Open Joint Stock Company Chelyabinsk Pipe-Rolling Plant

Consolidated Financial Statements
for the Year Ended 31 December 2012
and Auditor's report

OPEN JOINT STOCK COMPANY CHELYABINSK PIPE-ROLLING PLANT

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OPEN JOINT STOCK COMPANY CHELYABINSK PIPE-ROLLING PLANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Management is responsible for the preparation of consolidated financial statements that present fairly the consolidated financial position of Open Joint Stock Company Chelyabinsk Pipe-Rolling Plant and its subsidiaries (the "Group") at 31 December 2012, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2012 were approved by management on 26 April 2013:

On behalf of the management:

Yaroslav Zhdan
Chief Executive Officer

Andrey Chaykov
Head of finance department –
financial officer

Moscow, Russia
26 April 2013

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Russia

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INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Board of Director's of Open Joint Stock Company Chelyabinsk Pipe-Rolling Plant:

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Chelyabinsk Pipe-Rolling Plant and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2012, and the consolidated statement of comprehensive income, changes in equity and cash flows for 2012, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We also draw attention to Note 2 to the accompanying consolidated financial statements which indicate that at 31 December 2012 current liabilities of Russian Roubles 111,112,821 thousand exceeded current assets of Russian Roubles 51,745,069 thousand by Russian Roubles 59,367,752 thousand (31 December 2011: Russian Roubles 64,483,310 thousand), and also at that date there is a shareholders deficit of Russian Roubles 8,757,492 thousand (31 December 2011: deficit Russian Roubles 9,885,071 thousand). These conditions, along with other matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte + Touche

26 April 2013
Moscow, Russian Federation

Sedov A.V. partner
(certificate no. 01-000437 dated 13 February 2012)

ZAO Deloitte and Touche CIS

The Entity: OJSC Chelyabinsk Pipe-Rolling Plant

Certificate of state registration: №27-31, issued by the Administration of Leninskiy district of Chelyabinsk on 21.10.1992.

Certificate of registration in the Unified State Register: 1027402694186, issued by Tax Inspection of Leninskiy District of Chelyabinsk of the Russian Ministry of Taxation on 19.07.2002.

Address: 21 Mashinostroiteley str., Chelyabinsk 454129, Russia.

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration №018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 №3026, ORNZ 10201017407.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012
(thousands of Russian Roubles, unless otherwise stated)

	Notes	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	9	62,001,977	62,912,152
Advances for capital construction		885,285	1,601,430
Goodwill	11	6,293,263	6,306,384
Intangible assets	10	1,205,215	946,021
Investments in associates		38,954	36,628
Other financial assets	12	3,212,875	3,212,875
Deferred tax assets	29	268,645	309,318
Other non-current assets		150,325	146,208
Total non-current assets		**74,056,539**	**75,471,016**
Current assets			
Inventory	13	21,689,289	24,024,444
Trade and other receivables	15	23,634,765	17,971,419
Current income tax prepayment		76,497	831,774
Loans receivable	14	758,544	790,622
Cash and cash equivalents	16	5,585,974	2,458,435
Other current assets	17	–	1,094,564
Total current assets		**51,745,069**	**47,171,258**
TOTAL ASSETS		**125,801,608**	**122,642,274**
EQUITY DEFICIT AND LIABILITIES			
Share capital	18	2,498,261	2,498,261
Legal reserve	18	70,857	70,857
Translation reserve		(5,311)	71,462
Treasury shares	18	(17,795,009)	(17,795,009)
Retained earnings		6,165,387	4,848,256
Equity deficit attributable to owners of the Company		**(9,065,815)**	**(10,306,173)**
Non-controlling interests	11	308,323	421,102
Total equity deficit		**(8,757,492)**	**(9,885,071)**
Non-current liabilities			
Preferred shares		147,682	147,682
Borrowings	19	18,995,409	19,484,253
Retirement benefit obligations	20	486,111	516,363
Deferred tax liabilities	29	3,817,077	724,479
Total non-current liabilities		**23,446,279**	**20,872,777**
Current liabilities			
Borrowings	19	83,987,664	93,709,546
Accounts payable and accrued expenses	22	21,036,470	12,558,850
Advances from customers		4,170,325	3,735,064
Income tax payable		252,052	36,226
Other taxes payable	21	1,666,310	1,614,882
Total current liabilities		**111,112,821**	**111,654,568**
Total liabilities		**134,559,100**	**132,527,345**
TOTAL EQUITY DEFICIT AND LIABILITIES		**125,801,608**	**122,642,274**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(thousands of Russian Roubles, unless otherwise stated)

	Notes	2012	2011
Revenue	23	116,882,471	113,970,886
Cost of sales	24	(87,775,867)	(87,140,825)
Gross profit		**29,106,604**	**26,830,061**
Distribution costs	25	(7,486,750)	(6,741,694)
General and administrative expenses	26	(8,173,729)	(8,077,615)
Loss on disposal of property, plant and equipment		(58,761)	(252,265)
Impairment of assets	27	(384,340)	(863,392)
Operating profit		**13,003,024**	**10,895,095**
Finance income	28	237,092	146,205
Finance costs	28	(12,179,497)	(10,726,224)
Dividend income		442,548	562,350
Foreign exchange gain, net		665,591	1,656
Share of profit/(loss) of associates		2,326	(1,070)
Excess of the Group's share in fair value of net assets acquired over the cost of acquisition	7	–	201,851
(Loss)/gain on disposal of subsidiary	7	(40,158)	8,246
Profit before income tax		**2,130,926**	**1,088,109**
Income tax	29	(923,524)	(618,985)
Profit for the year		**1,207,402**	**469,124**
Exchange differences on translating of foreign operations		(76,773)	59,515
Total comprehensive income for the year		**1,130,629**	**528,639**
Profit/(loss) for the year attributable to:			
Owners of the Company		1,224,294	496,411
Non-controlling interests		(16,892)	(27,287)
		1,207,402	**469,124**
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		1,147,521	555,926
Non-controlling interests		(16,892)	(27,287)
		1,130,629	**528,639**
Earnings per share attributable to owners of the Company, basic and diluted (Russian Roubles per share)	30	3.86	1.12

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(thousands of Russian Roubles, unless otherwise stated)

	Notes	2012	2011
Operating activities			
Profit before income tax		2,130,926	1,088,109
Adjustments for:			
Depreciation and amortisation	24,25,26	6,762,045	5,767,685
Changes in pension and payroll accruals		(28,700)	164,082
Changes in inventory allowance	24	(398,389)	181,926
Impairment of assets	27	384,340	863,392
Loss on disposals of property, plant and equipment		58,761	252,265
Share of (profit)/loss of associates		(2,326)	1,070
Loss/(gain) on disposal of subsidiary		40,158	(8,246)
Finance income	28	(679,640)	(708,555)
Finance costs	28	12,179,497	10,726,224
Excess of the Group's share in fair value of net assets acquired over the cost of acquisition		–	(201,851)
Foreign exchange differences on non-operating items		(469,657)	202,409
Other non-cash movements		(6,163)	(38,693)
Operating cash flows before working capital changes		**19,970,852**	**18,289,817**
Movements in working capital			
Increase in accounts receivable and prepayments		(5,203,431)	(709,214)
Decrease/(increase) in inventories		2,652,545	(5,070,441)
Increase/(decrease) in trade and other payables		8,443,644	(2,102,587)
Cash generated from operations		**25,863,610**	**10,407,575**
Income tax refunded/(paid)		3,166,083	(1,119,451)
Interest paid		(11,833,694)	(10,615,699)
Interest received		158,186	2,349,802
Net cash generated from operating activities		**17,354,185**	**1,022,227**
Investing activities			
Purchase of property, plant and equipment		(4,874,094)	(11,807,952)
Purchase of intangible assets		(590,440)	(364,279)
Proceeds from sale of other current assets	17	1,075,657	–
Purchase of other current assets	17	(3,885)	(118,239)
Proceeds from sale of property, plant and equipment		61,779	693,348
Loans given		(2,682,093)	(407,460)
Proceeds from loans repaid		2,609,021	1,148,746
Net cash outflow on acquisition of subsidiaries		–	(737,314)
Cash disposed with sale of subsidiary	7	(2,517)	(7,130)
Purchase of other financial assets	12	–	(3,212,875)
Dividends received		442,548	536,415
Net cash used in investing activities		**(3,964,024)**	**(14,276,740)**
Financing activities			
Proceeds from borrowings		35,258,170	94,112,718
Repayment of borrowings		(45,312,589)	(66,824,836)
Payment of finance lease obligations		(205,153)	(146,634)
Cash paid to acquire treasury shares		–	(15,049,272)
Acquisition of non-controlling interests		(3,050)	(1,712)
Net cash (used in)/generated from financing activities		**(10,262,622)**	**12,090,264**
Net increase/(decrease) in cash and cash equivalents		**3,127,539**	**(1,164,249)**
Cash and cash equivalents at the beginning of the year	16	2,458,435	3,622,684
Cash and cash equivalents at the end of the year	16	**5,585,974**	**2,458,435**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
(thousands of Russian Roubles, unless otherwise stated)

	Attributable to owners of the Company						Non-controlling interests	Total equity/ (equity deficit)
	Share capital	Legal reserve	Retained earnings	Treasury shares	Translation reserve	Total		
Balance at 1 January 2011	**2,498,261**	**70,857**	**4,347,792**	**(2,513,715)**	**11,947**	**4,415,142**	**304,014**	**4,719,156**
Profit/(loss) for the year	–	–	496,411	–	–	496,411	(27,287)	469,124
Other comprehensive income	–	–	–	–	59,515	59,515	–	59,515
Total comprehensive income/(loss) for the year	–	–	**496,411**	–	**59,515**	**555,926**	**(27,287)**	**528,639**
Acquisition of treasury shares (Note18)	–	–	–	(15,281,294)	–	(15,281,294)	–	(15,281,294)
Business combinations	–	–	–	–	–	–	188,332	188,332
Purchase of non-controlling interests	–	–	4,053	–	–	4,053	(43,957)	(39,904)
Balance at 31 December 2011	**2,498,261**	**70,857**	**4,848,256**	**(17,795,009)**	**71,462**	**(10,306,173)**	**421,102**	**(9,885,071)**
Profit/(loss) for the year	–	–	1,224,294	–	–	1,224,294	(16,892)	1,207,402
Other comprehensive income	–	–	–	–	(76,773)	(76,773)	–	(76,773)
Total comprehensive income/(loss) for the year	–	–	**1,224,294**	–	**(76,773)**	**1,147,521**	**(16,892)**	**1,130,629**
Increase in participation interest (Note 11)	–	–	92,837	–	–	92,837	(95,887)	(3,050)
Balance at 31 December 2012	**2,498,261**	**70,857**	**6,165,387**	**(17,795,009)**	**(5,311)**	**(9,065,815)**	**308,323**	**(8,757,492)**

1. GENERAL INFORMATION

Open Joint Stock Company Chelyabinsk Pipe-Rolling Plant (the "Company" or "ChelPipe") was established as a state owned enterprise in 1942 and was incorporated as an open joint stock company on 21 October 1992 as part of and in accordance with the Russian government's privatisation programme. The Company is domiciled in the Russian Federation. The Company's registered address is 21 Mashinostroiteley str., Chelyabinsk 454129, Russia. Hereinafter, the Company together with its subsidiaries are referred to as the Group.

The immediate parent of the Company is Mountrise Limited, a company incorporated under the laws of Cyprus, which owns 52.42% of the Company's issued share capital. Mr. A.I. Komarov is the ultimate controlling party of the Group.

The Group's principal activities include the production and distribution of pipes and pipe products for the oil and gas industry, housing and utilities infrastructure and industrial applications. The Group has three reportable segments, namely steel pipe production ("SPP"), oilfield services ("OFS") and trunk pipeline systems ("TPS"). The Group is one of the largest pipe producers in Russia holding significant domestic market shares in welded large diameter pipes, oilfield tubular and stainless seamless pipes. The oilfield services segment manufactures and provides support services for oil well extraction equipment such as electric submersible pumps, sucker-rod drilling pumps and a number of other products and services for various stages of an oilfield's development. The Group's trunk pipeline systems segment produces highly customised components for the construction of oil and gas pipelines, including valves, hot-formed and cold-formed pipeline bends and hubs.

The Group's principal manufacturing facilities are based in the Ural and West Siberia regions of Russia and in the Czech Republic.

The Company's principal subsidiaries are disclosed in Note 6. All companies of the Group are incorporated under the laws of the Russian Federation, except ARKLEY (UK) LIMITED, which is incorporated under the laws of the United Kingdom and MSA a.s. and its subsidiaries, which are incorporated in the Czech Republic.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which include Standards and Interpretations issued by the International Accounting Standards Board ("IASB"), including International Accounting Standards ("IAS") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 31 December 2012, and the comparative information presented in these financial statements, except for the impact of the adoption of new standards, amendments to standards or interpretations as described in Note 4.

Financial condition and going concern

These consolidated financial statements have been prepared by management on the assumption that the Group will continue as a going concern, which presumes that the Group will, for the foreseeable future, be able to realize its assets and discharge its liabilities in the normal course of business.

Trading conditions in Russia have improved in the past few years and the Group has reported increased profitability during 2012 reflecting the improving trend of recent years. Whilst the Group also generated positive operating cash flows of 17,354,185 in 2012 (2011: 1,022,227), its financial position continues to be very challenging in view of a significant burden of interest bearing debt which has resulted at 31 December 2012, in the Group's current liabilities exceeding its current assets in the amount of 59,367,752 (31 December 2011: 64,483,310). A contributory factor to this shortfall is the Group's non-compliance at 31 December 2012 with financial covenants contained in lending agreements (see also Note 19). These breaches have resulted in the reclassification to current liabilities at 31 December 2012 of the long term portion of certain borrowings amounting to 16,829,981 (31 December 2011: 37,168,627). This situation is expected to be remediated in 2013 as a result of the restructuring of debt discussed below.

In October 2012, the Group signed a syndicated loan agreement totaling 86,575,000 with a syndicate of fourteen banks. The loan proceeds will be fully used to re-finance existing loans of the individual banks represented in the new syndicated loan facility. The Group has been granted a grace period on repayment of principal outstanding of 70,151,802 pending receipt of draw downs under the syndicated loan. The Group is however required to continue to meet interest and other current charges on such outstanding loans until they are fully repaid. In December 2012, the Ministry of Finance on behalf of the Russian Federation agreed to stand as guarantor of the Group's financial obligations in the event of a default in the repayment of these in the amount of 43,280,000 such guarantee to expire in January 2020. The Group received its first draw down on the syndicated loan in February 2013. Additionally the Company has successfully issued bonds in February 2013 in the amount of 8,225,000 the proceeds of which will be entirely used to repay the borrowing of banks not involved in the new syndicated loan arrangement.

For a number of years following the global financial crisis the Group has had in place a recovery plan focused on returning the Group to profitability primarily through cost cutting and productivity gains. During 2013, the Group is considering the following actions to continue to improve its trading performance and financial position:

- Introduction of new services and products in its oilfield services division (Rimera business segment);
- Continued focus on cost optimization, in particular raw material costs and product mix, outside service, optimization of labour compensation costs and a reduction of investment in working capital;
- Forming a strategic alliance with a key raw material supplier with the objective of reducing raw material input costs and searching for strategic partners;
- Optimisation of business process by designing and implementing systems of risk management, project management and performance management on the basis of non-financial indicators

In 2012, the Group captured a 30% share of the market for large-diameter pipes an increase on prior years and significantly increased sales of oil country tubular goods. In the short-term management expects to be able to maintain its market share.

The continued weakness of the Group's financial position reflecting negative working capital and a shareholder's deficit at 31 December 2012 indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. Were the Group unable to continue as a going concern, adjustments would have to be made to the classification and carrying value of assets and liabilities and accruals would be made for other liabilities that might arise. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Presentation and functional currency

All amounts in these consolidated financial statements are presented in thousands of Russian Roubles ("RUB"), unless otherwise stated.

The functional currency of the Company's subsidiaries located in the Russian Federation is the Russian Rouble. The functional currency of ARKLEY (UK) LIMITED located in the United Kingdom is the US Dollar ("USD"). The functional currency of MSA a.s. located in Czech Republic is the Czech Koruna. At the reporting date, the assets and liabilities of the subsidiaries with a functional currency other than Russian Rouble are translated into the presentation currency at the rate of exchange ruling at the reporting date, and their statements of comprehensive income are translated at the weighted average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. The exchange differences arising on translation are taken directly to a separate component of other comprehensive income and accumulated in equity. On disposal of a subsidiary with a functional currency other than Russian Rouble, the deferred cumulative amount recognised in other comprehensive income relating to that particular subsidiary is recognised in profit or loss.

Cash flows are translated using the exchange rates existing at the dates of the significant transactions or at the average rate for a period. Resulting differences are presented separately as effect of exchange rate changes on cash and cash equivalents.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the reporting period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”), or IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interest is initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets/liabilities. The choice of measurement basis is made on a transaction-by-transaction basis. Non-controlling interests form a separate component of the Group’s equity and may have a deficit balance.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Step acquisitions and changes in the Group's ownership interests in existing subsidiaries

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in retained earnings and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate.

Revenue recognition

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Oilfield service revenue represents amounts chargeable to clients for professional services provided during the year. Services provided to clients that at the reporting date have not been billed to clients, are recognised as revenue. Revenue recognised in this manner is based on an assessment of the cost of the services provided at the reporting date as a proportion of the total estimated cost of the engagement plus the Group’s estimated margin on the specific contract. Revenue is only recognised where the Group has a contractual right to receive consideration for work undertaken.

Revenues are shown net of VAT and discounts and are measured at the value of the consideration received or receivable.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any recognised impairment loss. Cost for qualifying assets includes borrowing costs incurred to finance construction of property, plant and equipment in accordance with the Group’s accounting policy. Depreciation commences when the assets are ready for their intended use.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised and the carrying amount of replaced part is derecognised.

At each reporting date, the Group’s management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount and are recognised in profit or loss.

Depreciation

Land is not depreciated. Other property, plant and equipment represent fixed assets such as equipment and vehicles. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or valuation less estimated residual value over their estimated useful lives.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Investments in associates

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 per cent of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for under the equity method of accounting and carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment. The carrying amount of investments includes goodwill identified on acquisition, which represents any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate acquired. The goodwill is assessed for impairment as part of the impairment test of the investment, which is performed at least annually. If the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities is in excess of the cost of acquisition the difference, after reassessment, is recognised immediately in profit or loss.

The Group's share of the post-acquisition profits or losses of investments in associates is recorded in the consolidated statement of comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses.

Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (directly attributable to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of intangible assets (excluding goodwill)

Where an indication of impairment exists, the recoverable amount of any intangible asset is assessed. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted. If the recoverable amount is estimated to be less than the carrying amount of the asset, an impairment loss is recognised immediately in profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Key measurement terms

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses.

Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments

Trading investments are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value plus or minus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between the fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within 'impairment of assets' expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'impairment of assets' expenses in the consolidated statement of comprehensive income and loss. Receivables are tested for impairment at each reporting date.

The basics of allowance recognition are historical experience of irrecoverability and an analysis of the counterparty's current financial position. The Group recognizes an allowance for doubtful debts of 100% against all receivables over 180 days and an allowance of 50% for doubtful debts receivables between 90 days and 180 days.

The Group considers the following other principal criteria also used to determine whether there is objective evidence that an impairment loss has occurred:

- The counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- The counterparty is considering bankruptcy or a financial reorganisation;
- There is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Loans receivable

Loans receivable initially are recognised at fair value plus transaction costs and subsequently are carried at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective interest rate.

An allowance for impairment of loans receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans receivable. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the consolidated statement of comprehensive income.

Available-for-sale equity instruments

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

The Group has investments in unlisted shares that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Such available-for-sale equity instruments are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in the consolidated statement of comprehensive income within 'financial income' heading when the Group's right to receive the dividends is established.

A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. Impairment losses are recognised in the consolidated statement of comprehensive income through profit or loss. Impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Derecognition of financial assets

The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Liabilities carried at amortised cost

When a financial liability is recognised initially, it is measured at its fair value. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted using the effective interest rate method. Refer to Note 19 for the estimated fair values of borrowings.

Borrowings

Borrowings are carried at amortised cost using the effective interest method. Borrowing costs are recognised as an expense only if they are not related to qualifying assets in accordance with IAS 23 "Borrowing costs" and calculated based on a time proportion using the effective interest method.

Trade and other payables

Trade and other payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost using the effective interest method.

Equity instruments - share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Equity instruments - treasury shares

Where any Group company purchases the Company's shares, the consideration paid, including any directly attributable incremental costs (net of income tax) is deducted from equity attributable to the Company's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners. Any difference between the price of treasury shares sold and the price at which they were purchased is recognised through retained earnings. Treasury shares are accounted for on a weighted average basis.

Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs if a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At each reporting date, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* at the reporting date.

Advances paid

Advances paid are carried at cost less allowance for impairment. An advance is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year from reporting date, or when the advance relates to an asset which itself will be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the services relating to the advances are received. If there is an indication that the assets, goods or services relating to an advance will not be received, impairment loss is recognised in the consolidated statement of comprehensive income.

Income tax

Income tax has been provided in the consolidated financial statements in accordance with local legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated statement of comprehensive income unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that sufficient future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

The Group's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties and interest are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and costs to be incurred in marketing, selling and distribution.

Value added tax

Value added taxes ("VAT") related to sales are payable to the tax authorities in the quarter in which the Group (a) receives an advance on sales or (b) records sales revenue. The VAT liability is paid in the quarter following accrual of the liability. VAT incurred for purchases may be reclaimed, subject to certain restrictions against VAT related to sales. Unclaimed VAT related to purchase transactions that is validly reclaimable as of the reporting date is recorded as value added tax recoverable in the consolidated financial statements.

VAT and other taxes recoverable are reviewed for impairment at each reporting date.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the consolidated statement of comprehensive income over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter of their useful life or of the lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

On operating leases, the total lease payments, are charged to profit or loss on a straight-line basis over the period of the lease.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Company's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles.

Monetary assets and liabilities of Russian-based entities are translated into functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") set at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Russian Roubles using the official exchange rate of the CBRF set at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated into Russian Roubles using the official exchange rate of the CBRF set at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

Exchange rates for the currencies in which the Group transacts were as follows:

	31 December 2012	31 December 2011
Closing exchange rates at the year end (Russian roubles)		
1 U.S. Dollar ("USD")	30.3727	32.1961
1 Euro	40.2286	41.6714

Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group. These amounts represent an implicit cost of employing production workers and administrative workers and, accordingly, have been charged to the consolidated statement of comprehensive income as cost of sales, distribution expenses or general and administrative expenses depending on the nature of work performed by the employee.

In the normal course of business the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred.

In addition, Group companies operate various pension schemes. The schemes are generally funded through payments to pension insurance plans. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans are recognised as employee benefit expense when they are due.

A defined benefit plan is a pension plan under which the Group pays pension benefits to an employee on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the unfunded defined benefit obligation at the reporting date, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged in profit or loss in the period in which they arise. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Pension plan liabilities under defined benefit plans are included in line “Retirement benefit obligations” in the consolidated statement of financial position. The Group did not have pension plan assets at the reporting date.

Operating profit

Operating profit is stated after charging impairment of assets but before the share of results of associates, foreign exchange profit/(loss) on non-operating transactions, finance income and finance costs, gain/(loss) on disposal of subsidiary, excess of the Group's share in provisional value of net assets acquired over the cost of acquisition.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from estimates. Management also makes certain judgments, apart from those involving estimates, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of goodwill

The Group tests goodwill for impairment at least annually, at the cash-generating units ("CGU") level using value-in-use calculations.

The value-in-use calculation is based on projections for expected discounted cash flows and taking into consideration the following assumptions: cost of capital, growth rate and adjustments used for perpetual cash flows, methodology for determining working capital, investment plans, and long-term economic-financial forecasts.

Goodwill was allocated to the following CGUs: Pipe, Meta, OFS and TPS. All CGUs were tested for impairment at 31 December 2012. The tests carried out did not identify any impairment to the Group's goodwill (Note 11).

Impairment of tangible assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU.

Management is required to make assumptions in estimating the value of the assets, including the timing and value of cash flows to be generated from the assets. The cash flow projections are based on reasonable assumptions that represent management's best estimate of the set of economic conditions that will exist over the remaining useful life of the asset and are based on the most recent financial plan that management has approved. Due to its subjective nature, these estimates will likely differ from future actual results of operations and cash flows, any such difference may result in impairment in future periods.

Deferred taxes

The Group is primarily subject to income taxes in the Russian Federation. Russian tax, currency and customs legislation is subject to varying interpretations. The Group recognises liabilities for anticipated additional tax assessments as a result of tax audits based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Various factors are considered in assessing the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. Based on estimates, the Group recognised at 31 December 2012 a deferred tax asset in the amount of 1,389,626 in respect of tax losses from prior years, which the Group now believes it will be able to offset against future profits.

(thousands of Russian Roubles, unless otherwise stated)

Related party transactions

In the normal course of business the Group enters into transactions with related parties. Judgment is applied in determining which entities are related parties of the Group. In applying this judgment, management obtains listing of the majority shareholder's interests in other entities on a regular basis, it monitors the level of transactions with any individual entity, and commencing 2012 reports its identified related parties to those charged with governance for their review and approval on an annual basis.

Accounts receivable

When receivables are recognised initially the Group measures them at a fair value. The fair value of long-term or short-term receivables from major customers that carries no interest is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating. The difference between the fair value and the nominal amount of the consideration is recognised as a reduction of income. Subsequently receivables are measured at amortised cost using the effective interest method. Short-term receivables from other customers that carry no interest are measured at the original invoice amount if the effect of discounting is immaterial less allowance for impairment.

The Group creates allowance for doubtful debts to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2012, the allowance for doubtful debts amounted to 2,055,393 (31 December 2011: 3,896,604) as further specified in Note 15. When evaluating the adequacy of an allowance for doubtful debts, management bases its estimate on current overall economic conditions, ageing of the accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful debts recorded in consolidated financial statements.

Inventory obsolescence

The allowance for obsolete and slow-moving inventory reduces the cost of inventory to its net realisable value, defined as the estimated selling price in the ordinary course of business, less the cost of completion and costs to be incurred in marketing, selling and distribution. In determining net realisable value the Group considers, among other things, arm's length transactions in the period around the reporting date. At 31 December 2012, the allowance for inventory obsolescence amounted to 858,173 (31 December 2011: 1,191,169) as further specified in Note 13.

Useful life of property, plant and equipment

The Group's property, plant and equipment are depreciated using the straight-line method over their estimated useful lives which are based on management's business plans and operational estimates, related to those assets.

	Useful lives in years
Buildings and infrastructure	20 to 50
Plant and equipment	10 to 30
Other	5 to 15

The factors that could affect the estimation of useful lives and residual values of the Group's assets include the following:

- Changes in asset utilisation rates;
- Changes in regulations and legislation;
- Changes in the Group's business plans; and
- Unforeseen operational issues.

Any of the above could affect prospective depreciation of property, plant and equipment and their carrying and residual values.

Management periodically reviews the appropriateness of assets' useful economic lives. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefits to the Group.

Useful life of intangible assets

The Group’s intangible assets are amortised using the straight-line method over their useful lives, as follows:

	Useful lives in years
Lease rights	50
Know-How	10
Software	1 to 5
Development cost capitalised	1 to 3
Customer lists	3
Other	1 to 3

Other intangible assets mainly represent licenses for production of tubes and engineering.

Employee benefits/pensions

The Group contributes to certain defined benefit plans. The liability recognised in the consolidated statement of financial position in respect of such plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. This method involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.), as well as financial assumptions (discount rate, future salary and benefits levels, expected rate of return on plan assets, etc.). The most critical assumptions are the discount rate and future salary and benefits levels. The discount rate is determined by reference to market yields at the reporting date on high-quality corporate bonds or, if there is no active market for such bonds, the market yields on government bonds. A lower discount rate increases the present value of the pension liability and the annual pension cost. Deviations may arise from other assumptions such as actual inflation levels and salary adjustments deviating from the Group’s assumptions. In the event that further changes in the key assumptions are required, the future amounts of the pension benefit costs may be materially affected (Note 20).

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following new standards, amendments to standards or interpretations were adopted by the Group during the current period:

- IFRS 7 “Financial Instruments: Disclosures” –amendments resulting from May 2010 Annual Improvements to IFRSs;
- IAS 1 “Presentation of Financial Statements” – June 2011 amendments to IAS 1 effective from 1 July 2012;

The first time application of the aforementioned amendments to standards and interpretations from 1 January 2012 had no material effect on the consolidated financial statements of the Group.

(thousands of Russian Roubles, unless otherwise stated)

5. NEW ACCOUNTING PRONOUNCEMENTS

At the date of approval of the Group's consolidated financial statements, the following new and revised Standards and Interpretations have been issued, but are not effective for the reporting period:

	Effective for annual periods beginning on or after
IFRS 7 "Financial Instruments: Disclosures"	
– amendments enhancing disclosures about offsetting of financial assets and financial liabilities	1 January 2013
– amendments requiring disclosures about the initial application of IFRS 9	1 January 2015
IFRS 9 "Financial Instruments"	1 January 2015
IFRS 10 "Consolidated Financial Statements" – new standard published in May 2011	1 January 2013
IFRS 11 "Joint Arrangements" – new standard published in May 2011	1 January 2013
IFRS 12 "Disclosure of Interests in Other Entities" – new standard published in May 2011	1 January 2013
IFRS 13 "Fair Value Measurement" – new standard published in May 2011	1 January 2013
IAS 1 "Presentation of Financial Statements" – clarification of the requirements for comparative information	1 January 2013
IAS 19 "Employee Benefits" – amendment regarding post-employment and termination benefits	1 January 2013
IAS 27 reissued as IAS 27 "Separate Financial Statements" – consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 "Consolidated Financial Statements";	1 January 2013
IAS 28 "Investments in Associates" – amendment to reissue as "Investments in Associates and Joint Ventures"	1 January 2013
IAS 32 "Financial Instruments: Presentation" – amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" – new interpretation	1 January 2013

IFRS 9 Financial Instruments

The Group's management anticipates that the applications of IFRS 9 may have an impact on amounts reported in respect of the Group's financial assets. The Group has equity investments in unlisted shares that do not have a quoted market price that are currently classified as available-for-sale. Equity investments will have to be measured at their fair value at the end of subsequent accounting periods. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IAS 19 Employee benefits

The amendments to IAS 19 require retrospective application. When the Group retrospectively applies the amendments for the first time for the year ending 31 December 2013, profit for the year ended 31 December 2012 would be reduced by 66,249 and other comprehensive income for the year 2012 would be increased by 81,609 (1 January 2012: decrease in retained earnings of 74,175) with the corresponding adjustments being recognised in the retirement benefit obligation. This net effect reflects the following adjustments: recognition of actuarial gain / loss through other comprehensive income unlike profit or loss as currently recognised and immediate recognition of past service costs in profit or loss and increase in retirement benefit obligation.

The impact of the adoption of other Standards and Interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by the Group's management, however, no material effect on the Group's financial position or results of its operations is anticipated.

(thousands of Russian Roubles, unless otherwise stated)

6. SUBSIDIARIES

The Company's effective ownership interest of principal subsidiaries, including the Company's ownership interest through its subsidiaries, is as follows:

Subsidiary	Country of incorporation	Activities	Operating segment	Effective ownership, % 31 December 2012	Effective ownership, % 31 December 2011
OJSC Pervouralsk New Pipe Plant (PNTZ)	Russia	Pipe manufacturing	SPP	100.00%	100.00%
CJSC Uraltrubostal Trade House (UTS)	Russia	Pipe distribution	SPP	100.00%	100.00%
ARKLEY (UK) LIMITED	United Kingdom	Pipe distribution	SPP	100.00%	100.00%
LLC Meta	Russia	Scrap procurement	SPP	100.00%	99.90%
OJSC Samaravtormet	Russia	Scrap procurement	SPP	98.05%	98.05%
OJSC UNP Vtorchermet	Russia	Scrap procurement	SPP	100.00%	100.00%
LLC Meta-Invest	Russia	Rent of property	SPP	100.00%	100.00%
CJSC Pipeline Bends (SOT)	Russia	Manufacturing and distribution of valves	TPS	100.00%	100.00%
MSA a.s.	Czech Republic	Manufacturing and distribution of trunk pipeline bends	TPS	100.00%	100.00%
CJSC RIMERA	Russia	Oilfield service	OFS	100.00%	100.00%
OJSC "ALNAS" (ALNAS)	Russia	Oilfield service	OFS	100.00%	100.00%
Ugianskneftegazgeofizika Ltd.	Russia	Oilfield service	OFS	100.00%	100.00%
OJSC Izhneftemash (INM)*	Russia	Oilfield service	OFS	73.14%	50.42%
LLC Noyabrskaya centralnaya trubnaya baza (NCTB)	Russia	Oilfield service	OFS	100.00%	100.00%
LLC RIMERA-Service	Russia	Oilfield service	OFS	100.00%	100.00%

* In 2012 year, the Group merged CJSC Kompaniya Izhneftemash and LLC Izhneftemashenergosnab with OJSC Izhneftemash. As a result of this operation, the share of the Group in OJSC Izhneftemash increased from 50.42% to 73.14% (Note 11).

7. BUSINESS COMBINATIONS AND DISPOSALS

Disposal of a number of non-performing subsidiaries of CJSC RIMERA

2012 disposals

In February and June 2012, the Group finalised disposals to third parties of its full controlling interests in a number of non-performing subsidiaries of CJSC RIMERA, as follows: LLC Almetevsk-Alnas-Service, LLC Alnas-Elektronika, LLC Tajmyrskaja Burovaja Company.

The carrying amounts of the major classes of disposed assets and liabilities were as follows:

	Note	Carrying value at the date of disposal
Loans receivable		68,283
Accounts receivable		25,050
Intangible assets	10	15,896
Deferred tax assets	29	14,787
Property, plant and equipment	9	3,085
Cash and cash equivalents		2,527
Inventories		43
Trade and other payables		(100,377)
Borrowings		(32,815)
Net liabilities disposed of		**(3,521)**
Impairment of receivables due to disposals	14,15	139,689
Consideration		(96,010)
Loss on disposal		**40,158**
Consideration received in cash		10
Less cash and cash equivalents of subsidiary disposed of		(2,527)
Net outflow of cash and cash equivalents on disposal		**(2,517)**

(thousands of Russian Roubles, unless otherwise stated)

2011 disposals

In May and December 2011, the Group finalised disposals to related and third parties of its full controlling interests in a number of non-performing subsidiaries of CJSC RIMERA, as follows: LLC Usinsk-Alnas-service, LLC Alnas-K, LLC Armada, CJSC Nyaganneftemash. The carrying amounts of the major classes of disposed assets and liabilities were as follows:

	Note	Carrying value at the date of disposal
Accounts receivable		64,576
Cash and cash equivalents		8,253
Deferred tax assets	29	2,251
Inventories		974
Property, plant and equipment	9	66
Intangible assets	10	18
Borrowings		(303,313)
Trade and other payables		(94,486)
Net liabilities disposed of		**(321,661)**
Non-controlling interest disposed of	11	(4,342)
Impairment of receivables due to disposals	14,15	318,880
Consideration received in cash		(1,123)
Gain on disposal		**(8,246)**
Consideration received in cash		1,123
Less cash and cash equivalents of subsidiary disposed of		(8,253)
Net outflow of cash and cash equivalents on disposal		**(7,130)**

Acquisitions for the year ended 31 December 2011

Acquisitions of Izhneftemash group of companies

On 24 January 2011, the Group acquired 88.86% of the share capital of LLC Izhneftemash-101 and 50.48% of the share capital of the associate company CJSC Kompaniya Izhneftemash from a third party and also increased interest in the associate companies: LLC Region-Metall, LLC Izhneftemashenergosnab, LLC Trade house Izhneftemash. As a result of this operation, the associate companies became subsidiaries. LLC Region-metall, LLC Trading house Izhneftemash, LLC Trading house Neftyanoe oborudovanie, LLC Izhneftemash-Instrument, LLC Reskont, and LLC Nefteprommarket merged in LLC Izhneftemashenergosnab.

Purchase consideration comprised redemption of loan receivable in the amount of 166,251 and fair value of previously-held interest in the amount of 659,898, less deferred tax in the amount of 105,209 and non-controlling interest in the amount of 275,015.

The Group provisionally measured the separately recognisable identifiable assets acquired and the liabilities assumed, as well as provisionally remeasured its previously held equity interest at its acquisition date value. The excess of the Group's share in provisional value of net assets acquired over the cost of acquisition on this acquisition resulted from the fact that the Group was the only leaseholder of the acquirees' equipment and the former owners of the acquired companies considered it expedient to dispose of their interests at the proposed price.

(thousands of Russian Roubles, unless otherwise stated)

	Notes	Attributed fair value
Property, plant and equipment	9	1,121,492
Trade and other accounts receivable		330,494
Loans receivable		135,227
Cash and cash equivalents		2,900
Inventories		2,629
Other non-current assets		881
Deferred tax liabilities		(206,956)
Trade and other payables		(134,654)
Borrowings		(121,050)
Interest payable		(16,777)
Fair value of net assets of subsidiaries		**1,114,186**
Non-controlling interests	11	(467,687)
Fair value of acquired interest in net assets of subsidiaries		**646,499**
Excess of the Group's share in provisional value of net assets acquired over the cost of acquisition		(200,574)
Total purchase consideration		**445,925**
Net inflow of cash and cash equivalents on acquisition		**2,900**

The accounts receivable and loans acquired in these transactions with a fair value of 330,494 and 135,227, respectively, had gross contractual amounts of 334,548 and 135,227, respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected is 4,054 and nil, respectively.

LLC Noyabrskaya centralnaya trubnaya baza

On 24 June 2011, the Group acquired 100% of LLC Noyabrskaya centralnaya trubnaya baza from a third party for total consideration of 749,790 payable in cash. LLC Noyabrskaya centralnaya trubnaya baza renders tubing pipes and bucket rods services, casing pipes preparation, provides storage services. The consideration was fully paid during the reporting period. The Group finalised the determination of the fair value of the assets and liabilities acquired. The following represents the allocations of the purchase price based on fair value.

Management believes that the acquisition of LLC Noyabrskaya centralnaya trubnaya baza will allow access to technological and managerial competencies, expand integration with existing operations through cross-selling opportunities, joint research and development activities and help to build a strong base for provision of full set of services by oilfield services segment.

	Notes	Attributed fair value*
Property, plant and equipment	9	429,155
Trade and other accounts receivable		143,979
Inventories		35,045
Intangible assets	10	30,110
Cash and cash equivalents		8,278
Other non-current assets		3,358
Trade and other payables		(138,180)
Taxes payable		(63,529)
Deferred tax liabilities, net		(51,326)
Net assets of subsidiary		**396,890**
Goodwill arising from the acquisition	11	352,900
Consideration paid in cash		**749,790**
Less cash and cash equivalents of subsidiary acquired		(8,278)
Net outflow of cash and cash equivalents on acquisition		**741,512**

* The valuation of identifiable assets, liabilities and contingent liabilities was performed by the Group with the involvement of an independent professional appraiser.

Trade and other accounts receivable resulting from this acquisition with a fair value of 143,979 had equal gross contractual cash flows which are considered fully collectible by the Group.

Other acquisitions

During 2011, the Group acquired other not material entities which resulted in an excess of 1,277 of the Group's share in value of net assets acquired over the cost of acquisition.

8. SEGMENT REPORTING

The Group has identified the following segments based upon the reports used by chief operating decision maker ("CODM"):

- Steel pipe production ("SPP") – representing manufacturing and distribution of pipes and other related products, including activities related to the procurement of scrap and its further utilisation as raw materials in manufacturing of steel billets used in seamless pipe production;
- Oilfield services ("OFS") – representing equipment manufacturing and support services for oil well extraction equipment such as electric submersible pumps, sucker-rod drilling pumps and a number of other products and services for various stages of an oilfield's development; and
- Trunk pipeline systems ("TPS") – representing production of highly customised components for the construction of oil and gas pipelines, including valves, hot-formed and cold-formed pipeline bends and hubs.

Segment assets consist of current and non-current assets. Segment liabilities comprise current and non-current liabilities. Impairment loss provisions relate only to those charges made against allocated assets.

The CODM assesses the performance of the operating segments based on a measure of segment earnings before interest, tax, depreciation and amortization, foreign exchange gain/(loss), gain/(loss) on disposal of subsidiaries and excess of the Group's share in provisional value of net assets acquired over the cost of acquisition ("Segment EBITDA"). Since this term is not defined in IFRS the Group's definition of Segment EBITDA may differ from that of other companies.

The segment information presented is based on information reviewed by the CODM, which differs from IFRS. Reconciliations are provided for the differences between this information and the information included in the consolidated financial statements. The adjustments between the information reviewed by the CODM and IFRS financial information (included in the Adjustment column in the following tables) include the following:

- Scope of consolidation – entities consolidated into the Group for IFRS are not consistent with those included for management reporting purposes;
- Reclassifications – the CODM reviews information classified and presented in conformity with Russian statutory accounting which includes recording amounts gross versus net, and aggregating and reclassifying some line items for purpose of making decisions about resources allocation to a segment and assessing its performance; and
- Other adjustments – other adjustments arise due to differences between IFRS and statutory accounting and they are primarily related to adjustments for impairment of property, plant and equipment; intangible assets and promissory notes; discounting of borrowings; and recalculation of deferred taxes.

(thousands of Russian Roubles, unless otherwise stated)

Segment information related to the Group's consolidated statement of comprehensive income for the year ended 31 December 2012 is as follows:

	Segment information as reviewed by CODM					Total
	Steel pipe production	Oilfield services	Trunk pipeline systems	Adjustments	Eliminations	as per IFRS consolidated financial statements
Revenue from external customers	98,350,202	10,293,750	7,790,450	448,069	–	116,882,471
Inter-segment revenue	1,047,503	1,226	24,757	–	(1,073,486)	–
Cost of sales	(75,083,301)	(8,385,452)	(5,509,918)	128,390	1,074,414	(87,775,867)
Distribution costs	(5,873,913)	(375,322)	(383,226)	(856,679)	2,390	(7,486,750)
General and administrative expenses	(6,034,220)	(1,288,025)	(739,634)	(108,532)	(3,318)	(8,173,729)
(Impairment)/reversal of impairment of assets	(511,290)	51,634	44,173	31,143	–	(384,340)
Loss on disposal of property, plant and equipment	(53,657)	(3,003)	(1,768)	(333)	–	(58,761)
Dividend income	441,480	1,068	–	–	–	442,548
Share of profits of associates	–	–	–	2,326	–	2,326
Less: depreciation and amortisation	5,077,192	1,345,576	159,529	179,748	–	6,762,045
Segment EBITDA	**17,359,996**	**1,641,452**	**1,384,363**	**(175,868)**	**–**	**20,209,943**
Depreciation and amortisation	(5,077,192)	(1,345,576)	(159,529)	(179,748)	–	(6,762,045)
Finance income	319,487	110,544	139,170	(34,753)	(297,356)	237,092
Finance costs	(11,724,072)	(858,604)	(50,856)	156,679	297,356	(12,179,497)
Foreign exchange gain/(loss), net	696,724	(25,607)	(5,739)	213	–	665,591
Loss on disposal of subsidiary	–	(26,278)	–	(13,880)	–	(40,158)
Income tax (expense)/benefit	(134,574)	65,934	(239,300)	(615,584)	–	(923,524)
Profit/(loss) for the year	**1,440,369**	**(438,135)**	**1,068,109**	**(862,941)**	**–**	**1,207,402**

Segment information related to the Group's consolidated statement of financial position at 31 December 2012:

	Segment information as reviewed by CODM				Total
	Steel pipe production	Oilfield services	Trunk pipeline systems	Adjustments	as per IFRS consolidated financial statements
Current assets	50,848,984	2,721,494	6,251,445	(8,076,854)	51,745,069
Non-current assets	84,307,732	8,861,789	2,224,302	(21,337,284)	74,056,539
Total assets	**135,156,716**	**11,583,283**	**8,475,747**	**(29,414,138)**	**125,801,608**
Current liabilities	91,306,048	4,783,246	2,226,561	12,796,966	111,112,821
Non-current liabilities	40,062,229	3,025,055	779,545	(20,420,550)	23,446,279
Total liabilities	**131,368,277**	**7,808,301**	**3,006,106**	**(7,623,584)**	**134,559,100**

The information analysed by the CODM is reconciled to the IFRS consolidated financial statements at 31 December 2012 as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities
As reviewed by CODM	**59,821,923**	**95,393,823**	**98,315,855**	**43,866,829**
Scope of consolidation	48,568	(456,964)	169,315	36,850
Reclassifications	(6,401,985)	94,367	12,378,001	(18,685,620)
Other adjustments	(1,723,437)	(20,974,687)	249,650	(1,771,780)
As per IFRS consolidated financial statements	**51,745,069**	**74,056,539**	**111,112,821**	**23,446,279**

(thousands of Russian Roubles, unless otherwise stated)

Segment information related to the Group's consolidated statement of comprehensive income for the year ended 31 December 2011 is as follows:

	Segment information as reviewed by CODM					
	Steel pipe production	**Oilfield services**	**Trunk pipeline systems**	**Adjustments**	**Eliminations**	**Total as per IFRS consolidated financial statements**
Revenue from external customers	97,811,516	8,913,183	7,142,615	103,572	–	113,970,886
Inter-segment revenue	462,124	2,450	41,648	–	(506,222)	–
Cost of sales	(74,031,584)	(7,632,335)	(5,163,550)	(827,710)	514,354	(87,140,825)
Distribution costs	(5,807,662)	(180,440)	(444,011)	(315,398)	5,817	(6,741,694)
General and administrative expenses	(6,270,715)	(1,530,719)	(470,998)	208,766	(13,949)	(8,077,615)
(Impairment)/reversal of impairment of assets	(330,608)	251,226	161,556	(945,566)	–	(863,392)
Gain/(loss) on disposal of property, plant and equipment	51,161	26,631	20,744	(350,801)	–	(252,265)
Dividend income	562,350	–	–	–	–	562,350
Share of loss of associates	–	–	–	(1,070)	–	(1,070)
Other (expense)/income, net	(239,730)	–	–	239,730	–	–
Less: depreciation and amortisation	3,305,146	1,130,348	136,719	1,195,472	–	5,767,685
Segment EBITDA	**15,511,998**	**980,344**	**1,424,723**	**(693,005)**	–	**17,224,060**
Depreciation and amortisation	(3,305,146)	(1,130,348)	(136,719)	(1,195,472)	–	(5,767,685)
Finance income	483,849	100,795	86,191	126,062	(650,692)	146,205
Finance costs	(10,177,609)	(1,237,184)	(43,291)	81,168	650,692	(10,726,224)
Foreign exchange (loss)/gain, net	(31,470)	1,582	29,647	1,897	–	1,656
Excess of the Group's share in fair value of net assets acquired over the cost of acquisition	–	–	–	201,851	–	201,851
Gain on disposal of subsidiary	–	–	–	8,246	–	8,246
Income tax (expense)/benefit	(796,267)	339,250	(146,213)	(15,755)	–	(618,985)
Profit/(loss) for the year	**1,685,355**	**(945,561)**	**1,214,338**	**(1,485,008)**	–	**469,124**

Segment information related to the Group's consolidated statement of financial position at 31 December 2011:

	Segment information as reviewed by CODM				
	Steel pipe production	**Oilfield services**	**Trunk pipeline systems**	**Adjustments**	**Total as per IFRS consolidated financial statements**
Current assets	45,000,466	4,253,579	4,101,873	(6,184,660)	47,171,258
Non-current assets	105,778,209	7,716,985	1,688,391	(39,712,569)	75,471,016
Total assets	**150,778,675**	**11,970,564**	**5,790,264**	**(45,897,229)**	**122,642,274**
Current liabilities	74,266,714	3,025,705	1,243,363	33,118,786	111,654,568
Non-current liabilities	54,268,526	5,370,453	175,162	(38,941,364)	20,872,777
Total liabilities	**128,535,240**	**8,396,158**	**1,418,525**	**(5,822,578)**	**132,527,345**

The information analysed by the CODM is reconciled to the IFRS consolidated financial statements as follows:

	Current assets	**Non-current assets**	**Current liabilities**	**Non-current liabilities**
As reviewed by CODM	**53,355,918**	**115,183,585**	**78,535,782**	**59,814,141**
Scope of consolidation	(140,640)	(437,762)	(29,738)	42,975
Reclassifications	(5,095,769)	(1,662,027)	21,126,701	(27,884,495)
Other	(948,251)	(37,612,780)	12,021,823	(11,099,844)
As per IFRS consolidated financial statements	**47,171,258**	**75,471,016**	**111,654,568**	**20,872,777**

(thousands of Russian Roubles, unless otherwise stated)

Group revenue: geographical segments

The Group operates in three main geographical areas. Sales are based on the country in which the customer is located, while total assets and capital expenditures are based on where the assets are located. Nearly all of the Group's assets and capital expenditures are located in Russia with the exception of MSA, which is located in the Czech Republic.

For the geographical segments of the Group's sales and sales to major customers refer to the table below:

Revenue	Russian Federation	Commonwealth of Independent States	Other foreign countries	Total
2012	104,337,025	8,921,413	3,624,033	116,882,471
2011	104,385,769	4,472,097	5,113,020	113,970,886

Group revenue: major customers

The Group's sales to major customers for the year ended 31 December 2012 and 2011 are set out in the table below:

	2012	2011
Customer 1	22,236,865	26,891,334
Customer 2	10,967,974	9,421,150
Customer 3	9,760,439	4,066,217
Total revenue (all attributable to steel pipe production)	**42,965,278**	**40,378,701**

(thousands of Russian Roubles, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment were as follows:

	Notes	Land	Buildings	Infrastructure	Plant and equipment	Other	Construction in progress	Total
Cost or valuation at 31 December 2010		485,850	18,575,807	2,448,079	38,434,376	2,267,699	21,435,797	83,647,608
Accumulated depreciation at 31 December 2010		–	(7,146,061)	(1,397,996)	(16,756,474)	(1,096,179)	–	(26,396,710)
Accumulated impairment at 31 December 2010		–	(100,065)	(40,587)	(263,391)	(4,112)	(220,522)	(628,677)
Carrying amount at 31 December 2010		**485,850**	**11,329,681**	**1,009,496**	**21,414,511**	**1,167,408**	**21,215,275**	**56,622,221**
Additions and transfers		7,065	8,211,456	2,333,725	15,801,130	1,333,004	(16,099,988)	11,586,392
Acquired in a business combination		3,236	1,278,023	–	247,549	10,665	11,174	1,550,647
Disposals (cost)		(9,210)	(422,781)	(13,654)	(901,781)	(296,735)	(215,612)	(1,859,773)
Effect of foreign currency exchange differences (cost)		(3,663)	12,792	–	6,287	(1,699)	(504)	13,213
Disposals (accumulated depreciation)		–	89,288	4,587	463,748	140,929	–	698,552
Disposals (accumulated impairment)		–	23,737	–	32,882	7,197	53,636	117,452
Depreciation charge		–	(606,793)	(260,082)	(4,487,244)	(262,900)	–	(5,617,019)
Effect of foreign currency exchange differences (depreciation)		–	2,853	–	(22,708)	454	–	(19,401)
Impairment recognised	27	–	(66,674)	(3,066)	(216,069)	(7,415)	(24,279)	(317,503)
Impairment reversed	27	–	71,054	–	57,250	185	8,948	137,437
Disposals of subsidiaries (cost)	7	–	–	–	(76)	(144)	(56)	(276)
Disposals of subsidiaries (accumulated depreciation)	7	–	–	–	76	134	–	210
Cost or valuation at 31 December 2011		483,278	27,655,297	4,768,150	53,587,485	3,312,790	5,130,811	94,937,811
Accumulated depreciation at 31 December 2011		–	(7,660,713)	(1,653,491)	(20,802,602)	(1,217,562)	–	(31,334,368)
Accumulated impairment at 31 December 2011		–	(71,948)	(43,653)	(389,328)	(4,145)	(182,217)	(691,291)
Carrying amount at 31 December 2011		**483,278**	**19,922,636**	**3,071,006**	**32,395,555**	**2,091,083**	**4,948,594**	**62,912,152**
Additions and transfers		8,573	1,089,498	20,622	2,512,162	1,233,356	1,053,388	5,917,599
Disposals (cost)		(1,706)	(103,075)	(6,096)	(427,355)	(163,042)	(26,155)	(727,429)
Effect of foreign currency exchange differences (cost)		(144)	(2,655)	–	(3,523)	(233)	–	(6,555)
Disposals (accumulated depreciation)		–	37,362	4,860	498,569	39,944	–	580,735
Disposals (accumulated impairment)		–	–	34	2,315	10	6,529	8,888
Reclassification (cost)		–	698,299	(411,046)	(345,553)	58,300	–	–
Depreciation charge		–	(680,049)	(257,941)	(5,094,660)	(436,877)	–	(6,469,527)
Effect of foreign currency exchange differences (depreciation)		–	1,740	–	37	213	–	1,990
Impairment recognised	27	–	(153,349)	(21,130)	(145,938)	(686)	(7,440)	(328,543)
Impairment reversed	27	–	79,298	–	24,973	76	11,405	115,752
Reclassification (impairment)		–	1,999	(3,776)	1,122	655	–	–
Disposals of subsidiaries (cost)	7	(4)	(988)	–	(4,885)	(992)	–	(6,869)
Disposals of subsidiaries (accumulated depreciation)	7	–	128	–	2,995	661	–	3,784
Reclassification (depreciation)		–	58,426	(72,413)	98,107	(84,120)	–	–
Cost or valuation at 31 December 2012		489,997	29,336,376	4,371,630	55,318,331	4,440,179	6,158,044	100,114,557
Accumulated depreciation at 31 December 2012		–	(8,243,106)	(1,978,985)	(25,297,554)	(1,697,741)	–	(37,217,386)
Accumulated impairment at 31 December 2012		–	(144,000)	(68,525)	(506,856)	(4,090)	(171,723)	(895,194)
Carrying amount at 31 December 2012		**489,997**	**20,949,270**	**2,324,120**	**29,513,921**	**2,738,348**	**5,986,321**	**62,001,977**

At 31 December 2012, a number of capital works-in-progress that in management's opinion will not be continued in the foreseeable future are shown net of an impairment provision in amount of 171,723 (31 December 2011: 182,217). In 2012, the Group recognised an impairment reversal in the amount of 10,494 (2011: 38,305).

At 31 December 2012, bank borrowings were secured on property, plant and equipment with carrying value of 41,382,397 (31 December 2011: 21,241,091) (Note 32).

Additionally, at 31 December 2012, the Group has 388,520 of plant and equipment under finance leases (31 December 2011: 487,214). The entire amount guarantees the related finance lease obligation as discussed in Note 19.

(thousands of Russian Roubles, unless otherwise stated)

10. INTANGIBLE ASSETS

	Notes	Software	Know-how	Lease rights	Customer lists	Development cost capitalised	Other	Total
Cost at 31 December 2010		228,080	39,261	121,283	255,654	249,509	196,203	1,089,990
Accumulated amortisation 31 December 2010		(106,134)	(23,213)	(8,476)	(120,331)	(1,525)	(54,451)	(314,130)
Accumulated impairment 31 December 2010		(13,000)	–	(78,485)	–	–	–	(91,485)
Carrying amount 31 December 2010		**108,946**	**16,048**	**34,322**	**135,323**	**247,984**	**141,752**	**684,375**
Additions and transfers		64,215	–	–	–	138,023	220,852	423,090
Disposals (cost)		(27,885)	–	–	–	(7,219)	(17,434)	(52,538)
Effect of foreign currency exchange differences (cost)		13	–	–	–	–	–	13
Effect of foreign currency exchange differences (amortisation)		(6)	–	–	–	–	–	(6)
Disposals (accumulated amortisation)		23,173	–	–	–	1,525	15,717	40,415
Disposals (accumulated impairment)		4,753	–	–	–	–	–	4,753
Amortisation charge		(61,088)	(3,926)	(637)	(50,128)	–	(68,394)	(184,173)
Acquired in a business combination	7	2,543	–	–	27,563	–	4	30,110
Disposals in business combination (cost)	7	(114)	–	–	(1,344)	–	(18)	(1,476)
Disposals in business combination (accumulated amortisation)	7	106	–	–	1,344	–	8	1,458
Cost at 31 December 2011		266,852	39,261	121,283	281,873	380,313	399,607	1,489,189
Accumulated amortisation at 31 December 2011		(143,949)	(27,139)	(9,113)	(169,115)	–	(107,120)	(456,436)
Accumulated impairment at 31 December 2011		(8,247)	–	(78,485)	–	–	–	(86,732)
Carrying amount at 31 December 2011		**114,656**	**12,122**	**33,685**	**112,758**	**380,313**	**292,487**	**946,021**
Additions and transfers		389,292	–	–	–	78,351	121,514	589,157
Disposals (cost)		(16,143)	–	–	–	(1,451)	(17,302)	(34,896)
Effect of foreign currency exchange differences (cost)		80	–	–	–	–	–	80
Effect of foreign currency exchange differences (amortisation)		(44)	–	–	–	–	–	(44)
Disposals (accumulated amortisation)		10,471	–	–	–	–	25,668	36,139
Amortisation charge		(80,846)	(3,926)	(892)	(49,122)	–	(180,560)	(315,346)
Reclassification (amortisation)		(88)	–	–	–	–	88	–
Disposals in business combination (cost)	7	–	–	–	–	–	(15,970)	(15,970)
Disposals in business combination (accumulated amortisation)	7	–	–	–	–	–	74	74
Cost at 31 December 2012		640,081	39,261	121,283	281,873	457,213	487,849	2,027,560
Accumulated amortisation at 31 December 2012		(214,456)	(31,065)	(10,005)	(218,237)	–	(261,850)	(735,613)
Accumulated impairment at 31 December 2012		(8,247)	–	(78,485)	–	–	–	(86,732)
Carrying amount at 31 December 2012		**417,378**	**8,196**	**32,793**	**63,636**	**457,213**	**225,999**	**1,205,215**

(thousands of Russian Roubles, unless otherwise stated)

11. GOODWILL AND NON-CONTROLLING INTERESTS

Movements of goodwill allocated by CGUs and non-controlling interests in 2012 and 2011 are presented in the table below:

	2012		2011	
	Goodwill	**Non-controlling interests**	**Goodwill**	**Non-controlling interests**
At 1 January	**6,306,384**	**(421,102)**	**5,928,844**	**(304,014)**
Cost	16,430,087	(421,102)	16,052,547	(304,014)
Accumulated impairment	(10,123,703)	–	(10,123,703)	–
Loss attributable to non-controlling interests	**–**	**16,892**	**–**	**27,287**
Increase in participation interest				
BasaMetalloProdukcyi (CGU Pipe)	–	–	–	5,760
INM (CGU OFS)	–	96,032	–	38,197
Other (CGU Pipe)	–	(145)	–	–
Acquired in business combination				
NCTB (CGU OFS)	–	–	352,900	–
INM (CGU OFS)	–	–	–	(192,674)
Decrease due to disposal				
Nyaganneftemash (CGU OFS)	–	–	–	1,833
Usinsk-Alnas-Service (CGU OFS)	–	–	–	2,509
Effect of foreign currency exchange differences (cost)				
MSA (CGU TPS)	(13,121)	–	24,640	–
At 31 December	**6,293,263**	**(308,323)**	**6,306,384**	**(421,102)**
Cost	16,416,966	(308,323)	16,430,087	(421,102)
Accumulated impairment	(10,123,703)	–	(10,123,703)	–

Goodwill acquired is allocated to the Group's cash-generating units, which are Pipe, Meta, TPS and OFS.

The goodwill allocation to the Group's cash generating units is presented in the table below:

	31 December 2012	**31 December 2011**
TPS	4,835,067	4,848,188
Meta	732,557	732,557
OFS	725,639	725,639
Total carrying value of goodwill	**6,293,263**	**6,306,384**

Goodwill impairment test

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a seven-year period. Cash flows beyond the seven-year period were extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to CGU.

(thousands of Russian Roubles, unless otherwise stated)

At 31 December 2012, the Group tested goodwill for impairment using following key assumptions for value-in-use calculations:

	OFS	TPS	Meta
Excess of recoverable amounts over carrying values of CGU	3,974,103	5,532,965	4,058,704
Used key assumptions			
EBITDA margin	21.00%	13%-26%	5%-6%
Pre tax discount rate	18.77%	15.42%	15.45%
Terminal growth rate	2.50%	2.50%	2.00%

The recoverable amount of the OFS CGU would be equal to its carrying value if the EBITDA margin decreased by 4.0 percentage points or applicable discount rate increased by 7.6 percentage points. Any reasonably possible changes in the terminal growth rates would not lead to goodwill impairment.

The recoverable amount of the TPS CGU would be equal to its carrying value if the EBITDA margin decreased by 8.0 percentage points or applicable discount rate increased by 8.9 percentage points. Any reasonably possible changes in the terminal growth rates would not lead to goodwill impairment.

The recoverable amount of the Meta CGU would be equal to its carrying value if the EBITDA margin decreased by 2.8 percentage points or applicable discount rate increased by 25.0 percentage points. Any reasonably possible changes in the terminal growth rates would not lead to goodwill impairment.

12. OTHER FINANCIAL ASSETS

In 2011, the Group acquired 30% of the ordinary share capital of CJSC TechnoInvest Aliance from a third party for a cash consideration of 3,212,875. The entity is not considered to be an associate as no operating activity exists and its only asset is a mineral resource license. The Group classified such investment as a financial asset held for sale and included it in the separate line "other financial assets" in the consolidated statement of financial position.

The Group performed impairment test estimating recoverable amount based on a discounted cash flow model. Model includes some assumptions that are not supportable by observable market prices or rates. In determining the recoverable amount, risk adjusted real pre-tax discount rate of 12.4% is used. When assessing the planning outputs the Group used mineral resources and ore reserves estimates report conducted in 2012 in accordance with JORC Code by independent professional appraiser.

Recoverable amount of 30% of the ordinary share capital of CJSC TechnoInvest Aliance comprised 5,722,327 which is 2,509,452 higher than its carrying amount. Management believes this financial asset to be fully recoverable and unimpaired. The recoverable amount would be equal to its carrying value if the risk adjusted real pre-tax discount rate increased by 4.8 percentage point.

13. INVENTORY

	31 December 2012	31 December 2011
Raw materials	14,349,748	17,336,479
Finished goods and goods for resale	4,726,692	4,454,349
Work in progress	3,471,022	3,424,785
Allowance for obsolete and slow-moving inventory	(858,173)	(1,191,169)
Total inventory	**21,689,289**	**24,024,444**

At 31 December 2012, bank borrowings were secured on inventory with carrying value of 1,611,801 (31 December 2011: 2,467,510) (Note 32).

(thousands of Russian Roubles, unless otherwise stated)

14. LOANS RECEIVABLE

The fair value of loans receivable does not differ significantly from their carrying value due to either having variable interest rates or being recently renegotiated.

	31 December 2012	31 December 2011
Current loans receivable		
Loans receivable from related parties at interest rates as follows		
- Interest free	31,307	28,916
- 2% p.a.	54,155	52,159
- 12% to 13% p.a.	104,000	111,299
Loans receivable from third parties at interest rates as follows		
- Interest free	65,163	78,961
- Mosprime 1M + 5.7% p. a.	359,335	433,209
- 3% to 6% p. a.	94,551	11,245
- 6.5% to 11% p.a.	20,423	40,362
- 12% to 14.5 % p.a.	704,986	721,094
- 17% to 20 % p.a.	32,815	14,312
Allowance for impairment of loans receivable	(708,191)	(700,935)
Total loans receivable	**758,544**	**790,622**

Movements in the allowance for impairment of loans receivable are as follows:

	2012	2011
At 1 January	**(700,935)**	**(498,810)**
Allowance recorded (Note 27)	(43,860)	(4,785)
Allowance reversed (Note 27)	21,137	57,700
Impairment of loans receivable disposed in a subsidiary (Note 7)	(32,815)	(255,040)
Loans receivable written-off during the year as uncollectible	48,282	–
At 31 December	**(708,191)**	**(700,935)**

The accrual and reversal of allowance for impaired loans receivable were included in the consolidated statement of comprehensive income (Note 27). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

15. TRADE AND OTHER RECEIVABLES

	31 December 2012	31 December 2011
Trade receivables	21,337,436	16,324,949
Interest receivables	397,122	340,904
Receivables for other current assets (Note 17)	382,649	–
Other receivables	628,782	648,940
Allowance for impairment of trade and other receivables	(1,881,724)	(3,695,544)
Total financial assets	**20,864,265**	**13,619,249**
VAT and other taxes recoverable	1,487,892	3,602,527
Allowance for impairment of VAT and other taxes receivable	(32,105)	(323,301)
Advances and prepayments	1,488,382	1,274,004
Allowance for impairment of advances and prepayments	(173,669)	(201,060)
Total non-financial assets	**2,770,500**	**4,352,170**
Total trade and other receivables	**23,634,765**	**17,971,419**

(thousands of Russian Roubles, unless otherwise stated)

Management believes that the fair value of accounts receivable does not differ significantly from their carrying amounts due to their short-term nature. No accounts receivable were renegotiated during 2012 (2011: nil). The Group's receivables denominated in foreign currencies are disclosed in Note 33.

The Group usually provides customers with an average of 25-60 days credit. For major customers the Group can provide an average credit of 90-120 days. The ageing analysis of unimpaired trade, interest and other receivables (except advances and prepayments), based on maturity date, is as follows:

	31 December 2012	31 December 2011
Less than 3 months	20,512,144	13,294,296
3-6 months	239,993	42,542
More than 6 months	64,623	212,904
Trade, interest and other receivables not impaired	**20,816,760**	**13,549,742**

The Group identified trade, interest and other receivables of 1,929,228 (31 December 2011: 3,765,051) that were subject to individual impairment reviews. Of this amount, the Group has recognised allowance of 1,881,724 at 31 December 2012 (31 December 2011: 3,695,544).

Individually impaired receivables are identified for customers that are in unexpectedly difficult economic situations or to balances with long periods of settlement. The ageing of these receivables identified for individual impairment, based on maturity date is as follows:

	31 December 2012	31 December 2011
3-6 months	95,008	139,015
More than 6 months	1,834,220	3,626,036
Total gross amount of fully and partially impaired trade, interest and other receivables	**1,929,228**	**3,765,051**

Movements in the allowance for impairment of trade, interest and other receivables and advances are as follows:

	Trade, interest and other receivables		Advances and prepayments	
	2012	2011	2012	2011
At 1 January	**(3,695,544)**	**(2,993,629)**	**(201,060)**	**(373,602)**
Acquired in a business combination	-	(3,841)	-	(213)
Allowance recorded (Note 27)	(385,875)	(1,055,778)	(69,411)	(147,595)
Allowance reversed (Note 27)	244,052	315,658	62,408	187,279
Expense of foreign currency exchange differences	(295)	(2,619)	–	–
Impairment of receivables due to disposals (Note 7)	(106,874)	(63,840)	–	–
Receivables written-off during the year as uncollectible	2,052,747	100,811	33,434	7,613
Disposal of subsidiaries	10,065	7,694	960	125,458
At 31 December	**(1,881,724)**	**(3,695,544)**	**(173,669)**	**(201,060)**

The accrual and reversal of allowance for impaired receivables was included in the consolidated statement of comprehensive income (Note 27). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

At 31 December 2012, bank borrowings were secured on accounts receivable with carrying value of 3,926,986 (31 December 2011: 3,091,278) (Note 32).

(thousands of Russian Roubles, unless otherwise stated)

16. CASH AND CASH EQUIVALENTS

Balances with banks can be withdrawn on demand and are not interest-bearing. Term deposits have an original maturity of three months or less, and are interest-bearing.

	31 December 2012	31 December 2011
Cash on hand and balances with banks, RUB	2,351,867	1,688,173
Term deposits in RUB (interest rate: 4.15% to 9.25% p.a.)	651,755	368,247
Cash balances with banks, USD	1,904,039	205,768
Cash balances with banks, Euro, CZK, JPY, CHF, GBP	671,277	100,428
Term promissory notes	7,036	54,287
Term deposits in USD, EUR (interest rate: 0.5% to 1.0% p.a.)	–	41,532
Total cash and cash equivalents	**5,585,974**	**2,458,435**

17. OTHER CURRENT ASSETS

In 2008, the Group commenced construction of an industrial gas station, which it intended to use internally at its operational facilities in OJSC Pervouralsk New Pipe Plant. During 2010, the Group concluded it was not in the business of operating and producing gas and in December 2010, entered into an agreement with a third party («Investor») to sell the industrial gas station upon completion of its construction. As at 31 December 2011 the amount of construction cost comprised 930,156 which was included in «other current assets» with the remaining balance of 164,408 referring to input VAT. During 2012, the Group completed construction and incurred additional construction cost of 330,836 and related input VAT in the amount of 47,802. In December 2012 the industrial gas station was transferred to the investor with reimbursement of the expenses incurred, including VAT, in the total amount of 1,458,307. During the reporting period the investor paid 1,075,658 and the remaining amount of 382,649 included in other receivables (Note 15) at 31 December 2012 was settled in January 2013.

	2012	2011
Construction costs	930,156	852,645
Input VAT	164,408	153,410
Carrying amount at 1 January	**1,094,564**	**1,006,055**
Additional construction costs	330,836	77,511
Additional input VAT	47,802	10,998
Transfer	(1,458,307)	–
Unaccepted construction cost	(13,911)	–
Unaccepted input VAT	(984)	–
Carrying amount at 31 December	**–**	**1,094,564**

18. EQUITY

At 31 December 2012, the total authorised number of ordinary shares is 472,382,880 shares with a par value of RUB 1 per share of which 472,382,880 ordinary shares are issued and fully paid. Each ordinary share carries one vote.

In 2008, the Group sold 24,172,111 treasury shares to a third party for cash consideration of 2,426,390. The terms of the sale deferred the third party's payment until 20 February 2010. In February 2010, the third party breached the terms of the contract after not meeting the agreed upon payment terms. Consequently, the Group commenced pursuing legal transfer of its shares. The Group successfully obtained legal transfer of 21,810,197 of these shares in 2010.

At 1 January 2011, the Group held 25,166,785 treasury shares for a total amount of 2,513,715. In 2011, the Group received 2,361,914 shares back from the third party that were transferred in 2008.

(thousands of Russian Roubles, unless otherwise stated)

In 2011, the Group purchased an additional 15,263,051 treasury shares for total cash consideration of 1,859,619 from third parties. In December 2011, the Group also purchased 112,805,031 of treasury shares for total cash consideration of 13,189,653 from Mountrise Limited, its parent company.

At 31 December 2012, the Group held 155,596,781 treasury shares for a total amount of 17,795,009.

According to the Company's charter, the Company is required to establish a legal reserve through the allocation of 5 percent of net profit as computed under Russian accounting regulations. The total amount of the reserve is limited to 15 percent of the nominal registered amount of the Company's issued share capital. The legal reserve may only be used to offset losses of the Company and cannot be distributed to shareholders. At 31 December 2012 and 2011, the legal reserve is 70,857.

In 2012 and 2011, the Company did not declare or pay dividends.

19. BORROWINGS

	31 December 2012	31 December 2011
Non-current		
Term loans with fixed rates	942,301	5,900,369
Term loans with floating rates	148,826	725,141
Credit lines with fixed rates	16,061,149	12,634,628
Credit lines with floating rates	1,646,738	–
Promissory notes issued	4,631	4,203
Finance lease liabilities	191,764	219,912
Total non-current borrowings	**18,995,409**	**19,484,253**
Current		
Term loans with fixed rates	8,844,749	6,998,518
Term loans with floating rates	12,648,241	13,339,304
Credit lines with fixed rates	40,820,685	45,960,365
Credit lines with floating rates	21,522,629	25,982,870
Term loans due to related parties	–	21,000
Bonds payable	3,149	1,289,467
Promissory notes issued	–	2,612
Finance lease liabilities	148,211	115,410
Total current borrowings	**83,987,664**	**93,709,546**
Total borrowings	**102,983,073**	**113,193,799**

Bonds payable

The bonds payable represent bonds issued by the Company at various times, as described below.

In April 2008, the Company issued 8 million bonds at par value of 1 per bond ("Bond 03"). The bonds are repayable beginning 21 April 2015, the 2,548-th day following the date of placement. The interest yield on the bonds amounts to 8.0% p.a. As a result of various buy-back transactions with the bonds "Bond 03" during the period from 2008 to 2011 the Company repurchased 7,996,791 bonds. In April 2012, during buy-back option 60 bonds were redeemed at 100% face-value. The carrying value of Bond 03 at 31 December 2012 was 3,149 (31 December 2011: 3,209).

In December 2009, the Company issued 5 million bonds BO 01 at par value of 1 each. The interest yield amounts to 12.5% p.a. As a result of various buy-back transactions with the bonds in 2009, 2010 and 2011 the Company repurchased 3,713,499 bonds. In January and February 2012, the Company sold 322,000 bonds to third parties for 330,484. In June and December 2012, during buy-back options 1,608,501 bonds BO 01 were fully redeemed at 100% face-value, which occurred the 1,092-th day following the date of placement (the carrying value of the BO 01 at 31 December 2011 was 1,286,258).

(thousands of Russian Roubles, unless otherwise stated)

Term loans and credit lines

The Group has various borrowing agreements with lenders including term loans, revolving credit facilities and letter of credit facilities.

During the period, the Group entered into additional borrowing facilities totaling 11,000,963 which comprised term loans of 57,800 and 10,943,163 of credit lines, including the following:

- Various credit lines totalling 10,943,163 fully drawn at period end, repayable from January 2013 to March 2015;
- Term loans from various banks denominated in Russian Roubles totalling 57,800, repayable on dates from April 2013 to June 2014;

The above borrowing facilities bear interest at rates varying between 9.5% and 13.7% and were used to retire debts and fund working capital.

In addition, at 31 December 2012, the Group had available undrawn amounts under credit lines totaling 286,350, of which the 84,340 is denominated in Russian Roubles and the rest is in Euro.

The nominal interest rates at 31 December 2012 were as follows:

	Currency	Rates
Term loans with fixed rates	RUB	9.5%-13.5%
Term loans with fixed rates	USD	5%
Term loans with fixed rates	EUR	2.1%-5.25%
Term loans with fixed rates	Other	5.25%-5.53%
Term loans with floating rates	RUB	CBRF Refinancing rate + 5.5%; MosPrime + 5.0%; MosPrime 3M + 2.5%; MosPrime 1M + 5.5%
Term loans with floating rates	EUR	EURIBOR 6M + 1%; EURIBOR 3M + 3.9%
Term loans with floating rates	Other	1M PRIBOR + 2.0%
Credit lines with fixed rates	RUB	9.5%-12.9%
Credit lines with floating rates	RUB	MosPrime 3M + from 5.5% to 7.0%; MosPrime + 5.1%
Credit lines with floating rates	USD	LIBOR + 6.75%
Credit lines with floating rates	EUR	EURIBOR + 1%
Bonds payable	RUB	8.0%

The nominal interest rates at 31 December 2011 were as follows:

	Currency	Rates
Term loans with fixed rates	RUB	7.2%-15%
Term loans with fixed rates	USD	5%
Term loans with floating rates	RUB	MosPrime 3M + from 2.5% to 5.5%
Term loans with floating rates	EUR	EURIBOR +1%
Credit lines with fixed rates	RUB	8.5%-13%
Credit lines with floating rates	RUB	MosPrime + from 5.0% to 7.0%; CBRF Refinancing rate + 5.5%
Credit lines with floating rates	USD	LIBOR + 6.75%
Credit lines with floating rates	EUR	EURIBOR + 1%
Bonds payable	RUB	12.5%
Term loans due to related parties	RUB	10.0%

The non-current borrowings maturity schedule, excluding the present value of minimum lease payments, is as follows:

	31 December 2012	31 December 2011
1 to 2 years	17,621,204	12,248,947
2 to 3 years	470,119	7,011,191
3 to 4 years	471,307	–
4 to 5 years	236,384	–
More than 5 years	4,631	4,203
Total non-current borrowings	**18,803,645**	**19,264,341**

(thousands of Russian Roubles, unless otherwise stated)

Certain of the loan agreements contain debt covenants that impose restrictions on the purposes for which the loans may be utilised, disposal of assets, incurring of additional liabilities, issuance of loans or guarantees, obligations under any future reorganisation procedures or bankruptcy of borrowers and also require that the respective Group entities maintain pledged assets. In addition, these agreements contain financial covenants which include compliance with several financial ratios and clauses regarding the acceleration of payment upon default, including cross-default provisions.

At 31 December 2012, the Group was not in compliance with financial covenants contained in lending agreements with OJSC Sberbank, BNP Paribas S.A., OJSC Bank of Moscow, OJSC Nomos-bank, CJSC UniCredit Bank (Moscow), OJSC MTS-Bank, OJSC Bank Uralsib and CJSC Raiffeisenbank. Such breaches took place in respect of current borrowings in the amount of 24,853,663 and non-current borrowings in the amount of 24,523,909 at 31 December 2012, as a result the long term portion of these borrowings in the amount of 16,829,981 was reclassified as a current obligation at 31 December 2012.

The original maturity of the portion of breached long-term borrowings recorded as current is as follows:

	31 December 2012	31 December 2011
1 to 2 years	10,052,995	8,458,197
2 to 3 years	2,876,074	21,075,433
3 to 4 years	1,378,646	3,202,840
4 to 5 years	629,421	1,706,436
More than 5 years	1,892,845	2,725,721
Total non-current borrowings	**16,829,981**	**37,168,627**

In July 2012, the Group renegotiated terms of the long-term loans amounting to 14,927,783 due to OJSC Bank of Moscow (carrying value at 31 December 2012 was 14,867,740). The repayment period was amended from March - October 2014 to October 2012 - December 2013. The loans were originally issued to the Group in January 2009 and October 2011.

In July 2012, the Group renegotiated terms of the long-term loan amounting to 7,692,308 due to OJSC Gazprombank (carrying value at 31 December 2012 was 7,648,406). The repayment period was amended from July 2012 - September 2014 to March - September 2014. The loan was originally issued to the Group in November 2009.

The new terms of the loan agreements with OJSC Bank of Moscow and OJSC Gazprombank are not substantially different from the original financial liabilities, so these changes have been recognized as modifications of the original financial liabilities and not derecognised.

Syndicated loan agreement

In October 2012 OJSC Chelyabinsk Pipe-Rolling Plant and OJSC Pervouralsk New Pipe Plant signed a syndicated loan agreement (the "Syndicated loan") in the total amount of 86,575,000 with a syndicate of fourteen banks: OJSC Gazprombank, OJSC Bank of Moscow, CJSC Raiffeisenbank, OJSC Nomos bank, CJSC UniCredit Bank, OJSC Alfa-Bank, OJSC Bank Uralsib, OJSC Interregional commercial bank of development of communication and informatics, OJSC MTS-Bank, OJSC Transkreditbank, OJSC Chelindbank, OJSC AK BARS Bank, CJSC Surgutneftegasbank and OJSC Sberbank acting as an agent. The total amount of the syndicated loan was split into two tranches to be drawn in 2013-2014. The syndicated loan bears an effective interest rate of 13.0% per annum payable quarterly with the principal payable in semi-annual installments from June 2015 to October 2019. The loan proceeds will be fully used to re-finance existing loans of the individual banks represented in the new syndicated loan facility. The Group has been granted a grace period on repayment of principal outstanding of 70,151,802 pending receipt of draw downs under the syndicated loan. The Group is however required to continue to meet interest and other current charges on such outstanding loans until they are fully repaid. The Group received its first draw down on the syndicated loan in the amount of 70,310,399 in February 2013.

(thousands of Russian Roubles, unless otherwise stated)

The syndicated loan is contingent on the Group receiving a governmental guarantee which secures Group's obligation in the event of a default. In December 2012, the Ministry of Finance on behalf of the Russian Federation agreed to stand as guarantor of the Group's financial obligations in the event of a default in the repayment of these in the amount of 43,280,000 such guarantee to expire in January 2020. In addition to the above, the syndicated loan facility is secured by a pledge of controlling interests in the Company, controlling interests in its subsidiaries as well as its fixed assets (Notes 32 and 34). Also the Company repurchased treasury shares totaling 248,924 from minority shareholders who exercised their right under the Russian corporate law (Note 34). They were allowed to sell their shares after the extraordinary general meeting at which a proposal for signing the syndicated loan was made.

Additionally, in February 2013 the Company has successfully issued bonds: BO 02, BO 03 and BO 04, in the total amount of 8,225,000, the proceeds of which will be entirely used to repay the borrowings of the following banks: OJSC Promsvyazbank, OJSC Bank Soyuz, OJSC Bank Otkrytie, OJSC Chelindbank and OJSC Ural Bank for Reconstruction and Development (Note 34).

Finance leases

Minimum lease payments under finance leases and their present values are as follows:

	Minimum lease payments		Present value of minimum lease	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Due in 1 year	202,419	167,918	148,211	115,410
Due between 1 and 5 years	229,873	284,643	191,765	219,912
Total	**432,292**	**452,561**	**339,976**	**335,322**

All finance lease liabilities are effectively collateralised by the leased equipment as the right to the asset reverts to the lessor if the Group defaults on the lease.

Management believes that fair values of borrowings do not differ significantly from their carrying amounts.

20. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit obligations consist of the following:

	2012	**2011**
Present value of unfunded obligations at 1 January	590,540	503,751
Unrecognised past service cost at 1 January	(74,175)	(92,155)
At 1 January	**516,365**	**411,596**
Current service cost	28,783	25,281
Interest cost (Note 28)	45,609	38,604
Past service cost	15,497	17,980
Actuarial (gain)/loss	(81,610)	64,891
Settlements	(38,533)	(41,989)
Present value of unfunded obligations at 31 December	547,546	590,538
Unrecognised past service cost at 31 December	(61,435)	(74,175)
At 31 December	**486,111**	**516,363**

(thousands of Russian Roubles, unless otherwise stated)

Expense recognised in the consolidated statement of comprehensive income:

	2012	2011
Current service cost	28,783	25,281
Interest cost (Note 28)	45,609	38,604
Past service cost	15,497	17,980
Actuarial (gain)/loss	(81,609)	64,891
Total net benefit expense	**8,280**	**146,756**

Pension plan liabilities are estimated using actuarial techniques and the following assumptions:

	31 December 2012	31 December 2011
Discount rate	6.5%-7.0%	8.0%-8.5%
Inflation rate	5.0%	6.0%-8.0%
Future salary increases	5.0%	6.0%-8.0%
Future pension increases	5.0%	6.0%-8.0%
Withdrawal rate	Depending on years of service	Depending on years of service
ALNAS mortality rates	Russian Federation in 1986-1987	Russian Federation in 1986-1987
CTRP, PNTZ mortality rates	Chelyabinsk region in 2006	Chelyabinsk region in 2006

Actuarial results may differ from estimates, and may be revised in the future.

Sensitivity analysis for pension plan obligations is as follows:

	31 December	Discount rate		Salary rate		Withdrawal rate	
	2012	0.75%	-0.75%	0.75%	-0.75%	1.5%	-1.5%
CTRP	182,357	173,205	192,735	192,679	173,131	162,809	203,422
PNTZ	235,536	226,704	245,781	245,216	226,822	215,282	260,030
ALNAS	129,653	116,739	144,888	145,019	116,471	124,139	136,231
Total	**547,546**	**516,648**	**583,404**	**582,914**	**516,424**	**502,230**	**599,683**

21. OTHER TAXES PAYABLE

Other taxes payable consist of the following:

	31 December 2012	31 December 2011
Value added tax	912,547	900,432
Social contributions	442,885	383,802
Personal income tax	120,350	107,169
Property tax	120,017	180,412
Other taxes	70,511	43,067
Total other taxes payable	**1,666,310**	**1,614,882**

(thousands of Russian Roubles, unless otherwise stated)

22. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	31 December 2012	31 December 2011
Trade payables	19,131,748	10,853,165
Interest payable	166,554	212,145
Accrued liabilities and other creditors	359,926	283,149
Total financial liabilities	**19,658,228**	**11,348,459**
Wages and salaries payable*	1,378,242	1,210,391
Total accounts payable and accrued expenses	**21,036,470**	**12,558,850**

*Non-financial liabilities

The Group's payables denominated in foreign currencies are disclosed in Note 33.

23. REVENUE

	2012	2011
Domestic sales of pipes	82,446,208	83,763,935
Domestic sales of oilfield services	17,496,115	14,257,452
Domestic sales of scrap	3,939,791	6,017,614
Domestic sales of other goods	454,911	346,769
Export of pipes	12,093,877	7,902,985
Export of oilfield services	451,569	1,682,131
Total revenue	**116,882,471**	**113,970,886**

24. COST OF SALES

	2012	2011
Raw materials	54,652,399	62,649,710
Salaries and salary taxes	9,994,542	9,508,325
Depreciation and amortisation	6,163,408	5,241,699
Production overheads and repairs	6,450,324	4,618,462
Energy and utilities	3,976,040	3,844,125
Cost of goods for resale	7,102,081	2,020,301
Changes in inventory allowance	(398,389)	181,926
Changes in balances of work in progress and finished goods	(164,538)	(923,723)
Total cost of sales	**87,775,867**	**87,140,825**

25. DISTRIBUTION COSTS

	2012	2011
Transportation and customs expenses	4,047,382	3,962,882
Salaries and salary taxes	1,270,996	1,173,400
Packing, storage and handling	670,184	602,484
Advertising and marketing expenses	764,971	315,649
Office expenditure	166,283	162,375
Commission	230,829	148,579
Operating lease expenses	109,325	143,536
Depreciation and amortisation	102,288	67,935
Other	124,492	164,854
Total distribution expenses	**7,486,750**	**6,741,694**

(thousands of Russian Roubles, unless otherwise stated)

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Salaries and salary taxes	3,126,059	2,737,044
Non-production overheads and repairs	2,100,869	2,251,850
Taxes other than income tax	1,192,808	1,080,200
Depreciation and amortisation	496,349	458,051
Insurance	301,477	376,053
Consultancy, audit and legal services	309,838	345,490
Operating lease expenses	202,374	164,290
Auxiliary materials	63,011	138,562
Other	380,944	526,075
Total general and administrative expenses	**8,173,729**	**8,077,615**

In 2012, total staff cost in cost of sales, distribution costs and general and administrative expenses amounted to 14,391,597 (2011: 13,418,769).

27. IMPAIRMENT OF ASSETS

	2012	2011
Trade and other receivables (Note 15)	148,826	700,436
Property, plant and equipment (Note 9)	212,791	180,066
VAT recoverable allowance	–	35,805
Loans receivable (Note 14)	22,723	(52,915)
Total impairment of assets	**384,340**	**863,392**

28. FINANCE INCOME AND COSTS

	2012	2011
Interest income on loans receivable	237,092	146,205
Total finance income	**237,092**	**146,205**
Interest cost on borrowings	12,064,271	10,610,017
Finance charges under finance lease	69,617	77,603
Interest on employee benefits liabilities	45,609	38,604
Total finance costs	**12,179,497**	**10,726,224**

(thousands of Russian Roubles, unless otherwise stated)

29. INCOME TAX

Income taxes comprise the following:

	2012	2011
Current tax	(2,194,981)	686,408
Deferred tax	3,118,505	(67,423)
Income tax expense	**923,524**	**618,985**

Reconciliation between the statutory rate and actual income tax charge is provided below:

	2012	2011
Income before income tax	(2,130,931)	(1,088,109)
Theoretical tax at statutory rate	424,912	219,212
Tax effect of items which are not deductible or assessable for taxation purposes:		
-Excess of share in net assets acquired in a subsidiary over purchase consideration	–	(40,014)
-Social costs	145,431	116,581
-Dividends received	(88,296)	(106,999)
-Other non-deductible expenses	155,364	86,284
-Interest expenses	2,610	24,796
-Change in measurement of inventory balances	12,500	16,888
-Receivables and loans written-off during the year as uncollectible	142,113	37,877
-Unrecognised deferred tax assets	128,890	264,360
Income tax expense	**923,524**	**618,985**

(thousands of Russian Roubles, unless otherwise stated)

Differences between IFRS and Russian and Czech Republic tax principles give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% for Russia and 19% for Czech Republic:

	31 December 2010	Credited/ (charged) to profit or loss	Acquired in business combinations	Disposal of subsidiaries (Note 7)	Translation differences	31 December 2011	(Charged)/ credited to profit and loss	Disposal of subsidiaries (Note 7)	Translation differences	31 December 2012
Tax effects of deductible temporary differences:										
Accounts receivable	653,451	108,673	441	(44)	499	763,020	(509,683)	(25)	(33)	253,279
Accounts payable and accruals	236,251	25,911	–	–	(190)	261,972	(135,498)	–	(85)	126,389
Other deductible temporary differences	70,869	(797)	108,552	(2,108)	–	176,516	(133,439)	–	–	43,077
Inventories	72,636	142,801	87	(99)	1,562	216,987	(118,672)	–	(261)	98,054
Losses carried forward	51,029	(1,812)	(1,560)	–	–	47,657	1,346,761	(4,792)	–	1,389,626
Total deductible temporary differences	**1,084,236**	**274,776**	**107,520**	**(2,251)**	**1,871**	**1,466,152**	**449,469**	**(4,817)**	**(379)**	**1,910,425**
Set off of tax	(723,539)					(1,156,834)				(1,641,780)
Deferred tax assets	**360,697**					**309,318**				**268,645**
Investment in associates	(105,209)	–	105,209	–		–	–	–	–	–
Property, plant and equipment and intangible asset	(829,569)	(189,097)	(362,758)	–	(2,492)	(1,383,916)	(4,003,129)	(9,970)	401	(5,396,614)
Borrowings and loans	(238,435)	(22,613)	–	–	–	(261,048)	198,805	–	–	(62,243)
Other taxable temporary differences	(240,706)	4,357	–	–	–	(236,349)	236,349	–	–	–
Total taxable temporary differences	(1,413,919)	(207,353)	(257,549)	–	(2,492)	(1,881,313)	(3,567,975)	(9,970)	401	(5,458,857)
Set off of tax	723,539					1,156,834				1,641,780
Deferred tax liability	**(690,380)**					**(724,479)**				**(3,817,077)**

The amount of unrecognized deferred tax assets on unused tax losses carried forward for 2012 is 1,348,539 (2011: 1,230,492).
Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to do so and intends to settle on a net basis.

(thousands of Russian Roubles, unless otherwise stated)

30. EARNINGS PER SHARE

For the year ended 31 December 2012, basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company in the amount of 1,224,294 (year ended 31 December 2011: profit 496,411) by the weighted average number of ordinary shares outstanding during the year ended 31 December 2012, excluding treasury shares, which comprised 316,786,099 shares (year ended 31 December 2011: 443,743,709 shares).

The Company has no potentially dilutive ordinary shares; accordingly diluted earnings per share is the same as the basic earnings per share.

31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Generally parties are considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over, or is under significant influence of the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Related parties of the Group predominantly comprise parties under the control of the Group's controlling shareholders.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2012 are detailed below:

	Associates	Entities controlled by the Group's controlling shareholder	Entities under significant influence of the Group's controlling shareholder
Gross amount of trade and other receivables	36,000	225,401	59,807
Originated loans	–	85,462	104,000
Trade and other payables	–	(344,988)	(122)

During the year ended 31 December 2012, the Group transferred debts of third parties to related parties at fair value of 47,896 under cession agreements (year ended 31 December 2011: 4,800).

Income and expense items with related parties as well as purchases in year ended 31 December 2012 were as follows:

	Associates	Entities controlled by the Group's controlling shareholder	Entities under significant influence of the Group's controlling shareholder
Revenue	129	13,460	42
Purchases	(53)	(380,916)	(4,090)
Distribution expenses	–	(23,321)	–
General and administrative expenses	–	(627,512)	13,104
Finance income, net	–	34,544	–

At 31 December 2012, no guarantees were issued/received by the Group on behalf of related parties.

(thousands of Russian Roubles, unless otherwise stated)

Transactional cash flows with related parties in year ended 31 December 2012 were as follows:

	Associates	Entities controlled by the Group's controlling shareholder	Entities under significant influence of the Group's controlling shareholder
Operating activities	152	(995,424)	(6,054)
Investing activities	–	32,679	–

At 31 December 2011, outstanding balances with related parties were as follows:

	Entities controlled by the Group's controlling shareholder	Entities under significant influence of the Group's controlling shareholder
Gross amount of trade and other receivables	170,660	46,348
Originated loans and promissory notes receivable	88,363	104,011
Trade and other payables	(157,635)	(5,953)
Loans payable	–	(21,000)

Income and expense items with related parties over year ended 31 December 2011 were as follows:

	Associates	Entities controlled by the Group's controlling shareholder	Entities under significant influence of the Group's controlling shareholder
Revenue	(875)	117,335	4
Purchases	–	(1,243,980)	(30)
Distribution expenses	–	(3,981)	–
General and administrative expenses	–	(330,150)	(1,008)
Finance income, net	–	1,546	62,709

Transactional cash flows with related parties in year ended 31 December 2011 were as follows:

	Associates	Entities controlled by the Group's controlling shareholder	Entities under significant influence of the Group's controlling shareholder
Operating activities	555	(1,308,765)	1,978,403
Financing activities	–	(13,189,653)	–
Investing activities	–	(52,219)	844,020

Directors' and key management remuneration

At 31 December 2012, the Board of Directors comprised 7 directors (31 December 2011: 7 directors). During the year ended 31 December 2012, compensation of the Board of Directors amounted to 26,578 and was included in general and administrative expenses (year ended 31 December 2011: 25,588). During 2012, aggregate remuneration of executives amounted to 112,590 and was included in general and administrative expenses (2011: 116,951).

Non-controlling interest

At 31 December 2012, 11,555 of a non-controlling interest of 1.01% of the net assets of OJSC "Izhneftemash" was attributable to an entity controlled by the Group's key management personnel (31 December 2011: 50,003, non-controlling interest of 21.8%).

32. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Legal proceedings

The Group is involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group.

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of submission of tax declaration. Under certain circumstances reviews may cover longer periods.

At 31 December 2012, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations in such areas that may impact the overall tax rate of the Group and such interpretations may be subject to challenge by the tax authorities.

Management estimates that the Group has possible obligations from exposure to other than remote tax risks related to recovery of input VAT. The impact of any challenge by the tax authorities cannot be reliably estimated, however, it may be significant to the financial condition and/or the overall operations of the Group.

In addition to the matters above, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of 186,553 at 31 December 2012 (31 December 2011: 208,216) which relate primarily to VAT and corporate profit tax. There is no liability recorded for this exposure as management does not believe payment is probable.

Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Capital expenditure commitments

At 31 December 2012, the Group had contractual capital expenditure commitments to acquire equipment and works of capital nature totaling 2,579,898 (31 December 2011: 2,519,698).

(thousands of Russian Roubles, unless otherwise stated)

Assets pledged and restricted

At 31 December 2012, the Group has the following assets pledged as collateral:

		31 December 2012		31 December 2011	
	Notes	Asset pledged, carrying value	Related liability	Asset pledged, carrying value	Related liability
OJSC Sberbank*	19	16,136,269	–	–	–
BNP Paribas S.A.		5,512,054	5,032,318	6,485,512	5,565,285
OJSC Gazprombank		5,249,889	16,075,020	924,899	9,148,019
UniCredit Bank AG (Munich)		3,939,269	2,114,454	3,393,014	2,674,315
OJSC Sberbank		3,304,746	18,112,202	3,842,810	10,366,881
OJSC Nomos- bank		3,072,712	3,852,200	3,245,837	1,346,582
OJSC Bank of Moscow		2,236,935	5,730,763	1,296,805	5,455,987
CJSC Raiffeisenbank		773,811	3,541,450	450,613	6,057,617
CJSC UniCredit Bank (Moscow)		421,453	191,317	421,453	286,495
OJSC Transkreditbank		337,533	3,800,000	–	–
OJSC Alfa–Bank		231,276	9,964,536	1,093,589	3,100,406
OJSC Akibank		126,850	64,160	86,559	56,900
OJSC Bank Saint Petersburg		39,600	550,000	–	–
Property, plant and equipment	**9**	**41,382,397**	**69,028,420**	**21,241,091**	**44,058,487**
OJSC Sberbank		1,261,801	3,862,579	2,117,510	5,799,684
CJSC UniCredit Bank (Moscow)		350,000	158,881	350,000	237,923
Inventory	**13**	**1,611,801**	**4,021,460**	**2,467,510**	**6,037,607**
OJSC Sberbank		–	–	236	700
OJSC Bank of Moscow		3,459,547	9,136,977	2,099,253	9,405,694
OJSC Ural bank for Reconstruction and Development		467,439	485,000	991,789	985,000
Accounts Receivable	**15**	**3,926,986**	**9,621,977**	**3,091,278**	**10,391,394**
Total		**46,921,184**	**82,671,857**	**26,799,879**	**60,487,488**

* In October 2012 OJSC Chelyabinsk Pipe-Rolling Plant and OJSC Pervouralsk New Pipe Plant signed a syndicated loan agreement (the "Syndicated loan") in the total amount of 86,575,000 with a syndicate of fourteen banks (Note 19). The tranches under the syndicated loan will be drawn since 2013 (Note 34).

At 31 December 2012, the total loan indebtedness due to OJSC Sberbank and OJSC Nomos-bank in the amount of 831,026 is secured by a pledge of SOT and LLC Ugansk Alnas Service future revenue proceeds in the amount of 2,033,243 (31 December 2011: 957,158 of loan indebtedness is secured by pledge in amount of 3,637,540).

Guarantees, provided by OJSC Bank of Moscow to pipeline construction companies on behalf of the Group, were secured by pledge of property, plant and equipment in amount of 221,538 at 31 December 2012 (31 December 2011: 755,896).

(thousands of Russian Roubles, unless otherwise stated)

Shares pledged and restricted

At 31 December 2012, the following Group's shares were pledged as collateral:

Pledger	Company	Pledgee	Year	Percent of share capital	Secondary pledge of shares to OJSC Sberbank*
Group's shareholders	Chelpipe	OJSC Gazprombank	2010	50% + 1 share	–
Group's shareholders	Chelpipe	OJSC Bank of Moscow	2009	2.41%	1.99%
Group's shareholders	Chelpipe	OJSC Sberbank*	2012	0.01%	–
Poweredge Holdings Ltd	Chelpipe	OJSC Bank of Moscow	2011	4.30%	4.30%
The Group	Chelpipe	OJSC Sberbank	2010	20.00%	20.00%
The Group	Chelpipe	OJSC Sberbank*	2012	3.23%	–
The Group	Chelpipe	OJSC Bank of Moscow	2009	9.70%	9.70%
The Group	PNTZ	OJSC Sberbank	2010	50% + 1 share	50% + 1 share
The Group	PNTZ	OJSC Sberbank*	2012	30.00%	–
The Group	PNTZ	OJSC Raiffeisenbank	2009	20.00%	20.00%
The Group	SOT	OJSC Sberbank	2010	50% + 1 share	50% + 1 share
The Group	SOT	OJSC Sberbank*	2012	49.92%	–
The Group	SOT	OJSC Bank of Moscow	2011	0.08%	0.08%
The Group	CJSC RIMERA	OJSC Sberbank*	2012	99.99%	–
The Group	ALNAS ordinary shares	OJSC Raiffeisenbank	2008	95.12%	95.12%
The Group	ALNAS ordinary shares	OJSC Sberbank*	2012	4.88%	–
The Group	ALNAS preferred shares	OJSC Sberbank*	2012	100.00%	–
The Group	INM ordinary shares	OJSC Sberbank*	2012	73.14%	–
The Group	INM preferred shares	OJSC Sberbank*	2012	1.36%	–
The Group	LLC Meta-Invest	OJSC Sberbank*	2012	100.00%	–
The Group	LLC Meta	OJSC Sberbank*	2012	100.00%	–
The Group	UTS	OJSC Bank of Moscow	2009	99.00%	–
The Group	CJSC SKS Metris	OJSC Bank of Moscow	2009	100.00%	–

* OJSC Sberbank is the syndicated loan agent that acts on behalf of itself and following banks: OJSC Gazprombank, OJSC Bank of Moscow, CJSC Raiffeisenbank, OJSC Nomos-bank, CJSC UniCredit Bank, OJSC Alfa-Bank, OJSC Bank Uralsib, OJSC Interregional commercial bank of development of communication and informatics, OJSC MTS-Bank, OJSC Transkreditbank, OJSC Chelindbank, OJSC AK BARS Bank and CJSC Surgutneftegasbank (Note 19).

Insurance policies

Under bank loan covenants the Group is to insure its assets during the loan period. The Group has insured its pledged manufacturing property, plant and equipment during the year ended 31 December 2012 for a cover amount of 80,646,044 (deductible of 41,240) (2011: for a cover amount of 47,714,770 (deductible of 73,370). However, the insurance does not cover the risks of damage to third parties and losses from temporary suspension in the production process. Management does not believe exposure to those risks is significant.

(thousands of Russian Roubles, unless otherwise stated)

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Although the Group lacks formalised risk management programs, its overall risk management procedures focus on the unpredictability of financial and commodity markets and seek to minimise potential adverse effects on the Group's financial performance and exposures. The Group does not use derivative financial instruments to hedge its risk exposures.

Risk management is carried out by treasury departments of each of the Group companies under general guidance of the treasury department of the Company. Treasury departments of the companies of the Group identify, evaluate and take measures to minimise financial risks in close co-operation with Chelpipe's treasury department.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and USD.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the Group's functional currency. Group companies do not have a formal policy to manage their foreign exchange risk against their functional currency. Management of the Group minimises cash held with banks to reduce or eliminate foreign exchange risk exposure on its cash balances.

At 31 December 2012, if the Russian Rouble had weakened/strengthened by 20% (31 December 2011: 20%) against the USD with all other variables held constant, the Group's post-tax profit for the year would have been 13,781 higher/lower (31 December 2011: post-tax loss for the year would have been 428,939 lower/higher), mainly as a result of foreign exchange losses/gains on translation of USD denominated receivables and borrowings denominated in USD.

At 31 December 2012, if the Russian Rouble had weakened/strengthened by 20% (31 December 2011: 20%) against the Euro with all other variables held constant, the Group's post-tax profit for the year would have been 1,324,663 lower/higher (31 December 2011: post-tax loss for the year would have been 1,426,440 lower/higher), mainly as a result of foreign exchange losses/gains on translation of Euro-denominated borrowings and accounts payable.

Analysis by currency is as follows:

	31 December 2012			31 December 2011		
	RUB	USD	Euro	RUB	USD	Euro
Monetary financial assets	**23,683,927**	**2,430,084**	**1,094,770**	**16,084,362**	**463,325**	**320,619**
Trade accounts receivables	19,088,279	389,895	403,334	12,579,467	193,510	181,665
Other accounts receivables	561,920	3,555	20,159	323,665	38	–
Loans receivable	627,844	130,700	–	731,164	59,458	–
Interests receivable	395,226	1,895	–	339,358	1,546	–
Cash	3,010,658	1,904,039	671,277	2,110,708	208,773	138,954
Monetary financial liabilities	**(110,923,436)**	**(2,343,950)**	**(9,373,915)**	**(112,162,191)**	**(3,144,195)**	**(9,235,871)**
Borrowings	(93,512,136)	(1,681,559)	(7,444,772)	(101,641,661)	(2,969,645)	(8,240,355)
Promissory notes and loans payable	(4,631)	–	–	(6,815)	–	–
Trade accounts payable	(16,707,194)	(659,266)	(1,765,287)	(9,785,263)	(163,814)	(904,089)
Other accounts payable	(222,629)	(2,160)	(135,138)	(193,384)	(6,208)	(83,555)
Finance lease payments	(312,722)	–	(27,254)	(331,255)	–	(4,067)
Interests payable	(164,124)	(965)	(1,464)	(203,813)	(4,528)	(3,805)
Total, net	**(87,239,509)**	**86,134**	**(8,279,145)**	**(96,077,829)**	**(2,680,870)**	**(8,915,252)**

(thousands of Russian Roubles, unless otherwise stated)

(ii) Price risk

The Group is not exposed to equity securities price risk because it does not hold a material portfolio of quoted equity securities. The Group is not exposed to commodity price risk because its finished products and raw materials are not traded on a public market.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant assets bearing interest at floating rates, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Management of the Group minimises exposure to fluctuations in interest rates by holding unused facilities both under fixed and variable interest rate loans. All loan agreements permit early redemption. Management of the Group is able to redeem and withdraw loans managing its exposure to interest rate risk. In 2012 and 2011, the Group's borrowings at variable rate were denominated in RUB, USD and Euro.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal, existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent major interest-bearing positions and include all type of loan agreements with floating and fixed rates. During year ended 31 December 2012, based on the simulations performed, the impact on post-tax profit of a 100 basis points shift in interest rate would be an increase/decrease of 859,148 (2011: the impact on post-tax profit would have been an increase/decrease of 804,977).

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency liabilities or interest rate exposures.

(b) Credit risk

Credit risk is managed at the level of individual Group companies. The maximum exposure to credit risk at the reporting date was equal to 27,208,782 (31 December 2011: 16,868,306) and approximates the fair value of each class of receivables, promissory notes and loans receivable, deposits with banks and financial institutions and cash and cash equivalents.

The Group's major clients are represented by final customers, i.e. large oil and gas or pipeline construction companies. Limits of the accounts receivable are established on quarterly basis and monitored by the management of the Group.

The table below shows the major balances with banks at the reporting date.

	Agency	**Rating**	**31 December 2012**	**31 December 2011**
OJSC Sberbank	Moody's	A3	3,745,017	449,916
OJSC Nomos-bank	Moody's	Ba3	376,760	–
OJSC Gazprombank	Moody's	Baa3	233,803	738,516
OJSC Bank of Moscow	Moody's	Ba2	–	385,511
Total risk concentrations within cash balances with banks			**4,355,580**	**1,573,943**

(thousands of Russian Roubles, unless otherwise stated)

The tables below show the balances of the three major counteragents for trade receivables and loans receivable at the reporting date:

	31 December 2012	31 December 2011
Counteragent 1	4,091,810	5,323,004
Counteragent 2	1,873,475	1,018,159
Counteragent 3	1,699,467	134,893
Total risk concentrations within trade receivables	**7,664,752**	**6,476,056**
Counteragent 1	422,436	422,436
Counteragent 2	104,000	104,000
Counteragent 3	83,430	68,283
Total risk concentrations within loans receivable	**609,866**	**594,719**

At 31 December 2012, cash and cash equivalents (Note 16) comprise 5,585,974 (31 December 2011: 2,458,435). Out of this amount cash on hand and balances with banks are 4,927,183 (31 December 2011: 1,994,370) and term deposits and bank promissory notes account for 658,791 (31 December 2011: 464,065). All deposits were withdrawn shortly after the reporting date. For banks and financial institutions, only the top 20 Russian banks by capital are used by the Group. The Group does not hold any collateral as security for these financial assets.

At 31 December 2012, trade and other receivables (Note 15) comprise 20,467,143 (31 December 2011: 13,287,345). Balances due from third parties account for 20,145,935 and from related parties account for 321,208 of this amount (31 December 2011: 13,061,337 and 217,008 respectively). Management of the Group believes that credit risks on trade and other receivables balances are limited to specific customers because a majority of their customers have good payment history due to their long business relationships with the Group.

At 31 December 2012, balances due from overseas customers comprise 343,737 (31 December 2011: 427,764).

Key customers of the Group are mainly represented by state-owned companies and/or large oil and gas companies and/or large companies engaged in construction of pipelines with which the Group has a long history of doing business.

At 31 December 2012, balances of promissory notes, loans and interest receivable comprise 1,155,665 (31 December 2011: 1,131,526) and include balances due from related parties of 189,462 (31 December 2011: 192,374).

Cash was collected according to the contractual terms during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

The Group believes prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. As disclosed in Note 2, the Group was significantly impacted by the economic downturn and has been taking steps to improve its liquidity. Management is actively focused on obtaining additional financing, managing its available working capital and as needed, modifying its debt agreements.

(thousands of Russian Roubles, unless otherwise stated)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest. Borrowings are presented without effect of reclassification due to breach of covenants. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2012				
Trade and other payables	20,869,916	–	–	–
Promissory notes payable	–	–	–	31,495
Borrowings	67,756,033	27,861,553	6,091,352	1,899,661
Finance lease liabilities	202,419	140,263	89,610	–
At 31 December 2011				
Trade and other payables	12,346,705	–	–	–
Promissory notes payable	2,612	–	–	31,495
Borrowings	61,366,563	22,183,988	33,311,150	2,736,903
Finance lease liabilities	167,918	123,381	161,262	–

At 31 December 2012, current liabilities of the Group exceed its current assets. Management of the Group believes that its current liquidity gap can be covered by means of the syndicated loan facility (Note 19).

33.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management understands the term 'capital' as a financial notion of capital defined as invested money or invested purchasing power.

Consistent with other companies in the industry, the Group monitors capital on the basis of portion of net debt in total net equity and net debt. This measure is calculated as net debt divided by total capital.

Net debt is calculated as total debt (including long- and short-term borrowings (Note 19) and preferred shares, as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as net equity plus net debt. Net equity is calculated as equity (as shown in the consolidated statement of financial position) less treasury shares.

The Group's ability to issue new shares or otherwise modify share capital and to pay dividends is not limited by debt covenants but is subject to approval from banks.

Measures of net debt to total equity and debt at 31 December 2012 and 2011 were as follows:

	31 December 2012	31 December 2011
Total debt	103,130,755	113,341,481
Less: cash and cash equivalents	(5,585,974)	(2,458,435)
Net debt	**97,544,781**	**110,883,046**
Total equity deficit	(8,757,492)	(9,885,071)
Less: treasury shares	17,795,009	17,795,009
Net equity	**9,037,517**	**7,909,938**
Total net equity and net debt	106,582,298	118,792,984
Gearing ratio	**92%**	**93%**

(thousands of Russian Roubles, unless otherwise stated)

34. EVENTS AFTER THE REPORTING PERIOD

In the first quarter of 2013, the Company repurchased 5,543,970 treasury shares (or 1.17% of registered capital) from the minority shareholders at a fixed price of 44.9 Russian Roubles per share totaling 248,924. The minority shareholders exercised their right under the Russian corporate law enabling them to sell their shares to the Company due to proposal to enter into a syndicated loan made at extraordinary general meeting.

In February 2013, the Group's shareholders signed a share pledge agreement according to the terms of the syndicated loan and re-pledged 236,191,441 shares of the Company (or 50% + 1 share of registered capital) as security for the syndicated loan.

In February 2013, the Group received its first draw down on the syndicated loan in the amount of 70,310,399.

In February 2013, the Company issued 8,225,000 bonds at par value with the following conditions of issue:

	BO 02	**BO 03**	**BO 04**
Quantity, units	2,000,000	5,000,000	1,225,000
Bonds par value	1	1	1
Total amount	**2,000,000**	**5,000,000**	**1,225,000**
Bonds expiry date	50% of par value at 182th day from the date of placement, 50% of par value at 364th day from the date of placement	50% of par value at 546th day from the date of placement, 50% of par value at 728th day from the date of placement	100% of par value at 910th day from the date of placement
Coupon rate, % per annum	6	8	10
Coupon yield payment period	quarter	quarter	quarter