

RBC Group

**Interim Condensed Consolidated
Financial Information**
For the six months ended 30 June 2012

RBC GROUP

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To Shareholders and Board of Directors of OJSC RBC

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of OJSC RBC and its subsidiaries (the "Group") as at 30 June 2012 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Other Matters

The consolidated financial statements of OJSC RBC and its subsidiaries as of 31 December 2011 and for the year then ended were audited by other auditors; and their report dated 14 June 2012 expressed an unqualified opinion on those consolidated financial statements. The condensed consolidated financial information for the six months ended 30 June 2011 was reviewed by other accountants.

We draw attention to the fact that USD amounts in the accompanying interim condensed consolidated financial information, which are presented solely for the convenience of the users as described in Note 2 (b), do not form a part of the interim condensed consolidated financial information, and accordingly, we do not express any assurance on it.

We also draw attention to the fact that information included in Note 25 in the accompanying interim condensed consolidated financial information is a non-GAAP measure and does not form part of the interim condensed consolidated financial information and, accordingly, we do not express any assurance on it.

Deloitte & Touche

Moscow, Russia
26 September 2012

		Six months ended	
		2012	
		2011	
		USD million	RUB million
<u>Operating income</u>			
		1,383	12,900
		(144)	(1,280)
		(276)	(2,710)
		(14)	(120)
		(24)	(230)
		(102)	(940)
		(41)	(380)
		(37)	(350)
		(47)	(450)
		(12)	(110)
		(12)	(110)
		(172)	(1,650)
		(17)	(160)
		(17)	(160)
		(27)	(260)
		(42)	(400)
		(17)	(160)
		(17)	(160)

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR SIX MONTHS ENDED 30 JUNE 2012

	Note	Six months ended	
		30 June 2012 Mln RUB	30 June 2011 Mln RUB
Revenue	5	2,501	1,958
Cost of sales	6	(1,692)	(1,394)
Gross profit		809	564
Selling expenses	8	(742)	(484)
Administrative expenses	7	(278)	(236)
Other income		7	61
Other expenses		(42)	(32)
(Loss) from operating activities		(246)	(127)
Financial income	9	17	1,289
Financial expenses	9	(425)	(279)
Share of profit of associates and joint ventures, net of income tax	12	13	9
(Loss) / profit before income tax		(641)	892
Income tax benefit / (expenses)		171	(14)
(Loss) / profit for the period		(470)	878
Other comprehensive income			
Foreign currency translation differences for foreign operations		(2)	1
Other comprehensive (loss) / income for the period, net of income tax		(2)	1
Total comprehensive (loss) / income for the period		(472)	879
(Loss) / profit attributable to:			
Shareholders of the Company		(473)	888
Non-controlling interest		3	(10)
(Loss) / profit for the period		(470)	878
Total comprehensive (loss) / income attributable to:			
Shareholders of the Company		(475)	889
Non-controlling interest		3	(10)
Total comprehensive (loss) / income for the period		(472)	879
(Loss) / earnings per share, basic and diluted (in RUB per share)	19	(1.47)	2.79

This interim condensed consolidated financial information for six months ended 30 June 2012 was approved by management on 21 September 2012 and signed on its behalf by:

Chief Executive Officer

 Sergey Lavrukhin

Deputy General Director of Finance

 Evgeny Shishkov

The Notes on pages 12 to 37 form are an integral part of this interim condensed consolidated financial information.

* The USD equivalent figures are provided for information purposes only and do not form part of the unaudited interim condensed consolidated financial information – refer to Note 2(b).

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR SIX MONTHS ENDED 30 JUNE 2012

	Note	Six months ended	
		30 June 2012 MIn USD*	30 June 2011 MIn USD*
Revenue	5	76	60
Cost of sales	6	(52)	(42)
Gross profit		24	18
Selling expenses	8	(23)	(15)
Administrative expenses	7	(8)	(6)
Other income		-	2
Other expenses		(1)	(1)
(Loss) from operating activities		(8)	(2)
Financial income	9	1	39
Financial expenses	9	(13)	(9)
Share of profit of associates and joint ventures, net of income tax		-	-
(Loss) / profit before income tax		(20)	28
Income tax (expenses) / benefit		5	-
(Loss) / profit for the period		(15)	28
Other comprehensive income			
Foreign currency translation differences for foreign operations		-	-
Other comprehensive (loss) / income for the period, net of income tax		-	-
Total comprehensive (loss) / income for the period		(15)	28
(Loss) / profit attributable to:			
Shareholders of the Company		(15)	28
Non-controlling interest		-	-
(Loss) / profit for the period		(15)	28
Total comprehensive (loss) / income attributable to:			
Shareholders of the Company		(15)	28
Non-controlling interest		-	-
Total comprehensive (loss) / income for the period		(15)	28
(Loss) / earnings per share (in USD per share), basic and diluted	19	(0.05)	0.09

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	30 June 2012 Mln RUB	31 December 2011 Mln RUB	30 June 2012 Mln USD*	31 December 2011 Mln USD*
ASSETS					
Non-current assets					
Property, plant and equipment	10	446	335	14	10
Intangible assets	11	1,774	1,059	54	34
Goodwill	11, 15	412	221	13	7
Investments in associates and joint ventures	12	310	281	9	7
Deferred tax assets		570	255	17	8
Other non-current assets		145	179	4	5
Other investments		11	8	-	-
Total non-current assets		3,668	2,338	111	71
Current assets					
Inventories		48	24	1	1
Other investments		33	15	1	-
Income tax receivable		31	18	1	1
Trade and other receivables	13	1,101	990	34	30
Cash and cash equivalents		817	713	25	22
Total current assets		2,030	1,760	62	54
Total assets		5,698	4,098	173	125
EQUITY AND LIABILITIES					
Equity					
Share capital	18	-	-	-	-
Share premium	18	3,281	2,346	100	71
Treasury shares	18	(631)	(631)	(19)	(19)
Translation reserve		(8)	(6)	-	-
Accumulated losses		(6,638)	(6,165)	(203)	(188)
Total equity attributable to shareholders of the Company		(3,996)	(4,456)	(122)	(136)
Non-controlling interest		37	34	1	1
Total equity		(3,959)	(4,422)	(121)	(135)
Non-current liabilities					
Loans and borrowings	14	7,197	6,988	219	213
Derivatives	14	74	21	2	1
Deferred tax liabilities		361	93	11	3
Total non-current liabilities		7,632	7,102	232	217
Current liabilities					
Loans and borrowings	14	22	33	1	1
Provisions	16	80	33	3	1
Trade and other payables	17	1,919	1,351	58	41
Income tax payable		4	1	-	-
Total current liabilities		2,025	1,418	62	43
Total liabilities		9,657	8,520	294	260
Total equity and liabilities		5,698	4,098	173	125

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR SIX MONTHS ENDED 30 JUNE 2012

	Six months ended		Six months ended	
	30 June 2012 Mln RUB	30 June 2011 Mln RUB	30 June 2012 Mln USD*	30 June 2011 Mln USD*
OPERATING ACTIVITIES				
(Loss) / profit for the period	(470)	878	(14)	27
<i>Adjustments for:</i>				
Depreciation and amortization	186	118	6	4
Unrealized foreign exchange loss / (gain)	121	(516)	4	(16)
Loss on disposal of property, plant and equipment and intangible assets	14	8	-	-
Loss on disposal of investments	3	14	-	-
Share of profit of associates and joint ventures	(13)	(9)	-	-
Impairment loss on accounts receivable	36	1	1	-
Advertising provided as investment	-	(27)	-	(1)
Change in provisions, other than income tax	47	(26)	2	(1)
Effect from change of fair value of derivatives, loss / (gain)	52	(733)	2	(22)
Fines and penalties on overdue debts	-	1	-	-
Interest expense	212	248	6	8
Interest income	(17)	(24)	(1)	(1)
Income tax (benefit) / expenses	(171)	14	(6)	-
Operating profit / (loss) before changes in working capital	-	(53)	-	(2)
Increase in inventories	(24)	-	(1)	-
Decrease in trade and other receivables	26	85	1	3
Increase / (decrease) in trade and other payables	247	(36)	7	(1)
Cash flows used in operations before income taxes and interest paid	249	(4)	7	-
Income taxes paid	(29)	(14)	(1)	-
Interest paid	(131)	(139)	(4)	(5)
Cash flows used in operating activities	89	(157)	2	(5)
INVESTING ACTIVITIES				
Loans granted	(3)	(6)	-	-
Interest received	16	24	-	1
Acquisition of property, plant and equipment	(45)	(219)	(1)	(7)
Acquisition of intangible assets	(129)	(19)	(3)	(1)
Acquisition of other assets	-	(33)	-	(1)
Acquisition of subsidiaries, net of cash acquired	(754)	-	(23)	-
Cash flows used in investing activities	(915)	(253)	(27)	(8)

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR SIX MONTHS ENDED 30 JUNE 2012

	Six months ended		Six months ended	
	30 June 2012 Mln RUB	30 June 2011 Mln RUB	30 June 2012 Mln USD*	30 June 2011 Mln USD*
FINANCING ACTIVITIES				
Proceeds from issue of additional capital	935	-	28	-
Repayment of borrowings	(5)	(33)	-	(1)
Cash flows from financing activities	930	(33)	28	(1)
Net increase / (decrease) in cash and cash equivalents	104	(443)	3	(14)
Cash and cash equivalents at beginning of the period	713	1,174	22	36
Cash and cash equivalents at end of the period	817	731	25	22

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS ENDED 30 JUNE 2012

MIn RUB	Attributable to shareholders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Translation reserve	Accumulated loss			
Balance at 1 January 2012	-	2,346	(631)	(6)	(6,165)	(4,456)	34	(4,422)
Loss for the period	-	-	-	-	(473)	(473)	3	(470)
Other comprehensive income	-	-	-	-	(473)	(473)	-	(470)
Foreign currency translation differences for foreign operations	-	-	-	(2)	-	(2)	-	(2)
Total other comprehensive income	-	-	-	(2)	-	(2)	-	(2)
Total comprehensive income loss for the period	-	-	-	(2)	(473)	(475)	3	(472)
Transactions with owners recorded directly in equity:								
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-
Proceeds from shares issue	-	935	-	-	-	935	-	935
Total transactions with owners recognized directly in equity	-	935	-	-	-	935	-	935
Balance at 30 June 2012	-	3,281	(631)	(8)	(6,638)	(3,996)	37	(3,959)

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS ENDED 30 JUNE 2012

MIn RUB	Attributable to shareholders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Translation reserve	Accumulated loss			
Balance at 1 January 2011	-	8,995	(631)	(9)	(13,417)	(5,062)	47	(5,015)
Loss for the period					888	888	(10)	878
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	1	-	1	-	1
Total other comprehensive income	-	-	-	1	-	1	-	1
Total comprehensive income for the period	-	-	-	1	888	889	(10)	879
Transactions with owners recorded directly in equity								
Disposal of subsidiaries, net of tax	-	-	-	-	-	-	(2)	(2)
Acquisition of non-controlling interests	-	-	-	-	(35)	(35)	7	(28)
Change in the parent company of the Group	-	(6,649)	-	-	6,649	-	-	-
Total transactions with owners recognized directly in equity	-	(6,649)	-	-	6,614	(35)	5	(30)
Balance at 30 June 2011	-	2,346	(631)	(8)	(5,915)	(4,208)	42	(4,166)

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS ENDED 30 JUNE 2012

MIn USD*	Attributable to shareholders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Translation reserve	Accumulated loss			
Balance at 1 January 2012	-	71	(19)	-	(188)	(136)	1	(135)
Loss for the period	-	-	-	-	(15)	(15)	-	(15)
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(15)	(15)	-	(15)
Transactions with owners recorded directly in equity:								
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-
Proceeds from shares issue	-	29	-	-	-	29	-	29
Total transactions with owners recognized directly in equity	-	29	-	-	-	29	-	29
Balance at 30 June 2012	-	100	(19)	-	(203)	(122)	1	(121)

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS ENDED 30 JUNE 2012

MIn USD*	Attributable to shareholders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Translation reserve	Accumulated loss			
Balance at 1 January 2011	-	274	(19)	-	(409)	(154)	1	(153)
Loss for the period	-	-	-	-	27	27	-	27
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	27	27	-	27
Transactions with owners recorded directly in equity								
Disposal of subsidiaries, net of tax	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	(1)	(1)	-	(1)
Change in the parent company of the Group	-	(203)	-	-	203	-	-	-
Total transactions with owners recognized directly in equity	-	(203)	-	-	202	(1)	-	(1)
Balance at 30 June 2011	-	71	(19)	-	(180)	(128)	1	(127)

The Notes on pages 12 to 37 form are an integral part of this interim condensed consolidated financial information.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

2. BACKGROUND

(a) Organization and operations

OJSC RBC (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian open joint-stock companies, closed joint-stock companies and limited liability companies as defined in the Civil Code of the Russian Federation, and the companies located abroad.

As at 30 June 2012 and 31 December 2011 OJSC RBC Information Systems and its subsidiaries were controlled by the Company based on the terms of the shareholders' agreements.

OJSC RBC was established in May 2005 as a closed joint-stock company. It was reorganized as an open joint-stock company in 2010. The shares of the Company are traded in the Russian Federation on MICEX-RTS.

The Company's registered office is located at: 117393, Russian Federation, Moscow, Profsoyuznaya Street, 78.

The Group's principal activities are advertising, provision of information services, operation of a business TV channel, print publications and internet hosting services. These services and products are sold in the Russian Federation and abroad.

As at 30 June 2012, 31 December 2011 and 30 June 2011 Mr. Mikhail D. Prokhorov was the ultimate beneficiary of the Company.

In April 2012 CEO of the Group German Kaplun left his position and Sergey Lavrukhin was appointed by the Board of Directors as new CEO of the Group.

(b) Restructuring

In 2010 the Group began a process of changing its structure. As at 31 December 2009 and in prior periods OJSC RBC Information Systems was a parent company of the Group. In 2011 during the restructuring of the Group OJSC RBC was established as a new parent company.

At 7 June 2010 ONEXIM Group acquired a 51% stake in the Company through an additional share issue for USD 80 million. The remaining 49% in the Company were supposed to be exchanged for 100% of the shares of OJSC RBC Information Systems.

In January 2011 an exchange of the shares of OJSC RBC Information Systems to the shares of the Company was started. In June 2011 the shares of OJSC RBC Information Systems were delisted from Moscow Stock Exchange. As at 30 June 2012 99.9% of the shares of OJSC RBC Information Systems were exchanged for the shares of the Company.

3. BASIS OF PREPARATION

(a) Statement of compliance

This interim condensed consolidated financial information for six months ended 30 June 2012 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and does not include all the information and disclosures required for a complete set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2011.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

(b) Convenience translation

In addition to presenting the interim condensed consolidated financial information in Russian rubles ("RUB"), supplementary information in the US dollars ("USD") has been presented for the convenience of the users of the interim condensed consolidated financial information.

All amounts in the interim condensed consolidated financial information, including comparative information for the interim condensed consolidated statement of financial position, are translated from RUB to USD at the closing exchange rate at 30 June 2012 of RUB 32.8169 to USD 1.

4. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information for the six months ended 30 June 2012 has been prepared in accordance with the accounting policies adopted in the Group's last annual consolidated financial statements for the year ended 31 December 2011. The Group has adopted the following new or revised standards and interpretations issued by IASB and IFRIC effective for financial years beginning on or after 1 January 2012:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Enhanced Derecognition Disclosure Requirements;
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets.

The adoption of these new and revised standards and interpretations has not had an impact on this interim condensed consolidated financial information of the Group.

The accounting policies and methods of computation have been applied consistently throughout the Group for the purposes of preparation of this interim condensed consolidated financial information.

The preparation of condensed consolidated financial information requires the use of certain critical accounting assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed consolidated financial information have been set out in the Group's annual consolidated financial statements for the year ended 31 December 2011.

5. SEGMENT REPORTING

The Group has the following reportable segments, based on the way how the Management Committee of the Company (chief operating decision maker) provides an assessment of the operating results of the Group:

Business Internet Segment. Provision of internet advertising and information services for business audience.

Consumer Internet Segment. Provision of entertainment internet services and resources, internet advertising and hosting services, domain registration services and services of electronic cash online payments. In April 2012 new hosting company RU-CENTER was acquired (Note 15). Its results included in Consumer Internet Segment information caused significant changes in Consumer Internet Segment compared to previous reporting periods.

TV segment. Operation of a TV channel and provision of TV advertising services.

Printing segment. Provision of advertising in magazines and newspapers, and sale of magazines and newspapers.

Salon segment. Printing and distribution of various magazines on design and interior.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

Six months ended 30 June 2012, Min RUB	Revenue	Expenses	Payroll expenses	Cost of sales excluding payroll expenses	Administrative expenses excluding payroll expenses	Other operating expenses	Other operating income	Selling expenses	Profit / (loss)
Business internet	1,020	(896)	(399)	(78)	(34)	(6)	-	(379)	124
Consumer internet	707	(789)	(268)	(190)	(71)	(19)	-	(241)	(82)
TV	363	(434)	(284)	(87)	(22)	(5)	-	(36)	(71)
Printing	165	(207)	(123)	(42)	(11)	(1)	-	(30)	(42)
Salon	252	(225)	(89)	(46)	(17)	(10)	-	(63)	27
SUBTOTAL	2,507	(2,551)	(1,163)	(443)	(155)	(41)	-	(749)	(44)
EBITDA (management accounts)									(44)
<i>Adjustments</i>									
Reclassification of Payroll expenses	-	7	7	-	-	-	-	-	7
Reversal of assets write-off	-	-	3	(3)	-	-	-	-	-
Revenue and Cost of sales netting off (vendor rebates)	(2)	2	-	-	-	-	-	2	-
Reclassification from Revenue to Other Income	(4)	4	-	-	-	-	4	-	-
Provisions accrual	-	(32)	(34)	-	2	-	-	-	(32)
Disposal of subsidiaries	-	7	-	-	-	1	6	-	7
Reversal of prepaids and inventory write-off	-	(12)	-	(5)	(7)	-	-	-	(12)
Other	-	14	2	8	4	(2)	(3)	5	14
Total adjustments	(6)	(10)	(22)	-	(1)	(1)	7	7	(16)
SUBTOTAL IFRS EBITDA	2,501	(2,561)	(1,185)	(443)	(156)	(42)	7	(742)	(60)
Depreciation and amortization	-	(186)	-	(168)	(18)	-	-	-	(186)
Results from operating activities	2,501	(2,747)	(1,185)	(611)	(174)	(42)	7	(742)	(246)
Financial income									17
Financial expenses									(425)
Share of profit of associates and joint ventures, net of income tax									13
Income tax benefit									171
Non-controlling interests									(3)
Net loss attributable to shareholders of the Company									(473)

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

Six months ended 30 June 2011, Mln RUB	Revenue	Expenses	Payroll expenses	Cost of sales excluding payroll expenses	Administrative expenses excluding payroll expenses	Other operating expenses	Other operating income	Selling expenses	Profit / (loss)
Business internet	820	(725)	(337)	(93)	(31)	(5)	-	(259)	95
Consumer internet	447	(484)	(200)	(145)	(32)	(3)	-	(104)	(37)
TV	256	(337)	(220)	(78)	(24)	(2)	-	(13)	(81)
Printing	169	(178)	(97)	(40)	(10)	(1)	-	(30)	(9)
Salon	266	(217)	(83)	(49)	(15)	(8)	-	(62)	49
SUBTOTAL	1,958	(1,941)	(937)	(405)	(112)	(19)	-	(468)	17
EBITDA (management accounts)									17
<i>Adjustments</i>									
Agency revenue	16	(16)	-	(16)	-	-	-	-	-
Accrual of provision for unused vacations	-	(22)	(22)	-	-	-	-	-	(22)
Disposal of property, plant and equipment	-	(2)	-	-	-	(2)	-	-	(2)
Accrual of provision for audit services	-	(2)	-	-	(2)	-	-	-	(2)
Disposal of intangible assets	-	(5)	-	-	-	(5)	-	-	(5)
Inventory write-off	-	(22)	-	(22)	-	-	-	-	(22)
Reversal of tax fines provision	-	58	-	-	-	-	58	-	58
Reclassification of expenses	2	(2)	(2)	28	(18)	(6)	22	(26)	-
Reversal of Prepaid expenses	-	(3)	-	(3)	-	-	-	-	(3)
Discounts provided to customers	(10)	10	-	-	-	-	-	10	-
Reclassification of research expenses	-	-	(28)	28	-	-	-	-	-
Disposals of subsidiaries	-	(14)	-	-	-	-	(14)	-	(14)
Other differences	(8)	(6)	-	(1)	-	-	(5)	-	(14)
Total adjustments	-	(26)	(52)	14	(20)	(13)	61	(16)	(26)
SUBTOTAL IFRS EBITDA	1,958	(1,967)	(989)	(391)	(132)	(32)	61	(484)	(9)
Depreciation and amortization	-	(118)	-	(109)	(9)	-	-	-	(118)
SUBTOTAL	1,958	(2,085)	(989)	(500)	(141)	(32)	61	(484)	(127)
Financial income									1,289
Financial expenses									(279)
Share of profit of associates and joint ventures									9
Income tax (loss)									(14)
Non-controlling interests									10

* The USD equivalent figures are provided for information purposes only and do not form part of the unaudited interim condensed consolidated financial information – refer to Note 2(b).

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

Net profit attributable to
shareholders of the Company

888

* The USD equivalent figures are provided for information purposes only and do not form part of the unaudited interim condensed consolidated financial information – refer to Note 2(b).

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

Six months ended 30 June 2012, Mln USD*	Revenue	Expenses	Payroll expenses	Cost of sales excluding payroll expenses	Administrative expenses excluding payroll expenses	Other operating expenses	Other operating income	Selling expenses	Profit / (loss)
Business internet	30	(26)	(11)	(2)	(1)	-	-	(12)	4
Consumer internet	22	(24)	(8)	(6)	(2)	(1)	-	(7)	(2)
TV	11	(14)	(9)	(3)	(1)	-	-	(1)	(3)
Printing	5	(6)	(4)	(1)	-	-	-	(1)	(1)
Salon	8	(7)	(3)	(1)	(1)	-	-	(2)	1
SUBTOTAL	76	(77)	(35)	(13)	(5)	(1)	-	(23)	(1)
EBITDA (management accounts)									(1)
<i>Adjustments</i>									
Reclassification of Payroll expenses	-	-	-	-	-	-	-	-	-
Reversal of assets write-off	-	-	-	-	-	-	-	-	-
Revenue and Cost of sales netting off (vendor rebates)	-	-	-	-	-	-	-	-	-
Reclassification from Revenue to Other Income	-	-	-	-	-	-	-	-	-
Provisions accrual	-	(1)	(1)	-	-	(1)	-	-	(1)
Reversal of prepaids and inventory write-off	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Reclassification of Payroll expenses	-	-	-	-	-	-	-	-	-
Total adjustments	-	(1)	(1)	-	-	(1)	-	-	(1)
SUBTOTAL IFRS EBITDA	76	(78)	(36)	(13)	(5)	(2)	-	(23)	(2)
Depreciation and amortization	-	(6)	-	(5)	(1)	-	-	-	(6)
Results from operating activities	76	(84)	(36)	(18)	(6)	(2)	-	(23)	(8)
Financial income									1
Financial expenses									(13)
Share of profit of associates and joint ventures, net of income tax									-
Income tax benefit									5
Non-controlling interests									-
Net loss attributable to shareholders of the Company									(15)

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

Six months ended 30 June 2011, MIn USD*			Cost of sales	Administrative					Profit / (loss)
	Revenue	Expenses	excluding payroll expenses	expenses excluding payroll expenses	Other operating expenses	Other operating income	Selling expenses		
Business internet	29	(25)	(13)	(2)	(1)	-	-	(9)	4
Consumer internet	16	(17)	(7)	(5)	(1)	-	-	(4)	(1)
TV	9	(12)	(8)	(3)	(1)	-	-	-	(3)
Printing	6	(5)	(3)	(1)	-	-	-	(1)	1
Salon	9	(8)	(3)	(2)	(1)	-	-	(2)	1
SUBTOTAL	69	(67)	(34)	(13)	(4)	-	-	(16)	2
EBITDA (management accounts)									2
<i>Adjustments</i>									
Agency revenue	1	(1)	-	(1)	-	-	-	-	-
Accrual of provision for unused vacations	-	(1)	(1)	-	-	-	-	-	(1)
Disposal of property, plant and equipment	-	-	-	-	-	-	-	-	-
Accrual of provision for audit services	-	-	-	-	-	-	-	-	-
Disposal of intangible assets	-	-	-	-	-	-	-	-	-
Reversal of tax fines provision	-	2	-	-	-	-	2	-	2
Reclassification of expenses	-	-	-	1	(1)	-	1	(1)	-
Reversal of Prepaid expenses	-	-	-	-	-	-	-	-	-
Discounts provided to customers	-	-	-	-	-	-	-	-	-
Reclassification of research expenses	-	-	(1)	1	-	-	-	-	-
Disposals of subsidiaries	-	-	-	-	-	-	-	-	-
Other differences	-	(2)	-	(1)	1	(1)	(1)	-	(2)
Total adjustments	1	(2)	(2)	-	-	(1)	2	(1)	(1)
SUBTOTAL IFRS EBITDA	70	(69)	(36)	(13)	(4)	(1)	2	(17)	1
Depreciation and amortization	-	(3)	-	(3)	-	-	-	-	(3)
SUBTOTAL	70	(72)	(36)	(16)	(4)	(1)	2	(17)	(2)
Financial income									39
Financial expenses									(9)
Share of profit of associates and joint ventures									-
Income tax (loss)									-
Non-controlling interests									-
Net profit attributable to shareholders of the Company									28

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

6. REVENUE

	Six months ended		Six months ended	
	30 June 2012 Mln RUB	30 June 2011 Mln RUB	30 June 2012 Mln USD*	30 June 2011 Mln USD*
Revenue from sales of internet advertising services and hosting services	1,724	1,278	53	39
Revenue from sales of advertising services in printing segment and from sales of printing products	419	428	12	13
Revenue from sales of advertising services on TV	358	252	11	8
	2,501	1,958	76	60

7. COST OF SALES

	Six months ended		Six months ended	
	30 June 2012 Mln RUB	30 June 2011 Mln RUB	30 June 2012 Mln USD*	30 June 2011 Mln USD*
Payroll costs, including social charges	1,081	894	33	27
Depreciation and amortization	168	109	5	3
Telecom expenses	85	84	3	3
Domain names expenses	75	41	2	1
Other expenses	283	266	9	8
	1,692	1,394	52	42

8. ADMINISTRATIVE EXPENSES

	Six months ended		Six months ended	
	30 June 2012 Mln RUB	30 June 2011 Mln RUB	30 June 2012 Mln USD*	30 June 2011 Mln USD*
Payroll costs, including social charges	104	95	3	3
Rent expenses	69	57	2	2
Other administrative expenses	105	84	3	2
	278	236	8	7

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

9. SELLING EXPENSES

Selling expenses are mainly represented by advertising expenses.

Increase of selling expenses for the six months ended 30 June 2012 comparing to the six months ended 30 June 2011 caused both by the growth of the prices for advertising services and by the fact that second half of 2011 and first half of 2012 were characterized by more dynamic promotional activity.

10. FINANCIAL INCOME AND EXPENSES

	Six months ended		Six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Financial income	Mln RUB	Mln RUB	Mln USD*	Mln USD*
Interest income	17	24	1	1
Gain from revaluation of derivatives (Note 14)	-	733	-	22
Foreign exchange gain, net	-	516	-	16
Other financial income	-	16	-	-
	<u>17</u>	<u>1,289</u>	<u>1</u>	<u>39</u>

	Six months ended		Six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Financial expenses	Mln RUB	Mln RUB	Mln USD*	Mln USD*
Interest expenses	(212)	(248)	(6)	(9)
Foreign exchange loss, net	(121)	-	(4)	-
Loss from revaluation of derivatives	(52)	-	(2)	-
Other financial expenses	(40)	(31)	(1)	-
	<u>(425)</u>	<u>(279)</u>	<u>(13)</u>	<u>(9)</u>

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

11. PROPERTY, PLANT AND EQUIPMENT

MIn RUB	<u>TV equipment</u>	<u>Computer equipment</u>	<u>Office equipment</u>	<u>Other assets</u>	<u>Vehicles</u>	<u>Construction-in-progress</u>	<u>Prepayments</u>	<u>Total</u>
Cost								
At 1 January 2012	366	308	126	147	73	17	-	1,037
Reclassification between groups	1	(2)	(2)	1	-	2	-	-
Additions through business combinations	-	69	1	3	1	31	-	105
Additions	6	48	2	9	3	1	8	77
Disposals	(4)	(3)	-	(7)	-	(9)	-	(23)
At 30 June 2012	369	420	127	153	77	42	8	1,196
Depreciation								
At 1 January 2012	(234)	(195)	(102)	(138)	(33)	-	-	(702)
Reclassification between groups	(1)	(1)	2	-	-	-	-	-
Depreciation charge	(13)	(28)	(5)	(4)	(6)	-	-	(56)
Disposals	4	3	-	1	-	-	-	8
At 30 June 2012	(244)	(221)	(105)	(141)	(39)	-	-	(750)
Net book value								
At 1 January 2012	132	113	24	9	40	17	-	335
At 30 June 2012	125	199	22	12	38	42	8	446

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

MIn RUB	<u>TV equipment</u>	<u>Computer equipment</u>	<u>Office equipment</u>	<u>Other assets</u>	<u>Vehicles</u>	<u>Construction-in-progress</u>	<u>Prepayments</u>	<u>Total</u>
Cost								
At 1 January 2011	198	204	179	219	-	4	1	805
Reclassification between groups	3	15	(18)	(71)	71	-	-	-
Additions	1	19	-	1	5	131	41	198
Disposals	-	-	-	(1)	(3)	-	-	(4)
At 30 June 2011	202	238	161	148	73	135	42	999
Depreciation								
MIn RUB	<u>TV equipment</u>	<u>Computer equipment</u>	<u>Office equipment</u>	<u>Other assets</u>	<u>Vehicles</u>	<u>Construction-in-progress</u>	<u>Prepayments</u>	<u>Total</u>
At 1 January 2011	(184)	(149)	(151)	(158)	-	-	-	(642)
Reclassification between groups	(1)	(12)	17	23	(27)	-	-	-
Depreciation charge	(3)	(27)	(12)	(1)	(5)	-	-	(48)
Disposals	1	1	-	1	-	-	-	3
At 30 June 2011	(187)	(187)	(146)	(135)	(32)	-	-	(687)
Net book value								
At 1 January 2011	14	55	28	61	-	4	1	163
At 30 June 2011	15	51	15	13	41	135	42	312

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

MIn USD*	TV equipment	Computer equipment	Office equipment	Other assets	Vehicles	Construction-in-progress	Prepayments	Total
Cost								
At 1 January 2012	11	9	4	4	2	1	-	31
Reclassification between groups	-	-	-	-	-	-	-	-
Additions through business combinations	-	2	-	-	-	1	-	3
Additions	-	1	-	-	-	-	-	1
Disposals	-	-	-	-	-	-	-	-
At 30 June 2012	11	12	4	4	2	2	-	35
Depreciation								
At 1 January 2012	(7)	(6)	(3)	(4)	(1)	-	-	(21)
Reclassification between groups	-	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 30 June 2012	(7)	(6)	(3)	(4)	(1)	-	-	(21)
Net book value								
At 1 January 2011	4	3	1	-	1	1	-	10
At 31 December 2011	4	6	1	-	1	2	-	14

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

MIn USD*	<u>TV equipment</u>	<u>Computer equipment</u>	<u>Office equipment</u>	<u>Other assets</u>	<u>Vehicles</u>	<u>Construction-in-progress</u>	<u>Prepayments</u>	<u>Total</u>
Cost								
At 1 January 2011	6	6	5	7	-	-	-	24
Reclassification between groups	-	-	-	(2)	2	-	-	-
Additions	-	1	-	-	-	4	1	6
Disposals	-	-	-	-	-	-	-	-
At 30 June 2011	6	7	5	5	2	4	1	30

MIn USD*	<u>TV equipment</u>	<u>Computer equipment</u>	<u>Office equipment</u>	<u>Other assets</u>	<u>Vehicles</u>	<u>Construction-in-progress</u>	<u>Prepayments</u>	<u>Total</u>
Depreciation								
At 1 January 2011	(6)	(5)	(5)	(5)	-	-	-	(21)
Reclassification between groups	-	-	-	1	(1)	-	-	-
Depreciation charge	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 30 June 2011	(6)	(5)	(5)	(4)	(1)	-	-	(21)

Net book value

At 1 January 2011	-	1	-	2	-	-	-	3
At 30 June 2011	-	2	-	1	1	4	1	9

Reclassifications of the property, plant and equipment in 2011

Due to increase of the carrying value of vehicles management of the Group decided to change the format of the presentation of the property, plant and equipment. Vehicles were reclassified from the group "Other" to the group "Vehicles" effective from 1 January 2011. The reason of this change is to provide the users of the interim condensed consolidated financial information with a more detailed understanding of the property, plant and equipment of the Group.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

12. INTANGIBLE ASSETS AND GOODWILL

MIn RUB	Trade marks	Software	Web-sites	Brands	Customer list	Cable network connection	Goodwill	Prepay-ments	Other	Total
Cost										
At 1 January 2012	491	255	652	513	198	974	1,707	12	193	4,995
Additions through business combinations	-	164	-	143	412	-	191	-	10	920
Additions	-	8	109	-	-	-	-	-	-	117
Disposals	-	-	(14)	-	-	-	-	-	-	(14)
At 30 June 2012	491	427	747	656	610	974	1,898	12	203	6,018
Accumulated amortization and impairment										
At 1 January 2012	(375)	(217)	(521)	(506)	(180)	(256)	(1,486)	-	(174)	(3,715)
Amortization charge	(23)	(15)	(31)	(4)	(21)	(30)	-	-	(6)	(130)
Disposals	-	-	13	-	-	-	-	-	-	13
At 30 June 2012	(398)	(232)	(539)	(510)	(201)	(286)	(1,486)	-	(180)	(3,832)
Net book value										
At 1 January 2012	116	38	131	7	18	718	221	12	19	1,280
At 30 June 2012	93	195	208	146	409	688	412	12	23	2,186

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

Min RUB	Trade marks	Software	Web-sites	Brands	Customer list	Cable network connection	Goodwill	Prepay-ments	Other	Total
Cost										
At 31 December 2010	491	434	553	534	198	713	1,699	-	224	4,846
Reclassification between groups	(2)	5	12	(13)	-	-	-	-	(2)	-
Additions	-	5	17	1	-	-	-	-	-	23
Disposals	(7)	-	-	(7)	(15)	-	(24)	-	(2)	(55)
At 30 June 2011	482	444	582	515	183	713	1,675	-	220	4,814
Accumulated amortization and impairment										
At 31 December 2010	(328)	(386)	(505)	(505)	(152)	(207)	(1,486)	-	(205)	(3,774)
Reclassification between groups	2	(2)	(4)	1	-	-	-	-	3	-
Amortization charge	(17)	(7)	(16)	(1)	(6)	(22)	-	-	-	(69)
Disposal	7	-	-	1	15	-	24	-	1	48
At 30 June 2011	(336)	(395)	(525)	(504)	(143)	(229)	(1,462)	-	(201)	(3,795)
Net book value										
At 31 December 2010	163	48	48	29	46	506	213	-	19	1,072
At 30 June 2011	146	49	57	11	40	484	213	-	19	1,019

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

MIn USD*	Trade marks	Software	Web-sites	Brands	Customer list	Cable network connection	Goodwill	Prepay-ments	Other	Total
Cost										
At 1 January 2012	15	8	20	16	6	30	52	-	6	153
Additions through business combinations	-	5	-	4	13	-	6	-	-	28
Additions	-	-	3	-	-	-	-	-	-	3
Disposals	-	-	-	-	-	-	-	-	-	-
At 30 June 2012	15	13	23	20	19	30	58	-	6	184
Accumulated amortization and impairment										
At 1 January 2012	(11)	(7)	(16)	(15)	(5)	(8)	(45)	-	(5)	(112)
Amortization charge	(1)	-	(1)	-	-	(2)	-	-	-	(4)
Disposals	-	-	-	-	-	-	-	-	-	-
At 30 June 2012	(12)	(7)	(17)	(15)	(5)	(10)	(45)	-	(5)	(116)
Net book value										
At 1 January 2012	4	1	4	1	1	22	7	-	1	41
At 30 June 2012	3	6	6	5	14	20	13	-	1	68

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

MIn USD*	Trade marks	Software	Web-sites	Brands	Customer list	Cable network connection	Goodwill	Prepay-ments	Other	Total
Cost										
At 31 December 2010	17	15	20	19	7	25	61	-	8	172
Reclassification between groups	-	-	-	-	-	-	-	-	-	-
Additions	-	-	1	-	-	-	-	-	-	1
Disposals	-	-	-	-	(1)	-	(1)	-	-	(2)
At 30 June 2011	17	15	21	19	6	25	60	-	8	171

MIn USD*	Trade marks	Software	Web-sites	Brands	Customer list	Cable network connection	Goodwill	Prepay-ments	Other	Total
Accumulated amortization and impairment										
At 31 December 2010	(12)	(14)	(18)	(18)	(5)	(7)	(53)	-	(7)	(134)
Reclassification between groups	-	-	-	-	-	-	-	-	-	-
Amortization charge	(1)	-	(1)	-	-	(1)	-	-	-	(3)
Disposal	-	-	-	-	1	-	1	-	-	2
At 30 June 2011	(13)	(14)	(19)	(18)	(4)	(8)	(52)	-	(7)	(135)

Net book value

At 31 December 2010	5	1	2	1	2	18	8	-	1	38
At 30 June 2011	4	1	2	1	2	17	8	-	1	36

Amortization charge

The amortization charge for the six months ended 30 June 2011 and 2010 is included in "Cost of sales" and "Administrative expenses".

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

KuponGid

In November 2011 the Group entered into an agreement to acquire shares of LLC “KuponGid” (“KuponGid”), a company engaged in intermediary business of gathering and selling various discount coupon offerings to customers, subject to certain conditions. In the first quarter of 2012 the Group acquired 43% of shares of KuponGid in exchange for advertising services provided in the amount of RUB 16.5 million / USD* 0.5 million. Under the terms of the arrangement the Group is obliged to increase its share in KuponGid to 73% until July 2013, by means of acquiring additional 10% stakes every half a year over this period, to be redeemed by cash or services provided. The price to be paid for each 10% stake shall be linked to KuponGid business value at each purchase date determined by reference to certain financial measures, including EBITDA.

LLC “KuponGid” becomes part of Consumer Internet Segment.

As at 30 June 2012 the Group had the following investments in the associates and joint ventures:

	Ownership	Carrying value at 31 December 2011 Mln RUB	Acquisition Mln RUB	Recognized profit / (loss) Mln RUB	Carrying value at 30 June 2012 Mln RUB
Atwood Lake Ltd.	40%	137	-	15	152
Limandora Ltd.	51%	8	-	4	12
Yuzhny Region-Telekommunikacii	50%	27	-	(3)	24
IGlobe	25%	77	-	(3)	74
BidLive	45%	32	-	-	32
Kupongid	43%	-	16	-	16
		281	16	13	310

	Ownership	Carrying value at 31 December 2011 Mln USD*	Acquisition Mln USD*	Recognized profit / (loss) Mln USD*	Carrying value at 30 June 2012 Mln USD*
Atwood Lake Ltd.	40%	4	-	-	4
Limandora Ltd.	51%	-	-	-	-
Yuzhny Region-Telekommunikacii	50%	1	-	-	1
IGlobe	25%	2	-	-	2
BidLive	45%	-	-	-	-
Kupongid	43%	-	2	-	2
		7	2	-	9

No impairment loss was recognized during six months ended 30 June 2012.

* The USD equivalent figures are provided for information purposes only and do not form part of the unaudited interim condensed consolidated financial information - refer to Note 2(b).

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As at 30 June 2011 the Group had the following investments in the associates and joint ventures:

	Ownership	Carrying value at 31 December 2010 MIn RUB	Recognized profit / (loss) MIn RUB	Carrying value at 30 June 2011 MIn RUB
Atwood Lake Ltd.	40%	113	26	139
Limandora Ltd.	51%	27	(17)	10
CJSC Yuzhny Region- Telekommunikacii	50%	27	-	27
IGlobe	25%	76	-	76
BidLive	45%	60	-	60
		303	9	312

	Ownership	Carrying value at 31 December 2010 MIn USD*	Recognized profit / (loss) MIn USD*	Carrying value at 30 June 2011 MIn USD*
Atwood Lake Ltd.	40%	4	1	5
Limandora Ltd.	51%	1	(1)	-
CJSC Yuzhny Region- Telekommunikacii	50%	1	-	1
IGlobe	25%	3	-	3
BidLive	45%	2	-	2
		11	-	11

No impairment loss was recognized during six months ended 30 June 2011.

14. TRADE AND OTHER RECEIVABLES

	30 June 2012 MIn RUB	31 December 2011 MIn RUB	30 June 2012 MIn USD*	31 December 2011 MIn USD*
Trade accounts receivable	829	871	25	25
Other receivable	155	55	5	2
Other prepayments	114	56	3	2
VAT receivable	80	54	2	2
Other taxes receivable	80	76	2	2
Deferred expenses	11	19	-	1
	1,269	1,131	37	34
Impairment provision for accounts receivable	(168)	(141)	(3)	(4)
Total accounts receivable	1,101	990	34	30

The changes in the impairment provision for accounts receivable are presented below:

	Six months ended		Six months ended	
	30 June 2012 MIn RUB	30 June 2011 MIn RUB	30 June 2012 MIn USD*	30 June 2011 MIn USD*
Balance as at 1 January	141	261	4	8
Reversal of impairment loss on trade and other receivables during the period	(37)	(59)	(1)	(2)
Impairment loss recognized during the period	64	45	2	1
Balance as at 30 June	168	247	5	7

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15. LOANS AND BORROWINGS

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal Interest rate	Year of maturity	Carrying amount			
				30 June 2012 Mln RUR	31 December 2011 Mln RUR	30 June 2012 Mln USD*	31 December 2011 Mln USD*
Non-current liabilities							
Loans							
Loans at 7%	USD	7%	2015	4,751	4,520	145	137
Loans at 6%	USD	6%	2018	2,249	2,271	69	70
Unsecured bond issues							
Bonds (issue B-1)	RUR	7%	2015	120	120	3	4
Bonds (issue B-4)	RUR	6%	2018	77	77	2	2
				<u>7,197</u>	<u>6,988</u>	<u>219</u>	<u>213</u>
Current liabilities							
Unsecured bond issues							
Bonds (issue BO-4)	RUR	12%	2009	12	13	1	1
Bonds (issue BO-5)	RUR	11%	2009	6	11	-	-
Other loans	RUR			4	9	-	-
				<u>22</u>	<u>33</u>	<u>1</u>	<u>1</u>

The USD-denominated loan participation notes and RUB-denominated bonds were issued by the Group as part of debt restructuring process in 2010, in which the Group reached agreement with its creditors to exchange all of the outstanding debt into RUB 6,337 million / USD* 211 million loan participation notes, RUB 191 million / USD* 6 million of RUB-denominated bonds and options/warrants granted to the loan participation notes and bond holders as described below.

As part of debt restructuring, CJSC RBC-TV, the Group subsidiary, pledged the rights to its trademarks and brand name in the appraised amount of RUB 46 million / USD* 1.4 million to E.M.I.S. Finance B.V. acting as lender.

The loan participation notes and bonds are subject to certain covenants. These covenants impose restrictions in respect of certain transactions and financial ratios, including, but not limited to restrictions in respect of indebtedness and profitability. The Group was in compliance with all debt covenants as of 30 June 2012.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

Derivative financial liabilities

In 2010, as part of the debt restructuring process, the Group agreed to grant to the loan participation notes call warrants and to the bond holders - call options, vesting in 2015 and in 2018. In accordance with the terms of warrant and option agreements the Group is obliged to pay the options and warrants holders the difference between average price of a share of OJSC RBC for the last 120 days preceding the exercise date and the fixed price of USD 1.96 per warrant/option. Further, the exercise of W-2 warrants is conditional upon the Group's non-default on certain loan participation notes.

The number of options granted and outstanding was as follows:

	<u>Exercise date</u>	<u>30 June 2012</u>	<u>31 December 2011</u>
Warrants W-1	6 May 2015	21,220,220	21,220,220
Warrants W-2	6 May 2018	18,579,709	18,579,709
Options W-1	2 June 2015	196,128	196,128
Options W-2	2 June 2018	246,403	246,403

Warrants/options are to be settled in cash and are classified as financial liability in the accompanying statement of financial position. The fair value of the warrants/options was determined by an independent appraiser using the Black-Scholes valuation model and amounted to RUB 74 million / USD* 2 million and RUB 21 million / USD* 1 million at 30 June 2012 and 31 December 2011 respectively.

16. ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND NON-CONTROLLING INTEREST

(a) Acquisition

RU-CENTER

	<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Proportion of voting equity interests acquired (%)</u>	<u>Consideration transferred MIn RUB</u>	<u>Consideration transferred MIn USD*</u>
RU-CENTER	the domain name registrar and web hosting provider	19 April 2012	100%	920,000	28
				<u>920,000</u>	<u>28</u>

RU-CENTER became the subsidiary of Hosting Community Inc., owned by the Group, and was included in the Consumer Internet Segment in segment information.

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**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Assets acquired and liabilities recognized at the date of acquisition

	Fair value of identifiable net assets acquired MIn RUB	Fair value of identifiable net assets acquired MIn USD*
Current assets		
Cash and & cash equivalents	166	5
Trade and other receivables	164	5
Other current assets	3	-
Non-current assets		
Plant and equipment	105	3
Intangible assets	729	22
Other non-current assets	3	-
Current liabilities		
Trade and other payables	(295)	(9)
Non-current liabilities		
Deferred tax liabilities	(146)	(4)
	729	22
	Goodwill arising on acquisition MIn RUB	Goodwill arising on acquisition MIn USD*
Consideration transferred	920	28
Less: fair value of identifiable net assets acquired	(729)	(22)
Goodwill arising on acquisition	191	6

Goodwill arose in the acquisition of RU-CENTER as the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of RU-CENTER and the Group Consumer Internet Segment. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	Six months ended 30 June 2012 MIn RUB	Six months ended 30 June 2012 MIn USD*
Consideration paid in cash	920	28
Less: cash and cash equivalent balances acquired	(166)	(5)
	754	23

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2012 is RUB 7 million / USD* 0.1 million attributable to the additional business generated by RU-CENTER. Revenue for the six months ended 30 June 2012 includes RUB 168 million / USD* 5 million.

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Had this business combination been effected at 1 January 2012, the revenue of the Group would have been RUB 2,749 million / USD* 84 million, and the loss for the 6 months ended 30 June 2012 would have been RUB 428 million / USD* 13 million. Management considers these unaudited 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualized basis and to provide a reference point for comparison in future periods.

Zayavka.ru

On 26 March 2012 a new LLC "Zayavka.ru" ("Zayavka.ru"), which owns a registered domain name Zayavka.ru, was established, where the Group invested RUB 9 million/ USD* 0.3 million in cash for 59% stake. Zayavka.ru is engaged in arranging on-line connection between customers and sellers in the Internet. The Group has an obligation to increase its ownership by 6% in 3 annual installments of 2% until the end of 2014 in exchange for advertising services with a total value of RUB 90 million/ USD* 2.7 million. Further, under the arrangement the owner of the non-controlling interest has a put option to sell up to 30% of ownership to the Group at a price determined by reference to revenue and profitability of Zayavka.ru. The option has indefinite term and can only be exercised once a year in respect of not more than 10% of the capital of Zayavka.ru. At 30 June, 2012, the fair value of the option was not material.

(b) Disposal

LLC IPK Media Production

In 2012 the Group disposed of its interest of 100% in LLC IPK Media Production to a third party. The income from disposal comprised RUB 5 million / USD* 0.2 million, recognized as other operating income.

17. PROVISIONS

As at 30 June 2012 the following provisions were occurred:

	30 June 2012 Mln RUB	31 December 2011 Mln RUB	30 June 2012 Mln USD*	31 December 2011 Mln USD*
Unused vacation provision	65	31	3	1
Late-payment interests and penalties related to VAT	2	2	-	-
Tax contingencies	13	-	-	-
	80	33	3	1

18. TRADE AND OTHER PAYABLES

	30 June 2012 Mln RUB	31 December 2011 Mln RUB	30 June 2012 Mln USD*	31 December 2011 Mln USD*
Other payables and accrued expenses	801	633	24	20
Trade accounts payables	408	208	13	6
Advances received	413	275	13	8
VAT Payable	136	143	4	4
Other taxes payable	130	92	3	3
Other	31	-	1	-
	1,919	1,351	58	41

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

19. EQUITY

(a) Share capital and share premium

As at 30 June 2012 the Group share capital consists of 365,631,010 ordinary shares with par value of 0.00064 RUB.

	<u>Outstanding ordinary shares</u>	<u>Issued ordinary shares</u>	<u>Authorized ordinary shares</u>
Balance as at 30 June 2012	361,403,010	365,631,010	615,000,000
Balance as at 31 December 2011	314,662,625	318,890,625	615,000,000

In May 2012 the Board of Directors approved additional share issuance by offering 51,109,375 shares via public subscription with price set at RUB 20 per share. 46,740,385 shares out of share issuance were sold for RUB 935 million / USD* 29 million, 4,368,990 shares were cancelled. ONEXIM Group acquired 32,444,607 shares of the total amount of the shares sold. As a result ONEXIM Group increased its share in the Group to approximately 53%.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders' meetings of the Company.

(b) Treasury shares

At the reporting date the Group held 4,228,000 of its own shares, obtained during first half of 2011 as a result of the exchange of shares of OJSC RBC Information Systems for shares of OJSC RBC.

20. (LOSS) / EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

Shares	<u>Six months ended 30 June 2012</u>		<u>Six months ended 30 June 2011</u>	
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	321,118,479		314,662,625	
	<u>Six months ended 30 June 2012 Mln RUB</u>	<u>Six months ended 30 June 2011 Mln RUB</u>	<u>Six months ended 30 June 2012 Mln USD*</u>	<u>Six months ended 30 June 2011 Mln USD*</u>
(Loss) / profit for the period attributable to owners of the Group	(470)	878	(15)	27
Basic and diluted (loss) / earnings per share, RUB / USD*	(1.47)	2.79	(0.05)	0.09

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21. COMMITMENTS

RBC Money

In July 2009 the Group committed to acquire the remaining 26% of non-controlling interest in LLC RBC Money for RUB 15 million / USD* 0.5 million, subject to the condition of finalization of the restructuring process. In 2011-2012 this commitment has been revised and the loan was provided to the owners of non-controlling interest in amount of RUB 18 million / USD* 0.6 million with pledge of 1% out of 26% non-controlling interest to the Group. Subsequently the Group submitted to the shareholders of 26% of LLC RBC Money an offer to buy out 74% of LLC RBC Money from the Group. In July 2012 this offer was accepted (Note 24).

22. CONTINGENCIES

(a) Insurance

The Group does not have full coverage for its facilities, business interruption, or third party liability in respect of 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

The Group is involved in various claims and legal proceedings arising in the normal course of business. Management does not believe that the ultimate resolution of such matters will give a material adverse impact on the Group's consolidated operating results or financial position.

(c) Taxation

Commercial legislation of Russian Federation, including tax legislation, is subject to varying interpretations and frequent changes. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Management believes the Group is in compliance with the requirements of applicable tax legislation. However tax authorities may take a different view in respect of certain tax positions taken by the Group and impose additional tax liabilities which may not exceed RUB 34 million/ USD* 1 million.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the Russian Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

Management has not provided any amounts in respect of the potential tax contingencies in this interim condensed consolidated financial information, except for the provision in amount of RUB 13 million / USD* 0.4 recorded as part of provisions at 30 June 2012 (Note 16).

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**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2012**
(d) Business environment

The Russian Federation, where the majority of the Group's transactions are conducted, has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. This interim condensed consolidated financial information reflects management's assessment of the impact of the Russian and business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

23. RELATED PARTY DISCLOSURES

For the purposes of this interim condensed consolidated financial information, parties are considered to be related if one party has the ability to control the other party, is under common control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, Related Party Disclosures. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Key management personnel and close family members are also related parties.

(a) Transactions with key management personnel and close family members
Compensation to key management personnel

Compensation of key management personnel consists of remuneration paid to directors, general directors and executive directors for the services in full- or part-time positions. Compensation is made up of annual remuneration and a performance bonus depending on operating results.

Total key management compensation represented by short-term employee benefits and included in administrative expenses in the interim condensed consolidated statement of comprehensive income was RUB 67 million / USD* 2 million and RUB 61 million / USD* 2 million for six-month periods ended 30 June 2012 and 30 June 2011, respectively.

(b) Transactions with the associates and joint ventures

The Group's transactions and balances with the associates are disclosed below.

MIn RUB	Outstanding balance	Transaction value	Outstanding balance	Transaction value
	30 June 2012	Six months ended 30 June 2012	31 December 2011	Six months ended 30 June 2011
Other services received	-	36	(2)	1
Advertising services provided	(21)	(30)	(14)	(46)
Other services provided	(81)	(1)	(77)	(1)
Loans issued	7	-	-	-
MIn USD*	Outstanding balance	Transaction value	Outstanding balance	Transaction value
	30 June 2012	Six months ended 30 June 2012	31 December 2011	Six months ended 30 June 2011
Other services received	-	1	-	-
Advertising services provided	-	(1)	-	(1)
Other services provided	(2)	-	(2)	-
Loans issued	-	-	-	-

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2012

(c) Transactions with other related parties

The Group's transactions and balances with other related parties are disclosed below.

Mln RUB	Outstanding balance	Transaction value	Outstanding balance	Transaction value
	30 June 2012	Six months ended 30 June 2012	31 December 2011	Six months ended 30 June 2011
Other services received	-	(4)	(1)	(6)
Advertising services provided	10	14	-	2
Other services provided	-	-	-	2
Bank deposits	-	-	319	-

Mln USD*	Outstanding balance	Transaction value	Outstanding balance	Transaction value
	30 June 2012	Six months ended 30 June 2012	31 December 2011	Six months ended 30 June 2011
Other services received	-	-	-	-
Advertising services provided	-	-	-	-
Other services provided	-	-	-	-
Bank deposits	-	-	10	-

24. SEASONALITY

The Group advertising revenue depends on seasonal demand. Advertising demand traditionally is the highest in the fourth quarter. In 2011 and 2010 years revenue of the first half of the year was approximately 42% of annual revenue. Seasonality does not impact the Group's revenue or cost recognition policies.

25. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 4 July 2012 the agreement between OJSC RBC and Trigale Investments Ltd (owns 26% ownership interest in RBC-Money) was concluded. Under the agreement the Company issues an option to Trigale Investments Ltd which grants the right to acquire 74% ownership interest in RBC-Money for 275 Mln RUB / 8.4 Mln USD. The option should be exercised by Trigale Investments Ltd until 31 December 2012.

25. EBITDA

The Board of Directors monitors the performance of the Group by EBITDA, which is determined as result from operating activities adjusted to exclude depreciation and amortization expenses and any impairment losses.

	Six months ended		Six months ended	
	30 June 2012 Mln RUB	30 June 2011 Mln RUB	30 June 2012 Mln USD*	30 June 2011 Mln USD*
(Loss) from operating activities	(246)	(127)	(8)	(2)
<i>Adjustments for:</i>				
Amortization	130	69	3	2
Depreciation	56	49	2	-
EBITDA	(60)	(9)	(3)	-

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