

**OJSC LSR Group**

**Consolidated Interim Financial Statements  
for the six-month period ended 30 June 2014**

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## **Auditors' Report on Review of Consolidated Interim Financial Statements**

To the Board of Directors

OJSC LSR Group

### *Introduction*

We have reviewed the accompanying consolidated interim statement of financial position of OJSC LSR Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2014, and the related consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (the "consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

### *Scope of Review*

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

Audited entity: Open Joint Stock Company Group LSR

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

36, Kazanskaya street, Saint Petersburg, Russia, 190031

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

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

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

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

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2014, and its financial performance and its cash flows for the six - month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Mr. Yagnov I.A.

Director of ZAO KPMG North-West Regional Center,

(power of attorney dated 27 October 2011)

ZAO KPMG

26 August 2014

Saint Petersburg, Russian Federation

**OJSC LSR Group**  
*Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income  
for the six-month ended 30 June 2014*

	Note	Six-month ended 30 June			
		2014	2013	2014	2013
		'000 RUB	(as restated) '000 RUB	'000 USD	(as restated) '000 USD
Revenue		32,408,312	20,847,620	926,492	672,137
Cost of sales		(23,489,940)	(14,902,096)	(671,531)	(480,450)
<b>Gross profit</b>		8,918,372	5,945,524	254,961	191,687
Distribution expenses		(2,302,766)	(2,069,799)	(65,831)	(66,729)
Administrative expenses	7	(2,986,703)	(2,569,521)	(85,386)	(82,845)
Other income	8	494	98,335	14	3,170
Other expenses	8	(94,327)	(54,897)	(2,697)	(1,770)
<b>Results from operating activities</b>		3,535,070	1,349,642	101,061	43,513
Finance income	10	332,051	241,846	9,493	7,797
Finance costs	10	(2,313,014)	(2,587,776)	(66,125)	(83,431)
<b>Profit / (loss) before income tax</b>		1,554,107	(996,288)	44,429	(32,121)
Income tax (expense) / benefit	11	(500,370)	11,189	(14,305)	361
<b>Profit/ (loss) for the period</b>		1,053,737	(985,099)	30,124	(31,760)
<b>Other comprehensive income / (loss)</b>					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences		61,818	54,565	1,767	1,759
<i>Items that will never be reclassified to profit or loss:</i>					
Foreign currency translation difference		-	-	(52,795)	(135,494)
<b>Total comprehensive income/ (loss) for the period</b>		1,115,555	(930,534)	(20,904)	(165,495)


The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 101.

**OJSC LSR Group**  
*Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income  
for the six-month ended 30 June 2014*

	Note	Six-month ended 30 June			
		2014	2013 (as restated)	2014	2013 (as restated)
		'000 RUB	'000 RUB	'000 USD	'000 USD
Profit/ (loss) attributable to:					
Shareholders of the Company		1,052,465	(1,009,641)	30,088	(32,551)
Non-controlling interest		1,272	24,542	36	791
<b>Profit / (loss) for the period</b>		<u>1,053,737</u>	<u>(985,099)</u>	<u>30,124</u>	<u>(31,760)</u>
Total comprehensive income/ (loss) attributable to:					
Shareholders of the Company		1,114,283	(955,076)	(20,940)	(166,286)
Non-controlling interest		1,272	24,542	36	791
<b>Total comprehensive income / (loss) for the period</b>		<u>1,115,555</u>	<u>(930,534)</u>	<u>(20,904)</u>	<u>(165,495)</u>
<b>Basic and diluted earnings / (loss) per share</b>	24	<u>10.22 RUB</u>	<u>(9.80) RUB</u>	<u>0.29 USD</u>	<u>(0.32) USD</u>

These consolidated interim financial statements were approved by management on 26 August 2014 and were signed on its behalf by:

  
A.I. Vakhmistrov  
Chief Executive Officer

  
D.V. Kutuzov  
Chief Financial Officer

**OJSC LSR Group**  
*Consolidated Interim Statement of Financial Position as at 30 June 2014*

		<b>30 June 2014</b>	<b>31 December 2013</b> (as restated)	<b>1 January 2013</b> (as restated)	<b>30 June 2014</b>	<b>31 December 2013</b> (as restated)	<b>1 January 2013</b> (as restated)
	<b>Note</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>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	13	41,240,480	42,775,672	39,907,439	1,226,277	1,306,957	1,313,926
Intangible assets	14	5,233,955	5,275,357	4,948,589	155,632	161,182	162,929
Investment property under development	15	-	-	152,731	-	-	5,028
Investment property	16	-	-	675,600	-	-	22,244
Other investments	17	2,478	2,637	146,740	73	80	4,832
Deferred tax assets	18	3,052,480	2,861,189	1,610,617	90,765	87,420	53,028
Trade and other receivables	20	182,358	177,040	132,754	5,422	5,409	4,372
Restricted cash	22	24,030	162,355	476,883	715	4,961	15,701
<b>Total non-current assets</b>		<b>49,735,781</b>	<b>51,254,250</b>	<b>48,051,353</b>	<b>1,478,884</b>	<b>1,566,009</b>	<b>1,582,060</b>
<b>Current assets</b>							
Other investments	17	325,891	409,322	191,536	9,690	12,505	6,305
Inventories	19	88,904,912	75,174,446	59,753,818	2,643,571	2,296,863	1,967,353
Income tax receivable		146,831	243,758	146,679	4,366	7,448	4,829
Trade and other receivables	20	21,331,168	18,580,472	19,563,031	634,281	567,703	644,099
Cash and cash equivalents	21	14,574,341	5,899,479	3,967,086	433,366	180,251	130,613
Restricted cash	22	642	630	563	19	19	19
<b>Total current assets</b>		<b>125,283,785</b>	<b>100,308,107</b>	<b>83,622,713</b>	<b>3,725,293</b>	<b>3,064,789</b>	<b>2,753,218</b>
<b>Total assets</b>		<b>175,019,566</b>	<b>151,562,357</b>	<b>131,674,066</b>	<b>5,204,177</b>	<b>4,630,798</b>	<b>4,335,278</b>

**OJSC LSR Group**  
Consolidated Interim Statement of Financial Position as at 30 June 2014

		<b>30 June 2014</b>	<b>31 December 2013</b>	<b>1 January 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>1 January 2013</b>
			(as restated)	(as restated)		(as restated)	(as restated)
Note	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>	23						
Share capital		34,577	34,577	34,577	1,241	1,241	1,241
Treasury shares		(751,255)	-	-	(21,477)	-	-
Share premium		26,408,386	26,408,386	26,408,386	959,987	959,987	959,987
Additional paid in capital		16,704,875	15,953,626	16,697,997	643,423	621,946	645,319
Foreign currency translation reserve		142,980	81,162	(5,908)	(374,271)	(323,243)	(183,749)
Retained earnings		14,726,840	17,795,584	16,585,504	490,073	577,802	539,806
<b>Total equity attributable to shareholders of the Company</b>		57,266,403	60,273,335	59,720,556	1,698,976	1,837,733	1,962,604
Non-controlling interest		(13,460)	(14,724)	132,763	3,430	3,394	8,025
<b>Total equity</b>		57,252,943	60,258,611	59,853,319	1,702,406	1,841,127	1,970,629
<b>Non-current liabilities</b>							
Loans and borrowings	25	24,518,699	26,112,699	33,948,989	729,060	797,840	1,117,747
Deferred tax liabilities	18	1,225,690	1,314,983	2,113,784	36,445	40,177	69,595
Trade and other payables	27	1,949,702	20,215	185,218	57,974	618	6,098
Provisions	26	21,290	19,290	16,361	634	590	538
<b>Total non-current liabilities</b>		27,715,381	27,467,187	36,264,352	824,113	839,225	1,193,978
<b>Current liabilities</b>							
Loans and borrowings	25	10,796,635	7,949,435	5,525,669	321,036	242,884	181,929
Income tax payable		241,184	653,475	901,016	7,172	19,966	29,665
Trade and other payables	27	78,609,090	54,994,125	28,786,443	2,337,429	1,680,277	947,775
Provisions	26	404,333	239,524	343,267	12,021	7,319	11,302
<b>Total current liabilities</b>		90,051,242	63,836,559	35,556,395	2,677,658	1,950,446	1,170,671
<b>Total liabilities</b>		117,766,623	91,303,746	71,820,747	3,501,771	2,789,671	2,364,649
<b>Total equity and liabilities</b>		175,019,566	151,562,357	131,674,066	5,204,177	4,630,798	4,335,278



	<b>Six-month ended 30 June</b>			
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>'000 RUB</b>	<b>(as restated)</b> <b>'000 RUB</b>	<b>'000 USD</b>	<b>(as restated)</b> <b>'000 USD</b>
<b>OPERATING ACTIVITIES</b>				
<b>Profit / (loss) for the period</b>	1,053,737	(985,099)	30,124	(31,760)
Adjustments for:				
Depreciation and amortisation	1,813,443	1,517,101	51,843	48,912
Loss / (gain) on disposal of property, plant and equipment	25,252	(11,646)	722	(375)
Gain on disposal of subsidiaries	-	(454)	-	(15)
Loss on other assets	-	54,897	-	1,770
Capitalized interest recognized in cost of sales	8,826	-	252	-
Net finance costs	1,980,963	2,345,930	56,632	75,634
Income tax expense / (benefit)	500,370	(11,189)	14,305	(361)
<b>Operating profit before changes in working capital and provisions</b>	5,382,591	2,909,540	153,878	93,805
Increase in inventories	(13,771,974)	(7,982,718)	(393,714)	(257,367)
Increase in trade and other receivables	(2,653,678)	(1,894,595)	(75,864)	(61,083)
Increase in trade and other payables	21,689,046	11,787,307	620,048	380,029
Increase / (decrease) in provisions	166,809	(139,398)	4,769	(4,494)
<b>Cash flows from operations before income taxes and interest paid</b>	10,812,794	4,680,136	309,117	150,890
Income taxes paid	(1,096,318)	(1,571,792)	(31,342)	(50,675)
Interest paid	(1,664,283)	(2,169,380)	(47,579)	(69,942)
<b>Cash flows from operating activities</b>	8,052,193	938,964	230,196	30,273

	<b>Six-month ended 30 June</b>			
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>'000 RUB</b>	<b>(as restated) '000 RUB</b>	<b>'000 USD</b>	<b>(as restated) '000 USD</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of non-current assets	122,029	99,170	3,489	3,197
Interest received	296,988	92,436	8,490	2,980
Acquisition of property, plant and equipment	(794,511)	(2,068,612)	(22,714)	(66,693)
(Increase) / decrease in restricted cash	138,313	96,165	3,954	3,100
Acquisition of intangible assets	(2,986)	(2,474)	(85)	(80)
Loans given	(11,653)	(8,181)	(333)	(264)
Loans repaid	4,841	6,069	138	196
Disposal of subsidiaries (note 6)	-	5,059	-	163
Acquisition of other investments	(13,109)	(2,063)	(375)	(67)
<b>Cash flows utilised by investing activities</b>	<b>(260,088)</b>	<b>(1,782,431)</b>	<b>(7,436)</b>	<b>(57,468)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from borrowings	12,025,588	9,350,375	343,789	301,461
Proceeds from bonds	-	3,000,000	-	96,721
Repayment of borrowings	(8,029,337)	(6,696,149)	(229,543)	(215,887)
Repayment of bonds	(2,854,930)	(2,631,184)	(81,617)	(84,831)
Payment of finance lease liabilities	(36,423)	(62,029)	(1,041)	(2,000)
Payment of outstanding balance for own shares	(176,174)	-	(5,036)	-
Dividends paid	-	(2,060,604)	-	(66,435)
<b>Cash flows from financing activities</b>	<b>928,724</b>	<b>900,409</b>	<b>26,552</b>	<b>29,029</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,720,829</b>	<b>56,942</b>	<b>249,312</b>	<b>1,834</b>
Cash and cash equivalents at the beginning of the year	5,899,479	3,967,086	180,251	130,613
Effect of exchange rate fluctuations on cash and cash equivalents	(45,967)	47,600	3,803	(7,967)
<b>Cash and cash equivalents at the end of the period (note 21)</b>	<b>14,574,341</b>	<b>4,071,628</b>	<b>433,366</b>	<b>124,480</b>

'000 RUB

	Attributable to shareholders of the Company							Total equity
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	
<b>Balance at 1 January 2013 (as restated)</b>	34,577	26,408,386	16,697,997	(5,908)	16,585,504	59,720,556	132,763	59,853,319
<b>Total comprehensive income for the period</b>								
(Loss)/ profit for the period	-	-	-	-	(1,009,641)	(1,009,641)	24,542	(985,099)
<b>Other comprehensive income</b>								
Foreign currency translation differences for foreign operations	-	-	-	54,565	-	54,565	-	54,565
Total comprehensive income / (loss) for the period	-	-	-	54,565	(1,009,641)	(955,076)	24,542	(930,534)
<b>Transactions with owners recorded directly in equity</b>								
Disposal of subsidiaries	-	-	6,884	-	-	6,884	(170,188)	(163,304)
Dividends to shareholders	-	-	-	-	(2,060,604)	(2,060,604)	-	(2,060,604)
<b>Balance at 30 June 2013 (as restated)</b>	<u>34,577</u>	<u>26,408,386</u>	<u>16,704,881</u>	<u>48,657</u>	<u>13,515,259</u>	<u>56,711,760</u>	<u>(12,883)</u>	<u>56,698,877</u>

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 101.

'000 RUB

**Attributable to shareholders of the Company**

	Share capital	Treasury share reserve	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interest	Total equity
<b>Balance at 1 January 2014 (as restated)</b>	34,577	-	26,408,386	15,953,626	81,162	17,795,584	60,273,335	(14,724)	60,258,611
<b>Total comprehensive income for the period</b>									
Profit for the period	-	-	-	-	-	1,052,465	1,052,465	1,272	1,053,737
<b>Other comprehensive income</b>									
Foreign currency translation differences for foreign operations	-	-	-	-	61,818	-	61,818	-	61,818
Total comprehensive income for the period	-	-	-	-	61,818	1,052,465	1,114,283	1,272	1,115,555
<b>Transactions with owners recorded directly in equity</b>									
Excess of consideration paid over minority interest acquired	-	-	-	(6)	-	-	(6)	2	(4)
Adjustment to non-controlling interest	-	-	-	-	-	-	-	(10)	(10)
Own shares purchased	-	(751,255)	-	751,255	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	(4,121,209)	(4,121,209)	-	(4,121,209)
<b>Balance at 30 June 2014</b>	<u>34,577</u>	<u>(751,255)</u>	<u>26,408,386</u>	<u>16,704,875</u>	<u>142,980</u>	<u>14,726,840</u>	<u>57,266,403</u>	<u>(13,460)</u>	<u>57,252,943</u>

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 101.

'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 2013 (as restated)</b>	1,241	959,987	645,319	(183,749)	539,806	1,962,604	8,025	1,970,629
<b>Total comprehensive income for the period</b>								
(Loss) / profit for the period	-	-	-	-	(32,551)	(32,551)	791	(31,760)
<b>Other comprehensive income</b>								
Foreign currency translation differences for foreign operations	-	-	-	(133,735)	-	(133,735)	-	(133,735)
Total comprehensive (loss) / income for the period	-	-	-	(133,735)	(32,551)	(166,286)	791	(165,495)
<b>Transactions with owners recorded directly in equity</b>								
Disposal of subsidiaries	-	-	222	-	-	222	(5,487)	(5,265)
Dividends to shareholders	-	-	-	-	(66,435)	(66,435)	-	(66,435)
<b>Balance at 30 June 2013 (as restated)</b>	<u>1,241</u>	<u>959,987</u>	<u>645,541</u>	<u>(317,484)</u>	<u>440,820</u>	<u>1,730,105</u>	<u>3,329</u>	<u>1,733,434</u>

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 101.

'000 USD

	Attributable to shareholders of the Company								
	Share capital	Treasury share reserve	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2014 (as restated)</b>	1,241	-	959,987	621,946	(323,243)	577,802	1,837,733	3,394	1,841,127
<b>Total comprehensive income for the period</b>									
Profit for the period	-	-	-	-	-	30,088	30,088	36	30,124
<b>Other comprehensive income</b>									
Foreign currency translation differences for foreign operations	-	-	-	-	(51,028)	-	(51,028)	-	(51,028)
Total comprehensive (loss) / income for the period	-	-	-	-	(51,028)	30,088	(20,940)	36	(20,904)
<b>Transactions with owners recorded directly in equity</b>									
Excess of consideration paid over minority interest acquired	-	-	-	-	-	-	-	-	-
Adjustment to non-controlling interest	-	-	-	-	-	-	-	-	-
Own shares purchased	-	(21,477)	-	21,477	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	(117,817)	(117,817)	-	(117,817)
<b>Balance at 30 June 2014</b>	<u>1,241</u>	<u>(21,477)</u>	<u>959,987</u>	<u>643,423</u>	<u>(374,271)</u>	<u>490,073</u>	<u>1,698,976</u>	<u>3,430</u>	<u>1,702,406</u>

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 101.

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## **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 and Yekaterinburg, 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 interim financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

## **2 Basis of preparation**

### **(a) Statement of compliance**

These consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

### **(b) Basis of measurement**

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

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



The carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 may include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

**(c) Functional and presentation currency**

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Company’s functional currency and the currency in which these consolidated interim financial statements are presented. These consolidated interim 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 interim financial statements. All financial information presented has been rounded to the nearest thousand, except if otherwise indicated. The RUB is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUB to USD should not be construed as a representation that the RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

**(d) Use of estimates and judgments**

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

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

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

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

**(e) Change in accounting policies**

In order to make revenue recognition more predictable onwards and in line with the industry practices in 2014, the Group changed its accounting policy in respect of the timing of revenue recognition.

This change concerns the property contracted under share participation agreements.

According to the new policy, revenue for the full value of the real estate already contracted is recognized on the date when the competent state Authorities issues an Act of Acceptance for the building.

Sales may be contracted under share participation agreements, which cannot be unilaterally terminated. In such instances, the significant risks and rewards of ownership are considered to have been transferred to individual buyers when the construction is completed, and the building has been approved by the competent Authorities.

According to the former accounting policy, revenue from the sale of flats was recognised when the buyer signs the act of acceptance of the property, following certification by the competent Authorities. (see note 3 (p)).

The comparative periods information have been restated. The following table summarises the adjustments made to the statement of financial position on implementation of the new accounting policy:

'000 RUB	Deferred tax assets	Inventories	Trade and other receivables	Deferred tax liabilities	Trade and other payables	Retained earnings
Balances at 1 January 2013 as previously reported	1,731,791	66,497,314	18,802,155	1,447,003	38,708,838	13,433,684
Impact of the change in accounting policy	(121,174)	(6,743,496)	760,876	666,781	(9,922,395)	3,151,820
Restated balances at 1 January 2013	1,610,617	59,753,818	19,563,031	2,113,784	28,786,443	16,585,504
'000 RUB	Deferred tax assets	Inventories	Trade and other receivables	Deferred tax liabilities	Trade and other payables	Retained earnings
Balances at 31 December 2013 as previously reported	3,013,668	79,227,987	18,226,687	1,164,527	60,208,546	16,583,854
Impact of the change in accounting policy at 1 January 2013	(121,174)	(6,743,496)	760,876	666,781	(9,922,395)	3,151,820
Impact of the change in accounting policy during 2013	(31,305)	2,689,955	(407,091)	(516,325)	4,707,974	(1,940,090)
Restated Balance at 31 December 2013	2,861,189	75,174,446	18,580,472	1,314,983	54,994,125	17,795,584

'000 USD	<u>Deferred tax assets</u>	<u>Inventories</u>	<u>Trade and other receivables</u>	<u>Deferred tax liabilities</u>	<u>Trade and other payables</u>	<u>Retained earnings</u>
Balances at 1 January 2013 as previously reported	57,018	2,189,376	619,048	47,642	1,274,462	438,438
Impact of the change in accounting policy	(3,990)	(222,023)	25,051	21,953	(326,687)	101,368
Restated balances at 1 January 2013	<u>53,028</u>	<u>1,967,353</u>	<u>644,099</u>	<u>69,595</u>	<u>947,775</u>	<u>539,806</u>

'000 USD	<u>Deferred tax assets</u>	<u>Inventories</u>	<u>Trade and other receivables</u>	<u>Deferred tax liabilities</u>	<u>Trade and other payables</u>	<u>Retained earnings</u>
Balances at 31 December 2013 as previously reported	92,079	2,420,715	556,894	35,581	1,839,598	537,351
Impact of the change in accounting policy at 1 January 2013	(3,990)	(222,023)	25,051	21,953	(326,687)	101,368
Foreign currency translation difference	286	15,984	(1,805)	(1,581)	23,520	(5,068)
Impact of the change in accounting policy during 2013	(955)	82,187	(12,437)	(15,776)	143,846	(55,849)
Restated balance at 31 December 2013	<u>87,420</u>	<u>2,296,863</u>	<u>567,703</u>	<u>40,177</u>	<u>1,680,277</u>	<u>577,802</u>

The effects on the statement of profit or loss and other comprehensive income were as follows:

	Six-month ended 30 June			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>'000 RUB</u>	<u>'000 RUB</u>	<u>'000 USD</u>	<u>'000 USD</u>
Increase / (decrease) in revenue	5,763,554	(6,660,618)	164,769	(214,742)
Increase / (decrease) in cost of sales	3,480,851	(4,247,653)	99,510	(136,945)
Increase / (decrease) in income tax expense	456,541	(482,592)	13,051	(15,560)

The effect on earnings / (loss) per share amounted to:

	Six-month ended 30 June			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>'000 RUB</u>	<u>'000 RUB</u>	<u>'000 USD</u>	<u>'000 USD</u>
Increase / (decrease) in earnings per share	17.73	(18.74)	0.5	(0.61)

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2, which addresses changes in accounting policies.

Certain comparative amounts have been restated as a result of a change in the accounting policy regarding the timing of revenue recognition (see note 2 (e)).

#### (a) 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 interim financial statements.

**(b) 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.

(c) **Financial instruments**

(i) **Non-derivative financial instruments**

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss and other comprehensive income) 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.

**(d) 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.

**(e) 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.

**(f) 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(a)(i)).

*Subsequent measurement*

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

**(ii) 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.

**(g) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised 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.

**(h) 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.

**(i) 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.

**(j) 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.

**(k) 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(p) (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 trade and other payables in the statement of financial position.

**(l) 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.

**(m) 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.

**(n) 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.

**(o) 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.

**(p) 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.

Since January 2014 the full value of the real estate already contracted is recognized as revenue on the date when the State Commission for Acceptance of Finished Buildings issues an Act of Acceptance for the building.

Sales may be contracted under share participation agreements, which cannot be unilaterally terminated. In such instances, the significant risks and rewards of ownership are considered to have

been transferred to individual buyers when the construction is completed, and the building has been approved by the State commission for acceptance of finished buildings.

Under previous policy revenue from the sale of flats was recognised when the buyer signs the act of acceptance of the property, following certification by the competent Authorities. Comparatives have been restated to be in line with new policy (see note 2 (e)).

**(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 and designing**

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.

**(q) 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.

**(r) 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.

**(s) 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.

**(t) 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.



**(u) 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.

**(v) New Standards and Interpretations not yet adopted**

A number of new Standards, *amendments to Standards* and Interpretations are not yet effective as at 30 June 2014, 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 and will replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. 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 Group does not intend to adopt this standard early.
- IFRS 15 *Revenue from Contracts with Customers* will be effective for annual periods beginning on or after 1 January 2017. The new standard is replace International Financial Reporting Standard IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers*, SIC 31 *Revenue - Barter Transactions Involving Advertising Services*. 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.
- 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 2015. 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 five 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 2014 the Group carried out internal reorganization and management accordingly changed composition of reportable operating segments. Comparative data has been changed accordingly.

**(a) Operating segments**

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

*LSR.Building Materials.* 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 and Moscow.

*LSR.Construction.* The construction business units specialize in panel construction, providing of construction contracting services, transportation of construction materials. These business units are located in Saint Petersburg, Moscow, and Ural region.

*LSR. Project management.* Business units specialize in providing of construction contracting services. This business unit is located in Saint Petersburg.

*LSR. Cranes.* Business unit specialize in providing of tower cranes services. This business unit is located in Saint Petersburg.

*LSR.Real Estate.* 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.

There are varying levels of integration between the *LSR.Building Materials*, *LSR.Construction* and *LSR.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. Accordingly, no geographical segmental information is presented.

The Group has aerated concrete production facilities in Ukraine. Net assets of Ukrainian subsidiary amounts to 2.15% of total net asset of the Group (31 December 2013: 3.63%) and EBITDA equals to 4.14% of EBITDA of the Group (30 June 2013: 4.76%). Ukraine is currently suffering from political and economic crisis, combined with social unrest and regional tensions. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's Ukrainian subsidiary's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the subsidiary's results and financial position in a manner not currently determinable. These consolidated interim financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the subsidiary. The future business environment may differ from management's assessment.

**(b) Major customers**

Revenues from the largest customer of the Group represents approximately RUB 873,558 thousand / USD 24,973 thousand (six-month ended 30 June 2013: RUB 1,228,526 thousand / USD 39,608 thousand) of the Group's total revenues.

Revenue from the next four significant customers of the Group amounts approximately to RUB 1,317,068 thousand / USD 37,652 thousand (six-month ended 30 June 2013: RUB 1,399,520 thousand / USD 45,121 thousand).

(i) *Operating segments***For the six-month ended****30 June 2014**

'000 RUB

	<b>LSR.Building Materials</b>	<b>LSR. Construction</b>	<b>LSR. Project management</b>	<b>LSR. Pile Foundation and Construction</b>	<b>LSR.Cranes</b>	<b>LSR.Real Estate</b>	<b>Other entities</b>	<b>Total</b>
Revenue from external customers	9,242,227	1,910,068	1,013,421	-	650,129	17,615,361	765,292	31,196,498
Inter-segment revenue	608,097	9,582,100	24,576	-	86,161	10	-	10,300,944
<b>Total segment revenue</b>	<b>9,850,324</b>	<b>11,492,168</b>	<b>1,037,997</b>	<b>-</b>	<b>736,290</b>	<b>17,615,371</b>	<b>765,292</b>	<b>41,497,442</b>
Segment result	894,726	1,050,893	45,715	-	143,275	3,165,578	-	5,300,187
Depreciation/amortisation	1,241,673	320,274	439	-	117,005	34,315	99,737	1,813,443
Capital expenditure	309,816	283,838	237	-	91,247	64,185	324,356	1,073,679

**For the six-month ended****30 June 2013**

'000 RUB

	<b>LSR.Building Materials</b>	<b>LSR. Construction</b>	<b>LSR. Project management</b>	<b>LSR. Pile Foundation and Construction</b>	<b>LSR.Cranes</b>	<b>LSR.Real Estate</b>	<b>Other entities</b>	<b>Total</b>
Revenue from external customers	8,156,620	3,157,452	421,066	189,019	697,726	6,828,302	338,066	19,788,251
Inter-segment revenue	571,841	6,638,123	635,593	231,884	33,693	435,965	-	8,547,099
<b>Total segment revenue</b>	<b>8,728,461</b>	<b>9,795,575</b>	<b>1,056,659</b>	<b>420,903</b>	<b>731,419</b>	<b>7,264,267</b>	<b>338,066</b>	<b>28,335,350</b>
Segment result	574,689	698,574	212,558	48,299	151,884	1,392,290	-	3,078,294
Depreciation/amortisation	987,797	280,776	324	13,361	116,566	27,055	91,222	1,517,101
Capital expenditure	1,172,037	363,056	1,397	580	114,529	781,420	107,113	2,540,132

**For the six-month ended  
30 June 2014  
'000 USD**

	<b>LSR.Building Materials</b>	<b>LSR. Construction</b>	<b>LSR. Project management</b>	<b>LSR. Pile Foundation and Construction</b>	<b>LSR.Cranes</b>	<b>LSR.Real Estate</b>	<b>Other entities</b>	<b>Total</b>
Revenue from external customers	264,218	54,605	28,972	-	18,586	503,590	21,878	891,849
Inter-segment revenue	17,384	273,934	703	-	2,463	-	-	294,484
<b>Total segment revenue</b>	<b>281,602</b>	<b>328,539</b>	<b>29,675</b>	<b>-</b>	<b>21,049</b>	<b>503,590</b>	<b>21,878</b>	<b>1,186,333</b>
Segment result	25,579	30,043	1,307	-	4,096	90,498	-	151,523
Depreciation/amortisation	35,497	9,156	13	-	3,345	981	2,851	51,843
Capital expenditure	8,857	8,114	7	-	2,609	1,835	9,273	30,695

**For the six-month ended  
30 June 2013  
'000 USD**

	<b>LSR.Building Materials</b>	<b>LSR. Construction</b>	<b>LSR. Project management</b>	<b>LSR. Pile Foundation and Construction</b>	<b>LSR.Cranes</b>	<b>LSR.Real Estate</b>	<b>Other entities</b>	<b>Total</b>
Revenue from external customers	262,973	101,798	13,575	6,094	22,495	220,148	10,900	637,983
Inter-segment revenue	18,436	214,016	20,492	7,476	1,086	14,056	-	275,562
<b>Total segment revenue</b>	<b>281,409</b>	<b>315,814</b>	<b>34,067</b>	<b>13,570</b>	<b>23,581</b>	<b>234,204</b>	<b>10,900</b>	<b>913,545</b>
Segment result	18,528	22,522	6,853	1,557	4,897	44,888	-	99,245
Depreciation/amortisation	31,847	9,052	10	431	3,758	872	2,942	48,912
Capital expenditure	37,787	11,705	45	19	3,692	25,193	3,453	81,894

<b>As at 30 June 2014</b>								
<b>'000 RUB</b>	<b>LSR.Building Materials</b>	<b>LSR. Construction</b>	<b>LSR. Project management</b>	<b>LSR. Pile Foundation and Construction</b>	<b>LSR.Cranes</b>	<b>LSR.Real Estate</b>	<b>Other entities</b>	<b>Total</b>
Segment assets, excluding net financial position*	42,236,203	14,048,214	6,341,708	-	1,629,540	118,808,452	-	183,064,117
Segment liabilities, excluding net financial position*	9,100,466	14,888,767	3,517,621	-	320,774	66,809,174	-	94,636,802
Net financial position*	24,182,997	(8,495,673)	766,200	-	176,407	12,868,587	5,993,164	35,491,682
<b>As at 31 December 2013</b>								
<b>'000 RUB</b>	<b>LSR.Building Materials</b>	<b>LSR. Construction</b>	<b>LSR. Project management</b>	<b>LSR. Pile Foundation and Construction</b>	<b>LSR.Cranes</b>	<b>LSR.Real Estate</b>	<b>Other entities</b>	<b>Total</b>
Segment assets, excluding net financial position*	46,593,067	12,703,480	6,193,915	-	1,584,951	91,694,056	-	158,769,469
Segment liabilities, excluding net financial position*	7,941,068	16,484,334	4,538,196	-	191,313	46,053,259	-	75,208,170
Net financial position*	25,565,786	(11,305,338)	(63,000)	-	261,745	9,714,949	10,077,275	34,251,417

\* 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.

**As at 30 June 2014****'000 USD**

	<b>LSR.Building Materials</b>	<b>LSR. Construction</b>	<b>LSR. Project management</b>	<b>LSR. Pile Foundation and Construction</b>	<b>LSR.Cranes</b>	<b>LSR.Real Estate</b>	<b>Other entities</b>	<b>Total</b>
Segment assets, excluding net financial position*	1,255,886	417,721	188,570	-	48,454	3,532,749	-	5,443,380
Segment liabilities, excluding net financial position*	270,601	442,715	104,596	-	9,538	1,986,559	-	2,814,009
Net financial position*	719,079	(252,617)	22,783	-	5,246	382,644	178,206	1,055,341

**As at 31 December 2013****'000 USD**

	<b>LSR.Building Materials</b>	<b>LSR. Construction</b>	<b>LSR. Project management</b>	<b>LSR. Pile Foundation and Construction</b>	<b>LSR.Cranes</b>	<b>LSR.Real Estate</b>	<b>Other entities</b>	<b>Total</b>
Segment assets, excluding net financial position*	1,423,593	388,139	189,247	-	48,426	2,801,598	-	4,851,003
Segment liabilities, excluding net financial position*	242,629	503,658	138,659	-	5,845	1,407,100	-	2,297,891
Net financial position*	781,130	(345,420)	(1,925)	-	7,997	296,828	307,898	1,046,508

\* 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	Six-month ended 30 June			
	'000 RUB		'000 USD	
	2014	2013	2014	2013
<b>Total revenue for reportable segments</b>	41,497,442	28,335,350	1,186,333	913,545
Other revenue	171,976	128,089	4,916	4,129
Transportation revenue	1,039,838	931,280	29,727	30,025
Elimination of intersegment revenue	(10,300,944)	(8,547,099)	(294,484)	(275,562)
<b>Consolidated revenue</b>	<b>32,408,312</b>	<b>20,847,620</b>	<b>926,492</b>	<b>672,137</b>

Profit / (loss) for the period	Six-month ended 30 June			
	'000 RUB		'000 USD	
	2014	2013	2014	2013
<b>Total segment result</b>	5,300,187	3,078,294	151,523	99,245
Other result	(620,160)	(860,063)	(17,730)	(27,728)
Unallocated expenses and income, net	(1,144,957)	(868,589)	(32,732)	(28,004)
Finance income	332,051	241,846	9,493	7,797
Finance costs	(2,313,014)	(2,587,776)	(66,125)	(83,431)
Income tax (expense)/benefit	(500,370)	11,189	(14,305)	361
<b>Profit / (loss) for the period</b>	<b>1,053,737</b>	<b>(985,099)</b>	<b>30,124</b>	<b>(31,760)</b>

Assets	'000 RUB				'000 USD	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013		
	Segment assets, excluding net financial position	183,064,117	158,769,469	5,443,380	4,851,003	
Elimination of intersegment assets	(19,783,218)	(19,929,542)	(588,250)	(608,923)		
Unallocated assets	11,738,667	12,722,430	349,047	388,718		
<b>Total assets</b>	<b>175,019,566</b>	<b>151,562,357</b>	<b>5,204,177</b>	<b>4,630,798</b>		

<b>Liabilities</b>	<b>'000 RUB</b>		<b>'000 USD</b>	
	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
Segment liabilities, excluding net financial position	94,636,802	75,208,170	2,814,009	2,297,891
Elimination of intersegment liabilities	(18,210,118)	(19,903,209)	(541,474)	(608,118)
Unallocated liabilities	6,024,605	1,936,651	179,140	59,174
Consolidated loans and borrowings	<u>35,315,334</u>	<u>34,062,134</u>	<u>1,050,096</u>	<u>1,040,724</u>
<b>Total liabilities</b>	<u><u>117,766,623</u></u>	<u><u>91,303,746</u></u>	<u><u>3,501,771</u></u>	<u><u>2,789,671</u></u>

<b>Net financial position</b>	<b>'000 RUB</b>		<b>'000 USD</b>	
	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
Net financial position before adjustments	35,491,682	34,251,417	1,055,341	1,046,508
Adjustments	<u>(176,348)</u>	<u>(189,283)</u>	<u>(5,245)</u>	<u>(5,784)</u>
<b>Consolidated loans and borrowings</b>	<u><u>35,315,334</u></u>	<u><u>34,062,134</u></u>	<u><u>1,050,096</u></u>	<u><u>1,040,724</u></u>

<b>Other material items</b>	<b>Six-month ended 30 June</b>			
	<b>'000 RUB</b>		<b>'000 USD</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Capital expenditure	1,073,679	2,540,132	30,695	81,894
Elimination of intersegment purchases	<u>(286,299)</u>	<u>(408,046)</u>	<u>(8,186)</u>	<u>(13,155)</u>
<b>Consolidated capital expenditure</b>	<u><u>787,380</u></u>	<u><u>2,132,086</u></u>	<u><u>22,509</u></u>	<u><u>68,739</u></u>

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

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

During the six-month ended 30 June 2014 and the six-month ended 30 June 2013 the Group has not acquired any subsidiaries.

### **(b) Disposal of subsidiaries**

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	7,732
Investment	11	-
Deferred tax assets	6,665	215
<b>Current assets</b>		
Inventories	63,157	2,036
Trade and other receivables	181,315	5,846
Cash and cash equivalents	48,369	1,559
<b>Non-current liabilities</b>		
Deferred tax liabilities	(42,513)	(1,371)
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	(3,192)	(103)
Trade and other payables	(188,229)	(6,068)
Current income tax liabilities	(660)	(21)
<b>Net assets, liabilities and contingent liabilities disposed</b>	<b>304,734</b>	<b>9,825</b>
Non-controlling interest in disposal subsidiaries	(170,188)	(5,487)
Excess of consideration received over book values of net assets sold	454	15
Consideration accrued	135,000	4,353
Cash and cash equivalents disposed	(48,369)	(1,559)
Net cash inflow	(48,369)	(1,559)

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

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

## 7 Administrative expenses

	Six-month ended 30 June			
	2014	2013	2014	2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Wages and salaries	1,708,869	1,529,407	48,854	49,309
Services	517,634	374,423	14,799	12,071
Materials	61,938	60,142	1,771	1,939
Depreciation and amortisation	149,235	128,865	4,266	4,155
Taxes other than profit tax	180,393	195,749	5,157	6,311
Social expenditure	168,630	99,098	4,821	3,196
Insurance	6,014	7,152	172	231
Other administrative expenses	193,990	174,685	5,546	5,633
	<u>2,986,703</u>	<u>2,569,521</u>	<u>85,386</u>	<u>82,845</u>

## 8 Other income and expenses

	Six-month ended 30 June			
	2014	2013	2014	2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Other income:				
Gain on disposal of property, plant and equipment	-	11,646	-	375
Gain on disposal of other assets	-	86,235	-	2,780
Gain on disposal of subsidiaries	-	454	-	15
Other income	494	-	14	-
Total other income	<u>494</u>	<u>98,335</u>	<u>14</u>	<u>3,170</u>
Other expenses:				
Loss on disposal of property, plant and equipment	(25,252)	-	(722)	-
Other expenses	(69,075)	(54,897)	(1,975)	(1,770)
Total other expenses	<u>(94,327)</u>	<u>(54,897)</u>	<u>(2,697)</u>	<u>(1,770)</u>
<b>Net other (expenses) / income</b>	<u>(93,833)</u>	<u>43,438</u>	<u>(2,683)</u>	<u>1,400</u>

## 9 Total personnel costs

	Six-month ended 30 June			
	2014	2013	2014	2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Wages and salaries:				
Cost of sales	4,082,869	3,667,228	116,721	118,233
Administrative expenses	1,708,869	1,529,407	48,854	49,309
Distribution expenses	160,035	222,541	4,575	7,175
	<u>5,951,773</u>	<u>5,419,176</u>	<u>170,150</u>	<u>174,717</u>

## 10 Finance income and finance costs

	Six-month ended 30 June			
	2014 '000 RUB	2013 '000 RUB	2014 '000 USD	2013 '000 USD
<b>Recognised in profit or loss</b>				
<b>Finance income</b>				
Foreign exchange gain	28,652	143,436	819	4,624
Interest income	296,988	92,436	8,490	2,980
Unwind of discount	5,059	2,974	145	96
Income from sale of available-for-sale investments	1,352	-	39	-
Other finance income	-	3,000	-	97
	<u>332,051</u>	<u>241,846</u>	<u>9,493</u>	<u>7,797</u>
<b>Finance costs</b>				
Interest expense	(1,624,604)	(2,013,450)	(46,444)	(64,915)
Unwind of discount on payables for shares of the subsidiaries acquired	(38,024)	(2,062)	(1,087)	(66)
Foreign exchange loss	(639,585)	(479,055)	(18,285)	(15,445)
Repurchase of own bonds	(10,801)	(5,271)	(309)	(170)
Loss from sale of available-for-sale investments	-	(86)	-	(3)
Impairment of financial assets	-	(71,344)	-	(2,300)
Non-controlling interest in limited liability subsidiaries	-	(1,591)	-	(51)
Other finance costs	-	(14,917)	-	(481)
	<u>(2,313,014)</u>	<u>(2,587,776)</u>	<u>(66,125)</u>	<u>(83,431)</u>
<b>Net finance costs recognised in profit or loss</b>	<u>(1,980,963)</u>	<u>(2,345,930)</u>	<u>(56,632)</u>	<u>(75,634)</u>
<b>Recognised in other comprehensive income</b>				
<b>Finance income / (costs)</b>				
Foreign currency translation differences for foreign operations	61,818	54,565	(51,028)	(133,735)
Finance income / (costs) recognised in other comprehensive income, net of tax	<u>61,818</u>	<u>54,565</u>	<u>(51,028)</u>	<u>(133,735)</u>
Attributable to:				
Equity holders of the Company	<u>61,818</u>	<u>54,565</u>	<u>(51,028)</u>	<u>(133,735)</u>

In addition to borrowing costs recognised as an expense during 6 months ended 30 June 2014, interest in the amount of RUB 166,260 thousand / USD 4,753 thousand (30 June 2013: RUB 137,619 thousand / USD 4,437 thousand ) has been capitalized using a capitalization rate of 9.96% (30 June 2013: 10.11%) as part of the objects under construction.

## 11 Income tax expense/(benefit)

	Six-month ended 30 June			
	2014	2013	2014	2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
<i>Current tax expense</i>				
Current period	778,506	1,026,581	22,257	33,098
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	(278,136)	(1,037,770)	(7,952)	(33,459)
<b>Income tax expense/(benefit)</b>	<b>500,370</b>	<b>(11,189)</b>	<b>14,305</b>	<b>(361)</b>

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20% (in the six-month 2013: 20%).

### Reconciliation of effective tax rate:

	Six-month ended 30 June							
	2014		2013		2014		2013	
	'000 RUB	%	'000 RUB	%	'000 USD	%	'000 USD	%
Profit / (loss) for the period	1,053,737		(985,099)		30,124		(31,760)	
Income tax expense/(benefit)	500,370		(11,189)		14,305		(361)	
Profit before income tax/(loss)	<u>1,554,107</u>	<u>100</u>	<u>(996,288)</u>	<u>100</u>	<u>44,429</u>	<u>100</u>	<u>(32,121)</u>	<u>100</u>
Income tax at applicable tax rate	310,821	(20)	(199,258)	20	8,886	(20)	(6,424)	20
Non-taxable income	(87,649)	6	(41,738)	4	(2,506)	6	(1,346)	4
Non-deductible expenses	275,039	(18)	224,461	(23)	7,863	(18)	7,237	(23)
Current period (reverses of losses) losses for which no deferred tax asset was recognised	<u>2,159</u>	<u>-</u>	<u>5,346</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>172</u>	<u>-</u>
Total income tax expenses/(benefit) for the period	<u>500,370</u>	<u>(32)</u>	<u>(11,189)</u>	<u>1</u>	<u>14,305</u>	<u>(32)</u>	<u>(361)</u>	<u>1</u>

## 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 LSR. Construction segment and are presented below:

	<b>Six-month ended 30 June</b>			
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Contract revenue	2,312,253	2,950,466	66,103	95,125
Contract costs	(2,003,491)	(2,824,242)	(57,276)	(91,055)
<b>Gross profit</b>	<b>308,762</b>	<b>126,224</b>	<b>8,827</b>	<b>4,070</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 2013	21,132,312	18,298,087	3,509,303	787,666	9,053,127	52,780,495
Additions	423,134	247,814	163,130	33,230	1,264,778	2,132,086
Disposals	(55,774)	(213,860)	(61,696)	(23,271)	(35,671)	(390,272)
Business disposals	(82,654)	(319,252)	(29,230)	(8,623)	(236)	(439,995)
Reclassifications to inventories	-	-	-	-	(44,671)	(44,671)
Transfers and reclassifications	1,004,381	2,350,107	3,382	10,319	(3,368,189)	-
Effect of movements in exchange rates	59,711	53,526	2,325	728	697	116,987
At 30 June 2013	<u>22,481,110</u>	<u>20,416,422</u>	<u>3,587,214</u>	<u>800,049</u>	<u>6,869,835</u>	<u>54,154,630</u>
At 1 January 2014	26,950,603	22,413,581	4,045,745	796,742	3,865,480	58,072,151
Additions	118,282	340,325	168,315	24,071	136,387	787,380
Disposals	(45,047)	(95,329)	(125,135)	(14,543)	(9,655)	(289,709)
Reclassifications to inventories	-	-	-	-	(38,329)	(38,329)
Transfers and reclassifications	1,087,482	1,433,054	(419)	1,830	(2,521,947)	-
Effect of movements in exchange rates	(270,044)	(242,828)	(12,525)	(3,786)	(4,100)	(533,283)
At 30 June 2014	<u>27,841,276</u>	<u>23,848,803</u>	<u>4,075,981</u>	<u>804,314</u>	<u>1,427,836</u>	<u>57,998,210</u>
<b>Depreciation and impairment losses</b>						
At 1 January 2013	(3,239,171)	(6,825,448)	(2,282,229)	(526,208)	-	(12,873,056)
Depreciation charge	(400,352)	(853,158)	(185,379)	(47,729)	-	(1,486,618)
Disposals	37,389	167,275	57,724	20,685	-	283,073
Business disposals	38,867	139,253	14,763	7,301	-	200,184
Transfers and reclassifications	(13)	(1,557)	2,664	(1,094)	-	-
Effect of movements in exchange rates	(10,601)	(14,695)	(1,316)	(511)	-	(27,123)
At 30 June 2013	<u>(3,573,881)</u>	<u>(7,388,330)</u>	<u>(2,393,773)</u>	<u>(547,556)</u>	<u>-</u>	<u>(13,903,540)</u>
At 1 January 2014	(3,996,408)	(8,249,320)	(2,496,279)	(554,472)	-	(15,296,479)
Depreciation charge	(495,307)	(1,006,494)	(206,053)	(45,267)	-	(1,753,121)
Disposals	17,438	55,620	56,490	12,713	-	142,261
Transfers and reclassifications	(5)	40	-	(35)	-	-
Effect of movements in exchange rates	57,689	82,362	6,960	2,598	-	149,609
At 30 June 2014	<u>(4,416,593)</u>	<u>(9,117,792)</u>	<u>(2,638,882)</u>	<u>(584,463)</u>	<u>-</u>	<u>(16,757,730)</u>
<b>Net book value</b>						
At 1 January 2013	<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 30 June 2013	<u>18,907,229</u>	<u>13,028,092</u>	<u>1,193,441</u>	<u>252,493</u>	<u>6,869,835</u>	<u>40,251,090</u>
At 1 January 2014	<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>
At 30 June 2014	<u>23,424,683</u>	<u>14,731,011</u>	<u>1,437,099</u>	<u>219,851</u>	<u>1,427,836</u>	<u>41,240,480</u>



'000 USD	Land and buildings	Machinery and equipment	Transpor- tation equipment	Other fixed assets	Assets under construction	Total
<b>Cost/Deemed cost</b>						
At 1 January 2013	695,767	602,452	115,541	25,934	298,068	1,737,762
Additions	13,642	7,990	5,259	1,071	40,777	68,739
Disposals	(1,798)	(6,895)	(1,989)	(750)	(1,150)	(12,582)
Business disposals	(2,665)	(10,293)	(942)	(278)	(8)	(14,186)
Reclassifications to inventories	-	-	-	-	(1,440)	(1,440)
Transfers and reclassifications	32,382	75,769	109	333	(108,593)	-
Effect of movements in exchange rates	(50,021)	(44,839)	(8,307)	(1,850)	(17,627)	(122,644)
At 30 June 2013	<u>687,307</u>	<u>624,184</u>	<u>109,671</u>	<u>24,460</u>	<u>210,027</u>	<u>1,655,649</u>
At 1 January 2014	823,442	684,819	123,613	24,343	118,105	1,774,322
Additions	3,381	9,729	4,812	688	3,899	22,509
Disposals	(1,288)	(2,725)	(3,577)	(416)	(276)	(8,282)
Reclassifications to inventories	-	-	-	-	(1,096)	(1,096)
Transfers and reclassifications	31,089	40,968	(12)	52	(72,097)	-
Effect of movements in exchange rates	(28,769)	(23,651)	(3,637)	(751)	(6,079)	(62,887)
At 30 June 2014	<u>827,855</u>	<u>709,140</u>	<u>121,199</u>	<u>23,916</u>	<u>42,456</u>	<u>1,724,566</u>
<b>Depreciation and impairment losses</b>						
At 1 January 2013	(106,647)	(224,723)	(75,141)	(17,325)	-	(423,836)
Depreciation charge	(12,908)	(27,506)	(5,977)	(1,539)	-	(47,930)
Disposals	1,205	5,393	1,861	667	-	9,126
Business disposals	1,253	4,490	476	235	-	6,454
Transfers and reclassifications	-	(50)	86	(36)	-	-
Effect of movements in exchange rates	7,834	16,515	5,511	1,258	-	31,118
At 30 June 2013	<u>(109,263)</u>	<u>(225,881)</u>	<u>(73,184)</u>	<u>(16,740)</u>	<u>-</u>	<u>(425,068)</u>
At 1 January 2014	(122,105)	(252,048)	(76,271)	(16,941)	-	(467,365)
Depreciation charge	(14,160)	(28,774)	(5,891)	(1,294)	-	(50,119)
Disposals	499	1,590	1,615	363	-	4,067
Transfers and reclassifications	-	1	-	(1)	-	-
Effect of movements in exchange rates	4,439	8,115	2,080	494	-	15,128
At 30 June 2014	<u>(131,327)</u>	<u>(271,116)</u>	<u>(78,467)</u>	<u>(17,379)</u>	<u>-</u>	<u>(498,289)</u>
<b>Net book value</b>						
At 1 January 2013	<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 30 June 2013	<u>578,044</u>	<u>398,303</u>	<u>36,487</u>	<u>7,720</u>	<u>210,027</u>	<u>1,230,581</u>
At 1 January 2014	<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>
At 30 June 2014	<u>696,528</u>	<u>438,024</u>	<u>42,732</u>	<u>6,537</u>	<u>42,456</u>	<u>1,226,277</u>

Depreciation expense of RUB 1,593,494 thousand / USD 45,555 thousand has been charged in cost of goods sold (30 June 2013: RUB 1,314,800 thousand / USD 42,390 thousand), RUB 39,795 thousand / USD 1,138 thousand in distribution expenses (30 June 2013: RUB 41,275 thousand / USD 1,331 thousand) and RUB 136,326 thousand / USD 3,897 thousand in administrative expenses (30 June 2013: RUB 116,353 thousand / USD 3,751 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 16,069,320 thousand / USD 477,818 thousand are subject to a registered debenture to secure bank loans (31 December 2013: RUB 12,119,879 thousand / USD 370,308 thousand) (refer to note 25).

**(c) Leased plant and machinery**

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2014 the net book value of leased plant and machinery was RUB 236,886 thousand / USD 7,044 thousand (31 December 2013: RUB 329,249 thousand / USD 10,060 thousand).

## 14 Intangible assets

<b>'000 RUB</b>	<b>Goodwill</b>	<b>Other</b>	<b>Total</b>
<i>Cost</i>			
Balance at 1 January 2013	3,941,081	1,603,014	5,544,095
Additions	-	2,474	2,474
Disposals	-	(2,590)	(2,590)
Effects of movement in exchange rates	-	148	148
Balance at 30 June 2013	<u>3,941,081</u>	<u>1,603,046</u>	<u>5,544,127</u>
Balance at 1 January 2014	4,349,553	1,614,238	5,963,791
Additions	-	2,986	2,986
Disposals	-	(7,310)	(7,310)
Effects of movement in exchange rates	-	(869)	(869)
Balance at 30 June 2014	<u>4,349,553</u>	<u>1,609,045</u>	<u>5,958,598</u>
<i>Amortisation and impairment losses</i>			
Balance at 1 January 2013	(281,496)	(314,010)	(595,506)
Amortisation charge	-	(44,435)	(44,435)
Disposals	-	235	235
Effects of movement in exchange rates	-	(59)	(59)
Balance at 30 June 2013	<u>(281,496)</u>	<u>(358,269)</u>	<u>(639,765)</u>
Balance at 1 January 2014	(281,496)	(406,938)	(688,434)
Amortisation charge	-	(43,551)	(43,551)
Disposals	-	6,981	6,981
Effects of movement in exchange rates	-	361	361
Balance at 30 June 2014	<u>(281,496)</u>	<u>(443,147)</u>	<u>(724,643)</u>
<i>Net book value</i>			
At 1 January 2013	<u>3,659,585</u>	<u>1,289,004</u>	<u>4,948,589</u>
At 30 June 2013	<u>3,659,585</u>	<u>1,244,777</u>	<u>4,904,362</u>
At 1 January 2014	<u>4,068,057</u>	<u>1,207,300</u>	<u>5,275,357</u>
At 30 June 2014	<u>4,068,057</u>	<u>1,165,898</u>	<u>5,233,955</u>

<b>'000 USD</b>	<b>Goodwill</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>			
Balance at 1 January 2013	129,757	52,778	182,535
Additions	-	80	80
Disposals	-	(84)	(84)
Effect of movements in exchange rates	(9,268)	(3,764)	(13,032)
Balance at 30 June 2013	<u>120,489</u>	<u>49,010</u>	<u>169,499</u>
Balance at 1 January 2014	132,895	49,321	182,216
Additions	-	85	85
Disposals	-	(209)	(209)
Effect of movements in exchange rates	(3,562)	(1,352)	(4,914)
Balance at 30 June 2014	<u>129,333</u>	<u>47,845</u>	<u>177,178</u>
<b>Amortisation and impairment losses</b>			
Balance at 1 January 2013	(9,268)	(10,338)	(19,606)
Amortisation charge	-	(1,433)	(1,433)
Disposals	-	8	8
Effect of movements in exchange rates	662	810	1,472
Balance at 30 June 2013	<u>(8,606)</u>	<u>(10,953)</u>	<u>(19,559)</u>
Balance at 1 January 2014	(8,601)	(12,433)	(21,034)
Amortisation charge	-	(1,245)	(1,245)
Disposals	-	200	200
Effect of movements in exchange rates	231	302	533
Balance at 30 June 2014	<u>(8,370)</u>	<u>(13,176)</u>	<u>(21,546)</u>
<b>Net book value</b>			
At 1 January 2013	<u>120,489</u>	<u>42,440</u>	<u>162,929</u>
At 30 June 2013	<u>111,883</u>	<u>38,057</u>	<u>149,940</u>
At 1 January 2014	<u>124,294</u>	<u>36,888</u>	<u>161,182</u>
At 30 June 2014	<u>120,963</u>	<u>34,669</u>	<u>155,632</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 30 June 2014	
		'000 RUB	'000 USD	'000 RUB	'000 USD	'000 RUB	'000 USD
PJSC "Aeroc Obuchov" (Ukraine)	LSR.Building Materials	818,546	24,339	(164,594)	(4,894)	653,952	19,445
LSR Europe GmbH	LSR.Real Estate	50,093	1,490	-	-	50,093	1,490
LLC "LSR.Cement-NW"	LSR.Building Materials	621,485	18,480	-	-	621,485	18,480
BU LSR. Reinforced Concrete. NW	LSR.Building Materials	17,354	516	-	-	17,354	516
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	LSR.Real Estate	22,451	668	-	-	22,451	668
BU Other	Other	128,269	3,814	(116,902)	(3,476)	11,367	338
BU LSR.Construction. Ural	LSR.Construction	736,429	21,898	-	-	736,429	21,898
BU LSR.Real Estate.Ural	LSR.Real Estate	1,276,844	37,967	-	-	1,276,844	37,967
BU LSR.Basic Materials. NW	LSR.Building Materials	155,317	4,618	-	-	155,317	4,618
OOO "LSR.Stroitelstvo-M"	LSR.Construction	11,250	335	-	-	11,250	335
BU LSR.Wall Materials.Moscow	LSR.Building Materials	103,043	3,062	-	-	103,043	3,062
LLC "Gazstroy"	LSR.Building Materials	408,472	12,146	-	-	408,472	12,146
		<u>4,349,553</u>	<u>129,333</u>	<u>(281,496)</u>	<u>(8,370)</u>	<u>4,068,057</u>	<u>120,963</u>

Goodwill will be tested for impairment for all BU as at 31 December 2014.

Impairment review of non-financial assets was conducted by the Group with regard to those business units, for which indicators of impairment were identified as at 30 June 2014.

The following key assumptions were used in determining the recoverable amounts of the respective companies as of 30 June 2014 and have not significantly changed compared to those that were used as of 31 December 2013, except for update of cash flow projections and budgeted results compare to those used as at 31 December 2013.

LSR.Building Materials segment:

- Cash flows were projected based on budgeted operating results for 2015 and three – twelve years business plans;
- Cash flows for further years were extrapolated assuming 2.00% further growth in production;
- Pre-tax discount rate of 20.20% 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.

LSR. Construction segment:

- Cash flows were projected based on budgeted operating results for 2015 and three years business plans;
- Plan for 2015 is prepared based on the actual contract portfolio and the actual prices;
- Cash flows for further years were assuming 2.00% 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.

LSR.Real Estate segment:

- 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 2.00% 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 10.00% decrease in undiscounted net cash inflows would have caused the impairment loss in respect of the following entities/BU:

<b>Entity / Business unit</b>	<u>'000 RUB</u>	<u>'000 USD</u>
LLC "LSR.Cement-NW" (Limited Liability Company "Cement")	411,348	12,231

## 15 Investment property under development

	<u>Fair value of investment projects</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>'000 RUB</u>	<u>'000 RUB</u>	<u>'000 USD</u>	<u>'000 USD</u>
<i>Cost / Fair value</i>				
At 1 January	-	152,731	-	5,028
Effect of movements in exchange rates	-	-	-	(358)
At 30 June	-	152,731	-	4,670

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

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

As at 1 January 2013 the investment property under development is represented by parking related to the project Hermitage View House (Saint-Petersburg, Zoologicheskii Lane 2-4) which has been sold in 2013.

## 16 Investment property

<b>'000 RUB</b>	<u>2014</u>	<u>2013</u>
<i>Cost / Fair value</i>		
At 1 January	-	675,600
At 30 June	-	675,600
<b>'000 USD</b>	<u>2014</u>	<u>2013</u>
<i>Cost / Fair value</i>		
At 1 January	-	22,244
Effect of movements in exchange rates	-	(1,589)
At 30 June	-	20,655

Investment property comprises a number of commercial properties that were disposed as part of consideration for acquisition of LLC “Gazstroy” in December 2013.

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

	<b>Six-month ended 30 June</b>			
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Rental income from investment property	-	57,471	-	1,853
Direct operating expenses arising from investment property that generated rental income during the year	-	28,664	-	924

## 17 Other investments

	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<i>Non-current</i>				
Available-for-sale investments:				
<i>Stated at cost</i>	964	759	28	23
Originated loans	1,514	1,878	45	57
	<u>2,478</u>	<u>2,637</u>	<u>73</u>	<u>80</u>
<i>Current</i>				
Held to maturity investments	550	22,269	17	680
Originated loans	325,341	387,053	9,673	11,825
	<u>325,891</u>	<u>409,322</u>	<u>9,690</u>	<u>12,505</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	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Property, plant and equipment	(1,067,726)	(1,205,987)	1,828,371	1,964,775	760,645	758,788
Intangible assets	(477)	(364)	101,133	104,284	100,656	103,920
Inventories	(3,400,520)	(2,045,167)	169,459	149,703	(3,231,061)	(1,895,464)
Trade and other receivables	(359,641)	(350,313)	587,764	480,657	228,123	130,344
Loans and borrowings	(92,929)	(84,229)	510	1,351	(92,419)	(82,878)
Trade and other payables	(189,562)	(227,132)	2,486,505	1,355,448	2,296,943	1,128,316
Tax loss carry-forwards	(1,889,677)	(1,689,232)	-	-	(1,889,677)	(1,689,232)
Tax (assets)/liabilities	(7,000,532)	(5,602,424)	5,173,742	4,056,218	(1,826,790)	(1,546,206)
Set off of tax	3,948,052	2,741,235	(3,948,052)	(2,741,235)	-	-
Net tax (assets)/liabilities	(3,052,480)	(2,861,189)	1,225,690	1,314,983	(1,826,790)	(1,546,206)

'000 USD	Assets		Liabilities		Net	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Property, plant and equipment	(31,749)	(36,847)	54,366	60,031	22,617	23,184
Intangible assets	(14)	(11)	3,007	3,186	2,993	3,175
Inventories	(101,114)	(62,488)	5,039	4,574	(96,075)	(57,914)
Trade and other receivables	(10,694)	(10,703)	17,477	14,686	6,783	3,983
Loans and borrowings	(2,763)	(2,574)	15	41	(2,748)	(2,533)
Trade and other payables	(5,637)	(6,940)	73,936	41,414	68,299	34,474
Tax loss carry-forwards	(56,189)	(51,612)	-	-	(56,189)	(51,612)
Tax (assets)/liabilities	(208,160)	(171,175)	153,840	123,932	(54,320)	(47,243)
Set off of tax	117,395	83,755	(117,395)	(83,755)	-	-
Net tax (assets)/liabilities	(90,765)	(87,420)	36,445	40,177	(54,320)	(47,243)

Deferred tax assets on tax losses carry-forwards recognised as at 30 June 2014 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 LSR.Building Materials and Other and expire in 2015-2024.

**(b) Movement in temporary differences during the year**

'000 RUB	1 January 2014	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2014
Property, plant and equipment	758,788	(433)	4,479	(2,189)	760,645
Intangible assets	103,920	(3,264)	-	-	100,656
Inventories	(1,895,464)	(1,335,597)	-	-	(3,231,061)
Trade and other receivables	130,344	97,779	-	-	228,123
Loans and borrowings	(82,878)	(9,541)	-	-	(92,419)
Trade and other payables	1,128,316	1,168,627	-	-	2,296,943
Tax loss carry-forwards	(1,689,232)	(195,707)	(4,738)	-	(1,889,677)
	<u>(1,546,206)</u>	<u>(278,136)</u>	<u>(259)</u>	<u>(2,189)</u>	<u>(1,826,790)</u>

'000 RUB	1 January 2013	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2013
Property, plant and equipment	912,297	34,056	(51,755)	(657)	893,941
Intangible assets	129,977	(13,526)	1	-	116,452
Investment property under development	(2,697)	-	-	-	(2,697)
Investment property	113,060	438	-	-	113,498
Inventories	(1,477,955)	401,263	(1,767)	-	(1,078,459)
Trade and other receivables	(298,458)	217,772	19,575	-	(61,111)
Loans and borrowings	(12,994)	(34,860)	638	-	(47,216)
Trade and other payables	2,074,048	(1,343,577)	885	-	731,356
Tax loss carry-forwards	(934,111)	(299,336)	15,474	-	(1,217,973)
	<u>503,167</u>	<u>(1,037,770)</u>	<u>(16,949)</u>	<u>(657)</u>	<u>(552,209)</u>

<b>'000 USD</b>	<b>1 January 2014</b>	<b>Recognised in profit or loss</b>	<b>Acquired/ disposed</b>	<b>Effect of movements in exchange rate</b>	<b>30 June 2014</b>
Property, plant and equipment	23,184	(13)	127	(681)	22,617
Intangible assets	3,175	(93)	-	(89)	2,993
Inventories	(57,914)	(38,182)	-	21	(96,075)
Trade and other receivables	3,983	2,795	-	5	6,783
Loans and borrowings	(2,533)	(273)	-	58	(2,748)
Trade and other payables	34,474	33,409	-	416	68,299
Tax loss carry-forwards	(51,612)	(5,595)	(135)	1,153	(56,189)
	<u>(47,243)</u>	<u>(7,952)</u>	<u>(8)</u>	<u>883</u>	<u>(54,320)</u>

<b>'000 USD</b>	<b>1 January 2013</b>	<b>Recognised in profit or loss</b>	<b>Acquired/ disposed</b>	<b>Effect of movements in exchange rate</b>	<b>30 June 2013</b>
Property, plant and equipment	30,039	1,098	(1,669)	(2,138)	27,330
Intangible assets	4,279	(436)	-	(283)	3,560
Investment property under development	(89)	-	-	7	(82)
Investment property	3,722	14	-	(266)	3,470
Inventories	(48,661)	12,937	(57)	2,810	(32,971)
Trade and other receivables	(9,827)	7,021	631	307	(1,868)
Loans and borrowings	(428)	(1,124)	21	87	(1,444)
Trade and other payables	68,287	(43,318)	29	(2,639)	22,359
Tax loss carry-forwards	(30,755)	(9,651)	499	2,670	(37,237)
	<u>16,567</u>	<u>(33,459)</u>	<u>(546)</u>	<u>555</u>	<u>(16,883)</u>

(c) **Unrecognised deferred tax assets**

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

	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Tax losses	74,614	72,455	2,219	2,214
Deductible temporary differences on intercompany sales of investments	84,008	84,008	2,500	2,567
Total deferred tax assets have not been recognised	<u>158,622</u>	<u>156,463</u>	<u>4,719</u>	<u>4,781</u>

The tax losses expire in 2015-2024. 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>30 June 2014</b>	<b>31 December 2013</b>	<b>1 January 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>1 January 2013</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>
Work in progress, construction of buildings	75,035,104	63,357,352	47,644,072	2,231,157	1,935,805	1,568,647
Finished goods, construction of buildings	5,848,557	3,174,958	4,349,296	173,905	97,007	143,197
Finished goods and goods for resale	2,944,729	3,490,081	3,552,765	87,561	106,636	116,976
Raw materials and consumables	2,826,813	2,965,824	2,165,629	84,054	90,617	71,300
Work in progress	1,593,257	1,529,779	1,385,604	47,375	46,741	45,620
Lease incentives	656,452	656,452	656,452	19,519	20,057	21,613
	<u>88,904,912</u>	<u>75,174,446</u>	<u>59,753,818</u>	<u>2,643,571</u>	<u>2,296,863</u>	<u>1,967,353</u>

Inventories with a carrying amount of RUB 2,050,241 thousand / USD 60,964 thousand are subject to a registered debenture to secure bank loans (31 December 2013: RUB 1,781,988 thousand / USD 54,446 thousand) (refer to note 25).

## 20 Trade and other receivables

	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>1 January 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>1 January 2013</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>Non-current</b>						
Notes receivable on disposals of subsidiaries	161,396	154,966	132,754	4,799	4,735	4,372
Accounts receivable - trade	20,962	22,074	-	623	674	-
	<u>182,358</u>	<u>177,040</u>	<u>132,754</u>	<u>5,422</u>	<u>5,409</u>	<u>4,372</u>
<b>Current</b>						
Prepayments to suppliers	11,686,433	9,153,982	5,192,059	347,494	279,689	170,945
Accounts receivable – trade	3,477,761	2,485,779	3,945,464	103,411	75,949	129,901
Prepayments for flats	1,984,170	3,057,805	3,626,570	58,999	93,428	119,403
Amounts due from customers for contract work	811,561	431,533	2,189,512	24,132	13,185	72,088
Receivables and notes for sale of investment property	-	-	1,492,079	-	-	49,126
VAT receivable	509,867	364,169	900,844	15,161	11,127	29,660
Notes receivable	264,861	275,991	437,701	7,876	8,433	14,411
Deferred expenses	120,576	127,282	162,413	3,585	3,889	5,347
Current receivables on disposals of subsidiaries	11,057	11,113	75,592	329	340	2,489
Employee receivables	4,425	1,940	3,100	132	59	102
Other receivables	2,987,291	3,157,811	2,136,257	88,827	96,482	70,334
	<u>21,858,002</u>	<u>19,067,405</u>	<u>20,161,591</u>	<u>649,946</u>	<u>582,581</u>	<u>663,806</u>
Provision for doubtful debtors	(526,834)	(486,933)	(598,560)	(15,665)	(14,878)	(19,707)
	<u>21,331,168</u>	<u>18,580,472</u>	<u>19,563,031</u>	<u>634,281</u>	<u>567,703</u>	<u>644,099</u>

As at 30 June 2014 there were no prepayments for flats acquired for resale that will be received after 12 months from the reporting date (31 December 2013 there were no long-term prepayments for flats).

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>30 June 2014</b>	<b>31 December 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Petty cash	8,395	4,162	250	127
Current accounts	3,688,707	2,257,170	109,683	68,965
Call deposits	10,877,239	3,638,147	323,433	111,159
Cash and cash equivalents in the consolidated interim statement of financial position	<u>14,574,341</u>	<u>5,899,479</u>	<u>433,366</u>	<u>180,251</u>
Cash and cash equivalents in the consolidated interim statement of cash flows	<u>14,574,341</u>	<u>5,899,479</u>	<u>433,366</u>	<u>180,251</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>30 June 2014</b>	<b>31 December 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Non-current</b>				
Restricted cash	24,030	162,355	715	4,961
<b>Current</b>				
Restricted cash	642	630	19	19
	<u>24,672</u>	<u>162,985</u>	<u>734</u>	<u>4,980</u>

Restricted cash (non-current) as at 30 June 2014 includes the amount of RUB 24,030 thousand / USD 715 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 2013: RUB 38,533 thousand / USD 1,177 thousand).

Restricted cash (current) as at 30 June 2014 includes the amount of RUB 642 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 2013: RUB 630 thousand / USD 19 thousand).

## 23 Equity

### (a) Share capital

*Number of shares unless otherwise stated*

	<b>Ordinary shares</b>	
	<b>30 June 2014</b>	<b>31 December 2013</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 period, fully paid	102,030,215	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) Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Company. At the reporting date the Company held 1,000,000 (31 December 2013: 0) of its own shares.

### (c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2014 the Company had retained earnings, including the profit for the current period, of RUB 10,063,755 thousand / USD 299,244 thousand (as at 31 December 2013: RUB 13,858,960 thousand / USD 423,443 thousand).

As at 30 June 2014 the Group accrued dividends, approved at 20 June 2014, in the amount of RUB 4,121,209 thousand / USD 117,817 thousand at value RUB 40 / USD 1.14 per share for financial year ended 31 December 2013.

In April 2013 The Group distributed dividends in the amount of RUB 2,060,604 thousand / USD 66,435 thousand at value RUB 20 / USD 0.6 per share for financial year ended 31 December 2012.

## 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>2014</b>	<b>2013</b>
Issued shares at 1 January	103,030,215	103,030,215
Effect of own shares held	(55,249)	-
Weighted average number of shares for the six-month period ended 30 June	102,974,966	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>30 June 2014</b>	<b>31 December 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Non-current</b>				
Secured bank loans	20,050,476	21,444,174	596,198	655,200
Unsecured bank loans	2,308,335	1,500,000	68,638	45,831
Unsecured bond issues	2,001,000	3,000,000	59,499	91,660
Finance lease liability	158,888	168,525	4,725	5,149
	<b>24,518,699</b>	<b>26,112,699</b>	<b>729,060</b>	<b>797,840</b>
<b>Current</b>				
Secured bank loans	2,670,820	1,556,017	79,417	47,542
Unsecured bank loans	3,585,000	-	106,599	-
Unsecured other loans	1,923	1,923	57	59
Unsecured bond issue	4,486,990	6,332,119	133,420	193,470
Finance lease liability	51,902	59,376	1,543	1,813
	<b>10,796,635</b>	<b>7,949,435</b>	<b>321,036</b>	<b>242,884</b>

### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 RUB	Cur- rency	Nominal interest rate	Year of maturity	30 June 2014		31 December 2013	
				Face value	Carrying amount	Face value	Carrying amount
Secured facility	EUR	4.50%	2015	344,284	344,284	93,942	93,942
	USD	6m Libor+5.76% 2.00% - 11.65%	2019	4,128,913	4,128,913	3,994,156	3,994,156
	RUB	CBR rate+ 3.00%	2016-2021	18,248,099	18,248,099	18,912,093	18,912,093
Unsecured facility	RUB	0.00% - 11.25%	2014-2016	12,383,248	12,383,248	10,834,042	10,834,042
Finance lease liability		12.79% - 25.33%	2014-2019	210,790	210,790	227,901	227,901
				<b>35,315,334</b>	<b>35,315,334</b>	<b>34,062,134</b>	<b>34,062,134</b>



'000 USD	Cur- rency	Nominal interest rate	Year of maturity	30 June 2014		31 December 2013	
				Face value	Carrying amount	Face value	Carrying amount
Secured facility	EUR	4.50%	2015	10,237	10,237	2,870	2,870
	USD	6m Libor+5.76% 2.00% - 11.65%	2019	122,773	122,773	122,036	122,036
	RUB	CBR rate+ 3.00%	2016-2021	542,605	542,605	577,836	577,836
Unsecured facility	RUB	0.00% - 11.25%	2014-2017	368,213	368,213	331,020	331,020
Finance lease liability		12.79% -25.33%	2014-2019	6,268	6,268	6,962	6,962
				<u>1,050,096</u>	<u>1,050,096</u>	<u>1,040,724</u>	<u>1,040,724</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	30 June 2014			31 December 2013		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	76,867	24,965	51,902	86,002	26,626	59,376
Between one and five years	193,356	34,468	158,888	209,009	40,484	168,525
	<u>270,223</u>	<u>59,433</u>	<u>210,790</u>	<u>295,011</u>	<u>67,110</u>	<u>227,901</u>

'000 USD	30 June 2014			31 December 2013		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	2,285	742	1,543	2,628	815	1,813
Between one and five years	5,750	1,025	4,725	6,386	1,237	5,149
	<u>8,035</u>	<u>1,767</u>	<u>6,268</u>	<u>9,014</u>	<u>2,052</u>	<u>6,962</u>

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 16,069,320 thousand / USD 477,818 thousand is pledged as collateral to secure bank loans (31 December 2013: RUB 12,119,879 thousand / USD 370,308 thousand) – refer to note 13(b).
- Inventories with a carrying amount of RUB 2,050,241 thousand / USD 60,964 thousand are pledged as collateral to secure bank loans. (31 December 2013: RUB 1,781,988 thousand / USD 54,446 thousand) – refer to note 19.

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

Bank loans are secured by the pledge of the following shares in subsidiary companies as at 30 June 2014:

- 50.00% + 1 share of JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT PETERSBURG”;
- 100.00% of LSR. Wall Materials-NW Ltd (JSC “Pobeda LSR”);
- 100.00% of ZAO “Industrial leasing”;
- 100.00% of LLC “LSR.Cement-NW” (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 2014	156,598	49,132	5,757	4,179	23,858	239,524
Provisions made during the period	370,388	-	46	-	3,205	373,639
Provisions used during the period	(105,950)	(33,895)	(504)	(1,872)	(23,858)	(166,079)
Unused provisions	(42,859)	-	-	-	-	(42,859)
Exchange differences (+/-)	-	-	108	-	-	108
Balance at 30 June 2014	<u>378,177</u>	<u>15,237</u>	<u>5,407</u>	<u>2,307</u>	<u>3,205</u>	<u>404,333</u>
<b>Non-current</b>						
Balance at 1 January 2014	-	19,290	-	-	-	19,290
Provisions made during the period	-	4,000	-	-	-	4,000
Provisions used during the period	-	(2,000)	-	-	-	(2,000)
Balance at 30 June 2014	<u>-</u>	<u>21,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,290</u>

'000 USD	Site restoration	Environ- ment restoration	Warranty provision	Provision for unprofitable contracts	Litigation provision	Total
<b>Current</b>						
Balance at 1 January 2014	4,785	1,501	176	128	729	7,319
Provisions made during the period	10,589	-	1	-	92	10,682
Provisions used during the period	(3,028)	(969)	(14)	(54)	(682)	(4,747)
Unused provisions	(1,225)	-	-	-	-	(1,225)
Exchange differences (+/-)	122	(79)	(2)	(5)	(44)	(8)
Balance at 30 June 2014	<u>11,243</u>	<u>453</u>	<u>161</u>	<u>69</u>	<u>95</u>	<u>12,021</u>
<b>Non-current</b>						
Balance at 1 January 2014	-	590	-	-	-	590
Provisions made during the period	-	114	-	-	-	114
Provisions used during the period	-	(57)	-	-	-	(57)
Exchange differences (+/-)	-	(13)	-	-	-	(13)
Balance at 30 June 2014	<u>-</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>634</u>

**(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>30 June 2014</b>	<b>31 December 2013</b>	<b>1 January 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>1 January 2013</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>Non-current payables</b>						
Notes payable long-term	-	20,215	185,218	-	618	6,098
Accounts payable – trade	1,949,702	-	-	57,974	-	-
	<u>1,949,702</u>	<u>20,215</u>	<u>185,218</u>	<u>57,974</u>	<u>618</u>	<u>6,098</u>
<b>Current payables</b>						
Prepayments received for flats	56,066,702	39,097,039	14,019,848	1,667,134	1,194,562	461,595
Advances from customers	3,780,145	3,671,413	3,992,877	112,402	112,177	131,462
Accounts payable trade	7,316,042	4,272,490	4,657,545	217,541	130,540	153,347
Other taxes payable	1,303,230	2,458,339	1,571,518	38,752	75,111	51,741
Interest payable	758,769	876,791	1,108,042	22,562	26,789	36,482
Employee-related liabilities	1,177,952	931,751	834,709	35,026	28,469	27,482
Accounts due to customers for contract work	947,097	2,050,359	401,855	28,162	62,646	13,231
Notes payable	762,197	83,654	69,562	22,664	2,556	2,290
Minority interest in limited liability subsidiaries	-	-	21,760	-	-	716
Deferred income	88,325	56,561	25,902	2,626	1,728	853
Dividend liabilities, interest-free	4,096,162	3,766	1,129	121,799	115	37
Other payables	2,312,469	1,491,962	2,081,696	68,761	45,584	68,539
	<u>78,609,090</u>	<u>54,994,125</u>	<u>28,786,443</u>	<u>2,337,429</u>	<u>1,680,277</u>	<u>947,775</u>

Prepayments received for flats include RUB 22,504,838 thousand / USD 669,177 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2013: RUB 29,476,472 thousand / USD 900,617 thousand).

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

## **28 Financial risk management**

### **(a) Overview**

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

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated interim financial 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 Audit 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 533,439 thousand / USD 15,862 thousand (31 December 2013: RUB 416,299 thousand / USD 12,720 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 LSR.Building Materials, LSR. Construction 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 LSR.Real Estate operating segment most sales are on prepayment and cash basis, as the customers are individuals.

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

**(ii) *Investments***

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

**(iii) *Guarantees***

As at 30 June 2014 guarantees made to third parties were RUB 198,550 thousand / USD 5,904 thousand (31 December 2013: RUB 195,683 thousand / USD 5,979 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	
	30 June 2014	31 December 2013
Available-for-sale financial assets	964	759
Loans and receivables	7,620,507	6,534,400
Held to maturity investments	550	22,269
Cash and cash equivalents	14,574,341	5,899,479
Restricted cash	24,672	162,985
	<u>22,221,034</u>	<u>12,619,892</u>

	Carrying amount	
	30 June 2014	31 December 2013
Available-for-sale financial assets	28	23
Loans and receivables	226,595	199,649
Held to maturity investments	17	680
Cash and cash equivalents	433,366	180,251
Restricted cash	734	4,980
	<u>660,740</u>	<u>385,583</u>

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

	Carrying amount	
	30 June 2014	31 December 2013
Domestic	3,161,250	2,218,447
Euro-zone countries	33,956	47,488
Other CIS countries	15,669	17,008
	<u>3,210,875</u>	<u>2,282,943</u>

	Carrying amount	
	30 June 2014	31 December 2013
Domestic	93,999	67,781
Euro-zone countries	1,010	1,450
Other CIS countries	466	520
	<u>95,475</u>	<u>69,751</u>

The Group's most significant trade debtor, OOO "STK Group", accounts for RUB 146,543 thousand / USD 4,357 thousand of the trade receivables carrying amount at 30 June 2014 (31 December 2013 OAO "GlavStroyKomplex": RUB 114,039 thousand / USD 3,484 thousand).

The total amount of impaired trade receivables at the reporting date was RUB 287,848 thousand / USD 8,559 thousand (31 December 2013: RUB 224,910 thousand / USD 6,872 thousand).

The ageing of trade receivables at the reporting date was:

	<b>Gross 30 June 2014</b>	<b>Impairment 30 June 2014</b>	<b>Gross 31 December 2013</b>	<b>Impairment 31 December 2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 RUB</b>
Not past due	2,286,429	-	1,534,894	-
Past due 0-30 days	531,003	-	550,388	-
Past due 31-180 days	385,023	(21,669)	195,237	(17,863)
Past due more than 180 days	296,268	(266,179)	227,334	(207,047)
	<u>3,498,723</u>	<u>(287,848)</u>	<u>2,507,853</u>	<u>(224,910)</u>

	<b>Gross 30 June 2014</b>	<b>Impairment 30 June 2014</b>	<b>Gross 31 December 2013</b>	<b>Impairment 31 December 2013</b>
	<b>'000 USD</b>	<b>'000 USD</b>	<b>'000 USD</b>	<b>'000 USD</b>
Not past due	67,987	-	46,896	-
Past due 0-30 days	15,789	-	16,816	-
Past due 31-180 days	11,449	(644)	5,965	(546)
Past due more than 180 days	8,809	(7,915)	6,946	(6,326)
	<u>104,034</u>	<u>(8,559)</u>	<u>76,623</u>	<u>(6,872)</u>

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

	<b>2014</b>	<b>2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Balance at 1 January	(224,910)	(353,168)
Effect of disposal of subsidiaries	-	89,013
Impairment (loss)	(62,938)	(34,576)
Balance at 30 June	<u>(287,848)</u>	<u>(298,731)</u>

	<b>2014</b>	<b>2013</b>
	<b>'000 USD</b>	<b>'000 USD</b>
Balance at 1 January	(6,872)	(11,628)
Effect of disposal of subsidiaries	-	2,870
Impairment loss	(1,799)	(1,115)
Effect of movements in exchange rates	112	740
Balance at 30 June	<u>(8,559)</u>	<u>(9,133)</u>



The impairment loss at 30 June 2014 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>2014</b>	<b>2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Balance at 1 January	(262,023)	(245,392)
Impairment loss	23,037	16,465
Balance at 30 June	<u>(238,986)</u>	<u>(228,927)</u>

	<b>2014</b>	<b>2013</b>
	<b>'000 USD</b>	<b>'000 USD</b>
Balance at 1 January	(8,006)	(8,079)
Impairment (loss) / reversal	659	531
Effect of movements in exchange rates	241	549
Balance at 30 June	<u>(7,106)</u>	<u>(6,999)</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 30 June 2014 the Group's undrawn credit facilities amount is RUB 5,414,215 thousand / USD 160,991 thousand (31 December 2013: RUB 8,769,860 thousand / USD 267,952 thousand) from Russian and Ukrainian banks. Interest would be payable at the rate of 8.90% to 10.20%.

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

30 June 2014	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total	
	'000 RUB	Contractual					Effective
Secured bank loans:							
RUB*	2.00% - 11.65%	8.70%	1,825,858	13,715,645	1,168,150	16,709,653	
RUB*	CBR rate + 3.00%	10.75%	170,938	1,367,508	-	1,538,446	
USD	6M Libor + 5.76%	6.10%	329,740	3,799,173	-	4,128,913	
EUR*	4.50%	4.50%	344,284	-	-	344,284	
Unsecured bank loans:							
RUB*	8.90% - 10.20%	9.45%	3,585,000	2,308,335	-	5,893,335	
Unsecured other loans:							
RUB*	0.00% - 8.25%	0.04%	1,923	-	-	1,923	
Unsecured bond issues:							
RUB*	0.10% - 11.25%	10.05%	4,486,990	2,001,000	-	6,487,990	
Finance lease liabilities							
RUB*	12.80% - 25.33%	13.35%	49,238	156,669	-	205,907	
EUR*	15.00%	15.00%	202	-	-	202	
Other*	21.99% - 23.00%	22.32%	2,462	2,219	-	4,681	
Trade and other payables			-	15,245,639	1,949,702	-	17,195,341
Future interests**			-	2,599,187	3,215,319	58,062	5,872,568
Guarantees***			-	10,430	188,120	-	198,550
			<u>28,651,891</u>	<u>28,703,690</u>	<u>1,226,212</u>	<u>58,581,793</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 30 June 2014.

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

<b>31 December 2013</b>	<b>Average interest rate</b>		<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>'000 RUB</b>	<b>Contractual</b>				
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%	274	130	-	404
Other*	23.00% - 26.00%	23.19%	2,485	1,247	-	3,732
Trade and other payables		-	6,728,663	20,215	-	6,748,878
Future interests**		-	2,631,813	3,936,429	81,052	6,649,294
Guarantees***		-	-	195,683	-	195,683
			<u>17,309,911</u>	<u>28,559,446</u>	<u>1,786,632</u>	<u>47,655,989</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.

30 June 2014	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%	8.70%	54,292	407,832	34,735	496,859
RUB*	CBR rate + 3.00%	10.75%	5,083	40,663	-	45,746
USD	6M Libor + 5.76%	6.10%	9,805	112,968	-	122,773
EUR*	4.50%	4.50%	10,237	-	-	10,237
Unsecured bank loans:						
RUB*	8.90% - 10.20%	9.45%	106,599	68,638	-	175,237
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.04%	57	-	-	57
Unsecured bond issues:						
RUB*	0.10% - 11.25%	10.05%	133,420	59,499	-	192,919
Finance lease liabilities						
RUB*	12.80% - 25.33%	13.35%	1,464	4,659	-	6,123
EUR*	15.00%	15.00%	6	-	-	6
Other*	21.99% - 23.00%	22.32%	73	66	-	139
Trade and other payables		-	453,327	57,974	-	511,301
Future interests**		-	77,286	95,607	1,726	174,619
Guarantees***		-	310	5,594	-	5,904
			<u>851,959</u>	<u>853,500</u>	<u>36,461</u>	<u>1,741,920</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 30 June 2014.

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

**31 December  
2013**

'000 USD	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	Contractual	Effective				
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%	8	4	-	12
Other*	23.00 % - 26.00 %	23.19%	76	38	-	114
Trade and other payables		-	205,584	618	-	206,202
Future interests**		-	80,412	120,273	2,476	203,161
Guarantees***		-	-	5,979	-	5,979
			<u>528,880</u>	<u>872,598</u>	<u>54,588</u>	<u>1,456,066</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.

**(d) Market risk**

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

(i) **Currency risk**

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

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

**Exposure to currency risk**

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

**30 June 2014**  
**'000 RUB**

	<u>EUR-denominated</u>	<u>USD-denominated</u>
Trade and other receivables	162,730	12
Secured bank loans	-	(4,128,913)
Finance lease liabilities	(202)	-
Trade and other payables	(20,690)	(1,827,686)
Gross balance sheet exposure	<u>141,838</u>	<u>(5,956,587)</u>

**31 December 2013**  
**'000 RUB**

	<u>EUR-denominated</u>	<u>USD-denominated</u>
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>

**30 June 2014**  
**'000 USD**

	<u>EUR-denominated</u>	<u>USD-denominated</u>
Trade and other receivables	4,839	-
Secured bank loans	-	(122,773)
Finance lease liabilities	(6)	-
Trade and other payables	(615)	(54,346)
Gross balance sheet exposure	<u>4,218</u>	<u>(177,119)</u>

**31 December 2013**  
**'000 USD**

	<u>EUR-denominated</u>	<u>USD-denominated</u>
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>

The following significant exchange rates applied during the period:

	<u>30 June 2014</u>	<u>31 December 2013</u>
	<u>RUB</u>	<u>RUB</u>
1 USD equals	33.6306	32.7292
1 Euro equals	45.8251	44.9699
1 UAH equals	2.8380	3.9720

**Sensitivity analysis**

A 10% strengthening of RUB against the above currencies would have increased profit by RUB 581,475 thousand / USD 17,290 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>	
	<u>30 June 2014</u>	<u>31 December 2013</u>
<b>Fixed rate instruments</b>		
Financial assets	328,369	411,959
Financial liabilities	(31,186,421)	(30,067,978)
	<u>(30,858,052)</u>	<u>(29,656,019)</u>
<b>Variable rate instruments</b>		
Financial liabilities	<u>(4,128,913)</u>	<u>(3,994,156)</u>

<b>'000 USD</b>	<b>Carrying amount</b>	
	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Fixed rate instruments</b>		
Financial assets	9,763	12,585
Financial liabilities	(927,323)	(918,688)
	(917,560)	(906,103)
<b>Variable rate instruments</b>		
Financial liabilities	(122,773)	(122,036)
	(122,773)	(122,036)

#### **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 other comprehensive income, 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 six-month 2013.

<b>'000 RUB</b>	<b>Profit or loss</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
<b>Six-month ended 30 June 2014</b>		
Variable rate instruments	(41,289)	41,289
Cash flow sensitivity	(41,289)	41,289
	(41,289)	41,289
<b>Six-month ended 30 June 2013</b>		
Variable rate instruments	(52,049)	52,049
Cash flow sensitivity	(52,049)	52,049
	(52,049)	52,049

<b>'000 USD</b>	<b>Profit or loss</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
<b>Six-month ended 30 June 2014</b>		
Variable rate instruments	(1,228)	1,228
Cash flow sensitivity	(1,228)	1,228
	(1,228)	1,228
<b>Six-month ended 30 June 2013</b>		
Variable rate instruments	(1,591)	1,591
Cash flow sensitivity	(1,591)	1,591
	(1,591)	1,591



(e) **Fair values versus carrying amounts**

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

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

'000 RUB	Note	Carrying amount	Fair value	Carrying amount	Fair value
		30 June 2014	30 June 2014	31 December 2013	31 December 2013
<b>Financial assets</b>					
Available-for-sale financial assets	17	964	964	759	759
Loans and receivables		7,620,507	7,620,507	6,534,400	6,534,400
Held to maturity investments	17	550	550	22,269	22,269
Cash and cash equivalents	21	14,574,341	14,574,341	5,899,479	5,899,479
Restricted cash	22	24,672	24,672	162,985	162,985
		<u>22,221,034</u>	<u>22,221,034</u>	<u>12,619,892</u>	<u>12,619,892</u>
<b>Financial liabilities</b>					
Secured bank loans	25	(22,721,296)	(21,802,765)	(23,000,191)	(22,476,171)
Unsecured bank loans	25	(5,893,335)	(5,753,333)	(1,500,000)	(1,492,190)
Unsecured other loans	25	(1,923)	(1,729)	(1,923)	(1,749)
Unsecured bond issues	25	(6,487,990)	(6,399,739)	(9,332,119)	(9,346,640)
Trade and other payables	27	(17,195,341)	(17,195,341)	(6,748,878)	(6,748,878)
Finance lease liabilities	25	(210,790)	(210,790)	(227,901)	(227,901)
		<u>(52,510,675)</u>	<u>(51,363,697)</u>	<u>(40,811,012)</u>	<u>(40,293,529)</u>

'000 USD	Note	Carrying amount	Fair value	Carrying amount	Fair value
		30 June 2014	30 June 2014	31 December 2013	31 December 2013
<b>Financial assets</b>					
Available-for-sale financial assets	17	28	28	23	23
Loans and receivables		226,595	226,595	199,649	199,649
Held to maturity investments	17	17	17	680	680
Cash and cash equivalents	21	433,366	433,366	180,251	180,251
Restricted cash	22	734	734	4,980	4,980
		<u>660,740</u>	<u>660,740</u>	<u>385,583</u>	<u>385,583</u>
<b>Financial liabilities</b>					
Secured bank loans	25	(675,615)	(648,301)	(702,742)	(686,731)
Unsecured bank loans	25	(175,237)	(171,074)	(45,831)	(45,592)
Unsecured other loans	25	(57)	(51)	(59)	(53)
Unsecured bond issues	25	(192,919)	(190,295)	(285,130)	(285,575)
Trade and other payables	27	(511,301)	(511,301)	(206,202)	(206,202)
Finance lease liabilities	25	(6,268)	(6,268)	(6,962)	(6,962)
		<u>(1,561,397)</u>	<u>(1,527,290)</u>	<u>(1,246,926)</u>	<u>(1,231,115)</u>

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

	30 June 2014	31 December 2013
Loans and borrowings	5.10% - 11.26%	5.00% - 10.00%
Leases	12.80% - 25.33%	12.91% - 26.00%

**(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>30 June 2014</b>	<b>31 December 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Total liabilities	117,766,623	91,303,746	3,501,771	2,789,671
Less: cash and cash equivalents	(14,574,341)	(5,899,479)	(433,366)	(180,251)
Net liabilities	<u>103,192,282</u>	<u>85,404,267</u>	<u>3,068,405</u>	<u>2,609,420</u>
Total equity	<u>57,252,943</u>	<u>60,258,611</u>	<u>1,702,406</u>	<u>1,841,127</u>
Net liabilities to capital ratio	<u>1.80</u>	<u>1.42</u>	<u>1.80</u>	<u>1.42</u>

## 29 Operating leases

Non-cancellable operating lease rentals are payable as follows:

<b>'000 RUB</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
Less than one year	197,889	221,237
Between one and five years	719,556	798,087
More than five years	3,229,347	3,872,850
	<u>4,146,792</u>	<u>4,892,174</u>
<b>'000 USD</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
Less than one year	5,884	6,760
Between one and five years	21,396	24,385
More than five years	96,024	118,330
	<u>123,304</u>	<u>149,475</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 six-month ended 30 June 2014 an amount of RUB 58,175 thousand / USD 1,663 thousand was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of non-cancellable operating leases. During the six-month ended 30 June 2014 an amount of RUB 74,540 thousand / USD 2,131 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

## 30 Commitments

At 30 June 2014, the Group was committed to purchase property, plant and equipment for approximately RUB 66,291 thousand / USD 1,971 thousand (31 December 2013: RUB 60,922 thousand / USD 1,861 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 2015 to 2029.

## 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 2013: 5.00%).

#### (i) Management remuneration

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

	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Salaries and bonuses	270,954	241,528	7,746	7,787

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

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Sale of goods and services	-	44,690	(19,249)	(15,219)	-	1,441	(572)	(465)
Purchase of goods and services	-	709	-	-	-	23	-	-
Loans received (included into unsecured other loans – refer to note 25)	-	1,910	(1,910)	(1,910)	-	62	(57)	(58)
Loans given to related parties	-	-	600	1,470	-	-	18	45
Sales of note	-	-	-	105	-	-	-	3
Other income (expenses), net	(537)	(1,954)	(14,287)	914	(15)	(63)	(425)	28

As at 30 June 2014 there were loans to executive directors at amount RUB 600 thousand / USD 18 thousand (31 December 2013: RUB 1,470 thousand / USD 45 thousand) (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 period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	'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	10,250	710,029	47,837	39,864	293	22,892	1,422	1,218
Companies significantly influenced by the Group key management	-	62,002	-	-	-	1,999	-	-
	<u>10,250</u>	<u>772,031</u>	<u>47,837</u>	<u>39,864</u>	<u>293</u>	<u>24,891</u>	<u>1,422</u>	<u>1,218</u>

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

Other expenses to companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners as at 30 June 2014 amounts to RUB 39,676 thousand / USD 1,134 thousand (other expenses 30 June 2013: RUB 2,055 thousand / USD 66 thousand). Outstanding balance amounts to RUB 1,527 thousand / USD 45 thousand (31 December 2013: RUB 1,985 thousand / USD 61 thousand).

There is no other income or expenses to companies controlled significantly influenced by the Group management as at 30 June 2014 (30 June 2013: nil). There is no outstanding balance as at 30 June 2014 (30 June 2013: nil).

(ii) *Expenses and capital expenditures*

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Purchase of goods and services from:								
Beneficial owner and Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	6,460	21,554	2,252,677	575,474	185	695	66,983	17,583
Companies significantly influenced by the Group management	-	4,352	-	-	-	140	-	-
	<u>6,460</u>	<u>25,906</u>	<u>2,252,677</u>	<u>575,474</u>	<u>185</u>	<u>835</u>	<u>66,983</u>	<u>17,583</u>

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



(iii) *Loans*

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	'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	-	-	-	1,450	-	-	-	44
Companies significantly influenced by the Group management	-	-	-	-	-	-	-	-
	-	-	-	1,450	-	-	-	44
	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	'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	-	137	-	-	-	4	-	-
Interests provided to A.Molchanov	-	-	-	-	-	-	-	-
	-	137	-	-	-	4	-	-

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	'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	9	-	-	15	-	-	-	-
	9	-	-	15	-	-	-	-

**(iv) Other investments**

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
<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	-	-	-	-	-	-	-	-
Companies significantly influenced by the Group management	-	-	-	3	-	-	-	-
	-	-	-	3	-	-	-	-

(v) *Transactions with shares / promissory notes***Purchase of shares/promissory notes from**

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	145,112	74,630	723,880	-	4,678	2,219	22,117
Companies significantly influenced by the Group management	-	13	-	-	-	-	-	-
	-	145,125	74,630	723,880	-	4,678	2,219	22,117

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 was in 2014.

**Sale of shares to**

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013	30 June 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	-	53,427	53,427	-	-	1,589	1,632
	-	-	53,427	53,427	-	-	1,589	1,632

## 33 Subsidiaries

<u>Entity</u>	<u>Country of incorporation</u>	<u>Ownership/ voting interest 30 June 2014</u>	<u>Ownership/ voting interest 31 December 2013</u>
JOINT-STOCK COMPANY			
“CONSTRUCTION CORPORATION			
“REVIVAL OF SAINT PETERSBURG”			
	Russia	100.00%	100.00%
OOO “LSR.Nedvizimost-SZ”	Russia	100.00%	100.00%
OAO “LSR”	Russia	100.00%	100.00%
JSC “Scanex”	Russia	100.00%	100.00%
OAO “LSR.Zelezobeton-SZ”	Russia	100.00%	100.00%
OOO “LSR.Stroitelstvo-SZ” (ZAO “DSK “Blok”)	Russia	100.00%	100.00%
OJSC “UM-260”	Russia	100.00%	100.00%
ZAO “LSR.Nedvizimost-M”	Russia	100.00%	100.00%
OOO “GATP №1”	Russia	100.00%	100.00%
LSR. Wall Materials-NW Ltd (JSC “Pobeda LSR”)	Russia	100.00%	100.00%
OOO “Aeroc SPb”	Russia	100.00%	100.00%
LLC “AEROC”	Ukraine	100.00%	100.00%
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%
Limited Liability Company Smolny District	Russia	100.00%	100.00%
OOO “BaltStroyKomplekt”	Russia	100.00%	100.00%
OOO “LSR. Bazovye-M”	Russia	100.00%	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Strabe Wohnbau Gmbh & Co. KG	Germany	70.00%	70.00%
Saargemunder Strabe Wohnbau Beteiligungs- GmbH	Germany	70.00%	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
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%

<b>Entity</b>	<b>Country of incorporation</b>	<b>Ownership/ voting interest 30 June 2014</b>	<b>Ownership/ voting interest 31 December 2013</b>
Aignerstraße Projektentwicklungsgesellschaft mbH	Germany	100.00%	100.00%
mysuithome Munchen GmbH	Germany	70.00%	70.00%
JSC “A Plus Estate”	Russia	100.00%	100.00%
ОАО “Stroicorporatciya”	Russia	100.00%	100.00%
ОАО МТО “ARHПРОЕКТ”*	Russia	25.00%	25.00%
ООО “Velikan-XXI vek”	Russia	100.00%	100.00%
LLC “LSR.Cement-NW” (Limited Liability Company “Cement”)	Russia	100.00%	100.00%
ЗАО “Kazanskaya, 36”	Russia	-	100.00%
ООО “LSR.Stenovye-M”	Russia	100.00%	100.00%
Lsr Group Ltd	Russia	100.00%	100.00%
LSR.Construction-Urals Ltd	Russia	100.00%	100.00%
ЗАО “LSR.Nedvizimost-Ural	Russia	100.00%	100.00%
PJSC “Uralscheben”	Russia	100.00%	100.00%
PJSC “Aeroc Obuchow”	Ukraine	97.36%	97.36%
ООО “LSR.Stroitelstvo-M”	Russia	100.00%	100.00%
ООО “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%
ООО “GALS”	Russia	100.00%	100.00%
LLC “436 KNI”	Russia	-	100.00%
ЗАО “LSR-Bazovye”	Russia	100.00%	100.00%
ООО “Zagorodnaya, 71”	Russia	100.00%	100.00%
ООО “Kazinskoe Karieroupravleniye”	Russia	100.00%	100.00%
ООО “Kamenskoe-3”	Russia	100.00%	100.00%
ООО “Oktyabrskaya,42”	Russia	100.00%	100.00%
ООО “Landshaft”	Russia	100.00%	100.00%
LLC “Gazstroy”	Russia	100.00%	100.00%
ООО “Zagorodnaya, 9”	Russia	99.99%	-
ООО “Royal Gardens Hotel”	Russia	100.00%	-

\* The Group retained de facto control.

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

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

In July 2014 the Group entered into a loan agreement with OAO “ALFA-BANK”. The total amount of revolving credit line granted is limited to RUB 2,000,000 thousand / USD 59,470 thousand. The loan is to be repaid no later 3 July 2015.

In July 2014 one of the Group subsidiaries entered into a loan agreement with OAO “Russian Agricultural Bank”. The total amount of non-revolving credit line granted is limited to RUB 5,229,000 thousand / USD 155,483 thousand. The loan is to be repaid no later the end of July 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>Building Materials</b>	LSR.Building Materials	LSR.Basic Materials.NW	Ready-mix Concrete	ZAO "LSR-Bazovye" Ready-mix Concrete	
			Sand	OOO "Landshaft" ZAO "LSR-Bazovye" Sand	
		LSR.Basic Materials.Moscow	Crushed Granite	ZAO "LSR-Bazovye" Crushed Granite	
			Ready-mix Concrete	OOO "LSR. Bazovye-M"	
		LSR.Cement.NW	Cement	LLC "LSR.Cement-NW" (Limited Liability Company "Cement")	
			LSR.Wall Materials.NW	Brick	LSR. Wall Materials-NW Ltd (JSC "Pobeda LSR") LLC "Gazstroy" LSR Stenovye (Brick)
		LSR.Wall Materials.Moscow		Aerated Concrete	OOO "Aeroc SPb" PJSC "Aeroc Obuchow" LLC "AEROC" LSR Stenovye (Aerated Concrete)
			LSR.Reinforced Concrete.NW	Brick	OOO "LSR.Stenovye-M" ZAO "MSR-Butovo"
		LSR. Construction		LSR. Construction.NW	Reinforced Concrete
			Construction		OOO "LSR.Stroitelstvo-SZ" (ZAO "DSK "Blok")
<b>Real Estate and Construction</b>	LSR. Construction	LSR. Construction.Moscow	Construction	OOO "GATP №1"	
				ZAO "LSR.Stroitelstvo-M"	
		LSR. Construction.Ural	Construction	ZAO "LSR.Nedvizimost-M"	
				LSR.Construction-Urals Ltd Limited Liability Company "KUZZhBI"	
		LSR. Project management	LSR. Project management	Project management	OOO "Kamenskoe-3"
					OOO "LSR-Stroy" OAO "Stroicorporatciya" Limited Liability Company "AvtoKomBalt"
		LSR.Cranes	LSR.Cranes	Cranes	OOO "Royal Gardens Hotel"
					OJSC "UM-260"
		LSR.Real Estate	LSR.Real Estate.NW	Real Estate	JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"
					OOO "Oktyabrskaya,42" Limited Liability Company Smolny District OOO "SPB GDC "YUNA" OAO "LSR" OOO "LSR.Nedvizimost-SZ"

<b>Division</b>	<b>Segment</b>	<b>Business unit</b>	<b>Product</b>	<b>Entity</b>
		LSR.Real Estate.Moscow	Real Estate	ZAO "LSR.Nedvizimost-M" OOO "Velikan-XXI vek"
		LSR.Real Estate.Urals	Real Estate	ZAO "LSR.Nedvizimost-Ural"
		LSR.Real Estate. Europe	Real Estate	LSR Europe GmbH Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH LSR Vermögensverwaltungs GmbH Oefelestrasse Projektentwicklungs GmbH & Co KG Saargemundr 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</b>	Other	Other	Other entities	ZAO "Kazanskaya, 36" ZAO "Industrial Leasing" OJSC LSR Group OAO MTO "ARHPROEKT" Lsr Group Ltd JSC "A Plus Estate" OOO "BaltStroyKomplekt" OOO "GALS" OOO "Kazinskoe Karieroupravleniye" OOO "Zagorodnaya, 71" OOO "Zagorodnaya, 9" JSC "Scanex" PJSC "Uralscheben"



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

For the six-month ended 30 June 2014 *000 RUB	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Deprecia tion/ Amortisa tion	Capitalize d interest recognized in cost of sales	EBITDA*
Ready-mix Concrete	1,523,116	86,089	<b>1,609,205</b>	(37,385)	67,698	-	<b>30,313</b>
Sand	741,885	144,113	<b>885,998</b>	179,150	77,919	-	<b>257,069</b>
Crushed Granite	1,585,638	393,948	<b>1,979,586</b>	350,723	141,729	-	<b>492,452</b>
Eliminations	-	(314,169)	<b>(314,169)</b>	-	-	-	-
LSR.Basic Materials.NW	3,850,639	309,981	<b>4,160,620</b>	492,488	287,346	-	<b>779,834</b>
LSR.Basic Materials. Moscow	652,934	41,252	<b>694,186</b>	(44,314)	35,235	-	<b>(9,079)</b>
LSR.Cement.NW	804,702	809,773	<b>1,614,475</b>	118,790	364,757	-	<b>483,547</b>
Brick	1,051,785	100,854	<b>1,152,639</b>	73,483	287,584	-	<b>361,067</b>
Aerated Concrete	1,415,879	469	<b>1,416,348</b>	344,152	78,130	-	<b>422,282</b>
Eliminations	-	(1,337)	<b>(1,337)</b>	-	-	-	-
LSR.Wall Materials.NW	2,467,664	99,986	<b>2,567,650</b>	417,635	365,714	-	<b>783,349</b>
LSR.Wall Materials. Moscow	288,778	9,871	<b>298,649</b>	(40,402)	61,366	-	<b>20,964</b>
LSR.Reinforced Concrete.NW	1,177,510	214,694	<b>1,392,204</b>	(56,043)	127,255	-	<b>71,212</b>
Eliminations	-	(877,460)	<b>(877,460)</b>	6,572	-	-	<b>6,572</b>
<b>Building Materials</b>	<b>9,242,227</b>	<b>608,097</b>	<b>9,850,324</b>	<b>894,726</b>	<b>1,241,673</b>	-	<b>2,136,399</b>
LSR. Construction.NW	261,935	7,400,401	<b>7,662,336</b>	761,464	201,861	-	<b>963,325</b>
LSR. Construction.Moscow	1,001,781	1,131,932	<b>2,133,713</b>	217,499	34,482	-	<b>251,981</b>
LSR. Construction.Ural	646,352	1,049,767	<b>1,696,119</b>	71,930	83,931	-	<b>155,861</b>
Eliminations	-	-	-	-	-	-	-
LSR. Construction	1,910,068	9,582,100	<b>11,492,168</b>	1,050,893	320,274	-	<b>1,371,167</b>
LSR. Project management	1,013,421	24,576	<b>1,037,997</b>	45,715	439	-	<b>46,154</b>
LSR. Pile Foundation and Construction	-	-	-	-	-	-	-
LSR.Cranes	650,129	86,161	<b>736,290</b>	143,275	117,005	-	<b>260,280</b>
LSR.Real Estate.NW	12,573,640	10	<b>12,573,650</b>	2,869,608	27,964	-	<b>2,897,572</b>
LSR.Real Estate.Moscow	3,776,748	-	<b>3,776,748</b>	255,629	4,453	(8,826)	<b>268,908</b>
LSR.Real Estate.Urals	1,261,470	-	<b>1,261,470</b>	69,950	1,418	-	<b>71,368</b>
LSR.Real Estate. Europe	3,503	-	<b>3,503</b>	(29,609)	480	-	<b>(29,129)</b>
Eliminations	-	-	-	-	-	-	-
LSR.Real Estate	17,615,361	10	<b>17,615,371</b>	3,165,578	34,315	(8,826)	<b>3,208,719</b>
Eliminations	-	(9,615,547)	<b>(9,615,547)</b>	(624,367)	-	-	<b>(624,367)</b>
<b>Real Estate and Construction</b>	<b>21,188,979</b>	<b>77,300</b>	<b>21,266,279</b>	<b>3,781,094</b>	<b>472,033</b>	<b>(8,826)</b>	<b>4,261,953</b>
Other entities	765,292	-	<b>765,292</b>	-	99,737	-	<b>99,737</b>
Unallocated income and expenses	171,976	-	<b>171,976</b>	(1,144,957)	-	-	<b>(1,144,957)</b>
Transportation revenue	1,039,838	-	<b>1,039,838</b>	-	-	-	-
Eliminations	-	(685,397)	<b>(685,397)</b>	4,207	-	-	<b>4,207</b>
<b>Consolidated</b>	<b>32,408,312</b>	-	<b>32,408,312</b>	<b>3,535,070</b>	<b>1,813,443</b>	<b>(8,826)</b>	<b>5,357,339</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 six-month ended 30 June 2014 '000 USD	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. manage- ment fee)	Deprecia- tion/ Amortisa- tion	Capitalized interest recognized in cost of sales	EBITDA*
Ready-mix Concrete	43,543	2,461	46,004	(1,069)	1,935	-	866
Sand	21,209	4,120	25,329	5,122	2,228	-	7,350
Crushed Granite	45,330	11,262	56,592	10,027	4,052	-	14,079
Eliminations	-	(8,981)	(8,981)	-	-	-	-
LSR.Basic Materials.NW	110,082	8,862	118,944	14,080	8,215	-	22,295
LSR.Basic Materials. Moscow	18,666	1,179	19,845	(1,267)	1,007	-	(260)
LSR.Cement.NW	23,005	23,150	46,155	3,396	10,428	-	13,824
Brick	30,069	2,883	32,952	2,101	8,221	-	10,322
Aerated Concrete	40,477	13	40,490	9,839	2,234	-	12,073
Eliminations	-	(38)	(38)	-	-	-	-
LSR.Wall Materials.NW	70,546	2,858	73,404	11,940	10,455	-	22,395
LSR.Wall Materials. Moscow	8,256	282	8,538	(1,155)	1,754	-	599
LSR.Reinforced Concrete.NW	33,663	6,138	39,801	(1,602)	3,638	-	2,036
Eliminations	-	(25,085)	(25,085)	187	-	-	187
<b>Building Materials</b>	<b>264,218</b>	<b>17,384</b>	<b>281,602</b>	<b>25,579</b>	<b>35,497</b>	-	<b>61,076</b>
LSR. Construction.NW	7,488	211,563	219,051	21,769	5,771	-	27,540
LSR. Construction.Moscow	28,639	32,360	60,999	6,218	986	-	7,204
LSR. Construction.Ural	18,478	30,011	48,489	2,056	2,399	-	4,455
Eliminations	-	-	-	-	-	-	-
LSR. Construction	54,605	273,934	328,539	30,043	9,156	-	39,199
LSR. Project management	28,972	703	29,675	1,307	13	-	1,320
LSR. Pile Foundation and Construction	-	-	-	-	-	-	-
LSR.Cranes	18,586	2,463	21,049	4,096	3,345	-	7,441
LSR.Real Estate.NW	359,456	-	359,456	82,037	799	-	82,836
LSR.Real Estate.Moscow	107,970	-	107,970	7,308	127	(252)	7,687
LSR.Real Estate.Urals	36,064	-	36,064	1,999	41	-	2,040
LSR.Real Estate. Europe	100	-	100	(846)	14	-	(832)
Eliminations	-	-	-	-	-	-	-
LSR.Real Estate	503,590	-	503,590	90,498	981	(252)	91,731
Eliminations	-	(274,890)	(274,890)	(17,849)	-	-	(17,849)
<b>Real Estate and Construction</b>	<b>605,753</b>	<b>2,210</b>	<b>607,963</b>	<b>108,095</b>	<b>13,495</b>	<b>(252)</b>	<b>121,842</b>
Other entities	21,878	-	21,878	-	2,851	-	2,851
Unallocated income and expenses	4,916	-	4,916	(32,732)	-	-	(32,732)
Transportation revenue	29,727	-	29,727	-	-	-	-
Eliminations	-	(19,594)	(19,594)	119	-	-	119
<b>Consolidated</b>	<b>926,492</b>	<b>-</b>	<b>926,492</b>	<b>101,061</b>	<b>51,843</b>	<b>(252)</b>	<b>153,156</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 six-month ended 30 June 2013 (as restated) '000 RUB	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Deprecia tion/ Amortis ation	Capitaliz ed interest recognized in cost of sales	EBITDA*
Ready-mix Concrete	1,326,881	96,375	1,423,256	22,431	65,219	-	87,650
Sand	955,178	112,117	1,067,295	209,006	79,302	-	288,308
Crushed Granite	1,267,141	383,072	1,650,213	130,029	152,508	-	282,537
Eliminations	-	(221,043)	(221,043)	-	-	-	-
LSR.Basic Materials.NW	3,549,200	370,521	3,919,721	361,466	297,029	-	658,495
LSR.Basic Materials. Moscow	743,144	7,877	751,021	(11,447)	34,887	-	23,440
LSR.Cement.NW	425,925	620,564	1,046,489	(121,959)	336,709	-	214,750
Brick	528,393	48,748	577,141	75,888	48,882	-	124,770
Aerated Concrete	1,179,040	1,157	1,180,197	258,449	87,251	-	345,700
Eliminations	-	(2,543)	(2,543)	-	-	-	-
LSR.Wall Materials.NW	1,707,433	47,362	1,754,795	334,337	136,133	-	470,470
LSR.Wall Materials. Moscow	198,137	11,311	209,448	(72,480)	59,489	-	(12,991)
LSR.Reinforced Concrete.NW	1,532,781	271,363	1,804,144	80,114	123,550	-	203,664
Eliminations	-	(757,157)	(757,157)	4,658	-	-	4,658
<b>Building Materials</b>	<b>8,156,620</b>	<b>571,841</b>	<b>8,728,461</b>	<b>574,689</b>	<b>987,797</b>	<b>-</b>	<b>1,562,486</b>
LSR. Construction.NW	1,300,500	4,857,835	6,158,335	435,888	168,828	-	604,716
LSR. Construction.Moscow	1,335,502	328,280	1,663,782	113,338	28,486	-	141,824
LSR. Construction.Ural	521,450	1,461,602	1,983,052	149,084	83,462	-	232,546
Eliminations	-	(9,594)	(9,594)	264	-	-	264
LSR. Construction	3,157,452	6,638,123	9,795,575	698,574	280,776	-	979,350
LSR. Project management	421,066	635,593	1,056,659	212,558	324	-	212,882
LSR. Pile Foundation and Construction	189,019	231,884	420,903	48,299	13,361	-	61,660
LSR.Cranes	697,726	33,693	731,419	151,884	116,566	-	268,450
LSR.Real Estate.NW	5,649,309	-	5,649,309	1,275,937	21,394	-	1,297,331
LSR.Real Estate.Moscow	339,235	-	339,235	(70,894)	4,236	-	(66,658)
LSR.Real Estate.Urals	802,314	-	802,314	186,269	1,099	-	187,368
LSR.Real Estate. Europe	37,444	435,965	473,409	978	326	-	1,304
Eliminations	-	-	-	-	-	-	-
LSR.Real Estate	6,828,302	435,965	7,264,267	1,392,290	27,055	-	1,419,345
Eliminations	-	(7,749,191)	(7,749,191)	(745,777)	-	-	(745,777)
<b>Real Estate and Construction</b>	<b>11,293,565</b>	<b>226,067</b>	<b>11,519,632</b>	<b>1,757,828</b>	<b>438,082</b>	<b>-</b>	<b>2,195,910</b>
Other entities	338,066	-	338,066	-	91,222	-	91,222
Unallocated income and expenses	128,089	-	128,089	(868,589)	-	-	(868,589)
Transportation revenue	931,280	-	931,280	-	-	-	-
Eliminations	-	(797,908)	(797,908)	(114,286)	-	-	(114,286)
<b>Consolidated</b>	<b>20,847,620</b>	<b>-</b>	<b>20,847,620</b>	<b>1,349,642</b>	<b>1,517,101</b>	<b>-</b>	<b>2,866,743</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 six-month ended 30 June 2013 (as restated) '000 USD	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Deprecia tion/ Amortis ation	Capitalize d interest recognized in cost of sales	EBITDA*
Ready-mix Concrete	42,779	3,107	45,886	723	2,103	-	2,826
Sand	30,795	3,615	34,410	6,738	2,557	-	9,295
Crushed Granite	40,852	12,350	53,202	4,192	4,916	-	9,108
Eliminations	-	(7,127)	(7,127)	-	-	-	-
LSR.Basic Materials.NW	114,426	11,945	126,371	11,653	9,576	-	21,229
LSR.Basic Materials. Moscow	23,959	254	24,213	(369)	1,125	-	756
LSR.Cement.NW	13,733	20,007	33,740	(3,932)	10,856	-	6,924
Brick	17,036	1,572	18,608	2,447	1,576	-	4,023
Aerated Concrete	38,013	37	38,050	8,333	2,813	-	11,146
Eliminations	-	(82)	(82)	-	-	-	-
LSR.Wall Materials.NW	55,049	1,527	56,576	10,780	4,389	-	15,169
LSR.Wall Materials. Moscow	6,388	365	6,753	(2,337)	1,918	-	(419)
LSR.Reinforced Concrete.NW	49,418	8,749	58,167	2,583	3,983	-	6,566
Eliminations	-	(24,411)	(24,411)	150	-	-	150
<b>Building Materials</b>	<b>262,973</b>	<b>18,436</b>	<b>281,409</b>	<b>18,528</b>	<b>31,847</b>	-	<b>50,375</b>
LSR. Construction.NW	41,929	156,619	198,548	14,053	5,443	-	19,496
LSR. Construction.Moscow	43,057	10,584	53,641	3,654	918	-	4,572
LSR. Construction.Ural	16,812	47,123	63,935	4,807	2,691	-	7,498
Eliminations	-	(310)	(310)	8	-	-	8
LSR. Construction	101,798	214,016	315,814	22,522	9,052	-	31,574
LSR. Project management	13,575	20,492	34,067	6,853	10	-	6,863
LSR. Pile Foundation and Construction	6,094	7,476	13,570	1,557	431	-	1,988
LSR.Cranes	22,495	1,086	23,581	4,897	3,758	-	8,655
LSR.Real Estate.NW	182,137	-	182,137	41,137	689	-	41,826
LSR.Real Estate.Moscow	10,937	-	10,937	(2,286)	137	-	(2,149)
LSR.Real Estate.Urals	25,867	-	25,867	6,005	35	-	6,040
LSR.Real Estate. Europe	1,207	14,056	15,263	32	11	-	43
Eliminations	-	-	-	-	-	-	-
LSR.Real Estate	220,148	14,056	234,204	44,888	872	-	45,760
Eliminations	-	(249,838)	(249,838)	(24,044)	-	-	(24,044)
<b>Real Estate and Construction</b>	<b>364,110</b>	<b>7,288</b>	<b>371,398</b>	<b>56,673</b>	<b>14,123</b>	-	<b>70,796</b>
Other entities	10,900	-	10,900	-	2,942	-	2,942
Unallocated income and expenses	4,129	-	4,129	(28,004)	-	-	(28,004)
Transportation revenue	30,025	-	30,025	-	-	-	-
Eliminations	-	(25,724)	(25,724)	(3,684)	-	-	(3,684)
<b>Consolidated</b>	<b>672,137</b>	<b>-</b>	<b>672,137</b>	<b>43,513</b>	<b>48,912</b>	<b>-</b>	<b>92,425</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\*\*

	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
LSR.Basic Materials.NW	(1,113,312)	(1,003,718)	(33,103)	(30,667)
LSR.Basic Materials.Moscow	(37,515)	(46,787)	(1,116)	(1,430)
LSR.Cement.NW	(13,171,106)	(12,974,785)	(391,643)	(396,428)
LSR.Wall Materials.NW	(8,244,906)	(8,343,235)	(245,161)	(254,917)
LSR.Wall Materials.Moscow	(1,255,980)	(1,266,799)	(37,346)	(38,705)
LSR.Reinforced Concrete.NW	(360,178)	(1,930,462)	(10,710)	(58,983)
LSR.Building Materials	(24,182,997)	(25,565,786)	(719,079)	(781,130)
LSR.Construction.NW	8,170,497	10,258,111	242,948	313,424
LSR.Construction.Moscow	(157,103)	180,910	(4,671)	5,527
LSR.Construction.Ural	482,279	866,317	14,340	26,469
LSR.Construction	8,495,673	11,305,338	252,617	345,420
LSR.Project management	(766,200)	63,000	(22,783)	1,925
LSR.Cranes	(176,407)	(261,745)	(5,246)	(7,997)
LSR.Real Estate.NW	(5,059,670)	(5,066,375)	(150,448)	(154,797)
LSR.Real Estate.Moscow	(6,744,633)	(4,554,632)	(200,550)	(139,161)
LSR.Real Estate.Ural	(720,000)	-	(21,409)	-
LSR.Real Estate.Europe	(344,284)	(93,942)	(10,237)	(2,870)
LSR.Real Estate	(12,868,587)	(9,714,949)	(382,644)	(296,828)
Other entities	(5,993,164)	(10,077,275)	(178,206)	(307,898)
Adjustments	176,348	189,283	5,245	5,784
<b>Consolidated</b>	<b>(35,315,334)</b>	<b>(34,062,134)</b>	<b>(1,050,096)</b>	<b>(1,040,724)</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.

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