 thousand). Outstanding balance includes the amount of RUB 4,078 thousand / USD 125 thousand (31 December 2012: RUB 3,866 thousand / USD 127 thousand).

There is no other income to companies controlled significantly influenced by the Group management as at 30 June 2013 (30 June 2012: RUB 21,593 thousand / USD 738 thousand). There is no outstanding balance as at 30 June 2013 (31 December 2012: nil).

(ii) Expenses and capital expenditures

	Transaction value six months ended		**Outstanding balance**		**Transaction value six months ended**		**Outstanding balance**	
	30 June 2013	**30 June 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**30 June 2012**	**30 June 2013**	**31 December 2012**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Purchase of goods and services from:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	21,554	5,749	4,518	10,913	695	188	138	351
Companies significantly influenced by the Group management	4,352	535	3,409	-	140	17	104	-
	25,906	6,284	7,927	10,913	835	205	242	351

All outstanding balances with related parties are to be settled in cash within six months of the reporting sheet date. None of the balances are secured.

(iii) Loans

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2013	**30 June 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**30 June 2012**	**30 June 2013**	**31 December 2012**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Loans received (included into unsecured other loans – refer to note 25):								
Companies significantly influenced by the Group management	-	-	6,550	-	-	-	200	-
	-	-	6,550	-	-	-	200	-

The loans from companies, significantly influenced by the Group management, and companies, controlled or significantly influenced by, or on behalf of, the Group’s ultimate beneficial owners, bear interest and are repayable based on contractual terms.

	Transaction value six months ended		**Outstanding balance**		**Transaction value six months ended**		**Outstanding balance**	
	30 June 2013	**30 June 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**30 June 2012**	**30 June 2013**	**31 December 2012**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Loans given (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	(253)	(25,450)	(24,000)	-	(8)	(778)	(790)
Companies significantly influenced by the Group management	-	(979)	-	-	-	(32)	-	-
	-	(1,232)	(25,450)	(24,000)	-	(40)	(778)	(790)

The loans to companies, significantly influenced by the Group management, and companies, controlled or significantly influenced by, or on behalf of, the Group’s ultimate beneficial owners, bear interest and are repayable based on contractual terms. No discounting of the loans has been performed at the reporting date due to the short maturity of loans received and given.

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2013	**30 June 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**30 June 2012**	**30 June 2013**	**31 December 2012**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Interests (included into other payables – refer to note 27):								
Companies significantly influenced by the Group management	137	-	502	-	4	-	15	-
Interests provided to A.Molchanov	-	-	-	-	-	-	-	-
	137	-	502	-	4	-	15	-

(iv) Other investments

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2013	**30 June 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**30 June 2012**	**30 June 2013**	**31 December 2012**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Non-current available-for-sale investments stated at cost (included into other investments –refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	-	563	1,237	-	-	17	41
Companies significantly influenced by the Group management	-	-	3	3	-	-	-	-
	-	-	566	1,240	-	-	17	41

(v) Transactions with shares / promissory notes

Purchase of shares/promissory notes from

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2013	30 June 2012	30 June 2013	31 December 2012	30 June 2013	30 June 2012	30 June 2013	31 December 2012
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	145,112	-	155,080	60,598	4,678	-	4,741	1,995
Companies significantly influenced by the Group management	13	-	-	-	-	-	-	-
	145,125	-	155,080	60,598	4,678	-	4,741	1,995

Sale of shares/promissory notes to

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2013	30 June 2012	30 June 2013	31 December 2012	30 June 2013	30 June 2012	30 June 2013	31 December 2012
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	-	53,427	53,427	-	-	1,633	1,759
	-	-	53,427	53,427	-	-	1,633	1,759

33 The Group subsidiaries

Entity	Country of incorporation	Ownership/ voting interest 30 June 2013	Ownership/ voting interest 31 December 2012
JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG”	Russia	100.00%	100.00%
OOO “LSR.Nedvizimost-SZ” (OOO “GDSK”)	Russia	100.00%	100.00%
OAO “LSR”	Russia	100.00%	100.00%
JSC “Scanex”	Russia	100.00%	100.00%
OAO “LSR.Zelezobeton-SZ” (OAO “PO “Barrikada”)	Russia	100.00%	100.00%
ZAO “DSK “Blok”	Russia	100.00%	100.00%
OJSC “UM-260”	Russia	100.00%	100.00%
OOO “Obyedineniye 45”**	Russia	-	100.00%
ZAO “LSR.Nedvizimost-M”	Russia	100.00%	100.00%
OOO “GATP №1”	Russia	100.00%	100.00%
JSC “Pobeda LSR”	Russia	100.00%	100.00%
OOO “Aeroc SPb”	Russia	100.00%	100.00%
LLC “AEROC”	Ukraine	100.00%	100.00%
OOO “Osobnyak”	Russia	100.00%	100.00%
JSC “Construction trust № 28”	Russia	-	79.17%
OOO “Construction trust № 28”*	Russia	-	50.00%
ZAO “Industrial leasing”	Russia	100.00%	100.00%
OOO “SPb GDC “YUNA”	Russia	100.00%	100.00%
ZAO “MSR-Butovo”	Russia	100.00%	100.00%
OOO “LenSpecSMO “Promstroymontazh”	Russia	100.00%	100.00%
Limited Liability Company Smolniy District	Russia	100.00%	100.00%
ZAO “VSMP” (OOO “VSMP”)	Russia	100.00%	100.00%
OOO “BaltStroyKomplekt”	Russia	100.00%	100.00%
OOO “LSR. Bazovye-M”	Russia	100.00%	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Strabe Wohnbau Gmbh & Co. KG	Germany	70.00%	70.00%
Saargemunder Strabe Wohnbau Beteiligungs-GmbH	Germany	70.00%	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%

Entity	Country of incorporation	Ownership/ voting interest 30 June 2013	Ownership/ voting interest 31 December 2012
LSR Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestrasse Projektetnwicklungs GmbH & Co KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstr. 79 mbH	Germany	80.00%	80.00%
Bereiteranger Vermogensverwaltungs GmbH	Germany	70.00%	70.00%
Bereiteranger Projektentwicklung GmbH & Co KG	Germany	70.00%	70.00%
Aignerstraße Projektentwicklungsgesellschaft mbH	Germany	100.00%	100.00%
mysuithome Munchen GmbH	Germany	70.00%	-
JSC “A Plus Estate”	Russia	100.00%	100.00%
OAO “Stroicorporatciya”	Russia	100.00%	100.00%
OAO MTO “ARHPROEKT”	Russia	100.00%	100.00%
OOO “Velikan-XXI vek”	Russia	100.00%	100.00%
Limited Liability Company “Cement”	Russia	100.00%	100.00%
ZAO “Kazanskaya, 36”	Russia	100.00%	100.00%
OOO “LSR.Stenovye-M”	Russia	100.00%	100.00%
Lsr Group Ltd	Russia	100.00%	100.00%
LSR.Construction-Urals Ltd (Limited Liability Company “BETFOR”)	Russia	100.00%	100.00%
LTD “PKU “NOVA-StroiProekt”	Russia	100.00%	100.00%
ZAO “LSR.Nedvizimost-Ural” (ZAO “NOVA-stroy”)	Russia	100.00%	100.00%
OOO “LSR-Nerud”***	Russia	-	100.00%
PJSC “Uralscheben”	Russia	100.00%	100.00%
PJSC “Aeroc Obuchow”	Ukraine	97.36%	97.36%
OOO “Kentavr Management”	Russia	100.00%	100.00%
OOO “Rybkhoz”***	Russia	-	100.00%
OOO “LSR.Stroitelstvo-M” (OOO “LSR.Stroy - M”)	Russia	100.00%	100.00%
OOO “LSR-Stroy”	Russia	100.00%	100.00%
Limited Liability Company “KUZZhBI”	Russia	100.00%	100.00%
Limited Liability Company “AvtoKomBalt”	Russia	100.00%	100.00%
OOO “GALS”	Russia	100.00%	100.00%
LLC “436 KNI”	Russia	100.00%	100.00%
ZAO “LSR-Bazovye”	Russia	100.00%	100.00%
ZAO “Golden Kazanskaya”****	Russia	-	100.00%
OOO “Zagorodnaya, 71”	Russia	100.00%	100.00%
OOO “Kazinskoe Karieroupravleniye”	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/ voting interest 30 June 2013	Ownership/ voting interest 31 December 2012
OOO “Kamenskoe-3”	Russia	100.00%	100.00%
OOO “Tehnerud”**	Russia	-	100.00%
OOO “Oktyabrskaya,42”	Russia	100.00%	-

* The Group controlled OOO “Stroitelny trest № 28” as it had the power to appoint or remove the General Director, which is the ultimate governing body of the entity, and control was exercised through this body

** Not significant subsidiaries disposed to third or related parties during 6 month ended 30 June 2013

*** Not significant subsidiaries liquidated during 6 month ended 30 June 2013

**** Subsidiary was merged to JSC “A Plus Estate” during 6 month ended 30 June 2013

34 Events subsequent to the reporting date

There were no financial and operating events subsequent to the reporting date to be disclosed.

35 Supplementary disclosures

The following Group entities are included in Segments and Business unit disclosures:

Division	Segment	Business unit	Product	Entity
LSR. NW	Building Materials. NW	LSR.Wall Materials.NW	Brick	JSC "Pobeda LSR" LSR Stenovye (Brick)
			Aerated Concrete	OOO "Aeroc SPb" PJSC "Aeroc Obuchow" LLC "AEROC" LSR Stenovye (Aerated Concrete)
		LSR. Reinforced Concrete. NW	Reinforced Concrete	OAO "LSR.Zelezobeton-SZ" (OAO "PO "Barrikada")
		LSR.Basic Materials.NW	Ready-mix Concrete	OOO "Obyedineniye 45" ZAO "LSR-Bazovye" Ready-mix Concrete
			Sand	ZAO "VSMP" (OOO "VSMP") OOO "Rybkhoz" ZAO "LSR-Bazovye" Sand OOO "Tehnerud"
			Crushed Granite	LLC "436 KNI" ZAO "LSR-Bazovye" Crushed Granite OOO "LSR-Nerud"
		LSR.Cement.NW	Cement	Limited Liability Company "Cement"
	Real Estate. NW	LSR.Real Estate.NW	Real Estate	JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG" OOO "Osobnyak" OAO "Stroicorporatciya" Limited Liability Company Smolniy District OOO "SPB GDC "YUNA" OOO "LenSpecSMO "Promstroymontazh" OAO "LSR" OOO "LSR.Nedvizimost-SZ" (OOO "GDSK")
	Construction.NW	LSR. Construction.NW	Construction	ZAO "DSK "Blok" OOO "GATP №1"
		LSR. Project management	Project management	OOO "LSR-Stroy" Limited Liability Company "AvtoKomBalt"
		LSR. Pile Foundation and Construction	Pile Foundation and Construction	JSC "Construction trust № 28" OOO "Construction trust № 28"
		LSR.Tower Cranes	Tower Cranes	OJSC "UM-260"
LSR. Moscow	Real Estate. Moscow	LSR.Real Estate. Moscow	Real Estate	ZAO "LSR.Nedvizimost-M" OOO "Velikan-XXI vek" OOO "Kentavr Management"

Division	Segment	Business unit	Product	Entity
	Construction. Moscow	LSR.Construction. Moscow	Construction	OOO "LSR.Stroitelstvo-M" (OOO "LSR.Stroy - M") ZAO "LSR.Nedvizimost-M"
	Building Materials.Moscow	LSR.Basic Materials.Moscow	Ready-mix Concrete	OOO "LSR. Bazovye-M"
		LSR.Wall Materials.Moscow	Brick	OOO "LSR.Stenovye-M" ZAO "MSR-Butovo"
LSR. Ural	Real Estate.Ural	LSR.Real Estate.Ural	Real Estate	ZAO "LSR.Nedvizimost-Ural" (ZAO "NOVA-stroy")
	Construction. Ural	LSR.Construction. Ural	Construction	LSR.Construction-Urals Ltd (Limited Liability Company "BETFOR") Limited Liability Company "KUZZhBI" OOO "Kamenskoe-3" LTD "PKU "NOVA-StroiProekt"
	Other. Ural	Other. Ural	Other. Ural	PJSC "Uralscheben"
LSR. Europe	Real Estate. Europe	LSR. Europe	Real Estate	LSR Europe GmbH Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH LSR Vermögensverwaltungs GmbH Oefelestrasse Projektetnwicklungs GmbH & Co Saargemunder Strabe Wohnbau Beteiligungs-GmbH Projektgesellschaft Bayerstr. 79 mbH Saargemunder Strabe Wohnbau Gmbh & Co. KG Bereiteranger Projektentwicklung GmbH & Co.KG Bereiteranger Vermogensverwaltungs GmbH mysuithome Munchen GmbH Aignerstraße Projektentwicklungsgesellschaft mbH
Other Entities	Other entities	Other entities	Other entities	ZAO "Kazanskaya, 36" ZAO "Industrial Leasing" OJSC LSR Group OAO MTO "ARHPROEKT" Lsr Group Ltd ZAO "Golden Kazanskaya" JSC "A Plus Estate" OOO "BaltStroyKomplekt" OOO "GALS" OOO "Kazinskoe Karieroupravleniye" OOO "Zagorodnaya, 71" OOO "Oktyabrskaya,42" JSC "Scanex"

Key financial performance indicators by business segment / business unit were as follows:

For the six months period ended 30 June 2013 '000 RUB	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	Write off of change in fair value of the disposed asset	EBITDA*
Brick	528,393	48,748	**577,141**	75,888	48,882	-	**124,770**
Aerated Concrete	1,179,040	1,157	**1,180,197**	258,449	87,251	-	**345,700**
Eliminations	-	(2,543)	**(2,543)**	-	-	-	**-**
LSR.Wall Materials. NW	1,707,433	47,362	**1,754,795**	334,337	136,133	-	**470,470**
Ready-mix Concrete	1,326,881	96,375	**1,423,256**	22,431	65,219	-	**87,650**
Sand	955,178	112,117	**1,067,295**	209,006	79,302	-	**288,308**
Crushed Granite	1,267,141	383,072	**1,650,213**	130,029	152,508	-	**282,537**
Eliminations	-	(221,043)	**(221,043)**	-	-	-	**-**
LSR.Basic Materials. NW	3,549,200	370,521	**3,919,721**	361,466	297,029	-	**658,495**
LSR.Cement .NW	425,925	620,564	**1,046,489**	(121,959)	336,709	-	**214,750**
LSR. Reinforced Concrete. NW	1,532,781	271,363	**1,804,144**	80,114	123,550	-	**203,664**
Eliminations	-	(597,962)	**(597,962)**	4,579	-	-	**4,579**
Building Materials. NW	7,215,339	711,848	**7,927,187**	658,537	893,421	-	**1,551,958**
Real Estate. NW	11,068,719	-	**11,068,719**	3,375,781	20,201	-	**3,395,982**
LSR. Construction. NW	1,300,500	4,857,835	**6,158,335**	435,888	168,828	-	**604,716**
LSR. Project management	421,066	635,593	**1,056,659**	195,791	324	-	**196,115**
LSR.Pile Foundation and Construction	189,019	231,884	**420,903**	48,299	13,361	-	**61,660**
LSR.Tower Cranes	697,726	33,693	**731,419**	151,884	116,566	-	**268,450**
Eliminations	-	(248,681)	**(248,681)**	200	-	-	**200**
Construction. NW	2,608,311	5,510,324	**8,118,635**	832,062	299,079	-	**1,131,141**
Eliminations	-	(6,030,637)	**(6,030,637)**	(403,880)	-	-	**(403,880)**
LSR. NW	20,892,369	191,535	**21,083,904**	4,462,500	1,212,701	-	**5,675,201**
Real Estate. Moscow	983,748	-	**983,748**	44,830	4,236	-	**49,066**
Construction. Moscow	1,335,502	328,280	**1,663,782**	113,338	28,486	-	**141,824**
LSR.Basic Materials. Moscow	743,144	7,877	**751,021**	(11,447)	34,887	-	**23,440**
LSR.Wall Materials. Moscow	198,137	11,311	**209,448**	(72,480)	59,489	-	**(12,991)**
Eliminations	-	-	**-**	-	-	-	**-**
Building Materials. Moscow	941,281	19,188	**960,469**	(83,927)	94,376	-	**10,449**
Eliminations	-	(335,090)	**(335,090)**	(62,227)	-	-	**(62,227)**
LSR. Moscow	3,260,531	12,378	**3,272,909**	12,014	127,098	-	**139,112**
Real Estate. Ural	1,399,009	-	**1,399,009**	253,933	1,099	-	**255,032**
Construction. Ural	521,450	1,461,602	**1,983,052**	149,084	83,462	-	**232,546**
Other. Ural	60	-	**60**	(22,069)	20,209	-	**(1,860)**
Eliminations	-	(1,453,593)	**(1,453,593)**	(107,849)	-	-	**(107,849)**
LSR. Ural	1,920,519	8,009	**1,928,528**	273,099	104,770	-	**377,869**
LSR. Europe	37,444	435,965	**473,409**	978	326	-	**1,304**
Other entities	338,006	-	**338,006**	-	72,206	-	**72,206**
Unallocated income and expenses	128,089	-	**128,089**	(849,377)	-	-	**(849,377)**
Transportation revenue	931,280	-	**931,280**	-	-	-	**-**
Eliminations	-	(647,887)	**(647,887)**	(136,607)	-	-	**(136,607)**
Consolidated	**27,508,238**	**-**	**27,508,238**	**3,762,607**	**1,517,101**	**-**	**5,279,708**

**EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period*

For the six months period ended 30 June 2013 '000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	Write off of change in fair value of the disposed asset	EBITDA*
Brick	17,036	1,572	**18,608**	2,447	1,576	-	**4,023**
Aerated Concrete	38,013	37	**38,050**	8,333	2,813	-	**11,146**
Eliminations	-	(82)	**(82)**	-	-	-	**-**
LSR.Wall Materials. NW	55,049	1,527	**56,576**	10,780	4,389	-	**15,169**
Ready-mix Concrete	42,779	3,107	**45,886**	723	2,103	-	**2,826**
Sand	30,795	3,615	**34,410**	6,738	2,557	-	**9,295**
Crushed Granite	40,852	12,350	**53,202**	4,192	4,916	-	**9,108**
Eliminations	-	(7,127)	**(7,127)**	-	-	-	**-**
LSR.Basic Materials. NW	114,426	11,945	**126,371**	11,653	9,576	-	**21,229**
LSR.Cement .NW	13,733	20,007	**33,740**	(3,932)	10,856	-	**6,924**
LSR. Reinforced Concrete. NW	49,418	8,749	**58,167**	2,583	3,983	-	**6,566**
Eliminations	-	(19,278)	**(19,278)**	148	-	-	**148**
Building Materials. NW	232,626	22,950	**255,576**	21,232	28,804	-	**50,036**
Real Estate. NW	356,861	-	**356,861**	108,837	651	-	**109,488**
LSR. Construction. NW	41,929	156,619	**198,548**	14,053	5,443	-	**19,496**
LSR. Project management	13,575	20,492	**34,067**	6,312	10	-	**6,322**
LSR.Pile Foundation and Construction	6,094	7,476	**13,570**	1,557	431	-	**1,988**
LSR.Tower Cranes	22,495	1,086	**23,581**	4,897	3,758	-	**8,655**
Eliminations	-	(8,017)	**(8,017)**	7	-	-	**7**
Construction. NW	84,093	177,656	**261,749**	26,826	9,642	-	**36,468**
Eliminations	-	(194,431)	**(194,431)**	(13,021)	-	-	**(13,021)**
LSR. NW	673,580	6,175	**679,755**	143,874	39,097	-	**182,971**
Real Estate. Moscow	31,717	-	**31,717**	1,445	137	-	**1,582**
Construction. Moscow	43,057	10,584	**53,641**	3,654	918	-	**4,572**
LSR.Basic Materials. Moscow	23,959	254	**24,213**	(369)	1,125	-	**756**
LSR.Wall Materials. Moscow	6,388	365	**6,753**	(2,337)	1,918	-	**(419)**
Eliminations	-	-	**-**	-	-	-	**-**
Building Materials. Moscow	30,347	619	**30,966**	(2,706)	3,043	-	**337**
Eliminations	-	(10,803)	**(10,803)**	(2,006)	-	-	**(2,006)**
LSR. Moscow	105,121	400	**105,521**	387	4,098	-	**4,485**
Real Estate. Ural	45,105	-	**45,105**	8,187	35	-	**8,222**
Construction. Ural	16,812	47,123	**63,935**	4,807	2,691	-	**7,498**
Other. Ural	2	-	**2**	(712)	652	-	**(60)**
Eliminations	-	(46,865)	**(46,865)**	(3,477)	-	-	**(3,477)**
LSR. Ural	61,919	258	**62,177**	8,805	3,378	-	**12,183**
LSR. Europe	1,207	14,056	**15,263**	32	11	-	**43**
Other entities	10,897	-	**10,897**	-	2,328	-	**2,328**
Unallocated income and expenses	4,129	-	**4,129**	(27,384)	-	-	**(27,384)**
Transportation revenue	30,025	-	**30,025**	-	-	-	**-**
Eliminations	-	(20,889)	**(20,889)**	(4,405)	-	-	**(4,405)**
Consolidated	**886,878**	**-**	**886,878**	**121,309**	**48,912**	**-**	**170,221**

**EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period*

For the six months period ended 30 June 2012 '000 RUB	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Operating profit (excl. management fee)**	**Depreciation/ Amortisation**	**Write off of change in fair value of the disposed asset**	**EBITDA***
Brick	613,100	4,803	**617,903**	106,690	28,980	-	**135,670**
Aerated Concrete	1,128,973	733	**1,129,706**	195,789	84,209	-	**279,998**
Eliminations	-	(1,646)	**(1,646)**	-	-	-	-
LSR.Wall Materials. NW	1,742,073	3,890	**1,745,963**	302,479	113,189	-	**415,668**
Ready-mix Concrete	1,338,479	131,594	**1,470,073**	250,721	80,721	-	**331,442**
Sand	1,020,718	123,486	**1,144,204**	429,664	91,769	-	**521,433**
Crushed Granite	1,233,394	519,653	**1,753,047**	299,711	160,982	-	**460,693**
Eliminations	-	(355,336)	**(355,336)**	3,202	-	-	**3,202**
LSR.Basic Materials. NW	3,592,591	419,397	**4,011,988**	983,298	333,472	-	**1,316,770**
LSR.Cement .NW	439,377	486,038	**925,415**	201,300	37,032	-	**238,332**
LSR. Reinforced Concrete. NW	2,098,376	263,272	**2,361,648**	(57,195)	133,747	-	**76,552**
Eliminations	-	(643,153)	**(643,153)**	(29,705)	-	-	**(29,705)**
Building Materials. NW	7,872,417	529,444	**8,401,861**	1,400,177	617,440	-	**2,017,617**
Real Estate. NW	4,544,547	3	**4,544,550**	867,483	7,249	-	**874,732**
LSR. Construction. NW	2,193,386	2,136,453	**4,329,839**	289,727	175,065	-	**464,792**
LSR. Project management	478,606	325,004	**803,610**	50,927	200	-	**51,127**
LSR.Pile Foundation and Construction	158,790	115,928	**274,718**	19,872	15,993	-	**35,865**
LSR.Tower Cranes	628,288	42,741	**671,029**	136,071	111,156	-	**247,227**
Eliminations	-	(196,045)	**(196,045)**	(3,657)	-	-	**(3,657)**
Construction. NW	3,459,070	2,424,081	**5,883,151**	492,940	302,414	-	**795,354**
Eliminations	-	(2,852,588)	**(2,852,588)**	(252,235)	-	-	**(252,235)**
LSR. NW	15,876,034	100,940	**15,976,974**	2,508,365	927,103	-	**3,435,468**
Real Estate. Moscow	532,116	-	**532,116**	(32,080)	10,889	-	**(21,191)**
Construction. Moscow	1,192,911	100,005	**1,292,916**	119,194	10,109	-	**129,303**
LSR.Basic Materials. Moscow	780,930	5,921	**786,851**	(24,461)	35,739	-	**11,278**
LSR.Wall Materials. Moscow	68,880	-	**68,880**	(139,538)	55,985	-	**(83,553)**
Eliminations	-	-	-	-	-	-	-
Building Materials. Moscow	849,810	5,921	**855,731**	(163,999)	91,724	-	**(72,275)**
Eliminations	-	(81,067)	**(81,067)**	(153)	-	-	**(153)**
LSR. Moscow	2,574,837	24,859	**2,599,696**	(77,038)	112,722	-	**35,684**
Real Estate. Ural	1,109,698	-	**1,109,698**	120,697	1,174	-	**121,871**
Construction. Ural	437,446	632,066	**1,069,512**	(12,321)	80,222	-	**67,901**
Other. Ural	-	-	-	(24,423)	20,225	-	**(4,198)**
Eliminations	-	(626,571)	**(626,571)**	(27,495)	-	-	**(27,495)**
LSR. Ural	1,547,144	5,495	**1,552,639**	56,458	101,621	-	**158,079**
LSR. Europe	500,650	50,077	**550,727**	88,708	199	-	**88,907**
Other entities	834,839	-	**834,839**	-	75,132	-	**75,132**
Unallocated income and expenses	134,509	-	**134,509**	(456,877)	-	(1,143,306)	**686,429**
Transportation revenue	1,212,791	-	**1,212,791**	-	-	-	-
Eliminations	-	(181,371)	**(181,371)**	186,773	-	-	**186,773**
Consolidated	**22,680,804**	-	**22,680,804**	**2,306,389**	**1,216,777**	**(1,143,306)**	**4,666,472**

**EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period*

For the six months period ended 30 June 2012 '000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	Write off of change in fair value of the disposed asset	EBITDA*
Brick	20,010	157	**20,167**	3,482	946	-	**4,428**
Aerated Concrete	36,848	24	**36,872**	6,390	2,748	-	**9,138**
Eliminations	-	(54)	**(54)**	-	-	-	-
LSR.Wall Materials. NW	56,858	127	**56,985**	9,872	3,694	-	**13,566**
Ready-mix Concrete	43,685	4,295	**47,980**	8,183	2,635	-	**10,818**
Sand	33,314	4,030	**37,344**	14,023	2,995	-	**17,018**
Crushed Granite	40,256	16,961	**57,217**	9,782	5,254	-	**15,036**
Eliminations	-	(11,598)	**(11,598)**	105	-	-	**105**
LSR.Basic Materials. NW	117,255	13,688	**130,943**	32,093	10,884	-	**42,977**
LSR.Cement .NW	14,341	15,863	**30,204**	6,570	1,209	-	**7,779**
LSR. Reinforced Concrete. NW	68,487	8,593	**77,080**	(1,867)	4,365	-	**2,498**
Eliminations	-	(20,991)	**(20,991)**	(969)	-	-	**(969)**
Building Materials. NW	256,941	17,280	**274,221**	45,699	20,152	-	**65,851**
Real Estate. NW	148,326	-	**148,326**	28,313	237	-	**28,550**
LSR. Construction. NW	71,588	69,730	**141,318**	9,456	5,713	-	**15,169**
LSR. Project management	15,621	10,608	**26,229**	1,662	7	-	**1,669**
LSR.Pile Foundation and Construction	5,183	3,784	**8,967**	649	522	-	**1,171**
LSR.Tower Cranes	20,506	1,395	**21,901**	4,441	3,628	-	**8,069**
Eliminations	-	(6,400)	**(6,400)**	(119)	-	-	**(119)**
Construction. NW	112,898	79,117	**192,015**	16,089	9,870	-	**25,959**
Eliminations	-	(93,103)	**(93,103)**	(8,232)	-	-	**(8,232)**
LSR. NW	518,165	3,294	**521,459**	81,869	30,259	-	**112,128**
Real Estate. Moscow	17,367	-	**17,367**	(1,047)	355	-	**(692)**
Construction. Moscow	38,934	3,264	**42,198**	3,890	330	-	**4,220**
LSR.Basic Materials. Moscow	25,488	193	**25,681**	(798)	1,166	-	**368**
LSR.Wall Materials. Moscow	2,248	-	**2,248**	(4,555)	1,828	-	**(2,727)**
Eliminations	-	-	**-**	-	-	-	-
Building Materials. Moscow	27,736	193	**27,929**	(5,353)	2,994	-	**(2,359)**
Eliminations	-	(2,646)	**(2,646)**	(5)	-	-	**(5)**
LSR. Moscow	84,037	811	**84,848**	(2,515)	3,679	-	**1,164**
Real Estate. Ural	36,218	-	**36,218**	3,939	38	-	**3,977**
Construction. Ural	14,277	20,629	**34,906**	(402)	2,618	-	**2,216**
Other. Ural	-	-	**-**	(797)	660	-	**(137)**
Eliminations	-	(20,450)	**(20,450)**	(897)	-		**(897)**
LSR. Ural	50,495	179	**50,674**	1,843	3,316	-	**5,159**
LSR. Europe	16,340	1,634	**17,974**	2,895	6	-	**2,901**
Other entities	27,248	-	**27,248**	-	2,453	-	**2,453**
Unallocated income and expenses	4,391	-	**4,391**	(14,911)	-	(37,315)	**22,404**
Transportation revenue	39,583	-	**39,583**	-	-	-	-
Eliminations	-	(5,918)	**(5,918)**	6,095	-	-	**6,095**
Consolidated	**740,259**	**-**	**740,259**	**75,276**	**39,713**	**(37,315)**	**152,304**

**EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period*

Net financial position**

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
LSR.Wall Materials.NW	(8,233,176)	(8,367,199)	(251,710)	(275,485)
LSR.Basic Materials.NW	(437,876)	(415,258)	(13,387)	(13,672)
LSR.Cement.NW	(13,624,700)	(12,798,207)	(416,543)	(421,372)
LSR. Reinforced Concrete. NW	31,206	69,588	954	2,291
Building Materials. NW	(22,264,546)	(21,511,076)	(680,686)	(708,238)
Real Estate. NW	(4,611,375)	(5,061,375)	(140,982)	(166,642)
LSR. Construction.NW	508,299	1,064,964	15,540	35,063
LSR. Project management	(257,000)	(488,950)	(7,857)	(16,098)
LSR.Tower Cranes	(344,381)	(443,752)	(10,529)	(14,610)
LSR. Pile Foundation and Construction	-	(10,390)	-	(342)
Construction.NW	(93,082)	121,872	(2,846)	4,013
Real Estate. Moscow	(3,240,712)	(4,696,158)	(99,077)	(154,618)
Construction. Moscow	(195,132)	(467,387)	(5,966)	(15,388)
LSR.Basic Materials. Moscow	(42,386)	(64,644)	(1,296)	(2,128)
LSR.Wall Materials. Moscow	(1,245,719)	(1,828,176)	(38,085)	(60,191)
Building Materials. Moscow	(1,288,105)	(1,892,820)	(39,381)	(62,319)
Real Estate. Ural	-	-	-	-
Construction. Ural	28,000	-	856	-
Other. Ural	(1,910)	(2,060)	(58)	(68)
Real Estate. Europe	-	-	-	-
Other entities	(11,456,119)	(6,188,755)	(350,244)	(203,760)
Adjustments	189,573	223,101	5,797	7,344
Consolidated	**(42,933,408)**	**(39,474,658)**	**(1,312,587)**	**(1,299,676)**

***NFP (Net financial position). Net financial position is debt of the Group allocated to Business Units. Calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.*