OJSC LSR Group

Consolidated Financial Statements
for the year ended 31 December 2012

Contents

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Auditors' Report

To the Board of Directors

OJSC LSR Group

We have audited the accompanying consolidated financial statements of OJSC LSR Group (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

Audited entity: Open Joint Stock Company Group LSR

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

36, Kazanskaya street, Saint Petersburg, Russia, 190031

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

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

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

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

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

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

Opinion

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

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

ZAO KPMG

26 March 2013

Saint Petersburg, Russian Federation

	Note	2012 ’000 RUB	2011 ’000 RUB	2012 ’000 USD	2011 ’000 USD
Revenue		61,121,653	51,909,689	1,965,769	1,766,393
Cost of sales		(42,225,183)	(37,247,498)	(1,358,031)	(1,267,465)
Gross profit		18,896,470	14,662,191	607,738	498,928
Distribution expenses		(4,568,283)	(2,916,263)	(146,921)	(99,235)
Administrative expenses	7	(4,803,460)	(4,708,419)	(154,487)	(160,219)
Change in fair value of investment property	15, 16	(10,025)	152,002	(322)	5,172
Other income	8	393,165	709,769	12,645	24,152
Other expenses	8	(282,105)	(44,272)	(9,073)	(1,506)
Results from operating activities		9,625,762	7,855,008	309,580	267,292
Finance income	10	611,927	207,606	19,680	7,064
Finance costs	10	(3,817,197)	(4,328,649)	(122,767)	(147,296)
Profit before income tax		6,420,492	3,733,965	206,493	127,060
Income tax expense	11	(1,506,557)	(1,302,347)	(48,453)	(44,317)
Profit for the year		4,913,935	2,431,618	158,040	82,743
Other comprehensive income / (loss)					
Foreign currency translation differences for foreign operations		283	7,186	102,703	(95,252)
Total comprehensive income for the year		4,914,218	2,438,804	260,743	(12,509)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

	Note	2012 '000 RUB	2011 '000 RUB	2012 '000 USD	2011 '000 USD
Profit attributable to:					
Shareholders of the Company		4,951,760	2,465,933	159,256	83,911
Non-controlling interest		(37,825)	(34,315)	(1,216)	(1,168)
Profit for the year		4,913,935	2,431,618	158,040	82,743
Total comprehensive income attributable to:					
Shareholders of the Company		4,952,043	2,473,119	261,959	(11,341)
Non-controlling interest		(37,825)	(34,315)	(1,216)	(1,168)
Total comprehensive income for the year		4,914,218	2,438,804	260,743	(12,509)
Basic and diluted earnings per share	24	48.06 RUB	23.93 RUB	1.55 USD	0.81 USD

These consolidated financial statements were approved by management on 26 March 2013 and were signed on its behalf by:

A.I. Vakhmistrov
Chief Executive Officer

D.V. Kutuzov
Chief Financial Officer

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

	Note	31 December 2012 '000 RUB	31 December 2011 '000 RUB	31 December 2012 '000 USD	31 December 2011 '000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	13	39,907,439	37,329,459	1,313,926	1,159,440
Intangible assets	14	4,948,589	4,879,941	162,929	151,569
Investment property under development	15	152,731	651,174	5,028	20,226
Investment property	16	675,600	2,310,658	22,244	71,768
Other investments	17	146,740	112,245	4,832	3,486
Deferred tax assets	18	1,731,791	1,794,616	57,018	55,741
Trade and other receivables	20	132,754	686,651	4,372	21,327
Restricted cash	22	476,883	894,732	15,701	27,790
Total non-current assets		48,172,527	48,659,476	1,586,050	1,511,347
Current assets					
Other investments	17	191,536	126,156	6,305	3,919
Inventories	19	66,497,314	56,586,046	2,189,376	1,757,543
Income tax receivable		146,679	168,236	4,829	5,225
Trade and other receivables	20	18,802,155	16,083,930	619,048	499,561
Cash and cash equivalents	21	3,967,086	5,194,904	130,613	161,352
Restricted cash	22	563	43,422	19	1,349
Total current assets		89,605,333	78,202,694	2,950,190	2,428,949
Total assets		137,777,860	126,862,170	4,536,240	3,940,296

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

	Note	31 December 2012 '000 RUB	31 December 2011 '000 RUB	31 December 2012 '000 USD	31 December 2011 '000 USD
EQUITY AND LIABILITIES					
Equity	23				
Share capital		34,577	34,577	1,241	1,241
Share premium		26,408,386	26,408,386	959,987	959,987
Additional paid in capital		16,697,997	16,783,833	645,319	648,080
Foreign currency translation reserve		(5,908)	(6,191)	(186,153)	(288,856)
Retained earnings		13,433,684	10,552,205	438,438	345,766
Total equity attributable to shareholders of the Company		56,568,736	53,772,810	1,858,832	1,666,218
Non-controlling interest		132,763	174,688	8,025	9,373
Total equity		56,701,499	53,947,498	1,866,857	1,675,591
Non-current liabilities					
Loans and borrowings	25	33,948,989	36,134,105	1,117,747	1,122,313
Deferred tax liabilities	18	1,447,003	1,700,274	47,642	52,810
Trade and other payables	27	185,218	170,818	6,098	5,306
Provisions	26	16,361	8,742	538	272
Total non-current liabilities		35,597,571	38,013,939	1,172,025	1,180,701
Current liabilities					
Loans and borrowings	25	5,525,669	2,788,327	181,929	86,604
Income tax payable		901,016	431,886	29,665	13,414
Trade and other payables	27	38,708,838	31,350,289	1,274,462	973,729
Provisions	26	343,267	330,231	11,302	10,257
Total current liabilities		45,478,790	34,900,733	1,497,358	1,084,004
Total liabilities		81,076,361	72,914,672	2,669,383	2,264,705
Total equity and liabilities		137,777,860	126,862,170	4,536,240	3,940,296

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

	2012 '000 RUB	2011 '000 RUB	2012 '000 USD	2011 '000 USD
OPERATING ACTIVITIES				
Profit for the year	4,913,935	2,431,618	158,040	82,743
Adjustments for:				
Depreciation and amortisation	2,723,825	2,431,932	87,603	82,754
Loss / (gain) on disposal of property, plant and equipment	51,141	(242,414)	1,645	(8,250)
Gain on disposal of other assets	-	(96,240)	-	(3,275)
Gain on disposal of subsidiaries	(49,895)	(111,481)	(1,605)	(3,793)
Gain on acquisitions of subsidiaries	-	(259,634)	-	(8,834)
Loss on other assets	230,964	44,272	7,428	1,506
Change in fair value of investment property	10,025	(152,002)	322	(5,172)
Net finance costs	3,205,270	4,121,043	103,087	140,232
Income tax expense	1,506,557	1,302,347	48,453	44,317
Operating profit before changes in working capital and provisions	12,591,822	9,469,441	404,973	322,228
Increase in inventories	(9,363,670)	(3,126,563)	(301,150)	(106,391)
Increase in trade and other receivables	(2,098,879)	(6,204,252)	(67,503)	(211,119)
Increase in trade and other payables	9,038,353	12,605,714	290,688	428,949
Increase / (decrease) in provisions	24,325	(232,882)	782	(7,925)
Cash flows from operations before income taxes and interest paid	10,191,951	12,511,458	327,790	425,742
Income taxes paid	(1,309,786)	(1,167,223)	(42,125)	(39,718)
Interest paid	(3,714,996)	(3,605,914)	(119,480)	(122,703)
Cash flows from operating activities	5,167,169	7,738,321	166,185	263,321

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

	2012 '000 RUB	2011 '000 RUB	2012 '000 USD	2011 '000 USD
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	693,120	579,657	22,292	19,725
Interest received	175,711	41,048	5,651	1,397
Acquisition of property, plant and equipment	(6,649,664)	(4,870,497)	(213,864)	(165,734)
Decrease / (increase) in restricted cash	460,708	(746,478)	14,817	(25,401)
Acquisition of intangible assets	(236,718)	(36,395)	(7,613)	(1,238)
Acquisition of investment property and investment property under development	(9,935)	(182,191)	(320)	(6,201)
Loans given	(40,004)	(67,360)	(1,287)	(2,292)
Loans repaid	146,067	83,815	4,698	2,853
Disposal of subsidiaries (note 6)	172,324	1,435	5,542	49
Proceeds from disposal of investment property	57,890	-	1,862	-
Acquisition of subsidiaries, net of cash acquired (note 6)	-	(2,664,384)	-	(90,664)
Proceeds from disposal of assets and liabilities classified as held for sale	-	44,831	-	1,526
Proceeds from disposal of other investmetns	23,370	-	752	-
Purchase of other investments	-	(106)	-	(4)
Cash flows utilised by investing activities	(5,207,131)	(7,816,625)	(167,470)	(265,984)
FINANCING ACTIVITIES				
Proceeds from borrowings	10,205,677	13,192,937	328,231	448,931
Proceeds from bonds	5,800,000	4,427,232	186,537	150,650
Repayment of borrowings	(13,368,894)	(10,597,123)	(429,965)	(360,600)
Repayment of bonds	(1,569,363)	(973,418)	(50,473)	(33,124)
Payment of finance lease liabilities	(146,453)	(399,668)	(4,710)	(13,600)
Acquisition of non-controlling interest	-	(49,418)	-	(1,682)
Dividends paid	(2,070,281)	(1,629,269)	(66,584)	(55,441)
Cash flows (utilised by) / from financing activities	(1,149,314)	3,971,273	(36,964)	135,134
Net (decrease) / increase in cash and cash equivalents	(1,189,276)	3,892,969	(38,249)	132,471
Cash and cash equivalents at the beginning of the year	5,194,904	1,327,139	161,352	43,546
Effect of exchange rate fluctuations on cash and cash equivalents	(38,542)	(25,204)	7,510	(14,665)
Cash and cash equivalents at the end of the year (note 21)	3,967,086	5,194,904	130,613	161,352

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

’000 RUB	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2011	34,577	26,408,386	16,798,659	(13,377)	9,715,541	52,943,786	199,770	53,143,556
Total comprehensive income for the year								
Profit for the year	-	-	-	-	2,465,933	2,465,933	(34,315)	2,431,618
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	7,186	-	7,186	-	7,186
Total comprehensive income for the year				7,186	2,465,933	2,473,119	(34,315)	2,438,804
Transactions with owners recorded directly in equity								
Acquisition of subsidiaries	-	-	(79,844)	-	-	(79,844)	123,669	43,825
Excess of consideration paid over non-controlling interest acquired	-	-	(496)	-	-	(496)	395	(101)
Excess of non-controlling interest acquired over consideration paid	-	-	65,514	-	-	65,514	(114,831)	(49,317)
Dividends to shareholders	-	-	-	-	(1,629,269)	(1,629,269)	-	(1,629,269)
Balance at 31 December 2011	34,577	26,408,386	16,783,833	(6,191)	10,552,205	53,772,810	174,688	53,947,498

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

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

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

'000 USD	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2011	1,241	959,987	648,585	(193,604)	317,296	1,733,505	10,227	1,743,732
Total comprehensive income for the year								
Profit for the year	-	-	-	-	83,911	83,911	(1,168)	82,743
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(95,252)	-	(95,252)	-	(95,252)
Total comprehensive income for the year				(95,252)	83,911	(11,341)	(1,168)	(12,509)
Transactions with owners recorded directly in equity								
Acquisition of subsidiaries	-	-	(2,717)	-	-	(2,717)	4,208	1,491
Excess of consideration paid over non-controlling interest acquired	-	-	(17)	-	-	(17)	13	(4)
Excess of non-controlling interest acquired over consideration paid	-	-	2,229	-	-	2,229	(3,907)	(1,678)
Dividends to shareholders	-	-	-	-	(55,441)	(55,441)	-	(55,441)
Balance at 31 December 2011	1,241	959,987	648,080	(288,856)	345,766	1,666,218	9,373	1,675,591

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

’000 USD	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2012	1,241	959,987	648,080	(288,856)	345,766	1,666,218	9,373	1,675,591
Total comprehensive income for the year								
Profit for the year	-	-	-	-	159,256	159,256	(1,216)	158,040
Other comprehensive income								
Foreign currency translation differences for foreign operations				102,703	-	102,703	-	102,703
Total comprehensive income for the year				102,703	159,256	261,959	(1,216)	260,743
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	(2,761)	-	-	(2,761)	(132)	(2,893)
Dividends to shareholders	-	-	-	-	(66,584)	(66,584)	-	(66,584)
Balance at 31 December 2012	1,241	959,987	645,319	(186,153)	438,438	1,858,832	8,025	1,866,857

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 113.

1 Background

(a) Organisation and operations

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

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

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

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

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

(b) Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board..

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

(b) Basis of measurement

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

- investment properties and investment properties under development are measured at fair value;

- financial investments classified as available-for-sale are stated at fair value.

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

- Note 12 – revenue recognition;
- Note 3– useful lives of property, plant and equipment;
- Note 14 – impairment;
- Notes 15 and 16 – determination of fair values of investment properties and investment properties under development;
- Note 20 – allowances for trade receivables;
- Note 26 – warranty provision, provision for site restoration and environment restoration; and
- Note 31 – contingencies.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods, presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Special purpose entities

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

SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or their assets.

(iv) Acquisitions from entities under common control

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

(v) Disposals to entities under common control

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

(vi) Acquisitions and disposals of non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in foreign currency translated at the exchange rate at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

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

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

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

(iii) Translation to presentation currency

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers to right to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and loans issued.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised in other comprehensive income and presented within equity in the additional paid-in capital. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

Other

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

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(d) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

(e) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of comprehensive income.

(ii) Reclassification of owner occupied property

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

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

(iv) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20 to 50 years
- Machinery and equipment 5 to 29 years
- Transportation equipment 8 to 20 years
- Other fixed assets 5 to 20 years.

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

(f) Intangible assets

(i) Goodwill

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

Subsequent measurement

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

(ii) Research and development

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

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

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

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income as incurred.

(v) Amortisation

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

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefit s embodied in the asset.

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

(g) Leased assets

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

Other leases are operating leases and the leased assets are not recognised in the Group’s statement of financial position. Acquired rights to lease of land for development are recognised at cost in inventory or investment property under development.

(h) Investment property under development

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

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

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

(i) Investment property

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

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

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 3(p) (iii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

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

(l) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial asset (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less then suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the additional paid-in capital in equity, to the statement of comprehensive income. The cumulative loss that is removed from other comprehensive income and recognised in the statement of comprehensive income is the difference between the acquisition cost, net of any principal repayments and amortisation, and the current fair value, less any impairment loss previously recognised in the statement of comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the statement of comprehensive income, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, investment properties under development, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(m) Non-current assets held for sale

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

(n) Employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

(ii) Site restoration

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

(p) Revenues

(i) Goods sold

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

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

(ii) Services

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

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the statement of comprehensive income in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed as the proportion that contract costs incurred for work performed to date bear to estimated total contract costs. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

(iv) Rental income

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

(q) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the statement of comprehensive income as incurred.

(r) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of comprehensive income using the effective interest method.

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

(s) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. An operating segment’s operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

(v) New Standards and Interpretations not yet adopted

A number of new Standards, *amendments to Standards* and Interpretations are not yet effective as at 31 December 2012, and have not been applied in preparing this consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IAS 27 (2011) *Separate Financial Statements* will become effective for annual periods beginning on or after 1 January 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after 1 January 2013.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period.

- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively. Comparative disclosure information is not required for periods before the date of initial application.
- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2013. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation (via application of discounted cash flow method), and obsolescence.

(b) Investment property and investment property under development

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

(c) Intangible assets

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

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

(d) Inventories

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

(e) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be estimated on a reasonable basis by other means, investments are stated at cost less impairment losses.

(f) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(g) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

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

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

In 2012 the Group carried out internal reorganization and management accordingly changed composition of reportable operating segments. Comparative data has been changed accordingly.

(a) Operating segments and geographical information

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

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

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

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

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

(b) Major customers

Revenues from the largest customer of the Group represents approximately RUB 4,531,224 thousand / USD 149,187 thousand (31 December 2011: RUB 3,830,000 thousand / USD 130,328 thousand) of the Group's total revenues.

Revenue from the next four significant customers of the Group amounts approximately to RUB 3,519,476 thousand / USD 115,876 thousand (31 December 2011: RUB 4,549,689 thousand / USD 154,818 thousand).

(i) *Operating segments*

For the year ended 31 December 2012 ’000 RUB	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Constructi on. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Revenue from external customers	16,909,272	18,985,437	9,050,057	1,764,038	3,438,256	1,989,664	3,225,577	792,157	-	635,443	1,459,368	58,249,269
Inter-segment revenue	1,784,519	3	6,324,671	-	128,307	19,472	-	2,108,514	-	649,626	-	11,015,112
Total segment revenue	18,693,791	18,985,440	15,374,728	1,764,038	3,566,563	2,009,136	3,225,577	2,900,671	-	1,285,069	1,459,368	69,264,381
Segment result	3,223,249	5,461,924	1,327,242	8,043	440,428	(160,709)	462,894	111,939	(47,009)	232,363	-	11,060,364
Depreciation/amortisation	1,538,992	24,900	581,740	15,962	34,323	185,828	2,463	165,246	40,445	479	133,447	2,723,825
Capital expenditure	5,886,786	603,385	1,435,351	57,158	344,326	154,661	1,149	490,107	-	1,287	383,611	9,357,821

For the year ended 31 December 2011 ’000 RUB	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Constructi on. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Revenue from external customers	15,877,148	15,214,067	8,393,870	917,806	2,901,697	1,369,052	1,691,143	1,094,479	-	479,129	1,688,499	49,626,890
Inter-segment revenue	829,623	31,052	1,969,126	-	823,263	119,291	39,580	898,107	-	184,186	-	4,894,228
Total segment revenue	16,706,771	15,245,119	10,362,996	917,806	3,724,960	1,488,343	1,730,723	1,992,586	-	663,315	1,688,499	54,521,118
Segment result	2,560,099	4,536,129	963,025	312,368	391,012	(202,177)	133,033	(178,163)	(45,546)	61,409	-	8,531,189
Depreciation/amortisation	1,178,478	23,555	679,101	16,817	42,371	146,343	1,418	184,842	40,652	532	117,823	2,431,932
Capital expenditure	3,598,802	280,057	621,522	63,016	38,563	293,375	13,705	40,848	-	667	308,380	5,258,935

For the year ended 31 December 2012 '000 USD	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Revenue from external customers	543,829	610,602	291,064	56,734	110,580	63,991	103,740	25,477	-	20,437	46,935	1,873,389
Inter-segment revenue	57,393	-	203,411	-	4,127	626	-	67,813	-	20,893	-	354,263
Total segment revenue	601,222	610,602	494,475	56,734	114,707	64,617	103,740	93,290	-	41,330	46,935	2,227,652
Segment result	103,665	175,664	42,686	259	14,165	(5,169)	14,887	3,600	(1,512)	7,473	-	355,718
Depreciation/amortisation	49,496	801	18,710	513	1,104	5,977	79	5,315	1,301	15	4,292	87,603
Capital expenditure	189,328	19,406	46,163	1,838	11,074	4,974	37	15,763	-	41	12,338	300,962

For the year ended 31 December 2011 '000 USD	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construc-tion. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Revenue from external customers	540,270	517,707	285,628	31,231	98,740	46,587	57,547	37,243	-	16,304	57,456	1,688,713
Inter-segment revenue	28,230	1,056	67,007	-	28,014	4,060	1,347	30,561	-	6,268	-	166,543
Total segment revenue	568,500	518,763	352,635	31,231	126,754	50,647	58,894	67,804	-	22,572	57,456	1,855,256
Segment result	87,116	154,356	32,770	10,629	13,305	(6,880)	4,527	(6,063)	(1,550)	2,090	-	290,300
Depreciation/amortisation	40,102	801	23,109	572	1,442	4,980	48	6,290	1,383	18	4,009	82,754
Capital expenditure	122,461	9,530	21,149	2,144	1,312	9,983	466	1,390	-	23	10,494	178,952

As at 31 December 2012 '000 RUB	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construction . Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Constru ction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Segment assets, excluding net financial position*	39,940,149	53,927,404	14,794,658	11,095,935	1,957,608	2,376,008	7,348,641	1,938,538	328,323	851,237	-	134,558,501
Segment liabilities, excluding net financial position*	5,630,828	23,706,273	5,988,303	4,815,714	859,438	422,437	3,298,229	542,549	27,760	237,831	-	45,529,362
Net financial position*	21,511,336	5,061,375	(121,872)	4,696,078	467,387	1,892,900	-	-	2,060	-	6,188,495	39,697,759

As at 31 December 2011 '000 RUB	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construction . Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Constru ction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Segment assets, excluding net financial position*	37,077,726	56,253,212	14,370,139	7,132,482	1,850,790	1,947,020	6,429,716	1,695,558	363,783	1,193,886	-	128,314,312
Segment liabilities, excluding net financial position*	5,111,679	18,846,402	6,488,442	2,523,200	1,305,425	530,480	2,093,940	611,559	51,572	388,711	-	37,951,410
Net financial position*	22,290,722	7,048,828	964,196	3,018,840	665,331	325,266	51,000	86,011	3,320	413,255	4,253,003	39,119,772

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

As at 31 December 2012 ’000 USD	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construction. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Segment assets, excluding net financial position*	1,315,002	1,775,522	487,104	365,326	64,453	78,228	241,949	63,825	10,810	28,026	-	4,430,245
Segment liabilities, excluding net financial position*	185,391	780,513	197,161	158,554	28,296	13,908	108,592	17,863	914	7,830	-	1,499,022
Net financial position*	708,246	166,642	(4,013)	154,615	15,388	62,322	-	-	68	-	203,752	1,307,020

As at 31 December 2011 ’000 USD	**Building materials. NW**	**Real Estate. NW**	**Const-ruction. NW**	**Real Estate. Moscow**	**Construction. Moscow**	**Building materials. Moscow**	**Real Estate. Ural**	**Construction. Ural**	**Other. Ural**	**Real Estate. Europe**	**Other entities**	**Total**
Segment assets, excluding net financial position*	1,151,622	1,747,206	446,332	221,532	57,485	60,474	199,705	52,663	11,299	37,082	-	3,985,400
Segment liabilities, excluding net financial position*	158,767	585,363	201,529	78,370	40,546	16,477	65,037	18,995	1,602	12,073	-	1,178,759
Net financial position*	692,342	218,934	29,947	93,764	20,665	10,102	1,584	2,671	103	12,836	132,097	1,215,045

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

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

Revenue	**’000 RUB**		**’000 USD**	
	2012	**2011**	**2012**	**2011**
Total revenue for reportable segments	69,264,381	54,521,118	2,227,652	1,855,256
Other revenue	297,179	332,769	9,557	11,324
Transportation revenue	2,575,205	1,950,030	82,823	66,356
Elimination of intersegment revenue	(11,015,112)	(4,894,228)	(354,263)	(166,543)
Consolidated revenue	61,121,653	51,909,689	1,965,769	1,766,393

Profit for the year	**’000 RUB**		**’000 USD**	
	2012	**2011**	**2012**	**2011**
Total segment result	11,060,364	8,531,189	355,718	290,300
Other result	(575,682)	178,704	(18,515)	6,082
Unallocated expenses and income, net	(858,920)	(854,885)	(27,623)	(29,090)
Finance income	611,927	207,606	19,680	7,064
Finance costs	(3,817,197)	(4,328,649)	(122,767)	(147,296)
Income tax expense	(1,506,557)	(1,302,347)	(48,453)	(44,317)
Profit for the year	4,913,935	2,431,618	158,040	82,743

Assets	**’000 RUB**		**’000 USD**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Total assets for reportable segments	134,558,501	128,314,312	4,430,245	3,985,400
Elimination of intersegment assets	(7,615,458)	(13,320,264)	(250,734)	(413,724)
Unallocated assets	10,834,817	11,868,122	356,729	368,620
Total assets	137,777,860	126,862,170	4,536,240	3,940,296

Liabilities	**’000 RUB**		**’000 USD**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Segment liabilities, excluding net financial position	45,529,362	37,951,410	1,499,022	1,178,759
Elimination of intersegment liabilities	(6,216,789)	(7,405,592)	(204,683)	(230,016)
Unallocated liabilities	2,289,130	3,446,422	75,368	107,045
Consolidated loans and borrowings	39,474,658	38,922,432	1,299,676	1,208,917
Total liabilities	81,076,361	72,914,672	2,669,383	2,264,705

Net financial position	**’000 RUB**		**’000 USD**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Net financial position before adjustments	39,697,759	39,119,772	1,307,020	1,215,045
Adjustments	(223,101)	(197,340)	(7,344)	(6,128)
Consolidated loans and borrowings	39,474,658	38,922,432	1,299,676	1,208,917

Other material items	**’000 RUB**		**’000 USD**	
	2012	**2011**	**2012**	**2011**
Capital expenditure	9,357,821	5,258,935	300,962	178,952
Elimination of intersegment purchases	(2,613,315)	(202,262)	(84,047)	(6,882)
Consolidated capital expenditure	6,744,506	5,056,673	216,915	172,070

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

During the year ended 31 December 2012 the Group has not aquired any subsidiaries.

During the year ended 31 December 2011 the Group has acquired 6 subsidiaries. In April 2011 one of the Group subsidiaries acquired from the third party 85.936% of shares of OAO “Obuhovsky zavod SMiK”, entity that produces reinforced concrete in Saint Petersburg. The entity was included in segment Building materials. NW. The primary reason of business combination was to strengthen the market position and extend product mix variety on the reinforced concrete market of Saint Petersburg.

The Group has over the recent years been in talks with the former owner of OAO “Obuhovsky zavod SMiK” regarding a potential acquisition of the Company. The bargain purchase gain arose because of the Group’s negotiation powers; firstly, the seller was not able to identify other potential buyers due to the Group’s strong competitive position, and secondly, the former owner was seeking to raise cash through a quick sales process.

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

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Property, plant and equipment	256,892	8,742
Deferred tax assets	4,469	152
Current assets		
Inventory	56,238	1,914
Trade and other receivables	94,672	3,222
Income tax receivable	3,257	111
Cash and cash equivalents	4,163	142
Non-current liabilities		
Loans and borrowings	(2,208)	(75)
Deferred tax liabilities	(37,486)	(1,276)
Current liabilities		
Trade and other payables	(66,661)	(2,268)
Net identifiable assets, liabilities and contingent liabilities	313,336	10,664
Non-controlling interest	(44,016)	(1,498)
Net identifiable assets, liabilities and contingent liabilities acquired	269,320	9,166
Negative goodwill on acquisition	(149,098)	(5,074)
Consideration paid	120,222	4,092
Consideration paid satisfied in cash	(120,222)	(4,092)
Cash acquired	4,163	142
Net cash outflow	(116,059)	(3,950)

The amounts of revenue earned and loss incurred by the subsidiary from the date of acquisition to the reporting date were RUB 177,169 thousand / USD 6,029 thousand and RUB 16,097 thousand / USD 548 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2011 amounted to RUB 231,105 thousand / USD 7,864 thousand. It has not been practicable to determine profit for the year ended 31 December 2011 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

The fair value of net assets at the acquisition date was determined by independent appraisal.

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2011 and four - nine years business plans;

- The 15.80% post-tax discount rate was applied for Property plant and Equipment impairment test;
- The increase in usage of production capacity to 2015 from 30% to 60% as the results of both improved market conditions and internal marketing efforts;
- Decrease in gross margin from 12% in 2011 to 6% in 2015 due to planned shift in product mix towards more popular but less profitable products.

There were no significant adjustments made in the financial statements to the amounts provided in the appraisal's report.

In May 2011 the Group acquired from the third party 93.44% of shares of Open joint stock company "Pavlovskaya Keramika", entity that produces brick in Moscow region. The primary reason of business combination was to increase market share in Moscow region. The entity was included in segment Building materials. Moscow.
The acquisition had the following effect on the Group's assets and liabilities as at the date of acquisition:

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Property, plant and equipment	1,042,548	35,476
Intangible assets	93	3
Deferred tax assets	182,048	6,195
Current assets		
Inventory	88,990	3,028
Trade and other receivables	4,900	167
Cash and cash equivalents	2,657	90
Non-current liabilities		
Deferred tax liabilities	(1,227)	(42)
Current liabilities		
Loans and borrowings	(4,908)	(167)
Trade and other payables	(100,882)	(3,432)
Net identifiable assets, liabilities and contingent liabilities	1,214,219	41,318
Non-controlling interest	(79,653)	(2,710)
Net identifiable assets, liabilities and contingent liabilities acquired	1,134,566	38,608
Goodwill on acquisition	103,043	3,505
Consideration paid and liability incurred	1,237,609	42,113
Consideration paid satisfied in cash	(1,237,609)	(42,113)
Cash acquired	2,657	90
Net cash outflow	(1,234,952)	(42,023)

The amounts of revenue earned and loss incurred by the subsidiary from the date of acquisition to the reporting date were RUB 106,420 thousand / USD 3,426 thousand and RUB 71,687 thousand / USD 2,439 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2011 amounted to RUB 159,640 thousand / USD 5,432 thousand. It has not been practicable to determine profit for the year ended 31 December 2011 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

Acquisition – related costs incurred by the Group to effect an acquisition of Open joint stock company "Pavlovskaya Keramika" in amount of RUB 69,000 thousand / USD 2,348 thousand were recognized as an expense.

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

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2011 and four - nine years business plans;
- The 15.82% post-tax discount rate was applied for Property plant and Equipment impairment test;
- Current utilization of subsidiary equals to 50%, it is expected, that the subsidiary will operate in full capacity starting year 2013 as the result of both improved market conditions and internal efforts;
- The increase in selling prices within 5-20% range during years 2012-2015 due improvement of quality and variety of output.

There were no significant adjustments made in the financial statements to the amounts provided in the appraisal's report.

Goodwill on acquisitions represents the difference between the fair values of net assets acquired and considerations paid. Management believes that goodwill represents the potential synergy from the acquisition which is not capable of being individually identified and separately recognised.

In January 2011 the Group acquired 100% shares of OOO "MSR Perspectiva" from the third party. OOO "MSR Perspectiva" is engaged in construction activities in Moscow and had no significant assets and liabilities at the date of acquisition. Goodwill recognized at acquisition comprised RUB 11,250 thousand / USD 384 thousand, consideration paid and liability incurred was RUB 1,025 thousand / USD 35 thousand. The entity was included in segment Construction. Moscow.

In July 2011 one of the Group subsidiaries acquired 100% of shares of OOO "436 KNI", entity engaged in the crushed granite production in Leningrad Region. The primary reason of business combination was to increase crushed granit production facilities in Leningrad region. The entity was included in segment Building Materials. NW.

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

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Property, plant and equipment	810,765	27,589
Intangible assets	236,840	8,059
Deferred tax assets	26,496	902
Current assets		
Inventory	44,000	1,497
Trade and other receivables	23,896	813
Cash and cash equivalents	1,883	64
Non-current liabilities		
Deferred tax liabilities	(47,841)	(1,628)
Current liabilities		
Loans and borrowings	(3,000)	(102)
Trade and other payables	(58,436)	(1,988)
Net identifiable assets, liabilities and contingent liabilities	1,034,603	35,206
Negative goodwill on acquisition	(74,784)	(2,545)
Consideration paid and liability incurred	959,819	32,661
Consideration paid satisfied in cash	(959,819)	(32,661)
Cash acquired	1,883	64
Net cash outflow	(957,936)	(32,597)

The amounts of revenue and profit earned by the subsidiary from the date of acquisition to the reporting date were RUB 221,149 thousand / USD 7,525 thousand and RUB 6,888 thousand / USD 234 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2011 amounted to RUB 234,068 thousand / USD 7,965 thousand. It has not been practicable to determine profit for the year ended 31 December 2011 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

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

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2011 and business plans until year 2033;
- The 14.00% post-tax discount rate was applied for Property plant and Equipment impairment test.

There were no significant adjustments made in the financial statements to the amounts provided in the appraisal's report.

Negative goodwill on acquisitions represents the difference between the fair values of net assets acquired and considerations paid. The bargain purchase gain arose because of the Group's negotiation powers due to its strong market position, early negotiation of price, performed in 2010 and advance of 50%, made by the Group before transfer of ownership rights.

In July 2011 the Group has acquired 100% of OOO "KIN-Center" from a third party. OOO "KIN-Center" is engaged in construction business in Saint Petersburg. The entity was included in segment Building materials. NW.

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

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Intangible assets	11,096	378
Current assets		
Inventory	130,773	4,450
Trade and other receivables	501,428	17,063
Cash and cash equivalents	786	27
Non-current liabilities		
Deferred tax liabilities	(2,185)	(74)
Current liabilities		
Trade and other payables	(605,546)	(20,608)
Net identifiable assets, liabilities and contingent liabilities	36,352	1,236
Negative goodwill on acquisition	(35,752)	(1,215)
Consideration paid and liability incurred	600	21
Consideration paid satisfied in cash	(6)	-
Cash acquired	786	27
Net cash inflow	780	27

The amounts of revenue and profit earned by the subsidiary from the date of acquisition to the reporting date were RUB 454,633 thousand / USD 15,470 thousand and RUB 12,810 thousand / USD 436 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2011 amounted to RUB 991,757 thousand / USD 33,748 thousand. It has not been practicable to determine profit for the year ended 31 December 2011 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

Negative goodwill on acquisitions represents the difference between the fair values of net assets acquired and considerations paid. The bargain purchase gain arose because of the Group's negotiation powers due to its strong market position.

In November 2011 the Group has reacquired 100% of ZAO “Golden Kazanskaya” from a related party. ZAO “Golden Kazanskaya” is engaged in renting of office premises in Saint Petersburg. The entity has been included into segment Other entities.

Previously in 2009, when ZAO “Golden Kazanskaya” was sold to related party, net gain on disposal was recognised as contribution from shareholders in equity. Therefore in 2011 the excess of consideration paid over the acquired net assets at IFRS book values were recognised directly in equity as distribution to shareholders.

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

	Book values	
	’000 RUB	**’000 USD**
Non-current assets		
Property, plant and equipment	207,923	7,075
Current assets		
Inventory	40	1
Trade and other receivables	39,289	1,337
Cash and cash equivalents	4,637	158
Non-current liabilities		
Deferred tax liabilities	(20,592)	(701)
Current liabilities		
Trade and other payables	(1,141)	(38)
Net identifiable assets, liabilities and contingent liabilities	230,156	7,832
Change in additional capital due to acquisition (distribution)	79, 844	2,717
Consideration paid and liability incurred	310,000	10, 549
Consideration paid satisfied in cash	(310,000)	(10,549)
Cash acquired	4,637	158
Net cash outflow	(305,363)	(10,391)

The acquisition had not significant effect on the Group’s revenue and profit from the date of acquisition.

The major part of ZAO “Golden Kazanskaya” revenues in 2011 were earned from the Group’s companies.

(b) Changes in non-controlling interests

During the twelve months ended 31 December 2011 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The Group recognised a decrease in non-controlling interest of RUB 114,436 thousand / USD 3,894 thousand. Contribution from shareholders of RUB 65,018 thousand / USD 2,212 thousand was recognised directly in equity.

The acquisition of subsidiaries (OAO "Pavlovskaya Keramika" and OAO "Obuhovsky zavod SMiK") resulted in recognition of increase in non-controlling interest of RUB 123,669 thousand / USD 4,208 thousand.

During the twelve months ended 31 December 2012 the disposal of subsidiaries resulted in recognition of decrease in non-controlling interest of RUB 4,100 thousand / USD 132 thousand.

(c) Disposal of subsidiaries

In April 2011 the Group sold 100% shares of OOO "Karier Petrovskiy" to the third party. OOO "Karier Petrovskiy" was engaged in crushed granite production in Saint Petersburg. The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	152	5
Current assets		
Inventories	35,927	1,223
Trade and other receivables	25,506	868
Cash and cash equivalents	579	20
Non-current liabilities		
Deferred tax liabilities	(3,665)	(125)
Interest-bearing loans and borrowings	(6,246)	(213)
Current liabilities		
Interest-bearing loans and borrowings	(42,794)	(1,456)
Trade and other payables	(118,926)	(4,047)
Net assets, liabilities and contingent liabilities disposed	(109,467)	(3,725)
Excess of consideration received over book values of net assets sold	111,467	3,793
Consideration received	2,000	68
Cash and cash equivalents disposed	(579)	(20)
Net cash inflow	1,421	48

In 2012 the Group has sold 57,8% of shares of OAO "Zavod ZhBI-6" to third parties and lost control over the subsidiary. OAO "Zavod ZhBI-6" was engaged in the reinforced concrete production in Moscow. The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	131,481	4,229
Goodwill	65,589	2,110

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

In May 2011 the Group acquired 93,44% of shares in OAO "Pavlovskaya Keramika" as described above in note 6 (a). In 2012 as part of restructuring the Group transferred production facilities of OAO "Pavlovskaya Keramika" to other Group company in Moscow region. In 2012 the Group sold remaining assets and liabilities via sale of its 93,44% share and lost control over the subsidiary. The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	'000 RUB	'000 USD
Non-current assets		
Intangible assets	76	2
Deferred tax assets	172,847	5,559
Current assets		
Inventories	1,758	57
Trade and other receivables	165,424	5,320
Cash and cash equivalents	10,768	346

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

In 2012 the Group has sold 100,00% of shares of OOO "Kvartira LuxServis" to related parties and lost control over the subsidiary. The subsidiary was engaged in non-core business activities within Real Estate NW segment, therefore management decided to dispose the subsidiary. Its major assets are specialized property, plant and equipment for which no market exists. To accelerate the sale the Group sold the assets below their carrying value. The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	**'000 RUB**	**'000 USD**
Non-current assets		
Property, plant and equipment	14,228	458
Deferred tax assets	491	16
Current assets		
Inventories	31	1
Trade and other receivables	12,529	403
Cash and cash equivalents	3,355	108
Non-current liabilities		
Deferred tax liabilities	(163)	(5)
Current liabilities		
Trade and other payables	(11,354)	(365)
Net assets, liabilities and contingent liabilities disposed	19,117	616
Excess of book values of net assets sold over consideration received	(19,105)	(616)
Consideration accrued	12	0
Cash and cash equivalents disposed	(3,355)	(108)
Net cash outflow	(3,352)	(108)

In 2012 as a part of restructuring the Group transferred certain property, plant and equipment items to other Group entities. Subsequently it sold 100,00% of shares of OAO “Obuhovsky zavod SMiK” and OOO “Vertical” to related parties. As the result, the Group has lost control over the subsidiaries. The Group considered that it was more attractive to sale the subsidiaries, than to continue incur expenses on their maintenance. The disposal of the subsidiaries had the following effect on the Group‘s assets and liabilities at the date of disposal:

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

7 Administrative expenses

	2012	**2011**	**2012**	**2011**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Wages and salaries	2,668,559	2,716,071	85,826	92,423
Services	832,704	906,454	26,780	30,846
Materials	159,121	130,320	5,118	4,435
Depreciation and amortisation	201,672	168,205	6,485	5,723
Taxes other than profit tax	353,892	229,858	11,382	7,822
Social expenditure	207,227	212,589	6,665	7,234

Insurance	16,447	19,525	529	664
Other administrative expenses	363,838	325,397	11,702	11,072
	4,803,460	4,708,419	154,487	160,219

8 Other income and expenses

	2012 '000 RUB	2011 '000 RUB	2012 '000 USD	2011 '000 USD
Other income:				
Negative goodwill recognised as gain	-	259,634	-	8,834
Gain on disposal of property, plant and equipment	-	242,414	-	8,250
Gain on disposal of other assets	308,424	94,118	9,919	3,202
Income from disposal of subsidiaries	49,895	111,481	1,605	3,793
Other income	34,846	2,122	1,121	73
Total other income	393,165	709,769	12,645	24,152
Other expenses:				
Loss on other assets	(230,964)	(44,272)	(7,428)	(1,506)
Loss on disposal of property, plant and equipment	(51,141)	-	(1,645)	-
Total other expenses	(282,105)	(44,272)	(9,073)	(1,506)
Net other income	111,060	665,497	3,572	22,646

Amount of loss on other assets include the amount of interest and court charges adjudged to the Group by Stockholm arbitration court in the amount of RUB 143,184 thousand / USD 4,605 thousand. As at 31 December 2012 the Group has written the total amount as the probability of payment receipt is remote (refer also to note 31 (b)).

9 Total personnel costs

	2012 '000 RUB	2011 '000 RUB	2012 '000 USD	2011 '000 USD
Wages and salaries:				
Cost of sales	6,837,331	5,818,341	219,900	197,987
Administrative expenses	2,668,559	2,716,071	85,826	92,423
Distribution expenses	340,887	387,371	10,963	13,182
	9,846,777	8,921,783	316,689	303,592

10 Finance income and finance costs

	2012 ’000 RUB	2011 ’000 RUB	2012 ’000 USD	2011 ’000 USD
Recognised in profit or loss				
Finance income				
Foreign exchange gain	426,475	124,275	13,716	4,229
Interest income	175,711	41,048	5,651	1,397
Unwind of discount	5,553	5,479	179	186
Resale of own bonds	-	427	-	15
Income from sale of available-for-sale investments	4,017	10,785	129	366
Other finance income	171	25,592	5	871
	611,927	207,606	19,680	7,064
Finance costs				
Interest expense	(3,594,052)	(3,781,114)	(115,590)	(128,664)
Unwind of discount	(2,583)	(3,313)	(83)	(113)
Foreign exchange loss	(156,307)	(534,550)	(5,027)	(18,191)
Repurchase of own bonds	(7,922)	(3,750)	(255)	(128)
Loss from sale of available-for-sale investments	(5,812)	(11,962)	(187)	(406)
Impairment of financial assets	(38,640)	(16,079)	(1,243)	(547)
Non-controlling interest in limited liability subsidiaries	9,426	22,119	303	753
Other finance costs	(21,307)	-	(685)	-
	(3,817,197)	(4,328,649)	(122,767)	(147,296)
Net finance costs recognised in profit or loss	(3,205,270)	(4,121,043)	(103,087)	(140,232)
Recognised in other comprehensive income				
Finance income / (costs)				
Foreign currency translation differences for foreign operations	283	7,186	102,703	(95,252)
Finance income / (costs) recognised in other comprehensive income, net of tax	283	7,186	102,703	(95,252)
Attributable to:				
Equity holders of the Company	283	7,186	102,703	(95,252)

11 Income tax expense

	2012 '000 RUB	2011 '000 RUB	2012 '000 USD	2011 '000 USD
Current tax expense				
Current year	1,803,399	1,449,413	58,000	49,321
Deferred tax expense				
Origination and reversal of temporary differences	(296,842)	(147,066)	(9,547)	(5,004)
Income tax expense	1,506,557	1,302,347	48,453	44,317

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20% (2011: 20%).

Reconciliation of effective tax rate:

	2012 '000 RUB	%	2011 '000 RUB	%	2012 '000 USD	%	2011 '000 USD	%
Profit for the year	4,913,935		2,431,618		158,040		82,743	
Income tax expense	1,506,557		1,302,347		48,453		44,317	
Profit before income tax	6,420,492		3,733,965		206,493		127,060	
Income tax at applicable tax rate	1,284,099	(20)	746,793	(20)	41,299	(20)	25,413	(20)
Non-taxable income	(216,286)	3	(157,656)	4	(6,956)	3	(5,365)	4
Non-deductible expenses	508,552	(7)	628,405	(17)	16,355	(7)	21,384	(17)
Change in unrecognised deductable temporary differences	-	-	10,413	-	-	-	354	-
Tax incentives	-	-	(36,083)	1	-	-	(1,228)	1
Utilisation of previous unrecognised deferred tax assets/ Current year losses for which no deferred tax asset was recognised	(69,808)	1	110,475	(3)	(2,245)	1	3,759	(3)
Total income tax expenses for the year	1,506,557	(23)	1,302,347	(35)	48,453	(23)	44,317	(35)

12 Construction contracts

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

	2012	2011	2012	2011
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Contract revenue	9,455,255	10,369,792	304,096	352,865
Contract costs	(8,471,372)	(8,749,972)	(272,453)	(297,745)
Gross profit	983,883	1,619,820	31,643	55,120

13 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2011	12,033,019	11,197,237	2,893,050	693,323	15,055,845	41,872,474
Acquisitions through business combinations	1,226,040	478,589	76,331	5,575	556,532	2,343,067
Additions	360,317	760,663	356,352	51,744	3,527,597	5,056,673
Disposals	(207,362)	(351,015)	(163,922)	(33,829)	(61,352)	(817,480)
Business disposals	-	(98)	(92)	-	-	(190)
Reclassifications to inventories	(300,173)	(2,563)	-	(1,206)	-	(303,942)
Transfers and reclassifications	613,854	370,717	(3,607)	3,714	(984,678)	-
Effect of movements in exchange rates	40,170	34,352	1,358	497	3,571	79,948
At 31 December 2011	13,765,865	12,487,882	3,159,470	719,818	18,097,515	48,230,550
At 1 January 2012	13,765,865	12,487,882	3,159,470	719,818	18,097,515	48,230,550
Additions	850,623	654,372	480,598	140,465	4,618,448	6,744,506
Disposals	(366,489)	(454,915)	(112,587)	(67,556)	(362,077)	(1,363,624)
Business disposals	(295,087)	(84,791)	(11,250)	(6,111)	(50,631)	(447,870)
Reclassifications to inventories					(272,690)	(272,690)
Transfers and reclassifications	7,233,766	5,743,509	(5,063)	1,711	(12,973,923)	-
Effect of movements in exchange rates	(56,366)	(47,970)	(1,865)	(661)	(3,515)	(110,377)
At 31 December 2012	21,132,312	18,298,087	3,509,303	787,666	9,053,127	52,780,495
Depreciation and impairment losses						
At 1 January 2011	(2,196,713)	(4,639,347)	(1,742,719)	(442,056)	-	(9,020,835)
Depreciation charge	(602,054)	(1,304,329)	(385,141)	(78,642)	-	(2,370,166)
Acquisitions through business combinations	(20,142)	(3,786)	-	(202)	-	(24,130)
Disposals	50,059	280,125	125,774	27,344	-	483,302
Business disposals	-	24	14	-	-	38
Reclassifications to inventories	43,336	1,899	-	1,071	-	46,306
Transfers and reclassifications	12,355	(6,299)	830	(6,886)	-	-
Effect of movements in exchange rates	(6,279)	(8,250)	(742)	(335)	-	(15,606)
At 31 December 2011	(2,719,438)	(5,679,963)	(2,001,984)	(499,706)	-	(10,901,091)
At 1 January 2012	(2,719,438)	(5,679,963)	(2,001,984)	(499,706)	-	(10,901,091)
Depreciation charge	(685,938)	(1,524,964)	(384,140)	(83,742)	-	(2,678,784)
Disposals	138,348	324,597	95,158	53,237	-	611,340
Business disposals	17,326	45,722	7,559	5,354	-	75,961
Reclassifications to inventories	-	-	-	-	-	-
Transfers and reclassifications	2,725	(1,195)	215	(1,745)	-	-
Effect of movements in exchange rates	7,806	10,355	963	394	-	19,518
At 31 December 2012	(3,239,171)	(6,825,448)	(2,282,229)	(526,208)	-	(12,873,056)
Net book value						
At 1 January 2011	9,836,306	6,557,890	1,150,331	251,267	15,055,845	32,851,639
At 31 December 2011	11,046,427	6,807,919	1,157,486	220,112	18,097,515	37,329,459
At 31 December 2012	17,893,141	11,472,639	1,227,074	261,458	9,053,127	39,907,439

'000 USD	Land and buildings	Machinery and equipment	Transpor-tation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2011	394,824	367,401	94,926	22,749	494,009	1,373,909
Acquisitions through business combinations	41,720	16,286	2,597	190	18,938	79,731
Additions	12,261	25,884	12,126	1,761	120,038	172,070
Disposals	(7,056)	(11,944)	(5,578)	(1,151)	(2,088)	(27,817)
Business disposals	-	(3)	(3)	-	-	(6)
Reclassifications to inventories	(10,214)	(87)	-	(41)	-	(10,342)
Transfers and reclassifications	20,888	12,615	(123)	126	(33,506)	-
Effect of movements in exchange rates	(24,860)	(22,283)	(5,813)	(1,277)	(35,288)	(89,521)
At 31 December 2011	427,563	387,869	98,132	22,357	562,103	1,498,024
At 1 January 2012	427,563	387,869	98,132	22,357	562,103	1,498,024
Additions	27,357	21,046	15,457	4,518	148,537	216,915
Disposals	(11,787)	(14,631)	(3,621)	(2,173)	(11,645)	(43,857)
Business disposals	(9,490)	(2,727)	(362)	(197)	(1,628)	(14,404)
Reclassifications to inventories	-	-	-	-	(8,770)	(8,770)
Transfers and reclassifications	232,649	184,720	(163)	56	(417,262)	-
Effect of movements in exchange rates	29,475	26,175	6,098	1,373	26,733	89,854
At 31 December 2012	695,767	602,452	115,541	25,934	298,068	1,737,762
Depreciation and impairment losses						
At 1 January 2011	(72,078)	(152,225)	(57,182)	(14,505)	-	(295,990)
Depreciation charge	(20,487)	(44,384)	(13,106)	(2,676)	-	(80,653)
Acquisitions through business combinations	(685)	(129)	-	(7)	-	(821)
Disposals	1,703	9,532	4,280	930	-	16,445
Business disposals	-	1	-	-	-	1
Reclassifications to inventories	1,475	65	-	36	-	1,576
Transfers and reclassifications	420	(214)	28	(234)	-	-
Effect of movements in exchange rates	5,187	10,936	3,800	935	-	20,858
At 31 December 2011	(84,465)	(176,418)	(62,180)	(15,521)	-	(338,584)
At 1 January 2012	(84,465)	(176,418)	(62,180)	(15,521)	-	(338,584)
Depreciation charge	(22,061)	(49,045)	(12,355)	(2,693)	-	(86,154)
Disposals	4,449	10,440	3,060	1,712	-	19,661
Business disposals	557	1,470	243	172	-	2,442
Reclassifications to inventories	-	-	-	-	-	-
Transfers and reclassifications	88	(38)	7	(57)	-	-
Effect of movements in exchange rates	(5,215)	(11,132)	(3,916)	(938)	-	(21,201)
At 31 December 2012	(106,647)	(224,723)	(75,141)	(17,325)	-	(423,836)
Net book value						
At 1 January 2011	322,746	215,176	37,744	8,244	494,009	1,077,919
At 31 December 2011	343,098	211,451	35,952	6,836	562,103	1,159,440
At 31 December 2012	589,120	377,729	40,400	8,609	298,068	1,313,926

Depreciation expense of RUB 2,406,707 thousand / USD 77,404 thousand has been charged in cost of goods sold (2011: RUB 2,153,535 thousand / USD 73,280 thousand), RUB 42,280 thousand / USD 1,360 thousand in distribution expenses (2011: RUB 42,160 thousand / USD 1,435 thousand) and RUB 187,576 thousand / USD 6,033 thousand in administrative expenses (2011: RUB 153,096 thousand / USD 5,210 thousand).

(a) Impairment

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

(b) Security

Properties with a carrying amount of RUB 7,454,944 thousand / USD 245,449 thousand are subject to a registered debenture to secure bank loans (31 December 2011: RUB 1,604,669 thousand / USD 49,840 thousand) (refer to note 25).

(c) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2012 the net book value of leased plant and machinery was RUB 478,820 thousand / USD 15,765 thousand (31 December 2011: RUB 667,529 thousand / USD 20,733 thousand).

14 Intangible assets

'000 RUB	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2011	4,080,960	1,134,717	5,215,677
Acquisitions through business combinations	114,293	248,029	362,322
Additions	-	36,395	36,395
Disposals	-	(14,786)	(14,786)
Effects of movement in exchange rates	-	78	78
Balance 31 December 2011	4,195,253	1,404,433	5,599,686
Balance at 1 January 2012	4,195,253	1,404,433	5,599,686
Additions	-	286,718	286,718
Disposals	-	(82,591)	(82,591)
Disposal of subsidiaries	(254,172)	(5,456)	(259,628)
Effects of movement in exchange rates	-	(90)	(90)
Balance 31 December 2012	3,941,081	1,603,014	5,544,095
Amortisation and impairment losses			
Balance at 1 January 2011	(470,079)	(178,375)	(648,454)
Amortisation charge	-	(83,141)	(83,141)
Disposals	-	11,873	11,873
Effects of movement in exchange rates	-	(23)	(23)
Balance 31 December 2011	(470,079)	(249,666)	(719,745)
Balance at 1 January 2012	(470,079)	(249,666)	(719,745)
Amortisation charge	-	(88,765)	(88,765)
Disposals	-	24,323	24,323
Disposal of subsidiaries	188,583	65	188,648
Effects of movement in exchange rates	-	33	33
Balance 31 December 2012	(281,496)	(314,010)	(595,506)
Net book value			
At 1 January 2011	3,610,881	956,342	4,567,223
At 31 December 2011	3,725,174	1,154,767	4,879,941
At 31 December 2012	3,659,585	1,289,004	4,948,589

’000 USD	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2011	133,903	37,233	171,136
Acquisitions through business combinations	3,889	8,440	12,329
Additions	-	1,238	1,238
Disposals	-	(503)	(503)
Effect of movements in exchange rates	(7,489)	(2,787)	(10,276)
Balance 31 December 2011	130,303	43,621	173,924
Balance at 1 January 2012	130,303	43,621	173,924
Additions	-	9,221	9,221
Disposals	-	(2,656)	(2,656)
Disposal of subsidiaries	(8,175)	(175)	(8,350)
Effect of movements in exchange rates	7,629	2,767	10,396
Balance 31 December 2012	129,757	52,778	182,535
Amortisation and impairment losses			
Balance at 1 January 2011	(15,424)	(5,854)	(21,278)
Amortisation charge	-	(2,829)	(2,829)
Disposals	-	404	404
Effect of movements in exchange rates	824	524	1,348
Balance 31 December 2011	(14,600)	(7,755)	(22,355)
Balance at 1 January 2012	(14,600)	(7,755)	(22,355)
Amortisation charge	-	(2,855)	(2,855)
Disposals	-	782	782
Disposal of subsidiaries	6,065	2	6,067
Effect of movements in exchange rates	(733)	(512)	(1,245)
Balance 31 December 2012	(9,268)	(10,338)	(19,606)
Net book value			
At 1 January 2011	118,479	31,379	149,858
At 31 December 2011	115,703	35,866	151,569
At 31 December 2012	120,489	42,440	162,929

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

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

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

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

		Allocated goodwill		Impairment losses		Net book value at 31 December 2012	
Entity / Business Unit	**Business Segment**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**
PJSC "Aeroc Obuchow"	Building Materials. NW	818,546	26,950	(164,594)	(5,419)	653,952	21,531
LSR Europe GmbH	Real Estate. Europe	50,093	1,649	-	-	50,093	1,649
Limited Liability Company "Cement"	Building Materials. NW	621,485	20,462	-	-	621,485	20,462
BU LSR. Reinforced Concrete. NW	Building Materials. NW	17,354	571	-	-	17,354	571
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	Real Estate. NW	22,451	739	-	-	22,451	739
BU Other. Ural	Other. Ural	128,269	4,223	(116,902)	(3,849)	11,367	374
BU LSR.Construction. Ural	Construction. Ural	736,429	24,246	-	-	736,429	24,246
BU LSR.Real Estate.Ural	Real Estate.Ural	1,276,844	42,039	-	-	1,276,844	42,039
BU LSR.Bazovye.NW	Building Materials. NW	155,317	5,114	-	-	155,317	5,114
OOO "LSR.Stroy - M" (OOO "MSR Perspectiva")	Construction. Moscow	11,250	370	-	-	11,250	370
BU LSR.Wall Materials.Moscow	Building Materials.Moscow	103,043	3,394	-	-	103,043	3,394
		3,941,081	129,757	(281,496)	(9,268)	3,659,585	120,489

Impairment review was conducted by the Group as of 31 December 2012. The following key assumptions were used in determining the recoverable amounts of the respective companies as of 31 December 2012 and has not significantly changed compared to those that were used as of 31 December 2011.

Building Materials segments:

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

Construction segments:

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

Real Estate segments:

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

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

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

The estimates made for goodwill impairment test are sensitive in the following area:

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

Entity / Business unit	**’000 RUB**	**’000 USD**
PJSC “Aeroc Obuchow”	61,299	2,018
Limited Liability Company “Cement”	363,864	11,980
BU Other. Ural	4,054	133

15 Investment property under development

	Fair value of investment projects			
	2012	**2011**	**2012**	**2011**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Cost / Fair value				
At 1 January	651,174	319,381	20,226	10,479
Change in fair value recognised directly in the statement of comprehensive income	-	149,602	-	5,090
Additions	878,290	182,191	28,247	6,201
Disposals	(1,345,545)	-	(43,275)	-
Disposals of subsidiaries	(31,188)	-	(1,003)	-
Effect of movements in exchange rates	-	-	833	(1,544)
At 31 December	152,731	651,174	5,028	20,226

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

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

As at 31 December 2012 the investment property under development is represented by parking related to the project Hermitage View House (Saint-Petersburg, Zoologicheskiy Lane 2-4). The other premises of this property have been sold in 2012. The Group plans to sell the parking in 2013.

As at 31 December 2012 and 31 December 2011 there were no investment properties under development to be subject to a registered debenture to secure bank loans.

16 Investment property

’000 RUB	**2012**	**2011**
Cost / Fair value		
At 1 January	2,310,658	2,308,258
Additions	9,935	-
Reclassification into inventories	(2,230)	-
Change in fair value	(10,025)	2,400
Disposal	(1,632,738)	-
At 31 December	675,600	2,310,658

’000 USD	**2012**	**2011**
Cost / Fair value		
At 1 January	71,768	75,738
Additions	320	-
Reclassification into inventories	(72)	-
Change in fair value	(322)	82
Disposal	(52,511)	-
Effect of movements in exchange rates	3,061	(4,052)
At 31 December	22,244	71,768

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

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

The following amounts were recognized in the Consolidated Statement of Comprehensive Income in respect of investment property:

	2012 ’000 RUB	**2011 ’000 RUB**	**2012 ’000 USD**	**2011 ’000 USD**
Rental income from investment property	151,172	171,689	4,862	5,842
Direct operating expenses arising from investment property that generated rental income during the year	52,362	54,758	1,684	1,863

17 Other investments

	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Non-current				
Available-for-sale investments:				
Stated at cost	1,539	9,968	50	309
Prepayment for acquisition of shares	-	50,000	-	1,553
Originated loans	145,201	52,277	4,782	1,624
	146,740	112,245	4,832	3,486
Current				
Held to maturity investments	17,676	35,765	582	1,111
Originated loans	173,860	90,391	5,723	2,808
	191,536	126,156	6,305	3,919

Available-for-sale investments stated at cost comprise unquoted equity securities in the construction industry. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty of future cash flows in this industry. However, management does not believe that the fair value at the end of the period would differ significantly from that carrying amount.

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

18 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

’000 RUB	**Assets**		**Liabilities**		**Net**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**
Property, plant and equipment	(1,357,872)	(1,115,215)	2,273,905	2,221,649	916,033	1,106,434
Intangible assets	(6,917)	(259)	136,894	144,354	129,977	144,095
Investment property under development	(2,697)	(26,461)	-	1,663	(2,697)	(24,798)
Investment property	-	-	113,060	350,966	113,060	350,966
Inventories	(505,473)	(463,091)	372,456	428,351	(133,017)	(34,740)
Trade and other receivables	(412,856)	(315,884)	114,424	110,905	(298,432)	(204,979)
Loans and borrowings	(23,465)	(46,218)	10,471	27,285	(12,994)	(18,933)
Provisions	-	(1,435)	-	-	-	(1,435)
Trade and other payables	(245,200)	(252,934)	182,593	72,315	(62,607)	(180,619)
Tax loss carry-forwards	(934,111)	(1,230,333)	-	-	(934,111)	(1,230,333)
Tax (assets)/liabilities	(3,488,591)	(3,451,830)	3,203,803	3,357,488	(284,788)	(94,342)
Set off of tax	1,756,800	1,657,214	(1,756,800)	(1,657,214)	-	-
Net tax (assets)/liabilities	(1,731,791)	(1,794,616)	1,447,003	1,700,274	(284,788)	(94,342)

’000 USD	**Assets**		**Liabilities**		**Net**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**
Property, plant and equipment	(44,706)	(34,638)	74,867	69,003	30,161	34,365
Intangible assets	(228)	(8)	4,507	4,484	4,279	4,476
Investment property under development	(89)	(822)	-	52	(89)	(770)
Investment property	-	-	3,722	10,901	3,722	10,901
Inventories	(16,642)	(14,383)	12,263	13,304	(4,379)	(1,079)
Trade and other receivables	(13,593)	(9,811)	3,767	3,445	(9,826)	(6,366)
Loans and borrowings	(773)	(1,436)	345	847	(428)	(589)
Provisions	-	(45)	-	-	-	(45)
Trade and other payables	(8,073)	(7,857)	6,012	2,247	(2,061)	(5,610)
Tax loss carry-forwards	(30,755)	(38,214)	-	-	(30,755)	(38,214)
Tax (assets)/liabilities	(114,859)	(107,214)	105,483	104,283	(9,376)	(2,931)
Set off of tax	57,841	51,473	(57,841)	(51,473)	-	-
Net tax (assets)/liabilities	(57,018)	(55,741)	47,642	52,810	(9,376)	(2,931)

Deferred tax assets on tax losses carry-forwards recognised as at 31 December 2012 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In accessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same data as it used for impairment testing of goodwill and property, plant and equipment (refer to note 14).The major part of those tax losses relates to business segments Building Materials NW and Other Entities and expire in 2013-2022.

(b) Movement in temporary differences during the year

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

'000 RUB	1 January 2011	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2011
Property, plant and equipment	1,313,802	(182,075)	(28,259)	2,966	1,106,434
Intangible assets	101,475	(6,933)	49,553	-	144,095
Investment property under development	(11,202)	(13,596)	-	-	(24,798)
Investment property	348,692	2,274	-	-	350, 966
Inventories	(134,826)	98,105	1,981	-	(34,740)
Trade and other receivables	(189,305)	(249)	(15,425)	-	(204,979)
Loans and borrowings	(15,625)	(3,308)	-	-	(18,933)
Provisions	(8,813)	7,378	-	-	(1,435)
Trade and other payables	(181,141)	8,502	(7,980)	-	(180,619)
Tax loss carry-forwards	(1,045,436)	(57,164)	(126,546)	(1,187)	(1,230,333)
	177,621	(147,066)	(126,676)	1,779	(94,342)

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

’000 USD	1 January 2011	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2011
Property, plant and equipment	43,108	(6,195)	(962)	(1,586)	34,365
Intangible assets	3,329	(236)	1,686	(303)	4,476
Investment property under development	(367)	(462)	-	59	(770)
Investment property	11,441	77	-	(617)	10,901
Inventories	(4,424)	3,337	66	(58)	(1,079)
Trade and other receivables	(6,212)	(9)	(525)	380	(6,366)
Loans and borrowings	(513)	(113)	-	37	(589)
Provisions	(289)	251	-	(7)	(45)
Trade and other payables	(5,943)	289	(271)	315	(5,610)
Tax loss carry-forwards	(34,302)	(1,943)	(4,304)	2,335	(38,214)
	5,828	(5,004)	(4,310)	555	(2,931)

(c) Unrecognised deferred tax assets

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

	31 December 2012 ’000 RUB	31 December 2011 ’000 RUB	31 December 2012 ’000 USD	31 December 2011 ’000 USD
Tax losses	93,753	163,561	3,087	5,080

Deductible temporary differences on intercompany sales of investments	84,008	84,008	2,766	2,609
Total deferred tax assets have not been recognised	177,761	247,569	5,853	7,689

The tax losses expire in 2013-2022. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that the Group will sell investments in the foreseeable future and can utilize the benefits therefrom.

19 Inventories

	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Work in progress, construction of buildings	47,644,072	43,750,949	1,568,647	1,358,890
Finished goods, construction of buildings	11,092,791	5,948,011	365,223	184,743
Finished goods and goods for resale	3,552,766	2,590,524	116,973	80,461
Raw materials and consumables	2,165,629	2,124,940	71,300	66,000
Work in progress	1,385,604	1,061,596	45,620	32,972
Lease incentives	656,452	1,110,026	21,613	34,477
	66,497,314	56,586,046	2,189,376	1,757,543

Inventories with a carrying amount of RUB 2,206,947 thousand / USD 72,662 thousand are subject to a registered debenture to secure bank loans (31 December 2011: RUB 6,258,029 thousand / USD 194,372 thousand) (refer to note 25).

20 Trade and other receivables

	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Non-current				
Notes receivable on disposals of subsidiaries	132,754	131,723	4,372	4,091
Prepayments to suppliers	-	543,827	-	16,891
Accounts receivable - trade	-	293	-	9
Other receivables	-	10,808	-	336
	132,754	686,651	4,372	21,327
Current				
Prepayments to suppliers	5,192,059	3,262,795	170,945	101,341

	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	’000 RUB	’000 RUB	’000 USD	’000 USD
Prepayments for flats	3,626,570	4,951,971	119,402	153,807
Accounts receivable – trade	3,184,588	2,614,087	104,850	81,193
Amounts due from customers for contract work	2,189,512	2,341,397	72,088	72,723
Receivables for sale of Investment Property	1,492,079	-	49,126	-
VAT receivable	900,844	646,897	29,660	20,092
Notes receivable	437,701	730,864	14,411	22,700
Deferred expenses	162,413	122,062	5,347	3,791
Current receivables on disposals of subsidiaries	75,592	-	2,489	-
Employee receivables	3,100	3,819	102	119
Other receivables	2,136,257	2,312,540	70,335	71,826
	19,400,715	16,986,432	638,755	527,592
Provision for doubtful debtors	(598,560)	(902,502)	(19,707)	(28,031)
	18,802,155	16,083,930	619,048	499,561

Prepayments for flats acquired for resale include RUB 55,303 thousand / USD 1,821 thousand for flats that will be received after 12 months from the balance sheet date (31 December 2011: RUB 1,142,845 thousand / USD 35,496 thousand).

In 2011 the Group won litigation for repayment of advance paid to CERIC S.A. for the supply of equipment for new brick-making plant received cash on bank guarantee. The advance has been repaid to the Group in 2011.

As at 31 December 2011 Other current receivables included interest and court charges adjudged to the Group by Stockholm arbitration court in the amount of RUB 147,079 thousand / USD 4,482 thousand. The Group has claimed the amount from Credit Lyonnais Bank, that is the guarantor on CERIC S.A. payment on that contract. As at 31 December 2012 the Group has written off the remaining balance in the amount of RUB 143,184 thousand / USD 4,714 thousand as the probability of payment receipt is remote.

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

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

21 Cash and cash equivalents

	31 December 2012 '000 RUB	31 December 2011 '000 RUB	31 December 2012 '000 USD	31 December 2011 '000 USD
Petty cash	4,045	11,655	133	362
Current accounts	2,182,107	2,662,564	71,844	82,698
Call deposits	1,780,934	2,520,685	58,636	78,292
Cash and cash equivalents in the statement of financial position	3,967,086	5,194,904	130,613	161,352
Cash and cash equivalents in the statement of cash flows	3,967,086	5,194,904	130,613	161,352

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

22 Restricted cash

	31 December 2012 '000 RUB	31 December 2011 '000 RUB	31 December 2012 '000 USD	31 December 2011 '000 USD
Non-current				
Restricted cash	476,883	894,732	15,701	27,790
Current				
Restricted cash	563	43,422	19	1,349
	477,446	938,154	15,720	29,139

Restricted cash as at 31 December 2012 includes the amount of RUB 191,287 thousand / USD 6,298 thousand which was reserved in connection with confirmed letters of credit issued by the Group's bankers on building of Brick Plant in Leningrad Region (31 December 2011: RUB 894,723 thousand /USD 27,790 thousand). As well it includes the amount of RUB 285,063 thousand / USD 9,386 thousand which was reserved in connection with confirmed letters of credit issued by the Group's bankers on equipment for production of ferroconcrete piles, plates, and also equipment for reconstruction of betono-mixing knot.

Cash in the amount of RUB 563 thousand / USD 19 thousand is restricted for use by the Group according to the requirements of German legislation that regulates operations between developers and investors-individuals (31 December 2011: RUB 43,422 thousand / USD 1,349 thousand).

23 Equity

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	31 December 2012	**31 December 2011**
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the year	103,030,215	103,030,215
On issue at end of the year, fully paid	103,030,215	103,030,215

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

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2012 the Company had retained earnings, including the profit for the current period, of RUB 8,581,963 thousand / USD 282,555 thousand (as at 31 December 2011: RUB 8,119,072 thousand / USD 252,176 thousand).

In April 2012 The Group distributed dividends in the amount of RUB 2,070,224 thousand / USD 66,582 thousand at value RUB 20 / USD 0,6 per share for financial year ended 31 December 2011.

24 Earnings per share

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

	2012	**2011**
Issued shares at 1 January	103,030,215	103,030,215
Weighted average number of shares for the year ended 31 December	103,030,215	103,030,215

25 Loans and borrowings

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

	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Non-current				
Secured bank loans	24,069,204	26,620,132	792,462	826,812
Unsecured bank loans	-	420,000	-	13,045
Unsecured other loans	9,000	9,000	296	280
Unsecured bond issues	9,800,000	8,957,993	322,658	278,232
Finance lease liability	70,785	126,980	2,331	3,944
	33,948,989	36,134,105	1,117,747	1,122,313
Current				
Secured bank loans	1,022,422	1,186,888	33,663	36,864
Unsecured bank loans	-	280,000	-	8,697
Unsecured other loans	5,070	175,387	167	5,447
Unsecured bond issue	4,396,552	1,000,000	144,753	31,060
Finance lease liability	101,625	146,052	3,346	4,536
	5,525,669	2,788,327	181,929	86,604

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2012		31 December 2011	
'000 RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR			-	-	413,255	413,255
	USD	6м Libor+5.76%	2019	5,146,306	5,146,306	6,366,930	6,366,930
	RUB	2.00% - 11.00% CBR rate+3%	2014-2021	19,945,320	19,945,320	21,026,835	21,026,835
Unsecured facility	RUB	0% – 11.50%	2013-2021	14,210,622	14,210,622	10,842,380	10,842,380
Finance lease liability		10.12% - 35.54%	2013-2017	172,410	172,410	273,032	273,032
				39,474,658	39,474,658	38,922,432	38,922,432

				31 December 2012		31 December 2011	
'000 USD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR			-	-	12,836	12,836
	USD	6м Libor+5.76%	2019	169,438	169,438	197,754	197,754
	RUB	2.00% - 11.00% CBR rate+3%	2014-2021	656,687	656,687	653,086	653,086
Unsecured facility	RUB	0% – 11.50%	2013-2021	467,874	467,874	336,761	336,761
Finance lease liability		10.12% - 35.54%	2013-2017	5,677	5,677	8,480	8,480
				1,299,676	1,299,676	1,208,917	1,208,917

Covenants and other matters

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

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

Finance lease liabilities are payable as follows:

'000 RUB	31 December 2012			31 December 2011		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	122,030	20,405	101,625	182,806	36,754	146,052
Between one and five years	84,905	14,120	70,785	145,263	18,283	126,980
	206,935	34,525	172,410	328,069	55,037	273,032

'000 USD	31 December 2012			31 December 2011		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	4,018	672	3,346	5,678	1,142	4,536
Between one and five years	2,796	465	2,331	4,512	568	3,944
	6,814	1,137	5,677	10,190	1,710	8,480

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 7,454,944 thousand / USD 245,449 thousand is pledged as collateral to secure bank loans (31 December 2011: RUB 1,604,669 thousand / USD 49,840thousand) – refer to note 13(b).
- Inventories with a carrying amount of RUB 2,206,947 thousand / USD 72,662 thousand are pledged as collateral to secure bank loans. (31 December 2011: RUB 6,258,029 thousand / USD 194,372 thousand) – refer to note 19.

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

Bank loans are secured by the pledge of the following shares in subsidiary companies as of 31 December 2012:

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

26 Provisions

’000 RUB	**Site restoration**	**Environ-ment restoration**	**Warranty provision**	**Provision for unprofitable contracts**	**Litigation provision**	**Total**
Current						
Balance at 1 January 2012	312,873	5,522	8,168	(2)	3,670	330,231
Provisions made during the year	600,504	38,512	603	5,774	3,673	649,066
Provisions used during the year	(624,184)	(5,522)	(2,373)	2	-	(632,077)
Disposals of subsidiaries	-	-	-	-	(3,670)	(3,670)
Exchange differences (+/-)	-	-	(283)	-	-	(283)
Balance at 31 December 2012	289,193	38,512	6,115	5,774	3,673	343,267
Non-current						
Balance at 1 January 2012	-	8,742	-	-	-	8,742
Provisions made during the year	-	17,293	-	-	-	17,293
Provisions used during the year	-	(9,674)	-	-	-	(9,674)
Balance at 31 December 2012	-	16,361	-	-	-	16,361

'000 USD	Site restoration	Environ-ment restoration	Warranty provision	Provision for unprofitable contracts	Litigation provision	Total
Current						
Balance at 1 January 2012	9,718	172	254	-	113	10,257
Provisions made during the year	19,313	1,239	19	186	118	20,875
Provisions used during the year	(20,075)	(178)	(76)	-	-	(20,329)
Disposals of subsidiaries	-	-	-	-	(118)	(118)
Exchange differences (+/-)	565	35	4	5	8	617
Balance at 31 December 2012	9,521	1,268	201	191	121	11,302
Non-current						
Balance at 1 January 2012	-	272	-	-	-	272
Provisions made during the year	-	556	-	-	-	556
Provisions used during the year	-	(311)	-	-	-	(311)
Exchange differences (+/-)	-	21	-	-	-	21
Balance at 31 December 2012	-	538	-	-	-	538

(a) Site restoration

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

(b) Environment restoration

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

(c) Warranty provision

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

(d) Provision for unprofitable contracts

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

(e) Litigation provision

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

27 Trade and other payables

	31 December 2012 '000 RUB	31 December 2011 '000 RUB	31 December 2012 '000 USD	31 December 2011 '000 USD
Non-current payables				
Notes payable long-term	185,218	170,018	6,098	5,281
Accounts payable trade	-	800	-	25
	185,218	170,818	6,098	5,306
Current payables				
Prepayments received for flats	24,035,017	15,655,109	791,336	486,242
Advances from customers	3,992,877	3,681,206	131,462	114,337
Accounts payable trade	4,657,545	5,439,520	153,346	168,950
Other taxes payable	1,571,518	1,684,598	51,741	52,323
Interest payable	1,108,042	1,147,598	36,482	35,644
Employee-related liabilities	834,709	757,142	27,482	23,517
Accounts due to customers for contract work	401,855	1,648,402	13,231	51,199
Notes payable	69,562	79,467	2,290	2,468
Deferred income	25,902	52,951	853	1,645
Non-controlling interest in limited liability subsidiaries	21,760	33,079	716	1,027
Dividend liabilities, interest-free	1,129	1,804	37	56
Payables for shares of the subsidiaries acquired	-	604	-	19
Other payables	1,988,922	1,168,809	65,486	36,302
	38,708,838	31,350,289	1,274,462	973,729

Prepayments received for flats include RUB 6,486,921 thousand / USD 213,577 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2011: RUB 3,159,487 thousand / USD 98,133 thousand).

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

28 Financial risk management

(a) Overview

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statement.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables

Trade receivables from the largest five debtors of the Group represents approximately RUB 1,004,284 thousand / USD 33,065 thousand (31 December 2011: RUB 1,445,398 thousand / USD 44,894 thousand) of the Group's total Trade receivables . Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

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

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

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

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

(ii) Investments

The Group does not invest any of its assets in traded securities. It limits its exposure to credit risk by only investing in securities and only with counterparties that are known to them and that have an appropriate reputation in the market. Management does not expect any counterparty to fail to meet its obligations.

(iii) Guarantees

As at 31 December 2012 guarantees made to third parties were RUB 253,159 thousand / USD 8,335 thousand (31 December 2011: RUB 369,459 thousand / USD 11,475 thousand).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

’000 RUB	Carrying amount	
	31 December 2012	31 December 2011
Available-for-sale financial assets	1,539	9,968
Loans and receivables	9,439,059	7,470,043
Held to maturity investments	17,676	35,765
Cash and cash equivalents	3,967,086	5,194,904
Restricted cash	477,446	938,154
	13,902,806	13,648,834

’000 USD	Carrying amount	
	31 December 2012	31 December 2011
Available-for-sale financial assets	50	309
Loans and receivables	310,774	232,017
Held to maturity investments	582	1,111
Cash and cash equivalents	130,613	161,352
Restricted cash	15,720	29,139
	457,739	423,928

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

’000 RUB	Carrying amount	
	31 December 2012	31 December 2011
Domestic	2,779,221	1,952,626
Euro-zone countries	39,223	44,297
Other CIS countries	12,976	16,795
	2,831,420	2,013,718

’000 USD	Carrying amount	
	31 December 2012	31 December 2011
Domestic	91,504	60,648
Euro-zone countries	1,291	1,376
Other CIS countries	427	522
	93,222	62,546

The Group’s most significant trade debtor, OOO “Ekspert”, accounts for RUB 380,636 thousand / USD 12,532 thousand of the trade receivables carrying amount at 31 December 2012 (31 December 2011 OOO “Lenstroyenergo PSO”: RUB 94,298 thousand / USD 2,929 thousand).

The total amount of impaired trade receivables at the reporting date was RUB 353,168 thousand / USD 11,628 thousand (31 December 2011: RUB 600,662 thousand / USD 18,656 thousand).

The ageing of trade receivables at the reporting date was:

	Gross 31 December 2012	Impairment 31 December 2012	Gross 31 December 2011	Impairment 31 December 2011
	’000 RUB	’000 RUB	’000 RUB	’000 RUB
Not past due	1,902,151	-	1,079,153	-
Past due 0-30 days	515,498	-	499,528	(6)
Past due 31-150 days	277,347	(683)	391,621	(51,158)
Past due more than 150 days	489,592	(352,475)	644,078	(549,498)
	3,184,588	(353,168)	2,614,380	(600,662)

	Gross 31 December 2012	Impairment 31 December 2012	Gross 31 December 2011	Impairment 31 December 2011
	’000 USD	’000 USD	’000 USD	’000 USD
Not past due	62,628	-	33,518	-
Past due 0-30 days	16,972	-	15,515	-
Past due 31-150 days	9,131	(23)	12,164	(1,589)
Past due more than 150 days	16,119	(11,605)	20,005	(17,067)
	104,850	(11,628)	81,202	(18,656)

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

	2012	2011
	’000 RUB	’000 RUB
Balance at 1 January	(600,662)	(577,104)
Impairment of disposed subsidiaries	146,981	-
Impairment loss recognised	100,513	(23,558)
Balance at 31 December	(353,168)	(600,662)

	2012	2011
	’000 USD	’000 USD
Balance at 1 January	(18,656)	(18,936)
Impairment of disposed subsidiaries	4,727	-
Impairment loss recognised	3,233	(802)
Effect of movements in exchange rates	(932)	1,082
Balance at 31 December	(11,628)	(18,656)

The impairment loss at 31 December 2012 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and internal analysis on the underlying customers' credit ratings.

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

	2012	**2011**
	'000 RUB	**'000 RUB**
Balance at 1 January	(301,840)	(368,776)
Impairment (loss) / reversal	56,448	66,936
Balance at 31 December	(245,392)	(301,840)

	2012	**2011**
	'000 USD	**'000 USD**
Balance at 1 January	(9,375)	(12,100)
Impairment (loss) / reversal	1,815	2,278
Effect of movements in exchange rates	(519)	447
Balance at 31 December	(8,079)	(9,375)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 31 December 2012 the Group's undrawn short-term credit facilities amount is RUB 7,702,000 thousand / USD 253,583 thousand (31 December 2011: RUB 4,572,000 thousand / USD 142,005 thousand) from Russian and Ukrainian banks. Interest would be payable at the rate of 8.75% to 10.25%.

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

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

*Fixed rate

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

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

31 December 2011	**Average interest rate**					
’000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.50% - 10.10%	8.85%	374,847	11,976,989	6,110,922	18,462,758
RUB	CBR rate+3%	10.75%	341,877	1,367,508	854,692	2,564,077
USD	6m Libor+5.76%	6.18%	262,932	4,134,257	1,969,741	6,366,930
EUR*	3.34% - 5.25%	8.68%	207,232	206,023	-	413,255
Unsecured bank loans:						
RUB*	8.18%	9.75%	280,000	420,000	-	700,000
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.00%	175,387	-	9,000	184,387
Unsecured bond issues:						
RUB*	8.47% - 10.50%	11.73%	1,000,000	8,957,993	-	9,957,993
Finance lease liabilities						
RUB*	13.69%-48.91%	19.57%	53,921	80,896	-	134,817
EUR*	9.71%-27.32%	15.32%	87,574	43,527	-	131,101
USD*	6.30%-15.95%	15.49%	1,213	-	-	1,213
Other*	22.00%-26.00%	24.58%	3,344	2,557		5,901
Trade and other payables		-	7,870,881	170,818	-	8,041,699
Future interests**		-	3,220,455	6,858,839	381,646	10,460,940
Guarantees***		-	91,958	277,501	-	369,459
			13,971,621	34,496,908	9,326,001	57,794,530

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2011.

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

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

*Fixed rate

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

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

31 December 2011	**Average interest rate**					
'000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.50% - 10.10%	8.85%	11,642	372,002	189,803	573,447
RUB	CBR rate+3%	10.75%	10,619	42,474	26,546	79,639
USD	6m Libor+5.76%	6.18%	8,166	128,409	61,179	197,754
EUR*	3.34% - 5.25%	8.68%	6,437	6,399	-	12,836
Unsecured bank loans:						
RUB*	8.18%	9.75%	8,697	13,045	-	21,742
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.00%	5,447	-	280	5,727
Unsecured bond issues:						
RUB*	8.47% - 10.50%	11.73%	31,060	278,232	-	309,292
Finance lease liabilities						
RUB*	13.69%-48.91%	19.57%	1,674	2,513	-	4,187
EUR*	9.71%-27.32%	15.32%	2,720	1,352	-	4,072
USD*	6.30%-15.95%	15.49%	38	-	-	38
Other*	22.00%-26.00%	24.58%	104	79	-	183
Trade and other payables		-	244,466	5,306	-	249,772
Future interests**		-	100,027	213,033	11,854	324,914
Guarantees***		-	2,856	8,619	-	11,475
			433,953	1,071,463	289,662	1,795,078

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2011.

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

(d) Market risk

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

(i) Currency risk

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

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

Exposure to currency risk

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

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

31 December 2011 '000 RUB	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	220,788	-	-
Originated loans	42,088	-	192
Secured bank loans	(413,255)	(6,366,930)	-
Unsecured bank loans	-	-	-
Unsecured other loans	-	-	-
Unsecured bond issues	-	-	-
Finance lease liabilities	(131,101)	(1,213)	(5,901)
Trade and other payables	(323,820)	(1,170,801)	-
Gross balance sheet exposure	(605,300)	(7,538,944)	(5,709)

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

31 December 2011 **’000 USD**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	6,858	-	-
Originated loans	1,307	-	6
Secured bank loans	(12,836)	(197,754)	-
Unsecured bank loans	-	-	-
Unsecured other loans	-	-	-
Unsecured bond issues	-	-	-
Finance lease liabilities	(4,072)	(38)	(183)
Trade and other payables	(10,058)	(36,365)	-
Gross balance sheet exposure	(18,801)	(234,157)	(177)

The following significant exchange rates applied during the period:

	31 December 2012	**31 December 2011**
	RUB	**RUB**
1 USD equals	30.3727	32.1961
1 Euro equals	40.2286	41.6714
1 UAH equals	3.7590	4.0055

Sensitivity analysis

A 10% strengthening of RUB against the above currencies would have increased profit by RUB 535,983 thousand / USD 17,647 thousand. A 10% weakening of the RUB against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

'000 RUB	Carrying amount	
	31 December 2012	31 December 2011
Fixed rate instruments		
Financial assets	338,276	188,401
Financial liabilities	(34,328,352)	(29,991,425)
	(33,990,076)	(29,803,024)
Variable rate instruments		
Financial liabilities	(5,146,306)	(8,931,007)

'000 USD	Carrying amount	
	31 December 2012	31 December 2011
Fixed rate instruments		
Financial assets	11,137	5,852
Financial liabilities	(1,130,237)	(931,524)
	(1,119,100)	(925,672)
Variable rate instruments		
Financial liabilities	(169,438)	(277,393)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and the statement of comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year 2011.

'000 RUB	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Year ended 31 December 2012		
Variable rate instruments	(51,463)	51,463
Cash flow sensitivity	(51,463)	51,463
Year ended 31 December 2011		
Variable rate instruments	(89,310)	89,310
Cash flow sensitivity	(89,310)	89,310

'000 USD	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Year ended 31 December 2012		
Variable rate instruments	(1,694)	1,694
Cash flow sensitivity	(1,694)	1,694
Year ended 31 December 2011		
Variable rate instruments	(2,774)	2, 774
Cash flow sensitivity	(2,774)	2, 774

(e) Fair values versus carrying amounts

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

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

’000 RUB	**Note**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		31 December 2012	**31 December 2012**	**31 December 2011**	**31 December 2011**
Financial assets					
Available-for-sale financial assets	17	1,539	1,539	9,968	9,968
Loans and receivables		9,439,059	9,439,059	7,470,043	7,470,043
Held to maturity investments	17	17,676	17,676	35,765	35,765
Cash and cash equivalents	21	3,967,086	3,967,086	5,194,904	5,194,904
Restricted cash	22	477,446	477,446	938,154	938,154
		13,902,806	13,902,806	13,648,834	13,648,834
Financial liabilities					
Secured bank loans	25	(25,091,626)	(23,606,730)	(27,807,020)	(26,790,154)
Unsecured bank loans	25	-	-	(700,000)	(682,101)
Unsecured other loans	25	(14,070)	(9,380)	(184,387)	(164,545)
Unsecured bond issues	25	(14,196,552)	(14,056,550)	(9,957,993)	(9,851,305)
Trade and other payables	27	(8,032,178)	(8,032,177)	(8,041,699)	(8,041,699)
Finance lease liabilities	25	(172,410)	(172,410)	(273,032)	(273,032)
		(47,506,836)	(45,877,247)	(46,964,131)	(45,802,836)

’000 USD	**Note**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		31 December 2012	**31 December 2012**	**31 December 2011**	**31 December 2011**
Financial assets					
Available-for-sale financial assets	17	50	50	309	309
Loans and receivables		310,774	310,774	232,017	232,017
Held to maturity investments	17	582	582	1,111	1,111
Cash and cash equivalents	21	130,613	130,613	161,352	161,352
Restricted cash	22	15,720	15,720	29,139	29,139
		457,739	457,739	423,928	423,928

'000 USD	Note	Carrying amount 31 December 2012	Fair value 31 December 2012	Carrying amount 31 December 2011	Fair value 31 December 2011
Financial liabilities					
Secured bank loans	25	(826,125)	(777,235)	(863,676)	(832,093)
Unsecured bank loans	25	-	-	(21,742)	(21,186)
Unsecured other loans	25	(463)	(309)	(5,727)	(5,111)
Unsecured bond issues	25	(467,411)	(462,802)	(309,292)	(305,978)
Trade and other payables	27	(264,455)	(264,454)	(249,772)	(249,772)
Finance lease liabilities	25	(5,677)	(5,676)	(8,480)	(8,480)
		(1,564,131)	(1,510,476)	(1,458,689)	(1,422,620)

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

	31 December 2012	31 December 2011
Loans and borrowings	6.00% - 11.00%	8.00% - 10.00%
Leases	10.12% - 35.54%	6.30% - 48.91%

(f) Operational risk

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

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

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

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

- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

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

(g) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

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

	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Total liabilities	81,076,361	72,914,672	2,669,383	2,264,705
Less: cash and cash equivalents	(3,967,086)	(5,194,904)	(130,613)	(161,352)
Net liabilities	77,109,275	67,719,768	2,538,770	2,103,353
Total equity	56,701,499	53,947,498	1,866,857	1,675,591
Net liabilities to capital ratio	1.36	1.26	1.36	1.26

29 Operating leases

Non-cancellable operating lease rentals are payable as follows:

'000 RUB	**2012**	**2011**
Less than one year	260,155	155,299
Between one and five years	845,463	425,273
More than five years	3,611,793	2,044,378
	4,717,411	2,624,950

'000 USD	**2012**	**2011**
Less than one year	8,565	4,824
Between one and five years	27,836	13,209
More than five years	118,916	63,498
	155,317	81,531

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

For the production entities lease payments are expensed as incurred, while for the real estate construction entities lease payments are capitalised to the construction costs of the properties, located on the respective land plots. During the year ended 31 December 2012 an amount of RUB 108,049 thousand / USD 3,475 thousand was recognised as an expense in the statement of comprehensive income in respect of non-cancellable operating leases. During the year ended 31 December 2012 an amount of RUB 107,450 thousand / USD 3,456 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

30 Commitments

At 31 December 2012, the Group was committed to purchase property, plant and equipment for approximately RUB 427,136 thousand / USD 14,063 thousand (31 December 2011: RUB 3,527,815 thousand / USD 109,573 thousand) net of VAT, including commitment to purchase equipment for a new brick-making plant for RUB 278,910 thousand / USD 9,183 thousand (31 December 2011: RUB 1,867,107 thousand / USD 57,992 thousand).

31 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

In April 2009 one of the Group subsidiaries entered into litigation with CERIC S.A. in Stockholm arbitration court. At 29 July 2011 Stockholm arbitration court declared its final award in favour of the Group (refer to note 20 for more details).

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

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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

(d) Environmental liabilities

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

The Group is engaged in crushed stone production and extraction of clay in ten areas covered by forests. According to existing legislation and the terms of licenses obtained by the Group there is a liability for the Group to restore these sites when quarrying is complete. The costs associated with restoration cannot be determined as, in accordance with existing licences on crushed stone production, the methods of restoration and its cost will be determined in the future based on discussions between the Group and Russian Environment Authorities after the quarrying is complete. Accordingly, no provision has been recognised in the consolidated interim financial statements for expected expenses on restoration. It is planned that quarrying will be completed for the currently used ten areas in the years from 2013 to 2027.

32 Related party transactions

(a) Control relationships

The Company is ultimately controlled by Andrey Molchanov.

(b) Transactions with management and close family members

The management and their close family members control 5.00% of the voting shares of the Group. (31 December 2011: 5.00%).

(i) Management remuneration

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

	2012 '000 RUB	2011 '000 RUB	2012 '000 USD	2011 '000 USD
Salaries and bonuses	317,362	338,302	10,207	11,512

(ii) Other transactions with management and close family members

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Sale of goods and services	5,850	69,918	85	(2,118)	188	2,379	3	(66)
Purchase of goods and services	136	69,154	-	-	4	2,353	-	-
Loans received (included into unsecured other loans – refer to note 25)	30,000	13,392	2,060	3,520	965	456	68	109
Loans given to related parties	800	1,200	-	3,540	26	41	-	110
Purchase of shares	-	38	-	-	-	1	-	-
Sales of note	-	34,119	9,107	9,252	-	1,161	300	287
Other expenses	(3,193)	(917)	1,533	9,685	(103)	(31)	50	301

As at 31 December 2012 there were no loans to executive directors (31 December 2011: there were no loans to executive directors) (refer to notes 17, 20).

(c) Transactions with other related parties

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

(i) Revenue

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Sale of goods and services provided to:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	3,364,101	295,715	2,306,799	362	108,195	10,063	75,950	11
Companies significantly influenced by the Group key management	-	32,583	(61,500)	(33,610)	-	1,109	(2,025)	(1,044)
	3,364,101	328,298	2,245,299	(33,248)	108,195	11,172	73,925	(1,033)

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

Other income to companies controlled or significantly influenced by or on behalf of the Group’s ultimate beneficial owners as at 31 December 2012 amounts to RUB 308 thousand / USD 10 thousand (other expenses 31 December 2011: RUB1,182 thousand / USD 40 thousand). Outstanding balance amounts to RUB 3,866 thousand / USD 127 thousand (31 December 2011: RUB 3,465 thousand / 108 USD thousand).

Other income to companies controlled significantly influenced by the Group management as at 31 December 2012 amounts to RUB 28 thousand / USD 1 thousand (31 December 2011: RUB 2,107 thousand / USD 72 thousand). There is no outstanding balance as at 31 December 2012 (31 December 2011: RUB 27,195 thousand / USD 845 thousand).

(ii) Expenses and capital expenditures

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Purchase of goods and services from:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	19,774	32,936	10,913	(247,701)	635	1,121	351	(7,694)
Companies significantly influenced by the Group management	8	7,581	-	883	-	258	-	27
	19,782	40,517	10,913	(246,818)	635	1,379	351	(7,667)

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

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

(iii) Loans

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Loans given (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	(24,253)	-	(24,000)	(421)	(780)	-	(790)	(13)
Companies significantly influenced by the Group management	(67)	(845)	-	(1,444)	(2)	(29)	-	(45)
	(24,320)	(845)	(24,000)	(1,865)	(782)	(29)	(790)	(58)

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

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Interests (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	20	-	-	-	1	-	-
Companies significantly influenced by the Group management	-	-	-	-	-	-	-	-
Interests provided to A.Molchanov	-	-	-	-	-	-	-	-
	-	20	-	-	-	1	-	-

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

(iv) Other investments

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Non-current available-for-sale investments stated at cost (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	137,368	-	1,237	563	4,418	-	41	17
Companies significantly influenced by the Group management	-	10,473	3	6	-	356	-	-
	137,368	10,473	1,240	569	4,418	356	41	17

(v) Transactions with shares / promissory notes

Purchase of shares/promissory notes from

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	150,674	352,567	60,598	42,567	4,846	11,997	1,995	1,322
Companies significantly influenced by the Group management	-	11,044	-	-	-	376	-	-
	150,674	363,611	60,598	42,567	4,846	12,373	1,995	1,322

Sale of shares to

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	111	-	53,427	-	4	-	1,759	-
Companies significantly influenced by the Group management	-	-	-	-	-	-	-	-
	111	-	53,427	-	4	-	1,759	-

In addition to the above the Group sold shares in its subsidiaries to related parties in 2012 and recognised a loss from the sale directly in equity. Refer to note 6 (c) for more details.

33 Significant subsidiaries

Entity	Country of incorporation	Ownership/ voting interest 31 December 2012	Ownership/ voting interest 31 December 2011
JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG”	Russia	100.00%	100.00%
OOO “GDSK”	Russia	100.00%	100.00%
OAO “LSR”	Russia	100.00%	100.00%
OAO NPO “Keramika”	Russia	-	100.00%
OAO “Granit-Kuznechnoye”	Russia	-	100.00%
OAO “Rudas”	Russia	-	100.00%
“Leningrad river port Open Joint-Stock Company”	Russia	-	100.00%
JSC “Scanex”	Russia	100.00%	100.00%
OOO “Vertikal” (formerly ZAO “Vertikal”)	Russia	-	100.00%
OAO “PO “Barrikada”	Russia	100.00%	100.00%
ZAO “DSK “Blok”	Russia	100.00%	100.00%
OJSC “UM-260”	Russia	100.00%	100.00%
OOO “Obyedineniye 45”	Russia	100.00%	100.00%
ZAO “LSR-Nedvizhimost-M” (formerly ZAO “MSR”)	Russia	100.00%	100.00%
OOO “GATP №1”	Russia	100.00%	100.00%
JSC “Pobeda LSR”	Russia	100.00%	100.00%
OOO “Aeroc SPb”	Russia	100.00%	100.00%
LCC “AEROC”	Ukraine	100.00%	100.00%
OOO “Osobnyak”	Russia	100.00%	100.00%
OOO “Kvartira LuxServis”	Russia	-	100.00%
JSC “Construction trust № 28”	Russia	79.17%	79.17%
OOO “Construction trust № 28”*	Russia	50.00%	50.00%
ZAO “Promyshlenny leasing”	Russia	100.00%	100.00%
ZAO NPO “VSR”	Russia	-	80.00%
OOO “SPb GDC “YUNA”	Russia	100.00%	100.00%
DNP “Alakul”**	Russia	-	-
“DNP “Penaty-2”**	Russia	-	-
ZAO “MSR-Butovo”	Russia	100.00%	100.00%
OAO “Zavod ZhBI-6”	Russia	-	57.80%
OOO “GDSK Invest Primorsky”	Russia	-	100.00%
OOO “LenSpecSMO “Promstroymontazh”	Russia	100.00%	100.00%
Limited Liability Company Smolniy District	Russia	100.00%	100.00%
OOO “VSMP”	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/ voting interest 31 December 2012	Ownership/ voting interest 31 December 2011
OOO “BaltStroyKomplekt”	Russia	100.00%	100.00%
OOO “LSR-Bazovye-M” (formerly OOO “Obyedineniye 45-M”)	Russia	100.00%	100.00%
OOO “LSR-Invest”	Russia	-	100.00%
ZAO “Chifko plus”	Russia	-	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Strabe Wohnbau Gmbh & Co. KG	Germany	70.00%	70.00%
Saargemunder Strabe Wohnbau Beteiligungs-GmbH	Germany	70.00%	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
LSR Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestrasse Projektetnwicklungs GmbH & Co KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstr. 79 mbH	Germany	80.00%	80.00%
MUC Campus V GmbH	Germany	-	70.00%
Bereiteranger Vermogensverwaltungs GmbH	Germany	70.00%	70.00%
Bereiteranger Projektentwicklung GmbH & Co KG	Germany	70.00%	70.00%
Aignerstraße Projektentwicklungsgesellschaft mbH	Germany	100.00%	-
JSC “A Plus Estate”	Russia	100.00%	100.00%
ZAO “INGEOKOM S-Pb”	Russia	-	100.00%
OAO “Stroicorporatciya”	Russia	100.00%	100.00%
OAO MTO “ARHPROEKT”	Russia	100.00%	100.00%
LLC “LSR - UKRAINE”	Ukraine	-	100.00%
OOO “Velikan-XXI vek”	Russia	100.00%	100.00%
OAO “ZAVOD ELEKTRIK”	Russia	-	100.00%
OOO “ZAVOD “STROIFARFOR”	Russia	-	100.00%
OOO “BSK Invest-3”**	Russia	-	20.00%
Limited Liability Company “Cement”	Russia	100.00%	100.00%
ZAO “Kazanskaya, 36”	Russia	100.00%	100.00%
OOO “LSR.Stenovye-M” (formerly OOO “Ozherel’evskaya keramika”)	Russia	100.00%	100.00%
OOO “Okhtinskiy Bereg”	Russia	-	100.00%
Lsr Group Ltd	Russia	100.00%	100.00%
OOO “Ohta 25”	Russia	-	55.00%
Limited Liability Company “Barrikada”	Russia	-	100.00%
Limited Liability Company “BETFOR”	Russia	100.00%	100.00%
OOO “SMU “NOVA-stroy”	Russia	-	100.00%
LTD “PKU “NOVA-StroiProekt”	Russia	100.00%	100.00%
ZAO “NOVA-stroy”	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/ voting interest 31 December 2012	Ownership/ voting interest 31 December 2011
OOO “LSR-Nerud”	Russia	100.00%	100.00%
PJSC “Uralscheben”	Russia	100.00%	100.00%
PJSC “Aeroc Obuchow”	Ukraine	97.36%	97.36%
OOO “Kentavr Management”	Russia	100.00%	100.00%
OOO “Rybkhoz”	Russia	100.00%	100.00%
OOO “LSR.Stroy-M” (formerly OOO “MSR Perspectiva”)	Russia	100.00%	100.00%
OAO “Obuhovsky zavod SMiK”	Russia	-	100.00%
Open joint stock company “Pavlovskaya Keramika”	Russia	-	93.44%
OOO “LSR-Stroy”	Russia	100.00%	100.00%
Limited Liability Company “KUZZhBI”	Russia	100.00%	100.00%
Limited Liability Company “AvtoKomBalt”	Russia	100.00%	100.00%
OOO “GALS”	Russia	100.00%	100.00%
LLC “436 KNI”	Russia	100.00%	100.00%
OOO “KIN-Center”	Russia	-	100.00%
ZAO “LSR-Bazovye”	Russia	100.00%	100.00%
ZAO “Golden Kazanskaya”	Russia	100.00%	100.00%
OOO “Zagorodnaya, 71”	Russia	100.00%	-
OOO “Kazinskoe Karieroupravleniye”	Russia	100.00%	-
OOO “Kamenskoe-3”	Russia	100.00%	-
OOO “Tehnerud”	Russia	100.00%	-
LTD “Factor-Nedra”	Russia	-	-
OOO “Gribalevoy, 9”	Russia	-	-
OOO “Apollo”	Russia	-	-

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

** These subsidiaries are special purpose entities (see policy in the note 3(a)(iii)) in which the Group has no direct controlling ownership or direct controlling voting interest.

34 Events subsequent to the reporting date

(a) Financing events

In January 2013 the Group entered into a loan agreement with ZAO “Raiffeisen bank”. The total amount of revolving credit line granted is limited to RUB 1,000,000 thousand / USD 32,924 thousand. The loan is to be repaid no later 21 January 2014.

In February 2013 one of the Group subsidiaries entered into a loan agreement with OAO “Bank Saint-Petersburg”. The total amount of revolving credit line granted is limited to RUB 250,000 thousand / USD 8,231 thousand. The loan is to be repaid no later 31 May 2013.

In March 2013 one of the Group subsidiaries entered into a loan agreement with OAO “Sberbank”. The total amount of non-revolving credit line granted is limited to RUB 67,389 thousand / USD 2,219 thousand. The loan is to be repaid no later 03 March 2017.

(b) Operating events

In March 2013 the Board of Directors recommended the Annual General Shareholders' Meeting to distribute dividends of RUB 20.00 per ordinary share amounting to RUB 2,060,604 thousand / USD 67,844 thousand based on the results of the 2012 financial year.

35 Supplementary disclosures

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

Division	Segment	Business unit	Product	Entity
LSR. NW	Building Materials. NW	LSR.Wall Materials.NW	Brick	JSC "Pobeda LSR"
				LSR Stenovye (Brick)
			New Brick Plant	JSC "Pobeda LSR"
		LSR. Reinforced Concrete. NW	Reinforced Concrete	Limited Liability Company "Barrikada"
				OAO "Obuhovsky zavod SMiK"
				OOO "KIN-Center"
				OAO "PO "Barrikada"
			Aerated Concrete	JSC "Scanex"
				OOO "Aeroc SPb"
				PJSC "Aeroc Obuchow"
				LLC "AEROC"
				LSR Stenovye (Aerated Concrete)
		LSR.Basic Materials.NW	Ready-mix Concrete	OOO "Obyedineniye 45"
				ZAO "LSR-Bazovye" Ready-mix Concrete
			Sand	OOO "VSMP"
				"Leningrad river port Open Joint-Stock Company"
				OOO "Rybkhoz"
				ZAO "LSR-Bazovye" Sand
				OAO "Rudas"
				OOO "Tehnerud"
				LTD "Factor-Nedra"
			Crushed Granite	OAO "Granit-Kuznechnoye"
				LLC "436 KNI"
				ZAO "LSR-Bazovye" Crushed Granite
				OOO "LSR-Nerud"
		LSR.Cement.NW	Cement	ZAO "Chifko plus"
				Limited Liability Company "Cement"
	Real Estate. NW	LSR.Real Estate.NW	Elite Real Estate	ZAO "INGEOKOM S-Pb"
				ZAO NPO "VSR"
				OAO "ZAVOD ELEKTRIK"
				JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-

Division	Segment	Business unit	Product	Entity
				PETERSBURG" DNP "Alakul" DNP "Penaty-2" OOO "Osobnyak" OAO "Stroicorporatciya" Limited Liability Company Smolniy District OOO "SPB GDC "YUNA" OOO "LenSpecSMO "Promstroymontazh"
			Mass Market Real Estate	OAO "LSR" OAO NPO "Keramika" OOO "GDSK Invest Primorsky" OOO "ZAVOD "STROIFARFOR" OOO "GDSK" OOO "Okhtinskiy Bereg"
			Other	OOO "Kvartira LuxServis"
	Construction.NW	LSR. Construction.NW	Construction	ZAO "DSK "Blok" OOO "GATP №1"
		LSR. Project management	Project management	OOO "LSR-Stroy" Limited Liability Company "AvtoKomBalt"
		LSR. Pile Foundation and Construction	Pile Foundation and Construction	JSC "Construction trust № 28" OOO "Construction trust № 28"
		LSR.Tower Cranes	Tower Cranes	OJSC "UM-260"
LSR. Moscow	Real Estate. Moscow	LSR.Real Estate. Moscow	Real Estate	ZAO "LSR.Nedvizimost-M" OOO "Velikan-XXI vek" OOO "Kentavr Management" ZAO "MSR-Butovo"
	Construction. Moscow	LSR.Construction. Moscow	Construction	OOO "LSR.Stroy - M" (OOO "MSR Perspectiva") ZAO "LSR.Nedvizimost-M" OAO "Zavod ZhBI-6"
	Building Materials.Moscow	LSR.Basic Materials.Moscow	Ready-mix Concrete	OOO "LSR. Bazovye-M" (OOO "Obyedineniye 45-M")
		LSR.Wall Materials.Moscow	Brick	OOO "LSR.Stenovye - M" (OOO "Ozherel'evskaya keramika") Open joint stock company "Pavlovskaya Keramika"

Division	Segment	Business unit	Product	Entity
LSR. Ural	Real Estate.Ural	LSR.Real Estate.Ural	Real Estate	ZAO "NOVA-stroy"
	Construction. Ural	LSR.Construction. Ural	Construction	Limited Liability Company "BETFOR" Limited Liability Company "KUZZhBI" OOO "Kamenskoe-3" OOO "SMU "NOVA-stroy" LTD "PKU "NOVA-StroiProekt"
	Other. Ural	Other. Ural	Other. Ural	PJSC "Uralscheben"
LSR. Europe	Real Estate. Europe	LSR. Europe	Real Estate	LSR Europe GmbH Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH LSR Vermögensverwaltungs GmbH Oefelestrasse Projektetnwicklungs GmbH & Co KG Saargemunder Strabe Wohnbau Beteiligungs-GmbH Projektgesellschaft Bayerstr. 79 mbH Saargemunder Strabe Wohnbau Gmbh & Co. KG Bereiteranger Projektentwicklung GmbH & Co KG Bereiteranger Vermogensverwaltungs GmbH MUC Campus V GmbH Aignerstraße Projektentwicklungsgesellschaft mbH
Other Entities	Other entities	Other entities	Other entities	ZAO "Kazanskaya, 36" ZAO "Promyshlenny leasing" OJSC LSR Group OAO MTO "ARHPROEKT" Lsr Group Ltd ZAO "Golden Kazanskaya" LLC "LSR - UKRAINE" JSC "A Plus Estate" OOO "BaltStroyKomplekt" OOO "Ohta 25" OOO "BSK Invest-3" OOO "Vertikal" OOO "GALS" OOO "Kazinskoe Karieroupravleniye" OOO "Gribalevoy, 9" OOO "Zagorodnaya, 71" OOO "Apollo"

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

For the year ended 31 December 2012 '000 RUB	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Operating profit (excl. management fee)**	**Depreciation/ Amortisation**	**Change in fair value of investment property**	**Write off of change in fair value of the disposed asset**	**EBITDA***
Brick	1,352,090	21,426	**1,373,516**	329,228	60,864	-	-	**390,092**
New Brick Plant	-	-	**-**	(19,211)	777	-	-	**(18,434)**
Aerated Concrete	2,411,716	1,055	**2,412,771**	504,471	176,438	-	-	**680,909**
Eliminations	-	(6,166)	**(6,166)**	-	-	-	-	**-**
LSR.Wall Materials. NW	3,763,806	16,315	**3,780,121**	814,488	238,079	-	-	**1,052,567**
Ready-mix Concrete	2,774,135	218,772	**2,992,907**	(22,664)	160,951	-	-	**138,287**
Sand	2,405,204	281,461	**2,686,665**	1,243,528	185,882	-	-	**1,429,410**
Crushed Granite	2,790,363	1,085,461	**3,875,824**	934,583	323,744	-	-	**1,258,327**
Eliminations	-	(755,555)	**(755,555)**	3,201	-	-	-	**3,201**
LSR.Basic Materials. NW	7,969,702	830,139	**8,799,841**	2,158,648	670,577	-	-	**2,829,225**
LSR.Cement .NW	1,308,955	1,280,514	**2,589,469**	313,728	339,570	-	-	**653,298**
LSR. Reinforced Concrete. NW	3,866,809	1,062,413	**4,929,222**	(29,799)	290,766	-	-	**260,967**
Eliminations	-	(1,404,862)	**(1,404,862)**	(33,816)	-	-	-	**(33,816)**
Building Materials. NW	16,909,272	1,784,519	**18,693,791**	3,223,249	1,538,992	-	-	**4,762,241**
Elite Real Estate	11,199,571	-	**11,199,571**	4,040,538	6,192	-	110,865	**3,935,865**
Mass Market Real Estate	7,748,178	-	**7,748,178**	1,422,759	17,499	-	-	**1,440,258**
Other	37,688	18,937	**56,625**	2,949	1,209	-	-	**4,158**
Eliminations	-	(18,934)	**(18,934)**	(4,322)	-	-	-	**(4,322)**
Real Estate. NW	18,985,437	3	**18,985,440**	5,461,924	24,900	-	110,865	**5,375,959**
LSR. Construction. NW	5,281,048	6,033,130	**11,314,178**	912,163	323,513	-	-	**1,235,676**
LSR. Project management	2,068,955	325,004	**2,393,959**	96,279	442	-	-	**96,721**
LSR.Pile Foundation and Construction	410,974	355,567	**766,541**	63,863	32,117	-	-	**95,980**
LSR.Tower Cranes	1,289,080	75,851	**1,364,931**	255,116	225,668	-	-	**480,784**
Eliminations	-	(464,881)	**(464,881)**	(179)	-	-	-	**(179)**
Construction. NW	9,050,057	6,324,671	**15,374,728**	1,327,242	581,740	-	-	**1,908,982**
Eliminations	-	(7,788,121)	**(7,788,121)**	(560,444)	-	-	-	**(560,444)**
LSR. NW	44,944,766	321,072	**45,265,838**	9,451,971	2,145,632	-	110,865	**11,486,738**
Real Estate. Moscow	1,764,038	-	**1,764,038**	8,043	15,962	-	-	**24,005**
Construction. Moscow	3,438,256	128,307	**3,566,563**	440,428	34,323	-	-	**474,751**
LSR.Basic Materials. Moscow	1,800,104	19,260	**1,819,364**	10,798	70,925	-	-	**81,723**
LSR.Wall Materials. Moscow	189,560	212	**189,772**	(171,507)	114,903	-	-	**(56,604)**
Eliminations	-	-	**-**	-	-	-	-	**-**
Building Materials. Moscow	1,989,664	19,472	**2,009,136**	(160,709)	185,828	-	-	**25,119**
Eliminations	-	(110,002)	**(110,002)**	(51)	-	-	-	**(51)**
LSR. Moscow	7,191,958	37,777	**7,229,735**	287,711	236,113	-	-	**523,824**
Real Estate. Ural	3,225,577	-	**3,225,577**	462,894	2,463	-	-	**465,357**
Construction. Ural	792,157	2,108,514	**2,900,671**	111,939	165,246	-	-	**277,185**
Other. Ural	-	-	**-**	(47,009)	40,445	-	-	**(6,564)**
Eliminations	-	(2,034,088)	**(2,034,088)**	(118,141)	-	-	-	**(118,141)**
LSR. Ural	4,017,734	74,426	**4,092,160**	409,683	208,154	-	-	**617,837**
LSR. Europe	635,443	649,626	**1,285,069**	232,363	479	-	-	**232,842**
Other entities	1,459,368		**1,459,368**		133,447		-	**133,447**
Unallocated income and expenses	297,179		**297,179**	(858,920)		(10,025)	(1,143,306)	**294,411**
Transportation revenue	2,575,205		**2,575,205**				-	**-**
Eliminations		(1,082,901)	**(1,082,901)**	102,954			-	**102,954**
Consolidated	**61,121,653**	**-**	**61,121,653**	**9,625,762**	**2,723,825**	**(10,025)**	**(1,032,441)**	**13,392,053**

**EBITDA = Operating result + Depreciation/amortisation -Change in fair value of Investment property - Write off of change in fair value at reclassification to (from) investment property at the moment of the assets disposal - impairment losses recognised during the reporting period*

For the year ended 31 December 2012 ’000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	Change in fair value of investment property	Write off of change in fair value of the disposed asset	EBITDA*
Brick	43,485	689	44,174	10,588	1,957	-	-	12,545
New Brick Plant	-	-	-	(618)	25	-	-	(593)
Aerated Concrete	77,565	34	77,599	16,225	5,675	-	-	21,900
Eliminations	-	(198)	(198)	-	-	-	-	-
LSR.Wall Materials. NW	121,050	525	121,575	26,195	7,657	-	-	33,852
Ready-mix Concrete	89,221	7,036	96,257	(729)	5,176	-	-	4,447
Sand	77,355	9,052	86,407	39,994	5,978	-	-	45,972
Crushed Granite	89,742	34,910	124,652	30,058	10,413	-	-	40,471
Eliminations	-	(24,300)	(24,300)	103	-	-	-	103
LSR.Basic Materials. NW	256,318	26,698	283,016	69,426	21,567	-	-	90,993
LSR.Cement .NW	42,098	41,183	83,281	10,090	10,921	-	-	21,011
LSR. Reinforced Concrete. NW	124,363	34,169	158,532	(958)	9,351	-	-	8,393
Eliminations	-	(45,182)	(45,182)	(1,088)	-	-	-	(1,088)
Building Materials. NW	543,829	57,393	601,222	103,665	49,496	-	-	153,161
Elite Real Estate	360,196	-	360,196	129,950	199	-	3,566	126,583
Mass Market Real Estate	249,194	-	249,194	45,758	563	-	-	46,321
Other	1,212	609	1,821	95	39	-	-	134
Eliminations	-	(609)	(609)	(139)	-	-	-	(139)
Real Estate. NW	610,602	-	610,602	175,664	801	-	3,566	172,899
LSR. Construction. NW	169,846	194,035	363,881	29,337	10,405	-	-	39,742
LSR. Project management	66,541	10,453	76,994	3,096	14	-	-	3,110
LSR.Pile Foundation and Construction	13,218	11,436	24,654	2,054	1,033	-	-	3,087
LSR.Tower Cranes	41,459	2,439	43,898	8,205	7,258	-	-	15,463
Eliminations	-	(14,952)	(14,952)	(6)	-	-	-	(6)
Construction. NW	291,064	203,411	494,475	42,686	18,710	-	-	61,396
Eliminations	-	(250,478)	(250,478)	(18,025)	-	-	-	(18,025)
LSR. NW	1,445,495	10,326	1,455,821	303,990	69,007	-	3,566	369,431
Real Estate. Moscow	56,734	-	56,734	259	513	-	-	772
Construction. Moscow	110,580	4,127	114,707	14,165	1,104	-	-	15,269
LSR.Basic Materials. Moscow	57,894	619	58,513	347	2,281	-	-	2,628
LSR.Wall Materials. Moscow	6,097	7	6,104	(5,516)	3,696	-	-	(1,820)
Eliminations	-	-	-	-	-	-	-	-
Building Materials. Moscow	63,991	626	64,617	(5,169)	5,977	-	-	808
Eliminations	-	(3,538)	(3,538)	(2)	-	-	-	(2)
LSR. Moscow	231,305	1,215	232,520	9,253	7,594	-	-	16,847
Real Estate. Ural	103,740	-	103,740	14,887	79	-	-	14,966
Construction. Ural	25,477	67,813	93,290	3,600	5,315	-	-	8,915
Other. Ural	-	-	-	(1,512)	1,301	-	-	(211)
Eliminations	-	(65,419)	(65,419)	(3,800)	-	-		(3,800)
LSR. Ural	129,217	2,394	131,611	13,175	6,695	-	-	19,870
LSR. Europe	20,437	20,893	41,330	7,473	15	-	-	7,488
Other entities	46,935	-	46,935	-	4,292	-	-	4,292
Unallocated income and expenses	9,557	-	9,557	(27,623)	-	(322)	(36,771)	9,470
Transportation revenue	82,823	-	82,823	-	-	-	-	-
Eliminations	-	(34,828)	(34,828)	3,312	-	-	-	3,312
Consolidated	1,965,769	-	1,965,769	309,580	87,603	(322)	(33,205)	430,710

**EBITDA = Operating result + Depreciation/amortisation -Change in fair value of Investment property - Write off of change in fair value at reclassification to (from) investment property at the moment of the assets disposal - impairment losses recognised during the reporting period*

For the year ended 31 December 2011 ’000 RUB	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Operating profit (excl. management fee)**	**Depreciation/ Amortisation**	**Change in fair value of investment property**	**Write off of change in fair value of the disposed asset**	**EBITDA***
Brick	1,386,827	11,185	**1,398,012**	148,214	55,126	-	-	**203,340**
New Brick Plant	-	-	**-**	(81,281)	361	-	-	**(80,920)**
Aerated Concrete	1,750,144	18,205	**1,768,349**	179,462	166,860	-	-	**346,322**
Eliminations	-	(205)	**(205)**	-	-	-	-	**-**
LSR.Wall Materials. NW	3,136,971	29,185	**3,166,156**	246,395	222,347	-	-	**468,742**
Ready-mix Concrete	2,923,230	173,746	**3,096,976**	299,057	189,986	-	-	**489,043**
Sand	2,094,507	353,932	**2,448,439**	1,189,609	239,908	-	-	**1,429,517**
Crushed Granite	1,782,012	913,074	**2,695,086**	384,654	294,320	-	-	**678,974**
Eliminations	-	(796,257)	**(796,257)**	34	-	-	-	**34**
LSR.Basic Materials. NW	6,799,749	644,495	**7,444,244**	1,873,354	724,214	-	-	**2,597,568**
LSR.Cement .NW	1,087,758	1,191,508	**2,279,266**	(29,762)	41,688	-	-	**11,926**
LSR. Reinforced Concrete. NW	4,852,670	333,179	**5,185,849**	514,860	190,229	-	-	**705,089**
Eliminations	-	(1,368,744)	**(1,368,744)**	(44,748)	-	-	-	**(44,748)**
Building Materials. NW	15,877,148	829,623	**16,706,771**	2,560,099	1,178,478	-	-	**3,738,577**
Elite Real Estate	4,116,106	-	**4,116,106**	1,508,957	19,846	149,600	-	**1,379,203**
Mass Market Real Estate	10,990,809	23,001	**11,013,810**	3,017,207	2,531	-	-	**3,019,738**
Other	107,152	21,791	**128,943**	10,357	1,178	-	-	**11,535**
Eliminations	-	(13,740)	**(13,740)**	(392)	-	-	-	**(392)**
Real Estate. NW	15,214,067	31,052	**15,245,119**	4,536,129	23,555	149,600	-	**4,410,084**
LSR. Construction. NW	5,936,908	1,954,081	**7,890,989**	725,728	431,678	-	-	**1,157,406**
LSR. Project management	671,021	-	**671,021**	28,525	971	-	-	**29,496**
LSR.Pile Foundation and Construction	724,211	131,792	**856,003**	55,690	31,257	-	-	**86,947**
LSR.Tower Cranes	1,061,730	73,461	**1,135,191**	153,103	215,195	-	-	**368,298**
Eliminations	-	(190,208)	**(190,208)**	(21)	-	-	-	**(21)**
Construction. NW	8,393,870	1,969,126	**10,362,996**	963,025	679,101	-	-	**1,642,126**
Eliminations	-	(2,738,399)	**(2,738,399)**	(163,356)	-	-	-	**(163,356)**
LSR. NW	39,485,085	91,402	**39,576,487**	7,895,897	1,881,134	149,600	-	**9,627,431**
Real Estate. Moscow	917,806	-	**917,806**	312,368	16,817	-	-	**329,185**
Construction. Moscow	2,901,697	823,263	**3,724,960**	391,012	42,371	-	-	**433,383**
LSR.Basic Materials. Moscow	1,259,795	118,212	**1,378,007**	(102,567)	81,116	-	-	**(21,451)**
LSR.Wall Materials. Moscow	109,257	1,079	**110,336**	(99,610)	65,227	-	-	**(34,383)**
Eliminations	-	-	**-**	-	-	-	-	**-**
Building Materials. Moscow	1,369,052	119,291	**1,488,343**	(202,177)	146,343	-	-	**(55,834)**
Eliminations	-	(930,603)	**(930,603)**	29	-	-	-	**29**
LSR. Moscow	5,188,555	11,951	**5,200,506**	501,232	205,531	-	-	**706,763**
Real Estate. Ural	1,691,143	39,580	**1,730,723**	133,033	1,418	-		**134,451**
Construction. Ural	1,094,479	898,107	**1,992,586**	(178,163)	184,842	-		**6,679**
Other. Ural	-	-	**-**	(45,546)	40,652	-		**(4,894)**
Eliminations	-	(896,607)	**(896,607)**	(50,421)	-	-		**(50,421)**
LSR. Ural	2,785,622	41,080	**2,826,702**	(141,097)	226,912	-	-	**85,815**
LSR. Europe	479,129	184,186	**663,315**	61,409	532	-	-	**61,941**
Other entities	1,688,499	-	**1,688,499**	-	117,823	-	-	**117,823**
Unallocated income and expenses	332,769	-	**332,769**	(854,885)	-	2,402	-	**(857,287)**
Transportation revenue	1,950,030	-	**1,950,030**	-	-	-	-	**-**
Eliminations	-	(328,619)	**(328,619)**	392,452	-	-	-	**392,452**
Consolidated	**51,909,689**	**-**	**51,909,689**	**7,855,008**	**2,431,932**	**152,002**	**-**	**10,134,938**

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

For the year ended 31 December 2011 '000 USD	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Operating profit (excl. management fee)**	**Depreciation/ Amortisation**	**Change in fair value of investment property**	**Write off of change in fair value of the disposed asset**	**EBITDA***
Brick	47,191	381	**47,572**	5,043	1,876	-	-	**6,919**
New Brick Plant	-	-	**-**	(2,766)	12	-	-	**(2,754)**
Aerated Concrete	59,554	619	**60,173**	6,107	5,678	-	-	**11,785**
Eliminations	-	(7)	**(7)**	-	-	-	-	**-**
LSR.Wall Materials. NW	106,745	993	**107,738**	8,384	7,566	-	-	**15,950**
Ready-mix Concrete	99,472	5,912	**105,384**	10,176	6,465	-	-	**16,641**
Sand	71,272	12,044	**83,316**	40,480	8,164	-	-	**48,644**
Crushed Granite	60,639	31,070	**91,709**	13,089	10,015	-	-	**23,104**
Eliminations	-	(27,095)	**(27,095)**	1	-	-	-	**1**
LSR.Basic Materials. NW	231,383	21,931	**253,314**	63,746	24,644	-	-	**88,390**
LSR.Cement .NW	37,014	40,545	**77,559**	(1,013)	1,419	-	-	**406**
LSR. Reinforced Concrete. NW	165,128	11,337	**176,465**	17,520	6,473	-	-	**23,993**
Eliminations	-	(46,576)	**(46,576)**	(1,521)	-	-	-	**(1,521)**
Building Materials. NW	540,270	28,230	**568,500**	87,116	40,102	-	-	**127,218**
Elite Real Estate	140,064	-	**140,064**	51,347	675	5,090	-	**46,932**
Mass Market Real Estate	373,997	783	**374,780**	102,670	86	-	-	**102,756**
Other	3,646	742	**4,388**	352	40	-	-	**392**
Eliminations	-	(469)	**(469)**	(13)	-	-	-	**(13)**
Real Estate. NW	517,707	1,056	**518,763**	154,356	801	5,090	-	**150,067**
LSR. Construction. NW	202,021	66,494	**268,515**	24,695	14,689	-	-	**39,384**
LSR. Project management	22,834	-	**22,834**	971	33	-	-	**1,004**
LSR.Pile Foundation and Construction	24,644	4,485	**29,129**	1,895	1,064	-	-	**2,959**
LSR.Tower Cranes	36,129	2,500	**38,629**	5,210	7,323	-	-	**12,533**
Eliminations	-	(6,472)	**(6,472)**	(1)	-	-	-	**(1)**
Construction. NW	285,628	67,007	**352,635**	32,770	23,109	-	-	**55,879**
Eliminations	-	(93,183)	**(93,183)**	(5,559)	-	-	-	**(5,559)**
LSR. NW	1,343,605	3,110	**1,346,715**	268,683	64,012	5,090	-	**327,605**
Real Estate. Moscow	31,231	-	**31,231**	10,629	572	-	-	**11,201**
Construction. Moscow	98,740	28,014	**126,754**	13,305	1,442	-	-	**14,747**
LSR.Basic Materials. Moscow	42,869	4,023	**46,892**	(3,490)	2,760	-	-	**(730)**
LSR.Wall Materials. Moscow	3,718	37	**3,755**	(3,390)	2,220	-	-	**(1,170)**
Eliminations	-	-	**-**	-	-	-	-	**-**
Building Materials. Moscow	46,587	4,060	**50,647**	(6,880)	4,980	-	-	**(1,900)**
Eliminations	-	(31,667)	**(31,667)**	1	-	-	-	**1**
LSR. Moscow	176,558	407	**176,965**	17,055	6,994	-	-	**24,049**
Real Estate. Ural	57,547	1,347	**58,894**	4,527	48	-	-	**4,575**
Construction. Ural	37,243	30,561	**67,804**	(6,063)	6,290	-	-	**227**
Other. Ural	-	-	**-**	(1,550)	1,383	-	-	**(167)**
Eliminations	-	(30,510)	**(30,510)**	(1,716)	-	-		**(1,716)**
LSR. Ural	94,790	1,398	**96,188**	(4,802)	7,721	-	-	**2,919**
LSR. Europe	16,304	6,268	**22,572**	2,090	18	-	-	**2,108**
Other entities	57,456	-	**57,456**	-	4,009	-	-	**4,009**
Unallocated income and expenses	11,324	-	**11,324**	(29,090)	-	82	-	**(29,172)**
Transportation revenue	66,356	-	**66,356**	-	-	-	-	**-**
Eliminations	-	(11,183)	**(11,183)**	13,356	-	-	-	**13,356**
Consolidated	**1,766,393**	**-**	**1,766,393**	**267,292**	**82,754**	**5,172**	**-**	**344,874**

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

Net financial position**

	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
LSR.Wall Materials.NW	(930,317)	(1,821,445)	(30,630)	(56,574)
New Brick Plant	(7,437,142)	(4,459,097)	(244,863)	(138,498)
LSR.Basic Materials.NW	(415,258)	(747,510)	(13,672)	(23,217)
LSR.Cement.NW	(12,798,207)	(14,858,347)	(421,372)	(461,494)
LSR. Reinforced Concrete. NW	69,588	(404,323)	2,291	(12,559)
Building Materials. NW	(21,511,336)	(22,290,722)	(708,246)	(692,342)
Real Estate. NW	(5,061,375)	(7,048,828)	(166,642)	(218,934)
LSR. Construction.NW	1,064,964	409,173	35,063	12,709
LSR. Project management	(488,950)	(546,580)	(16,098)	(16,977)
LSR.Tower Cranes	(443,752)	(798,670)	(14,610)	(24,806)
LSR. Pile Foundation and Construction	(10,390)	(28,119)	(342)	(873)
Construction.NW	121,872	(964,196)	4,013	(29,947)
Real Estate. Moscow	(4,696,078)	(3,018,840)	(154,615)	(93,764)
Construction. Moscow	(467,387)	(665,331)	(15,388)	(20,665)
LSR.Basic Materials. Moscow	(64,644)	60,900	(2,128)	1,892
LSR.Wall Materials. Moscow	(1,828,256)	(386,166)	(60,194)	(11,994)
Building Materials. Moscow	(1,892,900)	(325,266)	(62,322)	(10,102)
Real Estate. Ural	-	(51,000)	-	(1,584)
Construction. Ural	-	(86,011)	-	(2,671)
Other. Ural	(2,060)	(3,320)	(68)	(103)
Real Estate. Europe	-	(413,255)	-	(12,836)
Other entities	(6,188,495)	(4,253,003)	(203,752)	(132,097)
Adjustments	223,101	197,340	7,344	6,128
Consolidated	**(39,474,658)**	**(38,922,432)**	**(1,299,676)**	**(1,208,917)**

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