

**OJSC LSR Group**

**Consolidated Financial Statements  
for the year ended 31 December 2013  
and Auditors' Report**

## **Contents**

Auditors' Report	3-4
Consolidated Statement of Profit or Loss and other Comprehensive Income	5-6
Consolidated Statement of Financial Position	7-8
Consolidated Statement of Cash Flows	9-10
Consolidated Statement of Changes in Equity	11-14
Notes to the Consolidated Financial Statements	15-106



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## **Auditors' Report**

To the Board of Directors

OJSC LSR Group

We have audited the accompanying consolidated financial statements of OJSC LSR Group (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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.

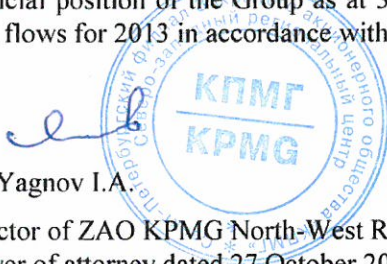
ZAO KPMG (North-West Regional Center) registered by the Saint Petersburg Registration Chamber on 13 June 1997, Registration No. 74620

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.



Mr. Yagnov I.A.

Director of ZAO KPMG North-West Regional Center,  
(power of attorney dated 27 October 2011)

ZAO KPMG

19 March 2014

Saint Petersburg, Russian Federation

**OJSC LSR Group**  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2013*

		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Note</b>	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Revenue		65,316,191	61,121,653	2,050,872	1,965,769
Cost of sales		(44,058,073)	(42,225,183)	(1,383,383)	(1,358,031)
<b>Gross profit</b>		21,258,118	18,896,470	667,489	607,738
Distribution expenses		(4,711,980)	(4,568,283)	(147,953)	(146,921)
Administrative expenses	7	(5,520,913)	(4,803,460)	(173,353)	(154,487)
Change in fair value of investment property	15, 16	-	(10,025)	-	(322)
Other income	8	126,923	393,165	3,985	12,645
Other expenses	8	(236,553)	(282,105)	(7,428)	(9,073)
<b>Results from operating activities</b>		10,915,595	9,625,762	342,740	309,580
Finance income	10	369,293	611,927	11,596	19,680
Finance costs	10	(4,355,140)	(3,817,197)	(136,748)	(122,767)
<b>Profit before income tax</b>		6,929,748	6,420,492	217,588	206,493
Income tax expense	11	(1,696,165)	(1,506,557)	(53,258)	(48,453)
<b>Profit for the year</b>		5,233,583	4,913,935	164,330	158,040
<b>Other comprehensive income/(loss)</b>					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences		87,070	283	2,734	9
<i>Items that will never be reclassified to profit or loss:</i>					
Foreign currency translation difference		-	-	(136,396)	102,694
<b>Total comprehensive income for the year</b>		5,320,653	4,914,218	30,668	260,743

**OJSC LSR Group**  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income*  
*for the year ended 31 December 2013*

	2013	2012	2013	2012
Note	'000 RUB	'000 RUB	'000 USD	'000 USD
Profit attributable to:				
Shareholders of the Company	5,210,774	4,951,760	163,614	159,256
Non-controlling interest	22,809	(37,825)	716	(1,216)
<b>Profit for the year</b>	<b>5,233,583</b>	<b>4,913,935</b>	<b>164,330</b>	<b>158,040</b>
Total comprehensive income attributable to:				
Shareholders of the Company	5,297,844	4,952,043	29,952	261,959
Non-controlling interest	22,809	(37,825)	716	(1,216)
<b>Total comprehensive income for the year</b>	<b>5,320,653</b>	<b>4,914,218</b>	<b>30,668</b>	<b>260,743</b>
<b>Basic and diluted earnings per share</b>	24 50.58 RUB	48.06 RUB	1.59 USD	1.55 USD

These consolidated financial statements were approved by management on 19 March 2014 and were signed on its behalf by:

A.I. Vakhmistrov  
 Chief Executive Officer

D.V. Kutuzov  
 Chief Financial Officer

		<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>Note</b>	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	42,775,672	39,907,439	1,306,957	1,313,926
Intangible assets	14	5,275,357	4,948,589	161,182	162,929
Investment property under development	15	-	152,731	-	5,028
Investment property	16	-	675,600	-	22,244
Other investments	17	2,637	146,740	80	4,832
Deferred tax assets	18	3,013,668	1,731,791	92,079	57,018
Trade and other receivables	20	177,040	132,754	5,409	4,372
Restricted cash	22	162,355	476,883	4,961	15,701
<b>Total non-current assets</b>		<b>51,406,729</b>	<b>48,172,527</b>	<b>1,570,668</b>	<b>1,586,050</b>
<b>Current assets</b>					
Other investments	17	409,322	191,536	12,505	6,305
Inventories	19	79,227,987	66,497,314	2,420,715	2,189,376
Income tax receivable		243,758	146,679	7,448	4,829
Trade and other receivables	20	18,226,687	18,802,155	556,894	619,048
Cash and cash equivalents	21	5,899,479	3,967,086	180,251	130,613
Restricted cash	22	630	563	19	19
<b>Total current assets</b>		<b>104,007,863</b>	<b>89,605,333</b>	<b>3,177,832</b>	<b>2,950,190</b>
<b>Total assets</b>		<b>155,414,592</b>	<b>137,777,860</b>	<b>4,748,500</b>	<b>4,536,240</b>

		<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>Note</b>	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	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		15,953,626	16,697,997	621,946	645,319
Foreign currency translation reserve		81,162	(5,908)	(319,815)	(186,153)
Retained earnings		16,583,854	13,433,684	537,351	438,438
<b>Total equity attributable to shareholders of the Company</b>		<b>59,061,605</b>	<b>56,568,736</b>	<b>1,800,710</b>	<b>1,858,832</b>
Non-controlling interest		(14,724)	132,763	3,394	8,025
<b>Total equity</b>		<b>59,046,881</b>	<b>56,701,499</b>	<b>1,804,104</b>	<b>1,866,857</b>
<b>Non-current liabilities</b>					
Loans and borrowings	25	26,112,699	33,948,989	797,840	1,117,747
Deferred tax liabilities	18	1,164,527	1,447,003	35,581	47,642
Trade and other payables	27	20,215	185,218	618	6,098
Provisions	26	19,290	16,361	590	538
<b>Total non-current liabilities</b>		<b>27,316,731</b>	<b>35,597,571</b>	<b>834,629</b>	<b>1,172,025</b>
<b>Current liabilities</b>					
Loans and borrowings	25	7,949,435	5,525,669	242,884	181,929
Income tax payable		653,475	901,016	19,966	29,665
Trade and other payables	27	60,208,546	38,708,838	1,839,598	1,274,462
Provisions	26	239,524	343,267	7,319	11,302
<b>Total current liabilities</b>		<b>69,050,980</b>	<b>45,478,790</b>	<b>2,109,767</b>	<b>1,497,358</b>
<b>Total liabilities</b>		<b>96,367,711</b>	<b>81,076,361</b>	<b>2,944,396</b>	<b>2,669,383</b>
<b>Total equity and liabilities</b>		<b>155,414,592</b>	<b>137,777,860</b>	<b>4,748,500</b>	<b>4,536,240</b>



	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>OPERATING ACTIVITIES</b>				
<b>Profit for the year</b>	5,233,583	4,913,935	164,330	158,040
Adjustments for:				
Depreciation and amortisation	3,238,486	2,723,825	101,685	87,603
(Gain) / loss on disposal of property, plant and equipment	(123,539)	51,141	(3,879)	1,645
Gain on disposal of subsidiaries	(454)	(49,895)	(15)	(1,605)
Loss on other assets	125,978	230,964	3,958	7,428
Change in fair value of investment property	-	10,025	-	322
Capitalized interest recognized in cost of sales	14,114	-	443	-
Net finance costs	3,985,847	3,205,270	125,152	103,087
Income tax expense	1,696,165	1,506,557	53,258	48,453
<b>Operating profit before changes in working capital and provisions</b>	14,170,180	12,591,822	444,932	404,973
Increase in inventories	(11,756,951)	(9,363,670)	(369,158)	(301,150)
Increase in trade and other receivables	(2,817,798)	(2,098,879)	(88,476)	(67,503)
Increase in trade and other payables	22,240,926	9,038,353	698,346	290,688
(Decrease) / increase in provisions	(100,814)	24,325	(3,165)	782
<b>Cash flows from operations before income taxes and interest paid</b>	21,735,543	10,191,951	682,479	327,790
Income taxes paid	(3,155,523)	(1,309,786)	(99,081)	(42,125)
Interest paid	(4,367,144)	(3,714,996)	(137,125)	(119,480)
<b>Cash flows from operating activities</b>	14,212,876	5,167,169	446,273	166,185

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of non-current assets	684,853	693,120	21,504	22,292
Interest received	216,045	175,711	6,784	5,651
Acquisition of property, plant and equipment	(3,558,683)	(6,649,664)	(111,740)	(213,864)
(Increase) / decrease in restricted cash	(18,232)	460,708	(572)	14,817
Acquisition of intangible assets	(9,056)	(236,718)	(284)	(7,613)
Acquisition of investment property and investment property under development	-	(9,935)	-	(320)
Loans given	(155,600)	(40,004)	(4,886)	(1,287)
Loans repaid	41,928	146,067	1,317	4,698
Disposal of subsidiaries (note 6)	151,110	172,324	4,745	5,542
Proceeds from disposal of investment property	-	57,890	-	1,862
Acquisition of subsidiaries, net of cash acquired (note 6)	(924,771)	-	(29,037)	-
Proceeds from disposal of other investments	-	23,370	-	752
Purchase of other investments	(15,729)	-	(494)	-
<b>Cash flows utilised by investing activities</b>	<b>(3,588,135)</b>	<b>(5,207,131)</b>	<b>(112,663)</b>	<b>(167,470)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from borrowings	22,892,388	10,205,677	718,801	328,231
Proceeds from bonds	3,000,000	5,800,000	94,197	186,537
Repayment of borrowings	(23,952,931)	(13,368,894)	(752,102)	(429,965)
Repayment of bonds	(7,893,713)	(1,569,363)	(247,856)	(50,473)
Payment of finance lease liabilities	(126,879)	(146,453)	(3,984)	(4,710)
Prepayment for own shares	(649,250)	-	(20,386)	-
Dividends paid	(2,060,604)	(2,070,281)	(64,701)	(66,584)
<b>Cash flows utilised by financing activities</b>	<b>(8,790,989)</b>	<b>(1,149,314)</b>	<b>(276,031)</b>	<b>(36,964)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,833,752</b>	<b>(1,189,276)</b>	<b>57,579</b>	<b>(38,249)</b>
Cash and cash equivalents at the beginning of the year	3,967,086	5,194,904	130,613	161,352
Effect of exchange rate fluctuations on cash and cash equivalents	98,641	(38,542)	(7,941)	7,510
<b>Cash and cash equivalents at the end of the year (note 21)</b>	<b>5,899,479</b>	<b>3,967,086</b>	<b>180,251</b>	<b>130,613</b>

'000 RUB

	Attributable to shareholders of the Company							Non-controlling interest	Total equity
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Total		
<b>Balance at 1 January 2012</b>	34,577	26,408,386	16,783,833	(6,191)	10,552,205	53,772,810	174,688	53,947,498	
<b>Total comprehensive income for the year</b>									
Profit for the year	-	-	-	-	4,951,760	4,951,760	(37,825)	4,913,935	
<b>Other comprehensive income</b>									
Foreign currency translation differences for foreign operations				283	-	283	-	283	
Total comprehensive income for the year				283	4,951,760	4,952,043	(37,825)	4,914,218	
<b>Transactions with owners recorded directly in equity</b>									
Disposal of subsidiaries	-	-	(85,836)	-	-	(85,836)	(4,100)	(89,936)	
Dividends to shareholders	-	-	-	-	(2,070,281)	(2,070,281)	-	(2,070,281)	
<b>Balance at 31 December 2012</b>	34,577	26,408,386	16,697,997	(5,908)	13,433,684	56,568,736	132,763	56,701,499	

'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
<b>Balance at 1 January 2013</b>	34,577	26,408,386	16,697,997	(5,908)	13,433,684	56,568,736	132,763	56,701,499
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	5,210,774	5,210,774	22,809	5,233,583
<b>Other comprehensive income</b>								
Foreign currency translation differences for foreign operations				87,070	-	87,070	-	87,070
Total comprehensive income for the year				87,070	5,210,774	5,297,844	22,809	5,320,653
<b>Transactions with owners recorded directly in equity</b>								
Disposal of subsidiaries	-	-	6,884	-	-	6,884	(170,296)	(163,412)
Dividends to shareholders	-	-	-	-	(2,060,604)	(2,060,604)	-	(2,060,604)
Contractual obligation to purchase own shares	-	-	(751,255)	-	-	(751,255)	-	(751,255)
<b>Balance at 31 December 2013</b>	34,577	26,408,386	15,953,626	81,162	16,583,854	59,061,605	(14,724)	59,046,881

'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
<b>Balance at 1 January 2012</b>	1,241	959,987	648,080	(288,856)	345,766	1,666,218	9,373	1,675,591
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	159,256	159,256	(1,216)	158,040
<b>Other comprehensive income</b>								
Foreign currency translation differences for foreign operations				102,703	-	102,703	-	102,703
Total comprehensive income for the year				102,703	159,256	261,959	(1,216)	260,743
<b>Transactions with owners recorded directly in equity</b>								
Disposal of subsidiaries	-	-	(2,761)	-	-	(2,761)	(132)	(2,893)
Dividends to shareholders	-	-	-	-	(66,584)	(66,584)	-	(66,584)
<b>Balance at 31 December 2012</b>	1,241	959,987	645,319	(186,153)	438,438	1,858,832	8,025	1,866,857

'000 USD

**Attributable to shareholders of the Company**

	<b>Share capital</b>	<b>Share premium</b>	<b>Additional paid in capital</b>	<b>Foreign currency translation reserve</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>Balance at 1 January 2013</b>	1,241	959,987	645,319	(186,153)	438,438	1,858,832	8,025	1,866,857
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	163,614	163,614	716	164,330
<b>Other comprehensive income</b>								
Foreign currency translation differences for foreign operations				(133,662)	-	(133,662)	-	(133,662)
Total comprehensive income for the year				(133,662)	163,614	29,952	716	30,668
<b>Transactions with owners recorded directly in equity</b>								
Disposal of subsidiaries	-	-	216	-	-	216	(5,347)	(5,131)
Dividends to shareholders	-	-	-	-	(64,701)	(64,701)	-	(64,701)
Contractual obligation to purchase own shares	-	-	(23,589)	-	-	(23,589)	-	(23,589)
<b>Balance at 31 December 2013</b>	1,241	959,987	621,946	(319,815)	537,351	1,800,710	3,394	1, 804,104

Notes to the Consolidated Financial Statements.....	Page
1 Background .....	16
2 Basis of preparation.....	16
3 Significant accounting policies .....	18
4 Determination of fair values .....	31
5 Operating segments .....	33
6 Acquisitions and disposals of subsidiaries and non-controlling interests .....	40
7 Administrative expenses .....	45
8 Other income and expenses .....	46
9 Total personnel costs .....	46
10 Finance income and finance costs.....	47
11 Income tax expense .....	48
12 Construction contracts .....	49
13 Property, plant and equipment .....	50
14 Intangible assets .....	53
15 Investment property under development .....	57
16 Investment property.....	58
17 Other investments.....	59
18 Deferred tax assets and liabilities.....	60
19 Inventories.....	63
20 Trade and other receivables .....	64
21 Cash and cash equivalents .....	65
22 Restricted cash .....	65
23 Equity.....	66
24 Earnings per share .....	66
25 Loans and borrowings .....	67
26 Provisions.....	69
27 Trade and other payables .....	71
28 Financial risk management .....	72
29 Operating leases .....	87
30 Commitments .....	87
31 Contingencies .....	87
32 Related party transactions .....	89
33 Significant subsidiaries.....	97
34 Events subsequent to the reporting date .....	99
35 Supplementary disclosures.....	100

## **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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board.

The Group additionally prepares IFRS consolidated financial statements in Russian language in accordance with the Federal Law No. 208 – FZ “On consolidated financial reporting”.



**(b) Basis of measurement**

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

- 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 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;
- Notes 15 and 16 – determination of fair values of investment properties and investment properties under development;
- Note 20 – allowances for trade receivables;
- Note 26 – provisions ( for site and environment restoration; warranty and litigation; for unprofitable contracts);
- 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 financial statements.

Several other new standards including IFRS 10 *Consolidated Financial Statements* (2011) and IFRS 12 *Disclosure of Interests in Other Entities* 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 acquiree; 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 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) 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.

**(iv) 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.

**(v) 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.

**(vi) Transactions eliminated on consolidation**

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated 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 and other comprehensive income, 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 benefits 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 and other comprehensive income 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 than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the 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 and environment 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 sand extraction and finishing the construction of apartment building. The related expense is recognised in the statement of profit or loss and other comprehensive income.

**(iii) Litigation provision**

A provision is recognized, if the probability is high that the Group will lose lawsuit in which the Group is a defendant, and there will be a need (requirement) to settle the obligation.

**(iv) Provision for unprofitable contracts**

A provision is recognized in the amount of the expected loss when the expected revenue is less than the planned costs of completion.

**(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 Group's companies is recognised in the statement of profit and 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 and 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 and loss and other comprehensive income.

**(iv) Rental income**

Rental income from investment property is recognised in the statement of profit and 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 and 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 and 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 31 December 2013, and have not been applied in preparing this consolidated 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 2018. 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 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 and other comprehensive income, 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 2013 the Group carried out internal reorganization and management accordingly changed composition of reportable operating segments for Building materials NW and Constriction 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, Building Materials. Moscow and Other. Ural.* 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, Leningrad region, Moscow and Ural region.

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 2,570,171 thousand / USD 80,701 thousand (31 December 2012: RUB 4,531,224 thousand / USD 149,187 thousand) of the Group's total revenues.

Revenue from the next four significant customers of the Group amounts approximately to RUB 2,621,178 thousand / USD 82,302 thousand (31 December 2012: RUB 3,519,476 thousand / USD 115,876 thousand).

**(i) Operating segments**

**For the year ended  
31 December 2013  
'000 RUB**

	<b>Building materials. NW</b>	<b>Real Estate. NW</b>	<b>Const- ruction. NW</b>	<b>Real Estate. Moscow</b>	<b>Construc- tion. Moscow</b>	<b>Building materials. Moscow</b>	<b>Real Estate. Ural</b>	<b>Constructi on. Ural</b>	<b>Other. Ural</b>	<b>Real Estate. Europe</b>	<b>Other entities</b>	<b>Total</b>
Revenue from external customers	17,702,285	26,552,859	5,154,105	1,271,427	2,128,271	2,014,132	5,165,642	1,527,570	298	43,625	1,217,965	62,778,179
Inter-segment revenue	1,342,798	-	11,542,594	-	1,189,414	42,088	-	2,649,379	-	691,097	-	17,457,370
<b>Total segment revenue</b>	<b>19,045,083</b>	<b>26,552,859</b>	<b>16,696,699</b>	<b>1,271,427</b>	<b>3,317,685</b>	<b>2,056,220</b>	<b>5,165,642</b>	<b>4,176,949</b>	<b>298</b>	<b>734,722</b>	<b>1,217,965</b>	<b>80,235,549</b>
Segment result	3,016,477	7,799,781	1,911,209	(144,885)	126,376	(90,208)	1,128,787	282,856	(52,029)	(12,948)	-	13,965,416
Depreciation/amortisation	1,956,563	40,105	616,453	8,523	60,406	188,448	2,223	169,670	39,409	762	155,924	3,238,486
Capital expenditure	2,630,350	135,449	391,779	3,737	31,589	86,100	12,595	344,525	62	1,349	628,880	4,266,415

**For the year ended  
31 December 2012  
'000 RUB**

	<b>Building materials. NW</b>	<b>Real Estate. NW</b>	<b>Const- ruction. NW</b>	<b>Real Estate. Moscow</b>	<b>Construc- tion. Moscow</b>	<b>Building materials. Moscow</b>	<b>Real Estate. Ural</b>	<b>Constructi on. Ural</b>	<b>Other. Ural</b>	<b>Real Estate. Europe</b>	<b>Other entities</b>	<b>Total</b>
Revenue from external customers	16,909,272	18,985,437	9,050,057	1,764,038	3,438,256	1,989,664	3,225,577	792,157	-	635,443	1,459,368	58,249,269
Inter-segment revenue	1,784,720	10	6,324,671	-	128,307	19,472	-	2,108,514	-	649,626	-	11,015,320
<b>Total segment revenue</b>	<b>18,693,992</b>	<b>18,985,447</b>	<b>15,374,728</b>	<b>1,764,038</b>	<b>3,566,563</b>	<b>2,009,136</b>	<b>3,225,577</b>	<b>2,900,671</b>	<b>-</b>	<b>1,285,069</b>	<b>1,459,368</b>	<b>69,264,589</b>
Segment result	3,219,276	5,425,254	1,361,178	8,043	440,428	(160,709)	462,894	111,939	(47,009)	232,363	-	11,053,657
Depreciation/amortisation	1,534,358	24,900	581,740	15,962	34,323	185,828	2,463	165,246	40,445	479	138,081	2,723,825
Capital expenditure	5,886,440	603,385	1,435,351	57,158	344,326	154,661	1,149	490,107	-	1,287	384,002	9,357,866

**For the year ended  
31 December 2013  
'000 USD**

	<b>Building materials. NW</b>	<b>Real Estate. NW</b>	<b>Const- ruction. NW</b>	<b>Real Estate. Moscow</b>	<b>Construc- tion. Moscow</b>	<b>Building materials. Moscow</b>	<b>Real Estate. Ural</b>	<b>Constructi on. Ural</b>	<b>Other. Ural</b>	<b>Real Estate. Europe</b>	<b>Other entities</b>	<b>Total</b>
Revenue from external customers	555,837	833,737	161,834	39,922	66,826	63,242	162,197	47,964	9	1,370	38,243	1,971,181
Inter-segment revenue	42,163	-	362,428	-	37,347	1,322	-	83,188	-	21,700	-	548,148
<b>Total segment revenue</b>	<b>598,000</b>	<b>833,737</b>	<b>524,262</b>	<b>39,922</b>	<b>104,173</b>	<b>64,564</b>	<b>162,197</b>	<b>131,152</b>	<b>9</b>	<b>23,070</b>	<b>38,243</b>	<b>2,519,329</b>
Segment result	94,715	244,906	60,010	(4,549)	3,968	(2,832)	35,443	8,881	(1,634)	(407)	-	438,501
Depreciation/amortisation	61,434	1,259	19,356	268	1,897	5,917	70	5,327	1,237	24	4,896	101,685
Capital expenditure	82,591	4,253	12,302	117	992	2,703	395	10,818	2	42	19,746	133,961

**For the year ended  
31 December 2012  
'000 USD**

	<b>Building materials. NW</b>	<b>Real Estate. NW</b>	<b>Const- ruction. NW</b>	<b>Real Estate. Moscow</b>	<b>Construc- tion. Moscow</b>	<b>Building materials. Moscow</b>	<b>Real Estate. Ural</b>	<b>Constructi on. Ural</b>	<b>Other. Ural</b>	<b>Real Estate. Europe</b>	<b>Other entities</b>	<b>Total</b>
Revenue from external customers	543,829	610,602	291,064	56,734	110,580	63,991	103,740	25,477	-	20,437	46,935	1,873,389
Inter-segment revenue	57,399	-	203,411	-	4,127	626	-	67,813	-	20,893	-	354,269
<b>Total segment revenue</b>	<b>601,228</b>	<b>610,602</b>	<b>494,475</b>	<b>56,734</b>	<b>114,707</b>	<b>64,617</b>	<b>103,740</b>	<b>93,290</b>	<b>-</b>	<b>41,330</b>	<b>46,935</b>	<b>2,227,658</b>
Segment result	103,537	174,485	43,778	259	14,165	(5,169)	14,887	3,600	(1,512)	7,473	-	355,503
Depreciation/amortisation	49,347	801	18,710	513	1,104	5,977	79	5,315	1,301	15	4,441	87,603
Capital expenditure	189,317	19,406	46,163	1,838	11,074	4,974	37	15,763	-	41	12,350	300,963

<b>As at 31 December 2013</b>	<b>Building materials.</b>	<b>Real Estate.</b>	<b>Const- ruction.</b>	<b>Real Estate.</b>	<b>Construction.</b>	<b>Building materials.</b>	<b>Real Estate.</b>	<b>Construct</b>	<b>Other.</b>	<b>Real Estate.</b>	<b>Other</b>	<b>Total</b>
<b>'000 RUB</b>	<b>NW</b>	<b>NW</b>	<b>NW</b>	<b>Moscow</b>	<b>Moscow</b>	<b>Moscow</b>	<b>Ural</b>	<b>ion. Ural</b>	<b>Ural</b>	<b>Europe</b>	<b>entities</b>	
Segment assets, excluding net financial position*	44,403,598	67,603,339	15,065,340	16,421,206	1,940,626	2,238,500	10,324,060	3,385,368	284,756	962,895	-	162,629,688
Segment liabilities, excluding net financial position*	7,560,482	35,728,972	16,754,919	8,734,544	1,675,642	426,368	6,599,699	1,832,480	28,438	194,450	-	79,535,994
Net financial position*	24,252,200	5,061,375	(10,059,366)	4,554,632	(180,910)	1,313,586	-	(866,317)	2,258	93,942	10,080,017	34,251,417
<b>As at 31 December 2012</b>	<b>Building materials.</b>	<b>Real Estate.</b>	<b>Const- ruction.</b>	<b>Real Estate.</b>	<b>Construction.</b>	<b>Building materials.</b>	<b>Real Estate.</b>	<b>Const- ruction.</b>	<b>Other.</b>	<b>Real Estate.</b>	<b>Other</b>	<b>Total</b>
<b>'000 RUB</b>	<b>NW</b>	<b>NW</b>	<b>NW</b>	<b>Moscow</b>	<b>Moscow</b>	<b>Moscow</b>	<b>Ural</b>	<b>Ural</b>	<b>Ural</b>	<b>Europe</b>	<b>entities</b>	
Segment assets, excluding net financial position*	39,917,623	53,752,384	15,194,859	11,095,928	1,957,608	2,376,015	7,348,641	1,938,538	328,323	851,237	-	134,761,156
Segment liabilities, excluding net financial position*	5,646,381	23,699,695	6,200,402	4,815,714	859,438	422,437	3,298,229	542,549	27,760	237,831	-	45,750,436
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.

<b>As at 31 December 2013</b>	<b>Building materials.</b>	<b>Real Estate.</b>	<b>Const- ruction.</b>	<b>Real Estate.</b>	<b>Construction.</b>	<b>Building materials.</b>	<b>Real Estate.</b>	<b>Construc tion.</b>	<b>Other.</b>	<b>Real Estate.</b>	<b>Other</b>	<b>Total</b>
<b>'000 USD</b>	<b>NW</b>	<b>NW</b>	<b>NW</b>	<b>Moscow</b>	<b>Moscow</b>	<b>Moscow</b>	<b>Ural</b>	<b>Ural</b>	<b>Ural</b>	<b>Europe</b>	<b>entities</b>	
Segment assets, excluding net financial position*	1,356,697	2,065,536	460,303	501,730	59,293	68,395	315,439	103,436	8,700	29,420	-	4,968,949
Segment liabilities, excluding net financial position*	231,001	1,091,654	511,926	266,873	51,197	13,027	201,646	55,989	869	5,941	-	2,430,123
Net financial position*	740,995	154,644	(307,352)	139,161	(5,527)	40,135	-	(26,469)	69	2,870	307,982	1,046,508
<b>As at 31 December 2012</b>	<b>Building materials.</b>	<b>Real Estate.</b>	<b>Const- ruction.</b>	<b>Real Estate.</b>	<b>Construction.</b>	<b>Building materials.</b>	<b>Real Estate.</b>	<b>Construc tion.</b>	<b>Other.</b>	<b>Real Estate.</b>	<b>Other</b>	<b>Total</b>
<b>'000 USD</b>	<b>NW</b>	<b>NW</b>	<b>NW</b>	<b>Moscow</b>	<b>Moscow</b>	<b>Moscow</b>	<b>Ural</b>	<b>Ural</b>	<b>Ural</b>	<b>Europe</b>	<b>entities</b>	
Segment assets, excluding net financial position*	1,314,260	1,769,760	500,280	365,326	64,453	78,229	241,949	63,825	10,810	28,026	-	4,436,918
Segment liabilities, excluding net financial position*	185,903	780,296	204,144	158,554	28,296	13,908	108,592	17,863	914	7,830	-	1,506,300
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	
	2013	2012	2013	2012
<b>Total revenue for reportable segments</b>	80,235,549	69,264,589	2,519,329	2,227,658
Other revenue	271,010	297,179	8,509	9,557
Transportation revenue	2,267,002	2,575,205	71,182	82,823
Elimination of intersegment revenue	(17,457,370)	(11,015,320)	(548,148)	(354,269)
<b>Consolidated revenue</b>	<u>65,316,191</u>	<u>61,121,653</u>	<u>2,050,872</u>	<u>1,965,769</u>

Profit for the year	'000 RUB		'000 USD	
	2013	2012	2013	2012
<b>Total segment result</b>	13,965,416	11,053,657	438,501	355,503
Other result	(961,446)	(573,176)	(30,188)	(18,434)
Unallocated expenses and income, net	(2,088,375)	(854,719)	(65,573)	(27,489)
Finance income	369,293	611,927	11,596	19,680
Finance costs	(4,355,140)	(3,817,197)	(136,748)	(122,767)
Income tax expense	(1,696,165)	(1,506,557)	(53,258)	(48,453)
<b>Profit for the year</b>	<u>5,233,583</u>	<u>4,913,935</u>	<u>164,330</u>	<u>158,040</u>

Assets	'000 RUB		'000 USD	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Segment assets, excluding net financial position	162,629,688	134,761,156	4,968,949	4,436,918
Elimination of intersegment assets	(20,119,638)	(7,841,813)	(614,730)	(258,187)
Unallocated assets	12,904,542	10,858,517	394,281	357,509
<b>Total assets</b>	<u>155,414,592</u>	<u>137,777,860</u>	<u>4,748,500</u>	<u>4,536,240</u>

<b>Liabilities</b>	<b>'000 RUB</b>		<b>'000 USD</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Segment liabilities, excluding net financial position	79,535,994	45,750,436	2,430,123	1,506,300
Elimination of intersegment liabilities	(19,021,521)	(6,439,227)	(581,179)	(212,006)
Unallocated liabilities	1,791,104	2,290,494	54,728	75,413
Consolidated loans and borrowings	34,062,134	39,474,658	1,040,724	1,299,676
<b>Total liabilities</b>	<b>96,367,711</b>	<b>81,076,361</b>	<b>2,944,396</b>	<b>2,669,383</b>

<b>Net financial position</b>	<b>'000 RUB</b>		<b>'000 USD</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Net financial position before adjustments	34,251,417	39,697,759	1,046,508	1,307,020
Adjustments	(189,283)	(223,101)	(5,784)	(7,344)
<b>Consolidated loans and borrowings</b>	<b>34,062,134</b>	<b>39,474,658</b>	<b>1,040,724</b>	<b>1,299,676</b>

<b>Other material items</b>	<b>'000 RUB</b>		<b>'000 USD</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Capital expenditure	4,266,415	9,357,866	133,961	300,963
Elimination of intersegment purchases	(513,510)	(2,613,360)	(16,123)	(84,048)
<b>Consolidated capital expenditure</b>	<b>3,752,905</b>	<b>6,744,506</b>	<b>117,838</b>	<b>216,915</b>

## **6 Acquisitions and disposals of subsidiaries and non-controlling interests**

### **(a) Acquisition of subsidiaries**

In December 2013 the Group has acquired from the third party 100.00% of shares of LLC "Gazstroy", entity that produces brick in Saint Petersburg. The entity was included in segment Building materials NW. The primary reason of business combination was to strengthen the market position and extend product mix variety on the brick market of Saint Petersburg.



The acquisition had the following effect on the Group's assets and liabilities as at the date of acquisition:

	<b>Recognised fair values on acquisition</b>	
	<b>'000 RUB</b>	<b>'000 USD</b>
<b>Non-current assets</b>		
Property, plant and equipment	3,256,833	102,262
Intangible assets	5,489	172
Deferred tax assets	413,995	12,999
<b>Current assets</b>		
Inventory	376,910	11,834
Trade and other receivables	108,706	3,413
Cash and cash equivalents	25,229	792
<b>Non-current liabilities</b>		
Deferred tax liabilities	(888)	(28)
<b>Current liabilities</b>		
Loans and borrowings	(10,864)	(341)
Trade and other payables	(292,416)	(9,182)
<b>Net identifiable assets, liabilities and contingent liabilities</b>	<b>3,882,994</b>	<b>121,921</b>
Goodwill on acquisition	408,472	12,826
Consideration	(4,291,466)	(134,747)
Consideration paid satisfied in cash	(950,000)	(29,829)
Cash acquired	25,229	792
Net cash outflow	(924,771)	(29,037)

The amounts of revenue and loss accumulated by the subsidiary from the date of acquisition to the reporting date were RUB 49,570 thousand / USD 1,556 thousand and RUB 25,697 thousand / USD 797 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2013 amounted to RUB 703,581 thousand / USD 22,092 thousand. It has not been practicable to determine profit for the year ended 31 December 2013 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

The fair value of the acquisition was determined by independent appraisal.

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2013 and business plans until year 2020;
- The 16.08% discount rate was applied for Property plant and Equipment impairment test.

**(b) Disposal of subsidiaries**

In 2012 the Group has sold 57.80% 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:

<b>Carrying amounts at the date of disposal</b>	<b>'000 RUB</b>	<b>'000 USD</b>
<b>Non-current assets</b>		
Property, plant and equipment	131,481	4,229
Goodwill	65,589	2,110
Intangible assets	5,315	171
Deferred tax assets	81,406	2,618
<b>Current assets</b>		
Inventories	118,369	3,807
Trade and other receivables	944,475	30,376
Income tax receivable	840	26
Cash and cash equivalents	27,506	885
<b>Non-current liabilities</b>		
Deferred tax liabilities	(35,029)	(1,127)
Other long-term liabilities	(36,727)	(1,181)
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	(364)	(12)
Trade and other payables	(1,247,366)	(40,117)
Short-term provisions	(3,670)	(118)
<b>Net assets, liabilities and contingent liabilities disposed</b>	<b>51,825</b>	<b>1,667</b>
Non-controlling interest in disposal subsidiaries	5,832	188
Excess of consideration received over book values of net assets sold	86,543	2,783
Consideration accrued	144,200	4,638
Cash and cash equivalents disposed	(27,506)	(885)
Net cash inflow	94,694	3,046

In 2012 as part of restructuring the Group transferred production facilities of OAO "Pavlovskaya Keramika" to other Group company in Moscow region. In 2012 the Group sold remaining assets and liabilities via sale of its 93.44% share and lost control over the subsidiary. The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

<b>Carrying amounts at the date of disposal</b>	<b>'000 RUB</b>	<b>'000 USD</b>
<b>Non-current assets</b>		
Intangible assets	76	2
Deferred tax assets	172,847	5,559
<b>Current assets</b>		

Inventories	1,758	57
Trade and other receivables	165,424	5,320
Cash and cash equivalents	10,768	346
<b>Non-current liabilities</b>		
Deferred tax liabilities	(33,163)	(1,067)
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	(226,637)	(7,289)
Trade and other payables	(51,628)	(1,660)
<b>Net assets, liabilities and contingent liabilities disposed</b>	<u>39,445</u>	<u>1,268</u>
Non-controlling interest in disposal subsidiaries	(2,587)	(83)
Excess of consideration received over book values of net assets sold	(36,648)	(1,178)
Consideration accrued	210	7
Cash and cash equivalents disposed	(10,768)	(346)
Net cash outflow	<u>(10,714)</u>	<u>(345)</u>

In 2012 the Group has sold 100.00% of shares of OOO “Kvartira LuxServis” to related parties and lost control over the subsidiary. The subsidiary was engaged in non-core business activities within Real Estate NW segment, therefore management decided to dispose the subsidiary. Its major assets are specialized property, plant and equipment for which no market exists. To accelerate the sale the Group sold the assets below their carrying value. The disposal of the subsidiary had the following effect on the Group’s assets and liabilities at the date of disposal:

<b>Carrying amounts at the date of disposal</b>	<b>'000 RUB</b>	<b>'000 USD</b>
<b>Non-current assets</b>		
Property, plant and equipment	14,228	458
Deferred tax assets	491	16
<b>Current assets</b>		
Inventories	31	1
Trade and other receivables	12,529	403
Cash and cash equivalents	3,355	108
	<u>'000 RUB</u>	<u>'000 USD</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	(163)	(5)
<b>Current liabilities</b>		
Trade and other payables	(11,354)	(365)
<b>Net assets, liabilities and contingent liabilities disposed</b>	<u>19,117</u>	<u>616</u>
Excess of book values of net assets sold over consideration received	(19,105)	(616)

Consideration accrued	12	-
Cash and cash equivalents disposed	(3,355)	(108)
Net cash outflow	(3,352)	(108)

In 2012 as a part of restructuring the Group transferred certain property, plant and equipment items to other Group entities. Subsequently it sold 100.00% of shares of OAO “Obuhovsky zavod SMiK” and OOO “Vertical” to related parties. As the result, the Group has lost control over the subsidiaries. The Group considered that it was more attractive to sale the subsidiaries, than to continue incur expenses on their maintenance. The disposal of the subsidiaries had the following effect on the Group’s assets and liabilities at the date of disposal:

<b>Carrying amounts at the date of disposal</b>	<b>'000 RUB</b>	<b>'000 USD</b>
<b>Non-current assets</b>		
Property, plant and equipment	226,200	7,275
Investments	149,000	4,792
Deferred tax assets	13,299	428
<b>Current assets</b>		
Inventories	3,402	109
Trade and other receivables	125,914	4,049
Income tax receivable	3,611	115
Cash and cash equivalents	3,977	128
<b>Non-current liabilities</b>		
Deferred tax liabilities	(35,029)	(1,127)
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	(11,418)	(368)
Trade and other payables	(263,125)	(8,463)
<b>Net assets, liabilities and contingent liabilities disposed</b>	<b>215,831</b>	<b>6,938</b>
Excess of book values of net assets sold over consideration received	(66,731)	(2,143)
Consideration accrued	149,100	4,795
Cash and cash equivalents disposed	(3,977)	(128)
Net cash inflow	91,696	2,949

During the year ended 31 December 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 50.00% 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:

<b>Carrying amounts at the date of disposal</b>	<b>'000 RUB</b>	<b>'000 USD</b>
<b>Non-current assets</b>		
Property, plant and equipment	239,811	7,530
Investment	11	-
Deferred tax assets	6,665	209
<b>Current assets</b>		
Inventories	63,157	1,983
Trade and other receivables	181,315	5,693
Cash and cash equivalents	48,369	1,519
<b>Non-current liabilities</b>		
Deferred tax liabilities	(42,513)	(1,335)
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	(3,192)	(100)
Trade and other payables	(188,121)	(5,907)
Current income tax liabilities	(660)	(21)
<b>Net assets, liabilities and contingent liabilities disposed</b>	<b>304,842</b>	<b>9,571</b>
Non-controlling interest in disposal subsidiaries	(170,296)	(5,347)
Excess of consideration received over book values of net assets sold	454	15
Consideration satisfied in cash	135,000	4,239
Cash and cash equivalents disposed	(48,369)	(1,519)
Net cash inflow	86,631	2,720

Group recognised a decrease in non-controlling interests of RUB 170,296 thousand / USD 5,347 thousand in equity and of RUB 23,360 thousand/ USD 733 thousand in liability.

During the year ended 31 December 2013 the Group also recognised RUB 6,884 thousand / USD 216 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

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Wages and salaries	2,958,582	2,668,559	92,897	85,826
Services	848,542	832,704	25,469	26,780
Materials	125,588	159,121	3,943	5,118
Depreciation and amortisation	265,224	201,672	8,328	6,485
Taxes other than profit tax	397,784	353,892	12,491	11,382
Social expenditure	487,120	207,227	15,699	6,665

Insurance	13,448	16,447	422	529
Other administrative expenses	424,625	363,838	14,104	11,702
	<u>5,520,913</u>	<u>4,803,460</u>	<u>173,353</u>	<u>154,487</u>

## 8 Other income and expenses

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Other income:				
Gain on disposal of property, plant and equipment	123,539	-	3,879	-
Gain on disposal of other assets	2,930	308,424	91	9,919
Gain on disposal of subsidiaries	454	49,895	15	1,605
Other income	-	34,846	-	1,121
Total other income	<u>126,923</u>	<u>393,165</u>	<u>3,985</u>	<u>12,645</u>
Other expenses:				
Loss on disposal of property, plant and equipment	-	(51,141)	-	(1,645)
Other expenses	(236,553)	(230,964)	(7,428)	(7,428)
Total other expenses	<u>(236,553)</u>	<u>(282,105)</u>	<u>(7,428)</u>	<u>(9,073)</u>
<b>Net other (expenses) / income</b>	<u>(109,630)</u>	<u>111,060</u>	<u>(3,443)</u>	<u>3,572</u>

## 9 Total personnel costs

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Wages and salaries:				
Cost of sales	7,518,046	6,837,331	236,060	219,900
Administrative expenses	2,958,582	2,668,559	92,897	85,826
Distribution expenses	429,170	340,887	13,477	10,963
	<u>10,905,798</u>	<u>9,846,777</u>	<u>342,434</u>	<u>316,689</u>

## 10 Finance income and finance costs

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Recognised in profit or loss</b>				
<b>Finance income</b>				
Foreign exchange gain	145,894	426,475	4,581	13,716
Interest income	216,045	175,711	6,784	5,651
Unwind of discount	6,178	5,553	194	179
Income from sale of available-for-sale investments	-	4,017	-	129
Other finance income	1,176	171	37	5
	<u>369,293</u>	<u>611,927</u>	<u>11,596</u>	<u>19,680</u>
<b>Finance costs</b>				
Interest expense	(3,634,663)	(3,594,052)	(114,125)	(115,590)
Unwind of discount on payables for shares of the subsidiaries acquired	(1,517)	(2,583)	(48)	(83)
Foreign exchange loss	(545,607)	(156,307)	(17,132)	(5,027)
Repurchase of own bonds	(29,280)	(7,922)	(919)	(255)
Loss from sale of available-for-sale investments	(11,132)	(5,812)	(350)	(187)
Impairment of financial assets	(71,632)	(38,640)	(2,249)	(1,243)
Non-controlling interest in limited liability subsidiaries	(1,591)	9,426	(50)	303
Other finance costs	(59,718)	(21,307)	(1,875)	(685)
	<u>(4,355,140)</u>	<u>(3,817,197)</u>	<u>(136,748)</u>	<u>(122,767)</u>
<b>Net finance costs recognised in profit or loss</b>	<u>(3,985,847)</u>	<u>(3,205,270)</u>	<u>(125,152)</u>	<u>(103,087)</u>
<b>Recognised in other comprehensive income</b>				
<b>Finance income / (costs)</b>				
Foreign currency translation differences for foreign operations	87,070	283	(133,662)	102,703
Finance income / (costs) recognised in other comprehensive income, net of tax	<u>87,070</u>	<u>283</u>	<u>(133,662)</u>	<u>102,703</u>
Attributable to:				
Equity holders of the Company	<u>87,070</u>	<u>283</u>	<u>(133,662)</u>	<u>102,703</u>

In addition to borrowing costs recognised as an expense in 2013, interest in the amount of RUB 448,891 thousand / USD 14,095 thousand (2012: RUB 126,916 thousand / USD 4,082 thousand ) has been capitalized using a capitalization rate of 10.11% (2012: 9.65%) as part of the objects under construction.

## 11 Income tax expense

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Current tax expense</b>				
Current year	2,749,786	1,803,399	86,341	58,000
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	(1,053,621)	(296,842)	(33,083)	(9,547)
<b>Income tax expense</b>	<b>1,696,165</b>	<b>1,506,557</b>	<b>53,258</b>	<b>48,453</b>

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

### Reconciliation of effective tax rate:

	<b>2013</b>		<b>2012</b>		<b>2013</b>		<b>2012</b>	
	<b>'000 RUB</b>	<b>%</b>	<b>'000 RUB</b>	<b>%</b>	<b>'000 USD</b>	<b>%</b>	<b>'000 USD</b>	<b>%</b>
Profit for the year	5,233,583		4,913,935		164,330		158,040	
Income tax expense	1,696,165		1,506,557		53,258		48,453	
Profit before income tax	6,929,748		6,420,492		217,588		206,493	
Income tax at applicable tax rate	1,385,949	(20)	1,284,099	(20)	43,517	(20)	41,299	(20)
Non-taxable income	(151,412)	2	(216,286)	3	(4,754)	2	(6,956)	3
Non-deductible expenses	482,926	(6)	508,552	(7)	15,164	(6)	16,355	(7)
Current year (reverses of losses) losses for which no deferred tax asset was recognised	(21,298)	-	(69,808)	1	(669)	-	(2,245)	1
<b>Total income tax expenses for the year</b>	<b>1,696,165</b>	<b>(24)</b>	<b>1,506,557</b>	<b>(23)</b>	<b>53,258</b>	<b>(24)</b>	<b>48,453</b>	<b>(23)</b>



## 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:

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Contract revenue	5,924,666	9,455,255	186,029	304,096
Contract costs	(5,446,853)	(8,471,372)	(171,026)	(272,453)
<b>Gross profit</b>	<b>477,813</b>	<b>983,883</b>	<b>15,003</b>	<b>31,643</b>

## 13 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
<b>Cost/Deemed cost</b>						
At 1 January 2012	13,765,865	12,487,882	3,159,470	719,818	18,097,515	48,230,550
Additions	850,623	654,372	480,598	140,465	4,618,448	6,744,506
Disposals	(366,489)	(454,915)	(112,587)	(67,556)	(362,077)	(1,363,624)
Business disposals	(295,087)	(84,791)	(11,250)	(6,111)	(50,631)	(447,870)
Reclassifications to inventories	-	-	-	-	(272,690)	(272,690)
Transfers and reclassifications	7,233,766	5,743,509	(5,063)	1,711	(12,973,923)	-
Effect of movements in exchange rates	(56,366)	(47,970)	(1,865)	(661)	(3,515)	(110,377)
At 31 December 2012	<u>21,132,312</u>	<u>18,298,087</u>	<u>3,509,303</u>	<u>787,666</u>	<u>9,053,127</u>	<u>52,780,495</u>
At 1 January 2013	21,132,312	18,298,087	3,509,303	787,666	9,053,127	52,780,495
Acquisitions through business combinations	1,210,562	1,303,479	108,729	389	633,674	3,256,833
Additions	508,480	851,544	614,040	67,006	1,711,835	3,752,905
Disposals	(444,537)	(429,101)	(163,265)	(71,618)	(26,640)	(1,135,161)
Business disposals	(82,654)	(319,252)	(29,230)	(8,623)	(236)	(439,995)
Reclassifications to inventories	(12,974)	-	-	-	(229,129)	(242,103)
Transfers and reclassifications	4,588,959	2,663,370	4,203	21,293	(7,277,825)	-
Effect of movements in exchange rates	50,455	45,454	1,965	629	674	99,177
At 31 December 2013	<u>26,950,603</u>	<u>22,413,581</u>	<u>4,045,745</u>	<u>796,742</u>	<u>3,865,480</u>	<u>58,072,151</u>
<b>Depreciation and impairment losses</b>						
At 1 January 2012	(2,719,438)	(5,679,963)	(2,001,984)	(499,706)	-	(10,901,091)
Depreciation charge	(685,938)	(1,524,964)	(384,140)	(83,742)	-	(2,678,784)
Disposals	138,348	324,597	95,158	53,237	-	611,340
Business disposals	17,326	45,722	7,559	5,354	-	75,961
Reclassifications to inventories	-	-	-	-	-	-
Transfers and reclassifications	2,725	(1,195)	215	(1,745)	-	-
Effect of movements in exchange rates	7,806	10,355	963	394	-	19,518
At 31 December 2012	<u>(3,239,171)</u>	<u>(6,825,448)</u>	<u>(2,282,229)</u>	<u>(526,208)</u>	<u>-</u>	<u>(12,873,056)</u>
At 1 January 2013	(3,239,171)	(6,825,448)	(2,282,229)	(526,208)	-	(12,873,056)
Depreciation charge	(870,714)	(1,820,693)	(385,655)	(93,327)	-	(3,170,389)
Disposals	82,319	268,011	156,012	62,710	-	569,052
Business disposals	38,867	139,253	14,763	7,301	-	200,184
Reclassifications to inventories	386	-	-	-	-	386
Transfers and reclassifications	704	1,906	1,918	(4,528)	-	-
Effect of movements in exchange rates	(8,799)	(12,349)	(1,088)	(420)	-	(22,656)
At 31 December 2013	<u>(3,996,408)</u>	<u>(8,249,320)</u>	<u>(2,496,279)</u>	<u>(554,472)</u>	<u>-</u>	<u>(15,296,479)</u>
<b>Net book value</b>						
At 1 January 2012	<u>11,046,427</u>	<u>6,807,919</u>	<u>1,157,486</u>	<u>220,112</u>	<u>18,097,515</u>	<u>37,329,459</u>
At 31 December 2012	<u>17,893,141</u>	<u>11,472,639</u>	<u>1,227,074</u>	<u>261,458</u>	<u>9,053,127</u>	<u>39,907,439</u>
At 31 December 2013	<u>22,954,195</u>	<u>14,164,261</u>	<u>1,549,466</u>	<u>242,270</u>	<u>3,865,480</u>	<u>42,775,672</u>

'000 USD	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
<b>Cost/Deemed cost</b>						
At 1 January 2012	427,563	387,869	98,132	22,357	562,103	1,498,024
Additions	27,357	21,046	15,457	4,518	148,537	216,915
Disposals	(11,787)	(14,631)	(3,621)	(2,173)	(11,645)	(43,857)
Business disposals	(9,490)	(2,727)	(362)	(197)	(1,628)	(14,404)
Reclassifications to inventories	-	-	-	-	(8,770)	(8,770)
Transfers and reclassifications	232,649	184,720	(163)	56	(417,262)	-
Effect of movements in exchange rates	29,475	26,175	6,098	1,373	26,733	89,854
At 31 December 2012	<u>695,767</u>	<u>602,452</u>	<u>115,541</u>	<u>25,934</u>	<u>298,068</u>	<u>1,737,762</u>
At 1 January 2013	695,767	602,452	115,541	25,934	298,068	1,737,762
Acquisitions through business combinations	38,011	40,928	3,414	12	19,897	102,262
Additions	15,966	26,738	19,280	2,104	53,750	117,838
Disposals	(13,958)	(13,473)	(5,126)	(2,249)	(836)	(35,642)
Business disposals	(2,595)	(10,024)	(918)	(271)	(7)	(13,815)
Reclassifications to inventories	(407)	-	-	-	(7,194)	(7,601)
Transfers and reclassifications	144,089	83,628	132	669	(228,518)	-
Effect of movements in exchange rates	(53,431)	(45,430)	(8,710)	(1,856)	(17,055)	(126,482)
At 31 December 2013	<u>823,442</u>	<u>684,819</u>	<u>123,613</u>	<u>24,343</u>	<u>118,105</u>	<u>1,774,322</u>
<b>Depreciation and impairment losses</b>						
At 1 January 2012	(84,465)	(176,418)	(62,180)	(15,521)	-	(338,584)
Depreciation charge	(22,061)	(49,045)	(12,355)	(2,693)	-	(86,154)
Disposals	4,449	10,440	3,060	1,712	-	19,661
Business disposals	557	1,470	243	172	-	2,442
Reclassifications to inventories	-	-	-	-	-	-
Transfers and reclassifications	88	(38)	7	(57)	-	-
Effect of movements in exchange rates	(5,215)	(11,132)	(3,916)	(938)	-	(21,201)
At 31 December 2012	<u>(106,647)</u>	<u>(224,723)</u>	<u>(75,141)</u>	<u>(17,325)</u>	<u>-</u>	<u>(423,836)</u>
At 1 January 2013	(106,647)	(224,723)	(75,141)	(17,325)	-	(423,836)
Depreciation charge	(27,340)	(57,168)	(12,109)	(2,930)	-	(99,547)
Disposals	2,585	8,415	4,899	1,969	-	17,868
Business disposals	1,220	4,372	464	229	-	6,285
Reclassifications to inventories	12	-	-	-	-	12
Transfers and reclassifications	22	60	60	(142)	-	-
Effect of movements in exchange rates	8,043	16,996	5,556	1,258	-	31,853
At 31 December 2013	<u>(122,105)</u>	<u>(252,048)</u>	<u>(76,271)</u>	<u>(16,941)</u>	<u>-</u>	<u>(467,365)</u>
<b>Net book value</b>						
At 1 January 2012	<u>343,098</u>	<u>211,451</u>	<u>35,952</u>	<u>6,836</u>	<u>562,103</u>	<u>1,159,440</u>
At 31 December 2012	<u>589,120</u>	<u>377,729</u>	<u>40,400</u>	<u>8,609</u>	<u>298,068</u>	<u>1,313,926</u>
At 31 December 2013	<u>701,337</u>	<u>432,771</u>	<u>47,342</u>	<u>7,402</u>	<u>118,105</u>	<u>1,306,957</u>

Depreciation expense of RUB 2,819,671 thousand / USD 88,535 thousand has been charged in cost of goods sold (2012: RUB 2,406,707 thousand / USD 77,404 thousand), RUB 85,381 thousand / USD 2,681 thousand in distribution expenses (2012: RUB 42,280 thousand / USD 1,360 thousand) and RUB 239,718 thousand / USD 7,527 thousand in administrative expenses (2012: RUB 187,576 thousand / USD 6,033 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 12,119,879 thousand / USD 370,308 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 31 December 2013 the net book value of leased plant and machinery was RUB 329,249 thousand / USD 10,060 thousand (31 December 2012: RUB 478,820 thousand / USD 15,765 thousand).

## 14 Intangible assets

'000 RUB	Goodwill	Other	Total
<b>Cost</b>			
Balance at 1 January 2012	4,195,253	1,404,433	5,599,686
Additions	-	286,718	286,718
Disposals	-	(82,591)	(82,591)
Disposal of subsidiaries	(254,172)	(5,456)	(259,628)
Effects of movement in exchange rates	-	(90)	(90)
Balance at 31 December 2012	<u>3,941,081</u>	<u>1,603,014</u>	<u>5,544,095</u>
Balance at 1 January 2013	3,941,081	1,603,014	5,544,095
Acquisition through business combinations	408,472	5,489	413,961
Additions	-	9,056	9,056
Disposals	-	(3,434)	(3,434)
Effects of movement in exchange rates	-	113	113
Balance at 31 December 2013	<u>4,349,553</u>	<u>1,614,238</u>	<u>5,963,791</u>
<b>Amortisation and impairment losses</b>			
Balance at 1 January 2012	(470,079)	(249,666)	(719,745)
Amortisation charge	-	(88,765)	(88,765)
Disposals	-	24,323	24,323
Disposal of subsidiaries	188,583	65	188,648
Effects of movement in exchange rates	-	33	33
Balance at 31 December 2012	<u>(281,496)</u>	<u>(314,010)</u>	<u>(595,506)</u>
Balance at 1 January 2013	(281,496)	(314,010)	(595,506)
Amortisation charge	-	(93,115)	(93,115)
Disposals	-	235	235
Effects of movement in exchange rates	-	(48)	(48)
Balance at 31 December 2013	<u>(281,496)</u>	<u>(406,938)</u>	<u>(688,434)</u>
<b>Net book value</b>			
At 1 January 2012	<u>3,725,174</u>	<u>1,154,767</u>	<u>4,879,941</u>
At 31 December 2012	<u>3,659,585</u>	<u>1,289,004</u>	<u>4,948,589</u>
At 31 December 2013	<u>4,068,057</u>	<u>1,207,300</u>	<u>5,275,357</u>

<b>'000 USD</b>	<b>Goodwill</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>			
Balance at 1 January 2012	130,303	43,621	173,924
Additions	-	9,221	9,221
Disposals	-	(2,656)	(2,656)
Disposal of subsidiaries	(8,175)	(175)	(8,350)
Effect of movements in exchange rates	7,629	2,767	10,396
Balance at 31 December 2012	<u>129,757</u>	<u>52,778</u>	<u>182,535</u>
Balance at 1 January 2013	129,757	52,778	182,535
Acquisition through business combinations	12,826	172	12,998
Additions	-	284	284
Disposals	-	(108)	(108)
Effect of movements in exchange rates	(9,688)	(3,805)	(13,493)
Balance at 31 December 2013	<u>132,895</u>	<u>49,321</u>	<u>182,216</u>
<b>Amortisation and impairment losses</b>			
Balance at 1 January 2012	(14,600)	(7,755)	(22,355)
Amortisation charge	-	(2,855)	(2,855)
Disposals	-	782	782
Disposal of subsidiaries	6,065	2	6,067
Effect of movements in exchange rates	(733)	(512)	(1,245)
Balance at 31 December 2012	<u>(9,268)</u>	<u>(10,338)</u>	<u>(19,606)</u>
Balance at 1 January 2013	(9,268)	(10,338)	(19,606)
Amortisation charge	-	(2,924)	(2,924)
Disposals	-	7	7
Effect of movements in exchange rates	667	822	1,489
Balance at 31 December 2013	<u>(8,601)</u>	<u>(12,433)</u>	<u>(21,034)</u>
<b>Net book value</b>			
At 1 January 2012	<u>115,703</u>	<u>35,866</u>	<u>151,569</u>
At 31 December 2012	<u>120,489</u>	<u>42,440</u>	<u>162,929</u>
At 31 December 2013	<u>124,294</u>	<u>36,888</u>	<u>161,182</u>

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:

Entity / Business Unit	Operating Segment	Allocated goodwill		Impairment losses		Net book value at 31 December 2013	
		'000 RUB	'000 USD	'000 RUB	'000 USD	'000 RUB	'000 USD
PJSC "Aeroc Obuchov"	Building Materials. NW	818,546	25,010	(164,594)	(5,029)	653,952	19,981
LSR Europe GmbH	Real Estate. Europe	50,093	1,531	-	-	50,093	1,531
Limited Liability Company "Cement"	Building Materials. NW	621,485	18,989	-	-	621,485	18,989
BU LSR. Reinforced Concrete. NW	Building Materials. NW	17,354	530	-	-	17,354	530
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	3,919	(116,902)	(3,572)	11,367	347
BU LSR. Construction. Ural	Construction. Ural	736,429	22,501	-	-	736,429	22,501
BU LSR. Real Estate. Ural	Real Estate. Ural	1,276,844	39,012	-	-	1,276,844	39,012
BU LSR. Bazovye. NW	Building Materials. NW	155,317	4,746	-	-	155,317	4,746
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	3,147	-	-	103,043	3,147
LLC "Gazstroy"	Building Materials. NW	408,472	12,480	-	-	408,472	12,480
		<u>4,349,553</u>	<u>132,895</u>	<u>(281,496)</u>	<u>(8,601)</u>	<u>4,068,057</u>	<u>124,294</u>

Impairment review was conducted by the Group as of 31 December 2013. The following key assumptions were used in determining the recoverable amounts of the respective companies as of 31 December 2013 and has not significantly changed compared to those that were used as of 31 December 2012.

Building Materials segments:

- Cash flows were projected based on budgeted operating results for 2014 and three – twelve years business plans;
- 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 2014 and three years business plans;
- Plan for 2014 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 goodwill impairment test are sensitive in the following area:

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

<b>Entity / Business unit</b>	<b>'000 RUB</b>	<b>'000 USD</b>
Limited Liability Company "Cement"	819,473	25,060
BU LSR.Wall Materials.Moscow	36,118	1,105
LLC "Gazstroy"	327,953	10,029

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

<b>Entity / Business unit</b>	<b>'000 RUB</b>	<b>'000 USD</b>
Limited Liability Company "Cement"	118,081	3,611

## 15 Investment property under development

	<b>Fair value of investment projects</b>			
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<i>Cost / Fair value</i>				
At 1 January	152,731	651,174	5,028	20,226
Change in fair value recognised directly in the statement of comprehensive income	-	-	-	-
Additions	-	878,290	-	28,247
Disposals	(152,731)	(1,345,545)	(4,795)	(43,275)
Disposals of subsidiaries	-	(31,188)	-	(1,003)
Effect of movements in exchange rates	-	-	(233)	833
At 31 December	-	152,731	-	5,028

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.

## 16 Investment property

<b>'000 RUB</b>	<b>2013</b>	<b>2012</b>
<b>Cost / Fair value</b>		
At 1 January	675,600	2,310,658
Additions	-	9,935
Reclassification into inventories	-	(2,230)
Change in fair value	-	(10,025)
Disposal	(675,600)	(1,632,738)
At 31 December	-	675,600
<b>'000 USD</b>		
<b>Cost / Fair value</b>		
At 1 January	22,244	71,768
Additions	-	320
Reclassification into inventories	-	(72)
Change in fair value	-	(322)
Disposal	(21,213)	(52,511)
Effect of movements in exchange rates	(1,031)	3,061
At 31 December	-	22,244

Investment property comprises a number of commercial properties that were disposed as part of consideration for acquisition of LLC "Gazstroy" (refer to note 6(a)).

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

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Rental income from investment property	103,955	151,172	3,264	4,862
Direct operating expenses arising from investment property that generated rental income during the year	47,776	52,362	1,500	1,684

## 17 Other investments

	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b><i>Non-current</i></b>				
Available-for-sale investments:				
<i>Stated at cost</i>	759	1,539	23	50
Originated loans	1,878	145,201	57	4,782
	<u>2,637</u>	<u>146,740</u>	<u>80</u>	<u>4,832</u>
<b><i>Current</i></b>				
Held to maturity investments	22,269	17,676	680	582
Originated loans	387,053	173,860	11,825	5,723
	<u>409,322</u>	<u>191,536</u>	<u>12,505</u>	<u>6,305</u>

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	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Property, plant and equipment	(1,205,988)	(1,357,872)	1,964,775	2,273,905	758,787	916,033
Intangible assets	(364)	(6,917)	104,284	136,894	103,920	129,977
Investment property under development	-	(2,697)	-	-	-	(2,697)
Investment property	-	-	-	113,060	-	113,060
Inventories	(1,251,029)	(505,473)	166,275	372,456	(1,084,754)	(133,017)
Trade and other receivables	(350,313)	(412,856)	480,657	114,424	130,344	(298,432)
Loans and borrowings	(53,296)	(23,465)	1,351	10,471	(51,945)	(12,994)
Trade and other payables	(258,065)	(245,200)	241,804	182,593	(16,261)	(62,607)
Tax loss carry-forwards	(1,689,232)	(934,111)	-	-	(1,689,232)	(934,111)
Tax (assets)/liabilities	(4,808,287)	(3,488,591)	2,959,146	3,203,803	(1,849,141)	(284,788)
Set off of tax	1,794,619	1,756,800	(1,794,619)	(1,756,800)	-	-
Net tax (assets)/liabilities	<u>(3,013,668)</u>	<u>(1,731,791)</u>	<u>1,164,527</u>	<u>1,447,003</u>	<u>(1,849,141)</u>	<u>(284,788)</u>

'000 USD	Assets		Liabilities		Net	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Property, plant and equipment	(36,848)	(44,706)	60,032	74,867	23,184	30,161
Intangible assets	(11)	(228)	3,186	4,507	3,175	4,279
Investment property under development	-	(89)	-	-	-	(89)
Investment property	-	-	-	3,722	-	3,722
Inventories	(38,224)	(16,642)	5,080	12,263	(33,144)	(4,379)
Trade and other receivables	(10,703)	(13,593)	14,686	3,767	3,983	(9,826)
Loans and borrowings	(1,628)	(773)	41	345	(1,587)	(428)
Trade and other payables	(7,885)	(8,073)	7,388	6,012	(497)	(2,061)
Tax loss carry-forwards	(51,612)	(30,755)	-	-	(51,612)	(30,755)
Tax (assets)/liabilities	(146,911)	(114,859)	90,413	105,483	(56,498)	(9,376)
Set off of tax	54,832	57,841	(54,832)	(57,841)	-	-
Net tax (assets)/liabilities	<u>(92,079)</u>	<u>(57,018)</u>	<u>35,581</u>	<u>47,642</u>	<u>(56,498)</u>	<u>(9,376)</u>

Deferred tax assets on tax losses carry-forwards recognised as at 31 December 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 (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 year**

'000 RUB	1 January 2013	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2013
Property, plant and equipment	916,033	(98,304)	(58,438)	(504)	758,787
Intangible assets	129,977	(26,946)	889	-	103,920
Investment property under development	(2,697)	2,697	-	-	-
Investment property	113,060	22,060	(135,120)	-	-
Inventories	(133,017)	(949,970)	(1,767)	-	(1,084,754)
Trade and other receivables	(298,432)	411,198	17,578	-	130,344
Loans and borrowings	(12,994)	(39,589)	638	-	(51,945)
Trade and other payables	(62,607)	46,454	(108)	-	(16,261)
Tax loss carry-forwards	(934,111)	(421,221)	(333,900)	-	(1,689,232)
	<u>(284,788)</u>	<u>(1,053,621)</u>	<u>(510,228)</u>	<u>(504)</u>	<u>(1,849,141)</u>

'000 RUB	1 January 2012	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2012
Property, plant and equipment	1,106,434	(158,091)	(32,310)	-	916,033
Intangible assets	144,095	(5,081)	(9,037)	-	129,977
Investment property under development	(24,798)	22,101	-	-	(2,697)
Investment property	350,966	(161,003)	(76,903)	-	113,060
Inventories	(34,740)	(109,501)	11,224	-	(133,017)
Trade and other receivables	(204,979)	(98,805)	5,352	-	(298,432)
Loans and borrowings	(18,933)	5,939	-	-	(12,994)
Provisions	(1,435)	1,435	-	-	-
Trade and other payables	(180,619)	103,509	14,503	-	(62,607)
Tax loss carry-forwards	(1,230,333)	102,655	193,946	(379)	(934,111)
	<u>(94,342)</u>	<u>(296,842)</u>	<u>106,775</u>	<u>(379)</u>	<u>(284,788)</u>

'000 USD	1 January 2013	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2013
Property, plant and equipment	30,161	(3,088)	(1,836)	(2,053)	23,184
Intangible assets	4,279	(846)	28	(286)	3,175
Investment property under development	(89)	85	-	4	-
Investment property	3,722	693	(4,243)	(172)	-
Inventories	(4,379)	(29,828)	(55)	1,118	(33,144)
Trade and other receivables	(9,826)	12,911	552	346	3,983
Loans and borrowings	(428)	(1,243)	20	64	(1,587)
Trade and other payables	(2,061)	1,459	(3)	108	(497)
Tax loss carry-forwards	(30,755)	(13,226)	(10,484)	2,853	(51,612)
	<u>(9,376)</u>	<u>(33,083)</u>	<u>(16,021)</u>	<u>1,982</u>	<u>(56,498)</u>

'000 USD	1 January 2012	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2012
Property, plant and equipment	34,365	(5,084)	(1,039)	1,919	30,161
Intangible assets	4,476	(163)	(291)	257	4,279
Investment property under development	(770)	711	-	(30)	(89)
Investment property	10,901	(5,178)	(2,473)	472	3,722
Inventories	(1,079)	(3,522)	361	(139)	(4,379)
Trade and other receivables	(6,366)	(3,178)	172	(454)	(9,826)
Loans and borrowings	(589)	191	-	(30)	(428)
Provisions	(45)	46	-	(1)	-
Trade and other payables	(5,610)	3,330	466	(247)	(2,061)
Tax loss carry-forwards	(38,214)	3,300	6,238	(2,079)	(30,755)
	<u>(2,931)</u>	<u>(9,547)</u>	<u>3,434</u>	<u>(332)</u>	<u>(9,376)</u>

**(c) Unrecognised deferred tax assets**

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

	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Tax losses	72,455	93,753	2,214	3,087
Deductible temporary differences on intercompany sales of investments	84,008	84,008	2,567	2,766
Total deferred tax assets have not been recognised	<u>156,463</u>	<u>177,761</u>	<u>4,781</u>	<u>5,853</u>

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**

	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Work in progress, construction of buildings	63,357,352	47,644,072	1,935,805	1,568,647
Finished goods, construction of buildings	7,228,499	11,092,791	220,858	365,223
Finished goods and goods for resale	3,490,081	3,552,766	106,636	116,973
Raw materials and consumables	2,965,824	2,165,629	90,617	71,300
Work in progress	1,529,779	1,385,604	46,742	45,620
Lease incentives	656,452	656,452	20,057	21,613
	<u>79,227,987</u>	<u>66,497,314</u>	<u>2,420,715</u>	<u>2,189,376</u>

Inventories with a carrying amount of RUB 1,781,988 thousand / USD 54,446 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

	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Non-current</b>				
Notes receivable on disposals of subsidiaries	154,966	132,754	4,735	4,372
Accounts receivable - trade	22,074	-	674	-
	<u>177,040</u>	<u>132,754</u>	<u>5,409</u>	<u>4,372</u>
<b>Current</b>				
Prepayments to suppliers	9,153,982	5,192,059	279,689	170,945
Prepayments for flats	2,917,527	3,626,570	89,141	119,402
Accounts receivable – trade	2,272,272	3,184,588	69,426	104,850
Amounts due from customers for contract work	431,533	2,189,512	13,185	72,088
Receivables and notes for sale of Investment Property	-	1,492,079	-	49,126
VAT receivable	364,169	900,844	11,127	29,660
Notes receivable	275,991	437,701	8,433	14,411
Deferred expenses	127,282	162,413	3,889	5,347
Current receivables on disposals of subsidiaries	11,113	75,592	340	2,489
Employee receivables	1,940	3,100	59	102
Other receivables	3,157,811	2,136,257	96,483	70,335
	<u>18,713,620</u>	<u>19,400,715</u>	<u>571,772</u>	<u>638,755</u>
Provision for doubtful debtors	<u>(486,933)</u>	<u>(598,560)</u>	<u>(14,878)</u>	<u>(19,707)</u>
	<u>18,226,687</u>	<u>18,802,155</u>	<u>556,894</u>	<u>619,048</u>

As at 31 December 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

	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Petty cash	4,162	4,045	127	133
Current accounts	2,257,170	2,182,107	68,965	71,844
Call deposits	3,638,147	1,780,934	111,159	58,636
Cash and cash equivalents in the statement of financial position	<u>5,899,479</u>	<u>3,967,086</u>	<u>180,251</u>	<u>130,613</u>
Cash and cash equivalents in the statement of cash flows	<u>5,899,479</u>	<u>3,967,086</u>	<u>180,251</u>	<u>130,613</u>

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

	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Non-current</b>				
Restricted cash	162,355	476,883	4,961	15,701
<b>Current</b>				
Restricted cash	630	563	19	19
	<u>162,985</u>	<u>477,446</u>	<u>4,980</u>	<u>15,720</u>

Restricted cash (non-current) as at 31 December 2013 includes the amount of RUB 114,242 thousand / USD 3,491 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: 191,287 thousand / USD 6,298 thousand). As well it includes the amount of RUB 38,533 thousand / USD 1,177 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 unit (31 December 2012: RUB 285,063 thousand / USD 9,386 thousand). As well it includes the amount of RUB 9,579 thousand / USD 293 thousand which was reserved in connection with confirmed letters of credit issued by the Group's bankers on acquisition of equipment for the development of industrial production facilities (welding line).

Restricted cash (current) as at 31 December 2013 includes the amount of RUB 630 thousand / USD 19 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: 563 thousand / USD 19 thousand).

## 23 Equity

### (a) Share capital

*Number of shares unless otherwise stated*

	<b>Ordinary shares</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
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 year, 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 31 December 2013 the Company had retained earnings, including the profit for the current period, of RUB 13,858,960 thousand / USD 423,443 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 64,701 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 thousand / USD 66,582 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.

	<b>2013</b>	<b>2012</b>
Issued shares at 1 January	103,030,215	103,030,215
Weighted average number of shares for the year ended 31 December	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.

	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Non-current</b>				
Secured bank loans	21,444,174	24,069,204	655,200	792,462
Unsecured bank loans	1,500,000	-	45,831	-
Unsecured other loans	-	9,000	-	296
Unsecured bond issues	3,000,000	9,800,000	91,660	322,658
Finance lease liability	168,525	70,785	5,149	2,331
	<u>26,112,699</u>	<u>33,948,989</u>	<u>797,840</u>	<u>1,117,747</u>
<b>Current</b>				
Secured bank loans	1,556,017	1,022,422	47,542	33,663
Unsecured other loans	1,923	5,070	59	167
Unsecured bond issue	6,332,119	4,396,552	193,470	144,753
Finance lease liability	59,376	101,625	1,813	3,346
	<u>7,949,435</u>	<u>5,525,669</u>	<u>242,884</u>	<u>181,929</u>

### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 RUB	Cur- rency	Nominal interest rate	Year of maturity	<b>31 December 2013</b>		<b>31 December 2012</b>	
				Face value	Carrying amount	Face value	Carrying amount
Secured facility	EUR	4.50%	2015	93,942	93,942	-	-
		6m Libor +					
	USD	5.76%	2019	3,994,156	3,994,156	5,146,306	5,146,306
		2.00% - 11.65%					
		CBR rate +	2016 -				
	RUB	3.00%	2021	18,912,093	18,912,093	19,945,320	19,945,320
Unsecured facility	RUB	0.00% – 11.50%	2014 - 2016	10,834,042	10,834,042	14,210,622	14,210,622
Finance lease liability		12.91% - 26.00%	2014 - 2018	227,901	227,901	172,410	172,410
				<u>34,062,134</u>	<u>34,062,134</u>	<u>39,474,658</u>	<u>39,474,658</u>

'000 USD	Cur- rency	Nominal interest rate	Year of maturity	31 December 2013		31 December 2012	
				Face value	Carrying amount	Face value	Carrying amount
Secured facility	EUR	4.50% 6m Libor +	2015	2,870	2,870	-	-
	USD	5.76% 2.00% - 11.65%	2019	122,036	122,036	169,438	169,438
	RUB	3.00% CBR rate +	2014 - 2021	577,836	577,836	656,687	656,687
Unsecured facility	RUB	0.00% – 11.50%	2014 - 2016	331,020	331,020	467,874	467,874
Finance lease liability		12.91% - 26.00%	2014 - 2018	6,962	6,962	5,677	5,677
				<u>1,040,724</u>	<u>1,040,724</u>	<u>1,299,676</u>	<u>1,299,676</u>

#### 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;
- maintaining by the Group some of financial coefficients on a fixed level
- 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	31 December 2013			31 December 2012		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	86,002	26,626	59,376	122,030	20,405	101,625
Between one and five years	209,009	40,484	168,525	84,905	14,120	70,785
	<u>295,011</u>	<u>67,110</u>	<u>227,901</u>	<u>206,935</u>	<u>34,525</u>	<u>172,410</u>

'000 USD	31 December 2013			31 December 2012		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	2,628	814	1,813	4,018	672	3,346
Between one and five years	6,386	1,237	5,149	2,796	465	2,331
	<u>9,014</u>	<u>2,051</u>	<u>6,962</u>	<u>6,814</u>	<u>1,137</u>	<u>5,677</u>

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 12,119,879 thousand / USD 370,308 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 1,781,988 thousand / USD 54,446 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 of 31 December 2013:

- 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	Environ- ment restoration	Warranty provision	Provision for unprofitable contracts	Litigation provision	Total
<b>Current</b>						
Balance at 1 January 2013	289,193	38,512	6,115	5,774	3,673	343,267
Provisions made during the year	226,876	10,620	405	4,179	23,858	265,938
Provisions used during the year	(359,471)	-	(1,484)	(4,336)	(3,673)	(368,964)
Release of unused amounts	-	-	-	(1,438)	-	(1,438)
Exchange differences (+/-)	-	-	721	-	-	721
Balance at 31 December 2013	156,598	49,132	5,757	4,179	23,858	239,524
<b>Non-current</b>						
Balance at 1 January 2013	-	16,361	-	-	-	16,361
Provisions made during the year	-	10,890	-	-	-	10,890
Provisions used during the year	-	(7,961)	-	-	-	(7,961)
Balance at 31 December 2013	-	19,290	-	-	-	19,290

'000 USD	Site restoration	Environ- ment restoration	Warranty provision	Provision for unprofitable contracts	Litigation provision	Total
<b>Current</b>						
Balance at 1 January 2013	9,521	1,268	201	191	121	11,302
Provisions made during the year	7,124	333	13	131	749	8,350
Provisions used during the year	(11,287)	-	(47)	(136)	(115)	(11,585)
Release of unused amounts	-	-	-	(45)	-	(45)
Exchange differences (+/-)	(573)	(100)	9	(13)	(26)	(703)
Balance at 31 December 2013	4,785	1,501	176	128	729	7,319
<b>Non-current</b>						
Balance at 1 January 2013	-	538	-	-	-	538
Provisions made during the year	-	342	-	-	-	342
Provisions used during the year	-	(250)	-	-	-	(250)
Exchange differences (+/-)	-	(40)	-	-	-	(40)
Balance at 31 December 2013	-	590	-	-	-	590

**(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 water and forested areas. The damage caused during quarrying is cleaned up after quarrying is completed. The amount of provision is estimated based on the available information. 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**

	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Non-current payables</b>				
Notes payable long-term	20,215	185,218	618	6,098
	<u>20,215</u>	<u>185,218</u>	<u>618</u>	<u>6,098</u>
<b>Current payables</b>				
Prepayments received for flats	44,342,500	24,035,017	1,354,831	791,336
Advances from customers	3,671,413	3,992,877	112,177	131,462
Accounts payable trade	4,272,490	4,657,545	130,540	153,346
Other taxes payable	2,458,339	1,571,518	75,111	51,741
Interest payable	876,791	1,108,042	26,789	36,482
Employee-related liabilities	931,751	834,709	28,469	27,482
Accounts due to customers for contract work	2,050,359	401,855	62,646	13,231
Notes payable	83,654	69,562	2,556	2,290
Deferred income	56,561	25,902	1,728	853
Non-controlling interest in limited liability subsidiaries	-	21,760	-	716
Dividend liabilities, interest-free	3,766	1,129	115	37
Other payables	1,460,922	1,988,922	44,636	65,486
	<u>60,208,546</u>	<u>38,708,838</u>	<u>1,839,598</u>	<u>1,274,462</u>

Prepayments received for flats include RUB 29,476,472 thousand / USD 900,617 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 financial statement.

#### **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 416,299 thousand / USD 12,720 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 31 December 2013 guarantees made to third parties were RUB 195,683 thousand / USD 5,979 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:

	Carrying amount	
	<u>31 December 2013</u>	<u>31 December 2012</u>
Available-for-sale financial assets	759	1,539
Loans and receivables	6,320,893	9,439,059
Held to maturity investments	22,269	17,676
Cash and cash equivalents	5,899,479	3,967,086
Restricted cash	162,985	477,446
	<u>12,406,385</u>	<u>13,902,806</u>

	Carrying amount	
	<u>31 December 2013</u>	<u>31 December 2012</u>
Available-for-sale financial assets	23	50
Loans and receivables	193,126	310,774
Held to maturity investments	680	582
Cash and cash equivalents	180,251	130,613
Restricted cash	4,980	15,720
	<u>379,060</u>	<u>457,739</u>

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

	Carrying amount	
	<u>31 December 2013</u>	<u>31 December 2012</u>
Domestic	2,004,940	2,779,221
Euro-zone countries	47,488	39,223
Other CIS countries	17,008	12,976
	<u>2,069,436</u>	<u>2,831,420</u>

	Carrying amount	
	<u>31 December 2013</u>	<u>31 December 2012</u>
Domestic	61,258	91,504
Euro-zone countries	1,450	1,291
Other CIS countries	520	427
	<u>63,228</u>	<u>93,222</u>

The Group's most significant trade debtor, OAO "GlavStroyKomplex", accounts for RUB 114,039 thousand / USD 3,484 thousand of the trade receivables carrying amount at 31 December 2013 (31 December 2012 OOO "Ekspert": RUB 380,636 thousand / USD 12,532 thousand).

The total amount of impaired trade receivables at the reporting date was RUB 224,910 thousand / USD 6,872 thousand (31 December 2012: RUB 353,168 thousand / USD 11,628 thousand).

The ageing of trade receivables at the reporting date was:

	<b>Gross 31 December 2013</b>	<b>Impairment 31 December 2013</b>	<b>Gross 31 December 2012</b>	<b>Impairment 31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 RUB</b>
Not past due	1,321,387	-	1,902,151	-
Past due 0-30 days	550,388	-	515,498	-
Past due 31-180 days	195,237	(17,863)	277,347	(693)
Past due more than 180 days	227,334	(207,047)	489,592	(352,475)
	<u>2,294,346</u>	<u>(224,910)</u>	<u>3,184,588</u>	<u>(353,168)</u>

	<b>Gross 31 December 2013</b>	<b>Impairment 31 December 2013</b>	<b>Gross 31 December 2012</b>	<b>Impairment 31 December 2012</b>
	<b>'000 USD</b>	<b>'000 USD</b>	<b>'000 USD</b>	<b>'000 USD</b>
Not past due	40,373	-	62,628	-
Past due 0-30 days	16,816	-	16,972	-
Past due 31-180 days	5,965	(546)	9,131	(23)
Past due more than 180 days	6,946	(6,326)	16,119	(11,605)
	<u>70,100</u>	<u>(6,872)</u>	<u>104,850</u>	<u>(11,628)</u>

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

	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Balance at 1 January	(353,168)	(600,662)
Effect of disposal of subsidiaries	79,030	146,981
Reversal of impairment loss	49,228	100,513
Balance at 31 December	<u>(224,910)</u>	<u>(353,168)</u>

	<b>2013</b>	<b>2012</b>
	<b>'000 USD</b>	<b>'000 USD</b>
Balance at 1 January	(11,628)	(18,656)
Effect of disposal of subsidiaries	2,481	4,727
Reversal of impairment loss	1,546	3,233
Effect of movements in exchange rates	729	(932)
Balance at 31 December	<u>(6,872)</u>	<u>(11,628)</u>

The impairment loss at 31 December 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:

	<b>2013</b>	<b>2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Balance at 1 January	(245,392)	(301,840)
Impairment (loss) / reversal	(16,631)	56,448
Balance at 31 December	<u>(262,023)</u>	<u>(245,392)</u>

	<b>2013</b>	<b>2012</b>
	<b>'000 USD</b>	<b>'000 USD</b>
Balance at 1 January	(8,079)	(9,375)
Impairment (loss) / reversal	(522)	1,815
Effect of movements in exchange rates	595	(519)
Balance at 31 December	<u>(8,006)</u>	<u>(8,079)</u>

**(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 31 December 2013 the Group's undrawn credit facilities amount is RUB 8,769,860 thousand / USD 267, 952 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 8.90% to 9.87%.

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.

31 December 2013	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	'000 RUB	Contractual				
Secured bank loans:						
RUB*	2.00% - 11.65%	8.63%	1,556,017	14,312,611	1,505,019	17,373,647
RUB*	CBR rate + 3.00%	10.75%	-	1,367,508	170,938	1,538,446
USD	6M Libor + 5.76%	6.25%	-	3,964,533	29,623	3,994,156
EUR*	4.50%	4.50%	-	93,942	-	93,942
Unsecured bank loans:						
RUB*	9.70%	9.70%	-	1,500,000	-	1,500,000
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.04%	1,923	-	-	1,923
Unsecured bond issues:						
RUB*	8.47% - 11.50%	10.13%	6,332,119	3,000,000	-	9,332,119
Finance lease liabilities						
RUB*	12.91 % - 25.33 %	14.96%	56,617	167,148	-	223,765
EUR*	15.00 % - 15.00 %	15.00%	274	130	-	404
Other*	23.00 % - 26.00 %	23.19%	2,485	1,247	-	3,732
Trade and other payables		-	6,697,623	20,215	-	6,717,838
Future interests**		-	2,631,813	3,936,429	81,052	6,649,294
Guarantees***		-	-	195,683	-	195,683
			<u>17,278,871</u>	<u>28,559,446</u>	<u>1,786,632</u>	<u>47,624,949</u>

\*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 2013.

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

**31 December  
2012**

'000 RUB	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	Contractual	Effective				
Secured bank loans:						
RUB*	2.00% - 11.00%	8.60%	206,573	15,453,281	2,063,266	17,723,120
RUB*	CBR rate + 3.00%	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	-	8,032,178
Future interests**		-	3,302,913	5,752,915	146,587	9,202,415
Guarantees***		-	177,368	75,791	-	253,159
			<u>16,852,910</u>	<u>36,423,060</u>	<u>3,686,440</u>	<u>56,962,410</u>

\*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.

31 December 2013	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	'000 USD	Contractual				
Secured bank loans:						
RUB*	2.00% - 11.65%	8.63%	47,542	437,304	45,984	530,830
RUB*	CBR rate + 3.00%	10.75%	-	41,783	5,223	47,006
USD	6M Libor + 5.76%	6.25%	-	121,131	905	122,036
EUR*	4.50%	4.50%	-	2,870	-	2,870
Unsecured bank loans:						
RUB*	9.70%	9.70%	-	45,831	-	45,831
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.04%	59	-	-	59
Unsecured bond issues:						
RUB*	8.47% - 11.50%	10.13%	193,470	91,660	-	285,130
Finance lease liabilities						
RUB*	12.91 % - 25.33 %	14.96%	1,729	5,107	-	6,836
EUR*	15.00 % - 15.00 %	15.00%	8	4	-	12
Other*	23.00 % - 26.00 %	23.19%	76	38	-	114
Trade and other payables		-	204,636	618	-	205,254
Future interests**		-	80,412	120,273	2,476	203,161
Guarantees***		-	-	5,979	-	5,979
			<u>527,932</u>	<u>872,598</u>	<u>54,588</u>	<u>1,455,118</u>

\* 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 2013.

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

31 December 2012	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total	
	'000 USD	Contractual					Effective
Secured bank loans:							
RUB*	2.00% - 11.00%	8.6%	6,802	508,789	67,932	583,523	
RUB*	CBR rate + 3.00%	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:

#### 31 December 2013 '000 RUB

	<b>EUR-denominated</b>	<b>USD-denominated</b>	<b>Other-denominated</b>
Trade and other receivables	159,478	-	-
Secured bank loans	-	(3,994,156)	-
Finance lease liabilities	(404)	-	-
Trade and other payables	(18,768)	(101,785)	-
Gross balance sheet exposure	<u>140,306</u>	<u>(4,095,941)</u>	<u>-</u>

#### 31 December 2012 '000 RUB

	<b>EUR-denominated</b>	<b>USD-denominated</b>	<b>Other-denominated</b>
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	<u>(47,786)</u>	<u>(5,306,668)</u>	<u>(5,376)</u>

#### 31 December 2013 '000 USD

	<b>EUR-denominated</b>	<b>USD-denominated</b>	<b>Other-denominated</b>
Trade and other receivables	4,873	-	-
Secured bank loans	-	(122,036)	-
Finance lease liabilities	(12)	-	-
Trade and other payables	(573)	(3,110)	-
Gross balance sheet exposure	<u>4,288</u>	<u>(125,146)</u>	<u>-</u>

#### 31 December 2012 '000 USD

	<b>EUR-denominated</b>	<b>USD-denominated</b>	<b>Other-denominated</b>
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	<u>(1,573)</u>	<u>(174,719)</u>	<u>(176)</u>

The following significant exchange rates applied during the period:

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>RUB</b>	<b>RUB</b>
1 USD equals	32.7292	30.3727
1 Euro equals	44.9699	40.2286
1 UAH equals	3.9720	3.7590

### Sensitivity analysis

A 10% strengthening of RUB against the above currencies would have increased profit by RUB 395,563 thousand / USD 12,086 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:

<b>'000 RUB</b>	<b>Carrying amount</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Fixed rate instruments</b>		
Financial assets	411,959	338,276
Financial liabilities	(30,067,978)	(34,328,352)
	<u>(29,656,019)</u>	<u>(33,990,076)</u>
<b>Variable rate instruments</b>		
Financial liabilities	(3,994,156)	(5,146,306)
	<u>(3,994,156)</u>	<u>(5,146,306)</u>
<b>'000 USD</b>		
	<b>Carrying amount</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Fixed rate instruments</b>		
Financial assets	12,585	11,137
Financial liabilities	(918,688)	(1,130,237)
	<u>(906,103)</u>	<u>(1,119,100)</u>
<b>Variable rate instruments</b>		
Financial liabilities	(122,036)	(169,438)
	<u>(122,036)</u>	<u>(169,438)</u>

**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 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 year 2012.

<b>'000 RUB</b>	<b>Profit or loss</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
<b>Year ended 31 December 2013</b>		
Variable rate instruments	(39,942)	39,942
Cash flow sensitivity	(39,942)	39,942
<hr style="border-top: 3px double black;"/>		
<b>Year ended 31 December 2012</b>		
Variable rate instruments	(51,463)	51,463
Cash flow sensitivity	(51,463)	51,463
<hr style="border-top: 3px double black;"/>		
<b>'000 USD</b>		
<b>Profit or loss</b>		
	<b>100 bp increase</b>	<b>100 bp decrease</b>
<b>Year ended 31 December 2013</b>		
Variable rate instruments	(1,220)	1,220
Cash flow sensitivity	(1,220)	1,220
<hr style="border-top: 3px double black;"/>		
<b>Year ended 31 December 2012</b>		
Variable rate instruments	(1,694)	1,694
Cash flow sensitivity	(1,694)	1,694
<hr style="border-top: 3px double black;"/>		

**(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
		31 December 2013	31 December 2013	31 December 2012	31 December 2012
<b>Financial assets</b>					
Available-for-sale financial assets	17	759	759	1,539	1,539
Loans and receivables		6,320,893	6,320,893	9,439,059	9,439,059
Held to maturity investments	17	22,269	22,269	17,676	17,676
Cash and cash equivalents	21	5,899,479	5,899,479	3,967,086	3,967,086
Restricted cash	22	162,985	162,985	477,446	477,446
		<u>12,406,385</u>	<u>12,406,385</u>	<u>13,902,806</u>	<u>13,902,806</u>
<b>Financial liabilities</b>					
Secured bank loans	25	(23,000,191)	(22,476,171)	(25,091,626)	(23,606,730)
Unsecured bank loans	25	(1,500,000)	(1,492,190)	-	-
Unsecured other loans	25	(1,923)	(1,749)	(14,070)	(9,380)
Unsecured bond issues	25	(9,332,119)	(9,346,640)	(14,196,552)	(14,056,550)
Trade and other payables	27	(6,717,838)	(6,717,838)	(8,032,178)	(8,032,178)
Finance lease liabilities	25	(227,901)	(227,901)	(172,410)	(172,410)
		<u>(40,779,972)</u>	<u>(40,262,489)</u>	<u>(47,506,836)</u>	<u>(45,877,248)</u>
<b>'000 USD</b>					
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		31 December 2013	31 December 2013	31 December 2012	31 December 2012
<b>Financial assets</b>					
Available-for-sale financial assets	17	23	23	50	50
Loans and receivables		193,126	193,126	310,774	310,774
Held to maturity investments	17	680	680	582	582
Cash and cash equivalents	21	180,251	180,251	130,613	130,613
Restricted cash	22	4,980	4,980	15,720	15,720
		<u>379,060</u>	<u>379,060</u>	<u>457,739</u>	<u>457,739</u>

'000 USD	Note	Carrying amount	Fair value	Carrying amount	Fair value
		31 December 2013	31 December 2013	31 December 2012	31 December 2012
<b>Financial liabilities</b>					
Secured bank loans	25	(702,742)	(686,731)	(826,125)	(777,235)
Unsecured bank loans	25	(45,831)	(45,592)	-	-
Unsecured other loans	25	(59)	(53)	(463)	(309)
Unsecured bond issues	25	(285,130)	(285,575)	(467,411)	(462,802)
Trade and other payables	27	(205,254)	(205,254)	(264,455)	(264,454)
Finance lease liabilities	25	(6,962)	(6,962)	(5,677)	(5,676)
		<u>(1,245,978)</u>	<u>(1,230,167)</u>	<u>(1,564,131)</u>	<u>(1,510,476)</u>

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

	31 December 2013	31 December 2012
Loans and borrowings	5.00% - 10.00%	6.00% - 11.00%
Leases	12.91% - 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:

	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Total liabilities	96,367,711	81,076,361	2,944,396	2,669,383
Less: cash and cash equivalents	(5,899,479)	(3,967,086)	(180,251)	(130,613)
Net liabilities	<u>90,468,232</u>	<u>77,109,275</u>	<u>2,764,145</u>	<u>2,538,770</u>
Total equity	<u>59,046,881</u>	<u>56,701,499</u>	<u>1,804,104</u>	<u>1,866,857</u>
Net liabilities to capital ratio	<u>1.53</u>	<u>1.36</u>	<u>1.53</u>	<u>1.36</u>

## 29 Operating leases

Non-cancellable operating lease rentals are payable as follows:

<b>'000 RUB</b>	<b>2013</b>	<b>2012</b>
Less than one year	221,237	260,155
Between one and five years	798,087	845,463
More than five years	3,872,850	3,611,793
	<u>4,892,174</u>	<u>4,717,411</u>
<b>'000 USD</b>	<b>2013</b>	<b>2012</b>
Less than one year	6,760	8,565
Between one and five years	24,385	27,836
More than five years	118,330	118,916
	<u>149,475</u>	<u>155,317</u>

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 year ended 31 December 2013 an amount of RUB 119,660 thousand / USD 3,757 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 year ended 31 December 2012 an amount of RUB 156,533 thousand / USD 4,915 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

## 30 Commitments

At 31 December 2013, the Group was committed to purchase property, plant and equipment for approximately RUB 60,922 thousand / USD 1,861 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):

	2013	2012	2013	2012
	'000 RUB	'000 RUB	'000 USD	'000 USD
Salaries and bonuses	475,633	317,362	14,934	10,207

#### (ii) Other transactions with management and close family members

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 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	106,289	5,850	(15,219)	85	3,337	188	(465)	3
Purchase of goods and services	709	136	475,000	-	22	4	14,513	-
Loans received (included into unsecured other loans – refer to note 25)	1,910	30,000	(1,910)	2,060	60	965	(58)	68
Loans given to related parties	5,317	800	1,470	-	167	26	45	-
Sales of note	-	-	105	9,107	-	-	3	300
Other income (expenses), net	4,529	(3,193)	914	1,533	142	(103)	28	50

As at 31 December 2013 there were loans to executive directors at amount RUB 1,470 thousand / USD 45 thousand (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 year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 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	718,776	3,364,101	39,864	2,306,799	22,569	108,195	1,218	75,950
Companies significantly influenced by the Group key management	-	-	-	(61,500)	-	-	-	(2,025)
	<u>718,776</u>	<u>3,364,101</u>	<u>39,864</u>	<u>2,245,299</u>	<u>22,569</u>	<u>108,195</u>	<u>1,218</u>	<u>73,925</u>

All outstanding balances with related parties are to be settled in cash within the year 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 31 December 2013 amounts to RUB 3,355 thousand / USD 105 thousand (other expenses 31 December 2012: RUB 308 thousand / USD 10 thousand). Outstanding balance amounts to RUB 1,985 thousand / USD 61 thousand (31 December 2012: RUB 3,866 thousand / USD 127 thousand).

There is no other income or expenses to companies controlled significantly influenced by the Group management as at 31 December 2013 (31 December 2012: to RUB 28 thousand / USD 1 thousand). There is no outstanding balance as at 31 December 2013 (31 December 2012: nil).

**(ii) Expenses and capital expenditures**

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 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	127,801	19,774	100,474	10,913	4,013	635	3,070	351
Companies significantly influenced by the Group management	-	8	-	-	-	-	-	-
	<u>127,801</u>	<u>19,782</u>	<u>100,474</u>	<u>10,913</u>	<u>4,013</u>	<u>635</u>	<u>3,070</u>	<u>351</u>

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

In addition to the above a related party acted as an agent on behalf of the Group when the Group in 2012 acquired land plots from a third party at RUB 1,200,000 thousand, (USD 38,595 thousand) which is comparable to the market price.

**(iii) Loans**

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
<b>Loans given (included into other investments – originated loans category– refer to note 17):</b>								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	111,700	24,253	1,450	24,000	3,507	780	44	790
Companies significantly influenced by the Group management	-	67	-	-	-	2	-	-
	<u>111,700</u>	<u>24,320</u>	<u>1,450</u>	<u>24,000</u>	<u>3,507</u>	<u>782</u>	<u>44</u>	<u>790</u>

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. No discounting of the loans has been performed at the reporting date due to the short maturity of loans received and given.

Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
<b>Interest payable (included into other payables - refer to note 27):</b>							
Companies significantly influenced by the Group management							
230	-	-	-	7	-	-	-
Interests provided to A.Molchanov							
-	-	-	-	-	-	-	-
230	-	-	-	7	-	-	-

Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
<b>Interest received (included into other received):</b>							
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners							
550	-	15	-	17	-	-	-
550	-	15	-	17	-	-	-

(iv) *Other investments*

	<b>Transaction value year ended</b>		<b>Outstanding balance</b>		<b>Transaction value year ended</b>		<b>Outstanding balance</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Non-current available-for-sale investments stated at cost (included into other investments - refer to note 17):</b>								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	137,368	-	1,237	-	4,418	-	41
Companies significantly influenced by the Group management	-	-	3	3	-	-	-	-
	<u>-</u>	<u>137,368</u>	<u>3</u>	<u>1,240</u>	<u>-</u>	<u>4,418</u>	<u>-</u>	<u>41</u>

(v) **Transactions with shares / promissory notes**

**Purchase of shares/promissory notes from**

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 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	64,662	150,674	723,880	60,598	2,030	4,846	22,117	1,995
Companies significantly influenced by the Group management	-	-	-	-	-	-	-	-
	<u>64,662</u>	<u>150,674</u>	<u>723,880</u>	<u>60,598</u>	<u>2,030</u>	<u>4,846</u>	<u>22,117</u>	<u>1,995</u>

In February 2013 the Group concluded contract with Streetlink limited to purchase 5,000,000 Global Depositary Receipts (GDRs) OJSC LSR Group for agreed price of USD 5 per GDR (USD 25,000 thousand in total). Each GDR represents 1/5 of one ordinary share issued by OJSC LSR Group. Transfer of ownership right for GDR is planned in 2014.

In October and December 2013 one of the Group's companies paid advances under the contract above totaling to USD 20,000 thousand, remaining balance of USD 5,000 thousand was paid in February 2014.

As at 31 December 2013 total amount payable for GDRs was recognized in Equity as Contractual obligation to purchase own shares and will be reclassified into Treasury shares, upon registration of ownership of GDRs to one of the Group's company in 2014. Outstanding balance of USD 5,000 thousand was recognized as liability in Trade and other payables.

**Sale of shares to**

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 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	-	111	53,427	53,427	-	4	1,632	1,759
Companies significantly influenced by the Group management	-	-	-	-	-	-	-	-
	-	111	53,427	53,427	-	4	1,632	1,759



## 33 Subsidiaries

<u>Entity</u>	<u>Country of incorporation</u>	<u>Ownership/ voting interest 31 December 2013</u>	<u>Ownership/ voting interest 31 December 2012</u>
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%
OAD “LSR”	Russia	100.00%	100.00%
JSC “Scanex”	Russia	100.00%	100.00%
OAD “LSR.Zelezobeton-SZ” (OAD “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%
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			
“Promstroyontazh”****	Russia	-	100.00%
Limited Liability Company Smolnii District	Russia	100.00%	100.00%
ZAO “VSMP” (OOO “VSMP”)****	Russia	-	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%

<b>Entity</b>	<b>Country of incorporation</b>	<b>Ownership/ voting interest 31 December 2013</b>	<b>Ownership/ voting interest 31 December 2012</b>
LSR Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestrasse Projektentwicklungs GmbH & Co KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstr. 79 mbH	Germany	80.00%	80.00%
Bereiteranger Vermögensverwaltungs 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	25.00%	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%
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%
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%

<b>Entity</b>	<b>Country of incorporation</b>	<b>Ownership/ voting interest 31 December 2013</b>	<b>Ownership/ voting interest 31 December 2012</b>
OOO "Kamenskoe-3"	Russia	100.00%	100.00%
OOO "Tehnerud"***	Russia	-	100.00%
OOO "Oktyabrskaya,42"	Russia	100.00%	-
OOO "BC"***	Russia	-	-
OOO "Landshaft"	Russia	100.00%	-
LLC "Gazstroy"	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 the year ended 31 December 2013.

\*\*\* Not significant subsidiaries liquidated during the year ended 31 December 2013.

\*\*\*\* Subsidiaries incorporated to the Group companies during the year ended 31 December 2013.

\*\*\*\*\* The Group retained de facto control.

## **34 Events subsequent to the reporting date**

### **(a) Financing events**

In February 2014 the Group entered into a loan agreement with ZAO "Raiffeisen bank". The total amount of revolving credit line granted is limited to RUB 1,307,550 thousand / USD 39,951 thousand. The loan is to be repaid no later 28 February 2015.

## 35 Supplementary disclosures

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

<u>Division</u>	<u>Segment</u>	<u>Business unit</u>	<u>Product</u>	<u>Entity</u>	
<b>LSR. NW</b>	Building Materials. NW	LSR. Wall Materials. NW	Brick	JSC "Pobeda LSR" LSR Stenovye (Brick) LLC "Gazstroy"	
			Aerated Concrete	OOO "Aeroc SPb" PJSC "Aeroc Obuchov" LLC "AEROC" LSR Stenovye (Aerated Concrete)	
			Reinforced Concrete	OAO "LSR.Zelezobeton-SZ" (OAO "PO "Barrikada")	
		LSR. Reinforced Concrete. NW	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" OOO "Landshaft"
		LSR. Cement. NW	LSR. Real Estate. NW	Crushed Granite	LLC "436 KNI" ZAO "LSR-Bazovye" Crushed Granite OOO "LSR-Nerud"
				Cement	Limited Liability Company "Cement"
		Real Estate. NW	Construction. NW	Real Estate	JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT PETERSBURG" OOO "Osobnyak" Limited Liability Company Smolnii District OOO "SPB GDC "YUNA" OOO "LenSpecSMO "Promstroyontazh" OAO "LSR" OOO "LSR.Nedvizimost-SZ" (OOO "GDSK")
				Construction	ZAO "DSK "Blok" OOO "GATP №1"
				Project management	OOO "LSR-Stroy" OAO "Stroicorporatciya" Limited Liability Company "AvtoKomBalt"
Pile Foundation and Construction	JSC "Construction trust № 28" OOO "Construction trust № 28"				
Tower Cranes	OJSC "UM-260"				
<b>LSR. Moscow</b>	Real Estate. Moscow	LSR. Real Estate. Moscow	Real Estate	ZAO "LSR.Nedvizimost-M"	

<b>Division</b>	<b>Segment</b>	<b>Business unit</b>	<b>Product</b>	<b>Entity</b>
				OOO "Velikan-XXI vek"
				OOO "Kentavr Management"
	Construction. Moscow	LSR.Construction. Moscow	Construction	OOO "LSR.Stroitelstvo-M" (OOO "LSR.Stroy - M")
	Building Materials.Moscow	LSR.Basic Materials.Moscow	Ready-mix Concrete	ZAO "LSR.Nedvizimost-M"
		LSR.Wall Materials.Moscow	Brick	OOO "LSR. Bazovye-M"
				OOO "LSR.Stenovye-M"
				ZAO "MSR-Butovo"
<b>LSR. Ural</b>	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"
<b>LSR. Europe</b>	Real Estate. Europe	LSR. Europe	Real Estate	LSR Europe GmbH
				Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH
				LSR Vermögensverwaltungs GmbH
				Oefelestrasse Projektentwicklungs GmbH & Co
				Saargemunder Strabe Wohnbau Beteiligungs-GmbH
				Projektgesellschaft Bayerstr. 79 mbH
				Saargemunder Strabe Wohnbau GmbH & Co. KG
				Bereiteranger Projektentwicklung GmbH & Co.KG
				Bereiteranger Vermögensverwaltungs GmbH
				mysuithome Munchen GmbH
				Aignerstraße Projektentwicklungsgesellschaft mbH
<b>Other Entities</b>	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 year ended 31 December 2013 '000 RUB	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. managem ent fee)	Deprecia tion/ Amortisa tion	Capitali zed interest recogniz ed in cost of sales	Write off of change in fair value of the disposed asset	EBITDA*
Brick	1,266,060	127,169	<b>1,393,229</b>	241,838	255,937	-	-	497,775
Aerated Concrete	2,718,707	1,845	<b>2,720,552</b>	658,856	175,761	-	-	834,617
Eliminations	-	(9,211)	<b>(9,211)</b>	-	-	-	-	-
LSR.Wall Materials. NW	3,984,767	119,803	<b>4,104,570</b>	900,694	431,698	-	-	1,332,392
Ready-mix Concrete	3,011,243	188,039	<b>3,199,282</b>	99,113	128,586	-	-	227,699
Sand	2,546,719	385,440	<b>2,932,159</b>	949,307	155,271	-	-	1,104,578
Crushed Granite	3,103,108	834,924	<b>3,938,032</b>	541,256	303,911	-	-	845,167
Eliminations	-	(645,742)	<b>(645,742)</b>	(38,765)	-	-	-	(38,765)
LSR.Basic Materials. NW	8,661,070	762,661	<b>9,423,731</b>	1,550,911	587,768	-	-	2,138,679
LSR.Cement .NW	1,420,663	1,609,739	<b>3,030,402</b>	286,746	688,594	-	-	975,340
LSR. Reinforced Concrete. NW	3,635,785	324,291	<b>3,960,076</b>	287,832	248,503	-	-	536,335
Eliminations	-	(1,473,696)	<b>(1,473,696)</b>	(9,706)	-	-	-	(9,706)
Building Materials. NW	17,702,285	1,342,798	<b>19,045,083</b>	3,016,477	1,956,563	-	-	4,973,040
Real Estate. NW	26,552,859	-	<b>26,552,859</b>	7,799,781	40,105	-	12,423	7,827,463
LSR. Construction. NW	2,202,716	11,048,209	<b>13,250,925</b>	1,198,106	365,280	-	-	1,563,386
LSR. Project management	1,372,173	635,593	<b>2,007,766</b>	372,737	788	-	-	373,525
LSR.Pile Foundation and Construction	189,019	231,884	<b>420,903</b>	48,299	13,361	-	-	61,660
LSR.Tower Cranes	1,390,197	98,956	<b>1,489,153</b>	298,393	237,024	-	-	535,417
Eliminations	-	(472,048)	<b>(472,048)</b>	(6,326)	-	-	-	(6,326)
Construction. NW	5,154,105	11,542,594	<b>16,696,699</b>	1,911,209	616,453	-	-	2,527,662
Eliminations	-	(12,427,358)	<b>(12,427,358)</b>	(641,326)	-	-	-	(641,326)
<b>LSR. NW</b>	<b>49,409,249</b>	<b>458,034</b>	<b>49,867,283</b>	<b>12,086,141</b>	<b>2,613,121</b>	<b>-</b>	<b>12,423</b>	<b>14,686,839</b>
Real Estate. Moscow	1,271,427	-	<b>1,271,427</b>	(144,885)	8,523	(14,114)	-	(122,248)
Construction. Moscow	2,128,271	1,189,414	<b>3,317,685</b>	126,376	60,406	-	-	186,782
LSR.Basic Materials. Moscow	1,605,981	26,919	<b>1,632,900</b>	3,993	70,561	-	-	74,554
LSR.Wall Materials. Moscow	408,151	15,169	<b>423,320</b>	(94,201)	117,887	-	-	23,686
Eliminations	-	-	<b>-</b>	-	-	-	-	-
Building Materials. Moscow	2,014,132	42,088	<b>2,056,220</b>	(90,208)	188,448	-	-	98,240
Eliminations	-	(1,215,266)	<b>(1,215,266)</b>	(145,802)	-	-	-	(145,802)
<b>LSR. Moscow</b>	<b>5,413,830</b>	<b>16,236</b>	<b>5,430,066</b>	<b>(254,519)</b>	<b>257,377</b>	<b>(14,114)</b>	<b>-</b>	<b>16,972</b>
Real Estate. Ural	5,165,642	-	<b>5,165,642</b>	1,128,787	2,223	-	-	1,131,010
Construction. Ural	1,527,570	2,649,379	<b>4,176,949</b>	282,856	169,670	-	-	452,526
Other. Ural	298	-	<b>298</b>	(52,029)	39,409	-	-	(12,620)
Eliminations	-	(2,641,350)	<b>(2,641,350)</b>	(85,855)	-	-	-	(85,855)
<b>LSR. Ural</b>	<b>6,693,510</b>	<b>8,029</b>	<b>6,701,539</b>	<b>1,273,759</b>	<b>211,302</b>	<b>-</b>	<b>-</b>	<b>1,485,061</b>
<b>LSR. Europe</b>	<b>43,625</b>	<b>691,097</b>	<b>734,722</b>	<b>(12,948)</b>	<b>762</b>	<b>-</b>	<b>-</b>	<b>(12,186)</b>
Other entities	1,217,965	-	<b>1,217,965</b>	-	155,924	-	-	155,924
Unallocated income and expenses	271,010	-	<b>271,010</b>	(2,088,375)	-	-	-	(2,088,375)
Transportation revenue	2,267,002	-	<b>2,267,002</b>	-	-	-	-	-
Eliminations	-	(1,173,396)	<b>(1,173,396)</b>	(88,463)	-	-	-	(88,463)
<b>Consolidated</b>	<b>65,316,191</b>	<b>-</b>	<b>65,316,191</b>	<b>10,915,595</b>	<b>3,238,486</b>	<b>(14,114)</b>	<b>12,423</b>	<b>14,155,772</b>

\*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 - Capitalized interest recognized in cost of sales.

For the year ended 31 December 2013 '000 USD	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Depreciat ion/ Amortisat ion	Capitalize d interest is charged to the cost of sales	Write off of change in fair value of the disposed asset	EBITDA*
Brick	39,753	3,993	43,746	7,594	8,036	-	-	15,630
Aerated Concrete	85,365	58	85,423	20,688	5,519	-	-	26,207
Eliminations	-	(289)	(289)	-	-	-	-	-
LSR. Wall Materials. NW	125,118	3,762	128,880	28,282	13,555	-	-	41,837
Ready-mix Concrete	94,550	5,904	100,454	3,112	4,037	-	-	7,149
Sand	79,965	12,102	92,067	29,807	4,875	-	-	34,682
Crushed Granite	97,435	26,216	123,651	16,995	9,543	-	-	26,538
Eliminations	-	(20,276)	(20,276)	(1,217)	-	-	-	(1,217)
LSR. Basic Materials. NW	271,950	23,946	295,896	48,697	18,455	-	-	67,152
LSR. Cement .NW	44,609	50,544	95,153	9,004	21,621	-	-	30,625
LSR. Reinforced Concrete. NW	114,160	10,182	124,342	9,038	7,803	-	-	16,841
Eliminations	-	(46,271)	(46,271)	(306)	-	-	-	(306)
Building Materials. NW	555,837	42,163	598,000	94,715	61,434	-	-	156,149
Real Estate. NW	833,737	-	833,737	244,906	1,259	-	390	245,775
LSR. Construction. NW	69,163	346,904	416,067	37,620	11,469	-	-	49,089
LSR. Project management	43,085	19,957	63,042	11,704	25	-	-	11,729
LSR. Pile Foundation and Construction	5,935	7,281	13,216	1,517	420	-	-	1,937
LSR. Tower Cranes	43,651	3,107	46,758	9,369	7,442	-	-	16,811
Eliminations	-	(14,821)	(14,821)	(200)	-	-	-	(200)
Construction. NW	161,834	362,428	524,262	60,010	19,356	-	-	79,366
Eliminations	-	(390,208)	(390,208)	(20,137)	-	-	-	(20,137)
<b>LSR. NW</b>	<b>1,551,408</b>	<b>14,383</b>	<b>1,565,791</b>	<b>379,494</b>	<b>82,049</b>	<b>-</b>	<b>390</b>	<b>461,153</b>
Real Estate. Moscow	39,922	-	39,922	(4,549)	268	(443)	-	(3,838)
Construction. Moscow	66,826	37,347	104,173	3,968	1,897	-	-	5,865
LSR. Basic Materials. Moscow	50,426	845	51,271	125	2,216	-	-	2,341
LSR. Wall Materials. Moscow	12,816	477	13,293	(2,957)	3,701	-	-	744
Eliminations	-	-	-	-	-	-	-	-
Building Materials. Moscow	63,242	1,322	64,564	(2,832)	5,917	-	-	3,085
Eliminations	-	(38,158)	(38,158)	(4,578)	-	-	-	(4,578)
<b>LSR. Moscow</b>	<b>169,990</b>	<b>511</b>	<b>170,501</b>	<b>(7,991)</b>	<b>8,082</b>	<b>(443)</b>	<b>-</b>	<b>534</b>
Real Estate. Ural	162,197	-	162,197	35,443	70	-	-	35,513
Construction. Ural	47,964	83,188	131,152	8,881	5,327	-	-	14,208
Other. Ural	9	-	9	(1,634)	1,237	-	-	(397)
Eliminations	-	(82,936)	(82,936)	(2,696)	-	-	-	(2,696)
<b>LSR. Ural</b>	<b>210,170</b>	<b>252</b>	<b>210,422</b>	<b>39,994</b>	<b>6,634</b>	<b>-</b>	<b>-</b>	<b>46,628</b>
<b>LSR. Europe</b>	<b>1,370</b>	<b>21,700</b>	<b>23,070</b>	<b>(407)</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>(383)</b>
Other entities	38,243	-	38,243	-	4,896	-	-	4,896
Unallocated income and expenses	8,509	-	8,509	(65,573)	-	-	-	(65,573)
Transportation revenue	71,182	-	71,182	-	-	-	-	-
Eliminations	-	(36,846)	(36,846)	(2,777)	-	-	-	(2,777)
<b>Consolidated</b>	<b>2,050,872</b>	<b>-</b>	<b>2,050,872</b>	<b>342,740</b>	<b>101,685</b>	<b>(443)</b>	<b>390</b>	<b>444,478</b>

\*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 - Capitalized interest recognized in cost of sales.

For the year ended 31 December 2012 *000 RUB	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Deprecia tion/ Amortisa tion	Change in fair value of investme nt property	Write off of change in fair value of the disposed asset	EBITDA*
Brick	1,352,090	21,426	<b>1,373,516</b>	310,017	61,641	-	-	<b>371,658</b>
Aerated Concrete	2,411,716	1,048	<b>2,412,764</b>	500,499	171,804	-	-	<b>672,303</b>
Eliminations	-	(6,166)	<b>(6,166)</b>	-	-	-	-	-
LSR. Wall Materials. NW	3,763,806	16,308	<b>3,780,114</b>	810,516	233,445	-	-	<b>1,043,961</b>
Ready-mix Concrete	2,774,135	218,772	<b>2,992,907</b>	(22,664)	160,951	-	-	<b>138,287</b>
Sand	2,405,204	281,461	<b>2,686,665</b>	1,243,528	185,882	-	-	<b>1,429,410</b>
Crushed Granite	2,790,363	1,085,461	<b>3,875,824</b>	934,583	323,744	-	-	<b>1,258,327</b>
Eliminations	-	(755,555)	<b>(755,555)</b>	3,201	-	-	-	<b>3,201</b>
LSR. Basic Materials. NW	7,969,702	830,139	<b>8,799,841</b>	2,158,648	670,577	-	-	<b>2,829,225</b>
LSR. Cement .NW	1,308,955	1,280,514	<b>2,589,469</b>	313,728	339,570	-	-	<b>653,298</b>
LSR. Reinforced Concrete. NW	3,866,809	1,062,413	<b>4,929,222</b>	(29,799)	290,766	-	-	<b>260,967</b>
Eliminations	-	(1,404,654)	<b>(1,404,654)</b>	(33,817)	-	-	-	<b>(33,817)</b>
Building Materials. NW	16,909,272	1,784,720	<b>18,693,992</b>	3,219,276	1,534,358	-	-	<b>4,753,634</b>
Real Estate. NW	18,985,437	10	<b>18,985,447</b>	5,425,254	24,900	-	110,865	<b>5,339,289</b>
LSR. Construction. NW	5,281,048	6,033,130	<b>11,314,178</b>	912,163	323,513	-	-	<b>1,235,676</b>
LSR. Project management	2,068,955	325,004	<b>2,393,959</b>	130,215	442	-	-	<b>130,657</b>
LSR. Pile Foundation and Construction	410,974	355,567	<b>766,541</b>	63,863	32,117	-	-	<b>95,980</b>
LSR. Tower Cranes	1,289,080	75,851	<b>1,364,931</b>	255,116	225,668	-	-	<b>480,784</b>
Eliminations	-	(464,881)	<b>(464,881)</b>	(179)	-	-	-	<b>(179)</b>
Construction. NW	9,050,057	6,324,671	<b>15,374,728</b>	1,361,178	581,740	-	-	<b>1,942,918</b>
Eliminations	-	(7,788,121)	<b>(7,788,121)</b>	(557,710)	-	-	-	<b>(557,710)</b>
<b>LSR. NW</b>	<b>44,944,766</b>	<b>321,280</b>	<b>45,266,046</b>	<b>9,447,998</b>	<b>2,140,998</b>	<b>-</b>	<b>110,865</b>	<b>11,478,131</b>
Real Estate. Moscow	1,764,038	-	<b>1,764,038</b>	8,043	15,962	-	-	<b>24,005</b>
Construction. Moscow	3,438,256	128,307	<b>3,566,563</b>	440,428	34,323	-	-	<b>474,751</b>
LSR. Basic Materials. Moscow	1,800,104	19,260	<b>1,819,364</b>	10,798	70,925	-	-	<b>81,723</b>
LSR. Wall Materials. Moscow	189,560	212	<b>189,772</b>	(171,507)	114,903	-	-	<b>(56,604)</b>
Eliminations	-	-	-	-	-	-	-	-
Building Materials. Moscow	1,989,664	19,472	<b>2,009,136</b>	(160,709)	185,828	-	-	<b>25,119</b>
Eliminations	-	(110,002)	<b>(110,002)</b>	(51)	-	-	-	<b>(51)</b>
<b>LSR. Moscow</b>	<b>7,191,958</b>	<b>37,777</b>	<b>7,229,735</b>	<b>287,711</b>	<b>236,113</b>	<b>-</b>	<b>-</b>	<b>523,824</b>
Real Estate. Ural	3,225,577	-	<b>3,225,577</b>	462,894	2,463	-	-	<b>465,357</b>
Construction. Ural	792,157	2,108,514	<b>2,900,671</b>	111,939	165,246	-	-	<b>277,185</b>
Other. Ural	-	-	-	(47,009)	40,445	-	-	<b>(6,564)</b>
Eliminations	-	(2,034,088)	<b>(2,034,088)</b>	(118,141)	-	-	-	<b>(118,141)</b>
<b>LSR. Ural</b>	<b>4,017,734</b>	<b>74,426</b>	<b>4,092,160</b>	<b>409,683</b>	<b>208,154</b>	<b>-</b>	<b>-</b>	<b>617,837</b>
<b>LSR. Europe</b>	<b>635,443</b>	<b>649,626</b>	<b>1,285,069</b>	<b>232,363</b>	<b>479</b>	<b>-</b>	<b>-</b>	<b>232,842</b>
Other entities	1,459,368	-	<b>1,459,368</b>	-	138,081	-	-	<b>138,081</b>
Unallocated income and expenses	297,179	-	<b>297,179</b>	(854,719)	-	(10,025)	(1,143,306)	<b>298,612</b>
Transportation revenue	2,575,205	-	<b>2,575,205</b>	-	-	-	-	-
Eliminations	-	(1,083,109)	<b>(1,083,109)</b>	102,726	-	-	-	<b>102,726</b>
<b>Consolidated</b>	<b>61,121,653</b>	<b>-</b>	<b>61,121,653</b>	<b>9,625,762</b>	<b>2,723,825</b>	<b>(10,025)</b>	<b>(1,032,441)</b>	<b>13,392,053</b>

\*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 - Capitalized interest recognized in cost of sales.



For the year ended 31 December 2012 *000 USD	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Depreciat ion/ Amortisa tion	Change in fair value of investmen t property	Write off of change in fair value of the disposed asset	EBITDA*
Brick	43,485	689	44,174	9,971	1,982	-	-	11,953
Aerated Concrete	77,565	34	77,599	16,097	5,525	-	-	21,622
Eliminations	-	(198)	(198)	-	-	-	-	-
LSR.Wall Materials. NW	121,050	525	121,575	26,068	7,507	-	-	33,575
Ready-mix Concrete	89,221	7,036	96,257	(729)	5,176	-	-	4,447
Sand	77,355	9,052	86,407	39,994	5,978	-	-	45,972
Crushed Granite	89,742	34,910	124,652	30,058	10,413	-	-	40,471
Eliminations	-	(24,300)	(24,300)	103	-	-	-	103
LSR.Basic Materials. NW	256,318	26,698	283,016	69,426	21,567	-	-	90,993
LSR.Cement .NW	42,098	41,183	83,281	10,090	10,921	-	-	21,011
LSR. Reinforced Concrete. NW	124,363	34,169	158,532	(958)	9,352	-	-	8,394
Eliminations	-	(45,176)	(45,176)	(1,089)	-	-	-	(1,089)
Building Materials. NW	543,829	57,399	601,228	103,537	49,347	-	-	152,884
Real Estate. NW	610,602	-	610,602	174,485	801	-	3,566	171,720
LSR. Construction. NW	169,846	194,035	363,881	29,337	10,405	-	-	39,742
LSR. Project management	66,541	10,453	76,994	4,188	14	-	-	4,202
LSR.Pile Foundation and Construction	13,218	11,436	24,654	2,054	1,033	-	-	3,087
LSR.Tower Cranes	41,459	2,439	43,898	8,205	7,258	-	-	15,463
Eliminations	-	(14,952)	(14,952)	(6)	-	-	-	(6)
Construction. NW	291,064	203,411	494,475	43,778	18,710	-	-	62,488
Eliminations	-	(250,478)	(250,478)	(17,937)	-	-	-	(17,937)
<b>LSR. NW</b>	<b>1,445,495</b>	<b>10,332</b>	<b>1,455,827</b>	<b>303,863</b>	<b>68,858</b>	<b>-</b>	<b>3,566</b>	<b>369,155</b>
Real Estate. Moscow	56,734	-	56,734	259	513	-	-	772
Construction. Moscow	110,580	4,127	114,707	14,165	1,104	-	-	15,269
LSR.Basic Materials. Moscow	57,894	619	58,513	347	2,281	-	-	2,628
LSR.Wall Materials. Moscow	6,097	7	6,104	(5,516)	3,696	-	-	(1,820)
Eliminations	-	-	-	-	-	-	-	-
Building Materials. Moscow	63,991	626	64,617	(5,169)	5,977	-	-	808
Eliminations	-	(3,538)	(3,538)	(2)	-	-	-	(2)
<b>LSR. Moscow</b>	<b>231,305</b>	<b>1,215</b>	<b>232,520</b>	<b>9,253</b>	<b>7,594</b>	<b>-</b>	<b>-</b>	<b>16,847</b>
Real Estate. Ural	103,740	-	103,740	14,887	79	-	-	14,966
Construction. Ural	25,477	67,813	93,290	3,600	5,315	-	-	8,915
Other. Ural	-	-	-	(1,512)	1,301	-	-	(211)
Eliminations	-	(65,419)	(65,419)	(3,800)	-	-	-	(3,800)
<b>LSR. Ural</b>	<b>129,217</b>	<b>2,394</b>	<b>131,611</b>	<b>13,175</b>	<b>6,695</b>	<b>-</b>	<b>-</b>	<b>19,870</b>
<b>LSR. Europe</b>	<b>20,437</b>	<b>20,893</b>	<b>41,330</b>	<b>7,473</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>7,488</b>
Other entities	46,935	-	46,935	-	4,441	-	-	4,441
Unallocated income and expenses	9,557	-	9,557	(27,489)	-	(322)	(36,771)	9,604
Transportation revenue	82,823	-	82,823	-	-	-	-	-
Eliminations	-	(34,834)	(34,834)	3,305	-	-	-	3,305
<b>Consolidated</b>	<b>1,965,769</b>	<b>-</b>	<b>1,965,769</b>	<b>309,580</b>	<b>87,603</b>	<b>(322)</b>	<b>(33,205)</b>	<b>430,710</b>

\*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 - Capitalized interest recognized in cost of sales.

Net financial position\*\*

	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	'000 RUB	'000 RUB	'000 USD	'000 USD
LSR.Wall Materials.NW	(8,343,235)	(8,367,199)	(254,917)	(275,485)
LSR.Basic Materials.NW	(1,003,718)	(415,258)	(30,667)	(13,672)
LSR.Cement.NW	(12,974,785)	(12,798,207)	(396,428)	(421,372)
LSR. Reinforced Concrete. NW	(1,930,462)	(205,835)	(58,983)	(6,777)
Building Materials. NW	(24,252,200)	(21,786,499)	(740,995)	(717,306)
Real Estate. NW	(5,061,375)	(5,061,375)	(154,644)	(166,642)
LSR. Construction.NW	10,258,111	1,064,964	313,424	35,063
LSR. Project management	63,000	(488,950)	1,925	(16,098)
LSR.Tower Cranes	(261,745)	(443,752)	(7,997)	(14,610)
LSR. Pile Foundation and Construction	-	(10,390)	-	(342)
Construction.NW	10,059,366	121,872	307,352	4,013
Real Estate. Moscow	(4,554,632)	(4,696,158)	(139,161)	(154,618)
Construction. Moscow	180,910	(467,387)	5,527	(15,388)
LSR.Basic Materials. Moscow	(46,787)	(64,644)	(1,430)	(2,128)
LSR.Wall Materials. Moscow	(1,266,799)	(1,828,176)	(38,705)	(60,191)
Building Materials. Moscow	(1,313,586)	(1,892,820)	(40,135)	(62,319)
Real Estate. Ural	-	-	-	-
Construction. Ural	866,317	-	26,469	-
Other. Ural	(2,258)	(2,060)	(69)	(68)
Real Estate. Europe	(93,942)	-	(2,870)	-
Other entities	(10,080,017)	(5,913,332)	(307,982)	(194,692)
Adjustments	189,283	223,101	5,784	7,344
<b>Consolidated</b>	<b>(34,062,134)</b>	<b>(39,474,658)</b>	<b>(1,040,724)</b>	<b>(1,299,676)</b>

\*\*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.